



Staff Report

File #: REPORT 21-0258, Version: 1

Honorable Mayor and Members of the Hermosa Beach City Council
Regular Meeting of May 13, 2021

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

Recommended Action:

Staff recommends City Council open the public hearing, and:

1. Make a finding that there is no majority protest by parcel owners within the City of Hermosa Beach; and
2. Adopt the enclosed resolution, with attached Engineer's Report, and place the sewer service charge on the annual County of Los Angeles Tax Roll.

Executive Summary:

On June 23, 2015, Council adopted by resolution an annual sewer service charge to fund maintenance, operations, servicing, and improvements to the City's sewer collection system. The resolution included a provision beginning July 1, 2016 and each July thereafter, the charge per Equivalent Service Unit established in FY 2015-16 shall be increased by the annual increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, not to exceed two percent (2%) per year. The City must conduct a majority protest hearing in accordance with Proposition 218 (Article XIID of the California Constitution) prior to adopting any new (or increased) sewer charge. There is no annual increase for this fiscal year as the authorizing resolution for the annual sewer service charge programmed increases for the first five year. However, to place the sewer service charge on the annual County of Los Angeles Tax Roll, Council must make a finding that there is no majority protest by parcel owners within the City of Hermosa Beach and adopt the enclosed resolution (**Attachment 2**) with the attached Engineer's Report. Staff recommends Council make such finding and adopt said resolution.

Background:

Past Council Actions

Meeting Date	Description
June 23, 2015	Council approved a resolution for the first time adopting an annual sewer service charge for Fiscal Year 2015-16 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 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 sewer services provided by the City. The fee was increased annually the past four years by adding the Consumer Price Index for Urban Wage Earners and Clerical Workers in the Los Angeles-Long Beach-Anaheim Area (CPI-W). The CPI-W is published by the Bureau of Labor Statistics and is used to annually adjust benefits paid to Social Security beneficiaries and supplemental security income.

As per the originating sewer charge resolution, annual increases can only be authorized for a five-year period. A new Proposition 218 hearing would be required to increase the charge after the initial five-year period. This year, since the City is outside of the initial five-year term originally established in June 2015, the sewer service charge shall not be increased by CPI-W. The Fiscal Year 2021-22 annual sewer service charge would remain at last year's rate of \$126.60.

Analysis:

For Fiscal Year 2021-22, the sewer service charge rates, compared to the previous year for each parcel type are listed below:

Residential Parcel Sewer Charges

Land Use	2020-2021 Annual Charge (per unit)	2021-2022 Annual Charge (per unit)	Amount of Annual Increase
Single Family	\$126.60	\$126.60	\$0.00
Condominiums	\$126.60	\$126.60	\$0.00
Multi Family (Charge is per unit)	\$75.96	\$75.96	\$0.00
Vacant Parcels	\$63.30	\$63.30	\$0.00

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 2021-22, the proposed charge per 1.0 ESU is \$126.60. A summary of ESUs for residential land-use classes can be found on page 11 of the Engineer’s Report (**Attachment 1**).

For non-residential parcels, the adjusted ESU’s vary but will remain about the same as last year. Whether the non-residential sewer fee went up or down relative to last year is a function of whether a non-residential parcel used more or less water than last year. The ESU for the 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. In the absence of a majority protest by property owners within the City of Hermosa Beach, the City Council may order placement of the City sewer service charge on the FY 2021-22 property tax rolls and approve the attached Engineer’s Report (**Attachment 1**) by adopting the Resolution (**Attachment 2**). City Council action is required in order to

place the annual charge on the tax roll.

If Council finds that written protest is made by property owners of a majority of the separate parcels listed 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.

Since there is no annual increase for this fiscal year, the City is not required to notify each property owner in writing of the CPI-W increase at least 30 days before the effective date of the adjustment per state law. Normally, to meet this requirement, the notice must be sent prior to June 1, 2020, after Council adoption of the Resolution.

A notice of the May 13, 2021, public hearing was published in the Easy Reader on April 22, 2021 and April 29, 2021 (**Attachment 3**). As set forth above, staff recommends City Council hold a public hearing to: (1) make a finding that there is no majority protest by property owners within the City; and (2) adopt the enclosed Resolution, with attached Engineer's Report, and place the sewer service charge on the annual County of Los Angeles Tax Roll.

Update on Sewer Repair Projects:

The collected sewer funds are used for routine sewer cleaning, planned repairs and rehabilitation, and emergency repairs. To date, over approximately 1.6 miles of sewer main were repaired and rehabilitated as part of the most recent sewer improvements project. The project cost was approximately \$2,000,000. The next anticipated sewer project is scheduled to complete construction next Fiscal Year 2021-22 and will repair and rehabilitate approximately 1.9 miles of sewer line for an estimated cost of \$2,500,000. The Sewer Master Plan recommended approximately 8.73 miles of sewer main repairs. Once this year's project is completed, the City will have made 41% of those recommended repairs. The City also spends on average \$400,000 annually for operations and maintenance. Projects, operations, and maintenance are all funded by the annual sewer levy fee.

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

Goal 4. The sewer system infrastructure is modernized and resilient.

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 from the sewer charge is approximately \$1,078,142, which is included in the 2021-22 Preliminary Budget.

Attachments:

1. Engineer's Report
2. Resolution
3. Notice of Public Hearing

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: Monica Castillo, Associate Attorney

Approved: Suja Lowenthal, City Manager