

MEETING DATE: 6/22/09

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 - Fiscal Year 2009/2010

ATTACHMENTS

		<u>Pages</u>
1	Engineer's Report	1-9
2	Resolution	10-12
3	Sewer Enterprise Funds 5 Year Cash Flow Projection	13

ENGINEER'S REPORT
ON THE ANNUAL LEVY
2009-2010
SEWER USER'S SERVICE CHARGE



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ENGINEER'S REPORT
ON THE ANNUAL LEVY
2009-2010
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 22, 2009

PRESENTED to the City Council
and APPROVED by Resolution
No. 2009-R____, adopted by said
City Council on June 22, 2009
and thereafter filed in the
Office of the City Clerk

Martin Cole
City Clerk
City of Culver City

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June 22, 2009

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 2009-10**

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 continue 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 2009-10 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 \$1.8 million for operations, maintenance and capital improvements for the treatment and conveyance of Culver City wastewater. For fiscal year 2009-10, the charge is projected to be about \$2,644,000.

3.0 Calculation of Annual Expenditures and Revenue

For fiscal year 2009-10 the estimated annual expenditures are as follows:

Operating Costs – City	\$1,957,000
Operating and Capital Projected charges from City of Los Angeles	\$2,644,000
Debt Service on Sewer Bond	\$1,709,234
Sewer User Service Charge credits – estimated	\$ 50,000
City of L.A. Sewer Facility Charge – estimated	\$ 100,000
Industrial Waste Inspection Fee	\$ 70,000
<u>Capital Projects – City</u>	<u>\$5,050,000</u>
 Total FY 2009-2010 budget	 \$11,580,234

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 2009-10 is a projection made in December 2008. Based on past experience, the charges amount will likely change and be at a lower amount.

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

For fiscal year 2009-2010 the minimum required reserve fund is estimated to be \$9,838,368 and the available cash balance is projected to be \$19,517,557.

For fiscal year 2009-10 the estimated annual revenue is as follows:

Sewer User Service Charge	\$8,100,000
Sewer Facility Fees	\$ 200,000
Industrial Waste Inspection Fees	\$ 70,000
<u>Interest Income</u>	<u>\$ 350,000</u>
Total FY 2008-2009 revenue	\$8,720,000

There will be an operating deficit in an amount of \$2,860,234 based on the estimated total expenditures and revenue for fiscal year 2009-10. This is a very conservative estimate and will likely be a smaller deficit amount if the City of Los Angeles charges us less than they projected in a letter to Culver City in February 2008. Also the proposed capital project budget includes several large projects such as the Braddock Sewer Pump Station upgrade and Sewer Main Rehabilitation Projects.

The sewer user service charge revenue will decrease by 6.5% from last year's amount based on lower water consumption data as obtained from Golden State Water Company and Los Angeles Department of Water and Power for calendar year 2008. However, with the healthy cash balance and conservative estimates of expenditures, Staff recommends that the current SUSC billing formulas and charges remain the same for fiscal year 2009-10.

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	+	Annual Water Usage	Return to Sewer Percentage	Rate for the Customer Class	=	SUSC
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5.0 Current SUSC Rates for 2008-09

SUSC Current Billing Formulas for FY 08/09

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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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 2007.

6.0 Proposed SUSC Rates for 2009-10

Base Charge	+	Annual Water Usage	Return to Sewer Percentage	Rate for the Customer Class	=	SUSC
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SUSC Proposed 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)

ENGINEER'S REPORT
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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

Annual water consumption is based on calendar year 2008.

7.0 Recommendations:

In Summary, Staff makes the following recommendations:

- Continue to use Los Angeles Auditor-Controller property tax roll for SUSC billing purposes 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 2009-10.



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

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

4 4. The existing assessment as set forth in the Engineer's Report shall
5 be performed pursuant to law. The County Auditor shall enter on the County Assessment
6 Roll the amount of the assessment and the assessment shall then be collected at the
7 same time and in the same manner as the County property taxes are collected. After
8 collection by the County, the net amount of the assessment shall be paid to the City
9 Treasurer of the City of Culver City.
10

11 5. Upon receipt of monies representing assessments collected by the
12 County, the City Treasurer for the City of Culver City shall deposit the monies into a
13 special fund known as the "Fund for Sewer User's Service Charge," which was previously
14 established.
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16 6. Immediately upon the adoption of this Resolution, the City Clerk shall
17 file a certified copy of the Engineer's Report containing the assessment, with the County
18 Auditor.

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

4 APPROVED and ADOPTED this _____ day of June 2009.

5
6
7 _____
8 ANDREW WEISSMAN, MAYOR
 City of Culver City, California

9 ATTEST:

10 APPROVED AS TO FORM:

11 _____
12 MARTIN R. COLE, City Clerk

13 _____
14 CAROL A. SCHWAB, City Attorney

15 A09-00241

Table 1

Sewer Enterprise Fund Five Year Estimated Cash Flow Projection
(FY 2007-2012)

	2007/2008 actual	2008/2009	2009/2010 estimated	2010/2011	2011/2012	2012/2013	projection
Beginning cash balance		18,498,000	19,517,557	16,657,323	13,495,699	11,068,924	
Sewer User Service Charge	8,311,749	8,668,401	8,100,000	8,262,000	8,427,240	8,595,785	2% increase from 2009/2010
Industrial Waste Inspection Fee	60,000	70,000	70,000	70,000	70,000	70,000	
CC & LA Sewer Facility Charges	600,000	200,000	200,000	300,000	300,000	300,000	
Interest Income	350,000	350,000	350,000	300,000	250,000	250,000	
Total Revenue	9,321,749	9,288,401	8,720,000	8,932,000	9,047,240	9,215,785	
Less: Operating Costs							
Operating costs- City	2,206,215	1,900,000	1,957,000	2,015,710	2,076,181	2,138,467	3% increase
Operating costs- Hyperion	1,044,908	150,000	1,322,000	1,550,000	1,576,500	1,298,500	Based on City of LA projected charges
Debt service	1,701,569	1,708,844	1,709,234	1,707,914	1,704,834	1,709,334	
Industrial Waste Inspection Fee	60,000	70,000	70,000	70,000	70,000	70,000	
LA Sewer Facility Charges	300,000	100,000	100,000	150,000	150,000	150,000	
SUSC Refund Credits	50,000	50,000	50,000	50,000	50,000	50,000	
Total Operating Expenditures	5,362,692	3,978,844	5,208,234	5,543,624	5,627,515	5,416,301	
Capital Projects							
Capital expenditures- City	2,768,659	4,140,000	5,050,000	5,000,000	4,270,000	5,300,000	
Capital expenditures- Hyperion	1,044,900	150,000	1,322,000	1,550,000	1,576,500	1,298,500	Based on City of LA projected charges
Total Capital Projects	3,813,559	4,290,000	6,372,000	6,550,000	5,846,500	6,598,500	
Total Expenditures	9,176,251	8,268,844	11,580,234	12,093,624	11,474,015	12,014,801	
Operating Surplus/Deficit	145,498	1,019,557	-2,860,234	-3,161,624	-2,426,775	-2,799,016	
Cash Balance- End of June	18,498,000	19,517,557	16,657,323	13,495,699	11,068,924	8,269,908	