



CITY OF BEVERLY HILLS STAFF REPORT

Meeting Date: April 7, 2009
To: Honorable Mayor & City Council
From: Shana Epstein, Environmental Utilities Manager 
Subject: Presentation by Metropolitan Water District (MWD) Director
Robert Wunderlich
Attachments: 1. MWD Director's Report

INTRODUCTION

Director Wunderlich will be sharing information regarding options for MWD's rate increase that are currently being considered and the potential for MWD to implement a water shortage allocation plan. Both of these items are before the MWD Board of Directors on April 14, 2009.

DISCUSSION

Director Wunderlich was appointed by the City Council to represent Beverly Hills on the MWD Board in July of 2007. He is a resident of Beverly Hills and an economist by profession who owns his own company. Director Wunderlich serves as Chair of the Audit and Ethics Committee and is a member of the Business and Finance, Water Quality and Operations, and Real Property and Asset Management Committees. He has represented MWD at legislative hearings in Washington DC and Sacramento. He has provided valuable learning opportunities to Beverly Hills community members and staff regarding how MWD acquires water and maintains a reliable supply for Southern California by organizing MWD-conducted tours of its Colorado River and Sacramento Delta water supply facilities.

MWD is facing difficulties to maintain a reliable water supply due to regulatory restrictions impacting use of the State Water Project and the drought conditions in California and the Colorado River Basin. MWD has been preparing water leaders throughout Southern California for the very real possibility of water rationing beginning July 1, 2009. As MWD faces the prospects of reduced water sales, it must adjust rate projections to meet its increasing expenses and cover its significant fixed expenses. In addition, over the last few years, MWD has used its reserves to limit raising rates to meet true cost of service and so its reserves are below the minimum requirements set by the Board. MWD is now considering several options to raise wholesale water rates.

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FISCAL IMPACT

If MWD increases rates as suggested, the City's Water Enterprise Fund is expected to be able to absorb the additional expense for FY 09/10 due to reserves and new rates already being approved last spring, but the City will have to re-evaluate its rate projections for FY 10/11 and 11/12 since MWD water purchases are approximately 25% of the Water Enterprise Fund's budget.

Secondly, if MWD adopts mandatory water rationing and the City of Beverly Hills does not meet those goals, then the City will be expected to pay penalties. Therefore, staff will come back to the City Council on May 5, 2009, with a recommendation of which mandatory stage of water conservation to declare so the community understands the importance of conserving or pays the City's penalty rates. These rates were also noticed to the community last April in preparation for these pending water rations.

RECOMMENDATION

Staff has no recommendation at this time.

FOR 

David Gustavson

Approved By