

# 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

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02/25/2008

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6.B. 7:30 P.M.

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.

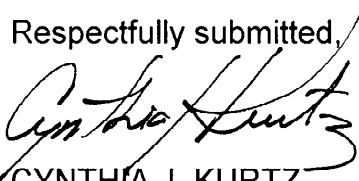
The State Water Resources Control Board requires agencies that operate wastewater collection systems adopt a Sewer System Management Plan (SSMP). The City is currently preparing a SSMP that is expected to be complete by the end of this calendar year. A mandatory element of the SSMP is regular televised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

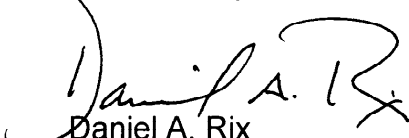
If approved, the 40 percent increase in the Sewer Use Fee over the next three years will generate an additional \$1.6 million by FY 2010 which will be available to improve the City's aging sewer system. The four new staff positions cost \$273,835 per year and the one-time equipment purchase in the amount 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

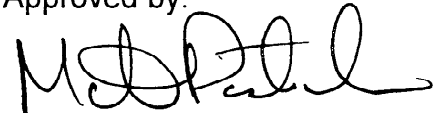
Prepared by:

  
Robert Gardner  
Principal Engineer

Reviewed by:

  
Daniel A. Rix  
City Engineer

Approved by:

  
Martin Pastucha, Director  
Department of Public Works

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA AMENDING THE SCHEDULE OF TAXES, FEES AND CHARGES REGARDING SEWER USE CHARGE LEVIED PURSUANT TO TITLE 4, SECTION 4.52 OF THE PASADENA MUNICIPAL CODE

WHEREAS, the City of Pasadena established a Sewer Use Charge (“fee”) consistent with the General Plan and Government Code Section 66477 through the adoption of Ordinance number 4829 in 1967; and,

WHEREAS, the purpose of this fee is to pay for operational and capital expenditures associated with maintaining and improving Pasadena’s sewer system and,

WHEREAS, in fiscal year 2007, a Master Sewer Plan was adopted by the City Council which evaluated the system for hydraulic capacity, provides recommendations for operational and maintenance practices, evaluates replacement of the aging and aged facilities and makes recommendations to ensure financial solvency; and

WHEREAS, the current fee generates approximately \$3.2 million a year in revenue and the Master Sewer Plan projects a need of approximately \$5.1 million per year to implement the recommended operational and capital expenditures; and

WHEREAS, the amended fees and costs to be charged will not exceed the reasonable estimated cost of providing the service for which the fee is imposed; and

WHEREAS, the Sewer Use Charge was subject to the procedural and substantive requirements of Proposition 218 which requires a written notice be mailed to each parcel owner and to the customer list 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 parcels, the City may not impose the fee increase; and

WHEREAS, a notice was mailed on or by October 22, 2007 to the parcel owners and to the customer list, giving parcel owners over 45 days to submit any written protest; and

WHEREAS, a public hearing was held on December 10, 2007 and written protest against the fee increase were not presented by a majority of the parcels which allow the City to impose the fee increase.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Pasadena that the Sewer Use Charge shall be implemented as follows:

Section 1. This fee shall be increased by 20 percent in FY 2008, 10 percent in FY 2009 and 10 percent in FY 2010.

Section 2. This fee shall take effect 60 days after the adoption of this resolution.

Adopted at the regular meeting of the City Council on the \_\_\_\_\_ day of \_\_\_\_\_, 2007, by the following vote:

AYES:


NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Jane Rodriguez  
City Clerk

APPROVED AS TO FORM:

 10/16/07

ASSI  
\_\_\_\_\_  
Nicholas Rodriguez  
Deputy City Attorney

FROM:  
MARIA E. TRONCOSO  
1354 RIDGEWAY  
PASADENA, CA. 91106

OCT. 29th, 2007

OFFICE OF THE CITY CLERK  
100 N. GARFIELD AVE  
ROOM 5 208  
PASADENA, CA. 91109

RECEIVED

'07 OCT 30 AM 8:44

CITY CLERK  
CITY OF PASADENA

RE: CITY OF PASADENA SEWER USE CHARGE INCREASE  
(HEARING DATE: 12.10.07, 7:30 P.M.,  
CITY HALL COUNCIL CHAMBERS)  
PUBLIC COMMENT

Dear City Council:

When the sewer use charge goes into effect  
on 2-8-08, can you see if, perhaps, some  
accommodation can be made for those who are:

- DISABLED
- ELDERLY
- HANDICAPPED
- BLIND
- POOR
- INFIRM
- UNEMPLOYED
- LIVING ON S.S. ONLY
- THE BEDRIDDEN/HOMEBOUND
- LIMITED INCOME

FOR WAIVER OF INCREASE, OR PART OF INCREASE;  
EXEMPTION; REDUCED RATE; SLIDING SCALE  
AFFORDABILITY?

MY. Assessor Parcel #: 5325-012-001

Thank You For Your Consideration,  
Very Sincerely,

Maria E. Troncoso

MARIA E. TRONCOSO  
(626) 440-1711



## Rodriguez, Jane

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**From:** Pastucha, Martin  
**Sent:** Monday, February 11, 2008 9:48 AM  
**To:** 'paul@pasadena-chamber.org'  
**Cc:** Melekian, Bernard; City\_Council; Rodriguez, Jane; Steve Mulheim; Erlinda Romo; gina tleel  
**Subject:** RE: Sewer rate increases

Good Morning Paul,

The City Manager and I will review your concerns this morning.

Martin

-----Original Message-----

**From:** paul@pasadena-chamber.org [mailto:paul@pasadena-chamber.org]  
**Sent:** Saturday, February 09, 2008 4:45 PM  
**To:** Pastucha, Martin  
**Cc:** Melekian, Bernard; City\_Council; Rodriguez, Jane; Steve Mulheim; Erlinda Romo; gina tleel  
**Subject:** RE: Sewer rate increases

Martin,

Thank you for responding.

I can appreciate your reaction to my request, however, I inquired of one of the other business association representatives as well as a couple of business owners I saw on Friday. Sewer rate increases totaling 40% were as much news to them as they were to me when I read the agenda report.

I understand about restaurant uses and manufacturing perhaps causing additional costs, but those businesses already pay for maintenance of grease traps and clean out of the system as they occur, at least that is my understanding.

Perhaps a true "cost of service study" of sewer rates would be warranted at this time prior to implementation of this rate increase.

I can also appreciate that it could be difficult to discern the "average business user charges" but there is no reason you couldn't compare particular businesses in certain classes to determine how much the increase will impact each.

For example, how much would the increase cost a car dealership? A grocery store? An average sized restaurant? An office complex? A retailer in Old Pasadena? A car repair shop? A high school? It would seem to me that, similar to what was done with electric rate increases to forestall impacts of deregulation, similar comparisons can be made for sewer increases. Likewise, a similar outreach effort could be made to ensure affected customers have the opportunity to learn of the proposal and express their thoughts. You and the Council might want to consider taking your 40% rate hike proposal to affected people, rather than expecting them to attend a public hearing.

I would still hope the City Council would defer this item with instruction for staff to outreach to affected business partners of the City to find out their reactions before taking an action of this import. I'm sure each of the business districts boards and the Chamber board would be willing to meet with you and your staff on this item. I would also hope the City might consider evaluating how rates are set and consider creating a formula that accurately reflects a user's impact and use of the sewer system. Perhaps a formula that factors in the size and length of sewer pipe necessary to reach each customer might be considered as well as simple water usage, that does not always relate to sewer usage.

Thanks again,

Paul Little

2/11/2008  
6.D. 7:30 P.M.

**Rodriguez, Jane**

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**From:** Pastucha, Martin  
**Sent:** Friday, February 08, 2008 5:34 PM  
**To:** 'Paul Little'  
**Cc:** Melekian, Bernard; City\_Council; Rodriguez, Jane; 'Steve Mulheim'; 'Erlinda Romo'; 'gina tleel'  
**Subject:** RE: Sewer rate increases

Good Afternoon Paul,

The City prepared a Notice of Public Hearing and sent out over 34,000 of them to all the rate payers in the city in October 2007, which included the business community. This notice indicated the time and place of the public hearing (December 10, 2007) and indicated that anyone interested may appear before the City Council to comment on the rates. It also invited anyone to submit a written protest as long as it was received prior to the public hearing. In addition, staff held a Community Meeting on November 28, 2007 at 6PM in the Villa Park Community Center in which we had one person show up. By December 10, 2007 the city had received only 2 letters of protest. The evening of December 10, 2007 the City Manager asked the City Council to continue the Public Hearing until February 11, 2007.

Regarding your question about the rate notice and comparison of the increase that is applied to all customers. The rates as structured are based solely on each unit of water used. We prepared the estimates of proposed increase for the two single family home rates, because they are the only two that have a maximum cost per year for sewer service. The third rate category on the notice indicated that it applied to "all other sources". It is very hard to prepare a comparison of the rate impact because of the disparity of uses within the city. The fees are not based on size of your sewer lateral pipes, and sewage flow is not metered, it is solely based on the amount of water you use. We could have indicated a level of use but it would have been meaningless to a business or other users unless they knew how much water they used in a month, at which point they could have calculated the impact on a given bill.

The rates are structured to represent a proportionate charge based upon the cost of service for the types of users. Residential cost are lower due to the concentration in the flows (shower and laundry water makes up the biggest volume of residential water and is relatively clean), and the spread of the flow (residential use is spread over several hours in morning and evening). The business and commercial users tend to have a higher concentration of materials in the water (grease and food debris from restaurants, grocery stores cleaning, and water used from manufacturing for clean-up). These uses require the city to perform quarterly cleaning of the sewer lines in these areas, as opposed to once every 1.25 years in the residential areas. They also tend to cause more wear and tear on the pipes over time. Because of the density of uses (peak flow at noon) in the business areas, pipe replacement and maintenance work is required to occur after hours and in the evenings in order to not disrupt the business operations or traffic to these users. These all translate to higher cost for the maintenance activities in these areas.

The City staff believes there has been substantial outreach and effort to notify all the customers of the upcoming rate increase. This is the first adjustment to the components of the sewer charge since 1990; all other adjustments that have occurred have been for CPI only. If there is a decision to continue the public hearing that is the discretion of the City Council.

I am sorry for getting this reply to you at the end of the day but I have been tied up in meeting until late this afternoon. If you have any question please send me an e-mail or call me at (626)744-4233.

Thank You,

Martin Pastucha  
Director of Public Works  
City of Pasadena  
(626) 744-4233

**From:** Paul Little [mailto:paul@pasadena-chamber.org]  
**Sent:** Friday, February 08, 2008 11:34 AM  
**To:** Pastucha, Martin  
**Cc:** Melekian, Bernard; City\_Council; Rodriguez, Jane; 'Steve Mulheim'; 'Erlinda Romo'; 'gina tleel'  
**Subject:** Sewer rate increases

Good morning.

I see that sewer rate increases are on the City Council agenda for Monday evening. I note that the rates seem to be increasing for every customer, yet the only comparison analysis and impact analysis is made for residential customers.

If rates are being increased across the board, it would seem appropriate to have the rate comparisons and impacts on business customers included in the report, as well. It might also be appropriate to take some time to communicate with business and commercial property owners before moving forward with a very high percentage rate increase.

Also, has there been any consideration given to restructuring rates so that the costs are borne more appropriately by those who most impact the system and whose service is most costly to provide?

Pending some outreach and informational meetings with Pasadena's business community, I would request that you hold this agenda item.

Thank you,

Paul

Paul Little  
CEO and President  
Pasadena Chamber of Commerce  
626-795-3355

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**Rodriguez, Jane**

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**From:** Marguerite Duncan-Abrams [mda@hmri.org]  
**Sent:** Friday, February 08, 2008 12:06 PM  
**To:** 'Paul Little'; Pastucha, Martin  
**Cc:** Melekian, Bernard; City\_Council; Rodriguez, Jane; 'Steve Mulheim'; 'Erlinda Romo'; 'gina tleel'  
**Subject:** RE: Sewer rate increases

Thank you for this information and taking the initiative. I will be interested to learn more.

Marguerite Duncan-Abrams  
Director of Development  
Huntington Medical Research Institutes  
734 South Fairmount Avenue  
Pasadena, CA 91105

[www.hmri.org](http://www.hmri.org)

626/ 397-5804  
626/ 397-5808 FAX  
626/ 676-5619 CELL

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**From:** Paul Little [mailto:paul@pasadena-chamber.org]  
**Sent:** Friday, February 08, 2008 11:34 AM  
**To:** mpastucha@cityofpasadena.net  
**Cc:** 'Melekian, Bernard'; city\_council@cityofpasadena.net; jrodriguez@cityofpasadena.net; 'Steve Mulheim'; 'Erlinda Romo'; 'gina tleel'  
**Subject:** Sewer rate increases

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Thank you,

Paul

2/11/2008  
6.D. 7:30 P.M.

Paul Little  
CEO and President  
Pasadena Chamber of Commerce  
626-795-3355

2/8/2008