



COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

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GRACE ROBINSON HYDE
Chief Engineer and General Manager

June 20, 2018

Board of Directors
County Sanitation District No. 9
of Los Angeles County

Directors:

Wastewater Revenue Program for Fiscal Year 2018-19

The agenda for the June 27, 2018 meeting of the Board of Directors of District No. 9 contains two items regarding the wastewater revenue program. The first item pertains to the Service Charge Report that was filed with the District Clerk on April 25, 2018. The second item relates to the annual adoption of the state-mandated appropriations limit and the final budget for fiscal year 2018-19.

SERVICE CHARGE REPORT

Adoption of the Service Charge Report is needed for the continued collection of service charges on the property tax roll for residential, commercial and small industrial dischargers. The current service charge rate is \$6.50 per month (\$78 per year) per single-family home (SFH) and no increase is being proposed for fiscal year 2018-19. Multi-family residential units will pay 60% of the adopted SFH rate and condominiums will pay 75% of the adopted SFH rate. Likewise, commercial and industrial dischargers will pay in proportion to their use of the regional wastewater management system compared to a SFH. Dischargers with verified low water usage (particularly seniors and retirees) may also qualify for a reduced charge.

Prior to considering adoption of the Report, the Board must hold a public hearing. The Board set the date, time, and location of the public hearing as June 27, 2018 at 1:30 p.m. in the Districts' Boardroom. Notice of the public hearing was published twice in newspapers of general circulation within the District. Public testimony will be accepted at the hearing and all written comments must be received at or by this time. After all public input has been received by the Board, the public hearing will be closed and the Board will consider adoption of the Report.

APPROPRIATIONS LIMIT

The Constitution of the State of California places a limit on the authorization to expend the proceeds of taxes levied by state and local governments in California. In addition, the Government Code requires the governing body for each local jurisdiction to establish, by resolution, an appropriations limit for each fiscal year. The appropriations limit for FY 2018-19 has been determined by adjusting the previous limit for FY 2017-18 based upon population change factors for Los Angeles County and the change in the California Personal Per Capita Income. All of this is in accordance with the procedures outlined in Article XIII B of the Constitution and Section 7910 of the Government Code. The proposed

appropriations limit and anticipated tax revenue are shown in Exhibit No. 1. This information has been available to the public at the Districts' Joint Administration Office in conformance with the requirement that the documentation used in the determination of the appropriations limit be available fifteen days prior to its establishment by the Board of Directors.

FINAL BUDGET FOR FISCAL YEAR 2018-19

Enclosed for your review is the proposed final budget for fiscal year 2018-19, a list of proposed capital projects, and information on the monies set aside in various funds/reserves. These funds and reserves were established in accordance with the District's Wastewater Financial Reserve Policy adopted in December 2017.

The final budget provides a comparison with the current 2017-18 budget and a breakdown of the items included in the budget. It is divided into three sections: anticipated expenses, projected revenues, and transfers to or from reserves. In preparing the budget, it is projected that the general revenue sources available to the District for meeting expenses during the coming fiscal year include a pro rata share of the ad valorem (property) taxes, service charges, and interest income. In addition, monies will be transferred from the Capital Improvement Fund (a restricted fund for the accumulation of connection fees paid by new users) to cover the costs of expansion-related capital projects. Lastly, previously accumulated monies will be transferred from the designated reserves to help fund the construction of capital improvements.

The budget has been prepared in accordance with the Joint Administration Agreement. In the case of Districts that contract with the City of Los Angeles for sewerage service, the Joint Administration Agreement states that these Districts shall pay one one-hundredth of one percent of all joint expenses.

In past years, certain non-operational expenses were categorized as either O&M-Joint Administration or O&M-Technical Services depending upon which Districts' Department incurred the expense. As part of the process of implementing a new accounting software system, staff has been evaluating those expenses and re-categorizing them according to whether they still provide broad administrative services to all Districts (i.e. accounting, purchasing) or more technical support (i.e. reuse and compliance, information technology). In order to make a more fair "apples-to apples" comparison, the amounts shown for the fiscal year 2017-18 have been similarly reclassified, although the combined total remains the same.

As part of the new accounting system, changes have been made to the way interest income is recorded. In prior years, interest on funds in the designated reserves were credited to the reserve account and then transferred to the District's operating account for use as a revenue source. To simplify this process, all of the interest earned is now credited directly as a revenue source.

District No. 9 does not own or operate any treatment and disposal facilities. The District contracts for these services with the City of Los Angeles. Thus, the portion of the proposed service charge attributable to disposal O&M and capital is a direct reflection of the City of Los Angeles' costs for its wastewater treatment system.

SUMMARY OF REQUIRED ACTIONS

Although no change is being made to the service charge rate, a public hearing on the Service Charge Report is required under the California Health and Safety Code in order for the District to continue to collect the previously approved wastewater service charge as a separate line item on the

property tax roll. This is the most cost-effective and efficient means of collecting the service charges. After the public hearing is closed, the Board must adopt the Service Charge Report in order to ensure collection of the service charge through property tax billing.

It is also recommended, in relation to budgetary matters, that the Board of Directors adopt a resolution establishing the appropriations limit on the proceeds of taxes, adopt the budget for FY 2018-19, adopt a resolution requesting the tax levy, and authorize appropriations in the sewerage system budget, all as shown on the agenda.

Very truly yours,

A handwritten signature in blue ink that reads "Grace R. Hyde". The signature is written in a cursive style.

Grace Robinson Hyde

GRH:gc

Enclosures