

**Subject:** FW: Capital Improvement Charge Increase - Inside/Outside Diferential  
**Attachments:** image.png

**From:** Ken Kules <kules.ken@gmail.com>  
**Date:** January 10, 2016 at 1:03:33 PM PST  
**To:** Mayor Terry Tornek <ttornek@cityofpasadena.net>, Tyron Hampton <thampton@cityofpasadena.net>, "McAustin, Margaret" <mmcaustin@cityofpasadena.net>, John Kennedy <JohnJKennedy@cityofpasadena.net>, "Masuda, Gene" <gmasuda@cityofpasadena.net>, "Victor M. Gordo" <vgordo@cityofpasadena.net>, Steve Madison <smadison@cityofpasadena.net>, Andy Wilson <awilson@cityofpasadena.net>, Michael Beck <mbeck@cityofpasadena.net>, Michelle Bagneris <mbagneris@cityofpasadena.net>, Mark Jomsky <mjomsky@cityofpasadena.net>  
**Cc:** "Klinkner, Eric" <eklinkner@cityofpasadena.net>, Shari Thomas <sthomas@cityofpasadena.net>  
**Subject:** Capital Improvement Charge Increase - Inside/Outside Diferential

In my haste to provide timely comment on the January 11, 2016 Agenda Report regarding "Notice of Public Hearing to Receive Public Comment Regarding Implementation of the Formula to the Water System Capital Improvements Charge", I neglected to discuss concerns regarding the rate differential between rates for Pasadena Water & Power customers that reside in Pasadena and customers that do not reside in Pasadena.

The agenda Report asserts that the 25% differential adopted by the City Council in 2009 does not apply to the CIC (emphasis added):

*The current rate differential is 25% for the water rates that recover operating and maintenance costs, namely the Commodity Charge and Distribution and Customer Charge. The differential is 35% for the CIC rate because the most recent rate action taken by the City Council in 2009 to address the outside-City rate differential did not apply to the CIC rate.*

There is nothing in the 2009 administrative record that supports the conclusion that the 25% differential was intended to be applied only to operating and maintenance costs. Furthermore, the only explicit discussion of the 25% differential purpose can be found in the RedOak report that provided the legal justification for the 25% differential (emphasis added):

*The rate differential between inside-city and outside-city customers is currently 35 percent. The prior water rate study prepared by Navigant Consulting (2001) stated that the 35-percent differential is in compliance with industry standards. Although Red Oak does not dispute this claim, we recommend PWP adopt a more explicitly defensible differential. PWP can justify its outside-city rate differential because PWP's owner-customers (i.e., its inside-city rate payers) have invested in a utility and ought to receive a reasonable return on that investment (a return similar to investments with comparable risk). Note that the rate of return is based on the investment in facilities that are used to provide water service.*

This is the RedOak calculation that established the 25% differential:

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**Table 5-2: Outside-City Surcharge Calculation**

<b>Description</b>	<b>FY2008</b>
<b>Cash Basis Rev. Requirement</b>	
O&M	\$33,658,821
Debt Service	4,694,000
Non-Debt Capital	<u>3,177,911</u>
<b>Total Cash Basis Rev Req.</b>	<b>\$41,530,732</b>
<b>Utility Basis</b>	
O&M	\$33,658,821
Additional MWD	6,680,000
<b>Return on Investment</b>	
Rate Base	
Net Book Value	83,573,211
Working Capital	<u>6,631,039</u>
Rate Base	\$90,204,250
Rate of Return	9.0%
ROI	\$8,118,383
Depreciation	3,599,607
<b>Total Utility Basis Rev. Req.</b>	<b>\$52,056,811</b>
<b>Surcharge</b>	<b>25%</b>

Note that the calculation includes capital and debt service costs - a clear indication that derivation of the 25% was intended to apply to the CIC. Application of the 25% differential to the D&C and commodity charges only would require a different analysis that does not exist in the Administrative Record.

January 8, 2016

Hon. Terry Tornek  
Mayor, City of Pasadena  
100 N. Garfield Avenue  
Pasadena, CA 91109

Dear Mayor Tornek,

This letter provides my additional comments on the *Notice of Public Hearing to Receive Public Comment Regarding Implementation of the Formula to the Water System Capital Improvements Charge (CIC)* that will be considered by the City Council (Council) on January 11, 2016. I refer here to the January 11, 2016 Agenda Report that was distributed on January 7 as the "Agenda Report."

**Language in the Agenda Report is unclear.** The Agenda Report at page 2 says that "The staff recommendation to conduct a public hearing will clearly establish that an annual CIC rate adjustment (if needed) based on the approved capital budget will meet cost-based rate requirements as defined by Proposition 218." The meaning of this sentence is unclear as the only public hearing discussed in the RECOMMENDATION section of the Agenda Report is the January 11, 2016 hearing.

**The correct period for applying percent reduction in water sales would be from June 2013 through May 2014 and not Calendar Year 2013 as was done in the Agenda Report.** The Agenda Report at page 2 asserts that "Governor Brown's April 2015 Executive Order mandating state-wide reductions in water use requires Pasadena to reduce its usage by 28% from calendar year 2013 levels" and that is incorrect. The SWRCB regulation that implements the Executive Order requires that Pasadena water sales be reduced by 28% "for the months of June 2015 through February 2016 as compared to the amount used for the same months in 2013." The Governor has issued an Executive Order on November 13, 2015 that extends the period through October 31, 2016 and draft regulations are expected to be released later this month. A workshop was held by the SWRCB in December and they gave no indication that sales prior to June 2013 would be used as the metric for enforcement of the regulation.

**The City Council must conduct future public hearings regarding CIC increases.** The Agenda Report recommends that the City Council "Authorize use of the CIC formula for FY 2017 based upon adoption of the CIP budget and updated forecast of water sales volumes." The Agenda Report at page 4 also says (emphasis added) that "the Department is required to conduct a public hearing" regarding the CIC increase. Proposition 218 says (emphasis added) that "The agency shall conduct a public hearing" and that "the agency shall consider all protests against the proposed fee or charge." It also says (emphasis added) that "'Agency' means any local government as defined in subdivision (b) of Section 1 of Article XIII C," which says "'Local government' means any county, city, city and county, including a charter city or county, any special district, or any other local or regional governmental entity." It is clear that Proposition 218 requires that the public hearing be conducted and protests considered by the local governing body itself and makes no provision for delegation of that authority to an un-elected body.

**The schedule for a CIC increase must conform to the public notice and hearing schedule outlined by Proposition 218.** The Agenda Report points out at page 5 that "As defined in the Water Rate Ordinance, 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." While that may be true,

the process described does not trump the public notice and hearing requirements of Proposition 218 and the WRO may need to be revised to permit more time for implementation.

**There must be publicly-available budget documents that provides the appropriate budget information for the CIC calculation.** Attachment B to the Agenda report describes the Five-Year Capital forecast as being "The published FY 2016 5-year CIP Budget":

	Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
( A )	Five Year Capital Forecast	\$15.3	\$18.1	\$17.6	\$18.1	\$12.1

The actual published FY 2016-2010 budget that includes the five-year projection is:

Recommended FY 2016	Proposed FY 2017	Proposed FY 2018	Proposed FY 2019	Proposed FY 2020 and Beyond
7,699,405	18,125,221	17,551,150	18,145,150	12,148,650

(see: <http://cityofpasadena.net/WorkArea/DownloadAsset.aspx?id=8589941502>). PWP staff has explained that the difference for FY 2016 is because the "actual" budget includes un-spent appropriations from FY 2015 that cannot be verified independently. Proposition 218 requires full public disclosure of information incorporated into calculation of water rates and future budget documents must be revised to provide the actual budget.

**The debt service projection for a future bond is not an "actual cost" under Proposition 218 and should not be used in the CIC calculation.** As pointed out in the Agenda Report In attachment B to the Agenda Report, the debt related to a bond to be issued in FY 2017 is not an "actual" cost but is an "expected" cost. The Agenda Report at page 5 says "If the bonds are not issued or some other amount of bonds is issued, the CIC formula will be adjusted as appropriate in the future." The Agenda Report acknowledges that the CIC will be revised for FY 2017, it would be appropriate to include the future bond debt in that CIC adjustment as doing otherwise would collect revenues based on non-existent costs.

**I protest the actions described in the Public Notice and related Agenda Report based on the above additional concerns.**

Ken Kules  
Pasadena Resident (District 4)  
3235 Lombardy Road  
APN 5377-013-015

cc: Tyron Hampton  
Councilmember, District 1

Margaret McAustin  
Councilmember, District 2

John J. Kennedy  
Councilmember, District 3

Gene Masuda

Councilmember, District 4

Víctor M. Gordo

Councilmember, District 5

Steve Madison

Councilmember, District 6

Andy Wilson

Councilmember, District 7

Michael Beck

City Manager

Michele Bagneris

City Attorney

Mark Jomsky

City Clerk

(Transmitted by e-mail)

Dr. Marie Levine  
764 Coniston Rd  
Pasadena CA, 91103

January 4, 2016

Re: *Implementation of the Water System CIC formula*  
*Protest against the proposed PWD water rate hikes (Jan 11, 2016)*

Dear Pasadena City Council Members

While I understand PWP is incurring a loss of revenue from the State-mandated water conservation program, I am against the proposed rate hike for the following reasons.

1. The stated loss of revenue is based on a 28% water conservation target; however Pasadena has not yet reached that goal and is currently at 22%. It is not clear that Pasadena will ever reach 28% nor that the State will enforce it, based on the latest comments from the Governor and the impending El Nino deluge. The proposed rate hike will hence be calculated under false pretenses, contribute more money to the PWP funds than necessary at the residents' expense, and thus should not be allowed.
2. Along those lines, will the PWP commit to decreasing the Water Rates should the water conservation mandate be rescinded by the State?
3. The proposed rate hike is purely based on the potential for lost revenue to PWP. At a time when we are all asked to make sacrifices, whether it is water conservation or increased water rate hike, PWP should also take it upon itself to revisit some of its expenditures and apply cost cutting measures within its own programs/operations. This is not unlike what private corporations have to do when budgets are reduced. I ask the City Council not accept any rate hike until PWP provides an in depth analysis of how the department can reduce its costs.
4. In the Sept 28, 2015 City Council meeting, Ms. Shari Thomas, PWP Assistant, makes the following statements:
  - a. At around 00:41:00 minutes into the City Council Meeting, she states that "We're going to pump as much ground water as we can" in order to minimize the cost of buying water from MWD.
  - b. Then at 0:45:16 minutes she states that the PWP has already committed funding and resources to two "big" projects: the Arroyo Seco Project and the Recycled Water Project (a.k.a. The Non-Potable Water Project)

This is egregious for several major reasons:

- i. The Arroyo Seco Project aims to collect as much water from the Arroyo Seco watershed as possible in order to rebuild Pasadena's depleted aquifer. The Non-Potable Water Project aims to use as much water from the Arroyo Seco watershed as possible to resell it to private corporations and other cities as a money making opportunity. Furthermore Ms. Shari claims that the budget already plans to use as much of the Pasadena aquifer as possible to minimize cost. So which is it? Clearly we can't have it all. The 2 Projects have conflicting objectives which are not aligned with the budget assumptions and Pasadena can do one or the other, but not both. There is money to be saved right there by cancelling the Non-Potable Water Project as it is currently planned.
- ii. The City Council has not yet voted on the Non-Potable Water Project. How could it be then that Ms Shari is presenting budget needs for that Project in 2015 & 2016? Isn't it illegal to budget and spend money for projects that have not yet been approved?
- iii. Because the Non-Potable Water project only benefits private corporations and entities outside of Pasadena, the burden should not be on private residents to pay for the new water distribution infrastructure by increasing their water rates. The City Council should reject the proposed rate hike on this premise alone.
- iv. The main purpose of the Non-Potable Water project is to provide additional revenue to PWP. Where in the budget analysis does PWP present how much money they are expecting to generate from this project? And will the benefits be shared with the residents in the form of a water rate reduction? If not, then won't the additional revenue generated by the Non-Potable Water Project compensate for the reduction in revenue from water conservation, thus negating the need for a water rate increase? I request full disclosure on the costs and revenue associated with the Non-Potable Water Project, before any water rate hike is allowed.

Thank you very much for considering my comments, and I look forward to hearing your responses during the City Council hearing.

Best Regards

Dr. Marie Levine

Linnea McPherson Warren  
3497 Yorkshire Rd.  
Pasadena, CA 91107

January 11, 2016

Pasadena City Council, c/o  
Office of the City Clerk  
100 N. Garfield Ave., Room S228  
Pasadena, CA 91109

Re: Implementation of the Water System CIC formula

Ladies and Gentlemen,

I am writing to protest Pasadena Water and Power's most recent proposed water rate increase, this time to the Capital Improvement Charge.

My first question is why is it needed? The fact that revenues have gone down due to reduced water sales resulting from an emergency conservation order isn't enough of an explanation. Though it's always a good idea to use water frugally, the extraordinary water restrictions imposed by Governor Brown last year expire in February 2016 and we don't yet know whether they will be extended or on what terms. He issued a follow-up order in November providing that "if drought conditions persist through January 2016, the Water Board shall extend" urban water use restrictions until October 31, 2016, but the comment period just closed and no decision is expected until the beginning of February. Meanwhile, El Nino has arrived and we've started to get some rain. So you are pushing through a *permanent* rate increase based on what may turn out to be a short-term reduction in revenues.

Second, why are you holding this hearing before all the relevant data has been made available? As of today, PWP's 2015 Annual Report still has not been posted online, despite the fact that its fiscal year ended more than six months ago. (How can it possibly take you so long to prepare? Public companies manage in less than half that time.) So we don't know what CIC revenue was during PWP's fiscal year ending June 30, 2015, let alone how much it has gone down since the state-wide cutbacks on urban water use went into effect on June 1, 2015.

Third, why are you increasing the CIC now, when PWP's water fund is getting back \$7.2 million from Pasadena under a lawsuit settlement that was quietly agreed to in late 2014? That should help make up for any CIC revenues you've lost since last June. Don't insult our intelligence by claiming this big increase is needed because of deferred maintenance

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in the water system; you were the ones who siphoned away money paid to PWP for water service and gave it to the City Treasury, a practice that has been forbidden under the California Constitution since Prop 218 was passed almost twenty years ago.

Fourth, as you have been asked before, how can you possibly charge nonresident water customers 35% more than residents in light of Prop 218's requirements? You are clearly aware of them; here is a nice summary that PWP included in an Agenda Report prepared for Pasadena's then-Mayor and City Council on April 16, 2012:

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 reason PWP is getting \$7.2 million back from Pasadena is you violated item (4) on the above list. The reason Pasadena is currently defending itself against a class action filed by the Howard Jarvis Taxpayers Association, which put Prop 218 on the ballot, is the 25% surcharge PWP imposes on Area B customers' commodity rates violates items (1) and (2) above. And the reason that 35% surcharge on Area B's CIC is illegitimate is the same -- it violates items (1) and (2) above.

Not only is it illegal, that 35% surcharge is illogical; what kind of cost varies by a set percentage? The only thing that comes to mind is taxes, which aren't involved here. It's also unfair; the more Area A's CIC increases, the more Area B's diverges from reality.

I therefore oppose the proposed increase to PWP's Capital Improvement Charge as described in the Notice of Public Hearing you distributed last month. It is not yet clear whether the total amount being requested from water customers is appropriate or necessary, but it *is* clear that the 35% surcharge for Area B is unwarranted and illegal.

Yours truly,



Linnea McPherson Warren

750 Coniston Road  
Pasadena, CA 91103  
(Bill Address)

STATIONED  
PASADENA, CA 91103

Office of the City Clerk  
100 N. Garfield Ave.  
Room S228  
Pasadena, CA 91109

**SUBJECT: Implementation of the Water System CIC formula**

The proposal outlined in the Notice of Public Hearing for January 11, 2016 is extremely unsophisticated—is this a JOKE? On the basis of this inadequate document alone, the proposed rate increase should not be approved.

This document requests a water rate increase in order to reach a targeted revenue increase of \$10.5 million each year for TWO YEARS, a total of \$21 million. Meanwhile, this amount is supposed to offset reduced revenue of only around \$2 million per year, presumably a total of \$4 million for the period. What is the justification for such a large revenue and consequent rate increases? No detail or even much of a summary is provided. How is the additional revenue going to be spent? Stating that this will pay for a list of 4 vague Capital Improvements is not enough justification. Why should the citizens of Pasadena, who will be paying the increased rates, approve of this blind process?

The Recommended FY 2016 Capital Improvement Water System Improvements approved by the City Council in April 2015 amounted to less than \$7.7 million (per page 4, Exhibit B, "City Manager's Recommended FY 2016-2020 Capital Improvement Program"). The expenditures listed are supposed to be funded from the "Water Fund", "Aid to Construction (Water)" and "Proposition 84". Have some of these revenue sources also disappeared? Even so, what has come in as revenue should still cover the less than \$8 million which was approved for Capital Improvement expenditure in FY2016.

How does the City go from proposing a 70.94-percent increase in ALL CIC rates (per Table 1) to increased bills of NO MORE THAN 11-percent presented in Table 2? Rather than magic, I would like to see the formula used to calculate the bill amounts. How realistic are the "Sample" Bill Impacts presented in Table 2? These figures could easily be imaginary numbers since no documentation or background is presented.

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Interesting enough, in the same time frame, I found a copy of a similar proposal made by the San Dieguito Water District which serves Encinitas, CA, a city half the population size of Pasadena and only incorporated in 1986. There are several noticeable differences in the Public Hearing notices.

- 1) This other proposal provides justification for the rate increases.
- 2) This other proposal adequately provides several formulas to calculate the rate increases AND the bill increases.
- 3) This other district has tiered billing which rewards low-use customers and essentially penalizes high-use customers.
- 4) The highest proposed water rate for FY2016 is only 40% higher and 49% higher for FY 2017 .
- 5) Rather than rely on sample bill increases, a formula is provided which allows customers to use their own historical usage to determine what their future bills may amount to.
- 6) Since the drought is not anticipated to be a factor every year, special Drought Rates and possible increases are presented. This anticipates the need to charge at increased rates beyond only two years, (per the Pasadena proposal) .

I highly suggest that the City review the process which is being proposed and NOT approve it in its current form. Something which is more "visionary" and attempts to anticipate possible future conditions should be adopted. What is being proposed in the January 11 hearing document is only a reactionary response to what could be a complicated and on-going problem.

Sincerely,



Avis Kawahara

Cc: Councilman Tyron Hampton



**SAN DIEGUITO WATER DISTRICT**  
**160 CALLE MAGDALENA**  
**ENCINITAS, CA 92024**

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## **IMPORTANT INFORMATION ABOUT YOUR WATER SERVICE RATES AND CHARGES**

### **SAN DIEGUITO WATER DISTRICT Proposition 218 Notice Notice of Public Hearing on Proposed Water Rates and Charges**

**NOTICE IS HEREBY GIVEN** pursuant to Article XIID of the California Constitution (Proposition 218) that the San Dieguito Water District (District) will hold a Public Hearing to consider proposed increases to rates for its water service charges to the parcel for which you are shown as the property owner or water customer of record. The hearing will be held:

**Date & Time:** January 20, 2016 @ 5:00 PM  
**Location:** City of Encinitas Council Chambers  
505 South Vulcan Avenue  
Encinitas, CA 92024

This notice describes: 1) how you can find additional information about the proposed increases; 2) the reasons for the proposed increases; 3) how the proposed rates were calculated; 4) the amount of the proposed rates and charges for the District's water service; 5) how to calculate your water bill; 6) drought rates; and 7) how to file a protest against the proposed rate increases.

#### **How You Can Find Additional Information about the Proposed Increases**

Copies of the Water Rate Study further detailing the bases and reasons for the proposed rate increases are available for public review at the following locations:

<b>In Person:</b>	San Dieguito Water District (Main Office) 160 Calle Magdalena Encinitas, CA 92024	City of Encinitas (City Clerk's Office) 505 South Vulcan Avenue Encinitas, CA 92024
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**Online:** [www.sdwd.org](http://www.sdwd.org)

If you have any questions regarding this notice or the proposed water rates and charges, please call (760) 633-2658.

## Reasons for the Proposed Increases

The proposed water rate and service charge increases are required to fund the rising costs of water purchases, operation and maintenance of the water system, planned capital improvement projects necessary to ensure safe and reliable drinking water, and to maintain adequate reserves to cover the projected costs and obligations of the District. The main factors driving the need to increase the District's water rates and service charges are described in more detail below:

- 1) Increased reliance on imported water: When available, the District's local water supply at Lake Hodges provides the District with raw water at a cheaper cost than purchasing water from our imported water wholesaler, the San Diego County Water Authority (SDCWA). In recent years, due to current drought conditions, the District has seen a substantial reduction in local water availability, resulting in the District having to purchase a majority of its water from SDCWA at a higher cost.
- 2) Wholesale water rate and charge increases: SDCWA regularly updates its commodity costs and fixed charges to ensure fiscal sustainability. In addition to regular increases in costs, SDCWA is also now incorporating costs for the construction and operation of the regional desalination plant into its costs and charges. As a result, the District is projecting a 31% increase in commodity costs from Calendar Year (CY) 2012 to 2017 and a 41% increase in fixed charges over the same period.
- 3) State-wide drought impacts: In 2015, the State enacted regulations requiring that water agencies reduce their water demand compared to 2013 baseline levels, with the District's reduction target being set at 28%. It is anticipated that beyond the short-term impacts of the drought, the District will see a "new normal" of reduced water demand moving forward as a result of water conservation and public awareness efforts. This study is projecting a 10% reduction in water sales from 2013 baseline levels.
- 4) Capital Improvement Program (CIP) funding: A properly maintained CIP guided by master planning documents is an important part of ensuring the District delivers a safe and reliable product to its customers, as well as avoiding emergencies and more costly deferred maintenance. District projects include valve and pipeline replacements, water meter replacements and various studies. Joint Facilities projects include improvements to the R.E. Badger Water Filtration Plant, San Dieguito Reservoir and associated infrastructure.
- 5) CalPERS Unfunded Accrued Liability (UAL) payments: In 2014, CalPERS provided the District with its initial UAL valuation as part of their shared risk pool. The District's current valuation is approximately \$4.6 Million. CalPERS is allowing agencies a maximum of 30 years to pay off the liability and has recommended an amortization over those 30 years which reflects gradually increasing payments that average approximately \$417,000 annually, burdened with 7.5% interest.

## How the Proposed Rates are Calculated

The District last increased water rates and service charges on July 1, 2014. The District's water rates and service charges are evaluated periodically to maintain an adequate rate and charge structure sufficient to recover the costs of providing water service. A Water Rate Study, covering Calendar Years 2016 and 2017 has been prepared based upon industry standard cost of service principles. Under this approach, there is a direct connection between the cost of providing water service and the end charge applied to the user. Actual water rates and service charges may vary between classes of users depending upon the specific demands placed on the system by that user class.

The District's potable rate structure is comprised of two main components: a fixed bi-monthly meter service charge (Service Charge) and a variable water usage rate (Water Rate). The District structures its rates with the intention of receiving approximately 25% of its rate and charge revenue from Service Charges and 75% of its rate and charge revenue from Water Rates, a typical industry standard.

The Service Charge is a fixed charge established on the basis of the size of meter serving a property and is calculated to recover a portion of the District's fixed costs, such as billing, customer service, meter reading and meter maintenance. The Water Rate is calculated on the basis of the cost of providing water to specific user classes and tiers (when applicable) and includes components related to supply costs, delivery costs, peaking factors, conservation costs and revenue offsets.

The District's residential Water Rates consist of four tiers that impose higher rates as the level of consumption increases due to the increased demands placed on the water system by high water users. The Water Rates for non-residential customers are set as a flat (uniform) rate for all levels of consumption.

Certain customers who require a separate fire meter or fire line used to serve fire sprinklers are required to pay a fixed bi-monthly fire service charge (Fire Line / Fire Meter Service Charge). The Fire Line / Fire Meter Service Charge is a fixed charge established on the basis of the dedicated fire meter or fire line size serving the property and is calculated to recover costs related to the billing, customer service, meter reading (when applicable) and maintenance of the fire meters and fire lines.

While not included in this Study, the District also bills all potable water customers a charge for the SDCWA Infrastructure Access Charge (IAC). The IAC is a fixed pass-through charge established on the basis of the size of the meter serving the property. The IAC is updated by SDCWA every Calendar Year on January 1, with the District updating the IAC pass-through charge accordingly on that date. SDCWA is not proposing an increase to the IAC on January 1, 2016.

While not directly calculated in this Study, recycled water rates and service charges are indirectly impacted by the proposed Water Rates and Service Charges. Recycled service charges are set at the same charge as potable service charges based upon the size of the meter serving the property; however, they are pro-rated on a monthly basis due to the District billing recycled water customers monthly instead of bi-monthly. Recycled water rates will continue to be set at 85% of the corresponding potable water rates.

## Proposed Water Rates and Service Charges

Proposed Bi-Monthly Water Meter Service Charges			
Meter Size	Current Charge	Effective 02/01/16	Effective 01/01/17
5/8"	\$35.05	\$37.39	\$39.82
3/4"	\$35.05	\$37.39	\$39.82
1"	\$55.73	\$55.05	\$58.63
1.5"	\$107.45	\$98.82	\$105.24
2"	\$169.50	\$151.55	\$161.40
3"	\$314.30	\$274.67	\$292.52
4"	\$521.14	\$450.52	\$479.81
6"	\$1,038.27	\$889.76	\$947.59
8"	\$1,658.82	\$1,417.05	\$1,509.16

Proposed Bi-Monthly Fire Line / Fire Meter Service Charges			
Meter Size	Current Charge	Effective 02/01/16	Effective 01/01/17
5/8"	N/A	N/A	N/A
3/4"	\$7.37	\$7.95	\$8.47
1"	\$7.37	\$7.95	\$8.47
1.5"	\$13.74	\$8.97	\$9.55
2"	\$24.72	\$15.63	\$16.65
3"	\$64.17	\$39.55	\$42.12
4"	\$132.20	\$80.79	\$86.04
6"	\$376.37	\$228.82	\$243.69
8"	\$797.51	\$484.14	\$515.61

SDCWA Infrastructure Access Charges			
Meter Size	Current Charge	Effective 02/01/16	Effective 01/01/17
5/8"	\$5.52	\$5.52	TBD
3/4"	\$5.52	\$5.52	TBD
1"	\$8.83	\$8.83	TBD
1.5"	\$16.56	\$16.56	TBD
2"	\$28.70	\$28.70	TBD
3"	\$52.99	\$52.99	TBD
4"	\$90.52	\$90.52	TBD
6"	\$165.60	\$165.60	TBD
8"	\$287.04	\$287.04	TBD

### Proposed Residential and Non-Residential Metered Water Rates Per Hundred Cubic Foot (HCF) of Water (1 HCF = 748 Gallons)

Customer Class	Tier	Block	Current Rate	Effective 02/01/16	Effective 01/01/17
Single-Family Residential	Tier I	0-12	\$2.63	\$2.64	\$2.81
	Tier II	13-20	\$3.93	\$4.19	\$4.46
	Tier III	21-40	\$4.64	\$5.18	\$5.51
	Tier IV	41+	\$5.87	\$5.89	\$6.28
SFR -w- Agriculture *	Tier IV	41+	\$3.27	\$5.18	\$5.51
SFR -w- Commercial *	Tier IV	41+	\$3.69	\$5.18	\$5.51
Multi-Family Residential	Tier I	0-8	\$2.63	\$2.64	\$2.81
	Tier II	8-12	\$3.93	\$4.19	\$4.46
	Tier III	13-16	\$4.64	\$5.18	\$5.51
	Tier IV	17+	\$5.87	\$5.89	\$6.28
MFR -w- Agriculture *	Tier IV	17+	\$3.27	\$5.18	\$5.51
MFR -w- Commercial *	Tier IV	17+	\$3.69	\$5.18	\$5.51
Agriculture	Uniform		\$3.27	\$4.48	\$4.78
Commercial	Uniform		\$3.69	\$4.48	\$4.78
Public	Uniform		\$3.69	\$4.91	\$5.23
Government	Uniform		\$3.69	\$4.91	\$5.23
Landscaping	Uniform		\$4.64	\$5.17	\$5.51
Construction	Uniform		\$4.64	\$5.26	\$5.61
Recycled Water	Uniform		Billed at 85% of corresponding potable customer class rate		

\*SFR and MFR customers with qualifying agriculture or commercial uses pay the same respective SFR and MFR rates in Tiers I, II and III and then revert to a "hybrid" Tier IV rate for these mixed-use applications.

### How to Calculate your Water Bill

Calculating your water bill under the new Water Rates and Service Charges consists of adding up the costs for fixed charges and the costs for metered water consumed. The Single-Family Residential Example assumes a customer with a 3/4" water meter, a 1" fire meter and 26 bi-monthly units of consumption. The Agriculture Example assumes a customer with a 2" water meter and 190 units of bi-monthly consumption.

02/01/16 Rates	Water Meter Service Charge		Fire Line / Meter Service Charge		SDCWA Infrastructure Access Charge		Metered Water Consumed		Total Bill
Formula	Based upon meter size	+	Based upon meter size (not applicable to all accounts)	+	Based upon meter size	+	Bi-monthly consumption x water rate	=	Total Bill
Single-Family Residential Example	3/4" Water Meter \$37.39	+	1" Fire Meter \$7.95	+	3/4" Water Meter \$5.52	+	26 Units (Tiered) 12 x \$2.64 = \$31.68 8 x \$4.19 = \$33.52 6 x \$5.18 = \$31.08	=	\$147.14
Agriculture Example	2" Water Meter \$151.55	+	No Fire Line / Meter \$0.00	+	2" Water Meter \$28.70	+	190 Units (Uniform) 190 x \$4.48 = \$851.20	=	\$1,031.45

## Drought Rates

Drought Rates are established to ensure the District receives sufficient revenues to cover its cost of providing water service when consumption decreases due to the implementation of water-use reductions during a water shortage. Drought Rates are established in blocks of 10% reductions and may be pro-rated if the mandatory water-use reduction falls between two reduction blocks. In the event of declared mandatory water-use reductions, Drought Rates with the surcharges applied to metered water rates as set forth in the table below may be implemented by the District:

Reduction Target	10% Reduction	14% Reduction (current)	20% Reduction	30% Reduction	40% Reduction	50% Reduction
Surcharge applied to metered water rate	10.3%	15.4%	23.0%	41.5%	63.4%	91.7%

Drought rates only affect potable metered water rates and do not affect service charges or recycled meter water rates.

Currently, the District is operating under a Drought Rate associated with a 14% reduction in water-use, as implemented by the District Board of Directors on May 20, 2015. This Drought Rate will remain in effect until the Board of Directors takes action to either modify it or remove it completely.

As it is not anticipated that the Board of Directors will modify or remove the current Drought Rates by the February 1, 2016 effective date of the new metered water rates, the table to the right reflects the new rates as they will be under Drought Rates associated with a 14% reduction in water-use.

If the Board of Directors does modify Drought Rates between the printing of this notice and the February 1, 2016 effective date, additional information will be made available to customers and the public on the District's website and by other means.

Drought Rates Associated with a 14% Reduction in Water-Use (Effective 02/01/16) Per Hundred Cubic Foot (HCF) of Water (1 HCF = 748 Gallons)			
Customer Class	Tier	Block	Effective 02/01/16
Single-Family Residential	Tier I	0-12	\$3.05
	Tier II	13-20	\$4.83
	Tier III	21-40	\$5.98
	Tier IV	41 +	\$6.80
SFR -w- Agriculture	Tier IV	41 +	\$5.98
SFR -w- Commercial	Tier IV	41 +	\$5.98
Multi-Family Residential	Tier I	0-8	\$3.05
	Tier II	8-12	\$4.83
	Tier III	13-16	\$5.98
	Tier IV	17+	\$6.80
MFR -w- Agriculture	Tier IV	17+	\$5.98
MFR -w- Commercial	Tier IV	17+	\$5.98
Agriculture	Uniform		\$5.17
Commercial	Uniform		\$5.17
Public	Uniform		\$5.66
Government	Uniform		\$5.66
Landscaping	Uniform		\$5.97
Construction	Uniform		\$6.08

## How to File a Written Protest Against the Proposed Water Rates

The purpose of the Public Hearing to be held January 20, 2016 is to consider all written protests against the proposed increases to the rates and charges. Any owner of a parcel upon which the proposed water service charges will be imposed and any tenant directly liable for the payment of the proposed water service charges (customer of record) may submit a written protest to the proposed rate increases; however, only one written protest will be counted per identified parcel. Each protest must: 1) be in writing; 2) state that the identified owner or customer is in opposition to the proposed increases to the rates and charges; 3) provide the location of the identified parcel by assessor's parcel number or street address; and 4) include the original signature of the owner or customer submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted.

Written protests may be mailed or submitted to the District Secretary in a sealed envelope addressed to San Dieguito Water District, 160 Calle Magdalena, Encinitas, CA 92024, or in person at the Public Hearing, so long as they are received prior to the conclusion of the public comment portion of the Public Hearing. Please identify on the front of the envelope of any protest (whether mailed or submitted in person to the District Secretary) that the enclosed letter is for the Public Hearing on the Proposed Increase to Water Rates and Charges.

At the conclusion of the Public Hearing, the District Board will consider adoption of the proposed increases to the rates and charges. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the Public Hearing, written protests against the proposed increases to the rates and charges as outlined above are presented by a majority of the owners and customers of record, the increases will not be imposed. If adopted, the increases to the rates and charges will be effective for bills dated on or after February 1, 2016 and January 1, 2017, respectively.

2085 Pinecrest Dr. Altadena, CA 91001 | |

**January 7, 2016**

Pasadena City Council  
C/O Office of the City Clerk  
100 N. Garfield Ave. Room S228  
Pasadena, CA 91109

RE: Public Comment on implementation  
of the formula to the water system  
Capital Improvements Charge (CIC)

**Dear City Council:**

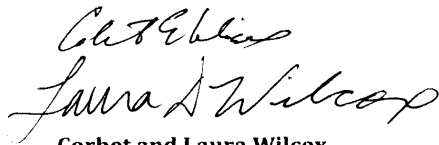
We are against the proposed rate increase to the Water System CIC.

We feel that the drought is temporary and that you will soon be getting the revenue you have become accustomed to. We have personally had to tighten our belts because of the ongoing recession and think that the Water Department should have to do the same. Also, we have been saving water as asked and do not think it is right to be rewarded with an increase in fees.

What's more is that we residents in Altadena are already paying a higher rate for water than Pasadena residents, which is forbidden by law. That issue needs to be corrected immediately and the City of Pasadena should be refunding us for the years of overcharging.

Why don't you contact Governor Brown and tell him to stop building that stupid train and instead spend put funds towards state water projects that make severe water reductions due to our well-documented 4 year cyclical droughts less likely.

**Sincerely,**

  
Corbet and Laura Wilcox

**Corbet and Laura Wilcox**

**01/11/2016  
Item 12**



1819 Craig Ave.  
Altadena, CA 91001  
5 January 2016

City of Pasadena  
Office of the City Clerk  
100 N. Garfield Ave. Rm S228  
Pasadena, CA 91109

re. Implementation of the Water System CIC formula

Dear PWP Manager:

I believe the CIC formula is fundamentally flawed and object to its implementation. One reason is that every PWP customer has an equal interest in the integrity and reliability of the water system, independent of the amount of water they draw from the system. Therefore, the costs of maintaining the system should properly be assessed on the basic connection service and not on the quantity of water delivered. There are other water systems in California who take this approach, and the PUC seems to be moving in this direction for electric utilities (LA Times, Business, 16 Dec. 2015). Another reason is that new connections to a water system which has been enforcing usage reductions for many years, should consider those connections great privileges and expect to pay appropriately for them. Such new connection fees for the hundreds of new connections each year should cover the great majority of the CIC costs. This second reason is not applicable to those water systems who place meaningful restrictions on the number of new connections permitted.

As a member of the class participating in a law suit against PWP for years of over charging, I will also request that water rate increases for the members of this class be deferred until the suit is settled.

Sincerely,

  
Rick Keaton

01/11/2016  
Item 12