

# AGENDA ITEM

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- MEETING DATE:** November 22, 2011
- TITLE:** Public Hearing, Introduction and first reading of an Ordinance pertaining to water rates.
- PRESENTED BY:** David A. Davies, Public Works Director
- RECOMMENDATION:** Conduct the Public Hearing, accept evidence and testimony presented, close the hearing and in the absence of evidence and testimony to the contrary, consider the following: 1) Adopt a Statutory Exemption from the California Environmental Quality Act pursuant to Section 15273 of the California Code of Regulations. 2) Waive full reading, read by title only and introduce for first reading an Ordinance entitled, "AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF GLENDORA, CALIFORNIA, AMENDING SECTIONS 14.20.070, 14.20.080 AND 14.20.085 OF THE MUNICIPAL CODE WITH RESPECT TO WATER RATES AND CHARGES."
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## BACKGROUND:

On September 13, 2011, the City Council considered a new five-year rate structure to address the infrastructure needs of the City's aging water system. The new structure encourages water conservation and ensures that at the end of the five annual increases, a capital improvement expenditure program of \$5 million per year will be created.

The Water System Study Committee, in its March 2003 report, recommended that the Water Commission review the Water Division's revenue requirement to ensure proper revenue is received through rates to cover operations and maintenance, capital improvement projects and debt service costs. Staff and our consultant, Vicenti, Lloyd and Stutzman, upon completing the annual review, made the recommendation to the Water Commission. Five public meetings were held, including a Public Hearing on June 15, 2011.

This item is a public hearing required by Proposition 218, which allows rate payers to register their opposition to the proposed rate adjustment, either by mail or in person at this hearing. On October 5, 2011, an information fact sheet with directions on how to file a protest was mailed to the ratepayers. At the time this report was compiled, the City Clerk had received 29 protest letters or about .4% of the eligible ratepayers. The current rates were adopted on November 10, 2009.

If approved by the ratepayers and City Council, the action would adjust the average single-family home connection approximately 1% for 2012; 4% for 2013; 4% for 2014; 4% for 2015 and 4% for 2016 to fund the capital recovery fee so that the operation would be compliant with the "pay as you go" policy.

**DISCUSSION:**

The Water Division is considered an enterprise operation for accounting purposes. As such, the funds generated can only be used to support water production, distribution and capital improvement projects. These funds are segregated from all other funds and separately shown on all financial statements as independent. As an enterprise fund, it is expected that rates fully support the operational and capital costs as though it were a business enterprise.

Pursuant to Proposition 218, the Council shall consider at the public hearing, all protests against the proposed fee or charge. If written protests are presented by a majority of identified parcels, the Council cannot impose the fee or charge. A majority protest in this case is 6,604 customers representing more than one half of the 13,206 customers served. The attached Ordinance reflects the recommendations for a five year rate increase to reach \$5 million per year for capital projects and fully fund operations through the readiness to serve charge. Currently, rates have a “pay as you go” component that collects approximately \$2.5 million of the targeted \$5 million.

The rate structure funds operations through the readiness to serve charge. All fixed costs are paid by the charge. The baseline tier represents the cost to deliver water we pump out of our wells. The energy costs vary by zone and are adjusted by zone. The discretionary tier represents the significantly more expensive treated water we purchase for delivery and the replenishment water purchased. The capital project funds and energy costs are represented in both tiers considering historical data. Historically, our cost to provide water from our wells represents seventy percent of the revenue requirement. As such, seventy percent of the energy and capital program costs are in the baseline tier and the remaining 30% are in the discretionary tier.

According to the last Water Master Plan, the infrastructure needs for the system exceed \$120 million. Since the adoption of the plan, we have implemented about \$26 million in improvements. Given the magnitude of the infrastructure needs, the original Water Commission in 2004 developed and recommended to the City that a more aggressive capital program be implemented and that water rates contain a “pay as you go” calculation so that sufficient funds would be collected to fulfill the Water Master Plan.

Our main production facility, the San Gabriel Plant in Azusa, was out of service for two weeks last year due to problems with the pump station. This plant produces approximately 60% of the water we provide from our wells. We were forced to purchase water to meet the demands. This plant has a reservoir built in the early twentieth century and is representative of the critical condition of our infrastructure. The Water Master Plan identifies the replacement of this facility as a high priority. Initial cost estimates indicate this capital project will cost approximately \$7-\$8 million.

From the current rates, the recommended rates are spread over five years with the first year increase for our average residential customer being less than 1%. Subsequent increases are 4% each year for the next four years. The average customer increase from the current rates is 17%.

**CEQA (CALIFORNIA ENVIRONMENTAL QUALITY ACT):**

A Statutory Exemption from the California Environmental Quality Act pursuant to Section 15273 of the California Code of regulations is required and attached for Council approval.

**FISCAL IMPACT:**

The proposed rate increase, spread over five years, represents a 17% increase for our average customers. The impact on the Water Enterprise Fund will be determined by the formal action of the Council at the conclusion of the public input process. Rates are being recommended to be adjusted to fully fund operations through the readiness to serve charge and to fund an additional \$2.5 million so the City will be collecting the full capital fee policy recommended by the original Water Commission in 2004. Any rate adjustments beyond the recommended rates, except for the recovery of costs due to inflation and increased costs for purchased water and energy must be approved by water customers consistent with Proposition 218 guidelines.

Respectfully submitted,

David A. Davies  
Public Works Director

Fiscal  
Review: \_\_\_\_\_  
JOSH BETTA  
Finance Director

Legal  
Review: \_\_\_\_\_  
WAYNE LEECH  
City/Agency Attorney

CEQA  
Review: \_\_\_\_\_  
JEFF KUGEL  
Planning and Redevelopment Director

Manager  
Approval:  \_\_\_\_\_  
CHRIS JEFFERS  
City Manager/Executive Officer

**ATTACHMENTS:**  
Statutory Exemption  
Ordinance



# CITY OF GLENDORA

116 East Foothill Boulevard, Glendora, California 91741

## NOTICE OF EXEMPTION

**Project Title:** 2011 Water Rate Resolution

**Project Location:** City of Glendora, County of Los Angeles

**Project Sponsor:** City of Glendora

**Mailing Address:** 116 East Foothill Boulevard, Glendora, CA 91741

**General Plan Land Use Designation:** N/A

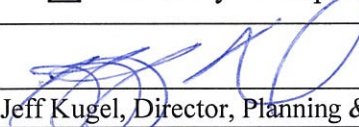
**Zoning Designation:** N/A

**Project Description:** Adoption of a resolution setting fees, rates and charges for water services.

**Surrounding Land Uses and Setting:** N/A

**The following exempt status / findings are recommended:**

- Ministerial (Sec. 15073)
- Declared Emergency (Sec. 15071(a))
- Emergency Project (Sec. 15071(b) and (c))
- Categorical Exemption
- Statutory Exemption. Code Number: Section 15273 (Rates, Tolls, Fares, and Charges).

 Jeff Kugel, Director, Planning & Redevelopment	Date: <u>10-31-11</u>
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Reasons why project is exempt: CEQA does not apply to the adoption of rates, tolls, fares, or charges where the proposed fees are necessary to meet operating expenses, purchase supplies and materials, meet financial reserve requirements, or obtain funds for capital projects necessary to maintain existing service. The proposed rate increase meets the qualifications of Title 14, Chapter 3, Section 15273 of the California Code of Regulations.

The above recommended exempt status and findings were adopted by the following body:

\_\_\_\_\_ on \_\_\_\_\_

\_\_\_\_\_ Date: \_\_\_\_\_

Eve Tate, Administrative Assistant

**ORDINANCE NO.**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF GLENDORA, CALIFORNIA, AMENDING SECTIONS 14.20.070, 14.20.080 AND 14.20.085 OF THE MUNICIPAL CODE WITH RESPECT TO WATER RATES AND CHARGES**

**THE CITY COUNCIL  
City of Glendora, California**

**WHEREAS**, pursuant to Section 14.20.010 of the Municipal Code and Section 5470 *et seq.* of the California Health & Safety Code, the City Council establishes rates and charges for water service; and

**WHEREAS**, the City mailed notice of a proposed increase of such rates and charges pursuant to Article XIID, Section 6 of the California Constitution; and

**WHEREAS**, such notice indicated that the City Council would hold a public hearing with respect to the proposed rates and charges on November 22, 2011 at 7:00 PM in the City Council Chambers; and

**WHEREAS**, at the appointed time and place, the City Council held a full and fair public hearing at which any interested person could provide oral or written testimony on the proposed rates and charges; and

**WHEREAS**, a majority protest, as defined in Article XIID, Section 6(a)(2) of the California Constitution, does not exist with respect to the proposed rates and charges; and

**WHEREAS**, the City Council desires to increase the rates and charges.

**THE CITY COUNCIL OF THE CITY OF GLENDORA DOES HEREBY ORDAIN  
AS FOLLOWS:**

**Section 1.** The foregoing recitals are true and correct.

**Section 2.** The City Council hereby finds that there is not a majority protest vote cast by property owners in accordance with Article XIID, Section 6(a)(2) of the California Constitution to the rates and charges enacted by this Ordinance.

**Section 3.** Section 14.20.070 of the Glendora Municipal Code is hereby deleted and repealed in its entirety.

**Section 4.** A new section 14.20.070 of the Glendora Municipal Code is hereby added to read as follows:

## “14.20.070 Readiness to Serve Charge

The initial bimonthly base charge for each metered connection within the city of Glendora’s service boundaries shall be as follows:

2012

Meter Size	Bimonthly Base Charge
< 1 inch	\$ 61.79
1 inch	\$ 80.34
1-1/2 inch	\$133.40
2 inch	\$191.56
3 inch	\$284.26
4 inch	\$432.59
6 inch	\$753.94
8 inch	\$1,062.92

2013

Meter Size	Bimonthly Base Charge
< 1 inch	\$ 64.39
1 inch	\$ 83.71
1-1/2 inch	\$139.01
2 inch	\$199.62
3 inch	\$296.21
4 inch	\$450.78
6 inch	\$785.65
8 inch	\$1,107.62

2014

Meter Size	Bimonthly Base Charge
< 1 inch	\$ 66.70
1 inch	\$ 86.72
1-1/2 inch	\$143.99
2 inch	\$206.78
3 inch	\$306.84
4 inch	\$466.95
6 inch	\$813.84
8 inch	\$1,147.35

2015

Meter Size	Bimonthly Base Charge
< 1 inch	\$ 69.01
1 inch	\$ 89.72
1-1/2 inch	\$148.98
2 inch	\$213.94
3 inch	\$317.46
4 inch	\$483.13
6 inch	\$842.02
8 inch	\$1,187.09

2016

Meter Size	Bimonthly Base Charge
< 1 inch	\$ 71.32
1 inch	\$ 92.72
1-1/2 inch	\$153.97
2 inch	\$221.10
3 inch	\$328.09
4 inch	\$499.30
6 inch	\$870.21
8 inch	\$1,226.82

**Section 5.** Section 14.20.080 of the Glendora Municipal Code is hereby deleted and repealed in its entirety.

**Section 6.** A new section 14.20.080 of the Glendora Municipal Code is hereby added to read as follows:

“14.20.080 Quantity Rates for Water Used.

- (a) In addition to the bimonthly base charge established by Section 14.20.070 of this Code, each customer shall pay a charge, calculated as set forth in this Section, for each unit of 100 cubic feet of water consumed at his or her connection during a bimonthly billing period.
- (b) Each water connection is assigned a “baseline” consumption allowance, in units of 100 cubic feet of water, based upon the size of the water meter for that connection. The baseline allocations shall be as follows:

Meter Size	Bi-monthly baseline allocation, Units
< 1 inch	42
1 inch	71
1-1/2 inch	144
2 inch	290
3 inch	2,000
4 inch	2,500
6 inch	4,000
8 inch	4,500

Each unit of water consumed at a connection during a bi-monthly billing period, other than a unit in excess of the baseline allocation for that connection, shall be deemed a “baseline unit.” Each unit in excess of the baseline allocation shall be deemed an “excess unit.”

- (c) The rate for each baseline unit consumed shall be the sum of the “energy component rate”, and the “baseline allocation rate” set forth in this Section. The rate for each excess unit consumed shall be the sum of the “purchased water component rate”, the “energy component rate”, and the “discretionary use rate” set forth in this Section.
- (d) In 2012, the initial “purchased water component rate” shall be \$1.73 per unit of water consumed.
- (e) In 2012, the initial “energy component rate” shall be \$0.25 per unit of water consumed at a connection located in Pressure Zone 1, \$0.39 per unit of water consumed at a connection located in Pressure Zone 2, \$0.53 per unit of water consumed at a connection located in Pressure Zone 3, and \$1.29 per unit of water consumed at a connection located in any other pressure zone. The pressure zone in which a connection is located shall be determined by reference to the 2004 Water Master Plan, which is on file in the Office of the City Clerk and available for public inspection.
- (f) In 2012, the initial “baseline allocation rate” shall be \$1.37 per unit of water consumed. In 2013, the initial “baseline allocation rate” shall be \$1.44 per unit of water consumed. In 2014, the initial “baseline allocation rate” shall be \$1.51 per unit of water consumed. In 2015, the initial “baseline allocation rate” shall be \$1.58 per unit of water consumed. In 2016, the initial “baseline allocation rate” shall be \$1.66 per unit of water consumed.
- (g) In 2012 the initial “discretionary use rate” shall be \$0.54 per unit of water consumed. In 2013 the initial “discretionary use rate” shall be \$0.68 per unit of water consumed. In 2014 the initial “discretionary use rate” shall be \$0.81 per unit of water consumed. In 2015 the initial “discretionary use rate” shall be \$0.96 per unit of water consumed. In 2016 the initial “discretionary use rate” shall be \$1.11 per unit of water consumed.”



**Section 7.** Section 14.20.085 of the Glendora Municipal Code is hereby deleted and repealed in its entirety.

**Section 8.** A new section 14.20.085 of the Glendora Municipal Code is hereby added to read as follows:

“14.20.085 Automatic Rate Adjustments.

- (a) No later than December 1 of each year, beginning in 2012, the Director of Public Works shall file with the City Clerk a schedule of revised rates, calculated pursuant to this Section, to be effective on the first billing cycle of the following year. At least 30 days prior to implementing revised rates, the Director of Public Works shall notify all customers regarding the rate revisions.
- (b) Unless the City Council takes action, by ordinance or resolution, to cause such revised rates to not become effective, the revised rates shall take effect automatically, and shall be deemed to have been approved and imposed by the City Council pursuant to the Ordinance that codified this Section.
- (c) The purchased water component rate, imposed pursuant to Section 14.20.080(d) of this Chapter shall be calculated by multiplying the rate set forth in Section 14.20.080(d) of this Chapter by the percentage change between the previous year and of the year for which the rate is being calculated, of the cost of 3,000 acre feet of water if purchased by the City from Three Valley’s Municipal Water District at the District’s published rates applicable to the City.
- (d) Commencing in the year 2012, and continuing each year thereafter, each energy component rate, imposed pursuant to Section 14.20.080(e) of this Chapter shall be calculated by multiplying the rate set forth in Section 14.20.080(e) of this Chapter by the percentage change from the previous year and of the year for which the rate is being calculated, of the sum of the published rate for a kilowatt hour of electricity provided to the City by Azusa Power and the tariffed rate for a kilowatt hour of electricity provided to the City by Southern California Edison.
- (e) Each rate set forth in Sections 14.20.070, 14.20.080(f) and 14.20.080(g) of this Chapter shall be calculated by multiplying the rate set forth in Section 14.20.070, 14.20.080(f) or 14.20.080(g) of this Chapter by the percentage change between the previous year and of the year for which the rate is being calculated, of the consumer price index for all urban consumers for Los Angeles-Anaheim-Riverside published by the US Department of Labor; but not to exceed a 5% increase over the rates set forth in this Chapter for each year since 2012.”

**Section 9.** The automatic rate adjustment provisions set forth in Section 14.20.085 of the Municipal Code were approved by the City Council following a public hearing that was noticed and conducted pursuant to Section 6 of Article XIID of the California Constitution, the Proposition 218

Omnibus Implementation Act (Section 53750 et seq. of the California Government Code), and applicable law. Consequently, so long the revised rates are calculated pursuant to Section 14.20.085, such revision shall not constitute an “increase” of the rate. The action of the Director of Public Works required by Section 14.20.085 is ministerial and neither requires, nor is subject to, the discretion of the Director of Public Works.

**Section 10.** The rates set forth in this Ordinance shall be effective January 16, 2012 and the first billing cycle in January for the years 2013, 2014, 2015 and 2016, prior to those dates the rates set forth in Section 14.20.070 and 14.20.080 of the Municipal Code as they existed prior to the adoption of this Ordinance shall continue to apply.

**Section 11.** The City Council finds and declares as follows:

(a) Revenues derived from water rates and charges, as imposed pursuant to this Ordinance, will not exceed the funds required to provide water service to the parcels subject to the rates and charges.

(b) Revenues derived from water rates and charges, as imposed pursuant to this Ordinance, shall not be used for any purpose other than providing water service.

(c) The amount of the water rates and charges upon each parcel does not exceed the proportional cost of water service attributable to that parcel.

(d) The water rates and charges are only imposed upon parcels that are actually connected to the water system, and which therefore either use, or have immediate ability to use, water service.

(e) Water service is not a general governmental service as that term is used in Article XIID, Section 6(b)(5) of the California Constitution.

**Section 12.** Pursuant to Government Code Section 54999.1, et seq, the capital facilities fee component, as defined in Government Code Section 54999.1, of the rate increases provided in this Ordinance shall comply with the applicable requirements of Government Code Section 54999.1, et seq, including but not limited to Government Code Section 54999.3.

**Section 13.** Severability. If any court of competent jurisdiction holds any section, sub-section, sentence, clause or portion of this Ordinance invalid or unconstitutional, such determination shall not affect the validity of the remaining portions of this Ordinance. The City Council declares that it would have enacted this Ordinance and each section, sub-section, sentence, clause or phrase hereof irrespective of any determination of invalidity.

**Section 14.** The Mayor shall sign this Ordinance and the City Clerk shall attest and certify to the passage and adoption thereof and cause same to be published at least once in the San Gabriel Valley Examiner, a weekly newspaper of general circulation, published in the City of Glendora, which newspaper is hereby designated for that purpose; and thereupon, and thirty (30) days after its passage, this ordinance shall take effect and be in force.

**PASSED, APPROVED and ADOPTED** this 13th day of December, 2011.

City Council of Glendora, California

BY: \_\_\_\_\_  
DOUGLAS F. TESSITOR, Mayor

**APPROVED AS TO FORM:**

\_\_\_\_\_  
D. WAYNE LEECH, City Attorney

I, Kathleen R. Sessman, City Clerk of the City of Glendora, California, DO HEREBY CERTIFY that the foregoing Ordinance was introduced for first reading on November 22, 2011. Thereafter, said Ordinance was duly approved and adopted at a Regular Meeting of the City Council on December 13, 2011, by the following roll call vote:

AYES:           COUNCIL MEMBERS:  
NOES:           COUNCIL MEMBERS  
ABSENT:        COUNCIL MEMBERS:  
ABSTAIN:       COUNCIL MEMBERS:

I further certify that said Ordinance was published as required by law in a newspaper of general circulation in the City of Glendora, California on the 3<sup>rd</sup> and 10<sup>th</sup> days of November, 2011.

Dated:

\_\_\_\_\_  
KATHLEEN R. SESSMAN, City Clerk