

# NOTICE OF PUBLIC HEARING CONCERNING PROPOSED RATE INCREASES TO SEWER AND SALTWATER SERVICE FEES

NOTICE IS HEREBY GIVEN that the City Council of the City of Avalon (the "City") will conduct a Public Hearing on May 19, 2015, at 6:00 p.m., in the City Council Chambers at City Hall, located at 410 Avalon Canyon Road, Avalon, California 90704, or as soon thereafter as the matter may be heard, to consider adopting increases in the current rates for its sewer and saltwater service fees.

## REASONS FOR THE PROPOSED RATE INCREASES

The rates for the City's sewer and saltwater service fees were last increased on July 1, 2009 and 2013. The City of Avalon has seen a significant loss of funding due to the State of California budget crisis and the loss of vital redevelopment funds that had been annually earmarked for these services and now no longer exist.

On April 5, 2012, the California Regional Water Quality Control Board issued a Cease and Desist Order requiring the City to bring its sewer program into compliance with State and Federal water quality regulations.

### **Sewer Service Fees**

The Cease and Desist Order (CDO) requires the City to accomplish many tasks and projects within a designated time frame,

which we have diligently been working on. It is conservatively estimated that complying with the requirements of the Cease and Desist Order, including the capital costs of constructing the improvements required to come into compliance, will cost far in excess of \$750,000 a year, and may be many multiples more.



*Tuberculated Sewer Line*

The City does not have the option of ignoring the requirements of the Cease and Desist Order and faces large daily fines and potential State takeover of the City's sewer system if violations occur.

The most significant requirements of the Cease and Desist Order include:

- Implement and fund a capital improvement program for our collection system
- Perform regular and annual maintenance activities
- Perform and continue private sewer lateral inspection program
- Develop a financial plan and annually develop a 10 year financial plan
- System evaluation and capacity assurance plan
- Assuring that total maximum daily loads cannot exceed certain levels in summer dry weather, winter dry weather and wet weather
- SCADA (Supervisory Control and Data Acquisitions Project-Phase 2)

Projects completed in 2013-2014

- Adopted ordinances to deal with source control and illicit discharge
- Performed certain studies regarding causes of our Bay pollution
- Sewer System Management recertification
- Sewer System Management Plan Audit
- Pebbly Beach Gravity Main pipeline repair
- Pebbly Beach Pump Station repairs
- Thickener Pump at WWTP replaced
- New Shredder Pumps for Low Flow Diverters

Currently, the Sewer Fund reserves are estimated to be \$200,000, at FY14-15 year-end or 6/30/2015. During FY14-15, it is estimated the Sewer fund will draw on reserves for \$605,000. The reduction in reserves consists of \$341,000 for operations and

\$264,000 for capital projects. It is projected that the Sewer Funds will have a deficit between \$600,000 and \$1.5 million in FY15-16 (excluding reserves) based on the capital improvement plan and on-going CDO operational and maintenance costs. If the proposed rate increases are adopted, it is anticipated that annual revenues from the sewer service fees will increase by approximately \$215,000, for a total estimated annual revenue from the service fees of \$1.7 million. Over six million dollars from the Avalon Community Improvement Agency have already been expended to commence these repairs, shielding ratepayers from increases in order to pay for the improvements.

**Saltwater Service Fees** The recommended rate increases to the saltwater service fees are necessary to make infrastructure improvements to the saltwater system, including completion of the salt water valve replacement project (which insures the integrity to Avalon’s firefighting and toilet flushing capability), and to commence a study on converting the salt water system to a reclaimed water



*Before: Leaking Clay Sewer Line*

system. The City started a saltwater valve replacement program and has completed 15 of the 40 additional valves required. The City stopped the saltwater valve replacement program due to the lack of funds. At least an additional \$550,000 is needed to fund the valve replacement project. Currently, the Saltwater Fund reserves are estimated to be \$135,000 at FY14-15 year-end or 6/30/2015. During FY14-15, it is estimated the Saltwater Fund will draw on reserves by \$452,000. The reduction in reserves consists of \$252,000 for operations and \$200,000 for capital projects. It is projected that the Saltwater Funds will have a deficit between \$450,000 and \$530,000(excluding reserves) in FY15-16. If the proposed rate increases are adopted, it is anticipated that annual revenue from the saltwater service fees will increase by approximately \$137,000, for a total estimated annual revenue from the service fees of \$559,000.

Based on the foregoing, the City is recommending that the rates for its sewer and salt water service fees be increased to fund the improvements and programs necessary to serve our customers and that are required to comply with the Cease and Desist Order. The City is committed to providing the highest quality utility services at the lowest possible rates for our customers and to maintaining financially sound and fiscally responsible sewer and saltwater programs. To meet this commitment, the City undertook an evaluation of the infrastructure needs, programs, and operations and maintenance costs of its sewer and saltwater services. This review assessed the adequacy of the revenues to maintain the physical integrity of these systems, to comply with all Federal and State regulations concerning water quality, reclaimed water



*After: Repaired Sewer Line*

programs, and the impacts of aging infrastructure. Based on this evaluation, it has been determined that rate increases are necessary for the City’s sewer and saltwater service fees to enable the City to recover current and projected costs of operations and maintenance, capital infrastructure improvements

needed to provide reliable saltwater and safely treat and dispose of wastewater in compliance with State and Federal regulations, maintain the operational and financial stability of the utilities, and avoid operational deficits and depletion of reserves. If the sewer and saltwater funds are not adequately funded to undertake these required actions, funds will have to be spent from the City’s reserves and other vital programs may have to be significantly cut. Detailed descriptions of the proposed rate increases are provided below.

## PROPOSED SEWER SERVICE FEES

The City’s sewer service fees are billed on an annual basis and are collected on the property tax roll. The rate structure for the City’s sewer service fees has nine customer classes – residential, public shower, hotel, laundries,

shops/offices, take-out restaurants, churches, bars/restaurants with less than 100 seats, and bars/restaurants with more than 100 seats. The rate for residential customers is calculated on the basis of the one unit assigned per dwelling. For public shower customers the rate is calculated on the basis of the number of showers located at the parcel. For hotel customers, the rate is calculated on the basis of the number of rooms within the hotel property. For laundry customers, the rate is calculated on the basis of the number of washing machines/units located at the property. For all other non-residential customers, the rate is established as a fixed charge.

Within each customer class, the rate of the sewer service fee to be imposed is calculated to proportionately allocate the cost of providing sewer services to each property owner on a parcel basis. If adopted, the proposed rates will be in effect beginning July 1, 2015, and will remain in effect until otherwise modified by the City. The current and proposed rates and the annual increases in the rates resulting from the proposed rates for the sewer service fees are as set forth in Table 1.

*Table 1*

<b>ANNUAL SEWER SERVICE FEES</b>			
<b>Customer Class</b>	<b>Current Rates</b>	<b>Proposed Rates Effective July 1, 2015</b>	<b>Annual Increase</b>
Residential (per dwelling unit)	\$475.98/unit	\$547.38/unit	\$71.40/unit
Public Shower (per shower)	\$157.99/shower	\$181.69/shower	\$23.70/shower
Hotel (per room)	\$238.99/room	\$274.84/room	\$35.85/room
Laundries (per wash unit)	\$321.42/unit	\$369.63/unit	\$48.21/unit
Shops/Offices	\$475.98	\$547.38	\$71.40
Take-out Restaurant	\$722.54	\$830.92	\$108.38
Churches	\$962.26	\$1,106.60	\$144.34
Bar/Restaurant (less than 100 seats)	\$1,431.20	\$1,645.88	\$214.68
Bar/Restaurant (more than 100 seats)	\$2,140.03	\$2,461.03	\$321.00

### **PROPOSED SALTWATER SERVICE FEES**

The City's saltwater service fees are billed on an annual basis and are collected on the tax roll. The rate structure for the City's saltwater service fees has three customer classes – residential, hotel and commercial customers. The rate for residential customers is calculated on the basis of one unit assigned per dwelling. The rate for hotel customers is determined on the basis of the number of rooms within the hotel property. The rate for commercial

customers is calculated on the basis of each toilet/urinal located within the commercial property. Within each customer class, the amount of the saltwater service fees to be imposed are calculated to proportionately allocate the cost of providing saltwater services to each property owner on a parcel basis. If adopted, the proposed rates will be in effect beginning July 1, 2015, and will remain in effect until otherwise modified by the City. The current and proposed rates and the annual increase in the rates resulting from the proposed rates for the saltwater service fees are set forth in Table 2.

ANNUAL SALTWATER SERVICE FEES			
Customer Class	Current Rates	Proposed Rates Effective July 1, 2015	Annual Increase
Residential	\$142.67/unit	\$192.60/unit	\$49.93/unit
Hotel	\$95.20/room	\$128.52/room	\$33.32/room
Commercial	\$95.20/toilet	\$128.52/toilet	\$33.32/toilet

## PUBLIC HEARING AND PROTESTS

Any property owner may submit a written protest to the proposed rate increases to the City's sewer and saltwater service fees, however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner is in opposition to the proposed rate increases to the sewer and/or saltwater service fees; (2) provide the location of the identified parcel (by assessor's parcel number or street address); and (3) include the name and signature of the property owner submitting the protest. Written protests may be submitted by mail or in person to the City Clerk at 410 Avalon Canyon Road, P.O. Box 707, Avalon, California 90704, or at the Public Hearing on May 19, 2015, at 6:00 p.m., provided they are received prior to the conclusion of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the City Clerk, Attn: Public Hearing on Rate Increases.



*Leaky valve needing replacement*



*Saltwater repair.*

The City Council will hear and consider all written and oral protests to the proposed rate increases at the Public Hearing. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, the City Council will consider adoption of an ordinance authorizing the rate increases to the City's sewer and saltwater service fees as described herein. If written protests against the proposed rate increases to (1) the sewer service fees, and/or (2) the saltwater service fees as outlined above are not presented by a majority of property owners of the identified parcels upon which the rates are proposed to be imposed, the City Council will be authorized to impose the respective rate increases. If adopted, the proposed rate increases to the sewer and saltwater service fees will be in effect beginning July 1, 2015, until otherwise modified by the City Council.

## QUESTIONS? Let us know

We want to answer any other questions or concerns you may have. Please feel free to contact Denise Radde at (310) 510-0220 ext.122 or Dennis Jaich at (310) 510-0220 ext. 129.



*New saltwater valve*