

MEETING DATE: 06/23/14

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 2014/2015, and Setting the Date, Time, and Place for the Public Hearing to be Monday, July 28, 2014 at 7:00 PM in the Mike Balkman Council Chambers

ATTACHMENTS

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1	Resolution	1 – 4
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1 RESOLUTION NO. 2014-R _____

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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 2014-2015, 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
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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 2014-2015 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, 2014 and ending June 30, 2015. 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, the maximum assessment for all customer classes
12 for Fiscal Year 2014-2015 shall be increased by four percent (4%) above that previously
13 approved for the preceding fiscal year (as "increased assessment" is defined in California
14 Government Code §54954.6).
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16 5. Notice is hereby given that a public hearing is scheduled to be held at
17 the Mike Balkman Council Chambers, 9770 Culver Boulevard, Culver City, California, on
18 July 28, 2014 at 7:00pm or as soon thereafter as the matter may be heard. All interested
19 persons, prior to the conclusion of the hearing, shall be afforded the opportunity to hear
20 and be heard. The City Council shall consider all oral statements or written communication
21 made or filed by any interested person.
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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
2014-2015
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 18, 2014

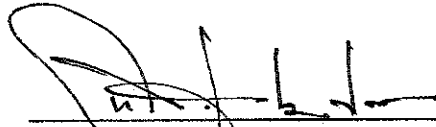
PRESENTED to the City Council
and APPROVED by Resolution
No. 2014-R____, adopted by said
City Council on June 23, 2014
and thereafter filed in the
Office of the City Clerk

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 2014-15


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

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.

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

Angéles 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 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.

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.

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. These approved rate

increases will stabilize the enterprise fund reserve and guarantee the targeted reserve balance in Fiscal Year 2016/2017.

	2012/2013	2013/2014 actual	2014/2015 proposed	2015/2016 estimate	2016/2017 estimate	
Beginning unreserved cash balance	17,190,264	13,175,110	13,267,256	12,871,669	8,649,082	
Sewer User Service Charge	7,231,008	8,145,000	8,700,000	9,048,000	9,048,000	1
Interest Income	202,000	153,000	153,000	153,000	153,000	
Sewer Facility Fee	400,000	400,000	200,000	250,000	400,000	
Total Revenue	7,433,008	8,698,000	9,053,000	9,451,000	9,601,000	6
Less: Operating Costs						
Salaries and Benefits	1,367,370	1,299,899	1,325,897	1,325,897	1,352,415	2
Admin., insurance, rent, contractual svcs	2,153,592	2,786,755	2,842,490	2,842,490	2,899,340	3
L.A. Hyperion	1,136,000	1,107,000	1,500,000	2,200,000	2,100,000	4
Bond Debt Service	1,605,200	1,605,200	1,605,200	1,605,200	1,605,200	
Total Operating Expenditures	6,262,162	6,798,854	7,273,587	7,973,587	7,956,955	6
Less: Capital Projects						
Culver City	4,050,000	700,000	675,000	3,500,000	3,500,000	5
L. A. Hyperion	1,136,000	1,107,000	1,500,000	2,200,000	2,100,000	4
Total Capital Projects	5,186,000	1,807,000	2,175,000	5,700,000	5,600,000	
Total Expenditures	11,448,162	8,605,854	9,448,587	13,673,587	13,556,955	
Operating Surplus/Deficit	-4,015,154	92,146	-395,587	-4,222,587	-3,955,955	
Cash Balance- End of June	13,175,110	13,267,256	12,871,669	8,649,082	4,693,127	

1. 4% increase each fiscal year 2013/14, 2014/15, AND 2015/16 and assuming no change to water consumption
2. Assuming 2% COLA increase
3. Assuming 2% increase excluding depreciation
4. Proposed and estimated charges by City of Los Angeles but have been always historically 30% to 40% less
5. In 2015/16 and 2016/17 construction of new Bankfield pump station and diversion of Bristol, Fox Hills, Mesmer and Overland sewer pump stations
6. 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.

Recommendation

As approved by the City Council on July 22, 2013, the sewer user service charge rates for Fiscal Year 2014/2015 are shown in the following table:

Customer Class Code	Base Charge	Commodity Rate
101 Single Family ¹	\$264.32 +	(0.58W x \$1.21)
102 Multi-Family ²	\$211.48 +	(0.85W x \$1.21)
200 Commercial/Business:	\$264.32 +	(W x \$3.43)
300 Commercial/Restaurants:	\$264.32 +	(W x \$6.80)
400 Institutional:	\$264.32 +	(W x \$3.61)
500 School/Public:	\$264.32 +	(W x \$2.78)
600 Special Users		
601	\$ 264.32 +	(W x \$4.02)
602	\$ 264.32 +	(W x \$5.31)
603	\$ 264.32 +	(W x \$5.33)
604	\$ 264.32 +	(W x \$3.73)
605	\$ 264.32 +	(W x \$3.16)
606	\$ 264.32 +	(W x \$5.33)
607	NOT USED	NOT USED
608	\$ 264.32 +	(W x \$4.14)
609	NOT USED	NOT USED
610	\$ 264.32 +	(W x \$0.58)
611	NOT USED	NOT USED
612	\$ 133.19 +	(W x \$0)
613	\$ 264.32 +	(W x \$0.25)
614	\$ 264.32 +	(W x \$2.99)
615	\$ 264.32 +	(W x \$4.10)
W=Annual Water Consumption in HCF		
¹ Base charge is per parcel		
² Base charge is per dwelling unit		

600 Special Users descriptions

601 – Mall

602 – 6333 Bristol Parkway – Courtyard Marriot

603 – 5992 Green Valley Circle – 4 Points Sheraton

604 – Brotman Medical Center

605 – Sony Studios

606 – 6161 Centienla – Double Tree

607 – Move to User Code 200

608 – Jackson Market

609 – Regular Business Move to 200

610 – 4545 Sepulveda - #1818847 - 20% of User Code 200

611 – Not Used

612 – Nurseries

613 – 10121 Jefferson - #4904651 – 10% of User Code 200

614 – 10555 Jefferson – 85% of 200 Rates

615 – 10824 Venice Blvd – 20% of 300 + 80% of 200

Staff recommends to continue to use Los Angeles Auditor-Controller property tax roll for SUSC billing purposes for FY 2014-2015 as it eliminates costly billing systems, additional staff, and minimizes bad debt.

