

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 06/27/05		Item Number: <u>PH-3</u>	
AGENDA ITEM: Public Hearing and Adoption of a Resolution Confirming the City Engineer's Report and Adoption of Sewer User's Service Charges for Fiscal Year 2005/06			
Contact Person/Dept: Jorge Pachas/PW		Phone Number: (310) 253-5604	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☒		Action Item: ☐ Attachments: ☒	
Public Notification: Posted at City Hall on Jun17, 2005, and every property owner and business customer notified by first class mail on June 10, 2005, Los Angeles Times advertisement on June 17, 2005 and Master Notification List on June 22, 2005.			
Department Approval: Charles D. Herbertson 06/17/05		CAO Approval: <u>Jerry Fulwood 6/20/05</u>	
City Controller Approval <u>Jim Lavery 6/20/05</u>			

RECOMMENDATION:

Staff recommends that City Council hold a public hearing to receive comments or protests on the adoption of the Sewer User's Service Charges (SUSC) for Fiscal Year 2005/06. Upon closing the public hearing, the City Council is requested to confirm the City Engineer's Report by adoption of a Resolution which provides a special assessment on each sewer using property within the City, unless the results of the public discussion dictate otherwise.

PROCEDURE:

1. Mayor seeks a motion to receive and file the affidavit of posting of public notice.
2. Mayor calls on staff for a brief staff report and City Council poses questions to staff.
3. Mayor opens the public hearing and invites public comment.
4. After taking public comment the Mayor seeks a motion to close the public hearing.
5. Mayor calls on staff to answer any questions raised by the public.
6. City Council thoroughly discusses the matter and arrives at its decision.

BACKGROUND:

Culver City obtains sewage treatment services at the City of Los Angeles' Hyperion Treatment Plant through an Amalgamated Agreement with the City of Los Angeles. This Agreement, approved by the City Council in 1999, requires Culver City to pay a

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proportionate share of the costs of conveyance, operation, maintenance, repair and capital improvements to upgrade and improve the Amalgamated Sewerage system. Culver City owns and operates a separate sewage collection system, which is connected to the Amalgamated system.

Federal law requires that all other agencies using the City of Los Angeles' Hyperion Treatment Plant adopt a system of charges to assure that each property served by a public sewer pay its fair share of costs for the operation, maintenance, repair and improvement of Hyperion. The fair share of each sewer-using property is based on its contribution to the system in terms of flow quantity and sewage quality (biochemical oxygen demand and suspended solids). This is in addition to the cost experienced by Culver City in the collection, operation, and improvement of our own sewage collection and conveyance system.

All of these costs are annually determined and presented to the City Council in the City Engineer's Report, in accordance with Section 5.02.035 of the Culver City Municipal Code (CCMC). The proposed charges for Fiscal Year 2005/06 will address most of the estimated costs for providing operation, maintenance, and future local capital improvements for the Culver City sewerage system and for the estimated payments due to the City of Los Angeles for Culver City's share of the Los Angeles Amalgamated System costs.

In addition to formulating and adopting a system of Sewer User's Service Charges, the City must also select a system of collecting these charges. In 1980, based on an engineering study and the City Engineer's recommendation, the City Council initiated a once-a-year billing procedure for Sewer User's Service Charges that places each property owner's charges on their property tax bill. This method of collection has proven to be very efficient and provides the lowest cost billing and collection service for Culver City.

During fiscal year 2002/03 Sewer User Service Charge discussion with the City Council, a five year program identifying the need for an annual 10% revenue increase beginning in 2002/03 and ending in Fiscal Year 2007/08 was approved. The second and third in the series of those recommended 10% increases was recommended and adopted in Fiscal Year 2003/04 and 2004/05, respectively. In addition, during the SUSC authorization discussion in 2002/03, the City Council was advised that staff would be exploring changes to the rate structure and formulas to ensure each user pays their appropriate share of the costs and to be more in line with industry practices. The Engineer's Report for 2003/04 also included recommendations for further modifications to some of the billing formulas.

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Public Notice

Pursuant to the CCMC Section 5.02.040, a public notice of the hearing was published in the Los Angeles Times on June 17, 2005, and posted at City Hall. In addition, to publishing and posting a notice, the Public Works Department mailed on June 10, 2005 a total of 26,000 notices to all property owners and business customers in the City, advising them of the June 27, 2005 Public Hearing.

DISCUSSION:

The City's operating and capital improvement costs that should be recovered by the SUSC revenue are divided into multiple sections. For Fiscal Year 2005/06 the proposed revenue requirement is:

Operating Costs - City	\$2,464,270
Operating Costs – Hyperion	\$ 997,500
Debt Service	\$1,688,000
Capital Projects – City	\$2,110,000
<u>Capital Projects- Hyperion</u>	<u>\$1,227,500</u>

Total FY2005/2006 Budget	\$8,484,270
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For fiscal year 2005/06 the minimum required reserve fund is estimated to be \$10,479,339 and the available cash balance is projected to be \$15,723,460, providing approximately \$5.2 million above the minimum recommended reserve level. However, it is expected that as part of the negotiations with the City of Los Angeles to reconcile the charges for the last four flow years, 2004-2005 inclusive, Culver City will have to pay approximately one million dollars to bring the account to a current status.

Therefore, Staff recommends that the current SUSC billing formulas be increased by 5% to remain on-track with the rate-stabilization program.

As indicated in a Memorandum to City Council dated April 7, 2004, (attached), Public Works staff terminated the contract with the Consultant responsible for performing the financial analysis of the SUSC and the preparation of the Engineer's Report in previous years. Also due to changes in the upper management in the Public Works department as well as the City Controller's office during Fiscal Year 2004/05, combined with the fact that the City is in the process of reconciling its account with the City of Los Angeles, staff did not hire a consultant as intended to initiate the study to possibly change the structure of the current SUSC rates this year.

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Staff, working with a new Consultant next year, will review the SUSC rate structure in order to ensure each user pays its appropriate share of the costs and to be more in line with industry practices. We anticipate further review will result in additional recommendations for modifications to the user classifications and categories.

At the conclusion of the 2005/06 SUSC update process, staff intends to issue a Request for Proposal for consultant services for assistance in the 2006/07 annual sewer rate structure analysis. In addition to consulting firms, staff will also contact the City of Los Angeles to explore what assistance their offices may be able to provide in developing/performing the rate structure analysis.

FISCAL ANALYSIS:

As stated above, staff is recommending that the SUSC billing rates be increased by 5% to meet the revenue requirements of the Sewer Enterprise and stay on-track with the City Council approved rate-stabilization program.

Based on the Sewer Enterprise Fund Five Year Cash Flow Projection included as Table 1 within the Engineer's Report, Staff is confident that the approach recommended in this year's Engineer's Report is appropriate and will not jeopardize the solvency of the Fund nor cause negative impacts on the community.

ATTACHMENTS:

- City Engineer's Report for FY 2005/06
- Resolution confirming the City Engineer's Report, which upon adoption shall constitute a charge against each sewer-using property within the City of Culver City for the Fiscal Year 2005/06 and shall be a special assessment and lien on each such property.
- Memorandum to City Council dated April 7, 2004

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MOTIONS:

That the City Council.

- 1) Adopt a Resolution confirming the City Engineer's Report as submitted which upon adoption shall constitute a charge against each sewer-using property within the City of Culver City for the Fiscal Year 2005/06 and shall be a special assessment and lien on each such property;

OR

- 2) Overrule all objections to the proposed Sewer User's Service Charges for Fiscal Year 2005/06, or should certain objections be deemed justified, order the City Engineer's Report and Sewer User's Service Charges revised accordingly; and
- 3) Instruct the City Clerk to forward a certified copy of the Resolution and the City Engineer's Report to the Los Angeles County Auditor-Controller for the purpose of entering each assessment on the County tax roll charging each sewer-using parcel of land within Culver City and collecting said assessments in the same manner as used in collecting property taxes, with the same laws relating to the levy, collection and enforcement of property taxes applying to such special assessments.