



City of Huntington Beach

File #: 21-519

MEETING DATE: 9/15/2021

PUBLIC WORKS COMMISSION REQUEST FOR ACTION

SUBMITTED TO: Chairman and Members of the Commission

SUBMITTED BY: Sean Crumby, PE, Director of Public Works

Subject:

Annual Sewer Service Performance Audit for Fiscal Year 2020-21.

Statement of Issue:

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

Funding Source:

Estimated Sewer Service User Charge revenue for Fiscal Year (FY) 2021-22 is \$10,747,168.

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 FY 2020-21.

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 FY 2020-21 and request staff to provide additional information on specific items.

Analysis:

In accordance with 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 FY 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 expense. This amount is approximately \$4.6

million for FY 2021-22.

- Capital Improvement Program (CIP): One hundred percent (100%) of the average annual planned CIP for the following five years. This amount is approximately \$4.6 million for FY 2021-22.
- Emergency: An amount equal to the estimated cost, as determined by the City Engineer, to replace one sewer lift station. The estimate cost is \$3.5 million.
- The total reserve would amount to approximately \$12.7 million for FY 2021-22.

The projected fund balance for the Sewer Service Fund at the end of the current fiscal year is \$18,854,820, about \$6.1 million above the reserve policy. The proposed budget has a \$3.3 million deficit, prior to accruing CIP carry-over funds of \$5.9 million. The intent is to gradually reduce reserves to the policy level while maintaining current service standards and avoiding the need for large rate adjustments.

The City still needs to replace seven (7) aging sewer lift stations. The current design and construction cost estimate for the replacement of these stations in today's dollars is approximately \$28 million. Staff aims to start construction on two stations this fiscal year.

The sewer lateral program continues to be implemented as needed and has an unpredictable demand. Although current demand is less than the demand in FY 2008/09 when the program was introduced, the demand is somewhat unpredictable.

Additionally, sewer lines in some areas of the City have experienced significant issues with calcification. Calcification is costly to remove and the extent of this issue is not yet known. If not addressed, calcification can lead to the reduction in flow capacity of sewer lines and increase the potential of sanitary sewer overflows. Staff will be hiring a contractor to CCTV (Closed Circuit Television) the entire sewer main system to identify potential trouble spots and design improvements to mitigate them.

Attachment(s):

1. FY 2020-21 Sewer Service Fund Performance Audit.