

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

Meeting Date: 05/11/2015	Item Number: <u>C-17</u>
CITY COUNCIL AGENDA ITEM: Adoption of a Resolution Approving the Engineer's Report, Declaring the Intention to Order the Sewer User's Service Charge for Fiscal Year 2015/2016, and Setting the Date, Time, and Place for the Public Hearing to be Monday, June 8, 2015 at 7:00 PM in the Mike Balkman Council Chambers	
Contact Person/Dept.: Mate Gaspar/PW	Phone Number: 310-253-5602
Fiscal Impact: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	General Fund: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Public Hearing: <input type="checkbox"/>	Action Item: <input type="checkbox"/> Attachments: <input checked="" type="checkbox"/>
Commission Action Required: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Date: _____
Public Notification: (E-Mail) Agenda and Meetings – City Council (05/06/15)	
Department Approval: Charles D. Herbertson (04/30/15)	City Attorney Approval: Carol Schwab (by H. Baker) (05/04/15)
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (05/05/15)	City Manager Approval: John M. Nachbar (05/06/15)

RECOMMENDATION:

Staff recommends the City Council adopt a Resolution approving the Engineer's Report for the Sewer User's Service Charge for Fiscal Year 2015/2016 declaring its Intention to levy and collect the Sewer User's Service Charges for Fiscal Year 2015/2016 and setting a public hearing for June 8, 2015, at 7:00 p.m. in the Mike Balkman Council Chambers.

BACKGROUND:

Culver City owns and operates a separate sewage collection system which is connected to the City of Los Angeles' system. Culver City sewage, which is deposited into the Los Angeles system, is treated at the City of Los Angeles' Hyperion Treatment Plant prior to its ultimate disposal in the Pacific Ocean or additional treatment by West Basin Municipal Water District for the production of recycled water that is used throughout the region. An agreement between the City of Los Angeles and a number of other cities called the Amalgamated Agreement (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.

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.

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In addition to formulating and adopting a system of Sewer User's Service Charges (SUSC), 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 May 7, 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 the 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. However, 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 with 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. Based on their findings and the 5 year financial plan, NBS proposed rate reductions for most of the customer classes in the first year and a revision to the rate with an overall revenue increase of 4% each year for Fiscal Year 2013/2014 through Fiscal Year 2015/2016.

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On August 13, 2012, the City Council approved the rate reductions for certain customer classes.

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, 2014/2015, and 2015/2016, with the exception of only a 3% rate increase for single family residences in Fiscal Year 2015/2016. In addition, the sewer charge formula was adjusted to a 60%/40% revenue split, base charge + commodity rate).

DISCUSSION:

Pursuant to a Resolution adopted by the City Council on April 13, 2015, the Public Works Director/City Engineer has prepared the Engineer's Report for the Sewer User's Service Charge and filed said Report with the City Clerk. A copy of the Engineer's report is attached to this report for consideration by the City Council.

As stated in the background section of this report, on July 22, 2013, the City Council approved the SUSC rates for Fiscal Year 2015/2016. California Government Code 53756 requires that a 30 day notice of a rate adjustment be mailed to property owners. A postcard notice was mailed to each property owner stating that the SUSC will be increased as authorized for Fiscal Year 2015/2016.

The following table shows the sewer user's service charge (base charge + commodity rate) based on customer class for Fiscal Year 2015/2016:

SEE FOLLOWING PAGE FOR TABLE

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Customer Class Code	Base Charge	Commodity Rate
101 Single Family1	\$274.80 +	(0.58W x \$1.25)
102 Multi-Family2	\$220.42 +	(0.85W x \$1.25)
200 Commercial/Business:	\$274.80 +	(W x \$3.56)
300 Commercial/Restaurants:	\$274.80 +	(W x \$7.07)
400 Institutional:	\$274.80 +	(W x \$3.76)
500 School/Public:	\$274.80 +	(W x \$2.89)
600 Special Users (Description in Engineer's Report)		
601	\$ 274.80 +	(W x \$4.18)
602	\$ 274.80 +	(W x \$5.53)
603	\$ 274.80 +	(W x \$5.54)
604	\$ 274.80 +	(W x \$3.88)
605	\$ 274.80 +	(W x \$3.29)
606	\$ 274.80 +	(W x \$5.55)
607	NOT USED	NOT USED
608	\$ 274.80 +	(W x \$4.30)
609	NOT USED	NOT USED
610	\$ 274.80 +	(W x \$0.60)
611	NOT USED	NOT USED
612	\$ 138.52 +	(W x \$0)
613	\$ 274.80 +	(W X \$0.26)
614	\$ 274.80 +	(W x \$3.11)
615	\$ 274.80 +	(W x \$4.27)
W=Annual Water Consumption in HCF 1 Base charge is per parcel 2 Base charge is per dwelling unit		
Customer Class Code	Base Charge	Commodity Rate

Staff recommends that the City Council adopt a resolution (1) approving the Engineer's Report, (2) declaring the City Council's intention to levy and collect assessments for the upcoming fiscal year; and (3) setting the time and place for the public hearing as required by Culver City Municipal Code (CCMC) Sections 5.02.035.C and 5.02.040.

Should the City Council adopt the proposed resolution, pursuant to 5.02.040 of the CCMC, the City Clerk shall give notice of the public hearing by causing the Resolution of Intention to be published at least 10 days prior to the date of the hearing.

FISCAL ANALYSIS:

As detailed in the Engineer's Report, the proposed charges for Fiscal Year 2015/2016 will address estimated costs for providing complete operation,

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maintenance, and local capital improvements for the Culver City sewerage system and for the estimated payments due the City of Los Angeles for Culver City's share of the Los Angeles Amalgamated System costs.

ATTACHMENTS:

1. Proposed Resolution
2. Engineer's Report

MOTION:

That the City Council:

Adopt a Resolution (1) approving the Engineer's Report, (2) declaring the City Council's intention to levy and collect assessments for the Sewer User's Service Charge - Fiscal Year 2015/2016, and (3) setting the time, date, and place for a Public Hearing for June 8, 2015, at 7:00 p.m. in the Mike Balkman Council Chambers.