

Agenda Report

TO: CITY COUNCIL

Date: July 30, 2007

FROM: CITY MANAGER

SUBJECT: PROPOSED WATER CAPITAL IMPROVEMENTS CHARGE INCREASE

RECOMMENDATION

That the City Council confirm the increase to the Water Capital Improvements Charge (CIC) as approved on April 30, 2007 except in the event of a majority protest from property owners as prescribed in Proposition 218.

BACKGROUND

On April 30, 2007, the City Council approved the Capital Improvement Program (CIP) budget for fiscal 2007-08. An increase to the Water Capital Improvement Charge (CIC), a component of the water rate, was approved as part of that action. Adjustment of the CIC is correlated directly to approval of the CIP in accordance with the Water Rate Ordinance. The City is conducting this public hearing to comply with the notification requirements of Proposition 218 to hear public comment and consider protests to the CIC increase. Notices of the public hearing and instructions on how to submit a written protest were mailed to all property owners and ratepayers on or before June 7, 2007. Property owners have had a minimum of 45 days to file written protests on or before the public hearing date as instructed or they may appear in person at the public hearing on July 30, 2007.

In the event that a majority of property owners/ratepayers file written protests or protest in person at the public hearing, the rate increase approved by the City Council correlated to the CIP budget adoption will not become effective on the scheduled date of August 1, 2007. The City issues approximately 37,000 water bills each month to residents and businesses within its service territory.

The CIC was established by rate ordinance in 2002 to fund investment in improvements to the water system infrastructure as proposed in the Water System Master Plan (WSMP.)

The WSMP calls for an investment of approximately \$230 million in the City's aging water system over a period of 18 years, to be financed through a combination of long term borrowing and funding by current ratepayers.

Since 2002, there have been three adjustments to the CIC with the most recent adjustment occurring in July 2006. The planned August 1, 2007 average increase of \$0.12 per Billing Unit (BU) will bring the total CIC to \$0.66 per BU, or approximately \$2.10 per month for a residential customer using 20 BU. The CIC rate varies by season and whether the customer is inside the city limits or resides outside the city limits but within the City's service territory.

IMPACT OF NOT APPROVING THE PROPOSED CIC RATE INCREASE

If the rate increase is not implemented as planned, it will be necessary to reduce the current capital spending plan and slow down or eliminate scheduled master plan projects.

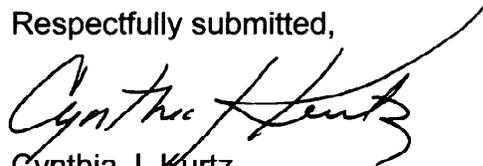
A portion of the planned investment in capital projects is funded by the issuance of long term debt that is repaid to bondholders over time. If the CIC increase is not implemented, CIC revenues may not be sufficient to fund the debt service on outstanding bonds. At a minimum, the City would be required to notify the rating agencies (Standard and Poor's and Fitch) about the loss of revenue.

The Water and Power Department is in the process of conducting a comprehensive cost of service study for water delivery which may result in future recommendations for changes to the water rate structure. The study will also determine whether the current rates are sufficient to recover costs, whether customer groups are being charged correctly, and ensure that rates are set in accordance with Proposition 218 requirements.

FISCAL IMPACT

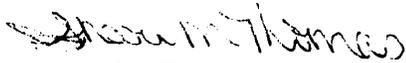
The proposed CIC increase will generate additional revenue of approximately \$1.65 million in fiscal year 2008 and approximately \$1.8 million annually thereafter to the Water Fund, if approved. In the event that the CIC increase is not implemented following a majority protest of property owners and rate payers, the fiscal year 2008 Water Fund CIP and the implementation of the WSMP will each be scaled back accordingly.

Respectfully submitted,



Cynthia J. Kurtz
City Manager

Prepared by:



Shari M. Thomas
Business Unit Director
Water and Power Department

Approved by:



Phyllis E. Currie
General Manager
Water and Power Department

SHIU LIT KWAN
1347 S. EL MOLINO AVE., PASADENA, CA 91106
TEL. (213) 891-0194; FAX (213) 689-0892

June 18, 2007

Office of the City clerk
100 N. Garfield Ave., Room S228
Pasadena, CA 91101

RE: CITY OF PASADENA WATER RATE INCREASE

Dear Officer,

I am the property owner of the parcel address at 1347 s. El Molino Ave., Pasadena. I hereby disagree to increase the rate in response to your Notice of Public Hearing.

Sincerely,


Shiu Lit Kwan

RECEIVED
07 JUN 20 P 4:26
CITY CLERK
CITY OF PASADENA

07/30/2007
6.B. 7:30 P.M.

Jomsky, Mark

From: WPD_Answerline
Sent: Monday, June 18, 2007 8:11 AM
To: Jomsky, Mark
Subject: FW: Customer Email - Billing Issue

Mark,
This came to the PWPWeb site. Please add it to the file regarding PWP Public Hearing on the Water Rate Increase.

Pat

-----Original Message-----

From: CityWeb-Server@cityofpasadena.net [mailto:CityWeb-Server@cityofpasadena.net]
Sent: Monday, June 18, 2007 6:27 AM
To: WPD_Answerline
Subject: Customer Email - Billing Issue

Subject: Customer Email - Billing Issue
SubjectOther: Proposed water charge increase
MessageType: Complaint

Comments: I have two, different income properties in Pasadena. I just received notice of a public hearing regarding an increase in water fees. Did we not just have a good-sized increase about a year+ ago for the same purpose as is stated now? How many increases do we have to endure? I try not to pass things like this on to my tenants, but it is becoming more difficult not to. Pasadena worries about the cost to rent in the city but then we get hit with increased charges from the City. Please add my name to the people who are objecting to the increase at the public hearing.

Charon Sandoval

Username: Charon Sandoval
UserInfo:
Email: cdsandovl@charter.net
UserTel:

Date: 6/18/2007 6:27:18 AM
User IP Address: 66.215.87.240
Browser Information: Mozilla/4.0 (compatible; MSIE 7.0; Windows NT 5.1; .NET CLR 1.1.4322)

Rodriguez, Jane

From: Robert Wittry [wittry@azteca.net]
Sent: Wednesday, June 13, 2007 10:48 PM
To: Rodriguez, Jane
Cc: Bogaard, Bill; Kurtz, Cynthia; Jacque Robinson; Kevin Uhrich (editor); Currie, Phyllis; Tyler, Sid
Subject: City of Pasadena Water Rate Increase...

Yes, I PROTEST, and OBJECT to the proposed water rate increase.

My address:
244 Flower St, 91104
1036 S Madison 91106 (parents)
etc..

Actually, my primary objection is the confusing and misleading notification. It states a cross the board increase of 12 cents per hundred cubic feet (supposedly 5%), YET, the table indicates 12 HCF would increase only \$1.25. $12 \times \$0.12 = \1.44

Similarly, $20 \times \$0.12 = \2.40 rather than the \$2.09 listed
 $125 \times \$0.12 = \15.00 , not \$13.07
 $600 \times \$0.12 = \72.00 , not \$62.74
 $1400 \times \$0.12 = \168.00 , not \$146.39
 $2400 \times \$0.12 = \288.00 , not \$250.96

And why does it indicate that the lowest water users (likely the lower income as well) increase 6.4%, where as the higher water users increase about 4.6% Is this a regressive tax? (OK, I know it is not a tax but an inflation cost adjustment required for necessary repairs and maintenance).

So, where did the numbers come from? Perhaps the Billing units are the maximum for the meter size, in which case the average usage is lower? Why isn't the average usage listed in the table then?

What was the intent of using lower figures? Is the intent to deceive the public into thinking the rate increase is not as much as it really is?

And didn't we just have a rate increase a few years ago, with substantial discussion on how to avoid major impact to those that could least afford it?

And for some strange reason I thought I remembered having tiered water rates similar to the tiered electrical rates to reflect the cost difference between well water and imported MWD water? The details seem to be missing?

When the city changed the electric rates several years ago, they promised to lower them, and yet my rates went up, and up more than what the city claimed for the possible range to the public. (Yes, I kept the documentation and intended to file a complaint related to the misleading stranded debt surcharge refund, but never did).

By the way, if we are going to continue to move toward being a green city, we need some way to encourage more photosynthesis and less concrete. What are the possibilities of having reclaimed water distribution available for landscaping in the near future?

Perhaps the city should send out new notices that are less confusing and less misleading?

- Robert