

# Agenda Report

**TO:** CITY COUNCIL

**DATE:** December 10, 2007

**THROUGH:** FINANCE COMMITTEE (October 8, 2007)

**FROM:** CITY MANAGER

**SUBJECT:** PUBLIC HEARING: AMENDMENT TO THE SCHEDULE OF TAXES, FEES AND CHARGES TO INCREASE THE SEWER USE CHARGE AND AMENDMENT TO THE OPERATING BUDGET TO INCLUDE FOUR NEW STAFF POSITIONS AND RELATED EQUIPMENT

## RECOMMENDATIONS

It is recommended that the City Council following the public hearing:

1. Find this increase is not subject to CEQA pursuant to State CEQA Guidelines Section 15378 (b) (4) (definition of project excludes government fiscal activities which do not involve any commitment to any specific project);
2. Approve a resolution amending the Schedule of Taxes, Fees and Charges to increase the Sewer Use Charge by twenty percent in FY 08, ten percent in FY 2009, and a final ten percent in FY 2010 except if there is a majority written protest against the increase;
3. Amend the FY 2008 Department of Public Works' Operating Budget (budget account 764320) to add three Public Works Maintenance Worker II positions, one Public Works Maintenance Worker III position, a sewer televising truck and appurtenant equipment, and a sewer cleaning hydro combo unit; and
4. Approve a journal voucher appropriating \$848,835 from the unencumbered fund balance of the Sewer Construction and Maintenance Fund to Budget Account 764320 for the increase in staff and equipment listed above.

## EXECUTIVE SUMMARY

The Master Sewer Plan (MSP) was prepared to ensure that Pasadena's sewer system has the capability to provide reliable sewer service for current and future needs. The Master Sewer Plan evaluates the system for hydraulic capacity, provides

recommendations for operational and maintenance practices, evaluates replacement needs of aging and aged facilities, and makes recommendations to ensure financial solvency.

The City Council adopted sections one through six of the Master Sewer Plan on January 22, 2007 contingent on the future approval of a financial plan. Adoption of the financial recommendations in the Master Sewer Plan and adoption of the elements of the Implementation Plan will help ensure there are adequate funds to maintain a high degree of reliability and operability of the sewer system. Major financial elements of the implementation plan include the establishment of a new Sewer Facilities Charge and an increase in the Sewer Use Charge.

## **BACKGROUND**

The MSP concludes that the current City sewer system is generally operating within safe levels under dry or non-rainy conditions. However, the analysis of the system discloses storm water infiltration problems. Due to rainwater infiltration into the sewer, there are reaches of the sewer operating outside of acceptable limits under wet or rainy conditions.

Section seven of the Master Sewer Plan recommended an increase to the Sewer Use Fee to cover the costs of operating, maintaining, and improving the system. The City currently charges a Sewer Use Charge to all users of the system. This fee is a part of customers' utility bill. The fee amount is a function of water consumption. An assessment of the City's sewer expenditures and Sewer Use Charge revenues was performed as part of the MSP. The current fee generates about \$3.2 million a year in revenue. The MSP projects a need of approximately \$5.1 million per year to implement the recommended operational and capital expenditures. In addition, the fee pays for the improvement and operational needs identified in the State-mandated City's Sewer System Management Plan (SSMP).

The MSP recommends the Sewer Use Charge be increased by 60 percent to implement the plan. Staff, however, has reviewed this recommendation and determined that a 60 percent increase is not needed. The MSP assigns a useful life of 100 years for vitrified clay pipe (VCP), and 60 years for concrete pipe. Staff agrees with the useful life for concrete pipes, but based upon the completed video inspection of the City's sewer pipes, has determined that the VCP pipes have a useful life of more than 100 years. Approximately 89 percent of Pasadena's pipes are VCP. As a result, the rate of replacement will be less than what is predicted in the MSP. Staff has also determined many of the defects associated with aged pipes, such as corrosion of concrete pipes, root intrusion, and groundwater infiltration of VCP at the pipe joints, can be effectively treated without full replacement of the pipe. Therefore, staff recommends the Sewer Use Charge be increased by 40 percent over the next three years as follows: 20 percent in FY 2008 (effective 60 days after the adoption of this report); 10 percent in FY 2009; and the final 10 percent in FY 2010. The fees and costs to be charged do not exceed the reasonable estimated cost of providing the service for which the sewer fee is imposed. This would increase the fees as follows:

Description	Current FY2008	FY2008	FY2009	FY2010
\$/Hcf - homes within city limits	\$0.21	\$0.25	\$0.27	\$0.29
Maximum per year	\$98.28	\$117.94	\$127.76	\$137.59
\$/Hcf - homes beyond city limits	\$0.26	\$0.31	\$0.34	\$0.36
Minimum per month	\$8.15	\$9.78	\$10.60	\$11.41
\$/Hcf - all other sources	\$0.37	\$0.44	\$0.48	\$0.52
Percent Increase		20.00%	10.00%	10.00%

A 40 percent increase over three years in the Sewer Use Charge will generate sufficient additional revenue to fund the MSP recommendations with only slight modifications in the full pipe replacement program. Attachment 1 shows how the sewer use fee increase will support the recommendations in the MSP.

The Sewer Use Charge is subject to the procedural and substantive requirements of Proposition 218 which requires a written notice be sent by mail to each parcel owner and each customer upon which the fee will be imposed, and a public hearing be conducted not less than 45 days after mailing the notice. If written protests against the proposed fee are presented by a majority of parcel owners, the City may not impose the fee increase. If written protests against the fee increase are not presented by a majority of owners, the City may impose the fee increase. Voter approval at an election is not required to impose a fee for sewer fee collection.

### **Fee Comparison**

Pasadena's Sewer Use Charge has not been adjusted, with the exception of CPI, since 1990. A Sewer Use Charge survey from seven California cities is provided below. Staff's recommendation of a 40 percent increase over three years is in alignment with other cities' fee level.

#### Survey of Annual Sewer Use Fee As of July 2007

City	Single Family Annual Fee	Notes
City of Arcadia	\$44.22	
City of Los Angeles	\$54.89	An additional 7% increase approved for 7/1/08.
City of South Pasadena	\$55.92	

City of Glendale	\$72.10	
<b>City of Pasadena – FY 2008</b>	<b>\$98.28</b>	
<b>City of Pasadena – Proposed FY 2009</b>	<b>\$117.94</b>	
City of Sierra Madre	\$133.20	
City of Burbank	\$146.28	
City of Long Beach	\$156.48	Proposing a 16% increase 10/1/07; subject to Prop 218 public hearing and council adoption
Crescenta Valley Water District	\$210.00	
City of Santa Monica	\$281.98	

**Additional Staff and Equipment for Maintenance and Inspection of Sewer System**

Continued inspection, maintenance, and rehabilitation of the sewer system are required to extend the useful life of the wastewater infrastructure and prevent system failure. In order to accomplish the City’s routine pipeline cleaning and televising goal of a six to seven year inspection cycle, staff recommends the addition of the following positions:

- Three Public Works Maintenance Worker II positions
- One Public Works Maintenance Worker III position
- One sewer cleaning hydro combo unit
- One sewer televising truck

Two sewer maintenance crew members (two Public Works Maintenance Workers II positions) will operate the sewer easement machine and sewer cleaning hydro combo unit, and provide support for the three existing sewer cleaning crews. The additional resources will ensure the city pipes are cleaned once per year, and any pipes with special operational problems will be cleaned more frequently. The cleaning of some of the more challenging easement mains utilizes all current available sewer crews.

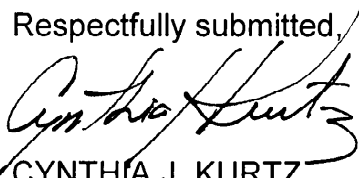
The State Water Resources Control Board requires agencies that operate wastewater collection systems adopt a Sewer System Management Plan (SSMP). The City is currently preparing a SSMP that is expected to be complete by the end of this calendar year. A mandatory element of the SSMP is regular televised inspection of the condition of the sewer pipes. The frequency of the regular inspection under the SSMP is expected to be five to seven years.

The MSP compared the cost of providing in-house regular sewer inspection versus the cost of contracting out the inspection and concluded that the in-house costs would be 43 percent lower than contracting costs. In-house inspection will result in a cost savings of about \$131,000 per year compared to contract costs. In addition, it is expected that City televising crews will be more responsive to troubleshoot problems; will be able to perform grease discharge compliance inspections; and can perform select evaluations of new sewer treatment strategies.

The MSP estimates that an in-house crew can inspect the entire sewer system on a 6.6 year frequency. This frequency assumes that an additional 300,000 feet of sewer will be televised annually due to special concerns. The inspection crew will consist of a lead person (Public Works Maintenance Worker III), and a crew member (Public Works Maintenance Worker II).

**FISCAL IMPACT**

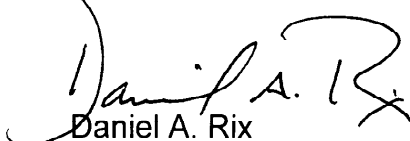
If approved, the 40 percent increase in the Sewer Use Fee over the next three years will generate an additional \$1.6 million by FY 2010 which will be available to improve the City's aging sewer system. The four new staff positions cost \$273,835 per year and the one-time equipment purchase in the amount of \$575,000. These will increase the FY 2008 Operating Budget in budget account 764320. The balance of the funds will be used for system improvements identified in the MSP.

Respectfully submitted,  
  
CYNTHIA J. KURTZ  
City Manager

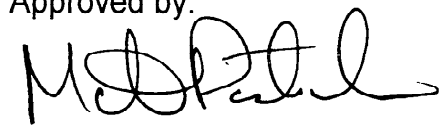
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