



# AGENDA

## EL SEGUNDO CITY COUNCIL

6:00 PM Regular Session

December 15, 2020

DUE TO THE COVID-19 EMERGENCY, THIS MEETING WILL BE CONDUCTED PURSUANT TO THE GOVERNOR'S EXECUTIVE ORDER N-29-20.

TELECONFERENCE VIA ZOOM MEETING

MEETING ID: 958 0087 7026

PASSCODE/PIN: 252597

### **PUBLIC ADVISORY:**

**THE CITY COUNCIL CHAMBER WILL NOT BE OPEN TO THE PUBLIC**

### How Can Members of the Public Observe and Provide Public Comments?

- Residents can watch the meeting live via Spectrum Channel 3 and 22, AT&T U-Verse Channel 99 and/or El Segundo TV at YouTube.com.
- Access remotely via Zoom from a PC, Mac, iPad, iPhone or Android device or by phone. Use URL <https://zoom.us/j/95800877026> and enter Passcode/PIN: 252597; or visit [www.zoom.us](http://www.zoom.us) on device of choice, click on "Join a Meeting" and enter meeting ID: 95800877026 and Passcode/PIN: 252597
- Join by phone at 1-669-900-9128 and enter meeting ID and Passcode/PIN.  
**NOTE: Your phone number is captured by the Zoom software and is subject to the Public Records Act, dial \*67 BEFORE dialing in to remain anonymous.**
- Note that you will be placed in a "listen only" mode and your video feed will not be shared with the Council or public.
- For Public Communications and comments during Public Hearings, please notify the meeting host by raising your virtual hand (see hand icon at bottom of screen) and you will be invited to speak. **(If you do not wish for your name to appear on the screen, then use the drop-down menu and click on "rename" to rename yourself "anonymous")**
- Do not simultaneously use a microphone through Zoom and a cellphone/telephone, this combination results in audio problems.
- For electronic public comments on a specific agenda item, submit comments to the following e-mail address, with a limit of 150 words and accepted up until 30 minutes prior to the meeting: PUBLICCOMMUNICATIONS@elsegundo.org, **in the subject line please state the meeting date and item number.** Depending on the volume of communications, the emails will be read to Council during public communications
- For Public Hearings: written communications will be accepted both before the meeting and during the open period of the Public Hearing at PUBLICCOMMUNICATIONS@elsegundo.org.
- All written communication, documents, email addresses of attendees captured by Zoom software will be considered a public document subject to possible posting on the City's website and are subject to disclosure under the Public Records Act.

**Additional Information:**

The City Council, with certain statutory exceptions, can only take action upon properly posted and listed agenda items. Any writings or documents given to a majority of the City Council regarding any matter on this agenda that the City received after issuing the agenda packet are available for public inspection in the City Clerk's office during normal business hours. Such Documents may also be posted on the City's website at [www.elsegundo.org](http://www.elsegundo.org) and additional copies will be available at the City Council meeting.

Unless otherwise noted in the Agenda, the Public can only comment on City-related business that is within the jurisdiction of the City Council and/or items listed on the Agenda during the Public Communications portions of the Meeting. Additionally, the Public can comment on any Public Hearing item on the Agenda during the Public Hearing portion of such item. The time limit for comments is five (5) minutes per person.

Before speaking to the City Council, please state: Your name and residence and the organization you represent, if desired. Please respect the time limits.

**In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact City Clerk, 524-2305. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.**

**REGULAR MEETING OF THE EL SEGUNDO CITY COUNCIL  
TUESDAY, DECEMBER 15, 2020 - 6:00 P.M.  
REGULAR SESSION**

**CALL TO ORDER**

**INVOCATION** – Father Alexei Smith, St. Andrew Russian Greek Catholic Church

**PLEDGE OF ALLEGIANCE** – Council Member Pirsztuk

**ROLL CALL**

**PUBLIC COMMUNICATIONS** – (Related to City Business Only – 5 minute limit per person, 30 minute limit total) *Individuals who have received value of \$50 or more to communicate to the City Council on behalf of another, and employees speaking on behalf of their employer, must so identify themselves prior to addressing the City Council. Failure to do so shall be a misdemeanor and punishable by a fine of \$250. While all comments are welcome, the Brown Act does not allow Council to take action on any item not on the agenda. The Council will respond to comments after Public Communications is closed.*

**CITY MANAGER FOLLOW-UP COMMENTS** – (Related to Public Communications

**SPECIAL PRESENTATIONS:**

- a) Recognition – Fire Department
- b) Recognition – Community Services Department
- c) Recognition – Frank Maranto, Mattel
- d) Holiday Events Update
- e) COVID-19 Update

## **PROCEDURAL MOTIONS**

### **Consideration of a motion to read all ordinances and resolutions on the Agenda by title only.**

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Recommendation – Approval.

#### **A. CONSENT CALENDAR**

1. Approve Regular and Special City Council Meeting Minutes of December 1, 2020.
2. Approve warrant numbers 3033679 - 3033748 and 9001730 – 9001730 on Register No. 4b in the total amount of \$89,183.52 and wire transfers from 11/16/2020 through 11/22/2020 in the total amount of \$382,132.47. Approve warrant numbers 3033749 – 3033816 and 9001731 on Register No. 5a in the total amount of \$294,040.04 and wire transfers from 11/23/2020 through 11/29/2020 in the total amount of \$695,167.71. Approve warrant numbers 3033817 – 3033877 and 9001732 – 9001774 on Register No. 5b in the total amount of \$362,149.24 and wire transfers from 11/30/20 through 12/06/20 in the total amount of \$63,775.43.
3. Adopt proposed resolution to vacate the public water line service easement at 2000 El Segundo Boulevard.
4. Adopt Resolution approving plans and specifications for FY 20/21 Pavement Rehabilitation and authorize staff to advertise project for construction bids. (Project No. PW 21-01)
5. Approve an amendment to Agreement No. 5853 with Lionakis, an architecture design firm, for an additional \$14,300 to increase total contract amount from \$48,000 to \$62,300 for design service, adopt resolution approving Plans and Specifications for City Hall Window Replacement Project and authorize staff to advertise project for construction bids.
6. Adopt Resolution to approve the amended Part-time/Hourly Classifications Salary Schedule to meet state requirements.
7. Direct staff to open the recruitment process for positions on the Committees, Commissions and Boards

#### **B. PUBLIC HEARINGS**

#### **C. STAFF PRESENTATIONS**

8. Ratify amendment to Administrative Order #2.

9. Review of water and wastewater rate studies, direct staff to commence with Proposition 218 protest procedures regarding proposed water and sewer rates for FY 2020-2021 through 2024-2025, adopt a resolution establishing procedures for mailing, handling and counting Proposition 218 ballots and set a public hearing for February 16, 2021 to consider an ordinance increasing water and wastewater rates and fees.

**D. COMMITTEES, COMMISSIONS AND BOARDS PRESENTATIONS**

10. Receive and file Arts and Culture Advisory Committee Report including: FY 2019-2020 Accomplishments, ACC Workflow Realignment and FY 2020-2021 Work Plan and direct ACC to implement FY 2020-2021 Work Plan.

**E. REPORTS – CITY CLERK**

**F. REPORTS – CITY TREASURER**

**G. REPORTS – COUNCIL MEMBERS**

Council Member Giroux –

Council Member Nicol -

Council Member Pirsztuk -

Mayor Pro Tem Pimentel –

Mayor Boyles –

**H. REPORTS – CITY ATTORNEY**

**I. REPORTS/FOLLOW-UP – CITY MANAGER**

**CLOSED SESSION**

*The City Council may move into a closed session pursuant to applicable law, including the Brown Act (Government Code Section §54960, et seq.) for the purposes of conferring with the City's Real Property Negotiator; and/or conferring with the City Attorney on potential and/or existing litigation; and/or discussing matters covered under Government Code Section §54957 (Personnel); and/or conferring with the City's Labor Negotiators.*

**REPORT OF ACTION TAKEN IN CLOSED SESSION (if required)**

**MEMORIAL – George Hoopes and Henry Arredondo**

**ADJOURNMENT**



POSTED:

DATE: December 11, 2020

BY: Tracy Weaver

TIME: 9:30AM

## **PLACE HOLDER**

### **SPECIAL PRESENTATIONS:**

a) Recognition – Fire Department

## **PLACE HOLDER**

### **SPECIAL PRESENTATIONS:**

b) Recognition – Community Services Department

## **PLACE HOLDER**

### **SPECIAL PRESENTATIONS:**

c) Recognition – Frank Maranto, Mattel

## **PLACE HOLDER**

### **SPECIAL PRESENTATIONS:**

d) Holiday Events Update

## **PLACE HOLDER**

### **SPECIAL PRESENTATIONS:**

e) COVID-19 Update

MEETING OF THE EL SEGUNDO CITY COUNCIL  
TUESDAY, DECEMBER 1, 2020 – 4:00 PM  
*This meeting was conducted virtually via Zoom conferencing and ran  
simultaneously with the 3:00 PM Special Closed Session*

CALL TO ORDER – Virtually by Mayor Boyles at 4:00 PM

ROLL CALL

Mayor Boyles - Present via teleconferencing  
Mayor Pro Tem Pimentel - Present via teleconferencing  
Council Member Pirsztuk - Present via teleconferencing  
Council Member Nicol - Present via teleconferencing  
Council Member Giroux - Present via teleconferencing

PUBLIC COMMUNICATION – (Related to City Business Only – 5 minute limit per person, 30 minute limit total) None

SPECIAL ORDER OF BUSINESS:

Mayor Boyles announced that Council would be meeting in closed session pursuant to the items listed on the Agenda.

CLOSED SESSION:

The City Council may move into a closed session pursuant to applicable law, including the Brown Act (Government Code Section §54960, et seq.) for the purposes of conferring with the City's Real Property Negotiator; and/or conferring with the City Attorney on potential and/or existing litigation; and/or discussing matters covered under Government Code Section §54957 (Personnel); and/or conferring with the City's Labor Negotiators; as follows:

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Existing Litigation pursuant to Government Code §54956.9 (d)(4): -3- matters.

1. Scott O'Connor (City Police Officer) v. City of El Segundo, United States District Court (Central District of California), Civil Case No. 2:20-CV-0311 DMG (PLAx)
2. Joseph Cameron (Former City Police Officer) v. City of El Segundo, United States District Court (Central District of California), Civil Case No. 2:20-CV-04689, JFF-JCx
3. James Tulette (City Fire Fighter) v. City of El Segundo, Los Angeles Superior Court, Case No. 205T, CV44025

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Anticipated litigation pursuant to Government Code Section 54956.9(d)(4) -3- matters.

1. Andrew McEntyre (City Police Officer) v. City of El Segundo (Government Code Liability Claim filed by Andrew Mc Entyre)
2. Scott Martinez (City Fire Fighter) v. City of El Segundo (Government Code Liability Claim filed by Scott Martinez)
3. Potential Liability to City based upon facts and circumstance unknown to potential claimant

CONFERENCE WITH LEGAL COUNSEL – INITIATION OF LITIGATION

Initiation of litigation pursuant to Government Code Section 54956.9(4) -1- matter

ADJOURNED at 5:23 PM

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Tracy Weaver, City Clerk



REGULAR MEETING OF THE EL SEGUNDO CITY COUNCIL  
TUESDAY, NOVEMBER 3, 2020 - 6:00 P.M.  
***This meeting was conducted virtually via Zoom conferencing***

CALL TO ORDER - Virtually by Mayor Boyles at 6:00PM

INVOCATION – Pastor Wes Harding, The Bridge Church

PLEDGE OF ALLEGIANCE – Mayor Pro Tem Pimentel

ROLL CALL

Mayor Boyles	-	Present via teleconferencing
Mayor Pro Tem Pimentel	-	Present via teleconferencing
Council Member Pirsztuk	-	Present via teleconferencing
Council Member Nicol	-	Present via teleconferencing
Council Member Giroux	-	Present via teleconferencing

PUBLIC COMMUNICATIONS – (Related to City Business Only – 5 minute limit per person, 30 minute limit total) None

Chris Eidem, resident, commented on the need to renovate the Skate Park located at the El Segundo Teen Center.

CITY MANAGER FOLLOW-UP COMMENTS – (Related to Public Communications)

Scott Mitnick, City Manager, addressed the Skate Park comment and how the Skate Park relates to the needs assessment RFP for the Teen Center.

SPECIAL PRESENTATIONS:

- a) Holiday Events Update given by Ryan Delgado, Recreation and Parks Supervisor.
- b) COVID-19 Update and Council direction re latest information available re City residents, business and facilities given by Randy Collins, Emergency Manager Coordinator. Council commented on the current County Orders.

A. PROCEDURAL MOTIONS

Consideration of a motion to read all ordinances and resolutions on the Agenda by title only.

MOTION by Council Member Giroux, SECONDED by Council Member Pirsztuk to read all ordinances and resolutions on the agenda by title only. MOTION PASSED BY UNANIMOUS VOICE VOTE. 5/0

B. CONSENT CALENDAR

1. Approve Regular City Council Meeting Minutes of November 17, 2020.

2. Approve warrant numbers 3033578 thru 303678 on Register No. 4a in the total amount of \$758,140.37 and wire transfers from 11/09/2020 through 11/15/2020 in the total amount of \$2,924,938.37.
3. Accept the El Segundo Police Department Firing Range Remodel as complete, authorize the City Clerk to file a Notice of Completion with the County Recorder's Office and authorize an increase in construction contingencies from \$24,500 to \$29,716.39, an increase of \$5,216.93. Project No. PW 19-26  
(Fiscal Impact: \$274,716.39)
4. Adopt an ordinance NO. 1621 to amend Development Agreement No. DA 03-01 (8th Amendment No. 5436A) for the Plaza El Segundo and The Point development projects (located at the northeast corner of Pacific Coast Highway and Rosecrans Boulevard) to increase the allowed percentage of non-sales tax generating uses to 40 percent.  
(Fiscal Impact: Potential for a reduction in sales tax generated from the subject property that may be somewhat offset by an increase in the Business license Tax generated)

MOTION by Council Member Giroux, SECONDED by Council Member Nicol, approving Consent Agenda items 1, 2, 3 and 4. MOTION PASSED BY UNANIMOUS VOICE VOTE. 5/0

- C. PUBLIC HEARINGS: None
- D. STAFF PRESENTATIONS: None
- E. COMMITTEES, COMMISSIONS AND BOARDS PRESENTATIONS: None
- F. REPORTS – CITY CLERK –
5. Approve proposed 2021 City Council meeting calendar  
(Fiscal Impact: None)

Council Discussion

MOTION by Mayor Pro Tem Pimentel, SECONDED by Council Member Pirsztuk, approving 2021 City Council meeting calendar. MOTION PASSED BY UNANIMOUS VOICE VOTE. 5/0

- G. REPORTS – CITY TREASURER – Passed
- H. REPORTS – COUNCIL MEMBERS
6. Receive and file Ad Hoc Pension Committee Update Report and direct staff to begin process to issue Pension Obligation Bonds (POBs) at 95% of the CalPERS Unfunded Actuarial Liability (UAL) at time of issuance in order to maximize the present value savings to take advantage of historically low interest rates.

(Fiscal Impact: Issuance of POBs to pay down the current UAL of \$151,300.00 is estimated to save the City approximately \$55,000.00 (present value) in person amortization cash payments over the next 20 years, with an average recurring annual savings of \$2,750,000.00. Approximately 95% of recurring savings will take place within the General Fund)

Scott Mitnick, City Manager introduced the item.

Mayor Pro Tem Pimentel and Council Member Nicol, Ad Hoc Pension Committee members, reported on the item.

Joe Lillio, Chief Financial Officer, gave a presentation and answered questions.

Mark Young, Managing Director at KNN Public Finance, commented and answered questions.

Council Discussion

Council consensus to receive and file report

MOTION by Council Member Pirsztuk, SECONDED by Mayor Boyles, directing staff to begin the process of issuing Pension Obligation Bonds (POBs) (at a percentage to be determined) of the CalPERS Unfunded Actuarial Liability (UAL) at time of issuance in order to maximize the present value savings. MOTION PASSED BY UNANIMOUS VOICE VOTE. 5/0

Council Member Giroux – Passed

Council Member Nicol – Passed

Council Member Pirsztuk – Passed

Mayor Pro Tem Pimentel – Passed

Mayor Boyles –

I. REPORTS – CITY ATTORNEY – Passed

J. REPORTS/FOLLOW-UP – CITY MANAGER – Stated the next Council meeting will be December 15, 2020.

MEMORIAL – None

ADJOURNED at 7:46 PM

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Tracy Weaver, City Clerk

SPECIAL MEETING OF THE EL SEGUNDO CITY COUNCIL  
TUESDAY, DECEMBER 1, 2020 – 3:00 PM  
***This meeting was conducted virtually via Zoom conferencing and ran  
simultaneously with the 4:00 PM Regular Closed Session***

CALL TO ORDER – Virtually by Mayor Boyles at 3:02 PM

ROLL CALL

Mayor Boyles	-	Present via teleconferencing
Mayor Pro Tem Pimentel	-	Present via teleconferencing
Council Member Pirsztuk	-	Present via teleconferencing
Council Member Nicol	-	Present via teleconferencing
Council Member Giroux	-	Present via teleconferencing

PUBLIC COMMUNICATION – (Related to City Business Only – 5 minute limit per person, 30 minute limit total) None

SPECIAL ORDER OF BUSINESS:

Mayor Boyles announced that Council would be meeting in closed session pursuant to the items listed on the Agenda.

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Existing Litigation pursuant to Government Code §54956.9 (d)(4): -3- matters.

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2. Joseph Cameron (Former City Police Officer) v. City of El Segundo, United States District Court (Central District of California), Civil Case No. 2:20-CV-04689, JFF-JCx
3. James Tulette (City Fire Fighter) v. City of El Segundo, Los Angeles Superior Court, Case No. 205T, CV44025

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

MINUTES OF SPECIAL COUCIL MEETING  
DECEMBER 1, 2020  
PAGE 1

Anticipated litigation pursuant to Government Code Section 54956.9(d)(4) -3- matters.

1. Andrew McEntyre (City Police Officer) v. City of El Segundo (Government Code Liability Claim filed by Andrew Mc Entyre)
2. Scott Martinez (City Fire Fighter) v. City of El Segundo (Government Code Liability Claim filed by Scott Martinez)
3. Potential Liability to City based upon facts and circumstance unknown to potential claimant

#### CONFERENCE WITH LEGAL COUNSEL – INITIATION OF LITIGATION

Initiation of litigation pursuant to Government Code Section 54956.9(4) -1- matter

ADJOURNED at 5:23 PM

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Tracy Weaver, City Clerk

CITY OF EL SEGUNDO  
WARRANTS TOTALS BY FUND

3033679 - 3033748  
9001730 -

DATE OF APPROVAL: AS OF 12/01/20

REGISTER # 4b

001	GENERAL FUND	74,543.31
104	TRAFFIC SAFETY FUND	-
106	STATE GAS TAX FUND	-
188	ASSOCIATED RECREATION ACTIVITIES FUND	-
109	ASSET FORFEITURE FUND	976.00
111	COMM. DEVEL. BLOCK GRANT	-
112	PROP "A" TRANSPORTATION	-
114	PROP "C" TRANSPORTATION	-
115	AIR QUALITY INVESTMENT PROGRAM	-
116	HOME SOUND INSTALLATION FUND	-
117	HYPERION MITIGATION FUND	-
118	TDA ARTICLE 3 - SB 821 BIKEWAY FUND	-
119	MTA GRANT	-
121	FEMA	-
120	C.O.P.S. FUND	-
122	L.A.W.A. FUND	-
123	PSAF PROPERTY TAX PUBLIC SAFETY	-
124	FEDERAL GRANTS	-
125	STATE GRANT	99.00
126	AP CUPA Program Oversight Surcharge	-
130	AFFORDABLE HOUSING	1,500.00
131	COUNTY STORM WATER PROGRAM	-
202	ASSESSMENT DISTRICT #73	-
301	CAPITAL IMPROVEMENT FUND	-
302	INFRASTRUCTURE REPLACEMENT FUND	-
405	FACILITIES MAINTENANCE	-
501	WATER UTILITY FUND	5,585.48
502	WASTEWATER FUND	6,469.73
503	GOLF COURSE FUND	-
505	SOLID WASTE	-
601	EQUIPMENT REPLACEMENT	-
602	LIABILITY INSURANCE	-
603	WORKERS COMP, RESERVE/INSURANCE	-
701	RETIRED EMP. INSURANCE	-
702	EXPENDABLE TRUST FUND - DEVELOPER FEES	-
703	EXPENDABLE TRUST FUND - OTHER	-
706	OUTSIDE SERVICES TRUST	-
	TOTAL WARRANTS	<u>\$ 88,183.52</u> ✓

STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES

Information on actual expenditures is available in the Director of Finance's office in the City of El Segundo.

I certify as to the accuracy of the Demands and the availability of fund for payment thereof.

For Approval: Regular checks held for City council authorization to release.

CODES:

R = Computer generated checks for all non-emergency/urgency payments for materials, supplies and services in support of City Operations

For Ratification:

A = Payroll and Employee Benefit checks

B - F = Computer generated Early Release disbursements and/or adjustments approved by the City Manager. Such as: payments for utility services, petty cash and employee travel expense reimbursements, various refunds, contract employee services consistent with current contractual agreements, instances where prompt payment discounts can be obtained or late payment penalties can be avoided or when a situation arises that the City Manager approves.

H =  Handwritten Early Release disbursements and/or adjustments approved by the City Manager.

FINANCE DIRECTOR

DATE: **Joseph Lillio**

Digitally signed by Joseph Lillio  
DN: cn=Joseph Lillio, o=City of El Segundo, ou=Director of Finance, email=jlillio@elsegundo.org, c=US  
Date: 2020.11.24 12:09:24 -0800

CITY MANAGER 

DATE: **11-24-20**

VOID CHECKS DUE TO ALIGNMENT: N/A

VOID CHECKS DUE TO INCORRECT CHECK DATE: \_\_\_\_\_

VOID CHECKS DUE TO COMPUTER SOFTWARE ERROR: \_\_\_\_\_

NOTES: \_\_\_\_\_

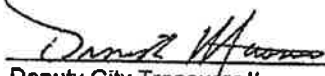

**CITY OF EL SEGUNDO  
 PAYMENTS BY WIRE TRANSFER  
 11/16/20 THROUGH 11/22/20**

<u>Date</u>	<u>Payee</u>		<u>Description</u>
11/16/2020	IRS	273,689.30	Federal 941 Deposit
11/16/2020	Employment Development	4,200.94	State SDI payment
11/16/2020	Employment Development	64,333.96	State PIT Withholding
11/16/2020	Unum	632.40	Long Term Care Premium - Dec.
11/17/2020	ExpertPay	2,081.51	EFT Child support payment
11/19/2020	Lane Donovan Golf Ptr	19,248.13	Payroll Transfer
11/09/20-11/15/20	Workers Comp Activity	17,946.23	SCRMA checks issued
11/09/20-11/15/20	Liability Trust - Claims	0.00	Claim checks issued
11/09/20-11/15/20	Retiree Health Insurance	0.00	Health Reimbursement checks issued
		<u>382,132.47</u>	

**DATE OF RATIFICATION: 11/19/20  
 TOTAL PAYMENTS BY WIRE:**

382,132.47

Certified as to the accuracy of the wire transfers by:

  11/19/2020  
 Deputy City Treasurer II Date

**Joseph Lillio**  
Digitally signed by Joseph Lillio  
 DN: cn=Joseph Lillio, o=City of El Segundo,  
 ou=Director of Finance,  
 email=jlillio@elsegundo.org, c=US  
 Date: 2020.11.24 17:10:59 -0800  
 Director of Finance Date

 11/24/2020  
 City Manager Date

Information on actual expenditures is available in the City Treasurer's Office of the City of El Segundo.

CITY OF EL SEGUNDO  
WARRANTS TOTALS BY FUND

3033749 - 9001731 -	3033818 -		
001		GENERAL FUND	244,744.89
104		TRAFFIC SAFETY FUND	-
106		STATE GAS TAX FUND	50.47
108		ASSOCIATED RECREATION ACTIVITIES FUND	-
109		ASSET FORFEITURE FUND	-
111		COMM. DEVEL. BLOCK GRANT	-
112		PROP 'A' TRANSPORTATION	-
114		PROP 'C' TRANSPORTATION	-
115		AIR QUALITY INVESTMENT PROGRAM	-
118		HOME SOUND INSTALLATION FUND	-
117		HYPERION MITIGATION FUND	55.34
118		TDA ARTICLE 3 - SB 821 BIKEWAY FUND	-
119		MTA GRANT	-
121		FEMA	-
120		C.O.P.S. FUND	-
122		L.A.W.A. FUND	-
123		PSAF PROPERTY TAX PUBLIC SAFETY	-
124		FEDERAL GRANTS	-
125		STATE GRANT	-
126		AP CUPA Program Oversight Surcharge	169.59
128		9B-1	4,550.00
130		AFFORDABLE HOUSING	-
131		COUNTY STORM WATER PROGRAM	-
202		ASSESSMENT DISTRICT #73	-
301		CAPITAL IMPROVEMENT FUND	23,169.20
302		INFRASTRUCTURE REPLACEMENT FUND	-
405		FACILITIES MAINTENANCE	-
501		WATER UTILITY FUND	4,651.89
502		WASTEWATER FUND	1,165.36
503		GOLF COURSE FUND	-
505		SOLID WASTE	-
601		EQUIPMENT REPLACEMENT	-
602		LIABILITY INSURANCE	12,159.31
603		WORKERS COMP. RESERVE/INSURANCE	25.14
701		RETIRED EMP. INSURANCE	304.75
702		EXPENDABLE TRUST FUND - DEVELOPER FEES	-
703		EXPENDABLE TRUST FUND - OTHER	2,994.00
708		OUTSIDE SERVICES TRUST	-
<b>TOTAL WARRANTS</b>			<b>\$ 294,040.04</b>

DATE OF APPROVAL: AS OF 12/15/20

REGISTER # 59

STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES

Information on actual expenditures is available in the Director of Finance's office in the City of El Segundo.

I certify as to the accuracy of the Demands and the availability of fund for payment thereof.

For Approval: Regular checks held for City council authorization to release.

CODES:

R = Computer generated checks for all non-emergency/urgency payments for materials, supplies and services in support of City Operations

For Ratification:

A = Payroll and Employee Benefit checks

B - F = Computer generated Early Release disbursements and/or adjustments approved by the City Manager. Such as: payments for utility services, petty cash and employee travel expense reimbursements, various refunds, contract employee services consistent with current contractual agreements, instances where prompt payment discounts can be obtained or late payment penalties can be avoided or when a situation arises that the City Manager approves.

H = Handwritten Early Release disbursements and/or adjustments approved by the City Manager.

FINANCE DIRECTOR

DATE:

Joseph  
Lillio

Digitally signed by Joseph Lillio  
DN: cn=Joseph Lillio, o=City of El  
Segundo, ou=Director of Finance,  
email=jlillio@elsegundo.org, c=US  
Date: 2020.12.07 07:40:52 -08'00'

CITY MANAGER

DATE:

*Barbara Vess*  
12/9/20

VOID CHECKS DUE TO ALIGNMENT: N/A

VOID CHECKS DUE TO INCORRECT CHECK DATE: \_\_\_\_\_

VOID CHECKS DUE TO COMPUTER SOFTWARE ERROR: \_\_\_\_\_

NOTES \_\_\_\_\_



**CITY OF EL SEGUNDO  
 PAYMENTS BY WIRE TRANSFER  
 11/23/20 THROUGH 11/29/20**

<u>Date</u>	<u>Payee</u>		<u>Description</u>
11/23/2020	Cal Pers	11,020.93	EFT Retirement Safety-Fire-PEPRA New 25020
11/23/2020	Cal Pers	21,522.65	EFT Retirement Safety-Police-PEPRA New 25021
11/23/2020	Cal Pers	39,348.61	EFT Retirement Misc - PEPRA New 26013
11/23/2020	Cal Pers	48,252.16	EFT Retirement Misc - Classic 27
11/23/2020	Cal Pers	66,799.39	EFT Retirement Safety Police Classic - 1st Tier 28
11/23/2020	Cal Pers	56,176.84	EFT Retirement Safety Fire- Classic 30168
11/23/2020	Cal Pers	6,380.13	EFT Retirement Sfty Police Classic-2nd Tier 30169
11/27/2020	IRS	253,059.33	Federal 941 Deposit
11/27/2020	Employment Development	4,065.50	State SDI payment
11/27/2020	Employment Development	57,908.61	State PIT Withholding
11/27/2020	Manufacturers & Traders	97,380.15	457 payment Vantagepoint
11/27/2020	Manufacturers & Traders	1,130.77	401(a) payment Vantagepoint
11/27/2020	Manufacturers & Traders	550.00	IRA payment Vantagepoint
11/27/2020	ExpertPay	2,012.28	EFT Child support payment
11/16/20-11/22/20	Workers Comp Activity	17,978.76	SCRMA checks issued
11/16/20-11/22/20	Liability Trust - Claims	11,581.60	Claim checks issued
11/16/20-11/22/20	Retiree Health Insurance	0.00	Health Reimbursement checks issued
		<u>695,167.71</u>	

**DATE OF RATIFICATION: 11/25/20  
 TOTAL PAYMENTS BY WIRE:**

695,167.71

Certified as to the accuracy of the wire transfers by:

*Jim M...* 11/25/2020  
 Deputy City Treasurer II Date

Joseph Lillio 11-30-2020  
Digitally signed by Joseph Lillio  
 DN: cn=Joseph Lillio, o=City of El Segundo, ou=Director of Finance, email=j.lillio@elsegundo.org, c=US  
 Date: 2020.11.30 14:48:24 -0800  
 Director of Finance Date

*[Signature]* 11-30-20  
 City Manager Date

Information on actual expenditures is available in the City Treasurer's Office of the City of El Segundo.

CITY OF EL SEGUNDO  
WARRANTS TOTALS BY FUND

3033817 - 3033877  
9001732 - 9001774

DATE OF APPROVAL: AS OF 12/15/20

REGISTER # 56

001	GENERAL FUND	333,365.82
104	TRAFFIC SAFETY FUND	-
106	STATE GAS TAX FUND	17.87
108	ASSOCIATED RECREATION ACTIVITIES FUND	-
109	ASSET FORFEITURE FUND	-
111	CONJ. DEVEL. BLOCK GRANT	-
112	PROP "A" TRANSPORTATION	-
114	PROP "C" TRANSPORTATION	-
115	AIR QUALITY INVESTMENT PROGRAM	-
116	HOME SOUND INSTALLATION FUND	-
117	HYPERION MITIGATION FUND	505.92
118	TDA ARTICLE 3 - 88 421 BIKEWAY FUND	-
119	MTA GRANT	-
121	FEMA	-
120	C.O.P.S. FUND	-
122	L.A.W.A. FUND	-
123	PSAF PROPERTY TAX PUBLIC SAFETY	-
124	FEDERAL GRANTS	18,320.00
125	STATE GRANT	-
126	AP CUPA Program Oversight Surcharge	112.50
128	SB-1	-
129	Certified Access Specialist Program (CAS)	104.60
130	AFFORDABLE HOUSING	-
131	COUNTY STORM WATER PROGRAM	-
202	ASSESSMENT DISTRICT #73	-
301	CAPITAL IMPROVEMENT FUND	-
302	INFRASTRUCTURE REPLACEMENT FUND	-
405	FACILITIES MAINTENANCE	-
501	WATER UTILITY FUND	2,167.20
502	WASTEWATER FUND	4,077.91
503	GOLF COURSE FUND	-
504	PARK VISTA	188.40
505	SOLID WASTE	-
601	EQUIPMENT REPLACEMENT	-
602	LIABILITY INSURANCE	128.58
603	WORKERS COMP. RESERVE/INSURANCE	5.89
701	RETIRED EMP. INSURANCE	1,153.75
702	EXPENDABLE TRUST FUND - DEVELOPER FEES	-
703	EXPENDABLE TRUST FUND - OTHER	2,000.00
704	OUTSIDE SERVICES TRUST	-
<b>TOTAL WARRANTS</b>		<b>3 362,149.24</b>

STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES

Information on actual expenditures is available in the Director of Finance's office in the City of El Segundo.

I certify as to the accuracy of the Demands and the availability of fund for payment thereof.

For Approval: Regular checks held for City Council authorization to release.

CODES:

R = Computer generated checks for all non-emergency/urgency payments for materials, supplies and services in support of City Operations

For Reconciliation:

A = Payroll and Employee Benefit checks

B - F = Computer generated Early Release disbursements and/or adjustments approved by the City Manager. Such as: payments for utility services, petty cash and employee travel expense reimbursements, various refunds, contract employee services consistent with current contractual agreements, instances where prompt payment discounts can be obtained or late payment penalties can be avoided or when a situation arises that the City Manager approves.

H = Handwritten Early Release disbursements and/or adjustments approved by the City Manager.

FINANCE DIRECTOR

Joseph Lillio

Digitally signed by Joseph Lillio CITY MANAGER  
DN: cn=Joseph Lillio, o=City of El Segundo, ou=Director of Finance, email=jillio@elsegundo.org, c=US  
Date: 2020.12.07 07:35:55 -08'00'

*Joseph Lillio*

VOID CHECKS DUE TO ALIGNMENT:

N/A

VOID CHECKS DUE TO INCORRECT CHECK DATE:

VOID CHECKS DUE TO COMPUTER SOFTWARE ERROR:

NOTES





**TITLE:**

Resolution to vacate Public Service Easement

**RECOMMENDATION:**

1. Adopt resolution to vacate the public water line service easement at 2000 El Segundo Boulevard.

**FISCAL IMPACT:** None

**BACKGROUND:**

On September 14, 2017, the Planning Commission approved a development project (Environmental Assessment No. EA-1200) involving the construction of approximately 65,660 square feet of retail and office space on a 7.34 acre site located at 2000 El Segundo Boulevard. The City holds one easement on the subject property that is fifteen feet wide and runs from the front of the property through the back of the property. The easement is located on a portion of the property where one of the proposed buildings would be constructed and would have to be vacated in order for the construction to proceed.

The subject easement was acquired from previous property owners in 1950 for the purpose of holding municipal water facilities. The water facilities within the easement have since been abandoned in 1980. As a result, the easement is no longer needed on the subject property.

**DISCUSSION:**

State law allows the City Council to summarily vacate public service easements, provided that the easement has not been utilized for five consecutive years prior to the proposed vacation, there are no public utility facilities that are in use or would be affected by the vacation, and the vacation is consistent with the City's General Plan (Cal. Streets & Highways Code §§ 8333, 8334.5). Since these conditions are met, staff respectfully recommends that the City Council adopt the attached resolution, approving the vacation of the subject easement.

**CITY STRATEGIC PLAN COMPLIANCE:**

Goal 1: Enhance Customer Service, Engagement and Communication; Embrace Diversity, Equity and Inclusion

Objective A: El Segundo provides unparalleled service to internal and external customers

Goal 4: Develop Quality Infrastructure and Technology

Objective A: El Segundo's physical infrastructure supports an appealing, safe, and effective city.

**PREPARED BY:** James Rice, Associate Engineer *JR*

**REVIEWED BY:** Elias Sassoon, Public Works Director *ES*

**APPROVED BY:** Scott Mitnick, City Manager *SM (for SIM)*

**ATTACHED SUPPORTING DOCUMENTS:**

1. Resolution
2. Legal Description of public service easement
3. Vicinity Map
4. Location Map

Recording Requested by and Returned to:

City Clerk  
City of El Segundo  
350 Main Street  
El Segundo, CA 90245

Request recording without fee for the benefit of the  
City of El Segundo pursuant to Streets and Highways Code § 8336.

**APN 4138-014-053**

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL FOR THE CITY OF EL SEGUNDO VACATING ONE FIFTEEN-FOOT WIDE PUBLIC SERVICE EASEMENT ON PROPERTY LOCATED AT 2000 EI SEGUNDO BLVD.**

The Council of the City of El Segundo resolves as follows:

**SECTION 1:** The City Council finds as follows:

- A. On May 18, 1950, the property owners of 2000 El Segundo Blvd. granted one, fifteen-foot wide easement to the City of El Segundo for public service described in Exhibit A of this Resolution (“Easement”).
- B. A review of applicable documents, and after contacting other public utilities, shows there are no public utility facilities located within the Easements.
- C. The Easement, in its current location, are not necessary for present or prospective public use.
- D. Vacating the Easements is consistent with the City’s General Plan.
- E. The City may summarily vacate public service easement pursuant to California Streets & Highways Code §§ 8330-8336.

**SECTION 2:** In accordance with the City Council’s findings, and pursuant to Streets and Highways Code § 8333, the City of El Segundo summarily vacates the Easement.

SECTION 3: The City Clerk, or designee, is directed to record this Resolution pursuant to Streets and Highways Code § 8336 within 10 days of its adoption.

SECTION 4: From and after the date this Resolution is recorded, the Easements vacated by this Resolution will no longer constitute public service easements.

SECTION 5: This Resolution will become effective immediately upon adoption and will remain effective unless superseded or repealed.

SECTION 6: The City Clerk will certify to the passage and adoption of this Resolution; will enter the same in the book of original Resolutions of said City; and will make a minute of the passage and adoption thereof in the record of proceedings of the City Council of said City, in the minutes of the meeting at which the same is passed and adopted.

PASSED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Drew Boyles, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Mark D. Hensley, City Attorney

ATTEST:

STATE OF CALIFORNIA            )  
COUNTY OF LOS ANGELES    )     SS  
CITY OF EL SEGUNDO            )

I, Tracy Weaver, City Clerk of the City of El Segundo, California, do hereby certify that the whole number of members of the City Council of said City is five; that the foregoing Resolution No. \_\_\_\_\_ was duly passed and adopted by said City Council, approved and signed by the Mayor of said City, and attested to by the City Clerk of said City, all at a regular meeting of said Council held on the \_\_\_\_ day of \_\_\_\_ 2020, and the same was so passed and adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

---

Tracy Weaver, City Clerk



EXHIBIT "A"

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That portion of the Rancho Sausal Redondo, as shown on map recorded in Book 1, pages 507 and 508, of Patents, in the office of the Registrar-Recorder of the County of Los Angeles, described as Parcel A in Deed to City of El Segundo, recorded in Book 33192, Page 378, of Official Records, in the office of said Registrar-Recorder, said Parcel A being as shown as Parcel No. 1 on Map filed in Book 63, pages 36 and 37, of Record of Surveys, in the office of said Registrar-Recorder.

EXCEPTING therefrom that portion within the land described in Deed to Utah Construction & Mining Company, recorded in Book D1069, page 898, of said Official Records.

ALSO EXCEPTING therefrom that portion lying northerly of a line parallel with and southerly 50 feet, measured at right angles, from the center line of El Segundo Boulevard, 40 feet wide, shown as El Segundo Boulevard on said map filed in Book 63, pages 36 and 37, of Records of Surveys.

ALSO EXCEPTING therefrom that portion lying easterly of the easterly line of that certain 143.84-acre parcel of land shown on a map filed in Book 89, pages 25 and 26, of Record of Surveys, in the office of said County Registrar-Recorder.

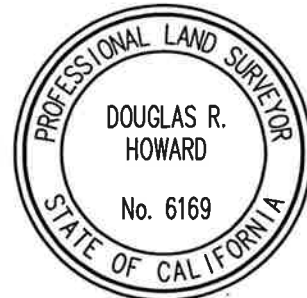
Prepared under the direction of

11/30/2020

Douglas R. Howard, PLS 6169

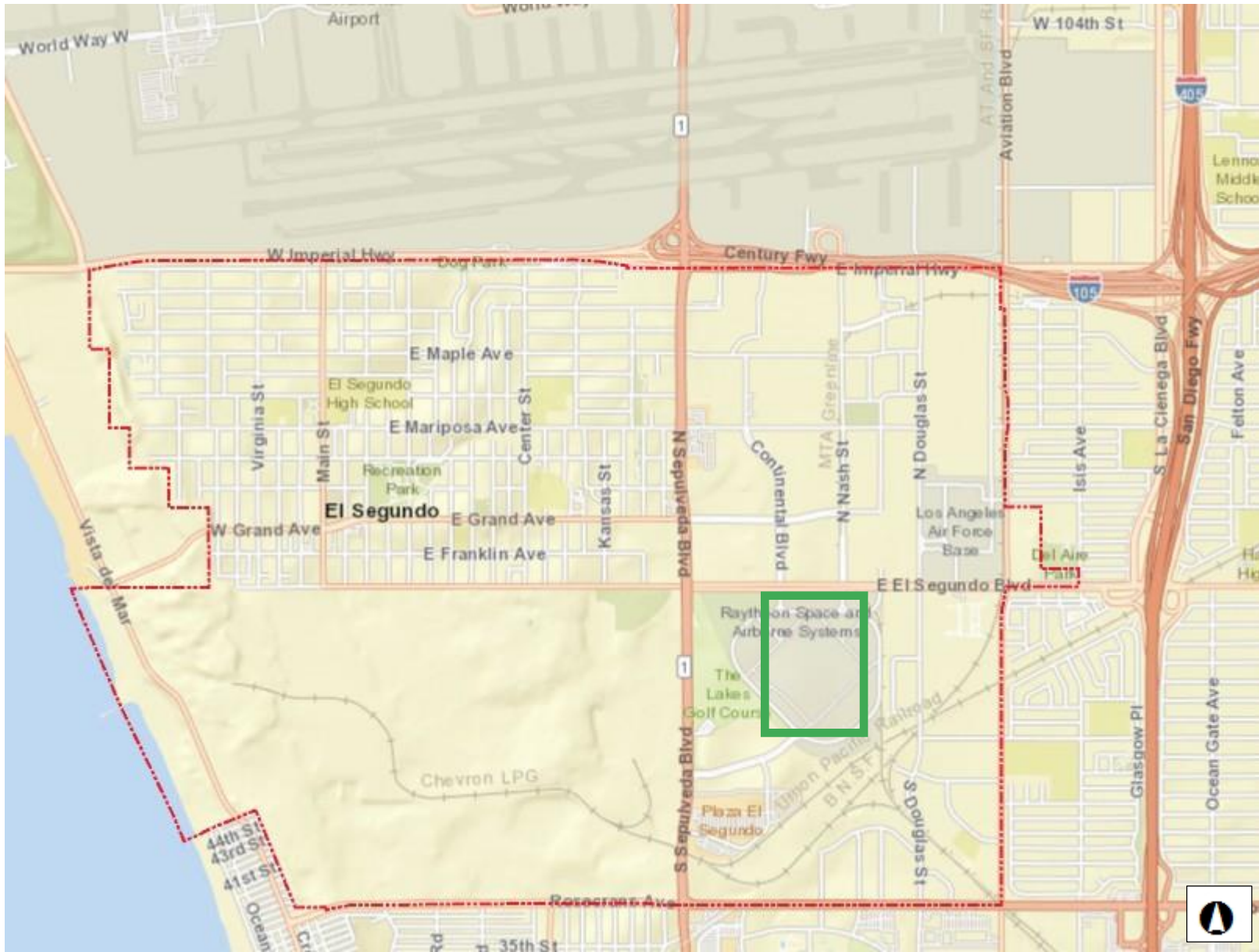
Date

PSOMAS





# Vicinity Map: Vacation of the Public Service Easement at 2000 El Segundo Boulevard



6,018.7 0 3,009.33 6,018.7 Feet

WGS\_1984\_Web\_Mercator\_Auxiliary\_Sphere

*DISCLAIMER: The information shown on this map was compiled from different GIS sources. The land base and facility information on this map is for display purposes only and should not be relied upon without independent verification as to its accuracy. The City of El Segundo will not be held responsible for any claims, losses or damages resulting from the use of this map.*



# Location Map: Vacation of Public Service Easement at 2000 El Segundo Blvd.



1,504.7 0 752.33 1,504.7 Feet

WGS\_1984\_Web\_Mercator\_Auxiliary\_Sphere

*DISCLAIMER: The information shown on this map was compiled from different GIS sources. The land base and facility information on this map is for display purposes only and should not be relied upon without independent verification as to its accuracy. The City of El Segundo will not be held responsible for any claims, losses or damages resulting from the use of this map.*



**TITLE:**

FY 20-21 Pavement Rehabilitation Project

**RECOMMENDATION:**

1. Adopt Resolution to approve plans and specifications for FY 20/21 Pavement Rehabilitation Project No. PW 21-01;
2. Authorize staff to advertise the project for construction bids.

**FISCAL IMPACT:**

The total cost of the project is estimate to be \$1,244,217.83 for construction and inspection. Funding sources are as follows:

<b>Project Cost Summary</b>		
<b>Description</b>	<b>Budget</b>	<b>Notes</b>
SB-1 fund	\$ 100,000	Per 2020/21 budget
Water fund	\$ 200,000	For reservoir recoating
Additional appropriation		
SB-1 fund	\$ 650,000	
STPL Metro grant	\$ 294,217.83	
<b>Total Project Budget</b>	<b>\$ 1,244,217.83</b>	
<b>Description Expenditures</b>		
Construction estimate	\$1,050,000	
Contingency	\$109,217.83	
Inspection estimate	\$85,000	
<b>Total Project Costs</b>	<b>\$1,244,217.83</b>	

Amount Budgeted: \$300,000  
 Additional Appropriation: \$650,000 from SB-1 fund #128  
 \$294,217.83 from #119-215-000-1297 (MTA grant)  
 Account Number(s): \$750,000 from #128-400-0000-8383  
 \$294,217.83 to #119-400-XXXX-XXXX (Account number to be determined by Finance)  
 \$200,000 from #501-400-7103-8206

## **BACKGROUND:**

The Public Works Department administers a five-year (2017-2021) Pavement Management Program (PMP) to ensure public health and safety, and to efficiently and effectively manage the integrity of the City's roadway system. Based on existing records, conditions and field verification, the PMP assigns a Pavement Condition Index (PCI) to all City roadway segments on scale of 0-100, with 100 representing the best (similar to new pavement). Roadway segments with Scores below 75 require some type of preventive maintenance which can range from a slurry seal to an overlay, or complete reconstruction, depending on the condition of the roadway. The current five-year PMP aims to increase the citywide average PCI from 65.7 at the beginning of FY2016/17 to 73 at the end of FY2020/21, given limitation of available funding. This is the final year of the PMP and the current citywide average PCI stands at 72.7 and the PMP target of 73 PCI can be achieved subsequent to the implement of this project.

## **DISCUSSION:**

This year's pavement rehabilitation project was identified and approved as part of this year's Capital Improvement Program and it will focus on highly traveled and deteriorated roadway sections with a 2" grind and overlay. The paving will be partially funded by the Surface Transportation Program Metro Local (STPL) Exchange Fund that is set to be expired in July 2021 and the SB-1 Fund (Senate Bill 1 of 2017, the "Road Repair and Accountability Act"). In addition, the elastomeric waterproof traffic coating on top of the 6 million gallon water reservoir was last re-coated in 2008 and is in need of a new coat. The top of the 6 million gallon water reservoir serves as public parking and the maintenance of an elastomeric waterproof traffic coating is necessary to prevent concrete cracking and damage to the water reservoir. The recoating of the 6 million gallon water reservoir is part of the water facilities maintenance and there is sufficient funding budgeted in the FY water enterprise fund.

The project consist of 2" grind and overlay in the following streets:

- W. Pine Avenue from Hillcrest Street to Main Street (Average PCI of 54)
- E. Pine Avenue from Main Street to Arena Street (Average PCI of 44)
- E. Walnut Street from Center Street to California Street (Average PCI of 50)
- E. Acacia Avenue from Center Street to California Street (Average PCI of 47)
- W. Maple Avenue from Loma Vista Street to Virginia Street (Average PCI of 68)
- E. Maple Avenue from Main Street to Eucalyptus Drive (Average PCI of 69)
- W. Mariposa Avenue from Main Street to Bungalow Drive (Average PCI of 70)
- W. Holly Avenue from Virginia Street to Richmond Street (Average PCI of 58)
- W. Franklin Avenue from Whiting Street to Richmond Street (Average PCI of 65)
- Indiana Court from E. Maple Avenue to Street End (Average PCI of 45)

In addition, recoating of the following is included in this project:

- 6 Million gallon water reservoir hilltop parking lot

Staff requests that City Council approve the recommended actions as noted. With Council's authorization, the anticipated schedule is as follows:

January 2021	Advertising and Bid Process
February 2021	Contract Award
April 2021	Begin Construction
June 2021	Construction Completion

**CITY STRATEGIC PLAN COMPLIANCE:**

Goal 4: Develop Quality Infrastructure and Technology

Objective A: El Segundo's physical infrastructure supports an appealing, safe, and effective community.

**PREPARED BY:** James Rice, Associate Engineer *JR*

**REVIEWED BY:** Elias Sassoon, Public Works Director *els*

**APPROVED BY:** Scott Mitnick, City Manager *SM*  
*Bl (for SM)*

**ATTACHED SUPPORTING DOCUMENTS:**

1. Resolution
2. Vicinity Map
3. Map of Project Area

**RESOLUTION NO. \_\_**

**A RESOLUTION APPROVING THE PLANS AND SPECIFICATIONS FOR THE CONSTRUCTION OF FY 20/21 PAVEMENT REHABILITATION PROJECT, PROJECT NO. PW 21-01, PURSUANT TO GOVERNMENT CODE § 830.6 AND ESTABLISHING A PROJECT PAYMENT ACCOUNT.**

The City Council of the City of El Segundo does resolve as follows:

**SECTION 1:** The City Council finds and declares as follows:

- A. The City Engineer prepared plans and specifications for FY 20/21 Pavement Rehabilitation Project, Project No. PW 21-01 (“Project”). These plans and specifications are complete. Construction of the Project may begin;
- B. The City Council wishes to obtain the immunities set forth in Government Code § 830.6 with regard to the plans and construction of the Project.

**SECTION 2:** *Design Immunity; Authorization.*

- A. The design and plans for the Project are determined to be consistent with the City’s standards and are approved.
- B. The design approval set forth in this Resolution occurred before actual work on the Project construction commenced.
- C. The approval granted by this Resolution conforms with the City’s General Plan.
- D. The City Engineer, or designee, is authorized to act on the City’s behalf in approving any alterations or modifications of the design and plans approved by this Resolution.
- E. The approval and authorization granted by this Resolution is intended to avail the City of the immunities set forth in Government Code § 830.6.

**SECTION 3:** *Project Payment Account.* For purposes of the Contract Documents administering the Project, the City Council directs the City Manager, or designee, to establish a fund containing sufficient monies from the current fiscal year budget to pay for the Project (“Project Payment Account”). The Project Payment Account is the sole source of funds available for the Contract Sum, as defined in the Contract Document administering the Project.

**SECTION 4:** The City Clerk is directed to certify the adoption of this Resolution.

**SECTION 5:** This Resolution will become effective immediately upon adoption.

PASSED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Drew Boyles, Mayor

ATTEST:

\_\_\_\_\_  
Tracy Weaver, City Clerk

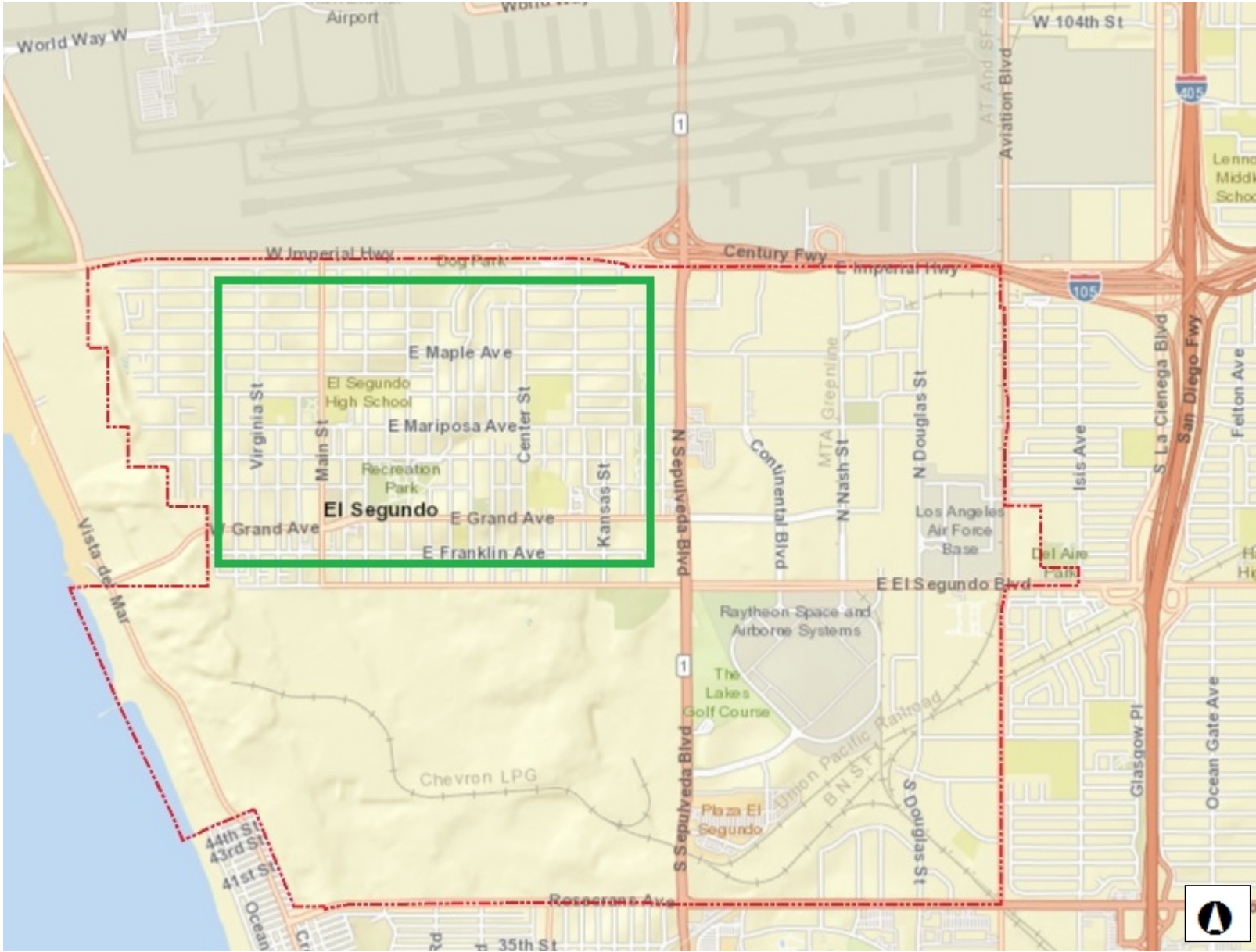
APPROVED AS TO FORM:

\_\_\_\_\_ for  
Mark D. Hensley  
City Attorney





# PW21-01 Vicinity Map FY20/21 Pavement Rehabilitation



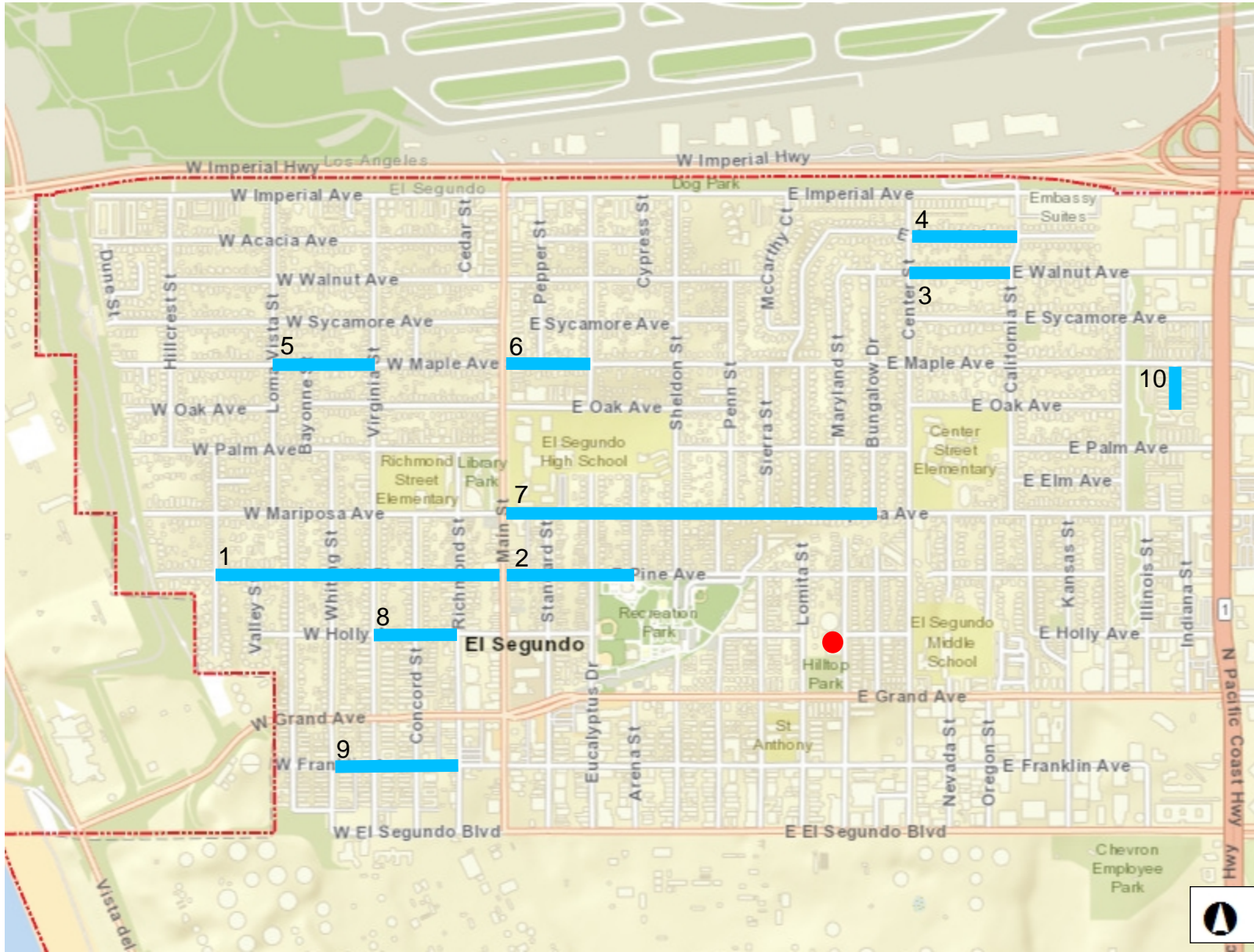
6,018.7 0 3,009.33 6,018.7 Feet

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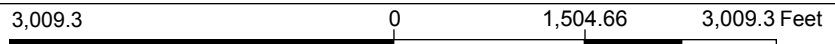
DISCLAIMER: The information shown on this map was compiled from different GIS sources. The land base and facility information on this map is for display purposes only and should not be relied upon without independent verification as to its accuracy. The City of El Segundo will not be held responsible for any claims, losses or damages resulting from the use of this map.



# PW 21-01 Location Map FY 20/21 Pavement Rehabilitation



- Street to be paved
- 1. W. Pine Ave. - Hillcrest St. to Main St.
- 2. E. Pine Ave. - Main St. to Arena St.
- 3. E. Walnut Ave. - Center St. to California St.
- 4. E. Acacia Ave. - Center St. to California St.
- 5. W. Maple Ave. - Loma Vista St. to Virginia St.
- 6. E. Maple Ave. - Main St. to Eucalyptus Dr.
- 7. W. Mariposa Ave. - Main St. to Bungalow Dr.
- 8. W. Holly St. - Virginia St. to Richmond St.
- 9. W. Franklin Ave. - Whiting St. to Richmond St.
- 10. Indiana Court - E. Maple Ave. to End
- Recoat parking on top of the 6 Million Gallon Water Reservoir



WGS\_1984\_Web\_Mercator\_Auxiliary\_Sphere

DISCLAIMER: The information shown on this map was compiled from different GIS sources. The land base and facility information on this map is for display purposes only and should not be relied upon without independent verification as to its accuracy. The City of El Segundo will not be held responsible for any claims, losses or damages resulting from the use of this map.



**TITLE:**

City Hall Window Replacement Project – Authorization to Advertise for Construction Bids.

**RECOMMENDATION:**

1. Approve an amendment to agreement #5853 with Lionakis architecture design firm for an additional \$14,300 to increase the total contract amount from \$48,000 to \$62,300 for City Hall Window Replacement Project design services;
2. Adopt resolution to approve Plans and Specifications for the City Hall Window Replacement Project; and,
3. Authorize staff to advertise for City Hall Window Replacement Project construction bids.

**FISCAL IMPACT:**

The City Council approved FY 2020—2021 budget for the overall City Hall tenant improvements project (security upgrades and windows replacement) totals \$625,000. This funding for the estimated design, engineering, and construction costs is as follows:

<b>Project Cost Summary</b>	
<b>Description</b>	<b>FY 20-21 Approved Budget</b>
Windows Replacement	\$ 500,000
Security Upgrades	125,000
<b>Total Project Budget</b>	<b>\$ 625,000</b>
<b>Description</b>	<b>Estimated Cost</b>
Initial Engineering Design	\$ 48,000
Additional Engineering Design	14,300
Construction	450,000
Contingency	55,322
Permit fee	7,378
Inspections	50,000
<b>Total Estimated Project Cost</b>	<b>\$ 625,000</b>

Account Number(s): 301-400-8201-8232 (City Hall Window Replacement)  
 301-400-8201-8234 (City Hall Security Improvement)

**BACKGROUND:**

City Hall was constructed in two phases. The western portion of the building was built in 1954 and houses offices for City Council, City Clerk, City Treasurer, City Manager, City Attorney, Finance Department, Human Resources Department, Information Technology Department, City Council Chamber, conference rooms, and other uses. The eastern portion of the building was built in 1976 and houses offices for Public Works, Business Services, and Development Services. Most of the windows and doors are original (some are over 65 years old) and need to be replaced in order to provide adequate health and safety for City employees and visitors.

With the adoption of the FY 2020-2021 Annual Budget, City Council approved funding to replace City Hall doors and windows. To date, the necessary security doors have been replaced and the design of the windows has been completed. The existing windows are not compliant with current building codes and are also not energy efficient. Replacing the windows at this time will result in considerable energy efficiencies, cost savings, health benefits, and security features. The replacement windows will be installed to meet current building code standards. See attached project renderings for a sample of what the design looks like.

**DISCUSSION:**

As part of the Adopted FY 2019-2020 Budget approved by City Council on September 17, 2019, \$625,000 in capital improvement funding was included for this project (\$125,000 for doors and \$500,000 for windows). This funding was carried over into the FY 2020-2021 Budget which was adopted by City Council on September 15, 2020. In January 2020, the City entered into a professional services agreement with the Lionakis architecture design firm to design window replacement options for City Hall windows. Design efforts began in March 2020 and a conceptual design was selected in June 2020. During the course of the final design, additional cost saving measures were pursued, including painting concrete building trim, existing doors, and window frames. Due to these changes, additional design fees with the Lionakis firm were incurred in the amount of \$14,300 (increasing the total design cost from \$48,000 to \$62,300. As a result, this firm's original agreement needs to be amended. There is sufficient funding within the original project budget to fund this amendment. No additional budget appropriation is needed at this point.

**NEXT STEPS:**

In order to move this project forward, staff requests City Council to approve the recommended actions delineated above. The anticipated remaining project schedule is as follows:

- Advertising/Solicitation of Construction Bids – January 2021
- Construction Contract Award (by City Council) – March 2021
- Construction Commences – May 2021
- Construction Completed – August 2021

**CITY STRATEGIC PLAN COMPLIANCE:**

Goal 3: Develop as a Choice Employer and Workforce

Objective A: El Segundo is a city employer of choice and consistently hires for the future, with a workforce that is inspired, world-class and engaged, demonstrating increasing stability and innovation.

Goal 4: Develop and Maintain Quality Infrastructure and Technology

Objective A: El Segundo's physical infrastructure supports an appealing, safe and effective community.

**PREPARED BY:** Cheryl Ebert, Senior Civil Engineer

**REVIEWED BY:** Elias Sassoon, Public Works Director *Els*

**APPROVED BY:** Scott Mitnick, City Manager *SM (for SM)*

**ATTACHED SUPPORTING DOCUMENTS:**

1. Resolution
2. Vicinity Map
3. Location Map
4. Project Rendering

**RESOLUTION NO. \_\_**

**A RESOLUTION APPROVING THE PLANS AND SPECIFICATIONS FOR THE CONSTRUCTION OF CITY HALL WINDOW REPLACEMENT PROJECT, PW 21-04. PURSUANT TO GOVERNMENT CODE § 830.6 AND ESTABLISHING A PROJECT PAYMENT ACCOUNT.**

The City Council of the City of El Segundo does resolve as follows:

**SECTION 1:** The City Council finds and declares as follows:

- A. The City retained Lionakis (“Consultant”) as the engineer to design and prepare the plans for PW 21-04 City Hall Window Replacement Project (“Project”);
- B. The Consultant informed the City Engineer that these plans are complete and that construction of the Project may begin;
- C. The City Engineer reviewed the completed design and plans for the Project and agrees with the Consultant that the plans are complete and the Project may be constructed;
- D. The City Council wishes to obtain the immunities set forth in Government Code § 830.6 with regard to the plans and construction of the Project.

**SECTION 2:** *Design Immunity; Authorization.*

- A. The design and plans for the Project are determined to be consistent with the City’s standards and are approved.
- B. The design approval set forth in this Resolution occurred before actual work on the Project construction commenced.
- C. The approval granted by this Resolution conforms with the City’s General Plan.
- D. The City Engineer, or designee, is authorized to act on the City’s behalf in approving any alterations or modifications of the design and plans approved by this Resolution.
- E. The approval and authorization granted by this Resolution is intended to avail the City of the immunities set forth in Government Code § 830.6.

**SECTION 3:** *Project Payment Account.* For purposes of the Contract Documents administering the Project, the City Council directs the City Manager, or designee, to establish a fund containing sufficient monies from the current fiscal year budget to pay for the Project (“Project Payment Account”). The Project Payment Account is the sole

source of funds available for the Contract Sum, as defined in the Contract Document administering the Project.

SECTION 4: The City Clerk is directed to certify the adoption of this Resolution.

SECTION 5: This Resolution will become effective immediately upon adoption.

PASSED AND ADOPTED this 15<sup>th</sup> day of December, 2020.

\_\_\_\_\_  
Drew Boyles, Mayor

ATTEST:

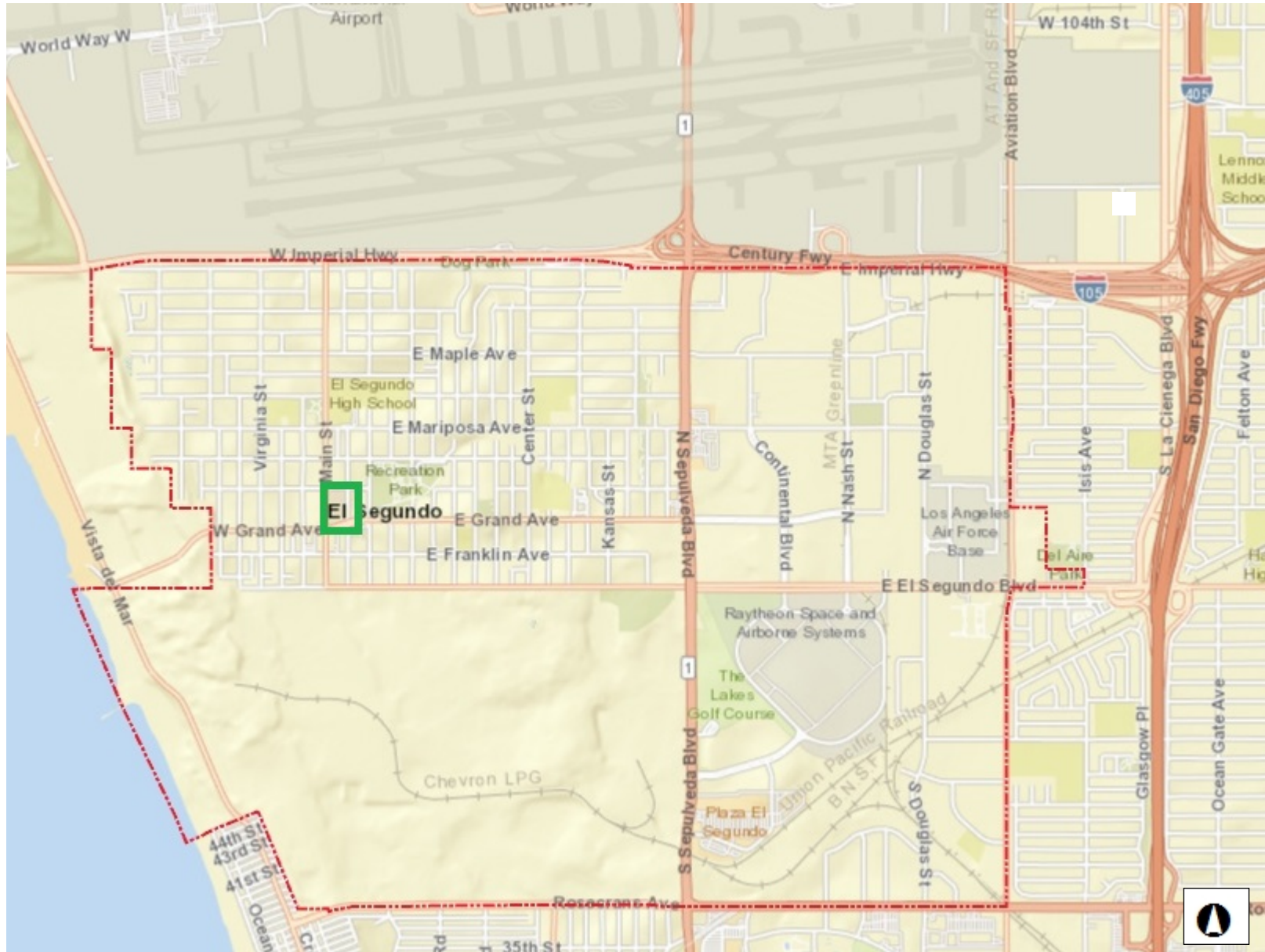
\_\_\_\_\_  
Tracy Weaver, City Clerk

APPROVED AS TO FORM:  
Mark D. Hensley, City Attorney

By: \_\_\_\_\_  
David H. King, Assistant City Attorney



# PW 21-04, City Hall Window Replacement Vicinity Map



6,018.7 0 3,009.33 6,018.7 Feet

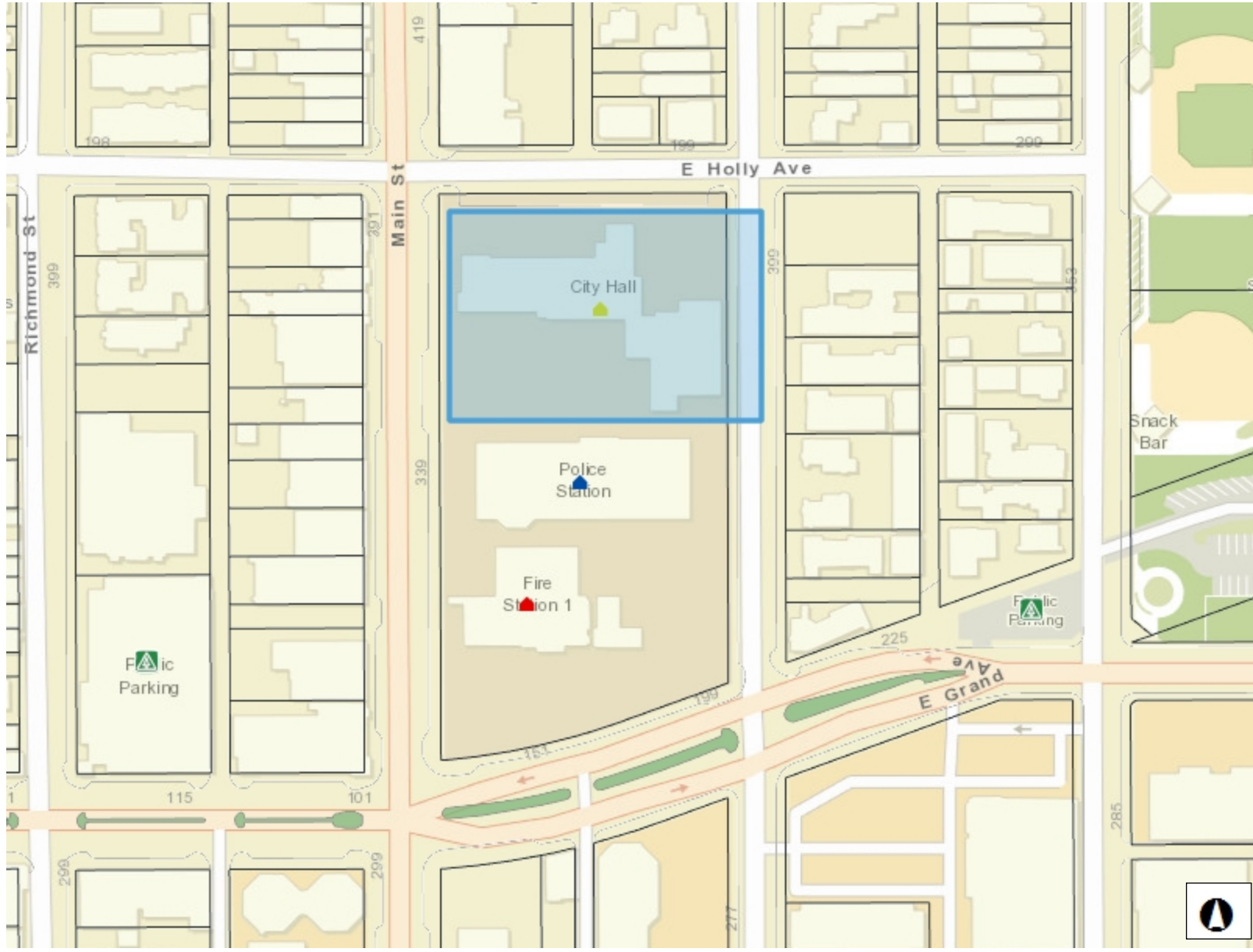
WGS\_1984\_Web\_Mercator\_Auxiliary\_Sphere

DISCLAIMER: The information shown on this map was compiled from different GIS sources. The land base and facility information on this map is for display purposes only and should not be relied upon without independent verification as to its accuracy. The City of El Segundo will not be held responsible for any claims, losses or damages resulting from the use of this map.





# PW 21-04 City Hall Window Replacement Location Map



### Legend

**Points of Interest**

- Other Facilities
- Facility, City Hall
- Facility, Fire Station 1; Facility, Fire
- Facility, Police Station
- Hotels
- Parks
- Schools

Parcels

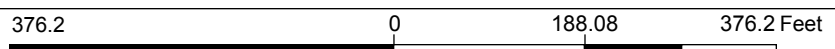
Medians

Curbs

City Boundary

World Street Map

### Notes



WGS\_1984\_Web\_Mercator\_Auxiliary\_Sphere

**DISCLAIMER:** The information shown on this map was compiled from different GIS sources. The land base and facility information on this map is for display purposes only and should not be relied upon without independent verification as to its accuracy. The City of El Segundo will not be held responsible for any claims, losses or damages resulting from the use of this map.





3D-LOOKING NORTH-EAST





3D-LOOKING NORTH



3D-LOOKING SOUTH-EAST



**TITLE:**

Resolution to approve amended Part-time Classifications Salary Schedule to meet State requirements.

**RECOMMENDATION:**

1. Adopt Resolution to approve the amended Part-time/Hourly Classifications Salary Schedule

**FISCAL IMPACT:**

Funding for the proposed action was incorporated in the Adopted FY 2020-2021 Citywide Budget. No new funding is needed for this fiscal year.

**BACKGROUND:**

In 2016, Governor Brown signed SB 3 into law, increasing the State’s minimum wage from \$9.00 per hour to \$15.00 hour by January 1, 2022 (for large employers with more than 26 employees). Pursuant to this law, the minimum wage will increase each year by \$1.00 until January 1, 2022, when large employers must pay a minimum wage of \$15.00 per hour. Small employers or those with 25 or less employees, have until January 1, 2023 to meet the \$15.00 minimum wage order.

The table below shows an example of the escalating minimum wage increases, to be phased in over time:

Date:	Minimum Wage (small employers with 25 or less)	Minimum Wage (large employers with 26 or more)
January 1, 2017	\$10.00/hour	\$10.50/hour
January 1, 2018	\$10.50/hour	\$11.00/hour
January 1, 2019	\$11.00/hour	\$12.00/hour
January 1, 2020	\$12.00/hour	\$13.00/hour
January 1, 2021	\$13.00/hour	\$14.00/hour
January 1, 2022	\$14.00/hour	\$15.00 hour
January 1, 2023	\$15.00/hour	

SB 3 includes a provision which allows the Governor to suspend the increases if it is determined, based upon certain economic factors, that the State is in recession. As of December 15, 2020, no such provision has been announced.

**DISCUSSION:**

Effective January 1, 2021, the California minimum wage will increase to \$14.00 per hour. To ensure the City is in compliance with the State law, the 2020 Part Time/Hourly Salary Schedule must be adjusted to reflect appropriate salary ranges of those classifications impacted by next year's minimum wage increase as well as increase salary of positions in the classification series that will be impacted due to compaction.

The attached Part-Time/Hourly Classifications Salary Schedule, is effective January 1, 2021. The attached schedule meets or exceeds the State's minimum wage law requirements, and addresses certain salary compaction issues within the classifications presented.

With the attached schedule, the City seeks to recruit and retain highly qualified part-time personnel for various positions throughout the City while supporting the welfare of the City's workers, particularly those in low wage positions. The City also strives to be competitive in employing local high school students seeking summer and seasonal positions.

**CITY STRATEGIC PLAN COMPLIANCE:**

Goal 3: Develop as a Choice Employer and Workforce

Objective: El Segundo is a city employer of choice and consistently hires for the future, with a workforce that is inspired, world-class and engaged, demonstrating increasing stability and innovation.

**PREPARED BY:** Lauren Daniels, Human Resources Manager 

**REVIEWED BY:** Joseph Lillio, Interim HR/Finance Director

**APPROVED BY:** Barbara Voss, Deputy City Manager 

**ATTACHED SUPPORTING DOCUMENTS:**

1. Salary Resolution
2. Salary Schedule

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE CITY OF EL SEGUNDO, CALIFORNIA APPROVING  
A RATE SCHEDULE FOR PART-TIME/HOURLY EMPLOYEES**

SECTION 1: In Chapter 5, Article A, Section 1-5 A7 of the City's Municipal Code provides that the duties of the City Manager of the City of El Segundo; and

SECTION 2: In Chapter 5, Article A, Section 1-5A7(K) of the City's Municipal Code provides the City Manager shall prepare and submit the proposed salary plan to City Council for Approval;

Now, therefore, be it resolved that the City Council of the City of El Segundo California, as follows:

SECTION 3: That the "Part-time/Hourly Rate Schedule " dated January 1, 2021 as attached hereto, and made a part hereof shall be adopted as the salary and benefit schedule for part-time/hourly employees in the City of El Segundo;

SECTION 4: That the "Part-time/Hourly Rate Schedule" shall become part of the City's personnel rules and regulations;

SECTION 5: The City Clerk is directed to certify the adoption of this Resolution; record this Resolution in the book of the City's original resolutions, and make a minute of this adoption of the Resolution in the City Council's records and minutes of this meeting.

SECTION 6: This Resolution will become effective immediately upon adoption and

PASSED AND ADOPTED RESOLUTION No. \_\_\_\_\_ on this 17<sup>th</sup> day of December, 2020.

\_\_\_\_\_  
Drew Boyles, Mayor

ATTEST:

\_\_\_\_\_  
Tracy Weaver, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Mark D. Hensley, City Attorney

**CITY OF EL SEGUNDO**  
**Part-Time/Hourly Classifications Salary Schedule**

**Effective January 1, 2021**

<b>Classification</b>	<b>Grade</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	<b>Step 4</b>	<b>Step 5</b>	<b>Step 6</b>
Administrative Intern	28pt	\$15.00	\$15.75	\$16.54	\$17.36	\$18.23	\$19.14
Library Assistant P/T	20h	\$21.37	\$22.44	\$23.56	\$24.74	\$25.98	-----
Library Clerk P/T	7h	\$15.50	\$16.28	\$17.09	\$17.95	\$18.84	-----
Lifeguard	680	\$15.00	\$15.75	\$16.54	\$17.36	\$18.23	\$19.14
Police Cadet	05c	\$16.27	\$17.08	\$17.94	\$18.83	\$19.78	\$20.77
Recreation Assistant	2pt	\$14.00	\$14.70	\$15.44	\$16.21	\$17.02	\$17.87
Recreation Leader	11pt	\$15.00	\$15.75	\$16.54	\$17.36	\$18.23	\$19.14
Senior Recreation Leader	21pt	\$16.00	\$16.80	\$17.64	\$18.52	\$19.45	\$20.42
Recreation Specialist	31pt	\$18.29	\$19.20	\$20.16	\$21.17	\$22.23	\$23.34
Senior Lifeguard	681	\$18.00	\$18.90	\$19.85	\$20.84	\$21.88	\$22.97
Senior Video Technician/Media Specialist	31pt	\$17.25	\$18.11	\$19.02	\$19.97	\$20.97	\$22.02
Senior Video Technician II	35pt	\$22.25	\$23.36	\$24.53	\$25.76	\$27.05	\$28.40
Video Technician II/Media Assistant	12pt	\$14.00	\$14.70	\$15.44	\$16.21	\$17.02	\$17.87
Shuttle Driver	38pt	\$17.25	\$18.11	\$19.02	\$19.97	\$20.97	\$22.02
Swim Instructor	682	\$16.50	\$17.33	\$18.19	\$19.10	\$20.06	\$21.06

**TITLE:**

Open the recruitment process for the positions on the Committees, Commissions and Boards ("CCB") that expire in the year 2021.

**RECOMMENDATION:**

Direct staff to open recruitment process for the positions on the Committees, Commissions and Boards as listed.

**FISCAL IMPACT:** None

**BACKGROUND:**

Pursuant to Government Code §54972, attached is the Local Appointments List of the positions on Committee, Commissions and Boards that will expire in the year 2021.

Application forms, the anticipated vacancies in the year 2021 and the background information list are posted on the City's website at [www.elsegundo.org](http://www.elsegundo.org) or may be obtained from the Council Office at City Hall or, will be mailed or emailed to interested persons upon requests.

To apply to any CCB, potential candidates should contact City Hall at 310-524-2302, for an application. The deadline for filing applications is 48 hours prior to the posted interview date. Interviews of candidates are set by the City Council when a sufficient number of candidates have applied to a position.

**CITY STRATEGIC PLAN COMPLIANCE:**

Goal 1: Enhance customer service and engagement.

Objective A: El Segundo's engagement with the community ensures excellence.

**PREPARED BY:** Mishia Jennings, Executive Assistant *my*

**REVIEWED BY:** Barbara Voss, Deputy City Manager *BV*

**APPROVED BY:** Scott Mitnick, City Manager *SM (for SM)*

**ATTACHED SUPPORTING DOCUMENTS:**

CCB Listing of the year 2021 vacancies on Committees, Commission and Boards.



**CITY OF EL SEGUNDO**  
**LOCAL APPOINTMENTS LIST**  
**(COMMISSIONS, COMMITTEES, AND BOARDS)**  
**Positions to Open in Year 2021 Posted pursuant to Govt Code § 54972**  
**TO APPLY, CONTACT CITY HALL ADMINISTRATION, 310-524-2302**

**TERM EXPIRES/OPENINGS**

**JANUARY**

**ECONOMIC DEVELOPMENT ADVISORY COUNCIL:** (3 Yr Term – No Term Limit – Residents and Business Members)

Tim Harris – ( <i>apptd 07/17/18</i> )	01/01/21
Vacant (Lance Giroux, <i>apptd 7/17/18 RESIGNED</i> )	01/01/21
James McCaulley ( <i>apptd 07/17/18</i> )	01/01/21
Corinne Murat ( <i>apptd 07/17/18</i> )	01/01/21
Vacant (Rick Yuse <i>apptd 10/16/18 RESIGNED</i> )	01/01/21

**MAY**

**RECREATION & PARKS COMMISSION:** (4 Yr Term – No Term Limit - All Residents)

Dave Lubs ( <i>apptd 06/06/17 to 2<sup>nd</sup> 4 yr term</i> )	05/30/21
Robert Motta ( <i>re-apptd 06/06/17 to 4<sup>th</sup> full term</i> )	05/30/21

**JUNE**

**ARTS AND CULTURE ADVISORY COMMITTEE:** (3 Yr Term – No Term Limit – Residents/Vested Members in the Arts)

Eva Sweeney ( <i>re-appt 6/19/18 to 1<sup>st</sup> full term</i> )	06/30/21
Brian Mitchell ( <i>re-appt 6/19/18 to 1<sup>st</sup> full term</i> )	06/30/21

**ENVIRONMENTAL COMMITTEE:** (4 Yr Term – No Term Limit – 3 Residents/3 Business Person/1ESUSD)

Tracey Miller-Zarneke ( <i>apptd 7/18/17 to 2<sup>nd</sup> full term</i> )	06/30/21
Sarah Brockhaus ( <i>apptd 8/20/19 to a partial term</i> )	06/30/21

**LIBRARY BOARD OF TRUSTEES:** (3Yr Term – No Term Limit - All Residents)

David Jonta ( <i>re-apptd 7/17/18 to 4<sup>th</sup> full 3-yr term</i> )	06/30/21
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**PLANNING COMMISSION:** (4 Yr Term – No Term Limitation) (All Residents)

Jay Hoeschler ( <i>appt to 1<sup>st</sup> full term 06/20/17</i> )	06/30/21
--	----------

**SENIOR CITIZEN HOUSING CORPORATION BOARD:** (4Yr Term – No Term Limit - All Residents)

James Latta ( <i>apptd 7/18/17 to 2<sup>nd</sup> 4 yr term</i> )	06/30/21
Paul Lanyi ( <i>appt 06/19/18 to a partial term</i> )	06/30/21

**TECHNOLOGY COMMITTEE:** (4 Yr Term – No Term Limit - All Residents)

Madelon Smith ( <i>apptd 6/19/18 to a partial term</i> )	06/30/21
Vacant (Joseph Lipsey <i>apptd 06/19/18 to a partial term – RESIGNED</i> )	06/30/21

**AUGUST**

**INVESTMENT ADVISORY COMMITTEE:** (4 Yr Term - No Term Limitation; 2 Residents or 1 Res/1 Bus. Person)

Stephen Smetana ( <i>re-apptd 06/19/18 to 2<sup>nd</sup> full 4-yr term</i> )	08/30/21
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**NOVEMBER**

**CAPITAL IMPROVEMENT PROGRAM ADVISORY COMMITTEE:** (4 Yr Term – No Term Limit – 2 Business/3 Residents)

Eric Kari ( <i>re-apptd to 6/19/18 to a partial term</i> )	11/30/21
--	----------

**Council Approval:**

**Posted:**

**By:**

**THIS LIST IS TO REMAIN POSTED ALL YEAR -- DO NOT REMOVE**

**TITLE:**

Amendment to Administrative Order # 2

**RECOMMENDATION:**

Ratify amendment to Administrative Order #2.

**FISCAL IMPACT:** None.

**BACKGROUND:**

When a local or state emergency is declared, the City's municipal code provides for the carrying out of plans for the protection of persons and property within the City. In such emergency, the City Manager serves as the Director of Emergency Services ("Director"). The Director is empowered to, among other things, make and issue rules and regulations on matters reasonably related to the protection of life and property, and to acquire equipment, materials, supplies and services without following the City's standard purchasing procedures. However, such rules and regulations must be confirmed at the earliest practicable time by the city council. (ESMC §§ 2-2-5).

**DISCUSSION:**

On December 1, 2020 the City Manager amended Administrative Order # 2 to permits The Lakes Golf Course to remain open unless or until it is duly and lawfully ordered to be closed by either the State of California or the Los Angeles County Health Officer. The operation of the course must be in compliance with all applicable health protocols and the Fairway Café restaurant and pro shop must remain closed. The fees stated in the Administrative Order remain unchanged.

The amended Administrative Order also permits, if allowed under the most recent orders of the State of California and the Los Angeles County Health Officer, a gym or fitness business lawfully operating within El Segundo to apply to conduct the business on a temporary basis at designated areas within Recreation Park. The City's Director of Community Services is authorized to issue an "Outdoor Fitness Instruction Permit" to such a business. Proof of insurance will be required for issuance of the permit.

The Director requests the City Council to ratify these decisions.

**CITY STRATEGIC PLAN COMPLIANCE:**

Goal 2: Support Community Safety and Preparedness

Objective A: El Segundo is a safe and prepared community.

**PREPARED BY:** Randal A. Collins, Emergency Management Coordinator

**REVIEWED BY:** Barbara Voss, Deputy City Manager BV

**APPROVED BY:** Scott Mitnick, City Manager BV (for SM)

RC 6/25

**ATTACHED SUPPORTING DOCUMENTS:**

1. Administrative Order # 2 (amended)



# City of El Segundo

## Office of the City Manager

### Elected Officials

*Drew Boyles,*  
Mayor

*Chris Pimentel,*  
Mayor Pro Tem

*Carol Pirsztuk,*  
Councilmember

*Scot Nicol,*  
Councilmember

*Lance Giroux,*  
Councilmember

*Tracy Weaver,*  
City Clerk

*Matthew Robinson,*  
City Treasurer

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### Appointed Officials

*Scott Mitnick,*  
City Manager

*Mark D. Hensley,*  
City Attorney

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### Department Directors

*Barbara Voss,*  
Deputy City Manager

*Melissa McCollum,*  
Community Services Director

*Sam Lee,*  
Development Services Director

*Joseph Lillio,*  
Finance Director

*Chris Donovan,*  
Fire Chief

*Donna Peter,*  
Human Resources Director  
(Interim)

*Charles Mallory,*  
IT Director

*Bill Whalen,*  
Police Chief

*Elias Sassoon,*  
Public Works Director

### AMENDMENT TO ADMINISTRATIVE ORDER NO. 2

Issued: December 1, 2020

By virtue of authority vested in me as the City Manager of the City of El Segundo pursuant to the provisions of the El Segundo Municipal Code, Section 2-2-5, to promulgate, issue, and enforce rules, regulations, orders, and directives, I hereby declare that the current Administrative Order No. 2, revised August 11, 2020, to be amended to add the following paragraphs. This Amendment to Administrative Order No. 2 will take effect immediately and remain in effect until the current COVID-19 emergency is terminated by City Council resolution:

#### The Lakes at El Segundo Golf Course

The Lakes at El Segundo Golf Course, including the Driving Range, which reopened May 9, 2020, and will remain open unless or until it is duly and lawfully order closed by either the State of California or the Los Angeles County Health Officer. In accordance with applicable State and County orders, social distancing and other safety protocols will be implemented and adhered to, and the Fairway Café restaurant and pro shop will remain closed. The fees stated in the administrative order remain unchanged.

#### Outdoor Fitness Instruction at Recreation Park

Effective the date of this order, and if allowed under the most recent orders of the State of California and the Los Angeles County Health Officer, a gym or fitness business lawfully operating in the City may apply to conduct the business on a temporary basis at designated areas within Recreation Park. The City's Director of Community Services is authorized to issue an "Outdoor Fitness Instruction Permit" to such a business. Proof of insurance will be required for issuance of the permit. Those interested in applying for such a permit may contact Recreation Supervisor Shawn Green at (310) 524-2700 or [sgreen@elsegundo.org](mailto:sgreen@elsegundo.org) for more information.

A violation of any of the above prohibitions constitutes a misdemeanor under El Segundo Municipal Code Section 2-2-8 and is punishable by fines not to exceed \$1,000 or imprisonment not to exceed six months.

Scott Mitnick  
City Manager/Director of Emergency Services  
City of El Segundo

Date: December 1, 2020

**TITLE:**

Review of water and wastewater rate studies, direct staff to commence with Proposition 218 protest procedures regarding proposed water and sewer rates for FY 2020-2021 through 2024-2025, and set a public hearing to consider an ordinance adjusting water and wastewater rates and fees.

**RECOMMENDATION:**

1. Receive potable water and recycled water rate study presentation and proposed potable and recycled water rate adjustments
2. Receive wastewater rate study presentation and proposed wastewater rate adjustments
3. Direct staff to implement Proposition 218 protest ballot procedures for proposed potable water, recycled water, and wastewater rate adjustments
4. Adopt a resolution establishing procedures for mailing, handling and counting Proposition 218 ballots
5. Set a Public Hearing on February 16, 2021 for Council consideration of the proposed water, recycled water, and wastewater rate adjustments.

**FISCAL IMPACT:**

As proposed, water and wastewater rates will be adjusted over the next five fiscal years as follows:

<u>Utility</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>
Water	0%	3%	3%	3%	3%
Wastewater	9%	9%	9.5%	9.5%	9.5%

Water rates are proposed to adjust on January 1 of each year from January 1, 2022 to January 1, 2025. Wastewater rates are proposed to adjust on April 1, 2021 and then on January 1 of each year from January 1, 2022 to January 1, 2025.

These proposed adjustments are necessary to ensure that the operating budgets of both the Water Fund and Wastewater Fund remain balanced in each fiscal year. The Wastewater Fund will not be structurally balanced until the end of FY 2024-25.

**BACKGROUND:**

The City of El Segundo owns and operates its own water and wastewater collection systems. These operations are set up as separate business enterprise funds, which are distinctly separate (financially) from the City's General Fund. As an enterprise, each operation is responsible for covering its own expenses and likewise generates its own income, making each self-sustaining. However, California's Proposition 218 (the "Right to Vote on Taxes Act" of 1996) governs how municipalities can raise water/wastewater rates to cover the expenses associated with operating each enterprise. Per Proposition 218, rates may be established for up to five years. Thereafter, a new Prop 218 process would be required. The last time the City initiated a Prop 218 protest ballot process for water and wastewater rates was in 2014. The ability to raise water and wastewater rates any further has expired. Thus, in order to establish new water and wastewater rates for the next five years, the City must now conduct a new Proposition 218 protest ballot process.

**Water Fund Financial Plan**

The revenue calculated for each fiscal year in the Financial Plan is a function of the number of accounts, account growth, water use trends, and existing rates. Based on discussions with City staff, the Financial Plan assumes a conservative 0% growth in customer accounts and per capita water usage.

Table 1 shows the estimated FY 2019-2020 number of accounts and water use by customer class. The number of accounts and water use are based on FY 2018-2019 account and water use data and the assumption of no growth. The number of accounts in Table 1 does not include Fire Protection accounts.

**Table 1: Water Use in Ccf by Customer Class - FY 2019**

<b>Class</b>	<b>Accounts</b>	<b>Consumption</b>	<b>% of Accounts</b>	<b>% of Consumption</b>
SFR	2,998	361,251	60.7%	5.0%
Non-Residential/Multi-Family	1,878	1,184,820	38.0%	16.3%
Chevron		1,559,501		21.4%
Recycled	66	4,174,777	1.3%	57.3%
<b>Total</b>	<b>4,942</b>	<b>7,280,349</b>	<b>100.0%</b>	<b>100.0%</b>

To ensure future Operating and Maintenance (O&M) costs are reasonably projected, informed assumptions about inflationary factors, water costs, and water use were identified. Table 2 shows the inflationary categories used to escalate the City’s FY 2019-2020 O&M expense budget, which is part of the Financial Plan. The inflationary factors in Table 2 reflect long-term averages for general and capital (construction) inflation and energy prices.

**Table 2: Inflationary Assumptions**

<b>Expense Escalation Categories</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>
1 Salaries	3.0%	3.0%	3.0%	3.0%	3.0%
2 Benefits	8.0%	8.0%	8.0%	8.0%	8.0%
3 Supplies	3.0%	3.0%	3.0%	3.0%	3.0%
4 Electricity	5.0%	5.0%	5.0%	5.0%	5.0%
5 Fuel	3.0%	3.0%	3.0%	3.0%	3.0%
6 Contractual	3.0%	3.0%	3.0%	3.0%	3.0%
7 Purchased Water - Potable	6.0%	6.0%	6.0%	6.0%	6.0%
8 Purchased Water - Reclaimed	6.0%	6.0%	6.0%	6.0%	6.0%
9 Equipment	3.0%	3.0%	3.0%	3.0%	3.0%
10 General	3.0%	3.0%	3.0%	3.0%	3.0%
11 Sewage Treatment	6.0%	6.0%	6.0%	6.0%	6.0%
12 Capital Projects	3.1%	3.1%	3.1%	3.1%	3.1%

The data and assumptions shown in Table 2 were used to develop the City’s Water Financial Plan. The plan uses projected annual operating expenses and revenues, capital expenditures, and reserve fund balances to estimate the amount of additional rate revenue needed each year. The following sub-sections provide a discussion of O&M expenses, Capital Improvement Plan (CIP), reserve funding, projected revenue under existing rates, and revenue adjustments needed to ensure the fiscal sustainability and solvency of the Water Enterprise.

The total expenses related to operating a municipal water department can be broken down into three basic categories, which have certain associated costs. These include:

- Purchase of the actual commodity – potable and recycled water
- O&M (staff salaries/benefits, utilities, maintenance, supplies, insurance/ claims,)
- Capital Program (infrastructure improvements and replacements)



**Water & Wastewater Rates Prop 218**  
**December 15, 2020**  
**Page 4 of 14**

Each of these categories are further described below.

Table 3 shows the City’s O&M budget by fiscal year. The O&M budget incorporates the inflationary factors in Table 2, using the FY 2020 budget as the base year. Approximately 84% of the O&M budget is water purchase costs, which are not directly controlled by the City.

**Table 3: Projected O&M Expenses**

Water Operating Expenses	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
1 Salaries	\$ 1,160,791	\$ 1,195,615	\$ 1,231,483	\$ 1,268,428	\$ 1,306,480	\$ 1,345,675
2 Benefits	649,147	701,079	757,165	817,738	883,157	953,810
3 Supplies	248,800	256,264	263,952	271,870	280,027	288,427
4 Utilities	31,800	33,366	35,010	36,735	38,545	40,445
5 Potable Water	10,573,713	11,166,623	11,836,620	12,546,818	13,299,627	14,097,604
6 Recycled Water	13,227,296	13,574,090	14,388,535	15,251,848	16,166,958	17,136,976
7 Service Charges	2,445,867	2,519,243	2,594,820	2,672,665	2,752,845	2,835,430
8 Total: Water Operating Expenses	\$ 28,337,414	\$ 29,446,280	\$ 31,107,586	\$ 32,866,101	\$ 34,727,639	\$ 36,698,368

Table 4 summarizes the City’s five-year Capital Improvement Plan (CIP). The City is funding capital investment through rate revenue and reserve funds (also known as PAY-GO funding) rather than issuing debt.

**Table 4: CIP**

Water Projects	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
1 Water Main Improvement on Grand Ave.	\$1,500,000	-	-	-	-	-
2 Water Infrastructure Replacement	-	2,300,000	3,000,000	3,000,000	3,000,000	3,000,000

**Debt Service**

The City does not currently have any outstanding utility debt and the Financial Plan does not propose issuing any bonds in the study period.

**Reserve Policies**

City Council previously discussed reserve policies for the Water Enterprise. Based on City Council direction, the City should maintain the following in reserves:

- Operating Reserve equal to four months of O&M expenses
- Capital Reserve equal to the average annual forecasted capital spending of the next 10 years.
- Rate Stabilization Reserve equal to 25% of annual potable and surcharge revenue



**Water & Wastewater Rates Prop 218**  
**December 15, 2020**  
**Page 5 of 14**

The water utility currently has sufficient cash to fully fund each of these reserves.

A Financial Plan was developed using projected operating and capital expenses, revenues, and resulting yearly cash balances for the Financial Plan study period - from FY 2020-2021 to FY 2024- 2025. The Financial Plan is used to determine the overall revenue adjustments required to ensure water enterprise financial stability. Revenue adjustments represent the average increase in rates as a whole; rate changes for individual classes will depend on the cost of service – since a cost of service analysis allocates costs to each customer class. Therefore, the revenue adjustment may not be the same as the average bill impact for each customer class. This study establishes rates for FY 2020-2021 through FY 2024-2025.

The proposed revenue adjustments will help ensure adequate revenue to fund operating expenses, capital expenditures, and compliance with any bond covenants. Financial Plan modelling assumes revenue adjustments will occur in January of each year. The proposed revenue adjustments would enable the City to cover operating expenses and execute the CIP shown in Table 4.

Table 5 shows the proposed revenue adjustments selected by the City. The rates presented are based on these revenue adjustments.

**Table 5: Proposed Rate Adjustments**

	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Effective Month	January 1	January 1	January 1	January 1	January 1
Water Revenue Adjustment	0.0%	3.0%	3.0%	3.0%	3.0%

Table 6 shows the City’s cash flow projection over the study period assuming the revenue adjustments shown in Table 5. Line 1 shows water rate revenue, including the fixed monthly capacity charge and volume charge. Line 2 shows the revenue from the surcharge applied to recycled water by the City. Line 3 shows the additional revenue from the revenue adjustments. Revenue on line 4 shows the charges from West Basin the City passes through and collects from recycled customers; this revenue equals the expense on line 6 of Table 3.

Line 11 shows the yearly ending cash flow after subtracting operating and capital expenses from total revenue (in line 6). Non-Rate revenue includes meter installations, interest income, and other miscellaneous items. Balances for each of the reserve funds are tracked in lines 12 to 14.

**Table 6: Five-Year Water Operating Cash Flow**

Operating Cash Flow	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
<b>Revenues</b>						
1 Fixed Monthly	\$ 16,456,948	\$ 16,456,948	\$ 16,456,948	\$ 16,456,948	\$ 16,456,948	\$ 16,456,948
2 Recycled Surcharge	4,168,194	4,161,513	4,161,513	4,161,513	4,161,513	4,161,513
3 Additional Revenue	-	-	463,915	1,096,387	1,747,832	2,418,821
4 Recycled Pass-through	13,227,296	13,574,090	14,388,535	15,251,848	16,166,958	17,136,976
5 Non-Rate Revenue	171,360	141,985	130,777	135,826	139,316	140,827
6 <b>Total: Revenue</b>	<b>\$ 34,023,798</b>	<b>\$ 34,334,536</b>	<b>\$ 35,601,689</b>	<b>\$ 37,102,521</b>	<b>\$ 38,672,567</b>	<b>\$ 40,315,085</b>
7 <b>Revenue Adjustment</b>		<b>0.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Expenses</b>						
8 O&M	\$ 28,337,414	\$ 29,446,280	\$ 31,107,586	\$ 32,866,101	\$ 34,727,639	\$ 36,698,368
9 Capital	4,750,000	2,650,000	3,350,000	3,400,000	3,500,000	3,600,000
10 <b>Total: Expenses</b>	<b>\$ 33,087,414</b>	<b>\$ 32,096,280</b>	<b>\$ 34,457,586</b>	<b>\$ 36,266,101</b>	<b>\$ 38,227,639</b>	<b>\$ 40,298,368</b>
11 <b>Op. Surplus/(Deficit)</b>	<b>\$ 936,384</b>	<b>\$ 2,238,257</b>	<b>\$ 1,144,103</b>	<b>\$ 836,420</b>	<b>\$ 444,928</b>	<b>\$ 16,717</b>
12 Op. Reserve	22,685,032	20,443,420	21,453,127	22,151,119	22,453,466	22,323,325
13 RS. Reserve	-	4,479,869	4,614,265	4,752,693	4,895,274	5,042,132
14 Cap. Reserve	3,250,000	3,528,930	3,690,666	3,803,884	3,915,540	4,022,497
15 <b>Total Reserve</b>	<b>\$ 25,935,032</b>	<b>\$ 28,452,219</b>	<b>\$ 29,758,058</b>	<b>\$ 30,707,696</b>	<b>\$ 31,264,280</b>	<b>\$ 31,387,954</b>
16 <b>Target Balance</b>	<b>17,027,569</b>	<b>17,648,839</b>	<b>18,511,590</b>	<b>19,341,568</b>	<b>20,213,075</b>	<b>21,128,369</b>
17 <b>CIP (Uninflated)</b>	<b>1,500,000</b>	<b>2,300,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>

Proposed Water Rates – Fixed Charge and Volumetric Rates

Table 7 shows the derivation of the monthly fixed service charge by meter size in column A, which is the addition of columns D through G. The water supply, meters, and public fire charges increase in proportion to AWWA Capacity ratios (shown in column B), while the customer charge is the same at each meter size (column F).

**Table 7: Monthly Service Charge Derivation by Meter Size**

Meter Size	AWWA Ratio	No. of Accounts	Water Supply	Meters	Customer	Public Fire	Total Proposed
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1 5/8" and 3/4"	1.00	3,152	\$ 1.25	\$ 3.91	\$ 8.37	\$ 4.63	\$ 18.17
2 1"	1.67	859	2.09	6.52	8.37	7.72	24.71
3 1 1/2"	3.33	359	4.18	13.05	8.37	15.45	41.04
4 2"	5.33	350	6.69	20.87	8.37	24.71	60.65
5 3"	11.67	83	14.64	45.66	8.37	54.06	122.73
6 4"	21.00	42	26.35	82.19	8.37	97.31	214.23
7 6"	43.33	29	54.38	169.61	8.37	200.80	433.15
8 8"	93.33	1	117.12	365.31	8.37	432.50	923.29
9 10"	140.00	1	175.67	547.96	8.37	648.74	1,380.75

Table 8 shows the proposed monthly Fixed Service Charge for the next five fiscal years. They are derived by applying the revenue adjustments shown in Table 5 to the service charges for FY 2020 shown in Table 7. Charges are rounded up to the nearest whole penny and may not match the unrounded values in Table 7.

**Table 8: Five Year Fixed Service Charges**

Meter Size	Current FY 19-20	March 1 FY 20-21	Jan 1 FY 21-22	Jan 1 FY 22-23	Jan 1 FY 23-24	Jan 1 FY 24-25
5/8" and 3/4"	\$ 11.95	\$ 18.18	\$ 18.73	\$ 19.30	\$ 19.88	\$ 20.48
1"	27.10	24.71	25.46	26.23	27.02	27.84
1 1/2"	33.94	41.05	42.29	43.56	44.87	46.22
2"	62.90	60.65	62.47	64.35	66.29	68.28
3"	141.61	122.74	126.43	130.23	134.14	138.17
4"	251.25	214.23	220.66	227.28	234.10	241.13
6"	469.74	433.16	446.16	459.55	473.34	487.55
8"	823.49	923.29	950.99	979.52	1,008.91	1,039.18
10"	1,288.35	1,380.75	1,422.18	1,464.85	1,508.80	1,554.07

Table 9 shows the proposed five-year volumetric rates by escalating the volumetric rates derived in Table 10, which have been rounded to the nearest whole penny, by the proposed revenue adjustments shown in Table 5.

**Table 9: Five-Year Volumetric Rates**

Class	Current FY 19-20	March 1 FY 20-21	Jan 1 FY 21-22	Jan 1 FY 22-23	Jan 1 FY 23-24	Jan 1 FY 24-25
<b>Residential</b>						
Tier 1	\$ 2.82	\$ 2.88	\$ 2.97	\$ 3.06	\$ 3.16	\$ 3.26
Tier 2	5.19	5.47	5.64	5.81	5.99	6.17
Tier 3	5.90	6.86	7.07	7.29	7.51	7.74
<b>Non-Residential</b>	\$ 3.43	\$ 4.17	\$ 4.30	\$ 4.43	\$ 4.57	\$ 4.71
<b>Chevron</b>	\$ 3.43	\$ 4.90	\$ 5.05	\$ 5.21	\$ 5.37	\$ 5.54

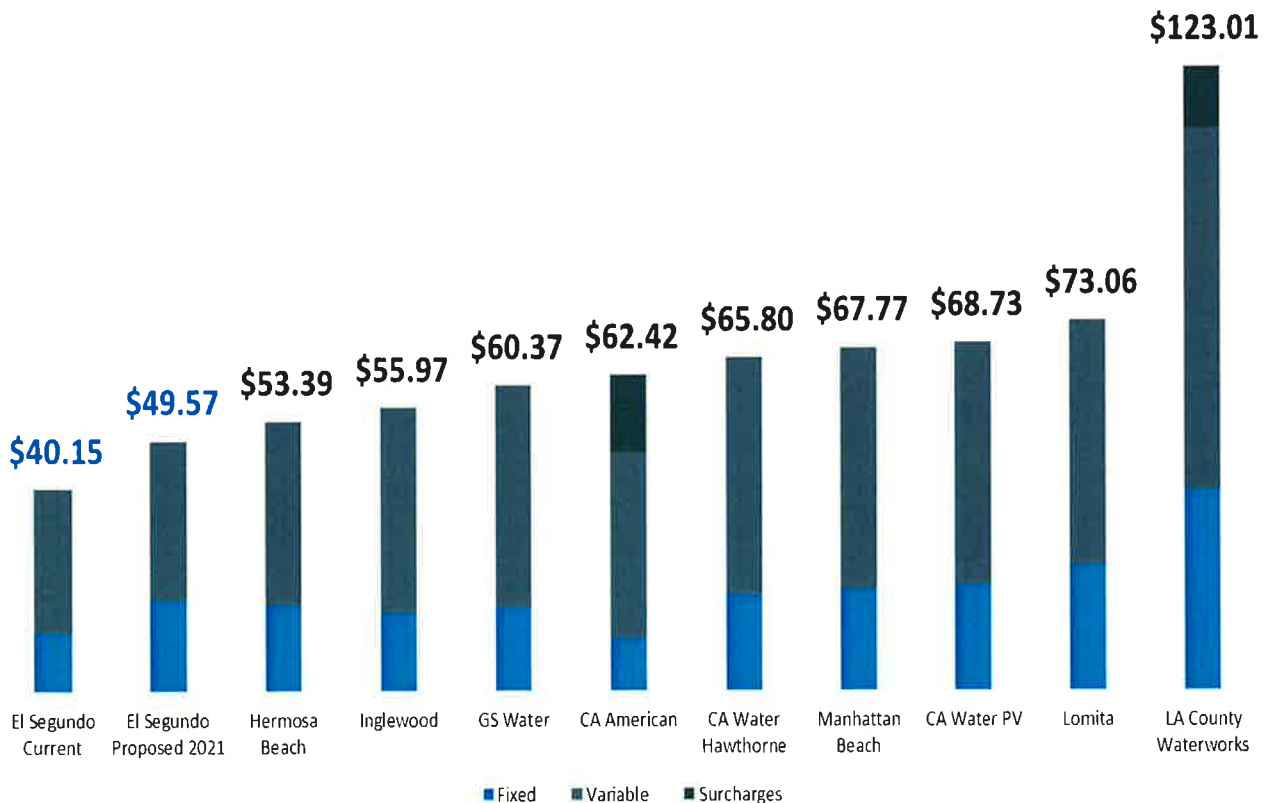
Table 10 shows the total volumetric rate derivation for all customers in FY 2019-2020, which is the summation of all rate components.

**Table 10: Derivation of Rates by Tier and Class**

Customer Class	Supply	Base Delivery	Peaking	Revenue Offset	Surcharge Offset	Total
(A)	(B)	(C)	(D)	(E)	(F)	(G)
<b>Single Family Residential</b>						
1 Tier 1	\$ 3.35	\$ 1.66	\$ 0.33	\$ (0.08)	\$ (2.38)	\$ 2.88
2 Tier 2	3.35	1.66	1.05	-	(0.59)	5.47
3 Tier 3	3.35	1.66	1.84	-	-	6.85
4 Non-Residential/Multi-Family	3.35	1.66	0.89	(0.06)	(1.67)	4.17
5 Chevron	3.35	1.66	0.96	(0.06)	(1.02)	4.90

The following table presents a comparison of a 10 Ccf bill (Typical Household) in El Segundo in FY2019-2020 and FY 2020-2021 to equivalent bills in several comparable communities in 2020. The City’s current rates are lower than many others and continue to compare favorably into the future.

**Table 11: Water Bill Comparison (typical family)**



**Wastewater Fund Financial Plan**

The City of El Segundo is responsible for the O&M of an extensive wastewater collection system; however, does not provide wastewater treatment. Wastewater on the east side of the City is sent to Los Angeles County Sanitation District (LACSD) for treatment. The County bills those customers directly on their annual property tax bills. Wastewater from the west side is treated by the City of Los Angeles, which bills the City of El Segundo.

The City currently has three sets of rates. Customers on the west side pay a monthly treatment fee based on meter size and which varies by customer class. All customers pay a monthly service fee which also varies by meter size and class. Table 12 presents the current rates in effect in FY 2019-2020.

**Table 12: Current Wastewater Service Charges**

Meter Size	SFR	MFR	Commercial West	Commercial East	Industrial West	Industrial East	Institutional West	Institutional East
<b>Treatment Fee</b>								
3/4"	\$ 16.63	\$ 27.48	\$ 19.62	\$ 19.62	\$ 16.27	\$ 16.27	\$ 15.38	\$ 15.38
1"	21.15	38.50	48.97	48.97	21.99	21.99	24.35	24.35
1 1/2"	22.87	58.74	90.18	90.18	63.55	63.55	37.06	37.06
2"	24.29	131.73	237.73	237.73	193.99	193.99	56.19	56.19
3"		447.75	440.61	440.61	486.29	486.29	139.34	139.34
4"		616.10	1,882.76	1,882.76	690.89	690.89	165.00	165.00
6"			1,882.76	1,882.76	690.89	690.89	165.00	165.00
<b>Service Fee</b>								
3/4"	\$ 6.60	\$ 10.56	\$ 7.26		\$ 6.60	\$ 7.26	\$ 6.60	\$ 6.60
1"	7.92	14.85	18.81	7.26	7.92	18.15	9.24	9.24
1 1/2"	8.58	22.44	33.00	46.21	24.42	33.00	13.86	13.86
2"	9.24	49.50	85.81	132.00	72.60	72.60	19.81	19.81
3"		171.62	184.81	184.81	184.81	297.02	52.81	52.81
4"		231.02	693.05	297.02	264.02	462.03	66.00	66.00
6"			693.05	759.05	264.02	1,254.10	66.00	66.00
<b>Volume Charge</b>	\$ 0.73	\$ 0.91	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 0.91	\$ 0.91

**NUMBER OF ACCOUNTS AND WATER USE**

Table 13 shows the number of wastewater accounts and the wastewater flow (based on water use for wastewater customers) in Ccf for each customer class in FY 2019. As with the water utility demand projection, the Financial Plan assumes no growth in customer accounts or increased wastewater generation, on a per capita basis, in future years.

**Table 13: Wastewater Accounts and Wastewater Use in Hundred Cubic Feet**

Meter Size	SFR	MFR	Commercial West	Commercial East	Industrial West	Industrial East	Institutional West	Institutional East	Total
3/4"	2,605	247	161	-	115	1	16	-	3,145
1"	381	276	92	10	50	21	12	-	842
1 1/2"	6	219	31	48	21	16	5	-	346
2"	2	101	24	87	19	69	16	4	322
3"		3	3	28	2	7	7	1	51
4"		5	4	13	3	13	3	1	42
6"			1	10	1	15	-	-	27
	2,994	851	316	196	211	142	59	6	4,775
Use (Ccf)	361,205	267,389	118,555	309,014	51,309	344,064	20,052	14,492	1,486,080

**WASTEWATER O&M EXPENSES**

Wastewater O&M expenses were projected by applying the inflation factors in Table 2 to the FY 2020 O&M budget. Table 14 summarizes the budgeted and projected O&M expenses during the Study period. The forecast of treatment fees for the study period is based on the projections provided by the City of Los Angeles. Based on actions taken by the City of Los Angeles, wastewater treatment costs will increase significantly in 2021.

**Table 14: Projected Wastewater O&M Expenses**

Sewer Operating Expenses	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Salaries	\$ 581,630	\$ 599,079	\$ 617,051	\$ 635,563	\$ 654,630	\$ 674,269
Benefits	355,099	383,507	414,187	447,322	483,108	521,757
Supplies	97,800	100,734	103,756	106,869	110,075	113,377
Utilities	65,000	68,172	71,500	74,993	78,657	82,502
Treatment Fees	1,999,993	2,737,200	2,882,500	2,829,200	2,562,800	2,834,900
Service Charges	1,100,412	1,133,424	1,167,427	1,202,450	1,238,523	1,275,679
<b>Total: Sewer Operating Expenses</b>	<b>\$ 4,199,934</b>	<b>\$ 5,022,116</b>	<b>\$ 5,256,422</b>	<b>\$ 5,296,396</b>	<b>\$ 5,127,793</b>	<b>\$ 5,502,484</b>

Table 15 summarizes the City's five-year CIP. The proposed capital improvement program will be funded entirely through rate revenue and reserve funds, also known as PAY-GO funding, rather than issuing debt.

**Table 15: Wastewater Capital Improvement Projects**

Sewer Projects	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Lifeguard Pump Station	\$ 650,000	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater Infrastructure Replacement	-	150,000	500,000	500,000	500,000	500,000



The City should maintain the following reserve policies:

- Operating reserve equal to four months of O&M expenses
- Capital reserve equal to the average annual forecasted capital spending of the next ten years

The wastewater utility is currently achieving approximately 60% of this target and is forecasted to sustain significant deficits in the future without revenue adjustments.

**Table 16: Wastewater Fund Balance Forecast**

<b>Wastewater</b>					
<b>YoY Fund Balances</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>
<b>Operating Reserve</b>	\$ 1,088,392	\$ 420,552	\$ 149,949	\$ 839,873	\$ 1,803,442
<i>Target</i>	1,651,107	1,728,139	1,741,281	1,685,850	1,809,036
<b>Capital Reserve</b>	\$ 45,365	\$ 413,988	\$ 816,191	\$ 951,467	\$ 1,019,293
<i>Target</i>	716,883	806,240	861,161	917,779	976,146
<b>Total Reserves</b>	\$ 1,133,757	\$ 834,539	\$ 966,140	\$ 1,791,340	\$ 2,822,735
<i>Target</i>	2,367,990	2,534,379	2,602,442	2,603,628	2,785,182

To ensure that the Wastewater Enterprise has adequate revenues to fund operating and capital expenditures, as well as funds sufficient reserves, revenue adjustments in Table 17 are recommended. The City has not implemented a wastewater rate increase since 2016. As a result, significant adjustments are needed at this time requiring significant adjustments. The proposed rate adjustments will allow the City to achieve its reserve targets by 2025.

**Table 17: Proposed Wastewater Revenue Adjustments**

	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>
<b>Effective Month</b>	<b>March 1</b>	<b>January 1</b>	<b>January 1</b>	<b>January 1</b>	<b>January 1</b>
Wastewater Rate Adjustment	9.0%	9.0%	9.5%	9.5%	9.5%

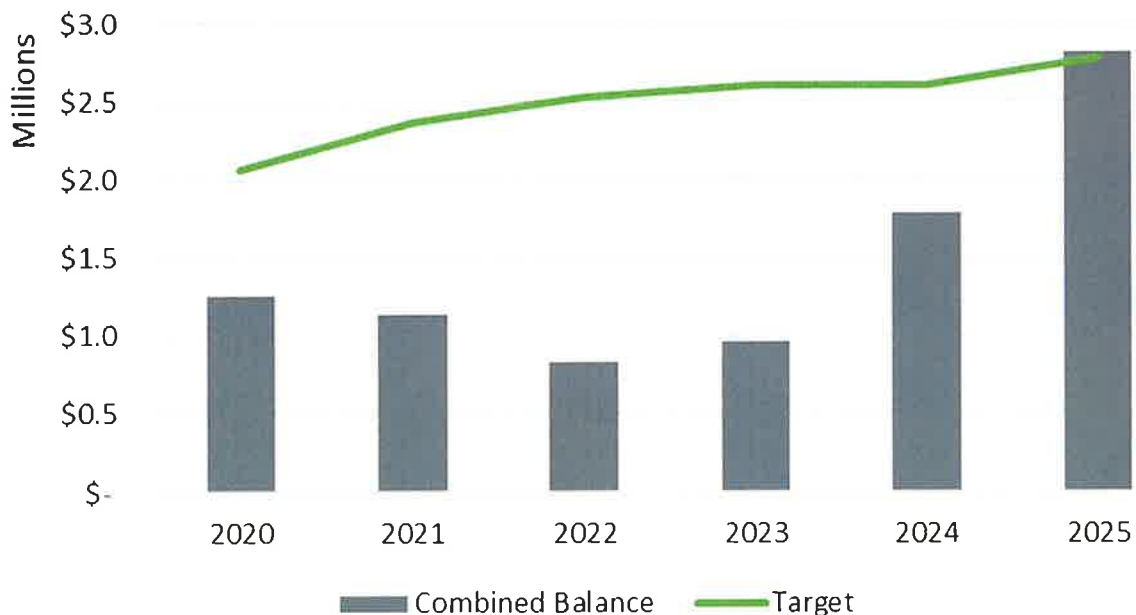
Table 18 shows the cash flow projection with the proposed revenue adjustments from Table 17. The proposed Financial Plan meets the City's financial needs by meeting long term reserve goals. As indicated by the negative net cash flow, the City plans to use fund balances to minimize customer impacts as much as possible. Figure 1 presents the Financial Plan graphically.

**Table 18: Wastewater Enterprise Proposed Financial Plan Pro-Forma**

Operating Cash Flow	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
<b>Revenues</b>						
Rate Revenue	\$ 4,493,170	\$ 4,493,170	\$ 4,493,170	\$ 4,493,170	\$ 4,493,170	\$ 4,493,170
Additional Revenue	-	303,289	734,970	1,225,522	1,768,797	2,363,684
Non-Rate Revenue	316,200	261,015	260,442	257,103	255,750	259,199
<b>Total: Revenue</b>	<b>\$ 4,809,370</b>	<b>\$ 5,057,474</b>	<b>\$ 5,488,582</b>	<b>\$ 5,975,794</b>	<b>\$ 6,517,717</b>	<b>\$ 7,116,053</b>
<b>Rate Increase</b>		<b>9.00%</b>	<b>9.00%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>
<b>Expenses</b>						
O&M	\$ 4,199,934	\$ 5,022,116	\$ 5,256,422	\$ 5,296,396	\$ 5,127,793	\$ 5,502,484
Transfer to Capital	700,000	150,000	900,000	950,000	700,000	650,000
<b>Total: Expenses</b>	<b>\$ 4,899,934</b>	<b>\$ 5,172,116</b>	<b>\$ 6,156,422</b>	<b>\$ 6,246,396</b>	<b>\$ 5,827,793</b>	<b>\$ 6,152,484</b>
<b>Op. Surplus/(Deficit)</b>	<b>\$ (90,564)</b>	<b>\$ (114,642)</b>	<b>\$ (667,840)</b>	<b>\$ (270,602)</b>	<b>\$ 689,924</b>	<b>\$ 963,569</b>
Op. Reserve	1,203,035	1,088,392	420,552	149,949	839,873	1,803,442
Cap. Reserve	50,000	45,365	413,988	816,191	951,467	1,019,293
<b>Total Reserve</b>	<b>\$ 1,253,035</b>	<b>\$ 1,133,757</b>	<b>\$ 834,539</b>	<b>\$ 966,140</b>	<b>\$ 1,791,340</b>	<b>\$ 2,822,735</b>
<b>Target Balance</b>	<b>2,061,006</b>	<b>2,367,990</b>	<b>2,534,379</b>	<b>2,602,442</b>	<b>2,603,628</b>	<b>2,785,182</b>
<b>CIP (Uninflated)</b>	<b>650,000</b>	<b>150,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>

**Figure 1: Wastewater Financial Plan**

Wastewater Total Fund Balance





**ENVIRONMENTAL REVIEW:**

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

**NEXT STEPS:**

- An informational video will be available to the public on the City's website that provides an educational overview on the proposed rates – December 2020
- The Prop. 218 rate notices will be mailed out to property owners and tenants - December 30, 2020
- Along with the notices, a protest ballot for the proposed water rates and protest ballot for the proposed wastewater rates will be included with the December 30, 2020 mailing
- A self-use rate calculator will be available on the City's website for use by the public to determine what the impacts of the proposed rates will be on their bill – December 2020
- Ratepayers/Property owners will be able to submit a protest ballot - December 31, 2020 – February 16, 2021
- Public hearing on the proposed water and wastewater rates – February 16, 2021
  - Protest ballots will be counted by an independent third party
  - If there is less than 50% of protest ballots received, the public hearing on the rate changes can proceed and City Council can adopt the five-year rate structure
- New wastewater rates take effect – April 1, 2021
- Subsequent water and wastewater rate adjustments – January 1, 2022, January 1, 2023, January 1, 2024, and January 1, 2025

**CITY STRATEGIC PLAN COMPLIANCE:**

**Goal:** 5 Champion Economic Development and Fiscal Sustainability:  
**Objective:** B El Segundo approaches its work in a financially strategic and responsible way

**ORIGINATED BY:** Joseph Lillio, Chief Financial Officer

**REVIEWED BY:** Barbara Voss, Deputy City Manager

**APPROVED BY:** Scott Mitnick, City Manager 

**ATTACHED SUPPORTING DOCUMENTS:**

1. Resolution regarding the Proposition 218 Procedures
2. Draft Proposition 218 Rate Notice to Parcel Owners and Renters
3. Sample Protest Ballot for Water and Wastewater Proposed Rates
4. Water (Potable & Recycled) & Wastewater Rate Study Report

## RESOLUTION NO. 4888

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL SEGUNDO ESTABLISHING PROCEDURES FOR INCREASING WATER, WASTEWATER, AND SOLID WASTE FEES IN ACCORDANCE WITH THE REQUIREMENTS OF PROPOSITION 218.

The City Council for the City of El Segundo does resolve as follows:

SECTION 1: The City Council finds and declares as follows:

- A. On July 24, 2006, the California Supreme Court confirmed that charges for water and wastewater services are subject to Proposition 218 procedures (*Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4<sup>th</sup> 205);
- B. The City Council anticipates that there will be future increases in water, wastewater, and solid waste rates. Adopting the policies and procedures set forth in this Resolution will help implement the requirements set forth in Article XIID of the California Constitution and help ensure that the rights of those persons that are authorized to protest service charges are preserved;
- C. Elections Code § 4000(c)(9) provides that any protest ballot proceeding required or authorized by California Constitution Articles XIIC or XIID may be conducted wholly by mail. In the event a protest ballot process is required, the City Council seeks to achieve higher awareness of those affected by the proposed increase, provide an orderly protest process for both those receiving the ballots and the City, ensure to the extent practicable that there is some verification process regarding the protests received, and to reduce the costs of the protest ballot process; and
- D. Adopting this Resolution is in the public interest for the reasons set forth above and as further stated within Article XIID and the Proposition 218 and state legislation relating to the implementation of Proposition 218.

SECTION 2: The City Council adopts the procedures set forth in this Resolution for conducting all proceedings required by California Constitution Article XIID for utility fee (as defined below) increases. Where no specific procedures are imposed by Article XIID or the Proposition 218 Omnibus Implementation Act (Government Code §§ 53750, *et seq.*), the procedures set forth in this Resolution apply. This Resolution may be referred to as the "Proposition 218 Protest Proceedings Resolution."

SECTION 3: *Definitions.* Unless the contrary is stated or clearly appears from the context, the following definitions govern the construction of the words and phrases used in this Resolution. Words and phrases not defined by this Resolution will have the

meaning set forth in California Constitution Article XIIIID or the Proposition 218 Omnibus Implementation Act.

- A. “Act” means the Proposition 218 Omnibus Implementation Act found at Government Code §§ 53750, *et seq.*;
- B. “Article 13D” means California Constitution Article XIIIID, § 6;
- C. “Manager” means the City Manager or designee;
- D. “Property owner” has the same meaning set forth in Article 13D and also pursuant to the Act includes tenancies of real property where tenants are directly liable to pay the proposed water or wastewater fee or charge;
- E. “Protest” means a written protest filed with the City Clerk in accordance with Article 13D, the Act, and this Resolution as described in Article 13D, § 6(a)(2);
- F. “Utility fee” means a fee or charge imposed for potable water, wastewater, or solid waste services provided to customers in accordance with the El Segundo Municipal Code (“ESMC”), and other applicable law, by the City of El Segundo.

**SECTION 4:** *Calculation of the fee and proposed increase.* Utility fees must be calculated in accordance with the recommendations in the latest independent Rate Study report or City’s internal financial analysis.

**SECTION 5:** *Administration of Proceedings.* The City Manager, or designee, is authorized to implement this Resolution in a manner consistent with the California Constitution and other applicable law.

**SECTION 6:** *Notice.* Notice of a proposed utility fee increase is provided as follows:

- A. In general, the City will identify the record property owner(s) of each parcel to which the utility fee would be applied from its billing system database and/or the latest equalized tax roll produced by Los Angeles County. The City’s Utility Billing database and the equalized tax roll is presumptive evidence of ownership of the land for voting purposes.
- B. If either the City’s Utility Billing Database or Los Angeles County Recorder’s website shows that more than one property owner has an interest in a parcel, all property owners (each property owner) must receive notice at the address shown for the property owner. Both property owners and parties financially responsible for paying the fee will be provided notice. In the event that notice is sent for a utility service for which the City is not currently charging a fee, the notices will be sent to

the property owner based upon the Los Angeles County Recorder's website and to the street address to which the service would be provided if the address is different than the address designated for the property owner on the Los Angeles County Recorder's website.

- C. The notice must be sent by first class mail at least forty-five (45) days before the date set for the public hearing on the utility fee.
- D. The form of the notice of hearing will be approved by the City Council and be on file with the City Clerk.
- E. The notice provided by these procedures, in accordance with Article 13D, supersedes and is in lieu of notice required by any other statutes to levy or increase a utility fee.
- F. The City Clerk, or designee, may certify the proper mailing of notices by an affidavit which constitutes conclusive proof of mailing in the absence of fraud.
- G. Failure of any person to receive notice does not invalidate the proceedings.

SECTION 7: *Protests against Utility Fee Increases.*

- A. The property owner(s) of parcels subject to the proposed fee increase are entitled to a single protest for each parcel. When a parcel is held as community property or in joint tenancy or as a tenancy in common, any spouse or joint tenant or tenant in common is presumed to have authority to cast a protest on behalf of such parcel.
- B. Executors, administrators, and guardians may cast a protest on behalf of the estate represented by them. If such representatives are shown on the latest assessment roll as paying taxes and assessments on behalf of the property owner(s), that fact establishes the right of such representative(s) to cast a protest. If such representatives are not shown on the latest assessment roll, the representatives may file with the City Clerk, at any time before the commencement of the public hearing, or the date of the election, as the case may be, certified copies of the written documentation establishing the legal representation.
- C. The protest of any public or quasi-public corporation, private corporation, or unincorporated association may be signed by any person so authorized in writing by the board of directors or trustees or other managing body thereof.
- D. The Manager is designated as the voting representative with respect to City-owned property.

- E. In any case where the documentation provided to the City Clerk in is ambiguous or unclear, the City Attorney will determine whether the documentation is adequate for the purpose provided.
- F. In the event a property owner loses or misplaces a protest ballot, upon request by the property owner the City will provide a replacement protest ballot unless a properly filled out protest ballot has already been received for the parcel of property.

SECTION 8: *Public Hearing.*

- A. Only protest ballots that (i) were provided by the City to the property owner in the form approved by the Council and (ii) are properly filled out and legibly signed by an eligible property owner is made will be counted as a valid protest. Only one protest shall be counted for each parcel of property regardless of the number of protests filed by property owners for the parcel.
- B. The City Clerk must stamp each written protest the date and time it is filed with the City Clerk for purposes of establishing whether the protest was filed before the close of the public testimony portion of the public hearing. No protest received after the close of the public testimony portion of the public hearing can be counted in determining the amount of protest, but the Council may, in its discretion, consider such protests in making its decision. Written protests may be withdrawn in writing at any time before the conclusion of the public testimony portion of the public hearing.
- C. At the time and place fixed for the hearing, or at any time to which the hearing is adjourned, the Council must:
  - 1. Hear all persons interested in the matter of the proposed fee increase;
  - 2. Hear all objections, protests or other written communications from any owner of property subject to the proposed utility fee; and
  - 3. Take and receive oral and documentary evidence pertaining to the proposed fee increase.
  - 4. The hearing may be continued from time to time, as the Council determines necessary to complete its consideration of the proposed fee increase.
  - 5. If the Council determines, at the close of the public testimony portion of the public hearing, that votes were received from

property owners representing a majority of the parcels subject to the proposed fee increase, the Council shall adopt a resolution setting forth the results of the protest ballot process and the proceedings shall then be closed and the utility fee cannot be approved by the City Council.

6. If the Council determines at the close of the public testimony portion of the public hearing that written protests were not received from property owners representing a majority of the parcels subject to the proposed utility fee, the Council shall adopt a resolution setting forth the results of the protest ballot process and then may by Ordinance change the utility fee so long as in an amount that does exceed the amount and methodology set forth in the public notices sent to the property owners.


SECTION 9: *Environmental Review.* This Resolution is exempt from review under the California Environmental Quality Act (California Public Resources Code §§ 21000, *et seq.*, “CEQA”) and CEQA regulations (14 California Code of Regulations §§ 15000, *et seq.*) because it establishes rules and procedures to implement government funding mechanisms; does not involve any commitment to a specific project which could result in a potentially significant physical impact on the environment; and constitutes an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. Accordingly, this Resolution does not constitute a “project” that requires environmental review (*see specifically* 14 CCR § 15378(b)(4-5)).

SECTION 10: If any part of this Resolution or its application is deemed invalid by a court of competent jurisdiction, the city council intends that such invalidity will not affect the effectiveness of the remaining provisions or applications and, to this end, the provisions of this Resolution are severable.

SECTION 11: The City Clerk is directed to certify the passage and adoption of this Resolution; and cause it to be entered into the City of El Segundo’s book of original Resolutions.

SECTION 12: This Resolution will take effect immediately day following its final passage and adoption.


PASSED AND ADOPTED this 16th day of , 2014.

  
\_\_\_\_\_  
Suzanne Fuentes, Mayor

ATTEST:

  
\_\_\_\_\_  
Tracy Weaver, City Clerk

APPROVED AS TO FORM  
MARK D. HENSLEY, City Attorney

By:   
\_\_\_\_\_  
Karl H. Berger, Assistant City Attorney



## **Notice of Public Hearing on Proposed Water and Wastewater Rate Increase**

Notice is hereby given that the City Council of City of El Segundo ("City") will conduct a public hearing on February 16, 2021 at 6 pm in the City Hall, located at 350 Main Street, El Segundo, CA 90245, where it will consider adopting increases to the City's water and wastewater rates and charges. The proposed increases are the result of a detailed multi-year budget analysis ("financial plan") and findings of the El Segundo Water and Wastewater Rate Study Report ("Rate Study") prepared by Raftelis, a financial consulting firm specializing in cost of service analyses and rate setting. A copy of this study is available on at [www.elsegundo.org](http://www.elsegundo.org) or hard copies are available for review at the City Clerk's Office. For assistance in determining the impact of the proposed rate increase on your bill, please call Customer Service at 310-524-2300, or go to [www.elsegundo.org](http://www.elsegundo.org) for the rate calculator.

The Rate Study determined the appropriateness of the proposed rate increases and involved a fair and equitable cost allocation among water and wastewater customer categories. The net impact of the proposed changes in the rates for water and wastewater customers will vary based upon actual water consumption, customer class, and meter size.

### **Why am I Receiving This Notice?**

You are receiving this notice because you are either a property owner in the City and/or a customer of record of one or more water and wastewater connections located within the service area of the City of El Segundo. You will be provided with a notice and ballot for each parcel of property and/or water and wastewater account you have with the City. Only one protest ballot will be counted for each parcel of property regardless of how many are submitted by customers or property owners for the parcel.

### **Background**

The City of El Segundo provides water and wastewater service to approximately 5,100 customer connections. The City's water utility relies on water service charges to fund the costs of operations, maintenance, and wholesale water purchases. The City is also responsible for the operation and maintenance of an extensive wastewater collection system but does not provide wastewater treatment. Wastewater on the east side of the City (east of Pacific Coast Highway) is sent to Los Angeles County Sanitation Districts (LACSD). The county bills those customers directly on their annual property tax bills. Wastewater from the west side is treated by the City of Los Angeles, which bills the City of El Segundo. These costs are included in the proposed rates. The City, in cooperation with Raftelis, examined its current and future revenue and reserve balances and its ability to fund the required capital needs along with ongoing operations.

The proposed changes are necessary to maintain and improve existing water and wastewater service. All customers are encouraged to conserve water to help reduce their water bills.

The proposed rates are designed to comply with state laws, improve rate equity and fairness, and fund the City's costs of providing water and wastewater service including capital reinvestment.

Why is the City Proposing to Increase Rates?

**Fund Wholesale Water Rate Increases**

The City purchases water from the West Basin Municipal Water District, which plans to increase their wholesale rate to the City of El Segundo. The City will pass through this increased cost of water to its customers.

**Fund Wastewater Treatment Cost Increase**

The west side of the City wastewater is treated by the City of Los Angeles, which is increase by 91% (2017 to 2021).

**Repair & Replace Aging Pipelines**

The City maintains over 65 miles of water pipelines which need to be repaired or replaced as they reach the end of their useful lives. Replacing them will ensure that the City can continue providing high-quality water to its customers 24 hours a day and meet safety requirements for fire flow and pressure. In addition the City maintains a wastewater collection system that needs to be maintain to meet the required environmental standards.

**PROPOSED WATER RATES**

The City proposes to adopt the rates as shown in the following tables. The proposed rate structure includes two components: 1) a fixed monthly charge that is billed regardless of water use and is shown in the first table, and 2) a volumetric charge billed for each unit of metered water use as shown in the second table. The Single-Family Residential class has tiered rates with the tier breakpoints as shown. The volume rate applies to each hundred cubic feet (ccf) of water use; one hundred cubic feet (ccf) equals 748 gallons.

**METER CHARGES/FIXED MONTHLY CHARGE**

<b>Meter Size</b>	<b>April 1 2021</b>	<b>January 1 2022</b>	<b>January 1 2023</b>	<b>January 1 2024</b>	<b>January 1 2025</b>
		\$	\$	\$	\$
5/8" and 3/4"	\$ 18.18	18.73	19.30	19.88	20.48
1"	24.71	25.46	26.23	27.02	27.84
1 1/2"	41.05	42.29	43.56	44.87	46.22
2"	60.65	62.47	64.35	66.29	68.28

3"	122.74	126.43	130.23	134.14	138.17
4"	214.23	220.66	227.28	234.10	241.13
6"	433.16	446.16	459.55	473.34	487.55
8"	923.29	950.99	979.52	1,008.91	1,039.18
10"	1,380.75	1,422.18	1,464.85	1,508.80	1,554.07

As shown in the table below the tier structure in the proposed rates will be changing. For Residential usage, tiers will go from four tier levels to three. For Non-Residential usage, tiers will go from four tier levels to a single uniform rate.

**WATER CONSUMPTION/VOLUMETRIC CHARGE<sup>1</sup>**

<b>Monthly Tier Break Points</b>	
<b>Single Family Residential</b>	
Tier I	0-9
Tier II	10-13
Tier III	14+
Tier IV	
<b>Non-Residential</b>	Single Tier
<b>Chevron</b>	Single Tier

<sup>1</sup> NOTE THE WATER CONSUMPTION/VOLUMETRIC CHARGE IS BASED UPON CURRENT ANTICIPATED RATE INCREASES FROM WEST BASIN MUNICIPAL WATER DISTRICT. IF THE DISTRICT INCREASES OR DECREASES THESE ANTICIPATED RATE INCREASES, THE CHARGES SHOWN WILL BE INCREASED OR DECREASED CONSISTENT WITH THESE RATE CHANGES BY WEST BASIN.

	April 1	January 1	January 1	January 1	January 1
Volumetric	2021	2022	2023	2024	2025
<b>Residential</b>					
Tier 1	\$ 2.88	\$ 2.97	\$ 3.06	\$ 3.16	\$ 3.26
Tier 2	5.47	5.64	5.81	5.99	6.17
Tier 3	6.86	7.07	7.29	7.51	7.74
<b>Non-Residential</b>	\$ 4.17	\$ 4.30	\$ 4.43	\$ 4.57	\$ 4.71
<b>Chevron</b>	\$ 4.90	\$ 5.05	\$ 5.21	\$ 5.37	\$ 5.54

## RECYCLED WATER RATES

Recycled water rates will consist of a monthly fixed charge as well as a usage charge. As shown in the tables below, Non-City users will no longer pay a surcharge while Chevron is shown below.<sup>2</sup>

Recycled	April 1	January 1	January 1	January 1	January 1
Surcharge	2021	2022	2023	2024	2025
Chevron	\$1.01	\$1.05	\$1.09	\$1.13	\$1.17

<sup>2</sup> NOTE THE WATER CONSUMPTION/VOLUMETRIC CHARGE IS BASED UPON CURRENT ANTICIPATED RATE INCREASES FROM WEST BASIN MUNICIPAL WATER DISTRICT. IF THE DISTRICT INCREASES OR DECREASES THESE ANTICIPATED RATE INCREASES, THE CHARGES SHOWN WILL BE INCREASED OR DECREASED CONSISTENT WITH THESE RATE CHANGES BY WEST BASIN.

Meter Size	April 1 2021	January 1 2022	January 1 2023	January 1 2024	January 1 2025
5/8" and 3/4"	\$ 18.18	\$ 18.73	\$ 19.30	\$ 19.88	\$ 20.48
1"	24.71	25.46	26.23	27.02	27.84
1 1/2"	41.05	42.29	43.56	44.87	46.22
2"	60.65	62.47	64.35	66.29	68.28
3"	122.74	126.43	130.23	134.14	138.17
4"	214.23	220.66	227.28	234.10	241.13
6"	433.16	446.16	459.55	473.34	487.55
8"	923.29	950.99	979.52	1,008.91	1,039.18
10"	1,380.75	1,422.18	1,464.85	1,508.80	1,554.07

### PRIVATE FIRE PROTECTION RATES

The City proposes to charge private fire protection rates, shown in the following table, to customers with private fire protection connections to cover costs associated with maintaining the capacity to fight fires. This charge only applies to customers with private fire connections.

April 1	January 1	January 1	January 1	January 1
---------	-----------	-----------	-----------	-----------

Meter Size	2021	2022	2023	2024	2025
5/8" and 3/4"	\$ 8.73	\$ 9.00	\$ 9.27	\$ 9.55	\$ 9.84
1"	9.13	9.41	9.70	10.00	10.30
1 1/2"	10.56	10.88	11.21	11.55	11.90
2"	13.03	13.43	13.84	14.26	14.69
3"	21.90	22.56	23.24	23.94	24.66
4"	37.20	38.32	39.47	40.66	41.88
6"	92.11	94.88	97.73	100.67	103.70
8"	186.83	192.44	198.22	204.17	210.30
10"	329.29	339.17	349.35	359.84	370.64

## PROPOSED WASTEWATER RATES

The current wastewater charges include a fixed monthly charge and a volumetric charge. Single family residential customers will be billed a flat rate each month. Other classes will have a minimum fixed charge assuming 9 CCF, along with additional volumetric charges for usage above the 9 CCF minimum. The volume rate and minimum bill amount depends on whether the resident is in the west side or east side. <sup>3</sup>

	April 1	January 1	January 1	January 1	January 1
Minimum Charge	2021	2021	2022	2023	2024
SFR	\$ 39.07	\$ 42.60	\$ 46.65	\$ 51.09	\$ 55.95
MFR	39.07	42.60	46.65	51.09	55.95

<sup>3</sup> NOTE THE WASTEWATER RATES ARE BASED UPON CURRENT ANTICIPATED TREATMENT RATE INCREASES FROM THE CITY OF LOS ANGELES. IF THE CITY OF LOS ANGELES INCREASES OR DECREASES THESE ANTICIPATED RATE INCREASES, THE CHARGES SHOWN WILL BE INCREASED OR DECREASED CONSISTENT WITH THESE RATE CHANGES BY THE CITY OF LOS ANGELES.

Institutional West	39.07	42.60	46.65	51.09	55.95
Commercial West	58.23	63.47	69.50	76.11	83.35
Industrial West	65.22	71.10	77.86	85.26	93.36
Non-Res East	14.86	16.21	17.75	19.44	21.29
ADU	16.02	17.47	19.13	20.95	22.95

	April 1	January 1	January 1	January 1	January 1
Volumetric	2021	2021	2022	2023	2024
SFR	N/A	N/A	N/A	N/A	N/A
MFR	4.01	4.37	4.79	5.25	5.75
Institutional West	4.01	4.37	4.79	5.25	5.75
Commercial West	6.13	6.69	7.33	8.03	8.80
Industrial West	6.91	7.54	8.26	9.05	9.91
Non-Res East	1.32	1.44	1.58	1.74	1.91

### Public Hearing

The property owner of record pursuant to the latest certified property record rolls from the County of Los Angeles, or any tenant directly responsible for payment of water and wastewater rates (i.e., a customer of record who is not a property owner), may submit a written protest to the proposed rate increases to the City's water and wastewater rates; provided, however, only one protest will be counted per identified parcel. A protest form for each service, water and wastewater is enclosed and if you want to have your protest counted you must use the attached form and return in accordance with the requirements set forth on the protest form. You can protest the proposed water rate increases or wastewater increases, or both, but you must submit a properly completed protest form for each service that you wish to protest. All written protests must be received prior to the conclusion of the public comment portion of the public hearing. Any protest submitted via email, facsimile, or other electronic means will not be accepted as a formal written protest. For any protest submittal, whether mailed or submitted in person, if you do not use the enclosed return envelopes, please identify on the front of the envelope that the enclosed letter is for the public hearing on Proposed Water and Wastewater Rate Increases. The City Council will consider all written protests timely submitted and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a properly completed written protest. At the conclusion of the public hearing, the City Council will

determine whether to adopt the proposed rate increases described in this notice. If, after the close of the public hearing, written protests against the proposed rate increases are not presented by a majority parcels upon which they are proposed to be imposed, the City Council will be authorized to impose the rate increases. If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact Customer Service at 310-524-2300 or 310-524-2319.





## City of El Segundo Water Rate Increase Protest Form

<<APNFMT>>  
<<OWNER 1>>  
<<OWNER 2>>  
<<OWNER 3>>  
<<CAREOF>>  
<<MAILING 1>>  
<<MAILING 2>>

**Service Address:** <<SITUS>>

If you wish to protest the implementation of the multi-year water rate increase, you must 1) check the box indicating that you protest the proposed service charge increase, 2) check the owner and/or water billing customer box(es) as applicable, 3) print and sign your name on the lines provided, and 4) deliver the signed protest form in the pre-addressed envelope provided to the City Clerk before the close of the public hearing scheduled for 6:00 p.m. on February 16, 2021 by one of the following methods: U.S. mail addressed to City Clerk Office Room 5, City of El Segundo, 350 Main Street, El Segundo, CA 90245 or hand delivered to the City Clerk's Office Room 5 at the same address.

I protest the proposed multi-year Water Service Charge Increased Rates.

I hereby declare under penalty of perjury that I am:

- A record owner of the parcel listed above.
- A water billing customer of the parcel listed above.

\_\_\_\_\_  
Print Legibly – Full Name **(Required)**

\_\_\_\_\_  
Signature **(Required)**

**Only completed and signed original protest forms will be counted. Unsigned protest forms or non-original protest forms will not be counted.**

<<Code\_Yes>>



## City of El Segundo Wastewater Rate Increase Protest Form

<<APNFMT>>  
<<OWNER 1>>  
<<OWNER 2>>  
<<OWNER 3>>  
<<CAREOF>>  
<<MAILING 1>>  
<<MAILING 2>>

**Service Address:** <<SITUS>>

If you wish to protest the implementation of the multi-year water rate increase, you must 1) check the box indicating that you protest the proposed service charge increase, 2) check the owner and/or water billing customer box(es) as applicable, 3) print and sign your name on the lines provided, and 4) deliver the signed protest form in the pre-addressed envelope provided to the City Clerk before the close of the public hearing scheduled for 6:00 p.m. on February 16, 2021 by one of the following methods: U.S. mail addressed to City Clerk Office Room 5, City of El Segundo, 350 Main Street, El Segundo, CA 90245 or hand delivered to the City Clerk's Office Room 5 at the same address.

I protest the proposed multi-year Wastewater Service Charge Increased Rates.

I hereby declare under penalty of perjury that I am:

- A record owner of the parcel listed above.
- A water billing customer of the parcel listed above.

\_\_\_\_\_  
Print Legibly – Full Name **(Required)**

\_\_\_\_\_  
Signature **(Required)**

**Only completed and signed original protest forms will be counted. Unsigned protest forms or non-original protest forms will not be counted.**

<<Code\_Yes>>

CITY OF  
**El Segundo**

**Water and Wastewater Rate Study**

Draft Report / December 2020



December 10, 2020

Mr. Joseph Lillio  
Director of Finance  
City of El Segundo  
350 Main Street  
El Segundo, CA 90245

**Subject: Water, Recycled Water, and Wastewater Rate Study Report**

Dear Mr. Lillio,

Raftelis is pleased to present this water, recycled water, and wastewater rate study report. The rate study involved a comprehensive review of the City's financial plan, an assessment of alternative tiered rate structures, and an allocation of costs to customer classes and tiers using Cost of Service principles.

The report includes a brief Executive Summary followed by a detailed discussion regarding study assumptions and an in-depth rate derivation.

It was a pleasure working with you and we wish to express our thanks for the support from you and your staff. If you have any questions, please call me at 213 327 4405.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sanjay Gaur', written in a cursive style.

**Sanjay Gaur**  
*Vice President*

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# 1. Executive Summary

## 1.1 Background

In the summer of 2019, the City of El Segundo (City) engaged Raftelis to conduct a Water, Recycled Water and Wastewater Rate Study (Study) which included a Financial Plan, Cost of Service Study and rate calculations. This report presents the Financial Plan and the resulting rates for implementation in April of 2021.

This Executive Summary summarizes the water, recycled water, and wastewater rates and contains a description of the methodology, results, and recommendations. The City's last rate adjustment, which consisted of an inflationary increase in water rates, was effective on January 1, 2020. The City wishes to establish fair and equitable rates that:

1. Meet the City's fiscal needs in terms of operational expenses, reserve goals, and capital investment to maintain the system
2. Are fair and equitable and therefore proportionately allocate the costs of providing service in accordance with California Constitution Article XIII D, section 6 (commonly referred to as Proposition 218)
3. Result in stable charges over time for customers

## 1.2 Methodology

The water rates presented in this report are developed using cost of service principles set forth by the American Water Works Association M1 Manual titled *Principles of Water Rates, Fees and Charges* (AWWA M1 Manual). Cost of service principles endeavor to distribute costs to customer classes in accordance with the way each class uses the water system. This methodology is described in detail in Sections 4 and 5. The Base-Extra Capacity Method of the AWWA M1 Manual was used to distribute costs to customer classes and tiers. This method separates costs into four main<sup>1</sup> components: (1) base costs, (2) extra capacity costs, (3) customer costs, and (4) fire protection costs. Base costs are costs associated with meeting average daily demand needs and include operations and maintenance costs and capital costs designed to meet average load conditions. Extra capacity costs are costs (both operating and capital costs) associated with meeting peak demand. Customer costs are associated with servicing customers, such as meter reading, billing, and customer service, etc. Fire protection costs are related solely to the fire protection function of a water system, such as fire hydrants and related mains and valves.

Wastewater rates are derived in accordance with the Water Environment Federations Manual of Practice No. 27, *Financing and Charges for Wastewater Systems*. The City has two wastewater systems; wastewater from the east side of PCH is served by LA County; wastewater treatment costs are billed directly to those customers on their annual property tax bills. Wastewater from the west side of PCH is treated by the City of Los Angeles, which bills the City of El Segundo. Therefore, rates and charges must be different for these groups of customers.

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<sup>1</sup> There can be other cost components such as conservation and supply; however, the four mentioned are almost always used in rate studies.

## 1.3 Results and Recommendations

Table 1-1 shows the revenue adjustments for the water and wastewater as part of the selected Financial Plan. The revenue adjustment is the additional amount of gross rate revenue collected for each enterprise compared to the amount collected by current rates<sup>2</sup>.

**Table 1-1: Recommended Yearly Revenue Adjustments**

Effective Month	FY 2021 April 1	FY 2022 January 1	FY 2023 January 1	FY 2024 January 1	FY 2025 January 1
Water Revenue Adjustment	0.0%	3.0%	3.0%	3.0%	3.0%
Wastewater Rate Adjustment	9.0%	9.0%	9.5%	9.5%	9.5%

### 1.3.1 FACTORS AFFECTING REVENUE ADJUSTMENTS

The following items affect the City's revenue requirement (i.e., costs) and thus its rates for each enterprise. The City's expenses include Operation and Maintenance (O&M) expenses, capital expenses, debt service (for water and wastewater), and reserve funding.

- » **O&M Expenses:** The City's O&M expenses (excluding water costs) increase each year, in line with general cost inflation. Wastewater treatment costs from the City of Los Angeles are expected to increase 91% from FY 2019 to FY 2021.
- » **Capital Investment:** The City plans to invest millions in each system and each enterprise as discussed in the capital improvement section. Water and wastewater system improvements total \$16.5 million and \$3.4 million, respectively, over the next five years.
- » **Reserve Balances:** While the water utility is in a strong financial position, the wastewater utility currently has less than the recommended reserve target and will sustain steep deficits in the coming years if no adjustments are made.

The City will purposely make use of fund balances, as shown herein, to minimize customer rate impacts. Using fund balances to fund operating and capital costs lowers the amount of required rate revenue and therefore lowers the impact to customer bills.

## 1.4 Water

### 1.4.1 PROPOSED WATER RATES

In this report, the terms fee and charge are often used interchangeably. The City currently charges a set of volumetric rates for residential customers and a set of rates for nonresidential customers. Raftelis recommends adding a distinct Chevron<sup>3</sup> rate and adjusting the residential rate structure in accordance with updated costs of service. The City's water rate structure includes two components: (1) a fixed monthly service charge, and (2) a variable usage charge. Each of these charges is described below.

<sup>3</sup> Chevron is large purchaser of potable water from El Segundo, accounting for approximately 50% of water sales with its own district usage patterns.

## 1.4.2 FIXED SERVICE CHARGE

The City's proposed Fixed Service Charge includes four components. The first component is the Meter Service Charge and it is based on the meter size serving a property. The Fixed Service Charge is calculated to recover the cost to maintain and replace meters as well as a portion of extra-capacity related costs (i.e., costs associated with meeting system capacity beyond that required for average daily demand). This cost is proportional to the size of the meter and goes up with meter size according to standards set forth by the AWWA. The second component is the customer service cost. This component recovers costs associated with meter reading, answering customer calls, and billing customers. These costs are not related to the size of the meter. The service charge also includes a portion of water supply costs and public fire protection costs. The full derivation of the total Fixed Service Charge is described in Section 5, and the *total* Fixed Service Charge is shown in Table 1-2.

**Table 1-2: Current and Proposed Monthly Fixed Service Charge**

Meter Size	Current 2020	April 1 2021	Jan 1 2022	Jan 1 2023	Jan 1 2024	Jan 1 2025
5/8" and 3/4"	\$ 11.95	\$ 18.18	\$ 18.73	\$ 19.30	\$ 19.88	\$ 20.48
1"	27.10	24.71	25.46	26.23	27.02	27.84
1 1/2"	33.94	41.05	42.29	43.56	44.87	46.22
2"	62.90	60.65	62.47	64.35	66.29	68.28
3"	141.61	122.74	126.43	130.23	134.14	138.17
4"	251.25	214.23	220.66	227.28	234.10	241.13
6"	469.74	433.16	446.16	459.55	473.34	487.55
8"	823.49	923.29	950.99	979.52	1,008.91	1,039.18
10"	1,288.35	1,380.75	1,422.18	1,464.85	1,508.80	1,554.07

## 1.4.3 POTABLE COMMODITY RATE

**Error! Reference source not found.** shows the current and proposed commodity rates by customer class respectively. The rates are designed to recover the costs associated with serving each class and tier as discussed in Sections 4 and 5. The City's current rate structure consists of two customer groups; 1) Single Family Residential customers and 2) non-residential customers. The proposed rate structure adds a third rate for Chevron, which is a large user with its own distinct usage patterns. The revised customer groups reflect customer behaviors, patterns, and use of the water system based on updated water usage data.

Changes to the volumetric rate structure also include redefining the volumes included in each tier. For residential customers, Raftelis proposes including only the first 9 Ccf of usage in the first tier and an additional 4 Ccf in the second tier. The third and final tier will include all usage above 13 Ccf. Non-residential customers and Chevron will have a uniform volumetric rate.

**Table 1-3: Proposed Commodity Rates (\$ / Ccf) for All Classes**

<b>Class</b>	<b>Current 2020</b>	<b>April 1 2021</b>	<b>Jan 1 2022</b>	<b>Jan 1 2023</b>	<b>Jan 1 2024</b>	<b>Jan 1 2025</b>
<b>Residential</b>						
Tier 1	\$ 2.82	\$ 2.88	\$ 2.97	\$ 3.06	\$ 3.16	\$ 3.26
Tier 2	5.19	5.47	5.64	5.81	5.99	6.17
Tier 3	5.90	6.86	7.07	7.29	7.51	7.74
<b>Non-Residential</b>	\$ 3.43	\$ 4.17	\$ 4.30	\$ 4.43	\$ 4.57	\$ 4.71
<b>Chevron</b>	\$ 3.43	\$ 4.90	\$ 5.05	\$ 5.21	\$ 5.37	\$ 5.54

## 1.4.4 RECYCLED WATER SURCHARGE

Customers who receive recycled water currently pay two charges: a direct pass-through rate of the cost for the City to purchase recycled water from West Basin Municipal Water District and a surcharge paid to the City. Raftelis proposes eliminating the surcharge for regular retail customers. The surcharge for recycled water used by Chevron will remain in place and increase at the same pace as the required revenue adjustments each year, per the existing contract between Chevron and the City.

**Table 1-4: Recycled Water Surcharges**

Recycled Surcharge	Current 2020	April 1 2021	Jan 1 2022	Jan 1 2023	Jan 1 2024	Jan 1 2025
Chevron	\$ 1.01	\$ 1.01	\$ 1.05	\$ 1.09	\$ 1.13	\$ 1.17
Non-City	0.31	-	-	-	-	-

## 1.5 Wastewater

### 1.5.1 PROPOSED WASTEWATER RATES

The City's current wastewater rates include a monthly Sewer Service Charge, Treatment Charge for customers on the west side and a volumetric Charge. The volumetric rate is based on actual water use. After discussion with City staff, Raftelis proposes several significant adjustments to the rate structure. Single family residential customers will be billed a flat rate each month based on 9 Ccf of usage. Other classes will have the same 9 Ccf minimum bill with an additional volumetric charge for usage above 9. The volume rate, and minimum bill, will depend on whether the customer is a west side or east side resident. Table 1-5 shows the current and proposed five-year wastewater rates. More detail on current wastewater rates can be found in Section 6.

**Table 1-5: Current and Proposed Five-Year Wastewater Rates**

Minimum Charge Includes 9 Ccf*	Current 2020	April 1 2021	Jan 1 2022	Jan 1 2023	Jan 1 2024	Jan 1 2025
SFR	\$ 23.23	\$ 39.07	\$ 42.60	\$ 46.65	\$ 51.09	\$ 55.95
MFR	38.04	39.07	42.60	46.65	51.09	55.95
Institutional West	21.98	39.07	42.60	46.65	51.09	55.95
Commercial West	26.88	58.23	63.47	69.50	76.11	83.35
Industrial West	22.87	65.22	71.10	77.86	85.26	93.36
Non-Res East	7.26	14.86	16.21	17.75	19.44	21.29
ADU		16.02	17.47	19.13	20.95	22.95

Volumetric (per Ccf) Usage above 9	Current 2020	April 1 2021	Jan 1 2022	Jan 1 2023	Jan 1 2024	Jan 1 2025
SFR	\$ 0.73	N/A				
MFR	0.91	4.01	4.37	4.79	5.25	5.75
Institutional West	0.91	4.01	4.37	4.79	5.25	5.75
Commercial West	1.04	6.13	6.69	7.33	8.03	8.80
Industrial West	1.04	6.91	7.54	8.26	9.05	9.91
Non-Res East	1.04	1.32	1.44	1.58	1.74	1.91

The main body of this report contains the City's detailed five-year financial plan, rate derivation, and customer bill impacts for the water and wastewater utilities.



# 2. Legal Framework and Rate Methodology

## 2.1 Legal Framework

This section of the report describes the legal framework surrounding rate setting and calculating cost of service rates that provide a fair and equitable cost allocation to customer classes.

### 2.1.1 CALIFORNIA CONSTITUTION - ARTICLE XIII D, SECTION 6 (PROPOSITION 218)

Proposition 218 was enacted in 1996. It amended the California Constitution by adding Article XIII C and XIII D. Article XIII D, section 6 established procedural requirements for the imposition of property-related fees and charges and substantive provisions governing the amount that may be imposed and the use of such fees charged by local agencies. The substantive requirements for such fees and charges are as follows:

1. A property-related charge (such as water and sewer service fees and charges) imposed by a public agency on a parcel shall not exceed the costs required to provide the property-related service.
2. Revenues derived by the charge shall not be used for any other purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of the property.
5. No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Raftelis follows industry-standard rate setting methodologies set forth by the *AWWA MI Manual*, *WEF Manual No. 27*, and the restrictions and requirements in Proposition 218 to ensure this study creates rates that do not exceed the cost of providing water service and are proportionate to the cost of providing water service.

### 2.1.2 CALIFORNIA CONSTITUTION - ARTICLE X, SECTION 2

Article X, Section 2 of the California Constitution (established in 1976) states the following:

“It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare.”

As stated above Article X, section 2 of the State Constitution institutes the need to preserve the State’s water supplies and to discourage the wasteful or unreasonable use of water by encouraging conservation. As such, public agencies are constitutionally mandated to maximize the beneficial use of water, prevent waste, and encourage conservation.

In addition, Section 106 of the Water Code declares that the highest priority use of water is for domestic purposes, with irrigation secondary. To meet the objectives of Article X, section 2, Water Code Section 375 et seq., a water purveyor may utilize its water rate design to incentivize the efficient use of water as long as the rates also comply with other articles of the Constitution. The proposed tiered rates were designed in compliance with California Constitution Article XIII D, section 6 by allocating a proportionately greater share of the cost of providing service to those who apply greater demands and burdens on a water system and the City's water resources, and therefore generates additional costs for the City. The tiered rates also have the incidental effect of encouraging conservation by sending a price signal to customers to use less water.

Inclining block rate structures (which are synonymous with tiered rates), when properly designed and differentiated by type of use, allow a water utility to send conservation price incentives to customers. Due to heightened interest in water conservation, tiered rates have gained widespread use, especially in relatively water-scarce regions, such as Southern California.

## 2.2 Cost-Based Rate-Setting Methodology

The AWWA M1 Manual states "the costs of water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." To develop utility rates that comply with Proposition 218 and industry standards, while meeting other emerging goals and objectives of the utility, there are four major steps discussed below.

### 1.) Calculate Revenue Requirement

The rate-making process starts by determining the test year revenue requirement - which for this study is FY 2020. The revenue requirement is the amount a utility needs to sufficiently fund the utility's O&M, debt service, and capital expenses, and reserve funding.

### 2.) Cost of Service Analysis (COS)

The annual cost of providing water service is distributed among customer classes commensurate with their service requirements. A COS analysis involves the following:

1. Functionalizing costs. This process takes each cost item in the City's budget and organizes the items collectively based on what function is served. Examples of cost functions are supply, treatment, transmission, distribution, storage, meter servicing and customer billing and collection.
2. Allocating functionalized costs to cost components. This process allocates the functionalized costs to cost components. Cost components include base, maximum day, maximum hour<sup>4</sup>, meter service, customer service and conservation costs.
3. Distributing the cost components. The cost of service analyses distribute the cost components, using unit costs, to customer classes in proportion to their demands on the water and wastewater systems. These processes are described in the M1 Manual published by AWWA and Manual No. 27 published by WEF. Wastewater costs

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<sup>4</sup> Collectively maximum day and maximum hour costs are known as peaking costs or capacity costs.

A COS analysis considers both the average quantity of water consumed (base costs) and the peak rate at which it is consumed (peaking or capacity costs as identified by maximum day and maximum hour demands).<sup>5</sup> Peaking costs are costs that are incurred during peak times of consumption. There are additional costs associated with designing, constructing, and operating and maintaining facilities to meet peak demands. These peak demand costs need to be allocated to those customers and customer classes whose water usage results in the City incurring the associated costs. In other words, not all customer classes share the same responsibility for peaking related costs.

### **3.) Rate Design and Calculations**

Rates do more than simply recover costs. Within the legal framework and industry standards, properly designed rates should support and optimize a blend of various utility objectives, such as conservation, affordability for essential needs, and revenue stability, among other objectives. Rates may also act as a public information tool in communicating these objectives to customers.

### **4.) Rate Adoption**

Rate adoption is the last step of the rate-making process to comply with Proposition 218. Raftelis documented the rate study results in this Study Report to help educate the public about the proposed changes, the rationale and justifications behind the changes, and their anticipated financial impacts in lay terms.

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<sup>5</sup> System capacity is the system's ability to supply water to all delivery points at the time when demanded. Coincident peaking factors are calculated for each customer class at the time of greatest system demand. The time of greatest demand is known as peak demand. Both the operating costs and capital asset related costs incurred to accommodate the peak flows are generally allocated to each customer class based upon the class's contribution to the peak month, day and hour event.

# 3. Water Enterprise Financial Plan

This section describes the water enterprise rate study, starting with the water financial plan, followed by the cost of service study, rate design and customer bill impacts.

## 3.1 Financial Plan Assumptions

### 3.1.1 NUMBER OF ACCOUNTS

Raftelis created a five-year financial plan which models anticipated revenue and expenses. This report shows the financial plan and assumptions for the next five years (FY 2021 to FY 2025) to correspond with the rate development for these years. Estimated rate revenue (without adjustments) is calculated by multiplying the number of accounts by the monthly Fixed Service Charge and multiplying the total water use in each tier by the commodity rate. Table 3-1 shows the actual number of water accounts, including private fire protection accounts by meter size and class for FY 2019. This year is shown because this is the basis for the forecast. The number of accounts are used to forecast the amount of fixed revenue the City will receive from Fixed Service Charges.

**Table 3-1: Projected Accounts by Meter Size (FY 2019)**

Meter Size	Residential	Non Residential	Fire Service	Total
5/8" and 3/4"	2,602	550	-	3,153
1"	386	473	-	863
1 1/2"	6	353	-	369
2"	4	346	11	398
3"	-	83	12	98
4"	-	42	96	143
6"	-	29	115	150
8"	-	1	146	147
10"	-	1	38	39
<b>Total</b>	<b>2,998</b>	<b>1,878</b>	<b>418</b>	<b>5,360</b>

### 3.1.2 ACCOUNT AND WATER USE GROWTH ASSUMPTIONS

The revenue calculated for each fiscal year in the Financial Plan is a function of the number of accounts, account growth, water use trends, and existing rates. Based on discussions with City staff, the Financial Plan assumes a conservative 0% growth in customer accounts and per capita water usage.

### 3.1.3 WATER USE

Table 3-2 shows the estimated FY 2020 number of accounts and water use by customer class. The number of accounts and water use are based on FY 2019 account and water use data and the assumption of no growth. The number of accounts in Table 3-2 does not include Fire Protection accounts.

**Table 3-2: Water Use in Ccf by Customer Class - FY 2019**

Class	Accounts	Consumption	% of	
			Accounts	Consumption
SFR	2,998	361,251	60.7%	5.0%
Non-Residential	1,878	1,184,820	38.0%	16.3%
Chevron		1,559,501		21.4%
Recycled	66	4,174,777	1.3%	57.3%
<b>Total</b>	<b>4,942</b>	<b>7,280,349</b>	<b>100.0%</b>	<b>100.0%</b>

### 3.1.4 INFLATIONARY AND WATER PURCHASE COST ASSUMPTIONS

To ensure future O&M costs are reasonably projected, Raftelis made informed assumptions about inflationary factors, water costs, and water use. Table 3-3 shows the inflationary categories used to escalate the City's FY 2020 operations and maintenance (O&M) expense budget, which is part of the Financial Plan. The inflationary factors in Table 3-3 reflect long-term averages for general and capital (construction) inflation and energy prices.

**Table 3-3: Inflationary Assumptions**

Expense Escalation Categories	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1 Salaries	3.0%	3.0%	3.0%	3.0%	3.0%
2 Benefits	8.0%	8.0%	8.0%	8.0%	8.0%
3 Supplies	3.0%	3.0%	3.0%	3.0%	3.0%
4 Electricity	5.0%	5.0%	5.0%	5.0%	5.0%
5 Fuel	3.0%	3.0%	3.0%	3.0%	3.0%
6 Contractual	3.0%	3.0%	3.0%	3.0%	3.0%
7 Purchased Water - Potable	6.0%	6.0%	6.0%	6.0%	6.0%
8 Purchased Water - Reclaimed	6.0%	6.0%	6.0%	6.0%	6.0%
9 Equipment	3.0%	3.0%	3.0%	3.0%	3.0%
10 General	3.0%	3.0%	3.0%	3.0%	3.0%
11 Sewage Treatment	6.0%	6.0%	6.0%	6.0%	6.0%
12 Capital Projects	3.1%	3.1%	3.1%	3.1%	3.1%

Raftelis used the assumptions shown in Table 3-31 through Table 2-3 to develop the City's Water Financial Plan. The plan uses projected annual operating expenses and revenues, capital expenditures, reserve fund balances, and annual debt service coverage ratios to estimate the amount of additional rate revenue needed each year. The following sub-sections provide a discussion of O&M expenses, the Capital Improvement Plan (CIP), reserve funding, projected revenue under existing rates, and the revenue adjustments needed to ensure the fiscal sustainability and solvency of the Water Enterprise.

### 3.1.5 WATER SYSTEM EXPENSES

The City's expenses include O&M expenses, capital expenses, and debt service payments, each of which is described below.

### 3.1.6 O&M EXPENSES

Table 3-4 shows the City's O&M budget by fiscal year. The O&M budget incorporates the inflationary factors in Table 3-3, using the FY 2020 budget as the base year. Approximately 84% of the O&M budget is water purchase costs, which are not directly controllable by the City.

**Table 3-4: Projected O&M Expenses**

Water Operating Expenses	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1 Salaries	\$ 1,160,791	\$ 1,195,615	\$ 1,231,483	\$ 1,268,428	\$ 1,306,480	\$ 1,345,675
2 Benefits	649,147	701,079	757,165	817,738	883,157	953,810
3 Supplies	248,800	256,264	263,952	271,870	280,027	288,427
4 Utilities	31,800	33,366	35,010	36,735	38,545	40,445
5 Potable Water	10,573,713	11,166,623	11,836,620	12,546,818	13,299,627	14,097,604
6 Recycled Water	13,227,296	13,574,090	14,388,535	15,251,848	16,166,958	17,136,976
7 Service Charges	2,445,867	2,519,243	2,594,820	2,672,665	2,752,845	2,835,430
8 <b>Total: Water Operating Expenses</b>	<b>\$ 28,337,414</b>	<b>\$ 29,446,280</b>	<b>\$ 31,107,586</b>	<b>\$ 32,866,101</b>	<b>\$ 34,727,639</b>	<b>\$ 36,698,368</b>

### 3.1.7 CAPITAL IMPROVEMENT PLAN (CIP)

Table 3-5 summarizes the City's five-year CIP. The City is funding capital investment through rate revenue and reserve funds (also known as PAY-GO funding) rather than issuing debt.

**Table 3-5: Capital Improvement Plan**

Water Projects	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1 Water Main Improvement on Grand Ave.	\$1,500,000	-	-	-	-	-
2 Water Infrastructure Replacement	-	2,300,000	3,000,000	3,000,000	3,000,000	3,000,000

### 3.1.8 DEBT SERVICE

The City does not currently have any outstanding utility debt and the Financial Plan does not propose issuing any bonds in the study period.

### 3.1.9 RESERVE BALANCES

Rafelis recommends adopting an updated formal financial reserve policy. The City should maintain the following in reserves:

1. Operating Reserve equal to four months of O&M expenses
2. Capital Reserve equal to the average annual forecasted capital spending of the next 10 years
3. Rate Stabilization Reserve equal to 25% of annual potable and surcharge revenue

The water utility currently has sufficient cash to fully fund each of these reserves. Table 2-6 shows a forecast of the balance for each fund through the study period.



**Table 3-6: Fund Balance Forecast**

<b>Water</b>					
<b>EoY Fund Balances</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Operating Reserve</b>	\$ 20,443,420	\$ 21,453,127	\$ 22,151,119	\$ 22,453,466	\$ 22,323,325
<i>Target</i>	<i>9,680,969</i>	<i>10,227,152</i>	<i>10,805,293</i>	<i>11,417,306</i>	<i>12,065,217</i>
<b>Capital Reserve</b>	\$ 3,528,930	\$ 3,690,666	\$ 3,803,884	\$ 3,915,540	\$ 4,022,497
<i>Target</i>	<i>3,488,001</i>	<i>3,670,173</i>	<i>3,783,582</i>	<i>3,900,494</i>	<i>4,021,020</i>
<b>Rate Stabilization Reserve</b>	\$ 4,479,869	\$ 4,614,265	\$ 4,752,693	\$ 4,895,274	\$ 5,042,132
<i>Target</i>	<i>4,479,869</i>	<i>4,614,265</i>	<i>4,752,693</i>	<i>4,895,274</i>	<i>5,042,132</i>
<b>Total Reserves</b>	<b>\$ 28,452,219</b>	<b>\$ 29,758,058</b>	<b>\$ 30,707,696</b>	<b>\$ 31,264,280</b>	<b>\$ 31,387,954</b>
<i>Target</i>	<i>17,648,839</i>	<i>18,511,590</i>	<i>19,341,568</i>	<i>20,213,075</i>	<i>21,128,369</i>

### 3.1.10 REVENUE ADJUSTMENTS

Using the assumed number of accounts and water use described above, Raftelis developed a financial plan using projected operating and capital expenses, revenues, and resulting yearly cash balances for the financial plan study period - from FY 2021 to FY 2025. The financial plan is used to determine the overall revenue adjustments required to ensure water enterprise financial stability. Revenue adjustments represent the average increase in rates as a whole; rate changes for individual classes will depend on the cost of service – since a cost of service analysis allocates costs to each customer class. Therefore, the revenue adjustment may not be the same as the average bill impact for each customer class. This study establishes rates for FY 2021 through FY 2025.

The proposed revenue adjustments help ensure adequate revenue to fund operating expenses, capital expenditures, and compliance with any bond covenants. Financial Plan modelling assumes revenue adjustments will occur in January of each year. The proposed revenue adjustments would enable the City to cover operating expenses and execute the CIP shown in Table 3-5.

Table 3-7 shows the proposed revenue adjustments selected by the City. The rates presented in Section 5 are based on these revenue adjustments.

**Table 3-7: Proposed Rate Adjustments**

	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Effective Month</b>	<b>April 1</b>	<b>January 1</b>	<b>January 1</b>	<b>January 1</b>	<b>January 1</b>
Water Revenue Adjustment	0.0%	3.0%	3.0%	3.0%	3.0%

## 3.2 Proposed Financial Plan

Table 3-8 shows the City’s cash flow projection over the study period assuming the revenue adjustments shown in Table 3-7. Line 1 shows retail rate revenue, including the fixed monthly capacity charge and

volume charge. Line 2 shows the revenue from the surcharge applied to recycled water by the City. Line 3 shows the additional revenue from the revenue adjustments. Revenue on line 4 shows the charges from West Basin the City passes through and collects from recycled customers; this revenue equals the expense on line 6 of Table 2-4.

Line 11 shows the yearly ending cash flow after subtracting operating and capital expenses from total revenue (in line 6). Non-Rate revenue includes meter installations, interest income, and other miscellaneous items. Balances for each of the reserve funds are tracked in lines 12 to 14.

**Table 3-8: Five-Year Water Operating Cash Flow**

Operating Cash Flow	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Revenues</b>						
1 Fixed Monthly and Volum	\$ 16,456,948	\$ 16,456,948	\$ 16,456,948	\$ 16,456,948	\$ 16,456,948	\$ 16,456,948
2 Recycled Surcharge Rever	4,168,194	4,161,513	4,161,513	4,161,513	4,161,513	4,161,513
3 Additional Revenue from	-	-	463,915	1,096,387	1,747,832	2,418,821
4 Recycled Pass-through	13,227,296	13,574,090	14,388,535	15,251,848	16,166,958	17,136,976
5 Non-Rate Revenue	171,360	141,985	130,777	135,826	139,316	140,827
6 <b>Total: Revenue</b>	<b>\$ 34,023,798</b>	<b>\$ 34,334,536</b>	<b>\$ 35,601,689</b>	<b>\$ 37,102,521</b>	<b>\$ 38,672,567</b>	<b>\$ 40,315,085</b>
7 <b>Revenue Adjustment</b>		<b>0.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Expenses</b>						
8 O&M	\$ 28,337,414	\$ 29,446,280	\$ 31,107,586	\$ 32,866,101	\$ 34,727,639	\$ 36,698,368
9 Capital	4,750,000	2,650,000	3,350,000	3,400,000	3,500,000	3,600,000
10 <b>Total: Expenses</b>	<b>\$ 33,087,414</b>	<b>\$ 32,096,280</b>	<b>\$ 34,457,586</b>	<b>\$ 36,266,101</b>	<b>\$ 38,227,639</b>	<b>\$ 40,298,368</b>
11 <b>Op. Surplus/(Deficit)</b>	<b>\$ 936,384</b>	<b>\$ 2,238,257</b>	<b>\$ 1,144,103</b>	<b>\$ 836,420</b>	<b>\$ 444,928</b>	<b>\$ 16,717</b>
12 Op. Reserve	22,685,032	20,443,420	21,453,127	22,151,119	22,453,466	22,323,325
13 RS. Reserve	-	4,479,869	4,614,265	4,752,693	4,895,274	5,042,132
14 Cap. Reserve	3,250,000	3,528,930	3,690,666	3,803,884	3,915,540	4,022,497
15 <b>Total Reserve</b>	<b>\$ 25,935,032</b>	<b>\$ 28,452,219</b>	<b>\$ 29,758,058</b>	<b>\$ 30,707,696</b>	<b>\$ 31,264,280</b>	<b>\$ 31,387,954</b>
16 <b>Target Balance</b>	<b>17,027,569</b>	<b>17,648,839</b>	<b>18,511,590</b>	<b>19,341,568</b>	<b>20,213,075</b>	<b>21,128,369</b>
17 <b>CIP (Uninflated)</b>	<b>1,500,000</b>	<b>2,300,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>



# 4. Water Cost of Service Analysis

A Cost of Service analysis distributes a utility's revenue requirement (yearly revenues needed from rates) to each customer class. This is done by allocating the City's revenue requirement to the **cost causation components**. The cost causation components include:

1. Base (average) costs<sup>6</sup>
2. Peaking costs (maximum day and maximum hour)
3. Meter service
4. Billing and customer service
5. Fire protection
6. General and administrative costs

Additional cost components can include pumping zone costs and supply costs. Peaking costs are further divided into maximum day and maximum hour demand. The maximum day demand is the maximum amount of water used in a single day in a year. The maximum hour demand is the maximum hour usage on the maximum usage day. Both maximum day and maximum hour peaking demand is used to calculate peaking unit rates to distribute costs to customer classes. Peaking costs are allocated in proportion to how the different customer classes use water during peak day and hour demands. Different facilities, such as distribution and storage facilities are designed to meet the peaking demands of customers. Therefore, extra capacity<sup>7</sup> costs include the O&M and capital costs associated with meeting peak customer demand. This method is consistent with the AWWA M1 Manual and is widely used in the water industry to perform cost of service analyses.

## 4.1 Revenue Requirement Determination

Table 4-1 shows the test year revenue requirement derivation. The total revenue required from water rates is shown on line 9. The total in line 5, column B, is the O&M revenue requirement that is allocated to cost components in the following steps. The capital revenue requirement in line 5, column C, is allocated to the cost components using a similar methodology. The total on line 5, column D, is the total amount of revenue required by the financial plan in Table 2-7, row 6 in FY 2020.

To arrive at the rate revenue requirement in line 9, column D, other non-rate revenues on lines 6 and 7 are subtracted from the total revenue requirements. This is the total amount the City's Fixed Service Charges and Commodity Charges are designed to collect in the test year.

A major source of offsetting revenue is the surcharge Chevron pays to the City on all recycled water it uses. The impact of this surcharge on retail rates will be discussed in more detail in Section 5.4.1.

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<sup>6</sup> The base component can be further divided into supply and base/delivery cost components as discussed in Section 4.

<sup>7</sup> The terms extra capacity, peaking and capacity costs are used interchangeably.

**Table 4-1: Revenue Requirement Determination**

Revenue Requirements		Operating	Capital	Total
(A)	(B)	(C)	(D)	
1 Operations and Maintenance	\$ 28,337,414			\$ 28,337,414
2 Debt Service			-	-
3 PAYGO			4,750,000	4,750,000
4 Contribution to Operating Reserve			936,384	936,384
<b>5 Subtotal: Revenue Requirements</b>	<b>\$ 28,337,414</b>	<b>\$ 5,686,384</b>		<b>\$ 34,023,798</b>
<b><u>Less: Adjustments</u></b>				
6 Misc. Revenue	\$ 171,360	\$ -		\$ 171,360
7 Chevron Recycled Water Surcharge	4,168,194			4,168,194
<b>8 Subtotal: Adjustments</b>	<b>\$ 4,339,554</b>	<b>\$ -</b>		<b>\$ 4,339,554</b>
<b>9 Total: Net Revenue Required</b>	<b>\$ 23,997,860</b>	<b>\$ 5,686,384</b>		<b>\$ 29,684,244</b>

## 4.2 Allocation of Expenses to Functions

The first step of the Cost of Service analysis is to analyze operating costs and determine the functions they serve. Each budgeted line item is assigned to a function. For example, 33% of salary costs, on line 1, is estimated to be associated with maintaining the City’s transmission system. Raftelis determined these allocations in consultation with City staff. Table 4-2 shows the functionalization results. The total amount in row 39, column B, is the Operating revenue requirement shown in Table 4-1, line 5.

A similar analysis is conducted to functionalize capital costs, shown in Table 4-3. The City’s current assets are assigned to functions. For example, Raftelis estimated that 66% of the City’s water pipes are used for water transmission. The resulting allocations are used to functionalize cash basis capital expenses proportionately. The complete analysis shows that 48% of the City’s assets are used for transmission, therefore 48% of the test year cash basis capital costs are assigned to that function. The total Capital Budget on row 11, column B, matches that shown in Table 4-1, line 5, column C.

**Table 4-2: Functionalization of Operating Expenses**

O&M Line Item	Test Year Amount	Potable Supply	Reclaimed Supply	Transmission	Distribution	Storage	Meters	Customers	General
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1 7102-4101 Salaries Full-Time	\$ 928,191			33%	33%	15%	9%	10%	
2 7102-4102 Salaries Part Time	184,600			33%	33%	15%	9%	10%	
3 7102-4103 Overtime	20,000			33%	33%	15%	9%	10%	
4 7102-4116 Standby Pay	22,000			33%	33%	15%	9%	10%	
5 7102-4201 Retirement CalPERS	247,071			33%	33%	15%	9%	10%	
6 7102-4202 FICA	83,879			33%	33%	15%	9%	10%	
7 7102-4203 Workers' Compensation	80,025			33%	33%	15%	9%	10%	
8 7102-4204 Group Insurance	208,538			33%	33%	15%	9%	10%	
9 7102-4209 PARS Expense	10,000			33%	33%	15%	9%	10%	
10 7102-4210 OPEB Expense	17,634			33%	33%	15%	9%	10%	
11 7102-4215 Uniform Replacement	2,000			33%	33%	15%	9%	10%	
12 7102-5204 Operating Supplies	42,800			33%	33%	15%	9%	10%	
13 7102-5207 Small Tools & Equipment	192,000			33%	33%	15%	9%	10%	
14 7102-5215 Vehicle Gasoline Charge	14,000			33%	33%	15%	9%	10%	
15 7102-6101 Gas Utility	1,200			33%	33%	15%	9%	10%	
16 7102-6102 Electricity Utility	30,600								100%
17 7102-6201 Advertising/Publishing	8,000							100%	
18 7102-6205 Other Printing & Binding	2,500								100%
19 7102-6206 Contractual Services	284,795								100%
20 7102-6207 Equipment Replacement Charge	34,187								100%
21 7102-6208 Dues & Subscriptions	14,560								100%
22 7102-6211 Insurance & Bonds	1,146,300								100%
23 7102-6212 Laundry & Cleaning	10,000								100%
24 7102-6213 Meetings & Travel	1,600								100%
25 7102-6214 Professional & Technical	68,440								100%
26 7102-6215 Repairs & Maintenance	43,000								100%
27 7102-6217 Software Maintenance	4,000								100%
28 7102-6219 Network Operating Charge	10,300								100%
29 7102-6223 Training & Education	7,500								100%
30 7102-6224 Vehicle Operating Charge	10,000								100%
31 7102-6253 Postage	32,000							100%	
32 7102-6254 Telephone	32,000								100%
33 7102-6256 Pavement Rehabilitation	18,000								100%
34 7102-6260 Equipment Leasing Costs	4,600								100%
35 7102-6283 Water Purchases - Potable	10,573,713	100%							
36 7102-6285 Water Purchases - Reclaimed Water	13,227,296		100%						
37 7102-6286 General Admin Charges	714,085								100%
38 7102-6354 Lifeline Expense	6,000								100%
<b>39 Total: O&amp;M</b>	<b>\$ 28,337,414</b>	<b>\$10,573,713</b>	<b>\$13,227,296</b>	<b>\$ 677,800</b>	<b>\$ 677,800</b>	<b>\$ 308,091</b>	<b>\$ 184,854</b>	<b>\$ 245,394</b>	<b>\$2,442,467</b>

**Table 4-3: Functionalization of Capital Expenses**

Asset Item	Test Year Amount	Pumping	Transmission	Distribution	Storage	Meters
(A)	(B)	(C)	(D)	(E)	(F)	(G)
1 Water Pipes	\$ 90,000,000		66%	34%		
2 Water Meters	2,500,000					100%
3 6.3 MG Reservoir	15,000,000				100%	
4 3 MG Reservoir	10,000,000				100%	
5 .2 MG Elevated Tank	3,000,000				100%	
6 Booster Pump Station	2,500,000	100%				
<b>7 Total: Assets</b>	<b>\$ 123,000,000</b>	<b>\$ 2,500,000</b>	<b>\$ 59,400,000</b>	<b>\$ 30,600,000</b>	<b>\$ 28,000,000</b>	<b>\$ 2,500,000</b>
<b>8 % Allocation</b>		<b>2.03%</b>	<b>48.29%</b>	<b>24.88%</b>	<b>22.76%</b>	<b>2.03%</b>
<b>Capital Item</b>						
9 Rate Funded Capital	4,750,000	96,545	2,293,902	1,181,707	1,081,301	96,545
10 Contribution to/(Use of) Reserves	936,384	19,032	452,205	232,954	213,161	19,032
<b>11 Total: Capital Budget</b>	<b>\$ 5,686,384</b>	<b>\$ 115,577</b>	<b>\$ 2,746,108</b>	<b>\$ 1,414,661</b>	<b>\$ 1,294,461</b>	<b>\$ 115,577</b>

### 4.3 Allocation of Expenses to Cost Components

In a Cost of Service analysis, the City’s expenses are allocated to the cost causation components. To do so it is necessary to identify system-wide peaking factors which are shown in column B, Table 4-4. The system-wide peaking factors are used to derive the cost component allocation bases (i.e., percentages) shown in columns C through E of Table 4-4. These peaking factors are based on a review of system data in similar oceanfront communities in California. Functionalized expenses are then allocated to the cost components using the allocation bases shown in column A. To understand the interpretation of the percentages shown in columns B through E we must first establish the base use as the average daily demand during the year – which is assigned an allocation basis of 1. If the base allocation basis is used to allocate an expense, it means that the costs associated with that expense are to meet average daily demand (base) related costs.

Expenses that are allocated to the cost causation components using the maximum day basis are those attributed to ensuring the water system is able to accommodate the maximum expected daily demand. The Max Day allocation attributes 63% (1.00/1.58) of the demand (and therefore costs) to base use (average daily demand) and the remaining 37% to maximum day use (peaking). Maximum hour costs are costs associated with meeting the highest of peaks within a day – typically these costs are associated with the distribution system. Expenses allocated using the maximum hour bases assume 39% (1.00/2.57) of costs are due to base demands, 23% due to max day  $((1.58-1)/2.67)$  and 39%  $(1-0.39-0.23)$  are due to max hour costs. Collectively the maximum day and maximum hour cost components are known as peaking costs. These allocation bases are used to assign City O&M functions, shown in column A of Table 4-5 (which were determined on row 39 of Table 4-2), to the cost causation components also shown across the top of Table 4-5.

**Table 4-4: System-Wide Peaking Factors and Allocation to Cost Components**

Allocation Factor	System Peaking	Base	Max Day	Max Hour
(A)	(B)	(C)	(D)	(E)
<b>Base</b>	1.00	100%		
<b>Max Day</b>	1.58	63%	37%	0%
<b>Max Hour</b>	2.57	39%	23%	39%

The allocation bases are chosen based on the type of cost for each line item and the proportion of those costs associated with each cost causation component (max day, max hour, general, etc.). For example, distribution, line 4, is allocated using the max hour basis since distribution costs are associated with serving both average day demands and peak day demands in proportion to max hour allocations identified in Table 4-4. The distribution system must be sized, constructed, operated, and maintained to meet max hour demands. Certain cost bases are identical to the cost causation components – such as water supply – and therefore are easily allocated to the system cost causation component with the same name. Lines 9 and 10 show the resulting allocation of all expenses to the cost causation components. General overhead costs are proportionally reallocated to all other cost causation components, except for water supply costs.

The expenses in column B of Tables 4-5 and 4-6 correspond to the total expenses in Tables 4-2 and 4-3.

Table 4-5: Allocation of O&M Expenses to Cost Causation Components

Function	Test Year Amount	Potable Supply (C)	Reclaimed Supply (D)	Base (E)	Max Day (F)	Max Hour (G)	Meters (I)	Customer (J)	General (K)
1 Potable Supply	\$ 10,573,713	100.0%							
2 Reclaimed Supply	13,227,296		100.0%						
3 Transmission	677,800			63.3%	36.7%				
4 Distribution	677,800			38.9%	22.6%	38.5%			
5 Storage	308,091			63.3%	36.7%				
6 Meters	184,854					100.0%			
7 Customers	245,394							100.0%	
8 General	2,442,467								100.0%
9 Total: O&M	\$ 28,337,414	\$ 10,573,713	\$ 13,227,296	\$ 887,716	\$ 514,876	\$ 261,098	\$ 184,854	\$ 245,394	\$ 2,442,467
10 Reallocation of O&M:	\$ 10,573,713	\$ 13,227,296	\$ 1,923,190	\$ 1,115,450	\$ 565,655	\$ 400,477	\$ 531,633		
11 Allocation %		37.31%	46.68%	6.79%	3.94%	2.00%	1.41%	1.88%	

Table 4-6: Allocation of Capital Expenses to Cost Causation Components

Function	Test Year Amount	Potable Supply (C)	Reclaimed Supply (D)	Base (E)	Max Day (F)	Max Hour (G)	Meters (I)	Customer (J)	General (K)
1 Pumping	115,577			38.9%	22.6%	38.5%			
2 Transmission	2,746,108			63.3%	36.7%				
3 Distribution	1,414,661			38.9%	22.6%	38.5%			
4 Storage	1,294,461			63.3%	36.7%				
5 Meters	115,577					100.0%			
6 Total: Capital Costs	\$ 5,686,384	\$ -	\$ -	\$ 3,223,351	\$ 1,802,509	\$ 544,947	\$ 115,577	\$ -	\$ -
7 Allocation %		0.00%	0.00%	56.69%	31.70%	9.58%	2.03%	0.00%	

## 4.4 Units of Service

Once all expenses have been allocated to the appropriate cost components, the next step is to determine the units of service over which the costs will be recovered. The standard units are number of customers, 5/8" meter- equivalents (the base meter), annual water use, and extra capacity units. Private fire connections and city hydrants are also used in the calculation of private fire charges.

### 4.4.1 CUSTOMER AND METER EQUIVALENTS

Table 4-7 summarizes customer and meter units. Accounts in columns D and E can be found in Table 2-1. Equivalent meter units account for the potential flow through larger meters and equate this flow to the total flow through the base meter – in this case - the 5/8-inch meter. Equivalent meters for each class are derived by multiplying the AWWA ratio in column C by the number of accounts at a given meter size. For example, 386 residential 1" accounts are equivalent to  $1.7 * 386 = 643$  5/8" meters. The same step is repeated for each meter size and for all residential and non-residential accounts.

**Table 4-7: Customer and Equivalent Meter Units**

Equivalent Meters Meter Size	Capacity	AWWA Ratio	Residential Accounts	Non-Res Accounts	Residential EQ. Meters	Non-Res EQ. Meters	Total EQ. Meters
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
5/8" and 3/4"	30	1.0	2,602	550	2,602	550	3,152
1"	50	1.7	386	473	643	788	1,432
1 1/2"	100	3.3	6	353	20	1,177	1,197
2"	160	5.3	4	346	21	1,845	1,867
3"	350	11.7	-	83	-	968	968
4"	630	21.0	-	42	-	882	882
6"	1300	43.3	-	29	-	1,257	1,257
8"	2800	93.3	-	1	-	93	93
10"	4200	140.0	-	1	-	140	140
<b>Total</b>			<b>2,998</b>	<b>1,878</b>	<b>3,287</b>	<b>7,701</b>	<b>10,987</b>

Equivalent fire accounts are treated similarly, using the Hazen Williams equation for pipe flow,<sup>8</sup> demonstrated in Table 4-8. The ratios calculated in column B are applied to the number of private fire connections to determine the number of 6" hydrant equivalents. The percentages derived at the bottom of Table 4-8 are used in Table 4-10 to calculate the cost of providing fire protection service.

<sup>8</sup> The potential flow is the diameter of the outlet/connection raised to the 2.63 power – the Hazen Williams equation for pipe flow. For a 2" outlet the 6" equivalent demand factor would be  $(2/6)^{2.63} = .056$ .



**Table 4-8: Fireline 6" Equivalents**

Equivalent Fire Meters Meter Size	Hazen- Williams	Private Fire	Private Fire Eq.	Private Hydrants
(A)	(B)	(C)	(D)	(E)
5/8" and 3/4"	0.004	-	-	-
1"	0.009	-	-	-
1 1/2"	0.026	-	-	-
2"	0.056	11	1	-
3"	0.162	12	2	-
4"	0.344	96	33	-
6"	1.000	115	115	608
8"	2.131	146	311	-
10"	3.832	38	146	-
<b>Total</b>		<b>418</b>	<b>607</b>	<b>608</b>
			49.97%	50.03%

#### 4.4.2 WATER USAGE AND PEAKING

Other relevant units include annual water usage and peaking units. Table 4-9 shows the calculation of extra capacity units for each class. The single-family residential tier definitions in columns B and C are discussed in detail in Section 5.3.

Annual usage in column D is the total amount of water each class is forecasted to use in the test year, which is also shown in Table 2-2. Average day in column E is column D divided by 365. The maximum day peaking factor in column F is based on a detailed analysis of billing data. It represents the relationship between a forecasted average month and the single highest month of usage (maximum month) for a given class. The peaking factor in column F is multiplied by the average day use in Column E to determine the maximum total capacity in column G. Column H is the difference of column E and column G; these extra capacity units are used to distribute peaking costs between the classes. The maximum hour peaking ratios are estimated by multiplying the maximum hour peak by the ratio of the system max hour to max day ( $2.57/1.58=1.63$ ) from Table 4-4. The same steps are applied to calculate maximum hour total units, subtracting units in column G from those in column J to determine maximum hour extra capacity units.

Extra capacity units for public and private fire connections are also included in rows 7 and 8 of Table 4-9. Detail for these units can be found in Table 4-10. City staff estimates that reasonable concurrent maximum fire flow is approximately 3,500 gallons for 3 hours, shown in lines 1 and 2. This is equivalent to 842 Ccf maximum day demand (3.5 thousand gallons per minute \* 3 hours \* 60 minutes, converted to Ccf) and 5,895 Ccf maximum hour demand (3.5 thousand gallons per minute \* 24 hours \* 60 minutes – maximum day demand, converted to Ccf). These demands are then allocated between public and private fire protection. The percentages on line 3 of Table 4-10, are the result of the fire equivalencies from Table 4-8. These are applied to the capacity calculated on row 4 to determine the units on rows 5 and 6.

Columns L and M of Table 4-9 contain a summary of the customer units determined in Tables 4-7 and 4-8.

**Table 4-9: Units of Service**

Customer Class	Tier Size (B)	Percent in Tier (C)	Annual Use (D)	Average Day (E)	Max Day Peak (F)	Max Day Total (G)	Max Day Extra (H)	Max Hour Peak (I)	Max Hour Total (J)	Max Hour Extra (K)	Customer (L)	Equivalent Meters (M)
1 <b>Single Family Residential</b>			361,251								2,998	3,287
2 <i>Tier 1</i>	1-9	66.62%	240,677	659	1.07	707	48	1.74	1,150	443		
3 <i>Tier 2</i>	10-13	15.00%	54,186	148	1.37	203	54	2.22	330	127		
4 <i>Tier 3</i>	>13	18.38%	66,387	182	1.69	307	125	2.74	499	192		
5 <b>Non-Residential</b>			1,184,820	3,246	1.30	4,217	971	2.11	6,860	2,642	1,878	7,701
6 <b>Chevron</b>			1,559,501	4,273	1.33	5,682	1,410	2.16	9,243	3,561		
7 <b>Private Fire Service</b>			-	-	-	421	421		2,946	2,946	418	607
8 <b>Public Fire Service</b>						421	421		2,949	2,949		608
9 <b>Total</b>			3,105,572	8,508		11,959	3,451		23,978	12,861	5,294	12,203

**Table 4-10: Fire Flow Calculation**

Fire Estimate (A)	Max Day (B)	Max Hour (C)
1 <b>Hours for Fire</b>	3.0	
2 <b>Kgals/minute</b>	3.5	3.5
3 <b>Cost to Public Fire</b>	50.03%	50.03%
4 <b>Required Capacity (Ccf)</b>	842	5,895
5 <b>Public Fire</b>	421	2,949
6 <b>Private Fire</b>	421	2,946
7 <b>Total Fire</b>	<b>842</b>	<b>5,895</b>



### 4.4.3 COST DISTRIBUTIONS TO THE COST COMPONENTS

Table 4-11 summarizes the results of the cost allocation to the cost components and units of service determination in Tables 4-5, 4-6, and 4-9. The total cost to be recovered on row 5, column B can also be found in Table 4-1 row 9, column D.

The unit costs on row 7 are the result of dividing the cost on row 5 for each cost component by the units of service on row 6.

Table 4-12 presents the results of the cost of service process. Using the unit costs calculated in Table 4-11 and the detailed units of service in Table 4-9, the costs are distributed to each customer class. For example, the base unit cost is multiplied by the base units for the SFR Tier 1 class ( $\$1.66 \text{ dollars per Ccf} * 240,677 \text{ Ccf} = \$398,849$ ) in row 2, column E. The same step is applied for each class and each cost component. The total cost of service by class, shown in Column B, is the total amount of revenue to be collected from each class and is the basis for the rate design in Section 5.

Table 4-11: Unit Costs

Cost Center	Total	Potable Supply	Reclaimed Supply	Base	Max Day	Max Hour	Meters	Customer	Revenue Offset
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(I)	(J)	(L)
1 Operating Expenses	\$ 28,337,414	\$ 10,573,713	\$ 13,227,296	\$ 1,923,190	\$ 1,115,450	\$ 565,655	\$ 400,477	\$ 531,633	
2 Capital Expenses	5,686,384	-	-	3,223,351	1,802,509	544,947	115,577	-	
3 Revenue Offsets	(171,360)								(171,360)
4 Surcharge Offset	(4,168,194)								(4,168,194)
5 Total: Costs	\$ 29,684,244	\$ 10,573,713	\$ 13,227,296	\$ 5,146,541	\$ 2,917,959	\$ 1,110,602	\$ 516,054	\$ 531,633	\$ (4,339,554)
6 Units of Service		3,105,572	4,174,260	3,105,572	3,451	12,861	10,987	5,294	
7 Unit Cost		Potable Ccf	Rec. Ccf	Potable Ccf	Ccf/Day	Ccf/Hour	Eq. Meters	Accounts	
	\$ 3.40	\$ 3.17	\$ 1.66	\$ 845.65	\$ 86.35	\$ 46.97	\$ 100.42		

Table 4-12: Class Cost of Service

Customer Class	Total	Potable Supply	Reclaimed Supply	Base	Max Day	Max Hour	Meters	Customer	Revenue Offset
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(I)	(J)	(L)
1 Single Family Residential	\$ 2,542,232						\$ 154,368	\$ 301,064	
2 Tier 1		819,447		398,849	40,494	38,270			
3 Tier 2		184,492		89,798	46,086	10,982			
4 Tier 3		226,033		110,017	105,727	16,606			
5 Non-Residential	7,597,157	4,034,022		1,963,479	821,194	228,184	361,686	188,592	
6 Chevron	9,393,847	5,309,720		2,584,399	1,192,259	307,470	-	-	
7 Private Fire Service	652,298	-		-	355,911	254,411		41,976	
8 Public Fire Service	610,968	-		-	356,288	254,680		-	
9 Recycled	13,227,296		13,227,296						
10 Total	\$ 29,684,244	\$ 10,573,713	\$ 13,227,296	\$ 5,146,541	\$ 2,917,959	\$ 1,110,602	\$ 516,054	\$ 531,633	\$ (4,339,554)

# 5. Rate Derivation

## 5.1 Existing Rate Structure and Rates

The City's existing rate structure consists of a fixed monthly charge<sup>9</sup> by meter size and a set of volumetric rates depending on customer type and amount of usage. The City has a four-tier volumetric rate structure with different unit rates depending on customer class. Table 5-1 shows the existing rate structure and rates. Raftelis recommends adjusting the number and size of the single-family residential tiers, creating a uniform rate for non-residential customers, and creating a separate uniform rate for Chevron.

**Table 5-1: Existing Monthly Rate Structure and Rates**

<u>Monthly Capacity Charges</u>			<u>Volumetric Charges per Ccf</u>		
5/8" & 3/4"	\$	11.95	<b>Single Family Residential</b>		
1"		27.10	Tier I	0-10	\$ 2.82
1 1/2"		33.94	Tier II	10-20	5.19
2"		62.90	Tier III	20-50	5.90
3"		141.61	Tier IV	50+	5.19
4"		251.25	<b>Non-Residential</b>		
6"		469.74	Tier I	0-10	\$ 3.43
8"		823.49	Tier II	10-20	4.19
10"		1,288.35	Tier III	20-50	4.44
12"		1,855.05	Tier IV	50+	4.66
16"		3,293.96			
20"		5,144.59			

## 5.2 Recycled Water Rates

In addition to directly passing through the cost to purchase recycled water from West Basin, the City currently imposes a surcharge on all recycled water used by its customers. The surcharge is \$0.31 per Ccf for regular retail customers and \$1.0075 per Ccf for Chevron.

Raftelis recommends eliminating the surcharge on regular retail customers. Given that the City is only responsible for maintaining the meter and providing customer service, each recycled customer should pay the same meter charge as potable customers, derived in section 5.3. The pass through supply costs should remain unchanged.

The surcharge paid by Chevron is set by contract with the City. In accordance with the contract, that rate should increase by the same percentage as potable rates in the future.

## 5.3 Proposed Monthly Service Charge

### 5.3.1 MONTHLY SERVICE CHARGE COMPONENTS

The proposed monthly service charge has four components, which are discussed below. Table 5-2 shows the derivation of these components for 5/8-inch meters. The units for lines 1 to 3, in column C, are

<sup>9</sup> Although rates are calculated and charged on a monthly basis, the City sends bills to residential customers bimonthly.

equivalent meters; units for line 4 are customer accounts, including private fire service accounts. The annual unit costs are the result of dividing the total cost by the number of units.

**Table 5-2: Monthly Meter and Customer Charge Derivation**

Cost Component	Total Cost	Units	Annual Unit Cost	Monthly Unit Cost
(A)	(B)	(C)	(D)	(E)
1 Water Supply Cost	\$ 165,444	10,987	\$ 15.06	\$ 1.25
2 Meter Cost	516,054	10,987	46.97	3.91
3 Public Fire Cost	610,968	10,987	55.61	4.63
4 Customer Service	531,633	5,294	100.42	8.37
5 <b>Total</b>	<b>\$ 1,824,098</b>		<b>\$ 218.05</b>	<b>\$ 18.17</b>

### 5.3.2 WATER SUPPLY COMPONENT

Although most the City’s water supply costs are variable, approximately \$165,000 of the annual total is billed to the City on a fixed basis. The City has decided to recover this portion of supply costs on the fixed service charge.

### 5.3.3 METER COMPONENT

The meter service component recovers two types of costs: 1) costs associated with maintaining and servicing meters (meter service component) and 2) capacity (also known as peaking) costs. Both costs increase as the meter size increases and are proportional to the AWWA hydraulic capacity ratios shown in column B of Table 5-3. The capacity ratios, which are a function of a meter’s safe maximum flow rate, are used to increase the meter service component for larger capacity meters. This assumes that the potential capacity (peaking) demand is proportional to the potential flow through each meter size as established by the AWWA hydraulic capacity ratios. The ratios shown in column B are the ratio of potential flow through each meter size compared to the flow through a 5/8-inch meter. The 5/8-inch meter is used as the base since it is the smallest and most numerous meter size. Larger meters have the potential to demand more water instantaneously and generate greater peak demands. The meter service component for a 5/8-inch meter was derived in Table 5-2. As shown in columns D, E, and G, the meter service component, water supply component, and public fire component for larger meters are relative to the AWWA capacity ratios shown in column B of Table 5-3.

### 5.3.4 CUSTOMER COMPONENT

The customer component derivation, shown in line 4 of Table 5-2, recovers costs associated with meter reading, customer billing and collection, as well as answering customer calls. These costs are the same for all meter sizes as it costs the same to bill a small meter as it does a larger meter.

### 5.3.5 TOTAL MONTHLY SERVICE CHARGE FOR ALL METERS

Table 5-3 shows the derivation of the monthly service charge by meter size in column H, which is the addition of columns D through G. The water supply, meters, and public fire charges increase in proportion to AWWA Capacity ratios (shown in column C), while the customer charge is the same at each meter size (column E).

**Table 5-3: Monthly Service Charge Derivation by Meter Size**

Meter Size	AWWA Ratio	No. of Accounts	Water Supply	Meters	Customer	Public Fire	Total Proposed
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1 5/8" and 3/4"	1.00	3,152	\$ 1.25	\$ 3.91	\$ 8.37	\$ 4.63	\$ 18.17
2 1"	1.67	859	2.09	6.52	8.37	7.72	24.71
3 1 1/2"	3.33	359	4.18	13.05	8.37	15.45	41.04
4 2"	5.33	350	6.69	20.87	8.37	24.71	60.65
5 3"	11.67	83	14.64	45.66	8.37	54.06	122.73
6 4"	21.00	42	26.35	82.19	8.37	97.31	214.23
7 6"	43.33	29	54.38	169.61	8.37	200.80	433.15
8 8"	93.33	1	117.12	365.31	8.37	432.50	923.29
9 10"	140.00	1	175.67	547.96	8.37	648.74	1,380.75

Table 5-4 shows the monthly Fixed Service Charge for the next five fiscal years. They are derived by applying the revenue adjustments shown in Table 3-7 to the service charges for FY 2020 shown in Table 5-3. Charges are rounded up to the nearest whole penny and may not match the unrounded values in Table 5-3.

**Table 5-4: Five Year Fixed Service Charges**

Meter Size	Current 2020	April 1 2021	Jan 1 2022	Jan 1 2023	Jan 1 2024	Jan 1 2025
5/8" and 3/4"	\$ 11.95	\$ 18.18	\$ 18.73	\$ 19.30	\$ 19.88	\$ 20.48
1"	27.10	24.71	25.46	26.23	27.02	27.84
1 1/2"	33.94	41.05	42.29	43.56	44.87	46.22
2"	62.90	60.65	62.47	64.35	66.29	68.28
3"	141.61	122.74	126.43	130.23	134.14	138.17
4"	251.25	214.23	220.66	227.28	234.10	241.13
6"	469.74	433.16	446.16	459.55	473.34	487.55
8"	823.49	923.29	950.99	979.52	1,008.91	1,039.18
10"	1,288.35	1,380.75	1,422.18	1,464.85	1,508.80	1,554.07

## 5.4 Proposed Private Fire Charges

Table 5-5 shows the derivation of the monthly private fire charge in column E. The total peaking costs for the private fire service class, shown in Table 4-12, line 8, columns F and G, is divided by the number of equivalent private fire meters from Table 4-8 and converted to a monthly basis. In Table 5-6, the cost for a 6" equivalent meter is scaled using the ratios in column B and added to the customer cost derived in Table 5-2. The proposed private fire charges are based on the potential flow through each private fire connection and are calculated in accordance with principles set forth in the American Water Works Association M1 Manual, *Principles of Water Rates, Fees and Charges*.<sup>10</sup>

<sup>10</sup> Section VII of the fifth edition

**Table 5-5: Private Fire Charge Calculation**

Cost Component	Total Cost	Units	Annual Unit Cost	Monthly Unit Cost
(A)	(B)	(C)	(D)	(E)
Private Fire Cost	\$ 610,321	607.36	\$ 1,004.88	\$ 83.74

**Table 5-6: Private Fire Charge Derivation by Meter Size**

Line Size	Ratio	No. of Accounts	Customer Capacity	Total Proposed
(A)	(B)	(C)	(D)	(E)
5/8" and 3/4"	0.00	-	8.37	8.72
1"	0.01	-	8.37	9.12
1 1/2"	0.03	-	8.37	10.55
2"	0.06	11	8.37	13.03
3"	0.16	12	8.37	21.90
4"	0.34	96	8.37	37.20
6"	1.00	115	8.37	92.11
8"	2.13	146	8.37	186.82
10"	3.83	38	8.37	329.29

Rates will increase in subsequent years by the adjustments shown in Table 3-7 in the same manner as the meter charges and are rounded up to the next cent.

**Table 5-7: FY 2020 – 2025 Fireline Monthly Charges**

Line Size	Current 2020	April 1 2021	Jan 1 2022	Jan 1 2023	Jan 1 2024	Jan 1 2025
5/8" and 3/4"	-	\$ 8.73	\$ 9.00	\$ 9.27	\$ 9.55	\$ 9.84
1"	-	9.13	9.41	9.70	10.00	10.30
1 1/2"	-	10.56	10.88	11.21	11.55	11.90
2"	58.80	13.03	13.43	13.84	14.26	14.69
3"	89.75	21.90	22.56	23.24	23.94	24.66
4"	120.71	37.20	38.32	39.47	40.66	41.88
6"	182.61	92.11	94.88	97.73	100.67	103.70
8"	232.89	186.83	192.44	198.22	204.17	210.30
10"	306.44	329.29	339.17	349.35	359.84	370.64

## 5.5 Volumetric Rates

### 5.5.1 CUSTOMER CLASSES

Raftelis recommends creating an additional customer class for Chevron in addition to the existing residential and non-residential classes.

### 5.5.2 TIER DEFINITIONS

The City proposes to change the tier definitions from those shown in Column B to those shown in column C of Table 5-8. The new tier definitions are based on a detailed analysis of the City's billing data. The first tier provides for the residential winter average usage, the second tier includes the residential summer average, and the third tier is for all use in excess of Tier 2. Residential customers in the City use an average of 9 Ccf in the winter months, which is strongly correlated with indoor usage. Average summer use is 13 Ccf. These averages are used as the breakpoints for the first two tiers.

Raftelis proposes a uniform rate for all other customers classes. Commercial customers tend to be much less homogenous and their individual water needs vary much more than single family residential.

**Table 5-8: Proposed Single Family Residential Tiers**

	SFR Tier	Current	Proposed
	(A)	(B)	(C)
1	Tier 1	0-10	1-9
2	Tier 2	11-20	10-13
3	Tier 3	21-50	14+
4	Tier 4	51+	N/A

### 5.5.3 VOLUMETRIC RATE DERIVATION

The total volumetric rate is the summation of unit rates for each cost component: Supply, Delivery, Peaking (Max day and hour), and revenue offsets. Each unit rate will be derived and added together to get the total volumetric rate for each tier and customer class. Each cost component is defined below.

### 5.5.4 COST COMPONENT DEFINITIONS

The commodity rates for each class and tier are derived by summing the unit rates (\$/Ccf) for:

1. Water Supply
2. Delivery
3. Peaking
4. Revenue Offsets

**Water Supply costs** are costs associated with purchasing treated water from West Basin Municipal Water District.

**Delivery costs** are the operating and capital costs associated with delivering water to all customers through the distribution system (pipelines and storage reservoirs) at a constant average rate of use – also known as serving customers under average daily demand conditions. Therefore, delivery costs are spread over all units of water which results in a uniform delivery unit cost for all classes and tiers.



**Peaking costs**, or extra-capacity costs, represent costs incurred to meet customer peak demands in excess of average daily demand. Peaking costs are the sum of columns F and G in Table 4-12 – that is maximum day and maximum hour costs. Peaking costs are distributed to each tier and class using peaking factors derived from customer use data – discussed later in this section.

**Revenue Offsets** are revenues from non-rate sources that reduce the amount of revenue required from customers. They are reflected as negative values added to the other components of the rates.

## 5.5.5 DERIVATION OF THE UNIT COST BY COST COMPONENT

### Supply Unit Costs

Table 5-9 shows the supply cost derivation for all customers. First, the volumetric portion of West Basin’s charges to the city is calculated. In the 2020 test year, West Basin charges \$1,385 per acre foot of treated water, or \$3.18 per Ccf. This cost is multiplied by the forecasted demand with a 5% water loss factor to provide an estimate of the total amount of water the City will buy in column C. The total cost (E) is divided by the demand in column C to provide a unit cost per Ccf of water sold in column F.

The cost in column E and the fixed portion of supply costs in Table 5-2, row 1 equal the total potable water supply cost in Table 4-11 column B.

**Table 5-9: Supply Cost Derivation**

West Basin Supply Cost	WB Rate	Annual Billed Ccf	Water Loss Gross Up	Annual Total WB Cost	Unit Cost
(A)	(B)	(C)	(D)	(E)	(F)
<b>Volume Rate</b>					
1 Per Acre Foot	\$ 1,385		5%		
2 Per Ccf	\$ 3.18	3,105,572	3,269,023	\$ 10,408,269	\$ 3.35

## 5.5.6 DELIVERY COST

The delivery rate in Table 5-10 is derived by dividing the total base costs from Table 4-12, column F by the total forecasted demand. The base rate is the unit cost to supply and deliver water under *average daily demand (ADD)* conditions. Table 5-10 identifies the rate to deliver water during average daily demands. This delivery cost is the same for all classes and for all tiers.

**Table 5-10: Derivation of the Delivery Unit Cost**

Customer Class	Total Cost	Annual Ccf	Unit Cost
	(A)	(B)	(C)
<b>Total:</b>	\$5,146,541	3,105,572	1.66

## 5.5.7 PEAKING RATE

Table 5-11 shows the peaking rate derivation for each class. The peaking unit cost (peaking rate) per Ccf (column D) is calculated by dividing the peaking costs (column B) by water use (column C) for each class and tier. The peaking unit cost is correlated with the peaking factor – a higher peaking factor correlates



to a higher peaking rate. The total peaking costs in column B of Table 5-11 for each class matches the sum of maximum day and maximum hour peaking costs in Table 4-12. **Error! Reference source not found.**

**Table 5-11: Derivation of Peaking Rate**

Customer Class	Peaking Cost	Annual Ccf	Unit Cost
(A)	(B)	(C)	(D)
<b>Single Family Residential</b>			
1 Tier 1	\$ 78,763	240,677	\$ 0.33
2 Tier 2	57,068	54,186	1.05
3 Tier 3	122,333	66,387	1.84
4 <b>Non-Residential</b>	1,049,379	1,184,820	0.89
5 <b>Chevron</b>	1,499,729	1,559,501	0.96
<b>Total:</b>	<b>\$ 2,807,272</b>	<b>3,105,572</b>	

### 5.5.8 NON-RATE REVENUE OFFSET

Table 5-12 shows the derivation of the non-rate revenue offset for all customers. First, the revenue amount in column D, row 7 is allocated between all classes on the basis of water demand. This result is shown in rows 1, 5, and 6 of column C. The SFR allocation, based on all usage, is reallocated to only offset rates for Tier 1. While only Tier 1 receives the benefit of the revenue offset, all SFR customers pass-through Tier 1 and therefore all customers benefit from the allocation. The unit rate offset in column E is the result of dividing the allocation for each class in column D by the demand in column B.

The total offset amount can be found in Table 4-11, column M, row 3.

**Table 5-12: Derivation Non-Rate Revenue Offset Unit Rates**

Revenue Offset Allocation Customer Class	Annual Ccf	Revenue Allocation	Revenue Requirement	Unit Rate
(A)	(B)	(C)	(D)	(E)
1 <b>Single Family Residential</b>	<b>361,251</b>	11.6%	\$ (19,933)	(0.06)
2 <i>Tier 1</i>	240,677	100.00%	(19,933)	(0.08)
3 <i>Tier 2</i>	54,186	0.00%	-	-
4 <i>Tier 3</i>	66,387	0.00%	-	-
5 <b>Non-Residential</b>	<b>1,184,820</b>	38.15%	(65,376)	(0.06)
6 <b>Chevron</b>	<b>1,559,501</b>	50.22%	(86,051)	(0.06)
7 <b>Total</b>	<b>3,105,572</b>		<b>\$ (171,360)</b>	

### 5.5.1 RECYCLED WATER SURCHARGE REVENUE OFFSET

The calculation of the recycled water surcharge revenue offset unit rate is like the non-rate revenue offset calculation in Table 5-12. Rather than proportion the total amount of the offset among all customers evenly, the City has elected to allocate 62% of the offset to customers other than Chevron. The first tier of SFR usage also receives a larger portion of the benefit than the second and third tiers.

**Table 5-13: Derivation of Recycled Surcharge Revenue Offset Unit Rates**

Surcharge Offset Allocation Customer Class	Annual Ccf	Allocation	Revenue Requirement	Unit Rate
(A)	(B)	(C)	(D)	(E)
1 <b>Single Family Residential</b>	<b>361,251</b>	23.4%	\$ (603,836)	(1.67)
2 <i>Tier 1</i>	240,677	94.67%	(571,660)	(2.38)
3 <i>Tier 2</i>	54,186	5.33%	(32,176)	(0.59)
4 <i>Tier 3</i>	66,387	0.00%	-	-
5 <b>Non-Residential</b>	<b>1,184,820</b>	76.63%	(1,980,444)	(1.67)
6 <b>Subtotal</b>	1,546,071	62.0%	\$ (2,584,280)	
7 <b>Chevron</b>	1,559,501		\$ (1,583,914)	(1.02)
8 <b>Total</b>	3,105,572		(4,168,194)	

### 5.5.2 FINAL RATE DERIVATION

Tables 5-9 to 5-13 derive the rates for each cost component - supply, delivery, peaking, revenue offset, and recycled surcharge offsets.

Table 5-14 shows the total volumetric rate derivation for all customers in FY 2020, which is the summation of all rate components.

**Table 5-14: Derivation of Rates by Tier and Class**

Customer Class	Supply	Base Delivery	Peaking	Revenue Offset	Surcharge Offset	Total
(A)	(B)	(C)	(D)	(E)	(F)	(G)
<b>Single Family Residential</b>						
1 Tier 1	\$ 3.35	\$ 1.66	\$ 0.33	\$ (0.08)	\$ (2.38)	\$ 2.88
2 Tier 2	3.35	1.66	1.05	-	(0.59)	5.47
3 Tier 3	3.35	1.66	1.84	-	-	6.85
4 <b>Non-Residential</b>	3.35	1.66	0.89	(0.06)	(1.67)	4.17
5 <b>Chevron</b>	3.35	1.66	0.96	(0.06)	(1.02)	4.90

### 5.5.3 5-YEAR RATES

Table 5-15 shows the proposed five-year volumetric rates by escalating the volumetric rates derived in Table 5-14, which have been rounded to the nearest whole penny, by the proposed revenue adjustments shown in Table 3-7. Customer bill impacts are discussed in Section 6.

**Table 5-15: Five-Year Volumetric Rates**

<b>Class</b>	<b>Current 2020</b>	<b>April 1 2021</b>	<b>Jan 1 2022</b>	<b>Jan 1 2023</b>	<b>Jan 1 2024</b>	<b>Jan 1 2025</b>
<b>Residential</b>						
Tier 1	\$ 2.82	\$ 2.88	\$ 2.97	\$ 3.06	\$ 3.16	\$ 3.26
Tier 2	5.19	5.47	5.64	5.81	5.99	6.17
Tier 3	5.90	6.86	7.07	7.29	7.51	7.74
<b>Non-Residential</b>	\$ 3.43	\$ 4.17	\$ 4.30	\$ 4.43	\$ 4.57	\$ 4.71
<b>Chevron</b>	\$ 3.43	\$ 4.90	\$ 5.05	\$ 5.21	\$ 5.37	\$ 5.54

# 6. Water Bill Impacts

## 6.1 Monthly Single Family Bill Impacts

Table 6-1 shows the Single Family customer bill impacts for various levels of use and meter sizes. Column C shows the percent of bills that fall below a certain level of use during a typical month. For example, 49.2% of total customer monthly bills are 9 Ccf or less.

**Table 6-1: Single Family Monthly Bill Impacts**

	Meter Size (A)	Ccf (B)	Cumulative		Dollar Change (F)	
			Bills (C)	CY 2020 (D)		CY2021 (E)
1	5/8" and 3/4"	-	0.8%	11.95	18.18	6.23
2	5/8" and 3/4"	5	22.6%	26.05	32.58	6.53
3	5/8" and 3/4"	9	49.2%	37.33	44.10	6.77
4	5/8" and 3/4"	10	55.6%	40.15	49.57	9.42
5	5/8" and 3/4"	13	71.5%	55.72	65.98	10.26
6	5/8" and 3/4"	30	97.9%	151.05	182.60	31.55
7	1"	40	99.4%	225.20	257.73	32.53

# 7. Wastewater Financial Plan

The City of El Segundo is responsible for the operation and maintenance (O&M) of an extensive wastewater collection system but does not provide wastewater treatment. Wastewater on the east side of the City is sent to Los Angeles County Sanitation Districts (LACSD). The county bills those customers directly on their annual property tax bills. Wastewater from the west side is treated by the City of Los Angeles, which bills the City of El Segundo.

Raftelis analyzed existing operating revenues, O&M, capital expenditures, and reserve requirements for the wastewater enterprise. This section discusses projected revenues, O&M expenses, reserve funding and revenue adjustments needed to ensure the financial sustainability of the utility.

## 7.1 Financial Plan Assumptions

### 7.1.1 CURRENT WASTEWATER RATES

The City currently has three sets of rates. Customers on the west side pay a monthly treatment fee based on meter size and which varies by customer class. All customers pay a monthly service fee which also varies by meter size and class. Table 7-1 presents the current rates in effect in FY 2020.

**Table 7-1: Current Wastewater Service Charges**

Meter Size	SFR	MFR	Commercial West	Commercial East	Industrial West	Industrial East	Institutional West	Institutional East
<b>Treatment Fee</b>								
3/4"	\$ 16.63	\$ 27.48	\$ 19.62	\$ 19.62	\$ 16.27	\$ 16.27	\$ 15.38	\$ 15.38
1"	21.15	38.50	48.97	48.97	21.99	21.99	24.35	24.35
1 1/2"	22.87	58.74	90.18	90.18	63.55	63.55	37.06	37.06
2"	24.29	131.73	237.73	237.73	193.99	193.99	56.19	56.19
3"		447.75	440.61	440.61	486.29	486.29	139.34	139.34
4"		616.10	1,882.76	1,882.76	690.89	690.89	165.00	165.00
6"			1,882.76	1,882.76	690.89	690.89	165.00	165.00
<b>Service Fee</b>								
3/4"	\$ 6.60	\$ 10.56	\$ 7.26		\$ 6.60	\$ 7.26	\$ 6.60	\$ 6.60
1"	7.92	14.85	18.81	7.26	7.92	18.15	9.24	9.24
1 1/2"	8.58	22.44	33.00	46.21	24.42	33.00	13.86	13.86
2"	9.24	49.50	85.81	132.00	72.60	72.60	19.81	19.81
3"		171.62	184.81	184.81	184.81	297.02	52.81	52.81
4"		231.02	693.05	297.02	264.02	462.03	66.00	66.00
6"			693.05	759.05	264.02	1,254.10	66.00	66.00
<b>Volume Charge</b>	\$ 0.73	\$ 0.91	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.04	\$ 0.91	\$ 0.91

### 7.1.2 NUMBER OF ACCOUNTS AND WATER USE

Table 7-2 shows the number of wastewater accounts and the wastewater flow (based on water use for wastewater customers) in Ccf for each customer class in FY 2019. As with the water utility demand projection, the Financial Plan assumes no growth in customer accounts or increased wastewater generation, on a per capita basis, in future years.

**Table 7-2: Wastewater Accounts and Wastewater Use in Hundred Cubic Feet**

Meter Size	Commercial		Commercial		Industrial		Industrial		Institutional		Total
	SFR	MFR	West	East	West	East	West	East	West	East	
3/4"	2,605	247	161	-	115	1	16	-	-	-	3,145
1"	381	276	92	10	50	21	12	-	-	-	842
1 1/2"	6	219	31	48	21	16	5	-	-	-	346
2"	2	101	24	87	19	69	16	4	-	-	322
3"		3	3	28	2	7	7	1	-	-	51
4"		5	4	13	3	13	3	1	-	-	42
6"			1	10	1	15	-	-	-	-	27
	2,994	851	316	196	211	142	59	6	-	-	4,775
Use (Ccf)	361,205	267,389	118,555	309,014	51,309	344,064	20,052	14,492	-	-	1,486,080

**7.1.3 WASTEWATER O&M EXPENSES**

Raftelis projects wastewater O&M expenses by applying the inflation factors in Table 3-3 to the FY 2020 O&M budget. Table 7-3 summarizes the budgeted and projected O&M expenses during the Study period. The forecast of treatment fees for the study period is based on the projections provided by the City of Los Angeles; treatment costs will increase significantly in 2021.

**Table 7-3: Projected Wastewater O&M Expenses**

Sewer Operating Expenses	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Salaries	\$ 581,630	\$ 599,079	\$ 617,051	\$ 635,563	\$ 654,630	\$ 674,269
Benefits	355,099	383,507	414,187	447,322	483,108	521,757
Supplies	97,800	100,734	103,756	106,869	110,075	113,377
Utilities	65,000	68,172	71,500	74,993	78,657	82,502
Treatment Fees	1,999,993	2,737,200	2,882,500	2,829,200	2,562,800	2,834,900
Service Charges	1,100,412	1,133,424	1,167,427	1,202,450	1,238,523	1,275,679
<b>Total: Sewer Operating Expenses</b>	<b>\$ 4,199,934</b>	<b>\$ 5,022,116</b>	<b>\$ 5,256,422</b>	<b>\$ 5,296,396</b>	<b>\$ 5,127,793</b>	<b>\$ 5,502,484</b>

**7.1.4 PROJECTED CAPITAL IMPROVEMENT PROGRAM**

Table 7-4 summarizes the City’s five-year CIP. The proposed capital improvement program will be funded entirely through rate revenue and reserve funds, also known as PAY-GO funding, rather than issuing debt.

**Table 7-4: Wastewater Capital Improvement Projects**

Sewer Projects	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Lifeguard Pump Station	\$ 650,000	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater Infrastructure Replacement	-	150,000	500,000	500,000	500,000	500,000

**7.1.5 RESERVE REQUIREMENTS**

Raftelis recommends adopting an updated formal financial reserve policy. The City should maintain the following in reserves:

1. Operating reserve equal to four months of O&M expenses
2. Capital reserve equal to the average annual forecasted capital spending of the next ten years

The wastewater utility is currently achieving approximately 60% of this target and is forecasted to sustain significant deficits in the future without revenue adjustments.

**Table 7-5: Wastewater Fund Balance Forecast**

<b>Wastewater</b>					
<b>EoY Fund Balances</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Operating Reserve</b>	\$ 1,088,392	\$ 420,552	\$ 149,949	\$ 839,873	\$ 1,803,442
<i>Target</i>	<i>1,651,107</i>	<i>1,728,139</i>	<i>1,741,281</i>	<i>1,685,850</i>	<i>1,809,036</i>
<b>Capital Reserve</b>	\$ 45,365	\$ 413,988	\$ 816,191	\$ 951,467	\$ 1,019,293
<i>Target</i>	<i>716,883</i>	<i>806,240</i>	<i>861,161</i>	<i>917,779</i>	<i>976,146</i>
<b>Total Reserves</b>	\$ 1,133,757	\$ 834,539	\$ 966,140	\$ 1,791,340	\$ 2,822,735
<i>Target</i>	<i>2,367,990</i>	<i>2,534,379</i>	<i>2,602,442</i>	<i>2,603,628</i>	<i>2,785,182</i>

## 7.2 Proposed Financial Plan

To ensure that the Wastewater Enterprise has adequate revenues to fund operating and capital expenditures as well as funds sufficient reserves, Raftelis and City Staff recommend the revenue adjustments in Table 7-6. The City has not implemented a wastewater rate increase since 2016, requiring significant adjustments. The proposed rate adjustments will allow the City to achieve its reserve targets by 2025.

**Table 7-6: Proposed Wastewater Revenue Adjustments**

	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Effective Month</b>	<b>April 1</b>	<b>January 1</b>	<b>January 1</b>	<b>January 1</b>	<b>January 1</b>
Wastewater Rate Adjustment	9.0%	9.0%	9.5%	9.5%	9.5%

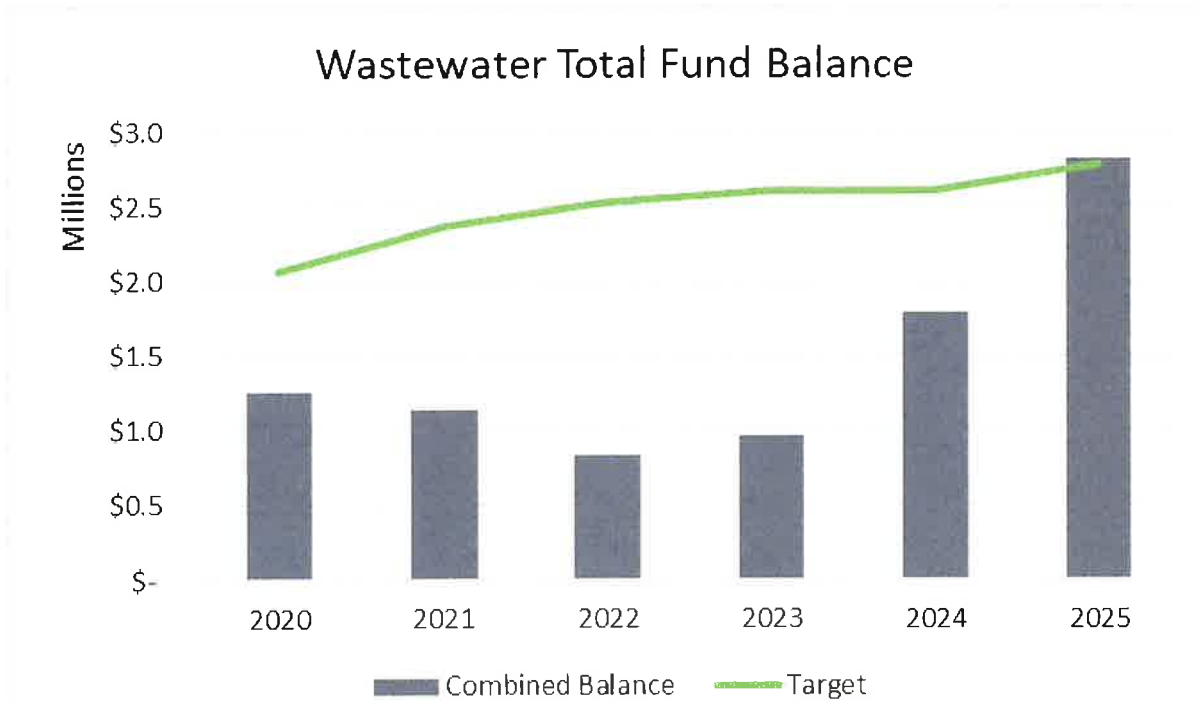
Table 7-7 shows the cash flow projection with the proposed revenue adjustments from Table 7-6. The proposed financial plan meets the City’s financial needs by meeting long term reserve goals. As indicated by the negative net cash flow, the City plans to use fund balances to minimize customer impacts as much as possible. Figure 2 presents the financial plan graphically.



**Table 7-7: Wastewater Enterprise Proposed Financial Plan Pro-Forma**

Operating Cash Flow	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Revenues</b>						
Rate Revenue	\$ 4,493,170	\$ 4,493,170	\$ 4,493,170	\$ 4,493,170	\$ 4,493,170	\$ 4,493,170
Additional Revenue	-	303,289	734,970	1,225,522	1,768,797	2,363,684
Non-Rate Revenue	316,200	261,015	260,442	257,103	255,750	259,199
<b>Total: Revenue</b>	<b>\$ 4,809,370</b>	<b>\$ 5,057,474</b>	<b>\$ 5,488,582</b>	<b>\$ 5,975,794</b>	<b>\$ 6,517,717</b>	<b>\$ 7,116,053</b>
<b>Rate Increase</b>		<b>9.00%</b>	<b>9.00%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>9.50%</b>
<b>Expenses</b>						
O&M	\$ 4,199,934	\$ 5,022,116	\$ 5,256,422	\$ 5,296,396	\$ 5,127,793	\$ 5,502,484
Transfer to Capital	700,000	150,000	900,000	950,000	700,000	650,000
<b>Total: Expenses</b>	<b>\$ 4,899,934</b>	<b>\$ 5,172,116</b>	<b>\$ 6,156,422</b>	<b>\$ 6,246,396</b>	<b>\$ 5,827,793</b>	<b>\$ 6,152,484</b>
<b>Op. Surplus/(Deficit)</b>	<b>\$ (90,564)</b>	<b>\$ (114,642)</b>	<b>\$ (667,840)</b>	<b>\$ (270,602)</b>	<b>\$ 689,924</b>	<b>\$ 963,569</b>
Op. Reserve	1,203,035	1,088,392	420,552	149,949	839,873	1,803,442
Cap. Reserve	50,000	45,365	413,988	816,191	951,467	1,019,293
<b>Total Reserve</b>	<b>\$ 1,253,035</b>	<b>\$ 1,133,757</b>	<b>\$ 834,539</b>	<b>\$ 966,140</b>	<b>\$ 1,791,340</b>	<b>\$ 2,822,735</b>
<b>Target Balance</b>	<b>2,061,006</b>	<b>2,367,990</b>	<b>2,534,379</b>	<b>2,602,442</b>	<b>2,603,628</b>	<b>2,785,182</b>
<b>CIP (Uninflated)</b>	<b>650,000</b>	<b>150,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>

**Figure 1: Wastewater Financial Plan**





# 8. Wastewater Enterprise Cost of Service and Rate Derivation

## 8.1 Wastewater Cost of Service Analysis

This section discusses the allocation of O&M expenses and capital costs to the wastewater cost components, which is simplified for the City since it operates as a wastewater collection agency and does not operate a wastewater treatment plant. The City collects sewage which is sent to either the City of Los Angeles or LACSD. The County bills customers directly on the property tax bill. The City of Los Angeles bills the City of El Segundo, which must collect this cost from its customers. Therefore, the City’s cost components consist of Flow, Customer, General, and Treatment (West Side Only) components. The study uses a FY 2021 test year to more accurately allocate the increased treatment costs.

Raftelis recommends adopting a fixed monthly charge for single family residential users based on 9 Ccf of usage, the average indoor usage determined in Section 4.4. All other users will pay an equivalent minimum charge each month, in addition to a volumetric charge that varies based upon whether the customer’s service is on the east or west side of the City.

### 8.1.1 WASTEWATER REVENUE REQUIREMENT

Table 8-1 presents the summarized test year revenue requirements shown in column D, line 8. The values displayed here align with the FY 2021 costs presented in Table 7-6.

**Table 8-1: Allocating FY 2018 O&M Costs to Cost Causation Components**

Revenue Requirements (A)	Operating (B)	Capital (C)	Total (D)
1 Operations and Maintenance	\$5,022,116		\$ 5,022,116
2 PAYGO		150,000	150,000
3 Contribution to Operating Reserve		(114,642)	(114,642)
<b>4 Subtotal: Revenue Requirements</b>	<b>\$5,022,116</b>	<b>\$ 35,358</b>	<b>\$ 5,057,474</b>
<b>Adjustments</b>			
5 Misc. Revenue	\$ 261,015		\$ 261,015
6 Mid Year Increase		(101,096)	(101,096)
<b>7 Subtotal: Adjustments</b>	<b>\$ 261,015</b>	<b>\$ (101,096)</b>	<b>\$ 159,919</b>
<b>8 Total: Net Revenue Required</b>	<b>\$4,761,101</b>	<b>\$ 136,454</b>	<b>\$ 4,897,555</b>

### 8.1.2 COST ALLOCATION TO FUNCTIONS

Table 8-2 shows the allocation of the City’s FY 2021 O&M budget to the functions they serve: treatment, collection, billing, and general overhead. The total allocation to each cost component is shown on the final line of

the table. Table 8-3 presents the allocation of wastewater assets to functions, which is used to allocate cash basis capital costs to the same components.

**Table 8-2: Allocating FY 2021 O&M Costs to Functions**

O&M Line Item	Test Year				
	Amount	Treatment	Collection	Billing	General
(A)	(B)	(C)	(D)	(E)	(F)
1 4301-4101 Salaries Full Time	\$ 545,025		80.00%	10.00%	10.00%
2 4301-4102 Salaries Part Time	12,854		80.00%	10.00%	10.00%
3 4301-4103 Overtime	20,600		80.00%	10.00%	10.00%
4 4301-4116 Standby Pay	20,600		80.00%	10.00%	10.00%
5 4301-4117 Opt - Out Payments	-		80.00%	10.00%	10.00%
6 4301-4201 Retirement CalPERS	145,800		80.00%	10.00%	10.00%
7 4301-4202 FICA	43,763		80.00%	10.00%	10.00%
8 4301-4203 Workers' Compensation	54,017		80.00%	10.00%	10.00%
9 4301-4204 Group Insurance	120,538		80.00%	10.00%	10.00%
10 4301-4209 PARS Expense	8,532		80.00%	10.00%	10.00%
11 4301-4210 OPEB Expense	10,857		80.00%	10.00%	10.00%
12 4301-5203 Repair & Maintenance Supplies	51,500		100.00%		
13 4301-5204 Operating Supplies	38,934		100.00%		
14 4301-5207 Small Tools & Equipment	1,030		100.00%		
15 4301-5215 Vehicle Gasoline Charge	9,270		100.00%		
16 4301-6101 Gas Utility	1,030				100.00%
17 4301-6102 Electric Utility	64,155		95.00%		5.00%
18 4301-6103 Water Utility	2,987				100.00%
22 4301-6206 Contractual Services	2,737,200	100.00%			
23 4301-6207 Equipment Replacement Charge	82,644		100.00%		
24 4301-6208 Dues & Subscriptions	1,030				100.00%
25 4301-6211 Insurance & Bonds	317,343				100.00%
26 4301-6212 Laundry & Cleaning	6,180				100.00%
28 4301-6214 Professional & Technical	20,600				100.00%
29 4301-6215 Repairs & Maintenance	236,900		100.00%		
30 4301-6217 Software Maintenance	3,090				100.00%
31 4301-6219 Network Operating Charge	3,502				100.00%
32 4301-6223 Training & Education	2,884				100.00%
33 4301-6224 Vehicle Operating Charge	16,480				100.00%
35 4301-6253 Postage	20,600			100.00%	
36 4301-6254 Telephone	12,360				100.00%
37 4301-6286 General Admin Charges	409,811				100.00%
38 Misc. Revenue	(261,015)				100.00%
<b>39 Total: O&amp;M</b>	<b>\$4,761,101</b>	<b>\$ 2,737,200</b>	<b>\$ 1,267,294</b>	<b>\$ 118,859</b>	<b>\$ 637,748</b>

**Table 8-3: Allocating FY 2021 Capital Costs to Functions**

Assets (A)	Test Year				
	Amount (B)	Treatment (C)	Collection (D)	Billing (E)	General (F)
1 Wastewater Pipes	\$ 120,000,000		100.00%		
2 Wastewater Pump Stations	\$ 30,000,000		100.00%		
3 <b>Total: Assets</b>	\$ 150,000,000	\$ -	\$ 150,000,000	\$ -	\$ -
4 % Allocation		0.00%	100.00%	0.00%	0.00%
<b>Capital Costs</b>					
5 Transfer to Capital Fund	150,000	0.00%	100.00%	0.00%	0.00%
6 Contribution to Reserves	(114,642)	0.00%	100.00%	0.00%	0.00%
7 Mid Year Adjustment	101,096	0.00%	100.00%	0.00%	0.00%
8 <b>Total: Capital Costs</b>	\$ 136,454	\$ -	\$ 136,454	\$ -	\$ -

### 8.1.3 ALLOCATION TO COST COMPONENTS

Tables 8-4 and 8-5 show the allocation of functionalized O&M and capital costs to the appropriate cost components. Billing costs are recovered on an equal basis from each customer, while collection costs are allocated based on volume. General costs are allocated proportionally between volume and bills.

Treatment costs are only allocated to customers on the west side whose wastewater is treated by the City of Los Angeles. Costs are allocated between volume, Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS) based on a detailed analysis of the City’s 2020 revenue requirement from Los Angeles, presented in Table 8-6. These charges are based on the strength, distance, and total volume of wastewater sent by El Segundo for treatment. Row 1 of Table 8-6 presents the rates charged by the City of Los Angeles. The charges on row 4 are derived by applying the rates to the units on row 3. Distance costs are reallocated to other cost components, and the resulting allocation percentages on row 6 are used in Table 8-4 to allocate treatment costs to the cost components.

**Table 8-4: Allocation of Functionalized O&M to Cost Components**

Function (A)	Total (B)	All		West Only		
		Volume (C)	Bills (D)	Volume (E)	BOD (F)	TSS (G)
1 Treatment	\$ 2,737,200			35.19%	36.53%	28.29%
2 Collection	1,267,294	100.00%				
3 Billing	118,859		100.00%			
4 General	637,748	583,063	54,685			
5 <b>Total: O&amp;M</b>	\$ 4,761,101	\$ 1,850,357	\$ 173,544	\$ 963,168	\$ 999,774	\$ 774,258

**Table 8-5: Allocation of Functionalized Capital Costs to Cost Components**

Function (A)	Total (B)	All		West Only		
		Volume (C)	Bills (D)	Volume (E)	BOD (F)	TSS (G)
1 Treatment	\$ -					
2 Collection	136,454	100.00%				
3 Billing	-					
4 General	-					
5 <b>Total: Capital</b>	\$ 136,454	\$ 136,454	\$ -	\$ -	\$ -	\$ -

**Table 8-6: City of Los Angeles Charges**

City of LA WW Bill	Flow					Total (F)
	Distance (B)	Flow (C)	BOD (D)	SS (E)		
1 Rates	\$ 21,954.00	\$ 1,347.66	\$ 377.15	\$ 272.49		
2 Daily Units		1.399	5.189	5.562		
3 Annual Units	0.406	511	1,894	2,030		
4 Charge	\$ 8,913	\$ 688,162	\$ 714,316	\$ 553,190	\$ 1,964,582	
5 % Allocation	0.45%	35.03%	36.36%	28.16%		
6 Reallocation		35.19%	36.53%	28.29%		

### 8.1.4 UNITS OF SERVICE

Table 8-7 summarizes the wastewater units of service. Volume in column B is derived by assuming each customer contributes at least 9 Ccf per month to the wastewater system and accounting for all usage above 9 Ccf by larger customers. The total also includes assumed ADU usage at 4 Ccf per month for 90 units. Bills in column C equal the number of accounts for each class, multiplied by the number of bills received each year. Pounds of BOD and TSS are derived in Table 8-8.

**Table 8-7: Wastewater Units of Service**

Customer Class (A)	All		West Only		
	Volume (B)	Bills (C)	Volume (D)	BOD (E)	TSS (F)
1 SFR	327,672	35,928	327,672	489,286	564,561
2 MFR	275,241	10,212	275,241	410,995	474,225
3 Commercial (West)	145,076	3,792	145,076	549,907	549,907
4 Commercial (East)	314,521	2,352			
5 Industrial (West)	62,907	2,532	62,907	289,027	289,027
6 Industrial (East)	346,898	1,704			
7 Institutional (West)	23,922	708	23,922	35,721	41,216
8 Institutional (East)	14,625	72			
9 <b>Total:</b>	1,510,862	57,300	834,818	1,774,936	1,918,937

Raftelis conducted a mass balance to estimate the wastewater strengths and loadings of each customer class. Plant totals on line 8 are known based on the bill provided by the City of Los Angeles. If 10% of this total is due to inflow and infiltration (I&I) it suggests that retail customers contribute 614,000 Ccf of wastewater. This implies that approximately 26% of billed wastewater in column D of Table 8-7 did not return to the plant. This amount is

subtracted from the volumes in Table 8-7 to provide the volumes in Table 8-8, column B. Raftelis used industry standard wastewater strengths (mg/l) for each class in columns D and F. The loadings in pounds in columns E and G are the results of applying the strength concentrations to the volumes of wastewater treated.

**Table 8-8: Wastewater Strength**

Customer Class	Volume		BOD		TSS		
	Ccf	MG	Strength	Loading	Strength	Loading	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	
1 SFR	327,672	241,157	180.4	325	489,286	375	564,561
2 MFR	275,241	202,569	151.5	325	410,995	375	474,225
3 Commercial (West)	145,076	106,771	79.9	825	549,907	825	549,907
4 Industrial (West)	62,907	46,298	34.6	1,000	289,027	1,000	289,027
5 Institutional (West)	23,922	17,606	13.2	325	35,721	375	41,216
6 <b>Subtotal:</b>	834,818	614,400	459.6	2,800	1,774,936	2,950	1,918,937
7 <b>I&amp;I</b>		68,267	51.1	280	119,049	261	111,193
8 <b>Plant Total</b>		682,667	510.6	445	1,893,985	477	2,030,130
9 <b>Return Factor</b>		-26.40%					

### 8.1.5 COST DISTRIBUTIONS

Table 8-9 shows a summary of the costs calculated in Tables 8-4 and 8-5 as well as the total units in Table 8-7. The unit costs on row 5 are calculated by dividing the cost on row 3 by the units of service on row 4. These unit costs are used in Table 8-10 to distribute costs to each class by multiplying them by each class’s units of service from Table 8-7. For example, the SFR allocation of volume costs of \$403,895 is the result of multiplying 1.32 by 327,672.

**Table 8-9: Unit Cost Calculation**

Cost Center	All		West Only		
	Volume	Bills	Volume	BOD	TSS
(A)	(B)	(C)	(D)	(E)	(F)
1 O&M	\$ 1,850,357	\$ 173,544	\$ 963,168	\$ 999,774	\$ 774,258
2 Capital	136,454	-	-	-	-
3 <b>Total: Cost</b>	\$ 1,986,811	\$ 173,544	\$ 963,168	\$ 999,774	\$ 774,258
4 <b>Units of Service</b>	1,510,862	57,300	834,818	1,774,936	1,918,937
5 <b>Unit Cost</b>	\$ 1.32	\$ 3.03	\$ 1.15	\$ 0.56	\$ 0.40



**Table 8-10: Customer Class Allocations**

Customer Class	Total	All		West Only		TSS
		Volume	Bills	Volume	BOD	
(A)		(B)	(C)	(D)	(E)	(F)
1 SFR	\$ 1,421,152	\$ 430,895	\$ 108,815	\$ 378,050	\$ 275,602	\$ 227,790
2 MFR	1,133,278	361,947	30,929	317,558	231,502	191,342
3 Commercial (West)	901,269	190,778	11,485	167,381	309,748	221,878
4 Commercial (East)	420,724	413,601	7,123			
5 Industrial (West)	442,390	82,724	7,669	72,579	162,801	116,618
6 Industrial (East)	461,338	456,177	5,161			
7 Institutional (West)	97,953	31,458	2,144	27,600	20,121	16,630
8 Institutional (East)	19,450	19,232	218			
<b>9 Total:</b>	<b>\$ 4,897,555</b>	<b>\$ 1,986,811</b>	<b>\$ 173,544</b>	<b>\$ 963,168</b>	<b>\$ 999,774</b>	<b>\$ 774,258</b>

**8.1.6 WASTEWATER RATE CALCULATION**

Table 8-11 presents the derivation of the proposed wastewater rates. The treatment cost in column C is the sum of columns D to F in Table 8-10, which is divided by the volume in column B to provide a unit rate in column E. The collection rate in column F is calculated by dividing the collection cost for each class in column D by the volumes. All customers pay the same rate for collection. These rates are added in column G to provide a total volumetric rate. The rate is multiplied by 9 Ccf, as discussed in Section 7.1, and added to the monthly billing cost that was calculated in row 5, column C of Table 8-9.

The result in column J, line 1, is the monthly bill that all single-family residential customers will receive. Column J also presents non-residential customers' monthly minimums. These customers will also pay the volumetric rate in column G for each Ccf over 9.

Monthly rates for ADUs, shown in Table 8-12, are derived by multiplying the single family residential volume rate in column G by 4 Ccf.

**Table 8-11: Wastewater Rate Calculation**

Customer Class	Volume	Treatment Cost	Collection Cost	Treatment Unit Rate	Collection Unit Rate	Total Volume Rate	9 Ccf Minimum	Monthly Bill Cost	Monthly Minimum
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1 SFR	327,672	\$ 881,442	\$ 430,895	2.69	1.32	\$ 4.01	\$ 36.05	\$ 3.03	\$ 39.07
2 MFR	275,241	740,402	361,947	2.69	1.32	4.01	36.05	3.03	39.07
3 Commercial (West)	145,076	699,007	190,778	4.82	1.32	6.13	55.20	3.03	58.23
4 Commercial (East)	314,521		413,601		1.32	1.32	11.84	3.03	14.86
5 Industrial (West)	62,907	351,998	82,724	5.60	1.32	6.91	62.19	3.03	65.22
6 Industrial (East)	346,898		456,177		1.32	1.32	11.84	3.03	14.86
7 Institutional (West)	23,922	64,351	31,458	2.69	1.32	4.01	36.05	3.03	39.07
8 Institutional (East)	14,625		19,232		1.32	1.32	11.84	3.03	14.86
	1,510,862	\$ 2,737,200	\$ 1,986,811						

### 8.1.7 FIVE YEAR PROPOSED WASTEWATER SERVICE RATES

Table 8-12 shows the proposed 5-year rates for all customer classes. The out-year rates are derived by escalating the rates from Table 8-11 by the revenue adjustments from Table 7-6. All rates are rounded up to the nearest whole penny.

**Table 8-12: Proposed Five-Year Wastewater Service and Usage Charges**

Minimum Charge Includes 9 Ccf*	Current 2020	April 1 2021	Jan 1 2022	Jan 1 2023	Jan 1 2024	Jan 1 2025
SFR	\$ 23.23	\$ 39.07	\$ 42.60	\$ 46.65	\$ 51.09	\$ 55.95
MFR	38.04	39.07	42.60	46.65	51.09	55.95
Institutional West	21.98	39.07	42.60	46.65	51.09	55.95
Commercial West	26.88	58.23	63.47	69.50	76.11	83.35
Industrial West	22.87	65.22	71.10	77.86	85.26	93.36
Non-Res East	7.26	14.86	16.21	17.75	19.44	21.29
ADU		16.02	17.47	19.13	20.95	22.95

Volumetric (per Ccf) Usage above 9	Current 2020	April 1 2021	Jan 1 2022	Jan 1 2023	Jan 1 2024	Jan 1 2025
SFR	\$ 0.73	N/A				
MFR	0.91	4.01	4.37	4.79	5.25	5.75
Institutional West	0.91	4.01	4.37	4.79	5.25	5.75
Commercial West	1.04	6.13	6.69	7.33	8.03	8.80
Industrial West	1.04	6.91	7.54	8.26	9.05	9.91
Non-Res East	1.04	1.32	1.44	1.58	1.74	1.91

### 8.1.8 SINGLE FAMILY RESIDENTIAL WASTEWATER BILL IMPACTS

Table 8-13 shows a residential wastewater bill at various levels of usage under the proposed rates.

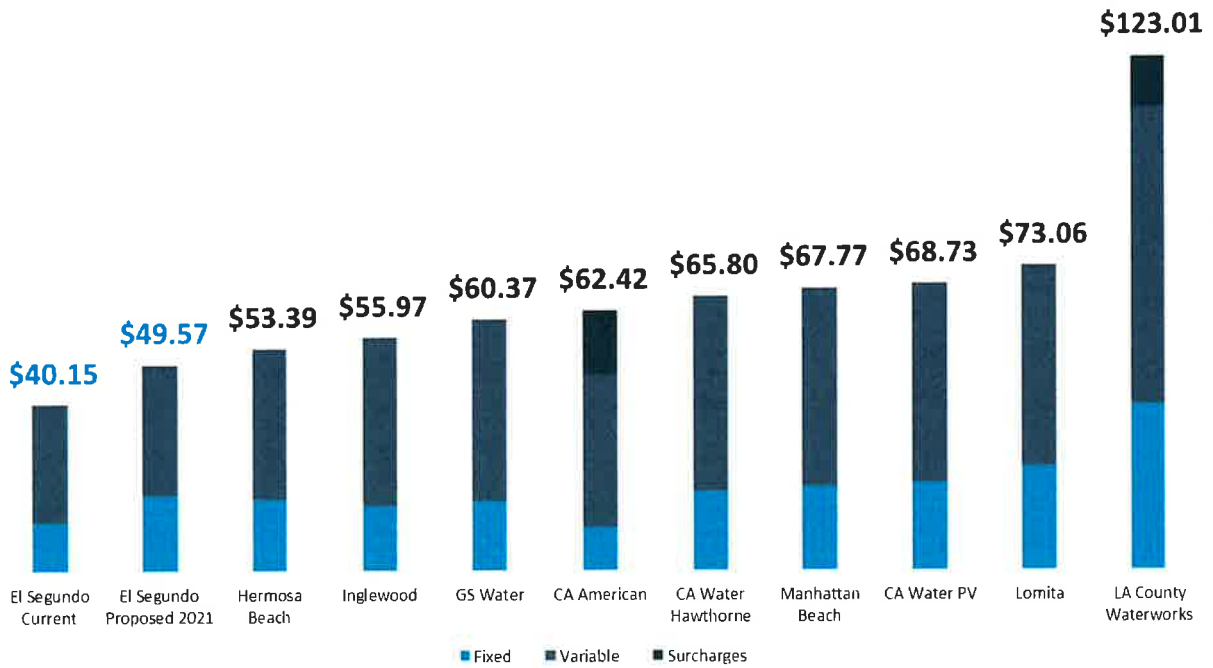
**Table 8-13: Proposed Residential Wastewater Bills**

Meter Size	Ccf	2020	2021	Dollar Change
5/8" and 3/4"	9	29.80	39.07	9.27
5/8" and 3/4"	10	30.53	39.07	8.54
5/8" and 3/4"	16	34.91	39.07	4.16
5/8" and 3/4"	30	50.97	39.07	(11.90)
1"	40	60.65	39.07	(21.58)

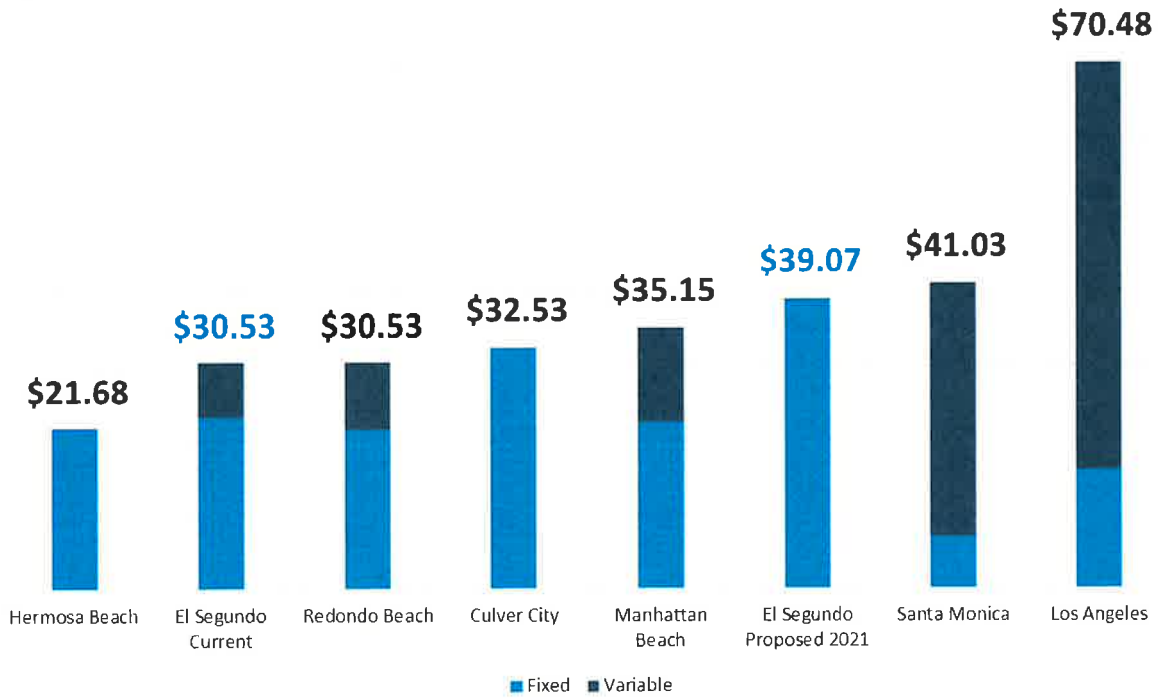
# 9. Rate Comparison

The following tables present a comparison of a 10 Ccf bill in El Segundo in 2020 and 2021 to equivalent bills in several comparable communities in 2020. The City's current rates are lower than many others and continue to compare favorably in the future.

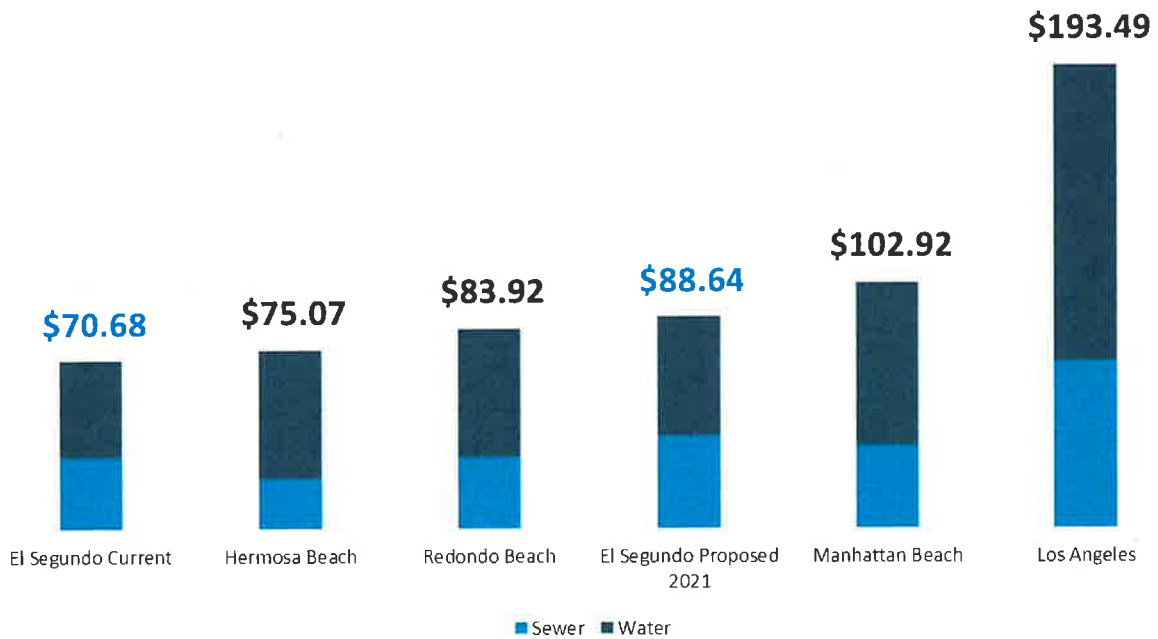
**Table 9-1: Water Bill Comparison**



**Table 9-2: Wastewater Bill Comparison**



**Table 9-3: Combined Bill Comparison**





**City Council Agenda Statement**  
**Meeting Date:** December 15, 2020  
**Agenda Heading:** Committees, Commissions, and  
Boards Presentations

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**TITLE:**

Arts and Culture Advisory Committee Report

**RECOMMENDATION:**

1. Receive and file Arts and Culture Advisory Committee Report on the following:

- FY 2019-2020 Accomplishments
- ACC Workflow Realignment
- FY 2020-2021 Work Plan

2. Direct ACC to implement FY 2020-2021 Work Plan

**FISCAL IMPACT:**

None

**BACKGROUND:**

The Arts and Culture Advisory Committee was established on August 2, 2016. On November 19, 2019, the City Council adopted Ordinance 1594 establishing a Public Art or In-Lieu Fee Requirement and a Cultural Development Fund. The requirement applies to certain commercial and industrial developments with a project cost exceeding \$2,000,000.

The ordinance gives developers the option of commissioning public artwork on-site equal to 1% of the project cost or paying the 1% to the City's Cultural Development Fund in-lieu of commissioning artwork.

In 2020, the requirement applied to eleven projects, and currently equates to \$914,128 for public art and programming in El Segundo. To date, six projects contributed to the Cultural Development Fund and five projects selected to fulfill the requirement with on-site art.

On September 15, 2020, the City Council voted to allocate \$300,000 from the Cultural Development Fund for the Gateway Project and \$100,000 for the Library Park Activation Project.



As the budget allocations diverged from the ACC's recommendations this year, the ACC is interested in reframing their work and realigning with the City Council's vision.

**NEXT STEPS:**

ACC Chair Neal Von Flue will present a proposed workflow for FY 2020-2021 that clarifies the group's role and emphasizes the following phases of work for the committee during the upcoming year: (1) **Ideate** on public art, events, cultural education, and placemaking projects, (2) **Research** community needs, program requirements, and emerging trends in civic arts and culture, (3) **Curate** the best ideas based on community, strategic, and artistic criteria, and (4) **Advise** the City Council.

Forthcoming Cultural Development Fund recommendations will be linked to the City of El Segundo's Strategic Plan. The ACC's role is advisory – City staff is responsible for implementation after City Council approval.

**CITY STRATEGIC PLAN COMPLIANCE:**

Goal 1: Enhance Customer Service and Engagement

Objective A: El Segundo provides unparalleled service to internal and external customers

Activity 5: Clarify roles and expectations of the Council, committees, boards, subcommittees, and task forces

**PREPARED BY:** Melissa McCollum, Community Services Director MM

**REVIEWED BY:** Barbara Voss, Deputy City Manager BV

**APPROVED BY:** Scott Mitnick, City Manager BV (for SM)

**ATTACHED SUPPORTING DOCUMENTS:**

1. ACC Presentation Slides for City Council Meeting on December 15, 2020

# Arts and Culture Advisory Committee *presentation to*

## City Council

The ACC is a group of trusted community creatives.



Supporting economic development...

- Creative Economy Report
- Cultural Development Program

Beautification of public spaces...

- Library Mural
- Water tank mural on Grand
- Basketball court mural at Rec Park

Creating cultural programming...

- Library's "Room of Requirement"
- Book to action programs

## Our Mission

The purpose of the ACC is to advise the City Council to include art and culture into the El Segundo community as well as planning and installation of public art.

The ACC shall serve as a forum for effective collaboration leading to the growth of art and culture in the city of El Segundo.

We live here, we work here, we love it here.

ACC members have decades of experience spearheading creative projects in El Segundo that our residents enjoy.

- ESMoA
- El Segundo Art Walk
- The El Segundo Scene
- Community murals
- "El Segundo Writes"  
Literary anthology
- Broadway in the Park
- Centennial Fireworks Celebration
- Gateway Committee
- Local Business owners, teachers, employees
- And more

## Cultural Development Program

"The intent of the Ordinance is to promote the public arts in the City of El Segundo by creating a collection of visual artwork and providing artistic or cultural services, such as performing arts, literary art, media art, arts education, art events, and temporary artworks, by recognized artists, and of the highest possible quality, throughout the City, for the public's benefit."



## Ideate

The ACC will brainstorm creative concepts for potential public art, events, cultural education, and placemaking projects. This top-level list will include dozens of project ideas and will be informally shared with Council and City staff to determine which concepts are worth investigating further.



## Research

The top concepts will move on to the research phase. Committee members will be assigned (individually or in subcommittees) to thoroughly examine these concepts to determine:

- Scope
- Cost
- Reach
- Desired Outcomes
- Key Stakeholders
- Timeline
- How it meets the needs of the community
- Which specific City of El Segundo Strategic Plan goals it addresses

## Proposed Workflow

We reframe our scope to strictly be an  
**Advisory Committee**

- Ideate on arts and culture programming
- Research community needs, program requirements, and emerging trends in civic arts and culture
- Curate the best ideas based on community, strategic, and artistic criteria
- Advise the Council formally and informally

## Curate

During the curation phase, our committee will narrow the list down to recommended projects based on artistic merit, feasibility, and community need.

We will draft a 1-2 page brief on each of the curated ideas and formally present these ideas to City staff and Council for consideration.



## Advise

We will formally advise the Council via our annual presentation of arts and culture recommendations. Our role will be advisory only—the Council and City staff will have ownership of the projects and the CDP fund, and will be responsible for implementation of arts and culture programming.

We will also informally advise the Council and City staff on an ad hoc basis, lending expertise as requested to support City projects and initiatives.



“A hub for innovation where big ideas take off.”

Or, how we will align with the strategic plan...

Strategic Plan:

Goal 1. Enhance Customer Service, Engagement, and Communications; *Embrace Diversity, Equity, and Inclusion.*

Goal 2. El Segundo is a safe and prepared community.

Goal 3. The El Segundo workforce is *inspired, world-class, engaged, with increasing stability and innovation.*

Goal 4. Develop Quality Infrastructure and Technology El Segundo's physical *infrastructure supports an appealing, safe, and effective community.*

Goal 5. El Segundo promotes *community engagement and economic vitality. El Segundo approaches its work in a financially strategic and responsible way.*

Ideate

Research

Curate

Advise



Feedback, Questions and Comments

El Segundo's values define how we serve and manage our City. We practice...

Accountability  
Productivity  
Ethics Stewardship  
Service  
Challenging ourselves  
Continuous improvement  
and reflection

How will the ACC measure success in projects and initiatives?

Potential KPI's

<b>EVENTS</b>	<b>MARKETING</b>
Total Attendance	Unique Visits
Tickets Sold	CTR
# Vendors / Artists / Participants	Conversion Rate
Number of performances / events	Marketing Spend
% capacity sold	Marketing spend as % of Sales
Funding Raised	Average Customer Value
Reviews / Survey results	Subscribers / followers on social media
Press Coverage	
<b>EDUCATION</b>	<b>MISC</b>
Students served	Number of projects produced
Schools engaged	Number of projects funded
Graduation/Matriculation	Number of funding applications
Grants Given (number or dollars)	% of applications funded / approved
<b>ARTWORKS</b>	Number of <specific demographics> served
Visitors / Viewership	Number of permits issued
Number artworks in ES	Resident satisfaction (surveys / NPS)
# artworks mapped	