

**City of Culver City, California
Agenda Item Report**

Meeting Date: 08/13/12		Item Number: PH-2	
CITY COUNCIL AGENDA ITEM: PUBLIC HEARING - Adoption of a Resolution Confirming the Assessment and Ordering the Levy for the Sewer User's Service Charge - Fiscal Year 2012/2013			
Contact Person/Dept.: Mate Gaspar/PW		Phone Number: (310) 253-5602	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☐ No ☒	
Public Hearing: ☒		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification: (E-Mail) Agenda and Meetings – City Council (08/09/12); Publication in the Culver City News			
Department Approval: Charles D. Herbertson (08/02/12)		City Attorney Approval: Carol Schwab (by H. Baker) (08/08/12)	
Chief Financial Officer Approval: Jeff Muir (08/08/12)		City Manager Approval: John M. Nachbar (08/09/12)	
<u>RECOMMENDATION:</u> Staff recommends the City Council adopt a Resolution confirming the assessment and ordering the levy for the Sewer User's Service Charge - Fiscal Year 2012/2013. <u>PROCEDURE:</u> 1. Mayor seeks motion from City Council to receive and file the affidavits of publication and posting of notices and correspondence received in response to the public hearing notices; and, 2. Mayor calls for a staff report and the City Council Members may pose questions to staff as desired; and, 3. Mayor seeks a motion to open the public hearing; and, 4. Mayor seeks a motion to close the public hearing after all public testimony has been presented; and, 5. City Council discusses the item and arrives at its decision. <u>BACKGROUND:</u> Culver City obtains sewage treatment services at the City of Los Angeles' Hyperion Treatment Plant through an Amalgamated Agreement with the City of Los Angeles. (Agreement). The 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.			

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Culver City owns and operates a separate sewage collection system, which is connected to the Amalgamated system.

Federal law requires that all 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 pays its fair share of costs for the operation, maintenance, repair and improvement of the Hyperion Treatment Plant. The "fair share" of each property is based on its contribution to the system in terms of flow quantity and sewage strength (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 Engineer's Report, in accordance with Section 5.02.035 of the Culver City Municipal Code (CCMC).

In addition to formulating and adopting a system of Sewer User's Service Charges, the City must also select a system for 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.

On July 2, 2012, the City Council approved the Engineer's Report, declared its intention to order the assessment levy and collection of assessments, and set the date, time, and place for this public hearing for the Sewer User's Service Charge. The hearing was continued to this evening from its original date (July 23, 2012) to allow for full noticing of the hearing to be completed.

DISCUSSION:

On May 7, 2012, the City Council approved a professional services agreement with NBS Government Finance Group dba NBS for an update to the sewer user's service charges (SUSC). The scope of work is for NBS to conduct an in-depth review of the existing SUSC and determine if they are fair and equitable to each customer class in light of the cost passed on to the City of Los Angeles to treat the wastewater and the City's costs for collection and conveyance of the sewage in its own system.

NBS has completed the analysis and determined the following:

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.

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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. Currently the City collects 90% of rate revenue from commodity charges. Base charges are personnel costs (including cost for maintenance of the City's sewage collection system), office expense and most of the administrative charges and consultant support costs. These costs do not vary directly with the quantity of sewage produced. Commodity charges cover 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 for residential customers are reasonable.

In addition, NBS prepared a 5-year financial plan/revenue requirement for the sewer enterprise fund which is 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 attached Engineer's Report contains a detailed explanation of the rate analysis and 5 year financial plan. NBS will also conduct a presentation of the Study this evening. The Study is also attached to this report.

Based on recommendation contained in NBS' study and Engineer's Report, Staff is recommending rate reductions for the following customer classes:

Code Customer Class	Proposed percentage reduction
102 Multi-Family	-1% reduction
200 Commercial/Business:	-2% reduction
300 Commercial/Restaurants:	-13% reduction
400 Institutional:	-4% reduction
600 Special Users	-8% reduction

Staff is not recommending any rate increases since any proposed rate increase requires a 45-day public notice under Proposition 218, and there would not be enough time to submit the sewer charges to the County Assessor's office in August 2012. The Study recommended an 11% rate increase for single family residences.

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Also the Study recommended rate increases of 4% across all customer classes beginning in Fiscal Year 2013/2014 and continuing through 2015/2016. In addition, base charges will be proposed to be adjusted in 2013/2014 to achieve the recommended 60%/40% revenue split. This is explained in detail in the Study and Engineer's Report.

Pursuant to Section 5.02.035.C of the Culver City Municipal Code (CCMC), any interested persons may file a written protest with the City Clerk (or withdrawal a previously filed protest) until the conclusion of the Public Hearing. However, since a rate increase is not being proposed, a majority protest will not exist. Pursuant to CCMC 5.02.035.D, at the conclusion of the hearing, the City Council shall allow or overrule any objections and modify the report if it is deemed necessary. Adoption of the proposed Resolution shall confirm the report and the charge against each parcel shall be a special assessment and lien on that parcel.

ATTACHMENT:

1. Proposed Resolution
2. Engineer's Report
3. NBS Sewer Rate Study

MOTION:

That the City Council:

(Absent a majority protest) Adopt the Resolution confirming the assessment and ordering the levy for Sewer User's Service Charge for Fiscal Year 2012/2013.