

Agenda Report

To: City Council **Date:** June 4, 2007
From: City Manager
Subject: **Recommendation to Conduct a Public Hearing on July 30, 2007 on Increase to Citywide Water Capital Improvement Charge (CIC)**

Recommendation:

It is recommended that the City Council conduct a Public Hearing on July 30, 2007 to consider public comment related to adoption of an increase to the Citywide Water Capital Improvement Charge (CIC) approved in correlation with adoption of the 2008 Water Capital Improvement Program (CIP.)

Background:

In 2002, the City Council adopted the Water Distribution System Master Plan, a long term, \$230 million capital improvement plan for the City's water system infrastructure. The water rate ordinance was amended to include a rate component called the Capital Improvement Charge to assist with funding the capital projects included in the Master Plan. The rate ordinance provides for an automatic adjustment of the CIC correlated to the adoption of the annual CIP. On April 30, 2007, the City Council approved the 2008 CIP for the City, including the Water and Power sections. Approval of the 2008 CIP automatically triggered the CIC increase to fund the related water fund projects.

Pending the outcome of the proposed public hearing, the CIC is scheduled to increase approximately 5%, or \$0.12 per billing unit from \$0.54 to \$0.66 per billing unit effective August 1, 2007. A billing unit is one hundred cubic feet or 748 gallons. The monthly impact to an average residential customer using 20 billing units per month would be approximately \$2.10.

In November 1996, California voters approved Proposition 218. In general, the intent of Proposition 218 is to ensure that all taxes and most charges to property owners are subject to voter approval. In addition, Proposition 218 is intended to further limit the use of assessments and property-related fees to pay for general governmental services rather than property-related services.

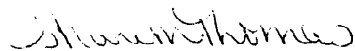
In July 2006, the California Supreme Court ruled that water rates are considered property-related fees as defined in Proposition 218. This ruling requires that water rate increases are subject to specific notification and public hearing requirements. As a result, the rate increase approved by the City Council on April 30th is now subject to Proposition 218 requirements.

All ratepayers served by the Department of Water and Power and all City of Pasadena property owners will receive written notice no less than 45 days prior to July 30th regarding the opportunity to provide comment and attend a public hearing regarding the CIC increase. A protest by a majority of ratepayers and property owners would not allow the implementation of the approved CIC rate increase in accordance with Proposition 218, thereby requiring a revision of the Water Fund CIP.

Fiscal Impact:

The estimated cost to mail notices to all City of Pasadena ratepayers and property owners as mandated by Proposition 218 is \$45,000 to \$50,000. Funds are available in the Water and Power Department Customer Service division, account #8144-402-833500-0774. In addition, if the approved CIC rate increase is not implemented as a result of the outcome of the public hearing, the incremental CIC revenue will not be available for the Water Fund CIP.

Prepared by:



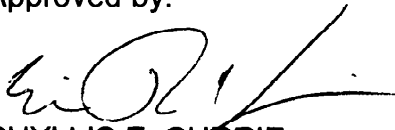
SHARI M. THOMAS
Business Unit Director
Water and Power Department

Respectfully submitted:



CYNTHIA J. KURTZ
City Manager

Approved by:



PHYLLIS E. CURRIE
General Manager
Water and Power Department