

# Agenda Report

June 16, 2008

TO:

City Council

**THROUGH:** Finance Committee

FROM:

City Manager

SUBJECT: Public Hearing for the Proposed Increases to Water Distribution and

Customer Charges and Purchased Water Adjustment Charge

## **RECOMMENDATION:**

It is recommended that the City Council:

- 1) Conduct a Public Hearing to Receive Public Comment on the Proposed Water Rate Increases in accordance with the requirements of Proposition 218 and;
- 2) Direct the City Attorney to prepare an amendment to the Water Rate Ordinance, Chapter 13.20 of the Pasadena Municipal Code to increase Water distribution and customer (D&C) Charges.

### **EXECUTIVE SUMMARY:**

The Water and Power Department (PWP) is recommending adjustments to water rates to recover increased costs to provide water for its customers. The recommended adjustments include an increase to the Purchased Water Adjustment Charge (PWAC) which is a pass-through charge to recover increased costs for water purchased from the Metropolitan Water District (MWD.) PWP is also recommending an increase to the D&C charge to recover increased operation and maintenance costs of the water system. A public hearing to receive public protests to the recommended rate increases is required by Proposition 218. In the absence of a majority protest by property owners and tenants, the scheduled PWAC increase will take effect without further City Council action. The D&C increase requires an ordinance amendment and is discussed in further detail in this report.

06/16/2008

6.B. 7:30 P.M.

#### **BACKGROUND:**

The Water Rate Ordinance sets rates and charges for water system customers. Water rates charged to customers are comprised of three separate components, namely: (1) the commodity rate which includes the PWAC, (2) the Capital Improvement Charge (CIC), and (3) the D&C charges. The commodity rate is a volumetric charge designed to recover the cost of the commodity and related costs. The commodity rate is also designed to increase based on the amount of water consumed, ensuring that the rate recovers higher costs associated with water in the second and third blocks. The CIC is also a volumetric charge designed to recover the cost of the capital improvements to the water system. The D&C charges are fixed rates designed to recover the cost of maintenance and operation of the water distribution system and customer related functions, including metering, billing, call center and collections.

Periodically, the Water & Power Department (PWP) adjusts the commodity rate, including the PWAC in accordance to the Water Rate Ordinance. The PWAC is formula based and does not require an ordinance amendment in order to be adjusted. The CIC is also adjusted periodically based on the Water Rate Ordinance in correlation with the adoption of the annual Water Fund Capital Improvement Program budget. The CIC was last adjusted in July 2007. The D&C charges are fixed by ordinance and requires City Council approval of an ordinance amendment in order to be adjusted. D&C charges have not been adjusted since 1995.

Effective July 1, 2008, PWP is proposing to increase the D&C charges to generate additional revenue of \$2.3 million annually, thereby increasing the overall Water Fund Operating revenues by about 5.6%. Revenue generated by the current D&C charges is insufficient to recover the cost of ongoing distribution and customer costs of the water system. The costs of providing distribution and customer services, including labor, material, postage and fuel have escalated in recent years, although the D&C charges have remained unchanged. The proposed increases are also required to meet revenue requirements and to ensure the financial stability of the Water Fund. The rate increases will also help to maintain existing credit ratings for current and future bond issues.

The recommended Fiscal Year 2009 Operating Budget is based on the implementation of the proposed increases to the D&C charges by July 1, 2008 or as soon thereafter as allowed through the ordinance amendment process.

## **PROPOSED D&C CHARGES:**

The D&C charges vary by meter size and whether a customer is located inside or outside the City limits of Pasadena. Table 1 shows the current and proposed D&C rates for inside-city and outside-city customers.

Table 1
Proposed Monthly Increases in D&C Charges

	Inside City			Outside City			
Meter Size	Current Monthly D&C	Proposed Monthly D&C	\$ Change	Current Monthly D&C	Proposed Monthly D&C	\$ Change	
Residential							
5/8" & 3/4"	\$5.94	\$8.02	\$2.08	\$8.02	\$10.83	\$2.81	
1"	\$11.29	\$15.24	\$3.95	\$15.24	\$20.57	\$5.33	
Commercial							
1 1/2"	\$22.80	\$30.78	\$7.98	\$35.31	\$47.67	\$12.36	
2"	\$53.49	\$72.21	\$18.72	\$72.21	\$97.48	\$25.27	
3"	\$130.75	\$176.51	\$45.76	\$176.51	\$238.29	\$61.78	
4"	\$202.05	\$272.77	\$70.72	\$272.78	\$368.25	\$95.48	
6"	\$309.03	\$417.19	\$108.16	\$417.19	\$563.21	\$146.02	
8"	\$505.14	\$681.94	\$176.80	\$681.94	\$920.62	\$238.68	
10"	\$657.43	\$887.53	\$230.10	\$842.34	\$1,137.16	\$294.82	
12"	\$742.76	\$1,002.78	\$260.02	\$1,002.78	\$1,353.75	\$350.97	

Meter

Size Residential 5/8" & 3/4"

Commercial 1 1/2"

2"

3"

4"

6"

8"

10"

12"

Usage (BU)

> 12 20

100

125

300

600

1,400

2,400

3,000

4,000

#### **BILL IMPACT OF THE PROPOSED D&C CHARGES INCREASE:**

If approved, the D&C charges will be implemented concurrently with the scheduled July 2008 PWAC increase of \$0.24 per billing unit (BU). Table 2 shows the monthly bill impact of the proposed increases in D&C charges to inside-city and outside-city The "Current Monthly Bill" and "Proposed Monthly Bill" amounts in Table 2 already include the PWAC increase scheduled for July 1, 2008 because separate City Council action is not required.

Table 2 Average Monthly Bill Impact (Annualized, Excluding Tax)

**Inside City** 

* Current Monthly Bill	* Proposed Monthly Bill	\$ Change	% Change	
\$23.65	\$25.73	\$2.08	9%	
\$50.63	\$54.58	\$3.95	8%	
\$243.66	\$251.64	\$7.98	3%	
\$329.60	\$348.32	\$18.72	6%	
\$756.64	\$802.40	\$45.76	6%	
\$1,634.77	\$1,705.49	<b>\$</b> 70.72	4%	
\$3,590.68	\$3,698.84	\$108.16	3%	
\$6,477.29	\$6,654.09	\$176.80	3%	
\$8,245.58	\$8,475.68	\$230.10	3%	
\$11,032.24	\$11,292.26	\$260.02	2%	

Ω	utside	City
v	utsiue	City

* Current Monthly Bill	* Proposed Monthly Bill	\$ Change	% Change
\$30.37	\$33.18	\$2.81	9%
\$65.74	<b>\$</b> 71.07	\$5.33	8%
\$320.55	\$332.91	\$12.36	4%
\$428.80	\$454.07	\$25.27	6%
\$982.67	\$1,044.45	\$61.78	6%
\$2,130.44	\$2,225.92	\$95.48	4%
\$4,668.91	\$4,814.93	\$146.02	3%
\$8,439.72	\$8,678.40	\$238.68	3%
\$10,705.45	\$11,000.27	\$294.82	3%
\$14,374.02	\$14,724.99	\$350.97	2%

<sup>\*</sup> Estimated monthly bill includes PWAC increase of \$0.24 per BU effective July 1, 2008.

A typical inside-city residential customer with a 5/8-inch meter using 12 billing units per month will see a \$2.08 increase. A medium commercial inside-city customer with a 2-inch meter using 125 billing units will see an increase of \$18.72 per month. A large commercial inside-city customer with a 6-inch meter using 1,400 billing units will see an increase of \$108.16 per month. Table 2 indicates the monthly impact to residential customers although most residential customers are on a bi-monthly billing cycle.

As noted in Table 2, a typical outside-city residential customer with a 5/8-inch meter using 12 billing units per month will see a \$2.81 increase. A medium commercial outside-city customer with a 2-inch meter using 125 billing units will see an increase of \$25.27 per month. A large commercial outside-city customer with a 6-inch meter using 1,400 billing units will see an increase of \$146.02 per month.

#### **RATE COMPARISON:**

PWP's rates will remain competitive with those of neighboring utilities even when considering the proposed July 2008 rate increases. A comparison of PWP rates with the proposed D&C increases, and those of nearby water purveyors for selected customer types is shown in Table 3. Attachment 1 provides charts of the rate comparisons with neighboring cities.

Table 3
Water Rate Comparison with Other Purveyors
Average Monthly Bill (Annualized, Excluding Tax)

Meter Size/ Billing Units	Pasadena Current	Pasadena Proposed	Burbank	Glendale	LADWP	Arcadia	La Crescenta	Long Beach
5/8" / 12 BU	\$23.68	\$25.76	\$27.00	\$32.91	\$33.38	\$26.03	\$45.81	\$26.77
1" / 20 BU	\$50.67	\$54.62	\$39.81	\$59.48	\$55.64	\$37.05	\$71.65	\$50.75
2" / 125 BU	\$329.87	\$348.59	\$207.84	\$328.91	\$338.50	\$179.07	\$426.26	\$267.81
4" / 600 BU	\$1,636.08	\$1,706.79	\$967.98	\$1,544.57	\$1,624.80	\$801.58	\$2,067.86	\$1,225.77
6" / 1400 BU	\$3,593.75	\$3,701.91	\$2,248.22	\$3,561.83	\$4,018.00	\$1,840.83	n/a	\$2,797.15
8" / 2400 BU	\$6,482.55	\$6,659.35	\$3,848.52	\$6,098.35	\$6,888.00	\$3,136.73	n/a	\$4,760.91

Note: Rates for neighboring utilities are based on their current rates as of April 2008. Glendale implemented new rates in January 2008, and La Crescenta implemented new rates in March 2008. All of the other cities anticipate rate increases to be effective in July 2008; however, these new rates have not yet been published.

#### **PROPOSITION 218 REQUIREMENTS:**

Proposition 218, as implemented by Government Code section 53755, allows one written protest per parcel, filed by an owner or tenant of the parcel, to be counted in calculating the majority protest to a proposed new or increased water charge. If a majority of property owners and/or tenants file written protests, the rate increases shall not be approved. On April 29, 2008, PWP notified by mail all property owners, tenants and ratepayers of the proposed D&C and PWAC increases as required by Proposition 218. Information related to the public hearing regarding adoption of the water rate increases proposed by PWP was also included in the notice.

#### **FISCAL IMPACT:**

The proposed D&C rate increase is expected to generate \$2.3 million annually through a system average increase of 5.6% to offset increased operation and maintenance costs of the water system. Failure to implement the proposed D&C rate increase would have an adverse effect on the financial integrity of the Water Fund and the ability to ensure proper operation and maintenance of the water system. If the increase in D&C charges is not approved, it will be necessary to adjust the recommended Fiscal Year 2009 Operating Budget and reduce the overall

Proposed Water Revenue Increase June 16, 2008 Page 6

Water Fund operating revenues. Reduced operating revenues and lower net income would also result in a reduction of the General Fund Transfer.

As additional information, although an ordinance amendment is not required for the scheduled PWAC increase of \$0.24 per billing unit for water sales beginning July 1, 2008, the increase will generate additional revenues of \$3.2 million annually. The scheduled July 2009 PWAC increase of \$0.10 per billing unit will increase the annual water system operating revenue by \$1.7 million.

If the PWAC adjustments are not implemented due to a majority of property owners or tenants filing written or oral protests as required by Proposition 218, it will be necessary to adjust the recommended Fiscal Year 2009 Water Fund Operating Budget.

Respectfully submitted,

Bernard K. Melekian

City Manager

Prepared by:

Shari M. Thomas

Business Unit Director
Water and Power Department

Approved by:

Phyllis<sup>0</sup>E. Currie General Manager

Water and Power Department

## Rodriguez, Jane

From: ALTON CULLEN [7aycullen@sbcglobal.net]

Sent: Wednesday, June 11, 2008 1:48 PM

To: Bogaard, Bill
Cc: Stewart. Jana

Subject: Fwd: Proposed Water Rate Increases

Note: forwarded message attached

Jana - please forward this to all Council members

Mayor Bogaard & City Council:

I am attaching Shari's response to my original questions regarding proposed water rate increases and I am only referring to service size 5/8" and 3/4". I will forward my second set of questions dated May 30, '08. To date I have not received answers.

Unfortunately, I am unable to attend the hearing on June 16 so I will outline and pose my questions and comments here.

The PWAC increase for July 1, '08 is \$2.76 versus a proposed \$1.20 increase on 7/1/09, when MWD increased its rate by 6% in January '08 and 14% in

January '09—this is an increase of more than three times. The proposed increase in July '09 should be greater than the one for July '08. In addition, PWP has been unable to provide me what our own ground water costs are relative to those charged by MWD. Cities currently using a higher proportion of MWD water than those having and using ground water typically have higher rates per unit. I have also been informed that these rates do not reflect any rate increases that may be requested for incentive pricing to reduce water usage in the severe drought conditions we are experiencing.

The figures for the proposed D&C increase do not appear to be supported by the statistics Shari provided. In fact, if D&C charges have not been increased since 1995 it tends to indicate that we have been overcharged for a number of years relative to the actual costs. Where have these funds been allocated?

In these recessionary and severe economic times, I do not see any evidence of the Department taking steps to reduce overall costs so that these rates will not be such a dramatic burden on the rate payers in this city. I am finding it difficult to believe that wages and related, including health costs and interdepartmental charges, are not increasing by more than the approximate 2% indicated.

I urge you to reconsider and pare the proposed increases to properly reflect the actual costs involved which PWP apparently is unaware of since I understand they are only now undertaking a cost of service study.

I am requesting you use your critical eye and analysis in your deliberations for this proposed rate increase.

Al Cullen 385 So. Greenwood Ave. (626) 796-9844

Owner:

RATNER, WILLIAM

Address:

460 ATCHISON ST

City/State: PASADENA CA 91104 APN:

5838-026-003

RECEIVED

'08 JUN 10 P1:28

City J. E. ... CITY OF PASAJENA I am **against** the price increase from the city of pasadena PWAC/ D&C increase.

Why don't you talk to congress, have them cut the war budget, and get money from the Iraq War funding.

Congress is wasting billions of dollars on nonsense and contractors while the citizens of all 50 states are being punished with taxes and inflation.

Sincerely, William Ratner 626 215 6499

live RD

1819 Craig Ave. Altadena, CA 91001 19 May, 2008

City of Pasadena City Clerk 100 N. Garfield Ave., Room S228 Pasadena, CA91101

Ref: City of Pasadena PWAC/D&C Increase Protest from parcel number 585401503207000 Address is listed above

## Dear Pasadena City Council:

I protest the residential water rate increases scheduled for public hearing on 16 June, 2008. My basis for protest is that the City of Pasadena has been, and continues to, exercise policies which increase the total water consumption in the city, which drive the cost of water up. I believe the city should implements policies which result in no new connections to the water system and removal of water connections which are no longer in use. I believe residential rate payers should be exempt from cost increases for water consumption consistent with their historic use until the city implements policies which reduce the water consumption of properties each time their type of usage changes.

The most glaring results of these city policies which I see are the significant increases in the number of residential housing units located on land which could be structured to use much less water. Additionally, certain of these alternative uses could improve rather than degrade the quality of life in Pasadena by reducing traffic congestion and expanding open space.

I would also recommend making 3/8" and 1/2" water services available. This would allow the city to mandate use of smaller services at appropriate times and allow residents experiencing financial hardship to reduce their water bill by reducing the size of their service.

Dul #

Sincerely

R. W. Keaton

OR MAY 20 A8 2

Joe and Lola Wilson 1098 n. sierra bonita ave, pasadena, ca. 91104

Tract #1346 Lot # Blk#3

#### LETTER OF PROTEST

To Whom It May Concern, We are writing to PROTEST the proposed water increase. We have been paying taxes to the city for many years. We are now on a fixed income. Everything is going up, the democrats in the state legislature are going to tax everything that moves, our city council is no different. You all spend your way into a hole and then think your goigg to tax your way out. We have to live on a budget, there is no reason why you all cant do the same. The small property owner always takes the hit. When the infrastructre starts to go, why dont you replace it with yesterdays dollars(always cheaper) instead of band aiding it, until you have to replace it, with tomorrows dollars? We have heard only one rational statement by a waterboard official(and he was from altadena) He said "We should have a moritorium on all new building. We owe the water we have, to the people that are already here, not to someone who might want come here down the road." No such enlightened rhetoric from any pasadena offical.

Finally, by your own figures the little guy(once again) gets \*\*\*\*\* it in the end. We get a 4.7% increase, while the big users(who can afford to pay) only get a 3.5% increase. Whats wrong with this picture. Wait till the low income seniors hear about this.

Thank You.

Joe and Lola Wilson

OR STATE OF THE STATE O

City Clark 100°B. Garfield Ave. Room 3228 Pasadena, CA. 91101

Amita Sigginbotham 3595 Strayburn Road Pasadena, Ch. 91107 (626) 793-4246

He: Proposed Mater Hate Increases (Parcel 5754 025 045 07 000) Tract 48516 3 30 Ft. of Lot 257 & All of Lot 258 I.E. EXPAR LARGE CORNER LOT)

To Mom it Nay Concern:

I hereby SERCAGAY PROFEST INCREMENTS PARES Even more than tacy already are at present.

- 1. By rates are already benelizingly higher just by living in the county area of Fasadena (Chapman Woods) - WS ALL ALSO MEED TO KNOW HOW MUCH-OUR "PARIAY" BATES ARE PROPOSED TO INCREASE. (And you have our Suprayalope well water).
- g. DO YOU COUSIDER LOT SIZE? As indicated above, this parcel is 30 feat larger (original owners purchased some of neighboring lot) and it is already a large corner lot! If not, I am doubly penalized vs. all the other, small properties (who obviously need less water for landscaping).
- I water each area once a week, often less! and I am vory conscious end caraful of all energy consumption (for exemple, I am in "Fier 1" of electricity usems (Mison).
- 4. My income is Social Security period and I live on an amount considerably below poverty level. (Ecu have no CARA program such as other utility companies (a one-bine assistance would not be helpful due to my continuing low-level income).
- 5. My trees and plants will now suffer even more than they have and do at your present County puritive Rates. I am 74, in poor health, and have to do all yard work myself, including watering. And, I do not use the "in-ground" sprinkler system as I learned it uses more water than my various bose-end devices. Plus, I only mater at the proper times of day, etc.

I will not be able to attend the Public Esaring due to prior commitments, but will contact the president of our Association to urge attendance by representative(s) of the association, and to apprise him of my action.

then you for informing the County property owners of the proposed Teta incresses for the "Mot-in-City Limit", seemingly discriminated Was in startidents. 

Yours Truly.

Mita Riggiolotham

City of Pasadena
City of Pasadena
150 S. Los Robles Avenue, Suite 200
Pasadena, CA 91101
Pasadena, CA 91101
Pasadena, CA 91101

Water and Power Department
(818) 584-WATER (584-9283)

Mrs. O. Ripley
Pasadena
9/104

SANTA CLARITA CA 913 Z L CL MAY 2008 PP Cencilianin Margaet McAust

NO North Controld Pasadem (A 91109

Ripley 108t Nichester Are Persiden M 91104 Dear Councilwoman McAustin, We oppose The proposed 5.6% percent in water maint. rates that will come before the council soon. We are retirees and not wealthy, and on fixed incomes. We don't know how much longer we can absorb all the taxes, fees and parcel taxes being troosed. I have heard only one city official call it as it is. The head of the altadena water board who said," We need to halt all new building and use the water we get and have for the people Already here. No one from pasadena made a similar proposal, because their all out of touch. The small property owners always take the fit and we're sick of it. Even in these tight water times i notice that the big water users still get the best rates. That should not be, i don't care who you are. If you use more you should pay more. Where is the fairness? Do the people in city hall think we are fools? Thank You,

Joe and Lola Wilson Joe & hold Wilson

Pasadena, 11104

Assessors id no. 5742 011 005 07 000 tract # 1346 lot 4 blk 3

Joe and Lola Wilson 1098 n. sierra bonita ave. Pasadena, ca 91104

To whom it may concern,

We vigorously oppose the current water hike proposals. We know everything is going up. I am 64 and on a fixed income. Weve lived and worked and paid taxes in pasadena since we went into the job force. I HAVE HEARD ONLYONE CITY (ALTADENA WATER BOARD) WITH THE CHUTZPAH TO CALL THINGS AS THEY ARE, AND HE SAID! WE SHOULD HAVE A MORATORIUM ON ALL NEW BUILDING, BECAUSE, WE OWE THE WATER WE HAVE AND CAN GET, TO THOSE ALREADY HERE. " And I till add, not to the thousands of ILLEGAL ALIENS sucking up all our water. The burden always falls on the little guy. Sacrementocant stay on budg et either and are getting ready to drop the hammer on taxpayers (i.e. prop\* erty owners big time. We wont be able to pay all these taxes, fees and increases, that are being proposed. The infrastructure that is need of repair has been band aided for 40 yrs. Instead of being replaced when there was plenty of money and prices of everything were cheaper, the city powers decided to fatten the pay, perks, and retirement benefits of city workers (all in secret) while everything went downhill. THIS IS NOT WHAT YOU WOULD CALL GOOD AND OR EFFICIENT GOVT. Once the people realize what has been done to them, we hope they will rise up and throw all the bums out.

Joe and Lola wilson wilson

A note

for you... gamputesting change?

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T30 It. His hington Blod.

CITY CLERA GITY OF PASADEM:

44:8A 8- YAM 80'

BECEINED

Caroline Mayrina 183 Glorieta Street Pasadena, California 91103 RECEIVED

'08 MAY -7 A10:13

CITY OF PASADEN

May 5, 2008

City Clerk 100 North Garfield Avenue, Room S228 Pasadena, CA 91101

Re:

City of Pasadena PWAC/D&C Increase

Parcel No. 5728-024-051

183 Glorieta Street, Pasadena, CA 91103

To Whom It May Concern:

I, Caroline Mayrina, resident of 183 Glorieta Street, Pasadena, CA 91103, hereby protest to the proposed PWAC and D&C increase as itemized in your Notice of Public Hearing dated April 29, 2008.

Very truly yours,

Gardine Mayrina

CM:cm

## Rodriguez, Jane

From: Tyler, Sid

**Sent:** Wednesday, May 07, 2008 11:25 AM

To: Rodriguez, Jane Subject: FW: Water Rates

**From:** tenomo@netscape.net [mailto:tenomo@netscape.net]

**Sent:** Mon 5/5/2008 7:16 PM

**To:** Tyler, Sid **Cc:** Madison, Steve **Subject:** Water Rates

I am complaining about the proposed water rate increase.

The city has known for years that there would be less water available in the future but yet they approved of all the apartments and condominium construction in Pasadena. Now you have said that we voluntarily have to reduce water usage. Evidently the next step is to make it mandatory or just raise the rates so that people will use less. Wow big rate increase means a windfall for city utility tax and the take that the city takes from the utilities. The city is already getting a windfall from the increase in natural gas rates and have not reduced the utility tax!

Why doesn't the utility cut back expenses of 9% and then we will meet them half way and have the rates raised 9%. Fair enough there is enough fat in the utilities to make the cut, but the council finds it easier to cave into the unions then fight for the citizens. Unions are paid above average in salaries, medical, and retirement. Sock it to the users they don't put up a united front. Believe it or not people are hurting and need some respite from inflation. Do you want to keep Pasadena green? You aren't going to if you raise rates!

In fact I wonder why the city should not dispose of the utilities and let private enterprise take over. The European Union has forced the new members countries to privatize there utilities for the sake of competition and many of them are socialist countries. Why does Pasadena with all its control over services seem more like a socialist municipality where if has to create jobs for those who cannot find jobs? It would not be bad if there was some restraint with the public employees. But I feel that we would get better and cheaper service if more city work is contracted out and the city divest itself of the utilities and some services. There is just so much inefficiency where ever I go. Street work has two workers occupied and several or more either supervising or talking.

Support our taxpayers!

Plan your next roadtrip with MapQuest.com: America's #1 Mapping Site.

To:

**Pasadena City Clerk** 

100 North Garfield Avenue – Room S228

Pasadena, CA 91109

RECEIVED

'08 MAY -6 A9:03

CATA DES. : CATA DES. :

From:

Irene V. Henning

59905 Avenida La Cumbre – 5 Mountain Center, CA 92561

(760) 349-9211

Re:

Owner of Parcel No. 5860-032-004-07-000

3300 Calvert Road Pasadena, CA 91107

CITY OF PASADENA PWAC/D&C Increase

Please – absolutely NO water rate increases based on the following:

- Wages are DOWN;
- Jobs are LOST;
- Gasoline SKY HIGH;
- Food SKY HIGH;
- Homes are foreclosed.

The above reasons/causes justify a NO water rate increase!

Respectfully submitted,

Dated: May 2, 2008