CITY OF SOUTH PASADENA
STUDY SESSION

AGENDA

SPECIAL CITY COUNCIL MEETING
WEDNESDAY, NOVEMBER 19, 2025, AT 6:15 PM

AMEDEE O. "DICK" RICHARDS JR. COUNCIL CHAMBERS
1424 MISSION STREET, SOUTH PASADENA, CALIFORNIA 91030

NOTICE ON PUBLIC PARTICIPATION & ACCESSIBILITY

The South Pasadena City Council Meeting will be conducted in-person from the Amedee O. "Dick" Richards, Jr. Council Chambers, located at 1424 Mission Street, South Pasadena, CA 91030.

Public participation may be made as follows:

- In-Person – Council Chambers, 1424 Mission Street, South Pasadena, CA 91030
- Live Broadcast via the City website – http://www.spectrumstream.com/streaming/south_pasadena/live.cfm
- Via Zoom – Meeting ID: **825 9999 2830**
- Written Public Comment – written comment must be submitted by 12:00 p.m. the day of the meeting by emailing to ccpubliccomment@southpasadenaca.gov
- Via Phone–+1-669-900-6833 and entering the Zoom Meeting ID listed above.

Meeting may be viewed at:

1. Go to the Zoom website, https://zoom.us/join and enter the Zoom Meeting information; or
2. Click on the following unique Zoom meeting link: https://us06web.zoom.us/j/82599992830 or
3. By calling: +1-669-900-6833 and entering the Zoom Meeting ID listed above; and viewing the meeting via http://www.spectrumstream.com/streaming/south_pasadena/live.cfm

CALL TO ORDER:	Mayor	Janet Braun
ROLL CALL:	Mayor	Janet Braun
	Mayor Pro Tem	Sheila Rossi
	Councilmember	Michael A. Cacciotti
	Councilmember	Jon Primuth
	Councilmember	Omari Ferguson

ACTION/DISCUSSION

1. STUDY SESSION REGARDING THE STATUS OF WATER AND SEWER BILLING DELINQUENCIES, PROGRAMS AVAILABLE TO LOW INCOME RATE PAYERS, AND COLLECTION EFFORTS AND DISCUSSION AND DIRECTION TO STAFF REGARDING REGARDING NEXT STEPS

Recommendation

It is recommended that the City Council:

1. Receive an informational report regarding the City's water and sewer billing delinquencies, programs available to low income rate payers, and collection efforts; and
2. Provide direction to staff regarding next steps related to customer delinquencies, collection efforts, affordability programs and long-term rate stability.

ADJOURNMENT

CERTIFICATION OF POSTING

I declare under penalty of perjury that I posted this notice of agenda for the meeting to be held on November 19, 2025, on the bulletin board in the courtyard of City Hall located at 1414 Mission Street, South Pasadena, CA 91030, and on the City, website as required by law, on the date listed below.

11/13/2025	/S/
Date	Mark Perez, Acting Chief City Clerk

Study Session Agenda Report

ITEM NO. 1

DATE: November 19, 2025

FROM: Todd Hileman, City Manager

PREPARED BY: Nick Kimball, Assistant City Manager/ Chief Financial Officer
Alma Medina, Assistant to the City Manager

SUBJECT: **STUDY SESSION REGARDING THE STATUS OF WATER AND SEWER BILLING DELINQUENCIES, PROGRAMS AVAILABLE TO LOW INCOME RATE PAYERS, AND COLLECTION EFFORTS AND DISCUSSION AND DIRECTION TO STAFF REGARDING REGARDING NEXT STEPS**

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Executive Summary

This report provides an overview of the City's water and sewer utility rate structures, customer assistance programs, and the financial impacts of unpaid bills. It also summarizes the legal and regulatory framework under which rates are established in California and outlines options for managing delinquencies and ensuring long-term fiscal sustainability of the City's utility operations. The purpose of this study session is to inform the City Council and community about the current status of the City's water and sewer funds, discuss challenges associated with customer arrearages, and receive policy guidance for next steps.

Background

The City of South Pasadena operates municipal water and sewer utilities that provide essential services to residential and commercial customers. The utilities are enterprise funds, meaning that they are self-supporting and funded entirely through user charges rather than taxes.

Under Proposition 218, local governments must ensure that utility rates are proportional to the cost of providing service and are not used to subsidize unrelated programs. Rate adjustments must follow a public notice and protest process before adoption.

The City's most recent rate study, which was implemented in 2018, established the current rate schedules for both water and sewer services. These rates are intended to cover the full cost of operations, maintenance, capital improvements, and debt service while maintaining appropriate reserve levels. It should be noted that the City is currently working with a

consultant to perform a water and sewer rate study, to update the rates accordingly.

Analysis

What are Water and Sewer Utility Rates and How Are They Set in California

Utility rates are user fees charged to customers for the delivery of water and sewer services. Rates are established based on a cost-of-service analysis, which ensures compliance with Proposition 218 by aligning revenues with the actual cost of operations, maintenance, infrastructure replacement, and capital needs.

The rate structure generally includes:

- Fixed Service Charges: Cover administrative and system-readiness costs.
- Volumetric Charges: Based on actual metered customer consumption.
- Sewer Rates: Typically calculated using winter water use averages or metered flows.

Current Rate Structure and Programs Available

The City's current water and sewer rates are defined by ordinance and periodically updated through a Proposition 218 process. The rates fund system maintenance, infrastructure rehabilitation, and debt service obligations. The City is currently working with a consultant on a water and sewer rate study to update the rates accordingly, which is tentatively scheduled to be considered by City Council in spring 2026.

Affordability Programs:

The City currently offers limited programs for low-income residents, such as senior or income-based discounts, leak forgiveness, and flexible payment plans. The City also participates in state-administered programs, such as the Low Income Household Water Assistance Program (LIHWAP), when available. The current discount for qualifying customers is 40% per hundred cubic feet.

The City's current Program requires customers to submit a formal application and provide a copy of their most recent federal income tax return to verify eligibility. While effective in identifying qualified participants, this process is administratively burdensome. Staff must review confidential income documentation, verify supporting materials, and requalify participants on an annual basis. These tasks consume significant administrative time and resources and create challenges in maintaining consistent verification standards while safeguarding sensitive financial information.

There are options to reduce the administrative burden, including, but not limited to, accepting evidence of participation in other income-based programs such as SoCal Edison California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) programs. Through the current utility rate study, staff will be recommending additional eligibility options to reduce the administrative burden of this program.

Delinquent Accounts and Aging Report

As of November 4, 2025, the City has approximately $1,692,715 in outstanding delinquent water and sewer bills. The outstanding delinquent water and sewer bills include both active accounts (i.e. customers that are still currently using water) and inactive accounts (i.e. accounts are close, or no longer using water). Of the $1,692,715, a total of $492,472, or approximately 30%, is for inactive accounts, and $1,200,715 for active accounts.

The current aging report identifies the following:

- 30 days past due: $166,370
- 60 days past due: $87,520
- 90+ days past due: $1,438,823

While some customers are working to bring their accounts current, others remain severely delinquent. Without enforcement mechanisms or policy direction, these unpaid balances represent a loss of revenue to the Water Enterprise Fund, which relies on user fees to fund operations, maintenance, and capital improvements.

Previous to the COVID-19 pandemic, the City worked with customers (with delinquent accounts) through reminders, payment plans, and compliance with SB 998 (Water Shutoff Protection Act) to ensure adequate notice and due process prior to service interruption. As part of the City's efforts to support the community through the pandemic period, the City suspended water shut offs and reconnecting fees, and waived late fees. However, continuing this practice is creating a financial burden to water and sewer operations. Staff will be seeking direction from City Council to resume efforts to collect unpaid balances, up to, and including, disrupting service due to non-payment.

Collection Options for Unpaid Bills
The City has several options for collecting the unpaid balances, including the following:

1. Establishing payment arrangements or extended payment plans
2. Imposing late fees and reconnection fess, consistent with SB 998
3. Placing unpaid amounts on the property tax roll (where legally permissible)
4. Utilizing third-party collection agencies or pursuing liens through municipal code enforcement

These options reflect the need for balance of fiscal responsibility with equity considerations to avoid disproportionate impacts on low-income or vulnerable customers.

Arrearage Relief Programs
During the COVID-19 pandemic, state and federal funding was made available through the California Water and Wastewater Arrearage Payment Program (CWWAPP), which provided one-time relief funding to cover unpaid water bills that accumulated during the state of emergency. This was done to assist utilities with delinquent customer balances. In late 2021, the City applied for and received approximately $317,406 (in early 2022), which was applied to eligible customer accounts. These funds have since been fully expended, and the City no longer has access to this arrearage relief program. Since that time, water service shutoffs for non-payment have remained suspended, resulting in an increase in both active and closed accounts with outstanding balances. These programs have since sunset, but staff continues to monitor new funding opportunities to support customers facing financial hardship.

Policy Considerations and Options
To address ongoing financial and equity concerns, staff recommends Council consider the following policy options:

<u>Short- Term:</u>

1. Reinstate internal collection procedures, up to and including disruption of service for non-payment.

2. Enhance customer outreach and payment assistance efforts by sending notices directly from the City to customers and property owners (if different). These notices would include the delinquent amount, options for payment and consequences if accounts are not made current.
3. Review late fee and reconnection fee policies to ensure they comply with SB 998 and work with the City Attorney to make the appropriate updates for the City Council's consideration
4. Request staff to explore a less administratively burdensome Low Income Household Water Assistance Program and return with recommendations for Council consideration

Medium- Term:

1. Complete the Water and Sewer Rate Study, which is currently underway, to ensure rates remain cost-based and compliant with Proposition 218. This is expected to be presented to the City Council by April 2026
2. Request staff review the current Low Income Household Water Assistance Program, to identify possible improvements to the program
3. Explore technology upgrades for billing and customer engagement, including in-house utility billing, after the upgrade of the Springbrook ERP is complete and staff is able to evaluate its utility billing function.

Fiscal Impact

This report is informational only and does not have a direct fiscal impact. However, unpaid customer bills negatively affect the financial health of the City's utility funds by reducing cash flow, depleting reserves, and limiting capacity for maintenance and capital reinvestment. Continued delinquencies can create an equity imbalance, as compliant customers effectively subsidize those who do not pay, which may lead to future rate increases or deferred infrastructure needs.

Fiscal impacts will depend on City Council direction regarding whether to resume shutoffs, write off inactive or uncollectible balances, and/or implement turn-off and turn-on fees to recover administrative costs. Future policy direction—such as conducting a rate study or establishing a customer assistance program—will have associated costs that would be brought to Council for consideration through the budget or rate-setting process.

Attachment:

Attachment No. 1- Current Water and Sewer Rate Schedules

Attachment No. 2- Delinquency Aging Report Summary

Current Water and Sewer Rate Schedules

Attachment No. 1

Fee Title	CY 2023 Fee
Water Rates:	
Water Services - Tier 1	$3.75
Water Services - Tier 2	$4.72
Water Services - Tier 3	$5.53
Waste Water Discharge	$2.00
Meter Service Charges - 3/4"	$94.28
Meter Service Charges - 1"	$141.72
Meter Service Charges - 1 1/2"	$260.33
Meter Service Charges - 2"	$402.66
Meter Service Charges - 3"	$734.73
Meter Service Charges - 4"	$1,209.14
Meter Service Charges - 6"	$2,395.14
Meter Service Charges - 8"	$4,292.76
Efficiency Fee	$0.14
Sewer Rates:	
Single Family Fixed Charge (per EDU per bi-month)	$30.45
Multi-Family Fixed Charge (per EDU per bi-month)	$23.92
Commercial Flow Charge (per HCF of water)	$2.01
Elementary Schools (per ADA per month)	$0.23
Middle Schools (per ADA per month)	$0.46

Fees set per Resolution 7536 & 7537

Attachment No. 2

Deliquency Aging Report Summary

Account Type	Account Count	30 - 59 Days	60 - 89 Days	90 + Days	Total
Inactive	908	$ 2,919.34	$ 3,971.60	$ 485,581.28	$ 492,472.22
Active	3740	$ 163,451.00	$ 83,549.26	$ 953,242.64	$ 1,200,242.90
TOTALS	4648	$ 166,370.34	$ 87,520.86	$ 1,438,823.92	$ 1,692,715.12