

MINUTES

SEWER SERVICE CHARGE PUBLIC PRESENTATION WEDNESDAY, MAY 27, 2015 CITY HALL, COUNCIL CHAMBERS 1315 VALLEY DRIVE

The presentation can be viewed on the City's website at: <http://www.hermosabch.org/index.aspx?page=358>.

Present: Andrew Brozyna, P.E., Director of Public Works; Jeff Cooper, Consultant, PENCO Engineering, Inc.; Tom Bakaly, City Manager; and Mike Jenkins, City Attorney

Mr. Cooper and Mr. Brozyna presented information on the following topics:

Condition of Sanitary Sewers
Proposed Sewer Charge
Use of Revenue
Proposed Annual Increases
Protest Process
Public Hearing / Date & Location

The following is a list of questions asked and answered at the Sewer Service Charge Public Presentation:

Jeff Cooper, Consultant:

1. Q: When you shared the other city rates, you said Manhattan Beach was \$350 per resident, but didn't you mean per residence? Are all these numbers per residence?

A: The rate charged is per single-family residence in Manhattan Beach. The \$350 is a calculation based on average use and the City of Manhattan Beach uses water usage for the calculation.

2. Q: Why not a vote from the people of Hermosa Beach water to consumption? \$195 per home Redondo Beach.

A: By a vote is not the legal process. Proposition 218 is a constitutional amendment passed by the voters of California in 1996 and it has no avenue for a vote or ballot. In the case of a sewer fee a protest hearing is required.

3. Q: How much will the annual assessment grow over the next 20 years?

A: It can only increase for 5 years and if the increase is approved the Council can only approve up to a maximum amount of 2% but must have inflation for the increase to be approved and the Council does not have to approve the increases. If the increases are needed beyond 5 years, that would require additional noticing and public hearings.

4. Q: How to fill out the protest form if I do not mind the new charge but do not agree with the method of calculating it?

A: There is no avenue for protesting how the rate is calculated. You may protest if you have a problem with any part of the fee. The form is available in the City Clerk's office.

5. Q: Will voters have a vote on this proposal?

A: There is not an avenue for a vote. There is no vote only a protest process.

6. Q: Why is the Manhattan Beach sewer charge collection at \$350 so much more than Hermosa Beach?

A: Proposition 218 requires that the City charge only for the real costs needed by the City to operate the sewers and the cost to repair and improve them. Manhattan Beach may have higher costs to operate or their system may need more improvements.

7. Q: Why not use water meter bills per residence and business to calculate payments?

A: We feel that charging on water usage is not as fair since some of the water used by residents does not end up in the sewers and using water usage tends to lead to higher charges. In Hermosa Beach, the City of Hermosa Beach does not own their water service, it is owned by a commercial water company and would make collecting the charge more complicated because the City would have to ask the water company to collect the charge for the City.

8. Q: How many people have to protest for it to matter?

A: For there to be a majority protest 50% of the property owners and tenants would have to protest.

9. Q: For how many years will this tax go on?

A: This is not a tax. The City cannot predict how long the charge will go on, but at least for 5-6 years. It is very hard to find a city that does not charge their residents for the use of their sewer system.

10. Q: If actual charges are less than revenue, will there be a refund to the residents?

A: If costs to operate the system go down then the City will have to lower the charge. Proposition 218 does not allow the City to charge more than the cost of service.

11. Q: Why are condos charged the same as single-family residence (SFR) and not like apartments? A one bedroom, one bath condo uses less water the SFR?

A: The City Council determined that condominiums in Hermosa Beach are more similar to single-family homes (SFHs) than in other communities thus they will be

charged the same rate as SFHs. Apartments are not the same and are charged .6 per unit.

12. Q: Do two units (house and one bedroom above garage) with one meter count as SFR/condo or like a large apartment building?

A: The City is required to use the Los Angeles County Assessor's information. This means that we must use the classification the County has on file for the property. If residents think LA County has made a mistake, then once this charge is passed residents can submit the information to the Department of Public Works. Public Works will investigate and modify the charge based on the results of the field check. The City cannot field check every property in the City at this time.

13. Q: What are the credentials of Mr. Cooper to use a consultant for this project?

A: My credentials include: BA in Economics, Bachelors and Masters in Engineering, Registered Civil Engineer since 1980, consulting engineer for 38 years, owned and operated consulting firms, performing assessment districts, special taxes and charges for 30 years.

14. Q: How is this fair? Define "fair". Your charge calculations slide says this is fair. Why not factor in water usage per each properties water bill?

A: Fairness is in the eyes of the beholder. The majority of agencies feel that charging a flat rate is the most fair for SFHs, and charging a flat rate is the most common way to do it and that was my recommendation because I don't feel it is fair to charge residents for watering their lawn or filling up a swimming pool. We are using water usage for commercial properties.

15. Q: Will there be additional bond issues after this borrowing is used up in seven years?

A: I am not aware of any plans to do so. The plan is to catch up on sewer improvements because the City has very old pipes and they are leaking. Some pose a bad environmental situation with wastewater leaking into the ground water. What we are trying to do in the sewer charge is build capacity so that in the future we have a pay as you go basis and don't have to borrow money.

Andrew Brozyna, Public Works Director:

16. Q: Where did the \$11 million number come from?

A: The 11 million dollar cost estimate comes from the sewer master plan that included video taping the sewer lines. The Sewer Master Plan was recently updated.

17. Q: Is the \$11 million estimate a firm estimate or just a guess? Have bids been let? If so, how many bidders?

A: The estimate consists of an estimate for construction costs based on current labor and material costs and design fees. The work has not gone out to yet. This is strictly an estimate. Eventually the project will go out to bid. A portion of the sewer line will be rehabilitated over seven years.

18. Q: How do we know this estimate isn't really high (like the education fund vote)? Or too low?

A: The estimate is based on current construction and design fees.

19. Q: How did you decide what needs to be fixed? Who made the decision? What is the format for repair contract price?

A: We based our decision on the Sewer Master Plan that included video taping the lines. The City made a decision based in conjunction with the City's Sewer Master Plan consultant and City staff. We will go out to bid for sewer projects and that gives us a better idea of what the costs will be.

Mike Jenkins, City Attorney:

20. Q: Since actual count of registered voters represents large numbers of people who don't care, why does their count go against those who protest?

A: This is not an election. As Mr. Cooper explained, under Proposition 218, the purpose of the measure by the voters was to reform all of the State's tax, assessment and fee laws. Prop 218 treats property based fees, fees for services that benefit properties differently, they don't have to be approved by election, but instead can be approved by a protest procedure.

21. Q: What are repeal options after the protest hearing?

A: The fee can be approved by the City Council as long as there is not a majority protest. If there are insufficient protests the Council can proceed with the fee and decide at a future time to eliminate the fee, but there is no option for the property owners to do so.

22. Q: Will the protest be counted if the name is not exactly how it is on the title?

A: If it is reasonably close and we can identify the owner that will be sufficient. If there is a question as to who is on the title, but if you are the owner of the property and put your name down that should work.

Tom Bakaly, City Manager:

23. Q: Can a portion of the Tyco income (Tideland Trust money) and/or TOT revenue be allocated to pay for sewers?

A: Yes, but that would come at the expense of other projects. There might be restrictions based on locations for Tyco funds. TOT revenues are General Fund revenue and could be transferred to pay for the sewers.

24. Q: How were our sewers paid for up till now? Why can't that "process" continue?

A: The UUT Tax has been around since 1985 of 10% that goes into the General Fund and then the funds are transferred for other uses that were approved as part of that ballot process. There have been annual contributions for sewer maintenance and repairs.

25. Q: How long will this tax last and how is this different than the 6% UUT?

This is not a tax, it is a fee. If the fee is approved then the UUT funds could be freed up to cover other costs like streets, or as has been discussed, the new State storm water requirements.

26. Q: What has user utility tax been used for? Is all or a portion of UUT be applied to sewers?

A: We have a 10% UUT tax and it has been used for sewers, storm water and other services allowed for when the tax was voted in.

27. Q: What are the current sewer rates? Zero? No – it's bundled in the utility tax. So how much is it now, and how much of an increase is this proposal?

A: The UUT of 10% of which some has gone to sewers.

28. Q: Why a sewer charge now? What has been done to maintain the sewers in the past?

A: The sewer charge is needed now to catch up on improvements.

Jeff Cooper, Consultant:

29. Q: What if the water consumption of a single-family house is 0.1 of GPD (over period of 5 years)?

A: In the charge water consumption is not part of the equation for a single-family home, the rate is a flat charge of \$115 per year so the GPD does not come into play on a single-family home.

30. Q: How many swimming pools are in the city of Hermosa Beach? (In reference to your comments on fairness of calculation).

A: I used swimming pool as an example of water that does not go into the sewer. Perhaps a more appropriate example would be water used to water yards or shrubs.

Mike Jenkins, City Attorney

31. Q: Are we assessed district charges already on our property taxes, such as SB San Dist. charge, WB MWD charge?

A: I'm fairly certain there are several charges on your property taxes. One of the assessments is from the County Sanitation District and is a charge to carry sewage from the City's main line to the sewage treatment plant that is operated by the Sanitation District. There is also a tax for the abatement of mosquitoes. Those are assessments that are either countywide or region-wide.

Andrew Brozyna, Public Works Director:

32. Q: How much is it costing us for consultant?

A: The Consultant fees are approximately \$40,000.

Tom Bakaly, City Manager:

33. Q: Can we expect to see in the future “fees” to upgrade the fire department along with the other capital projects?

A: We’ve been very transparent about our capital needs by doing future planning, 5 Year Capital Improvement Planning and identifying over 100 million in capital project needs through the Community Dialogue sessions with resident committees. Right now we are not planning on using fees to fund capital needs. There is a petition sponsored by members of the public going around to put a TOT increase to fund capital on the ballot, but the City does not have any plans at this time to do that.

Mike Jenkins, City Attorney added the following response:

Under Prop 218 the City can only use fees to pay for certain things. Fees can only be adopted if they benefit your property or reimburse the City for an actual cost the City incurs. Taxes don’t have to be tied to a specific benefit to property. You pay for garbage collection. That is a fee for a service because you generate the garbage. You pay a charge to a State regulated utility for the gas and electricity that you use. The City has never charged a fee for the sewer service before, but this fee is for a charge for the sewage travelling from your pipes to be treated.

The City can charge permit fees, but usually the fees do not cover all the costs to process those applications. The process for a tax increase is different and requires a vote. If enough petitions are gathered, then the question of the TOT increase will be put on the ballot. We can use those tax revenues for general purposes because they are not tied to any specific use. We use taxes for paying for Police and Fire services, but we could not raise fees for that.

Tom Bakaly, City Manager:

34. Q: Please give us an idea of how many other fees/charges/or taxes are in the pipeline or are planned in the next 7 years. Is \$11 million going to be followed by another \$100 million?

A: We’ve addressed that. We have identified the capital needs. The Community Dialogue process identified a 100 million in capital needs and the community group discussed other ways to raise revenues to cover capital needs and it is on the City’s website. We will need to find a way to fund these capital needs.

35. Q: What other Prop 218 “fees” are on the horizon for Hermosa Beach infrastructure?

A: We’ve answered that question. We do have the need to improve the storm water system and would look to use the UUT money for that.

Mike Jenkins, City Attorney:

36. Q: Will the estimate of total include average election turnout in the city?

A: Will the average the election turnout in some way affect how we count the 'no' vote? If that is the question, then the answer is no. We need roughly 3,500 protests to make a majority protest and kill the sewer fee. There is one protest per parcel.

Tom Bakaly, City Attorney:

37. Q: If we put off the issuance of the bonds, how much will we lose in fees to consultants and bond issuers, etc.?

A: The plan, if the fee is approved, would be to take that revenue stream and borrow for it and thus have more capital to fund the sewer improvements. If we didn't go forward with the bonds, then we wouldn't have the bond and consultant fees, but we would not be able to make the sewer improvements, but we would have the revenue source if the fee was approved.

Andrew Brozyna, Director of Public Works:

38. Q: Is there an opportunity now to make comments?

A: This is an information meeting, public comments can be made at the Public Hearing, on June 23rd.

Jeff Cooper, Consultant added:

The protest remains open until the end of the Public Hearing and the Hearing is in front of the City Council.

39. Q: If there are not enough protest votes to prevent the fee, will the council still have the option of moving forward with this fee?

A: Yes, the Council has the option either way. If the protest is less than 50% the Council still has to act on whether they will go forward with the fee or not and this needs a majority of the City Council. If the protests are more that 50%, it is over and the sewer fee will not be implemented.

The Presentation ended at 7:59p.m.