

MEETING DATE: 06/27/11

AGENDA ITEM: A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF CULVER CITY, CALIFORNIA,
CONFIRMING THE ASSESSMENT AND
ORDERING THE LEVY FOR THE SEWER
USER'S SERVICE CHARGES FOR FISCAL
YEAR 2011-2012

ATTACHMENTS

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1 RESOLUTION NO. 2011-R_____

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
4 CULVER CITY, CALIFORNIA, CONFIRMING THE
5 ASSESSMENT AND ORDERING THE LEVY FOR THE SEWER
6 USER'S SERVICE CHARGES FOR FISCAL YEAR 2011-2012.

7 WHEREAS, the City Council previously completed proceedings in accordance
8 with the provisions of Chapter 5.02 of the Culver City Municipal Code ("CCMC") for the levy and
9 collection of annual assessments for the system of sewer user's service charges providing that
10 each parcel of property shall pay its proportionate share of the costs for operation,
11 maintenance, repair and improvements of the City sewerage system (the "Sewer User's Service
12 Charges"); and,

13 WHEREAS, on June 6, 2011, the City Council approved the Assessment
14 Engineer's Report (the "Engineer's Report") and declared its intention to provide for the levy
15 and collection of annual assessments for Fiscal Year 2011-2012, to provide for the costs and
16 expenses necessary for the operation, maintenance, repair and improvements of the City
17 sewerage system; and,

18 WHEREAS, the City Council has heard all testimony and considered all
19 objections to the assessment at a duly noticed public hearing held on June 27, 2011 and has
20 determined to proceed with the levy of annual assessments for the District.

21 NOW, THEREFORE, the City Council of the City of Culver City, DOES HEREBY
22 RESOLVE as follows:

23 1. The City Council hereby confirms the assessment and the allocation of
24 the levy amounts so that each parcel of property shall pay its proportionate share of the costs
25 for operation, maintenance, repair and improvements of the City sewerage system, as is
26 described in full detail in the Engineer's Report on file with the Clerk.

1 2. The adoption of this resolution shall constitute the levy of an assessment
2 for the fiscal year commencing July 1, 2011 and ending June 30, 2012.

3 3. The assessment for the Sewer User's Service Charges as set forth in the
4 Engineer's Report shall be performed pursuant to law. The County Auditor shall enter on the
5 County Assessment Roll the amount of the assessment and the assessment shall be collected
6 at the same time and in the same manner as the County property taxes are collected. After
7 collection by the County, the net amount of the assessment shall be paid to the City of Culver
8 City.

9 4. Upon receipt of monies representing assessments collected by the
10 County, the City shall deposit the monies into a special fund known as the "Fund for Sewer
11 User's Service Charges" which was previously established upon the creation of the District.

12 5. Immediately upon the adoption of this Resolution, the City Clerk shall file
13 a certified copy of this Resolution, which includes the Engineer's Report containing the
14 allocation of levy amounts and assessment, with the County Auditor.

15 6. A certified copy of the Engineer's Report shall also be filed in the Office
16 of the City Engineer, with a duplicate copy on file in the Office of the City Clerk, and shall be
17 open for public inspection.
18

19
20 APPROVED and ADOPTED this _____ day of _____ 2011.
21

22
23 _____
MICHEÁL O'LEARY, Mayor
City of Culver City, California

24
25 ATTEST:

26 APPROVED AS TO FORM.

27 _____
MARTIN R. COLE, City Clerk

28 _____
CAROL A. SCHWAB, City Attorney

A11-00315



CHARLES D. HERBERTSON
Public Works Director/City Engineer



PUBLIC WORKS DEPARTMENT

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ENGINEER'S REPORT
ON THE ANNUAL LEVY
2011-2012
SEWER USER'S SERVICE CHARGE
IN THE CITY OF CULVER CITY UNDER THE
PROVISIONS
OF CHAPTER 5.02 OF THE CODE OF THE CITY OF
CULVER CITY, CALIFORNIA

FILED with the City Clerk
on June 01, 2011

PRESENTED to the City Council
and APPROVED by Resolution
No. 2011-R____, adopted by said
City Council on June 27, 2011
and thereafter filed in the
Office of the City Clerk

Martin Cole
City Clerk
City of Culver City

TO: The Honorable Mayor and Members of the City Council

FROM: Charles D. Herbertson, Public Works Director and City Engineer

**CITY ENGINEER'S REPORT FOR SEWER USER'S SERVICE CHARGES FOR
FISCAL YEAR 2011-12**

1.0 Introduction

A major challenge confronting those responsible for wastewater infrastructure, transportation, treatment and disposal is acquiring adequate funds to finance and operate facilities and capital equipment, along with implementing appropriate pricing structures to ensure the self-sufficiency of the utility. The financing vehicle that is used by the utility and the timing of the financing are crucial in ensuring that wastewater customers are appropriately paying for facilities that they need, and not inappropriately financing facilities for future customers. It is a major goal of an effective financial plan to 'match' the economic impact on customers with the benefits received from the service.

Regulations governing Federal and State grant funds require the City of Los Angeles to maintain a Cost Recovery Program (Sewer User Charges System) which includes all operations and maintenance costs directly or indirectly related to the treatment and collection of liquid waste discharge by residents and businesses. As a result of Culver City's contractual relationship with the City of Los Angeles for wastewater treatment at the Hyperion Treatment Facility, Culver City (City) is also required to recover from each wastewater user their proportionate share of the costs incurred for wastewater collection capital improvements within Culver City, wastewater system operation and maintenance, City of Los Angeles capital improvements for conveyance to Hyperion and operation and maintenance at Hyperion. Accordingly, Culver City adopted a plan to collect wastewater user charges and implemented it for the first time in fiscal year 1980-81.

The City recovers wastewater user charges on an annual basis. Since the plan's inception, the County Auditor-Controller's offices, and the annual property tax bill, have been utilized as the vehicle for both billing and collection. This method has proven to be both functionally satisfactory and exceptionally economical over the last twenty eight years.

In order to achieve a fair and equitable system of wastewater user charges, users are charged in a manner consistent with their actual use of the system. This comprises not only the flow quantity, but also the wastewater strength (quality) as characterized by BOD (biochemical oxygen demand) and SS (suspended solids).

Pursuant to the Culver City Municipal Code, in FY 2003-04 the City reviewed and approved the Sewer User's Service Charges (SUSC) structures and billing formulas to ensure that the City utilizes an effective pricing structure within the constraints of Proposition 218. Additionally, the City wanted to ensure that its sewer pricing structure continues to achieve the goals and objectives of the community, while maintaining a fair and equitable distribution of costs to all of its customers.

2.0 Discussion

Staff recommends that the existing rates be affirmed for the 2011-12 tax rolls. Staff believes, based on the current Sewer Fund balances and the anticipated revenues and expenses, that the existing rates will be adequate to maintain the solvency of the Fund.

Credits for residential landscaping can be given in two ways. 1) Either the resident can install a separate water meter for landscaping which will not be assessed on the tax bill or 2) prove by submitting calculations and evidence that the percentage reduction in the tabled formula is not adequate.

Last year, the City of Los Angeles charged \$1,568,000 for operations, maintenance and capital improvements for the treatment and conveyance of Culver City wastewater. For fiscal year 2011-12, the City of Los Angeles projects that the charge will be \$2,335,000.

3.0 Calculation of Annual Expenditures and Revenue

For fiscal year 2011-12 the estimated annual expenditures are as follows:

Operating Costs – City	\$3,414,001
Operating and Capital Projected charges from City of Los Angeles*	\$2,335,000
Debt Service on Sewer Bond	\$1,604,300
<u>Capital Projects – City</u>	<u>\$ 4,320,000</u>
 Total FY 2011-2012 budget	 \$ 11,673,301

Table 1 shows the Five-Year Cash Flow Projection for the Sewer Enterprise Fund.

*Operating and capital projects charges from the City of Los Angeles for fiscal year 2011-12 is a projection that was made in January 2011. Based on past experience, the charges amount will likely change and be at a lower amount.

In addition to annual operating and capital expenditures, sewer fund rates are set so as to maintain a minimum reserve within the sewer fund. The minimum reserve amount is calculated as follows:

Minimum Reserve Fund = 70% of annual operations budget + 2 yrs of debt service + annual capital improvements budget

For fiscal year 2011-2012 the minimum required reserve fund is estimated to be \$9,918,400 and the available cash balance is projected to be \$24,213,328.

For fiscal year 2011-12 the estimated annual revenue is as follows:

Sewer User Service Charge	\$7,231,008
<u>Interest Income</u>	<u>\$ 350,000</u>
	\$7,581,008

Staff recommends that the current SUSC billing formulas and charges remain the same for fiscal year 2011-12 due to the healthy cash reserve balance.

4.0 Summary of Current SUSC Rate Structure

The current SUSC Rate Structure is composed of a base charge and a commodity charge for all customer classifications.

A. Base Charge

The base charge of the SUSC is a fixed cost and is comprised of two components:

Customer Costs – Calculating the sewer user service charge for the annual property tax bill and responding to property owner inquiries regarding the charges. .

Capacity Costs – Capacity costs are fixed costs associated with the cost of providing the required capacity within the sewer collection system . These costs include rents and leases.

B. Commodity Charge

The Commodity Charge is also comprised of two components:

Collection System Costs – Collection system costs are debt service and variable costs associated with the maintenance of the underground pipelines from each customer and the integrated pipeline system prior to the discharge points to the City of Los Angeles transmission system. As there are no treatment costs involved in the maintenance of the Culver City’s collection system, these costs are allocated based on the amount of sewage flow only and do not take into account the strength of the sewage from a particular source.

Treatment Costs – The process and costs of providing transmission, treatment, and disposal of Culver City’s customers’ sewage are provided and determined by the City of Los Angeles. These costs are considered variable costs, as they vary with the flow and sewage strength as metered and determined by the City of Los Angeles. Treatment costs are recovered through commodity rates charged on the basis of each customer’s adjusted actual water usage and their assumed sewage strengths. In July of every year the City of Los Angeles provides Culver City with the Amalgamated System Sewerage System charge rates for the upcoming fiscal year.

Below is the formula for calculating the Sewer Users Service Charge:

Base Charge	+	Commodity Charge		=	SUSC
		Annual Water	Return to	Rate for the	
		Usage	Sewer	Customer	
		X	X		

5.0 Current SUSC Rates for 2010-11

Base Charge		Commodity Charge (Per HCF Annual total flow)	
Multi-Family	\$ 42.32 per unit +	(0.85W x \$3.85)	
Single Family	\$ 42.32 +	(0.58W x \$3.85)	
Group II Users: (Commercial no food preparation)	\$ 42.32 +	(W x \$3.85)	
Group III Users: (Commercial with food preparation)	\$ 42.32 +	(W x \$7.63)	
Group IV Users: (Institutional)	\$ 42.32 +	(W x \$3.75)	
Group V Users: (Schools)	\$ 42.32 +	(W x \$3.26)	
Group VI Users: Individual Special Users			
601	\$ 42.32	+	(W x \$4.10)
602	\$ 42.32	+	(W x \$5.35)
603	\$ 42.32	+	(W x \$5.35)
604	\$ 42.32	+	(W x \$3.75)
605	\$ 42.32	+	(W x \$3.21)
606	\$ 42.32	+	(W x \$5.35)
607	\$ 42.32	+	(W x \$3.85)
609	\$ 42.32	+	(W x \$3.85)
610	\$ 42.32	+	(W x \$0.77)
W=Annual Water Consumption		In HCF	
Unit is a resident dwelling unit.			

Annual Water Consumption was based on calendar year 2008.

6.0 Proposed SUSC Rates for 2011-12

Table 2

Base Charge		Commodity Charge (Per HCF Annual total flow)
Multi-Family	\$ 42.32 per unit +	(0.85W x \$3.85)
Single Family	\$ 42.32 +	(0.58W x \$3.85)
Group II Users: (Commercial no food preparation)	\$ 42.32 +	(W x \$3.85)
Group III Users: (Commercial with food preparation)	\$ 42.32 +	(W x \$7.63)
Group IV Users: (Institutional)	\$ 42.32 +	(W x \$3.75)
Group V Users: (Schools)	\$ 42.32 +	(W x \$3.26)
Group VI Users: Individual Special Users		
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605	\$ 42.32 +	(W x \$3.21)
606	\$ 42.32 +	(W x \$5.35)
607	\$ 42.32 +	(W x \$3.85)
609	\$ 42.32 +	(W x \$3.85)
610	\$ 42.32 +	(W x \$0.77)
W=Annual Water Consumption Unit is a residential dwelling unit		In HCF

On June 13, 2010, the City Council conducted a public hearing for the adoption of the 2010/11 sewer user service charges. The City Council was informed that Golden State Water Company (GSWC) stated they would no longer provide the water consumption data for each parcel. GSWC stated that they considered the water consumption data to be private and that the California State Public Utilities Commission (CPUC) had not directed them to release it. Per staff recommendation, the City Council approved that the fiscal year 2009-2010 sewer user service charges be used for the fiscal year 2010-2011 sewer user service charges.

8

On August 23, 2010, the City Council authorized the use of the 2009 water consumption data during the preparation of next year's annual Engineer's Report for the Sewer User Service Charge (which will result in a one-time adjustment (deduction or addition) to the Sewer User Service Charge in Fiscal Year 2011/2012). Meanwhile GSWC determined that they could provide the water consumption data to Culver City if a confidentiality agreement was put in place. This agreement has been executed and the GSWC has provided the 2009 and 2010 water consumption data.

The 2011/12 sewer user service charges will be calculated using the 2010 water consumption data provided by GSWC and Los Angeles Department of Water and Power. Also the one-time adjustment (deduction or addition) from the aforementioned 2009 water consumption data will then be applied to the 2011/12 sewer user charges.

7.0 Recommendations:

In Summary, Staff makes the following recommendations:

- Continue to use Los Angeles Auditor-Controller property tax roll for SUSC billing purposes for FY 2011-2012 as it eliminates costly billing systems, additional staff, and minimizes bad debt.
- Adopt a resolution that reaffirms the existing SUSC billing formulas for fiscal year 2011-12.



Charles D. Herbertson RCE 46658
Public Works Director and City Engineer

SIGNED 06/20/2011

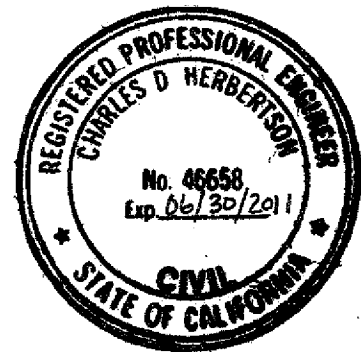


Table 1

Sewer Enterprise Fund Five Year Estimated Cash Flow Projection
(FY 2010-2015)

	2010/2011	2011/2012 estimate	2012/2013 estimate	2013/2014 estimate	2014/2015 estimate	2015/2016 estimate
Beginning cash balance	24,213,328	22,422,742	19,693,343	16,167,342	12,550,011	10,227,963
Sewer User Service Charge	8,104,500	7,231,008	7,375,628	7,523,141	7,673,604	7,827,076
Interest Income	350,000	350,000	350,000	150,000	150,000	150,000
Total Revenue	8,454,500	7,581,008	7,725,628	7,673,141	7,823,604	7,977,076
Less: Operating Costs						
Salaries and Benefits	1,140,185	1,362,894	1,390,152	1,417,955	1,446,314	1,475,240
Admin., insurance, rent	1,947,756	2,051,107	2,092,129	2,133,972	2,176,651	2,220,184
L.A. Hyperion	1,072,500	1,167,500	1,277,600	1,276,100	1,182,350	1,263,200
Bond Debt Service	1,552,330	1,604,300	1,604,300	1,604,300	1,604,300	1,604,300
Total Operating Expenditures	4,572,586	4,822,907	4,974,029	5,014,372	4,963,301	5,087,684
Less: Capital Projects						
Culver City	4,600,000	4,320,000	5,000,000	5,000,000	4,000,000	4,000,000
L. A. Hyperion	1,072,500	1,167,500	1,277,600	1,276,100	1,182,350	1,263,200
Total Capital Projects	5,672,500	5,487,500	6,277,600	6,276,100	5,182,350	5,263,200
Total Expenditures	10,245,086	10,310,407	11,251,629	11,290,472	10,145,651	10,350,884
Operating Surplus/Deficit	-1,790,586	-2,729,399	-3,526,001	-3,617,331	-2,322,048	-2,373,809
Cash Balance- End of June	22,422,742	19,693,343	16,167,342	12,550,011	10,227,963	7,854,155

1. 2% increase beginning 2012/13 and assuming no change to water consumption
2. Assuming 2% COLA increase
3. Assuming 2% increase excluding depreciation
4. Projected charges by City of Los Angeles per Jan. 2011 letter
5. In 2012/13 and 2013/14 construction of new Fox Hills pump station and diversion of Mesmer and Overland sewer pump stations