



Staff Report

File #: REPORT 20-0245, Version: 1

Honorable Mayor and Members of the Hermosa Beach City Council Regular Meeting of May 12, 2020

PUBLIC HEARING ON THE ANNUAL LEVY FOR THE SEWER CHARGE AND ENGINEER'S REPORT (Public Works Director Marnell Gibson)

Recommended Action:

Staff recommends that the City Council open the public hearing, accept public comment, and continue this public hearing to the May 26th City Council meeting, at which time the City Council will hold another public hearing to consider the adoption of a resolution with Engineer's Report to place the sewer service charge on the annual County of Los Angeles Tax Roll.

Background:

At the June 23, 2015 City Council meeting, Council approved a resolution for the first time adopting an annual sewer service charge to fund maintenance, operations, servicing, and improvements to the City's sewer collection system.

The sewer service charge is based on the direct cost of providing maintenance, operation, servicing, and improvements to the sewer collections system. The \$115 charge per Equivalent Service Unit (ESU) for fiscal year 2015-16 (as adopted by the City Council) was multiplied by the ESUs for each residential parcel; and by water consumption for non-residential users to determine the charge for each parcel. The fees collected from parcels funds the City's sewer services provided by the City.

The June 23, 2015 City Council action also includes a provision stipulating that beginning on July 1, 2016 and each July 1 through 2020, the sewer service charge shall be increased by the annual increase in the Consumer Price Index (CPI-W) for Urban Wage Earners and Clerical Workers in the Los Angeles-Riverside-Orange County Area (now named Los Angeles-Long Beach-Anaheim, which covers the Los Angeles and Orange County Areas), including all items as published by the US Bureau of Labor Statistics as of March 1 of each year, not to exceed two percent per year.

The FY 2019-20 service charge per ESU increased by 2.0% to \$124.12, per Council action. For FY 2020-21, the Los Angeles-Long Beach-Anaheim CPI-W increase is 3.5%. However, as noted above, yearly increases shall not exceed 2% per approved Council action. Therefore, the new annual sewer service charge when increased by the allowable 2% CPI-W index will be \$126.60. As required under state law, each property will be notified by mail of the CPI-W increase prior to June 1, 2020.

The authorization to automatically increase the sewer service charge by the CPI-W index each year is only valid for a period of 5 years and expires after this year's assessment (Hermosa Beach Municipal Code Chapter 13.12.). Should the City decide to change the rate or continue increasing the sewer service charge by the CPI-W index next year, it will need to adopt the charge levy in accordance with Article XIID of the California Constitution (Proposition 218) and amend HBMC Chapter 13.12 for charges levied. This code can be summed up by the following: It is inferred from the 2015 resolution and municipal code that the charge can be maintained with no increase as long as the funds are needed to fund maintenance, operation, servicing and improvements to the City's sewer collection. An annual notice will be provided before an annual inflation increase is applied. The annual increase for inflation is authorized through fiscal year 2019-2020. After the five-year period, the City may conduct another majority protest hearing to authorize inflation increases for an additional period not to exceed five years.

Analysis:

For Fiscal Year 2020-21, the sewer service charge rates, adjusted to the additional 2% CPI-W increase for residential parcels are as listed below:

Residential Parcel Sewer Charges

Land Use	2019-2020 Annual Charge (per unit)	2020-2021 Annual Charge (per unit)	Amount of Annual Increase
Single Family	\$124.12	\$126.60	\$2.48
Condominiums	\$124.12	\$126.60	\$2.48
Multi Family (Charge is per unit)	\$74.47	\$75.96	\$1.49
Vacant Parcels	\$62.06	\$63.30	\$1.24

Single family residential units are charged at 1.0 ESU per parcel. Multi-family residential units are charged at 0.6 ESU per parcel and condominiums at 1.0 ESU per parcel as they are similar to single family residents in use. Vacant parcels of any use are charged 0.5 ESU. For FY 2020-21 the proposed charge per 1.0 ESU is \$126.60.

The CPI-W increase of 2% also applies to non-residential parcels. A summary of ESUs for land-use classes can be found on page 11 of the Engineer's Report (Attachment 1). For non-residential parcels the cost went up 2% per ESU, whether their sewer fee went up or down relative to last year is a function of whether they used more or less water than last year. The ESU for various non-residential land uses is calculated per the following equation:

$$\text{ESU} = \frac{\text{commercial water consumption gallons per day (GPD)}}{260 \text{ GPD per single family residential unit (SFRU)}}$$

The Engineer's Report contains detailed information about the annual charge and the charge to be applied to the parcels. Also included in the report is information about the use of revenue, annual increases, and Proposition 218 considerations. Every parcel in the City is subject to the sewer service charge.

This public hearing provides an opportunity for the City Council to hear and consider all protests to the annual levy of the sewer service charge. It is recommended that the public hearing be continued to the May 26, 2020 City Council meeting so the public is provided with a full 14 days of notice before the public hearing to submit any protests pursuant to Govt. Code Section 6066. Notice of the May 12, 2020 public hearing was published in the Easy Reader on April 30, 2020 and May 7, 2020. (Attachment 2.)

In the absence of a majority protest by property owners within the City, the City Council may order implementation of City sewer service charge on the FY 2020-21 property tax rolls. If the City Council finds that there no majority protest by property owners at the May 26, 2020 City Council meeting, it is recommended that at that time the City Council adopt the Resolution (Attachment 3) with the attached Engineer's Report to place the sewer service charge on the annual County of Los Angeles Tax Roll.

If the City Council finds at the May 26, 2020 meeting that protest is made by the property owners of a majority of separate parcels of property described in the Engineer's Report, then the Resolution and Engineer's Report shall not be adopted and the charges shall be collected separately from the tax roll, by a method to be determined, and shall not constitute a lien against any parcel or parcels of land.

The City must notify each property owner in writing of the CPI-W increase at least thirty (30) days before the effective date of the adjustment per state law. To meet this requirement, the enclosed draft notice (Attachment 4) must be sent prior to June 1, 2020, after Council adoption of the resolution.

General Plan Consistency:

PLAN Hermosa, the City's General Plan, was adopted by the City Council in August 2017. This report and associated recommendations have been evaluated for their consistency with the City's General

Plan. Relevant policies are listed below:

Infrastructure Element:

4.1 Sewer system master plan. Ensure that the Sanitary Sewer Master Plan contains an effective and proactive maintenance program that reduces future operation costs.

4.3 Service fees. Ensure that allocation of the Sewer Service Charge is efficient and transparent to the public.

Fiscal Impact:

The anticipated total revenue is approximately \$1,080,269 which is included in the 2020-21 Preliminary Budget.

Attachments:

1. Engineer's Report with CPI-W increase for FY 2020-21
2. Notice of Public Hearing
3. Draft Resolution
4. Draft mailer to Property Owners

Respectfully Submitted by: Reed Salan, Associate Engineer

Concur: Lucho Rodriguez, Deputy City Engineer

Concur: Marnell Gibson, Public Works Director

Noted for Fiscal Impact: Viki Copeland, Finance Director

Legal Review: Lauren Langer, Assistant City Attorney

Approved: Suja Lowenthal, City Manager