

Sewer Charges Going Up: Ratepayers about to be Dumped On

05.23.2011

Jack Humphreville



LA WATCHDOG - The City is considering increasing our Sewer Service Charge by 9% a year for at least the next five years, beginning on January 1, 2012. The increase in rates will be used to cover higher operating costs, fund the five year, \$1.2 billion capital expenditure program, reduce debt, and protect the current, but tenuous, AA credit rating.

The City's Sewer Construction and Maintenance is the largest wastewater system in the country, covering over 600 square miles and consisting of more than 6,700 miles of sewers and interceptors, four treatment plants (the largest of which is Hyperion), 44 pumping stations, and 153,000 maintenance holes. The total average daily flow is about 400 million gallons a day.

Over the years, the Sewer Construction and Maintenance Fund (the "Fund") has invested over \$6.3 billion in the system. These capital assets, after depreciation, are carried on the books at approximately \$3.5 billion and are supported by outstanding debt of \$2.7 billion. The replacement cost has been estimated to be \$20 billion. However, over 70% of the sewers have been in service for over 50 years.

The Sewer Service Charge is collected by the Department of Water and Power from 640,000 customers. The Sewer Service Charge is expected to haul in \$484 million for the fiscal year ending June 30, 2011, representing around 90% of the Fund's \$536 million in revenues.

The Bureau of Sanitation is responsible for the operations of the Fund and fills most of its 1,300 positions.

While there have been rate increases in the past, there were no increases in 2009, 2010, and 2011 because of adverse economic climate. This forced the Fund to cut back on various projects that addressed environmental issues, the maintenance and repair of the infrastructure, and operational efficiencies. ✓

However, the Bureau of Sanitation believes a significant rate increase is mandated because the Fund's AA bond ratings are in jeopardy because the high level of debt, the ambitious capital investment plan, and the need to meet environmental regulations, all compounded by the City's own shaky financial condition. AA

Any increase in the Sewer Service Charge is subject to the notification provisions of Proposition 218 which requires that a notice about the rate hikes be sent to all customers and that a public hearing be held within 45 days. However, in this case, voter approval is not required according to City memos.

In addition to the public hearing, the Bureau of Sanitation needs to have an open and transparent process so that Ratepayers have a full and complete understanding of the reasons for this significant multiyear increase. This would involve workshops for the Neighborhood Councils and other concerned Ratepayers and Citizens.

Furthermore, the rate increase should be only for three years, not five or ten years that has been discussed. This allows for greater scrutiny of the Fund.

An integral part of the process is getting a better understanding of the relationship of this Special Revenue Fund, with its own source of revenue, with the City's General Fund. For example, is the City dumping employees onto the Fund's payroll, not dissimilar to what happened to DWP when it was essentially forced to hire 1,600 City employees? Is the Fund overpaying for the services it receives from

the City? And is this rate increase subject to the recently passed Proposition 26?

At the same time, the Bureau of Sanitation should update Citizens on the status of the \$8 billion, multiyear Storm Water program, its financing, and the impact on taxes.

The timing of the proposed increase in our sewer charges comes at the same time that our Department of Water and Power is requesting increases in our water and power rates.

So be prepared for an extra special Happy New Year when we get slammed with a three pronged rate increase in our first 2012 DWP bill.

(Jack Humphreville writes LA Watchdog for CityWatch He is the President of the DWP Advocacy Committee and the Ratepayer Advocate for the Greater Wilshire Neighborhood Council. Humphreville is the publisher of the Recycler -- www.recycler.com. He can be reached at: lajack@gmail.com) -cw

CityWatch
Vol 9 Issue 41
Pub: May 24, 2011