

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 06/22/09		Item Number: <u>PH-3</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 2009/2010			
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 11, 2009 and published in the June 11, 2009 issue of Culver City News.			
Master E-Mail Notification List (06/17/08)			
Department Approval: Charles D. Herbertson (06/12/09)		City Attorney Approval: Carol Schwab (by H. Baker) (06/18/09)	
City Financial Officer Approval: Jeff Muir (by M. Noller) (06/17/09)		City Manager Approval: Mark Scott (06/18/09)	
 <u>RECOMMENDATION:</u> Staff recommends the City Council adopt a resolution (1) approving the Engineer's Report and (2) affirming the existing annual assessment levy for the Sewer Users' Service Charge in an amount equal to last year's rate for Fiscal Year July 1, 2009 to June 30, 2010. <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 2009/2010. City Clerk: Announce that notice of this hearing has been given pursuant to the provisions of Chapter 15.01 of the Culver City Municipal Code (CCMC) 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: | Allow or overrule any objections and modify the Engineer's Report if it is deemed necessary. |
| Mayor and Council: | By Motion, adopt the Resolution confirming the Engineer's Report and 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 the 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 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.

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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 CCMC. The proposed charges for Fiscal Year 2009/2010 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. It is recommended this practice be continued.

The following table is a summary of historical rate increases to the Sewer User's Service Charge:

FISCAL YEAR	RATE INCREASE
1990/91 TO 2001/02	No rate increases - \$20.5 million wastewater revenue bond issued in 1991/1992
2002/03	10% rate increase
2003/04	10% rate increase*
2004/05	10% rate increase
2005/06	5% rate increase
2006/07	10% rate increase
2007/08	10% rate increase
2008/09	No rate increase
2009/10	No rate increase proposed

*Included revisions to sewer user charges formulas.

DISCUSSION:

The Sewer Enterprise 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

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on the sewer system. For single family dwelling unit, 42% of the water consumption amount is deducted due to landscape irrigation. For a multi-family dwelling, 15% of the water consumption 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 the agreement. In a December, 2008 letter from the City of Los Angeles to Culver City they have projected a cost of \$2,644,000 for 2009/10. The final amount is not known until mid-July every year and has historically been less than the projected amount.

The Sewer Enterprise Fund maintains a surplus reserve and staff does not recommend any rate increase this year because of the current economic conditions. However, in the next several years the fund balance is projected to decrease as an aggressive sewer capital program is implemented. Therefore, rate increases are planned to resume for fiscal year 2010/11 and thereafter. 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. Water consumption data for 2008 from Golden State Water Company and City of Los Angeles' Department of Water and Power (DWP) shows a decrease of 6.78% from last year's amount (DWP serves the portion of Culver City west of Grand View Boulevard). As such, the total calculated revenue will decrease by 6.5% from last year's amount. An important fact to mention is that water conservation efforts, voluntary or mandatory, will mostly be achieved by a reduction in irrigation landscape usage. As such, the measured sewer flow effluent to City of Los Angeles will see a slight reduction while the sewer revenue will be significantly reduced.

Consolidation of Sewer Pump Stations Study

The Study was completed in January 2009 and determined that it was not cost effective to divert much of the sewer flow to one sewer pump station for future diversion to the County Sanitation District. The Study did recommend that most of the sewer flow at Mesmer Pump Station can be diverted to an upsized Fox Hills Pump Station. The proposed capital improvement budget includes this diversion project.

Audit of City of Los Angeles' Costs

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The Cities of Glendale, Burbank and 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 members in the Amalgamated system. The audit was completed and a letter was mailed to the City of Los Angeles with recommendations on improving the transparency of the calculation of sewer charges. The City of Los Angeles responded and has declined to pursue the recommendations. Soon after the letter was received, the City of Los Angeles credited Culver City \$1.85 million for past sewer charges. Also, the projected 2008/09 sewer charge of \$3.3 million was reduced to \$1.8 million.

FISCAL ANALYSIS:

The report contains a spreadsheet of the 5 year estimated sewer user service fund cash flow projections (Attachment #3).

ATTACHMENTS:

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

MOTION:

That the City Council:

1. Conduct a Public Hearing regarding the proposed Sewer Users' Service Charge for Fiscal Year 2009/2010; and,
2. Adopt a Resolution approving the Engineer's Report and confirming the existing rates and ordering the annual assessment levy for the Sewer User's Service Charge in an amount equal to last year's rate for Fiscal Year July 1, 2009 to June 30, 2010.