

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

Meeting Date: 05/28/2013		Item Number: <u>A-5</u>	
CITY COUNCIL AGENDA ITEM: Adoption of the Resolution (1) Approving the Engineer's Report that Includes Proposed Rates for Approval by the District Members for Fiscal Year 2013/2014; 2014/2015; and 2015/2016; (2) Declaring the Intention to Order the Sewer User's Service Charge for Fiscal Year 2013/2014; and (3) Setting the Date, Time, and Place for the Public Hearing to be Monday, July 22, 2013 at 7:00 PM in the City Council Chambers.			
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 (05/21/13)			
Department Approval: Charles D. Herbertson (05/15/13)		City Attorney Approval: Carol Schwab (by H. Baker) (05/21/13)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (05/21/13)		City Manager Approval: John M. Nachbar (05/21/13)	
<u>RECOMMENDATION:</u> That the City Council: Adopt a Resolution approving the Engineer's Report for the Sewer User's Service Charge for Fiscal Year 2013/2014; Declaring its Intention to levy and collect the Sewer User's Service Charges for Fiscal Years 2013/2014; and setting a public hearing for July 22, 2013, at 7:00 p.m. in the Mike Balkman Council Chambers. <u>BACKGROUND:</u> Culver City owns and operates a separate sewage collection system, which is connected to 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			

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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.

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 the SUSC 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 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. Currently the City collects 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 most of the 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 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.

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Based on recommendation contained in NBS' study and Engineer's Report, on August 13, 2012, the City Council approved rate adjustments for the following customer classes at last year's Public Hearing on August 13, 2012:

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

The Study recommended an 11% rate increase for single family residences. However, Staff could not recommend any rate increase since any proposed rate increase requires a 45-day public notice under Proposition 218, and there was not enough time to submit the sewer charges to the County Assessor's office in August 2012. Accordingly the single family rates remained unchanged last year.

DISCUSSION:

Pursuant to a Resolution adopted by the City Council on Monday, April 22, 2013, the Public Works Director/City Engineer has prepared the Engineer's Report for the SUSC 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.

Rate increases of 4% are proposed across all customer classes for Fiscal Year 2013/2014 and continuing through 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, Base Charges are proposed to be adjusted in Fiscal Year 2013/2014 to achieve the recommended 60%/40% revenue split. This is explained in detail in the Study and Engineer's Report.

This evening, the City Council is asked to 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) Section 15.01.070.

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Should the City Council adopt the proposed resolution, pursuant to Section 15.01.070(G) of the CCMC, the City Clerk shall give notice of the public hearing by causing the Resolution of Intention to be published at least 45 days prior to the date of the hearing.

Each property owner in the City will receive a notice of the proposed rate increases as required by Proposition 218. Staff is proposing that the rate increases for the next three fiscal years be considered at one time on July 22, 2013, to save money on postage and handling. The public hearing is scheduled for July 22, 2013. The proposed Proposition 218 notice as prepared by NBS is attached.

Should the rate increases be adopted for the next three fiscal years, the City Council will still be asked to consider each levy annually (generally in May/June of each year).

FISCAL ANALYSIS:

As detailed in the Engineer's Report, the proposed charges for Fiscal Year 2013/2014 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.

ATTACHMENTS:

1. Proposed Resolution
2. Engineer's Report
3. NBS Sewer Rate Study
4. Proposition 218 notice

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 2013/2014 , and (3) setting the time, date, and place for a Public Hearing for July 22, 2013, at 7:00 p.m. in the Mike Balkman Council Chambers.