

Agenda Report

TO: CITY COUNCIL

DATE: October 22, 2007

THROUGH: FINANCE COMMITTEE (October 8, 2007)

FROM: CITY MANAGER

SUBJECT: PUBLIC HEARING: AMENDMENT TO THE SCHEDULE OF TAXES, FEES AND CHARGES TO ESTABLISH A NEW CHARGE FOR SEWER FACILITIES AND DIRECT THE CITY ATTORNEY TO PREPARE AN ORDINANCE TO ESTABLISH THE FEE

RECOMMENDATION

It is recommended that the City Council following the public hearing:

1. Find the adoption of the Sewer Facility Charge is exempt from the California Environmental Quality Act (CEQA) and the "Environmental Guidelines and Procedures for the City of Pasadena" pursuant to Section 15378 (b) (4) of the State CEQA Guidelines;
2. Direct the City Attorney to return to the City Council within 90 days with an ordinance to establish a Sewer Facility Charge on new and change in use developments in the following manner:
 - a. Establish the unit charge to be \$6.19 per gallon per day for new or increased sewer discharge;
 - b. The sewer discharge rate shall be determined by reference to the Sewer Discharge Table (Attachment A) based on established average daily flow and occupancy land use; and
 - c. Provide current users with a discharge credit. The Sewer Facility Charge will be applied only to the net increase in sewer discharge based upon the Sewer Discharge Table. The sewer discharge credit will be based upon the highest sewer discharge for the property for the five years before the change of use;
3. Add the Sewer Facility Charge to the Schedule of Taxes, Fees and Charges and index it on an annual basis by the Consumer Price Index; and
4. Exempt any projects from paying the Sewer Facility Charge that have submitted a complete set of plans for building permits and paid for all plan check fees prior to the effective date of the Sewer Facility Charge, and acknowledge that certain

projects subject to vesting tentative tract maps may be exempt from the increased fee.

BACKGROUND

In 2004, staff hired a consultant to conduct a Master Sewer Plan (MSP). The Master Sewer Plan evaluated the system for hydraulic capacity, provided recommendations for operational and maintenance practices, evaluated replacement needs of aging and aged facilities, made recommendations to ensure financial solvency and recommended establishing a Sewer Facility Charge. The findings contained in the MSP were adopted by the City Council on January 22, 2007.

The Sewer Facility Charge is to be assessed on future customers to ensure they pay their fair share of the costs of the system's capacity for existing facilities and new facilities to be constructed in the future that are of benefit to the customer paying this charge. The MSP recommends an equitable portion of this cost to serve future demand be borne by new sewage generators.

The MSP identifies current capacity deficiencies and upgrades necessary to serve future demand arising from new development. It recommends a program for modifying and reconstructing specific portions of the sewer system to ensure it provides sufficient capacity, safety, and reliability in the future. The MSP cost study separated the cost of repairs to serve current capacity from costs to serve future demand, and estimated the cost for the capacity upgrades to serve future demand at \$14 million.

The Sewer Facility Charge would be levied on future users based on their added discharge demands on the City's system. Attachment A – the "Sewer Discharge Table for Various Occupancies" shows the proposed statutory discharge per occupancy land use. This charge will apply only to properties located within the jurisdictional boundaries of Pasadena and served by the City of Pasadena sewer system. Properties located outside of the City will negotiate Sewer Capacity Fees on a case by case basis with the approval of the City Council.

The Sewer Facility Charge was calculated by developing a value of the City's sewer system, adding in new cash improvements necessary to meet future demand, and unitizing this value by dividing by the ultimate system demands. The system value was calculated based on a system life of 100 years which is longer than the industry standard of 80 years. The resulting findings are summarized in the Master Sewer Plan (see Attachment B).

As shown, the resulting value of the City's sewer system is estimated to be \$6.19 per gallon per day based on projected sewer generation or approximately \$1,500 per single family residential unit. This value is comparable to the current mitigation charge that is assessed to allow new development to connect.

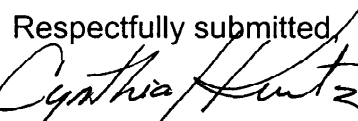
The establishment of this fee conforms with the requirements of Government code Section 66000 et seq. Government Code Section 66013, allows a Sewer Facility

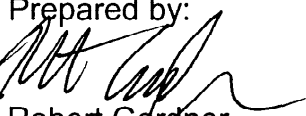
Charge to be levied to recover the costs of new and change in use developments' impacts on sewer system capacity, and therefore, not subject to the provisions of Proposition 218. Per State law, the resulting revenues may only be expended for the purpose for which the charges are collected, and shall be deposited in an individual fund to be separated from operating and maintenance funds. The Sewer Facility Charge will be increased on an annual basis in accordance with the Consumer Price Index and deposited into a new fund, the Sewer Facilities Charge Fund.

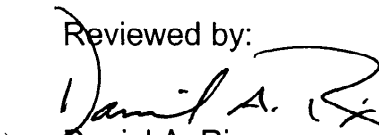
Staff invited 20 members of the Pasadena development community to review the methodology used to calculate the proposed Sewer Facility Charge on April 25, 2007. Two members of the development community attended the meeting. The main interest of the parties was when the charge would take effect.

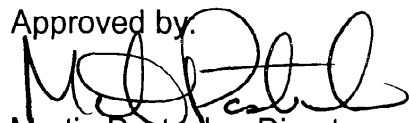
FISCAL IMPACT

Based on projections for the build out of the City in accordance with planning and zoning laws, and assuming a constant rate of growth, the Sewer Facility Charge is projected to generate \$314,000 in the first year, and increase in subsequent years consistent with the indexed increase in the annual rate for the Sewer Facility Charge.

Respectfully submitted,

CYNTHIA J. KURTZ
City Manager

Prepared by:

Robert Gardner
Principal Engineer

Reviewed by:

Daniel A. Rix
City Engineer

Approved by:

Martin Pastucha, Director
Department of Public Works

Attachment A

SEWER DISCHARGE TABLE FOR VARIOUS OCCUPANCIES

<u>Occupancy</u>	<u>Average Daily Flow</u>
Apartment Building: Bachelor or Single dwelling units	100 gal/dwelling unit (DU)
1 bedroom dwelling units	150 gal/DU
2 bedroom dwelling units	200 gal/DU
3 or more bedroom dwelling units	250 gal/DU
Auditoriums, churches, etc	5 gal/seat
Automobile parking	25 gal/1000 sq ft gross floor area
Bars, cocktail lounges, etc	20 gal/ seat
Commerical Shops & Stores	100 gal/1000 sq ft gross floor area
Hospitals (surgical)	500 gal/bed
Hospitals (convalescent)	85 gal/bed
Hotels	150 gal/room
Medical Buildings	300 gal/1000 sq ft gross floor area
Motels	150 gal/unit
Office Buildings	200 gal/1000 sq ft gross floor area
Restaurants, cafeterias, etc	50 gal/seat
Financial Institutions (banks)	1000 gal/1000 sq ft gross floor area
Service Shop, Service Stations	100 gal/1000 sq ft gross floor area
Laundromat	4600 gal/1000 sq ft gross floor area
Animal Kennel (shelter)	100 gal/1000 sq ft gross floor area
Nurseries/Greeneries	25 gal/1000 sq ft gross floor area

Attachment A

SEWER DISCHARGE TABLE FOR VARIOUS OCCUPANCIES

<u>Occupancy</u>	<u>Average Daily Flow</u>
Warehousing, Open Storage (storage space)	25 gal/1000 sq ft gross floor area
Indoor Theatre (movies)	500 gal/1000 sq ft gross floor area
Bowling, Skating Facilities	1000 gal/1000 sq ft gross floor area
Golf Courses	100 gal/1000 sq ft gross floor area
Mortuaries/Cemeteries	100 gal/1000 sq ft gross floor area
Schools:	
Elementary or Jr. High	10 gal/student
High Schools	15 gal/student
Universities or Colleges	20 gal/student
College Dormitories	85 gal/student

Attachment B
Development of Proposed Sewer Facility Charge

Description	Units
<u>System Demand and Usage Criteria</u>	
Ultimate Annual Demand (mgd)	18.71
Current Demand (mgd)	14.90
Increment New Demand (mgd)	3.81
<u>Cost of Capacity</u>	
Net New Cash Improvements	\$ 14,039,116
Net Book Value of Assets	\$ 101,692,640
<u>Capacity Buy In Approach</u>	
Costs (Net New CIP + Assets)	\$ 115,731,756
Ultimate Demand gpd	18,710,000
Sewer Facility Charge (\$/gpd)	\$6.19
Sewer Facility Charge (\$/unit)*	\$ 1,534
Current Capacity Charge (gpd)	\$6.00
Estimated Single Family Residence Charge/Unit*	\$ 1,500
*Unit is 250 gpd	