



Department of Public Works

# **PUBLIC HEARING TO APPROVE RECOMMENDED SEWER USE FEE RATE STRUCTURE AND RATE ADJUSTMENTS**

City Council Meeting  
April 8, 2024  
Item #15





# Recommendation

Department of Public Works

1. Find proposed actions exempt from California Environmental Quality Act (CEQA);
2. Open Public Hearing to receive public comment on Sewer Use Fee Rate Structure and Adjustments;
3. Consider all protests in accordance with Prop. 218;
4. Close Public Hearing and Approve Recommended Sewer Use Fee Rate Structure and Adjustments; and
5. Direct City Attorney to prepare Amendment to Sewer Use Charge Ordinance



# Background

Department of Public Works

- 325 miles of sewer pipelines, 3 pump stations, and 7,430 manholes
- Expenditures exceed revenues

Need rate increase to:

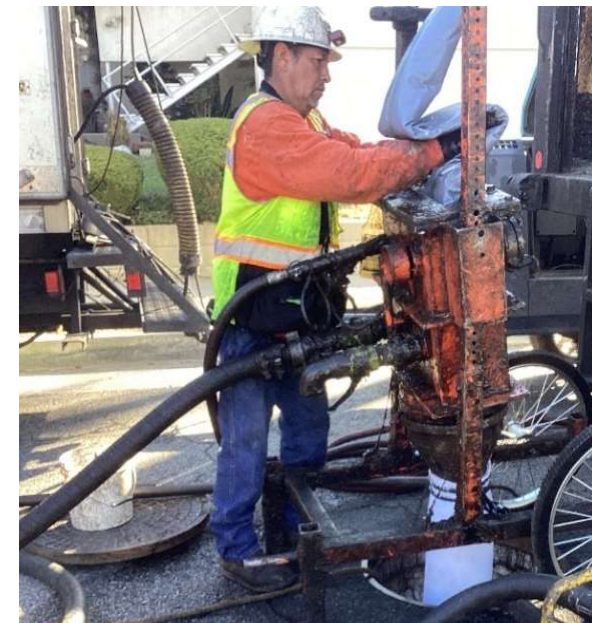
- > Maintain & operate sewer system
- > Prevent blockages and remove clogs
- > Protect public health and environment



Completed Sewer Line Replacement



Sewer Repair



Sewer Relining



# Background

Department of Public Works

- In March 2023, City hired Raftelis Financial Consultants to perform a cost-of-service study
- Scope included sewer use fee calculation methodology and financial plan
- Rate study recommends a series of rate adjustments over the next five years in order to properly fund and maintain the City's sewer system



PASADENA

# City of Pasadena

Sewer Rate Study Public Hearing

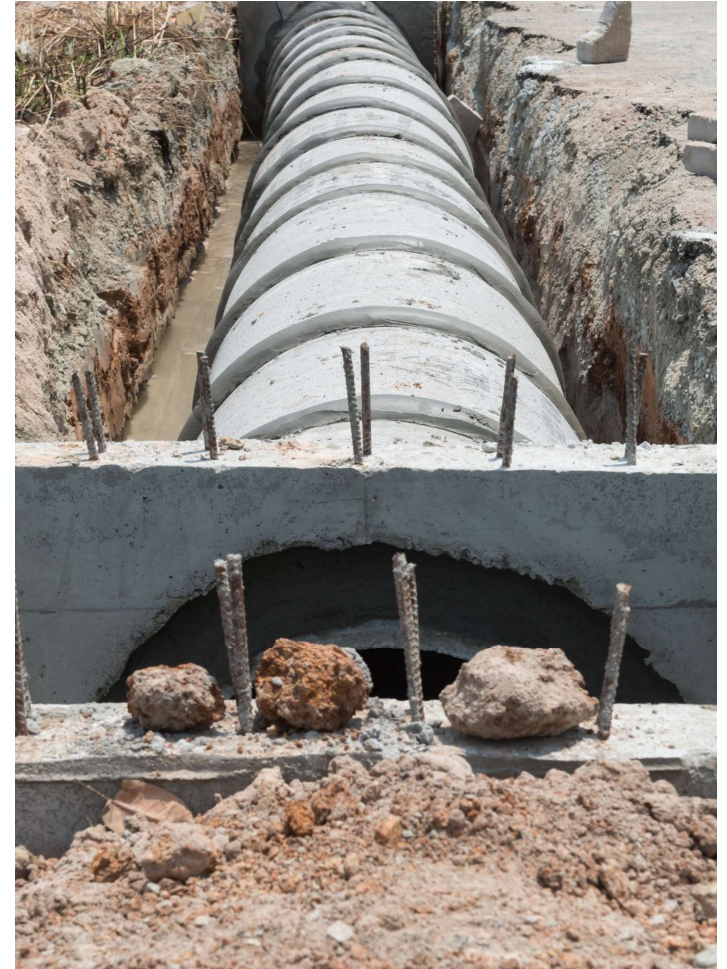
April 8, 2024



# Why Do Rates Need to be Adjusted?

- City has not raised sewer rates by more than CPI since 2007
  - › Nationally, sewer rates have outpaced general inflation<sup>1</sup> (CPI) across the nation – therefore City has slowly been falling behind
- Fund has negative cash flow in FY 2024
  - Operational deficit estimated at \$1.1M
  - No reserve balance
- Capital improvement projects have been delayed to continue operations

<sup>1</sup>[Water costs are rising across the U.S. — here's why - CBS News](#)



# Current & Proposed Rate Structure

| Rate Structure | Rate Structure Description  |
|----------------|---|
| Current        | Current structure is a <b>volumetric</b> rate based on water use for all customers (\$0.35 / hcf for SFR, \$0.67 / hcf for commercial ) |
| Proposed       | A fixed charge and a volumetric rate for <b>all</b> customers   |

- Water use can vary based on drought/rainfall and cause fluctuations in revenue
- A fixed charge will promote fixed revenue (approximately 28% fixed revenue)

hcf = hundred cubic feet of water

# Financial Plan - Planning for Reserves & Capital

## Reserve goals:

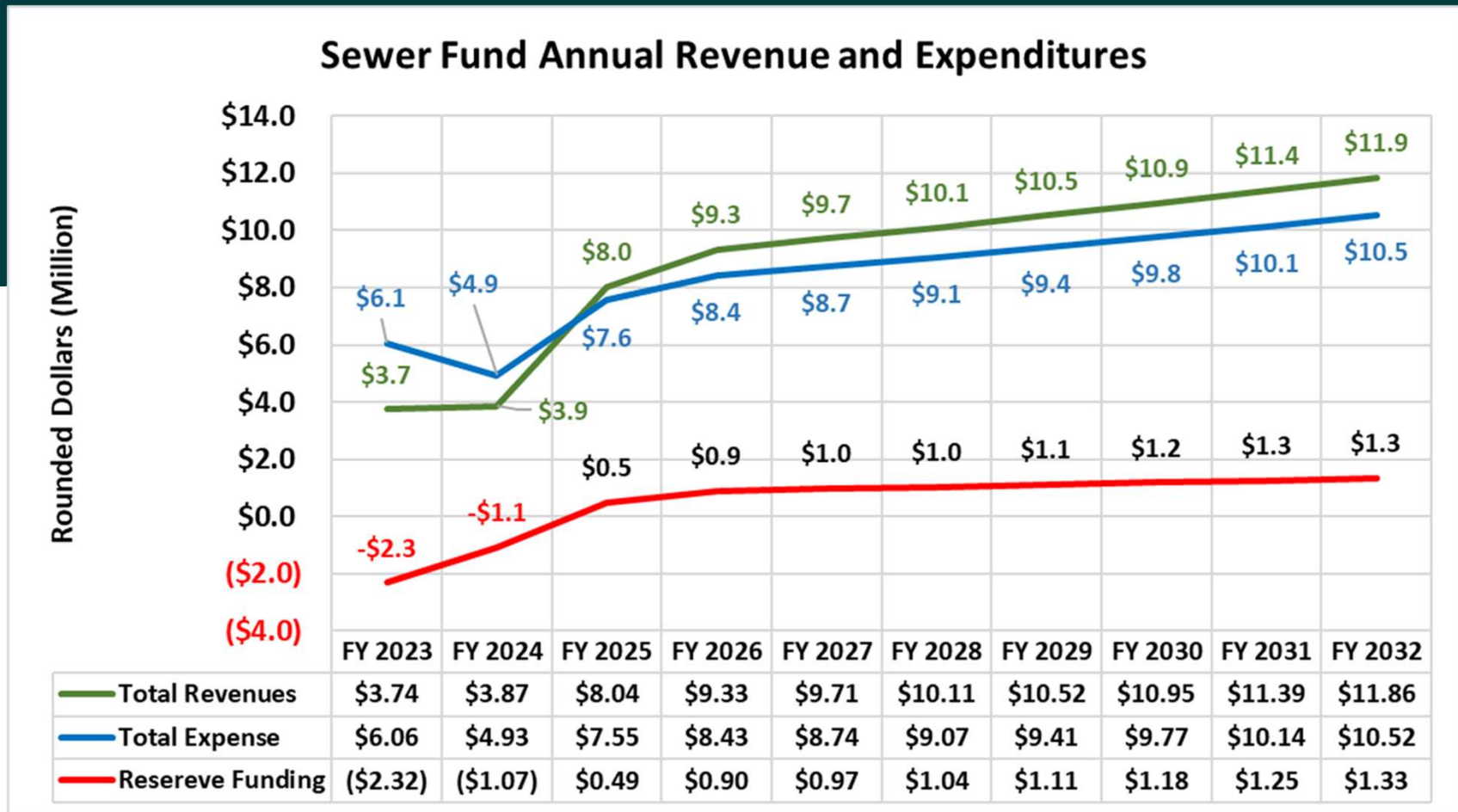
- Operating reserve = 10% of yearly operating expenses
- Capital reserve = 50% of typical yearly capital expenses

## Capital spending:

- Assumes \$3.5M per year, from FYE 2025 to FYE 2029, (before inflation) in sewer rehabilitation



# Financial Plan – Revenue vs Expenses and Reserve Funding



# Current & Proposed Monthly Rates

|                           | <u>Current*</u> | <u>Proposed Rate</u><br><u>Structure^</u> |
|---------------------------|-----------------|---|
| <b>SFR</b>                |                 |   |
| Fixed Charge              |                 | \$6.16 fixed                              |
| Volumetric Rate (\$ /hcf) | \$0.35          | \$0.65 \$ / hcf                           |
| <b>Commercial</b>         |                 |   |
| Fixed Charge              |                 | \$6.16 fixed                              |
| Volumetric Rate (\$ /hcf) | \$0.67          | \$1.24 \$ / hcf                           |

\* Billed on all water use

^ SFR water use is capped at 26 hcf bi-monthly to reflect that higher water use is for irrigation  
Commercial is billed on 90% of water use

# 5-Year Monthly Rates

|                                    | Current      | FYE 2025 | FYE 2026 | FYE 2027 | FYE 2028 | FYE 2029 |
|------------------------------------|--------------|----------|----------|----------|----------|----------|
| <b>SFR</b>                         |              |          |          |          |          |          |
| Fixed                              |              | \$6.16   | \$7.15   | \$7.44   | \$7.73   | \$8.04   |
| Volumetric Rate (\$ /hcf)          | \$0.35       | \$0.65   | \$0.75   | \$0.78   | \$0.82   | \$0.85   |
| <b>Commercial</b>                  |              |          |          |          |          |          |
| Fixed Charge                       |              | \$6.16   | \$7.15   | \$7.44   | \$7.73   | \$8.04   |
| Volumetric Rate (\$ /hcf)          | \$0.67       | \$1.24   | \$1.44   | \$1.50   | \$1.56   | \$1.62   |
|                                    | Current Bill | FYE 2025 | FYE 2026 | FYE 2027 | FYE 2028 | FYE 2029 |
| Average Monthly Single Family Bill | \$4.55       | \$11.37  | \$13.19  | \$13.71  | \$14.26  | \$14.83  |
| Average Monthly Commercial Bill    | \$35.51      | \$65.40  | \$75.86  | \$78.90  | \$82.05  | \$85.34  |

# Average Bill Increases

- **Bill Increases will depend on sewer discharge**
- **Current Average Bill = \$4.55**

(Current average water use is 13 hcf x \$0.35 / hcf)

- **Proposed Average Bill = \$11.37**

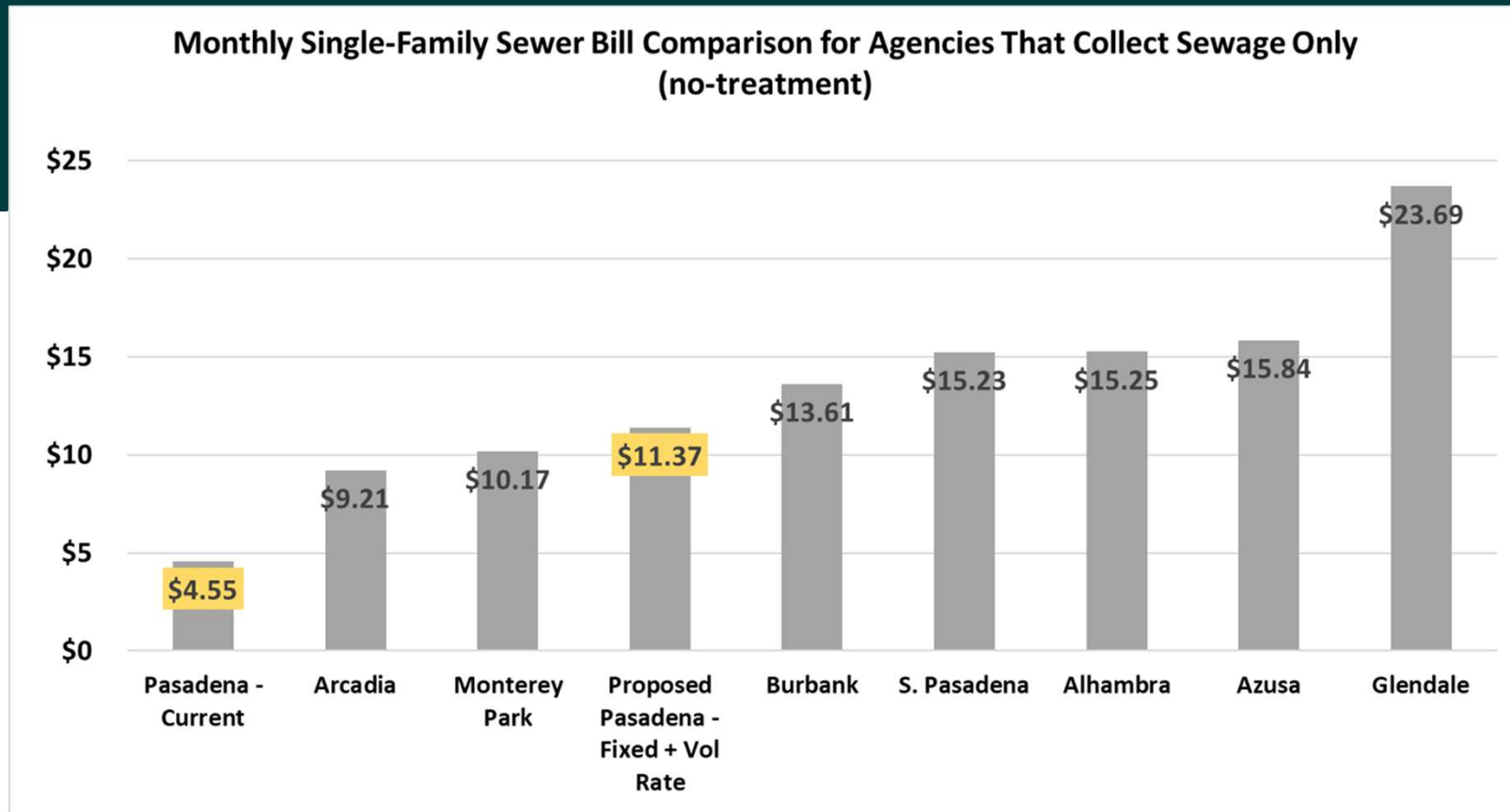
(\$6.16 + 8 hcf x \$0.65)

Propose to cap water use at 13 hcf to reflect that water use beyond 13 hcf is for irrigation

- **Average Commercial Bill Increase = about \$131**

# Monthly Bill Comparison

(for Sewer Collection only)



# Summary

- City has not raised sewer use fees (above CPI increases) since 2007
- Recommended revenue adjustments will fund needed capital improvements & cover operating costs
- **City charges would still be lower than most peers**



# Actions to Date

## Department of Public Works

| <b>DATE</b>       | <b>ACTION ITEM</b>   |
|-------------------|--|
| January 23, 2024  | Presented Proposed Rate Adjustments to Municipal Services Committee                  |
| February 5, 2024  | City Council Set Public Hearing for April 8, 2024                                    |
| February 21, 2024 | Mailed public hearing notice to all parcel owners and account holders (per Prop 218) |
| March 19, 2024    | Held Community Meeting at Robinson Park Recreation Center                            |
| March 20, 2024    | Held Community Meeting at Victory Park   |
| April 8, 2024     | Public Hearing and Protest Vote Tally  |



# Consideration of Other Rates

Department of Public Works

## COMBINED IMPACT OF THREE PROPOSED UTILITY RATE INCREASES EFFECTIVE JULY 1, 2024

### Proposed SFR Sewer Rate Increases

|  | Current | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--|---------|---------|---------|---------|---------|---------|
| TOTAL MONTHLY SFR SEWER SERVICE @ 11 hcf | \$3.85  | \$13.31 | \$15.40 | \$16.02 | \$16.75 | \$17.39 |

### Proposed SFR Solid Waste Rate Increases

|                              |         |         |         |         |         |         |
|------------------------------|---------|---------|---------|---------|---------|---------|
| Residential Cart @ 60 gallon | \$26.44 | \$35.19 | \$37.65 | \$40.29 | \$43.11 | \$46.13 |
|------------------------------|---------|---------|---------|---------|---------|---------|

### Proposed SFR Water Rate Increases

|  |         |         |         |         |          |          |
|--|---------|---------|---------|---------|----------|----------|
|  | \$64.19 | \$78.06 | \$87.43 | \$95.30 | \$131.37 | \$140.56 |
|--|---------|---------|---------|---------|----------|----------|

### Total Proposed SFR Rate Increases (Sewer + Refuse + Water)

|                                | Current | FY 2025  | FY 2026  | FY 2027  | FY 2028  | FY 2029  |
|--------------------------------|---------|----------|----------|----------|----------|----------|
| TOTAL COMBINED SFR RATES       | \$94.48 | \$126.56 | \$140.48 | \$151.61 | \$191.23 | \$204.08 |
| Annual combined increase       |         | 34%      | 11%      | 8%       | 26%      | 7%       |
| Total 5-year Combined Increase |         |          |          |          |          | 116%     |

**Online Rate Calculator:** <https://egov1.cityofpasadena.net/BillEstimator>

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# Next Steps

Department of Public Works

| <b>DATE</b>  | <b>ACTION ITEM</b>   |
|--|--|
| April 8, 2024                                      | Conduct Public Hearing   |
| April 29, 2024                                     | (If rate adjustment approved) First Reading of Updated Sewer Use Charge Ordinance  |
| May 6, 2024  | (If rate adjustment approved) Second Reading of Updated Sewer Use Charge Ordinance |
| July 1, 2024, or as soon as practicable thereafter | Effective Date of New Sewer Use Fee Rates  |



# Questions – Sewer

Department of Public Works



**QR Code for Online  
Rate Calculator**