

**MEETING DATE:** 05/11/15

**AGENDA ITEM:** Adoption of the Resolution Approving the Engineer's Report, Declaring the Intention to Order the Sewer User's Service Charge for Fiscal Year 2015/2016, and Setting the Date, Time, and Place for the Public Hearing to be Monday, June 8, 2015 at 7:00 PM in the Mike Balkman Council Chambers

ATTACHMENTS

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1 RESOLUTION NO. 2015-R \_\_\_\_\_

2  
3 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
4 CULVER CITY, CALIFORNIA, APPROVING THE  
5 ASSESSMENT ENGINEER'S REPORT, DECLARING ITS  
6 INTENTION TO ORDER THE ANNUAL LEVY AND  
7 COLLECTION OF ASSESSMENTS FOR THE SEWER  
8 USER'S SERVICE CHARGES AND SETTING A TIME AND  
9 PLACE FOR A PUBLIC HEARING THEREON.

10 WHEREAS, pursuant to the provisions of Culver City Municipal Code  
11 ("CCMC") §5.02.035.A, the City Council previously established a system of sewer user's  
12 service charges providing that each parcel of property shall pay its proportionate share of  
13 the costs for operation, maintenance, repair and improvements of the City sewerage  
14 system (the "Sewer User's Service Charges"); and

15 WHEREAS, the City Council desires to declare its intention to provide for the  
16 levy and collection of annual assessments for Fiscal Year 2015-2016, to provide for the  
17 costs and expenses necessary for the operation, maintenance, repair and improvements of  
18 the City sewerage system; and

19 WHEREAS, the Engineer's Report has been prepared and filed with the City  
20 Clerk and submitted to the City Council in accordance with CCMC §5.02.035.B; and

21 WHEREAS, the City Council has carefully examined and reviewed the  
22 Engineer's Report as presented and is preliminary satisfied with the proposed report, each  
23 and all of the budget items and documents as set forth therein and is satisfied that the levy  
24 amounts, on a preliminary basis, have been allocated so that each parcel of property shall  
25 pay its proportionate share of the costs for operation, maintenance, repair and  
26 improvements of the City sewerage system as set forth in the Engineer's Report; and

1           WHEREAS, on July 22, 2013, following a duly noticed and conducted public  
2 hearing, the City Council adopted Resolution No. 2013-R053, increasing the Sewer User's  
3 Service Charge by 4% per year for three successive years (Fiscal Years, 2013-2014, 2014-  
4 2015 and 2015-2016). Resolution No. 2013-R053, also provided an exception of a 3% rate  
5 increase for single family residences in Fiscal Year 2015-2016 only. In addition, base  
6 charges were adjusted to a 60/40% revenue split; and

7  
8           WHEREAS, in accordance with Government Code 53756(d), a 30-day notice  
9 has been mailed to all affected property owners that the Sewer User's Service Charge will  
10 be increased for Fiscal Year 2015-2016 as authorized by Resolution No. 2013-R053.

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

13           1.     The Engineer's Report as presented, consisting of the following: a  
14 description of the operation, maintenance, repair and improvements of the City sewerage  
15 system, the estimated costs of operation, maintenance, repair and improvements, and the  
16 formulas used to determine the sewer user service charges for the parcels, is hereby  
17 approved on a preliminary basis and is on file in the Office of the City Clerk open for public  
18 inspection.  
19

20           2.     It is the intention of the City Council to levy and collect assessments  
21 for the Sewer User's Service Charges to pay the annual costs and expenses for the costs  
22 for operation, maintenance, repair and improvements of the City sewerage system for the  
23 fiscal year commencing July 1, 2015 and ending June 30, 2016. The operation,  
24 maintenance, repair and improvements are generally described as: 90 miles of sewer  
25 pipelines, seven sewer pump stations, and sewage transmission and treatment costs  
26 payable to the City of Los Angeles per the executed Amalgamated Agreement with City of  
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1 Los Angeles. Costs include all necessary service, operations, administration and  
2 maintenance required to keep the City's sewerage system in a healthy, vigorous and  
3 satisfactory condition.

4 3. The Engineer's Report, as preliminarily approved by the City Council,  
5 is on file with the City Clerk and open for public inspection. Reference is made to the  
6 Engineer's Report for a full detailed description of the operation, maintenance, repair and  
7 improvements to be maintained, and the proposed assessments upon assessable lots and  
8 parcels of land within the City.

9  
10 4. As previously authorized by the City Council on July 22, 2013,  
11 pursuant to Resolution No. 2013-R053 (as "increased assessment" is defined in California  
12 Government Code §54954.6): (a) the maximum assessment for all customer classes,  
13 except single family residences, for Fiscal Year 2015-2016 shall be increased by four  
14 percent (4%) above that previously approved for the preceding fiscal year; and (b) the  
15 maximum assessment for single family residences for Fiscal Year 2015-2016 shall be  
16 increased by three percent (3%) above that previously approved for the preceding fiscal  
17 year.

18  
19 5. Notice is hereby given that a public hearing is scheduled to be held at  
20 the Mike Balkman Council Chambers, 9770 Culver Boulevard, Culver City, California, on  
21 June 8, 2015 at 7:00pm or as soon thereafter as the matter may be heard. All interested  
22 persons, prior to the conclusion of the hearing, shall be afforded the opportunity to hear  
23 and be heard. The City Council shall consider all oral statements or written communication  
24 made or filed by any interested person.

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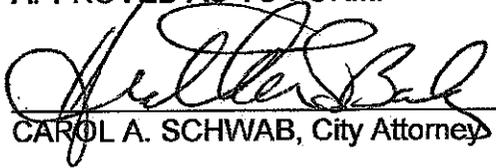
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6. The City Clerk is hereby directed to give notice of the public hearing by causing the resolution of intention, or summary thereof, to be published in accordance with CCMC §5.02.040 and Government Code §6066.

APPROVED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

\_\_\_\_\_  
MICHEÁL O'LEARY, Mayor  
City of Culver City, California

ATTEST:  
  
\_\_\_\_\_  
MARTIN R. COLE, City Clerk

APPROVED AS TO FORM:  
  
\_\_\_\_\_  
CAROL A. SCHWAB, City Attorney

A15-00285

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**CHARLES D. HERBERTSON**  
Public Works Director/City Engineer

*Culver* CITY

PUBLIC WORKS DEPARTMENT

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**ENGINEER'S REPORT**

**ON THE ANNUAL LEVY**

**2015-2016**

**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 May 6, 2015

PRESENTED to the City Council  
and APPROVED by Resolution  
No. 2015-R\_\_\_\_, adopted by said  
City Council on May 11, 2015  
and thereafter filed in the  
Office of the City Clerk

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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 2015-16**

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

**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.

## **2.0 Discussion**

In 2012, the City Council awarded a contract to NBS Government Finance Group dba NBS to conduct an in-depth review of the existing SUSC and determine if they were fair and equitable to each customer class taking into consideration the cost of City of Los Angeles services to convey and treat the wastewater and Culver City's costs for collection and conveyance of the sewage in its own system.

NBS determined the following findings:

1. The City's current sewer rates need to be adjusted to collect more revenue from single family customers and less from other customer classes, particularly commercial/restaurant customers.
2. The City should collect approximately 60% of rate revenue from base charges and 40% from its commodity charges based on the classification of current expenses as either fixed or variable. The City collected 90% of rate revenue from commodity charges. Fixed costs (which are associated with Base charges) are personnel costs (including cost for maintenance of the City's sewage collection system), office expense, and 75% of administrative charges and consultant support costs. These costs do not vary directly with the quantity of sewage produced. Variable costs (which are associated with Commodity Charges) are what the City pays to the City of Los Angeles for wastewater treatment-related costs, utilities at the pump stations, and 25% of administrative charges and consultant support. These charges are more directly tied to the quantity of sewage produced.
3. Existing landscape irrigation credits of 42% for residential customers are reasonable.

In addition, NBS prepared a 5-year financial plan/revenue requirements (2012/13 through 2016/17) for the sewer enterprise fund. These requirements are based on several factors such as NBS' recommended targets for operating, capital and debt reserve balances and the City's projected capital improvement program.

On July 22, 2013, after a 45 day public notice, the City Council, after receiving and hearing all public comment, adopted rate increases of 4% across all customer classes for each Fiscal Years, 2013-2014, 2014-15 and 2015-16, with the exception of only a 3% rate increase for single family residences in Fiscal Year 2015-2016. In addition, base charges were adjusted to a 60% / 40% revenue split.

### **DISCUSSION:**

The recommended targets for reserve balances are as follows:

1. Operating Reserve – 25% or 90 days of operating and maintenance expenses.
2. Capital Rehabilitation and Replacement Reserve – 3% of system net assets. The net assets is based on the 2010/11 CAFR, plus capital asset additions and annual depreciation adjustments, it is estimated that the City's Net Asset value is approximately \$41.6 million.
3. Debt Reserve – the maximum annual debt service payment, as specified by the bond covenants.

These recommended targets for reserve balances equates to approximately \$4.5 million.

	2012/2013	2013/2014 actual	2014/2015 actual	2015/2016 estimate	2016/2017 estimate
<b>Beginning unreserved cash balance</b>	<b>17,190,264</b>	<b>13,175,110</b>	<b>13,249,101</b>	<b>13,195,088</b>	<b>4,622,677</b>
Sewer User Service Charge 1	7,231,008	8,145,000	8,491,574	9,132,203	9,132,203
Interest Income	202,000	153,000	153,000	153,000	153,000
Sewer Facility Fee	400,000	381,845	350,000	350,000	400,000
<b>Total Revenue 5</b>	<b>7,433,008</b>	<b>8,679,845</b>	<b>8,994,574</b>	<b>9,635,203</b>	<b>9,685,203</b>
<b>Less: Operating Costs</b>					
Salaries and Benefits 2	1,367,370	1,299,899	1,325,897	1,352,414	1,379,462
Admin., insurance, rent, contractual svcs 3	2,153,592	2,786,755	2,842,490	2,900,000	2,957,000
L.A. Hyperion	1,136,000	1,107,000	1,300,000	1,750,000	1,750,000
Bond Debt Service	1,605,200	1,605,200	1,605,200	1,605,200	1,605,200
<b>Total Operating Expenditures 5</b>	<b>6,262,162</b>	<b>6,798,854</b>	<b>7,073,587</b>	<b>7,607,614</b>	<b>7,691,662</b>
<b>Less: Capital Projects</b>					
Culver City 4	4,050,000	700,000	675,000	8,850,000	500,000
L. A. Hyperion	1,136,000	1,107,000	1,300,000	1,750,000	1,750,000
<b>Total Capital Projects</b>	<b>5,186,000</b>	<b>1,807,000</b>	<b>1,975,000</b>	<b>10,600,000</b>	<b>2,250,000</b>
<b>Total Expenditures</b>	<b>11,448,162</b>	<b>8,605,854</b>	<b>9,048,587</b>	<b>18,207,614</b>	<b>9,941,662</b>
Operating Surplus/Deficit	-4,015,154	73,991	-54,013	-8,572,411	-256,459
<b>Cash Balance- End of June</b>	<b>13,175,110</b>	<b>13,249,101</b>	<b>13,195,088</b>	<b>4,622,677</b>	<b>4,366,218</b>

1. City Council approved 4% rate increase each fiscal year 2013/14, 2014/15, AND 2015/16, except 3% for single family residence for 2015/16.
2. Assuming 2% COLA increase
3. Assuming 2% increase excluding depreciation
4. In 2015/16 and 2016/17 construction of new Bankfield pump station and diversion of Bristol, Fox Hills, Mesmer and Overland sewer pump stations
5. Does not include City of Los Angeles sewer facility fees as they are pass through and

industrial waste charges as they are paid to the County of Los Angeles for plan check and inspection.

### 3.0 Recommendation

As approved by the City Council on July 22, 2013, the sewer user service charge rates for Fiscal Year 2015/2016 are shown in the following table:

Customer Class Code	Base Charge	Commodity Rate
101 Single Family <sup>1</sup>	\$274.80 +	(0.58W x \$1.25)
102 Multi-Family <sup>2</sup>	\$220.42 +	(0.85W x \$1.25)
200 Commercial/Business:	\$274.80 +	(W x \$3.56)
300 Commercial/Restaurants:	\$274.80 +	(W x \$7.07)
400 Institutional:	\$274.80 +	(W x \$3.76)
500 School/Public:	\$274.80 +	(W x \$2.89)
600 Special Users (Description in Engineer's Report)		
601	\$ 274.80 +	(W x \$4.18)
602	\$ 274.80 +	(W x \$5.53)
603	\$ 274.80 +	(W x \$5.54)
604	\$ 274.80 +	(W x \$3.88)
605	\$ 274.80 +	(W x \$3.29)
606	\$ 274.80 +	(W x \$5.55)
607	NOT USED	NOT USED
608	\$ 274.80 +	(W x \$4.30)
609	NOT USED	NOT USED
610	\$ 274.80 +	(W x \$0.60)
611	NOT USED	NOT USED
612	\$ 138.52 +	(W x \$0)
613	\$ 274.80 +	(W X \$0.26)
614	\$ 274.80 +	(W x \$3.11)
615	\$ 274.80 +	(W x \$4.27)
W=Annual Water Consumption in HCF		
<sup>1</sup> Base charge is per parcel		
<sup>2</sup> Base charge is per dwelling unit		

Continue to use Los Angeles Auditor-Controller property tax roll for SUSC billing purposes for FY 2015-2016 as it eliminates costly billing systems, additional staff, and minimizes bad debt.