



# Ordinance Fact Sheet

TO: CITY COUNCIL

DATE: July 13, 2009

FROM: CITY ATTORNEY

SUBJECT: AN ORDINANCE OF THE CITY OF PASADENA AMENDING THE WATER RATE ORDINANCE, CHAPTER 13.20 OF THE PASADENA MUNICIPAL CODE

**TITLE OF PROPOSED ORDINANCE:**

AN ORDINANCE OF THE CITY OF PASADENA AMENDING THE WATER RATE ORDINANCE, CHAPTER 13.20 OF THE PASADENA MUNICIPAL CODE

**PURPOSES OF THE ORDINANCE:**

The City Council directed preparation of this ordinance on June 22, 2009 following public hearings on June 8 and June 22. The purpose of this ordinance is to amend water rates for customers of the City of Pasadena. The ordinance amends the Water Rate Ordinance, Chapter 13.20 of the Pasadena Municipal Code to: increase the distribution and customer charge for each of the next three years; increase the fire protection surcharge; reallocate consumption quantities and increase commodity rates for Blocks 1, 2 and 3; set consumption quantities and commodity rates for new Blocks 4 and 5; lower the existing rate differential between customers outside the city from thirty-five to twenty-five percent as compared to customers inside the city; adjust the seasonal rate differential between winter and summer rates; allow potential refunds or credits for water purchased under Blocks 4 and 5; and permit Block 5 rate relief for customers who use water efficiently.

Detailed descriptions of how the ordinance will accomplish these purposes are contained in the Agenda Reports dated April 13, June 8 and June 22, 2009 and the General Manager's June 4, 2009 memorandum to the Municipal Services Committee of the City Council which includes an Addendum of the same date.

MEETING OF 7/20/2009  
~~7/13/2009~~  
AGENDA ITEM NO. 8.B.1.  
~~8.A.1.~~

**REASONS WHY LEGISLATION IS NEEDED:**

Section 14.03 of the City Charter requires water rates to be prescribed by ordinance.

**PROGRAMS, DEPARTMENTS OR GROUPS AFFECTED:**

Water customers of the Water and Power Department will pay the rates set forth in this ordinance. The Water and Power Department will be responsible for the administrative implementation of the new rates.

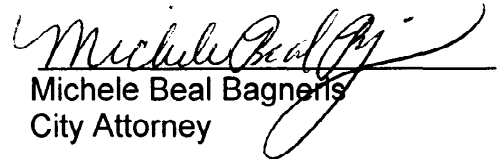
**FISCAL IMPACT:**

As set forth in the Agenda Report dated June 22, 2009, the Water Fund will receive \$3.0 million annually from the July 2009 rate increases in the distribution and customer charge and the fire protection surcharge, \$3.2 million annually from the July 2010 rate increase in the distribution and customer charge, and \$3.7 million annually from the July 2011 rate increase in the distribution and customer charge. These rate increases will result in an increase in the general fund transfer from the Water Fund of approximately \$180,000 in Fiscal Year 2011, \$372,000 in Fiscal Year 2012, and \$594,000 in Fiscal Year 2013.


**POLICY CHANGES:**

This ordinance does not result in any policy changes.

Respectfully submitted,

  
Michele Beal Bagnaris  
City Attorney

Prepared by:

  
Scott D. Rasmussen  
Senior Assistant City Attorney

Introduced by \_\_\_\_\_

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE OF THE CITY OF PASADENA AMENDING THE WATER RATE ORDINANCE, CHAPTER 13.20 OF THE PASADENA MUNICIPAL CODE.**

The People of the City of Pasadena ordain as follows:

**SECTION 1.** This ordinance, due to its length and the corresponding costs of publication, will be published by title and summary as permitted by Section 508 of the Charter. The approved summary of this ordinance reads as follows:

**“SUMMARY**

The purpose of Ordinance No. \_\_\_\_\_ is to amend water rates for customers of the City of Pasadena. The ordinance amends the Water Rate Ordinance, Chapter 13.20 of the Pasadena Municipal Code to: increase the distribution and customer charge for each of the next three years; increase the fire protection surcharge; reallocate consumption quantities and increase commodity rates for Blocks 1, 2, and 3; set consumption quantities and commodity rates for new Blocks 4 and 5; lower the existing rate differential between customers outside the city from thirty-five to twenty-five percent as compared to customers inside the city; adjust the seasonal rate differential between winter and summer rates; allow potential refunds or credits for water purchased under Blocks 4 and 5; and permit Block 5 rate relief for customers who use water efficiently.

This ordinance shall take effect upon its publication.”

7/20/2009  
8.B.1.

**SECTION 2.** Title 13, Chapter 13.20, Section 13.20.020 of the Pasadena Municipal Code is hereby amended to read:

**“13.20.020 Service--Areas Designated**

A. For the purpose of establishing water rates, the area served by the water division is divided into two classes, designated as Area A and Area B.

B. Area A shall include all of the area inside the city.

C. Area B shall include all areas served by the water division outside the city.”

**SECTION 3.** Title 13, Chapter 13.20, Section 13.20.025 of the Pasadena Municipal Code is hereby amended to read:

**“13.20.025 Block Allocations**

The water supplied by the water division is divided by volume into five allocation blocks as indicated in the table below:

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Customer Group Served	Meter Size	Block Allocations (in Units of One Hundred Cubic Feet)				
		Block 1	Block 2	Block 3	Block 4	Block 5
Residential – Small SF	5/8", 3/4"	0 – 8	9 - 24	25 - 34	35 - 46	47>
Residential - MF						
Small Commercial						
Residential – Medium SF / Small MF	1"	0 – 12	13 – 40	41 – 60	61 – 90	91>
Small Commercial / Institutional						
Residential – Large SF / Small MF	1 ½"	0 – 22	23 – 86	87 – 132	133 – 188	189>
Small Commercial / Institutional						
Residential – Large SF/Small MF	2"	0 – 48	49 – 188	189 – 290	291 – 405	406>
Medium Commercial / Institutional						
Residential – Large SF/Medium MF	3"	0 – 116	117 – 500	501 – 860	861 – 1,300	1,301>
Medium Commercial / Institutional						
Residential – Large MF	4"	0 – 225	226 – 1,000	1,001 – 1,800	1,801 – 3,000	3,001>
Medium Commercial / Institutional						
Residential – Large MF	6"	0 – 500	501 – 5,600	5,601 – 8,800	8,801 – 12,000	12,001>
Large Commercial / Institutional						
Large Commercial / Institutional / Industrial	8"	0 – 500	501 – 5,600	5,601 – 10,000	10,001 – 14,000	14,001>
Large Commercial / Institutional / Industrial	10" – 12"	0 – 500	501 – 24,000	24,001 – 32,000	32,001 – 37,000	37,001>

Notes: SF- Single Family; MF – Multi-Family"

**SECTION 4.** Title 13, Chapter 13.20, Section 13.20.030 of the Pasadena Municipal Code is

hereby amended to read:

**“13.20.030 Service Charges and Rates**

**A. Distribution and Customer Charges.** The monthly Distribution and Customer

Charges shall be as follows:

Customer Group Served	Meter Size	Distribution and Customer Charges	
		Area A	Area B
Residential – Small SF	5/8", 3/4"	\$10.70	\$13.37
Residential - MF			
Small Commercial			
Residential – Medium SF / Small MF	1"	\$20.33	\$25.41
Small Commercial / Institutional			

Residential – Large SF / Small MF	1 ½”	\$41.06	\$51.32
Small Commercial / Institutional			
Residential – Large SF/Small MF	2”	\$96.32	\$120.40
Medium Commercial / Institutional			
Residential – Large SF/Medium MF	3”	\$235.45	\$294.32
Medium Commercial / Institutional			
Residential – Large MF	4”	\$363.87	\$454.84
Medium Commercial / Institutional			
Residential – Large MF	6”	\$556.51	\$695.63
Large Commercial / Institutional			
Large Commercial / Institutional / Industrial	8”	\$909.66	\$1,137.08
Large Commercial / Institutional /Industrial	10”	\$1,183.91	\$1,479.89
Large Commercial / Institutional / Industrial	12”	\$1,337.65	\$1,672.06

Effective July 1, 2010, the monthly Distribution and Customer Charges shall be as follows:

Customer Group Served	Meter Size	Distribution and Customer Charges	
		Area A	Area B
Residential – Small SF	5/8”, 3/4”	\$13.68	\$17.10
Residential – MF			
Small Commercial			
Residential – Medium SF / Small MF	1”	\$26.00	\$32.49
Small Commercial / Institutional			
Residential – Large SF / Small MF	1 ½”	\$52.50	\$65.63
Small Commercial / Institutional			
Residential – Large SF/Small MF	2”	\$123.17	\$153.96
Medium Commercial / Institutional			
Residential – Large SF/Medium MF	3”	\$301.08	\$376.35
Medium Commercial / Institutional			
Residential – Large MF	4”	\$465.29	\$581.61
Medium Commercial / Institutional			
Residential – Large MF	6”	\$711.61	\$889.51
Large Commercial / Institutional			
Large Commercial / Institutional / Industrial	8”	\$1,163.20	\$1,454.00
Large Commercial / Institutional /Industrial	10”	\$1,513.88	\$1,892.35
Large Commercial / Institutional / Industrial	12”	\$1,710.46	\$2,138.08

Effective July 1, 2011, the monthly Distribution and Customer Charges shall be as follows:

Customer Group Served	Meter Size	Distribution and Customer Charges	
		Area A	Area B
Residential – Small SF	5/8", 3/4"	\$17.13	\$21.41
Residential – MF			
Small Commercial			
Residential – Medium SF / Small MF	1"	\$32.55	\$40.68
Small Commercial / Institutional			
Residential – Large SF / Small MF	1 1/2"	\$65.73	\$82.17
Small Commercial / Institutional			
Residential – Large SF/Small MF	2"	\$154.21	\$192.76
Medium Commercial / Institutional			
Residential – Large SF/Medium MF	3"	\$376.95	\$471.19
Medium Commercial / Institutional			
Residential – Large MF	4"	\$582.55	\$728.18
Medium Commercial / Institutional			
Residential – Large MF	6"	\$890.95	\$1,113.69
Large Commercial / Institutional			
Large Commercial / Institutional / Industrial	8"	\$1,456.35	\$1,820.43
Large Commercial / Institutional / Industrial	10"	\$1,895.40	\$2,369.26
Large Commercial / Institutional / Industrial	12"	\$2,141.53	\$2,676.92

**B. Commodity Rates.** The commodity rates for all water delivered shall be:

	Commodity Rate (Per One Hundred Cubic Feet)				
	All First Block Water Delivered	All Second Block Water Delivered	All Third Block Water Delivered	All Fourth Block Water Delivered	All Fifth Block Water Delivered
Water delivered April 1st--September 30th:					
In Area A	\$0.91037	\$2.50351	\$3.00421	\$5.00701	\$7.51052
In Area B	\$1.13796	\$3.12938	\$3.75526	\$6.25876	\$9.38814
Water delivered October 1st--March 31st:					
In Area A	\$0.88385	\$2.43059	\$2.91671	\$4.86118	\$7.29176
In Area B	\$1.10481	\$3.03823	\$3.64588	\$6.07647	\$9.11470

### **C. Block Rates Pricing Structure**

The ratio between the block rates shall be subject to annual adjustments based on the department's projected five-year water supply costs. The department shall calculate the adjustments, if any, and recommend any new ratio between the block rates to City Council. Block 1 rates shall be priced to recover local water supply costs. Block 2 and Block 3 rates shall be priced to recover the first two tiers of imported water costs. Block 4 and Block 5 rates shall be priced to recover incremental costs of procuring additional imported water above the Block 3 consumption level.

### **D. Special Provisions**

1. All water under this section is metered.
2. Where water is delivered to land lying in both Area A and Area B, the rates are subject to adjustment based upon the use in each of the areas as determined by the water division.
3. A charge set forth in the department's service regulations is made for each new account or customer originated account change. This charge is added to the first bill for service under the account.
4. Deposits. The general manager may require a deposit in reasonable amount to guarantee payment for water to be delivered subsequent to date of demand for such deposit. If customer fails to make such deposit after demand therefore, water service may be discontinued until such deposit in the amount required has been made."

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**SECTION 5.** Title 13, Chapter 13.20, Section 13.20.035 of the Pasadena Municipal Code is

hereby amended to read:

**“13.20.035 Capital Improvements Charge**

**A Capital Improvements Charge (“CIC”)** shall be added to water rates to recover the capital improvement costs of the water distribution system as provided in this Section.

**A. CIC Amounts**

The CIC shall be as follows and shall be subject to adjustment as provided in subsection C:

	<b>CIC (per 100 cubic feet)</b>
Water delivered April 1st--September 30th:	
In Area A	\$ 0.62429
In Area B	\$ 0.84274
Water delivered October 1st--March 31st:	
In Area A	\$ 0.58896
In Area B	\$ 0.79504

**B. Adjustments to the CIC**

Adjustments to the CIC shall be calculated by the department and shall take effect on the first of the month following city council’s approval of the Water Fund Capital Improvements Program (“CIP”). The CIC shall be adjusted by the following calculation:

$$\text{CIC} = ((\text{FTR} \times \text{CE}) + \text{DS}) / \text{WS}$$

(expressed to the nearest \$0.00001 per hundred cubic feet)

Where: FTR (“Funding Target Ratio”) = (A) / (A+B)

Where “A” is the five-year average annual cash required from current-year water rates to fund the CIP as projected by the department at the time the CIC calculation is made.

Where “B” is the five-year average annual revenue bond funds required to fund the CIP as projected by the department at the time the CIC calculation is made.

CE (“Capital Expenditure”) is the five-year average annual Water Fund capital expenditure as projected by the department at the time the CIC calculation is made.

DS (“Debt Service”) is the five-year average annual CIC-related debt service payment as projected by the department at the time the CIC calculation is made.

WS (“Water Sales”) is the water system sales for the next twelve months stated in billing units, as projected by the department at the time the CIC calculation is made.

**C. CIC Account**

A CIC account shall be maintained into which all CIC revenue bond funds, CIC revenues and interest earned shall be deposited. The CIC account shall be used solely for the purposes of paying CIC-related debt service, funding the Water Fund CIP as approved by the city council, and the Water Fund transfer to the general fund.“

**SECTION 6.** Title 13, Chapter 13.20, Section 13.20.120 of the Pasadena Municipal Code is hereby added to read:

**“13.20.120 Potential Refund or Credit of Water Purchases Under Blocks 4 and 5**

A. A customer may receive a full or partial refund or credit for water purchased within Blocks 4 and 5 as provided in this section. At the end of each fiscal year ending June 30, the department shall determine the incremental revenues collected from Block 4 and Block 5 rates. “Incremental” revenues for

purposes for this section shall mean all amounts collected in Block 4 and/or Block 5 which exceed Block 3 rate levels for Area A and Area B. In the event incremental revenues exceed the penalties imposed by the Metropolitan Water District upon the department for exceeding its water allocation in the fiscal year under review, the department, in its sole discretion, shall either refund or credit the difference between the incremental revenues and the penalties to those customers who were charged the Block 4 and Block 5 rates during that fiscal year. Each eligible customer shall receive a refund or credit equal to the amount of water consumed within Block 4 and Block 5 during the fiscal year under review multiplied by “X”, where “X” is calculated from the following equation:

$$X = \frac{Y - MP}{(V_{4A} + (2.25 V_{5A})) + 1.25 (V_{4B} + (2.25 V_{5B}))}$$

- And where:
- Y = the incremental revenues collected from Blocks 4 and 5
  - MP = Metropolitan Water District Penalty for exceeding the department’s water allocation
  - V<sub>4A</sub> = Block 4 sales, Area A
  - V<sub>5A</sub> = Block 5 sales, Area A
  - V<sub>4B</sub> = Block 4 sales, Area B
  - V<sub>5B</sub> = Block 5 sales, Area B

Each eligible customer within Area A shall receive a refund or credit equal to the amount of water consumed within Block 4 during the fiscal year under review multiplied by “X”.

Each eligible customer within Area A shall receive a refund or credit equal to the amount of water consumed within Block 5 during the fiscal year under review multiplied by “2.25X”.

Each eligible customer within Area B shall receive a refund or credit equal to the amount of water consumed within Block 4 during the fiscal year under review multiplied by “1.25X”.

Each eligible customer within Area B shall receive a refund or credit equal to the amount of water consumed within Block 5 during the fiscal year under review multiplied by “2.81X”.

The sales, rates, and penalties herein refer to the fiscal year for which the calculation is made.

B. In the event incremental revenues are equal to the penalties imposed by the Metropolitan Water District upon the department for exceeding its water allocation in the fiscal year under review, the department shall make no refund or credit for that fiscal year.

C. In the event incremental revenues are less than the penalties imposed by the Metropolitan Water District upon the department for exceeding its water allocation in the fiscal year under review, the department shall collect the balance through the Purchased Water Adjustment Charge.”

**SECTION 7.** Title 13, Chapter 13.20, Section 13.20.125 of the Pasadena Municipal Code is hereby added to read:

**“13.20.125 Block 5 Rate Relief for Customers Who Use Water Efficiently**

A. A customer may file with the department an application for relief from Block 5 rates. All expenses associated with the application shall be borne by the customer, including without limitation the cost of a water audit. The department shall have authority to take such steps as it deems reasonable and to set up such procedures as it considers necessary to resolve such application. In determining whether to grant relief, the department shall take into consideration all factors relevant to the customer’s water usage. Relief shall be granted only on a showing by the customer that:

- (i) he or she will be subject to payment of Block 5 rates for more than one billing period in a calendar year; and
- (ii) he or she has achieved the maximum practical reduction in water consumption over the previous three-year period.

If relief is granted, the department shall apply Block 4 rates for all water purchased within and above the Block 4 allocation on and after the date the application is granted by the department.

B. At any time after an application has been granted, the department may review the customer's water usage. In the event the customer fails to demonstrate that he or she continues to achieve the maximum practical reduction in water consumption, the department may re-impose Block 5 rates.

C. Any customer aggrieved by the department's decision shall be required to comply with the appeals procedure of this subsection. Compliance with this subsection shall be a prerequisite to a suit thereon. A customer's written appeal must be received by the department within ten (10) days of the date of notification or customer's appeal right shall be deemed waived. A customer shall be deemed notified of the department's decision upon the personal delivery of the department's notice of decision, or if personal delivery is not given, the date on which said notice is placed in the regular mail. The department may issue regulations to govern the conduct of the appeal, including prescribed contents of the written appeal and the manner in which hearings may be conducted."

**SECTION 8.** Title 13, Chapter 13.20, Section 13.20.145 of the Pasadena Municipal Code is hereby amended to read:

**"13.20.145 Fire Protection Surcharge**

A fire protection surcharge shall be added to each monthly distribution and customer charge to reflect the cost of maintaining, repairing, installing and upgrading public fire hydrants utilized for fire protection purposes. The fire protection surcharge shall not apply to private fire protection service rendered in accordance with Section 13.20.130. The fire protection surcharge shall be as follows:

Size of Meter (in inches)	Fire Protection Surcharge	
	Area A	Area B
5/8 and 3/4	\$ 0.38	\$ 0.38
1	\$ 0.70	\$ 0.70
1 1/2	\$ 2.68	\$ 2.68
2	\$ 3.45	\$ 3.45
3	\$ 8.13	\$ 8.13
4	\$ 9.58	\$ 9.58
6	\$ 22.00	\$ 22.00
8	\$ 29.48	\$ 29.48
10	\$ 38.20	\$ 38.20
12	\$ 50.85	\$ 50.85

**SECTION 9.** Ordinance No. \_\_\_\_\_ shall take effect upon its publication.

Signed and approved this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
 William J. Bogaard  
 Mayor

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I HEREBY CERTIFY that the foregoing ordinance was adopted by the City Council of the City of Pasadena at its \_\_\_\_\_ meeting held \_\_\_\_\_, 2009,

by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Mark Jomsky, CMC  
City Clerk

APPROVED AS TO FORM:



Scott D. Rasmussen  
Senior Assistant City Attorney