

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 06/11/07		Item Number: <u>PH-1</u>	
AGENDA ITEM: Public Hearing to Consider the Adoption of a Resolution Approving the Engineer's Report and Ordering the Assessment Levy for the Sewer Users' Service Charge for Fiscal Year 2007/2008			
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 Resolution of Intention was posted on the City's official bulletin board on April 23, 2007 and published in the April 26, 2007 issue of Culver City News. <u>Non-Legal:</u> First Class Postcards were mailed to the property owners on April 27, 2007. Master Notification List on June 6, 2007.			
Department Approval: Charles D. Herbertson (05/29/07)		City Attorney Approval: Carol Schwab (by H. Iker) (06/04/07)	
City Controller Approval: Marlee Chang (06/06/07)		City Manager Approval: Jerry B. Fulwood (06/06/07)	
 <u>RECOMMENDATION:</u> Staff recommends the City Council adopt a Resolution approving the Engineer's Report and ordering the assessment levy for the Sewer Users' Service Charge in an amount equal to last year's rate plus a ten percent (10%) increase for Fiscal Year July 1, 2007 to June 30, 2008. <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 2007/2008. City Clerk: Announce that notice of this hearing has been given pursuant to the provisions of Chapter 5.02 of the Municipal Code of the City of Culver City, and pursuant to the			

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provisions of Resolution 2007-R021, and that the following affidavits are on file in his office:

1. Affidavit of Publication; and
2. Affidavit of Posting.

Mayor and Council: Motion to receive and file all affidavits.

City Engineer: Present the Engineer's Report and explain 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: Declare the Public Hearing CLOSED.

Mayor and Council: Discussion.

Mayor and Council: By Motion, overrule and deny any protests, assuming protests represent less than 50% of property interests.

Mayor and Council: By Motion, adopt the Resolution confirming the assessments and the diagrams of the District.

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.

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Culver City also 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.

All of these costs are annually determined and presented to the City Council in the City Engineer's Report, in accordance with Section 5.02.035 of the Culver City Municipal Code (CCMC). The proposed charges for Fiscal Year 2007/2008 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 Users' 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.

During the Fiscal Year 2002/03 Sewer Users' Service Charge rate discussion, the City Council approved a five year program that identified the need for annual 10% rate increases through Fiscal Year 2007/2008. The five year program ended last Fiscal Year. The Sewer User Service Charge rate has been increased 10% every year since Fiscal Year 2002/04 except in Fiscal Year 2005/06 where the rate was increased by 5%.

DISCUSSION

On April 23, 2007, the City Council ordered the preparation of the City Engineer's Report, declared its intention to order the levy of assessment with a ten percent (10%) increase for the Sewer Users' Service Charge and set today as the date, time and place for this hearing.

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The Sewer User's Service Charge budget 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 on the sewer system. A certain portion of the water consumption amount is deducted due to landscape irrigation.

Last fiscal year's sewer user service charge was approved by the City Council to be increased by 10%. The water consumption was based on the 2005 calendar year, (January 1, 2005 to December 31, 2005). The total water consumption for all parcels was 5% lower than the 2004 calendar year. As a result the total amount collected was only 5% greater than the previous fiscal year.

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 January 10, 2007 letter from the City of Los Angeles to Culver City they have projected the following:

- 16% increase for Fiscal Year 2007/08 over Fiscal Year 2006/07.
- 17% increase for Fiscal Year 2008/09 over Fiscal Year 2007/08.
- 18% increase for Fiscal Year 2009/10 over Fiscal Year 2008/09.
- 6% increase for Fiscal Year 2010/11 over Fiscal Year 2009/10.
- 10% increase for Fiscal Year 2011/12 over Fiscal Year 2010/11.

Footnote: These rate increases represent an average annual increase about \$220,000.

The January 10, 2007 letter is projecting significantly lower percentage increases than in the previous letters sent by the City of Los Angeles.

The Sewer Enterprise Fund will maintain an operating surplus this year and next year if the rates are adjusted ten percent (10%). However based on future projections by the City of Los Angeles, for Fiscal Year 2009/10 the Sewer Enterprise Fund will be operating with an almost \$1 million operating deficit.

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Audit and Diversion of sewer flow

The Cities of Glendale and Burbank, along with 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 Cities in the Amalgamated system. Coincidentally, after the audit began the City of Los Angeles projected significantly lower costs for future years, nevertheless, the audit continues and a final report will be forthcoming by this summer. Culver City's cost share for the consulting services is under \$10,000 and was approved administratively by staff.

Staff will be bringing to the City Council a discussion item during Fiscal Year 2007/08 on various other options to pay for the projected increased costs to operate and maintain the sewer system. The discussion item will also include the final report from PBS&J on the audit of City of Los Angeles sewer charges and final cost benefit analysis report on diverting the sewer flow to the County Sanitation District.

FISCAL ANALYSIS:

The report contains a spreadsheet of the 5 year estimated sewer user service fund cash flow projections.

ATTACHMENTS:

1. Engineer's Report
2. Resolution
3. Notification Postcards
4. Sewer Enterprise Funds 5 year cash flow projection

MOTION:

That the City Council:

Adopt the Resolution approving the Engineer's Report and ordering the annual assessment levy and a ten percent (10%) increase for the Sewer Users' Service Charge for Fiscal Year 2007/2008.