

**AGENDA
SPECIAL MEETING
SIERRA MADRE CITY COUNCIL,
SUCCESSOR AGENCY, AND
PUBLIC FINANCE AUTHORITY**

Tuesday, July 31, 2018

6:30 pm

**City Hall Council Chambers
232 W. Sierra Madre Boulevard
Sierra Madre, California 91024**

and

**Council Member Rachelle Arizmendi
Via Teleconference from:
Cary House Hotel
300 Main Historic Cary House Hotel
300 Main Street
Placerville, CA 95667**

*Denise Delmar, Mayor
John Harabedian, Mayor Pro Tem
Rachelle Arizmendi, Council Member
John Capoccia, Council Member
Gene Goss, Council Member*

*Sue Spears, City Clerk
Michael Amerio, City Treasurer*



PUBLIC COMMENT

The Council will listen to the public on any item on the agenda. Under the Brown Act, Council is prohibited from taking action on items not on the agenda, but the matter may be referred to staff or to a subsequent meeting. Each speaker will be limited to three continuous minutes, which may not be delegated. These rules will be enforced but may be changed by appropriate City Council action.

PUBLIC COMMENT FOR ITEMS ON THE AGENDA:

Persons wishing to speak on any item on the agenda will be called at the time the agenda item is brought forward. Persons wishing to speak on closed session items have a choice of doing so either immediately prior to the closed session or at the time for comments on items at the open session.

PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA:

Time shall be devoted to audience participation early on the agenda.

**CALL TO ORDER/ROLL CALL
MEMBERS OF THE CITY COUNCIL**

Mayor Delmar, Mayor Pro Tem Harabedian, Council Member Arizmendi, Council Member Capoccia, and Council Member Goss

**PLEDGE OF ALLEGIANCE AND
INVOCATION/INSPIRATION**

Council Member John Capoccia

APPROVAL OF AGENDA

Vote of the Council to proceed with City business.

MAYOR AND CITY COUNCIL REPORTS

Council Member activities relating to City business.

PUBLIC COMMENT

Regarding items not on the Agenda.

ACTION ITEMS

- DISCUSSION**

1. **DISCUSSION REGARDING TITLE 17, ZONING, CHAPTER 17.22.130 – RECORDATION REQUIREMENT FOR SECOND UNIT PERMIT**

Recommendation that the City Council provide staff with direction.

- DISCUSSION**

2. **CONSIDERATION OF RESOLUTION 18-42 IN SUPPORT OF CALIFORNIA HOUSE RESOLUTION (HR) 113 KNOWN AS “PIQUI’S RESOLUTION”**

Recommendation that the City Council provide staff with direction.

- PUBLIC HEARING**

3. **CONCLUSION OF PROPOSITION 218 PROCESS FOR WATER & SEWER RATE ADJUSTMENT AND ADOPTION OF URGENCY ORDINANCE 1401-U SETTING WATER AND SEWER RATES FOR FISCAL YEARS 2018-2023**

Recommendation that the City Council read by title only and adopt Urgency Ordinance 1401-U amending Section 13.08.020 of the Sierra Madre Municipal Code regarding sewer rates and adopting water and sewer rate schedules effective August 1, 2018.

- DISCUSSION**

4. **ADOPTION OF URGENCY ORDINANCE 1400-U AMENDING SECTION 13.24.140 OF THE SIERRA MADRE MUNICIPAL CODE BY DELETING SUBSECTION “A” AND SUBSECTION “B” REGARDING PENALTIES FOR VIOLATION OF MANDATORY WATER CONSERVATION**

Recommendation that the City Council adopt Urgency Ordinance 1400-U, an Ordinance amending Chapter 13.24 (Mandatory Water Conservation Plan) of the Sierra Madre Municipal Code to delete Subsection A (First Violation) and Subsection B (Second Violation) of Section 13.24.140, resulting in a revised section 1324.140 (Failure to Comply – Penalties.)

ACTION ITEMS

Regardless of staff recommendation on any agenda item, the City Council will consider such matters, including action to approve, conditionally approve, reject, or continue such item.

AVAILABILITY OF AGENDA MATERIALS

Materials related to items on this agenda are available for public inspection on the City's website at www.cityofsierramadre.com, and during normal business hours at City Hall, 232 W. Sierra Madre Blvd. and at the Sierra Madre Public Library, 440 W. Sierra Madre Blvd.

LIVE BROADCASTS

Regular City Council meetings are broadcasted live on Cable Channel 3 and rebroadcast on Wednesday and Saturday at 5:30 p.m.

MEETING ASSISTANCE

If you require special assistance to participate in this meeting, please call the City Manager's office at (626) 355-7135 at least 48 hours prior to the meeting.

ADJOURNMENT

The City Council will adjourn to a Public Hearing at this same place on Tuesday, September 11, 2018.



City of Sierra Madre Agenda Report

Denise Delmar, Mayor
John Harabedian, Mayor Pro Tem
Rachelle Arizmendi, Council Member
John Capoccia, Council Member
Gene Goss, Council Member

Sue Spears, City Clerk
Michael Amerio City Treasurer

TO: Honorable Mayor Del Mar and Members of the City Council

FROM: Vincent Gonzalez, Planning & Community Preservation Director 

REVIEWED BY: Gabe Engeland, City Manager 

DATE: July 31, 2018

SUBJECT: **DISCUSSION REGARDING TITLE 17, ZONING, CHAPTER 17.22.130 – RECORDATION REQUIREMENT FOR SECOND UNIT PERMIT**

STAFF RECOMMENDATION

It is recommended that the City Council provide staff with direction.

ALTERNATIVES

1. Take no action.
2. Keep covenant, but remove language in the zoning code regarding periodic inspections as the City already has this right when a code violation is suspected.
3. Remove covenant in its entirety and direct staff to make a recommendation on short term rentals, which the covenant seeks to restrict.

SUMMARY

At the request of City Council, staff is providing this report to inform a discussion regarding the City's regulations requiring a deed restriction and covenant for the new construction or conversion of a garage or accessory structure to a second dwelling unit. City staff has received a complaint(s) from a property owner(s) who is unwilling to execute the required documentation for a second unit application and expressed during public comment at the June 12, 2018 City Council Meeting that the City Council should consider removal of the deed restriction and covenant requirements for second units.

The City Council is discussing this matter to determine if modifications or omission of the deed restriction and covenant is warranted.

ANALYSIS

Background

The City of Sierra Madre recognizes that second units are a valuable form of housing. Second units provide housing within existing neighborhoods for family members, elderly, in-home health care providers, persons with disabilities and others, at below market rates. Homeowners who create second units benefit from added income and an increased sense of security.

The City of Sierra Madre 2014-2021 Update of the Housing Element included a proactive program to promote the development of new second units and to legalize existing second units which met certain criteria through an amnesty program. The California Department of Housing and Community Development also recognizes second units as affordable housing units which are counted toward the City's Regional Housing Needs Assessment allocations.

Assembly Bill 1866 – The passage of AB 1866 (effective July 2003) required local governments to use a ministerial process for second unit applications for the purpose of facilitating production of affordable housing. AB 1866 allowed cities to impose development standards on second units addressing issues such as building size, parking, height, setbacks, and lot coverage. In order to comply with the legislation, the Sierra Madre City Council in 2004 adopted Chapter 17.22 of the Zoning Code to permit second units in the R-1 and R-H residential districts.

Since adoption of the second unit ordinance in 2004, the City had received one application for a second unit permit as of 2012. In order to promote awareness of the program, the City distributed a citywide second unit survey in fall 2012. In response to this survey the City received two additional applications for new second units. At that time, the City recognized that the following ordinance provisions may be serving as a disincentive to property owners to add second units:

- Requirement to deed restrict rental units for lower income occupancy.
- Limitations on unit size to one-bedroom and 600 square feet.
- Requirement for adherence to R-1 development standards, including 7,500-square foot minimum lot size, 15-foot rear yard and 5-foot side yard setbacks.

In order to better encourage and facilitate the provision of second units, the City adopted certain refinements to its second unit standards. More specifically, the City approved the following revisions to the Code which were adopted by City Council in December 2013:

- Elimination of the prior affordable rent and income restrictions.
- Expansion of permitted locations from R-1 and R-H to all residential zone districts.

- Increase in the permitted unit size from 600 square feet and one bedroom, to 800 square feet.
- Allowance for second units above a garage and attached second units to be on the second floor.
- Allowance for reduced setbacks through a minor CUP process.

Sierra Madre Second Unit Amnesty Program – The City also acknowledged the existence of numerous second units in the community built illegally which may or may not meet basic health and safety guidelines. The City's goal was to legalize these units, bring them into the City's official housing stock to contribute towards meeting regional housing needs (RHNA) allocations, and make them safe and sanitary for current and future tenants. To achieve this goal, in October 2012, the City initiated a second unit amnesty program to allow property owners with second units not currently recognized as "units" in the 2000 Census the opportunity to register these units with the City without facing fines for non-permitted construction. As an incentive to property owners to apply for a second unit amnesty permit, the City offered certain modified standards to accommodate existing buildings, including:

- Elimination of the minimum parcel size established by the underlying zone.
- Allowance for five foot side and rear yard setbacks, with provisions for reductions to zero foot setbacks subject to a minor conditional use permit process.
- Exemption for up to 500 square feet of an amnesty second unit from the maximum permissible floor area limits.
- Allowance for an increase in height from 15 to 25 feet for second units built above a garage.
- Elimination of the second unit application fee.
- Other fees for planning-related services, minor conditional use permit applications, plan checks and building permits are assessed at 50% of the applicable fee.

To receive a second unit amnesty permit, property owners were required to demonstrate the second unit did not have an individual address as of the 2000 census, did not have a building permit of record, and was constructed prior to January 1, 2006. All Health and Safety code violations were required to be corrected based on City building inspections of the second unit. Once these requirements were met, existing second units were issued a City permit, reported to the County assessor, and brought into the City's official housing stock.

As a result, Sierra Madre experienced significant interest in its second unit amnesty program, with 10 applications for amnesty received between October 2012 and July 2013.

Senate Bill 1069 – In 2016, Governor Brown signed SB 1069, broadening the application of second units (Accessory Dwelling Units). A second unit may be

attached to, or detached from the primary dwelling unit, and provide complete, independent living facilities for up to two persons. The unit must fulfill the following conditions:

- May require that an applicant seeking to build an ADU not exceed the allowable total floor area ratio and lot coverage for the applicable zone.
- Increased maximum unit size to 1,200 square feet.
- May require an owner to occupy either the primary dwelling or the ADU.
- May restrict the ADU, if rented, to periods longer than 30 days (thereby prohibiting short-term rentals or “Airbnb” uses).
- May require that an ADU is not intended for sale separate from the primary dwelling.
- May require an ADU to comply with local building and fire codes.
- May impose setback requirements for new ADU construction, other than for garage conversions.
- May impose parking, height, setback, lot coverage, landscape and architectural review and maximum unit size where the property is listed in the California Register of Historic Places.
 - Other than for historic properties, SB 1069 does not specify any height limitations or limit the ability of a local agency to impose height standards/restrictions for an ADU.

Since July 2013, a total of 18 second unit applications have been processed to date with increasing interest from property owners.

Deed Restriction and Covenant Requirement – The current Second Unit Ordinance requires applicants to file a covenant with the Los Angeles County Assessor’s Office. A copy of the covenant is included as Attachment A. Pursuant to Chapter 17.22.130 – Recordation, an applicant for a second unit permit is required to comply the provisions below:

As a prerequisite to obtaining a building permit, the applicant for a second unit permit shall cause to be recorded a covenant or deed restriction (in a form approved by the city attorney) specifying that the second unit will at all times comply with the provisions of this chapter and applicable state law. The recorded covenant shall run with the land, shall set forth the requirements of this chapter, and shall contain provisions implementing the requirements of this chapter, including but not limited to authorizing the city to make periodic inspections to ascertain compliance with the requirements of this chapter and the terms of the recorded covenant, and authorizing the city to abate any violation of this chapter at the cost of the then owner, including that the city may record a lien to recover the cost of such abatement proceedings including all reasonable administrative costs in connection therewith.

The deed restriction and covenant run with the land, therefore is applicable upon transfer of ownership of real property, meaning that new property owners are bound by the provisions cited above. The recordation also informs new property owners of the requirements of the deed restriction for the ADU through a title search.

City Survey – ADU Deed Restriction and Covenant Requirement

Staff contacted the cities below to determine if a deed restriction and covenant are required in other jurisdictions. The results of the survey are as follows:

City	Covenant Required	Annual Inspections	Rental period restrictions
Sierra Madre	Yes	Yes	Yes (not less than 30-days)
South Pasadena	Yes	No	Yes (not less than 30-days)
Pasadena	Yes	No	Yes (not less than 30-days)
San Dimas	Yes	No	No
Glendora	No	No	Yes (not less than 30-days)
Arcadia	Yes	No	Yes (not less than 30-days)
Monrovia	Yes	No	Yes (not less than 30-days)
La Canada	Yes	No	No
Claremont	Yes	Yes	Yes (not less than 30-days)

The majority of the cities require a covenant recorded with the Los Angeles County Assessor's Office, impose rental period restrictions in an effort to prohibit Airbnb and Vacation Rental By Owner (VRBO) usage.

The question before City Council is to determine if there is a need to retain the covenant provision as part of the second unit application process, or alter the covenant or modify the ordinance without reducing the ability of the City to ensure compliance with City ordinances and building and fire codes.

As mentioned above, the current covenant does not restrict units to lower income occupancy. This provision was removed from the ordinance in December 2013. Furthermore, the covenant is silent on annual inspections; however, the Code provision in Section 17.22.130 – Recordation, requires the city to make periodic inspections.

Currently, no code enforcement inspections have been conducted to date to determine that the properties are in compliance with the provisions specified in the ordinance. The code enforcement provisions are to confirm that second units are not used as

short-term rentals (less than 30-days) and that ongoing maintenance of the unit is in conformance with city building and fire codes.

If the City Council wishes to modify the covenant, the Council should also consider amending the code provision requirement for periodic inspections.

The City will continue to report second units to HCD as affordable units through the RHNA allocation annual reporting process.

FINANCIAL REVIEW / SOURCE OF FUNDING

There is no financial impact related to a potential revision to the covenant or a code text amendment to Title 17, Chapter 17.22. Staff time was incurred in the preparation of the report.

ENVIRONMENTAL (CEQA)

An Initial Study was prepared for the 2014-2021 Housing Element in accordance with the City's guidelines implementing the California Environmental Quality Act (CEQA). This Initial Study was undertaken for the purpose of deciding whether the measures identified in the Housing Element to fulfill the City's RHNA allocation may have a significant effect on the environment. On the basis of the Initial Study, City staff concluded that they will not have a significant effect on the environment, and a Negative Declaration was adopted by City Council on January 28, 2014. The project also qualifies for a Statutory Exemption pursuant to Section 15061(b)(3), in that the City can say with certainty that there is no possibility that the activity in question may have a significant effect on the environment because retaining or omitting the regulatory requirement of a deed restriction and covenant for a second unit is not likely to result in additional construction beyond that is already permissible.

PUBLIC NOTICE PROCESS

This item has been noticed through the regular agenda notification process. Copies of this report are available at the City Hall public counter, at the Sierra Madre Public Library, and can be accessed on the City's website at www.cityofsierramadre.com.

Attachments:

Attachment A: Deed Restriction and Covenant

Exhibit A: Legal Description Requirement

Exhibit B: Chapter 17.22 – Second Units Ordinance

Attachment B: Covenant Samples from other Cities

**RECORDING REQUESTED BY
CITY OF SIERRA MADRE**

WHEN RECORDED MAIL TO

City Clerk
City of Sierra Madre
232 W. Sierra Madre Blvd.
Sierra Madre, CA 91024

No Recording Fee—Exempt
Pursuant to Government Code Section 6103

Space above this line for recorder’s use

DEED RESTRICTION AND COVENANT

RECITALS

- A. THIS DEED RESTRICTION AND COVENANT (“Deed Restriction”) is made as of _____, 201_ (the “Effective Date”) by and between _____, (“Grantors”) and the City of Sierra Madre, a municipal corporation (the “City”).
- B. Grantor is the owner of certain real property (the “Property”) located in the City of Sierra Madre, County of Los Angeles, State of California, and more particularly described on Exhibit A attached hereto and more commonly known as 150 S. Baldwin Avenue, Sierra Madre, California.
- C. Pursuant to Chapter 17.22 of the Sierra Madre Municipal Code, the Grantors desire to obtain a building permit to construct on the Property a second unit, as defined in Section 17.22.020 of the Municipal Code (the "Second Unit").
- D. Pursuant to Section 17.22.130, any owner of a property with a second unit constructed pursuant to Chapter 17.22 must record a deed restriction or covenant against the property.
- E. The Grantors agree to comply with Chapter 17.22 (Second Unit Ordinance) of the Sierra Madre Municipal Code, as a copy of which is attached as Exhibit B and incorporated by reference, as a condition of obtaining a building permit for a second unit on the Property.

NOW, THEREFORE, Grantors agree to this Deed Restriction pursuant to the terms contained herein:

- 1. Building Permit. In recognition of the City's consideration of a building permit to the Grantor to construct the Second Unit, Grantors hereby agree to the terms and conditions of this Deed Restriction and to record this Deed Restriction as a covenant running with the land in perpetuity.

2. Restriction on Rentals. Consistent with the residential zoning restrictions prohibiting hotel, motel or bed and breakfast type uses, Grantor agrees that the Second Unit may only be rented or leased for periods exceeding 30 days; no “short term rentals,” e.g., rentals for periods of less than 30 days, including but not limited to, so-called vacation rentals or “Air BNB” uses are permitted.

3. Violations. Grantors agree if the City is required to abate any violations of this Deed Restriction, the costs of such abatement, including any and all administrative costs, court costs and attorneys’ fees shall be the responsibility of the Grantors, and the City may record a lien against the Property to recover such costs of any abatement proceedings.

4. Running with the Land. The execution of this Deed Restriction by the Grantors shall constitute an agreement with the City of each provision, term and condition contained herein and shall be recorded as a covenant running with the land and which shall be binding in perpetuity upon the Property, the Grantors, and the heirs, devisees, assigns, transferees, and successors in interest of the Grantors.

5. Subsequent Transfers. Grantors agrees to incorporate (including incorporation by reference) the terms of this Deed Restriction in any deed or other legal instrument by which Grantors divests itself of any interest in all or a portion of the Property, including, without limitations, a leasehold interest. The failure of Grantors to perform any act provided in this section shall not impair the validity of this Covenant or limit its enforceability in any way.

6. City’s Remedies. If the City determines that Grantors are in violation of the terms of this Deed Restriction or that a violation is threatened, the City shall give written notice to Grantors of such violation and demand corrective action sufficient to cure the violation and, where the violation involves injury to the Property resulting from any use or activity inconsistent with the purpose of this Deed Restriction, to restore the portion of the Property so injured. If Grantors fail to cure the violation within 30 days after receipt of notice thereof from the City, or under circumstances where the violation cannot reasonably be cured within a 30-day period, fails to begin curing such violation within the 30-day period, or fails to continue diligently to cure such violation until finally cured, the City may bring an action at law or in equity in a court of competent jurisdiction to enforce the terms of this Deed Restriction, to enjoin the violation by temporary or permanent injunction, to recover any damages to which it may be entitled for violation of the terms of this Deed Restriction or injury to any protected value, including damages for any loss thereof, and to require the restoration of the Property to the condition that existed prior to any such injury. If the City, in its sole discretion, determines that circumstances require immediate action to prevent or mitigate significant damage to the protected values of the Property, the City may pursue its remedies under this paragraph without waiting for the period provided for cure to expire. The City’s rights under this paragraph apply equally in the event of either actual or threatened violations of the terms of this Deed Restriction, and Grantor agrees that the City’s remedies at law for any violation of the terms of this Deed Restriction are inadequate and that the City shall be entitled to the injunctive relief described in this paragraph, both prohibitive and mandatory, in addition to such other relief to which the City may be entitled, without the necessity of proving either actual damages or the inadequacy of otherwise available legal remedies. The City’s remedies described in this paragraph shall be cumulative and shall be in addition to all remedies now or thereafter existing at law or in equity.

7. City's Discretion. Enforcement of the terms of this Deed Restriction shall be at the discretion of the City, and any forbearance by the City to exercise its rights under this Deed Restriction in the event of any breach of any term of this Deed Restriction by Grantor shall not be deemed or construed to be a waiver by the City of such term or of any subsequent breach of the same or any other term of this Deed Restriction or of any of the City's rights under this Deed Restriction. No delay or omission by the City in the exercise of any right or remedy on any breach by Grantors shall impair such right or remedy or be construed as a waiver.

8. Costs and Taxes. Grantors retain all responsibilities and shall bear all costs and liabilities of any kind related to the ownership, operation, upkeep, and maintenance of the Property. Grantors shall pay any and all taxes, assessments, fees, and charges levied by competent authority on the Property or on this Deed Restriction. It is intended that this Deed Restriction constitutes an enforceable restriction within the meaning of Article XIII, Section 8 of the California Constitution and that this Deed Restriction qualifies as an enforceable restriction under the provisions of California Revenue and Taxation Code Section 402.1.

9. General Provisions.

(a) Controlling Law. The interpretation and performance of this Deed Restriction shall be governed by the laws of the State of California.

(b) Severability. If a court or competent jurisdiction voids or invalidates on its face any provision to other persons or circumstances.

(c) No Forfeiture. Nothing contained herein will result in a forfeiture or reversion of Grantor's title in any respect.

(d) Captions. The captions in this instrument have been inserted solely for convenience of reference, are not a part of this instrument, and shall have no effect upon construction or interpretation.

(e) Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof. There are no representations or promises made to any party hereto concerning the subject matter of this Deed Restriction except as set forth herein. It is expressly understood by each of the parties that this Deed Restriction may not be altered, amended, modified, or otherwise changed in any respect or particular whatsoever, except by a writing executed by each Party hereto which expressly refers to this paragraph.

(f) Construction. Each of the parties represents and warrants that it has been represented in the negotiations for, and in the preparation of, this Deed Restriction by counsel of its own choosing, that it has read this Deed Restriction or has had it read to it by its attorney, and that it is fully aware of and understand its contents and its legal affect. Accordingly, this Deed Restriction shall not be construed against any party, and the rule of construction that a Deed Restriction is construed against the party by which it is drafted shall not apply.

(g) Governing Law. This Deed Restriction shall be interpreted in accordance with the laws of the State of California, as applicable to residents of the state.

(h) Prevailing Party. If any party to this Deed Restriction initiates any proceeding to enforce, interpret, defend, defend against, or establish the applicability or validity of this Deed Restriction, the party which is determined by the court or administrative body to be the prevailing party in such proceeding shall be entitled to an award of its attorneys' fees and costs, in addition to any other relief provided by law.

(i) Notice. Any notice required by this Deed Restriction shall be given in writing by personal delivery or overnight delivery of a reputable courier for receipt on a business day to:

THE CITY

City of Sierra Madre
Planning & Community Preservation Department
232 W. Sierra Madre Blvd.
Sierra Madre, California 91024

GRANTORS

Name:

Street Address:

Sierra Madre, CA 91024

(j) Counterparts. This Deed Restriction may be executed in any number of counterparts, each of which so executed shall be deemed an original of the Deed Restriction. These counterparts shall together constitute one Deed Restriction. The execution of this Deed Restriction by any of the parties will not become effective until the counterparts have been duly executed by all the parties.

(k) Liberal Construction. Any general rule of construction to the contrary notwithstanding, this Deed Restriction shall be liberally construed in favor of the grant to effect the purpose of this Deed Restriction and the policy and purpose California Government Code Sections 51070-51097. If any provision in this instrument is found to be ambiguous, an interpretation consistent with the purpose of the Deed Restriction that would render the provision valid shall be favored over any interpretation that would render it invalid.

IN WITNESS WHEREOF, the parties have set their hands as of the date and date first above written.

GRANTORS

EXHIBIT A
Legal Description

EXHIBIT B

URGENCY ORDINANCE NO. 1383-U
Municipal Code Text Amendment 16-04
Effective Date: December 13, 2016

Chapter 17.22, entitled "Second Units (also referred to as Accessory Dwelling Units)," is hereby amended in its entirety with a new Chapter 17.22, which shall read as follows:

Sections:

- 17.22.005 - Findings and determinations.
- 17.22.010 - Purpose.
- 17.22.020 - Definition.
- 17.22.030 - Permitted areas.
- 17.22.040 - Standards of development—Generally.
- 17.22.050 - Allowable floor area.
- 17.22.060 - Height.
- 17.22.070 - Parking.
- 17.22.080 - Access and facilities.
- 17.22.085 - All other standards.
- 17.22.090 - Owner occupancy required.
- 17.22.095 – Rental Restrictions.
- 17.22.100 - Utilities.
- 17.22.110 - Ownership.
- 17.22.120 – Conversion of existing structures into second units.
- 17.22.130 - Recordation.
- 17.22.140 - Permit process.
- 17.22.150 - Permit termination.
- 17.22.160 - Permit revocation.
- 17.22.170 - Severability.

17.22.005 - Findings and determinations.

The City Council finds and determines:

A. Assembly Bill 1866, signed into law on September 29, 2002 by the Governor of the state of California and effective January 1, 2003, affecting, among other provisions of state law, California Government Code Sections 65852.2 and 65583.1, requires that as of July 1, 2003, all applications for second units be considered ministerially without discretionary review or hearing.

B. Senate Bill 1069, signed into law on September 27, 2016 by the Governor of the state of California and effective January 1, 2017, affecting, among other provisions of state law, California Government Code Sections 65582.1, 65852.2, 65583.1, 65589.4, 65852.150, 66412.2, 65852.2, introduces new development standards including allowable floor area, garage conversion requirements, setback provisions, rental restrictions, fire sprinkler requirements, and utility connections.

C. Various provisions of state law relating to the housing goals, objectives and needs, including regional housing needs, and requirements pertaining to the provision of affordable housing as applicable to the city, are affected by the requirements of Assembly Bill 1866 and the effect thereof on second housing units on residentially zoned property in the city.

D. The city finds that second dwelling units are a valuable form of housing. Second units provide housing within existing neighborhoods for family members, elderly, in-home health care providers, persons with disabilities and others, at below market rates. Homeowners who create second units benefit from added income and an increased sense of security.

E. The limitations set forth herein are necessary to protect the health and welfare of residents, and do not jeopardize the city's obligation to comply with Government Code Sections 65852.2 and 65583.1.

17.22.010 - Purpose.

The purpose of this chapter is to implement Assembly Bill No. 1866, Chapter 1062 of Stats. 2002. It is also the purpose of this chapter to allow for an increase in the supply of affordable housing in the city in conformance with the goals and policies of the housing element of the Sierra Madre general plan. It is the intent of the city to encourage secondary dwelling units and impose standards to enable homeowners to create second units that will not aggravate or create neighborhood problems. In doing so, and to ensure that no avoidable adverse impacts on the public health, safety, and general welfare result from the creation of a second unit, this chapter provides standards for the approval of such second units that limit the circumstances under which second units may be permitted consistent with the findings and determinations set forth in Section 17.22.005 and the purposes of this chapter.

17.22.020 - Definitions.

For the purpose of this chapter, a "second unit" also known as an "accessory dwelling unit," means an attached or a detached residential dwelling

unit which provides complete independent living facilities for one or more persons. It shall include permanent provisions for living, eating, cooking, sanitation, and shall have no more than one bedroom and shall be located on the same parcel as the single-family dwelling is situated.

“Converted or Conversion” means the repurposing of all or a portion of an existing structure as a second unit entirely within the existing structure building envelope and in accordance with all requirement residential building and construction standards set forth in the applicable California Building Codes.

“Short-term Rental” refers to a rental whereby a residence or a portion of a residence is rented to a tenant for a period of less than 30 days.

17.22.030 - Permitted areas.

One second unit shall be permitted only on residentially zoned lots with the following limitations : (i) no second unit shall be permitted on a lot having an existing guest house; (ii) no lot with a second unit shall be permitted to have a guest house; (iii) no existing guest house may be converted to a second unit except with full compliance with this chapter; and (iv) neither the primary residential dwelling unit nor the second unit shall be a mobile home, trailer, or vehicle; (v) no garage which satisfies the parking requirements of the primary unit shall be converted to a second unit without providing alternative required parking on-site.

17.22.040 - Standards of development—Generally.

All "second units" shall comply with the standards of development set forth in the following sections.

17.22.050 - Allowable floor area.

A. The total floor area of all buildings on the lot, including the second unit, shall not exceed the maximum floor area otherwise allowed in accordance with this title.

B. An attached second unit shall not exceed fifty percent of the existing living area (including a basement and attic) of the single family dwelling or 1,200 square feet, whichever is less.

C. The maximum floor area for a detached Second Unit shall not exceed 1,200 square feet.

17.22.060 - Height.

The maximum height of a detached new second unit shall be fifteen (15) feet as measured in accordance with the height provisions of the underlying residential zone.

17.22.070 - Parking.

One on-site parking space shall be designated for the second unit in addition to the required on-site parking for the primary dwelling unit. In order to accommodate required parking on site, parking for a second unit may be allowed in setback areas (in locations determined by the city) and through tandem parking.

17.22.080 – Access and facilities.

All new second units shall have a separate entrance and contain a separate kitchen and bathroom facility.

17.22.085 - All other standards.

Except as specifically provided in this chapter, all second units shall comply with all other provisions of this code applicable to the residential zone in which it is located, except as follows:

- A. New second units located on a reversed corner lot shall provide a minimum setback along the secondary frontage equal to the front yard setback of the underlying zone.
- B. The minimum required side yard setback of an existing accessory structure being converted to a second unit on a reversed corner lot shall be the same as that of the primary structure along the secondary frontage.

17.22.090 - Owner occupancy required.

The owner of the lot on which the second unit is located shall maintain either the primary single family dwelling unit or the second unit as his/her/their principal domicile as long as the second unit exists on the lot.

17.22.095 – Rental Restrictions.

No second unit shall be used as a “short term” rental.

17.22.100 - Utilities.

Second units shall not have separate utility connections, but shall receive all utilities via the pre-existing principal unit, with the exception of telephone, cable television, and computer modem lines or other communication facilities.

17.22.110 - Ownership.

The second unit may not be owned separately, or sold or hypothecated separately, from the primary dwelling unit, but may be rented or leased for a period not to exceed one year terms.

17.22.120 – Conversion of existing structures into second units.

- A. Prior to the approval of a second unit permit for the conversion of an existing structure for which there is no record of a building permit being issued, satisfactory completion of a safety inspection by the City's Building Official and Fire Department is required. An applicant must commit to upgrade the second unit to health and safety codes in order to be granted approval of a second unit permit, including without limitations the following items:
1. Independent entrance to second unit.
 2. Direct access to exterior of building from bedroom (door or window).
 3. Adequate light and ventilation in each habitable room.
 4. Minimum 7-foot-high ceiling in all rooms, kitchens, halls, and baths.
 5. Properly installed electrical wiring including separate access to electrical shut off.
 6. Structural Integrity:
 - a) Foundation not cracked, damaged, or shifting.
 - b) Framing not sagging or deteriorated.
 7. Comfort Heating:
 - a) Heating as required per the Building Code.
 - b) Separate access to gas shut-off, if applicable.
 8. Working Plumbing:
 - a) Kitchen and bathroom facilities with hot water.
 - b) Water heater strapped and properly vented.
 - c) Connection to approved sewage system.
 9. Fire Safety:
 - a) Hallways serving sleeping rooms must have smoke and carbon monoxide detectors.
 - b) Each sleeping room must have a smoke detector.

- B. Once an inspection by the City's Building Official and Fire Department occurs, the applicant is required to correct those items that are identified as violating current health and safety codes for the structure's current use even in the event that the applicant decides to withdraw the second unit permit application.

17.22.130 - Recordation.

As a prerequisite to obtaining a building permit, the applicant for a second unit permit shall cause to be recorded a covenant or deed restriction (in a form approved by the city attorney) specifying that the second unit will at all times comply with the provisions of this chapter and applicable state law. The recorded covenant shall run with the land, shall set forth the requirements of this chapter, and shall contain provisions implementing the requirements of this chapter, including but not limited to authorizing the city to make periodic inspections to ascertain compliance with the requirements of this chapter and the terms of the recorded covenant, and authorizing the city to abate any violation of this chapter at the cost of the then owner, including that the city may record a lien to recover the cost of such abatement proceedings including all reasonable administrative costs in connection therewith.

17.22.140 - Permit process.

All proposed second dwelling units are subject to review for compliance with the terms of this chapter by the director of Planning and Community Preservation. A second unit application must be submitted to the city along with the appropriate fee as established by the city council by resolution in accordance with applicable law, and a list, in a form required by the city for property owner notifications, of property owners within a three hundred foot radius of the property on which the second unit is proposed. Property owners within a three hundred-foot radius of the property for which a new second dwelling application is made shall be notified in writing of the second dwelling unit application at least twenty days prior to the date of the director's action on the second unit permit application. The director shall complete the review of the application for a second unit permit within thirty days of receipt of a complete submission. Review of, and the denial of or granting of, an application for a second unit permit by the city is a ministerial action. The director shall not approve an application for a second unit permit or issue a second unit permit unless the proposed second unit complies with the requirements of this chapter. The decision of the director shall be final and conclusive. An applicant who obtains a second unit permit shall be required to obtain a building permit for

the second unit. This chapter is not intended to amend the California Environmental Quality Act requirement relating to historic resources.

17.22.150 - Permit termination.

A second unit permit validly issued pursuant to this chapter shall terminate when any one or more of the following occur: (1) the permit is not used within one hundred eighty days from the date of permit issuance; (2) the permit has been abandoned or discontinued for one hundred eighty consecutive days; (3) the second unit owner files a declaration with the director of Planning and Community Preservation that the permit has been abandoned or discontinued and the second unit has been removed from the property; (4) the permit has expired by its terms; or (5) the permit has been revoked as provided in Section 17.22.160.

17.22.160 - Permit revocation.

In the event (i) a second unit permit was obtained by fraud or misrepresentation, or (ii) a permitted second unit dwelling is used, operated, or maintained in violation of this chapter or applicable state or federal law, or (iii) the second unit is has been used or is being used in a manner so as to constitute a public nuisance, the director of Planning and Community Preservation, on not less than ten days written notice to the second unit owner, may hold a permit revocation hearing which shall be heard by a hearing officer in accordance with applicable law. The director and the second unit owner shall each be permitted to present evidence with respect to the proposed permit revocation. The hearing officer shall issue a written decision within ten days of the conclusion of the hearing. The decision of the hearing officer shall be final. Upon revocation the second unit shall be removed; provided, however, if at the time of revocation there are tenants occupying the second unit pursuant to a valid and binding rental or lease agreement that is consistent with the provisions of this chapter, such tenants shall be permitted to continue to occupy the second unit until the expiration or earlier termination of the rental or lease agreement, and upon such expiration or earlier termination the second unit shall be removed. Nothing herein shall preclude or prevent the city from undertaking any other enforcement action with respect to the second unit which the city is otherwise authorized under this code or applicable state or federal law, including but not limited to the abatement of public nuisances.

17.22.170 - Severability.

If any part of this chapter is declared to be invalid or unenforceable, the city council declares that such invalidity shall be severable, and that it would have adopted every other provision hereof without regard to such invalidity.

RECORDING REQUESTED BY:
AND WHEN RECORDED MAIL TO:

CITY OF SAN DIMAS
Planning Department
245 East Bonita Avenue
San Dimas, California 91773

(Above Space for Recorder's Use only)

**COVENANT AND AGREEMENT LIMITING
USE OF PROPERTY**

This Covenant and Agreement Limiting Use of Property (this "Agreement") is made as of this _____ day of _____, 20XX, by _____ ("Owner").

RECITALS

A. Owner owns fee title to certain real property located in the City of San Dimas, County of Los Angeles, State of California, commonly known as (street address) Street, as more particularly described' on Exhibit "A" attached hereto (the "Property").

B. Owner desires to construct upon the Property an "accessory dwelling unit," as defined in Section 18.38.010 of the San Dimas Municipal Code (the "Accessory Unit").

C. Pursuant to Chapter 18.38 of the San Dimas Municipal Code, the City of San Dimas ("City") will permit Owner to construct the Accessory Unit on the Property, provided that Owner complies with the requirements of said Chapter 18.38 and the terms and conditions of this Agreement, whereby Owner covenants and agrees, for itself and for any and all persons who become owner(s) of record fee simple title to the Property, that (i) so long as the Accessory Unit exists, either the Accessory Unit or the primary residence located on the Property (the "Primary Residence") shall be occupied by Owner or such person(s) succeeding to Owner's interest in the Property as its principal, place of residence, and (ii) in the event that the unit which is not occupied by owner is to be rented or otherwise occupied by any third party for consideration paid to or received by or for the account of Owner, then such unit must be rented and/or occupied by low or very low income individuals or families on the terms and conditions set forth herein.

NOW, THEREFORE, Owner hereby declares that all of the Property is held and shall be held, sold, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the restrictions, conditions and covenants set forth herein below. All of the restrictions, conditions and covenants herein shall run with the land and shall be binding on all of the Property and all of the parties having or acquiring any right, title or interest in the Property or any part thereof, their heirs, successors and assigns.

1. OCCUPANCY OF UNIT BY OWNER OF PROPERTY.

(a) Owner hereby agrees, for itself and for any and all persons who become owner(s) of record fee simple title to the Property or any portion thereof, and their respective successors and assigns, that owner and such successors and assigns shall, at all times that the Accessory Unit exists on the Property, occupy either the Primary Residence or the Accessory Unit as said Owner's "principal place of residence." For purposes of this Agreement, owner's "principal place of residence" shall be deemed to be that place in which Owner's habitation is fixed and said Owner has the intention of remaining, and, whenever absent, has the intention of returning. Owner shall have only one principal place of residence.

(b) Owner hereby agrees that it shall notify the City in writing at least thirty (30) days prior to Owner ceasing to use either the Primary Residence or the Accessory Unit as its principal place of residence. In the event that Owner ceases to occupy either the Primary Residence or the Accessory Unit as its principal place of residence as described above, the City may deliver written notice to Owner notifying Owner of such breach and demanding that Owner, within thirty (30) days of such notice, either (i) cure such breach by resuming occupation of either the Primary Residence or the Accessory Unit as its principal place of residence or (ii) demolish the Accessory Unit or otherwise render the Accessory Unit unfit as a separate, independent living facility, to the satisfaction of the City, in its sole discretion, by, for example, removing all kitchen facilities and fixtures and personal property contained in the Accessory Unit used for the purpose of permitting the preparation and/or consumption of food.

2. AFFORDABLE HOUSING REQUIREMENTS.

(a) Owner hereby agrees, for itself and for any and all persons who become Owner(s) of record fee simple title to the Property or any portion thereof, and their respective successors and assigns, that in the event that Owner enters into a lease or otherwise enters into an arrangement by which a party occupies or has the right to occupy, for consideration paid to or received by or for the account of owner, the unit which is not otherwise occupied by owner in accordance with Section 1 above, then such unit shall be leased by Owner at affordable rent to low or very low income individuals or families. As used herein, (a) "affordable rent" shall mean, with respect to low income persons or families, rent not in excess of 25 percent, nor less than 15 percent, of the gross income of the occupant person or family established by the California Department of Housing and Community Development or any successor agency thereto, (b) "low income individuals or families" shall mean individuals or families whose income does not exceed eighty percent (80 percent) of current median income levels, adjusted for household size, for the Los Angeles-Long Beach PMSA published from time-to-time by the Department of Housing and Urban Development pursuant to the authority of the Housing Act of 1937, and (c) "very low income individuals or families" shall mean individuals or families whose income does not exceed fifty percent (50 percent) of current median income levels, adjusted for household size, for the Los Angeles-Long Beach PMSA published from time-to-time by the Department of Housing and Urban Development pursuant to the authority of the Housing Act of 1937. For comparison purposes, low income and very low income levels for the Los

Angeles-Long Beach PMSA published by the Department of Housing and Urban Development as of May, 2015, were as follows:

HOUSEHOLD SIZE	HOUSEHOLD INCOME	
1	Low Income	\$47,850
	Very Low Income	\$29,900
2	Low Income	\$54,650
	Very Low Income	\$34,200
3	Low Income	\$61,500
	Very Low Income	\$38,450
4	Low Income	\$68,300
	Very Low Income	\$42,700

In the event the publication of such income levels by the Department of Housing and Urban Development is discontinued, then the applicable income levels shall be those promulgated by the California Department of Housing and Community Development or any successor agency thereto.

(b) In order to ensure the health and safety of the occupants leasing either the Primary Residence or the Accessory Unit in accordance with subsection (a) above, Owner agrees, for itself and its successors and assigns, that the number of persons occupying the unit shall not exceed two persons per sleeping room, which is the maximum occupancy permitted by the Department of Housing and Urban Development for housing units meeting the Housing Quality Standards required for Section 8 housing.

(c) In the event Owner fails to comply with the low income leasing or occupancy requirements specified in subsections (a) and/or (b) above, then the City may deliver written notice to Owner notifying Owner of such breach and demanding that Owner, within thirty (30) days of such notice, either (i) cure such breach by complying with the low income leasing and occupancy requirements set forth in subsections (a) and (b) , or (ii) cease leasing the unit not occupied by Owner.

(d) Owner shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by the City to monitor compliance with the leasing requirements described in subsections (a) and (b) above, including without limitation the requirement that Owner deliver a certified report to the City on an annual basis, within thirty (30) days after the end of each calendar year, setting forth the name of each tenant, the unit occupied (whether the Primary Residence or the Accessory Unit), the income of the tenant, the tenant's occupancy status (i. e. , very low income or low income) and the amount of rent payable by the tenant, the number of sleeping rooms in the unit and the total number of persons occupying the unit. Owner shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as reasonably necessary to confirm such tenant's qualification for occupancy of the unit as a very low or low income individual or family. In the event Owner fails to submit the certified report in the manner and within the time period

specified herein, and thereafter fails to submit the report within thirty (30) days of the City's notification to Owner of such failure, then Owner shall be subject to a City imposed civil fine of \$20.00 per work day for each work day thereafter that owner fails to deliver said report.

3. COVENANTS SHALL RUN WITH THE LAND.

Each and all of the covenants, conditions and restrictions contained in this Agreement are appurtenant to the Property and shall be binding upon all persons having or acquiring any right, title or interest in the Property or any part thereof, their heirs, successors and assigns and shall inure to the benefit of every portion of the Property and any interest therein.

4. TERMINATION, AMENDMENT, APPROVAL.

This Agreement may not be amended or modified unless consented to in writing signed and acknowledged by the City. This Agreement shall have a fifty (50) year term, with automatic renewals of 50 years, unless the Accessory Unit is earlier removed from the Property.

IN WITNESS WHEREOF, the undersigned, being the Owner herein, has executed this Agreement as of the date first set forth above.

OWNER:

Sign Name

Print Name

Sign Name

Print Name

STATE OF CALIFORNIA)
) SS..
 COUNTY OF LOS ANGELES)

On _____, before me, _____
 _____ personally appeared _____

_____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

 Signature

(This area for official
 notarial seal)

Exhibit "A"

Legal Description of the Property

The real property located in the City of San Dimas, County of Los Angeles, State of California, legally described as follows:

THE PROPERTY COMMONLY KNOWN AS (STREET ADDRESS), SAN DIMAS,
CA 91773

(INSERT MEETS AND BOUNDS DESCRIPTION)

ASSESSOR PARCEL NUMBER:

CENSUS TRACT/BLOCK:

TOWNSHIP-RANGE-SECT:

MAP REFERENCE:



COV - ADU _____

COVENANT ACCESSORY DWELLING UNIT

PLEASE COMPLETE THE FOLLOWING INFORMATION (REQUIRED) :

PROPERTY ADDRESS _____

APPLICANT(S) NAME _____

MAILING ADDRESS _____

CITY _____ STATE _____ ZIP _____

E-MAIL ADDRESS _____

TELEPHONE NO. _____

PROPERTY OWNER(S) NAME _____

MAILING ADDRESS _____

CITY _____ STATE _____ ZIP _____

E-MAIL ADDRESS _____

TELEPHONE NO. _____

THE PURPOSE OF THIS COVENANT IS TO ENSURE THAT THE ACCESSORY DWELLING UNIT CANNOT BE SOLD INDEPENDENTLY FROM THE MAIN DWELLING OR LOT. A COVENANT IS REQUIRED FOR EVERY ACCESSORY DWELLING UNIT. IT SHALL BE SUBMITTED TO PLANNING SERVICES PRIOR TO SUBMITTING PLANS FOR PLAN CHECK IN THE BUILDING DIVISION AND ONCE IT IS APPROVED, THE CITY WILL NOTARIZE THE DOCUMENT AND HAVE IT RECORDED WITH LOS ANGELES COUNTY RECORDER'S OFFICE. THE COVENANT WILL INCLUDE LEASE TERMS AND THE PROPERTY OWNER MUST OCCUPY THE MAIN DWELLING UNIT IF THE ACCESSORY DWELLING UNIT IS TO BE RENTED TO A SEPARATE PARTY.

*****FILING REQUIREMENTS AND INSTRUCTIONS ARE ON PAGE 2*****

THE APPLICANT AND PROPERTY OWNER HEREBY DECLARE UNDER PENALTY OF PERJURY THAT ALL THE INFORMATION SUBMITTED FOR THIS APPLICATION IS TRUE AND CORRECT.

APPLICANT'S SIGNATURE _____ DATE _____

PROPERTY OWNER'S SIGNATURE _____ DATE _____

DATE FILED _____ RECEIPT NO. _____ PAID _____ RECEIVED BY _____

FILING REQUIREMENTS AND INSTRUCTIONS

In order for this application to be processed without delay, the application must include all of the following materials. To ensure that your application package is complete, please check-off the boxes next to the required application materials.

- Completed application form
- Filing Fee \$315
- Grant Deed and Title Report. A title report shall be prepared by a title insurer, and dated no older than 90 days from the filing the Covenant.
- One copy of the approved plans (site plan, floor plan, and elevations) of the detached accessory structure(s) on 8 1/2" x 11" sized paper and a digital PDF copy saved on a CD. All plans shall include the dimensions. If the property is located within one of the City's five Homeowner Associations, then plans approved by the Association's Architectural Review Board shall be submitted.
- A check made payable to the L.A. County Recorder (\$18.00 for the first page and \$3.00 for each additional page).

**ACCESSORY SECOND UNIT PERMIT
Application Packet**



Contents

- **Description & List of Requirements**
- **Permit Application**
- **Draft Deed Restriction**
- **Municipal Code Section 16.333**



ACCESSORY SECOND UNIT PERMIT

Description and List of Requirements

City of Claremont, Community Development Department

207 Harvard Ave.

Claremont, CA 91711

The State legislature has determined that the issue of affordable housing is of statewide concern, and accessory second units are a valuable form of housing in California, providing housing for family members, students, elderly, in-home health care providers, the disabled, and others, at below market prices while providing homeowners who create such units with added income and an increased sense of security.

In 2002, the California legislature passed AB 1866 which amended Government Code Section 65852.2 to require that any application for an accessory second unit in a residential district, received by the City after July 1, 2003, be considered ministerially without discretionary review or a hearing, and that such application be approved if the accessory second unit meets enumerated standards.

To comply with AB 1866, the City of Claremont has created the following packet to provide interested parties with the appropriate development standards and procedures for accessory second units.

Please note that if approved, all applicable fees relating to the development of an Accessory Second Unit must be paid before building permits are issued. This includes all building related and development impact fees.

The following items need to be submitted to the Planning Division to obtain a permit for an accessory second unit.

PLEASE PROVIDE ALL OF THE FOLLOWING:

- Completed application.
- Site Plan (Show all existing and proposed structures and parking)
- Floor Plan of Second Unit
- Elevation Plans
- Draft Deed Restriction
- Statement describing intended occupant (i.e., renter, family member) and estimated monthly rent
- Landscape Plan for the area adjacent to Second Unit (if applicable)

If you have questions regarding any of the requirements, the Planning Division can be contacted at (909) 399-5470.

APPLICATION ATTACHED

Date: _____



ACCESSORY SECOND UNIT PERMIT

Application

City of Claremont, Community Development Department

207 Harvard Ave.

Claremont, CA 91711

APPLICANT INFORMATION

Name of Applicant(s):	
Address:	
Phone Number(s):	
Owner(s) of Record: <i>(If different from Applicant)</i>	
Address of Owner: <i>(If different from Applicant)</i>	
Phone Number(s): <i>(If different from Applicant)</i>	

PROPERTY INFORMATION

Location of Property:	
Assessor Parcel Number(s)	
Existing Land Use (Zoning) Designation for the Parcel:	
Which unit will the property owner occupy? Primary Dwelling Unit or Accessory Second Unit?	

CERTIFICATION STATEMENT

I/we certify that I/we are presently the legal owner(s) of the above-described property(ies). Further I/we acknowledge the filing of this application and certify that all the above information is true and accurate and that I/we have familiarized myself/ourselves with the relevant provisions of Claremont code. **(Note: a person acting as agent of the owner of record must attach a notarized letter of authorization from the legal owner.)**

Signature:		Date:	
Signature:		Date:	

Subscribe and sworn to me this _____ day of _____, 20_____.

Signature of City Clerk or Notary Public (seal)	
---	--

FOR CITY USE ONLY

File Number:	-ASUP	Date:	
Received By:		Application fee:	\$440

One accessory second unit may be allowed on a residentially zoned lot provided that the lot contains no more than one existing single family dwelling. Additionally the property must meet the minimum lot size requirements and locational criteria specific to the property's zoning district.

RS SINGLE FAMILY:

<i>RS 8,000</i>	Both of the following must be met: 1. The lot has direct vehicular access to and frontage upon an improved public alley in addition to a public street. 2. The lot meets one of the following additional criteria: a. The lot is located at the intersection of two or more streets and such streets are not arterial or collector streets from which there is no residential access; <u>or</u> b. The lot size is 12,000 square feet or greater.
<i>RS 10,000</i> <i>RS 13,000</i> <i>RS 20,000</i>	One of the following must be met: 1. The lot has direct vehicular access to and frontage upon an improved public alley in addition to a public street; <u>or</u> 2. The lot is located at the intersection of two or more streets, and such streets are not arterial or collector streets from which there is no residential access; <u>or</u> 3. The lot size is as follows: a. In RS (10,000) District – 14,000 sq. ft. or greater b. In RS (13,000) District – 16,900 sq. ft or greater c. In RS (20,000) District – 26,000 sq. ft or greater

AV ARBOL VERDE:

<i>AV 1</i> <i>AV 2</i>	One of the following must be met: 1. The lot is located at the intersection of two or more streets, and such streets are not arterial or collector streets from which there is no residential access; <u>or</u> 2. The lot size is 11,250 square feet or greater.
----------------------------	---

RR RURAL RESIDENTIAL:

<i>RR 35,000</i> <i>RR 1 Acre</i>	The lot size is as follows: 1. In RR (35,000) District – 35,000 sq. ft or greater. 2. In the RR (1.0 acre) District – One (1) acre or greater.
--------------------------------------	--

HISTORIC CLAREMONT:

<i>HC 7,500</i>	The lot size shall be 12,000 square feet or greater, and shall contain no more than one dwelling unit.
-----------------	--

RM MEDIUM DENSITY:

<i>RM 2,000</i> <i>RM 3,000</i> <i>RM 4,000</i>	The lot size is as follows: 1. RM (2000) – 6000 square feet or greater. 2. RM (3000) – 6500 square feet or greater. 3. RM (4000) – 7000 square feet or greater.
---	--

SPECIFIC PLAN:

<i>Meadowood</i> <i>Williams</i> <i>Claremont Hills</i> <i>The Grove</i> <i>Village Expansion</i>	The lot size is as follows: 1. SP 2 (Meadowood) – 16,900 square feet or greater. 2. SP 5 (Williams) – No second units are permitted in this plan area because the density of the project area is significantly greater than that which was allowed under the area's previous zoning. 3. In SP 6 (Claremont Hills) – a. Residential Estate (RE) lots – 17,500 square feet or greater b. Residential Hillside (RH) lots – 15,000 square feet or greater 4. SP 7 (The Grove) – No second units are permitted in this plan area because the density of the project area is greater than that which was allowed under the area's previous zoning and is greater than that of the surrounding area. 5. SP 8 (Village Expansion) – a. Residential Mixed Use (RMX) Zone – The lot shall be 6,000 square feet or greater, and shall contain no more than one single family dwelling. b. Residential (R) Zone – No accessory second units are permitted in this zone as the development approved in this zone has a density of 14 units to the acre which is among the highest in the City.
---	--



ACCESSORY SECOND UNIT PERMIT

Draft Deed Restriction

Applicant shall complete the highlighted area on this draft. A final draft will be prepared by City, signed by the property owner(s) and recorded with the Los Angeles County Recorder before project is approved.

City of Claremont, Community Development Department

207 Harvard Ave.

Claremont. CA 91711

AGREEMENT IMPOSING RESTRICTIONS TO LAND USE

THIS AGREEMENT is entered into this _____ day of _____ by and between, _____ ("Owners") and the CITY OF CLAREMONT, a general law city duly organized and existing under the laws of the State of California (the "City").

RECITALS

A. Owners are the owners of the certain real property, known as _____ ("Property Address"), Claremont, California (the "Property"), more particularly described as follows:

(Legal Property Description, This can be found on your grant deed or title report. If needed, attach as separate document).

B. On _____, the Planning Division approved Planning Division (project _____ ASUP) to allow the creation of a _____ square-foot detached/attached second unit (hereafter referred to as "Second Unit") on a parcel that already included a _____ square-foot home (the "home"). The approved Accessory Second Unit is subject to a requirement that the property owner(s) reside within the Home or the Second Unit on the Property, and that such restrictions be made a covenant running with the land restricting the use of the Property and binding all Owners, successors and assigns.

C. The Claremont Municipal Code allows the City to impose conditions upon the requested accessory second unit, which are necessary to prevent or mitigate effects from the use of existing structures, which are potentially injurious to the health, safety, or general welfare of the citizens of the City.

D. The parties desire by this Agreement to provide the City with the power to enforce the non-rental restriction as a restriction running with the land against the Owners and their successors in interest (hereinafter "Owners" shall include successors in interest) and the Property.

NOW, THEREFORE, in view of the foregoing and in consideration of the mutual covenants herein contained, the parties hereby agree as follows:

AGREEMENT

1. Property Owner to Reside on Premises. The property owner shall abide by the second unit provision of Chapter 16.333 of the Claremont Municipal Code as amended from time to time. The Property shall be used for single-family residential premises purposes only and at no time shall the property owner rent both units separately or allow the main house and the second unit to be sublet individually while the property owner resides elsewhere.
2. Binding Effect. The provisions in this Agreement are and shall be deemed to be covenants running with the land and shall bind and inure to the benefit of the respective heirs, successors and assigns of the parties. Owners specifically understand and agree that their interest in the Property may be conveyed, assigned, encumbered or otherwise alienated and that others not parties to this Agreement shall nevertheless be bound by the terms hereof to the extent that they acquire an interest in the Property.
3. Recordation of Agreement. As a condition of and prior to issuance of building permits to build the proposed Accessory Second Unit from the City, this Agreement shall be recorded in the records of Los Angeles County, California, as a covenant on the Property for the purpose of imparting notice to subsequent persons acquiring an interest on the Property.
4. Enforcement. The City Manager of the City (or his authorized representative) may upon obtaining an inspection warrant and providing written notice, enter the Property for the purposes of inspecting the use of the Addition during regular City Hall business hours. If, in the opinion of the City Manager (or of his authorized representative), the Owners are at any time in breach of the Agreement, the City shall give written notice to the Owners specifying the exact nature of the breach (the "Notice of Breach"), which shall be addressed to the Owners by certified mail at _____ (Property Address), and shall require that the Owners take appropriate corrective action within thirty (30) days of such receipt.

If, within the time set forth in the Notice of Breach, Owners do not correct the situation, the City may exercise all rights and remedies available to it at law or in equity, specifically including the obtaining of a restraining order or injunction enjoining use of the Property and more specifically the Addition, in violation of this Agreement.
5. Right to Appeal. Owners shall have the right within ten (10) days of receipt of a Notice of Breach from the City, to file an appeal with the City Council of the City for a public hearing before the City Council. The decision of the City Council on such appeal shall be binding upon all parties.
6. Time is of the Essence. Time is of the essence in all aspects of this Agreement.
7. Attorney's Fees. In the event that legal action is required in order to enforce any of the rights and obligations described herein, the party prevailing in such action shall be entitled to reasonable expenses, attorney's fees and costs.
8. Entire Agreement. This Agreement contains the entire agreement between the parties relating to the use of the Accessory Second Unit and the parties have negotiated and agreed upon each and every part of this Agreement. Any modification to this Agreement must be in writing, signed by the parties and recorded in the County of Los Angeles, California.

9. Captions. Captions in this Agreement are inserted for convenience of reference only and do not define, describe or limit the scope of the intent of this Agreement or any of the terms hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date shown below, but this Agreement is effective as of the date and year first above written.

Property Owners:

DATE: _____, property owner

DATE: _____, property owner

DATE: _____

THE CITY OF CLAREMONT:

By: _____
City Manager

ACKNOWLEDGEMENTS

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

On _____, before me, _____, Notary Public, personally appeared _____ (Property owner), who proved to be on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct

WITNESS my hand and official seal.

Notary Public

(Seal)

On _____, before me, _____, Notary Public, personally appeared _____ (Property owner, *if more than one owner*), who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct,

WITNESS my hand and official seal.

Notary Public

(Seal)

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

On _____, before me, _____, Notary Public, personally appeared _____ (City Manager), personally known to me to be the person who executed the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct,

WITNESS my hand and official seal.

Notary Public

RECORDING REQUESTED BY

City of La Cañada Flintridge

AND WHEN RECORDED MAIL TO

City of La Cañada Flintridge
1327 Foothill Boulevard
La Cañada Flintridge, California 91011-2137

(Space Above this Line for Recorder's Use)

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
(ACCESSORY DWELLING UNITS)**

This DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (ACCESSORY DWELLING UNITS) (hereinafter referred to as the "Declaration") is made this ___ day of _____, 201___, by _____ (hereinafter referred to as the "Declarant").

WITNESSETH

- A. Declarant owns that certain real property located in the City of La Cañada Flintridge, County of Los Angeles, State of California, commonly known as _____, La Cañada Flintridge, California 91011 and more particularly described on Exhibit "A" attached hereto (hereinafter referred to collectively as the "Property").
- B. The Property is located in the _____ land use zone.
- C. Declarant desires to establish and maintain an Accessory Dwelling Units (hereinafter referred to as an "ADU") on the Property. An ADU is defined in section 11.33.010 of the La Cañada Flintridge Municipal Code as "an attached or a detached residential dwelling unit which provides complete independent living facilities for one or more persons characterized by physical features providing privacy for the occupants separate from the occupants of the primary dwelling unit, including a separate exterior entrance. If detached, it shall include permanent provisions for living, sleeping, eating, cooking and sanitation on the same parcel as the single-family dwelling is situated. If attached, it shares at least one wall with the primary unit and has separate permanent provisions for living, sleeping, eating, cooking and sanitation in the unit, whether or not it is connected to the primary unit by an interior door or hall."

- D. Section 11.33.020 of the La Cañada Flintridge Municipal Code provides that ADU's are permitted in the R-1 zone if the property owner satisfies the standards identified in said section.
- E. Declarant has applied to the City of La Cañada Flintridge to establish and maintain an ADU in conformance with Chapter 11.33 of the La Cañada Flintridge Municipal Code and applicable state law including, but not limited to, Government Code section 65852.2.
- F. Section 11.33.030 of the La Cañada Flintridge Municipal Code requires that Declarant record a covenant with the county recorder which shall identify the occupancy and use limitations of the Property in regards to the ADU pursuant to applicable law.
- G. The City of La Cañada Flintridge is the owner of fee or easement interests in real property adjacent to, or within the vicinity of the Property including, without limitation, public streets ("City Property"), which may be affected by use of the Property.

NOW, THEREFORE, in consideration of the foregoing, Declarant declares, covenants, and agrees as follows:

1. Declarant shall maintain the ADU on the Property in accordance with the applicable standards set forth in Chapter 11.33 of the La Cañada Flintridge Municipal Code and applicable state law including, but not limited to, Government Code section 65852.2, as each may be amended. In the event the La Cañada Flintridge Municipal Code is preempted by, or in conflict with state law, then state law shall govern.

2. The Property shall be held, transferred, encumbered, used, sold, conveyed, leased and occupied subject to the Declaration.

3. The Declaration shall run with the land, and shall be binding upon all persons having any right, title, or interest in the Property, or any portion thereof, their heirs, successors, and assigns, all subsequent owners of all or any portion of the Property, together with their grantees, heirs, executors, administrators, devisees, successors and assigns.

4. This Declaration is intended to benefit the public at large, the City Property and other public properties and to protect the public health safety and general welfare.

5. The Declaration shall therefore inure to the benefit of the City of La Cañada Flintridge and the City Property, unless and until amended or removed by express written agreement of the City of La Cañada Flintridge.

6. Enforcement of the Declaration shall be by proceedings identified in the City of La Cañada Flintridge Municipal Code at the time such enforcement action is undertaken.

IN WITNESS WHEREOF, Declarant has duly executed this covenant and declaration as of the date set forth above.

DECLARANT

Signature: _____

Name: _____

Signature: _____

Name: _____

APPROVED FOR RECORDING:

City of La Cañada Flintridge

By: _____
Director of Community Development



COVENANT AND AGREEMENT FOR ACCESSORY DWELLING UNIT

When an accessory dwelling unit is legally created on or after January 1, 2017, a covenant shall be required as outlined in Section 17.50.275.B.6 (Accessory Dwelling Units, Location and operational standards) of the Pasadena Zoning Code. Outlined below is a list of steps necessary to record a covenant.

This checklist should be reviewed together with a Planner at the Permit Center, Zoning window #3 and the unrecorded covenant must be submitted with your plans. **A covenant will not be accepted unless accompanied by plans submitted for plan check.**

- CONSULT A PLANNER:** Before initiating any work on an accessory dwelling unit, consult a planner to verify compliance with all applicable development standards as outlined in the Zoning Code, (i.e. setbacks, height, size, etc.). Please note this consultation is not intended to cover any building requirements or design issues. It is recommended that you consult with those departments to ensure all other requirements will be met prior to recordation of a covenant.
- COMPLETE "COVENANT AND AGREEMENT FOR ACCESSORY DWELLING UNIT":** The form "Covenant Agreement for Accessory Dwelling Unit" must be filled out completely. Provide all the requested information, including the legal description of the subject property. The information must be clear and legible in order to produce a readable photographic record. Signature of all property owners must be provided and notarized. (Refer to attached example.)
- SITE PLAN:** The site plan to be approved by Planning Staff must contain the words "Exhibit A" on top of the page in a conspicuous location. The site plan shall be of standard page size of 8-½" by 11". Other page sizes or additional pages will incur additional recording fees by the County Recorder. The site plan must contain the primary dwelling unit(s), all accessory structures, and the accessory dwelling unit on site. An interior floor plan of the accessory dwelling unit in question with proposed facilities shall also be provided. The site plan and floor plan must be clear and legible to produce a readable photographic record (refer to attached example).
- ZONING ADMINISTRATOR REVIEW:** When the above items have been completed, along with Page one being notarized, the covenant must then be submitted with your plans to the Permit Center. The packet will be reviewed by Planning Staff. Upon review and approval, the Zoning Administrator will sign the covenant and affix a City-approved stamp. **Without the Zoning Administrator's signature, the covenant will not be valid for recordation. Please do not record the covenant without the Zoning Administrator's signature.**
- RECORDING A COVENANT WITH THE COUNTY:** Upon receiving the Zoning Administrator's approval, staff will inform an applicant that the packet is ready to be picked up for recording. The applicant must then go to any of the four Registrar-Recorder/County Clerk's offices to record the covenant (locations are provided on the back of this form). For locations, hours of service, or any other Recorder questions, please call 1(800) 201-8999 or on the web at <http://www.lavote.net>.
- COPY OF COVENANT FOR FILE:** When the covenant has been recorded, a copy shall be submitted back to the Planning Department for filing. The final plans submitted for a building permit must match the site plan and floor plan contained in the recorded covenant. Any submitted inconsistencies in the plans will delay the issuance of a building permit.

Revised 3/21/18



COVENANT AND AGREEMENT FOR ACCESSORY DWELLING UNIT

County of Los Angeles Registrar-Recorder/County Clerk Branch Office Locations

Norwalk

Department Headquarters
12400 Imperial Highway
Norwalk, CA 90650
(800) 201-8999

Lancaster

44509 16th Street West, Suite 101
Lancaster, CA 93534
(661) 945-6446

LAX / Courthouse

11701 South La Cienega Boulevard, 6th Floor
Los Angeles, CA 90045
(310) 727-6142

Van Nuys

14340 West Sylvan Street
Van Nuys, CA 91401
(818) 374-7176

RECORDING REQUESTED BY:)
INSERT PROPERTY OWNERS)
MAILING INFORMATION HERE)

AND WHEN RECORDED MAIL TO:)
ZONING ADMINISTRATOR)
CURRENT PLANNING DIVISION)
175 N. GARFIELD AVENUE)
PASADENA, CA 91101)

Space for Recorders Use Only

COVENANT AND AGREEMENT FOR ACCESSORY DWELLING UNIT

The undersigned hereby certify that they are the owners of the above described real property in the City of Pasadena, County of Los Angeles, State of California:

LEGAL DESCRIPTION: INSERT LEGAL DESCRIPTION OF PROPERTY HERE

also known as: INSERT PROPERTY ADDRESS HERE Pasadena, CA. ZIP CODE

The above described real property contains an accessory dwelling unit located as set forth in the site plan attached hereto as Exhibit A. In accordance with Pasadena Municipal Code Section 17.50.275 (Accessory Dwelling Units), the undersigned hereby agree and covenant with the City of Pasadena that said accessory dwelling unit is in fact an accessory dwelling unit as that term is defined in the Pasadena Municipal Code Chapter 17.80.020 (Glossary of Specialized Terms and Land Use Types – Definitions), and shall be maintained as required therein.

This covenant and agreement shall run with the above described land and shall be binding upon the undersigned, and all future owners, encumbrances, their successors, heirs or assignees and shall continue in effect until released by the City of Pasadena.

PRINT NAME OF OWNER #1

Print Name of Property Owner

PROPERTY OWNER #1

SIGNATURE HERE

Signature of Property Owner

INSERT DATE

Dated

PRINT NAME OF OWNER #2

Print Name of Property Owner

PROPERTY OWNER #2

SIGNATURE HERE

Signature of Property Owner

INSERT DATE

Dated

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Los Angeles }

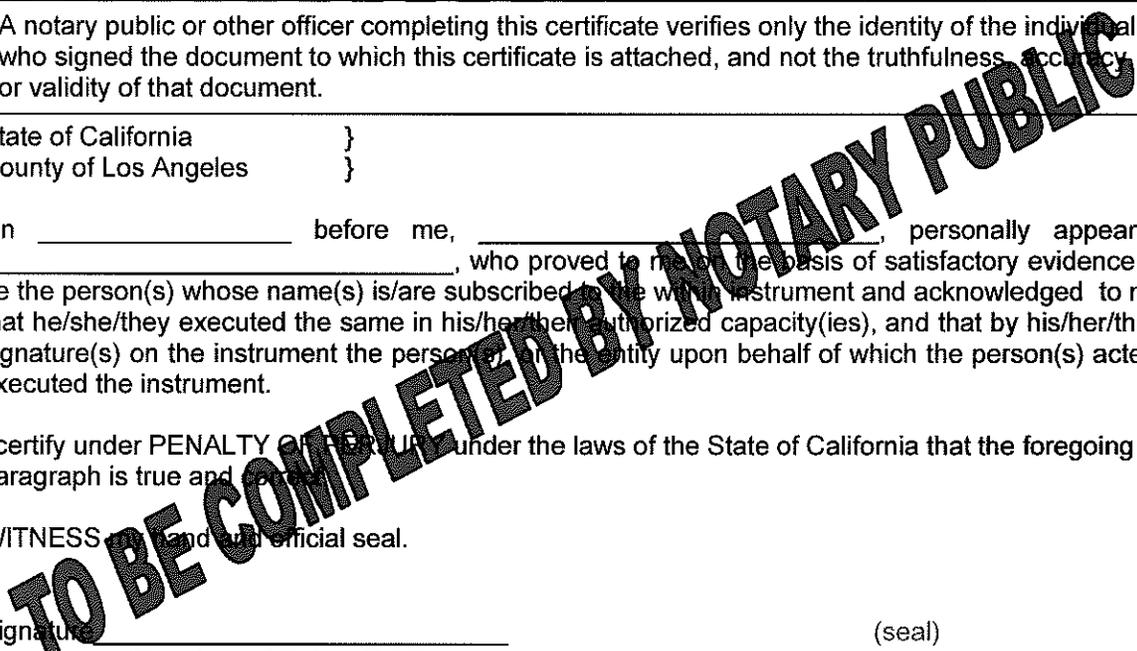
On _____ before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) in the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

(seal)



DO NOT RECORD UNTIL PAGE 3 HAS BEEN COMPLETED BY THE CITY

FOR CITY OF PASADENA USE ONLY

Dated: _____ By: _____
Signature of Zoning Administrator Print Name of Zoning Administrator

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Los Angeles }

On _____ before me, _____, personally appeared _____ who produced to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument he/she/they or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (seal)
Signature of Notary Public

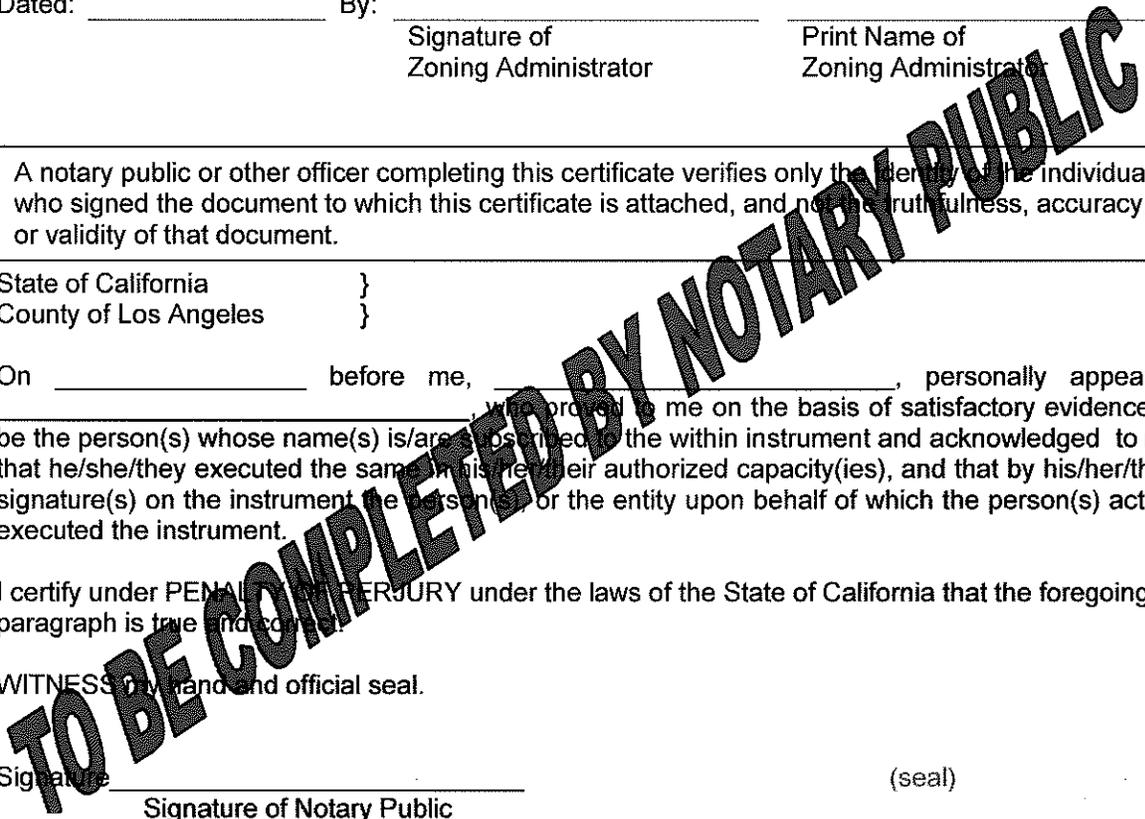
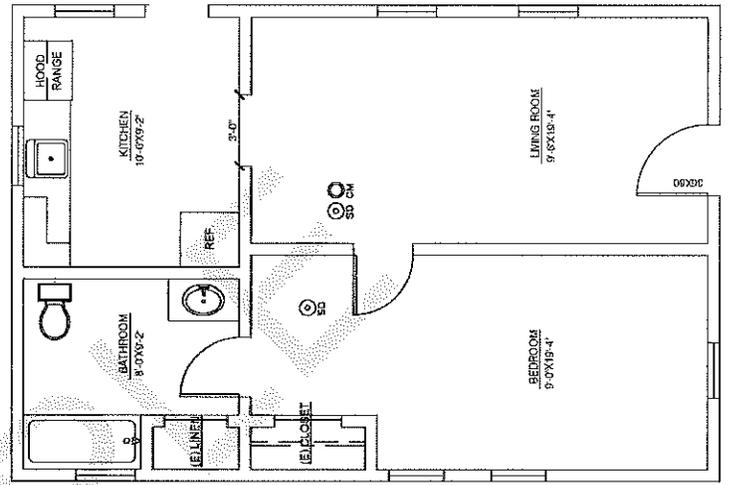
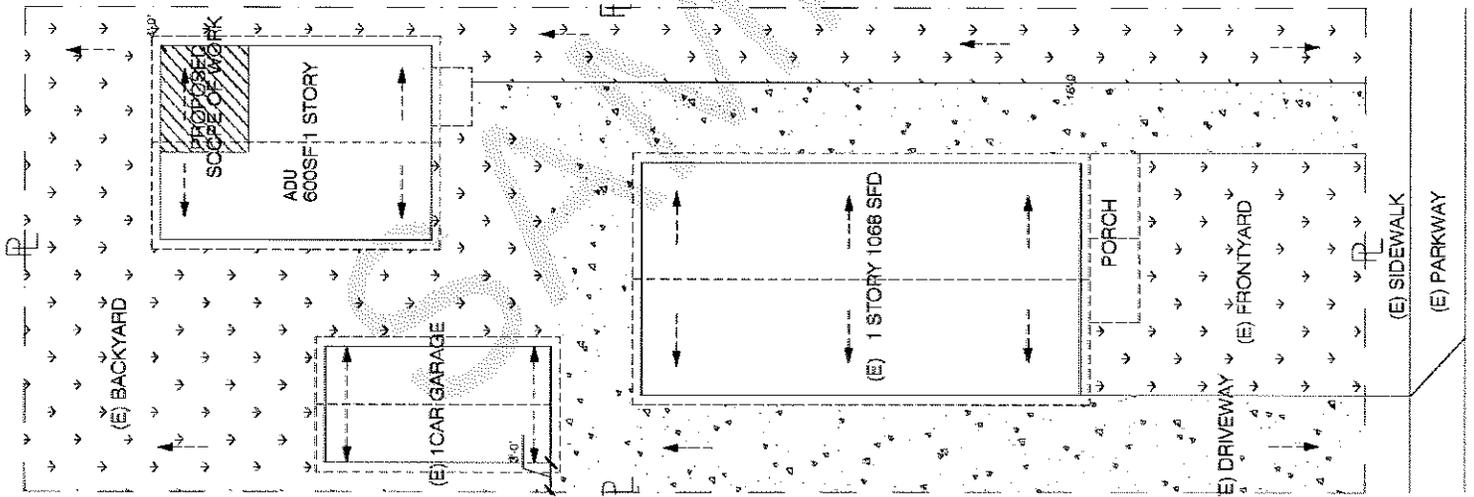


EXHIBIT A

Lot Size: 7,400 sq. ft.
 Existing and proposed square footage (all structures): 1,968 sq. ft.
 Proposed lot coverage: 26%
 Proposed accessory dwelling unit square footage: 600 sq. ft.



FLOOR PLAN - ADU



SITE PLAN

RECORDING REQUESTED BY:)

)

)

)

_____)

AND WHEN RECORDED MAIL TO:)

)

)

)

)

)

Space for Recorders Use Only

COVENANT AND AGREEMENT FOR ACCESSORY DWELLING UNIT

The undersigned hereby certify that they are the owners of the above described real property in the City of Pasadena, County of Los Angeles, State of California:

LEGAL DESCRIPTION: _____

also known as _____ Pasadena, CA. 9 _____

The above described real property contains an accessory dwelling unit located as set forth in the site plan attached hereto as Exhibit A. In accordance with Pasadena Municipal Code Section 17.50.275 (Accessory Dwelling Units), the undersigned hereby agree and covenant with the City of Pasadena that said accessory dwelling unit is in fact an accessory dwelling unit as that term is defined in the Pasadena Municipal Code Chapter 17.80.020 (Glossary of Specialized Terms and Land Use Types – Definitions), and shall be maintained as required therein.

This covenant and agreement shall run with the above described land and shall be binding upon the undersigned, and all future owners, encumbrances, their successors, heirs or assignees and shall continue in effect until released by the City of Pasadena.

Print Name of Property Owner

Print Name of Property Owner

Signature of Property Owner

Signature of Property Owner

Dated

Dated

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Los Angeles }

On _____ before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____
Signature of Notary Public

(seal)

DO NOT RECORD UNTIL PAGE 3 HAS BEEN COMPLETED BY THE CITY

FOR CITY OF PASADENA USE ONLY

Dated: _____ By: _____
Signature of Zoning Administrator Print Name of Zoning Administrator

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Los Angeles }

On _____ before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (seal)
Signature of Notary Public

CS REVENUE ACCOUTS

ACCOUNT NAME	ACCOUNT #	CODE #	
Special Event Permits	10000.00000.43999	48.10	
Banner Permits	10000.00000.43007	71.00	
Community Gardens	10000.00000.47038	47.10	Facility Rentals
Facility & Park Rental	10000.00000.47023	49.00	Facility Rentals
Facility Attendant-Rental	10000.00000.47023	49.10	Staff
Event Insurance		59.00	Facility Rentals
Security Deposit	10000.00000.23200	60.10	Facility Rentals
Recreation Classes	10000.77000.47020	57.00	Registration
Event - Mt Wilson Trail Race	10000.79007.47020	51.00	Registration & Souvenirs
Unrestricted Donation	10000.79007.49002	58.60	sponsorships
<i>Event - Halloween</i>	<i>10000.79004.47020</i>	<i>72.00</i>	<i>No registration</i>
Unrestricted Donation	10000.79004.49002	58.70	Donations
Event - Huck Finn Fishing Derby	10000.79006.47020	81.00	Registration
Unrestricted Donation	10000.79006.49002	58.80	sponsorships
Event - 4th of July	10000.79012.47020	81.30	Registration
Unrestricted Donation	10000.79012.49002	58.90	sponsorships
<i>Event - Concerts in the Park</i>	<i>10000.79002.47020</i>	<i>81.40</i>	<i>No registration</i>
Unrestricted Donation	10000.79002.49002	58.10	sponsorships
<i>Event - Movies in Kersting</i>	<i>10000.79008.47020</i>	<i>81.60</i>	<i>No registration</i>
Unrestricted Donation	10000.79008.49002	58.11	sponsorships
Event - Community Excursions	10000.79003.47020	84.00	Registration
Unrestricted Senior Donation	37006.00000.49002	58.1	Senior Commission account
Film - Deposit Refundable	77004.00000.23001	30.1	
Film - Film Monitor	10000.75000.47999	30.2	
Film - Permit	10000.75000.43004	30.3	
Fire Permit	10000.00000.43005	30.5	
Film- Special Services - PD	10000.00000.47027	30.4	
Film - Special Services - PD	10000.00000.47027	30.6	
Film - City Property Rental	10000.75000.47035	30.7	

CS REVENUE ACCOUTS



City of Sierra Madre Agenda Report

Denise Delmar, Mayor
John Harabedian, Mayor Pro Tem
Rachelle Arizmendi, Council Member
John Capoccia, Council Member
Gene Goss, Council Member

Sue Spears, City Clerk
Michael Amerio City Treasurer

TO: Honorable Mayor and Members of the City Council

FROM: Sophia Kownatzki, Management Intern 

REVIEWED BY: Gabriel Engeland, City Manager 

DATE: July 31, 2018

SUBJECT: **Request from Council Member Capoccia to adopt a resolution in support of HR 113 Relative to Piqui's Resolution**

STAFF RECOMMENDATION

It is recommended that the City Council provide Staff with direction.

ALTERNATIVES

1. City Council may choose not to adopt Resolution 18-42 supporting House Resolution 113.
2. City Council may choose to direct staff to send a letter of formal support to the authors of HR 113, along with our local legislators.

SUMMARY

The attached resolution is in support of HR 133, which would resolve by the Assembly, that all court-related professionals should be trauma-informed and trained in recognizing, evaluating, and understanding evidence and the impacts of domestic violence and child abuse. A court reporter should record all hearings in contested custody cases, and all litigants should have access to the court records and when a child witnesses domestic violence or reports being injured or abused, or when there is substantial evidence of child injury, family courts should ensure that the safety of the child has priority over all other considerations in any custody or visitation decision.

ANALYSIS

Piqui's Resolution, HR 113, was introduced on June 13, 2018 in response to the death of five year-old Aramazd "Piqui" Andressian II. Despite efforts from Piqui's mother, Ana Estevez, to gain sole custody, and allegations of domestic violence against ex-husband

SUBJECT
DATE
Page 2 of 2

Aramazd Andressian Sr., the two were granted joint custody of Piqui between their homes. Andressian Sr. murdered Piqui during his first week with custody of the child.

Support for HR-113 will reinforce the City's commitment to the preservation and protection of public safety, particularly for children and victims of domestic violence.

FINANCIAL REVIEW

There is no financial impact related to the discussion item. Staff time was incurred in the preparation of this staff report.

CEQA / ENVIRONMENTAL

N/A

PUBLIC NOTICE PROCESS

This item has been noticed through the regular agenda notification process. Copies of this report are available at the City Hall public counter, at the Sierra Madre Public Library, and can be accessed on the City's website at www.cityofsierramadre.com.

ATTACHMENT: Attachment A – Resolution 18-42
Attachment B – House Resolution (HR) 113

RESOLUTION NO. 18-42

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SIERRA MADRE IN SUPPORT OF HOUSE RESOLUTION (HR) 113

WHEREAS, the City of Sierra Madre (City), is committed to the protection and preservation of public safety; and

WHEREAS, according to the California Partnership to End Domestic Violence, one-half of the approximately 15,000 victims sheltered in California's state-funded domestic violence programs each year are children and 75 percent of domestic violence victims have children; and

WHEREAS, according to the federal Centers for Disease Control and Prevention (CDC), child abuse is a major public health issue, with a lifetime cost of over \$200,000 per victim; and

WHEREAS, according to the UCLA Women's Law Journal, research shows that victims of domestic violence are at a great disadvantage in child custody disputes and mediations when there is an allegation of domestic violence; and

WHEREAS, according to the Domestic Violence Legal Empowerment and Appeals Project, abusive parents, including those who are accused and adjudicated batterers, tend to be granted sole custody or joint custody by the courts, placing children at risk; and

WHEREAS, Article I of the California Constitution declares that all people have the inalienable right to pursue and obtain safety. A child's safety should be a priority over all other considerations; and

WHEREAS, there exists a need to develop standards for court professionals to be trauma-informed and trained in recognizing, evaluating and understanding evidence and the impacts of domestic violence and child abuse; and

WHEREAS, in family courts, there is great need for an increased presence of court reporters to create records and legal representation for those who are unrepresented during custody litigation cases;

NOW, THEREFORE, THE CITY OF SIERRA MADRE DOES RESOLVE AS FOLLOWS: That the City Council of the City of Sierra Madre supports California House Resolution (HR) 113 – Relative to Piqui's Resolution.

PASSED, APPROVED AND ADOPTED this 31st day of July, 2018.

Denise Delmar, Mayor
City of Sierra Madre, California

I hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Sierra Madre held on the 31st day of July, 2018 by the following vote:

AYES:

NOES:

ABSENT:

Sue Spears, City Clerk
City of Sierra Madre, California

House Resolution

No. 113

**Introduced by Assembly Member Rubio
(Coauthors: Assembly Members Calderon and Lackey)**

June 13, 2018

House Resolution No. 113—Relative to Piqui’s Resolution.

1 WHEREAS, According to the California Partnership to End
2 Domestic Violence, one-half of the approximately 15,000 victims
3 sheltered in California’s state-funded domestic violence programs
4 each year are children and 75 percent of domestic violence victims
5 have children; and
6 WHEREAS, The United States Department of Justice estimates
7 that in 30 to 60 percent of families where either domestic violence
8 or child maltreatment is identified, children experience both forms
9 of abuse within the home; and
10 WHEREAS, According to the federal Centers for Disease
11 Control and Prevention (CDC), child abuse is a major public health
12 issue, with a lifetime cost of over \$200,000 for each victim; and
13 WHEREAS, According to the CDC, children who experience
14 adverse childhood experiences, also known as ACEs, including
15 abuse, are at an increased risk for chronic, adverse physical health
16 effects as adults; and
17 WHEREAS, According to the UCLA Women’s Law Journal,
18 research shows that victims of domestic violence are at a great
19 disadvantage in child custody disputes and mediations when there
20 is an allegation of domestic violence; and
21 WHEREAS, According to the Domestic Violence Legal
22 Empowerment and Appeals Project, abusive parents, including
23 those who are accused and adjudicated batterers, tend to be granted

1 sole custody or joint custody by the courts, placing children at risk;
2 and

3 WHEREAS, Article I of the California Constitution declares
4 that all people have the inalienable right to pursue and obtain
5 safety. A child's safety should be a priority over all other
6 considerations; and

7 WHEREAS, In family courts, there is great need for an increased
8 presence of court reporters to create records and legal
9 representation for those who are unrepresented during custody
10 litigation cases; now, therefore, be it

11 *Resolved by the Assembly of the State of California*, That all
12 court-related professionals should be trauma-informed and trained
13 in recognizing, evaluating, and understanding evidence and the
14 impacts of domestic violence and child abuse; and be it further

15 *Resolved*, That a court reporter should record all hearings in
16 contested custody cases, and all litigants should have access to the
17 court records; and be it further

18 *Resolved*, That when a child witnesses domestic violence or
19 reports being injured or abused, or when there is substantial
20 evidence of child injury, family courts should ensure that the safety
21 of the child has priority over all other considerations in any custody
22 or visitation decision; and be it further

23 *Resolved*, That the Chief Clerk of the Assembly transmit copies
24 of this resolution to the California Supreme Court, the Judicial
25 Council, and the author for appropriate distribution.

O



City of Sierra Madre Agenda Report

Denise Delmar, Mayor
John Harabedian, Mayor Pro Tem
Rachelle Arizmendi, Council Member
John Capoccia, Council Member
Gene Goss, Council Member

Sue Spears, City Clerk
Michael Amerio City Treasurer

TO: Honorable Mayor and Members of the City Council

FROM: Laura M. Aguilar, Assistant City Clerk *LM*

REVIEWED BY: Gabriel Engeland, City Manager *GE*

DATE: July 31, 2018

SUBJECT: **PUBLIC HEARING: CONCLUSION OF PROPOSITION 218
PROCESS FOR WATER AND SEWER RATE ADJUSTMENT
AND ADOPTION OF RESOLUTION NO. 18-43 SETTING WATER
AND SEWER RATES FOR FISCAL YEAR 2018 -2023**

STAFF RECOMMENDATION

Staff is recommending the City Council read by title only and adopt Resolution No. 18-43 setting water and sewer rate schedules effective August 1, 2018.

ANALYSIS

The sewer and water rate setting process was initiated on January 24, 2017 when the City Council directed staff to seek a professional services proposal from Raftelis Financial Consultants, Inc. (RFC) for an update to the City's current water and sewer rate structure. After several meetings between the City's Water Sub-Committee, City Attorney, and representatives from RFC, the City Council awarded RFC a professional services agreement at the May 9, 2017 Council meeting for the preparation of a Water and Wastewater Rate Study. The City Council was presented with a Comprehensive Water and Wastewater Cost of Services Study at the June 12, 2018 Council meeting and directed staff to begin the Proposition 218 process for water and sewer rate adjustments and set July 31, 2018 at 9:30 am as the date and time for public tabulation of protests. The Council also set July 31, 2018 at 6:30 pm as the date and time for the Public Hearing as required by Proposition 218.

Proposition 218 Process Recap

Proposition 218, the Right to Vote on Taxes Act, was approved by California Voters in November 1996. Proposition 218 added Articles XIII C and D to the California Constitution. A State Supreme Court case, *Bighorn-Desert View Water Agency v.*

PUBLIC HEARING: CONCLUSION OF PROPOSITION 218 PROCESS FOR WATER AND SEWER RATE ADJUSTMENT AND ADOPTION OF RESOLUTION NO. 18-43 SETTING WATER AND SEWER RATES FOR FISCAL YEAR 2018 -2023

July 31, 2018
Page 2 of 5

Beringson determined that utility rates are subject to the requirements of Proposition 218. Specifically, Proposition 218 requires the City to provide notice and allow opportunity for written protest prior to implementing a water and/or sewer rate increase; if a majority protest is received then the rate increase cannot be adopted. If a majority protest is not received, then the City may adopt the rate increase.

The City Council initiated the Proposition 218 process on June 12, 2018 and set July 31, 2018 as the date for the public hearing.

Since the initiation of the Proposition 218 process, the City has taken the following steps to inform rate payers:

- Update of the City's website with information about the Proposition 218 process through its Transparency Portal.
- Provided a link to the Los Angeles County Assessor's Office on the City's website to aid utility rate payers with the ability to easily look up their property's Assessor's Parcel Number (APN).
- June 14, 2018 - Mailed notice to Sierra Madre property owners and utility rate payers.
- June 22, 2018 – Article in the City's electronic newsletter, *Village View*, distributed to e-mail subscribers informing readers that the City initiated the Proposition 218 process.
- June 23, 2018 – Article in print newspaper Mountain Views News informing readers that a notice had been mailed.

July 3, 2018 - Article in the City's electronic newsletter, *Village View*, distributed to e-mail subscribers informing readers that the City initiated the Proposition 218 process.

- July 20, 2018 - Article in the City's electronic newsletter, *Village View*, distributed to e-mail subscribers informing readers that the City initiated the Proposition 218 process.
- July 21, 2018 – Notice in print newspaper Mountain Views News noticing the tabulation of protests and Public Hearing set for July 31, 2018
- July 28, 2018 – Second notice in print newspaper Mountain Views News noticing the tabulation of protests and Public Hearing set for July 31, 2018

PUBLIC HEARING: CONCLUSION OF PROPOSITION 218 PROCESS FOR WATER AND SEWER RATE ADJUSTMENT AND ADOPTION OF RESOLUTION NO. 18-43 SETTING WATER AND SEWER RATES FOR FISCAL YEAR 2018 -2023

July 31, 2018

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July 31, 2018 Public Hearing Process:

The City Council has set July 31, 2018 at 9:30am at Sierra Madre City Hall for the public tabulation of protests and July 31, 2018 at 6:30pm at Sierra Madre City Hall for the Public Hearing as required by Proposition 218.

Under Proposition 218, Sierra Madre is required to hold a public hearing for certain property related assessments, charges and user fees, prior to the creation of, or increase in certain property related fees. The City of Sierra Madre has mailed a protest form to all water/sewer billing customers regarding a proposed increase in water rates and sewer fees.

The process of submitting, validating, counting and processing the protests is the following:

Submission of Protests:

1. A protest form will be mailed to all water/sewer customers directly responsible for paying a water and/or sewer bill. The envelope will include a letter describing the rate adjustment, the reason for any changes to previous rates, stating the effective date of the adjustment if approved, advising the customer of the protest procedure, and stating the date of the public hearing. A protest form, along with the Guidelines for Submission and Tabulation of Protests, will be included in the mailing.
2. A utility customer or a property owner may submit a protest of the sewer or water rate increase. Each parcel gets one protest, which may be cast by the property owner or the utility customer. Only one protest per parcel will be counted.
3. The protest form is included in the City mailing to make it easier to submit a protest; however, it is not a requirement that protests be submitted using the protest form. Other written protests are also allowed. A written protest must be legible and identify the affected property (by assessor's parcel number or street address) and include the signature of the utility customer or record property owner. The written protest must also state that the individual is protesting the water and/or sewer rate increase.
4. All protests must be mailed or hand delivered in a sealed envelope addressed to the City of Sierra Madre, Attention: Water or Sewer Protest, 232 W. Sierra Madre Boulevard, Sierra Madre, CA 91024.
5. To be valid the protest must bear the original signature of the utility customer or property owner of record with respect to the property identified on the protest. Emailed protests, faxed protests, unsigned protests, illegible protests, or protests not bearing the original signature cannot be accepted. Although oral comments at the Public Hearing will not qualify as a formal protest unless accompanied by a

PUBLIC HEARING: CONCLUSION OF PROPOSITION 218 PROCESS FOR WATER AND SEWER RATE ADJUSTMENT AND ADOPTION OF RESOLUTION NO. 18-43 SETTING WATER AND SEWER RATES FOR FISCAL YEAR 2018 -2023

July 31, 2018

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written protest, the City Council welcomes input from the community during the public hearing on the proposed fee.

6. If a parcel served by the City is the service location for more than one customer or is owned by more than a single property owner, each customer or owner may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
7. Any person who submits a protest may withdraw it by submitting a written request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the property owner or utility customer who submitted both the protest and the request that it be withdrawn.
8. A fee protest proceeding is not an election.

Tabulation of Protests:

1. Written protests and protest ballots will remain sealed until tabulated.
2. Protests will be tabulated in public view, on July 31, 2018, at 9:30 a.m. in the City Council Chambers at 232 W. Sierra Madre Boulevard. The public hearing regarding the water/sewer rate increase is being held on the same date, July 31, 2018, at 6:30 pm.
3. The City Clerk and City Manager or designee shall determine the validity of all protests. The City Clerk and City Manager or designee shall not accept as valid any protest if the City Clerk and City Manager or designee determines that any of the following conditions exist:
 - a. The protest does not identify a property served by the City by an accurate City utility account number or street address.
 - b. The protest does not bear an original signature of a property owner of record, or the responsible utility customer identified on the protest.
 - c. The protest is a duplicate protest for the parcel identified on the protest.
 - d. The protest does not state its opposition to the proposed water or sewer fee.
 - e. The protest was not received by the City before the close of the public hearing on the proposed fees.
 - f. A request to withdraw the protest is received prior to the close of the public hearing on the proposed fees.
 - g. A written protest is illegible such that the City is unable to verify that the signatory is either the record parcel owner or the customer responsible for the water and/or sewer bill.

PUBLIC HEARING: CONCLUSION OF PROPOSITION 218 PROCESS FOR WATER AND SEWER RATE ADJUSTMENT AND ADOPTION OF RESOLUTION NO. 18-43 SETTING WATER AND SEWER RATES FOR FISCAL YEAR 2018 -2023

July 31, 2018

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4. The City Clerk's and City Manager or designee's decision that a protest is not valid or does not apply to a specific fee shall constitute a final action of the City and shall not be subject to any appeal.
5. A majority protest exists if protests are timely submitted and not withdrawn by the record owners or utility customers of a majority of the parcels subject to the proposed fee.
6. At the conclusion of the public hearing, the City Clerk and City Manager or designee shall verify the tabulation of all protests received, including those received during the public hearing and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the fees which are the subject of the protest, then the City Clerk and City Manager or designee may advise the City Council of the absence of a majority protest without determining the validity of all protests.
7. At the conclusion of the protest verification process, the protests and any resources used to analyze the protests are deemed public records subject to public disclosure and will be made available for inspection by any interested person. Protests shall be preserved for two years, after which time the protests will be destroyed.

Majority Protest occurs if protests are received from 50% plus 1 of the affected parcels. Duplicate Protest occurs when more than one protest is received for a single parcel and a withdrawal request(s) is not received. Only one protest will be counted per parcel.

FINANCIAL REVIEW

The financial impacts of implementing the Proposition 218 process consisted of payments to Raftelis Financial Consultants, Inc., in the amount of \$96,455.00 and \$4,710.00 for print and postage costs paid to Target Mailing Services, Inc. There was also staff time dedicated to updating the utility billing rate structure software. Additionally, there was staff time for the tabulation of protests and reporting of results.

PUBLIC NOTICE PROCESS

This item has been noticed through the regular agenda notification process. Copies of this report are available at the City Hall public counter, at the Sierra Madre Public Library, and can be accessed on the City's website at www.cityofsierramadre.com.

RESOLUTION NO. 18-43

AN RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SIERRA MADRE, CALIFORNIA ADOPTING WATER AND SEWER RATE INCREASES

WHEREAS, the City provides water service pursuant to Chapter 13.04 of the Sierra Madre Municipal Code; and

WHEREAS, the City provides sewer service pursuant to Chapter 13.08 of the Sierra Madre Municipal Code; and

WHEREAS, the City's current water and sewer rates do not generate sufficient revenue to recover the cost of service; and

WHEREAS, the City retained Raftelis Financial Consultants to examine the cost of providing water and sewer service and to prepare a comprehensive water and sewer cost of service study that the City Council approved on June 12, 2018; and

WHEREAS, the Report recommends increasing the City's water and sewer rates in order to recover the cost of service; and

WHEREAS, on June 12, 2018, the City Council set a public hearing for July 31, 2018 on those proposed rate increases, and directed staff to mail notice to affected customers in conformity with Proposition 218; and

WHEREAS, notice was mailed to affected customers on June 14, 2018; and

WHEREAS, on July 31, 2018, the City Council held a full and fair public hearing on the proposed rate increases. At the hearing, all interested persons had an opportunity to provide oral and written testimony; and

WHEREAS, the City Council accepted and caused the tabulation of all written protests against the proposed water rate increases on July 31, 2018. Based upon the results of this tabulation, a majority protest against the water rate increases does not exist; and

WHEREAS, the City Council accepted and caused the tabulation of all written protests against the proposed sewer rate increases on July 31, 2018. Based upon the results of this tabulation, a majority protest against the sewer rate increases does not exist; and

WHEREAS, the City Council now finds it necessary to adopt the proposed water and sewer rate increases.

THE CITY COUNCIL OF THE CITY OF SIERRA MADRE DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The water rate schedule set forth in Exhibit "A" to this Resolution is hereby approved as the schedule of water rates for the City.

Section 2. The sewer rate schedule set forth in Exhibit "B" to this Resolution is hereby approved as the schedule of sewer rates for the City.

Section 3. The City Council finds as follows:

- A. The purpose of the City's water rates is to fund costs associated with providing water service to the customers in the City
- B. The revenue from the water rates will not be used for any other purpose and will not exceed the funds required to provide water service.
- C. The amount of the water rates imposed upon any customer does not exceed the proportional cost of service attributable to the customer.
- D. The purpose of the City's sewer rates is to fund costs associated with providing sewer service to the customers in the City
- E. The revenue from the sewer rates will not be used for any other purpose and will not exceed the funds required to provide sewer service.
- F. The amount of the sewer rates imposed upon any customer does not exceed the proportional cost of service attributable to the customer.

Section 4. If any section, subsection, subdivision, paragraph, sentence, clause, or phrase of this Resolution is for any reason held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases hereof, irrespective of the fact that any one or more of the sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases hereof be declared invalid or unenforceable.

Section 5. This Resolution shall take effect immediately after its passage.

PASSED, APPROVED, and ADOPTED this 31st day of July, 2018.

Mayor Denise Delmar

ATTEST:

Sue Spears, City Clerk

APPROVED AS TO FORM:

Teresa Highsmith, City Attorney

I, SUE SPEARS, CITY CLERK of the City of Sierra Madre, do hereby certify that Resolution No. 18-43 was adopted at the conclusion of a public hearing held on July 31, 2018.

PASSED, APPROVED, AND ADOPTED by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

Exhibit A

Water Rates, Fiscal Years Ending 2018 through 2023

*Variable Rate Structure**

Customer Class / Tiers	Tier Width (hcf)
Single Family¹	
Tier 1	(0-14)
Tier 2	(>14)
Tier 3	N/A
Tier 4	N/A
Multi Family	
Uniform	
Non-Residential	
Uniform	

* Single Family accounts consist of single unit housing and duplexes (two units).

Bi-Monthly Fixed Charges

Meter Size	FYE 2019 Fixed Service Charge (\$ / Bi-Month)
5/8"	\$79.57
3/4"	\$79.57
1"	\$97.22
1 1/2"	\$140.92
2"	\$193.58
3"	\$360.52
4"	\$606.17

Variable Charge (\$/hcf)¹

¹ Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

Variable Charge (\$/hcf) ² Customer Class	FYE 2019 Variable Charge
Single Family	
Tier 1	\$2.70
Tier 2	\$4.23
Tier 3	Eliminated
Tier 4	Eliminated
Multi-Family	\$3.73
Non-Residential	\$3.71
Irrigation	\$3.81
Institutional	\$4.10

FYE 2019 Infrastructure Fixed Charge (\$/Bi-Month) ²

Meter Size	FYE 2019 Infrastructure Charge
3/4" or less	\$38.07
1"	\$63.58
1 1/2"	\$126.77
2"	\$202.91
3"	\$444.28
4"	\$799.47

Exhibit B

Sewer Rates, Fiscal Years Ending 2018 through 2023 Sewer Rates

FYE 2019-FYE 2023 Bi-Monthly Fixed Charges

Customer Class	FYE 2019 Fixed Charge	FYE 2020 Fixed Charge	FYE 2021 Fixed Charge	FYE 2022 Fixed Charge	FYE 2023 Fixed Charge
Residential	\$35.36	\$36.42	\$37.51	\$38.64	\$39.80
Non-Residential					
Commercial	\$28.70	\$29.56	\$30.45	\$31.36	\$32.30
Institutional	\$28.70	\$29.56	\$30.45	\$31.36	\$32.30

² Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

FYE 2019-FYE 2023 Variable Charges (\$/ccf)

Customer Class	FYE 2019 Variable Charge	FYE 2020 Variable Charge	FYE 2021 Variable Charge	FYE 2022 Variable Charge	FYE 2023 Variable Charge
Non-Residential					
Commercial	\$0.65	\$0.67	\$0.69	\$0.71	\$0.73
Institutional	\$0.65	\$0.67	\$0.69	\$0.71	\$0.73

ATTACHMENT



City of Sierra Madre Agenda Report

Denise Delmar, Mayor
John Harabedian, Mayor Pro Tem
Rachelle Arizmendi, Council Member
John Capoccia, Council Member
Gene Goss, Council Member

Sue Spears, City Clerk
Michael Amerio City Treasurer

TO: Honorable Mayor and Members of the City Council

FROM: Jose Reynoso, Utility Services Director

REVIEWED BY: Gabriel Engeland, City Manager *GE*

DATE: June 12, 2018

SUBJECT: **Adoption of Comprehensive Water and Wastewater Cost of Service Study and Implementation of Proposition 218 Process for Water and Sewer Rate Adjustments**

STAFF RECOMMENDATION

Staff is recommending the City Council:

1. Adopt the draft City of Sierra Madre Comprehensive Water and Wastewater Cost of Service Study, as amended with Council direction to include the updated infrastructure fixed cost and the updated wastewater cost of service.
2. Direct staff to initiate the Proposition 218 Notification and Protest ballot process based on the recommendations of the April 23, 2018 Comprehensive Water and Wastewater Cost of Services Study (**Attachment A**). Please note this attachment may be amended based on Council direction at the June 12, 2018 Council Meeting with respect to the establishment of the infrastructure fixed charge and the updated waste water cost of service analysis.
3. Review and approve supporting documentation for the Proposition 218 process comprised of the Official Protest Ballot (**Attachment B**) and the Guidelines for the Submission and Tabulation of Protests (**Attachment C**).
4. Set July 31, 2018 at 9:30am at Sierra Madre City Hall for the public tabulation of protests and July 31, 2018 at 6:30pm at Sierra Madre City Hall for the Public Hearing as required by Proposition 218.

Adoption of Comprehensive Water and Wastewater Cost of Service Study and Implementation of Proposition 218 Process for Water and Sewer Rate Adjustments

June 12, 2018

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ALTERNATIVES

1. City Council may recommend changes to the supporting documentation.
2. City Council may delay or decline the implementation of the Proposition 218 process.

SUMMARY

At the May 22, 2018 City Council meeting, staff received direction from City Council to update the infrastructure fixed charge (IFC) in the Comprehensive Water Cost of Service Study to accurately reflect the amount of infrastructure expenses necessary annually to meet the need of repair and replacement of the City's Water Infrastructure. Staff worked with Raftelis to calculate infrastructure fixed charges based on the 2017 Sierra Madre Water Master Plan.

In addition to updating the proposed IFC, staff applied the same methodology to the proposed rate adjustments in the draft Comprehensive Wastewater Cost of Service Study.

Please see the May 22, 2018 staff report (**Attachment D**) for a summary and analysis of the Comprehensive Water and Wastewater Cost of Service Study and the Proposition 218 Process.

ANALYSIS: Infrastructure Fixed Charge

In 2017 the City Council adopted the City of Sierra Madre Water System Master Plan. This plan analyzed the current condition and performance of the City's water infrastructure and concluded *"The City's water distribution system is comprised of 47.6 miles of pipelines...A large majority of the pipelines are over 70 years beyond their useful life."*

The Master Plan concluded the City should spend a total of \$5,425,500 on prioritized pipeline replacement from FY2018/2019 through FY2023/2024 in order to replace mains which have failed.

Table ES-2 – Summary of Expenditures by Fiscal Year

Fiscal Year	Project	Expenditure
FY2018/2019	Project I	\$1,047,200
FY2019/2020	Project II	\$1,029,700
FY2020/2021	Project III	\$ 964,700
FY2021/2022	Project IV	\$1,014,500
FY2022/2023	Project V	\$1,083,900
FY2023/2024	Project VI	\$ 285,500
Total Project Cost		\$5,425,500

Adoption of Comprehensive Water and Wastewater Cost of Service Study and Implementation of Proposition 218 Process for Water and Sewer Rate Adjustments

June 12, 2018
Page 3 of 5

The prioritized pipeline replacement recommended, over a 6 year budget period, replacing 9% of all current Sierra Madre water mains. In addition to this, the Master Plan identified an additional 19% of pipe as necessary for replacement based on likelihood of failure and cost of failure. In the attached presentation staff has categorized the 9% identified in the Master Plan as “urgent” replacement, the 19% as “priority 1” replacement, and the remaining 36% of necessary main replacements as “priority 2” replacements. In total, staff recommends a replacement plan for 64% of Sierra Madre water main.

Using the proposed infrastructure fixed charge in the draft Comprehensive Water Cost of Service Study \$700,000 would be raised annually for infrastructure. Using this amount it would take 53.8 years to replace all of the necessary mains in Sierra Madre, including 8 years to fix the “urgent” mains which have failed and an additional 16.9 years to replace the “priority 1” mains which are likely to fail.

Implementing an infrastructure fixed charge which matches the annual need of main replacements with the ability of staff to design and replace the mains would raise \$1,225,000 annually. Using this amount it would take 30.8 years to replace all of the necessary mains in Sierra Madre, including 4.6 years to fix the “urgent” mains which have failed and an additional 9.6 years to replace the “priority 1” mains which are likely to fail.

This option is the scenario which most closely matches the recommendation in the Water Master Plan taking into account updated information about the current condition of water mains in Sierra Madre since the adoption of the Water Master Plan in 2017.

Infrastructure Fixed Charge Proposals	% Increase from Proposal	Revenue Raised	Years to Replace System Need (64%)	Years to Replace Urgent (9%)	Years to Replace Priority 1 (19%)
Current (5/22/18)	0.0%	\$700,000	53.8	8.0	16.9
Water Master Plan	10.0%	\$1,225,000	30.8	4.6	9.6

ANALYSIS: Wastewater Cost of Service

Responding to Council direction at the May 22, 2018 meeting, staff worked with Raftelis to propose wastewater rates which would ensure the Sewer Fund would have positive net income, beginning in FY2019, provide continuous funding for capital repair and replacement, as well as build adequate reserve levels within the range of best practices.

The previous proposed rates, presented at the May 22 Council Meeting, called for a 5% increase of wastewater rates upon adoption with 4% increases annually thereafter throughout the 5 year

Adoption of Comprehensive Water and Wastewater Cost of Service Study and Implementation of Proposition 218 Process for Water and Sewer Rate Adjustments

June 12, 2018

Page 4 of 5

study period. Using this proposal the Sewer Fund would not have met minimum reserve recommendations during the 5 year study period. The proposed rates also projected a negative net income for the Sewer Fund in future years.

The updated proposed water rates, shown in the table below, call for an initial 10% rate increase for wastewater service, followed by 3% increases thereafter for the duration of the study period.

Current and Recommended Bi-Monthly Fixed Charges

Customer Class	FYE 2019 Recommended Fixed Charge	FYE 2020 Recommended Fixed Charge	FYE 2021 Recommended Fixed Charge	FYE 2022 Recommended Fixed Charge	FYE 2023 Recommended Fixed Charge
Residential	\$35.36	\$36.42	\$37.51	\$38.64	\$39.80
Non-Residential					
Commercial	\$28.70	\$29.56	\$30.45	\$31.36	\$32.30
Institutional	\$28.70	\$29.56	\$30.45	\$31.36	\$32.30

Current and Recommended Variable Charges (\$/ccf)

Customer Class	FYE 2019 Recommended Variable Charge	FYE 2020 Recommended Variable Charge	FYE 2021 Recommended Variable Charge	FYE 2022 Recommended Variable Charge	FYE 2023 Recommended Variable Charge
Non-Residential					
Commercial	\$0.65	\$0.67	\$0.69	\$0.71	\$0.73
Institutional	\$0.65	\$0.67	\$0.69	\$0.71	\$0.73

FINANCIAL REVIEW

The financial impacts of implementing the Proposition 218 process consists of an estimated \$5,000 for the printing and mailing of ballots plus staff time for the tabulation of protests and reporting of results. There will also be staff time dedicated to updating the utility billing rate structure software.

PUBLIC NOTICE PROCESS

This item has been noticed through the regular agenda notification process. Copies of this report are available at the City Hall public counter, at the Sierra Madre Public Library, and can be accessed on the City's website at www.cityofsierramadre.com.

**Adoption of Comprehensive Water and Wastewater Cost of Service Study and
Implementation of Proposition 218 Process for Water and Sewer Rate
Adjustments**
June 12, 2018
Page 5 of 5

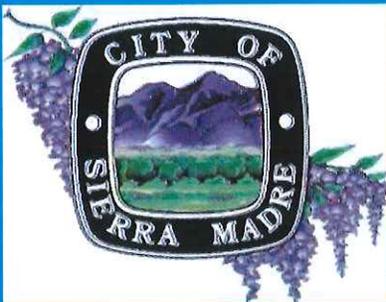
Attachments:

- A) 2018 Comprehensive Water and Wastewater Cost of Services Study
- B) Proposition 218 protest ballot
- C) Guidelines for the Submission and Tabulation of Protests
- D) Agenda report submitted to the City Council on May 22, 2018

The City of Sierra Madre

Comprehensive Water and Wastewater Cost of Service Study

Draft Report / May 18, 2018





24640 Jefferson Avenue
Suite 207
Murrieta, CA 92562

Phone 951.698.0145

www.raftelis.com

May 18, 2018

Mr. Jose Reynoso
Utilities Services Director
232 W. Sierra Madre Blvd.
Sierra Madre, CA 91024

Subject: Comprehensive Water and Wastewater Cost of Service Study Report

Dear Mr. Reynoso,

Raftelis Financial Consultants, Inc. (RFC) is pleased to provide this Comprehensive Water and Wastewater Cost of Service Study Report (Report) for the City of Sierra Madre (City). This Study includes a comprehensive review of the City's financial plan, usage trends, accounts, customer types, available water supplies, capital improvement plan, and reserves to establish equitable rates that provide sufficient revenue over a five-year planning period. The recommended rate structures and resulting rates were derived based on the cost of service principles and are proportionate and in compliance with Proposition 218.

The major objectives of the study include the following:

- » Develop financial plans for the water and wastewater utilities to ensure financial sufficiency, meet operation and maintenance (O&M) costs, and ensure sufficient funding for capital replacement and refurbishment (R&R) needs.
- » Develop sound and sufficient reserve fund targets.
- » Review current rate structures for the water and wastewater utilities and determine if any adjustments to the rates are required to more closely reflect costs incurred and adequately recover the utility's revenue requirements over the planning period.

The Report summarizes the key findings and recommendations related to the development of the financial plans for the Water and Wastewater utilities and the development of updated rates.

Sincerely,

RAFTELIS FINANCIAL CONSULTANTS, INC.

A handwritten signature in blue ink that reads 'Habib Isaac'.

Habib Isaac
Senior Manager

A handwritten signature in blue ink that reads 'Franklin Gonzalez'.

Franklin Gonzalez
Associate Consultant

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APPENDIX A: Detailed Financial Plans

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1. EXECUTIVE SUMMARY

1.1 BACKGROUND

In 2017, the City of Sierra Madre (City) engaged Raftelis to conduct a Comprehensive Water and Wastewater Cost of Service Study (Study) to update the City's financial plans and rates for the City's utilities over the next five years. Sierra Madre is located in the foothills of the San Gabriel Valley below the southern edge of the Angeles National Forest. The City provides water which serves approximately 3,900 customer accounts and conveys wastewater generated by approximately 4,550 units.

1.1.1 Objectives of the Study

The major objectives of the study include the following:

- » Develop financial plans for the water and wastewater utilities to ensure financial sufficiency, meet operation and maintenance (O&M) costs, ensure sufficient funding for capital replacement and refurbishment (R&R) needs, and enhance the financial health of the enterprises.
- » Develop sound and sufficient reserve fund targets.
- » Review current rate structures for the water and wastewater utilities and determine any adjustments to the rates to closely reflect costs incurred and adequately recover each utility's revenue requirements over the planning period.

1.2 CURRENT RATES

1.2.1 Water Rates

The City's water utility serves approximately 3,900 customers, as shown in Table 1-1.

Table 1-1: Water Utility Meter Count

Meter Size	Number of Meters
5/8"	1,222
3/4"	1,684
1	631
1 ½"	227
2"	100
3"	8
4"	1
Total	3,873

The current water rate structure consists of four main components:

1. Bi-monthly Water Service Charge that varies by meter size.
2. Water Consumption Charge that varies by tier allotment (hcf¹) for Residential Customers.
3. Uniform Water Consumption Charge for Non-Residential Customers (\$/hcf).
4. Bi-monthly Private Fire Service Charge that varies by size of line.

¹ One unit of water is equal to 748 gallons or 100 cubic feet (1 hcf)

The following tables summarize the current rate structure of the City. Table 1-2 provides a summary of the bi-monthly charges by meter size and a discount rate schedule for eligible customers. Table 1-3 summarizes the current variable unit charges by customer class and by tier as well as the tier widths. As shown, the City's current variable rate structure is comprised of four inclining tiers for Residential Customers and a uniform rate for Non-residential customers. Table 1-4 details the bi-monthly Private Fire Line charges by connection size.

Table 1-2: Current Bi-Monthly Water Charges

Meter Size	FYE 2018 Water Service Charge (\$ / Bi-Month)	FYE 2018 Low Income Discount (\$ / Bi-Month)
5/8"	\$79.68	\$51.79
3/4"	\$79.68	\$51.79
1"	\$107.00	\$69.55
1 1/2"	\$152.54	\$99.15
2"	\$207.18	\$134.67
3"	\$334.68	\$217.54
4"	\$516.83	\$335.94

Table 1-3: Current Variable Usage Charge

Customer Class / Tiers	Tier Width (hcf)	FYE 2018 Water Usage Charge (\$/hcf)
Residential		
Tier 1	(0-11)	\$2.69
Tier 2	(12-33)	\$3.47
Tier 3	(34-66)	\$4.08
Tier 4	(>66)	\$5.55
Non-Residential		
Uniform	N/A	\$3.89

Table 1-4: Current Fire Line Service Charge

Connection Size	FYE 2018 Rate (\$/Bi-Month)
2"	\$6.29
4"	\$38.95

1.2.2 Wastewater Rates

Currently, the City conveys wastewater for approximately 4,550 units, as seen in Table 1-5.

Table 1-5: Wastewater Utility Unit Count

Customer Class	Number of Units ¹
Residential	4,414
Commercial	94
Institutional	40
Total	4,548

¹ Wastewater customers are being charged on a per dwelling unit basis, rather than per account. Therefore, one account may have multiple dwelling units.

The current wastewater rates structure consists of a bi-monthly base charge for all customers and flow rates for non-residential customers. The following table (Table 1-6) summarizes the current wastewater rate structure of the City.

Table 1-6: Current Wastewater Rate Structure

Customer Class	FYE 2018 Charges
Fixed Charge	
Residential	\$32.24
Non-Residential	\$19.53
Usage Rate (per HCF)	
Commercial	\$0.72
Institutional	\$0.43

1.3 FINANCIAL HEALTH AND RECOMMENDATIONS

As part of the financial plan development, Raftelis first reviewed the City’s projected revenue requirements over a 10-year planning horizon to determine the financial health of the City’s utility over the short-term and long-term to determine if the current rates could support the utility’s revenue needs.

1.3.1 Water Utility Financial Health (Maintain \$5.2M in Revenue)

For Fiscal Year 2017-18 (FYE 2018) the City’s total beginning reserve balance for the water utility is approximately \$747,740. As part of Best Management Practices of utilities, it is recommended that a utility have at least 60 to 90 days of operating reserves as well as sufficient funds available to ensure the utility’s capital plan can move forward as scheduled without any delays due to insufficient funds on hand.

The water utility is projected to generate total rate revenue of \$5,203,094 in FYE 2018 at current rates, which includes penalty charges (adopted pursuant to the City’s Municipal Code and applied to the water fund), and \$5,274,094 in total revenue, when accounting for non-operating revenue of \$71,000. The City is currently meeting its operating costs and has positive net income to go towards necessary capital projects; however, the City’s annual planned capital projects are

over \$300k and there are additional asset repair & replacement required above and beyond what is currently planned. By ensuring base rate revenue is maintained at approximately \$5.2M for Fiscal Year 2018-19, the City would only need modest cost of living adjustments for subsequent years (based on percentage change in the consumer price index (CPI) for Los Angeles-Orange-Riverside). Without any revenue adjustments in subsequent years, the City will not be able to fund operations and maintenance (O&M) and debt expenses beginning in FYE 2023, as shown in Figure 1-1, and would be in technical default of its bond covenants, which require 120% debt coverage. In addition to O&M and debt expenses, the City also needs to reinvest back into its utility system to ensure the continued delivery of safe and clean water. Figure 1-2 identifies the City's capital plan, where 1 years' worth of capital based on 5-Year Average of Capital Improvement Plan is approximately \$300K and is inflated each year by 3%.

Figure 1-3 illustrates the total reserves balances for each fiscal year after operating and capital is funded. As shown in the figure, the City will have negative reserve balances starting in FYE 2023.

Figure 1-1: Water Utility Operating Financial Plan (Maintain Revenue of \$5.2M)

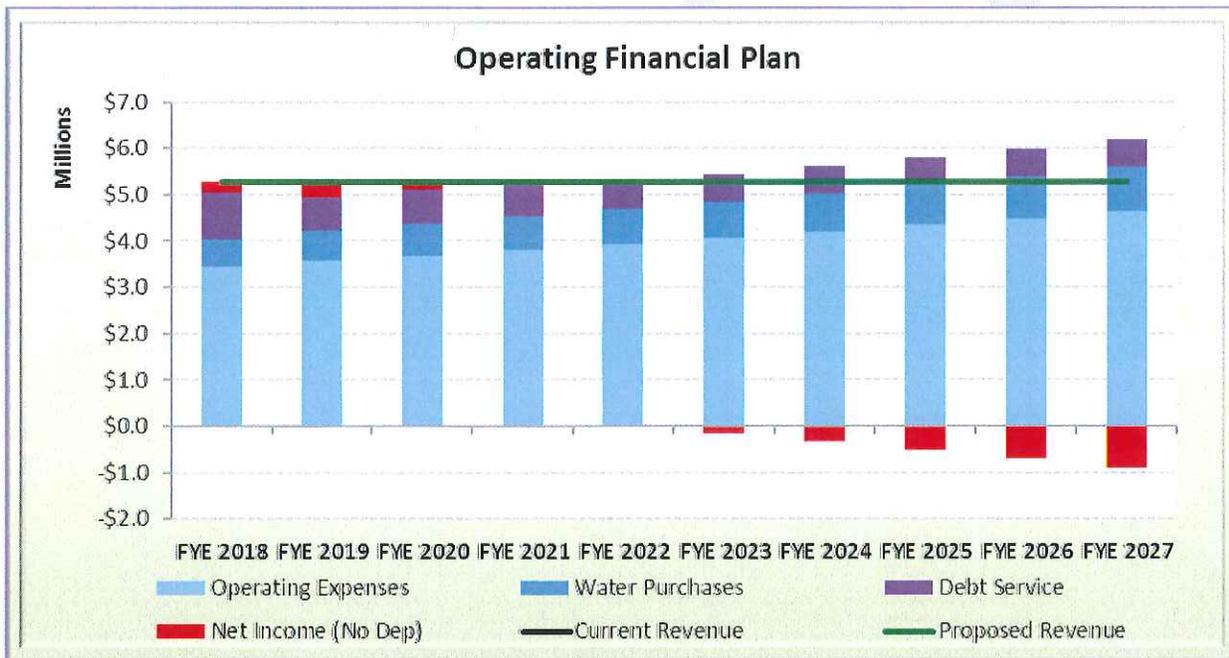


Figure 1-2: Baseline Water Capital Improvement Plan and Funding Source

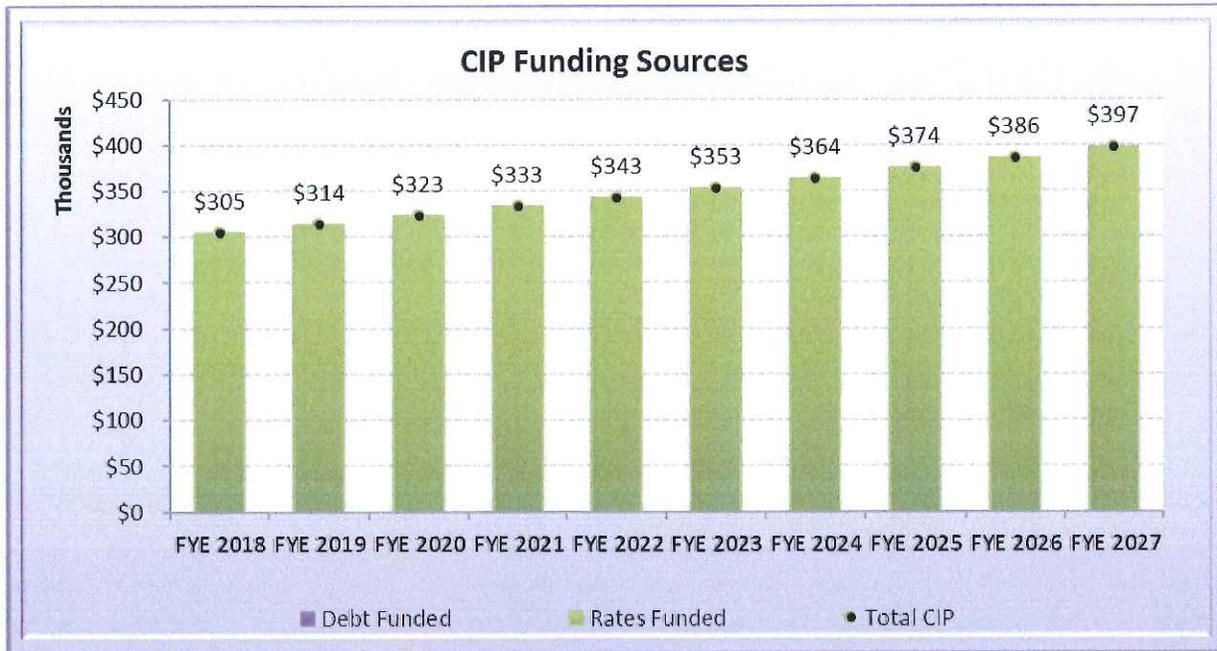
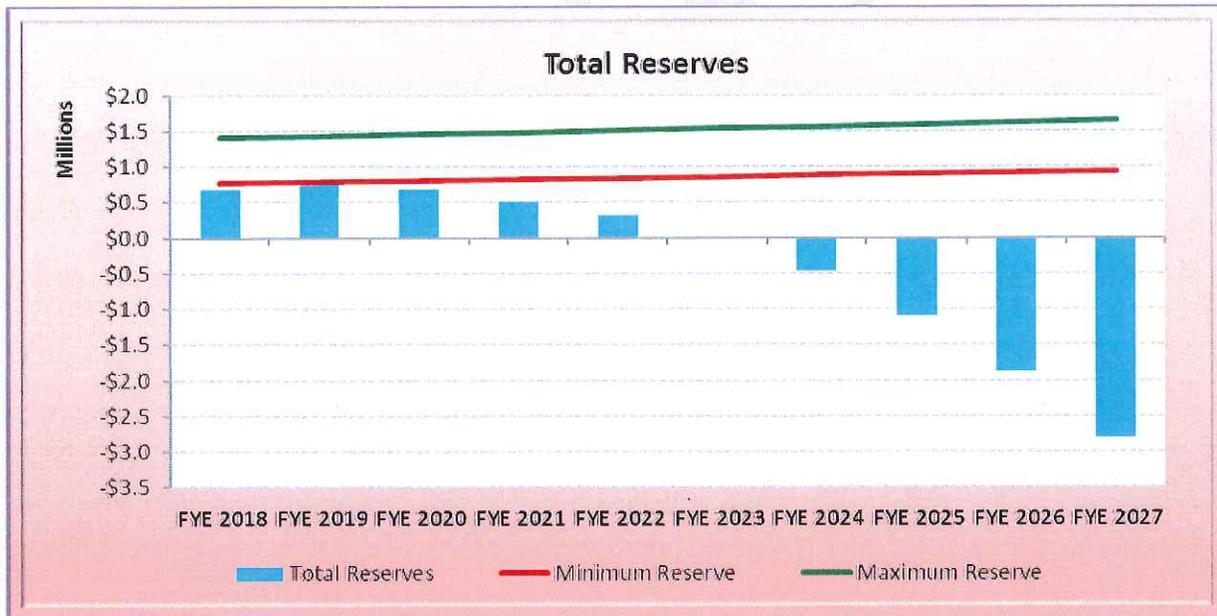


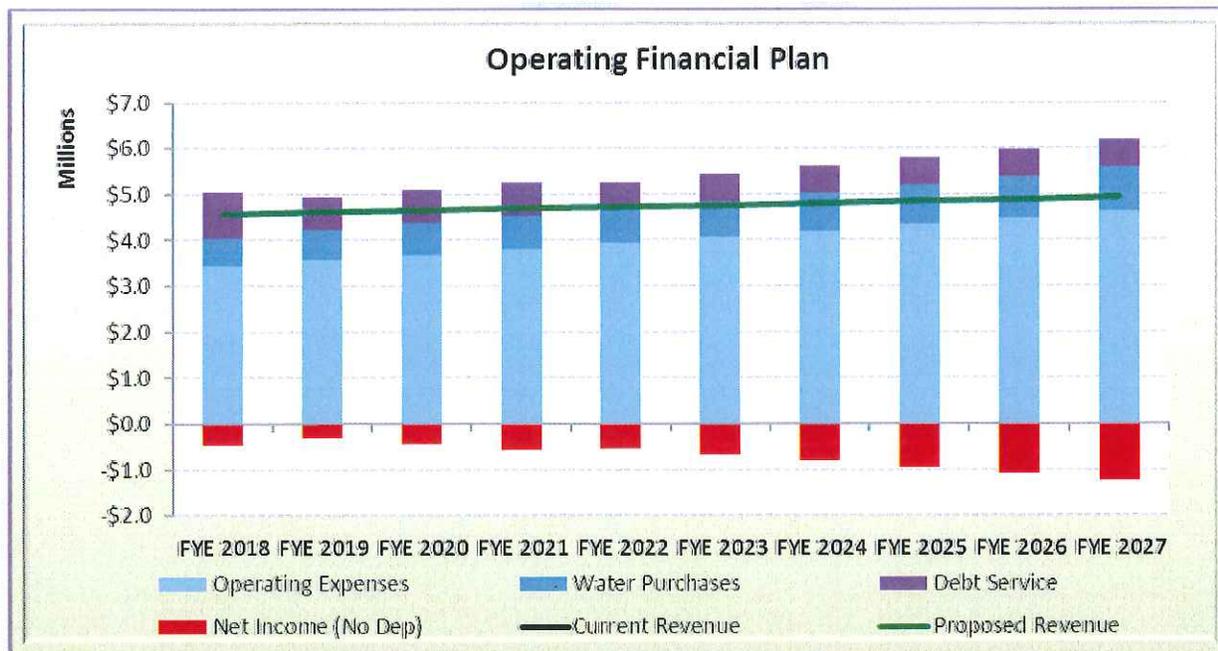
Figure 1-3: Water Utility Total Reserves



1.3.2 Water Utility Financial Health (Base Rates Only)

As identified in Section 1.3.1, the City is currently charging penalties for customers who failed to conserve water when the state imposed a mandate requiring the City to conserve 30% of total water production; additionally, the Watermaster's determination that the City's adjudicated ground water pumping rights would be reduced from 1,764 acre feet to 940 acre feet until the aquifer returned to a level exceeding 500' MSL, resulted in greater reliance on expensive imported water to meet customer usage—including customers who failed to conserve as required. As part of this Study, the primary objective was to ensure base rates of the Water Enterprise generates sufficient revenue to provide service to water customers which adequately meets the demands, including importation of water, infrastructure replacement and maintenance, and water production. As such, Raftelis reviewed the City's Financial outlook, taking into account the reduction in water usage when compared to pre-drought conditions and the steep increase in water imports due to the reduction of adjudicated pumping rights, the water utility would only generate approximately \$4.5M in FYE 2018. At this level of utility revenues currently collected by existing rates, the City would not be able to fund the total cost of operations and maintenance (O&M) and would not fulfill its debt obligations through the study period, as illustrated in Figure 1-4 . In addition, there would be no on-going funding for the City's capital improvement plan.

Figure 1-4: Current Water Operating Financial Plan (Base Rates Only)



Therefore, a new infrastructure fixed charge is recommended in addition to the fixed and variable charges in the previous rate study. As such, with the inclusion of an infrastructure fixed charge and the proposed financial plan would meet and/or maintain the following criteria:

- » Maintain base revenue at \$5.2 million in FYE 2019 by establishing an infrastructure fixed charge.
- » Cover increases in imported water through pass-through charges.

- » Ensure positive net operating cash income each Fiscal Year (FY) of the planning period with cost of living indexing.
- » Fully fund planned capital projects and fund a portion of deferred maintenance.
- » Establish and maintain the following reserves by the end of the Study Period (FYE 2019 – 2023):
 - Water Operating Fund – minimum of 60 days of operating expenses.
 - Water Replacement Fund – 1 years' worth of capital based on 5-Year Average of Capital Improvement Plan.

After discussing with City Staff, Raftelis recommends to index water rate increases based on the consumer price index (CPI) beginning in FYE 2020 to ensure the utility is keeping up with cost of inflation in the out years. Overall, the recommended financial plan for the water system aims to strike a balance between maintaining a strong financial position and minimizing rate increases to its customers through a multi-year measured approach. Under the recommended plan, the City will maintain a positive net income and will build healthy reserves over the five-year study period.

To determine the appropriate rate structure for meeting the City's revenue requirements, Raftelis reviewed the current rate structure and consumption data, worked closely with City staff, and, where possible, incorporated feedback on policies and objectives. As such, Raftelis recommends the following adjustments to the current structure:

- » Move from a 4-tiered rate structure for Residential accounts to a 2-tiered rate structure with modifications to the Tier 1 and Tier 2 allotments (also referred to as tier widths) to directly correlate with the amount of groundwater available to the City.
- » Tier 1 would correspond to the amount of groundwater available on a per account basis. The result provided 14 hcf per account, which is the Tier 1 allotment for Single Family Residential. Tier 2 would be for any usage over the 14 hcf and would reflect the cost of using imported water.
- » Maintain a uniform structure for specific non-residential customers and multi-family accounts, but the uniform rate would still account for the fair share amount of groundwater for these accounts with the remaining demand covered by imported water.

The recommended variable rate structure is set forth in Table 1-7. The recommended Bi-Monthly Service Charge is shown in Table 1-8, the recommended Infrastructure Fixed Charge is detailed in Table 1-9, and the recommended Variable Service Charge can be seen in Table 1-10.

Table 1-7: Current and Recommended Variable Rate Structure

Customer Class / Tiers	Current Tier Width (hcf)	Recommended Tier Width (hcf)
Single Family¹		
Tier 1	(0-11)	(0-14)
Tier 2	(12-33)	(>14)
Tier 3	(34-66)	N/A
Tier 4	(>66)	N/A
Multi Family	Same as Residential	Uniform
Non-Residential	Uniform	Uniform

¹ Single Family accounts consist of single unit housing and duplexes (two units).

Table 1-8: FYE 2019 Recommended Bi-Monthly Service Charges²

Meter Size	FYE 2019 Recommended Bi-Monthly Service Charge
3/4" or less	\$79.57
1"	\$97.22
1 1/2"	\$140.92
2"	\$193.58
3"	\$360.52
4"	\$606.17

Table 1-9: FYE 2019 Recommended Infrastructure Fixed Charge (\$/Bi-Month)³

Meter Size	FYE 2019 Recommended Infrastructure Charge
3/4" or less	\$21.75
1"	\$36.32
1 1/2"	\$72.43
2"	\$115.93
3"	\$253.82
4"	\$456.75

² Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

³ Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

Table 1-10: FYE 2019 Recommended Variable Charge (\$/hcf)⁴

Customer Class	FYE 2019 Recommended Variable Charge
Single Family	
Tier 1	\$2.70
Tier 2	\$4.23
Multi-Family	\$3.73
Non-Residential	\$3.71
Irrigation	\$3.81
Institutional	\$4.10

1.3.3 Wastewater Utility Financial Health

In FYE 2018, the City’s total beginning reserve balance for the wastewater utility is approximately \$333,177. These reserves have been built up over time and will be used to fund the necessary upcoming capital projects totaling approximately \$130,000 during the next 5 years. Based on the City’s revenue requirements, reserve policies, capital planning schedule, and current revenues, the existing wastewater rates will:

- » Result in negative net operating cash for FYE 2018 and for each subsequent fiscal year.
- » Fully fund capital projects through PAYGO for FYE 2018 and for each subsequent fiscal year (with depreciation value transfer to reserves).
- » The existing rates are not sufficient to fund the following reserve funds beyond FYE 2022:
 - Wastewater Operating Fund – minimum of 60 days of operating expenses
 - Wastewater Replacement Fund – target of 5-Year Average of Asset Management Plan

Without revenue adjustments, the Wastewater Utility will fully deplete reserves by FYE 2021 and will no longer be able to fund capital projects. Figure 1-5 illustrates the current operating financial plan with current revenues depicted by the green horizontal trend line and expenses symbolized by the blue and purple stacked graph bars.

Figure 1-6 identifies the City’s capital plan, and Figure 1-7 details the total reserves balance for each fiscal year.

⁴ Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

Figure 1-5: Current Wastewater Operating Financial Plan

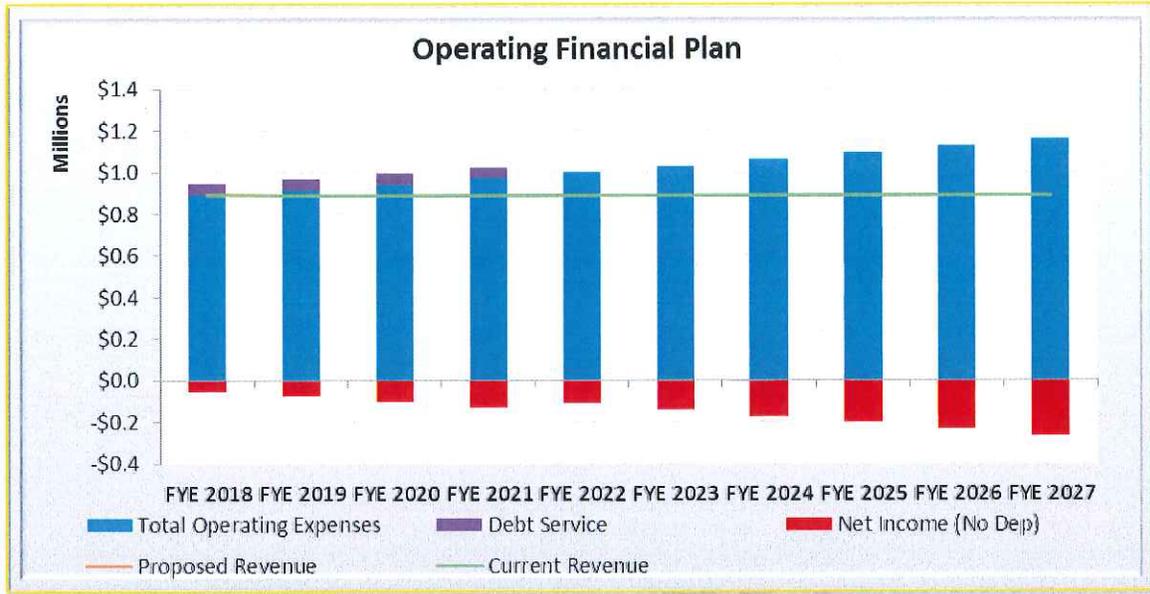


Figure 1-6: Wastewater Capital Improvement Plan

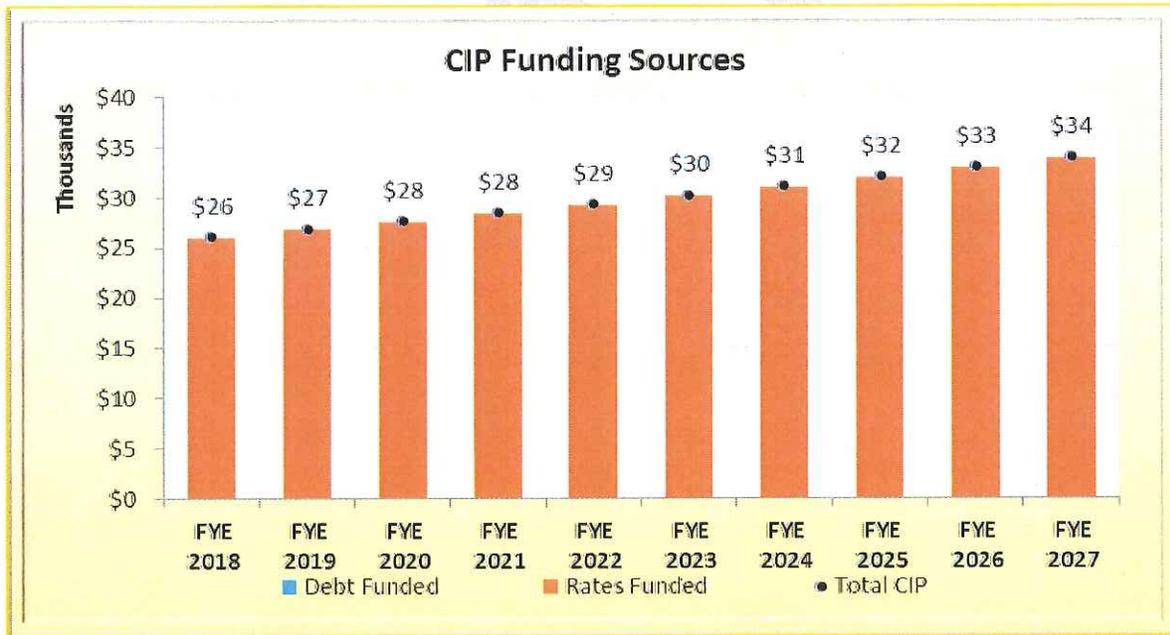
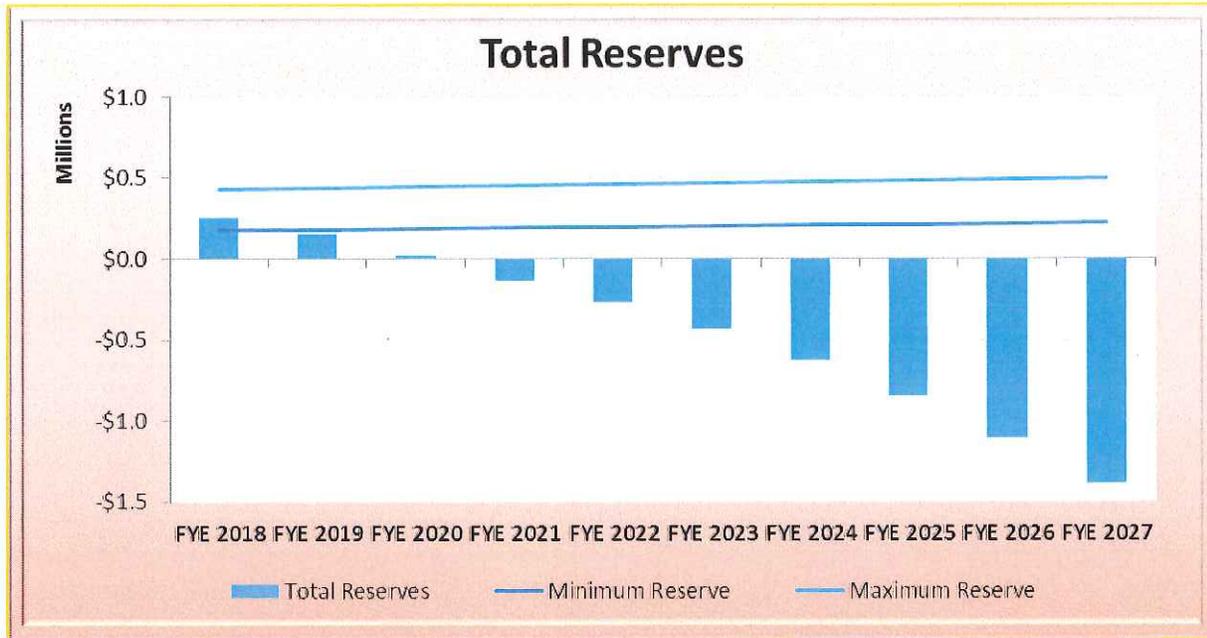


Figure 1-7: Current Wastewater Total Reserve Balance



Under the recommended financial plan, Raftelis recommends a 5% revenue adjustment in FYE 2019, and 4% annual revenue adjustments for FYE 2020 through FYE 2023. In addition, it is projected that the City may need 3% revenue adjustments in subsequent years outside the Study Period. To determine the appropriate rate structure for meeting the City’s revenue requirements, Raftelis reviewed the current rate structure and flow data, worked closely with City staff, and, where possible, incorporated feedback on policies and objectives. As such, Raftelis recommends retaining the current wastewater rate structure, but updated with most recent flow information of the City’s customers.

The recommended rate structure is set forth in Table 1-11. As shown in Table 1-11, the residential bi-monthly charge includes a flow charge for all residential customers. The recommended Bi-Monthly Fixed Charges and Variable Charges are shown in Table 1-12 and Table 1-13, respectively.

Table 1-11: Recommended Wastewater Rate Structure

Customer Class	Number of Bills	Accounts	Flow Charge	Proposed FYE 2019 Fixed Charge (\$/Bi-Month)
Residential	26,484	\$27.43	\$6.36	\$33.79
Non-Residential				
Commercial	564	\$27.43	-	\$27.43
Institutional	240	\$27.43	-	\$27.43

Table 1-12: FYE 2019-FYE 2023 Recommended Bi-Monthly Fixed Charges

Customer Class	FYE 2019 Recommended Fixed Charge	FYE 2020 Recommended Fixed Charge	FYE 2021 Recommended Fixed Charge	FYE 2022 Recommended Fixed Charge	FYE 2023 Recommended Fixed Charge
Residential	\$33.79	\$35.14	\$36.55	\$38.01	\$39.53
Non-Residential					
Commercial	\$27.43	\$28.53	\$29.67	\$30.86	\$32.09
Institutional	\$27.43	\$28.53	\$29.67	\$30.86	\$32.09

Table 1-13: FYE 2019-FYE 2023 Recommended Variable Charges (\$/ccf)

Customer Class	FYE 2019 Recommended Variable Charge	FYE 2020 Recommended Variable Charge	FYE 2021 Recommended Variable Charge	FYE 2022 Recommended Variable Charge	FYE 2023 Recommended Variable Charge
Non-Residential					
Commercial	\$0.62	\$0.64	\$0.67	\$0.70	\$0.73
Institutional	\$0.62	\$0.64	\$0.67	\$0.70	\$0.73

2. INTRODUCTION

2.1 STUDY APPROACH

This report was prepared using principles established by the American Water Works Association (AWWA). The AWWA “Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1 Manual (M1 Manual) establishes commonly accepted professional standards for cost of service studies. The M1 Manual principles of rate structure design and the objectives of the Study are described below.

According to the M1 Manual, the first step in ratemaking analysis is to determine the adequate and appropriate level of funding for a given utility. This is referred to as determining the “revenue requirements”. This analysis typically considers the short-term and long-term service objectives of the utility over a given planning horizon, including capital facilities, system operations and maintenance, and financial reserve policies to determine the adequacy of a utility’s existing rates to recover its costs. A number of factors may affect these projections, including the number of customers served, water-use trends, nonrecurring sales, weather, conservation, water use restrictions, inflation, interest rates, wholesale contracts, capital finance needs, changes in tax laws, and other changes in operating and economic conditions, among others.

After determining the utility’s revenue requirement, the next step was determining the cost of service. Utilizing the City’s approved budget, financial reports, operating data, and capital improvement plans, a rate study generally categorizes (functionalizes) **system costs** (e.g., treatment, storage, pumping, etc.), including operating and maintenance and asset costs, among **major operating functions** to determine the cost of service.

After the asset values and operating costs are properly categorized by function, these functionalized costs are allocated first to cost causation components, and then distributed to the various customer classes (e.g., single family residential, multi-family residential, commercial, and irrigation) by determining the characteristics of those classes and the contribution of each to cost causation components such as customer costs, supply costs, peaking costs, and delivery costs.

Rate design is the final element of the rate-making procedure and uses the revenue requirement and cost of service analysis to determine rates for each customer class that reflect the cost of providing service to those customers. Rates utilize “rate components” that build-up to the total commodity rates, and fixed charge rates, for the various customer classes. In the case of tiered rates, the rate components allocate the cost of service within each customer class, effectively treating each tier as a sub-class and determining the cost to serve each tier.

2.2 LEGAL REQUIREMENTS

2.2.1 California Constitution - Article XIII D, Section 6 (Proposition 218)

Proposition 218, reflected in the California Constitution as Article XIII D, was enacted in 1996 to ensure that rates and fees are reasonable and proportional to the cost of providing service. The principal requirements for fairness of the fees, as they relate to public water or wastewater services are as follows:

1. Revenues derived from the charge shall not exceed the costs required to provide the property related service.
2. Revenues derived from the charge shall not be used for any purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of property.
5. No charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.
6. A public agency must hold a public hearing to consider the adoption of the recommended new or increase in an existing charge; written notice of the public hearing and recommended charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing; if the public agency receives written protests to the recommended charge from a majority of the property owners, the charge may not be imposed.

As stated in AWWA's *M1 Manual*, "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Raftelis follows industry standard rate setting methodologies set forth by the AWWA *M1 Manual* to ensure this study meets Proposition 218 requirements and develops rates that do not exceed the proportionate cost of providing water services.

2.2.2 Cost-Based Rate Setting Methodology

As stated in the AWWA M1 Manual, "the costs of water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." To develop utility rates that comply with Proposition 218 and industry standards while meeting other emerging goals and objectives of the City, there are four major steps discussed below and previously addressed in Section 2.1.

1. Calculate Revenue Requirement

The rate-making process starts by determining the test year (rate setting year) revenue requirement, which for this study is FYE 2019. The revenue requirement should sufficiently fund the utility's O&M, debt service, capital expenses, and reserves.

2. Cost of Service Analysis (COS)

The annual cost of providing service is distributed among customer classes commensurate with their service requirements. A COS analysis involves the following:

- a) Functionalize costs. Examples of functions are supply, treatment, transmission, distribution, storage, meter servicing, and customer billing and collection

- b) Allocate functionalized costs to cost causation components. Cost causation components include, but are not limited to, supply, base⁵, maximum day, maximum hour⁶, fire protection, meter capacity, and customer service
- c) Distribute the cost causation components. Distribute cost components, using unit costs, to customer classes in proportion to their demands on the system. This is described in the M1 Manual

A COS analysis for water considers both the average quantity of water consumed (base costs) and the peak rate at which it is consumed (peaking or capacity costs as identified by maximum day and maximum hour demands).⁷ Peaking costs are costs that are incurred during peak times of consumption. There are additional costs associated with designing, constructing, and operating and maintaining facilities large enough to meet peak demands. These peak demand costs need to be allocated to those imposing such costs on the utility. In other words, not all customer classes share the same responsibility for peaking related costs. In addition, the proposed redesign rate structure, herein, also accounts for the limited amount of groundwater available to the City and the amount of imported water the City purchases to cover the overall water demand of City customers.

3. Rate Design and Calculations

Rates do more than simply recover costs. Within the legal framework and industry standards, properly designed rates should support and optimize a blend of various utility objectives, such as deterring water waste, supporting affordability for essential needs, and ensuring revenue stability among other objectives. Rates may also act as a public information tool in communicating these objectives to customers.

4. Rate Adoption

Rate adoption is the last step of the rate-making process to comply with Proposition 218. Raftelis documents the rate study results in this Study Report to serve as the City's administrative record and a public education tool about the recommended changes, the rationale and justifications behind the changes, and their anticipated financial impacts.

⁵ Base costs are those associated with meeting average day demands and unrelated to meeting peaking demands.

⁶ Collectively maximum day and maximum hour costs are known as peaking costs or capacity costs.

⁷ System capacity is the system's ability to supply water to all delivery points at the time when demanded. Coincident peaking factors are calculated for each customer class at the time of greatest system demand. The time of greatest demand is known as peak demand. Both the operating costs and capital asset related costs incurred to accommodate the peak flows are generally allocated to each customer class based upon the class's relative demands during the peak month, day, and hour event.

3. KEY ASSUMPTIONS

The Study uses the City’s FYE 2018 budget as the base year and the model projects the City’s revenue requirements through FYE 2027; however, the recommended water rates herein are for FYE 2018 through FYE 2022, as the City will continue to periodically review rates and take a measured approach with any potential rate adjustments. Certain cost escalation assumptions and inputs were incorporated into the Study to adequately model expected future costs of the City expenses. Furthermore, the City has an adjudicated right to extract 1,740 AF/Yr (acre-feet per year) of groundwater; however, when the groundwater level is below 500 MSL (500 feet above mean sea-level), the adjudicated pumping rights are reduced to 980 AF/Yr. Currently, the City is operating under its reduced groundwater allocation and the difference between demand and allowable extraction is made up by imported water. The City purchases water from the San Gabriel Municipal Water District. In FYE 2017, the City purchased 1,619 AF of water at a rate of \$370/AF (acre-feet), which is connected directly into the City’s groundwater basin and pumped out to cover the City’s total water demand. The difference of total water production of 2,081 AF and 980 AF of groundwater availability results in 1,101 AF that is required to supply City demand. The amount of imported purchased water is above the amount required to serve City demand, therefore, the surplus will be used to recharge groundwater supply. For water loss, Raftelis reviewed total water production versus water sales based on data provided by the City and confirmed with the City that their water loss is approximately 23.5%. This is water loss is significantly higher than what is typically seen in the industry, which averages 10%. We recommend that the City reinvest in its water distribution system to mitigate the amount of water loss, which in turn, would allow the City to avoid imported water costs. Table 3-1 and Table 3-2 identify the assumptions based on discussions with and/or direction from City management.

Table 3-1: Inflationary Factor Assumptions

Inflationary Factors	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
General	3.0%	3.0%	3.0%	3.0%	3.0%
Salary	3.0%	3.0%	3.0%	3.0%	3.0%
Benefits	3.0%	3.0%	3.0%	3.0%	3.0%
Capital	3.0%	3.0%	3.0%	3.0%	3.0%
Energy	5.0%	5.0%	5.0%	5.0%	5.0%
Water loss	23.5%	23.5%	23.5%	23.5%	23.5%
Consumer Price Index (CPI ¹)	2.0%	2.0%	2.0%	2.0%	2.0%

¹ For financial plan forecasting, a CPI index of 2% was assumed to reflect increases of water rates. Actual increases will be based on the actual percentages in the CPI index.

Table 3-2: Growth, Water Supplies, Demand, and Revenue Assumptions

Line #	Categories	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	Account Growth¹					
1	All Customer Classes	0%	0%	0%	0%	0%
2	Total Water Production (AF)	2,081	2,081	2,081	2,081	2,081
	Groundwater Supply					
3	Groundwater Supply (AF)	980	980	980	980	980
4	Groundwater less Water Loss (AF)	749.70	749.70	749.70	749.70	749.70
5	Groundwater less Water Loss (ccf)	326,569	326,569	326,569	326,569	326,569
	Imported Water Supply					
6	Purchased Imported Water (AF)	1,619	1,619	1,619	1,619	1,619
7	Imported Water to Serve Demand (AF)	1,101	1,101	1,101	1,101	1,101
8	Imported Water to Serve Demand less water loss (AF)	842.27	842.27	842.27	842.27	842.27
9	Imported Water for Recharge (AF)	518	518	518	518	518
	Water Sales					
10	Total Usage (ccf)	692,280	692,280	692,280	692,280	692,280
11	Water Demand Factor ²	100%	100%	100%	100%	100%
	Revenues Factors					
12	Non-Operating Revenues	0%	0%	0%	0%	0%
13	Reserve Interest Rate	1%	1%	1%	1%	1%

¹ For financial planning purposes, account growth was conservatively set at 0% which means that the City is not relying on growth to help fund ongoing operating and maintenance costs.

² Demand factors can be used to project changes in water usage and flow patterns. For the purposes of this Study, no changes were made to either the water or flow patterns.

4. WATER RATE STUDY

4.1 WATER UTILITY – FINANCIAL PLAN

This section describes the development of the water utility financial plan, the results of which were used to determine the revenue adjustments needed to meet ongoing expenses and provide fiscal sustainability to the City. Establishing a utility’s revenue requirement is a key step in the rate setting process. The review involves analysis of projected annual operating revenues under the current rates, O&M expenses, capital expenditures, transfers between funds, and reserve requirements. This section of the report provides a discussion of the projected revenues, O&M and capital expenditures, the capital improvement financing plan, and overall revenue requirements required to ensure the fiscal sustainability of the Water Utility.

4.1.1 Revenue from Current Rates

The current water rate structure consists of three main components:

1. Bi-Monthly Fixed Charge that varies by meter size (Table 4-1 summarizes the projected revenue).
2. Bi-Monthly Low Discount Fixed Charge that varies by meter size (Table 4-2 summarizes the projected revenue).
3. City Usage Charge that varies by customer class and water usage (Table 4-3 summarizes the projected city usage revenue).

In addition to these components, the City also charges a fire protection charge to those customers with private fire lines. Private fire line customers are charged a bi-monthly fixed charge that varies by connection size (Table 4-4 summarizes the connections by size, the current monthly Private Fire Line charges, and the projected private fire protection revenue).

Table 4-1: Projected Annual Water Service Charge Revenue (Full-Rate)

Meter size	# of Meters ¹ [A]	Current Bi-Monthly Water Service Charges [B]	Projected Annual Water Service Charge Revenue ² (A x B x 6)
3/4" or less	2,853	\$79.68	\$1,363,962
1"	624	\$107.00	\$400,608
1 1/2"	227	\$152.54	\$207,759
2"	100	\$207.18	\$124,308
3"	8	\$334.68	\$16,065
4"	1	\$516.83	\$3,101
Annual Water Service Revenue	3,813		\$2,115,803

¹ Includes all customer classes except exempt meters.

² Revenue was rounded to the nearest dollar.

Table 4-2: Projected Annual Low-Income Discount Fixed Charge Revenue

Meter Size	# of Meters ¹ [A]	Current Bi-Monthly Discount Fixed Charges [B]	Projected Annual Discount Fixed Charge Revenue ² (A x B x 6)
3/4" or less	53	\$51.79	\$16,469
1"	7	\$69.55	\$2,921
Annual Discount Fixed Revenue	60		\$19,390

¹ Includes only exempt meters.

² Revenues were rounded to the nearest dollar.

Table 4-3: Projected City Usage Charge Revenue

Customer Classes	Current Tiers (width)	Projected Annual Usage [A]	Current City Distribution Rate [B]	Projected City Usage Charge Revenue ¹ (A x B)
Residential				
Tier 1	(0-11)	271,186	\$2.69	\$729,490
Tier 2	(12-33)	212,409	\$3.47	\$737,059
Tier 3	(34-66)	92,735	\$4.08	\$378,359
Tier 4	(>66)	41,656	\$5.55	\$231,191
Non-Residential				
Uniform	N/A	74,294	\$3.89	\$289,004
City Distribution Revenue		692,280		\$2,365,103

¹Revenues were rounded to the nearest dollar.

Table 4-4: Projected Annual Fire Line Charge Revenue

Connection Size	Projected Number of Connections [A]	Current Fire Line Service Charge [B]	Projected Fire Line Revenue ¹ (A x B x 6)
2"	6	\$6.29	\$226
4"	11	\$38.95	\$2,571
Fire Line Charge Revenue	17		\$2,797

¹Revenues were rounded to the nearest dollar.

Using account growth, water demand factors, and other revenue assumptions from Table 3-2, Raftelis projected the revenues for the water utility⁸. Table 4-5 summarizes the rate revenue as well as other revenues. As shown in the table, since Raftelis assumed zero growth and no increase in water demand, the

⁸ Although only the Study Period is shown here, Raftelis projected the revenues through FYE 2027.

rates and rate revenue remained constant during the Study Period. The projected water sales by customer class and tier remained constant and was based on the total FYE 2018 usage.

Table 4-5: Projected Water Revenues

Line #	Revenue	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	Water Utility Revenues					
1	Fixed Revenue	\$2,135,194	\$2,135,194	\$2,135,194	\$2,135,194	\$2,135,194
2	Fire Revenue	\$2,797	\$2,797	\$2,797	\$2,797	\$2,797
3	Variable Revenue	\$2,365,103	\$2,365,103	\$2,365,103	\$2,365,103	\$2,365,103
4	Penalty Charges	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
5	Subtotal Rate Revenue	\$5,203,094	\$5,203,094	\$5,203,094	\$5,203,094	\$5,203,094
6	Other Revenues	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000
7	Total Revenues	\$5,274,094	\$5,274,094	\$5,274,094	\$5,274,094	\$5,274,094

4.1.2 O&M Expenses

The City’s FYE 2018 budget values and the assumed inflation factors (Table 3-1) for the study period were used as the basis for projecting O&M costs. Table 4-6 shows the total projected O&M expenses for FYE 2018 through FYE 2022⁹. Water purchase costs are calculated by taking the product of purchased water and the rate charged by San Gabriel Municipal Water District. Total Production is the cost of electrical energy required to pump groundwater from the basin and serve City customers. Also, as shown in the table (Line 10), the water utility currently has outstanding debt obligation.

Table 4-6: Projected O&M Expenses

Line #	O&M Categories	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
1	Water Purchase Charge	\$599,030	\$647,600	\$647,600	\$647,600	\$647,600
	Expenditures					
2	Total Personnel Services	\$827,900	\$852,737	\$878,319	\$904,669	\$931,809
3	Total Purchased Services	\$280,100	\$288,503	\$297,158	\$306,073	\$315,255
4	Total Purchased Materials	\$291,500	\$300,245	\$309,252	\$318,530	\$328,086
5	Total Cost Allocations	\$1,177,200	\$1,212,516	\$1,248,891	\$1,286,358	\$1,324,949
6	Total Utilities	\$15,700	\$16,485	\$17,309	\$18,175	\$19,083
7	Total Capital Outlay – R&M	\$350,000	\$360,500	\$371,315	\$382,454	\$393,928
8	Total Production	\$508,300	\$533,715	\$560,401	\$588,421	\$617,842
9	Total Operating Expenditures	\$4,049,730	\$4,212,301	\$4,362,626	\$4,518,659	\$4,680,630
10	Debt Service	\$991,533	\$731,709	\$731,708	\$731,708	\$586,021
11	Total Expenses	\$5,041,263	\$4,944,010	\$5,094,334	\$5,250,367	\$5,266,651

⁹ Although only the Study Period is shown here, Raftelis projected the expenses through FYE 2027.

4.1.3 Capital Improvement Plan

The City provided the asset management plan to address future water capital improvement project (CIP) needs. Raftelis worked closely with City staff to adjust the CIP to reflect a measured multi-year approach. Based on discussions with City Staff, the 5-year average CIP costs were used as the baseline for each year of the Study Period. Raftelis indexed the capital expenditures by a 3% inflationary compounding rate from Table 3-1 to account for increased construction costs in future years.

Table 4-7 summarizes the 5-Year Average CIP (Line 1), the cumulative inflationary factor (Line 2), and the resulting total anticipated CIP costs (Line 3).

Table 4-7: Water Utility Capital Improvement Plan¹⁰

Line #		FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
1	Asset Management Plan (5-Yr Average)	\$304,500	\$304,500	\$304,500	\$304,500	\$304,500
2	Cumulative Inflationary Factor	100%	103%	106%	109%	113%
3	Inflated CIP	\$304,500	\$313,635	\$323,044	\$332,735	\$342,717

4.1.4 Reserve Requirements

In FYE 2018, the City’s projected beginning reserve balance for the water utility is approximately \$747,740. Currently, the City maintains a water operating fund and water replacement fund. As part of Best Management Practices of utilities, it is recommended that a utility have at least 60-90 days of operating reserves as well as sufficient funds available to ensure that the utility’s capital plan can move forward as scheduled and is not delayed due to insufficient funds on hand.

4.1.5 Current Financial Outlook (Maintaining \$5.2M Revenue)

Based on the financial plan review and maintaining total revenue at \$5.275M for FYE 2019, the City would only need modest cost of living adjustments for subsequent years (based on percentage change in the consumer price index for Los Angeles-Orange-Riverside) (CPI). Without any revenue adjustments, the City will not be able to fund operational and debt expenses in FYE 2023, as shown in Figure 4-1, where expenses are shown by stacked bars and the total revenues at current rates are shown by the horizontal green trend line. In addition, the City would also be in technical default of its bond covenants starting in FYE 2023, which require 120% debt coverage. Figure 4-3 illustrates the total reserves balances for each fiscal year after operating and capital in funded.

¹⁰ There may be differences due to rounding.

Figure 4-1: Operating Financial Position at Current Rates

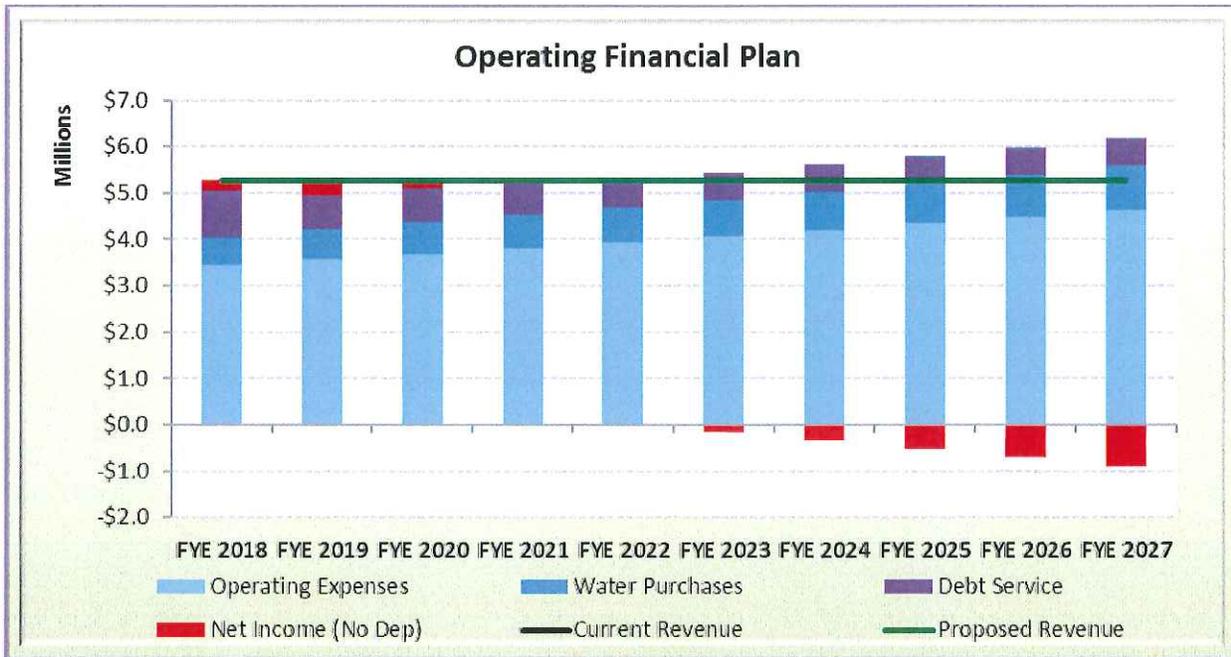


Figure 4-2: Baseline Water Capital Improvement Plan and Funding Source

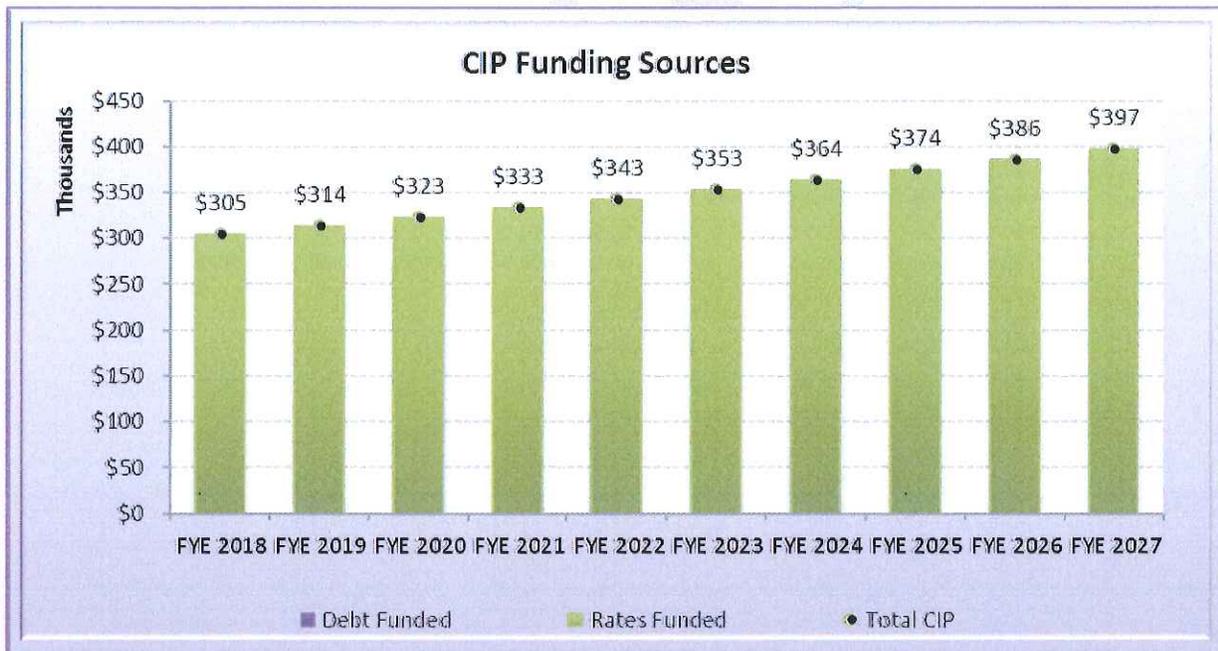
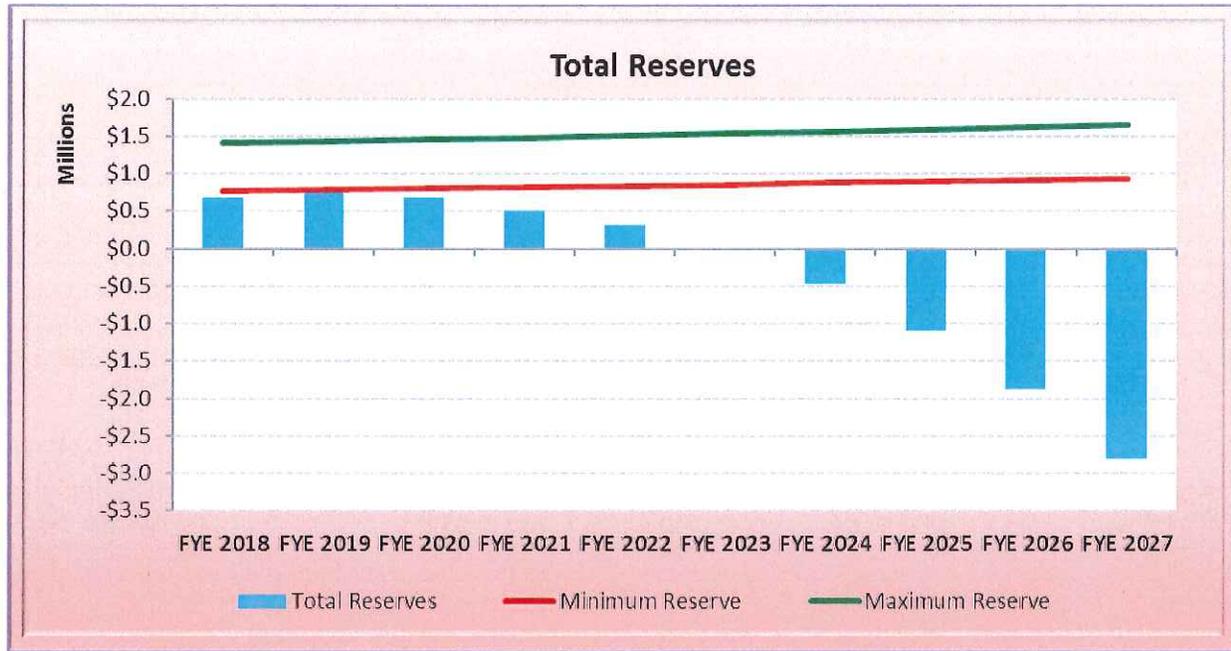


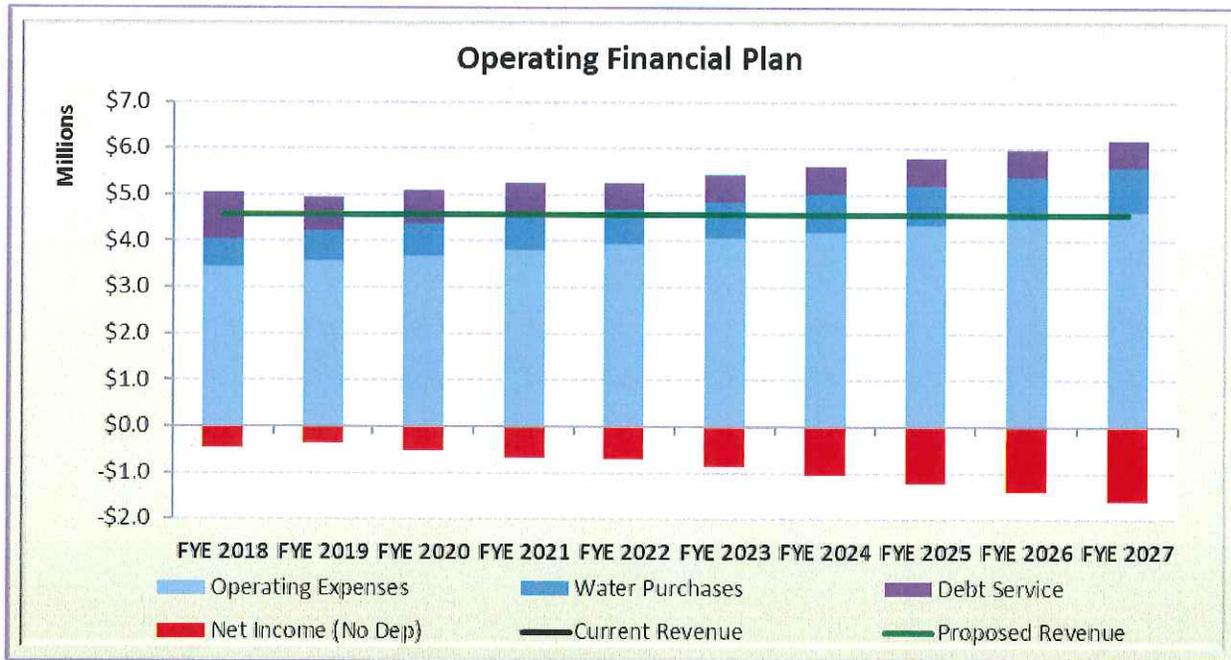
Figure 4-3: Projected Ending Water Reserves at Current Rates



4.1.6 Current Financial Outlook (Base Rates Only)

In reviewing the utility with revenue solely generated from current base rates and miscellaneous revenues, the water utility would only generate approximately \$4.5M in FYE 2019 which is insufficient to meet the costs of purchasing imported water, producing and delivering water to the customers and maintain operation and maintenance costs and on-going funding for the City's capital improvement plan; the City also fails to meet its bond debt coverage during the Study Period under the existing base rates. Figure 4-4 illustrates the operating position of the water utility, where expenses are shown by stacked bars; and the total revenues at current rates are shown by the horizontal green trend line. As shown below, the City will have negative net income for all fiscal years and would be unable to fund necessary capital reinvest into its utility system to ensure the continued delivery of safe and clean water.

Figure 4-4: Operating Financial Plan at Base Rates



4.1.7 Financial Plan Recommendations

After reviewing the City’s revenue requirements, reserve policies, capital planning schedule, and current revenues, a financial plan was developed to meet the following criteria:

- » Ensure positive net operating cash income each Fiscal Year (FY) of the planning period with cost of living indexing. This will allow revenues to exceed operational and maintenance expenses for each fiscal year.
- » Generate \$5.2M rate revenue in 2019 by establishing an infrastructure charge.
- » Establish pass-through charge for future increases of imported water costs not controlled by the City.
- » Meet the bond covenants for each fiscal year by meeting the required debt coverage of 120%.
- » Build up reserves through the Study Period (FYE 2019 – FYE 2023) with the following targets:
 - Water Operating Fund – minimum of 60 days of operating expenses.
 - Water Replacement Fund – 1 years’ worth of capital based on 5-Year Average of Capital Improvement Plan.
- » For subsequent fiscal years, commencing in FYE 2020, the Financial Plan model assumes indexing rates to the price change in the CPI-index for Los Angeles – Orange – Riverside to account for cost of inflation.

With these elements, the City will be able to fund its operations and maintenance costs, meet the debt coverage each fiscal year, and fund necessary capital during the Study Period.

4.1.7.1 Recommended Reserves

Raftelis recommends maintaining the following reserves:

Water Operating Reserve – The operating reserve is used primarily to meet ongoing cash flow requirements. Raftelis recommends establishing an operating reserve target of 60-days of O&M expenses. A 60-day reserve ensures working capital to support the operation, maintenance, and administration of the

utility. Maintaining this level of reserves also provides liquid funds for the continued ongoing operations of the utility in the event of unforeseen costs or interruption with the utility or the billing system.

Water Replacement Reserve – The replacement reserve is used primarily to meet the City’s capital improvement requirements. The City’s revised capital improvement plan—over the five-year period—is approximately \$1.6M. The ideal target for the capital reserve should be to have a reserve sufficient to fund a year’s worth of capital costs, which would ensure that the City can continue to reinvest in the water system and that necessary capital improvements are not delayed or deferred due to cash flow concerns. Raftelis recommends establishing a capital reserve based on one year’s worth of the average 5-year asset management plan, which is approximately \$300K.

4.1.7.2 Pass-Through Provision

The City relies on imported water from the San Gabriel Valley Municipal Water District (SGVMWD) to cover a majority of the City’s total water usage. The proposed financial plan projected increases in the cost of imported water that the City purchases; however, the proposed rates only include the current costs of purchased water because Raftelis recommends that the City include authorization for automatic pass-through adjustments to the rates for any increase in imported water cost above the rate known today (a Pass-Through). Authorizing automatic Pass-Through adjustments mitigates the risk of unknown rate increases by the SGVMWD as the City’s water seller. Automatic Pass-Through adjustments in the rates are allowed through the provisions of Government Code Section 53756 and provide the following benefits to the City:

- » Clear transparency between costs that are controlled by the City versus uncontrolled costs from outside agencies.
- » Provides increased revenue stability.
- » Tracks increases in costs to the City from SGVMWD and recovers the incremental increase through a direct rate adjustment.
 - Any incremental increase in cost due to increase in the current rate charged for purchased water would be spread over all units of water purchased.
 - The “Pass-Through” adjustments would increase as SGVMWD imported water rates increase and would also apply to increases in electric charges from Southern California Edison.

4.1.7.3 Infrastructure Charge

In addition to the recommendations mentioned above, Raftelis recommends implementing an Infrastructure Charge beginning in FYE 2019. The purpose of the Infrastructure Charge is to provide funding for debt and ongoing capital costs. The new rates will apply to all customers in the water system, and the charge will vary by each customer’s meter size.

Table 4-8 summarizes the recommended financial plan (see Appendix A – Exhibit A for a detailed financial plan). Figure 4-5 illustrates the operating position of the City where expenses, inclusive of reserve funding, are shown by stacked bars and total revenues at both current rates and recommended rates are shown by the horizontal trend lines. Figure 4-6 summarizes the projected CIP and its funding sources (100% PAYGO). Figure 4-7 displays the ending total reserve balance for the water utility, inclusive of operating and capital funds. Although the total reserve balances for each fiscal year are slightly under the minimum reserve target, once water loss is mitigated through capital improvements, the City’s avoided imported water costs should provide additional reserve funding over time to reach the minimum target in certain fiscal years. The horizontal trends line indicates the minimum and target reserve balances and the bars indicate ending

reserve balance. No new debt is recommended to be issued as part of the recommended five-year financial plan.



Table 4-8: Recommended Water Financial Plan

Line #	Category	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	Revenues					
1	Rate Revenue	\$5,203,094	\$5,203,094	\$5,203,094	\$5,203,094	\$5,203,094
2	Other Misc. Revenues ¹	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000
3	Proposed Additional Rate Revenue ²	\$0	\$0	\$104,062	\$210,205	\$318,471
4	Total Pass-Through Revenue	\$0	\$48,570	\$80,950	\$114,949	\$150,648
5	Total Revenues	\$5,274,094	\$5,322,664	\$5,459,106	\$5,599,248	\$5,743,213
	Less: Expenditures					
6	Water Purchases	\$599,030	\$647,600	\$647,600	\$647,600	\$647,600
7	Total Operating Expenditures	\$3,450,700	\$3,564,701	\$3,682,646	\$3,804,680	\$3,930,952
8	Total Debt Service	\$991,533	\$731,709	\$731,708	\$731,708	\$586,021
9	Total Expenditures	\$5,041,263	\$4,944,010	\$5,094,334	\$5,250,367	\$5,266,651
10	Net Cashflow (Line 5 – Line 9)	\$232,831	\$378,654	\$364,771	\$348,881	\$476,562
11	Total Depreciation	\$727,000	\$748,810	\$771,274	\$794,413	\$818,245
12	Net Cashflow w/ Depreciation	(\$494,169)	(\$370,156)	(\$406,503)	(\$445,532)	(\$341,683)
	Operating Reserve					
14	Beginning Balance	\$747,740	\$453,950	\$473,931	\$490,024	\$506,670
15	Net Cashflow (Line 10)	\$232,831	\$378,654	\$260,710	\$138,676	\$158,091
16	Transfers In/Out - Capital Improvement Reserve	-\$526,621	-\$363,288	-\$249,412	-\$126,989	-\$145,976
17	Ending Balance	\$453,950	\$469,315	\$485,229	\$501,711	\$518,785
18	Interest Income	\$0	\$4,616	\$4,796	\$4,959	\$5,127
	Capital Improvement Reserve					
19	Beginning Balance	\$0	\$222,121	\$274,244	\$307,568	\$315,125
	Plus:					
20	Transfer In/Out - from Operating Reserve (Line 16)	\$526,621	\$363,288	\$353,474	\$337,194	\$464,447
21	New Debt Issue	\$0	\$0	\$0	\$0	\$0
	Less:					
22	Capital Projects	(\$304,500)	(\$313,635)	(\$323,044)	(\$332,735)	(\$342,717)
23	Ending Balance	\$222,121	\$271,774	\$304,674	\$312,027	\$436,855
24	Interest	\$0	\$2,469	\$2,895	\$3,098	\$3,760
25	Total Reserves – Ending Balance	\$676,071	\$741,089	\$789,902	\$813,739	\$955,639
26	Reserve Target³	\$1,407,925	\$1,430,973	\$1,454,843	\$1,479,567	\$1,505,177

¹ Other Revenues are based on the City's FYE 17-18 Budget and include transfers, fees, late charges, and other service charges.

² For forecasting, CPI adjustments are assumed to be 2%, but the actual adjustment will be based on the percentage change in CPI for Los Angeles-Orange-Riverside area.

³ Reserve target is based on 90 days of operating plus one year of depreciation.

Figure 4-5: Operating Financial Position at Recommended Rates

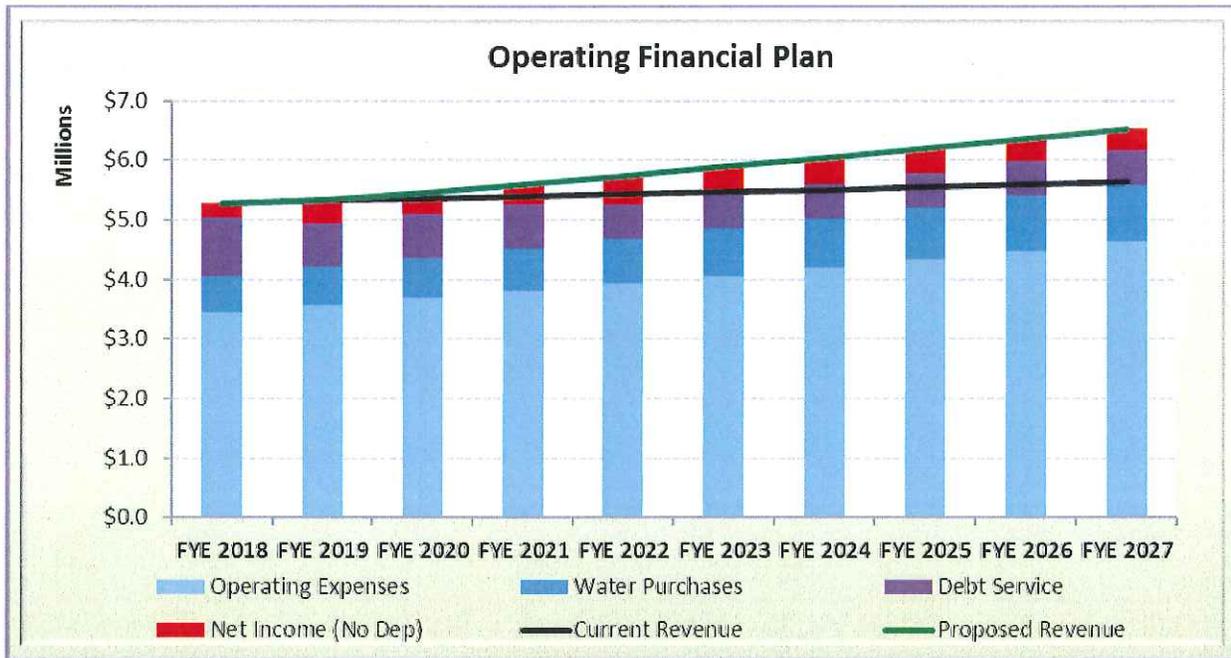


Figure 4-6: Recommended Water Capital Improvement Plan and Funding Source

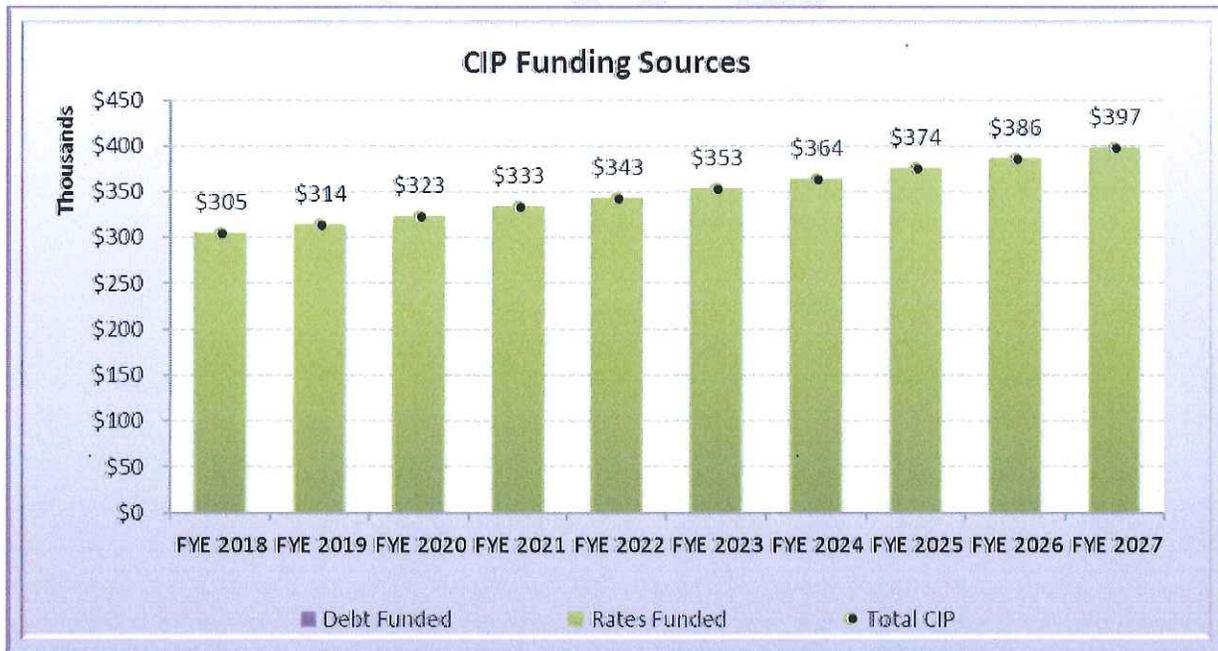
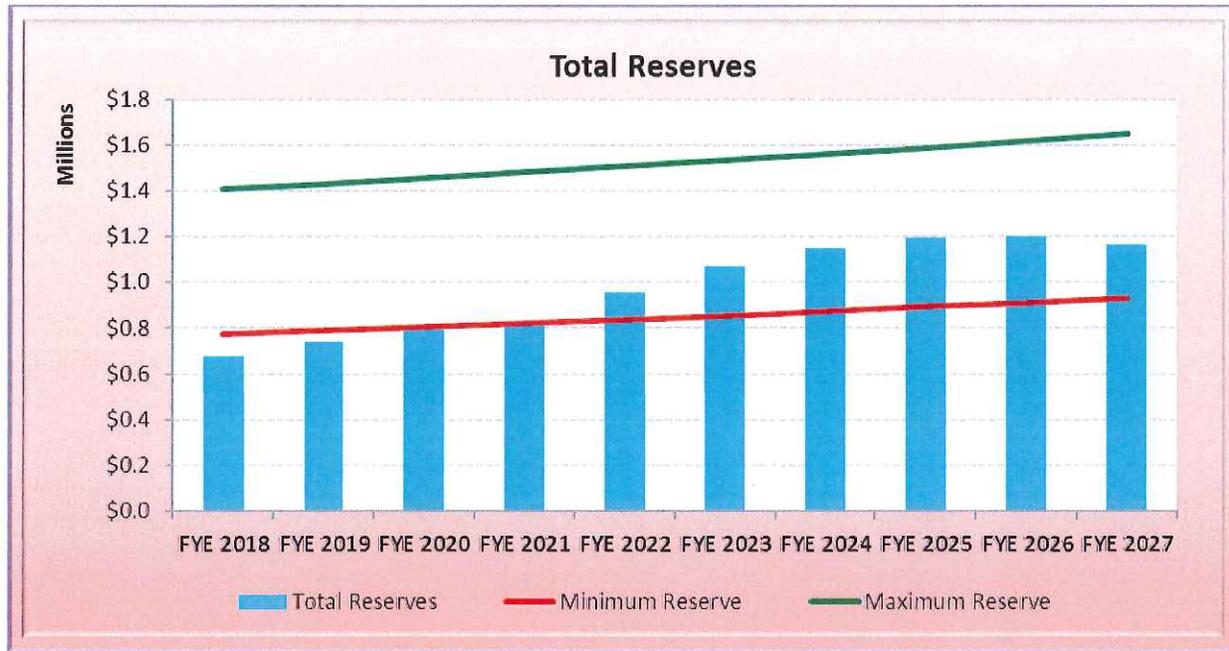


Figure 4-7: Projected Ending Water Reserves at Proposed Rates



4.2 WATER UTILITY – COST OF SERVICE STUDY

4.2.1 Proportionality

Demonstrating proportionality when calculating rates is a critical component of ensuring compliance with Proposition 218. For costs that are recovered through the City’s recommended fixed meter charge, the Study spreads the costs either over all accounts or by meter size, depending on the type of expense. As such, customer classes and usage are not considered nor necessary for calculating each customer’s fixed charge. Conversely, costs that were determined as variable are allocated among customer classes based on their demand on the system and water supply. As stated in the Manual M1, the AWWA Rates and Charges Subcommittee agree with Proposition 218 that “the costs of water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers.” The City’s revenue requirements are, by definition, the cost of providing service. This cost is then used as the basis to develop unit costs for the water components and to allocate costs to the various customer classes in proportion to the water services rendered.

Individual customer demands vary depending on the nature of the utility use at the location where service is provided. For example, water service demand for a family residing in a typical single-family home is different than the water service demand for an irrigation customer, primarily due to peak use behavior which drives the need for and costs of sizing infrastructure to meet this demand. The concept of proportionality requires that cost allocations consider both the average quantity of water consumed (base) and the peak rate at which it is consumed (peaking). Use of peaking is consistent with the cost of providing service because a water system is designed to meet peak demands and the additional costs associated with designing, constructing and maintaining facilities required to meet these peak demands need to be allocated to those customers whose usage requires the need to size facilities to meet peak demand.

In allocating the costs of service, the industry standard, as promulgated by AWWA’s M1 Manual, is to group customers with similar system needs and demands into customer classes. Rates are then developed for each customer class, with each individual customer paying the customer class’ proportionate, average allocated cost of service.

Generally speaking, customers place the following demands on the City’s water system and water supply:

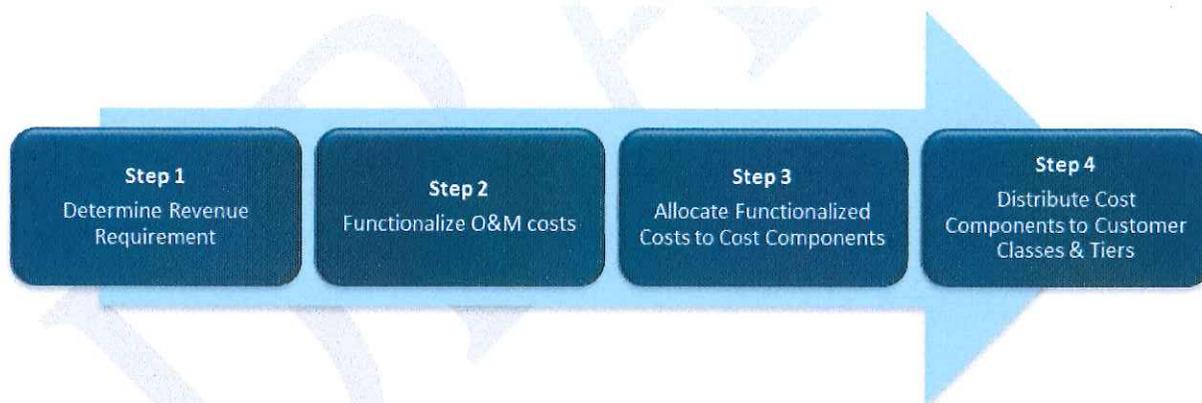
- » The system capacity¹¹ (for treatment, storage, and distribution) that must be maintained to provide reliable service to all customers at all times.
- » The level of water efficiency as a collective group.
- » The number of customers requiring customer services such as bill processing, customer service support, and other administrative services.

A customer class consists of a group of customers, with common characteristics, who share responsibility for certain costs incurred by the utility. Joint costs are proportionately shared among all customers in the system based on their service requirements.

4.2.2 Cost of Service Process

A cost of service analysis distributes a utility’s revenue requirements (costs) to each customer class. Figure 4-8 provides a general overview of a cost-of-service analysis. Each step shown below will be described in greater detail in the next section.

Figure 4-8: Cost of Service Process



4.2.3 Cost of Service Analysis

4.2.3.1 Step 1 – Determine Revenue Requirement

In this Study, water rates are calculated for FYE 2019 (known as the Test Year), by calculating water purchase costs and by using the City’s FYE 2018 budget and inflationary factors. Test Year revenue requirements are used in the cost allocation process. Subsequent years’ revenue adjustments are incremental and the rates for future years are based on indexed rate increases and are applied across-the-board. The City should review the cost of service analysis at least once every five years to ensure that the rates are consistent with the costs of providing service.

¹¹ System capacity is the system’s ability to supply water to all delivery points at the time when demanded. The time of greatest demand is known as peak demand.

The revenue requirement determination is based upon the premise that the utility must generate annual revenues to meet Supply, O&M expenses, any debt service needs, reserve levels, and capital investment needs.

4.2.3.2 Step 2 – Functionalize O&M Costs

A cost of service analysis distributes a utility’s revenue requirements (costs) to each customer class. After determining a utility’s revenue requirement, the total cost of water service is analyzed by system functions to proportionately distribute costs in relation to how that cost is generally incurred. The water utility costs were categorized into the following **functions**:

- » **Groundwater Supply** – Fixed costs incurred to use available groundwater.
- » **Water Purchases** – variable costs incurred to import water from the San Gabriel Municipal Water District.
- » **Groundwater Recharge** – variable costs incurred to replenish groundwater basin.
- » **Operations & Maintenance (O&M) Expenses**
 - **Total Personnel Services** – Salaries and benefits of the staff dedicated to the water utility.
 - **Total Purchased Services** – Contract and professional services.
 - **Total Purchased Materials** – office supplies, maintenance of water supplies, and tools.
 - **Total Cost Allocations** – Indirect costs related to bank service fees, administrative costs, facilities, technology, personnel admin, self-insurance, vehicle maintenance, fuel, property insurance, and fiscal agent service costs.
 - **Total Utilities** – Utilities, gas, and energy related to water services.
 - **Capital Outlay (Repair and Maintenance)** – costs related to capital/improving projects.
 - **Infrastructure** – depreciation expense and additional planned capital costs.
- » **Debt Service** – Principle and Interest costs related to existing/outstanding debt.

Table 4-9 summarizes the functionalized costs prior to any offset adjustments.

Table 4-9: Functionalized Expenses

Line #	Functionalized Expenses	FYE 2019 Functionalized Expenses
1	Energy	\$533,715
2	Water Purchases	\$647,600
3	Total Personnel Services	\$852,737
4	Total Purchased Services	\$288,503
5	Total Purchased Materials	\$300,245
6	Total Cost Allocations	\$1,212,516
7	Total Utilities	\$16,485
8	Capital Outlay – R&M	\$360,500
9	Infrastructure	\$748,810
10	Debt Service	\$731,709
11	Total O&M Expenses	\$ 5,692,820

4.2.3.3 Step 3 – Allocate Functionalized Costs to Cost Components

The functionalization of costs allows Raftelis to better allocate the costs based on how they are incurred. This is commonly referred to as **cost causation**. Essentially, cost causation means that the City incurs a cost of providing service because of the demands or burdens the customer places on the system and water resources. Raftelis used the Base-Extra Capacity method to allocate the functionalized costs to various rate components (cost causation components), as described in the M1 Manual. The City's costs were allocated to the following cost causation components:

1. **Customer Service** includes customer related costs such as billing, collecting, customer accounting, and customer call center. These costs are incurred at the same level regardless of the type of land use or the total amount of water that the utility delivers.
2. **Meter Capacity** includes maintenance and capital costs associated with serving meters. These costs are assigned based on the meter size or equivalent meter capacity.
3. **Infrastructure** includes depreciation expense and additional planned capital.
4. **Groundwater Supply** represents the costs to pump available groundwater to all City customers to meet demands.
5. **Imported Supply** represents the cost of importing water from the San Gabriel Valley Metropolitan Water District and delivered by the MWD.
6. **Groundwater Recharge** represents the cost of replenish groundwater supply for all City customers.
7. **Fire Protection** represents the costs incurred as a result of sizing the distribution infrastructure in order to be able to serve fire protection infrastructure.
8. **Base/Delivery** are those operating and capital costs of the water system associated with serving customers at a constant, or average, rate of use. These costs tend to vary with the total quantity of water used.
9. **Peaking Costs** or Extra Capacity Costs represent those costs incurred to meet customer peak demands for water in excess of average day usage. Total extra capacity costs are subdivided into costs associated with maximum day and maximum hour demands. The maximum day demand is the maximum amount of water used in a single day in a year. The maximum hour (Max Hour) demand is the maximum usage in an hour on the maximum usage day (Max Day). Various facilities are designed to meet customer peaking needs. For example, reservoirs are designed to meet Max Day requirements and have to be designed larger than they would be if the same amount of water were being used at a constant rate throughout the year. The cost associated with constructing a reservoir is based on system wide peaking factors. For example, if the Max Day factor is 2.0, then certain system facilities must be designed larger than what would be required if the system only needed to accommodate average daily demand. In this case, half of the cost would be allocated to Base (or average day demand) and the other half allocated to Max Day. The calculation of the Max Hour and Max Day demands is explained below.

Allocating costs into these components allows us to distribute these cost components to the various customer classes based on their respective base, extra capacity, and customer requirements for service. To allocate costs to delivery and peaking cost components, system peaking factors are used. The base demand is assigned a value of 1.0 signifying no peaking demands. The Max Day and Max Hour factors shown in Table 4-10 were based on historical data and discussions with City staff. The peaking factors were calculated based on system-wide max months and average months of recent consumption data provided by the City. A max day peaking factor of 1.37 means that the system delivers approximately 1.37 times the average daily demand during a peak day. A max hour peaking factor of 2.05 means that delivery during the max hour is

approximately 1.5 times the average hour during the max day. Since certain facilities are designed to meet max hour requirements while also meeting fire flow requirements, an allocation is provided for fire flow. Based on Raftelis and City staff estimates, fire flow was assigned 8% of max day and max hour demands.

Table 4-10: System-Wide Peaking Factors

	Factor	Base	Max Day	Max Hour	Fire
Base	1.00	100.00%	0.00%	0.00%	0.00%
Max Day¹	1.37	69.15%	22.85%	0.00%	8.00%
Max Hour²	2.05	46.10%	15.23%	30.67%	8.00%

¹ Max Day = 1.37 times average day

² Max Hour = 1.5 times the average hour during the max day

Specific Allocation

The Specific expenses consists of three functionalized categories: Water Purchases, Energy, and Infrastructure. Table 4-13 details the breakdown of these specific allocation costs. The City currently purchases more imported water than what is necessary to serve demand after groundwater is used. Therefore, the amount of purchased imported water above what is needed to serve demand (32% of purchased imported water) remains in the water basin as groundwater recharge. Table 4-11 details the calculation of purchased imported water cost percentages.

Table 4-11: Calculation of Purchased Imported Water Cost Percentages

Water Source	Amount of Water (AF)	% of Demand (Source/Total Supply)
Imported water for Recharge ¹	518	32.00%
Imported Water to Serve Demand ²	1,101	68.00%
Total Production³	1,619	100%

¹ Table 3-2 Line 8

² Table 3-2 Line 7

³ Table 3-2 Line 6

The City has the right to extract 980 AF of groundwater. Based on total water production of 2,081 AF, approximately 47% of demand is served by groundwater and approximately 53% of demand is served by imported water. Energy costs are allocated between groundwater and imported water based on the pro rata share of both supplies to accommodate demand. Table 4-12 details the calculation of energy cost percentages for both water supplies. Imported water is directly discharged into to the City’s groundwater basin and, thereby, all units of water regardless of their source incur pumping costs to distribute into the system. Therefore, these same percentages were used to allocate energy costs between groundwater and imported water. Lastly, 100% of infrastructure costs will be allocated to the Infrastructure Cost Component.

Table 4-12: Calculation of Energy Cost Percentages per Supply

Water Source	Amount of Water (AF)	% of Demand (Source/Total Supply)
Ground Water Supply ¹	980	47.09%
Imported Water to Serve Demand ²	1,101	52.91%
Total Production ³	2,081	100%

¹ Table 3-2 Line 3

² Table 3-2 Line 7

³ Table 3-2 Line 2

Table 4-13: Water Specific Allocation (%)

Line #	Functionalized Expenses (%)	Infrastructure	Groundwater Supply ¹	Imported Supply	Groundwater Recharge	Total
1	Water Purchases			68.00%	32.00%	100%
2	Energy		47.09%	52.91%		100%
3	Infrastructure	100%				100%
	Functionalized Expenses (\$)					
4	Water Purchases			\$440,400	\$207,200	\$647,600
5	Energy		\$251,326	\$282,389		\$533,715
6	Infrastructure	\$748,810				\$748,810
7	Total Specific Allocations²	\$748,810	\$251,326	\$722,789	\$207,200	\$1,930,125
8	O&M Allocation (%)	38.80%	13.02%	37.45%	10.74%	100%

¹ Instead of one general water cost component, there are three water cost components to show separate unit prices for deriving rates.

² There may be slight differences due to rounding.

O&M Allocation

The O&M expenses consist of six functionalized categories: Total Personnel Services, Total Purchased Services, Total Purchased Materials, Total Cost Allocations, Total Utilities, and Total Capital Outlay – R&M. Raftelis reviewed the budget details related to the Operating Expenses to determine the most appropriate method for allocating the functional costs to cost causation components. Total Personnel Services was allocated 33% evenly to customer service, meter capacity, and base/delivery cost components. Total Purchased Services were allocated based on max hour percentages from Table 4-10. Total Purchased Materials was allocated 50% to Customer Service and 50% to Meter Capacity. The Cost Allocation functionalized expense was allocated 80% to customer service and 20% to base. Total Utilities were 100% allocated to the Customer Service cost component as these costs are related to billing of customer accounts and Total Capital Outlay – R&M was 100% allocated to Meter Capacity.

Using the relationship between Base, Max Day, Max Hour, and Fire, Raftelis allocated the O&M costs. Table 4-14 summarizes the percent allocations for the City O&M Expenses, the costs (prior to offsets and adjustments) allocated to the cost components, and the resulting O&M Allocation (%). The O&M Allocation

(%) will be used to allocate the Operating Requirement, including any revenue offsets or adjustments, from the revenue requirements (Table 4-16).

Table 4-14: Water O&M Allocation (%)

Line #	Functionalized Expenses (%)	Customer Service	Meter Capacity	Fire	Base	Max Day	Max Hour	Total
1	Total Personnel Services	33.33%	33.33%		33.33%			100%
2	Total Purchased Services ¹			8.00%	46.10%	15.23%	30.67%	100%
3	Total Purchased Materials	50.00%	50.00%					100%
4	Total Cost Allocations	80.00%			20.00%			100%
5	Total Utilities	100.00%						100%
6	Total Capital Outlay – R&M		100.00%					100%
	Functionalized Expenses (\$)							
7	Total Personnel Services	\$284,246	\$284,246		\$284,246			\$852,737
8	Total Purchased Services			\$23,080	\$132,996	\$43,952	\$88,474	\$288,503
9	Total Purchased Materials	\$150,123	\$150,123					\$300,245
10	Total Cost Allocations	\$970,013			\$242,503			\$1,212,516
11	Total Utilities	\$16,485						\$16,485
12	Total Capital Outlay		\$360,500					\$360,500
13	Total O&M Allocations ²	\$1,420,866	\$794,868	\$23,080	\$659,745	\$43,952	\$88,474	\$3,030,986
14	O&M Allocation (%)	46.88%	26.22%	0.76%	21.77%	1.45%	2.92%	100%

¹ Total Purchased Services allocated based on Max Hour Peaking in Table 4-10.

² There may be slight differences due to rounding.

Capital Allocation

Table 4-15 summarizes the percent allocations for the capital assets, the original cost asset values by asset category as provided within the City’s detailed asset listing¹² allocated to the cost components, and the resulting Capital Allocation (%). The Capital Allocation (%) will be used to allocate debt service (since it will be used to cover capital costs), including any revenue offsets or adjustments, from the revenue requirements (Table 4-16).

¹² Detailed Asset listing is on file with the City.

Table 4-15: Capital Allocation (%)

Line #	Functionalized Expenses (%)	Fire	Base	Max Day	Max Hour	General	Total
1	Equipment					100.00%	100%
2	Fire	100.00%					100%
3	Pump ¹	8.00%	46.10%	15.23%	30.67%		100%
4	Groundwater Supply		100.00%				100%
5	Storage ²	8.00%	69.15%	22.85%			100%
6	Transmission and Distribution ³	8.00%	46.10%	15.23%	30.67%		100%
7	Land					100.00%	100%
8	Buildings					100.00%	100%
	Functionalized Expenses (\$)						
9	Equipment					\$62,053	\$62,053
10	Fire	\$383,552					\$383,552
11	Pump	\$318,297	\$1,834,133	\$606,143	\$1,220,138		\$3,978,712
12	Groundwater Supply		\$4,209,927				\$4,209,927
13	Storage	\$1,398,224	\$12,085,549	\$3,994,027			\$17,477,800
14	Transmission and Distribution	\$628,499	\$3,621,623	\$1,196,872	\$2,409,248		\$7,856,243
15	Land					\$3,938,669	\$3,938,669
16	Buildings					\$315,374	\$315,374
17	Total Assets⁴	\$2,728,573	\$21,751,233	\$5,797,042	\$3,629,386	\$4,316,095	\$38,222,330
18	Capital Allocation	7.14%	56.91%	15.17%	9.50%	11.29%	100%
19	Debt⁵	\$52,234	\$416,395	\$110,976	\$69,479	\$82,625	\$731,709

^{1,3} Asset allocations based on Max Hour Peaking in Table 4-10.

² Asset allocation based on Max Day Peaking in Table 4-10.

⁴ There may be slight differences due to rounding.

⁵ Total cost of service requirement for debt was allocated to each cost component based on the capital allocation percentages from Line 17.

Deductions are made to account for the required net cashflows (found in Table 4-8 – Line 12)¹³ and any mid-year adjustment¹⁴. FYE 2019 cost of service to be recovered from the City’s water customers is shown in Table 4-16.

¹³ For the purposes of this Study, capital investments are funded through the Water Replacement Reserve. Meeting the minimum replacement reserve target ensures the capital projects can be funded each year of the Study Period.

¹⁴ The proposed rates are expected to be in effect at the beginning of each Fiscal Year (July 1); therefore, a mid-year adjustment does not apply.

Table 4-16: Water Revenue Requirements

Line #	Revenue Requirements	Specific Allocation	Operating	Infrastructure	Debt	Total
1	Groundwater Supply	\$251,326				\$251,326
2	Water Purchases	\$722,789				\$722,789
3	Groundwater Recharge	\$207,200				\$207,200
4	Total Personnel Services		\$852,737			\$852,737
5	Total Purchased Services		\$288,503			\$288,503
6	Total Purchased Materials		\$300,245			\$300,245
7	Total Cost Allocations		\$1,212,516			\$1,212,516
8	Total Utilities		\$16,485			\$16,485
9	Capital Outlay – R&M		\$104,500	\$256,000		\$360,500
10	Infrastructure (Depr. + Planned)			\$748,810		\$748,810
11	Debt Service				\$731,709	\$731,709
12	Total Revenue Requirements	\$1,181,315	\$2,774,986	\$1,004,810	\$731,709	\$ 5,692,820
	Less: Revenue Offsets					
13	Transfer In		\$14,000			\$14,000
14	Notices, Fees, Late Charges		\$28,000			\$28,000
15	Late Penalties		\$24,000			\$24,000
16	Other Charges for Services		\$5,000			\$5,000
17	Local Grants		\$0			\$0
18	Variable Pass-Through	\$48,570				\$48,570
19	Total Revenue Offsets	\$48,570	\$71,000	\$ -	\$ -	\$119,570
	Less: Adjustments					
20	Adjustment for Cash Balance		\$65,000	\$305,156		\$370,156
21	Adjustment for Mid-Year Increase					-
22	Total Adjustments	\$ -	\$65,000	\$305,156	\$ -	\$370,156
23	Revenue Requirements from Rates	\$1,132,745	\$2,638,986	\$699,654	\$731,709	\$5,203,094

Table 4-17 shows the revenue requirements allocated to each of the cost causation components. Specific revenue requirements were allocated based on the Specific Allocation % from Table 4-13, Operating revenue requirements were allocated based on the O&M Allocation % from Table 4-14, and Capital revenue requirements were allocated based on the Capital Allocation % from Table 4-15. The revenue requirement for General costs were reallocated to Meter Capacity to ensure minimal rate change in the proposed service charge for FYE 2019.

Table 4-17: Water Allocation of Costs to Cost Components

Revenue Requirements	Customer Service	Meter Capacity	Infrastructure	GW Supply	Imported Supply	GW Recharge	Fire	Base	Max Day	Max Hour	General	FYE 2019
Groundwater Supply				\$251,326								\$251,326
Imported Water ¹					\$674,219							\$674,219
Groundwater Recharge						\$207,200						\$207,200
Operation	\$1,237,104	\$692,067					\$20,095	\$574,420	\$38,268	\$77,032		\$2,638,986
Infrastructure			\$699,654									\$699,654
Debt							\$52,234	\$416,395	\$110,976	\$69,479	\$82,625	\$731,709
Cost of Service Requirement²	\$1,237,104	\$692,067	\$699,654	\$251,326	\$674,219	\$207,200	\$72,330	\$990,814	\$149,244	\$146,511	\$82,625	\$5,203,094
Reallocation of General		\$82,625									-\$82,625	
Cost of Service Requirement	\$1,237,104	\$774,692	\$699,654	\$251,326	\$674,219	\$207,200	\$72,330	\$990,814	\$149,244	\$146,511	\$0	\$5,203,094

¹ Based on water purchases less pass-through revenue offset.

² There may be slight differences due to rounding.

Table 4-18 summarizes the derivation of the allocation percentage for the Private Fire Protection. Raftelis calculated the Private Fire Equivalent Units (or connections) and compared it to System-Wide Fire Equivalents. The demand factor for each fire line size was calculated by using the Hazen-William equation, which calculates the total flow capacity of a pipe, given its size (diameter). The diameter for each meter size is raised to the 2.63 power to determine its hydraulic capacity, per the Hazen-Williams equation. The demand factor was then multiplied by the number of connections for each respective size to determine the fire demand equivalents. 460 fire equivalent connection were private compared to 49,979 being public. This resulted in 1% allocation to System-wide and 99% to Private Fire Protection.

Table 4-18: Private Fire Protection Allocation

Hydrants/Lines [A]	Demand Factor (A ^{2.63}) [B]	# of Connections [C]	Fire Demand Equivalents ¹ (B x C) [D]	Percent Allocation (D ÷ 50,439) [E]	Requirement (E x \$72,330) ³ [F]
Private Fire Lines					
2"	6.19	6	38		
4"	38.32	11	422		
Subtotal Private Equivalent Connections			460	1.00%	\$723
Public Fire Hydrants²	111.31	449	49,979	99.00%	\$71,606
			50,439	100%	\$72,330

¹ Rounded up to the nearest equivalent.

² Based on historical data, assuming no new fire connections have occurred.

³ There may be slight differences due to rounding.

Before the net revenue requirements from Table 4-17 can be allocated to customer class and tiers, Raftelis first needs to define the rate structure; therefore, Step 4 will be discussed in Section 4.2.4.4.

4.2.4 Rate Design

A key component of the Study includes evaluating the current rate structures and determining the most appropriate structures to model moving forward. The following subsections discuss the recommended rate structures, customer classes, and tier definitions for the water utility. Similar to the City's current rate structure, the recommended rates will include a Bi-monthly Service Charge, a Bi-monthly Infrastructure Charge, and a City Variable Usage Charge.

Tiered rates, when properly designed and differentiated by customer class as this Study does, allow a water utility to send consistent price incentives for conservation to customers. Due to the heightened interest in water conservation, tiered rates have seen widespread use, especially in the State of California. The recommended variable rate structures vary by customer class and have been discussed below.

4.2.4.1 Residential Water Rate Structure and Tiered Allotments

Residential customers are currently charged a volumetric use rate on an inclining 4-tier rate structure, where price per unit increases with each tier. Raftelis recommends moving to a 2-tiered rate structure for single-family¹⁵ customers that provides a straight-forward connection between available water supplies and tiered allotments. The City has the rights to extract 980 AF per year from the groundwater basin. However, due to water loss, the amount of available groundwater to serve customers is approximately 750 AF per year. As part of the water rate design restructuring, the net amount of available groundwater is apportioned evenly to all accounts, with duplexes counting as an additional single-family account. Doing so resulted in each account receiving a fair share amount of groundwater equal to 14 ccf per account by billing period. Therefore, the tiers for Single-Family Residential will account for the amount of available groundwater for setting the Tier 1 allotment. For all other customer classes, the 14 ccf per account per billing period is accounted for as part of the uniform rate structure by calculating a blended rate.

¹⁵ Single-family customers include single units and duplexes

For single-family residential accounts, Tier 1 is based on the amount of groundwater allocated to the number of residential accounts. Through this method, the Tier 1 allotment is 14 ccf and is designed to recover costs associated with delivering groundwater water for all residential accounts. Tier 2 would capture any usage above 14 ccf, which would be fulfilled through imported water supplies. The current and recommended tier widths are shown in Table 4-19.

Table 4-19: Residential Tier Adjustments

Customer Class / Tiers	Current Tier Width (ccf)	Recommended Tier Width (ccf)
Single Family Residential		
Tier 1	(0-11)	(0-14)
Tier 2	(12-33)	(>14)
Tier 3	(34-66)	N/A
Tier 4	(+66)	N/A

4.2.4.2 Non-Residential and Multi-Family Water Rate Structure

Raftelis recommends a uniform rate for Multi-Family and Commercial or Non-Residential accounts. For this Study, Multi-Family accounts are those with more than two residential units. Because the number of units vary between multi-family complexes and each complex has a master metered to serve the total units, a uniform rate structure based on a blended rate is more equitable between complexes. The blended uniform rate would account for groundwater available per account and the amount of imported water needed to cover the remaining demand. Commercial uses and related water needs are not as homogeneous as residential accounts. Consequently, developing a tiered rate structure that can be applied to all commercial types and uses and their corresponding water needs would not be practical. As an example, the water usage needs of a Starbucks versus a restaurant versus a bookstore are substantially different and a “one-size fits all” tiered rate would unduly penalize certain commercial enterprises that use a high volume of water, even though the business may be extremely efficient with its water use. Therefore, a uniform rate for non-residential customers is a more equitable approach. Although implementing uniform rates is recommended, it is important to note that the customer class is still paying its proportionate share of the costs of providing the service based on the demand and burdens the class places on the system and is not being subsidized by another customer class. A uniform rate provides the most appropriate and equitable rate structure between accounts within this customer class.

4.2.4.3 Usage Under Recommended Tiers

The recommended tier structure increases the width of Tier 1 for single-family customers, leading to more usage in the first tier (assuming the same level of usage). For example, a residential customer using 30 units under the current structure would be billed 11 units at the Tier 1 rate and 19 units at the Tier 2 rate. Under the recommended tier structure, the same customer using 30 units would be billed 14 units at the Tier 1 rate and 16 units at the Tier 2 rate. Performing this same analysis for all accounts yields the tier totals found in Table 4-20. Note that the total usage of 692,280 ccf is the same regardless of tier structure – only the usage distribution in each residential tier is affected.

Table 4-20: Usage by Customer Class and Tier

Customer Classes	Current Tier Structure	Projected Tier Structure
Single Family Residential¹		
Tier 1	271,186	237,004
Tier 2	212,409	301,594
Tier 3	92,735	-
Tier 4	41,656	-
Multi-Family	-	79,388
Non-Residential	52,739	52,739
Irrigation	12,483	12,483
Institutional	9,072	9,072
Total Water Usage	692,280	692,280

¹ Usage of multi-family customers under current tiered structure is captured under single family residential because both customer classes are charged the same tiered rates.

4.2.4.4 Step 4 – Distribute Cost Components to Customer Classes and Tiers

To allocate costs to different customer classes, unit costs of service need to be developed for each cost causation component. The unit costs of service are developed by dividing the total annual costs allocated to each parameter by the total annual service units of the respective component. The annual units of service for each cost component from Table 4-17 are derived below and have been rounded up to the nearest whole penny.

Customer Service Component

These costs are incurred at the same level regardless of the type of land use or the total amount of water that the utility delivers; therefore, the Customer Service component is based on the number of bills and does not fluctuate with increases in meter size. The number of bills can be determined by multiplying the number of accounts, 3,873, times the number of billing periods, 6, in a year. The total Customer Service revenue requirement from Table 4-17 of \$1,237,104 is divided by the number of bills to determine the unit cost of service shown in Table 4-21.

Table 4-21: Customer Service Component - Unit Rate

Customer Service Component	
Customer Service Revenue Requirements ¹	\$1,237,104
÷ # of Bills (3,873 x 6)	23,238
Bi-Monthly Unit Rate²	\$53.24

¹Customer Service Component from Table 4-17.

²Customer Service rate was rounded up to the nearest penny.

Meter Capacity Component

The Meter Capacity Component includes costs related to a portion of personnel and materials, capital outlay, and the public portion for fire protection (hydrants). Raftelis allocated these cost components based on

meter size. To create parity across the various meter sizes, each meter size is assigned a factor relative to a 3/4" meter, which is given a value of 1. Larger meters have the potential to demand more capacity, or said differently, exert more peaking characteristics compared to smaller meters. The potential capacity demand (peaking) is proportional to the potential flow through each meter size. For the purposes of this study, the safe maximum operating capacity by meter type, as identified in the AWWA M1 Manual, 6th Edition, Table B-1, was used as a basis for calculating the equivalent meter ratio. As shown in Table 4-22, the safe maximum operating capacity for each meter was divided by the base meters safe operating capacity (20 gpm) to determine the equivalent meter ratio. The ratios represent the potential flow through each meter size compared to the flow through a 3/4" meter. Multiplying the number of meters by the AWWA Ratio results in the Equivalent Meter Units (EMUs).

Table 4-22: Equivalent Meter Units

Meter Size	AWWA Capacity [A] (gpm)	Capacity Ratio ¹ [B] (A ÷ 30)	Number of Accounts [C]	Equivalent Meter Units [D] (B x C)	Annual EMUs [E] (D x 6) ²
3/4" or less	30	30/30 = 1.00	2,906	2,906	17,436
1"	50	50/30 = 1.67	631	1,054	6,323
1 1/2"	100	100/30 = 3.33	227	756	4,535
2"	160	160/30 = 5.33	100	533	3,198
3"	350	350/30 = 11.67	8	93	560
4"	630	630/30 = 21.00	1	21	126
			3,873	5,363	32,178

¹Capacity ratios were around to the nearest tenth.

²There may be slight differences due to rounding.

Based on these ratios and taking into consideration the number of billing periods, the total annual equivalent meters equals 32,178 (see Table 4-22). Table 4-23 shows the Meter Capacity costs and Fire Protection costs from Table 4-17 allocated over the total annual equivalent meters.

Table 4-23: Meter Capacity Component – Unit Rate

Meter Capacity Component	
Meter Capacity Revenue Requirement	\$774,692
+ Fire Protection Requirement	\$72,330
Total Meter Requirements¹	\$847,022
÷ Annual Equivalent Units	32,178
Bi-Monthly Unit Rate²	\$26.33

¹ Meter Capacity + Fire Protection revenue requirement from Table 4-17.

²Bi-monthly meter capacity rate was rounded up to the nearest penny.

Infrastructure Component

The Infrastructure revenue requirement of \$699,654 from Table 4-17 was allocated to Infrastructure over the annual equivalent meters of 32,178.

Table 4-24 summarizes the determination of the unit rate for the Infrastructure Component.

Table 4-24: Infrastructure Component – Unit Rate

Infrastructure Component	
Infrastructure Requirement ¹	\$699,654
÷ Annual Meter Equivalents	32,178
Bi-Monthly Infrastructure Rate²	\$21.75

¹Infrastructure revenue requirement from Table 4-17.

²Bi-monthly infrastructure rate was rounded up to the nearest penny.

Groundwater Supply Component

The Groundwater Supply component is the cost required to pump water from the basin and deliver to customers. The revenue requirement of \$251,326 was divided by 326,569 ccf to develop a rate for all units of groundwater currently available for customers. Table 4-25 summarizes the determination of the unit rate for the Groundwater Supply Component.

Table 4-25: Groundwater Supply Component – Unit Rate

Groundwater Supply Component	
GW Supply Revenue Requirement ¹	\$251,326
÷ GW Allotment less Water Loss ²	326,569
Unit Rate (per ccf)³	\$0.77

¹ Groundwater Supply revenue requirement from Table 4-16, Line 1

² Groundwater Allotment less water loss from Table 3-2 Line 5

³ Groundwater Supply rate was rounded up to the nearest penny.

Imported Supply Component

The City incurs purchased water costs at a uniform rate; therefore, the Imported Supply cost is based on the total units of potable water produced less available groundwater allotment (see Table 4-20). \$674,219 was divided by the imported amount purchased equal to 365,711 ccf for a unit rate of \$1.85 per ccf. Table 4-26 summarizes the determination of the unit rate for the Imported Supply Component.

Table 4-26: Imported Supply Component – Unit Rate

Imported Supply Component	
Imported Supply Revenue Requirements ¹	\$674,219
÷ Total Usage less GW allotment (ccf) ²	365,711
Unit Rate (per ccf)³	\$1.85

¹Imported Supply revenue requirement from Table 4-16, Line 2 less Line 18

²From Table 3-2 Line 10 less Line 5

³Imported Supply unit rate was rounded to the nearest penny.

Groundwater Recharge

The Groundwater Recharge Component recovers the cost of additional purchased imported water, above demand, to replenish the groundwater basin. Doing so will provide the City with a more reliable water source by increasing the elevation of the groundwater in the basin to over 500 MSL. The amount of required imported water (1,101 AF) was derived by subtracting groundwater availability of 980 AF from total water production of 2,081 AF. The City purchased 1,619 AF of water from SGVMWD, which is more than the

requirement to supply City demand. The remaining 518 AF of imported water will be used to recharge groundwater supply. The cost of groundwater recharge was calculated by multiplying 518 AF by the rate of imported water of \$400/AF. Therefore, the cost to recharge groundwater equals \$207,200. This cost was divided by total water sales of 692,280 ccf from Table 4-20. Because groundwater recharge generates water reliability to all customers and potential access to additional groundwater availability, all units of water are charged the cost associated with groundwater recharge. Table 4-27 summarizes the calculation of the unit rate for the Groundwater Recharge Component.

Table 4-27: Groundwater Recharge Component

Line #	GW Recharge Calculation	
1	Total Water Production ¹	2,081 AF
2	Less Groundwater Availability ²	-980 AF
3	Required Imported Water³	1,101 AF
4	Purchased Imported Water ⁴	1,619 AF
5	Groundwater Recharge [Line 4 – Line 3]	518 AF
6	Imported Water Cost	\$400/AF
7	GW Recharge Cost [Line 5 x Line 6]	\$207,200
8	÷ Total Water Usage (ccf) ⁵	692,280
9	Unit Rate (per ccf) [Line 7 ÷ Line 8]⁶	\$0.30

^{1, 2, 3, 4, 5}Water Supply information from Table 3-2.

⁶Groundwater Recharge unit rate was rounded to the nearest penny.

Base/Delivery Component

Delivery costs are those operating and capital costs of the water system associated with delivering water to all customers at a constant average rate of use. Therefore, delivery costs are spread over all units of water, irrespective of customer class or tiers, to calculate a uniform rate.

Table 4-28 summarizes the determination of the unit rate for the Base/Delivery Component.

Table 4-28: Base/Delivery Component – Unit Rate

Base/Delivery Component	
Base Revenue Requirements ¹	\$990,814
÷ Total Projected Water Sales (ccf) ²	692,280
Unit Rate (per ccf)³	\$1.44

¹Base/Delivery revenue requirement from Table 4-17

²Total water sales/usage from Table 3-2, Line 9

³Base/Delivery unit rate was rounded to the nearest penny.

Peaking Component

Extra capacity or peaking costs represent those costs incurred to meet customer peak demands for water in excess of a baseline usage. Total extra capacity costs are apportioned between maximum day and maximum hour demands based on the type of expense. The maximum day demand is the maximum amount of water used in a single day in a year. The maximum hour demand is the maximum usage in an hour on the maximum

usage day. Different facilities are designed to meet different peaking characteristics. Therefore, extra capacity costs include capital improvements and power related costs, and have been apportioned between base, maximum day, and maximum hour. Costs allocated to base are part of the delivery costs as defined above. The Peaking Revenue Requirements, \$295,755, were determined by adding the Max Day Requirements of \$149,244 and the Max Hour Requirements of \$146,511.

Costs associated with peaking are apportioned to each defined customer class or tier based on its total demand (total water used, weighted by a peaking factor). Peaking was calculated for each customer class/tier based on City consumption data, which ensures that accounts within each customer class and tier will only recover the costs allocated to their respective customer class/tier in proportion to the cost of providing service. Table 4-29 provides the peak factor for each customer class or tier by taking the max month usage compared to the average month usage. Table 4-30 shows the peaking costs allocated to each customer class as well as the derivation of the unit rate. The peaking cost allocated to each customer class/tier is derived by weighting the peaking factor based on the total amount of water usage that is generating the peaking factor (product of Usage and Peaking Factor). The result is the weighted peaking factor and peak costs are apportioned based on the percentage of peak (Table 4-30).

Table 4-29: Class Peaking Factors

Customer Class	Max Month Usage [A]	Average Month Usage [B]	Peaking Factor [A ÷ B]
Single-Family Residential	125,466	89,766	1.40
Multi-Family	14,796	13,231	1.12
Non-Residential	11,667	8,790	1.33
Irrigation	3,228	2,081	1.56
Institutional	2,578	1,512	1.71

¹Peaking factors for each customer class were rounded up to the nearest tenth.

Table 4-30: Peaking Costs Allocated to Classes

Customer Class	Projected Usage (ccf) [A]	Peaking Factor [B]	Weighted Peaking Factor [C] (A x B)	% Allocation [D]	Revenue Requirements [E] (\$295,755 x D) ¹	Unit Rate [F] ² (E ÷ A)
Single-Family Residential	538,598	1.40	754,037	79.53%	\$235,214	Further Allocated
Multi-Family	79,388	1.12	88,915	9.38%	\$27,742	\$0.35
Non-Residential	52,739	1.33	70,143	7.40%	\$21,886	\$0.42
Irrigation	12,483	1.56	19,473	2.05%	\$6,063	\$0.49
Institutional	9,072	1.71	15,513	1.64%	\$4,850	\$0.54
Totals	692,280		948,081	100%	\$295,755	

¹There may be slight differences due to rounding.

²Unit rates were rounded up to the nearest penny.

4.2.5 Recommended Water Rates

4.2.5.1 Fixed Charges

Currently, the City's fixed monthly water charges generate approximately 48% of total rate revenues. The new rate structure will recover approximately 54% of rate revenues on the fixed bi-monthly charges. Recovering a greater portion of the costs over the fixed component will enhance revenue stability. Table 4-31 summarizes the Bi-Monthly Service Charges by meter size based on the unit rates developed in the Rate Design section. The Customer Service Component does not vary based on meter size whereas Meter Capacity increases as the size of the meter increases. The Meter Capacity rate is determined by multiplying the unit costs of \$26.33 (Table 4-23) by the appropriate capacity ratios.

Table 4-31: FYE 2019 Recommended Meter Service Charge (\$/Bi-Month)

Meter Size	Capacity Ratio	Customer Service [A]	Meter Capacity [B]	FYE 2019 Recommended Service Charge [C] (A+B)	Current Rates	Difference
3/4" or less	1.00	\$53.24	\$26.33	\$79.57	\$79.68	-\$0.11
1"	1.67	\$53.24	\$43.98	\$97.22	\$107.00	-\$9.78
1 1/2"	3.33	\$53.24	\$87.68	\$140.92	\$152.54	-\$11.62
2"	5.33	\$53.24	\$140.34	\$193.58	\$207.18	-\$13.60
3"	11.67	\$53.24	\$307.28	\$360.52	\$334.68	\$25.84
4"	21.00	\$53.24	\$552.93	\$606.17	\$516.83	\$89.34

In addition, the infrastructure cost will be charged to all customers as a fixed charge. Recovering a greater portion of the infrastructure cost over the fixed component will allow the City to cover capital costs. Table 4-32 details the Bi-monthly Infrastructure Charge based on meter capacity.

Table 4-32: FYE 2019 Recommended Infrastructure Charge (\$/Bi-Month)

Meter Size	Capacity Ratio	FYE 2019 Recommended Infrastructure Charge
3/4" or less	1.00	\$21.75
1"	1.67	\$36.32
1 1/2"	3.33	\$72.43
2"	5.33	\$115.93
3"	11.67	\$253.82
4"	21.00	\$456.75

4.2.5.2 Variable Rates

Similar to how costs may be apportioned to different groups of customers based on usage characteristics to show proportionality, maximum day and maximum hour costs were apportioned between tiers based on the

unique usage characteristics of Single-Family Residential customers within each tier. As part of our consumption analysis, Raftelis analyzed the water usage of each Single-Family Residential account for a 12-month period and grouped customers based on which tier they fell within (“Tiered Customer Class”). Doing so allowed Raftelis to group “like customers” together based on water usage and to allocate costs to each tier. As such, the cost peaking costs allocated to the Single-Family Residential customer class is further allocated between the 2 defined tiers proportionately. Table 4-33 details the derivation of the unit rates for Tier 1 and Tier 2. The peaking cost allocated to each tier is derived by weighting the peaking factor based on the total amount of water usage that is generating the peaking factor (product of Projected Usage and Peaking Factor). The percentage allocation is based on the proportionate share of weighted usage, which is then used to calculate the share of revenue requirements for both tiers. The unit rate is then derived by dividing the revenue requirements by the projected usage for each tier.

Table 4-33: Peaking Factor for Single-Family Residential Tiers

Customer Class	Projected Usage (ccf) [A]	Peaking Factor [B]	Weighted Peaking Factor [C] (A x B)	% Allocation [D]	Revenue Requirements [E]	Unit Rate ¹ [F] (E ÷ A)
Single Family Residential					\$235,214	
Tier 1	237,004	1.00	237,004	19%	\$44,691	\$0.19
Tier 2	301,594	3.36	1,013,356	81%	\$190,523	\$0.64

¹Unit rates were rounded to the nearest penny.

The components of the variable rate are added together to produce rates for each customer class and tier. Residential customers in Tier 1 are not charged with the imported supply rate as their usage is made up by groundwater allotment. Table 4-34 shows each City component rates and the final recommended FYE 2019 City Usage rates.

Table 4-34: Recommended FYE 2019 City Usage Rates (\$/ccf)

Customer Classes	GW Supply	Imported Supply	GW Recharge	Base Component	Peaking Component	Recommended FYE 2019 Variable Charge	Current Charge	Difference
Single Family Residential								
Tier 1	\$0.77	\$0.00	\$0.30	\$1.44	\$0.19	\$2.70	\$2.69	\$0.01
Tier 2	-	\$1.85	\$0.30	\$1.44	\$0.64	\$4.23	\$3.47	\$0.76
Multi-Family¹	\$0.77	\$1.85	\$0.30	\$1.44	\$0.35	\$3.73		
Non-Residential²	\$0.77	\$1.85	\$0.30	\$1.44	\$0.42	\$3.71	\$3.89	-\$0.18
Irrigation³	\$0.77	\$1.85	\$0.30	\$1.44	\$0.49	\$3.81	\$3.89	-\$0.08
Institutional⁴	\$0.77	\$1.85	\$0.30	\$1.44	\$0.54	\$4.10	\$3.89	\$0.21

¹ Multi-family is a blended rate based where approximately 20% of total usage is supplied by groundwater.

² Non-Residential is a blended rate based where approximately 27% of total usage is supplied by groundwater.

³ Irrigation is a blended rate based where approximately 25% of total usage is supplied by groundwater.

⁴ Institutional is a blended rate based where approximately 3% of total usage is supplied by groundwater.

For subsequent years, starting in FY 2019-20, both fixed and variable rates will be adjusted based on percentage change in the CPI for Los Angeles – Orange County - Riverside.

5. WASTEWATER RATE STUDY

5.1 WASTEWATER UTILITY – FINANCIAL PLAN

This section describes the development of the wastewater utility financial plan, the results of which were used to determine the revenue adjustments needed to meet ongoing expenses and provide fiscal sustainability to the City. Establishing a utility’s revenue requirement is a key step in the rate setting process. The review involves analysis of projected annual operating revenues under the current rates, O&M expenses, capital expenditures, transfers between funds, and reserve requirements. This section of the report provides a discussion of the projected revenues, O&M and capital expenditures, the capital improvement financing plan, and overall revenue requirements required to ensure the fiscal sustainability of the Wastewater Utility.

5.1.1 Revenue from Current Rates

The current wastewater rate structure consists of a bi-monthly base charge per dwelling unit for all customers, and rates per unit of flow for non-residential customers. The following tables summarize the current wastewater rate structure of the City. Table 5-1 summarizes the projected number of dwelling units, bi-monthly base charges, and the projected revenues. Table 5-2 summarizes the wastewater flows by customer class, existing flow rates, and the projected revenues.

Table 5-1: Current Wastewater Bi-Monthly Base Charge

Customer Class	# of Units [A]	FYE 2018 Base Charge (\$/Bi-Month) [B]	Projected Base Revenue ¹ [C] (A x B x 6)
Residential	4,414	\$32.24	\$853,844
Commercial	94	\$19.53	\$11,015
Institutional	40	\$19.53	\$4,687
Annual Wastewater Base Revenue	4,548		\$869,546

¹ Revenue was rounded to the nearest dollar.

Table 5-2: Current Wastewater Variable Charge

Customer Class	Projected Flow [A]	FYE 2018 Flow Rates (\$/ccf) [B]	Projected Flow Revenue ¹ [C] (A x B)
Non-Residential			
Commercial	15,954	\$0.72	\$11,487
Institutional	16,614	\$0.43	\$7,144
Annual Wastewater Flow Revenue			\$18,631

¹ Revenue was rounded to the nearest dollar.

Using account growth, flow factors, and other revenue assumptions from Table 3-2, Raftelis projected the revenues for the wastewater utility¹⁶. Table 5-3 summarizes the rate revenue as well as other revenues. As shown in the table, since Raftelis assumed zero growth and no increase in wastewater demand, the rates and rate revenue remained constant during the Study Period. The projected wastewater flow by customer class remained constant and was based on the total FYE 2018 data.

Table 5-3: Projected Wastewater Revenues

Line #	Wastewater Utility Revenues	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
1	Rate Revenues	\$888,177	\$888,177	\$888,177	\$888,177	\$888,177
2	Other Misc. Revenues	\$3,400	\$400	\$589	\$400	\$400
3	Total Revenues	\$891,577	\$888,577	\$888,766	\$888,577	\$888,577

5.1.2 O&M Expenses

The City's FYE 2018 budget values and the assumed inflation factors (Table 3-1) for the study period were used as the basis for projecting O&M costs beyond FYE 2019. Table 5-4 shows the total projected O&M expenses for FYE 2018 through FYE 2022¹⁷. As shown in the table (Line 6), the wastewater utility does currently have outstanding debt.

Table 5-4: Projected Wastewater O&M Expenses

Line #	Expenditures	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
1	Total Personnel Services	\$511,200	\$526,536	\$542,332	\$558,602	\$575,360
2	Total Purchased Services	\$58,700	\$60,461	\$62,275	\$64,143	\$66,067
3	Total Purchased Materials	\$14,100	\$14,523	\$14,959	\$15,407	\$15,870
4	Total Cost Allocations	\$304,400	\$313,532	\$322,938	\$332,626	\$342,605
6	Debt Service	\$57,202	\$50,702	\$50,702	\$50,702	\$0
7	Total Operating Expenses	\$945,602	\$965,754	\$993,206	\$1,021,480	\$999,902
8	Reserve Direct Transfer (Depreciation)	\$207,000	\$213,210	\$219,606	\$226,194	\$232,980

5.1.3 Capital Improvement Plan

The City provided the asset management plan to address future wastewater capital improvement project (CIP) needs. Raftelis worked closely with City staff to adjust the CIP to reflect a measured multi-year approach. Based on discussions with City Staff, the 5-year average CIP costs were used as the baseline for each year of the Study Period. Raftelis indexed the capital expenditures by a 3% inflationary compounding rate from Table 3-1 to account for increased construction costs in future years. Table 5-5 summarizes the 5-Year Average CIP (Line 1), the cumulative inflationary factor (Line 2), and the resulting total anticipated CIP costs (Line 3).

¹⁶ Although only the Study Period is shown here, Raftelis projected the revenues through FYE 2027.

¹⁷ Although only the Study Period is shown here, Raftelis projected the expenses through FYE 2027.

Table 5-5: Wastewater Utility Capital Improvement Plan¹⁸

Line #	Category	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
1	Asset Management Plan (5-Yr Average)	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000
2	Cumulative Inflationary Factor	100%	103%	106%	109%	113%
3	Inflated CIP	\$26,000	\$26,780	\$27,583	\$28,411	\$29,263

5.1.4 Reserve Requirements

In FYE 2018, the City’s projected beginning reserve balance for the wastewater utility is approximately \$333,177. Currently, the City maintains a wastewater operating fund and wastewater replacement fund. As part of Best Management Practices of utilities, it is recommended that a utility have at least 60-90 days of operating reserves as well as sufficient funds available to ensure that the utility’s capital plan can move forward as scheduled and is not delayed due to insufficient funds on hand.

5.1.5 Financial Outlook at Current Rates

Revenues generated from current rates, and miscellaneous revenues are approximately \$888K in FYE 2019, which does not exceed current operational expenses. Without any revenue adjustments in the subsequent years, the City will not be able to fund operational and debt expenses, as shown in Figure 5-1. The figure illustrates the operating position of the wastewater utility, where expenses are shown by stacked bars and the total revenues at current rates are shown by the horizontal green trend line. In addition, the City would fail to meet the required 120% debt coverage. The City also needs to reinvest back into its utility system to ensure the continued collection of wastewater. Furthermore, the City’s annual planned capital projected is over \$26K and there are additional asset repair & replacement required above and beyond what is currently planned. Figure 5-2 summarizes the baseline CIP and its funding sources by fiscal year (currently 100% PAYGO). Based on the financial plan review, the City would need revenue adjustments for subsequent years. Figure 5-3 illustrates the total reserves balances for each fiscal year after operating and capital in funded.

¹⁸ There may be differences due to rounding.

Figure 5-1: Wastewater Operating Financial Position at Current Rates

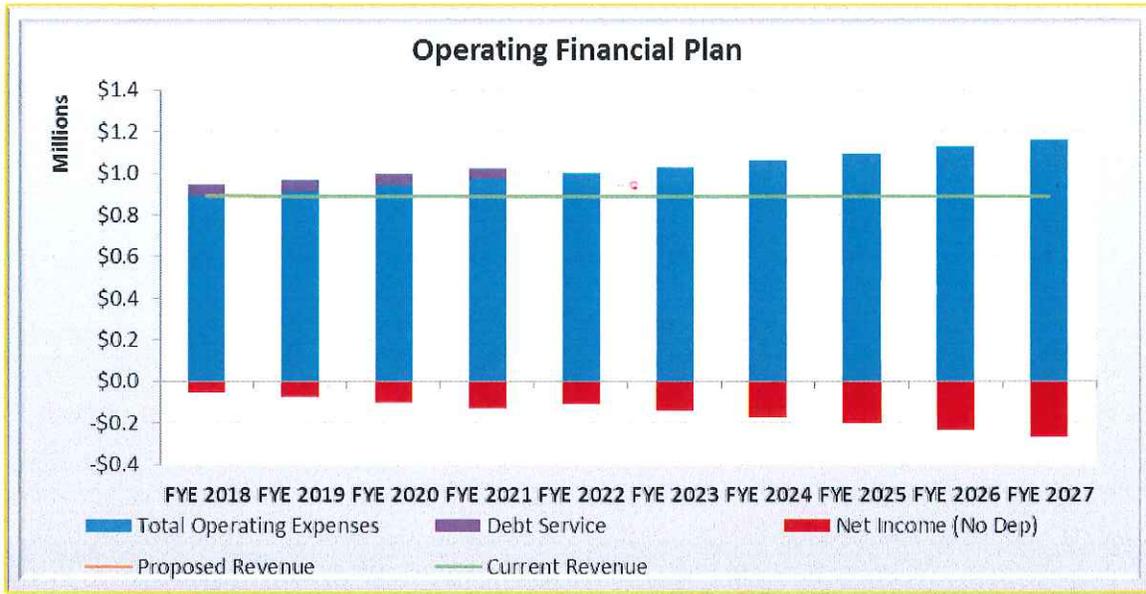


Figure 5-2: Baseline Wastewater Capital Improvement Plan and Funding Source

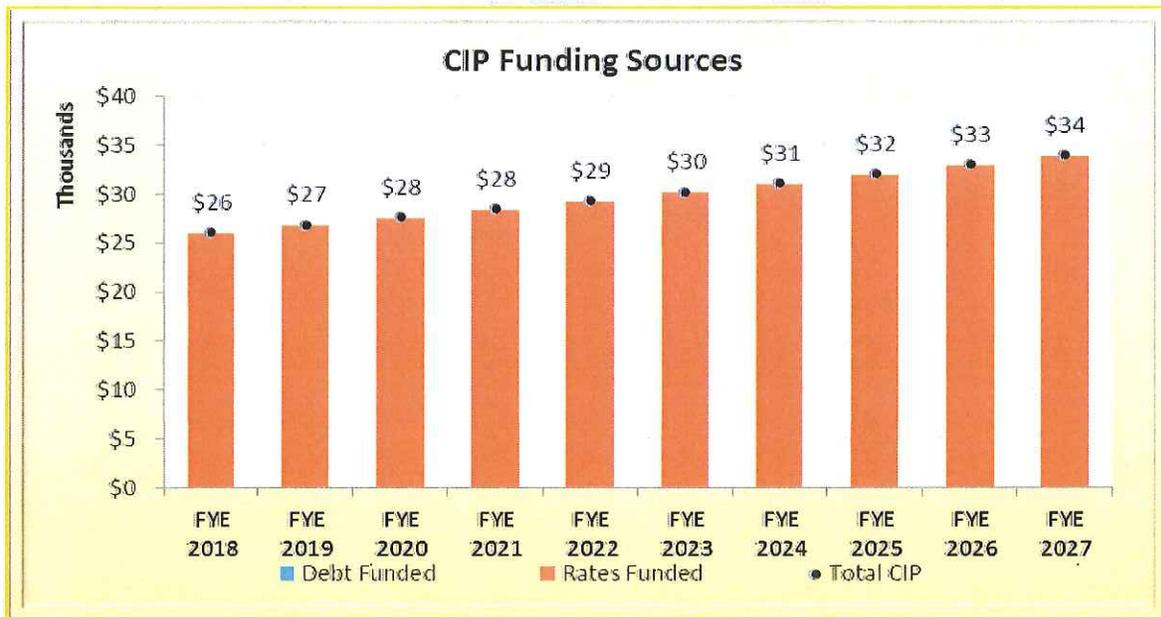
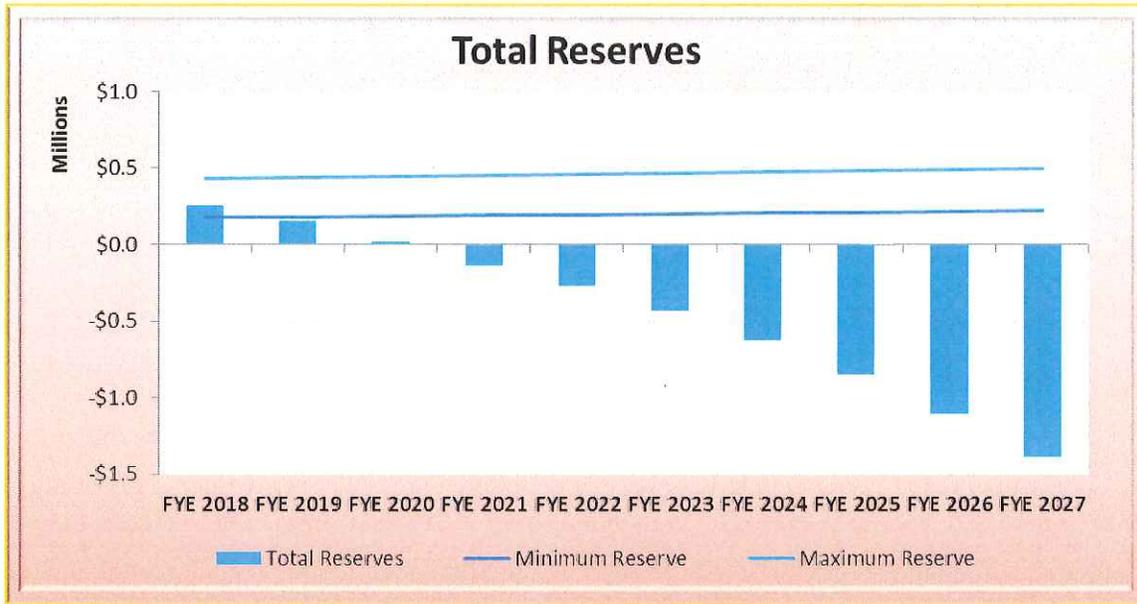


Figure 5-3: Projected Ending Wastewater Reserves at Current Rates



5.1.6 Financial Plan Recommendations

After reviewing the City’s revenue requirements, reserve policies, capital planning schedule, and current revenues, a financial plan was developed to meet the following criteria:

- » Ensure positive net operating cash income each Fiscal Year (FY) of the planning period. This will allow revenues to exceed operational and maintenance expenses beginning in FYE 2022.
- » Fully fund capital projects and deferred maintenance through Pay-As-You-Go (PAYGO)
- » Establish and maintain the following reserves by the end of the Study Period (FYE 2019 – FYE 2023):
 - Wastewater Operating Fund – minimum of 60 days of operating expenses.
 - Repair & Replacement Fund – 1 years’ worth of capital based on 5-Year Average of Capital Improvement Plan.
- » Raftelis recommends that the City implements additional revenue adjustments commencing in FYE 2019 of 5% and adjustments in FYE 2020 through FYE 2023 of 4% each year to recover the City’s wastewater revenue requirements, including capital costs and reserve funding. In subsequent years outside of the five-year planning period (FYE 2023 and beyond), it is anticipated that the City would need 3% revenue adjustments each year to fully fund reserves by FYE 2026 as shown in Figure 5-6.

5.1.6.1 Recommended Reserves

Raftelis recommends establishing the same reserves recommended for the water utility:

Wastewater Operating Reserve – The operating reserve is used primarily to meet ongoing cash flow requirements. Raftelis recommends establishing an operating reserve target of at least 60-days of O&M expenses with an ideal target of 90-days of O&M. A 60-day reserve ensures working capital to support the operation, maintenance, and administration of the utility. Maintaining this level of reserves also provides liquid funds for the continued ongoing operations of the utility in the event of unforeseen costs or interruption with the utility or the billing system.

Wastewater Replacement Reserve – The replacement reserve is used primarily to meet the City’s capital improvement requirements. The City’s revised capital improvement plan—over the five-year period—is approximately \$140K. The ideal target for the capital reserve should be to have a reserve sufficient to fund a year’s worth of capital costs, which would ensure that the City can continue to reinvest in the wastewater system and that necessary capital improvements are not delayed or deferred due to cash flow concerns. Raftelis recommends establishing a capital reserve based on one years’ worth of the average 5-year asset management plan, which is approximately \$26K.

Table 5-6 summarizes the recommended financial plan (see Appendix A – Exhibit B for a detailed financial plan)¹⁹. Figure 5-4 illustrates the operating position of the wastewater utility where expenses, inclusive of reserve funding, are shown by stacked bars; and total revenues at both current rates and recommended rates are shown by the horizontal trend lines. Figure 5-5 summarizes the projected CIP and its funding sources (100% PAYGO). Figure 5-6 displays the ending total reserve balance for the wastewater utility, inclusive of operating and capital funds. The horizontal trend lines indicate the target reserve balance and the bars indicate ending reserve balance. No new debt is recommended to be issued as part of the recommended five-year financial plan.

¹⁹ May be a slight difference due to rounding.

Table 5-6: Recommended Wastewater Financial Plan

Line #	Category	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	Revenues					
1	Rate Revenues	\$888,177	\$888,177	\$888,177	\$888,177	\$888,177
2	Proposed Additional Rate Revenue	\$0	\$40,708	\$81,712	\$120,508	\$160,855
3	Other Revenues ¹	\$3,400	\$400	\$400	\$400	\$400
4	Total Revenues	\$891,577	\$929,285	\$970,289	\$1,009,085	\$1,049,432
5	Less: Expenditures					
6	Total Personnel Services	\$511,200	\$526,536	\$542,332	\$558,602	\$575,360
7	Total Purchased Services	\$58,700	\$60,461	\$62,275	\$64,143	\$66,067
8	Total Purchased Materials	\$14,100	\$14,523	\$14,959	\$15,407	\$15,870
9	Total Cost Allocations	\$304,400	\$313,532	\$322,938	\$332,626	\$342,605
10	Total Debt Service	\$57,202	\$50,702	\$50,702	\$50,702	\$0
11	Total Expenditures	\$945,602	\$965,754	\$993,206	\$1,021,480	\$999,902
12	Net Cashflow (Line 4 – Line 11)	(\$54,024)	(\$36,468)	(\$22,916)	(\$12,395)	\$49,530
13	Reserve Direct Transfer (Depreciation)	\$207,000	\$213,210	\$219,606	\$226,194	\$232,980
14	Net Cashflow w/Depreciation (Line 12 – Line 13)	(\$261,024)	(\$249,678)	(\$242,522)	(\$238,590)	(\$183,450)
15	Operating Reserve					
16	Beginning Balance	\$333,177	\$72,153	(\$177,526)	(\$420,048)	(\$658,637)
17	Net Cashflow	(\$261,024)	(\$249,678)	(\$242,522)	(\$238,590)	(\$183,450)
18	Transfers In/Out - Capital Improvement Reserve	\$0	\$0	\$0	\$0	\$0
19	Ending Balance	\$72,153	(\$177,526)	(\$420,048)	(\$658,637)	(\$842,087)
20	<i>Interest Income</i>	\$0	\$0	\$0	\$0	\$0
21	Capital Improvement Reserve					
22	Beginning Balance	\$0	\$181,000	\$370,172	\$566,857	\$771,298
	Plus:					
23	Transfer In/(Out) - from Operating Reserve	\$207,000	\$213,210	\$219,606	\$226,194	\$232,980
24	New Debt Issue	\$0	\$0	\$0	\$0	\$0
	Less:					
25	Capital Projects	(\$26,000)	(\$26,780)	(\$27,583)	(\$28,411)	(\$29,263)
26	Ending Balance	\$181,000	\$367,430	\$562,195	\$764,640	\$975,015
27	<i>Interest</i>	\$0	\$2,742	\$4,662	\$6,657	\$8,732
28	<i>Total Reserves – Ending Balance</i>	<i>\$253,153</i>	<i>\$189,904</i>	<i>\$142,147</i>	<i>\$106,003</i>	<i>\$132,928</i>
29	<i>Reserve Target</i> ²	<i>\$429,100</i>	<i>\$435,763</i>	<i>\$442,626</i>	<i>\$449,695</i>	<i>\$456,976</i>

1. Other Revenues are based on the City's FYE 17-18 Budget and include license fee, permits, and investment earnings.

2. Reserve target is based on 90 days of operating plus one year of depreciation.

Figure 5-4: Operating Financial Position at Recommended Rates

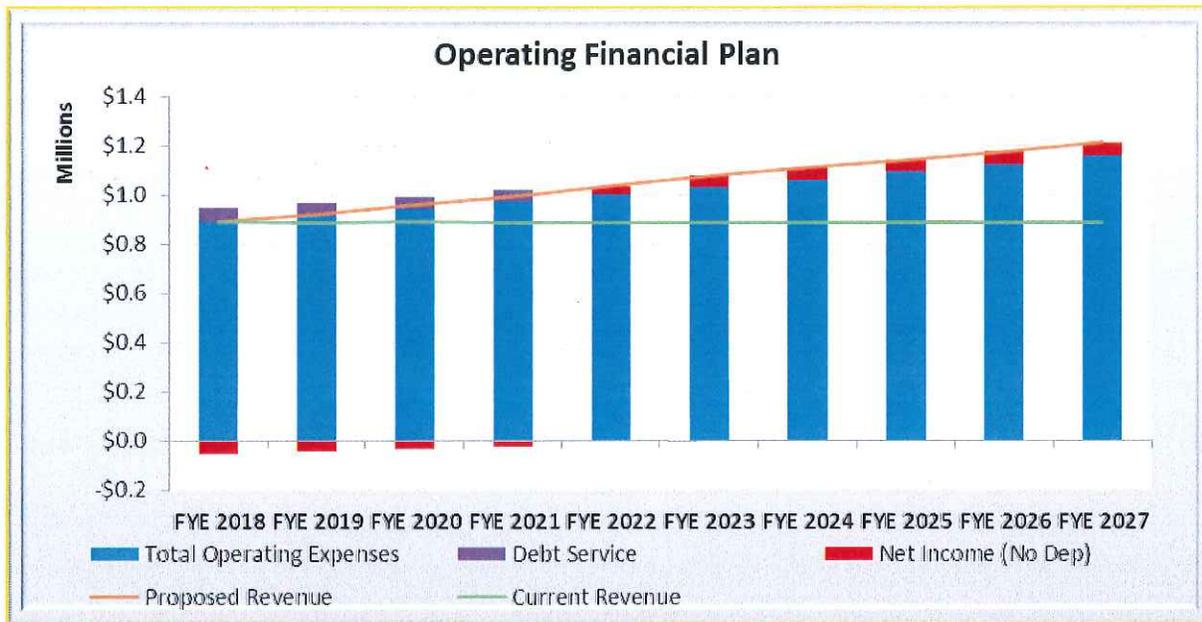


Figure 5-5: Recommended Wastewater Capital Improvement Plan and Funding Source

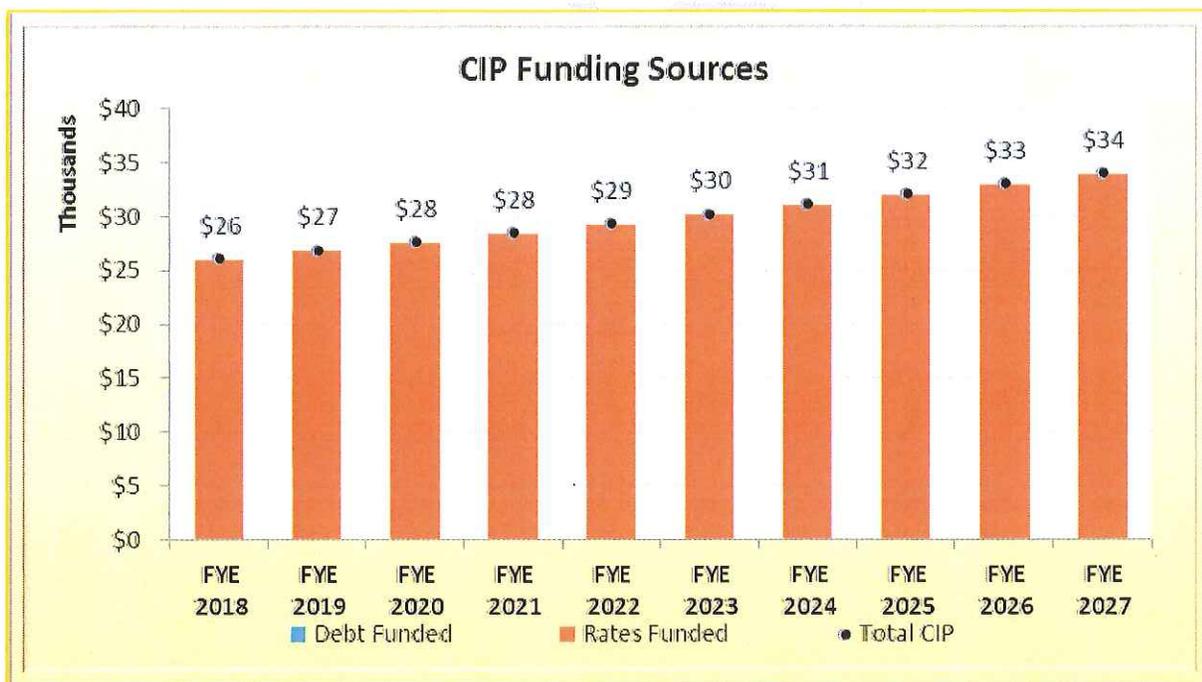
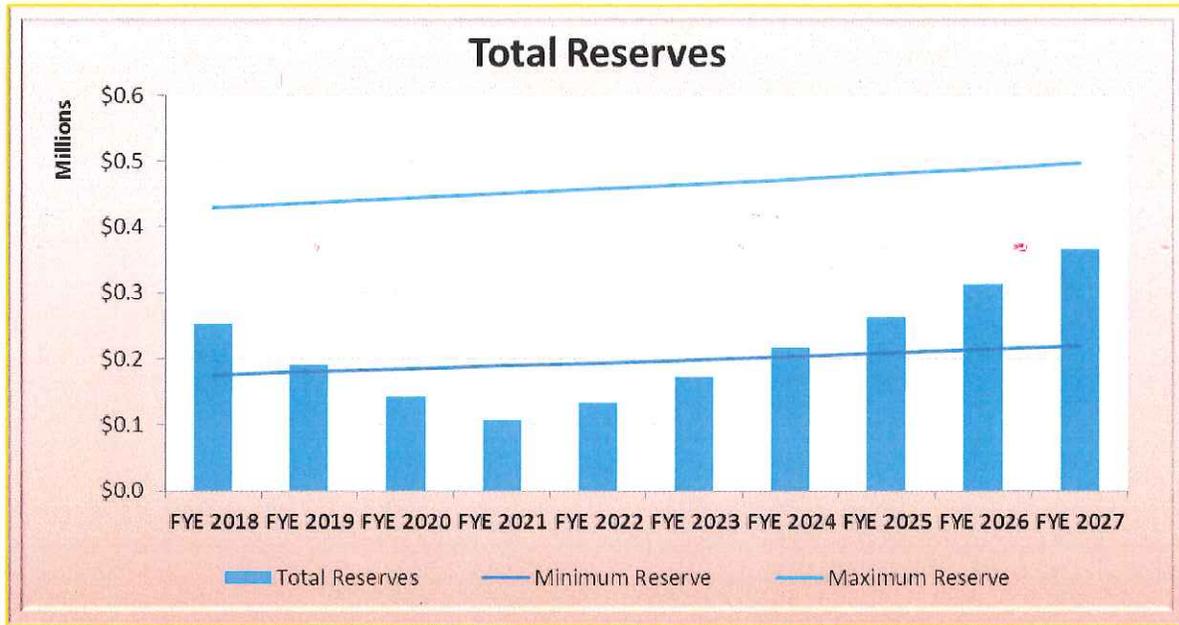


Figure 5-6: Projected Ending Wastewater Reserves at Projected Rates

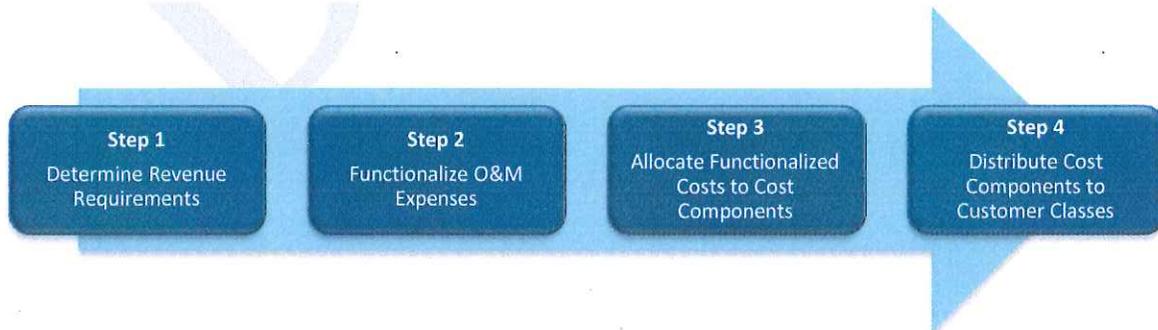


5.2 WASTEWATER UTILITY – COST OF SERVICE STUDY

5.2.1 Cost of Service Process

This section of the Report discusses the allocation of O&M expenses to the appropriate parameters consistent with industry standards, the determination of unit costs, and calculation of costs by customer class for the Wastewater Utility. The total cost of wastewater service is analyzed by system function in order to equitably distribute costs of service to the various classes of customers. For this analysis, wastewater utility costs of service are developed consistent with the guidelines for allocating costs detailed in the Water Environment Federation (WEF) Manual of Practice No. 27, Financing and Charges for Wastewater Systems, 2004. Figure 5-7 provides a general overview of a cost-of-service analysis. Each step shown below will be described in greater detail in the next section.

Figure 5-7: Wastewater Cost of Service Process



5.2.2 Cost of Service Analysis

5.2.2.1 Step 1 – Determine Revenue Requirements

In this Study, wastewater rates are calculated for the Test Year (FYE 2019), by using the City's FYE 2018 budget and inflationary factors. Test Year revenue requirements are used in the cost allocation process. Subsequent year's revenue adjustments are incremental and the proposed rates are based on FYE 2019 and the recommended revenue adjustments in subsequent years to ensure full cost recovery of the City's wastewater revenue requirements, including capital costs and reserve funding. The City should review the cost of service analysis at least once every five years to ensure that the rates are consistent with the costs of providing service.

5.2.2.2 Step 2 – Functionalize O&M Costs

A cost of service analysis distributes a utility's revenue requirements (costs) to each customer class. After determining a utility's revenue requirement, the total cost of wastewater service is analyzed by system functions to proportionately distribute costs in relation to how that cost is generally incurred. The wastewater utility costs were categorized into the following **functions**:

- » Operations & Maintenance (O&M) Expenses:
 - **Total Cost Allocations** – Indirect costs related to bank service fees, administrative costs, facilities, technology, personnel admin, self-insurance, vehicle maintenance, fuel, property insurance, and fiscal agent service costs.
 - **Total Purchased Services** – Contract and professional services.
 - **Total Purchased Materials** – office supplies, maintenance of water supplies, and tools.
 - **Total Personnel Services** – Salaries and benefits of the staff dedicated to the wastewater utility.
 - **Capital Outlay** – depreciation expense and additional planned capital costs.
- » **Debt Service** – Principle and interest costs related to existing/outstanding debt.

Table 5-7 summarizes the functionalized costs prior to any offset adjustments.

Table 5-7: Functionalized Expenses

Functionalized Expenses	FYE 2019 Functionalized Expenses
Total Personnel Services	\$526,536
Total Purchased Services	\$60,461
Total Purchased Materials	\$14,523
Total Cost Allocations	\$313,532
Existing Debt	\$50,702
Total Capital Outlay	\$213,210
Total O&M Expenses	\$ 1,178,964

5.2.2.3 Step 3 – Allocate Functionalized Costs to Cost Components

The wastewater utility is comprised of various facilities, each designed and operated to fulfill a given function. To provide adequate service to its customers at all times, the utility must be capable of collecting

and conveying the total amount of wastewater generated. The separation of costs by function allows allocation of such costs to the functional cost components. The City's costs were allocated to the following cost causation components:

1. **Accounts** includes related fixed costs, such as billing, collecting, customer accounting, and other customer related costs. These costs are incurred at the same level regardless of the type of land use, amount of flow, or the wastewater strength.
2. **Flow (ccf)** is the amount of wastewater estimated to enter the collection system.

O&M Allocation

The O&M expenses consist of five functionalized categories: Total Personnel Services, Total Purchased Services, Total Purchased Materials, Total Cost Allocations, and Total Capital Outlay. Raftelis reviewed the budget details related to the Operating Expenses to determine the most appropriate method for allocating the functional costs to cost causation components. Total Personnel Services and Total Purchased Services were 100% allocated to the Account cost component as these costs are related to billing of customer accounts. Total Purchased Materials were 100% allocated to Flow. Total Cost Allocations was allocated 50% evenly Accounts and Flow cost components, and Total Capital Outlay was 100% allocated to the Accounts cost component.

Table 5-8 summarizes the percent allocations for the City's O&M Expenses, the costs (prior to offsets and adjustments) allocated to the cost components, and the resulting O&M Allocation (%). The O&M Allocation (%) will be used to allocate the Operating Requirement, including any revenue offsets or adjustments, from the revenue requirement (Table 5-10).

Table 5-8: Wastewater O&M Allocation (%)

Functionalized Expenses	Accounts	Flow	Total
% Allocation			
Total Personnel Services	100.00%		100%
Total Purchased Services	100.00%		100%
Total Purchased Materials		100.00%	100%
Total Cost Allocations	50.00%	50.00%	100%
Total Capital Outlay	100.00%		100%
\$ Allocation			
Total Personnel Services	\$526,536		\$526,536
Total Purchased Services	\$60,461		\$60,461
Total Purchased Materials		\$14,523	\$14,523
Total Cost Allocations	\$156,766	\$156,766	\$313,532
Total Capital Outlay	\$213,210		\$213,210
Total O&M Expenses	\$743,763	\$171,289	\$1,128,262
O&M Allocation (%)	84.82%	15.18%	100%

Capital Allocation

Table 5-9 summarizes the percent allocations for the capital assets, the original cost asset values by asset category as provided within the City’s detailed asset listing²⁰ allocated to the cost components, and the resulting Capital Allocation (%). The Capital Allocation (%) will be used to allocate debt service (since it will be used to cover capital costs), including any revenue offsets or adjustments, from the revenue requirements (Table 5-10).

Table 5-9: Wastewater Capital Allocation (%)²¹

Line #	Functionalized Assets	Accounts	Flow	Total
	Allocation (%)			
1	Building	100.00%		100%
2	Collection		100.00%	100%
3	Equipment	100.00%		100%
	Allocation (\$)			
4	Building	\$315,499		\$315,499
5	Collection		\$8,628,178	\$8,628,178
6	Equipment	\$267,840		\$267,840
7	Total Assets	\$583,339	\$8,628,178	\$9,211,517
8	Total Capital Allocation %	6.33%	93.67%	100%
9	Debt¹	\$3,211	\$47,491	\$50,702

⁵Total cost of service requirement for debt was allocated to each cost component based on the capital allocation percentages from Line 8.

The revenue requirement determination is similar to what was described for the water utility and is based upon the premise that utility must generate annual revenues to meet O&M expenses, any debt service needs, reserve levels, and capital investments. However, the City’s wastewater enterprise’s rate revenue currently does not fully recover its annual revenue requirements. The wastewater enterprise is projected to recover its annual operational costs starting in FYE 2022 and begin to build back up reserves to the recommended targets. For FYE 2019, the cost of service to be recovered from the City’s wastewater customers is shown in Table 5-10, which includes deductions to account for revenue offsets, and resulting net cashflows (found in Table 5-6 – Line 14), and any mid-year adjustments²².

²⁰ Detailed Asset listing is on file with the City.

²¹ There may be slight differences due to rounding.

²² The mid-year adjustment takes into account rates not being implemented at the beginning of the fiscal year.

Table 5-10: FYE 2019 Wastewater Revenue Requirements

Revenue Requirements	Operating	Capital	Total
Operating Expenses	\$1,128,262		\$1,128,262
Existing Debt		\$50,702	\$50,702
Total Revenue Requirements	\$1,128,262	\$50,702	\$1,178,964
Less: Revenue Offsets			
TRANSFER IN	\$400		\$400
Total Revenue Offsets	\$400	\$0	\$400
Less: Adjustments			
Adjustment for Cash Balance	\$249,678		\$249,678
Adjustment for Mid-Year Increase		-\$3,701	-\$3,701
Total Adjustments	\$249,678	(\$3,701)	\$245,978
Revenue Requirements from Rates	\$878,184	\$54,402	\$932,586

Table 5-11 shows the revenue requirements from Table 5-10 allocated to each of the cost causation components. Operating revenue requirements and capital expenses were allocated based on the O&M Allocation (%) and Capital Allocation from Table 5-8, and Table 5-9 respectively.

Table 5-11: Wastewater Allocation of Costs to Cost Components

Category	Fixed: 80%	Variable: 20%	FYE 2019 ¹
Revenue Requirements	Accounts	Flow	Total
Operating	\$744,861	\$133,323	\$878,184
Capital	\$3,445	\$50,957	\$54,402
Cost of Service Requirement	\$748,306	\$184,280	\$932,586²

¹There may be differences due to rounding.

²Total revenue requirement of rates from Table 5-9.

Before we can allocate the cost of service requirements from Table 5-11 to customer classes, we first must define the rate structure; therefore, Step 4 will be discussed in Section 5.2.3.2.

5.2.3 Rate Design

A key component of the Study includes evaluating the current rate structure and determining the most appropriate structures to model moving forward. To determine the appropriate rate structure for meeting the City's revenue requirements, Raftelis reviewed the current rate structure and flow data, worked closely with City staff, and, where possible, incorporated feedback on policies and objectives. As such, Raftelis recommends maintaining the same rate structure for the wastewater utility.

5.2.3.1 Flow by Customer Class

Table 5-12 shows the derivation of the projected residential flow. Using the number of residential units (column A) as provided by the City, assumed gallons per capita per day (column B), and the assumed persons per household (column C), Raftelis projected the residential flow (ccf per year).

Table 5-12: Residential Flow (ccf / Yr)

Customer Class	# of Units [A]	GPCD [B]	PPH [C]	Projected Flow (ccf) [D] (A*B*C*365) ÷ 748.05 ¹
Residential	4,414	55	2.29	271,264

¹1 ccf is equivalent to 748.05 gallons of water.

The remaining non-residential customer flows were estimated based on consumption data provided by City staff. Table 5-13 summarizes the projected flow for non-residential customers. Winter average flows were used to determine the projected annual flow, with a 10% discount factor to account for water usage that converts to discharge into the sewer system. Raftelis assumed a 90% return rate, as not all water will enter the sewer system for collection. Even though Raftelis is using winter average, there still may be a small portion of water usage that is used for exterior landscape.

Table 5-13: Estimated Non-Residential Flow (ccf / Yr)

Non-Residential Customers	Winter Average Flow (ccf / Yr) ¹ [A]	90% Return Rate (ccf / Yr) [B] (A x 90%)
Non-Residential		
Commercial	15,954	14,359
Institutional	16,614	14,953
Total Non-Res. Flows	32,568	29,311

¹Winter averages were determined by averaging flows of winter billing periods and annualizing them based on a bi-monthly basis.

5.2.3.2 Step 4- Distribute Cost Components to Customer Classes

To allocate costs to different customer classes, unit costs of service need to be developed for each cost causation component. The unit costs of service are developed by dividing the total annual costs allocated to each parameter by the total annual service units of the respective component. Table 5-14 summarizes the derivation of each of the annual units of service. The numbers shown in Table 5-14 are derived as follows:

- » **Number of Accounts** – Residential units were provided by the City and the Non-Residential was based on the accounts detailed in the consumption database.
- » **Annual Accounts** - # of Accounts times the number of billing periods (6).
- » **Flow (ccf / Yr)** – Residential Flow was derived in Table 5-12 and Non-Residential Flow was derived in Table 5-13.

Table 5-14: Determination of Units of Service

Customer Class	Units	Billable Units	Flow (CCF/Yr)
Residential	4,414	26,484	271,264
Non-Residential			
Commercial	94	564	14,359
Institutional	40	240	14,953
Total	4,548	27,288	300,576

The annual units of service for the fixed components from Table 5-11 is shown on the next page, and the derived rates for each component have been rounded up to the nearest whole penny. The variable revenue requirements for each component have been allocated to each customer class. Residential units will see the variable rate incorporated as a component of the fixed charge based on the average usage for residential units.

Account Component

These costs are incurred at the same level regardless of the type of land use, amount of flow, or the wastewater strength; therefore, the Accounts Component is based on the number of annual accounts/bills. The number of bills can be determined by multiplying the number of units, 4,548, times the number of billing periods, 6, in a year. The total Accounts Requirement from Table 5-11 of \$748,306 is divided by the number of annual accounts to determine the unit cost of service shown in Table 5-15.

Table 5-15: Account Component - Unit Rate

Account Component	
Account Revenue Requirements ¹	\$748,306
÷ # of Annual Accounts (Table 5-14)	27,288
Bi-Monthly Unit Rate²	\$27.43

¹Cost of service requirement for Accounts from Table 5-11.

²Unit rate was rounded up to the nearest penny.

Flow Component

Raftelis allocated the Flow Requirement of \$184,280 from Table 5-11 to each customer class based on their proportionate share of the projected flow as shown in Table 5-16. For example, since Residential units accounted for 90.25% of projected wastewater flow, Residential customers were allocated 90.25% of the revenue requirement for Flow.

Table 5-16: Flow Component Allocated to Classes

Customer Class	Projected Flow (HCF)	% Allocation	Allocated Requirement ¹
Residential	271,264	90.25%	\$166,310
Non-Residential			
Commercial	14,359	4.78%	\$8,803
Institutional	14,953	4.97%	\$9,167
Total	300,576	100%	\$184,280²

¹There may be slight differences due to rounding.

²Total allocated revenue requirement for Flow from Table 5-11.

Next, the allocated variable revenue requirements were calculated to determine the total variable requirement by customer class. The total requirement was then divided by the total billable units to determine the variable unit rate for each customer class as shown in Table 5-17.

Table 5-17: Variable Unit Rate

Customer Classes	Flow (A)	Billable Units (B)	Unit Charge ¹ (C) [A/B]
Residential	\$166,310	271,264	\$0.62
Non-Residential			
Commercial	\$8,803	14,359	\$0.62
Institutional	\$9,167	14,953	\$0.62

¹Units were rounded up to the nearest penny.

5.2.4 Recommended Wastewater Rates

5.2.4.1 Fixed Charges

For residential units, the bi-monthly fixed charge consists of an Accounts component combined with flow charge component based on the estimated flow from such units. The flow or usage units for residential is listed in .

Table 5-18. Gallons per Day per Person were multiplied by the average number of residents to arrive at the Gallons per Day per Household. Next, the total units were multiplied by their respective Gallons per Day per Household. This total was then multiplied by 365 days in one year to arrive at the total estimated usage for each residential class in gallons. This usage was then converted to ccf and used to calculate an average usage per two months.

Table 5-18: Residential Fixed Average Usage

Customer Class	Gallons per Day per Person	Average Number of Residents ¹	Gallons per Day per Household	Average ccf per Bi-Month
Residential	55	2.29	126	10.24

¹Average number of residents per household is based on 2015 Environmental Analysis for Sierra Madre General Plan Update Draft.

The average bi-monthly usage was then multiplied by the variable rate of \$0.62 (from Table 5-17) to create the flow charge component listed in Table 5-19 for Residential customers. Non-Residential customers fixed bi-monthly charge will only consist of the Account component totaling \$27.43 (from Table 5-15).

Table 5-19: Fixed Wastewater Charge by Class

Customer Class	Accounts Component [A]	Flow Charge Component ¹ [B]	Recommended FYE 2019 Fixed Charge (\$/Bi-Month) [D] (A + B+C)	Current Charge	Difference
Residential	\$27.43	\$6.36 ²	\$33.79	\$32.24	\$1.55
Non- Residential	\$27.43	See Variable Rate	\$27.43	\$19.53	\$7.90

¹Flow charge was rounded up to the nearest penny.

² The Flow charge component was calculated by multiplying the 10.24 from .

Table 5-18 by \$0.62 from Table 5-17.

5.2.4.2 Variable Rates

Table 5-20 details the recommended variable rate for non-residential customers. Since they do not exhibit the same wastewater patterns as residential customers, non-residential customers are charged at a uniform rate per ccf.

Table 5-20: Recommended Variable Wastewater Charge (\$/Bi-Month)

Customer Class	FYE 2019 Recommended Variable Rate	Current Charge	Difference
Non-Residential			
Commercial	\$0.62	\$0.72	-\$0.10
Institutional	\$0.62	\$0.43	\$0.19

Applying the proposed revenue adjustments of 5% in FYE 2019 and 4% for each of the remaining years of the Study Period (FYE 2020 through FYE 2023) yields the Proposed Rates shown in Table 5-21 and Table 5-22.

Table 5-21: FYE 2019-FYE 2023 Recommended Bi-Monthly Fixed Charges

Customer Class	FYE 2019 Recommended Fixed Charge	FYE 2020 Recommended Fixed Charge	FYE 2021 Recommended Fixed Charge	FYE 2022 Recommended Fixed Charge	FYE 2023 Recommended Fixed Charge
Residential	\$33.79	\$35.14	\$36.55	\$38.01	\$39.53
Non-Residential					
Commercial	\$27.43	\$28.53	\$29.67	\$30.86	\$32.09
Institutional	\$27.43	\$28.53	\$29.67	\$30.86	\$32.09

Table 5-22: FYE 2019-FYE 2023 Recommended Variable Charges (\$/ccf)

Customer Class	FYE 2019 Recommended Variable Charge	FYE 2020 Recommended Variable Charge	FYE 2021 Recommended Variable Charge	FYE 2022 Recommended Variable Charge	FYE 2023 Recommended Variable Charge
Non-Residential					
Commercial	\$0.62	\$0.64	\$0.67	\$0.70	\$0.73
Institutional	\$0.62	\$0.64	\$0.67	\$0.70	\$0.73

APPENDIX A:

**Detailed Financial Plan Based on
Recommended Rates**

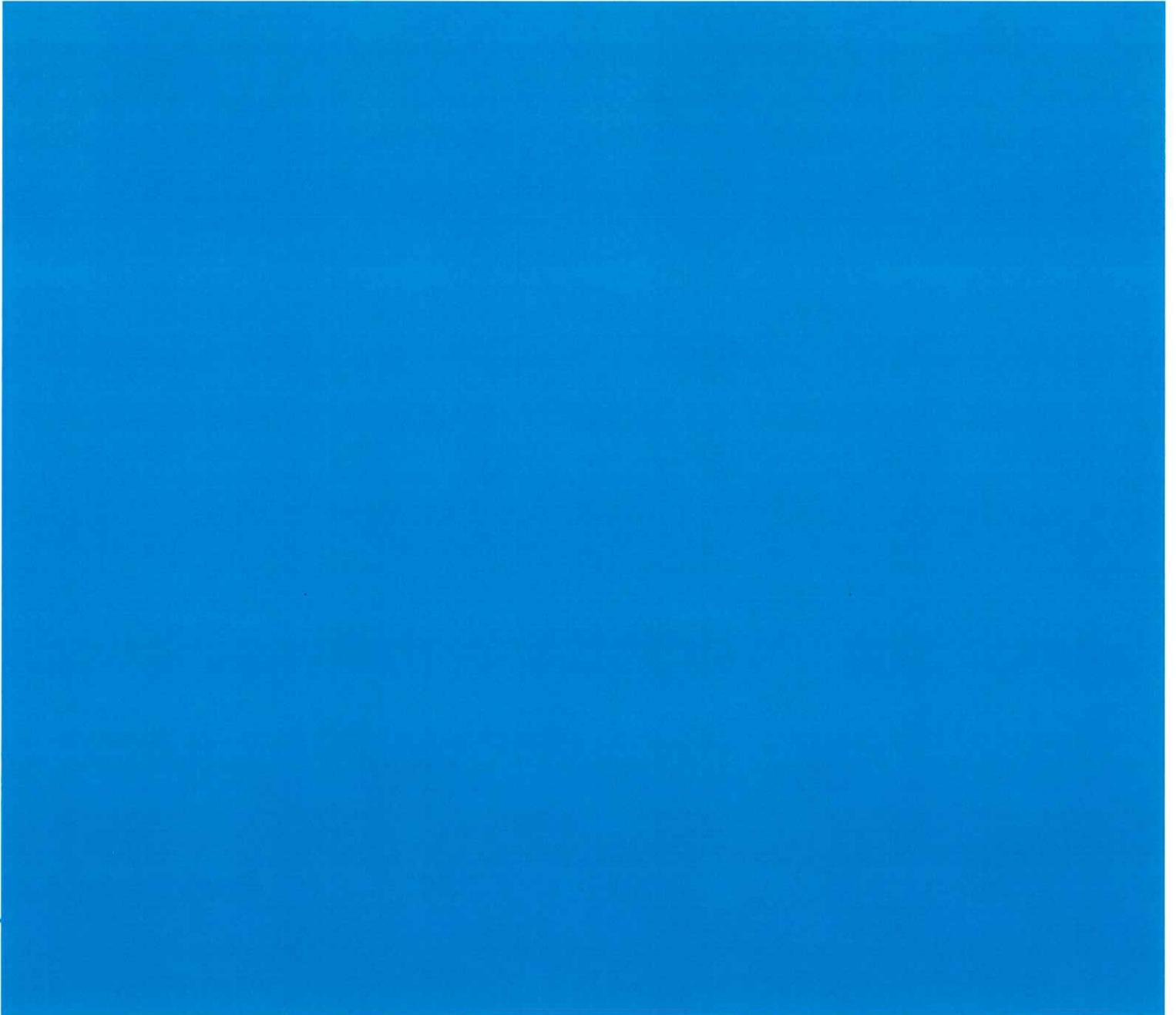


Exhibit A- Water Utility Detailed Financial Plan

Revenues

	FYE 2018 Projected	FYE 2019 Projected	FYE 2020 Projected	FYE 2021 Projected	FYE 2022 Projected	FYE 2023 Projected	FYE 2024 Projected	FYE 2025 Projected	FYE 2026 Projected	FYE 2027 Projected
Rates	\$4,503,094	\$4,503,094	\$4,503,094	\$4,503,094	\$4,503,094	\$4,503,094	\$4,503,094	\$4,503,094	\$4,503,094	\$4,503,094
Penalty Fees	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
Subtotal	\$5,203,094									
Additional Revenue Required:										
Fiscal Year										
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FYE 2018	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FYE 2019		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FYE 2020			\$104,062	\$104,062	\$104,062	\$104,062	\$104,062	\$104,062	\$104,062	\$104,062
FYE 2021				\$106,143	\$106,143	\$106,143	\$106,143	\$106,143	\$106,143	\$106,143
FYE 2022					\$108,266	\$108,266	\$108,266	\$108,266	\$108,266	\$108,266
FYE 2023						\$110,431	\$110,431	\$110,431	\$110,431	\$110,431
FYE 2024							\$112,640	\$112,640	\$112,640	\$112,640
FYE 2025								\$114,893	\$114,893	\$114,893
FYE 2026									\$117,191	\$117,191
FYE 2027										\$119,534
Total Additional Revenue	\$0	\$0	\$104,062	\$210,205	\$318,471	\$428,902	\$541,542	\$656,435	\$773,625	\$893,160
Total Rates	\$5,203,094	\$5,203,094	\$5,307,156	\$5,413,299	\$5,521,565	\$5,631,996	\$5,744,636	\$5,859,529	\$5,976,719	\$6,096,253
Incremental Pass-Through Revenue										
Variable Pass-Through	\$0	\$48,570	\$80,950	\$114,949	\$150,648	\$188,132	\$227,490	\$268,816	\$312,208	\$357,770
Total Pass-Through Revenue	\$0	\$48,570	\$80,950	\$114,949	\$150,648	\$188,132	\$227,490	\$268,816	\$312,208	\$357,770
<i>Other Misc. Revenue</i>										
TRANSFER IN	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
NOTICES, FEES, LATE CHARGES	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
LATE PENALTIES FOR UTILITY BILLS	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
OTHER CHARGES FOR SERVICES	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
LOCAL GRANTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Misc. Revenue	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000
TOTAL	\$5,274,094	\$5,322,664	\$5,459,106	\$5,599,248	\$5,743,213	\$5,891,128	\$6,043,126	\$6,199,344	\$6,359,927	\$6,525,024

Expenditures & Net Cashflow

EXPENSES										
Total Purchase Water Charge	\$599,030	\$647,600	\$679,980	\$713,979	\$749,678	\$787,162	\$826,520	\$867,846	\$911,238	\$956,800
Operating Expenses										
Total Personnel Services	\$827,900	\$852,737	\$878,319	\$904,669	\$931,809	\$959,763	\$988,556	\$1,018,213	\$1,048,759	\$1,080,222
Total Purchased Services	\$280,100	\$288,503	\$297,158	\$306,073	\$315,255	\$324,713	\$334,454	\$344,438	\$354,822	\$365,467
Total Purchased Materials	\$291,900	\$300,245	\$309,252	\$318,530	\$328,086	\$337,928	\$348,066	\$358,508	\$369,263	\$380,341
Total Cost Allocations	\$1,177,200	\$1,212,516	\$1,248,891	\$1,286,358	\$1,324,949	\$1,364,697	\$1,405,638	\$1,447,808	\$1,491,242	\$1,535,979
Total Utilities	\$15,700	\$16,485	\$17,309	\$18,175	\$19,083	\$20,038	\$21,040	\$22,091	\$23,196	\$24,356
Total Capital Outlay - R&M	\$350,000	\$380,500	\$411,315	\$442,454	\$493,928	\$475,746	\$477,919	\$430,456	\$443,370	\$456,671
Total Production	\$508,300	\$533,715	\$560,401	\$588,421	\$617,842	\$648,734	\$681,171	\$715,229	\$750,991	\$788,340
Total Operating Expenses	\$3,450,700	\$3,564,701	\$3,682,646	\$3,804,630	\$3,930,952	\$4,061,619	\$4,196,843	\$4,336,792	\$4,481,643	\$4,631,576
Total Debt Service Expenses	\$991,533	\$731,709	\$731,708	\$731,708	\$586,021	\$586,021	\$586,021	\$586,021	\$586,021	\$586,021
TOTAL EXPENSES	\$5,041,263	\$4,944,010	\$5,094,334	\$5,250,367	\$5,266,651	\$5,434,802	\$5,609,384	\$5,790,659	\$5,978,902	\$6,174,197
Net Cash Flow	\$232,831	\$178,654	\$364,771	\$348,881	\$476,562	\$456,326	\$433,742	\$408,685	\$381,025	\$350,627
Total Depreciation	\$727,000	\$748,800	\$771,274	\$794,403	\$818,245	\$842,792	\$868,076	\$894,103	\$920,942	\$948,570
Net Cash Flow w/ Depreciation	(\$494,169)	(\$370,156)	(\$406,503)	(\$445,522)	(\$341,683)	(\$386,466)	(\$434,334)	(\$485,418)	(\$539,916)	(\$597,943)
Reserve Direct Transfer	\$727,000	\$748,810	\$771,274	\$794,413	\$818,245	\$842,792	\$868,076	\$894,118	\$920,942	\$948,570
Calculated Debt Coverage Ratio	123%	152%	150%	148%	141%	129%	124%	120%	119%	119%
Required Debt Coverage Ratio	120%	120%	120%	120%	120%	120%	120%	120%	120%	120%

Reserves

Reserve Interest Rate	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	FYE 2018 Projected	FYE 2019 Projected	FYE 2020 Projected	FYE 2021 Projected	FYE 2022 Projected	FYE 2023 Projected	FYE 2024 Projected	FYE 2025 Projected	FYE 2026 Projected	FYE 2027 Projected
Operating Reserve										
Beginning Balance	\$747,740	\$453,950	\$473,931	\$490,024	\$506,670	\$523,912	\$541,773	\$560,277	\$579,449	\$599,315
Net Cashflow	\$232,831	\$378,654	\$364,771	\$348,881	\$476,562	\$456,326	\$433,742	\$408,685	\$381,025	\$350,627
Transfers In/Out - Capital Improve	-\$526,621	-\$363,288	-\$353,474	-\$337,194	-\$464,447	-\$443,767	-\$420,720	-\$395,183	-\$367,025	-\$336,107
Ending Balance	\$453,950	\$469,315	\$485,229	\$501,711	\$518,785	\$536,471	\$554,794	\$573,779	\$593,450	\$613,834
Interest Income	\$0	\$4,616	\$4,796	\$4,959	\$5,127	\$5,302	\$5,483	\$5,670	\$5,864	\$6,066
O&M Reserve Target (Min)	\$453,950	\$469,315	\$485,229	\$501,711	\$518,785	\$536,471	\$554,794	\$573,779	\$593,450	\$613,834
O&M Reserve Target (Max)	\$680,925	\$703,973	\$727,843	\$752,567	\$778,177	\$804,707	\$832,192	\$860,669	\$890,175	\$920,751
Capital Improvement Reserve (R&R)										
Beginning Balance	\$0	\$222,121	\$274,244	\$307,568	\$315,125	\$440,615	\$536,242	\$599,022	\$625,802	\$613,260
Plus:										
Transfer In/(Out) - from Operating	\$526,621	\$363,288	\$353,474	\$337,194	\$464,447	\$443,767	\$420,720	\$395,183	\$367,025	\$336,107
New Debt Issue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less:										
Capital Projects	(\$304,500)	(\$313,635)	(\$323,044)	(\$332,735)	(\$342,717)	(\$352,993)	(\$363,589)	(\$374,497)	(\$385,731)	(\$397,303)
Ending Balance	\$222,121	\$271,774	\$304,674	\$312,027	\$436,855	\$531,382	\$593,374	\$619,709	\$607,095	\$552,064
Interest Income	\$0	\$2,469	\$2,895	\$3,098	\$3,760	\$4,860	\$5,648	\$6,094	\$6,164	\$5,827
R&R Reserve Target	\$318,479	\$318,479	\$318,479	\$318,479	\$318,479	\$318,479	\$318,479	\$318,479	\$318,479	\$318,479
Maximum Balance	\$727,000	\$727,000	\$727,000	\$727,000	\$727,000	\$727,000	\$727,000	\$727,000	\$727,000	\$727,000

Exhibit B - Wastewater Utility Detailed Financial Plan

Revenues

Projected Budget: Calculated	FYE 2018 Projected	FYE 2019 Projected	FYE 2020 Projected	FYE 2021 Projected	FYE 2022 Projected	FYE 2023 Projected	FYE 2024 Projected	FYE 2025 Projected	FYE 2026 Projected	FYE 2027 Projected
REVENUE										
Rate Revenue from Existing Rates	\$888,177	\$888,177	\$888,177	\$888,177	\$888,177	\$888,177	\$888,177	\$888,177	\$888,177	\$888,177
Additional Revenue Required:										
Fiscal Year										
FYE 2019		\$40,708	\$44,409	\$44,409	\$44,409	\$44,409	\$44,409	\$44,409	\$44,409	\$44,409
FYE 2020			\$37,303	\$37,303	\$37,303	\$37,303	\$37,303	\$37,303	\$37,303	\$37,303
FYE 2021				\$38,796	\$38,796	\$38,796	\$38,796	\$38,796	\$38,796	\$38,796
FYE 2022					\$40,347	\$40,347	\$40,347	\$40,347	\$40,347	\$40,347
FYE 2023						\$41,961	\$41,961	\$41,961	\$41,961	\$41,961
FYE 2024							\$32,730	\$32,730	\$32,730	\$32,730
FYE 2025								\$33,712	\$33,712	\$33,712
FYE 2026									\$34,723	\$34,723
FYE 2027										\$35,765
Total Additional Revenue	\$0	\$40,708	\$81,712	\$120,508	\$160,855	\$202,817	\$235,546	\$269,258	\$303,981	\$339,746
Total Revenue from Rates	\$888,177	\$928,885	\$969,889	\$1,008,685	\$1,049,032	\$1,090,994	\$1,123,724	\$1,157,435	\$1,192,158	\$1,227,923
Other Operating Revenue										
TRANSFER IN	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
INTEREST FROM INVESTMENTS	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Revenue	\$3,400	\$400								
TOTAL REVENUE	\$891,577	\$929,285	\$970,289	\$1,009,085	\$1,049,432	\$1,091,394	\$1,124,124	\$1,157,835	\$1,192,558	\$1,228,323

Expenditures and Net Cashflow

EXPENSES										
Operating Expenses										
Total Personnel Services	\$511,200	\$526,536	\$542,332	\$558,602	\$575,360	\$592,621	\$610,400	\$628,712	\$647,573	\$667,000
Total Purchased Services	\$58,700	\$60,461	\$62,275	\$64,143	\$66,067	\$68,049	\$70,091	\$72,194	\$74,359	\$76,590
Total Purchased Materials	\$14,100	\$14,523	\$14,959	\$15,407	\$15,870	\$16,346	\$16,836	\$17,341	\$17,861	\$18,397
Total Cost Allocations	\$304,400	\$313,532	\$322,938	\$332,626	\$342,605	\$352,883	\$363,470	\$374,374	\$385,605	\$397,173
Total Capital Outlay	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Depreciation	\$207,000	\$213,210	\$219,606	\$226,194	\$232,980	\$239,970	\$247,169	\$254,584	\$262,221	\$270,088
Total Operating Expenses	\$1,095,400	\$1,128,262	\$1,162,110	\$1,196,973	\$1,232,882	\$1,269,869	\$1,307,965	\$1,347,204	\$1,387,620	\$1,429,249
Debt Service										
Sewer Fund	\$50,702	\$50,702	\$50,702	\$50,702	\$0	\$0	\$0	\$0	\$0	\$0
Expense Notes	\$6,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service Expenses	\$57,202	\$50,702	\$50,702	\$50,702	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES	\$1,152,602	\$1,178,964	\$1,212,811	\$1,247,675	\$1,232,882	\$1,269,869	\$1,307,965	\$1,347,204	\$1,387,620	\$1,429,249
Net Cash Flow w/Depreciation	(\$261,024)	(\$249,678)	(\$242,522)	(\$238,590)	(\$183,450)	(\$178,475)	(\$183,841)	(\$189,369)	(\$195,062)	(\$200,925)
Reserve Direct Transfer	\$207,000	\$213,210	\$219,606	\$226,194	\$232,980	\$239,970	\$247,169	\$254,584	\$262,221	\$270,088
Net Cash Flow	(\$54,024)	(\$36,468)	(\$22,916)	(\$12,395)	\$49,530	\$61,495	\$63,328	\$65,215	\$67,160	\$69,163

Reserves

Reserve Interest Rate	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	FYE 2018 Projected	FYE 2019 Projected	FYE 2020 Projected	FYE 2021 Projected	FYE 2022 Projected	FYE 2023 Projected	FYE 2024 Projected	FYE 2025 Projected	FYE 2026 Projected	FYE 2027 Projected
Operating Reserve										
Beginning Balance	\$333,177	\$72,153	(\$177,526)	(\$420,048)	(\$658,637)	(\$842,087)	(\$1,020,562)	(\$1,204,404)	(\$1,393,772)	(\$1,588,834)
Net Cashflow	(\$261,024)	(\$249,678)	(\$242,522)	(\$238,590)	(\$183,450)	(\$178,475)	(\$183,841)	(\$189,369)	(\$195,062)	(\$200,925)
Transfers In/Out - Capital Improvement R	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$72,153	(\$177,526)	(\$420,048)	(\$658,637)	(\$842,087)	(\$1,020,562)	(\$1,204,404)	(\$1,393,772)	(\$1,588,834)	(\$1,789,759)
Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M Reserve Target (Min)	\$148,067	\$152,509	\$157,084	\$161,796	\$166,650	\$171,650	\$176,799	\$182,103	\$187,566	\$193,193
O&M Reserve Target (Max)	\$222,100	\$228,763	\$235,626	\$242,695	\$249,976	\$257,475	\$265,199	\$273,155	\$281,350	\$289,790
Capital Improvement Reserve (R&R)										
Beginning Balance	\$0	\$181,000	\$370,172	\$566,857	\$771,298	\$983,747	\$1,204,462	\$1,433,711	\$1,671,768	\$1,918,917
Plus:										
Transfer In/(Out) - from Operating Reserv	\$207,000	\$213,210	\$219,606	\$226,194	\$232,980	\$239,970	\$247,169	\$254,584	\$262,221	\$270,088
New Debt Issue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less:										
Capital Projects	(\$26,000)	(\$26,780)	(\$27,583)	(\$28,411)	(\$29,263)	(\$30,141)	(\$31,045)	(\$31,977)	(\$32,936)	(\$33,924)
Ending Balance	\$181,000	\$367,430	\$562,195	\$764,640	\$975,015	\$1,193,575	\$1,420,585	\$1,656,318	\$1,901,053	\$2,155,081
Interest Income	\$0	\$2,742	\$4,662	\$6,657	\$8,732	\$10,887	\$13,125	\$15,450	\$17,864	\$20,370
R&R Reserve Target	\$27,194	\$27,194	\$27,194	\$27,194	\$27,194	\$27,194	\$27,194	\$27,194	\$27,194	\$27,194
Maximum Balance	\$207,000	\$207,000	\$207,000	\$207,000	\$207,000	\$207,000	\$207,000	\$207,000	\$207,000	\$207,000

NOTICE TO SIERRA MADRE WATER/SEWER CUSTOMERS AND PROPERTY OWNERS OF A PUBLIC HEARING FOR
A MULTI-YEAR WATER AND SEWER RATE ADJUSTMENT

June 1, 2018

DRAFT

Name
Address
City, State Zip

Public Hearing Notice is Hereby Given

That the Sierra Madre City Council will hold a public hearing on Tuesday, July 24, 2018, at 6:30 pm in the City Council Chambers, City Hall, 232 W. Sierra Madre Boulevard, Sierra Madre, California, 91024, to consider adopting rate adjustment for water and sewer fees.

The Water rate adjustment would be implemented on August 1, 2018. The rate adjustment in 2018 will maintain current base rate revenue, and future years will only need modest cost of living adjustments (COLA) (based on percentage change in the consumer price index (CPI) for Los Angeles-Orange-Riverside). The COLA adjustment would be implemented on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022.

The first rate adjustment for Sewer would increase sewer rates by 5% and occur on August 1, 2018, followed by increases of 4% annually on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022.

Submitting a Protest

Any property owner or water and/or sewer customer directly responsible for paying the water and/or sewer bill may submit a protest. To protest the proposed water and/or sewer rate adjustments, you may either use the protest form provided below, or you may submit a written notification specifying your water and/or sewer rate increase protest. If you use the form below, please return the protest in accordance with the instructions in your protest ballot. Please note, the form below has been created for your specific City utility account. If this form is used by someone other than the person identified at the top of this letter, it will be necessary to cross out the pre-printed information and write-in the address and City Water Account number for the individual actually using the form. If you do not know your City Utility Account Number, the number can be located on your City water bill.

Only one water protest and one sewer protest will be counted per parcel. (Parcel is defined as a City water meter for which there is a City water account or a City sewer account.) If you decide not to use the form below, you may submit a written protest by including the following information: identify the property owner or water and/or sewer customer who is opposed to the proposed sewer or water rate increase; identify which rate – water, sewer, or both – you are protesting; the location of the property, by street address and by the appropriate City Account Number; and include the original signature of the property owner or water and/or sewer customer as identified in the City's water and/or sewer billing system. Please identify on the front of the sealed envelope for any protest, whether mailed or submitted in person, that a "Water or Sewer Fee Protest is Enclosed."

Please mail or personally deliver your protest to:

City Hall
Attention: Water or Sewer Protest
232 W. Sierra Madre Boulevard
Sierra Madre, CA 91024.

If you do not wish to protest the water or sewer rate adjustments, you do not need to take any action. For additional information please see the enclosed "Guidelines for Submission and Tabulation of Protests".

Please visit the City's website at www.cityofsierramadre.com/transparency for a copy of the Raftelis rate study.

Water and Sewer Rate Study

The City of Sierra Madre retained the services of Raftelis Financial Consultants, Inc. to complete a comprehensive water and sewer rate study to determine the appropriate level of revenue required to fund the water and sewer utilities. Proper funding of the water and sewer utility enables the City to ensure the delivery of reliable, quality water that meets or exceeds all state and federal standards; and ensures that the sewer system is maintained and minimizes the possible occurrences of sewage back-ups and overflows into the storm drain system, which could subject the City to large fines and penalties. A copy of the complete draft water and sewer rate study can be found on the City's website at <http://www.cityofsierramadre.com/transparency>

Water Rate Study Findings/Reasons for Rate Adjustment

The City imposes water rates in order to fund the costs of operating and maintaining the water system, as well as to pay off the costs of improvements previously made to that system (bond debt). The Water Department has worked within its budget for all routine operational costs and has been successful in reducing costs in some areas, for example; refinancing bonded debt resulting in significant savings, automating processes to reduce personnel costs, and significantly reducing the cost of overhead charged to the Water fund. However, Sierra Madre's sole water aquifer is in critical decline from overproduction over several decades and, because of this, the City is only able to produce 48% of the demand of residents through the use of ground water. The remaining water needs (52%) of Sierra Madre residents is comprised of imported water. In order to meet the needs of Sierra Madre residents the City must import water, which is significantly more expensive, for both resident demand and aquifer replenishment. Even with prudent management of the aquifer, it is unlikely Sierra Madre will be able to meet local water demand in the future without importing water.

As proposed, the water rate study would be implemented on August 1, 2018. The rate adjustment in 2018 will maintain current base rate revenue, and future years will only need modest cost of living adjustments (COLA) (based on percentage change in the consumer price index (CPI) for Los Angeles-Orange-Riverside). The COLA adjustment would be implemented on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022.

The proposed water study establishes an infrastructure fixed fee and impacts rates for both the fixed meter costs and rates for the variable water usage costs by the amount shown in the tables below.

The proposed water rates are a combination of 1) fixed bi-monthly charges, including customer service, meter capacity, and infrastructure charge (fire line charge for accounts with a private fire line), and 2) bi-monthly variable charges, determined by units (748 gallons/unit) of water consumed in each billing period.

In calendar year 2017 the City was able to locally produce 48% of the water necessary to meet local demand. The remaining 52% of water necessary to meet demand was imported into Sierra Madre. Imported water is significantly more costly than water which is produced locally. As part of the water rate design, the net amount of available groundwater is apportioned evenly to all single-family residential accounts, with duplexes counting as an additional single-family account. Doing so resulted in each single-family residential account receiving a fair share amount of groundwater equal to 14 ccf (units) per account by billing period. For single-family residential accounts, the bi-monthly variable charge in the proposed rate study will evenly allocate the amount of water the City can produce locally to each single-family residential water customer in the City. Under the proposed plan each single-family residential account will be allocated 14 ccf of water, which is what Sierra Madre produces locally, in each billing cycle at tier 1 water rates. Every unit of water for residential customers consumed at 15 units and above, which is imported water, will be billed at tier 2 water rates.

For all other customer classes, the 14 ccf per account per billing period is accounted for as part of the uniform rate structure by calculating a blended rate.

Proposed Water Rates

Current and Recommended Variable Rate Structure

Customer Class / Tiers	Current Tier Width (hcf)	Recommended Tier Width (hcf)
Single Family¹		
Tier 1	(0-11)	(0-14)
Tier 2	(12-33)	(>14)
Tier 3	(34-66)	N/A
Tier 4	(>66)	N/A
Multi Family		
	Same as Residential	Uniform
Non-Residential		
	Uniform	Uniform

¹ Single Family accounts consist of single unit housing and duplexes (two units).

As shown in the table above, the current four-tier system will be collapsed into a two-tier system. Tier 1 in the proposed rate structure will consist of water Sierra Madre can produce from its ground source. Tier 2 will consist of water which Sierra Madre must import to meet consumption demand.

The water rate each single-family residential customer will pay will be comprised of fixed bi-monthly charges, including customer service, meter capacity, and infrastructure charge (fire line charge for accounts with a private fire line) plus the variable charge of water usage from Tier 1 and/or Tier 2.

The water rate each non-residential and multi-family residential customer will pay will be comprised of fixed bi-monthly charges, including customer service, meter capacity, and infrastructure charge (fire line charge for accounts with a private fire line) plus a uniform rate as shown in the table, *FYE 2019 Recommended Variable Charge (\$/hcf)*, below.

The next three tables below show the current Bi-Monthly fixed, variable, and fire line charges

Current Bi-Monthly Water Charges

Meter Size	FYE 2018 Water Service Charge (\$ / Bi-Month)	FYE 2018 Low Income Discount (\$ / Bi-Month)
5/8"	\$79.68	\$51.79
3/4"	\$79.68	\$51.79
1"	\$107.00	\$69.55
1 1/2"	\$152.54	\$99.15
2"	\$207.18	\$134.67
3"	\$334.68	\$217.54
4"	\$516.83	\$335.94

Current Variable Usage Charge

Customer Class / Tiers	Tier Width (hcf)	FYE 2018 Water Usage Charge (\$/hcf)
Residential		
Tier 1	(0-11)	\$2.69
Tier 2	(12-33)	\$3.47
Tier 3	(34-66)	\$4.08
Tier 4	(>66)	\$5.55
Non-Residential		
Uniform	N/A	\$3.89

Current Fire Line Service Charge

Connection Size	FYE 2018 Rate (\$/Bi-Month)
2"	\$6.29
4"	\$33.25

The water rate study proposes the rate adjustment in water will (please see the tables below for specific service charges):

- » Maintain base revenue at \$5.2 million in FYE 2019.
- » Cover increases in imported water through pass-through charges.
- » Ensure future years in the planning period are indexed to cost of living as opposed to annual set percentage increases.
- » Fund capital projects and a portion of deferred maintenance.

FYE 2019 Recommended Bi-Monthly Fixed Service Charges¹

Meter Size	FYE 2019 Recommended Bi-Monthly Service Charge
3/4" or less	\$79.57
1"	\$97.22
1 1/2"	\$140.92
2"	\$193.58
3"	\$360.52
4"	\$616.17

¹ Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

FYE 2019 Recommended Infrastructure Fixed Charge (\$/Bi-Month)²

Meter Size	FYE 2019 Recommended Infrastructure Charge
3/4" or less	\$21.75
1"	\$36.32
1 1/2"	\$72.43
2"	\$115.93
3"	\$253.82
4"	\$456.75

FYE 2019 Recommended Variable Charge (\$/hcf)³

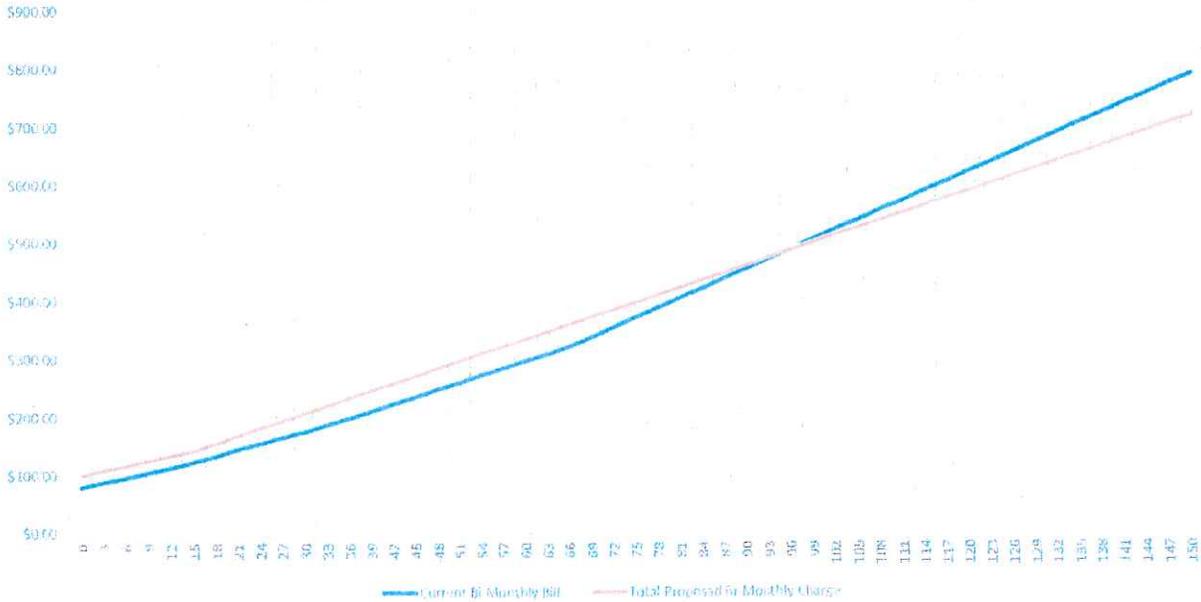
Customer Class	FYE 2019 Recommended Variable Charge
Single Family	
Tier 1	\$2.70
Tier 2	\$4.23
Multi-Family	\$3.73
Non-Residential	\$3.71
Irrigation	\$3.81
Institutional	\$4.10

² Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

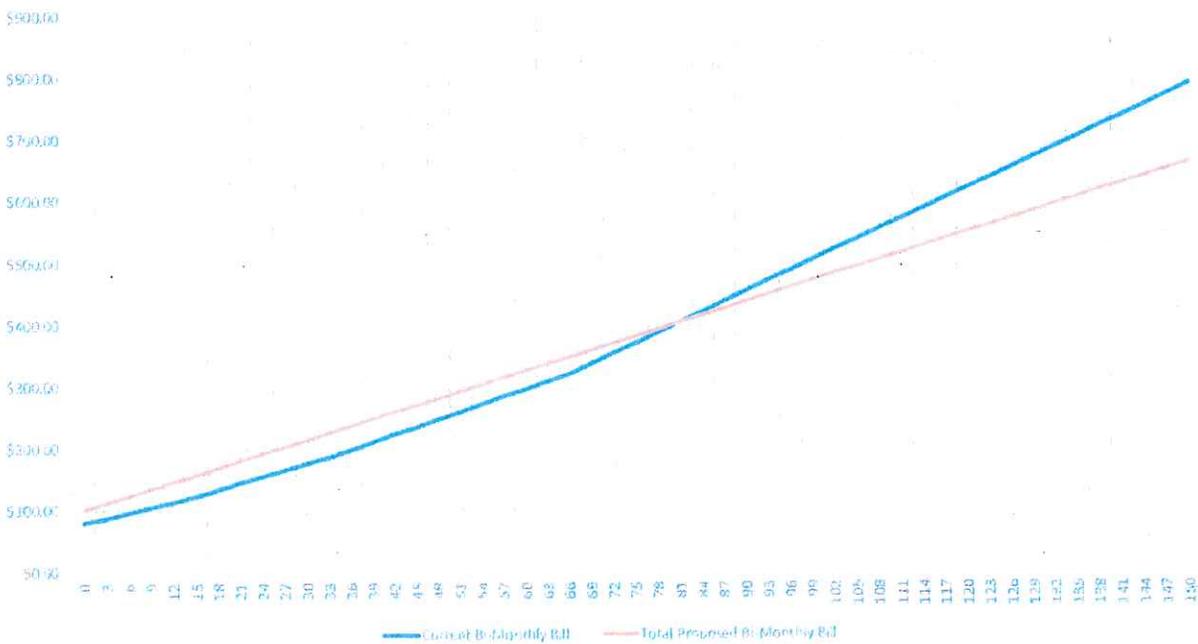
³ Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

Sample calculation of water rates based on proposed new rate structure, including all fixed and variable charges

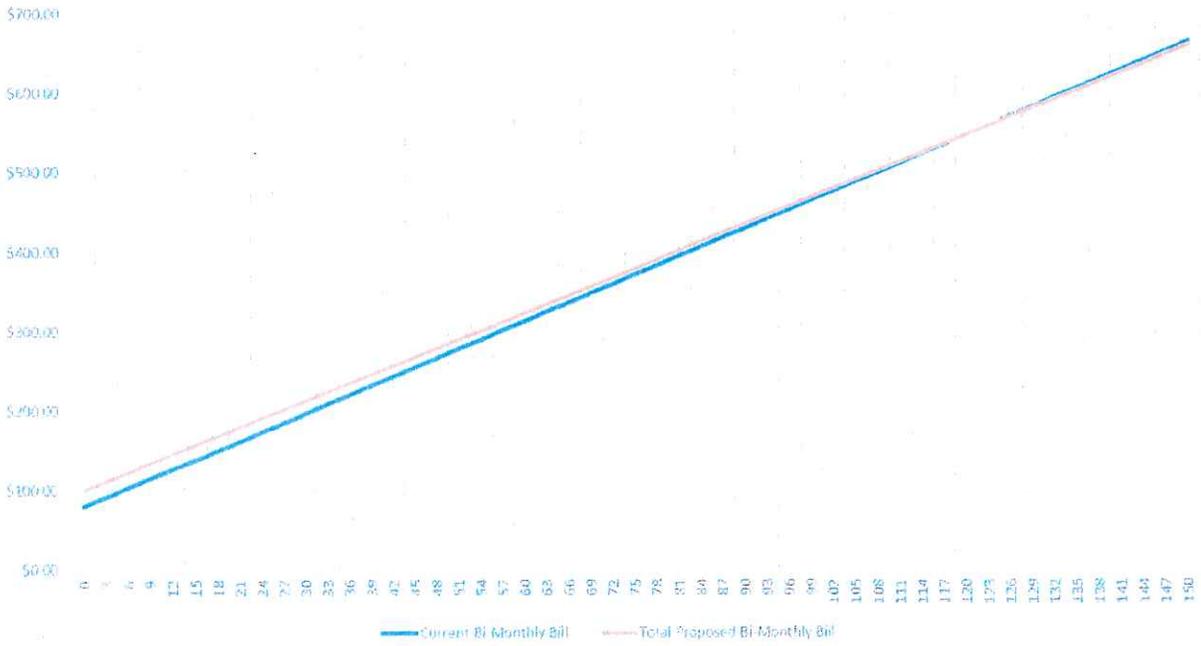
Single Family Residential, Bi-Monthly Impact at Various Use Points



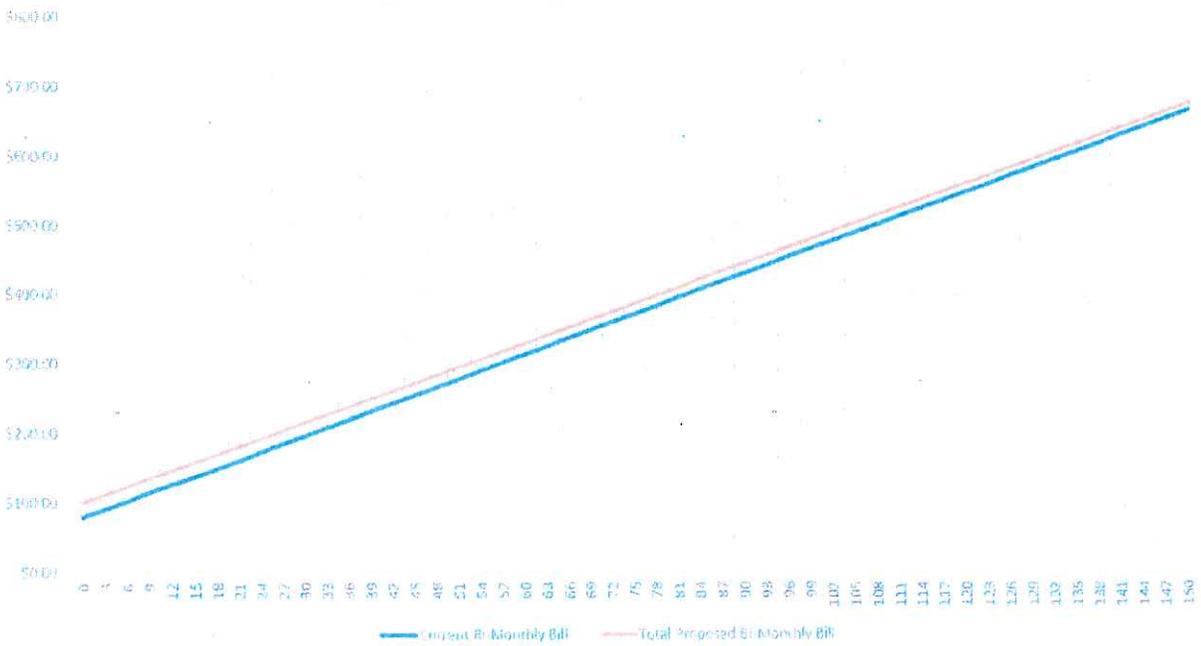
Multi-Family Residential, Bi-Monthly Impact at Various Use Points



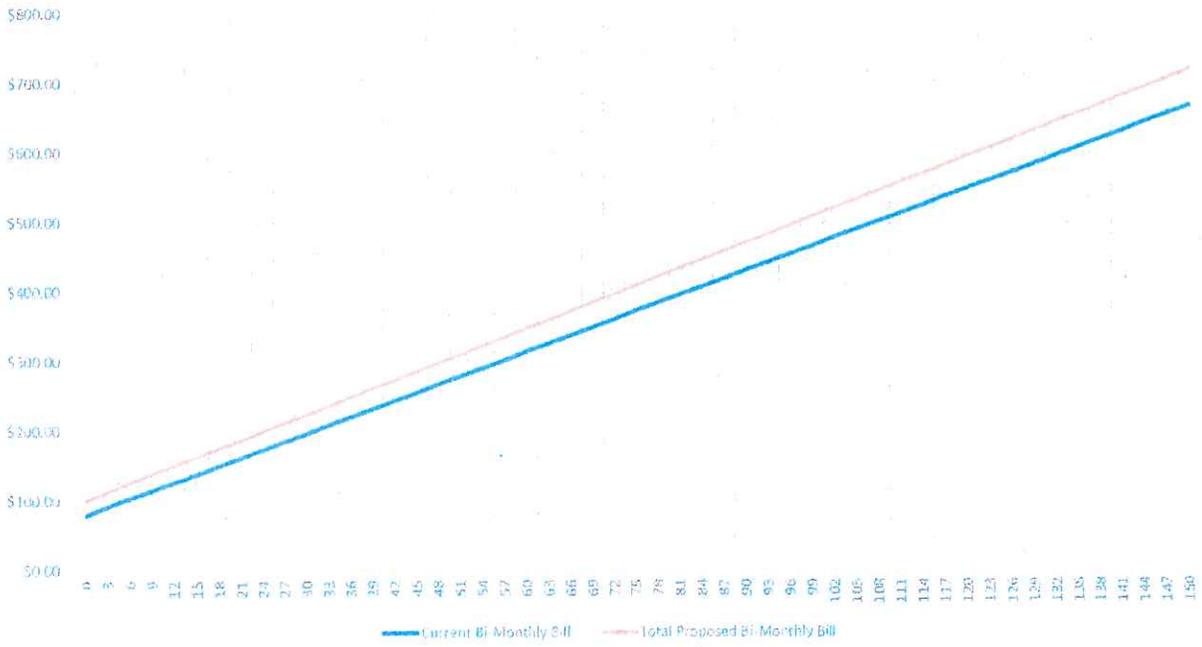
Non-Residential, Bi-Monthly Impact at Various Use Points



Irrigation, Bi-Monthly Impact at Various Use Points



Institutional, Bi-Monthly Impact at Various Use Points



Sewer Rate Study Findings/Reasons for the Rate Increase

A complete listing of rates is shown in the tables below. At the adoption of the previous Sewer Rate study (2013), operations in the Sewer fund were exceeding revenues collected through sewer rates. Instead of increasing rates as proposed, the City Council directed the Sewer Fund to draw down on the fund balance to pay for ongoing operations. The drawing down of reserves is now complete and without the recommended increases to the Sewer Rates, the Sewer Fund will be negative in the first half of the 2018-19 Fiscal Year. The proposed increases to the Sewer Rates will allow the Sewer Fund to pay for ongoing expenses and infrastructure.

Sewer rates pay for the maintenance and operation of the sewage collection and disposal system. Maintenance of the system includes annual cleaning of the entire system for removal of impediments to proper flow, and for more frequent cleaning in a number of problem areas where due to pipe slope, adjacent land uses, or damage to the existing system a higher frequency of cleaning and/or inspection is necessary to assure that the system is functioning properly. Maintenance also includes any necessary repairs and replacements of the infrastructure and the equipment necessary to maintain the sewer system. If the sewer system is not adequately maintained, a possible overflow could occur. If the proposed rate increase is approved the sewer fund is projected to attain self-sufficiency (meaning that the fund would cease using reserves to pay for current operations) in Fiscal Year 2019-2020.

Proposed Sewer Rates

The proposed sewer rates would increase the current bi-monthly charges by 5% on August 1, 2018, followed by 4% increases on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022

Table 5-1: Current Wastewater Bi-Monthly Base Charge

Customer Class	FYE 2018 Base Charge (\$/Bi-Monthly)
Residential	\$32.24
Commercial	\$19.53
Institutional	\$19.53

Table 5-2: Current Wastewater Variable Charge

Customer Class	FYE 2018 Flow Rates (\$/ccf)
Non-Residential	
Commercial	\$0.72
Institutional	\$0.43

Table 5-21: FYE 2019-FYE 2023 Recommended Bi-Monthly Fixed Charges

Customer Class	FYE 2019 Recommended Fixed Charge	FYE 2020 Recommended Fixed Charge	FYE 2021 Recommended Fixed Charge	FYE 2022 Recommended Fixed Charge	FYE 2023 Recommended Fixed Charge
Residential	\$33.79	\$35.14	\$36.55	\$38.01	\$39.53
Non-Residential					
Commercial	\$27.43	\$28.53	\$29.67	\$30.86	\$32.09
Institutional	\$27.43	\$28.53	\$29.67	\$30.86	\$32.09

Table 5-22: FYE 2019-FYE 2023 Recommended Variable Charges (\$/ccf)

Customer Class	FYE 2019 Recommended Variable Charge	FYE 2020 Recommended Variable Charge	FYE 2021 Recommended Variable Charge	FYE 2022 Recommended Variable Charge	FYE 2023 Recommended Variable Charge
Non-Residential					
Commercial	\$0.62	\$0.64	\$0.67	\$0.70	\$0.73
Institutional	\$0.62	\$0.64	\$0.67	\$0.70	\$0.73

Use this form to Protest the Proposed Water and/or Sewer Rate Increase

I, _____ protest this proposed increase to water rates.
(Print first and last name)

I, _____ protest this proposed increase to sewer rates.
(Print first and last name)

Property Address : **Mail Merge** and, City Water Account No: **Mail Merge**

Signature _____ Date: _____
(Must be signed and dated by property owner or water customer as identified in City Water Billing system.)

Guidelines for the Submission and Tabulation of Protests

Under Proposition 218, Sierra Madre is required to hold a protest hearing for certain property related assessments, charges and user fees, prior to the creation of, or increase in certain property related fees. The City of Sierra Madre has mailed a protest form to all water/sewer billing customers regarding a proposed increase in water rates and sewer fees.

The process of submitting, validating, counting and processing the protests is the following:

SUBMISSION OF PROTESTS

1. A protest ballot will be mailed to all water/sewer customers directly responsible for paying a water and/or sewer bill. The envelope will include a letter describing the rate adjustment, the reason for any changes to previous rates, stating the effective date of the adjustment if approved, advising the customer of the protest procedure, and stating the date of the public hearing. A ballot, along with the Guidelines for Submission and Tabulation of Protests, will be included in the mailing.
2. A utility customer or a property owner may submit a protest of the sewer or water rate increase. Each parcel gets one protest, which may be cast by the property owner or the utility customer. But only one protest per parcel will be counted.
3. The protest ballot is included in the City mailing to make it easier to submit a protest; however, it is not a requirement that protests be submitted using the protest ballot. Written protests are also allowed. A written protest must be legible and identify the affected property (by assessor's parcel number or street address) and include the signature of the utility customer or record property owner. The written protest must also state that the individual is protesting the water and/or sewer rate increase.
4. All protests must be mailed or hand delivered in a sealed envelope addressed to the City of Sierra Madre, Attention: Water or Sewer Protest, 232 W. Sierra Madre Boulevard, Sierra Madre, CA 91024.
5. To be valid the protest must bear the original signature of the utility customer or property owner of record with respect to the property identified on the protest. Emailed protests, unsigned protests, illegible protests, or protests not bearing the original signature cannot be accepted. Although oral comments at the Public Hearing will not qualify as a formal protest unless accompanied by a protest ballot or written protest, the City Council welcomes input from the community during the public hearing on the proposed fee.
6. If a parcel served by the City is the service location for more than one customer or is owned by more than a single property owner, each customer or owner may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
7. Any person who submits a protest may withdraw it by submitting a written request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the property owner or utility customer who submitted both the protest and the request that it be withdrawn.
8. A fee protest proceeding is not an election.

TABULATION OF PROTESTS

1. Written protests and protest ballots will remain sealed until tabulated.
2. Protests will be tabulated in public view, on July 24, 2018, at 9:00 a.m. in the City Council Chambers at 232 W. Sierra Madre Boulevard. The public hearing regarding the water/sewer rate increase is being held on the same date, July 24, 2018, at 6:30 pm.
3. The sealed protests will be opened and tabulated by Sierra Madre Staff members who do not reside in the City of Sierra Madre, as such, they do not have a vested interest in the outcome of the proposed fee.
4. The City Clerk and City Manager or designee shall determine the validity of all protests. The City Clerk and City Manager or designee shall not accept as valid any protest if the City Clerk and City Manager or designee determines that any of the following conditions exist:
 - a. The protest does not identify a property served by the City by an accurate City utility account number and street address.
 - b. The protest does not bear an original signature of a property owner of record, or the responsible utility customer identified on the protest.
 - c. The protest is a duplicate protest for the parcel (defined as a "water meter") identified on the protest.
 - d. The protest does not state its opposition to the proposed water or sewer fee.
 - e. The protest was not received by the City before the close of the public hearing on the proposed fees.
 - f. A request to withdraw the protest is received prior to the close of the public hearing on the proposed fees.
 - g. A written protest is illegible such that the City is unable to verify that the signatory is either the record parcel owner or the customer responsible for the water and/or sewer bill.
5. The City Clerk's and City Manager or designee's decision that a protest is not valid or does not apply to a specific fee shall constitute a final action of the City and shall not be subject to any appeal.
6. A majority protest exists if protests are timely submitted and not withdrawn by the record owners or utility customers of a majority of the parcels (water meters) subject to the proposed fee.
7. At the conclusion of the public hearing, the City Clerk and City Manager or designee shall verify the tabulation of all protests received, including those received during the public hearing and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels (water meters) served by the City with respect to the fees which are the subject of the protest, then the City Clerk and City Manager or designee may advise the City Council of the absence of a majority protest without determining the validity of all protests.
8. At the conclusion of the protest verification process, the protests and any resources used to analyze the ballots are deemed public records subject to public disclosure and will be made available for inspection by any interested person. Protests shall be preserved for two years, after which time the protests will be destroyed.

Definitions:

Proposition 218 is the Right to Vote on Taxes Act that was approved by California Voters in November 1996. Proposition 218 added Articles XIII C and D to the California Constitution. A State Supreme Court Case, Bighorn-Desert View Water Agency v. Beringson (July 2006) determined that utility rates (Water and Sewer) are subject to the requirements of Proposition 218, specifically, the majority protest procedure.

Parcel is defined as a “water meter” and a “Sierra Madre Utility Account Number.”

Property Owner is the owner of record as determined by the Los Angeles County Assessor’s office.

Utility Customer/Water Customer is the individual who is listed, by name, in the City’s Utility Billing System as the individual in whose name the bill is mailed. Responsible tenant is also the individual who is named in the City’s Utility Billing System and in whose name the bill is mailed.

Protest is either a written protest or a protest ballot.

Protest ballot is the ballot that is included in the City’s mailing to facilitate the submission of a protest.

Written Protest is correspondence addressed to the City that: (1) identifies the affected property (by City Utility/Water Account Number and the street address), (2) includes the original signature of the utility customer or record property owner, and (3) states that the individual is protesting the water and/or sewer rate increase.

Majority Protest occurs if protests are received from 50% plus 1 of the affected parcels. (A parcel is defined as a water meter.)

Duplicate Protest occurs when more than one protest is received for a single parcel (a parcel is defined as a water meter) and a withdrawal request(s) is not received. Only one ballot will be counted.

Proposition 218 Notification

Notice of Public Hearing
On Water and Sewer Rate AdjustmentsHearing Date and Time: July 31~~XX~~, 2018, at 6:30 PM

Hearing Location: City Council Chambers, 232 W. Sierra Madre Boulevard, Sierra Madre, CA 91024

NOTICE TO SIERRA MADRE WATER and/or SEWER CUSTOMERS AND PROPERTY OWNERS OF A PUBLIC
HEARING FOR A MULTI-YEAR WATER AND SEWER RATE ADJUSTMENT**Public Hearing Notice is Hereby Given**

That the Sierra Madre City Council will hold a public hearing on Tuesday, July 31~~XX~~, 2018, at 6:30 pm in the City Council Chambers, City Hall, 232 W. Sierra Madre Boulevard, Sierra Madre, California, 91024, to consider adopting rate adjustment for water and sewer fees.

~~The Water rate adjustment would be implemented on August 1, 2018. The rate adjustment in 2018 will maintain current base rate revenue, and future years will only need modest cost of living adjustments (COLA) (based on percentage change in the consumer price index (CPI) for Los Angeles Orange Riverside). The COLA adjustment, if needed, would be implemented on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022.~~

~~The first rate adjustment for Sewer would increase sewer rates by 5% and occur on August 1, 2018, followed by increases of 4% annually on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022.~~

Water and Sewer Rates

The City provides water and sewer services to more than ~~XXXX accounts~~ 3,800 accounts within the city limits. The Water and Sewer utilities must be financially self-sufficient. Each utility operates independently from one another. Rates paid by users are the primary source of revenue. All revenue generated from your utility bills is used to maintain the water and sewer systems; it is not used for other general governmental purposes. These revenues must meet costs such as water production, imported water purchases, electricity, chemicals, infrastructure replacement, infrastructure renewal and maintenance, and costs or personnel in each utility enterprise.

Water and Sewer Rate Study

The City of Sierra Madre retained the services of Raftelis Financial Consultants, Inc. to complete a comprehensive water and sewer rate study to determine the appropriate level of revenue required to fund the water and sewer utilities. Proper funding of the water and sewer utility enables the City to ensure the delivery of reliable, quality water that meets or exceeds all state and federal standards; and ensures that the sewer system is maintained and minimizes the possible occurrences of sewage back-ups and overflows into the storm drain system, which could subject the City to large fines and penalties. A copy of the complete draft water and sewer rate study, along with additional information, can be found on the City's website at <http://www.cityofsierramadre.com/transparency>

If you are unable to access the report and information electronically, please call City Hall at (626) 355-7135~~XX~~ and the information will be ~~provided to you~~ made available for your review in hard copy.

Water Rate Study Findings/Reasons for Rate Adjustment

The City imposes water rates in order to fund the costs of operating and maintaining the water system, replacing infrastructure, as well as to pay off the costs of improvements previously made to that system (bond debt).

As proposed, the water rate study would be implemented on August 1, 2018. The proposed rate adjustment in 2018 establishes an infrastructure fixed charge and impacts rates for both the fixed meter costs and rates for the variable water usage costs by the amounts shown in the tables in this notice. ~~will maintain current base rate revenue, and~~ In future years water rates will only need modest cost of living adjustments (COLA) (based on percentage change in the consumer price

index (CPI) for Los Angeles-Orange-Riverside). The COLA adjustment would be implemented on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022.

Proposed Water Rates

~~The proposed water study establishes an infrastructure fixed fee and impacts rates for both the fixed meter costs and rates for the variable water usage costs by the amount shown in the tables below.~~

The proposed water rates are a combination of 1) fixed bi-monthly charges, including customer service, meter capacity, and infrastructure charge (fire line charge for accounts with a private fire line), and 2) bi-monthly variable charges, determined by units (748 gallons/unit) of water consumed in each billing period.

In calendar year 2017 the City was able to locally produce 48% of the water necessary to meet local demand. The remaining 52% of water necessary to meet demand was imported into Sierra Madre. Imported water is significantly more costly than water which is produced locally. It is unlikely the City of Sierra Madre will be able to meet the water demand of Sierra Madre residents through locally produced water alone in the foreseeable future. In order to meet demand in excess of what can be produced locally, the City must import water.

As part of the water rate design, the net amount of available groundwater is apportioned evenly to all single-family residential accounts, with duplexes counting as an additional single-family account. Doing so resulted in each single-family residential account receiving a fair share amount of groundwater equal to 14 ccf (units) per account in a bi-monthly billing period. Every unit of water for residential customers consumed at 15 ccf (units) and above, which is imported water, will be billed at tier 2 water rates.

For all other customer classes, the 14 ccf per account per billing period is accounted for as part of the uniform rate structure by calculating a blended rate.

Current and Recommended Variable Rate Structure

Customer Class / Tiers	Current Tier Width (hcf)	Recommended Tier Width (hcf)
Single Family¹		
Tier 1	(0-11)	(0-14)
Tier 2	(12-33)	(>14)
Tier 3	(34-66)	N/A
Tier 4	(>66)	N/A
Multi Family	Same as Residential	Uniform
Non-Residential	Uniform	Uniform

¹ Single Family accounts consist of single unit housing and duplexes (two units).

As shown in the table above, the current four-tier system will be ~~collapsed into~~ replaced with a two-tier system. Tier 1 in the proposed rate structure will consist of water Sierra Madre can produce from its ground source. Tier 2 will consist of water which Sierra Madre must import to meet consumption demand.

The water rate each single-family residential customer will pay will be comprised of fixed bi-monthly charges, including customer service, meter capacity, and infrastructure charge (fire line charge for accounts with a private fire line) plus the variable charge of water usage from Tier 1 and/or Tier 2.

The water rate each non-residential and multi-family residential customer will pay will be comprised of fixed bi-monthly charges, including customer service, meter capacity, and infrastructure fixed charge plus a uniform rate as shown in the tables below.

The following tables show the current and proposed bi-monthly fixed, and variable charges, and also show the establishment of an infrastructure charge in the proposed rates.

Current Fixed Charge

Meter Size	Current Fixed Water Service Charge (\$ / Bi-Month)
5/8"	\$79.68
3/4"	\$79.68
1"	\$107.00
1 1/2"	\$152.54
2"	\$207.18
3"	\$334.68
4"	\$516.83

Proposed Fixed Charge

Meter Size	FYE 2019 Recommended Fixed Service Charge (\$ / Bi-Month)
5/8"	\$79.57
3/4"	\$79.57
1"	\$97.22
1 1/2"	\$140.92
2"	\$193.58
3"	\$360.52
4"	\$606.17

Current Variable Usage Charge

Customer Class / Tiers	Tier Width (hcf)	FYE 2018 Water Usage Charge (\$/hcf)
Residential		
Tier 1	(0-11)	\$2.69
Tier 2	(12-33)	\$3.47
Tier 3	(34-66)	\$4.08
Tier 4	(>66)	\$5.55
Non-Residential		
Uniform	N/A	\$3.89

Proposed Variable Charge (\$/hcf)¹

Customer Class	FYE 2019 Recommended Variable Charge
Single Family	
Tier 1	\$2.70
Tier 2	\$4.23
Tier 3	Eliminated in Recommended Study
Tier 4	Eliminated in Recommended Study
Multi-Family	\$3.73
Non-Residential	\$3.71
Irrigation	\$3.81
Institutional	\$4.10

FYE 2019 Recommended Infrastructure Fixed Charge (\$/Bi-Month)²

¹ Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

² Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

Meter Size	FYE 2019 Recommended Infrastructure Charge
3/4" or less	\$21.75
1"	\$36.32
1 1/2"	\$72.43
2"	\$115.93
3"	\$253.82
4"	\$456.75

The recommended infrastructure charge is a new charge ~~in water billing~~ and will be established if the rates are adopted and implemented. The infrastructure charge will be used for the replacement of water mains and other infrastructure needs in the Water utility.

Sewer Rate Study Findings/Reasons for the Rate Increase

A complete listing of rates is shown in the tables below. At the adoption of the previous Sewer Rate study (2013), the cost of sewer operations operations' costs in the Sewer fund were exceeded theing revenues collected through sewer rates. Instead of increasing rates as proposed, the City Council directed the Sewer Fund to draw down on the fund balance to pay for ongoing operations. The drawing down of reserves is now complete and without adopting the recommended increases to the Sewer Rates, the Sewer Fund will ~~be~~ fully deplete its operating reserves. The proposed increases to the Sewer Rates will allow the Sewer Fund to pay for ongoing expenses and infrastructure.

The proposed sewer rates would increase the current bi-monthly charges by 105% on August 1, 2018, followed by 43% increases on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022

Proposed Sewer Rates

Current and FYE 2019 FYE 2023 Recommended Bi-Monthly Fixed Charges

Customer Class	FYE 2018 Base Charge (\$/Bi-Monthly) CURRENT	FYE 2019 Recommended Fixed Charge	FYE 2020 Recommended Fixed Charge	FYE 2021 Recommended Fixed Charge	FYE 2022 Recommended Fixed Charge	FYE 2023 Recommended Fixed Charge
Residential	\$32.24	\$33.79	\$35.14	\$36.55	\$38.01	\$39.53
Non-Residential						
Commercial	\$19.53	\$27.43	\$28.53	\$29.67	\$30.86	\$32.09
Institutional	\$19.53	\$27.43	\$28.53	\$29.67	\$30.86	\$32.09

Current and FYE 2019 FYE 2023 Recommended Variable Charges (\$/ccf)

Customer Class	FYE 2018 Flow Rates (\$/ccf) CURRENT	FYE 2019 Recommended Variable Charge	FYE 2020 Recommended Variable Charge	FYE 2021 Recommended Variable Charge	FYE 2022 Recommended Variable Charge	FYE 2023 Recommended Variable Charge

Non-Residential						
Commercial	\$0.72	\$0.62	\$0.64	\$0.67	\$0.70	\$0.73
Institutional	\$0.43	\$0.62	\$0.64	\$0.67	\$0.70	\$0.73

Current and Recommended Bi-Monthly Fixed Charges

Customer Class	FYE 2018 Base Charge (\$/Bi-Monthly) CURRENT	FYE 2019 Recommended Fixed Charge	FYE 2020 Recommended Fixed Charge	FYE 2021 Recommended Fixed Charge	FYE 2022 Recommended Fixed Charge	FYE 2023 Recommended Fixed Charge
Residential	\$32.24	\$35.36	\$36.42	\$37.51	\$38.64	\$39.80
Non-Residential						
Commercial	\$19.53	\$28.70	\$29.56	\$30.45	\$31.36	\$32.30
Institutional	\$19.53	\$28.70	\$29.56	\$30.45	\$31.36	\$32.30

Current and Recommended Variable Charges (\$/ccf)

Customer Class	FYE 2018 Flow Rates (\$/ccf) CURRENT	FYE 2019 Recommended Variable Charge	FYE 2020 Recommended Variable Charge	FYE 2021 Recommended Variable Charge	FYE 2022 Recommended Variable Charge	FYE 2023 Recommended Variable Charge
Non-Residential						
Commercial	\$0.72	\$0.65	\$0.67	\$0.69	\$0.71	\$0.73
Institutional	\$0.43	\$0.65	\$0.67	\$0.69	\$0.71	\$0.73

How to Protest the Proposed Adjustments

As the owner of record of a parcel, or a water and/or sewer ratepayer subject to the imposition of the proposed rate adjustments, you may submit a written protest against the proposed rate changes. If the City receives written protests against the proposed water and sewer rates by a majority of the affected property owners or rate payers prior to the end of the hearing, the fees may not be increased. Only one water protest and one sewer protest will be counted per parcel. Please note that written protests will not be accepted by email or fax. Only one written protest will be counted per identified parcel, filed either by an owner or a tenant of a parcel.

You have the right to withdraw a written protest that you previously submitted ~~prior to 5:00 pm on~~ **no later than at the close of the public hearing on July, 31~~XX~~ 2018.**

The City Council will count all written protests received at the public hearing:

1. If submitted by mail, the protest must be received (not postmarked) no later than **9~~X~~:30~~0~~ am on July 31~~XX~~, 2018** at the mailing address on the form addressed to the City Clerk; or
2. If hand delivered, the protest must be delivered to the City Clerk no later than at the close of the public hearing **on July 31~~XX~~, 2018.**

A written protest must include (1) your name and the original signature; (2) identification of the parcel by address; (3) the assessor's ~~id-ID~~ or parcel number; (4) whether you are the owner of the parcel or the person receiving the service for which the fee is charged; ~~and~~ (5) **City Utility Account Number; and (6)** your statement of the specific rate changes (water and/or sewer) for which you protest the increase in the fee. Written protests will not be accepted by e-mail or by fax. Verbal protests will not be counted.

Please identify on the front of a sealed envelope for any protest, whether mailed or submitted in person, that a **"Water or Sewer Fee Protest is Enclosed."** Written protests may be submitted by mail or in person only to:

City Hall
 Attention: Water or Sewer Protest
 232 W. Sierra Madre Boulevard
 Sierra Madre, CA 91024

If you do not wish to protest the water or sewer rate adjustments, you do not need to take any action.

Please visit the City's website at www.cityofsierramadre.com/transparency for a copy of the Raftelis rate study.

Use this form to Protest the Proposed Water and/or Sewer Rate Increase

I, _____ protest this proposed increase to water rates.
(Print first and last name)

I, _____ protest this proposed increase to sewer rates.
(Print first and last name)

Parcel Identification by Address : _____

Assessor's ID or Parcel Number: _____

Property Owner (Yes or No): _____ Person Receiving Service (Yes or No): _____

City Water Account No: ~~Mail Merge~~ _____

Signature _____ Date: _____

(Must be signed and dated by property owner or water customer as identified in City Water Billing system.)

DRAFT

Guidelines for the Submission and Tabulation of Protests

Under Proposition 218, Sierra Madre is required to hold a protest hearing for certain property related assessments, charges and user fees, prior to the creation of, or increase in certain property related fees. The City of Sierra Madre has mailed a protest form to all water/sewer billing customers regarding a proposed increase in water rates and sewer fees.

The process of submitting, validating, counting and processing the protests is the following:

SUBMISSION OF PROTESTS

1. A protest ballot will be mailed to all water/sewer customers directly responsible for paying a water and/or sewer bill. The envelope will include a letter describing the rate adjustment, the reason for any changes to previous rates, stating the effective date of the adjustment if approved, advising the customer of the protest procedure, and stating the date of the public hearing. A ballot, along with the Guidelines for Submission and Tabulation of Protests, will be included in the mailing.
2. A utility customer or a property owner may submit a protest of the sewer or water rate increase. Each parcel gets one protest, which may be cast by the property owner or the utility customer. But only one protest per parcel will be counted.
3. The protest ballot is included in the City mailing to make it easier to submit a protest; however, it is not a requirement that protests be submitted using the protest ballot. Written protests are also allowed. A written protest must be legible and identify the affected property (by assessor's parcel number or street address) and include the signature of the utility customer or record property owner. The written protest must also state that the individual is protesting the water and/or sewer rate increase.
4. All protests must be mailed or hand delivered in a sealed envelope addressed to the City of Sierra Madre, Attention: Water or Sewer Protest, 232 W. Sierra Madre Boulevard, Sierra Madre, CA 91024.
5. To be valid the protest must bear the original signature of the utility customer or property owner of record with respect to the property identified on the protest. Emailed protests, unsigned protests, illegible protests, or protests not bearing the original signature cannot be accepted. Although oral comments at the Public Hearing will not qualify as a formal protest unless accompanied by a protest ballot or written protest, the City Council welcomes input from the community during the public hearing on the proposed fee.
6. If a parcel served by the City is the service location for more than one customer or is owned by more than a single property owner, each customer or owner may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
7. Any person who submits a protest may withdraw it by submitting a written request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the property owner or utility customer who submitted both the protest and the request that it be withdrawn.
8. A fee protest proceeding is not an election.

TABULATION OF PROTESTS

1. Written protests and protest ballots will remain sealed until tabulated.
2. Protests will be tabulated in public view, on July 31, 2018, at 9:30 a.m. in the City Council Chambers at 232 W. Sierra Madre Boulevard. The public hearing regarding the water/sewer rate increase is being held on the same date, July 31, 2018, at 6:30 pm.
3. The sealed protests will be opened and tabulated by Sierra Madre Staff members who do not reside in the City of Sierra Madre, as such, they do not have a vested interest in the outcome of the proposed fee.
4. The City Clerk and City Manager or designee shall determine the validity of all protests. The City Clerk and City Manager or designee shall not accept as valid any protest if the City Clerk and City Manager or designee determines that any of the following conditions exist:
 - a. The protest does not identify a property served by the City by an accurate City utility account number and street address.
 - b. The protest does not bear an original signature of a property owner of record, or the responsible utility customer identified on the protest.
 - c. The protest is a duplicate protest for the parcel (defined as a "water meter") identified on the protest.
 - d. The protest does not state its opposition to the proposed water or sewer fee.
 - e. The protest was not received by the City before the close of the public hearing on the proposed fees.
 - f. A request to withdraw the protest is received prior to the close of the public hearing on the proposed fees.
 - g. A written protest is illegible such that the City is unable to verify that the signatory is either the record parcel owner or the customer responsible for the water and/or sewer bill.
5. The City Clerk's and City Manager or designee's decision that a protest is not valid or does not apply to a specific fee shall constitute a final action of the City and shall not be subject to any appeal.
6. A majority protest exists if protests are timely submitted and not withdrawn by the record owners or utility customers of a majority of the parcels (water meters) subject to the proposed fee.
7. At the conclusion of the public hearing, the City Clerk and City Manager or designee shall verify the tabulation of all protests received, including those received during the public hearing and shall report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels (water meters) served by the City with respect to the fees which are the subject of the protest, then the City Clerk and City Manager or designee may advise the City Council of the absence of a majority protest without determining the validity of all protests.
8. At the conclusion of the protest verification process, the protests and any resources used to analyze the ballots are deemed public records subject to public disclosure and will be made available for inspection by any interested person. Protests shall be preserved for two years, after which time the protests will be destroyed.

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Definitions:

Proposition 218 is the Right to Vote on Taxes Act that was approved by California Voters in November 1996. Proposition 218 added Articles XIII C and D to the California Constitution. A State Supreme Court Case, *Bighorn-Desert View Water Agency v. Beringson* (July 2006) determined that utility rates (Water and Sewer) are subject to the requirements of Proposition 218, specifically, the majority protest procedure.

Parcel is defined as a "water meter" and a "Sierra Madre Utility Account Number."

Property Owner is the owner of record as determined by the Los Angeles County Assessor's office.

Utility Customer/Water Customer is the individual who is listed, by name, in the City's Utility Billing System as the individual in whose name the bill is mailed. Responsible tenant is also the individual who is named in the City's Utility Billing System and in whose name the bill is mailed.

Protest is either a written protest or a protest ballot.

Protest ballot is the ballot that is included in the City's mailing to facilitate the submission of a protest.

Written Protest is correspondence addressed to the City that: (1) identifies the affected property (by City Utility/Water Account Number and the street address), (2) includes the original signature of the utility customer or record property owner, and (3) states that the individual is protesting the water and/or sewer rate increase.

Majority Protest occurs if protests are received from 50% plus 1 of the affected parcels. (A parcel is defined as a water meter.)

Duplicate Protest occurs when more than one protest is received for a single parcel (a parcel is defined as a water meter) and a withdrawal request(s) is not received. Only one ballot will be counted.



City of Sierra Madre Agenda Report

*Denise Delmar, Mayor
John Harabedian, Mayor Pro Tem
Rachelle Arizmendi, Council Member
John Capoccia, Council Member
Gene Goss, Council Member*

*Sue Spears, City Clerk
Michael Amerio City Treasurer*

TO: Honorable Mayor and Members of the City Council
FROM: Jose Reynoso, Utility Services Director
REVIEWED BY: Gabriel Engeland, City Manager  
DATE: May 22, 2018
SUBJECT: **Implementation of Proposition 218 Process for Water and Sewer Rate Adjustments**

STAFF RECOMMENDATION

Staff is recommending the City Council:

1. Adopt the draft City of Sierra Madre Comprehensive Water and Wastewater Cost of Service Study.
2. Direct staff to initiate the Proposition 218 Notification and Protest ballot process based on the recommendations of the April 23, 2018 Comprehensive Water and Wastewater Cost of Services Study (**Attachment A**).
3. Review and approve supporting documentation for the Proposition 218 process comprised of the Official Protest Ballot (**Attachment B**) and the Guidelines for the Submission and Tabulation of Protests (**Attachment C**).
4. Set July 24, 2018 at 9:00am at Sierra Madre City Hall for the public tabulation of protests and July 24, 2018 at 6:30pm at Sierra Madre City Hall for the Public Hearing as required by Proposition 218.

ALTERNATIVES

1. City Council may recommend changes to the supporting documentation.
2. City Council may delay or decline the implementation of the Proposition 218 process.

SUMMARY

City Staff and the Water Subcommittee have been working with Raftelis Financial Consultants, Inc. to produce an updated Comprehensive Water and Wastewater Cost of Service Study Report (Study). It has been determined that an updated Study was needed due to considerable changes in the delivery of water and sewer services to the community.

- 1. The City is now importing more than 50% of its water to meet consumption demand.*
- 2. Water customers have expressed the complexity of the current billing structure is unacceptable.*
- 3. A focus on infrastructure improvements has been proven to be paramount in the short and long-term viability of the Water Department.*
- 4. Current and expected improvements in operational efficiencies should be reflected in cost-of-service determinations for the next five years.*

The full Study is included as **Attachment A** in this report, and staff has provided a summary with illustrations and analysis below.

ANALYSIS

Proposition 218 Process

Under Proposition 218, the amount of the charge imposed upon any parcel of land must not exceed the proportional cost of service attributable to the parcel. The costs of water (and sewer) rates and charges should be recovered from classes of customers in proportion to the cost of serving those customer classes. Prop 218 provides that utility rates cannot be arbitrary and capricious. Raftelis has strictly followed the guidelines of Proposition 218 in order to ensure that the proposed rates are equitable for all customers. Critical to the design of the utility rates is the nexus between the costs incurred and the rates established. Once revenue goals are set, there is limited flexibility in rate design, other than pass-through costs of imported water or electricity costs and modest cost of living adjustments for subsequent years, both of which are built into the new rate structure.

The Proposition 218 election process requires a 45-day notice and a public hearing.

At the direction of Council, staff will mail protest ballots (**Attachment C**) to explain the process as well as findings for the proposed new rates.

If, at the close of the July 24, 2018 Public Hearing, the City does not receive the required 50% plus one protests, the new rates will go into effect beginning on August 1, 2018, followed by



potential cost of living increases on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022, should a COLA as calculated in the rate study be necessary, or should pass-through costs to the City for imported water or electricity increase. Additional guidelines will be provided to water customers in the mailing and are included with this report as **(Attachment B)**.

Proposed Water Rates

Current and Recommended Variable Rate Structure

Customer Class / Tiers	Current Tier Width (hcf)	Recommended Tier Width (hcf)
Single Family¹		
Tier 1	(0-11)	(0-14)
Tier 2	(12-33)	(>14)
Tier 3	(34-66)	N/A
Tier 4	(>66)	N/A
Multi Family		
	Same as Residential	Uniform
Non-Residential		
	Uniform	Uniform

¹ Single Family accounts consist of single unit housing and duplexes (two units).

As shown in the table above, the current four-tier system will be collapsed into a two-tier system. Tier 1 in the proposed rate structure will consist of water Sierra Madre can produce from its ground source. Tier 2 will consist of water which Sierra Madre must import to meet consumption demand.

The water rate each single-family residential customer will pay will be comprised of fixed bi-monthly charges, including customer service, meter capacity, and infrastructure charge (fire line charge for accounts with a private fire line) plus the variable charge of water usage from Tier 1 and/or Tier 2.

The water rate each non-residential and multi-family residential customer will pay will be comprised of fixed bi-monthly charges, including customer service, meter capacity, and infrastructure charge (fire line charge for accounts with a private fire line) plus a uniform rate as shown in the table, *FYE 2019 Recommended Variable Charge (\$/hcf)*, below.



The next three tables below show the current Bi-Monthly fixed, variable, and fire line charges.

Current Bi-Monthly Water Charges

Meter Size	FYE 2018 Water Service Charge (\$ / Bi-Month)	FYE 2018 Low Income Discount (\$ / Bi-Month)*
5/8"	\$79.68	\$51.79
3/4"	\$79.68	\$51.79
1"	\$107.00	\$69.55
1 1/2"	\$152.54	\$99.15
2"	\$207.18	\$134.67
3"	\$334.68	\$217.54
4"	\$516.83	\$335.94

*Low Income Discount are subsidized by the General Fund and not by the rate payers and the Water Fund.

Current Variable Usage Charge

Customer Class / Tiers	Tier Width (hcf)	FYE 2018 Water Usage Charge (\$/hcf)
Residential		
Tier 1	(0-11)	\$2.69
Tier 2	(12-33)	\$3.47
Tier 3	(34-66)	\$4.08
Tier 4	(>66)	\$5.55
Non-Residential		
Uniform	N/A	\$3.89

Current Fire Line Service Charge

Connection Size	FYE 2018 Rate (\$/Bi-Month)
2"	\$6.29
4"	\$38.95

IMPLEMENTATION OF PROP. 218 PROCESS FOR WATER AND SEWER RATE
ADJUSTMENTS

May 22, 2018

Page 5 of 7



The water rate study proposes the rate adjustment in water will (please see the tables below for specific service charges):

- » Maintain base revenue at \$5.2 million in FYE 2019.
- » Cover increases in imported water through pass-through charges.
- » Ensure future years in the planning period are indexed to cost of living as opposed to annual set percentage increases.
- » Fund capital projects and a portion of deferred maintenance.
- »

FYE 2019 Recommended Bi-Monthly Service Charges¹

Meter Size	FYE 2019 Recommended Bi-Monthly Service Charge
3/4" or less	\$79.57
1"	\$97.22
1 1/2"	\$140.92
2"	\$193.58
3"	\$360.52
4"	\$606.17

FYE 2019 Recommended Infrastructure Fixed Charge (\$/Bi-Month)²

Meter Size	FYE 2019 Recommended Infrastructure Charge
3/4" or less	\$21.75
1"	\$36.32
1 1/2"	\$72.43
2"	\$115.93
3"	\$253.82
4"	\$456.75

1 Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

2 Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

IMPLEMENTATION OF PROP. 218 PROCESS FOR WATER AND SEWER RATE
ADJUSTMENTS

May 22, 2018

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FYE 2019 Recommended Variable Charge (\$/hcf)³

Customer Class	FYE 2019 Recommended Variable Charge Per Unit
Single Family	
Tier 1	\$2.70
Tier 2	\$4.23
Multi-Family	
Multi-Family	\$3.73
Non-Residential	\$3.71
Irrigation	\$3.81
Institutional	\$4.10

Sewer Charges

At the adoption of the previous Sewer Rate study (2013), operations in the Sewer fund were exceeding revenues collected through sewer rates. Instead of increasing rates as proposed, the City Council directed the Sewer Fund to draw down on the fund balance to pay for ongoing operations. The drawing down of reserves is now complete and without the recommended increases to the Sewer Rates, the Sewer Fund will be negative in the first half of the 2018-19 Fiscal Year. The proposed increases to the Sewer Rates will allow the Sewer Fund to pay for ongoing expenses and infrastructure.

The proposed sewer rates would increase the current bi-monthly charges by 5% on August 1, 2018, followed by 4% increases on July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022

FYE 2019-FYE 2023 Recommended Bi-Monthly Fixed Charges

Customer Class	FYE 2019 Recommended Fixed Charge	FYE 2020 Recommended Fixed Charge	FYE 2021 Recommended Fixed Charge	FYE 2022 Recommended Fixed Charge	FYE 2023 Recommended Fixed Charge
Residential	\$33.32	\$34.66	\$36.05	\$37.49	\$38.99
Non-Residential					
Commercial	\$27.48	\$28.58	\$29.72	\$30.91	\$32.15
Institutional	\$27.48	\$28.58	\$29.72	\$30.91	\$32.15

³ Rates for subsequent years after FYE 2019 shall adjust based on the percentage change in CPI.

IMPLEMENTATION OF PROP. 218 PROCESS FOR WATER AND SEWER RATE
ADJUSTMENTS

May 22, 2018

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FYE 2019-FYE 2023 Recommended Non-Residential Variable Charges (\$/ccf)

Customer Class	FYE 2019 Recommended Variable Charge	FYE 2020 Recommended Variable Charge	FYE 2021 Recommended Variable Charge	FYE 2022 Recommended Variable Charge	FYE 2023 Recommended Variable Charge
Non-Residential					
Commercial	\$0.57	\$0.59	\$0.61	\$0.63	\$0.66
Institutional	\$0.57	\$0.59	\$0.61	\$0.63	\$0.66

FINANCIAL REVIEW

The financial impacts of implementing the Proposition 218 process consists of an estimated \$5,000 for the printing and mailing of ballots plus staff time for the tabulation of protests and reporting of results. There will also be staff time dedicated to updating the utility billing rate structure software.

PUBLIC NOTICE PROCESS

This item has been noticed through the regular agenda notification process. Copies of this report are available at the City Hall public counter, at the Sierra Madre Public Library, and can be accessed on the City's website at www.cityofsierramadre.com.



City of Sierra Madre Agenda Report

Denise Delmar, Mayor
John Harabedian, Mayor Pro Tem
Rachelle Arizmendi, Council Member
John Capoccia, Council Member
Gene Goss, Council Member

Sue Spears, City Clerk
Michael Amerio City Treasurer

TO: Honorable Mayor and Members of the City Council

FROM: Gabriel Engeland, City Manager 

DATE: July 31, 2018

SUBJECT: **Adoption of Urgency Ordinance Amending Section 13.24.140 of the Municipal Code by Deleting Subsections A and B Regarding Penalties for Violation of Mandatory Water Conservation**

STAFF RECOMMENDATION

Staff recommends the City Council adopt an urgency ordinance to immediately remove (rescind) sub-sections A and B of Sierra Madre Municipal Code (SMMC) 13.24.140 (Failure to Comply – Penalties).

ALTERNATIVES

1. City Council may choose to leave excess water charges in place.
2. City Council may direct staff to determine additional water conservation practices which are appropriate prior to rescinding or altering this section of the SMMC.
3. City Council may direct staff to modify the existing penalty structure for water use in excess of mandatory water conservation.

SUMMARY

In June of 2018 the City Council directed staff to purchase and install Automated Meter Infrastructure (AMI) smart meters for all water customers in Sierra Madre. Smart meters will allow customers to quickly identify and address water loss, leaks, and excessive use and will also assist customers in managing the amount of water consumed.

The installation of smart meters will help Sierra Madre make water conservation a way of life, as directed by Governor Brown. In addition, the continued enforcement of sections 13.24.060, 13.24.230 and 13.24.240 of the Sierra Madre Municipal Code will continue the prohibition of wasteful water practices in Sierra Madre while also assisting water consumers to use water more wisely, eliminate water waste, and strengthen local drought resilience.

The relevant sections for continued enforcement of the Sierra Madre Municipal Code are as follows:

13.24.060 Prohibited uses applicable to all customers.

The following uses of water are prohibited for all water department customers. Violations of this section are subject to administrative citation pursuant to the procedures set forth in Chapter 1.18.

- A. There shall be no washing of sidewalks, walkways, patios, driveways, or parking areas by a water hose.
- B. No water shall be used to clean, fill or maintain levels in decorative fountains unless such water is part of a recycling system.
- C. No restaurant, cafe, deli, or other public place where food is sold, served or offered for sale, shall serve drinking water to any customer unless expressly requested by the customer.
- D. No customer of the water department shall permit water to leak from any facility on the premises.
- E. No lawn, landscaping, or other turf area shall be watered or irrigated between the hours of ten a.m. and four p.m.
- F. No lawn, landscape, or turf area shall be watered in a wasteful manner. Nor shall any water be wasted if the existing conditions may be corrected or reasonably modified.
- G. The use of a hose to wash an automobile, except where the hose is fitted with a shut-off nozzle or device attached to it that causes it to cease dispensing water immediately when not in use.

13.24.230: Restrictions on Irrigation

- A. If so declared pursuant to a drought or water shortage emergency, in addition to the restrictions set forth in Section 13.24.060 (A)—(G), no customer shall make, cause, use, or permit the use of water delivered from the water department more than two days per week for purposes of irrigating of lawn, landscape or other vegetated area ("landscape irrigation"):
 - 1. Even-numbered addresses shall be limited to landscape irrigation on Mondays and Thursdays.
 - 2. Odd-numbered addresses and addresses ending in fractions shall be limited to landscape irrigation on Tuesdays and Fridays.
- B. The restrictions of subsection A. above do not apply to landscape irrigation zones that exclusively use very low flow drip type irrigation systems when no emitter produces more than two gallons of water per hour. These restrictions are not applicable to watering or irrigating by use of a hand-held bucket or similar container, a hand-held hose equipped with a positive self-closing water

shut-off nozzle or device, or for very short periods of time for the express purpose of adjusting or repairing an irrigation system.

- C. No water customer shall perform any type of outdoor watering within forty-eight hours of a measurable rain event. A measurable rain event shall be defined as a storm producing 0.25 inches or more of precipitation within Sierra Madre during a twenty-four-hour period.

13.24.240 - Implementation of state mandates.

In times of water emergency the State Water Resources Control Board may adopt regulations requiring local agencies to enact certain mandatory water conservation measures. In similar manner the state may rescind water conservation measures. The City Council shall, after a noticed public hearing and by resolution, order that the appropriate water conservation measures as directed by the state be implemented, modified, or rescinded. The resolution shall become effective immediately upon adoption by the City Council and shall be published once in the newspaper of general circulation.

ANALYSIS

Governor Brown declared the statewide drought had ended in April of 2017, but acknowledged localized droughts in the state still existed. During this declaration Governor Brown continued the prohibition on wasteful water practices and signed Executive Order B-37-16 to ensure water conservation becomes “a way of life” in California. The Governor directed various State agencies to design and implement regulations to use water more wisely, eliminate water waste, and strengthen local drought resilience, in preparation for the next drought.

Staff believes the installation of AMI smart meters for every water user in Sierra Madre meets and exceeds the directives set forward by Governor Brown.

The formula for calculation of penalties for violation of mandated water conservation levels is no longer applicable. Accordingly, staff recommends deleting or rescinding Subsections A and B of Section 13.24.140 of the Municipal code. Violations of Section 13.24.060 (restrictions on use of water), 13.24.230 (restrictions on irrigation) or 13.24.240 (restrictions imposed by the State Water Resources Control Board) are still subject to administrative penalty. An urgency ordinance is necessary to protect the health, safety and welfare by immediately eliminating the calculation of penalties applicable to violation of mandatory water conservation, consistent with the Council's earlier direction to cease collection of penalties for violation of mandatory water conservation. An urgency ordinance may be adopted pursuant to Government Code Section 363937(b), upon a finding that such action is necessary to protect the health, safety or welfare of the community and a 4/5ths vote of City Council. An urgency ordinance may be adopted at either a general or special meeting and will take immediate effect without a second reading.

FINANCIAL REVIEW

Revenues and expenditures for the FY 18-19 budget were estimated pending the conclusion of the 218 process. Now that the 218 process is complete, the budget will need to be amended. There is no budget impact.

CEQA / ENVIRONMENTAL

N/A

PUBLIC NOTICE PROCESS

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ATTACHMENTS:

- 1) Attachment A Urgency Ordinance Amending Section 14.24.140 by deleting Penalties for Violation of Mandatory Water Conservation.
- 2) Attachment B SMMC § 13.24.140, redlined to reflect proposed rescission of section A and B

ORDINANCE 1400-U

AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SIERRA MADRE, CALIFORNIA, AMENDING CHAPTER 13.24 ("MANDATORY WATER CONSERVATION PLAN") TO DELETE SUBSECTION A ("FIRST VIOLATION") AND B ("SECOND VIOLATION") OF SECTION 13.24.140, RESULTING IN A REVISED SECTION 13.24.140 ("FAILURE TO COMPLY—PENALTIES")

WHEREAS, on January 17, 2014, the Governor of the State of California proclaimed a state of drought emergency in the State of California due to current drought conditions in the state and called upon all Californians to reduce their water usage by 20 percent; and

WHEREAS, in April 2017, the Governor proclaimed that the drought emergency had ended, although acknowledging that localized drought remains in various regions within the state and called upon all Californians to make water conservation a way of life in California; and

WHEREAS, the East Raymond Basin remains in a state of overcharge, with the City unable to pump its full adjudicated amount of ground water, necessitating the City's continued reliance on imported water; and

WHEREAS, the City has revised its water rate structure, effective August 1, 2018, reflecting the distribution of ground water and imported water to its customers, and as a result, previous penalties for violation of mandatory conservation are no longer applicable; and

WHEREAS, the City Council declares an Urgency pursuant to Section 36937(b) of the California Government Code which would permit this Ordinance to take effect immediately for the preservation of the public peace, health and safety in avoidance of any confusion regarding the application of penalties to the City's revised water and sewer rate structure, and the preservation of existing administrative penalties for prohibited uses or water and restrictions on irrigation.

NOW THEREFORE, THE CITY COUNCIL ORDAINS AS FOLLOWS:

Section 1. Section 13.24.140 ("Failure to comply-Penalties") of the Sierra Madre Municipal Code is amended by deleting subsections A ("First Violation") and B ("Second Violation), resulting in a revised Section 13.24.140 to read as follows:

"13.24.140 Failure to comply—Penalties.

A. Pursuant to the State Water Resources Control Board Emergency Rule Article X, Section X.1 and procedures set forth in Chapter 1.18 ("Administrative penalties") of this code, a violation of Sections 13.24.060 A-F or 13.24.230 of this Chapter shall be punishable by an administrative citation as follows:

1. \$125 for the first violation;
2. \$250 for the second violation;

ATTACHMENT B

3. \$500 for the third and any additional violation.
- B. Upon the exhaustion of the procedures set forth in [Chapter 1.18](#) ("Administrative penalties") and this chapter for any penalties imposed pursuant to this section, the city may thereafter place any such unpaid penalties on the water bill in the manner prescribed in [Section 13.04.050](#). Payments on water bills shall first be applied to any such unpaid penalties before payments for water or other service."

Section 2. This ordinance is adopted by a 4/5 vote of the City Council and shall take effect immediately upon adoption as provided by Government Code Section 36937(b).

Section 3. Certification. The City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same to be published or posted according to law.

URGENCY ORDINANCE NO. 1400-U PASSED, APPROVED AND ADOPTED, this 31st day of July, 2018 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Denise Delmar

ATTEST:

Sue Spears, City Clerk

APPROVED AS TO FORM:

Teresa L. Highsmith, City Attorney

13.24.140 - Failure to comply—Penalties.

It is unlawful for any customer or user thereof of the water department to fail to comply with Sections [13.24.070](#) through [13.24.120](#) of this chapter. Civil penalties for failure to comply with any of the provisions shall be as follows:

~~A. First Violation. For the first violation by any customer of the water department of any provision of Sections [13.24.070](#) through [13.24.120](#), a surcharge penalty is imposed in an amount of twice the Tier 1 water rate per one hundred cubic feet of water or billing units.~~

~~B. Second Violation. For the second and all future violations by any customer of the water department of any provision of Sections [13.24.070](#) through [13.24.120](#), a surcharge penalty is imposed in the amount of three times the Tier 1 water rate per one hundred cubic feet of water or billing units.~~

~~C. A.~~ Pursuant to State Water Resources Control Board Emergency Rule Article X, Section X.1 and the procedures set forth in [Chapter 1.18](#) ("Administrative penalties") of this code, a violation of Sections [13.24.060](#)(A), (B), (F), and (G) or [Section] [13.24.230](#) or additional state regulations adopted according to [Section 13.24.240](#) of this chapter shall be punishable by an administrative citation as follows:

1. \$125.00 for the first violation;
2. \$250.00 for the second violation;
3. \$500.00 for the third and any additional violation.

~~D. B.~~ Upon the exhaustion of the procedures set forth in [Chapter 1.18](#) ("Administrative penalties") and this chapter for any penalties imposed pursuant to this section, the city may thereafter place any such unpaid penalties on the water bill in the manner prescribed in [Section 13.04.050](#). Payments on water bills shall first be applied to any such unpaid penalties before payments for water or other service.

(Ord. No. 1322, § 1, 1-24-12; Ord. No. 1338, § 2, 5-28-13; Ord. No. 1342, § 1, 6-23-13; Ord. No. 1359U, § 2, 7-22-14; Ord. No. 1370U, § 3, 11-24-15)