

DEPARTMENT OF PUBLIC WORKS

BUREAU OF SANITATION
BOARD REPORT NO. 2
OCTOBER 23, 2017

ADOPTED BY THE BOARD
PUBLIC WORKS OF THE CITY
of Los Angeles California
AND REFERRED TO THE CITY COUNCIL
OCT 23 2017


Executive Officer
Board of Public Works

CD: ALL

ADOPTION OF RATES NEEDED TO IMPLEMENT AGENCY WASTEWATER
SERVICE AGREEMENTS IN FISCAL YEAR 2017-2018

RECOMMENDATION

Approve and forward this report to the City Council with the recommendation that the Council adopt the following rates used for charging agencies for sewer service pursuant to the Universal Terms Agreements for service in Fiscal Year 2017-2018:

1. Amalgamated System Sewerage System Charge (ASSSC) rates.
2. Classification of ASSSC rates between operation and maintenance (O&M) and capital.
3. Amalgamated System Sewerage Facilities Charge (ASSFC) rates.
4. Capital investment buyout rates.

FISCAL IMPACT STATEMENT

There will be a positive impact on the Sewer Construction and Maintenance Fund (SCM) due to an increase in both the ASSSC rates and the ASSFC rates, as compared to last year. There is no fiscal impact on the General Fund.

TRANSMITTAL

Copy of the proposed rates, used for charging agencies for sewer service in Fiscal Year 2017-2018.

DISCUSSION

Background

In 1999, the City executed Universal Terms Agreements for providing sewer service to twenty agencies located outside the City limits, such as the cities of Burbank, Glendale and Santa Monica. These agreements provide for consistent and fair charges for serving the agencies and conform to the applicable federal and state revenue program requirements. The primary charges are the ASSSCs that recover the City's annual costs of providing service and the ASSFCs that recover the costs of providing capacity to serve new development within the agencies. These two charges are largely consistent with the Sewer Service Charges and Sewerage Facilities Charges levied upon the City's internal customers. However, certain differences in the charges account for differences in service between the internal and agency customers. For example, the agency charges do not include costs associated with the City's capital financing program since the agencies elected not to participate in the City's bonds.

parameters that are either verifiable or established according to criteria given in the agreements. Example parameters are the treatment plant capacities used to calculate ASSFCs. However, it is not practical for all of the parameters to be established in these ways. The agreements therefore require that the Board of Public Works adopt certain of the parameters. The parameters are adopted in companion Board Report No. 2. This report sets forth the rates and classification of rates between O&M and capital that the agreements require the City Council to adopt.

RATES AND CLASSIFICATION TO BE ADOPTED BY THE COUNCIL

Following is a discussion of the rates and classification that the Universal Terms Agreements require to be adopted by the City Council.

ASSSC Rates

LA Sanitation (LASAN) calculates the ASSSC rates before the beginning of each fiscal year based on the estimated wastewater system costs, flow, and strengths; calculates the ASSSCs by multiplying the rates by the agencies' expected flow and strength during the year and charges the ASSSCs in six equal installments. The biochemical oxygen demand (BOD) and suspended solids (SS) are two measures of the strength of the wastewater that the agencies discharge to the City's system. LASAN will calculate reconciliation billings after the end of the fiscal year based on the actual costs and the actual flow, BOD and SS measured during the year. These rates therefore affect the interim estimated billings, but have no effect on the agencies' final charges for service, as reflected in the reconciliation billings.

The conveyance rate is calculated by dividing the City's conveyance costs by the total system mgd-miles. An "mgd-mile" accounts for both the flow from an agency (in million gallons per day or mgds) and the distances from the agency in miles to the treatment and reclamation plants. The rate is multiplied by the agencies' mgd-miles to calculate the conveyance portions of their ASSSCs.

Classification of ASSSC Rates Between O&M and Capital

These are the percentages of the rates calculated from O&M costs versus capital costs. The percentages are not used to calculate the agencies' bills. However, if the agencies sell bonds to finance their payment of the ASSSCs, they need the percentages to ensure that they use bond proceeds only for the capital portions of the ASSSCs.

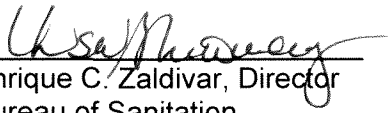
ASSFC Rates

LASAN calculates the ASSFC rates by determining the total value of the City's conveyance and treatment facilities and by determining the conveyance and treatment flow, BOD and SS portions of the value. LASAN then divides these portions by the total system capacity in terms of mgds of flow, mgd-miles and pounds per day of BOD and SS.

Capital Investment Buyout Rate

The agreements require agencies to remove their wastewater from the City's system if they cannot agree with the City on how to amend the agreements after the agreements expire. The agreements therefore allow the agencies to recover the unused portions of their past capital investment in the system. The calculation is similar to the ASSFC rates, except that the system value includes only facilities constructed after FY 1984-85 and the allocated value is divided by the current actual mgd-miles, flow and strength rather than the system capacities.

Respectfully submitted,


for Enrique C. Zaldivar, Director
Bureau of Sanitation

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