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ENGINEER'S REPORT

ON THE ANNUAL LEVY

2023-2024

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 April 19, 2023

PRESENTED to the City Council
and APPROVED by Resolution
No. 2023-R____, adopted by said
City Council on April 24, 2023
and thereafter filed in the
Office of the City Clerk

City Clerk
City of Culver City

TO: The Honorable Mayor and Members of the City Council

FROM: Yanni Demetri, Public Works Director and City Engineer

CITY ENGINEER'S REPORT FOR SEWER USER'S SERVICE CHARGES FOR FISCAL YEAR 2023-24

Yanni Demetri, P.E. RCE 63388
Public Works Director/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 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.

For Fiscal Year 2016/17 no rate increase was proposed or approved.

For Fiscal Year 2017/18, the City Council approved a rate increase of 2.7% based on the Bureau of Labor Statistics February Consumer Price Index for All Urban Consumers for the Los Angeles – Riverside - Orange County area for the prior 12-month period ending February 2017 for Fiscal Year 2017/2018.

For Fiscal Year 2018/19 the City Council approved a rate increase of 3.6% based on the Bureau of Labor Statistics February Consumer Price Index for All Urban Consumers for the Los Angeles area for the prior 12-month period ending February 2018 for Fiscal Year 2018/2019.

For Fiscal Year 2019/20 the City Council approved a rate increase of 2.5% based on the Bureau of Labor Statistics February Consumer Price Index for the Los Angeles area for the prior 12-month period ending February 2019.

For Fiscal Year 2020/21 the City Council, due to the severe impacts to both individuals and businesses caused by the COVID-19 pandemic, there was no increase proposed.

For Fiscal Year's 2021/22 and 2022/23, due to sufficient reserves, there was no increase proposed.

The required reserve balance is \$1.6 million per the sewer bond covenants and is in a separate account and not part of the following sewer cash expenditure table.

	FY 2021-2022	FY 2022-2023	FY 2023-2024
	Actual	Estimate	Proposed Budget
Beginning unreserved cash balance	24,538,926	23,704,578	15,670,274
Sewer - Operating	8,440,047	9,000,000	8,550,000
Interest Income	206,226	204,000	204,000
Sewer Facility - CC	328,238	240,000	240,000
Misc. Revenue	(165,947)	598,819	375,000
Total Revenue	8,808,564	10,042,819	9,369,000
Less: Operating Costs			
Salaries and Benefits	1,269,807	1,658,201	1,758,460
Other Culver City Operating Costs	2,396,370	2,737,612	2,421,776
L.A. Hyperion (1/2)	1,330,806	1,802,698	1,500,000
Bond Debt Service	1,446,986	1,605,075	1,696,550
Total Operating Exp (Less Depreciation)	6,443,969	7,803,586	7,376,786
Capital Projects			
Culver City (Appropriated FY 2021-2022&FY2022-2023)	1,868,138	8,470,839	2,250,000
L.A. Hyperion	1,330,806	1,802,698	1,500,000
Total Capital Projects	3,198,943	10,273,537	3,750,000
Total Expenses	9,642,912	18,077,123	11,126,786
Net Surplus/Deficit	(834,348)	(8,034,304)	(1,757,786)
Cash Balance-End of June	23,704,578	15,670,274	13,912,488

*In FY 2019/2020 the 2009 Sewer Bond was refunded and \$12M in Bond proceeds was received for committed CIP projects.

3.0 Recommendation

Due to sufficient reserves the rates are proposed to remain the same for Fiscal Year 2023/2024 as shown in the following table:.

Customer Class Code	Base Charge	Commodity Rate
101 Single Family ¹	\$299.69 +	(0.58W x \$1.36)
102 Multi-Family ²	\$240.38 +	(0.85W x \$1.36)
200 Commercial/Business:	\$299.69 +	(W x \$3.88)
300 Commercial/Restaurants:	\$299.69 +	(W x \$7.71)
400 Institutional:	\$299.69 +	(W x \$4.10)
500 School/Public:	\$299.69 +	(W x \$3.16)
600 Special Users (Description in Engineer's Report)		
601	\$ 299.69 +	(W x \$4.55)
602	\$ 299.69 +	(W x \$6.03)
603	\$ 299.69 +	(W x \$6.04)
604	\$ 299.69 +	(W x \$4.22)
605	\$ 299.69 +	(W x \$3.59)
606	\$ 299.69 +	(W x \$6.06)
607	NOT USED	NOT USED
608	\$ 299.69 +	(W x \$4.69)
609	NOT USED	NOT USED
610	NOT USED +	NOT USED
611	NOT USED	NOT USED
612	\$ 151.06 +	(W x \$0)
613	\$ 299.69 +	(W X \$0.39)
614	\$ 299.69 +	(W x \$3.29)
615	\$ 299.69 +	(W x \$4.66)
W=Annual Water Consumption in HCF		
¹ Base charge is per parcel		
² Base charge is per dwelling unit		

601 – 6000 Sepulveda Boulevard – Westfield Mall
 602 – 6333 Bristol Parkway
 603 – 5992 Green Valley Circle
 604 – Southern California Hospital
 605 – Sony Studios
 606 – 6161 Centinela Avenue
 607 – Not used
 608 – 4065 Jackson Avenue – 50% of Code 101 + 50% of Code 300
 609 – Not used
 610 – Not used
 611 – Not used
 612 – Nurseries
 613 – 10121 Jefferson Boulevard #4904651 – 10% of Code 200
 614 – 10555 Jefferson Boulevard – 85% of Code 200
 615 – 10824 Venice Boulevard – 20% of Code 300 + 80% Code 200

Continue to use Los Angeles Auditor-Controller property tax roll for SUSC billing purposes for FY 2023-2024 as it eliminates costly billing systems, additional staff, and minimizes bad debt.