



AGENDA REPORT

Meeting Date: July 29, 2014

Item Number: E-1

To: Honorable Mayor & City Council

From: Trish Rhay, Assistant Director, Public Works Services

Subject: AN ORDINANCE OF THE CITY OF BEVERLY HILLS TO INCREASE RATES AND CHARGES FOR WATER SERVICES AND FACILITIES FURNISHED BY THE CITY

Attachments:

1. Ordinance
2. Exhibit – Rates and Charges
3. Citywide Outdoor Watering Schedule

RECOMMENDATION

Staff is requesting City Council authorization to move forward with the recommendations as outlined in this report and to complete required ordinances, notifications and approvals.

INTRODUCTION

Staff will provide an overview of the proposed 2014/15 rate increase for the City of Beverly Hills Drinking Water Enterprise. Staff will highlight the key operational and financial drivers that support a 2% rate increase. Additionally, staff will address the new State Water Conservation Regulations, the impacts on this rate proposal and our path forward with implementation.

DISCUSSION

Over the last seven months, Public Works Services has worked with the Finance Department and the Public Works Commission to review the operational and financial performance of the water enterprise. After extensive discussion and analysis, a one year (FY 2014/15) rate proposal was presented to the City Council during their May 20, 2014 meeting, in which the City Council provided further direction on the recommendation to the City Manager. This report

details the analysis and a recommended rate package based on the City Council and City Manager's final direction.

Operations - Water Supply

Water supply management will be a primary focus for the Water Enterprise over the next 10 years. On an annual basis, the City of Beverly Hills receives 90% (9 million gallons/day) of its water supply from Metropolitan Water District. The remaining 10% (1 million gallons/day) is produced within the City's treatment plant. The City's 4 existing water well yields are the City's greatest challenge to increasing production at this time. The current well performance is limited to operating 5 days per week, producing approximately one million gallons per day. This level of production ensures adequate ongoing groundwater levels in the city's aquifer.

The Public Work Services Department (PWS) has started the process of developing a Water Enterprise Plan. This plan will focus on creating the City of Beverly Hills water portfolio to be implemented over the next 10 years. It is the intent of the Water Enterprise Plan to accomplish the following:

1. Analyze, recommend and establish the major business directions listed below, as well as any others identified through this planning process,
 - a. Short and Long Term Water Supply Development (Imported & Groundwater) Policy
 - b. System Demand Management Policy
 - c. Growth Management Policy
 - d. Water Rights Assessment
 - e. Water System Improvement Program (WSIP) Development
 - f. Cost of Service Recovery Policy
2. Formally document the City of Beverly Hills Water Enterprise Plan including goals, policies and direction and a ten (10) year Action Plan.
3. Identify and detail the Capital and Operational projects/programs recommended to achieve overall Water Enterprise Plan.
4. Develop 10 Year Financial plan

Operations - Water Distribution

While serving a relatively small area, the City of Beverly Hills requires a complex distribution system in order to safely supply drinking water. The City has 11 active reservoirs, 13 pressure zones, 56 pressure control valves and 150 miles of distribution mainline.

Proper preventative and reactive maintenance is essential to ensure safe pressure and flow throughout the system. The data analysis has identified critical risk management and revenue generating work tasks that have been severely reduced or eliminated over time as staffing levels have been reduced in past years. The 2% rate proposal will assist with additional staffing resources needed to adequately provide the necessary and/or expected service levels for the water system.

Financial Requirements

The Water Enterprise continues to hold an AAA bond rating from Fitch Financial Rating Agency. This rate is directly tied to strong financial policies adopted by the City of Beverly Hills. These

policies include a 50% operating reserve, a highly cash financed capital program and high rate covenant.

Typically, the Water Enterprise presents a two year rate proposal. Since the Water Enterprise Plan, which will serve as the guiding document for the City's water enterprise, will not be completed until May, 2015, both the Finance department and Public Works Commission are recommending a one year rate package for 2014/15. The one year recommendation accounts for the immediate needs that are independent of and/or support the Water Enterprise Plan.

Additionally, Metropolitan Water District (MWD) has notified all member agencies that the average rate increases for 2014/15. Based on the City's usage profile, the City of Beverly Hills will experience a 3.6% MWD rate increase. These additional costs are included in the 2% rate proposal.

Following is a table that illustrates the actual impact to the average customer on their bi-monthly bill.

Customer Class	Current Bi-Monthly Bill	New Bi-monthly Bill	Change
Residential	\$463.71	\$472.89	\$9.27

Of note, an additional \$2 million was set aside in the General Fund to support ground water development projects resulting from the Water Enterprise Plan. This funding will remain in the Water Enterprise Fund balance until such time as specific projects are identified. At that time, moneys will be transferred on a loan basis to the Water Enterprise to expedite project development.

Water Conservation Program

Last week, the Department of Water Resources released emergency regulations that strengthen the voluntary conservation efforts called for by Governor Brown in January of this year. The new regulations direct each water purveyor to implement their emergency conservation plans to the level needed to require outdoor water restrictions. However, these regulations are still in draft form and continue to be clarified by the California State Water Board. We will continue to monitor the finalization process and insure our action plan achieves the regulations final goals.

In the interim, the City of Beverly Hills has several programs in place that support the state's emergency declaration. The City's Water Conservation Ordinance, adopted in 1992, called for maximizing the beneficial use of water through efficient practices by all residential and commercial customers. A brief summary of the programs in place in which the City accomplishes this are the following:

- System Water Audits and Leak Detection Program
- Outdoor Water Schedule
- Smart Infrastructure – Water Tracker/Triton
- Partnership with Metropolitan Water District's (MWD) Indoor and outdoor Rebate Programs
- Adoption Smart Landscape Irrigation Ordinance
- Public Outreach and Education

Meeting Date: July 29, 2014

Furthermore, to align the City's conservation efforts with state law, PWS Department will reinstitute enforcement of the Citywide Outdoor Water schedule. Violation of the schedule is subject to a citation with a fine not to exceed one hundred dollars (\$100).

Over the next month, staff will be working with the Public Works Commission to clearly define the requirements within the new regulations, evaluate the revenue impacts, and develop a Water Conservation Plan recommendation for City Council's consideration. The Commission recommendation to Council will be scheduled for August 19, 2014.

In the future, the City's Water rates may be impacted by these conservation measures. However, Public Work Services continues to support the current 2% rate increase. Any adjustments identified can be addressed in future rate discussions.

PUBLIC NOTIFICATION

A public notice of the proposed 2% rate increase was sent to all customers on June 4, 2014. The notice also stated that a public hearing would be held at the Formal Beverly Hills Council meeting on July 29, 2014.

Since the notice distribution, Public Works Services have received four letters from individual customers expressing the desire for no rate increases at this time.

FISCAL IMPACT

For 2014/15 a 2% water rate increase is recommended. This increase adjusts the annual revenue from \$37,196,283 to \$37,940,208. Operating expenses will increase by \$895,071 and capital expenditures will increase \$2,575,000.

Don Rhoads 

Finance Approval


George Chavez

Approved By

Attachment 1

ORDINANCE NO. 14-O-_____

**AN ORDINANCE OF THE CITY OF BEVERLY HILLS TO
INCREASE RATES AND CHARGES FOR WATER
SERVICES AND FACILITIES FURNISHED BY THE CITY**

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) The City Council is authorized pursuant to the California Health and Safety Code Section 5471 to prescribe, revise and collect rates and charges for water services and facilities furnished by the City.

(b) The City Council wishes to increase the rates and charges (the “rates”) for water services and facilities furnished by the City, as provided in Exhibit A.

(c) The City Council identified the parcels upon which the proposed rates would be imposed and calculated the amount of the proposed rates.

(d) The City Clerk caused a notice of the time and place of a public hearing on the proposed rates to be mailed as required by Section 6 of Article XIII of the California Constitution.

(e) Each notice described the amount of proposed rates, the basis upon which the amount of the proposed rates was calculated, the reason for the proposed rates, and the date time and location of a public hearing on the proposed rates.

(f) On July 29, 2014, at the date, time and location set forth in the notice, the City Council conducted a public hearing on the proposed rates and heard and considered all objections and protests thereto and at the close of the public hearing, the City Council determined that written protests had not been presented by a majority of owners of the identified parcels.

(g) All code references in the column entitled "Reference" in Exhibit A are to ordinances or resolutions of the City of Beverly Hills unless otherwise indicated.

Section 2. Effective September 6, 2014, the rates shall be increased as provided in Exhibit A.

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:

LILI BOSSE
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:

JEFFREY KOLIN
City Manager



DON RHOADS
Director of Administrative Services/Chief
Financial Officer

Attachment 2

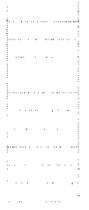
EXHIBIT A
[see attached]

REFERENCE	TYPE OF UTILITY CHARGE	2013/14		2014/15	
		RATE		PROPOSED RATE	
		Inside City	Outside City	Inside City	Outside City
10-R-12775	Delinquent City Utility Bills Late Payment Charge 3% per month, or fraction thereof, of the unpaid portion of any bill on a commercial account. 1.5% per month, or fraction thereof, of the unpaid portion of any bill on a residential account.	3%	3%	3%	3%
88-R-7759	Water Service Connection Charge: General				
	1" and smaller	739.18	923.98	753.96	942.45
	1- 1/2"	1,489.13	1,876.82	1,518.91	1,898.64
	2"	2,126.40	2,871.36	2,168.93	2,711.16
	3"	3,173.45	4,470.07	3,236.92	4,046.15
	4"	4,273.56	6,131.73	4,359.03	5,448.79
	6"	5,365.79	7,937.61	5,473.11	6,841.38
	8"	6,345.56	9,827.87	6,472.47	8,090.59
	Fire Protection Services				
	4"	4,273.56	6,413.73	4,359.03	5,448.79
	6"	5,365.89	8,537.91	5,473.21	6,841.51
	8"	6,345.56	10,518.98	6,472.47	8,090.59
	10"	7,445.78	14,783.21	7,594.70	9,493.37
88-R-7759	Service Installation Deposit: *The city will charge fully allocated hourly rates for all personnel involved plus any outside costs and materials. Size of Service (deposit levels):	*	*	*	*
	1 inch	2,950.29	2,950.29	3,009.30	3,761.62
	2 inches	5,900.47	5,900.47	6,018.48	7,523.10
	3 inches - Compound	10,030.82	10,030.82	10,231.44	12,789.30
	4 inches - Changeout	5,310.39		5,416.60	
	4 inches - Compound	10,030.82	10,030.82	10,231.44	12,789.30
	4 inches - Fire	7,080.63	7,080.63	7,222.24	9,027.80
	6 inches - Changeout	10,030.82	10,030.82	10,231.44	12,789.30
	6 inches - Compound	15,931.29	15,931.29	16,249.92	20,312.39
	6 inches - Fire	8,260.68	8,260.68	8,425.89	10,532.37
	8 inches	12,351.61	12,351.61	12,598.64	15,748.30
88-R-7759	Fire Protection Service Installation Deposit: *(Actual costs will be billed to customer and applied against d	*	*	*	*
	Size of service:				
	8 inches	8,087.38	8,087.38	8,249.13	10,311.41
	10 inches	9,704.86	9,704.86	9,898.96	12,373.70
88-R-7759	Fire Hydrant Installation Deposit: *(Actual costs will be billed to customer and applied against deposit.)	4,852.43	5,391.78	4,949.48	6,186.85
88-R-7759	Service Restoration Charge:				
	After discontinuation at customer's request	225.75	237.04	230.27	287.83
	After discontinuation due to noncompliance	225.75	237.04	230.27	287.83
	After unauthorized turn on of water	169.05	177.50	172.43	215.54
88-R-7759	Temporary Service Connection:				
	Installation of service connection and meter	129.78	141.66	132.38	165.47
	Installation of meter to pre-existing service	129.78	141.66	132.38	165.47
	Service charge	103.69	114.35	105.76	132.20
	Equipment rental fee:				
	First 15 days or less	51.07	56.29	52.09	65.11
	Each succeeding 15 days or less	20.43	22.54	20.84	26.05
88-R-7759	Temporary Supply from Fire Hydrant:				
	Application fee	39.30	43.41	40.09	50.11
	Deposit	1,188.60	1,311.28	1,212.37	1,515.47
	Service charge				
	Each 6 month period or less	156.21	172.31	159.33	199.17
	Equipment rental fee				
	First 15 days or less	51.07	56.29	52.09	65.11
	Each succeeding 15 days or less	20.43	22.54	20.84	26.05
	Meter relocation (each)	51.07	56.29	52.09	65.11
07-R-12338	Fire Flow Test (per test)	450.45	563.06	459.46	574.32
88-R-7759	Water Meter Testing (per test)	900.90	1,126.13	918.92	1,148.65
06-0-2506	Groundwater Replenishment Fee	895.39		913.30	
08-0-2552	Water Rates:				
	Service charges (bimonthly):				
	Meter size (per meter):				
	1 inch and smaller	42.51	53.14	43.36	54.20
	1-1/2 inches	73.69	92.11	75.16	93.95
	2 inches	111.10	138.88	113.32	141.66
	3 inches	198.39	247.98	202.36	252.94
	4 inches	323.09	403.86	329.55	411.94
	6 inches	634.83	793.54	647.53	809.41
	Quantity charge:*				
	Bimonthly Water Usage - units of 100 cu ft (per 100 cu ft)				
	Single Family Residences & Duplexes (SFR)		Multi-Family Residential (MFR) (Tier acts as a multiplier by # of units.)		
	Tier 1 - from 1 and up to 10	3.46	Tier 1 - from 1 to 4	3.53	4.41
	Tier 2 - over 10 and up to 55	4.58	Tier 2 - over 4 and up to 9	4.67	5.84

Tier 3 - over 55 to 120	Tier 3 - over 9 and up to 16	7.22	9.02	7.36	9.21
Tier 4 - over 120 +	Tier 4 - over 16+	13.94	17.42	14.22	17.77
Non-residential rate (Commercial, Governmental and Schools)		5.92	7.40	6.04	7.55

*Capital charge incorporated in usage.

08-0-2552	Fire Protection Service Charge (bimonthly):				
	Size of Connection:				
	2 inch and smaller	25.89	32.36	26.41	33.01
	2-1/2 inches	38.61	48.26	39.38	49.23
	3 inches	56.24	70.30	57.36	71.71
	4 inches	108.62	135.77	110.79	138.49
	6 inches	296.61	370.76	302.54	378.18
	8 inches	620.84	776.05	633.26	791.57
	10 inches	1,108.54	1,385.68	1,130.71	1,413.39



Attachment 3



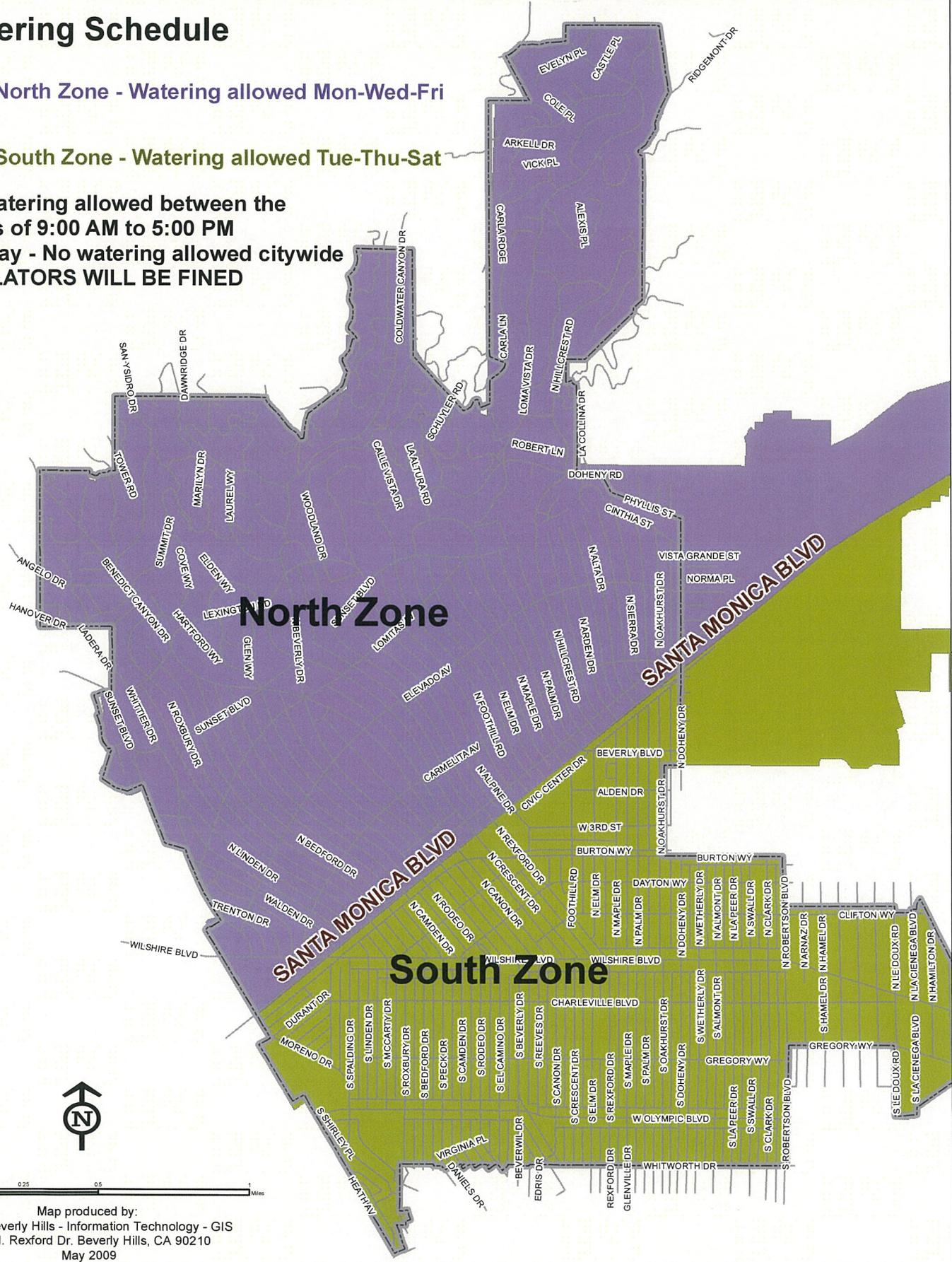
Stage B Declaration - Citywide Watering Schedule Beverly Hills, California (Effective July 1, 2009)

Watering Schedule

North Zone - Watering allowed Mon-Wed-Fri

South Zone - Watering allowed Tue-Thu-Sat

No watering allowed between the hours of 9:00 AM to 5:00 PM
Sunday - No watering allowed citywide
***VIOLATORS WILL BE FINED**



Map produced by:
City of Beverly Hills - Information Technology - GIS
455 N. Rexford Dr. Beverly Hills, CA 90210
May 2009