

# Agenda Report

June 4, 2012

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (10/25/2011)

**FROM:** Water and Power Department

**SUBJECT: PUBLIC HEARING FOR THE PROPOSED AMENDMENTS TO THE WATER RATE ORDINANCE**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed amendments to the Water Rate Ordinance are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges);
2. Conduct a public hearing to receive public comment on the proposed Water Rate Ordinance amendments to:
  - (a) Replace the fixed charges and fees for lateral connections, fire hydrant installations and extensions, meter installations and/or examinations, and other such services which are set forth in the present Water Rate Ordinance with the actual costs of providing these services; and
  - (b) Amend various sections in Chapter 13.20 of the Water Rate Ordinance to improve the clarity of their wordings and/or consistency with other sections and legal requirements.
3. Direct the City Clerk or department representative to report on timely written protests received;
4. Close the public hearing; and
5. Direct the City Attorney to prepare an ordinance amending Chapter 13.20 of the Pasadena Municipal Code in accordance with the City Council's action on this matter.

**ADVISORY COMMISSION/BOARD/CITY COUNCIL COMMITTEE  
RECOMMENDATION:**

On October 25, 2011, the Municipal Services Committee supported staff's recommendation regarding the proposed amendments to the Water Rate Ordinance.

**EXECUTIVE SUMMARY:**

On April 16, 2012, the City Council established a date of June 4, 2012 to conduct a public hearing to receive public comment regarding the proposed amendments to the Water Rate Ordinance. Pursuant to the requirements of Proposition 218, a public notice was mailed on April 18, 2012 to all property owners and tenants of record regarding the proposed Water Rate Ordinance amendments. The notice included the date and time of the public hearing and the process by which written protests may be submitted (Attachment 1). Pasadena Water and Power (PWP) also posted the public notice and related information on its website.

One written protest per parcel, filed by an owner or tenant of the parcel, shall be counted in calculating a majority for purposes of Proposition 218. Receipt of written protests by a majority of property owners or rate payers would prevent the implementation of the proposed amendments.

**BACKGROUND:**

PWP is proposing to amend the Water Rate Ordinance to: (a) replace the fixed charges and fees for lateral connections, fire hydrant installations and extensions, meter installations and/or examinations, and other such services which are set forth in the present Chapter 13.20 of the Pasadena Municipal Code with the actual costs of providing these services; and (b) amend various sections of the Water Rate Ordinance to improve the clarity of the wordings and/or consistency with other sections and legal requirements.

PWP recently completed an analysis to determine the actual costs to provide water service installations for new domestic services, fire services, fire hydrants, meters, and other related services. Actual costs include labor, material, and equipment costs. The results of the analysis showed that the fixed charges currently set forth in the Water Rate Ordinance are insufficient to recover PWP's actual costs. The table in Attachment 2 illustrates the current fixed water service lateral charges compared to the actual cost of providing service. The aggregate amount of under-collection averages approximately \$400,000 per year based on fiscal 2009 through 2011 data (Attachment 3).

The proposed amendments are primarily related to water service installations requested by developers and customers, and will have no impact on the water distribution and commodity rates. Because customer-driven services may vary significantly in scope and resources, it is prudent to charge based on actual cost so that all costs are

recovered. The fixed charges for customer-driven water service installations have not changed since 2003. Adjustments to the water rates since that time have not included these customer-driven fixed charges.

**PROPOSITION 218 REQUIREMENTS:**

Proposition 218, as implemented by Government Code section 53755, allows one written protest per parcel, filed by an owner or tenant of the parcel, to be counted in calculating a majority of protests to the proposed amendments to the Water Rate Ordinance. If a majority of property owners and/or tenants file written protests, the amendments shall not be approved. Information related to the public hearing regarding adoption of the amendments proposed by PWP was included in the notice. Following the establishment of June 4, 2012 as the public hearing date to consider written and/or oral comment on the proposed Water Rate Ordinance amendments, notice was mailed on April 18, 2012 to each property owner, tenant and ratepayer, as required by Proposition 218.

**COUNCIL POLICY CONSIDERATION:**

The proposed recommendations are consistent with the City Council Strategic Planning Goals to maintain fiscal responsibility and stability.

**ENVIRONMENTAL ANALYSIS:**

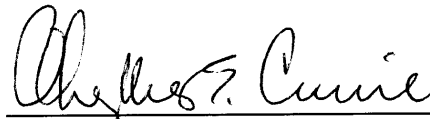
The proposed amendment to the Water Rate Ordinance has been determined to be exempt from CEQA per Section 15273 (Rates, Tolls, Fares, and Charges). Under Section 15273, CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for the purpose of:

1. Meeting operating expenses, including employee wage rates and fringe benefits,
2. Purchasing or leasing supplies, equipment, or materials,
3. Meeting financial reserve needs and requirements,
4. Obtaining funds for capital projects, necessary to maintain service within existing services areas, or
5. Obtaining funds necessary to maintain such intra-city transfers as are authorized by city charter.

**FISCAL IMPACT:**

It is anticipated that this action will result in an annual increase of approximately \$400,000 in collected fees and will be retained as revenue to support Capital Improvements Budget No. 1003, Water Customer-Driven Projects, to cover anticipated expenditures for customer/developer requested improvements to the water distribution system.

Respectfully submitted,



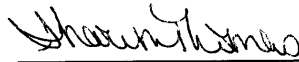
PHYLLIS E. CURRIE  
General Manager  
Water and Power Department

Prepared by:



Shan Kwan  
Assistant General Manager  
Water and Power Department

Concurred by:



Shari M. Thomas  
Assistant General Manager  
Water and Power Department

Approved by:



MICHAEL J. BECK  
City Manager

**Attachments: (3)**

**Attachment 1 – Notice of Public Hearing**  
**Attachment 2 – Comparison of Current Fixed Lateral Charges Versus Actual Cost**  
**Attachment 3 – Average Under-Collected Revenues for Customer-Driven Projects**

## ATTACHMENT 1



P A S A D E N A  
**Water & Power**  
SERVING THE COMMUNITY SINCE 1906

City of Pasadena

**NOTICE OF PUBLIC HEARING  
PROPOSED AMENDMENTS TO THE  
WATER RATE ORDINANCE**

June 4, 2012 at 7:00 p.m.

In compliance with Article XIID of the California State Constitution, the Proposition 218 Omnibus Implementation Act, and California Government Code section 53755, the City of Pasadena is hereby notifying all affected water customers, property owners, and developers/contractors of proposed amendments to the Water Rate Ordinance (Chapter 13.20 of the Pasadena Municipal Code). The proposed amendments would authorize the Water and Power Department (Department) to charge actual costs to install water lateral connections, fire hydrant installations and extensions, meter installations and/or examinations, and other such services. These are proposed amendments; the final amendments adopted by the Pasadena City Council may be different. **These amendments will not affect regular monthly/bi-monthly water customer bills.**

### **PUBLIC HEARING INFORMATION**

The Pasadena City Council will hold a public hearing on June 4, 2012 at 7:00 p.m. in the City Council Chambers at 100 N. Garfield Avenue, Pasadena, CA, 91109 to receive public comment regarding the proposed amendments to the Water Rate Ordinance to become effective upon publication of the ordinance:

- 1) Authorize the Department to charge its actual cost for lateral connections, fire hydrant installations and extensions, meter installations and/or examinations, and other such services. "Actual cost" shall be defined in the proposed ordinance to include labor, material, and equipment costs. This change replaces the fixed charges and fees which are set forth in the present Water Rate Ordinance.
- 2) Amend various other sections of the Water Rate Ordinance to improve the clarity of their wordings and/or consistency with other sections and legal requirements.

Any property owner, customer, or interested person may appear and be heard on any matter relating to the proposed Water Rate Ordinance amendments.

Written comments to the proposed amendments to the Water Rate Ordinance will be considered if submitted prior to the public hearing. Written comments must be submitted on or before 5:00 p.m. on June 4, 2012, to the Office of the City Clerk, 100 N. Garfield Ave. Room S228, Pasadena, California 91109. Please include the parcel address and write "**Water Rate Ordinance Amendments**" on the written comments.

Information regarding the proposed Water Rate Ordinance amendments is available at the Office of the City Clerk, online at [www.PWPweb.com](http://www.PWPweb.com), or by calling 626-744-4005.

**If the parcel or billing address on this notice does not receive water service from the City of Pasadena,  
this notice does not apply to you.**

## ATTACHMENT 2

### Comparison of Current Fixed Lateral Charges Versus Actual Cost

Type of Service	When Installed in New Subdivision or in Unpaved Road			When Installed in Streets Under Normal Conditions & Standard Methods		
	Current Rate	Actual Costs	% Difference	Current Rate	Actual Costs	% Difference
1-inch domestic/ 1-inch meter	\$1,450	\$6,175	326%	\$1,700	\$9,086	434%
2-inch domestic/ 1-1/2-inch meter	\$2,050	\$8,504	315%	\$2,300	\$11,415	396%
2-inch domestic/ 2-inch meter	\$3,450	\$7,794	126%	\$3,700	\$10,705	189%
4-inch domestic/ 3-inch meter	\$8,050	\$12,931	61%	\$8,500	\$15,842	86%
4-inch domestic/ 4-inch meter	\$8,950	\$13,404	50%	\$9,400	\$16,315	74%
6-inch domestic/ 6-inch meter	\$12,950	\$16,649	29%	\$13,400	\$19,560	46%
8-inch domestic/ 8-inch meter	\$16,250	\$26,451	63%	\$16,700	\$29,362	76%
4-inch fire with Detector Check	\$6,850	\$10,958	60%	\$7,300	\$13,869	90%
6-inch fire with Detector Check	\$7,065	\$13,399	90%	\$7,515	\$16,310	117%
8-inch fire with Detector Check	\$8,705	\$16,743	92%	\$9,155	\$19,654	115%
4-inch fire with Double Detector Check Assembly	\$6,975	\$11,517	65%	\$7,425	\$14,428	94%
6-inch fire with Double Detector Check Assembly	\$8,060	\$13,860	72%	\$8,510	\$16,771	97%
8-inch fire with Double Detector Check Assembly	\$11,150	\$20,508	84%	\$11,600	\$23,419	102%
Fire Hydrant	5750	\$9,918	72%	\$5,750	\$12,085	110%
Hydrant Head Only	975	\$3,506	260%	\$975	\$3,506	260%
Hydrant Head Only With Paving	0	\$9,819	new	\$0	\$11,837	new
Abandonment	0	\$1,438	new	\$0	\$2,061	new

**ATTACHMENT 3**  
**Average Under-Collected Revenue**  
**For Customer-Driven Projects**

<b>Customer-Driven Projects Revenues and Expenses</b>			
<b>Fiscal Year</b>	<b>Actual Expenses</b>	<b>Revenue Collected</b>	<b>Variance</b>
<b>2009</b>	<b>\$1,170,282</b>	<b>\$1,230,202</b>	<b>\$59,920</b>
<b>2010</b>	<b>1,465,318</b>	<b>651,401</b>	<b>-813,917</b>
<b>2011</b>	<b>1,193,024</b>	<b>749,003</b>	<b>-444,021</b>
<b>Total</b>	<b>\$3,828,624</b>	<b>\$2,630,606</b>	<b>(\$1,198,018)</b>
<b>Average Under-collected Revenue Per Year</b>			<b>(\$399,339)</b>

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

This brief notice is to indicate my approval of the proposed amendments to the Water Rate Ordinance.  
These amendments are very reasonable.



Mark Richman  
1281 E. Orange Grove Blvd.  
Pasadena, CA 91104

RECEIVED  
12 MAY 21 P4:43  
CITY CLERK  
CITY OF PASADENA



April 21, 2012

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

RECEIVED

'12 APR 25 A9:04

CITY CLERK  
CITY OF PASADENA

Re: Water Rate Ordinance Amendments

Ladies/Gentlemen:

I am writing to voice my opposition to the proposed charging of "actual cost" for water related work. I am a retired construction engineer and have also administered construction work with contracts was based on "actual costs". From my over 30 years in construction and observation I think this is not an efficient and not a cost-effective way of doing business.

In order to make "actual cost" contracts work there has to be very close supervision of the work. With the huge budget problems the city is now experiencing, and will for many years ahead, there will not be much supervision due to a lack of personnel to oversee the work. This will leave the workers who are performing the work with no "incentive" to work hard and accomplish the work in an efficient manner. It is a large part of human nature that "when the cat is away the mice will play".

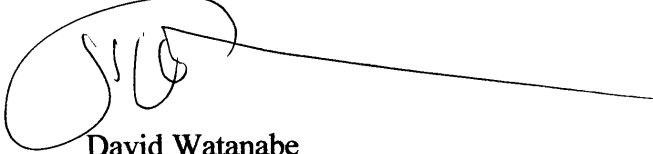
At times I have observed some of the Pasadena City workers working in the neighborhoods doing various types of work including repairing of sidewalks. I can tell you that if I had to pay actual costs for their time on the job the amount would have been astronomical for so little work! I state this with all due respect for the hard working city government workers and there are many I'm sure.

As a taxpayer I prefer a "fixed fee" method of charging homeowners. The fixed fee should state what work is included in the costs with specific conditions. If these conditions change during the work then the costs would be adjusted. Of course the changed conditions should be made clearly to the homeowner and documented with photos. Any reasonable homeowner would understand such a cost structure.

Therefore, I implore you not to accept the "actual cost" method of charging residents. This is not an efficient method and will be costly for the homeowners.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "DW", is enclosed in a hand-drawn oval. A long, thin horizontal line extends from the right side of the oval across the page.

David Watanabe  
2441 Las Lunas St.  
Pasadena, CA 91107-2515