

Agenda Report

April 28, 2008

TO: City Council
THROUGH: Finance Committee
FROM: City Manager
SUBJECT: Recommendation to set a date of June 16, 2008 to conduct a public hearing regarding proposed water rate increases

RECOMMENDATION

It is recommended that the City Council set a date of June 16, 2008 for a public hearing related to increases to the Purchased Water Adjustment Charge (PWAC) and the Water Distribution and Customer Charge (D&C.)

BACKGROUND

The Water and Power Department (PWP) is proposing increases to PWAC and D&C rates effective for water sales beginning July 1, 2008. If the hearing date of June 16, 2008 is scheduled, PWP will notify by mail all property owners and ratepayers of the proposed increases as required by Proposition 218. The notice must be mailed no less than 45 days prior to the public hearing and will include information regarding the public hearing date and the process by which written protests to the proposed increases may be submitted. A copy of the notice to be mailed to ratepayers and property owners is attached.

The process of considering the proposed rate increases requires a series of steps to be taken in sequence on the following dates:

- | | | |
|----|----------------|---|
| 1. | 4/28/08 | Set June 16, 2008 as public hearing date |
| 2. | 4/29/08 | Public notices mailed to ratepayers and property owners |
| 3. | 4/29 – 6/16/08 | Written protests received (if any) |
| 4. | 6/16/08 | Conduct Public Hearing |

Each date is significant to ensure that the requirements of Proposition 218 are met and the City Council is able to consider the proposed rate increases in correlation with the Water and Power Department's recommended FY 2009 operating budget.

Receipt of written protest by a majority of property owners or tenants would prevent the implementation of the proposed PWAC and D&C rate increases. This would require a revision of the recommended fiscal year 2009 Water Fund budget.

Purchased Water Adjustment Charge (PWAC)

Pasadena Water and Power (PWP) is scheduled to implement an increase to the PWAC effective July 1, 2008 to offset higher purchased water costs, increased pumping costs, and costs associated with increased volume of purchased water. PWP is also scheduled to implement a second increase to the PWAC effective July 1, 2009. The Metropolitan Water District, which provides more than 60% of Pasadena's water supply, increased its rates by 6% in January 2008 and has approved an additional increase of 14% to be effective in January 2009.

Pending the outcome of the proposed public hearing, PWAC is scheduled to increase from \$0.13 per billing unit to \$0.37 per billing unit effective July 1, 2008, and from \$0.37 to \$0.47 per billing unit effective July 1, 2009. A billing unit (BU) is one hundred cubic feet or 748 gallons of water. The monthly impact to an average residential customer with a 5/8" meter size consuming 12 BU is \$2.76 per month after the first PWAC adjustment and an additional \$1.20 after the second PWAC adjustment.

The Water Rate Ordinance which sets rates and charges for water customers allows PWP to adjust the water commodity rates for all water delivered to reflect changes in the prices paid by PWP for its water. The PWAC is a pass-through charge that is automatically adjusted without further City Council action unless a majority of property owners or tenants file written or oral protests as required by Proposition 218. The PWAC is added to the water commodity rates and is the mechanism by which all incremental costs of purchased water are passed through to customers.

Distribution and Customer Charge (D&C)

In addition, PWP is proposing an increase to the water D&C effective July 1, 2008 to offset increased operation and maintenance costs of the water system. This D&C increase proposal requires an Ordinance amendment and is subject to the City Council approval. The proposed increase will be considered by the City Council in correlation with the recommended fiscal year 2009 Operating Budget. Upon City Council approval of the new D&C rate proposal, the D&C revenue will increase by \$2.3 million annually, effective July 1, 2008. The monthly impact to an average residential customer with 5/8" meter size consuming 12 BU is an additional \$2.08. The D&C is a fixed charge that covers the cost of ongoing distribution and customer costs of the water system. The costs of providing these services have escalated in recent years and the D&C has not been adjusted since 1995.

Proposition 218 Requirements

In November 1996, California voters approved Proposition 218. In general, the intent of Proposition 218 is to ensure that all taxes and most charges to property owners are subject to voter approval. In addition, Proposition 218 is intended to further limit the use of assessments and property-related fees to pay for general governmental services rather than property-related services.

In July 2006, the California Supreme Court ruled that water rates are considered property-related fees as defined in Proposition 218. This ruling requires that water rate increases are subject to specific notification and public hearing requirements. Proposition 218 requires a public hearing with at least 45 days notice of a proposed new or increased water rate.

FISCAL IMPACT

The estimated cost to mail notices to all City of Pasadena water ratepayers and property owners as mandated by Proposition 218 is approximately \$18,000. Funds are available in the Water Delivery Business Unit account #8144-402-881000-0792.

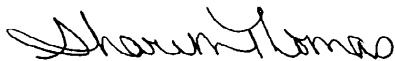
The proposed July 2008 PWAC and D&C increases will generate additional revenues of \$3.2 million and \$2.3 million, respectively, thereby increasing the water system operating revenue by a total of \$5.5 million annually. The proposed July 2009 PWAC increase will increase the annual water system operating revenue by \$1.7 million.

Respectfully submitted,



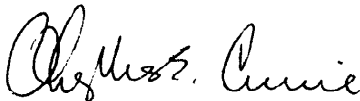
for Bernard K. Melekian
City Manager

Prepared by:



Shari M. Thomas
Business Unit Director
Water and Power Department

Approved by:



Phyllis E. Currie
General Manager
Water and Power Department



NOTICE OF PUBLIC HEARING
 Proposed Water Rate Increases - Purchased Water Adjustment Charge (PWAC) and
 Water Distribution and Customer Charge (D&C)
 April 29, 2008



El Consejo Municipal de la Ciudad de Pasadena está realizando una audiencia pública el 16 de Junio de 2008 a las 7:30 p.m. en la oficina del Consejo Municipal que se encuentra en 100 N. de la Avenida Garfield Pasadena, CA 91101, a una hora que sea posible para recibir comentarios del público en relación a la propuesta para adoptar aumentos por el Departamento de Agua y Energía de Pasadena (PWP) por el Agua del Cero al Agua Com-
 plete (PWC) y el Cargo al Cliente por la Distribución del Agua (D&C).

The Pasadena City Council will hold a public hearing on June 16, 2008 at 7:30 p.m., or as soon thereafter as the matter may be heard, in the City Council Chambers at 100 N. Garfield Avenue, Pasadena CA, 91101 regarding adoption of proposed water rate increases by Pasadena Water and Power (PWP).

De acuerdo con la Sección 13.20.110 de la Ordenanza de la Tierra de Agua, los cobros por todo el agua distribuida, a parte de la distribución y cargo al consumidor y los cobros de mayor capital deberían estar en un ajuste que refleje los cambios en los precios que el Departamento paga por su agua. PWP está proponiendo aumentar el PWC a partir del 1 de Julio de 2008, de \$0.13 por unidad facturada a \$0.37 por unidad facturada.
 PWP propone un aumento incremental de PWC comenzando el 1 de Julio de 2009, aumentando de \$0.37 a \$0.47 por unidad facturada (una unidad facturada son diez por cientos o 7.48 galones de agua). Estos ingresos adicionales de PWC proporcionarían los fondos para comprar agua más del suministro de agua de los pozos locales y para asegurar que haya un suministro adecuado para satisfacer la demanda. El ajuste de tarifas de la ciudad de Los Angeles que provee más del 60% de las fuentes de PWP aumentó sus tarifas en 1.5% en enero de 2008 y está por aumentar otro 4% que va a estar en efecto en enero 2009.

Under Water Rate Ordinance Section 13.20.110, the PWAC shall be adjusted to reflect changes in PWP's purchased water cost. Effective July 1, 2008, PWP proposes to increase PWAC from \$0.13 per billing unit to \$0.37 per billing unit. Effective July 1, 2009, PWP proposes to further increase PWAC from \$0.37 to \$0.47 per billing unit. A billing unit (BU) is one hundred cubic feet or 7.48 gallons of water. The PWAC is a pass-through charge and the increases are required to offset higher purchased water costs, increased pumping costs, and costs associated with increased volume of water purchased. Metropolitan Water District, which provides more than 60% of PWP's resources, increased its rates by 6% in January 2008 and has approved an additional increase of 14% to be effective in January 2009.

A partir del 1 de Julio de 2008, PWP está proponiendo aumentar el ingreso (D&C) por \$2.3 millones a un 5.6% para cubrir los costos de distribución y mantenimiento. Estos aumentos serán sujetos a la aprobación del consejo municipal. El D&C cubrirá los costos de la distribución, mantenimiento, medición, servicio al cliente, y facturación. El D&C no ha sido ajustado desde el año 1995. La siguiente tabla indica un promedio costo por quince personas que residen dentro o fuera de la ciudad de Pasadena que reciben servicio de agua potable de la ciudad.

Effective July 1, 2008, PWP is also proposing to increase the D&C revenue by \$2.3 million through a system average increase of 5.6% to cover increased operation and maintenance costs. This increase is subject to City Council approval. The D&C covers ongoing distribution and customer costs, including water distribution system maintenance, metering, customer service and billing. The D&C is a fixed charge and has not been adjusted since 1995. The table below shows the average monthly bill impact for inside city customers. Customers outside the city limits served by PWP will also receive rate increases.

Proposed Water Rate Adjustments - Estimated Monthly Bill Impact

Tamaño del Medidor	Consumo/Unidad Facturada	Efectivo 7/1/2008			Efectivo 7/1/2009		
		Factura Propuesta Mensual	Aumento Propuesto (PWC)	Incremento %	Factura Propuesta Mensual	Aumento Propuesto (PWC)	Incremento %
5/8"x3/4"	12	\$ 20.89	\$ 2.76	23.2%	\$ 25.73	\$ 1.20	4.7%
1"	20	46.03	4.60	10.0%	50.63	2.00	3.9%
1-1/2"	100	220.66	23.00	10.4%	243.66	10.00	4.1%
2"	125	300.85	28.75	9.6%	329.60	12.50	3.8%
3"	300	687.64	69.00	10.0%	756.64	30.00	3.9%
4"	600	1,496.77	138.00	9.2%	1,634.77	60.00	3.6%
6"	1,400	3,268.68	322.00	9.8%	3,590.68	140.00	3.8%
8"	2,400	5,925.29	552.00	9.3%	6,477.29	240.00	3.6%
10"	3,000	7,555.58	690.00	9.1%	8,245.58	300.00	3.5%

(Nota: Factura promedio mensual incluye aumento de tarifa del proyecto capital, producción, cargo al cliente por distribución de agua y excluir impuestos)

Todo propietario o persona interesada puede presentarse y ser escuchado en cualquier momento antes de la propuesta al ajuste del costo de la agua comprada (PWC) y aumentos del cargo al cliente y distribución (D&C). De acuerdo con el artículo 100 D, sección 6 de la constitución del estado de California y la del código gubernamental 53755, los propietarios por escrito del presupuesto omento se van a considerar si son presentados antes de la audiencia pública. Los pedidos por escrito deben ser presentados antes de las 5 de la tarde del 16 de Junio de 2008, en la oficina de la secretaria de la ciudad localizada en el 100 N de la Avenida Garfield oficina 5278 Pasadena CA 91101. Una protesta escrita por partido registrado por el dueño o inquilino de la parcela, será contada en la calculación de la mayoría de los votos. Escrito en la oficina de la secretaria de la ciudad, debe incluir el número de la parcela y escribir "aumento PWC/D&C Ciudad de Pasadena" en las comentarios por escrito.

Any property owner, tenant or interested person may appear and be heard on any matter relating to the proposed PWAC and the D&C Charges. In accordance with Article III D, Section 6 of the California Constitution and Government Code Section 53755, written protests to the proposed increases may be filed. Written protests will be considered if submitted on or before 5:00 p.m. on June 16, 2008 to the City Clerk, 100 N. Garfield Avenue, Room 5278, Pasadena, California. One written protest per parcel, filed by an owner or tenant of the parcel, shall be counted in calculating a majority protest to the increases. Written protests must include the parcel number and street address and should reference "City of Pasadena PWAC/D&C Increase."

La información relacionada al presupuesto aumento para todos los clientes de PWP y por el cargo al cliente por la distribución del agua está disponible en la oficina de la secretaria de la ciudad o el sitio del internet en el WWW.PWPWeb.com.

Information regarding the proposed increases for all PWP customers to the Purchased Water Adjustment Charge and the Water Distribution and Customer Charge is available at the Office of the City Clerk or online at WWW.PWPWeb.com.

Si la parcela o domicilio en este aviso no recibe los servicios de Agua de la ciudad de Pasadena, este aviso no es para usted.

If the parcel or billing address on this notice does not receive water service from the City of Pasadena, this notice does not apply to you.

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Proposed Water Rate Adjustments - Estimated Monthly Bill Impact

Service Size	Usage/BU	EFFECTIVE 7/1/2008			EFFECTIVE 7/1/2009		
		Current Average Monthly Bill	Proposed PWAC Increase	% Increase	Estimated Average Monthly Bill	Proposed PWAC Increase	% Increase
5/8"x3/4"	12	\$ 20.89	\$ 2.76	23.2%	\$ 25.73	\$ 1.20	4.7%
1"	20	46.03	4.60	10.0%	50.63	2.00	3.9%
1-1/2"	100	220.66	23.00	10.4%	243.66	10.00	4.1%
2"	125	300.85	28.75	9.6%	329.60	12.50	3.8%
3"	300	687.64	69.00	10.0%	756.64	30.00	3.9%
4"	600	1,496.77	138.00	9.2%	1,634.77	60.00	3.6%
6"	1,400	3,268.68	322.00	9.8%	3,590.68	140.00	3.8%
8"	2,400	5,925.29	552.00	9.3%	6,477.29	240.00	3.6%
10"	3,000	7,555.58	690.00	9.1%	8,245.58	300.00	3.5%

(Note: Average monthly bill includes capital improvement charge, commodity, distribution and customer charges, and includes taxes)

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Proposed Water Rate Adjustments - Estimated Monthly Bill Impact

City of Pasadena
 City Clerk
 100 N. Garfield Ave., Room 528
 Pasadena, California 91101

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 Pasadena, California 91101

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