

# Agenda Report

August 27, 2018

**TO:** Honorable Mayor and City Council  
**FROM:** City Manager  
**SUBJECT: CONDUCT PUBLIC HEARING AND FIRST READING OF AN ORDINANCE TO GRANT A FRANCHISE TO SOUTHERN CALIFORNIA GAS COMPANY**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed ordinance is not a project subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Sections 15060 (c)(2), 15060 (c)(3), and 15378, and that the proposed action is exempt from CEQA pursuant to State CEQA Guidelines Section 15061 (b)(3); and
2. Following a public hearing, conduct first reading of an ordinance to grant a franchise to Southern California Gas Company.

## **BACKGROUND:**

In 1988, City entered into a 30-year franchise agreement with Southern California Gas Company (SoCal Gas) which was retroactive to August 1987. Ordinance No. 6262, as shown in Attachment A, was adopted by City Council on June 13, 1988. The franchise expired on August 18, 2017. On July 13, 2018, SoCal Gas filed an application to pursue a franchise with the City in accordance with Section 6261 of the California Public Utilities Code, as shown in Attachment B. The term of the proposed franchise will be 20 years, which is in conformance with Pasadena City Charter, Article XI – “Franchises” and will be retroactive to August 19, 2017.

The economic provisions set forth in the proposed franchise agreement will identify the franchise fees to be paid to the City. The fee will continue to be set at two percent of the total gross revenues generated by SoCal Gas and will be paid to the City on a quarterly basis. Under the Franchise Act of 1937, the standard rate for charter cities was set at two percent and the rate for City of Pasadena has remained in line with that. Most charter cities are collecting no more than two percent, which is the legal limit set

by the California Public Utility Commission. The total franchise fees collected were approximately \$715,000 in FY 2016, \$772,000 in FY 2017, and \$617,000 through three quarters in FY 2018.

In addition, the proposed franchise will include specific technical requirements of SoCal Gas regarding the construction, abandonment, and removal of gas facilities located in public streets. These provisions will require SoCal Gas to closely coordinate construction activities with the Pasadena Department of Public Works under valid utility permits.

The franchise, if adopted, will give permission to SoCal Gas to operate within the city limits of Pasadena and to construct, maintain, and repair any gas facilities in and along all public streets for the purpose of conducting its utility business. Adoption of the Ordinance will provide permitting requirements enforced by the Department of Public Works, and will generate revenue through franchise fees that will be monitored by the Department of Finance. The proposed Ordinance also provides the City with the right to audit SoCal Gas records as necessary to assure the City is receiving all monies due under the Franchise Agreement.

**COUNCIL POLICY CONSIDERATION:**

The proposed franchise is consistent with the Council's goals to maintain fiscal responsibility and stability; to improve, maintain and enhance public facilities and infrastructure; to support and promote the quality of life and local economy; and to ensure public safety.

**ENVIRONMENTAL ANALYSIS:**

The proposed Ordinance is not a project subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Sections 15060 (c)(2), 15060 (c)(3), and 15378, and that the proposed action is exempt from CEQA pursuant to State CEQA Guidelines Section 15061 (b)(3), the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment.

**FISCAL IMPACT:**

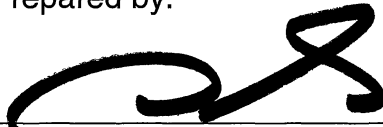
The proposed Ordinance would provide significant revenue per year to the City during the term of franchise agreement. These funds will be credited toward the City's General Fund.

Respectfully submitted,



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STEVE MERMELL  
City Manager

Prepared by:



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ARA MALOYAN, P.E.  
Director of Public Works

Concurred by:



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MATTHEW E. HAWKESWORTH  
Director of Finance

Reviewed by:



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BRAD L. FULLER  
Assistant City Attorney

Attachment A – Ordinance No. 6262  
Attachment B – SoCal Gas Application for an Ordinance