



City Council Staff Report

DATE: April 16, 2014

AGENDA ITEM NO: **Unfinished Business
Agenda Item 5-A.**

TO: The Honorable Mayor and City Council
FROM: Chu Thai, Director of Management Services
SUBJECT: Approve the Notice of Public Hearing for Water, Wastewater and Solid Waste Rate Increases and Set a Public Hearing Date on June 18, 2014

RECOMMENDATION:

It is recommended that the City Council:

1. Approve the Notice of Public Hearing for Water, Wastewater and Solid Waste Rate Increases;
2. Set a Public Hearing Date on June 18, 2014; and
3. Take such additional, related, action that may be desirable.

EXECUTIVE SUMMARY:

At the April 2, 2014, City Council meeting, staff received direction in developing proposed water, wastewater and solid waste rates, set to increase on September 2014, 2015, 2016, 2017 and 2018. The City Council directed staff to propose water rate increases that supports a \$100 million/20 year water capital improvement program (CIP). The City Council agreed with the wastewater and solid waste rate increases presented, that would repair \$12.8 million in sewer infrastructure and balance the budget for solid waste operations.

For water, wastewater and solid waste rate increases, the California Constitution (Proposition 218) requires that local governments give a special form of mailed notice at least 45 days before holding a public hearing. Property owners may then protest the rate increases. Approximately 30,000 notices will be mailed to parcel owners and utility customers. Out of the 16,359 parcels in Monterey Park, 8,180 valid protests are needed to stop the rate increase by the voters, and only one ballot protest will be counted per parcel.

BACKGROUND:

At the March 19 and April 2 City Council meetings, staff presented various engineering reports and financial analysis which shows concerns with Monterey Park's water, wastewater and solid waste systems.

Water System Concerns

- 72% of pipeline system built before 1960
- Increase of annual water main failures from 25 to 36, and rising
- 18 miles of pipeline improvements for fire flow needed

- Over 50 miles of pipeline need replacement
- Water meters need to be replaced
- SCADA System – Supervisory Control and Acquisition needs updating
- Reservoir storage are concrete reinforced

Wastewater System Concerns

- 65% of the system needs inspection
- Sewer mains over 100 years in service
- Grease and root intrusion are problematic
- Staffing levels inadequate and equipment needed
- Inspection of system must be aggressive
- Accountable sewage to L.A County Sanitation
- Public outreach F.O.G. Program

Solid Waste Concerns

- FY 2014-15 Operating Expenses exceed Revenues by \$1.0 million
- Rates have not increased since 2009
- Athens Contract expires August 2017

The engineering studies and staff analysis proposed utility rate increases which will generate adequate revenues to repair, replace or rehabilitate the water and sewer systems. The rate increases would also make the solid waste operations cost neutral.

The City Council considered two water rate alternatives, and directed staff to develop a third alternative which will generate \$100 million in water CIP within 20 years.

Municipal Water Rate Comparison - Residential

Water Agency	Existing Bill	Sept 2014	Sept 2015	Sept 2016	Sept 2017	Sept 2018	5 year CIP
MPK Alternative 1 \$8.3 M/yr CIP	\$28.82	\$75.01	\$77.26	\$79.58	\$81.97	\$84.42	\$42.5 million
MPK Alternative 2 \$5.3 M/yr CIP	\$28.82	\$65.25	\$67.21	\$69.22	\$71.30	\$73.44	\$26.5 million
MPK Alternative CC	\$28.82	\$50.24	\$60.29	\$70.54	\$79.01	\$85.33	\$26.3 million
California Water Service Company	\$53.52						
Golden State Water Company	\$54.05						
San Gabriel Water Company	\$55.31						
City of Covina	\$60.71						
City of Alhambra	\$46.36						
City of South Pasadena	\$61.79						

For informational purposes, the chart above compares the current and proposed average monthly water bills for single family residential accounts (5/8" and 3/4" meter with 12 units [1 unit = 748 gallons] of water consumed each month). Monterey Park's average monthly bills include the meter charges, consumption charges and water treatment charges. Alternative CC modified the rates so that the increases are spread among the five years. Alternatives 1 and 2 proposed a major rate increase in the first year with inflationary increases in years two through five. The table below shows an average monthly water, wastewater and solid waste bill for a Monterey Park residential customer.

Table 1: Proposed Rates (Monthly) – Typical Single Family Residential Customer⁽¹⁾

Utility	Current Bill	Sept 2014 Estimated	Sept 2015 Estimated	Sept 2016 Estimated	Sept 2017 Estimated	Sept 2018 Estimated
Water	\$28.82	\$50.20	\$60.20	\$70.44	\$78.93	\$85.26
Wastewater	1.86	7.69	10.00	12.50	14.00	15.68
Solid Waste	22.68	26.08	26.86	27.66	28.50	29.35
TOTAL	\$53.36	\$83.97	\$97.06	\$110.61	\$121.42	\$130.29

⁽¹⁾Typical single family residential customer has 5/8" or 3/4" water meter and consumes 12 units of water per month. Customer has one 96 gallon trash and one 96 gallon recycle container.

Proposition 218

In November 1995, the California voters approved Proposition 218 that requires certain procedures be followed with regard to "property-related" fee increases imposed by governmental agencies. Initially, case law indicated that these procedures would not be applicable to water rate increases. However, a 2006 California Supreme Court decision held Proposition 218 fee increase procedures must be followed for any proposed increases to the City's water rates. In short, water rate increases are subject to a "majority protest" process that provides that if a majority of the parcels in the City protest the proposed rate increase the City cannot impose the increase.

Just as there initially was some disagreement between lawyers and court decisions regarding which fees were subject to Proposition 218, there is currently a disagreement with respect to the protest ballot process. Specifically, there is a disagreement amongst attorneys that represent public agencies (and potentially between the language approved by the voters and some recent legislation) as to whether tenants that pay for fees covered by Proposition 218 must be afforded the opportunity to protest proposed fee increases. With the Proposition 218 Omnibus Implementation Act (Government Code §§ 53750, *et seq.*) the state legislature attempted to clarify this issue by passing legislation that on its face requires that tenants be afforded the opportunity to protest such fee increases. The City Attorney's Office believes the legislation is not consistent with Proposition 218 and believes it is potentially invalid since the language in Proposition 218 stated that the notice regarding the protest process must be sent to the "record owner" and the owner was the person that had the right to file the protest.

Despite the City Attorney's Office opinion on this matter, staff and the City Attorney agree that the most conservative approach is to send the protest ballots to the property owners and to the tenants if the tenant is the water customer. The City is only required to count one protest per parcel. Accordingly, even if both the owner and tenant file a protest, only one protest is counted for purposes of determining whether there is a "majority protest" as described below.

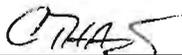
Proposition 218 requires that the City provide all properties receiving the service for which the fee is charged (in this case, water treatment and distribution) with a minimum of 45 days written notice before Council holds a public hearing on a proposed rate increase. The property owners and tenants have the ability to "protest" the proposed rate increase until the close of the public hearing. If a majority of the parcels file written protests with the City before the close of the public hearing, Proposition 218 states that the City cannot implement the proposed increase. If a majority of the parcels do not protest the proposed increase, the Council has the authority to implement the proposed rate increase.

In accordance with Proposition 218 requirements, several steps have been taken to comply with the law. Drafts of a Notice to Parcel Owners of a Proposed Rate Increase and a Notice of a Public Hearing set for June 18, 2014 at 7:00 p.m., and a Schedule of Proposed Water, Wastewater and Solid Waste Rate Adjustments have been prepared and are attached. The most current assessor's parcel roll from the Los Angeles County Assessor's office has been obtained and a direct mailing to each parcel owner within the City limits was made. Additionally, to the extent a tenant rather than a property owner is the utility customer, a protest notice will be sent to the tenant utilizing the utility billing address that the City has on file.

FISCAL IMPACT:

The mailing costs for the noticing required for this item will be approximately \$30,000. Within the water fund, the proposed rate increase will generate approximately \$26.2 million in water CIP funds over five years. The proposed wastewater rate increases will generate approximately \$12.8 million in wastewater CIP funds over five years. The proposed solid waste rate increases will generate an additional \$1.0 million in revenues each year. These additional revenues provide adequate funds to support increased water, wastewater and solid waste expenses.

Respectfully submitted by:



Chu Thai
Director of Management Services

Approved by



Paul L. Talbot
City Manager

Reviewed by



Karl H. Berger
Assistant City Attorney

ATTACHMENT:

1. Draft City of Monterey Park Notice of Public Hearing

ATTACHMENT 1
Draft City of Monterey Park
Notice of Public Hearing



**THIS NOTICE IS SENT TO ALL PROPERTY OWNERS AND UTILITY CUSTOMERS IN
MONTEREY PARK – YOU MAY RECEIVE DUPLICATE LETTERS**

**CITY OF MONTEREY PARK NOTICE OF PUBLIC HEARING ON PROPOSED
CHANGES IN WATER WASTEWATER AND SOLID WASTE CHARGES**

Proposed Water Rate Increases

TAKE NOTICE that a public hearing will be held by the City of Monterey Park City Council regarding proposed increases to monthly water, wastewater and solid waste rates for all City of Monterey Park property owners and tenants.

The public hearing will be held on Wednesday, June 18, 2014, at 7:00 p.m. or as soon thereafter as the matter can be heard that day, in the Council Chambers of Monterey Park City Hall, 320 West Newmark Avenue, Monterey Park, California. During the public hearing, City Council will hear and consider all objections, if any, to the proposed rate increases.

To ensure that everyone potentially affected by proposed rate increases is notified, this notice is being sent to all property owners or customers of water, wastewater (sewer) or solid waste (refuse) service from the City of Monterey Park (City). Therefore, you may receive multiple copies of this notice if you are both the property owner as well as customer. If adopted, the proposed rate increases would become effective September 1, 2014. The proposed rates are set out in the charts included in this notice.

The City must raise rates to repair the deteriorating water and sewer system, and maintain a cost neutral solid waste system. A water engineering study presented a need to replace almost \$100 million in water projects, which includes replacing a water reservoir, two wells and over 50 miles of pipelines. Water main failures occur between 25-36 times each year. These failures disrupt the daily lives of Monterey Park residents, and are costly to repair. Two sewer engineering studies show a need to conduct \$12.8 million in sewer repairs and improvements. This represents only 35% of the City's 126 miles of sewer pipeline, and the remaining 65% will be inspected for future rate increase consideration. The City currently collects \$5.8 million per year in solid waste revenues and require \$6.8 million to operate residential trash collection. Other factors that require the City to increase its water, wastewater and solid waste service rates include, without limitation, new and increasingly stringent State and Federal environmental regulations, higher operating and utility costs and change in customer demand of the system.

As an example, utility bills would increase for a typical single family home as shown in Table 1.

Table 1: Proposed Rates (Monthly) – Impact on Typical Single Family Residential Customer⁽¹⁾

Utility	Current Monthly Bill	Sept 2014 Estimated	Sept 2015 Estimated	Sept 2016 Estimated	Sept 2017 Estimated	Sept 2018 Estimated
Water	\$28.82	\$50.20	\$60.20	\$70.44	\$78.93	\$85.26
Wastewater	\$1.86	\$7.69	\$10.00	\$12.50	\$14.00	\$15.68
Solid Waste	\$22.68	\$26.08	\$26.86	\$27.66	\$28.50	\$29.35
TOTAL	\$53.36	\$83.97	\$97.06	\$110.61	\$121.42	\$130.29

⁽¹⁾Typical single family residential customer has 5/8" or 3/4" water meter and consumes 12 units (1 unit = 748 gallons) of water per month. Customer has one 96 gallon trash and one 96 gallon recycle container.

COMPLETE RATE SCHEDULES AND PROPOSED INCREASES FOR EACH APPLICABLE UTILITY BY CUSTOMER TYPE ARE SHOWN ON THE ATTACHED PAGES.

Your water bill is a combination of a fixed meter charge, a consumption charge and a treatment charge. The meter charge is dependent on type of property and meter size. The consumption charge, calculated by units (748 gallons) of metered water used, varies depending on how much water is metered. There is also a water treatment charge calculated as a percent of total meter and consumption charges. The proposed wastewater rate is a fixed charge based on type of property and meter size. For solid waste rates, single family residential solid waste rates are based on the type and size of solid waste containers. Solid waste charges for multi-family trash bins are based on the number of pick-ups per week.

The proposed rates are based upon the revenues needed to meet projected operating expenses for the period of July 2014 to June 2019. California law requires the City to set rates sufficient to cover operating expenses and to fund for replacement or construction of facilities. Water charges may be used by the City only to provide water services. Wastewater charges may only be used by the City only to provide wastewater services, and solid waste charges may only be used for solid waste services.

The calculation of and reasons for the rate increase are analyzed and supported in the rate studies prepared by AKM Consulting Engineers and Phoenix Civil Engineering, Inc., the City's Mid Year Review Report for Fiscal Year 2013-14, and various staff reports and presentations to the City Council in March and April 2014. These reports are available for public review at Monterey Park City Hall and online at www.montereypark.ca.gov.

Compliance with Proposition 218

In 1996 California voters approved Proposition 218, which amended the state constitution relating to passage of property related fees. Proposition 218 requires the City to inform property owners and rate payers that 1) proposed rate increases are being considered; 2) clearly demonstrate the basis on which the rates are calculated; and 3) hold a public hearing at least 45 days after public notification. Utility rate increases are subject to majority protest. If a majority of impacted property owners submit written protests, the proposed rate increases cannot be adopted.

To protest against the water, wastewater and solid waste rate increases, please complete and return the enclosed official ballot to the City of Monterey Park. Your protest must be received (not postmarked) by the City Clerk of the City of Monterey Park before the close of the public hearing at the City Council meeting set for Wednesday, June 18, 2014, at 7:00 p.m. Oral, telephone, and e-mail protests will not be accepted. The protest must be signed by you and include: 1) your name, 2) your service street address or assessor's parcel number(s) and 3) specify which rate you are protesting. You may mail or deliver your written ballot to: City of Monterey Park, Office of the City Clerk, 320 West Newmark Ave, Monterey Park, CA 91754. The City can provide you with a replacement protest ballot upon request. **Only one ballot protest will be counted per parcel.**

For questions regarding this notice, contact the Management Services Department at (626) 307-1342

OFFICIAL BALLOT ENCLOSED

Protest Form: Property owners or an authorized representative may complete this form and deliver it to the City of Monterey Park, Office of the City Clerk, 320 West Newmark Ave, Monterey Park, CA 91754. This ballot must be received before the close of the City Council public hearing set for Wednesday, June 18, 2014

Assessor's Parcel Number (#####-###-###)

Parcel Address:### #####
#####, ## #####

- I Protest the proposed water rate increase
- I Protest the proposed wastewater rate increase
- I Protest the proposed solid waste rate increase

Print Name: _____

Sign Name: _____

Current and Proposed Water Rates

City of Monterey Park

Monthly Water Rate Schedule

Water Meter Charge						
<i>Meter Size</i>	Existing Rate	Sept 2014	Sept 2015	Sept 2016	Sept 2017	Sept 2018
5/8 or 3/4"	\$12.63	\$15.63	\$18.76	\$21.95	\$24.58	\$26.55
1"	\$13.67	\$26.05	\$31.26	\$36.57	\$40.96	\$44.24
1 1/2"	\$21.53	\$52.11	\$62.53	\$73.16	\$81.94	\$88.50
2"	\$27.71	\$83.37	\$100.04	\$117.05	\$131.10	\$141.59
3"	\$55.48	\$156.32	\$187.58	\$219.47	\$245.81	\$265.47
4"	\$91.72	\$260.52	\$312.62	\$365.77	\$409.66	\$442.43
6"	\$280.07	\$521.05	\$625.26	\$731.55	\$819.34	\$884.89
8"	\$700.44	\$833.68	\$1,000.42	\$1,170.49	\$1,310.95	\$1,415.83
Water Consumption Charge (per unit)						
	Existing Rate	Sept 2014	Sept 2015	Sept 2016	Sept 2017	Sept 2018
<u>Current (All Users)</u>						
Tier 1 5/8" or 3/4" (6-20 units)	\$1.38					
Tier 1 All other (0-20 units)	\$1.38					
Tier 2 (above 20 units)	\$1.81					
<u>Proposed Single Family Residential</u>						
Tier 1 (0-6 units)		\$1.66	\$1.99	\$2.33	\$2.61	\$2.82
Tier 2 (6-12 units)		\$1.82	\$2.18	\$2.55	\$2.86	\$3.09
Tier 3 (Above 12 units)		\$1.85	\$2.22	\$2.60	\$2.91	\$3.14
<u>Proposed All Other</u>						
All Units of Consumption		\$1.81	\$2.17	\$2.54	\$2.84	\$3.07
Water Treatment Charge						
% (meter + consumption)	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%

One Unit = 748 gallons of water

Current and Proposed Wastewater Rates

City of Monterey Park						
Monthly Wastewater Rate Schedule						
	Existing Rate	Sept 2014	Sept 2015	Sept 2016	Sept 2017	Sept 2018
<i>Existing Rate - Based on Units of Water</i>						
All Customers	\$0.081/unit of water					
<i>Proposed Rate - Based on Meter Size & Customer Type (flat fee)</i>						
Single Family						
5/8" & 3/4"	\$7.69	\$10.00	\$12.50	\$14.00	\$15.68	
1"	\$9.39	\$12.21	\$15.26	\$17.09	\$19.14	
1 1/2" & 2"	\$9.72	\$12.64	\$15.80	\$17.70	\$19.82	
Multi-Family						
3/4"	\$21.94	\$28.52	\$35.65	\$39.93	\$44.72	
1"	\$26.29	\$34.18	\$42.73	\$47.86	\$53.60	
1 1/4"	\$43.29	\$56.28	\$70.35	\$78.79	\$88.24	
1 1/2"	\$63.63	\$82.72	\$103.40	\$115.81	\$129.71	
2"	\$121.90	\$158.47	\$198.09	\$221.86	\$248.48	
3"	\$312.30	\$405.99	\$507.49	\$568.39	\$636.60	
4"	\$404.01	\$525.21	\$656.51	\$735.29	\$823.52	
Commercial						
3/4"	\$20.49	\$26.64	\$33.30	\$37.30	\$41.78	
1"	\$30.76	\$39.99	\$49.99	\$55.99	\$62.71	
1 1/4"	\$30.76	\$39.99	\$49.99	\$55.99	\$62.71	
1 1/2"	\$59.29	\$77.08	\$96.35	\$107.91	\$120.86	
2"	\$150.45	\$195.59	\$244.49	\$273.83	\$306.69	
3"	\$204.67	\$266.07	\$332.59	\$372.50	\$417.20	
4"	\$292.39	\$380.11	\$475.14	\$532.16	\$596.02	
6"	\$795.62	\$1,034.31	\$1,292.89	\$1,448.04	\$1,621.80	
Institutional						
3/4"	\$35.00	\$45.50	\$56.88	\$63.71	\$71.36	
2"	\$51.78	\$67.31	\$84.14	\$94.24	\$105.55	
3"	\$55.42	\$72.05	\$90.06	\$100.87	\$112.97	
4"	\$127.24	\$165.41	\$206.76	\$231.57	\$259.36	

Current and Proposed Solid Waste Rates

City of Monterey Park						
Monthly Solid Waste Rate Schedule						
	Existing Rate	Sept 2014	Sept 2015	Sept 2016	Sept 2017	Sept 2018
<u>Residential</u>						
96 black / 96 green	21.81	25.08	25.83	26.60	27.40	28.22
96 black / 64 green	21.12	24.29	25.02	25.77	26.54	27.34
64 black / 96 green	20.35	23.40	24.10	24.82	25.56	26.33
64 black / 64 green	19.78	22.75	23.43	24.13	24.85	25.60
Extra Black	5.53	6.36	6.55	6.75	6.95	7.16
extra Green	3.72	4.28	4.41	4.54	4.68	4.82
Roll-out	17.35	19.95	20.55	21.17	21.81	22.46
Extra Exchange	28.83	33.15	34.14	35.16	36.21	37.30
<u>Multi-Family Bins</u>						
1 X per Week	181.83	209.10	215.37	221.83	228.48	235.33
2 X per Week	260.84	299.97	308.97	318.24	327.79	337.62
3 X per Week	368.58	423.87	436.59	449.69	463.18	477.08
4 X per Week	467.88	538.06	554.20	570.83	587.95	605.59
5 X per Week	562.01	646.31	665.70	685.67	706.24	727.43
Special Services	80.17	92.20	94.97	97.82	100.75	103.77
Waste Mgmt Fee	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%