



CITY OF BEVERLY HILLS STAFF REPORT

Meeting Date: April 5, 2011
To: Honorable Mayor & City Council
From: Shana Epstein, Environmental Utilities Manager 
Subject: Current Imported Water Supply and Potential Actions by the Metropolitan Water District Board that Affect the City of Beverly Hills Emergency Water Conservation Stage B
Attachments: None

INTRODUCTION

Effective July 1, 2009, the City of Beverly Hills called for Emergency Water Conservation Stage B to be implemented, which activated irrigation restrictions and established mandatory conservation by 10% per customer. The City took this action in response to the Metropolitan Water District (MWD), the City's wholesaler, implementing mandatory conservation with penalties. These outcomes were the result of regulatory limitations and natural causes that led to the depletion MWD's water reserves. On April 12, 2011, MWD will be considering lifting the water allocations as soon as April 13, 2011; therefore, staff is presenting to the City Council the current water supply condition and the recommendations for the City's next steps.

DISCUSSION

As of February 27, 2011, the MWD's key locations indicate an accumulated precipitation all above average rainfall. The reservoir conditions except for Lake Mead are greater than 75% full. The current projection for State Water Project allocation is 60% in contrast to last year's which was 35%. MWD rarely receives 100% of its State Water Project allocation and 60% is considered a good year. This past year lower than expected demands have continued due to conservation efforts, weather and the economy. Therefore, MWD's staff is recommending board action on April 12, 2011, for the following:

- Do not implement the Water Supply Allocation Plan (WSAP) for FY 2011/2012. The WSAP is equivalent to the City's Emergency Water Conservation Ordinance. Instead of stages, MWD's plan has levels of conservation and complicated calculations to establish each member agencies baseline.

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- Terminate implementation of FY 2010/2011 WSAP Level 2 (10% mandatory reduction) effective April 13, 2011.

MWD has illustrated that water storage has been restored to almost 2007 levels so there is no immediate risk of entering allocations in the near future if this recommendation is adopted.

When the City adopted Stage B, which is a 10% mandatory water conservation action, the City did so to coincide with MWD's action. Since the City did not meet conservation goals during a similar period in the early 1990s, staff recommended not only implementing a penalty surcharge for use above an individually set allocation of 10% less than a customer's baseline, but also to implement irrigation restrictions. This additional measure proved to be effective as the City surpassed the 10% reduction goal for FY 2009/2010 and is on schedule to surpass the 10% reduction goals for FY 2010/2011.

Even though MWD may be lifting the allocation, the State legislature last year passed legislation for all water agencies to reduce demand by 20% per capita by 2020. The first milestone is 10% by 2015, which with the current demand due to the restrictions, Beverly Hills has already achieved. Therefore, when this information was brought forward to the Public Works Commission, the Commission requested that the following recommendation be made to the City Council:

- Remove the penalty surcharges based upon an allocated baseline in consistent with action taken by MWD to terminate implementation of Level 2.
- Continue irrigation restrictions with a fine of \$100, in order to maintain the reduced demand and be in compliance with state legislation.

Upon receiving Council direction, staff will return to a formal session of the City Council with the necessary amendments to the resolution.

FISCAL IMPACT

The City budgeted for a 10% reduction of water use for FY 2010/2011 and FY 2011/2012. Therefore, revenues and expenditures were allocated accordingly. Due to the response to conserving by some customers, the City has collected less than estimated regular revenues from sales. If the City lifts the penalty surcharge for the upcoming fiscal year, it is anticipated that approximately \$1.5 million less in revenues will be collected. Therefore, staff is making appropriate cost cutting measures for FY 2011/2012 to offset the loss in revenue from reduced sale of water.

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	FY 2010/2011	FY 2011/2012
Projected or Budgeted Revenue from Regular Sales	\$26.5 Million	\$25 Million**
Penalty Surcharge Billed*	\$3.4 Million	0
Appeals Granted *	\$223,000	0
Net Billed Penalty Surcharge*	\$3.2 Million	0

* Actual billings and appeals granted through March 21, 2011, assuming MWD will lift the allocations effective April 13, 2011.

** Approximately \$1.5 million less than projected with the rate study completed last year.

It is also important to note that during FY 2009/2010 (the first year of mandatory conservation) when the billing was late due to the meter replacement project the City collected \$3.64 million less in regular sales than originally expected.

RECOMMENDATION

Staff recommends the City lift the penalty surcharge related to individual customers' allocation in congruence when and if MWD's action to remove the allocation, but keep in place the irrigation restrictions with a \$100 fine for non-compliance.



David Gustavson
Approved By