

MEETING DATE: 06/08/15

AGENDA ITEM: Adoption of a Resolution Confirming the Assessment and Ordering the Levy for the Sewer User's Service Charge - Fiscal Year 2015/2016

ATTACHMENTS

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1 RESOLUTION NO. 2015-R_____

2
3 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
4 CULVER CITY, CALIFORNIA, CONFIRMING THE
5 ASSESSMENT AND ORDERING THE LEVY FOR THE
6 SEWER USER'S SERVICE CHARGES FOR FISCAL YEAR
7 2014-2015.

8 WHEREAS, the City Council previously completed proceedings in
9 accordance with the provisions of Chapter 5.02 of the Culver City Municipal Code
10 ("CCMC") for the levy and collection of annual assessments for the system of sewer
11 user's service charges providing that each parcel of property shall pay its proportionate
12 share of the costs for operation, maintenance, repair and improvements of the City
13 sewerage system (the "Sewer User's Service Charges"); and,

14 WHEREAS, on July 22, 2013, following a duly noticed and conducted
15 public hearing, the City Council adopted Resolution No. 2013-R053, increasing the
16 Sewer User's Service Charge by 4% per year for three successive years (Fiscal Years,
17 2013-2014, 2014-2015 and 2015-2016). Resolution No. 2013-R053, also provided an
18 exception of a 3% rate increase for single family residences in Fiscal Year 2015-2016
19 only. In addition, base charges were adjusted to a 60/40% revenue split; and

20 WHEREAS, in accordance with Government Code 53756(d), a 30-day
21 notice was mailed to all affected property owners that the Sewer User's Service Charge
22 will be increased for Fiscal Year 2015-2016 as authorized by Resolution No. 2013-
23 R053; and

24 WHEREAS, on May 11, 2015, the City Council approved the Assessment
25 Engineer's Report (the "Engineer's Report") and declared its intention to provide for the
26 levy and collection of annual assessments for Fiscal Year 2015-2016, to provide for the
27
28

1 costs and expenses necessary for the operation, maintenance, repair and
2 improvements of the City sewerage system; and,

3 WHEREAS, the City Council has heard all testimony and considered all
4 objections to the assessment at a duly noticed public hearing held on June 8, 2015 and
5 has determined to proceed with the levy of annual assessments for the District.

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

8
9 1. Pursuant to CCMC Section 5.02.035.D, the City Council hereby
10 overrules any objections and confirms the assessment and the allocation of the levy
11 amounts so that each parcel of property shall pay its proportionate share of the costs
12 for operation, maintenance, repair and improvements of the City sewerage system, as
13 is described in full detail in the Engineer's Report on file with the Clerk.

14
15 2. The adoption of this resolution shall constitute the levy of an
16 assessment for the fiscal year commencing July 1, 2015 and ending June 30, 2016.

17
18 3. The assessment for the Sewer User's Service Charges as set forth
19 in the Engineer's Report shall be performed pursuant to law. The County Auditor shall
20 enter on the County Assessment Roll the amount of the assessment and the
21 assessment shall be collected at the same time and in the same manner as the County
22 property taxes are collected. After collection by the County, the net amount of the
23 assessment shall be paid to the City of Culver City.

24
25 4. Upon receipt of monies representing assessments collected by the
26 County, the City shall deposit the monies into a special fund known as the "Fund for
27 Sewer User's Service Charges" which was previously established upon the creation of
28 the District.

1 5. Immediately upon the adoption of this Resolution, the City Clerk
2 shall file a certified copy of this Resolution, which includes the Engineer's Report
3 containing the allocation of levy amounts and assessment, with the County Auditor.

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

8
9 APPROVED and ADOPTED this _____ day of _____ 2015.
10

11
12 _____
MICHEÁL O'LEARY, Mayor
City of Culver City, California
13

14 ATTEST:

15 APPROVED AS TO FORM:

16 _____
MARTIN R. COLE, City Clerk
17

18 _____
CAROL A. SCHWAB, City Attorney
19

20 A15-00338
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CHARLES D. HERBERTSON
Public Works Director/City Engineer

Culver **CITY**

PUBLIC WORKS DEPARTMENT
9770 CULVER BOULEVARD, 2ND FLOOR
CULVER CITY, CALIFORNIA 90232-0507



Phone (310) 253-5600
FAX (310) 253-5626

ENGINEER'S REPORT

ON THE ANNUAL LEVY

2015-2016

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 May 6, 2015

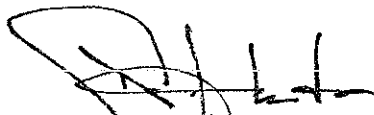
PRESENTED to the City Council
and APPROVED by Resolution
No. 2015-R____, adopted by said
City Council on May 11, 2015
and thereafter filed in the
Office of the City Clerk

Martin Cole
City Clerk
City of Culver City

TO: The Honorable Mayor and Members of the City Council

FROM: Charles D. Herbertson, Public Works Director and City Engineer

**CITY ENGINEER'S REPORT FOR SEWER USER'S SERVICE CHARGES FOR FISCAL YEAR
2015-16**



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

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.

2.0 Discussion

In 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. 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/revenue requirements (2012/13 through 2016/17) 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.

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, 2014-15 and 2015-16, with the exception of only a 3% rate increase for single family residences in Fiscal Year 2015-2016. In addition, base charges were adjusted to a 60% / 40% revenue split.

DISCUSSION:

The recommended targets for reserve balances are as follows:

1. Operating Reserve – 25% or 90 days of operating and maintenance expenses.
2. Capital Rehabilitation and Replacement Reserve – 3% of system net assets. The net assets is based on the 2010/11 CAFR, plus capital asset additions and annual depreciation adjustments, it is estimated that the City's Net Asset value is approximately \$41.6 million.
3. Debt Reserve – the maximum annual debt service payment, as specified by the bond covenants.

These recommended targets for reserve balances equates to approximately \$4.5 million.

	2012/2013	2013/2014 actual	2014/2015 actual	2015/2016 estimate	2016/2017 estimate
Beginning unreserved cash balance	17,190,264	13,175,110	13,249,101	13,195,088	4,622,677
Sewer User Service Charge 1	7,231,008	8,145,000	8,491,574	9,132,203	9,132,203
Interest Income	202,000	153,000	153,000	153,000	153,000
Sewer Facility Fee	400,000	381,845	350,000	350,000	400,000
Total Revenue 5	7,433,008	8,679,845	8,994,574	9,635,203	9,685,203
Less: Operating Costs					
Salaries and Benefits 2	1,367,370	1,299,899	1,325,897	1,352,414	1,379,462
Admin., insurance, rent, contractual svcs 3	2,153,592	2,786,755	2,842,490	2,900,000	2,957,000
L.A. Hyperion	1,136,000	1,107,000	1,300,000	1,750,000	1,750,000
Bond Debt Service	1,605,200	1,605,200	1,605,200	1,605,200	1,605,200
Total Operating Expenditures 5	6,262,162	6,798,854	7,073,587	7,607,614	7,691,662
Less: Capital Projects					
Culver City 4	4,050,000	700,000	675,000	8,850,000	500,000
L. A. Hyperion	1,136,000	1,107,000	1,300,000	1,750,000	1,750,000
Total Capital Projects	5,186,000	1,807,000	1,975,000	10,600,000	2,250,000
Total Expenditures	11,448,162	8,605,854	9,048,587	18,207,614	9,941,662
Operating Surplus/Deficit	-4,015,154	73,991	-54,013	-8,572,411	-256,459
Cash Balance- End of June	13,175,110	13,249,101	13,195,088	4,622,677	4,366,218

1. City Council approved 4% rate increase each fiscal year 2013/14, 2014/15, AND 2015/16, except 3% for single family residence for 2015/16.
2. Assuming 2% COLA increase
3. Assuming 2% increase excluding depreciation
4. In 2015/16 and 2016/17 construction of new Bankfield pump station and diversion of Bristol, Fox Hills, Mesmer and Overland sewer pump stations
5. Does not include City of Los Angeles sewer facility fees as they are pass through and

industrial waste charges as they are paid to the County of Los Angeles for plan check and inspection.

3.0 Recommendation

As approved by the City Council on July 22, 2013, the sewer user service charge rates for Fiscal Year 2015/2016 are shown in the following table:

Customer Class Code	Base Charge	Commodity Rate
101 Single Family ¹	\$274.80 +	(0.58W x \$1.25)
102 Multi-Family ²	\$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		

Continue to use Los Angeles Auditor-Controller property tax roll for SUSC billing purposes for FY 2015-2016 as it eliminates costly billing systems, additional staff, and minimizes bad debt.