



City of La Puente AGENDA REPORT

To: Mayor and City Council For meeting of: May 27, 2008
From: Carol Cowley, City Manager Date: May 21, 2007
By: Rene Salas, Public works Director

SUBJECT: CONSIDERATION OF PROPOSAL FOR THREE (3) YEAR SEWER CHARGE INCREASE.

BACKGROUND

At the February 12, 2008, Council meeting, the City Council approved a service agreement with Hilton Farnkopf & Hobson (HF&H) to conduct a sewer rate study. By way of example, in 2006, the City adopted an annual sewer charge of \$84 for a single family dwelling unit. Depending on the use of a particular property, the annual sewer charge varies. For certain commercial uses, e.g., a laundromat, the annual charge is greater than for a single family dwelling. The charge is based on the intensity of use of the sewer system.

Over the past two years, the City has developed a detailed Capital Improvement Program ("CIP") and this year we have begun specific projects, addressing the needs of the sewer system. In December 2007, the City issued a \$10 million bond to fund sewer construction projects. To continue with the City's CIP and sewer related operation and maintenance expenses, a new study of the sewer charges was necessary.

This new study reviewed and revised the projected revenue requirements, operating expenses, and capital project expenditures to determine the status of the City's cash-fund balance and to permit staff to make a recommendation pertaining to the appropriate adjustments to the sewer rates charged property owners.

On April 22 2008, HF&H presented preliminary findings of the study to the City Council. The preliminary findings were also shared with the public during a Community Forum held on April 29, 2008, at the Senior Center. On May 13, 2008, City staff provided an update to the City Council that included a review of the presentation given during the Community Forum and a discussion on the questions posed by the members of the public.

DISCUSSION

This year's HF&H sewer rate study used the same customer class information from the 2006 study, along with the updated data from the Los Angeles County Tax Assessor for the number of residential

dwelling units and the number of billing units (e.g., square feet) for non-residential customers. The sewer charges were also modeled after the Los Angeles County Sanitation District's rate structure and consistent with the 2006 study. The table below shows the proposed sewer rate charges for the next three years as determined by the HF&H sewer rate study. HF&H recommends a three year increase which will secure full funding for operating and capital sewer expenses and provide debt service coverage for the 2007 bond.

Annual Sewer Service Charges (3-Years)

Customer Class	Parcels	Unit of Measure	Strength Factor per Billing Unit	2008-09 Annual Rate per Billing Unit	2009-10 Annual Rate per Billing Unit	2010-11 Annual Rate per Billing Unit
Residential						
Single Family Home	6,529	Dwelling Unit	1.00	\$105	\$125	\$140
Condominiums	300	Dwelling Unit	0.75	\$79	\$94	\$105
Multi-Unit Residential	224	Dwelling Unit	0.60	\$63	\$75	\$84
Mobile Home Parks	1	No. of Spaces	0.60	\$63	\$75	\$84
Commercial						
Hotel/Motel/Rooming House Store ¹	5	Room	0.48	\$50	\$60	\$67
	118	1000 ft ²	0.38	\$40	\$48	\$53
Supermarket ²		1000 ft ²	0.79	\$83	\$99	\$111
Shopping Center	34	1000 ft ²	1.44	\$152	\$181	\$202
Regional Mall		1000 ft ²	0.76	\$80	\$96	\$107
Office Building	18	1000 ft ²	0.76	\$80	\$95	\$107
Medical, Dental, Veterinary	15	1000 ft ²	1.14	\$120	\$143	\$160
Restaurant	25	1000 ft ²	5.29	\$556	\$661	\$741
Indoor Theatre		1000 ft ²	0.47	\$49	\$59	\$66
Car Wash						
Tunnel - No Recycling		1000 ft ²	14.10	\$1,480	\$1,762	\$1,974
Tunnel - Recycling	1	1000 ft ²	10.31	\$1,083	\$1,289	\$1,444
Wand	1	1000 ft ²	2.67	\$280	\$333	\$373
Bank, Credit Union	2	1000 ft ²	0.38	\$40	\$48	\$53
Service Shop, Vehicle ³	21	1000 ft ²	0.38	\$40	\$48	\$53
Animal Kennels		1000 ft ²	0.38	\$40	\$48	\$53
Gas Station	10	1000 ft ²	0.38	\$40	\$48	\$53
Auto Sales	1	1000 ft ²	0.38	\$40	\$48	\$53
Wholesale Outlet	1	1000 ft ²	0.38	\$40	\$48	\$53
Nursery/Greenhouse		1000 ft ²	0.10	\$10	\$12	\$13
Manufacturing		1000 ft ²	0.89	\$93	\$111	\$124
Light Manufacturing	9	1000 ft ²	0.11	\$12	\$14	\$16
Lumber Yard		1000 ft ²	0.11	\$12	\$14	\$16
Warehousing ⁴	13	1000 ft ²	0.11	\$12	\$14	\$16
Open Storage		1000 ft ²	0.11	\$12	\$14	\$16
Drive-in Theatre		1000 ft ²	0.08	\$8	\$10	\$11
Night Club		1000 ft ²	1.33	\$140	\$167	\$187
Bowling/Skating		1000 ft ²	0.70	\$73	\$87	\$98
Club & Lodge Halls	4	1000 ft ²	0.47	\$50	\$59	\$66
Auditorium, Amusement	1	1000 ft ²	1.33	\$140	\$167	\$187
Golf Course and Park		1000 ft ²	0.38	\$40	\$48	\$53
(Structures and Improvements)						
Campground, Marina, Recreational Vehicle Park		Sites, Slips, or Spaces	0.22	\$23	\$28	\$31
Convalescent Home ⁶		Beds	0.48	\$50	\$60	\$67
Horse Stables		Stalls	0.11	\$12	\$14	\$16
Laundromat ⁵		1000 ft ²	14.57	\$1,530	\$1,822	\$2,040
Mortuary, Funeral Home	1	1000 ft ²	0.53	\$56	\$66	\$74
Health Spa, Gymnasium						
With Showers		1000 ft ²	2.29	\$240	\$286	\$320
Without Showers		1000 ft ²	1.14	\$120	\$143	\$160
Convention Center, Fairground, Racetrack, Sports Stadium/Arena		Average Daily Attendance	0.04	\$4	\$5	\$5
Institutional						
College/University ⁷		Student	0.08	\$8	\$10	\$11
Private School	3	1000 ft ²	0.76	\$80	\$95	\$107
Library, Museum		1000 ft ²	0.38	\$40	\$48	\$53
Post Office (Local)		1000 ft ²	0.38	\$40	\$48	\$53
Post Office (Regional)		1000 ft ²	0.11	\$12	\$14	\$16
Church	17	1000 ft ²	0.19	\$20	\$24	\$27
	7,354					
Other						
Commercial Miscellaneous	2	1000 ft ²	0.76	\$80	\$95	\$107
Utilities	8	1000 ft ²	0.76	\$80	\$95	\$107
	10					
Billable Parcels	7,364					

The sewer rate study also projects additional sewer rate increases beyond Fiscal Year 2010-11. At this time, however, only a three year rate increase is recommended which will allow time for performing an annual assessment of the sewer fund and sewer CIP project to gauge an appropriate sewer rate increase, if necessary, beyond the proposed three year recommendation. As this year's study indicates, the City may choose to impose a pay-as-you go option after the three year rate increase. This option would result in less money available for sewer construction projects and may possibly cause a delay in construction projects over the ensuing years.

FISCAL IMPACT

The proposed 3-year sewer charge will allow the City to fully fund the operation, maintenance and capital improvements of the City's sewer system using the sewer fund.

RECOMMENDATION

It is recommended the City Council 1) receive and file the Hilton Farnkopf and Hobson sewer charge study and 2) direct staff to mail notice of the proposed increase, in compliance with Proposition 218, to property owners in the City and to draft an ordinance for the Council's consideration, amending Chapter 4.10 of the La Puente Municipal Code and increasing the sewer rates over a three year period.

Attachments A: Hilton Farnkopf and Hobson Sewer Charge study
B: Power point presentation