MEETING DATE: 06/23/08

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

ATTACHMENTS

Culver CITY
PUBLIC WORKS DEPARTMENT
9770 CULVER BOULEVARD, CULVER CITY, CALIFORNIA 90232-0507
(310) 253-5600 • FAX (310) 253-5626

CHARLES D. HERBERTSON, PE, LS
Public Works Director and
City Engineer

ENGINEER'S REPORT

ON THE ANNUAL LEVY

2008-2009

SEWER USER'S SERVICE CHARGE

IN THE CITY OF CULVER CITY UNDER THE PROVISIONS OF CHAPTER 5.02 OF THE CODE OF THE CITY OF CULVER CITY, CALIFORNIA

FILED with the City Clerk
on June 23, 2008

PRESENTED to the City Council
and APPROVED by Resolution
No. 2008- R ___, adopted by said
City Council on June 23, 2008
and thereafter filed in the
Office of the City Clerk

CITY ENGINEER'S REPORT FOR SEWER USER'S SERVICE CHARGES FOR FISCAL YEAR 2008-09

1.0 Introduction

A major challenge confronting those responsible for wastewater infrastructure, transportation, treatment and disposal is acquiring adequate funds to finance and operate facilities and capital equipment, along with implementing appropriate pricing structures to ensure the self-sufficiency of the utility. The financing vehicle that is used by the utility and the timing of the financing are crucial in ensuring that wastewater customers are appropriately paying for facilities that they need, and not inappropriately financing facilities for future customers. It is a major goal of an effective financial plan to 'match' the economic impact on customers with the benefits received from the service.

Regulations governing Federal and State grant funds require the City of Los Angeles to maintain a Cost Recovery Program (Sewer User Charges System) which includes all operations and maintenance costs directly or indirectly related to the treatment and collection of liquid waste discharge by residents and businesses. As a result of Culver City's contractual relationship with the City of Los Angeles for wastewater treatment at the Hyperion Treatment Facility, Culver City (City) is also required to recover from each wastewater user their proportionate share of the costs incurred for wastewater collection capital improvements within Culver City, wastewater system operation and maintenance, City of Los Angeles capital improvements for conveyance to Hyperion and operation and maintenance at Hyperion. Accordingly, Culver City adopted a plan to collect wastewater user charges and implemented it for the first time in fiscal year 1980-81.

The City recovers wastewater user charges on an annual basis. Since the plan's inception, the County Auditor-Controller's offices, and the annual property tax bill, have been utilized as the vehicle for both billing and collection. This method has proven to be both functionally satisfactory and exceptionally economical over the last twenty eight years.

In order to achieve a fair and equitable system of wastewater user charges, users are charged in a manner consistent with their actual use of the system. This comprises not only the flow quantity, but also the wastewater strength (quality) as characterized by BOD (biochemical oxygen demand) and SS (suspended solids).

Pursuant to the Culver City Municipal Code, in FY 2003-04 the City reviewed and approved the Sewer User's Service Charges (SUSC) structures and billing formulas to ensure that the City utilizes an effective pricing structure within the constraints of Proposition 218. Additionally, the City wanted to ensure that its sewer pricing structure continue to achieve the goals and objectives of the community, while maintaining a fair and equitable distribution of costs to all of its customers.

2.0 Discussion

Staff recommends that that the existing rates be affirmed for 2008-09 tax rolls. Staff believes, based on the current Sewer Fund balances and the anticipated revenues and costs, that the existing rates will protect the solvency of the Fund.

Credits for residential landscaping can be given in two ways. 1) Either the resident can install a separate water meter for landscaping which will not be assessed on the tax bill or 2) prove by submitting calculations and evidence that the percentage reduction in the tabled formula is not adequate.

Last year, the City of Los Angeles charged $2,089,000 for operations, maintenance and capital improvements for the treatment and conveyance of Culver City wastewater. For fiscal year 2008-2009, the charge is projected to be about $2,900,000.

3.0 Calculation of Annual Expenditures and Revenue

For fiscal year 2008-09 the estimated annual expenditures is as follows:

Operating Costs - City	$2,465,311
Operating and Capital Project Charges from City of Los Angeles	$2,900,000 *
Debt Service on Sewer Bond	$1,708,884
Sewer User Service Charge credits - estimated	$ 50,000
City of L.A. Sewer Facility Charge - estimated	$ 325,000
Capital Projects – City	$3,455,000
Total FY 2008-2009 budget	$10,904,195

Table 1 shows the Five-Year Cash Flow Projection for the Sewer Enterprise Fund.

*Operating and capital projects charges from the City of Los Angeles for fiscal year 2008-09 is a projection made in February 2008. Based on past experience, the charges amount will likely change and be at a lower amount.

Minimum Reserve Fund = 70% of annual operations budget + 2 yrs of debt service annual capital improvements budget

For fiscal year 2008-2009 the minimum required reserve fund is estimated to be $8,598,485 and the available cash balance is projected to be $18,498,000.

For fiscal year 2008-09 the estimated annual revenue is as follows:

Sewer User Service Charge	$8,477,983
Sewer Facility Fees	$ 650,000
Interest Income	$ 350,000
Total FY 2008-2009 budget	$9,477,983

There will be an operating deficit in an amount of $1,426,192 based on the estimated total expenditures and revenue for fiscal year 2008-09. This is a very conservative estimate and will likely be a smaller deficit amount if the City of Los Angeles charges us less than they projected in a letter to Culver City in February 2008. Also the City's capital project expenditures may be less than projected if construction bids come in lower than budgeted.

Even without a rate increase for fiscal year 2008-09, the sewer user service charge revenue will increase by 2% from last year's amount based on higher water consumption data as obtained from Golden State Water Company and Los Angeles Department of Water and Power for calendar year 2007. Therefore, with the healthy cash balance and conservative estimates of expenditures, Staff recommends that the current SUSC billing formulas and charges remain the same for fiscal year 2008-09.

4.0 Summary of Current SUSC Rate Structure

The current SUSC Rate Structure is composed of a base charge and a commodity charge for all customer classifications:

A. Base Charge

The base charge of the SUSC is comprised of two components:

Customer Costs – Customer costs such as billing and customer service are fixed costs that tend to vary in proportion to the total number of customers served by the utility. Customer costs are therefore allocated to each customer based on the number of customer accounts.

Fixed Capacity Costs – Capacity costs are fixed costs associated with maintaining the sewer collection system. These costs include rents and leases. Capacity costs tend to vary in relation to the total capacity of the collection system. Capacity costs are therefore allocated to each customer based on number of accounts.

B. Commodity Charge

The Commodity Charge is also comprised of two components:

Collection System Costs – Collection system costs are debit service and variable costs associated with the maintenance of the underground pipelines from each customer and the integrated pipeline system prior to the discharge points to the City of Los Angeles transmission system. As there are no treatment costs involved in the maintenance of the Culver City collection system, these costs are allocated on a flow basis only.

Treatment Costs – The process and costs of providing transmission, treatment, and disposal of Culver City's customers' sewage are provided and determined by the City of Los Angeles. These costs are considered variable costs, as they vary with the flow and sewage strength as metered and determined by the City of Los Angeles. Treatment costs are recovered through commodity rates charged on the basis of each customer's adjusted actual water usage and their assumed sewage strengths. The City of Los Angeles provides Culver City in July of every year the Amalgamated System Sewerage System charge rates for the upcoming fiscal year.

[Base Charge] + [Annual Water Usage X Return to Sewer Percentage X Rate for the Customer Class] = [SUSC]

5.0 Current SUSC Rates for 2007-08

Table 1
SUSC Current Billing Formulas for FY07/08

	Base Charge	Commodity Charge (Per HCF Annual total Flow)
Multi-Family	$ 42.32 per unit+	(0.85W x $3.85)
Single Family	$ 42.32 +	(0.58W x $3.85)
Group II Users:	$ 42.32 +	(W x $3.85)
Group III Users:	$ 42.32 +	(W x $7.63)
Group IV Users:	$ 42.32 +	(W x $3.75)
Group V Users:	$ 42.32 +	(W x $3.26)

Group VI Users:	Individual Special Users			
	601	$ 42.32	+	(W x $4.10)
	602	$ 42.32	+	(W x $5.35)
	603	$ 42.32	+	(W x $5.35)
	604	$ 42.32	+	(W x $3.75)
	605	$ 42.32	+	(W x $3.21)
	606	$ 42.32	+	(W x $5.35)
	607	$ 42.32	+	(W x $3.85)
	609	$ 42.32	+	(W x $3.85)
	W=Annual Water Consumption In HCF			

Annual Water Consumption was based on calendar year 2006.

6.0 Proposed SUSC Rates for 2008-09

$$\boxed{\text{Base Charge}} + \boxed{\text{Annual Water Usage} \times \text{Return to Sewer Percentage} \times \text{Rate for the Customer Class}} = \boxed{\text{SUSC}}$$

Table 2

SUSC Proposed Billing Formulas for FY08/09

	Base Charge		Commodity Charge (Per HCF Annual Flow)
Multi-Family	$ 42.32 per unit	+	(0.85W x $3.85)
Single Family	$ 42.32	+	(0.58W x $3.85)
Group II Users:	$ 42.32	+	(W x $3.85)
Group III Users:	$ 42.32	+	(W x $7.63)
Group IV Users:	$ 42.32	+	(W x $3.75)
Group V Users:	$ 42.32	+	(W x $3.26)
Group VI Users: Individual Special Users			
601	$ 42.32	+	(W x $4.10)
602	$ 42.32	+	(W x $5.35)
603	$ 42.32	+	(W x $5.35)
604	$ 42.32	+	(W x $3.75)

605	$	42.32	+	(W x $3.21)
606	$	42.32	+	(W x $5.35)
607	$	42.32	+	(W x $3.85)
608	$	42.32	+	(W x $4.93)
609	$	42.32	+	(W x $3.85)
610	$	42.32	+	(W x $0.77)
W=Annual Water Consumption In HCF				

Annual water consumption is based on calendar year 2007.

7.0 Recommendations:

In summary, Staff makes the following recommendations:

- Continue to use Los Angeles Auditor-Controller property tax roll for SUSC billing purposes as it eliminates costly billing systems, additional staff, and minimizes bad debt.

- Adopt a resolution that affirms the existing SUSC billing formulas for fiscal year 2008-09.

Charles D. Herbertson RCE 46658
Public Works Director and City Engineer

RESOLUTION NO. 2008-R___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CULVER CITY, CALIFORNIA, APPROVING THE ENGINEER'S REPORT AND AFFIRMING THE EXISTING ASSESSMENT LEVY FOR THE SEWER USER'S SERVICE CHARGE FOR FISCAL YEAR 2008/2009

WHEREAS, the City Council of the City of Culver City desires to assess a levy for fiscal year 2008/2009 of the Sewer User's Service Charge pursuant to the provisions of Chapter 5.02 of the Culver City Municipal Code ("CCMC") for a service charge to be known and designated as SEWER USER'S SERVICE CHARGE (hereinafter referred to as the "Service Charge"); and

WHEREAS, the City Engineer prepare and filed the Engineer's Report (attached hereto as Exhibit "A" and incorporated herein by reference) for the City Council's consideration; and

WHEREAS, the City Council has heard all testimony and evidence at a duly noticed public hearing held on June 23, 2008 and has determined to proceed with the levy of annual assessment for the Service Charge.

NOW, THEREFORE, the City Council of the City of Culver City, DOES HEREBY RESOLVE as follows:

1. Upon the conclusion of the public hearing and consideration of all public testimony, the Engineer's Report is hereby approved, the existing annual levy as set forth and described in the Engineer's Report is hereby ordered, and no increase is ordered at this time.

2. The adoption of this Resolution constitutes the levy of the existing assessment for the fiscal year commencing July 1, 2008 and ending June 30, 2009.

8

3. The estimates of costs and all other matters as set forth in the Engineer's Report as submitted pursuant to CCMC § 5.02.035 are hereby approved and adopted.

4. The existing assessment as set forth in the Engineer's Report shall be performed pursuant to law. The County Auditor shall enter on the County Assessment Roll the amount of the assessment and the assessment shall then be collected at the same time and in the same manner as the County property taxes are collected. After collection by the County, the net amount of the assessment shall be paid to the City Treasurer of the City of Culver City.

5. Upon receipt of monies representing assessments collected by the County, the City Treasurer for the City of Culver City shall deposit the monies into a special fund known as the "Fund for Sewer User's Service Charge," which was previously established.

6. Immediately upon the adoption of this Resolution, the City Clerk shall file a certified copy of the Engineer's Report containing the assessment, with the County Auditor.

///

///

///

///

///

///

///

///

7. A certified copy of the Engineer's report shall also be filed in the Office of the City Engineer, with a duplicate copy on file in the Office of the City Clerk, and shall be open for public inspection.

APPROVED and ADOPTED this 23rd day of June 2008.

D. SCOTT MALSIN, MAYOR
City of Culver City, California

ATTEST:

MARTIN COLE, City Clerk

APPROVED AS TO FORM:

CAROL A. SCHWAB, City Attorney
for

10

Table 1

Sewer Enterprise Fund Five Year Estimated Cash Flow Projection

(FY 2007-2012)

	2007/2008 actual	2008/2009 estimated	2009/2010	2010/2011	2011/2012	2012/2013	projection
Beginning cash balance		***18,498,000***	***17,071,808***	***17,481,362***	***16,634,542***	***13,587,812***	
Sewer User Service Charge	*8,311,749*	*8,477,983*	*8,732,323*	*8,994,292*	*9,264,121*	*9,542,045*	3% increase *
Industrial Waste Inspection Fee	*60,000*	*70,000*	*70,000*	*70,000*	*70,000*	*70,000*	
CC & LA Sewer Facility Charges	*600,000*	*650,000*	*500,000*	*300,000*	*300,000*	*300,000*	
Interest Income	*350,000*	*350,000*	*350,000*	*300,000*	*250,000*	*250,000*	
Total Revenue	***9,321,749***	***9,547,983***	***9,652,323***	***9,664,292***	***9,884,121***	***10,162,045***	
Less: Operating Costs							
Operating costs- City	*2,206,215*	*2,465,331*	*2,539,291*	*2,615,470*	*2,693,934*	*2,774,752*	
Operating costs- Hyperion	*1,044,908*	*1,450,000*	*1,087,122*	*1,108,864*	*1,131,042*	*1,153,663*	2% increase
Debt service	*1,701,569*	*1,708,844*	*1,709,234*	*1,707,914*	*1,704,834*	*1,709,334*	
Industrial Waste Inspection Fee	*60,000*	*70,000*	*70,000*	*70,000*	*70,000*	*70,000*	
LA Sewer Facility Charges	*300,000*	*325,000*	*250,000*	*150,000*	*150,000*	*150,000*	
SUSC Refund Credits	*50,000*	*50,000*	*50,000*	*50,000*	*50,000*	*50,000*	
Total Operating Expenditures	***5,362,692***	***6,069,175***	***5,705,647***	***5,702,248***	***5,799,810***	***5,907,749***	
Capital Projects							
Capital expenditures- City	*2,768,659*	*3,455,000*	*2,450,000*	*3,700,000*	*6,000,000*	*5,000,000*	
Capital expenditures- Hyperion	*1,044,900*	*1,450,000*	*1,087,122*	*1,108,864*	*1,131,042*	*1,153,663*	2% increase
Total Capital Projects	***3,813,559***	***4,905,000***	***3,537,122***	***4,808,864***	***7,131,042***	***6,153,663***	
Total Expenditures	***9,176,251***	***10,974,175***	***9,242,769***	***10,511,112***	***12,930,852***	***12,061,412***	
Operating Surplus/Deficit	*145,498*	*-1,426,192*	*409,554*	*-846,820*	*-3,046,731*	*-1,899,367*	
Cash Balance- End of June	***18,498,000***	***17,071,808***	***17,481,362***	***16,634,542***	***13,587,812***	***11,688,445***	

* 2% increase for FY 2008/09

FY 2008/09 Hyperion charges are projected by City of Los Angeles