



**PROPOSED SEWER USE RATE ADJUSTMENTS AND NEW RATE STRUCTURE
EFFECTIVE JULY 1, 2024**

FREQUENTLY ASKED QUESTIONS

WHY IS A RATE ADJUSTMENT NECESSARY?

The Sewer Use Fee is charged to users of the sewer system to pay for the cost of operating the system, ongoing maintenance, and needed capital improvements. The current fee is based on consumers’ water use. Over the last ten years, with long-term statewide drought conditions and water conservation efforts, the amount collected has not kept up with the cost of maintaining Pasadena’s aging sewer infrastructure. The proposed fee increase will maintain sewer services and the financial stability of the sewer conveyance system.

The cost of maintaining the sewer collection system has increased significantly. To fully fund the sewer collection program, approximately \$7.6 million is needed annually, and currently the City only collects \$3.9 million on average each year. The revenue generated by the sewer use fee is insufficient in covering the operating and capital costs.

HOW WAS THIS RATE ADJUSTMENT AND NEW RATE STRUCTURE DETERMINED?

In March 2023, the Department of Public Works engaged the services of Raftelis Financial Consultants, Inc. (Raftelis) to conduct a comprehensive cost of service rate study to evaluate and provide recommendations regarding the City’s sewer use fee calculation methodology and rate amount. Founded in 1993, Raftelis has conducted over a thousand rate studies in the state of California including utility and wastewater studies.

In developing new sewer rates, Raftelis based its findings and recommendations on the following assumptions: (1) sewer use fee should cover the cost of operating and maintaining the sewer system and fund necessary capital improvements to the sewer system; (2) the City’s sewer system should have an operating reserve of 10% of the yearly operating expenses and a capital reserve of 50% of yearly capital expenses; and (3) the sewer capital improvement program should be funded at \$3.5 million per year (before inflation) to address deficiencies.

WHAT IS THE PROPOSED SEWER RATE ADJUSTMENT AND RATE STRUCTURE?

The City is proposing to approve a series of rate adjustments over the next five years, starting July 1, 2024. Staff recommends a fixed charge for both residential and commercial customers plus a volumetric rate based on water consumption. This option allows the City to recover fixed cost associated with operating the sewer collection system. The fixed charges include 52% of collection related costs that are fixed and do not vary with flow.

The proposed rate for single family residence (SFR) is a fixed monthly rate of \$6.16 plus a volumetric rate of \$0.65/hundred cubic feet. SFR water use is capped at 26 hcf bi-monthly, which assumes that water usage above 26 hcf is for irrigation, and therefore, does not go into the sewer collection system. The average SFR monthly fee will go from \$4.55 to \$11.37, which is an increase of \$6.82 monthly.

The commercial customers will have a fixed rate of \$6.16 plus volumetric rate of \$1.24/ hcf. The average commercial customer discharges more wastewater into the system, as such, the volumetric rate reflects commercial customer’s share of cost in proportion to flow. Commercial customers’ sewer use will be estimated on 90% of water use.

Table 1 - Current rate and proposed monthly rates for the next five fiscal years in hundred cubic feet (hcf)

	Current	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Single Family Residence Rate*						
Fixed	n/a	\$6.16	\$7.15	\$7.44	\$7.73	\$8.04
Volumetric (\$/hcf)	\$0.35	\$0.65	\$0.75	\$0.78	\$0.82	\$0.85
Commercial Rate*						
Fixed	n/a	\$6.16	\$7.15	\$7.44	\$7.73	\$8.04
Volumetric (\$/hcf)	\$0.67	\$1.24	\$1.44	\$1.50	\$1.56	\$1.62

Table 2 – Average monthly rates for Single Family Residents and Commercial Customers for next five fiscal years

	Current	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Average SFR Bill*	\$4.55	\$11.37	\$13.19	\$13.71	\$14.26	\$14.83
Average Commercial Bill*	\$35.51	\$65.40	\$75.86	\$78.90	\$82.05	\$85.34

*Rates shown above are monthly rates. However, rates will be charged bi-monthly on the Pasadena Water and Power utility bill.

WHEN WAS THE LAST TIME THE CITY INCREASED THEIR SEWER RATES?

The City has not raised the sewer use fee by more than the consumer price index since 2007, however, the utility cost index has outpaced general inflation increases since 2020 by almost double and continues to rise.

HOW HAS THE CITY BEEN ABLE TO OPERATE WITHOUT AN INCREASE IN SEWER RATES OVER THE LAST FEW YEARS?

Despite increasing costs, the City was able to utilize reserves to sustain operations without passing along any rate increases to customers. To help balance the fund and maintain service levels over the last few years, needed capital improvements have been deferred and the Sewer Fund operating reserve balance has been depleted.

HOW DOES THE CITY'S SEWER USE FEE COMPARE TO OTHER CITIES?

To see how Pasadena's current and proposed rates align with other jurisdictions, the consultant conducted a comparison of other surrounding cities' sewer collection fees to determine their fee amount. Nine cities were surveyed but some of the cities combined sewer treatment and sewer collection fees together, and therefore, were not directly comparable. Los Angeles County provides sewer treatment for Pasadena and customers pay for this service through their property tax bill.

The graph below shows that Pasadena's current monthly fee is the lowest of the comparison cities, and the proposed increase is in-line with what surrounding cities are charging. This survey was conducted in January 2024 and should only be used as a reference point or as a snapshot in time because many of the agencies listed below will raise their rates in July.

