

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 06/23/08		Item Number: <u>PH-2</u>	
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 for Fiscal Year 2008/2009			
Contact Person/Dept.: Mate Gaspar/PW		Phone Number: (310) 253-5602	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☒		Action Item: ☐ Attachments: ☒	
Public Notification:			
<u>Legal:</u> The Notice of Public Hearing was posted on the City's official bulletin board on June 12, 2008 and published in the June 12, 2008 issue of Culver City News.			
Master E-Mail Notification List on (06/18/08)			
Department Approval: Charles Herbertson (06/16/08)		City Attorney Approval: Carol Schwab (by H. Baker) (06/18/08)	
City Financial Officer Approval: Jeff Muir (by M. Noller) (06/18/08)		City Manager Approval: Jerry B. Fulwood (06/18/08)	
<u>RECOMMENDATION:</u> Staff recommends the City Council adopt a resolution approving the Engineer's Report and affirming the existing annual assessment levy for the Sewer Users' Service Charge for Fiscal Year July 1, 2008 to June 30, 2009. <u>PROCEDURE:</u> Mayor: Announce that this is the time and place for the public hearing to discuss the annual levy of assessments for the Sewer User's Service Charge for Fiscal Year 2008/2009. City Clerk: Announce that notice of this hearing has been given pursuant to the provisions of Chapter 15.01 of the Code of the City of Culver City, California, and that the following affidavits are on file in his office: 1. Affidavit of Publication; and 2. Affidavit of Posting. Mayor and Council: Seeks a Motion to receive and file all affidavits.			

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- City Engineer: Present the Engineer's Report and explains method of assessment for the annual levy.
- City Clerk: Announce the number of written protests received, if any, and announce that copies of all such protests have been delivered to the City Council OR, summarize the contents thereof.
- Mayor: First, ask to hear from those who have filed a written protest. Next, ask to hear from those in the audience wishing to speak against the proposed assessments.
- Then, ask to hear from anyone who wishes to speak in favor of the proposed assessments.
- Mayor and Council: Seeks a motion to Declare the Public Hearing closed.
- Mayor and Council: Discussion.
- Mayor and Council: By Motion, overrule and deny any protests, assuming protests represent less than 50% of property interest.
- Mayor and Council: By Motion, adopt the Resolution confirming the annual assessment levy

BACKGROUND:

Culver City currently 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 requires Culver City to pay a 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 Treatment Plant. The "fair share" of each sewer-using property is based on its contribution to the system in terms of flow quantity and

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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 2008/2009 will address estimated costs for providing complete operation, maintenance, and 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 the Fiscal Year 2002/03 Sewer User Service Charge rate discussion the City Council approved a program that identified the need for annual 10% rate increases through Fiscal Year 2007/2008. The Sewer User Service Charge rate has been increased 10% every year since Fiscal Year 2002/03 except in Fiscal Year 2005/06 where the rate was increased by 5%. The total percentage rate increase from fiscal year 2002/03 to fiscal year 2007/08 was 55%. From fiscal year 1990/91 to fiscal year 2001/02 there was no rate increase. The total rate increase in eighteen (18) years averaged 3% a year.

DISCUSSION:

The Sewer User's Service Charge budget is 100 percent self-supporting for all expenditures related to the collection, operation & maintenance, capital improvements, conveyance and treatment of the City's sewer system. The sewer user service charge is collected based on the prior calendar year's total water consumption for each parcel that is on the sewer system. A certain portion of the water consumption amount is deducted due to landscape irrigation.

With the Amalgamated Agreement with the City of Los Angeles, certain costs related to conveyance and treatment are included in this charge by Los Angeles which the City pays based on flow measurements throughout the year. The City of Los Angeles sends Amalgamated Cities their 5-year projections for costs related to

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the Agreement. In a February 12, 2008 letter from the City of Los Angeles to Culver City they have projected an increase of cost from \$2,089,000 to \$2,963,000. This is an \$874,000 cost increase.

However, the actual cost will be made known in July 2008. Historically, the City of Los Angeles tends to project a much larger cost than the actual cost that is received at a later date.

The Sewer Enterprise Fund maintains a large surplus reserve and staff does not recommend any rate increase this year. As described earlier in the report, each property owner's sewer charge is based on its water consumption and then entered in a formula as described in the Engineer's report. Preliminary water consumption data for 2007 from Golden State Water Company and City of Los Angeles' Department of Water and Power show an increase of 2% over last year's amount. As such, the total revenue will increase by about 2% over last year.

Consolidation and diversion of sewer flow

In December 2007, the City Council approved a contract with Psomas for the sewer pump station consolidation study. The study will determine the economic feasibility of consolidating several of the pump stations. Based on the results of this study, staff may recommend to the City Council several sewer projects to consolidate the sewer pump stations. The costs for this endeavor are projected to be several million dollars and would be obtained from the Sewer Enterprise Fund surplus reserve balance. After this study is completed, a second phase will study the feasibility of diverting the consolidated sewer flow to the Los Angeles County system. Should sending flow to the County system prove feasible, it is likely that this will also cost several million dollars to implement the system changes needed to bring this about and to buy into the County Sanitation District's system. The purpose of this entire effort is that the sewer system will cost less to maintain and operate over the long term. A side benefit would be that the City would obtain better representation of its interest through membership on the Sanitation District Board.

Audit of City of Los Angeles' costs

The Cities of Glendale and Burbank, along with Culver City, hired PBS&J Engineering consultants to audit City of Los Angeles' sewer costs related to the Amalgamated Agreement. The audit was initiated in response to last year's large projected operating and capital cost increases to all Cities in the Amalgamated system. The audit has been completed. A joint letter was mailed to the City of Los

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Angeles with the audit and its recommendations. City of Los Angeles has responded to the letter and it is currently being reviewed by staff.

FISCAL ANALYSIS:

The report contains a spreadsheet of the 5 year estimated sewer user service fund cash flow projections.

ATTACHMENTS:

- Engineer's Report
- Resolution
- Sewer Enterprise Funds 5 year cash flow projection

MOTION:

That the City Council:

Adopt a Resolution approving the Engineer's Report and affirming the existing annual assessment levy for the Sewer User's Service Charge for Fiscal Year July 1, 2008 to June 30, 2009.