



## AGENDA REPORT

**Meeting Date:** September 1, 2015

**Item Number:** E-1

**To:** Honorable Mayor & City Council

**From:** Trish Rhay, Assistant Director of Public Works Services, Infrastructure & Field Operations *TR*  
Michelle Tse, Senior Management Analyst *MT*

**Subject:** PUBLIC HEARING REGARDING PROPOSED INCREASE TO RATES AND CHARGES FOR WATER SERVICES AND FACILITIES FURNISHED BY THE CITY

**Attachments:**

1. Public Hearing Notices
2. Resolution 15-R-13037

---

### **RECOMMENDATION**

It is recommended that the City Council open a public hearing regarding the proposed increase to rates and charges for water services and facilities furnished by the City, take testimony regarding the proposed increase, and continue the public hearing until October 6, 2015.

### **INTRODUCTION**

The Public Works Liaison Committee ("Liaison Committee") discussed implementing two rate increases of 5% each to cover the projected revenue shortfall as a result of anticipated reduction in consumption and increasing expenses to fulfill the State's conservation mandate. Even with these increases, there is an anticipated reduction in revenue of an additional \$4 million over a 12 month period, which for the short term can be offset through the use of Water Enterprise Fund reserves. However, use of reserves is not a sustainable strategy.

On July 15, 2015, the City mailed a notice of a public hearing scheduled for September 1, 2015 regarding the proposed water rate increase to residents and businesses located within the City's water service area. However, California law requires the City to mail notice to all owners of the property subject to the proposed water rate increase. A number of property owners, who are not water customers, did not receive the notice mailed on July 15, 2015. In response, the City subsequently mailed notices dated August 21, 2015 to those owners. Copies of the July 15, 2015 and August 21, 2015 public hearing notices are included as Attachment 1. Because

California law requires such notice to be mailed 45 days prior to the public hearing, staff is recommending that the City Council take public comments during the September 1, 2015 Formal meeting and continue the public hearing until October 6, 2015.

## **DISCUSSION**

On April 1, 2015, the Governor declared the first ever state-wide mandatory water use reduction of 25% through February 2016. Under this directive, the State Water Resources Control Board instituted mandatory conservation water use reduction targets for each water provider; Beverly Hills specifically is mandated to reduce water usage by 32%.

At its May 5, 2015 Formal meeting, the City Council approved Resolution 15-R-13037, declaring a Stage D (30%) water use reduction. A copy of the Resolution is included as Attachment 2. The City Council directed staff to review the City's Water Enterprise Fund revenues and existing water rates and determine if a rate increase should be implemented given increasing costs and anticipated reductions in water sales. The major concern expressed by the City Council was that the City should plan accordingly such that sufficient revenues are available to offset standard operating costs. Staff worked with the firm HF&H Consultants LLC ("HF&H") to review the City's operating costs to determine whether a water rate increase was needed.

While aggressive conservation is imperative for both the City and the State, this does not happen without significant fiscal impacts that need to be addressed. The City's water system has both fixed and variable costs that are funded through the sale of water to our customers. Variable costs include items such as power and water purchases which decrease with water conservation; fixed costs include items such as operations and maintenance support which do not decrease with water conservation. Therefore, rate increases are needed to ensure the City continues to have the necessary revenue to cover all water service delivery costs. The City is projecting a revenue shortfall based on increasing costs to operate and maintain a reliable water supply and decreasing revenues due to conservation efforts.

In addition to the projected lost revenues due to conservation, staff worked with the Public Works Commission in developing a Water Enterprise Plan in which the City Council approved its framework. The Water Enterprise Plan not only identifies capital projects and programs to increase the City's water system reliability, but also includes a 10-year financial forecast. Implementation of the Water Enterprise Plan results in an approximate 2.35% increase in operating costs for FY15-16. The financial analysis generated the information needed to project any rate increases necessary to fund the Water Enterprise Plan for future years. During the May 18, 2015 Formal meeting discussion about the Water Enterprise Plan, the City Council directed staff to evaluate additional potential rate adjustments needed to compensate for increased operating costs, conservation efforts, and reduced consumption. The next sections elaborate on the analysis completed on water rates.

### ***Water Rate Analysis***

As part of the analysis, water operating costs for FY15-16 were reviewed. The following summarizes the projected fiscal impacts based on existing operating costs and projected revenue loss due to increased conservation efforts as well as potential solutions for addressing such shortfalls:

**Table 1: Rate Strategies for Addressing Revenue Needed to Cover Capital and Operating Costs**

Description	Cost Impact (12 months)	Potential Solution(s)
1. Budgeted Operating Expense Increases	\$1,036,382	<ul style="list-style-type: none"> <li>• 3.53% rate increase</li> </ul>
2. Revenue loss due to Conservation	\$5,710,049 (net of reduced water purchases)	<ul style="list-style-type: none"> <li>• Additional 24.2% rate increase</li> <li>• Offset revenue loss through available reserves</li> <li>• Combination of the above two options</li> </ul>
<b>Total Impact:</b>	<b>\$6,746,431</b>	

The following sections further describe each of the various revenue needs based on projected revenue loss.

**1. Revenue Loss Due to Conservation of \$5,710,049:**

For revenue forecasting purposes, staff used the following assumptions regarding customer usage reductions:

- 50% of customers reduce water use by 30%
- 25% of customers reduce water use by 15%
- 25% of customers do not reduce water use

The assumptions outlined above average an overall 18.8% City-wide reduction; this equates to an estimated revenue loss of 24.9% (\$7.8 million) per year. Since the City utilizes a tiered rate system, it is important to note that an overall 18.8% water use reduction does not equate to a proportional revenue loss. As consumption decreases, the City's need to purchase water will decrease an estimated 18.8% (\$2.1 million) per year. Therefore, the total revenue shortfall is estimated to be \$5.7 million. It is also noted that for months June and July 2015, the City has observed an average water use reduction of 22%, which means the City's projected revenue loss may even be greater than originally estimated.

**2. Budgeted Operating Expense Increases of \$1,036,382:**

There was a projected overall operating cost increase of 3.53%, approximately \$1M, which is due to increases in internal service fund charges, personnel costs with the addition of the Water Resources Manager, Conservation Administrator, and two Project Manager positions.

The rate strategies were reviewed by both the Public Works Commission's Conservation Subcommittee (Vice Chair Aronberg and Commissioner Wolfe) and the Public Works Liaison Committee (Vice Mayor Mirisch and Councilmember Brien). As part of the analysis, scenarios showing the interim rate increases needed to cover operating costs were presented. Based on the review during the June 15, 2015 Public Works Liaison meeting, the Liaison Committee discussed a progressive approach of two interim water rate increases of 5% each and use of \$4M of the operating reserves (over a 12 month period) to cover projected consumption revenue shortfalls. The analysis includes the planned implementation of a new tiered structure by early 2016, which will be designed to cover the total system costs of providing water to the City's customers, which includes the remaining costs of FY15/16.

The following Table 2 shows new tier rates based on the recommended rate increases for both residential and commercial customers in Beverly Hills and West Hollywood. It is noted that water customers achieving a 30% water use reduction would not see an increase in their bill.

**Table 2: New Tier Rates for Beverly Hills and West Hollywood Customers**

**Beverly Hills Rates:**

Single Family	Billing Units (bi-monthly)	Gallon Equivalent (bi-monthly)	Present	First Rate Increase of 5%	Second Rate Increase of 5%
Tier 1	From 1 - 10 units	0 – 7,480	\$ 3.53	\$ 3.71	\$ 3.90
Tier 2	Over 10 – 55 units	7,481 – 41,140	\$ 4.67	\$ 4.90	\$ 5.15
Tier 3	Over 55 – 120 units	41,141 – 89,760	\$ 7.36	\$ 7.73	\$ 8.12
Tier 4	Over 120+ units	89,761+	\$14.22	\$14.93	\$15.68

Multi-Family*	Billing Units (bi-monthly)	Gallon Equivalent (bi-monthly)	Present	First Rate Increase of 5%	Second Rate Increase of 5%
Tier 1	From 1 - 4 units	0 – 2,992	\$ 3.53	\$ 3.71	\$ 3.90
Tier 2	Over 4 – 9 units	2,993 – 6,732	\$ 4.67	\$ 4.90	\$ 5.15
Tier 3	Over 9 – 16 units	6,733 – 11,968	\$ 7.36	\$ 7.73	\$ 8.12
Tier 4	Over 16+ units	11,969+	\$14.22	\$14.93	\$15.68

(\* Note: Each multi-family customer has its own tier structure based on the number of housing units. The number of housing units is multiplied by the billing units of each tier to come up with the range for each water customer. For example, for Tiers 1 through 4, respectively, the tier ranges for a 10 unit multi-family building would range from 1-40, over 40 to 90, over 90 to 160, and 160+ billing units.

Commercial	Billing Units (bi-monthly)	Gallon Equivalent (bi-monthly)	Present	First Rate Increase of 5%	Second Rate Increase of 5%
Tier 1	All units	748 gal per unit	\$6.04	\$6.34	\$6.66

**West Hollywood Rates:**

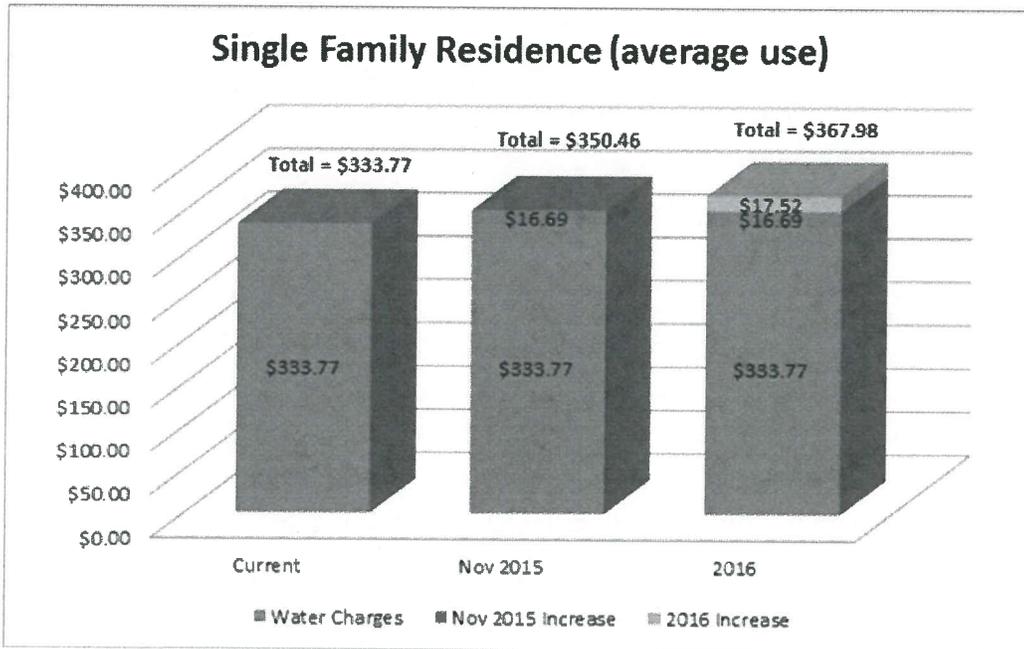
Single Family	Billing Units (bi-monthly)	Gallon Equivalent (bi-monthly)	Present	First Rate Increase of 5%	Second Rate Increase of 5%
Tier 1	From 1 - 10 units	0 – 7,480	\$ 4.41	\$ 4.63	\$ 4.86
Tier 2	Over 10 – 55 units	7,481 – 41,140	\$ 5.84	\$ 6.13	\$ 6.44
Tier 3	Over 55 – 120 units	41,141 – 89,760	\$ 9.21	\$ 9.67	\$10.15
Tier 4	Over 120+ units	89,761+	\$17.77	\$18.66	\$19.59

Multi-Family	Billing Units (bi-monthly)	Gallon Equivalent (bi-monthly)	Present	First Rate Increase of 5%	Second Rate Increase of 5%
Tier 1	From 1 - 4 units	0 – 2,992	\$ 4.41	\$ 4.63	\$ 4.86
Tier 2	Over 4 – 9 units	2,993 – 6,732	\$ 5.84	\$ 6.13	\$ 6.44
Tier 3	Over 9 – 16 units	6,733 – 11,968	\$ 9.21	\$ 9.67	\$10.15
Tier 4	Over 16+ units	11,969+	\$17.77	\$18.66	\$19.59

(\* Note: Each multi-family customer has its own tier structure based on the number of housing units. The number of housing units is multiplied by the billing units of each tier to come up with the range for each water customer. For example, for Tiers 1 through 4, respectively, the tier ranges for a 10 unit multi-family building would range from 1-40, over 40 to 90, over 90 to 160, and 160+ billing units.

Commercial	Billing Units (bi-monthly)	Gallon Equivalent (bi-monthly)	Present	First Rate Increase of 5%	Second Rate Increase of 5%
Tier 1	All units	748 gal per unit	\$ 7.55	\$ 7.93	\$ 8.33

The following is an example of how a single family water customer's bill will be impacted with the proposed rate increases. It is noted the example below shows the change in a customer's water bill assuming their water usage remains the same.



**Water Rate Implementation**

At its June 15, 2015 meeting, the Liaison Committee initially suggested that the first 5% rate increase begin in July 2015. State law, however, requires a public hearing with 45 days advance mailed notice to the property owners. To accommodate the legal procedures for adopting the proposed water rate increases, staff planned for the public hearing on the proposed water rate increases to occur on September 1, 2015 and for the proposed rates to become effective on October 11, 2015 and December 15, 2015.

The Liaison Committee's discussion about the two rate increases was presented and the City Council approved to move forward and begin the water rate public hearing process during its June 30, 2015 meeting. After mailing the notice to all businesses and residents residing within the City's water service area, staff determined that certain owners who did not reside within the City's water service area, did not receive notice as required by California law and presented this information at the August 12, 2015 Liaison meeting. To provide additional notice, the earliest effective date for the first rate increase would be November 20, 2015. The Public Works Liaisons (Vice Mayor Mirisch and Councilmember Brien) discussed that the second rate increase, if needed, should be pushed out to March 2016, for example, so that the rate increases are better staggered.

Should the City Council decide to approve the rate increases, the updated rate increase schedule is as follows:

Date	Action
September 1, 2015:	Hold Public Hearing on Proposed Water Rate Increases and continue Public Hearing to October 6, 2015 meeting
October 6, 2015:	Hold Continued Public Hearing/First Reading on Proposed Water Rate Increases
October 20, 2015:	Second Reading
November 20, 2015:	Effective Date of Ordinance / First rate increase becomes effective (minimum effective date is 30 days after Second Reading)
March, 2016:	Second rate increase, if needed, becomes effective

The Liaison Committee members recognized that the rate schedule outlined above coincides with the new tiered rate structure timeline and if approved by the City Council, the March 2016 rate increase may no longer be necessary.

***Projected New Tiered Water Rate Structure Timeline***

It is important to note that this recommended water rate increase would be in effect until the City finalizes a new tiered water rate structure that would account for expected long-term conservation, reductions in consumption, and necessary revenues to achieve the goals identified in the 10-year capital investment of the Water Enterprise Plan.

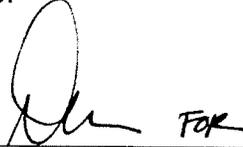
Based on this aggressive timeline, staff will be returning with a proposed new tier water rate structure for the City Council’s consideration by September 2015. The revised projected timeline for the new tiered water rate structure development is as follows:

Date	Action
September, 2015:	Framework presented to Public Works Commission
Mid-Late September, 2015:	Framework presented to Public Works Liaison Committee
October 6, 2015:	Framework presented to City Council (Study Session)
October 16, 2015:	Deadline to mail out notices regarding new water rate structure (minimum 45 advance notice to water customers)
December 1, 2015:	Introduce to City Council Formal Session — First Ordinance Reading
December 15, 2015:	City Council Formal Session — Second Ordinance Reading
Mid-January, 2016:	Ordinance Effective Date (minimum effective date is 30 days after Second Reading)

**FISCAL IMPACT**

The rate increase of 5% and the use of \$4M from operations and reserves is estimated in the interim to cover revenue loss from conservation and increasing operating expenses until a new tiered rate structure can be put in place by mid-January 2016.

  
 \_\_\_\_\_  
 Approved By  
 Don Rhoads

  
 \_\_\_\_\_  
 Approved By  
 George Chavez

# **Attachment 1**



**NOTICE OF PUBLIC HEARING FOR PROPOSED  
WATER SERVICE RATE INCREASES**

August 21, 2015

Dear Property Owner:

**The Beverly Hills City Council will hold a public hearing on October 6, 2015, at 7:00 p.m. at 455 North Rexford Drive, City Council Chambers to consider two water rate increases (of 5% each). This public hearing will commence on September 1, 2015 and be continued to October 6, 2015.**

On July 15, 2015, the City mailed to businesses and residents residing within the City's water service area a notice of public hearing to be held on September 1, 2015 to consider the proposed water rate increases (see attached notice). Subsequently, the City determined that the owners of certain property within the City's water service area did not receive the mailed notice because they reside outside the service area. You are receiving this letter because the City determined that you may not have received the attached notice.

California law requires that you be provided at least 45 days notice of your opportunity to participate in the public hearing on the rate increases. Therefore, the public hearing will commence on September 1, 2015, as originally scheduled, and be continued to October 6, 2015. The City Council will take testimony regarding the proposed water rate increase from any persons wishing to speak on the matter at the public hearing on September 1<sup>st</sup> and October 6<sup>th</sup>. You may attend the public hearing on either or both dates. In addition, you may review a recording of the September 1<sup>st</sup> public hearing, which will be available on the City's website at [www.beverlyhills.org](http://www.beverlyhills.org) and will also be available for review at City Hall in the City Clerk's Office at 455 North Rexford Drive, Suite #290.

The attached notice provides information about the proposed water rate increase and the conduct of the public hearing. The attached notice indicates that the rate increases, if approved, will take effect October 11, 2015 and December 15, 2015. However, on account of the continuation of the public hearing to October 6<sup>th</sup>, the City Council may consider delaying the effective dates of the rate increases.

For further information about the public hearing or if you need assistance determining the amount of your water rate increase, you may contact the City by calling 310-285-2436, via email at [utilitybilling@beverlyhills.org](mailto:utilitybilling@beverlyhills.org), by mail or in person at Administrative Services – Utility Billing, 455 N. Rexford Drive, Beverly Hills, California, 90210.

Attachment: July 15, 2015 Notice of Public Hearing for Proposed Water Service Rate Increase and Proposed Rate Schedule



## NOTICE OF PUBLIC HEARING FOR PROPOSED WATER SERVICE RATE INCREASE

July 15, 2015

Dear Accountholder:

**The Beverly Hills City Council will hold a public hearing on September 1, 2015, at 7:00 p.m. at 455 North Rexford Drive, City Council Chambers to consider two water rate increases (of 5% each).** The first 5% rate increase is proposed to take effect on October 11, 2015 and a subsequent 5% rate increase is proposed to take effect on December 15, 2015. The proposed rate increases are based on balancing the City's revenue requirements in relation to ongoing capital and operating costs for the City's water system. This notice provides an overview of the basis for the proposed water rate increases.

### *Background*

The City completed a detailed evaluation of the City's water system. The evaluation included a review of current drought and predictions of future climate issues, investment in new local water sources to increase water reliability, mandatory conservation and water efficiency requirements, increased regulatory compliance, maintaining infrastructure and rate stabilization.

Aggressive conservation is imperative for both the City of Beverly Hills and the State of California. However, this does not happen without significant fiscal impacts that need to be addressed. The City's water system has both fixed and variable costs that are funded through the sale of water to our customers. Variable costs include items such as power and water purchases which decrease with water conservation; fixed costs include items such as operational support which do not decrease with water conservation. Therefore, rate increases are needed to ensure the City continues to have the necessary revenue to cover all water service delivery costs. The City is projecting a revenue shortfall of \$6.7 million over a 12 month period based on increasing costs to operate and maintain a reliable water supply and decreasing revenues due to conservation efforts. The revenue gap is related to the City's efforts to increase conservation. Additionally, increased costs are attributed to the implementation of the Water Enterprise Plan. The Water Enterprise Plan is a 10-year plan which outlines projects and programs to help the City increase its water system reliability to provide safe and reliable water for all customers. Such programs include local groundwater development and augmenting the City's conservation programs to fulfill State mandated conservation goals.

### *Summary of Water Rate Increase*

The proposed rate increases are provided in the attached exhibit. If you need further assistance determining the amount of the water rate increase for your home, you may contact the City by calling 310-285-2436 or by mail or in person at Administrative Services – Utility Billing, 455 N. Rexford Drive, Beverly Hills, California, 90210.

### *Basis Upon Which the Water Rate was Calculated*

The bimonthly water rate is comprised of a fixed charge and a consumption charge. The City is considering a rate increase for the water consumption charges only. The consumption charge is based on the quantity of water that a customer consumes per 100 cubic feet of water. The consumption charge is comprised of a four-tiered pricing structure for residential and multi-family water customers, and a single-tiered pricing structure for commercial accounts.

### ***Reason for Water Rate Increase***

Water rates are set at a level to generate enough revenue to cover the costs of operating and maintaining the City's water system, maintain the required reserve, and meet the financial targets required by our bondholders. Rate increases are necessary at this time to cover the following costs:

- Wholesale water rates from the Metropolitan Water District;
- Budgeted operating expense increases;
- Revenue loss due to State mandated conservation measures;
- Capital project costs related to implementation of the City's Water Enterprise Plan;
- Staffing and energy costs associated with operating facilities and equipment;
- Increased regulatory compliance requiring increased staffing;
- Maintaining an ongoing investment in the water system infrastructure.

### ***Written Report***

The City has caused a written report regarding the water rates (the "Water Report") to be prepared and filed with the City Clerk. As required by California Government Code Section 66016, the Water Report provides data indicating the amount of cost, or estimated cost, to provide water service and the revenue sources anticipated to provide water service. A copy of the Water Report will be available at the office of the City Clerk on or about July 31, 2015.

### ***Notice of Public Hearing***

**NOTICE IS HEREBY GIVEN that the City Council will hold a public hearing on the proposed water rate increases on September 1, 2015, at 7:00 PM at 455 N Rexford Drive, City Council Chambers.**

### ***You Can Be Heard***

At the public hearing, the City Council will hear and consider all objections or protests to the proposed water rate increase. Any property owner or property tenant that is directly responsible for payment of water service charges (each, a "water customer") may submit a written protest against the proposed water rate increase. Written protests may be delivered to the City Clerk at the public hearing prior to the end of the public hearing or may be mailed or personally delivered to the City Clerk at City Hall, 455 N. Rexford Drive, Beverly Hills, CA 90210. Protests that are mailed or delivered to City Hall must be received by the City Clerk before 5:30 p.m. on September 1, 2015.

To be counted, a written protest must: (1) identify the parcel of property subject to the proposed water rate increase, (2) identify the water customer and (3) include the signature of the water customer. A majority protest exists if, at the end of the public hearing, there are written protests submitted by a majority of the water customers subject to the proposed water rate increase. No more than one written protest per parcel of property will be counted in calculating a majority protest. The City Council cannot adopt the proposed water rate increase if a majority protest exists.

### ***Questions***

For more information about the proposed water rate increase, you may call Utility Billing at 310-285-2436.

**PROPOSED CONSUMPTION CHARGE INCREASES**

	2015/16		2015/16 - Eff. October 11, 2015		2015/16 - Eff. December 15, 2015	
	<u>CURRENT RATE</u>		<u>PROPOSED RATE</u>		<u>PROPOSED RATE</u>	
	<u>Inside City</u>	<u>Outside City</u>	<u>Inside City</u>	<u>Outside City</u>	<u>Inside City</u>	<u>Outside City</u>

Quantity charge:

**Bimonthly** Water Usage - units of 100 cu ft (per 100 cu ft)

Single Family Residences & Duplexes (SFR)						
Tier 1 - from 1 and up to 10	\$ 3.53	\$ 4.41	\$ 3.71	\$ 4.63	\$ 3.90	\$ 4.86
Tier 2 - over 10 and up to 55	\$ 4.67	\$ 5.84	\$ 4.90	\$ 6.13	\$ 5.15	\$ 6.44
Tier 3 - over 55 to 120	\$ 7.36	\$ 9.21	\$ 7.73	\$ 9.67	\$ 8.12	\$ 10.15
Tier 4 - over 120 +	\$ 14.22	\$ 17.77	\$ 14.93	\$ 18.66	\$ 15.68	\$ 19.59
Multi-Family Residential (MFR) (Tier acts as a multiplier by # of units.)						
Tier 1 - from 1 to 4	\$ 3.53	\$ 4.41	\$ 3.71	\$ 4.63	\$ 3.90	\$ 4.86
Tier 2 - over 4 and up to 9	\$ 4.67	\$ 5.84	\$ 4.90	\$ 6.13	\$ 5.15	\$ 6.44
Tier 3 - over 9 and up to 16	\$ 7.36	\$ 9.21	\$ 7.73	\$ 9.67	\$ 8.12	\$ 10.15
Tier 4 - over 16+	\$ 14.22	\$ 17.77	\$ 14.93	\$ 18.66	\$ 15.68	\$ 19.59
Non-residential rate (Commercial, Governmental and Schools)	\$ 6.04	\$ 7.55	\$ 6.34	\$ 7.93	\$ 6.66	\$ 8.33

Note: The bimonthly water rate is comprised of a fixed charge and a consumption charge. The City is proposing a rate increase for the consumption charges only, as shown in above table. The fixed charge, which is not shown on the above table, will remain the same.



## NOTICE OF PUBLIC HEARING FOR PROPOSED WATER SERVICE RATE INCREASE

July 15, 2015

Dear Accountholder:

**The Beverly Hills City Council will hold a public hearing on September 1, 2015, at 7:00 p.m. at 455 North Rexford Drive, City Council Chambers to consider two water rate increases (of 5% each).** The first 5% rate increase is proposed to take effect on October 11, 2015 and a subsequent 5% rate increase is proposed to take effect on December 15, 2015. The proposed rate increases are based on balancing the City's revenue requirements in relation to ongoing capital and operating costs for the City's water system. This notice provides an overview of the basis for the proposed water rate increases.

### *Background*

The City completed a detailed evaluation of the City's water system. The evaluation included a review of current drought and predictions of future climate issues, investment in new local water sources to increase water reliability, mandatory conservation and water efficiency requirements, increased regulatory compliance, maintaining infrastructure and rate stabilization.

Aggressive conservation is imperative for both the City of Beverly Hills and the State of California. However, this does not happen without significant fiscal impacts that need to be addressed. The City's water system has both fixed and variable costs that are funded through the sale of water to our customers. Variable costs include items such as power and water purchases which decrease with water conservation; fixed costs include items such as operational support which do not decrease with water conservation. Therefore, rate increases are needed to ensure the City continues to have the necessary revenue to cover all water service delivery costs. The City is projecting a revenue shortfall of \$6.7 million over a 12 month period based on increasing costs to operate and maintain a reliable water supply and decreasing revenues due to conservation efforts. The revenue gap is related to the City's efforts to increase conservation. Additionally, increased costs are attributed to the implementation of the Water Enterprise Plan. The Water Enterprise Plan is a 10-year plan which outlines projects and programs to help the City increase its water system reliability to provide safe and reliable water for all customers. Such programs include local groundwater development and augmenting the City's conservation programs to fulfill State mandated conservation goals.

### *Summary of Water Rate Increase*

The proposed rate increases are provided in the attached exhibit. If you need further assistance determining the amount of the water rate increase for your home, you may contact the City by calling 310-285-2436 or by mail or in person at Administrative Services – Utility Billing, 455 N. Rexford Drive, Beverly Hills, California, 90210.

### *Basis Upon Which the Water Rate was Calculated*

The bimonthly water rate is comprised of a fixed charge and a consumption charge. The City is considering a rate increase for the water consumption charges only. The consumption charge is based on the quantity of water that a customer consumes per 100 cubic feet of water. The consumption charge is comprised of a four-tiered pricing structure for residential and multi-family water customers, and a single-tiered pricing structure for commercial accounts.

### ***Reason for Water Rate Increase***

Water rates are set at a level to generate enough revenue to cover the costs of operating and maintaining the City's water system, maintain the required reserve, and meet the financial targets required by our bondholders. Rate increases are necessary at this time to cover the following costs:

- Wholesale water rates from the Metropolitan Water District;
- Budgeted operating expense increases;
- Revenue loss due to State mandated conservation measures;
- Capital project costs related to implementation of the City's Water Enterprise Plan;
- Staffing and energy costs associated with operating facilities and equipment;
- Increased regulatory compliance requiring increased staffing;
- Maintaining an ongoing investment in the water system infrastructure.

### ***Written Report***

The City has caused a written report regarding the water rates (the "Water Report") to be prepared and filed with the City Clerk. As required by California Government Code Section 66016, the Water Report provides data indicating the amount of cost, or estimated cost, to provide water service and the revenue sources anticipated to provide water service. A copy of the Water Report will be available at the office of the City Clerk on or about July 31, 2015.

### ***Notice of Public Hearing***

**NOTICE IS HEREBY GIVEN that the City Council will hold a public hearing on the proposed water rate increases on September 1, 2015, at 7:00 PM at 455 N Rexford Drive, City Council Chambers.**

### ***You Can Be Heard***

At the public hearing, the City Council will hear and consider all objections or protests to the proposed water rate increase. Any property owner or property tenant that is directly responsible for payment of water service charges (each, a "water customer") may submit a written protest against the proposed water rate increase. Written protests may be delivered to the City Clerk at the public hearing prior to the end of the public hearing or may be mailed or personally delivered to the City Clerk at City Hall, 455 N. Rexford Drive, Beverly Hills, CA 90210. Protests that are mailed or delivered to City Hall must be received by the City Clerk before 5:30 p.m. on September 1, 2015.

To be counted, a written protest must: (1) identify the parcel of property subject to the proposed water rate increase, (2) identify the water customer and (3) include the signature of the water customer. A majority protest exists if, at the end of the public hearing, there are written protests submitted by a majority of the water customers subject to the proposed water rate increase. No more than one written protest per parcel of property will be counted in calculating a majority protest. The City Council cannot adopt the proposed water rate increase if a majority protest exists.

### ***Questions***

For more information about the proposed water rate increase, you may call Utility Billing at 310-285-2436.

**PROPOSED CONSUMPTION CHARGE INCREASES**

	2015/16		2015/16 - Eff. October 11, 2015		2015/16 - Eff. December 15, 2015	
	<u>CURRENT RATE</u>		<u>PROPOSED RATE</u>		<u>PROPOSED RATE</u>	
	<u>Inside</u>	<u>Outside</u>	<u>Inside</u>	<u>Outside</u>	<u>Inside</u>	<u>Outside</u>
	<u>City</u>	<u>City</u>	<u>City</u>	<u>City</u>	<u>City</u>	<u>City</u>

Quantity charge:

**Bimonthly** Water Usage - units of 100 cu ft (per 100 cu ft)

Single Family Residences & Duplexes (SFR)						
Tier 1 - from 1 and up to 10	\$ 3.53	\$ 4.41	\$ 3.71	\$ 4.63	\$ 3.90	\$ 4.86
Tier 2 - over 10 and up to 55	\$ 4.67	\$ 5.84	\$ 4.90	\$ 6.13	\$ 5.15	\$ 6.44
Tier 3 - over 55 to 120	\$ 7.36	\$ 9.21	\$ 7.73	\$ 9.67	\$ 8.12	\$ 10.15
Tier 4 - over 120 +	\$ 14.22	\$ 17.77	\$ 14.93	\$ 18.66	\$ 15.68	\$ 19.59
Non-residential rate (Commercial, Governmental and Schools)	\$ 6.04	\$ 7.55	\$ 6.34	\$ 7.93	\$ 6.66	\$ 8.33

Multi-Family Residential (MFR)

(Tier acts as a multiplier by # of units.)

Tier 1 - from 1 to 4	\$ 3.53	\$ 4.41	\$ 3.71	\$ 4.63	\$ 3.90	\$ 4.86
Tier 2 - over 4 and up to 9	\$ 4.67	\$ 5.84	\$ 4.90	\$ 6.13	\$ 5.15	\$ 6.44
Tier 3 - over 9 and up to 16	\$ 7.36	\$ 9.21	\$ 7.73	\$ 9.67	\$ 8.12	\$ 10.15
Tier 4 - over 16+	\$ 14.22	\$ 17.77	\$ 14.93	\$ 18.66	\$ 15.68	\$ 19.59

Note: The bimonthly water rate is comprised of a fixed charge and a consumption charge. The City is proposing a rate increase for the consumption charges only, as shown in above table. The fixed charge, which is not shown on the above table, will remain the same.

# **Attachment 2**

RESOLUTION NO. 15-R- 13037

RESOLUTION OF THE COUNCIL OF THE CITY OF  
BEVERLY HILLS DECLARING AND IMPLEMENTING  
STAGE D WATER CONSERVATION MEASURES

RECITALS

WHEREAS, during calendar year 2014, the Governor declared a drought in the State of California and the State Water Resources Control Board enacted emergency water conservation measures. As a result, the City of Beverly Hills declared the Stage B shortage, which is currently in effect, mandating a 10% reduction in potable water use.

WHEREAS, in April 2015, the Governor issued an Executive Order directing the State Water Board to impose restrictions to achieve an aggregate statewide 25% reduction in potable urban water use through February 2016. As a result, the State Water Board released a preliminary framework, outlining reduction targets from 8% to 36% for each water supplier, with Beverly Hills having a reduction target of 36%.

WHEREAS, given the Governor's Executive Order and the State Water Board's reduction target for Beverly Hills of 36%, the City Manager is recommending the further declaration of a water shortage emergency and the implementation of water conservation Stage D pursuant to Beverly Hills Municipal Code Section 9-4-301.

NOW THEREFORE, the City Council of the City of Beverly Hills does hereby resolve as follows:

Section 1. Water Conservation Stage D is hereby declared throughout the City's service area mandating a minimum 30% reduction in potable water use.

Section 2. The City Council hereby directs that the Assistant Director of Public Works Services implement Water Conservation Stage D as follows:

Stage D Requirements:

- a. Restaurants shall serve water upon request only;
- b. All public restrooms in the city and private bathrooms in hotels shall notify patrons and employees of water conservation goals;
- c. Plumbing and irrigation leaks shall be repaired as soon as practicable. The city may issue notices to repair visible leaks;
- d. Landscape irrigation shall be restricted to selected days and times as determined by the city manager, unless such irrigation uses reclaimed wastewater;

e. Refilling of swimming pools, spas or ponds shall be prohibited unless required for health or safety reasons. Topping off pools with water in order to maintain filter effectiveness and prevent standing water and breeding of insects shall be considered a refilling of a pool for health reasons;

f. Operation of water fountains shall be prohibited unless the water is recirculated;

g. Exterior washdown of buildings and washdown of vehicles shall be prohibited, unless: (1) the washing is done on the immediate premises of a commercial car wash or commercial service station or with reclaimed wastewater; or (2) the health, safety and welfare of the public is contingent upon frequent vehicle cleaning, such as the cleaning of garbage trucks and vehicles to transport food and perishables;

h. Water usage from fire hydrants shall be limited to firefighting, related activities or other activities necessary to maintain the public health, safety and welfare;

i. Except for single-family and multi-family residential users in tier 1 who will remain in tier 1 for the next billing cycle, users shall reduce water usage to 70% of the amount in the baseline period as determined by the city council.

Section 3. A penalty surcharge may be assessed for water usage contrary to the provisions of Stage D or any water conservation measure adopted by the City Council in an amount to be determined by the city council, and which shall be consistent with State law.

Section 4. Violation by any person of the stage D mandatory requirements shall constitute a misdemeanor and, upon conviction, shall be punished by a fine not to exceed \$1,000.00. Continued excessive use may result in termination of water supply through irrigation water services and/or restriction of water supply through domestic meters. The violation of each element, and each separate violation thereof, shall be deemed a separate offense, and shall be punished accordingly.

Section 5. The drought emergency water conservation regulations as promulgated by the State Water Resources Control Board shall be implemented.

Section 6. The procedure for a water customer to appeal the imposition of the water penalty surcharge will be as outlined in Resolution 09-R-12672 adopted by the City Council on May 13, 2009.

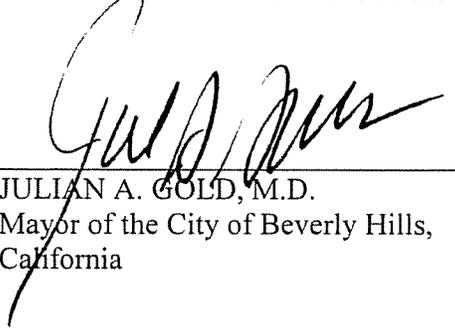
Section 7. The City Council hereby finds, in the exercise of its independent judgment and analysis, that this Resolution is exempt from the California Environmental Quality Act ("CEQA") because the requirements for water conservation contained in this Resolution will not have a significant effect on the environment, and the adoption of this Resolution and the timing thereof is mandated by the current drought conditions and the State Water Board's water reduction target for the City. In this case, the City is acting at the direction of the State Water Board to protect, maintain, restore and enhance natural resources and the environment. To comply with the requirements of the State Water Board, the City Council finds that the adoption of this Resolution is categorically exempt from the requirements of CEQA pursuant to CEQA Guidelines Sections 15307 and 15308. Furthermore, this Resolution will have no possible

significant effect on the environment, given that the provisions of this Resolution provide similar regulations as currently exist and will not in and of themselves cause any change in the environment. Staff is hereby directed to prepare and post a notice of exemption pursuant to CEQA Guidelines Section 15062.

Section 8. In accordance with Beverly Hills Municipal Code Section 9-4-303, the City Council hereby directs the City Clerk to publish this Resolution within 10 days of its adoption at least once in a newspaper of general circulation within the city and to post this Resolution in at least three (3) public places and continue to post this Resolution until such time as the restrictions set forth herein are repealed by resolution of the City Council.

Section 9. 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 Council of the City.

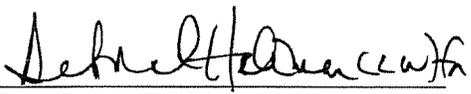
Adopted: May 5, 2015

  
\_\_\_\_\_  
JULIAN A. GOLD, M.D.  
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:

  
\_\_\_\_\_  
GEORGE CHAVEZ  
Director of Public Works Services