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**AGENDA
MUNICIPAL SERVICES
COMMITTEE**

*****SPECIAL MEETING NOTICE*****

APRIL 24, 2019

PUBLIC MEETING 4:00 P.M.

MEMBERS

Margaret McAustin, Chair, District 2
Terry Tornek, Mayor
Tyron Hampton, District 1
Andy Wilson, District 7

STAFF

Gurcharan Bawa, General Manager
Brad Fuller, Assistant City Attorney
Valerie Flores, Recording Secretary

MISSION STATEMENT

The City of Pasadena is dedicated to delivering exemplary municipal services, responsive to our entire community and consistent with our history, culture and unique character.

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*Language translation services are available for this meeting by calling (626) 744-4124 at least 24 hours in advance.
Habrá servicio de interpretación disponible para éstas juntas llamando al (626) 744-4124 por lo menos con 24 horas de anticipación.*

Items on the agenda may not be called in order listed.

Agendas and supporting documents are available on the Internet at <http://ww5.cityofpasadena.net/commissions/city-council-municipal-services-committee/>

*Materials related to an item on this Agenda submitted to the Municipal Services Committee **after** distribution of the agenda packet are available for public inspection in the City Clerk's Office at 100 N. Garfield Avenue, Room S-228, Pasadena, during normal business hours.*



NOTICE OF A SPECIAL MEETING OF THE
MUNICIPAL SERVICES COMMITTEE
Wednesday, April 24, 2019 at 4:00 P.M.
100 North Garfield Avenue, Pasadena, Council Chambers

AGENDA

NOTICE IS HEREBY GIVEN that a special meeting of the Municipal Services Committee will be held on Wednesday, April 24, 2019, at 4:00 p.m. in the Council Chambers Room located at 100 N. Garfield, Pasadena, California, for the purpose of considering the agenda items listed below:

1. **CALL TO ORDER/ROLL CALL**
2. **PUBLIC COMMENT - LIMITED TO ITEMS ON THIS SPECIAL MEETING AGENDA**
 - Please limit comments to 3 minutes each.
3. **APPROVAL OF MINUTES** – February 26, 2019 – Regular Meetings*
4. **NEW BUSINESS**
 - A. Set a Date of June 10, 2019, for a Public Hearing for Recommended Adjustments to the Electric Rates and the Electric Utility Assistance Program*
 - B. Adopt a Resolution Suspending Collection of the Underground Surtax through June 30, 2022*
5. **ADJOURMENT**

*Attachment

NEXT MEETING
May 14, 2019

Margaret McAustin, Chair
Municipal Service Committee

POSTING STATEMENT:

I **HEREBY CERTIFY** that this Agenda, in its entirety, was posted on the Council Chamber Bulletin Board S249, the bulletin board in the rotunda area at City Hall, 100 North Garfield Avenue, the City Clerk's Office, and a copy was distributed to the Central Library for posting on the 19th day of April, 2019 by 6:00 p.m.

Susana Castro

DISTRIBUTION:

MSC Committee Members	Central Library	General Manager	Pasadena Weekly
City Council	City Clerk	Director of Planning and Permitting	Pasadena Star-News
City Manager	Director of Public Works	Los Angeles Times	Pasadena Now
City Attorney	Public Information Officer	La Opinión	Pasadena Journal

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**CITY OF PASADENA
MUNICIPAL SERVICES COMMITTEE MINUTES
PASADENA CITY HALL
100 NORTH GARFIELD AVENUE
CITY HALL COUNCIL CHAMBER – S249
FEBRUARY 26, 2019
REGULAR MEETING**

OPENING The Chair called the regular meeting of the Municipal Services Committee to order at 4:22 p.m.

ROLL CALL: Councilmember Margaret McAustin (Chair)
Mayor Terry Tornek
Councilmember Tyron Hampton
Councilmember Andy Wilson (Absent)

Staff: Julie Gutierrez, Assistant City Manager
Lisa Hosey, Assistant City Attorney
Thanos Gauthier, Public Works Superintendent
Carmen Rubio, Program Coordinator II
Gurcharan Bawa, General Manager of Water and Power
Eric Klinkner, Assistant General Manager of Water and Power
Mauricio Mejia, Project Manager, Water and Power
Shari Thomas, Assistant General Manager of Water and Power
Valerie Flores, Recording Secretary

PUBLIC COMMENT No one appeared for public comment.

APPROVAL OF MINUTES It was moved by Mayor Tornek, and seconded by Councilmember Hampton, to approve the minutes of September 25, 2018 (regular meeting), October 9, 2018 (regular meeting), October 23, 2018 (regular meeting), November 13, 2018 (cancelled meeting), and November 27, 2018 (regular meeting), as submitted. (Motion unanimously carried) (Absent: Councilmember Wilson)

INFORMATION ITEMS **UPDATE FROM METROPOLITAN WATER DISTRICT BOARD MEMBER CYNTHIA KURTZ**

Cynthia Kurtz, City's representative on the Metropolitan Water District (MWD) Board, shared information on MWD and its current activities, which included information on the tunneling project, Colorado River drought management plan, current water supply, and legislation related to water.

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

REVIEW OF NON-EXCLUSIVE SOLID WASTE COLLECTION FRANCHISE SYSTEM

Carmen Rubio, Program Coordinator II, provided a PowerPoint presentation summarizing the agenda item and responded to questions.

Councilmember Hampton asked Thanos Gauthier, Public Works Superintendent, to continue communicating to his staff the need to call-in and report any items left in the public right of way.

The Chair asked staff to bring forward to the Committee an update on the Zero Waste Master Plan in the near future.

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

AUTHORIZE AN AGREEMENT WITH TESLA, INC., DBA TESLA MOTORS, INC., FOR THE INSTALLATION OF TWENTY-FOUR TESLA CHARGING STATIONS IN THE CITY-OWNED MARENGO PARKING GARAGE LOCATED AT 155 E. GREEN STREET, PASADENA, CA

Eric Klinkner, Assistant General Manager of Water and Power, provided a PowerPoint presentation reviewing the agenda item, and responded to questions.

Tesla representatives responded to questions regarding the site selection criteria and projected timeline for the installation of the charging stations.

In response to the Mayor, Mauricio Mejia, Project Manager, stated the City and Tesla, as part of the agreement, will work together to install signage promoting/identifying the electric vehicle charging stations.

Councilmember Hampton expressed his support for the proposed agreement and asked that staff and Tesla consider the Rose Bowl as a possible location for future electric vehicle charging stations.

Following discussion, it was moved by Mayor Tornek, seconded by Councilmember Hampton, to approve staff's recommendation, and forward the item to the full City Council for consideration. (Motion unanimously carried) (Absent: Councilmember Wilson)

SET A DATE OF MAY 13, 2019 FOR A PUBLIC HEARING FOR RECOMMENDED ADJUSTMENTS TO THE WATER RATES

Shari Thomas, Assistant General Manager of Water and Power, provided a PowerPoint presentation summarizing the agenda item and responded to questions

Ken Kules, Pasadena resident, expressed concerns and provided suggestions regarding the proposed adjustments to the water rates, and submitted written material.

Lisa Hosey, Assistant City Attorney, informed the Committee that the City has consulted with outside legal representation regarding the City's compliance to Proposition 218.

The Mayor asked staff to include, as part of the customer bill impact portion of the report, a column that shows the cumulative impact over 3 years, expressed his concerns with the proposed increase and the

anticipated pushback from residential users, and noted that, given the complexity of the subject matter, he intends to review the information and make suggestions on ways to be more transparent as it relates to the information provided to customers, highlighting the key facts and supporting analyses.

Following discussion, Gurcharan Bawa, General Manager of Water and Power, responding to questions regarding various impacts on customer bills based on meter connection size.

Following additional discussion, it was moved by Mayor Tornek, seconded by Councilmember Hampton, to approve staff's recommendation, and forward the item to the full City Council for consideration. (Motion unanimously carried) (Absent: Councilmember Wilson)

ADJOURNMENT

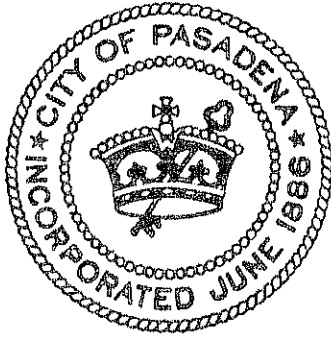
On the order of the Chair, the regular meeting of the Municipal Services Committee was adjourned at 5:46 p.m.

ATTEST:

Councilmember Margaret McAustin, Chair
Municipal Services Committee

Valerie Flores
Recording Secretary

4.A



Agenda Report

May 6, 2019

TO: Honorable Mayor and City Council
FROM: Water and Power Department
THROUGH: Municipal Services Committee (April 24, 2019)
SUBJECT: SET A DATE OF JUNE 10, 2019 FOR A PUBLIC HEARING FOR RECOMMENDED ADJUSTMENTS TO THE ELECTRIC RATES AND THE ELECTRIC UTILITY ASSISTANCE PROGRAM

RECOMMENDATION:

It is recommended that the City Council:

- 1) Find that the Public Hearing for the recommended adjustments to the electric rate structure is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges); and,
- 2) Establish a date of June 10, 2019 to conduct a public hearing on the recommended adjustments to the electric rates and amendments to the Electric Utility Assistance Program effective July 1, 2019, or as practicable thereafter to:
 - a) Adopt and implement new fixed "Grid Access Fees" for all customers to generate annual revenue of approximately \$10.3 million;
 - b) Amend the Electric Utility Assistance Program ("EUAP") to: (i) to increase the basic benefit from \$7.50 per month to \$10.00 per month; and, (ii) change the low income program eligibility requirements as described herein.

EXECUTIVE SUMMARY:

The Pasadena Water and Power Department ("PWP"), like other electric utilities in California, is operating in a rapidly changing business environment driven by customers' ability to generate their own electricity, increasing renewable energy mandates from the State of California and declining retail sales. Customers are increasingly pursuing self-generation and storage technologies that reduces their need for delivered electricity and dependency on the utility. As a result, PWP's retail sales are declining and the utility is recovering less revenue than is required to cover its fixed costs of operations and for infrastructure investment.

To remain viable in the evolving electric industry, rate designs must reflect changing customer needs. While conservation-minded consumers and efficient technology are encouraging less traditional dependence on the distribution system, the fixed costs associated with maintaining the system for all customers (whether for primary or back-up services) remain. Additionally, customers have the ability to inject their excess generation into PWP's distribution system and draw it back at the time of their choosing. To accommodate this new practice of two way electricity flow, the distribution system requires additional investments in equipment and technology.

In order to mitigate the under-collection of fixed costs, PWP is proposing a rate plan that will enhance recovery, and generate sufficient net income to support ongoing operations and required capital investment in the electric distribution system. Specifically, PWP is proposing to implement a new monthly fixed distribution charge ("Grid Access Fee") to better align revenues with changes in customers' electricity use and offset the impacts associated with reduced electricity consumption. The proposed rate increase still falls short of revenue requirements by approximately \$6.8 million annually. This gap is expected to be filled by greater internal efficiencies and non-retail revenues.

Additionally, PWP is proposing changes to the Electric Utility Assistance Program ("EUAP") to increase the number of eligible low income customers and enhance the monthly rate benefits. As a means to partially mitigate the impact of the new fixed charge on low income-qualified customers, staff is recommending a \$2.50 increase in the City Council-approved \$7.50 per month "basic benefit" (monthly bill credit), which has been in place since August 2009. Staff proposes to make the new \$10.00 per month credit effective July 1, 2019, or as soon as the ordinance amendment takes effect.

BACKGROUND:

Increasing focus on energy efficiency and customers' reliance on self-generation and storage systems such as solar panels, battery storage, fuel cells, and micro turbines have resulted in about a 16.5% decline in retail sales over the past ten years. Solar and battery storage have enabled customers to generate electricity for personal use and sell excess generation to the power grid through agreements with PWP.

For these customers, electric utilities like PWP become the backup power source and the buyer of excess generation. In addition, though customers' overall use of PWP's distribution system may decline, their peak demand in the evening remains high. Therefore, the system must continue to be maintained and made available for these customers when they need to draw power due to insufficient self-generation. The distribution system also provides reliable power for customers that do not self-generate, and equitable recovery of costs to maintain and invest in the system should be shared by all customers.

However, despite selling less electricity, the utility has the same obligation to maintain the distribution system to provide electricity for all customers at all times. While variable

purchased power costs may decrease with reduced energy consumption, personnel, distribution system related operations and maintenance, call center and customer service and debt service costs remain fixed or in some cases, continue to rise. The revenues generated from the current predominantly volumetric rate structure have become insufficient to recover operating costs and support PWP’s growing capital investments.

To address these concerns, PWP is recommending changes to electric rates that: (1) reflect the evolving needs of customers; and, (2) ensure sufficient collection of funds to ensure a reliable electric distribution system for the long term.

Distribution and Energy Costs Revenue Requirements

During the preparation of the Fiscal Year (“FY”) 2020 Operating Budget, staff implemented several measures to minimize expenses. However, flat or decreased retail sales are expected to continue while the costs of operations and required capital investment are increasing. Although variable costs may decrease with reduced sales, fixed costs remain unchanged or will increase. The projected FY 2020 retail sales revenues at current electric rates are insufficient to recover increased operation and maintenance costs and support planned capital investment in the electric system. As shown in Table 1, projected revenues from existing Distribution rates result in a \$12.3 million shortfall in FY 2020, and projected revenues from the existing Energy Service Charge result in a \$12.6 million shortfall.

Table 1: FY 2020 Net Revenue Requirement – Distribution and Energy (in million \$)

	Distribution (Infrastructure)	Energy (Commodity)
Cost-of-Service		
Operations & Maintenance and Energy Costs (Excluding Depreciation)	\$41.5	\$90.8
Debt Service Costs	\$11.5	\$11.7
Pay-go Capital Requirements	\$30.5	\$4.0
Total Cost-of-Service	\$83.5	\$106.5
Non-Rate Revenues	\$1.7	\$0.8
Net Revenue Requirement	\$81.8	\$105.7
Revenues from Current Rates	\$69.5	\$93.1
Shortfall	(\$12.3)	(\$12.6)

Financial stability of the Power Fund requires that new, sustainable revenues be realized along with continued assertive cost containment.

Proposed New “Grid Access Fee”

Effective July 1, 2019, PWP proposes to implement a new monthly fixed Grid Access Fee to generate new revenues of approximately \$10.3 million. This monthly charge is intended to improve recovery of fixed costs, ensure compliance with Proposition 26, and be designed to collect the distribution cost relative to each customer class. The proposed fixed fee does not recover the fixed cost entirely but is a step towards a fixed cost collection mechanism. Table 2 summarizes the proposed monthly Grid Access Fee and the projected revenues to be generated from each customer class.

Table 2: Proposed Grid Access Fees

Customer Class	Proposed Monthly Fee	Projected Annual Revenue
Residential	\$4.50	\$3.1 million
Small Commercial	\$17.00	\$1.5 million
Medium Commercial	\$250.00	\$2.7 million
Large Commercial	\$1,500.00	\$3.0 million
Total		\$10.3 million

City Council approval is required for the adoption and implementation of the proposed Grid Access Fee.

Power Cost Adjustment Increase

Decreased electricity sales combined with increased costs for energy procurement have led to the need for a Power Cost Adjustment (“PCA”) rate increase. Short-term market prices for energy and natural gas fuel have been driven higher by intermittent natural gas shortages in the region along with regulatory uncertainty and pressure to retire fossil fueled resources. Recovery of fixed costs associated with long-term contracts is hindered by reduced retail sales volumes. Recently enacted Senate Bill 100 further enhanced the targets for renewable and zero-carbon resources. Consistent with PMC 13.04.173, PWP will increase the PCA component of the Energy Services Charge by 0.75¢ per kilowatt-hour (“kWh”) to generate an additional \$7.8 million annually. No City Council action is required to implement the PCA increase because it is a pass-through adjustment as authorized in the Light and Power Rate Ordinance. Nevertheless, in the interests of transparency, it is appropriate to draw the Council’s attention to this adjustment.

As with distribution infrastructure, PWP incurs fixed costs for generation infrastructure that are necessary to support the reliability of the distribution grid. While these costs are currently collected through volumetric energy charges, PWP anticipates these fixed costs will be recovered through future adjustments to the Grid Access fee.

Customer Assistance Program

The EUAP was authorized by the City Council in March, 2006, establishing a “basic benefit” (monthly bill credit) of \$5 per month for income-qualified customers or those with qualifying medical devices, plus a bill credit equal to the Public Benefit Charge (“PBC”) for income-qualified customers meeting age or disability requirements. The City

Council approved the current monthly basic benefit of \$7.50 in August 2009. Staff proposes that the basic benefit be increased to \$10.00 per month effective July 1, 2019, or as soon thereafter as the ordinance amendment may take effect. Funds are provided by the PBC.

The current EUAP income eligibility criteria approved by the City Council is established by the lowest income criteria used by the City's Housing and Community Development Division for the Rental Assistance Program stated in Section 17.80.020 of the City Zoning Code. This criteria is inconsistent with that used by other agencies, including the Southern California Gas Company ("SoCal Gas"), whose income eligibility is determined annually by the California Public Utilities Commission's ("CPUC") Low-Income Oversight Board. This inconsistency creates challenges and additional burden for customers wishing to participate in various income-qualified programs jointly administered through PWP's partnership with SoCal Gas. However, adopting the SoCal Gas qualifications would reduce the number of households with fewer than four people that would qualify for PWP's income-qualified programs. Therefore, staff recommends that the rate ordinance be modified to use the higher of these two income qualification limits.

Table 3 compares the current income thresholds used by PWP with the proposed thresholds used by SoCal Gas. Staff does not anticipate a significant change in EUAP enrollment as a result of implementing the new thresholds. EUAP customers that would not qualify under the proposed new income limits would be grandfathered into the program (until their next verification, which happens every 3 years).

Table 3: Comparison of Qualifying Annual Household Income Levels (\$/year)

Household Size	1 person	2 people	3 people	4 people	5 people	6 people	7 people	8 people
PWP Current¹	\$33,950	\$38,800	\$43,650	\$48,450	\$52,350	\$56,250	\$60,100	\$64,000
SoCal Gas²	\$33,820	\$33,820	\$42,660	\$51,500	\$60,340	\$69,180	\$78,020	\$86,860
Proposed³	\$33,950	\$38,800	\$43,650	\$51,500	\$60,340	\$69,180	\$78,020	\$86,860

¹ Based on lowest income criteria used by the City's Housing and Community Development Division for the Rental Assistance Program stated in Section 17.80.020 of the City Zoning Code

² Income eligibility criteria updated annually by the CPUC Low-Income Oversight Board

³ Greater of the two qualifying income levels

As of March 31, 2019, a total 4,034 customers were participating in the EUAP, of which 1,923 customers received the \$7.50/month basic benefit and 2,111 customers received additional discounts under the EUAP Cares and EUAP Cares Plus programs. Assuming no significant change in enrollment, the increased benefit will result in an additional annual cost of \$121,020 to the PBC Fund. This additional expenditure is included in the proposed FY2020 budget and can be accommodated without increasing PBC revenues as a result of declining customer rebate expenditures for solar and energy efficiency. The proposed amendments to EUAP will ease the bill impact of the proposed new Grid Access Fee and increase to the PCA for qualified low income customers.

Table 4 summarizes PWP's proposed actions to be effective July 1, 2019, or as soon as practicable thereafter.

Table 4: Proposed Actions

Proposed Actions	Fiscal Impact
Implement a monthly fixed Grid Access Fee for all customers	Generate approximately \$10.3 million annually to improve fixed cost recovery and provide funding for ongoing maintenance and investment in the electric distribution system.
Increase the Power Cost Adjustment Charge ("PCA") for all customers	Generate approximately \$7.8 million of additional revenue to recover the cost increases of producing and procuring energy.
Increase the basic benefit from \$7.50 per month to \$10 per month and increase the income thresholds	Assuming no change in enrollment, the increased benefit will result in an additional annual cost of \$121,020 to the PBC Fund.

Customer Bill Impact:

The proposed rate changes will have various impacts on customer bills based on customer class and the amount of energy used. Table 5 shows examples of the potential bill impacts on residential and small commercial customers at various levels of monthly energy use. The residential and small commercial customer class comprise about 98% of PWP's electric customer base.

Table 5: Examples of Bill Impact

Residential Customers				
Monthly Usage (kWh)	350	500	750	1,000
Current Bill	\$55.20	\$94.19	\$159.17	\$214.24
Proposed Bill	\$62.32	\$102.44	\$169.30	\$226.24
Change (\$)	\$7.13	\$8.25	\$10.13	\$12.00
Change (%)	12.9%	8.8%	6.4%	5.6%
Small Commercial Customers				
Monthly Usage (kWh)	500	1,000	1,500	2,000
Current Bill	\$97.28	\$185.14	\$273.00	\$360.86
Proposed Bill	\$118.03	\$209.64	\$301.25	\$392.86
Change (\$)	\$20.75	\$24.50	\$28.25	\$32.00
Change (%)	21.3%	13.2%	10.3%	8.9%

The bill impact for income eligible customers will be \$2.50 per month lower than that is stated above in Table 5.

Updated Cost-of-Service

The recommended rate increases for FY 2020 are necessary actions intended to recover the budgeted cost increases for the Power Fund, based on the current operational and financial environment. However, energy costs are continually impacted by market conditions, resource availability, weather, customer usage, system constraints and other factors that are uncertain at this time. In addition, funding requirements and costs of providing service to customers may change.

In order to further improve fixed cost recovery in future years, PWP plans to undertake a new cost-of-service study in FY2020 to review its current allocation methodologies for generation, transmission, and distribution costs. While current costs include fixed components, it is necessary to update the costs, category allocations, future capital and maintenance initiatives, resource plans, customer usage data, and funding options for strategic and tactical initiatives. Additional analysis will be done in the proposed upcoming rate study to isolate the fixed costs in order to determine appropriate fixed rates, and to incorporate the actions identified in the Integrated Resource Plan that was approved by the City Council in December 2018. PWP expects to engage professional consulting services to assist staff with the cost-of-service and rate analysis. The most recent comprehensive study was completed in June 2013, although the cost models are updated annually concurrent with the budget process.

Overall, the costs of providing service to customers may differ in the future and require additional rate changes. Potential rate structures in the electric utility industry include:

- New fixed and modified variable rate components to the Energy Services Charge and Transmission Services Charge
- Standby charges
- Modified Time-of-Use Rates
- Updated Net Energy Metering Program
- Excess Renewable Pricing Program
- Electric Vehicle Pricing Program
- Updated Green Power Rate Option
- Updated Self-Generation Rates

Electric Rate Implementation Schedule

The revenues generated from the proposed Grid Access Fee and PCA increase effective July 1, 2019 are necessary to balance the recommended FY 2020 Operating Budget. Table 6 provides the timeline for which these actions would be incorporated into the FY 2020 Operating Budget adoption.

Table 6: Proposed Schedule and Timeline

Date	Action Item
April 9, 2019	MSC Update (Information item)
May 2, 2019	Special MSC Meeting to request to set Public Hearing date
May 6, 2019	Set Public Hearing Date for Proposed Electric Rate Actions
April 29 – June 10, 2019	Operating Budget presentation to the Joint City Council and Finance Committee
June 10, 2019	Public Hearing and City Council Rate Action; First Reading of the changes to Light and Power Rate Ordinance
June 17, 2019	City Council FY 2020 Operating Budget Adoption; Second Reading of the Light and Power Rate Ordinance
July 1, 2019	Effective date for the rate changes

COUNCIL POLICY CONSIDERATION:

The recommendations are consistent with the City Council's goals to maintain fiscal responsibility and stability; improve, maintain, and enhance public facilities and infrastructure; and increase conservation and sustainability.

ENVIRONMENTAL ANALYSIS:

The proposed electric rate changes are statutorily exempt from CEQA. Section 15273(a) of the State CEQA Guidelines identifies a statutory exemption for "Rates, Tolls, Fares, and Charges" and states (in part) that:

CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or their charges by public agencies which the public agency finds are for the purpose of:

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

FISCAL IMPACT:

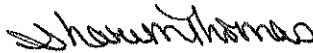
There is no direct fiscal impact as a result of setting the recommended public hearing date. If approved, the proposed Grid Access Fee will generate additional annual revenue of approximately \$10.3 million, and the proposed PCA increase will generate additional annual revenue of about \$7.8 million. The EUAP change to increase benefit from \$7.50 per month to \$10 per month will result in an additional annual cost of approximately \$121,020 to the PBC fund.

Respectfully submitted,



GURCHARAN S. BAWA
General Manager
Water and Power Department

Prepared by:



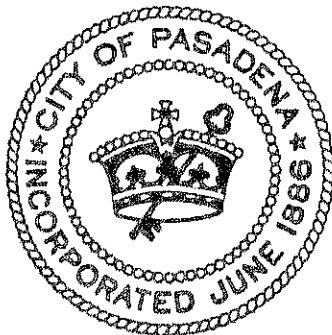
Shari M. Thomas
Assistant General Manager
Water and Power Department

Approved by:



STEVE MERMELL
City Manager

4.B



Agenda Report

June 10, 2019

TO: Honorable Mayor and City Council
FROM: Water and Power Department
THROUGH: Municipal Services Committee (April 24, 2019)
SUBJECT: ADOPT A RESOLUTION SUSPENDING COLLECTION OF THE UNDERGROUND SURTAX THROUGH JUNE 30, 2022

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act ("CEQA"), as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and;
2. Adopt a resolution suspending collection of the light and power surtax per Pasadena Municipal Code ("PMC") Chapter 4.24 – underground utilities special activity fund ("Underground Surtax") through June 30, 2022 for the reasons stated below.

BACKGROUND:

On February 4, 2019, the City Council approved staff's recommendations to maintain the Underground Surtax and use of Underground Surtax Funds for the purposes stated in PMC Section 4.24.050, including but not limited to continued construction of underground utility projects in both existing and future underground utility districts created pursuant to PMC Chapter 13.14 – underground utility districts ("Underground Utility Districts Program").

The Underground Surtax was established in 1966. Per the City's current schedule of taxes, fees, and charges, the Underground Surtax rate starts at 4.34% for the first \$1,000 of electric charges and decreases to 1.21% for amounts over \$25,000. It costs the typical 500 kwh-per-month residential customer approximately \$44 per year. The Underground Surtax generated approximately \$5.8 million in FY2018.

Per PMC Chapter 4.24, revenues from the Underground Surtax are deposited into the Underground Utilities Surtax Fund (Fund 206), which can only be used for its stated purposes that include: Additions to, and construction and extension of underground utility lines; conversion of overhead to underground utilities; street lighting improvements in

connection with such conversions; and replacement and repair of underground utility lines in connection with such conversions within the city.

The Underground Utilities Surtax Fund cash and assets totaled approximately \$50.7 million as of June 30, 2018. Staff anticipates that FY2019 expenditures funded from Fund 206 will be about equal to, or below, the amount of Underground Surtax revenues collected during FY2019. Therefore, staff anticipates the end of year fund balance will remain about the same or increase slightly. At the current and projected spending levels, staff estimates it will take approximately ten years to fully utilize the current Underground Utilities Surtax Fund balance for its stated purposes if collection of the Underground Surtax is not suspended.

In order to accelerate the drawdown of the Underground Surtax Fund balance, staff recommends the City Council adopt a resolution suspending collection of the Underground Surtax effective July 1, 2019 through June 30, 2022. Underground Surtax collection would resume at the current Underground Surtax rates on July 1, 2022. To be clear, the intent is to maintain the City's lawful authority to collect the Underground Surtax and no voter approval is necessary to temporarily suspend its collection in order to reduce the burden on the City's ratepayers and taxpayers.

COUNCIL POLICY CONSIDERATION:

The recommended use of Underground Surtax funds is consistent with PMC Chapter 4.24 and the City Council's goals to: (i) maintain fiscal responsibility and stability; (ii) improve, maintain and enhance public facilities and infrastructure; (iii) improve mobility and accessibility throughout the City of Pasadena; (iv) support and promote the quality of life and the local economy; and, (v) ensure public safety.

ENVIRONMENTAL ANALYSIS:

The proposed suspension of the Underground Surtax is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

Suspending collection of the Underground Surtax for three years will eliminate approximately \$18-20 million in revenues that otherwise would have been deposited into the Underground Utilities Surtax Fund. Sufficient funds remain in the Underground Utilities Surtax Fund to fund all anticipated eligible capital projects over the next three years.

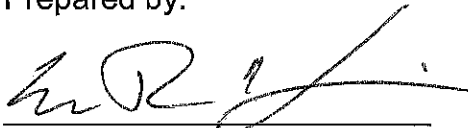
The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Respectfully submitted,



GURCHARAN S. BAWA
General Manager
Water and Power Department

Prepared by:



Eric R. Klinkner
Deputy General Manager
Water and Power Department

Approved by:



for STEVE MERMELL
City Manager