



AGENDA REPORT

Meeting Date: November 15, 2016
Item Number: E-2
To: Honorable Mayor & City Council
From: Vince Damasse, Water Resources Manager *VD*
Trish Rhay, Assistant Public Works Director

Subject:

- A. AN ORDINANCE OF THE CITY OF BEVERLY HILLS AMENDING THE BEVERLY HILLS MUNICIPAL CODE TO ESTABLISH A WATER SUPPLY FEE
- B. RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS AMENDING THE COMPREHENSIVE SCHEDULE OF TAXES, FEES & CHARGES TO ESTABLISH A WATER SUPPLY FEE

Attachments:

- 1. Ordinance
- 2. Resolution
- 3. Bucknam & Associates, Inc. Proposed Establishment of Water Supply Fee report dated September 12, 2016

RECOMMENDATION

Staff recommends that the City Council move to waive the full reading of the ordinance and that the ordinance entitled, "An Ordinance Of The City Of Beverly Hills Amending The Beverly Hills Municipal Code To Establish A Water Supply Fee" be introduced and read by title only.

Staff also recommends that the City Council move to approve the resolution entitled, "A Resolution Of The Council Of The City Of Beverly Hills Amending The Comprehensive Schedule Of Taxes, Fees & Charges To Establish A Water Supply Fee."

INTRODUCTION

At its August 30, 2016, City Council Study Session, City Council unanimously supported the establishment of a Water Supply Fee. Prior to that at the July 14, 2016, Public Works Commission Meeting, the Public Works Commission ("Commission") endorsed the establishment of a Water Supply Fee in the Beverly Hills water service area, which includes a portion of West Hollywood. The proposed fee was subsequently reviewed and approved by the Public Works Liaison Committee ("Liaison Committee") at its August 2, 2016, meeting. The proposed Water Supply Fee will be assessed on both new construction and substantial remodels and additions for residential, commercial and mixed-use projects for the development of local groundwater and non-potable water supplies (for irrigation purposes) above and beyond what was recommended in the City's adopted 2015 Water Enterprise Plan.

The hearing was set for the October 18, 2016 City Council meeting. Staff requested that the City Council continue the public hearing to the November 15, 2016, City Council meeting to allow staff sufficient time to conduct additional public outreach efforts for the proposed Water Supply Fee.

DISCUSSION

The 2015 Water Enterprise Plan reported that the City currently relies primarily on the purchase of water from Metropolitan Water District of Southern California for its water supply and receives a smaller portion from local water supply sources from the Hollywood Groundwater Basin. The Water Enterprise Plan analysis recommended that the City undertake capital improvements to decrease the City's reliance on the purchase of imported water from Metropolitan Water District and develop local groundwater sources. This portfolio was accepted to be the most feasible and cost effective suite of projects at the time to increase the City's overall water supply reliability.

The City is currently implementing the Capital Improvement Program, based upon the Water Enterprise Plan. Implementation includes construction of additional wells, transmission pipelines and treatment plant capacity. Additionally, the City has adopted a Water Capacity Charge that allocates to new connections a proportionate share of the cost of existing facilities and planned capital improvements needed to achieve the City's current local water supply objectives. As new connections are established or redevelopment occurs, the increased water demand will decrease the percentage share of the water supply from local water sources, increase dependence on Metropolitan Water District, reduce local control and reduce reliability of the City's water supply unless additional local water sources are developed. In order to maintain the reliability of the City's water supply and reduce dependence on Metropolitan Water District, it will be necessary for additional local water production to be developed beyond that identified in the 2015 Water Enterprise Plan.

A key objective of this analysis is to establish a Water Supply Fee that will pay for the cost of facilities to provide additional local water supplies needed as new connections are established or development/redevelopment occurs. The proposed facilities include a High Capacity Well to supply additional groundwater to serve new development and facilities to utilize non-potable water sources in the Coldwater Canyon area for irrigation to reduce the use of potable water and increase the supply of potable water to serve new developments.

PUBLIC OUTREACH

In order to educate existing and prospective developers on the proposed Water Supply Fee prior to the November 15, 2016 public hearing, staff implemented public outreach efforts which included six public outreach meetings (four in the City of Beverly Hills and two in the City of West Hollywood). The public outreach meetings included a presentation of the proposed Water Supply Fee along with a question and answer session with the public. One of the Beverly Hills public hearings was filmed and was made available online on the City's website. Along with public noticing in the local newspapers, staff also developed an informational website page on the City's website with a Frequently Asked Questions (FAQ) data sheet that was distributed to the Community Development and Planning Departments of both Cities prior to the proposed public meetings and public hearing. The public outreach information regarding the proposed Water Supply Fee was made available both online and at the public counters of the corresponding Planning and Community Development Departments for both Cities. Furthermore, the public outreach information was also sent via email and/or communicated via telephone to existing and/or prospective developers with entitlement and plan check applications in both the Planning and Building and Safety Departments of the City of Beverly Hills and City of West Hollywood. Last but not least, staff reached out to the Chamber of Commerce business community as well as existing residential customers via its Water Tracker software program.

FEE STRUCTURE

The proposed Water Supply Fee is in addition to the City's adopted Water Capacity Charge and will fund facilities not included in the determination of the Water Capacity Charge.

The facilities funded with the Water Supply Fee include an additional High Capacity Well, beyond the three (3) wells planned in the 2015 Water Enterprise Plan, with an estimated capacity to produce 700 acre-ft./year from the La Brea Subarea of the Unadjudicated Central Basin and a connecting Transmission Main to convey the groundwater to the City's Treatment Plant. The estimated total project cost to develop the proposed high capacity well is approximately \$10,173,469 or \$14,534 per acre-ft. per year.

Table 1 lists the projected costs to develop the High Capacity Well, Transmission Main, & Treatment Project:

Table 1. High Capacity Well, Transmission Main, & Treatment Project Cost

Description	Cost
Land Acquisition (Land Value)	\$4,500,000
Well Drilling Design	\$51,188
Well Drilling Contract	\$1,023,750
Well Equipping and Transmission Main Design	\$157,500
Well Equipping and Transmission Main Contract	\$1,575,000
Water Treatment Design	\$31,500
Water Treatment Construction	\$210,000
Environmental Documentation – CA Environmental Quality Act	\$112,350
Permitting	\$56,175
Construction Management and Inspection	\$421,313

Subtotal Project Cost	\$8,138,775
Contingency (20%)	\$2,034,694
Subtotal Project Cost with Land	\$10,173,469
Estimated Production of New Well (acre-ft./year)	700
Projected Cost per acre-ft. with Land Purchase	\$14,534

The estimated total project cost to develop the proposed Coldwater Canyon Non-Potable Water Supply for irrigation of City parks is approximately \$3,950,000. Staff in the City's Public Works Department provided the estimated costs for construction and engineering services. Actual costs of design and construction will need to be confirmed upon receipt of engineering proposals and construction bids. The one-time cost to provide a local water supply using non-potable water to irrigate City parks and free up potable water to meet a portion of the water demands of new developments is \$15,019 per acre-foot per year.

Table 2 lists the projected costs to develop the Coldwater Canyon Non-Potable Water Supply for Irrigation.

**Table 2. Project Cost Projection
Cabrillo Reservoir Non-Potable Water Distribution System in Coldwater Canyon**

Description	Cost
Land Acquisition (Land Value)	\$0
Design and Construction Management	\$450,000
Relining of Cabrillo Reservoir 3B	\$550,000
Water Treatment	\$200,000
Pipeline (3B Res. to Intersection of N. Beverly and N. Rexford – Approx. 3,500 feet)	\$700,000
Pipeline (N. Beverly and N. Rexford to Intersection of N. Rexford and Santa Monica Boulevard) – Approx. 6,300 feet	\$1,260,000
Total Projected Construction Cost (excludes Design and Construction Management)	\$2,710,000
Environmental Documentation – CA Environmental Quality Act	\$0
Permitting	\$0
Subtotal Project Cost (includes Design and Construction Management)	\$3,160,000
Contingency (25%)	\$790,000
Estimated Project Cost	\$3,950,000
Estimated Irrigation Usage (acre-ft./year)	263
Total Projected Cost with Land (per acre ft./ year)	\$15,019

The combined cost to develop a local groundwater source in the La Brea Subarea of the Unadjudicated Central Basin and to develop a local non-potable water source in the Coldwater Canyon area for irrigation of City parks, which will free up potable water to meet the water supply demands of new developments, is \$14,123,469. The one-time cost to utilize local water supplies to meet a portion of the water demands of new developments is \$14,666 per acre-ft. per year (Table 3).

Table 3. Combined Estimated Cost and Water Supply

Combined Total Projected Cost	\$14,123,469
Combined Additional Water Supply for New Development (acre-ft./year)	963
Combined Projected Cost per acre-ft./year	\$14,666

A. Meter Fee Calculation

The City uses a standard of 925.7 gallons per day, which is approximately one acre-foot per year to supply water to a single-family residence (SFR) that is approximately 5,000 square feet in size and with a 1-inch meter connection. Therefore, the Water Supply Fee for a new Single Family Residence with a 1-inch meter is \$14,666.

Meter capacity factors are used to determine the Water Supply Fee for different meter sizes. Table 4 summarizes graduated Water Supply Fees based on meter size. Fire meters associated with fire suppression systems are not charged a capacity fee. However, a development/redevelopment project will be charged connection fees for the installation of the fire service lateral piping, valves, meters and associated appurtenances.

Table 4. Water Supply Fee by Meter Size

Meter Size	Meter Capacity Factor	Water Supply Fee
3/4"	0.60	\$8,800
1"	1	\$14,666
1-1/2"	2	\$29,332
2"	3.2	\$46,932
3"	6	\$87,997
4"	10	\$146,661
6"	20	\$293,322

Calculation examples are shown below for various scenarios for new connections and expansions. The calculations conform to the existing methodology for determining the City's Water Capacity Charge and uses the examples in the 2014 Water Capacity Charge Report to maintain uniformity in calculating the City's capacity fees.

(1) Water Supply Fee Calculation Example 1: Residential Account Requiring a Meter Upgrade

Similar to the Water Capacity Charge, a Residential Account requiring a meter upgrade would be charged a Water Supply Fee based on the difference between the fees associated with the current meter size and the fee associated with the new meter size. For example, a meter upgrade to a 1-1/2-inch meter from a 1-inch meter would be the difference between \$29,332 and \$14,666 or \$14,666.

A Redevelopment Fee is associated with Building Expansion, Redevelopment, or Renovation, when a meter upgrade is not required. To maintain uniformity in the calculation of the City's water fees, the Water Supply Fee for Redevelopment uses 5,000 square feet as the average house size in the City. The typical Single-Family Residence uses approximately 50% of total water use for indoor use. The resulting cost for

redevelopment or expansion is \$1.47 per square foot as noted in Table 5.

Table 5. Water Supply Fee for Redevelopment or Expansion

Indoor Use AFY (50% of Average)	Cost per AFY	Fee
0.5	\$14,666	\$7,333
Average Single Family Residence Size (square feet)		5,000
Fee for Redevelopment or Expansion per Sq. Ft.		\$1.47

Please note that this report adheres to the existing practice of the City to exempt residential additions or redevelopment of less than 1,000 square feet of additional space.

(2) Water Supply Fee Calculation Example 2: Remodel / Redevelopment of Less than 1,000 Sq. Ft.

The Water Supply Fee in this case is not charged because the project is less than 1,000 Sq. Ft.

(3) Water Supply Fee Calculation Example 3: Remodel / Redevelopment of More than 1,000 Sq. Ft.

For Redevelopment or Additions of more than 1,000 square feet, the Water Supply Fee of \$1.47 per square foot is used to calculate the fee. For example, a New Addition of 1,500 square feet is charged a Water Supply Fee of \$2,205.

B. Non-Residential Fee Calculation

This cost per Gallon per Day is used to calculate the Water Supply Fee for Non-Residential projects without meter upgrades using the standard convention the City uses to calculate the City's Water Capacity Charge.

To calculate the Water Supply Fee for Commercial Redevelopment projects, the \$14,666 per acre-foot equals an equivalent fee of \$16.43 per Gallon per Day. The cost of the Water Supply Fee for non-residential projects is added to the City's established Water Capacity Charge for Non-Residential uses.

For example, the Water Supply Fee for an Auditorium, which requires 4.4 Gallons per Day per seat, would be \$72 per seat. The additional fee of \$72 per seat is added to the existing Water Capacity Charge shown in Table 6.

(1) Water Supply Fee Calculation Example 4: Commercial Account with Service Unit Increase Not Requiring a Meter Upgrade

In cases where a project's expansion changes its total number of Service Units and does not require a meter upgrade, the project pays for the resulting additional demand. For example, a Restaurant that adds 30 seats would pay \$16,260 (\$542 multiplied by 30 seats).

(2) Calculation Example 5: Commercial Change in Use

Changes in Commercial Use of a property are the difference between estimated usage per day between the previous usage and the current usage. For example, a 1,000 square foot Retail Store converted to a 1,000 square foot Coffee House would be \$4,009 (\$5,471 minus \$1,462).

Table 6. Water Supply Fees for Non-Residential Customers

Customer Class	Estimated Gallons Per Day	Service Unit	Proposed Water Supply Fee	Existing Water Capacity Charge	Total Fees
Auditorium or Community Center	4.4	per seat	\$72	\$90	\$162
Bank	167	per 1,000 sq. ft.	\$2,744	\$3,380	\$6,124
Gymnasium	278	per 1,000 sq. ft.	\$4,567	\$5,633	\$10,200
Health Spa	667	per 1,000 sq. ft.	\$10,958	\$13,519	\$24,477
Hotel, per room	144	per room	\$2,366	\$2,929	\$5,295
Medical Office	278	per 1,000 sq. ft.	\$4,567	\$5,633	\$10,200
Office Building	167	per 1,000 sq. ft.	\$2,744	\$3,380	\$6,124
Shopping Center	167	per 1,000 sq. ft.	\$2,744	\$3,380	\$6,124
Coffee House	333	per 1,000 sq. ft.	\$5,471	\$6,759	\$12,230
Restaurant – Full Service	33	per seat	\$542	\$676	\$1,218
Retail Store	89	per 1,000 sq. ft.	\$1,462	\$1,803	\$3,265
School – Private	222	per 1,000 sq. ft.	\$3,647	\$4,506	\$8,153
Supermarket	167	per 1,000 sq. ft.	\$2,744	\$3,380	\$6,124

It is possible that the Water Supply Fee may not be able to be imposed on certain projects that have acquired vested rights to complete development under existing permits. Whether a project has acquired vested rights depends on the particular facts and circumstances surrounding approval of the project. As a result, staff will need to analyze each project as the question arises to determine if the Water Supply Fee may be imposed.

FISCAL IMPACT

The proposed Water Supply Fee is anticipated to generate additional revenues in the range of \$500K to over \$1.6M per year in addition to the existing adopted Water Capacity Charge. Each new development or redevelopment project or water service applicant would pay its proportional share of the Water Supply Fee to help maintain the City's water supply reliability. The proposed Water Supply Fees are to be used to support projects identified for augmenting additional water supply.


Don Rhoads

Finance Approval


George Chavez

Approved By

Attachment 1

ORDINANCE NO. 16-O-_____

AN ORDINANCE OF THE CITY OF BEVERLY HILLS AMENDING
THE BEVERLY HILLS MUNICIPAL CODE TO ESTABLISH A
WATER SUPPLY FEE

THE CITY COUNCIL OF THE CITY OF BEVERLY HILLS DOES ORDAIN AS
FOLLOWS:

Section 1. The City Council of the City of Beverly Hills hereby finds as follows:

(a) Each new connection to the City's water system creates a demand for additional water and additional capacity in the water system.

(c) The City Council wishes to establish a fee for the cost of water facilities in existence and for new water facilities to be acquired or constructed that are of proportional benefit to the person being charged.

(d) The City Council commissioned a study (the "Study") by Bucknam & Associates, Inc., dated September 12, 2016, to calculate such fee in an amount that reflects the proportional costs of developing water supplies to serve a new or expanded connection to the water system.

(e) On this date, the City Council conducted a public hearing on the proposed water supply fee.

Section 2. The City Council hereby amends the Municipal Code of the City of Beverly Hills by adding Article 2.7 to Chapter 1 (City Utility Services) of Title 6 (Utilities and Franchises) to read as follows:

“Article 2.7. Water Supply Fee

6-1-270: Purpose:

The purpose of this article is to establish a water supply fee for the cost of water facilities in existence and for new water facilities to be acquired or constructed to provide water supplies to serve a new or expanded connection to the water system, including supply or capacity contracts for rights or entitlements, real property interests, and entitlements and other rights of the City involving capital expense relating to its use of existing or new water facilities that are of proportional benefit to the person being charged.

6-1-251: Establishment of a Water Supply Fee:

The user of City water service shall pay a water supply fee in an amount established by resolution of the City Council. The water supply fee is due upon the occurrence of one of the following events, as deemed appropriate by the Director of Public Works Services, or his or her designee: (1) installation of a new water meter, (2) change in the size of a water meter, or (3) the final inspection of a project.

6-1-252: Project and Floor Area Defined:

(a) For the purposes of this Article, “project” means the construction or addition of “floor area” which requires a building permit. “Project” also shall mean any change of use of property, which requires a larger water meter and a building permit.

(b) For the purposes of this Article, “floor area” shall mean the following:

A. Nonresidential and multi-family residential zones: "Floor area" shall mean the area of all floors or levels included within the surrounding walls of a building or structure. Space

devoted only to the following shall not be considered in determining the total floor area within a building or structure:

1. Stair shafts;

2. Elevator and escalator shafts and elevator lobbies located in parking areas or on rooftops. The area of each elevator lobby at each floor shall not exceed one hundred (100) square feet per elevator cab; provided, however, that any elevator lobby area in excess of one hundred (100) square feet per elevator cab shall be considered in determining the total floor area within a building or structure;

3. Courts;

4. Parking spaces below the first floor and access thereto, including void spaces in parking areas below the first floor used exclusively for storage related to operation of the building. Such void spaces may be enclosed and shall not exceed two thousand (2,000) square feet on each parking floor or five percent (5%) of the floor area of the entire building, whichever is less;

5. Rooms exclusively housing building operating equipment or machinery;

6. Parking spaces at or above the first story and access thereto provided that in commercial zones:

a. Not less than the front forty feet (40') of the ground floor shall be devoted to retail sales, offices, or financial uses; notwithstanding such restriction, the director of planning and community development may reduce the amount of floor area required under this provision by up to ten percent (10%) pursuant to the provisions of article 36 of this chapter regarding minor accommodations if the director finds that the dimensions

of the site do not provide adequate space for internal circulation for parking and such accommodation would not substantially compromise pedestrian activity in the area; and

b. At least one full level of parking below grade is provided;

7. Mall areas; and

8. Space used or provided within a building or structure for publicly owned off street parking facilities.

B. Single-family residential zone: "Floor area" shall mean the area of all portions of floors and levels, including basements, which have a roof or floor level above and are enclosed by exterior walls by more than fifty percent (50%). Further, "floor area" shall include the area of that portion of an upper level not separated from a lower level by a floor/ceiling assembly, but shall not include crawl spaces and up to four hundred (400) square feet of garage area.

6-1-253: Collection of Water Supply Fee:

The City may collect the water supply fee from the water user with a bill for water service charges, or by delivering a separate bill for the water supply fee. The City may collect the water supply fee in two or more installments. The City Council may provide, by resolution, for an alternative procedure for collection of the water supply fee.

6-1-254: Establishment of Special Fund for Fee:

Pursuant to Government Code section 66013, there is hereby established a special fund entitled the "water supply capital facilities fund." The City shall place the revenues from the

water supply fee into the water supply capital facilities fund to be used solely for the purposes established by this article.

6-1-255: Annual Report:

The City shall annually provide the information required by Government Code section 66013, as such law may be amended from time to time, in the manner provided by such law.

6-1-256: Adjustments:

A person may apply to the Director of Public Works Services or his/her designee for an adjustment to the water supply fee for a project based upon facts that show the person previously paid a water supply fee in an amount that reflects the proportional costs to serve the new or expanded connection to the water system for the property. ”

Section 3. The City Clerk shall cause this Ordinance to be published at least once in a newspaper of general circulation published and circulated in the City within fifteen (15) days after its passage, in accordance with Section 36933 of the Government Code; shall certify to the adoption of this Ordinance and shall cause this ordinance and her certification, together with proof of publication, to be entered in the Book of Ordinances of the Council of this City.

Section 4. This Ordinance shall go into effect and be in full force and effect at 12:01 a.m. on the thirty-first (31st) day after its passage.

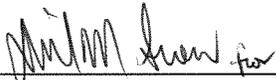
Adopted:
Effective:

JOHN A. MIRISCH, Mayor of the City of
Beverly Hills, California

ATTEST:

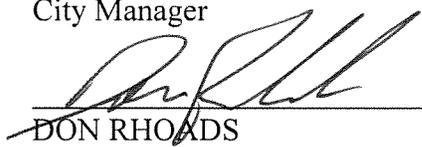
BYRON POPE (SEAL)
City Clerk

APPROVED AS TO FORM:



LAURENCE S. WIENER
City Attorney

APPROVED AS TO CONTENT:

MAHDI ALUZRI
City Manager


DON RHOADS
Director of Administrative Services/Chief
Financial Officer

Attachment 2

RESOLUTION NO. 16-R- _____

RESOLUTION OF THE COUNCIL OF THE CITY OF
BEVERLY HILLS AMENDING THE COMPREHENSIVE
SCHEDULE OF TAXES, FEES & CHARGES TO ESTABLISH
A WATER SUPPLY FEE

The Council of the City of Beverly Hills does resolve as follows:

Section 1. The City Council hereby establishes a water supply fee (the “Fee”) as set forth in Exhibit “A” to this Resolution. The Fee shall be included and incorporated into the City’s Comprehensive Schedule of Taxes, Fees & Charges. The Fee shall be effective upon the effective date of the ordinance entitled “An Ordinance of the City of Beverly Hills Amending the Beverly Hills Municipal Code to Establish a Water Supply Fee.”

Section 2. The City Council is taking action only on the Fee set forth in Exhibit A. The (i) remaining fees, permit fees, City services charges, and other fees, charges, and required payments for municipal services, use of City property, inspections, enforcement activities or for other indicated purposes as set forth in the current Comprehensive Schedule of Taxes, Fees & Charges; and (ii) fees, permit fees, City service charges, and other fees, charges, and required payments for municipal services, use of city property, inspections, enforcement activities or for other indicated purposes as set forth in any resolution(s) adopted by the City Council, that are not listed in Exhibit A to this Resolution, have not been readopted or revised and remain in place at the current amount.

Section 3. The City Clerk shall certify to the adoption of this resolution and shall cause this resolution and his certification to be entered in the Book of Resolutions of the City Council of this City.

Adopted:

JOHN A. MIRISCH
Mayor of the City of Beverly Hills, California

ATTEST:

(SEAL)
BYRON POPE
City Clerk

APPROVED AS TO FORM:



LAURENCE S. WIENER
City Attorney

APPROVED AS TO CONTENT:

MAHDI ALUZRI
City Manager



DON RHOADS
Chief Financial Officer

EXHIBIT A

Water Supply Fee

- A. For a residential or commercial project that requires a new connection to the City's water system, the water supply fee shall be based on the size of the water meter for the connection, as follows:

Meter size in inches	Water Supply Fee
¾"	\$8,800
1	\$14,666
1.5	\$29,332
2	\$46,932
3	\$87,997
4	\$146,661
6	\$293,322

- B. For a residential or commercial project that requires the size of the water meter to be increased, the water supply fee shall be the amount of the water supply fee for the size of the new water meter less the amount of water supply fee for the size of the existing water meter, as such amounts are shown in paragraph A above.
- C. For a residential project that does not require the size of the water meter to be increased but results in a net new floor area greater than 1,000 sq. ft., the water supply fee shall be an amount that is \$ 1.47 per square foot of net new floor area greater than 1,000 sq.ft.

D. For a commercial project that does not require the size of the water meter to be increased, the water supply fee shall be based on the net increase in service units, as follows:

Commercial Use	Service Unit	Water Supply Fee per Service Unit
Auditorium/Community Center	Per seat	\$72
Bank	Per 1000 sq. ft.	\$2,744
Gymnasium	Per 1000 sq. ft.	\$4,567
Health Spa	Per 1000 sq. ft.	\$10,958
Hotel	Per room	\$2,366
Medical Office	Per 1000 sq. ft.	\$4,567
Office Building	Per 1000 sq. ft.	\$2,744
Shopping Center	Per 1000 sq. ft.	\$2,744
Coffee House	Per 1000 sq. ft.	\$5,471
Restaurant – full service	Per seat	\$542
Retail Store	Per 1000 sq. ft.	\$1,462
School – private	Per 1000 sq. ft.	\$3,647
Supermarket	Per 1000 sq. ft.	\$2744

E. For a commercial project that does not require the size of the water meter to be increased but results in a change of commercial use, the supply fee shall be the net increase in service units as provided in paragraph D above.

F. The water meters referred to in this EXHIBIT A do not include any meter which is installed solely in connection with any fire suppression system and no water supply fee shall be made based solely upon the installation or modification of any fire suppression system.”

Attachment 3



City of Beverly Hills

Proposed Establishment of Water Supply Fee

September 12, 2016

Prepared by:

Bucknam & Associates, Inc.



TABLE OF CONTENTS

DESCRIPTION	PAGE
I. EXECUTIVE SUMMARY	2
II. SUMMARY OF CHARACTERISTICS OF THE CITY'S WATER SYSTEM	5
III. WATER ENTERPRISE PLAN	6
IV. EXISTING WATER CAPACITY CHARGES	6
V. ORDINANCE TO ESTABLISH WATER CAPACITY CHARGE	7
VI. WATER SUPPLY FEES	7
VII. METHODOLOGY FOR THE WATER SUPPLY FEE	8
VIII. CONCLUSIONS AND RECOMMENDATIONS	14
IX. REFERENCES	17



I. EXECUTIVE SUMMARY

The purpose of this report is to evaluate options for developing additional water supplies to meet water supply demands of new development and to establish a “Water Supply Fee Structure for New Development.” The scope of services includes:

- Compile a description of facilities and land needed to develop additional local water sources based upon information in the City’s 2015 Water Enterprise Plan and the City’s 2015 Urban Water Management Plan, and consult with the City relative to:
 - A new well field planned for the La Brea Subarea of the Unadjudicated Central Basin to meet water supply demands of new development, and
 - Groundwater sources in the Coldwater Canyon to be used for irrigation to reduce the use of potable water resulting in an increase of potable water supply to serve new development.
- Prepare a projection of the potential additional water supplies that can be developed within the La Brea Subarea of the Unadjudicated Central Basin and the Coldwater Canyon to meet demands not included in the 2015 Water Enterprise Plan analysis.
- Compile a conceptual cost projection, for future facilities and land needed to develop additional water sources in the La Brea Subarea of the Unadjudicated Central Basin and the Coldwater Canyon area.
- Consult with the City Administration and City Attorney’s Office to prepare a justification analysis for the allocation of the cost of future supply facilities to new development.
- Prepare an allocation of costs on the basis of Equivalent Dwelling Units to new service connections.
- Prepare sample illustrations of the projection of the amount of a Water Supply Fee to be charged to new service connections, expansions and meter upgrades.

The WEP reported that the City currently relies primarily on the purchase of water from the Metropolitan Water District of Southern California for its water supply and receives only 10% from local water supply sources from the Hollywood Groundwater Basin. The City desires to develop additional local groundwater sources to reduce its reliance on imported water from Metropolitan Water District.

The City has implemented a Capital Improvement Program to construct additional wells, transmission pipelines and treatment plant capacity as well as a Coldwater Canyon



Springwater Capture project; to reduce dependence on Metropolitan Water District, increase reliability and achieve local control of water supplies.

The City has also adopted a Water Capacity Charge that allocates to new connections a proportionate share of the value of existing facilities and the cost of development of additional local water sources and modernization of the City's water treatment plant. The Water Supply Fee recommended in this report is in addition to the City's current Water Capacity Charge and is intended to fund facilities that are not included in the determination of the current Water Capacity Charge but are required to meet the additional water demands of new development.

As new connections are established or redevelopment occurs, the increased water demand will decrease the percentage share of the water supply from local water sources, will increase dependence on Metropolitan Water District, reduce local control and reduce reliability of the City's water supply unless additional local water sources are developed. In order to maintain the reliability of the City's water supply and reduce dependence on Metropolitan Water District, it will be necessary for additional local water production to be developed beyond that identified in the Water Enterprise Plan.

A key objective of this analysis is to establish a Water Supply Fee that will pay for the cost of facilities to provide additional local water supplies needed as new connections are established or redevelopment occurs. The proposed facilities include a High Capacity Well to supply additional groundwater to serve new development, and facilities to utilize non-potable water sources in the Coldwater Canyon area for irrigation to reduce the use of potable water and increase the supply of potable water to serve new development.

The proposed High Capacity Well is located in the La Brea Subarea and has a capacity to produce an estimated 700 acre-feet per year (equivalent to 624,920 gallons per day; water supply capacity is expressed in acre feet per year). This well will provide additional water supply to serve the water needs of new development.

The estimated total projected cost to develop the proposed High Capacity Well is \$10,173,469 or \$14,534 per acre-foot per year; \$10,173,469 divided by 700 acre-feet per year. The Coldwater Canyon project will develop a local non-potable water source for irrigation of City parks; which will provide an additional 263 acre-feet per year to augment potable water supplies. This would amount to a benefit of \$3,950,000 or \$15,019 per acre-foot per year; when divided by 263 acre-feet per year. The combined benefit of both projects would then be \$14,123,469 / 963 acre-feet = \$14,666 acre-foot per year.

According to the 2014 Water Capacity Fee Study, the City uses a standard of 925.7 gallons per day, which is approximately 1.00 acre-foot per year to supply water to a single-family



residence of 5,000 square feet supplied through a one-inch water meter.

As an example, the Water Supply Fee for a new Single-Family Residence with a one-inch meter is determined to be **\$14,666** acre-foot per year.

The City calculates its existing Water Capacity Charge for redevelopment of **Residential Projects** that do not require a water meter upgrade based on square footage added to the residence. The assumed indoor water usage for a single-family residence is assumed at 50% of the total usage or 462.85 gallons per day, which is approximately equal to 0.5 acre-foot per year. Using this assumption, the proposed Water Supply Fee for expansions that do not require a meter upgrade is **\$1.47 / square foot** (0.5 acre-foot per year for water supply x \$14,666 acre-foot per year / 5,000 square foot).

For **Commercial Development or Redevelopment** projects that do not require a meter upgrade, square footage or an assigned service unit factor is used. For each building use classification, the projected capacity demand is determined based on the gallons per day calculated using the service unit factor assigned to a customer class. To calculate the WSF for commercial development or redevelopment projects, the \$14,666 per acre-foot per year is converted to an equivalent fee of **\$16.43 per gallons per day** (\$14,666 per acre-foot per year x 365 days per year / 325,829 gallons per day per acre-foot).

It is important to note that the calculations presented in this report for the proposed Water Supply Fee will change if the actual water production and facility costs vary from the projections and estimates used in this report or if other variables change, such as the current usage standard of 925.7 gallons per day for a single family residence. The adequacy of the Water Supply Fee will need to be reviewed when City staff re-evaluates the cost and water production for the new well and the non-potable water system in their periodic review of planned capital improvements.

Changes in the commercial use of a property can result in an increase in its water supply requirement based on the difference between estimated usage per day between the previous usage and the current usage. For example, a 1,000 square foot retail store converted to a 1,000 square foot coffee house would be **\$4,009** (\$5,471 minus \$1,462). A coffee house requires 333 gallons per day per 1,000 square feet and a retail store requires 89 gallons per day per 1,000 square feet. The Water Supply Fee for a coffee house is \$5,471 per 1,000 square feet and for a retail store it is \$1,462 per 1,000 square feet. The methodology to calculate these fees are shown in this report and summarized in Table 6.



II. SUMMARY OF CHARACTERISTICS OF THE CITY'S WATER SYSTEM

According to the 2015 Water Enterprise Plan, the City's water system characteristics are as follows:

- The service area of the City's water enterprise includes the City and a portion of the City of West Hollywood.
- In general, the City relies on Metropolitan Water District for approximately 90% of its water supplies and groundwater from the Hollywood Groundwater Basin for 10% of its water supplies.
- From 1996 through 2002, one hundred percent (100%) of the City's water supply was imported from Metropolitan Water District.
- Metropolitan Water District water has supplied an average of 94.9% of the City's total demand since 1996 and, since 2003 (the year the treatment plant was placed into service), the City has purchased an average of 91.5% of its water from Metropolitan Water District, with the remaining 8.5% coming from its own groundwater production (average between 2004 and 2014).
- As of 2014, the City imported 11,632 acre-feet of water from Metropolitan Water District (94.8%) and pumped 637 acre-feet of groundwater (5.2%) for a total of 12,269 acre-feet of water.
- Groundwater is treated at the City's Reverse Osmosis Treatment Plant.
- The City has four (4) groundwater wells in the Hollywood Groundwater Basin that each pump to the Reverse Osmosis Treatment Plant.
- Hollywood Groundwater Basin is Unadjudicated and managed by the City through municipal ordinances.
- Since the water treatment plant became operational in 2003, the average groundwater production between 2004 and 2014 was 1,032 acre-feet per year. However, groundwater production has decreased since 2010, with only 637 acre-feet of groundwater pumped in 2014.
- The City has the potential to develop additional groundwater supplies within the Hollywood Groundwater Basin and the Unadjudicated Central Basin.



- The City has no artificial groundwater recharge capacity, because it lacks injection wells or spreading basins.

III. WATER ENTERPRISE PLAN

The **2015 Water Enterprise Plan** identified potential alternative water supply sources to increase the overall reliability of the City's water system. The **Water Enterprise Plan** observed that Metropolitan Water District has always been a reliable source of supply for the City; however, given the ongoing drought and the current cutback in imported water allocations by Metropolitan Water District, and the potential for even higher future cutbacks (according to the Water Enterprise Plan, the City's Senate Bill SBx7-7 mandated water goal by the year 2025 is 11,313 acre-foot per year), the Water Enterprise Plan recommended that the City seek alternative water supplies to reduce the amount of water purchased from Metropolitan Water District.

The Water Enterprise Plan reported that the City purchases an average of 90% of its water supply from Metropolitan Water District. To increase the City's supply reliability, the Water Enterprise Plan recommended reducing dependence on imported water.

To further increase its independence from Metropolitan Water District, the Water Enterprise Plan recommended:

- Development of three (3) new groundwater wells in the Unadjudicated Central Basin;
- Construction of related Transmission Mains, and;
- Improvements to the Reverse Osmosis Treatment Plant.

For the City to maintain a water supply goal of 11,313 acre-foot per year with the prospect of Metropolitan Water District supply reductions, the Water Enterprise Plan recommended the construction of 3 new wells that would provide the City with approximately 1,708 acre-foot per year in new groundwater supplies. This new supply along with the 1,120 acre-foot per year of potential groundwater production from existing and planned shallow groundwater wells in the Hollywood Basin, are projected to supply approximately 25% of the City's total water demand by 2025 (1,708 acre-foot per year + 1,120 acre-foot per year = 2,828 acre-foot per year; $2,828 \text{ acre-foot per year} / 11,313 \text{ acre-foot per year} = 0.25$, or 25% groundwater).

IV. EXISTING WATER CAPACITY CHARGES

The City retained a consultant in 2014 to develop water capacity charges for the City's water system. The 2014 Water Capacity Charge Report used a combination of an equity buy-in approach and the incremental cost approach to determine the Water Capacity Charge.



The consultant allocated a portion of the value of the existing water system facilities and the cost of improvements identified in the Water Enterprise Plan to new customers to determine the water capacity charge.

As new connections are established and redevelopment occurs, the increased water supply demands will decrease the share of the water supply from local water sources unless local water supplies beyond those anticipated in the Water Enterprise Plan are developed. In order to meet the water demand needed to serve new development, it will be necessary for additional local water production to be developed.

V. ORDINANCE TO ESTABLISH WATER CAPACITY CHARGE

On February 17, 2015, the City Council adopted Ordinance No. 15-O-2674 ("Water Capacity Charge Ordinance"), which amended the City's municipal code to establish a water capacity charge. Section 6-1-251 of the Water Capacity Charge Ordinance states:

"The user of city water service shall pay a water capacity charge in an amount established by resolution of the city council. The water capacity charge is due upon the occurrence of one of the following events, as deemed appropriate by the Director of Public Works Services, or his or her designee: (1) installation of a new water meter, (2) change in the size of a water meter, or (3) the final inspection of a project."

The Water Capacity Charge Ordinance provides that the City may collect the Water Capacity Charge from the water user with a bill for water service charges, or by delivering a separate bill for the Water Capacity Charge. The water user may pay the Water Capacity Charge in two or more installments and City Council, by resolution, may allow for an alternative procedure for the collection of the Water Capacity Charge.

VI. WATER SUPPLY FEES

Capacity fees or charges are governed by **Government Code Section 66013, 66016, 66022 and 66023**. The Government Code defines a capacity charge as a charge for existing public facilities or charges for new public facilities to be acquired or constructed in the future, which benefit the person or property being charged. In 2007, the definition of capacity charge was expanded to include supply or capacity charges for rights, entitlements, or property interests involving capital expenses of local public facilities.

Government Code Section 66013 provides that the revenues produced by the capacity charge are kept in a separate fund so as to avoid co-mingling with other City funds, and that the City provides an accounting after the end of each fiscal year, which reveals the total



amount of capacity charge revenue collected and interest earned thereon, expenses from that fund during the previous fiscal year, and the balance remaining in the fund at the end of the fiscal year.

Accounting and Reporting Requirements

In setting up the Water Supply Fee, the City would need to separately account for all revenue collected in a fund to be established and maintained by the City titled **“Water Supply Fee Fund,”** to avoid co-mingling with other City revenues. Pursuant to Government Code Section 66013, the local agency collecting the fee is required to make available to the public the following within 180 days after the end of each fiscal year:

- A description of the charges deposited in the fund;
- The beginning and ending balance of the fund and the interest earned from the investment of moneys in the fund;
- The amount of charges collected in that fiscal year;
- An identification of the following:
 - Each public improvement on which charges were expended and the amount of the expenditure for each improvement, including the percentage of the total cost of the public improvement that was funded with those charges if more than one source of funding was used.
 - Each public improvement on which charges were expended that was completed during that fiscal year.
 - Each public improvement that is anticipated to be undertaken in the following fiscal year.
- A description of each interfund transfer or loan made from the capital facilities fund. The information provided, in the case of an interfund transfer, shall identify the public improvements on which the transferred moneys are, or will be, expended. The information, in the case of an interfund loan, shall include the date on which the loan will be repaid, and the rate of interest that the fund will receive on the loan.

The report detailing the above may be part of the annual audit prepared for the City each year.

VII. METHODOLOGY FOR THE WATER SUPPLY FEE

The proposed Water Supply Fee was determined by allocating the cost to develop new water supplies required to meet the water supply needs of new development.



The City has implemented a **Capital Improvement Program** to construct additional wells, transmission pipelines and treatment plant capacity to achieve a water supply goal that reduces reliance on Metropolitan Water District and increases local water sources to meet its water supply needs for existing development, based upon the finding of its Water Enterprise Plan.

The City has also adopted a Water Capacity Charge that allocates to new connections a proportionate share of the cost of existing facilities and planned capital improvements. The Water Supply Fee recommended in this report is in addition to the City's current Water Capacity Charge and will fund facilities not included in the determination of the current Water Capacity Charge.

As new connections are established or redevelopment occurs, the increased water supply demand will decrease the percentage share of the water supply from local water sources unless additional local water supplies are developed beyond those planned in the Water Enterprise Plan.

A key objective of our analysis is to establish a Water Supply Fee that will pay for the cost of additional water supply needed to serve new development as new connections are established or redevelopment occurs.

A. Additional Water Supply to Meet Demands of New Development

High Capacity Well, Transmission Main, & Treatment

An additional High Capacity Well, beyond the 3 wells planned in the Water Enterprise Plan, with an estimated capacity to produce **700** acre-foot per year from the La Brea Subarea of the Unadjudicated Central Basin and a connecting Transmission Main to convey the groundwater to the City's Treatment plant, is recommended. The estimated total project cost to develop the proposed high capacity well is **\$10,173,469**. The one-time cost to provide a local water supply to meet a portion of the water demand of new development is **\$14,534 per acre-foot per year**.



Table 1 below lists the projected costs to develop the High Capacity Well, Transmission Main and Treatment Project.

**Table 1. Project Cost Projection
 High Capacity Well, Transmission Main, & Treatment Project Cost**

Description	Cost
Land Acquisition (Land Value)	\$4,500,000
Well Drilling Design	\$51,188
Well Drilling Contract	\$1,023,750
Well Equipping and Transmission Main Design	\$157,500
Well Equipping and Transmission Main Contract	\$1,575,000
Water Treatment Design	\$31,500
Water Treatment Construction	\$210,000
Environmental Documentation – CEQA	\$112,350
Permitting	\$56,175
Construction Management and Inspection	\$421,313
Subtotal Project Cost	\$8,138,775
Contingency (25%)	\$2,034,694
Total Projected Cost with Land	\$10,173,469
Estimated Production of New Well (acre-foot per year)	700
Cost per Acre-Foot of Water Produced (per acre-foot per year)	\$14,534

Coldwater Canyon Non-Potable Water Supply for Irrigation

Coldwater Canyon has a source of non-potable water that can be collected, treated, stored in the City’s Cabrillo Reservoir and distributed to irrigate five City parks. The Cabrillo Reservoir was originally constructed in 1918 and retrofitted in 1927. Based on the age of the Cabrillo Reservoir, the remaining undepreciated value of the reservoir based on its useful life is at or near zero. The City plans to refurbish the Cabrillo Reservoir to extend the useful life of the reservoir and use it to store non-potable water.

The estimated annual demand for non-potable water to irrigate the five City parks (Beverly Gardens Park, Sunset Medians, Maltz Park, Will Rogers Park and Coldwater Park) is **263 acre-feet per year**.

The use of non-potable water for irrigation will reduce the demand for potable water, which will free-up potable water to be used to meet a portion of the water supply demand of new development.

The estimated total project cost to develop the proposed Coldwater Canyon Non-Potable Water Supply for irrigation of City parks is **\$3,950,000**. Engineers in the City’s Public Works Department provided the estimated costs for construction and engineering services. Actual



costs of design and construction will need to be confirmed upon receipt of engineering proposals and construction bids. The one-time cost to provide a local water supply using non-potable water to irrigate City parks and free up potable water to meet a portion of the water demand of new development is **\$15,019 per acre-foot per year**.

Table 2 below lists the projected costs to develop the Coldwater Canyon Non-Potable Water Supply for Irrigation.

**Table 2. Project Cost Projection
 Cabrillo Reservoir Non-Potable Water Distribution System in Coldwater Canyon**

Description	Cost
Land Acquisition (Land Value)	\$0
Design and Construction Management	\$450,000
Relining of Cabrillo Reservoir 3B	\$550,000
Water Treatment	\$200,000
Pipeline (3B Res. to Intersection of N. Beverly and N. Rexford – Approx. 3,500 feet)	\$700,000
Pipeline (N. Beverly and N. Rexford to Intersection of N. Rexford and Santa Monica Boulevard) – Approx. 6,300 feet	\$1,260,000
Total Projected Construction Cost (excludes Design and Construction Management)	\$2,710,000
Environmental Documentation – CEQA	\$0
Permitting	\$0
Subtotal Project Cost (includes Design and Construction Management)	\$3,160,000
Contingency (25%)	\$790,000
Estimated Project Cost	\$3,950,000
Estimated Irrigation Usage (acre-foot per year)	263
Total Projected Cost with Land (per acre-foot per year)	\$15,019

Combined Estimated Cost and Water Supply

The combined cost to develop a local groundwater source in the La Brea Subarea of the Unadjudicated Central Basin and to develop a local non-potable water source in the Coldwater Canyon area for irrigation of City parks, which will free up potable water to meet the water supply demands of new development is **\$14,123,469**. The one-time cost to utilize local water supplies to meet a portion of the water demand of new development is **\$14,666 per acre-foot per year**.



Table 3. Combined Estimated Cost and Water Supply

Combined Total Projected Cost	\$14,123,469
Combined Additional Water Supply for New Development (acre-foot per year)	963
Combined Projected Cost per acre-foot per year	\$14,666

B. Meter Fee Calculation

The City uses a standard of 925.7 gallons per day, which is approximately one acre-foot per year to supply water to a single-family residence that is approximately 5,000 square feet in size and with a 1-inch meter connection. Therefore, the Water Supply Fee for a new single family residence with a 1-inch meter is \$14,666.

Meter capacity factors are used to determine the Water Supply Fee for different meter sizes. **Table 4** below summarizes graduated Water Supply Fees based on meter size.

Table 4. Water Supply Fee by Meter Size

Meter Size	Meter Capacity Factor	Fee
3/4"	0.60	\$8,800
1"	1	\$14,666
1-1/2"	2	\$29,332
2"	3.2	\$46,932
3"	6	\$87,997
4"	10	\$146,661
6"	20	\$293,322

Calculation examples are shown below for various scenarios for new connections or expansions. The calculations conform to the existing methodology for determining the City's Water Capacity Charge and uses the examples in the 2014 Water Capacity Charge Report to maintain uniformity in calculating the City's Water Supply Fee fees. The Water Supply Fee does not apply to fire meters.

(1) Calculation Example 1: Residential Account Requiring a Meter Upgrade

A **Residential Account** requiring a meter upgrade would be charged a WSF based on the difference between the fee associated with the current meter size and the fee associated with the new meter size. For example, a meter upgrade to a 1-1/2-inch meter from a 1-inch meter would be the difference between \$29,332 and \$14,666, or **\$14,666**.

A **Redevelopment Fee** is associated with Building Expansion, Redevelopment, or Renovation, when a meter upgrade is not required. To maintain uniformity in the calculation of the City's water fees, the Water Supply Fee for Redevelopment uses 5,000 square feet as the average



house size in the City. The typical single family residence uses approximately 50% of total water use for indoor use. The resulting cost for redevelopment or expansion is **\$1.47 per square foot (Square foot)** as noted below in **Table 5**.

Table 5. WSF for Redevelopment or Expansion

Indoor Use AFY (50% of Average)	Cost per AFY	Fee
0.5	\$14,666	\$7,333
Average Single Family Residence Size (square feet)		5,000
Fee for Redevelopment or Expansion per Square Foot		\$1.47

Please note that this report adheres to the existing practice of the City to exempt residential additions or redevelopment of less than 1,000 square feet of additional space.

(2) Calculation Example 2: Remodel or Redevelopment of less than 1,000 Square Feet

The Water Supply Fee in this case is not charged because the project is less than 1,000 Square Feet.

(3) Calculation Example 3: Remodel or Redevelopment of More than 1,000 Square Feet

For Redevelopment or Additions of more than 1,000 square feet, the Water Supply Fee of \$1.47 per square foot is used to calculate the fee. For example, a New Addition of 1,500 square feet is charged a Water Supply Fee of **\$2,205**.

C. Non-Residential Fee Calculation

This cost per gallons per day is used to calculate the Water Supply Fee for Non-Residential projects without meter upgrades using the standard convention the City uses to calculate the City's Water Capacity Charge.

To calculate the Water Supply Fee for Commercial Redevelopment projects, the \$14,666 per acre-foot equals an equivalent fee of \$16.43 per gallons per day. The cost of the Water Supply Fee for non-residential projects is added to the City's established Water Capacity Charge for Non-Residential uses.

For example, the Water Supply Fee for an Auditorium, which requires 4.4 gallons per day per seat, would be **\$72 per seat**. The additional fee of \$72 per seat is added to the existing Water Capacity Charge shown in **Table 6** below.

(1) Calculation Example 4: Commercial Account with Service Unit Increase Not Requiring a



Meter Upgrade

In cases where a project’s expansion changes its total number of Service Units and does not require a meter upgrade, the project pays for the resulting additional demand. For example, a Restaurant that adds 30 seats would pay **\$16,260** (\$542 multiplied by 30 seats).

(2) Calculation Example 5: Commercial Change in Use

Changes in Commercial Use of a property are the difference between estimated usage per day between the previous usage and the current usage. For example, a 1,000 square foot Retail Store converted to a 1,000 square foot Coffee House would be **\$4,009** (\$5,471 minus \$1,462).

Table 6. Water Supply Fees for Non-Residential Customers

Customer Class	Estimated Gallons Per Day	Service Unit	Proposed Water Supply Fee	Existing Water capacity charge	Total Fees
Auditorium or Community Center	4.4	per seat	\$72	\$90	\$162
Bank	167	per 1,000 sq. ft.	\$2,744	\$3,380	\$6,124
Gymnasium	278	per 1,000 sq. ft.	\$4,567	\$5,633	\$10,200
Health Spa	667	per 1,000 sq. ft.	\$10,958	\$13,519	\$24,477
Hotel, per room	144	per room	\$2,366	\$2,929	\$5,295
Medical Office	278	per 1,000 sq. ft.	\$4,567	\$5,633	\$10,200
Office Building	167	per 1,000 sq. ft.	\$2,744	\$3,380	\$6,124
Shopping Center	167	per 1,000 sq. ft.	\$2,744	\$3,380	\$6,124
Coffee House	333	per 1,000 sq. ft.	\$5,471	\$6,759	\$12,230
Restaurant–Full Service	33	per seat	\$542	\$676	\$1,218
Retail Store	89	per 1,000 sq. ft.	\$1,462	\$1,803	\$3,265
School – Private	222	per 1,000 sq. ft.	\$3,647	\$4,506	\$8,153
Supermarket	167	per 1,000 sq. ft.	\$2,744	\$3,380	\$6,124

VIII. CONCLUSIONS AND RECOMMENDATIONS

The City should consider adopting an ordinance to establish the Water Supply Fee pursuant to Government Code Sections 66013, 66016, 66022 and 66023, similar to the Water Capacity Charge, rather than impose fees on an ad-hoc basis.

The City is required to **Separately Account for All Revenue** collected in a segregated fund to be established and maintained by the City titled **“Water Supply Fee Fund,”** to avoid co-mingling with other City revenues.



Within 180 days after the end of each fiscal year, City staff is required to prepare an **Annual Water Supply Fee Report** showing:

- A description of the charges deposited in the fund;
- The beginning and ending balance of the fund and the interest earned from the investment of moneys in the fund;
- The amount of charges collected in that fiscal year;
- An identification of the following:
 1. Each public improvement on which charges were expended and the amount of the expenditure for each improvement, including the percentage of the total cost of the public improvement that was funded with those charges if more than one source of funding was used.
 2. Each public improvement on which charges were expended that was completed during that fiscal year.
 3. Each public improvement that is anticipated to be undertaken in the following fiscal year.
- A description of each interfund transfer or loan made from the capital facilities fund. The information provided, in the case of an interfund transfer, shall identify the public improvements on which the transferred moneys are, or will be, expended. The information, in the case of an interfund loan, shall include the date on which the loan will be repaid, and the rate of interest that the fund will receive on the loan.

The report detailing the above may be part of the annual audit prepared for the City each year.

Ordinance No. 15-O-2674 adopted in 2015 established the Water Capacity Charge and provides that the Water Capacity Charge is due upon occurrence of the following:

- 1) Installation of a New Water Meter;
- 2) Change in the Size of a Water Meter, or
- 3) The Final Inspection of a Project.

The **Water Supply Fee Annual Report** should be due at the same time and in the same manner as the WCC Annual Report. It is also recommended that the adequacy of the Water Supply Fee be reviewed when City staff conduct their periodic reviews of capital expenses. Modifications to be included in future Water Supply Fee analyses should include the costs of any Auxiliary Projects; which could provide additional local groundwater supplies. Future



Auxiliary Projects may include springwater capture for potable use and stormwater capture for groundwater replenishment.

Additionally, changes to modify projected costs for the High-Capacity Well, Transmission Main & Water Treatment Project and the Coldwater Canyon Project; based upon design and construction costs, would need to be incorporated into future Water Supply Fee analysis updates.

The City should establish a **Procedure** for the Community Development Department that, upon its receipt of an Application for a New Development or Redevelopment that may require a new meter or change in meter size, it would go through a plan check process as part of a will serve procedure.

The **California Environmental Quality Act** requires cities to evaluate the impacts of developments that request approvals and provide a notice to affected jurisdictions of the determination made relative to the project. Upon receipt of **Notices of Determination** under **California Environmental Quality Act** from the City of West Hollywood, the Community Development Department should distribute a copy of the **Notices of Determination** to the **Water Department** for determination of the impact on the City's water system and the corresponding meter size requirements for the New Development or Redevelopment projects in that City, with the City of Beverly Hills' water service area.

The City should coordinate with the City of West Hollywood, to establish a **Process for the City of West Hollywood** to notify owners of property in West Hollywood that are within the City of Beverly Hills' Water Service Area requiring them to contact the City's **Public Works Department** regarding the details of the new connection or redevelopment project's water system demands.



IX. REFERENCES

A Planner's Guide to Financing Public Improvements

Antero Rivasplata, author and principal planner
Published 1989 by California Office of Planning and Research
1400 Tenth St., Sacramento, CA 95814

A Short Overview of Development Impact Fees

Peter N. Brown, City Attorney, City of Carpinteria
Graham Lyons, Deputy City Attorney, City of Carpinteria
City Attorneys Department League of California Cities
2003 Continuing Education Program February 27, 2003

City of Beverly Hills 2010 Urban Water Management Plan August 2011

SA Associates Consulting Engineers
1130 W. Huntington Drive Unit 12, Arcadia, CA 91007

City of Beverly Hills Water Enterprise Plan July 2015

Psomas
3 Hutton Center Drive, Suite 200 Santa Ana, CA 92707

City of Beverly Hills Capacity Fee Report December 5, 2015

Raftelis Financial Consultants, Inc.
201 S. Lake Avenue, Suite 301, Pasadena, CA 91101

City of Beverly Hills Water Rate Study December 22, 2015

H F&H Consultants, LLC
201 North Civic Drive, Suite 230 Walnut Creek, CA 94596