CITY OF HERMOSA BEACH

Meeting Date: June 23, 2026
Staff Report No. 26-PW-034

Honorable Mayor and Members of the Hermosa Beach City Council

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

CEQA: The proceeding, which includes initiation of proceedings for the levying of annual assessments for sewer maintenance purposes, is not a "project" as defined by Section 15378, Project, of the CEQA guidelines. In addition, in accordance with Section 15061, Review for Exemption, this activity is covered by the common sense exemption that CEQA applies only to project which have the potential for causing a significant effect on the environment and it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and, hence, is not subject to CEQA. Further, even if this proceeding was deemed a project, it would be Categorically Exempt from CEQA per Section 15301, Existing Facilities, subsection (b) due to its funding the "existing facilities of both investor and public-owned utilities used to provide electric power, natural gas, sewerage, or other public utility services." None of the exceptions to Categorical Exemptions listed in Section 15300.2, Exceptions, are applicable to this proceeding.

(Senior Engineer Brandon Araujo)

Recommended Action:

Staff recommends City Council:

1. Conduct a public hearing to receive public comment related to the collection of sewer service charges on the property tax roll for Fiscal Year (FY) 2026-2027;
2. Determine the presence of a majority protest; if there is no majority protest, make an official finding that a majority protest by property owners within the City of Hermosa Beach does not exist;
3. Adopt a resolution **(Attachment 1),** approving the Engineer's Report **(Attachment 2)**, and authorizing the placement of sewer service charges on the annual County of Los Angeles Tax Roll; and
4. Determine that adopting the resolution is exempt from the California Environmental Quality Act ("CEQA").

Executive Summary:

Each year, the City Council places sewer service charges on the property tax roll to fund the maintenance, operations, servicing, and improvements of the City's sewer collection systems. Since Fiscal Year 2015–16, the City has collected the sewer service charge, which is codified in the Hermosa Beach Municipal Code ("HBMC"). For Fiscal Year 2026–27, the sewer service charge will be $151.77, incorporating a three percent increase

based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the Los Angeles-Long Beach-Anaheim, CA Area.

Background:

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

Pursuant to Ordinance No. 22-1448 and HBMC Section 13.12.010, the sewer service charge is proposed to increase for inflation on July 1, 2026 by the annual increase in the CPI-W in the Los Angeles-Long Beach-Anaheim CA Area (previously known as Los Angeles-Riverside-Orange County CA Area) including all items as published by the US Bureau of Labor Statistics as of January 1 of each year, not to exceed five percent per year.

For FY 2026–27, the annual increase in the CPW-W in the Los Angeles-Long Beach-Anaheim CA Area increase is three percent.

The new annual sewer service charge, reflecting the three percent increase, would be $151.77. In compliance with State law, the City notified each property by mail of the CPI-W increase prior to June 1, 2026 **(Attachment 3)**. Additionally, the City published the first Notice of Public Hearing the Easy Reader on June 4, 2026 **(Attachment 4)**, followed by a second Notice of Public Hearing in the same publication on June 11, 2026.

Past Council Actions

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

Analysis:

For residential land uses, the City charges single-family residential units at 1.0 equivalent sewage units ("ESU") per parcel, condominiums at 1.0 ESU per parcel, multi-family residential units at 0.6 ESU per unit, and vacant parcels at 0.5 ESU.

Table 1 lists the sewer service charge rates, adjusted by the three percent CPI-W increase for residential parcels, for both FY 2025-26 and FY 2026–27 and the difference between the two.

Table 1. Residential Parcel Sewer Charges

Land Use	2025–2026 Annual Charge (per unit)	2026–2027 Annual Charge (per unit)	Amount of Annual Increase
Single Family	$147.35	$151.77	$4.42
Condominiums	$147.35	$151.77	$4.42
Multi Family (Charge is per unit)	$88.41	$91.06	$2.65
Vacant Parcels	$73.68	$75.89	$2.21

For non-residential parcels, the sewer service charge is based on water use relative to single family residential units.

The City calculates the ESU for the City's various non-residential land uses using the following equation:

No. of ESUs = [Commercial Water Consumption in gallons per day (GPD)] / 260 GPD*

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

Since the number of ESUs is based on a parcel's consumption of water, it can vary from year to year. The CPI-W increase of three percent per 1.0 ESU also applies to non-residential parcels.

See page 10 of the Engineer's Report for a summary of the number of ESUs by Land Use.

The Engineer's Report also contains detailed information about the annual charge and the charge to be applied to the parcels. Information about the use of revenue and annual increases is also included in the report.

Every parcel in the City is subject to the sewer service charge. However, property owners meeting certain eligibility requirements, per Section 13.12.050 of the HBMC, qualify for a full annual rebate of the sewer service charge paid per year for the dwelling unit in which they reside.

The public hearing provides an opportunity for the City Council to hear and consider all protests to the annual levy of the sewer service charge. In the absence of a majority protest by property owners within the City of Hermosa Beach, City Council may order

placement of the City sewer service charge on the FY 2026–27 property tax rolls. City Council action is required to place the annual charge on the tax roll.

Environmental Analysis:

The proceeding, which includes initiation of proceedings for the levying of annual assessments for sewer maintenance purposes, is not a "project" as defined by Section 15378, Project, of the CEQA guidelines. In addition, in accordance with Section 15061, Review for Exemption, this activity is covered by the common sense exemption that CEQA applies only to project which have the potential for causing a significant effect on the environment and it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and, hence, is not subject to CEQA. Further, even if this proceeding was deemed a project, it would be Categorically Exempt from CEQA per Section 15301, Existing Facilities, subsection (b) due to its funding the "existing facilities of both investor and public-owned utilities used to provide electric power, natural gas, sewerage, or other public utility services." None of the exceptions to Categorical Exemptions listed in Section 15300.2, Exceptions, are applicable to this proceeding.

Options for Council Consideration:

If Council determines that no majority protest exists, it may adopt the resolution and the Engineer's Report. Consequently, the annual sewer service charge would be collected as part of the County of Los Angeles Tax Roll and would constitute a lien against any parcel of land.

If Council determines that a majority of property owners listed in the Engineer's Report, have submitted written protests, the resolution and Engineer's Report would not be adopted. Consequently, the charges would be collected separately from the tax roll, by an alternative method to be determined, and would not constitute a lien against any parcel of land; this method would require the City to directly bill, and collect from, all property owners within the District at an added cost and impact to staff.

Update on Sewer Repair Projects:

The City uses the collected sewer funds for routine sewer cleaning, planned repairs and rehabilitation, and emergency repairs. For Fiscal Year 2026–27, the City expects to spend approximately $865,000 on operations and maintenance, including emergency repairs, contracted services for cleaning and video inspections, and personnel. As part of the FY 2026-27 budget, staff will be advancing a $3.2M sewer improvement project as apart of CIP 423; design for that project is anticipated to begin in Fall 2026.

Phase 2 of Capital Improvement Program Project 421, Annual Sewer Improvements, was completed in Fiscal Year 2025-2026. The project consisted of replacing approximately 4,800 linear feet of sewer pipe, the repair and rehabilitation of 30 existing sewer

maintenance access holes, and the construction of 27 new sewer maintenance access holes.

Fiscal Impact:

The total levy revenue from the sewer service charge for Fiscal Year 2026-2027 is approximately $1,385,000 which reflects a $50,000 increase from the $1,335,000 levy in the previous fiscal year. Collecting the levy will allow the City to pay for its current operations and maintenance costs with remaining funds being reserved for the next sewer capital improvement project which will be implemented in accordance with the City's Sewer Master Plan.

Attachments:

1. Draft Resolution for FY 2026-27 Sewer Levy
2. Engineer's Report with CPI-W increase for Fiscal Year 2026-2027
3. Mailer to Property Owners
4. Notice of Public Hearing

Respectfully Submitted by: Briana Aube, Assistant Engineer
Concur: Brandon Araujo, Senior Engineer
Concur: Saad Malim, City Engineer
Concur: Joe SanClemente, Public Works Director
Noted for Fiscal Impact: Henry Chao, Finance Manager
Reviewed by: Brandon Walker, Administrative Services Director
Legal Review: Jason Baltimore, Interim City Attorney
Approved: Steve Napolitano, City Manager