

Agenda Report

April 16, 2012

TO: Honorable Mayor and City Council
FROM: Water and Power Department
SUBJECT: SET A PUBLIC HEARING ON JUNE 4, 2012 FOR THE PROPOSED AMENDMENTS TO THE WATER RATE ORDINANCE; CHAPTER 13.20 OF THE PASADENA MUNICIPAL CODE

RECOMMENDATION:

It is recommended that the City Council:

1. Establish a date of June 4, 2012 to conduct a Public Hearing to Receive Public Comments on the Proposed Amendments to the Water Rate Ordinance in accordance with the requirements of Proposition 218.

MUNICIPAL SERVICES COMMITTEE RECOMMENDATION:

On October 25, 2011, the Municipal Services Committee supported the staff's recommendation set a public hearing date for the proposed amendments to the Water Rate Ordinance.

EXECUTIVE SUMMARY:

Pasadena Water and Power ("PWP") recommends that various sections of Pasadena Municipal Code Chapter 13.20, also known as the Water Rate Ordinance, be amended. The proposed amendments primarily relate to water lateral connections, fire hydrant installations and extensions, cross-connections, meter installations and/or examinations, and other such services. Currently, customers pay a fixed charge for these services, as stated in the Water Rate Ordinance. Because the required services vary significantly from job to job, charging actual costs would be superior to establishing flat rate charges and will better ensure that all costs for labor, materials, equipment, and miscellaneous are recovered.

There are no proposed changes to rates for consumption of water.

PWP desires to make the following changes to the Ordinance:

- Eliminate fixed charges and instead charge actual costs for various water-related services, including Sections 13.20.060 Service-- Application and Lateral Charges; 13.20.150 Fire Hydrants-- Rates; and 13.20.210 Meter Installation and Examination;
- Ensure that a customer who receives a water service from PWP, who is not specifically identified or otherwise provided for in the Water Rate Ordinance, shall pay PWP's actual costs of providing such services (as defined in the proposed amendments);
- Move all the non-rate technical requirements to the proposed new Water Regulation, which will be presented to the City Council concurrently with the Water Rate Ordinance amendments; and,
- Update the Water Rate Ordinance language to provide additional detail and clarity.

A public hearing must be held on the proposed amendments to the Water Rate Ordinance to comply with the notification requirements of Proposition 218. A public hearing date of June 4, 2012 is proposed and satisfies the 45 day advanced notice requirement.

BACKGROUND:

PWP conducted a cost analysis to determine the actual cost of providing water service installations. The analysis included new domestic services, new fire services, fire hydrants, meters, and other services. The result concluded that PWP is not fully collecting the actual costs incurred to perform these services. The fixed charges currently set forth in the Water Rate Ordinance are insufficient to recover the actual costs of labor, material, and equipment. The aggregate amount of under-collect costs for customer-driven projects averaged approximately \$400,000 for each fiscal year from 2009 through 2011.

The proposed ordinance amendments will replace fixed dollar charges with authorization to charge and collect PWP's actual costs. The "actual costs," as defined in the ordinance includes labor, material and equipment actually incurred by PWP in performing the service. The costs will also include contractor charges in situation which required PWP to contract for services. The total actual costs will be recovered by invoicing the customer.

Further research reveals that various cities including Anaheim, Burbank, Glendale, Los Angeles, and Riverside have recently updated their water service connection charges by either increasing the fixed charges or charging the actual cost of providing the various services.

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 amendments shall not be approved. Information related to the public hearing regarding adoption of the amendments proposed by PWP will also be included in the notice. Following the establishment of June 4, 2012 as the public hearing date on which written and/or oral comment on the proposed rate increases will be considered, a notice will be mailed to each property owner, tenant and ratepayer, as required by Proposition 218. A copy of the notice is provided in Attachment 1.

In addition to these noticed hearing and majority protest procedural requirements, Proposition 218 also imposes substantive requirements relating to fees and charges for water service, including:

- 1) The requirements that revenues derived from these fees may not exceed the funds required to provide the service
- 2) Revenues derived from the fees may not exceed the proportional cost of the service attributable to the parcel upon which the fee is imposed
- 3) Fees may not be imposed unless the service is actually used by, or immediately available to, the owner of the property
- 4) Fees may not be imposed for general governmental services.

The proposed amendments are designed to fully comply with Proposition 218's substantive requirements because they authorize PWP to charge and collect actual costs of labor, materials and equipment to perform specified one time services at the customer's request.

COUNCIL POLICY CONSIDERATION

The proposed amendments to the ordinance are consistent with the City Council's existing policy to authorize charges for water service which fully recover PWP's costs of service.

ENVIRONMENTAL ANALYSIS:

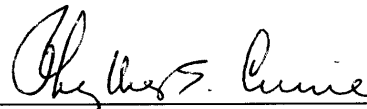
Staff has determined that the California Environmental Quality Act (CEQA) does not apply to the proposed action of setting a date for a public hearing. The City is not committing itself to a definite course of action nor are specific projects proposed as part of this action. Once further actions are developed to the point where potential environmental effects can be analyzed, the proper environmental review will occur.

FISCAL IMPACT:

The estimated cost to mail notices to all City of Pasadena water customers and property owners as mandated by Proposition 218 is approximately \$20,000. Funds are available in the Water Division Account #8144-402-881000-0792.

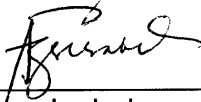
By charging the actual costs of providing water service, PWP will recover full costs related to all customer-driven water system infrastructure installations and services, resulting in additional revenue of approximately \$400,000 per year to the Water Fund in the water division's account number 7029-402-881000.

Respectfully submitted,



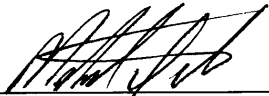
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Prepared by:



Aurora Isabel
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Pasadena Water and Power

Approved by:



Michael J. Beck
City Manager

Attachments:

Attachment 1 – Copy of Notice of Public Hearing

(City Seal)

**City of Pasadena
Notice of Public Hearing
Proposed Amendments to the Water Rate Ordinance
June 4, 2012 at 7:30 p.m.**

In compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act, California Government Code section 53755, the City of Pasadena is hereby notifying all affected water customers, property owners, and developers/contractors of proposed amendments to the Water Rate Ordinance (Chapter 13.20 of the Pasadena Municipal Code). The proposed amendments primarily authorize PWP to charge actual costs to install water lateral connections, fire hydrant installations and extensions, cross connections, meter installations and/or examinations, and other such services. These are proposed amendments; the final amendments adopted by the Pasadena City Council may be different. ***These amendments will not affect regular monthly/bi-monthly water customer bills.***

Public Hearing Information

The Pasadena City Council will hold a public hearing on June 4, 2012 at 7:30 p.m. in the City Council Chambers at 100 N. Garfield Avenue, Pasadena, CA, 91101 to receive public comment regarding the proposed amendments to the Water Rate Ordinance to become effective upon publication of the ordinance:

- 1) Authorize the Department to charge its actual cost for lateral connections, fire hydrant installations and extensions, cross connections, meter installations and/or examinations, and other such services. "Actual cost" shall be defined in the proposed ordinance to include labor, material, and equipment costs. This change replaces the fixed charges and fees which are set forth in the present Water Rate Ordinance.
- 2) Amend various other sections of the Water Rate Ordinance to improve the clarity of their wording and/or consistency with other sections and legal requirements.

Any property owner, customer, or interested person may appear and be heard on any matter relating to the proposed water rate adjustments.

Written protests to the proposed amendments to the Water Rate Ordinance will be considered if submitted prior to the public hearing. Written protests must be submitted on or before 5:00 p.m. on June 4, 2012, to the Office of the City Clerk, 100 N. Garfield Ave. Room S228, Pasadena, California 91101. Please include the parcel address and write "**Water Rate Ordinance Amendments**" on the written comments.

Information regarding the proposed Water Rate Amendments is available at the Office of the City Clerk, online at www.PWPweb.com, or by calling 626-744-4005.

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.