



Honorable Mayor and Members of the Hermosa Beach City Council

**PUBLIC HEARING ON THE ANNUAL LEVY OF SEWER CHARGES ON THE
PROPERTY TAX ROLL**

(Public Works Director Joe SanClemente)

Recommended Action:

Staff recommends City Council:

1. Conduct a public hearing to receive public comment related to the collection of sewer service charges on the property tax roll for Fiscal Year 2024–2025;
2. Determine the presence of a majority protest; if there is no majority protest, make an official finding that a majority protest by property owners within the City of Hermosa Beach does not exist; and
3. Adopt a resolution (**Attachment 1**), including an Engineer's **Report (Attachment 2)**, approving the new rates and authorizing the placement of sewer service charges on the annual County of Los Angeles Tax Roll.

Executive Summary:

Each year, the City Council places sewer service charges on the property tax roll to fund the maintenance, operations, servicing, and improvements of the City's sewer collection systems. Since Fiscal Year 2015–16, the City has collected the sewer service charge, which is codified in the Hermosa Beach Municipal Code (HBMC). For Fiscal Year 2024–25, the sewer service charge will be \$142.37, incorporating a two percent increase based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Background:

The City Council annually places the sewer service charges on the property tax roll for collection. The City bases the sewer service charge for each parcel on the direct cost of providing maintenance, operation, servicing, and improvements to the sewer collections system.

Pursuant to Ordinance No. 22-1448 and HBMC Section 13.12.010, the sewer service charge shall be increased for inflation on July 1, 2024 by the annual increase in the CPI-W in the Los Angeles-Long Beach-Anaheim CA Area (previously known as Los Angeles-Riverside-Orange County CA Area) including all items as published by the US Bureau of Labor Statistics as of January 1 of each year, not to exceed five percent per year.

For Fiscal Year 2024–25, the annual increase in the CPW-W in the Los Angeles-Long Beach-Anaheim CA Area increase is two percent. The new annual sewer service charge, reflecting the two percent increase, would be \$142.37. In compliance with State law, the City notified each property by mail of the CPI-W increase (**Attachment 3**). Additionally, the City published the first Notice of Public Hearing in the paper on June 20, 2024 (**Attachment 4**), followed by a second Notice of Public Hearing in the same publication on June 27, 2024.

Past Council Actions

Meeting Date	Description
June 23, 2015	City Council approved a resolution adopting the first annual sewer service charge to fund maintenance, operations, servicing, and improvements to the City’s sewer collection system.
July 12, 2022	City Council approved a resolution adopting the new sewer service charge term to fund maintenance, operations, servicing, and improvements to the City’s sewer collection system.

Analysis

Table 1 lists the sewer service charge rates, adjusted by the two percent CPI-W increase for residential parcels, for Fiscal Year 2024–25.

Table 1. Residential Parcel Sewer Charges

Land Use	2023–2024 Annual Charge (per unit)	2024–2025 Annual Charge (per unit)	Amount of Annual Increase
Single Family	\$139.58	\$142.37	\$2.79
Condominiums	\$139.58	\$142.37	\$2.79
Multi Family (Charge is per unit)	\$83.75	\$85.43	\$1.68
Vacant Parcels	\$69.79	\$71.18	\$1.39

The City charges single-family residential units at 1.0 equivalent service units (ESU) per parcel, multi-family residential units at 0.6 ESU per parcel, condominiums at 1.0 ESU

per parcel, reflecting their similarity to single-family residents in use, and vacant parcels at 0.5 ESU regardless of use. For Fiscal Year 2024–25 the proposed charge, including a two percent CPI-W increase, would be \$142.37 per 1.0 ESU.

The CPI-W increase of two percent also applies to non-residential parcels. Page 7 of the Engineer’s Report (**Attachment 2**) summarizes ESUs for land-use classes. The City calculates the ESU for the City’s various non-residential land uses using the following equation:

$$\text{ESU} = [\text{Commercial Water Consumption in gallons per day (GPD)}] / 260 \text{ GPD}^*$$

*(*Note: 260 GPD represents the same GPD as single-family residential unit (SFRU))*

For non-residential parcels, the sewer service charge is based on water use relative to single family residential units. The rate increase per 1.0 ESU is two percent for both residential and non-residential parcels. The total sewer fee for each non-residential parcel, however, may increase or decrease depending on each parcel’s water use relative to the previous year.

The Engineer’s Report contains detailed information about the annual charge and the charge to be applied to the parcels. Information about the use of revenue and annual increases is also included in the report. Every parcel in the City is subject to the sewer service charge. However, property owners meeting certain eligibility requirements, per Section 13.12.050 of the Municipal Code, qualify for a full annual rebate of the sewer service charge paid per year for the dwelling unit in which they reside.

The public hearing provides an opportunity for the City Council to hear and consider all protests to the annual levy of the sewer service charge. In the absence of a majority protest by property owners within the City of Hermosa Beach, City Council may order placement of the City sewer service charge on the Fiscal Year 2024–25 property tax rolls. City Council action is required to place the annual charge on the tax roll.

If Council determines that a majority of property owners listed in the Engineer’s Report, have submitted written protests, the resolution and Engineer’s Report would not be adopted. Consequently, the charges would be collected separately from the tax roll, by an alternative method to be determined, and would not constitute a lien against any parcel of land.

Staff recommends City Council hold a public hearing to determine the presence of a majority protest by property owners within the City; if there is no majority protest, adopt the enclosed resolution with attached Engineer’s Report; and place the annual sewer service charge on the annual County of Los Angeles Tax Roll.

Update on Sewer Repair Projects

The City uses the collected sewer funds for routine sewer cleaning, planned repairs and rehabilitation, and emergency repairs. The City collects an average of \$1,200,000 annually from the sewer service charge. For FY 2024–25, the City expects to spend approximately \$630,000 on operations and maintenance, including emergency repairs, contracted services for cleaning and video inspections, and personnel. The remaining funds will primarily be used to advance design and construction of the recommendations outlined in the Sewer Master Plan.

A separate item on tonight’s City Council agenda recommends Council approve the award of a construction contract for Phase 2 of Capital Improvement Program (CIP) Project 421 Annual Sewer Improvements at an estimated cost of approximately \$3,500,000. The project consists of replacing approximately 4,800 linear feet of sewer pipe, the repair and rehabilitation of 30 existing sewer maintenance access holes, and the construction of 27 new sewer maintenance access holes. If approved, the work would take place in Fall, 2024.

General Plan Consistency:

This report and associated recommendation have been evaluated for their consistency with the City’s General Plan. Relevant Policies are listed below:

Infrastructure Element

Goal 4. The sewer system infrastructure is modernized and resilient.

Policies:

- **4.1 Sewer system master plan.** Ensure that the Sanitary Sewer Master Plan contains an effective and proactive maintenance program that reduces future operation costs.
- **4.3 Service fees.** Ensure that allocation of the Sewer Service Charge is efficient and transparent to the public.

Fiscal Impact:

The total anticipated revenue from the sewer service charge for FY 2024–2025 is approximately \$1,290,000. The CPI increase of two percent for 2024–25 would generate approximately \$25,000 in additional revenue.

Attachments:

1. Draft Resolution
2. Engineer’s Report with CPI-W increase for Fiscal Year 2024–2025
3. Mailer to Property Owners

4. First Notice of Public Hearing
5. Second Notice of Public Hearing

Respectfully Submitted by: Jonathan Pascual, Assistant Engineer

Concur: Brandon Araujo, Senior Engineer

Concur: Lucho Rodriguez, City Engineer

Concur: Joe SanClemente, Public Works Director

Noted for Fiscal Impact: Viki Copeland, Administrative Services Director

Legal Review: Patrick Donegan, City Attorney

Approved: Suja Lowenthal, City Manager