

# 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 June 7, 2016, 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 City of Avalon experienced 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 ("CDO") requiring the City to bring its sewer program into compliance with State and Federal water quality regulations.

### **Sewer Service Fees**

The CDO requires the City to accomplish many tasks and projects within a designated time frame.

The City currently is in compliance with the CDO.

However, it is estimated that the average annual cost of the continued repairs as required in the CDO will be \$670,000 for at least the next fifteen years. The City does not have the option of ignoring the requirements of the CDO and faces fines up to \$25,000 per day and potential State takeover of the City's sewer system if violations occur.



*Tuberculated Sewer Line*

The most significant requirements of the CDO include:

- Implement and fund a capital improvement program for our collection system
- Perform regular and annual maintenance
- Perform and continue private sewer lateral inspections
- Develop a and annually update a 10-year financial plan
- Develop a system evaluation and capacity assurance plan
- Ensure total maximum daily loads are not exceeded in summer dry weather, winter dry weather and wet weather
- Complete the Supervisory Control and Data Acquisition Project (SCADA)-Phase 2

Projects completed

- 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
- Catherine Booster Station motor repairs
- Executed a falconer contract
- CCTV Camera purchased for interior sewer line inspections

The Sewer Fund's cash balance is projected to be \$150,000 at the end of this fiscal year, June 30, 2016. Based on the capital improvement plan and on-going CDO operational and maintenance costs, and if sewer service fees are not increased, the Sewer Fund is projected to have a deficit of \$719,000 in FY16-17, accumulating to almost \$4 million by FY20-21. If the proposed rate increases

are adopted, it is anticipated that annual revenues will increase by \$700,000; sufficient to achieve a balanced budget while complying with the CDO.

**Saltwater Service Fees** The recommended rate increases to the saltwater service fees are necessary to make critical infrastructure improvements to the saltwater system, including completion of the saltwater valve replacement project (which insures the integrity to Avalon's firefighting and toilet flushing capability), and to commence a study of converting the saltwater system to a reclaimed water system. The City started a saltwater valve replacement program and has completed 15 of the 40 additional valves required. The saltwater valve replacement program was suspended last year due to the lack of funds. In November 2015, the City Council authorized continuing the valve replacement by utilizing the Saltwater cash reserve balance. The Saltwater Fund reserves are estimated to be \$35,000 by June 30, 2016. If the Saltwater service fees are unchanged for next year, the expenditures are projected to exceed the revenue by \$55,000 and the deficit would accumulate to about \$450,000 by FY20-21.

If the proposed saltwater service rate increases are adopted, it is anticipated that annual revenue from the saltwater service fees will increase by approximately \$55,000; sufficient to maintain the infrastructure in the coming year.

Based on the foregoing, the City is recommending that the rates for its sewer and saltwater service fees be increased to fund the critical improvements and programs that are required by the CDO and are vital in serving customers. The City is committed to providing the highest quality utility services at the lowest possible rates for the 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, 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 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, maintenance, and capital infrastructure improvements needed to provide reliable saltwater and to safely treat and dispose of wastewater in compliance with State and Federal regulations, while maintaining the operational and financial stability of the utilities, avoiding operational deficits and depleting 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 County 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 up to 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



*Before: Leaking Clay Sewer Line*



*After: Repaired Sewer Line*

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, 2016, 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</b>	<b>Annual Increase</b>
Residential (per dwelling unit)	\$547.38/unit	\$766.33/unit	\$218.95/unit
Public Shower (per shower)	\$181.69/shower	\$254.37/shower	\$72.68/shower
Hotel (per room)	\$274.84/room	\$384.78/room	\$109.94/room
Laundries (per wash unit)	\$369.63/unit	\$517.48/unit	\$147.85/unit
Shops/Offices	\$547.38	\$766.33	\$218.95
Take-out Restaurant	\$830.92	\$1,163.29	\$332.37
Churches	\$1,106.60	\$1,549.24	\$442.64
Bar/Restaurant (up to 100 seats)	\$1,645.88	\$2,304.23	\$658.35
Bar/Restaurant (more than 100 seats)	\$2,461.03	\$3,445.44	\$984.41

## **PROPOSED SALTWATER SERVICE FEES**

The City's saltwater service fees are billed on an annual basis and are collected on the County property 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 unit. 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 is 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, 2016, 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	Annual Increase
Residential	\$192.60/unit	\$211.86/unit	\$19.26/unit
Hotel	\$128.52/room	\$141.37/room	\$12.85/room
Commercial	\$128.52/toilet	\$141.37/toilet	\$12.85/toilet

## PUBLIC HEARING AND PROTESTS

Any property owner may submit a written protest of 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 (date and time noted above), 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.



*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, 2016, 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 Robert Mescher at (310) 510-0220 ext. 170 or Denise Radde at (310) 510-0220 ext.122.



*Leaky valve needing replacement*



*New saltwater valve*