MEETING DATE: 6/14/10

AGENDA ITEM: PUBLIC HEARING - Adoption of a Resolution Approving the Engineer's Report and Affirming the Existing Annual Assessment Levy for the Sewer User's Service Charge for Fiscal Year 2010/2011

ATTACHMENTS

RESOLUTION NO. 2010-R___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CULVER CITY, CALIFORNIA, APPROVING THE ENGINEER'S REPORT AND AFFIRMING THE EXISTING ASSESSMENT LEVY FOR THE SEWER USER'S SERVICE CHARGE FOR FISCAL YEAR 2010/2011

WHEREAS, the City Council of the City of Culver City desires to assess a levy for fiscal year 2010/2011 of the Sewer User's Service Charge pursuant to the provisions of Chapter 5.02 of the Culver City Municipal Code ("CCMC") for a service charge to be known and designated as SEWER USER'S SERVICE CHARGE (hereinafter referred to as the "Service Charge"); and

WHEREAS, on May 17, 2010, the City Council declared its intention to order the annual assessment levy, to collect the assessments, and to carry on all other proceedings necessary for the levy of annual assessments for the Assessment District; and ordered the City Engineer to prepare a Report on the Annual Levy 2010-2011, Sewer User's Service Charge, (the "Engineer's Report") to be filed with the City Clerk and submitted to the City Council for consideration at a public hearing on June 14, 2010; and

WHEREAS, the City Engineer prepared and filed the Engineer's Report (attached hereto as Exhibit "A" and incorporated herein by reference) for the City Council's consideration; and

WHEREAS, the City Council has heard all testimony and evidence at a duly noticed public hearing held on June 14, 2010 and has determined to proceed with the levy of annual assessment for the Service Charge.

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

1. Upon the conclusion of the public hearing and consideration of all public testimony, the Engineer's Report is hereby approved, the existing annual levy as set forth and described in the Engineer's Report is hereby ordered, and no increase is ordered at this time.

2. The adoption of this Resolution constitutes the levy of the existing assessment for the fiscal year commencing July 1, 2010 and ending June 30, 2011.

3. The estimates of costs and all other matters as set forth in the Engineer's Report as submitted pursuant to CCMC § 5.02.035 are hereby approved and adopted.

4. The existing assessment as set forth in the Engineer's Report shall be performed pursuant to law. The County Auditor shall enter on the County Assessment Roll the amount of the assessment and the assessment shall then be collected at the same time and in the same manner as the County property taxes are collected. After collection by the County, the net amount of the assessment shall be paid to the City Treasurer of the City of Culver City.

5. Upon receipt of monies representing assessments collected by the County, the City Treasurer for the City of Culver City shall deposit the monies into a special fund known as the "Fund for Sewer User's Service Charge," which was previously established.

6. Immediately upon the adoption of this Resolution, the City Clerk shall file a certified copy of the Engineer's Report containing the assessment, with the County Auditor.

7. A certified copy of the Engineer's report shall also be filed in the Office of the City Engineer, with a duplicate copy on file in the Office of the City Clerk, and shall be open for public inspection.

APPROVED and ADOPTED this ______day of June 2010.

____
CHRISTOPHER ARMENTA, MAYOR
City of Culver City, California

ATTEST:

____
MARTIN R. COLE, City Clerk

A10-00199

APPROVED AS TO FORM:

for

____
CAROL A. SCHWAB, City Attorney

3

Culver CITY
PUBLIC WORKS DEPARTMENT
9770 CULVER BOULEVARD, 2ND FLOOR
CULVER CITY, CALIFORNIA 90232-0507

CHARLES D. HERBERTSON
Public Works Director/City Engineer

Phone (310) 253-5600
FAX (310) 253-5626

ENGINEER'S REPORT

ON THE ANNUAL LEVY

2010-2011

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 03, 2010

PRESENTED to the City Council
and APPROVED by Resolution
No. 2010-R____, adopted by said
City Council on June 14, 2010
and thereafter filed in the
Office of the City Clerk

____
Martin Cole
City Clerk
City of Culver City

4

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 2010-11

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 2010-11 tax rolls. Staff believes, based on the current Sewer Fund balances and the anticipated revenues and costs, that the existing rates will protect 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 $1.75 million for operations, maintenance and capital improvements for the treatment and conveyance of Culver City wastewater. For fiscal year 2010-11, the charge is projected to be about $2,145,000.

3.0 Calculation of Annual Expenditures and Revenue

For fiscal year 2010-11 the estimated annual expenditures are as follows:

Operating Costs – City	$3,087,941
Operating and Capital Projected charges from City of Los Angeles*	$2,145,000
Debt Service on Sewer Bond	$1,552,000
Capital Projects – City	$ 4,600,000
Total FY 2010-2011 budget	$ 11,384,941

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 2010-11 is a projection that was made in February 2010. 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 2010-2011 the minimum required reserve fund is estimated to be $9,865,558 and the available cash balance is projected to be $24,213,328.

For fiscal year 2010-11 the estimated annual revenue is as follows:

Sewer User Service Charge	$8,104,500
Interest Income	$ 350,000
	$8,454,500

Staff recommends that the current SUSC billing formulas and charges remain the same for fiscal year 2010-11 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 are fixed costs and are 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 on a flow basis only.

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.

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

5.0 Current SUSC Rates for 2009-10

SUSC Current Billing Formulas for FY 09/10

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 Unit is a resident dwelling unit.			In HCF

Annual Water Consumption was based on calendar year 2008.

6.0 Proposed SUSC Rates for 2010-11

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

SUSC Proposed Billing Formulas for FY 10/11

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 Unit is a residential dwelling unit			In HCF

Annual water consumption is based on calendar year 2009. However, as was reported to the City Council on May 24, 2010, Golden State Water Company has stated they will no longer provide water consumption data to the City. They believe that the water consumption data is private and cannot be released to the City. Also they have stated that they have not been directed to release water consumption data by the California Public Utilities Commission. It is recommended that water consumption data from 2008 be used in calculations of the fiscal year 2010-2011 sewer user service charges.

Staff will present to the City Council alternative options on securing water consumption data and conducting billings in a separate City Council report in the early part of fiscal year 2010-2011.

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 2010-2011 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 2010-11.

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

REGISTERED PROFESSIONAL ENGINEER
CHARLES D HERBERTSON
No. 46658
Exp. 06/30/2011
CIVIL
STATE OF CALIFORNIA