



City of Huntington Beach

File #: 19-566

MEETING DATE: 5/15/2019

PUBLIC WORKS COMMISSION REQUEST FOR ACTION

SUBMITTED TO: Chairman and Members of the Commission

SUBMITTED BY: Travis K. Hopkins, PE, Director of Public Works

Subject:

Annual Sewer Service Performance Audit for Fiscal Year 2018/19

Statement of Issue:

The Huntington Beach Municipal Code (HBMC) requires an annual review of the Sewer Service Fund (511) by the Public Works Commission.

Funding Source:

Estimated Sewer Service User Charge Revenue for Fiscal Year 2019/20 is \$10,579,698.

Recommended Action:

Motion to recommend that the City Council receive and file the Sewer Service Fund Performance Audit in accordance with HBMC Section 14.54.070 for Fiscal Year 2019/20.

Alternative Action(s):

Do not recommend the City Council receive and file the Sewer Service Fund Performance Audit in accordance with HBMC Section 14.54.070 for Fiscal Year 2018/19 and direct staff to provide additional information on specific items.

Analysis:

In accordance with the Huntington Beach Municipal Code Section 14.54.070, the Public Works Commission shall review the annual performance of the Sewer Service Fund. Recommendations from the Commission shall be provided to the City Council in conjunction with the budget process.

- In Fiscal Year 2014/15, the City Council adopted a reserve policy for all enterprise funds. The reserve policy for the Sewer Service Fund states that the City will maintain a reserve equal to the sum of the following:
 - Operations and Maintenance: Thirty-three percent (33%) of the adopted annual budget to ensure adequate working capital for operating expenses. This amount is \$2.6 million
 - Capital Improvement Program (CIP): One-hundred percent (100%) of the average

- annual planned CIP for the following five years. This amount is \$3.2 million.
- Emergency: an amount equal to the estimated cost, as determined by the City Engineer, to replace one sewer lift station. This amount is \$3.5 million.
- The total reserve would amount to \$9.3 million.

The projected fund balance for the Sewer Service Fund at the end of the current fiscal year is \$26.3 million, well above the reserve policy. However, staff anticipates approximately \$5.1 million in carry-over funding (CIP Projects, Professional Services and purchases received after the close of the fiscal year), resulting in a budgetary fund balance of \$21.2 million.

For the past several years, the Sewer Service fund has operated at a surplus. The reasons for this are: 1) An increase in Sewer Development Impact Fund (Fund 210) revenues due to recent major development projects has resulted in additional revenue to partially fund lift station construction, and 2) the sewer lateral program has shown reduced activity for the last several years. Therefore, Staff is recommending a 9% reduction in Sewer Service User charges that will be considered by the City Council on May 20, 2019. The budget proposal for Fiscal Year 2019/20 reflects this recommendation.

Attachment(s):

1. Fiscal Year 2018/19 Annual Sewer Service Fund Performance Audit