

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

Meeting Date: 07/02/2012		Item Number: <u>A-1</u>	
CITY COUNCIL AGENDA ITEM: (1) Receipt and Filing a Presentation on the Engineer's Report, and (2) Adoption of a Resolution Approving the Engineer's Report, Declaring the Intention to Order the Annual Sewer User Service Charge, and Setting the Date, Time, and Place for the Public Hearing to be Monday, July 23, 2012 at 7:00 PM in the City Council Chambers for the Sewer User's Service Charge			
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 (06/28/2012);			
Department Approval: Charles D. Herbertson (06/21/12)		City Attorney Approval: Carol Schwab (by H. Baker) (06/26/12)	
Chief Financial Officer Approval: Jeff Muir (06/26/12)		City Manager Approval: John M. Nachbar (06/27/12)	
<u>RECOMMENDATION:</u> That the City Council: 1. Receive and File a Presentation on the Engineer's Report; and 2. Adopt a Resolution approving the Engineer's Report for the Sewer User's Service Charge for Fiscal Year 2012/2013; declaring its Intention to levy and collect the Sewer User's Service Charges for Fiscal Year 2012/2013; and setting a public hearing for July 23, 2012, at 7:00 p.m. in the Mike Balkman Council Chambers. <u>BACKGROUND:</u> Culver City obtains sewage treatment services at the City of Los Angeles' Hyperion Treatment Plant through an Amalgamated Agreement with the City of Los Angeles. (Agreement). The 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. Culver City owns and operates a separate sewage collection system, which is connected to the Amalgamated 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, 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.

DISCUSSION:

Pursuant to a Resolution adopted by the City Council on Monday, May 14, 2012, 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, and recommended approval, by the City Council.

On May 7, 2012, the City Council approved a professional services agreement with NBS Government Finance Group dba NBS for an update to the sewer user's service charges (SUSC). The scope of work is for NBS to conduct an in-depth review of the existing SUSC and determine if they are fair and equitable to each customer class in light of the cost passed on to the City of Los Angeles to treat the wastewater and the City's costs for collection and conveyance of the sewage in its own system.

NBS has completed the analysis and made 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. 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. Commodity charges cover 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

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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.

The attached Engineer's Report contains a detailed explanation of the rate analysis and 5 year financial plan. NBS will also conduct a presentation of the Study this evening. The Study is also attached to this report.

Based on the recommendation contained in NBS' study and the Engineer's Report, Staff anticipates recommending rate reductions for the following customer classes at the Public Hearing on July 23, 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

Staff is not recommending any rate increases since any proposed rate increase requires a 45-day public notice under Proposition 218, and there would not be enough time to submit the sewer charges to the County Assessor's Office in August 2012. The Study recommended an 11% rate increase for single family residences.

Rate increases of 4% are proposed across all customer classes beginning in Fiscal Year 2013/2014 and continuing through Fiscal Year 2015/2016. In addition, base charges will be 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.

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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 5.02.035.

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. The public hearing is scheduled for July 23, 2012.

FISCAL ANALYSIS:

As detailed in the Engineer's Report, the proposed charges for Fiscal Year 2012/2013 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

MOTION:

That the City Council:

- (1) Receive and File a Presentation on the Engineer's Report; and,
- (2) 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 2012/2013, and (3) setting the time, date, and place for a Public Hearing for July 23, 2012, at 7:00 p.m. in the Mike Balkman Council Chambers.