



**CITY OF BEVERLY HILLS**

**PUBLIC WORKS SERVICES DEPARTMENT**

**MEMORANDUM**

**TO:** PUBLIC WORKS COMMISSION

**FROM:** Trish Rhay, Assistant Director of Public Works Services  
Michelle Tse, Senior Management Analyst *MT*

**DATE:** November 13, 2014

**SUBJECT:** Preliminary Discussion – Water Rates and Rate Structure

**ATTACHMENT:** FY 2015-16 Water Rate Analysis Schedule

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At the October meeting, the Public Works Commission expressed the desire to begin the water rate analysis for Fiscal Year 2015-16. In addition, the Commission also wanted to evaluate options on water rate structures and assess whether a different rate structure is more suitable for the City.

Staff recommends that these items be addressed as a two-step process. The first, and most immediate need, is to evaluate the FY 2015-16 rate needs. The rate analysis will establish the water rate baseline which can be done independently from the water rate structure analysis. The attachment highlights the general timeline for the FY15-16 water rate analysis if any water rate increase is to go into effect on July 1, 2015.

The Public Works Commission previously approved a one year water rate increase of 2% for FY 2014-15. Staff recommends that any water rate increase should be for a one year period so that the process can revert back to the standard two-year review cycle the following year. With the implementation of the Stage B water conservation program that went into effect earlier this year, there has been general reduction in overall water usage in the last few months. This will be taken into consideration as staff begins the rate analysis and evaluating fiscal impacts related to project implementation as outlined in the Water Enterprise Plan which is slated for completion in Spring 2015.

The second step is a review of water rate structures and to assess the best approach for implementing the baseline water rate. Staff is beginning work with consultant, Raftelis, to compile and review various water rate structures that are currently used by other cities. An overview of the various rate water structures along with the pros and cons of each approach will be presented to the Commission at the January meeting. The meeting will include a discussion about overall objectives and rate structure(s) that may be most suitable to meet these objectives. Staff anticipates the water rate structure discussion may take place over multiple meetings. When a water rate structure has been determined, staff will need to bring forth the Commission's recommendation to a City Council meeting for consideration and a public hearing process is required. Public education and outreach will need to be part of the process as well.

**Proposed Timeline and Discussion – Water Rates and Citywide Budget Schedule**  
**FY 15/16**

*(Asterisk denotes line items relating to Citywide budget schedule deadlines)*

November - December 2014	Staff to review consumption data and conduct consumption analysis, prepare O&M budget and develop revenue requirements; begin work on the memorandum and presentation for the Public Works Commission meeting to discuss rates
<i>*December 2014</i>	<i>*Budget Enhancements</i>
<i>*Mid-Dec. – Mid-Jan. 2015</i>	<i>*CIP Budget Enhancements</i>
January 8, 2015	Introduction of subject to the Public Works Commission meeting
<i>*Mid-Jan. – Mid-March 2015</i>	<i>*CIP Budget Discussions</i>
February 12, 2015	Continuation of the January 8, 2015, Commission meeting and approval of Notice (45 days from February 13, 2015, is March 29, 2015)
March 2015 (Election)	City Council Liaison meeting held to transmit information regarding the Rate Schedule and the Proposed Rates (flexible date)
<b>March 1, 2015</b>	Notifications of Proposed Rate Increases are mailed to the residential and commercial community – <b>(no later than this date)</b>
<i>*Mid-Mar. – Late Mar. 2015</i>	<i>*Department Budget Meetings with City Manager</i>
<i>*Late March 2015</i>	<i>*City Manager, Asst. City Manager, and CFO review Budget Enhancements</i>
April 7, 2015	Study Session presentation to the City Council on the revenue requirements for Water Operations
April 9, 2015	Public Works Commission's open invitation to customers to discuss the proposed rate increase at a regularly scheduled meeting and consideration to approve the proposed rate increase

**Proposed Timeline and Discussion – Water Rates and Citywide Budget Schedule  
FY 15/16 (cont.)**

Late April 2015	Outreach to the Homeowners Associations and Chamber by the Public Works Commission
<i>*Late April 2015</i>	<i>*Proposed budget submitted to City Council</i>
<i>*Early to Mid-May 2015</i>	<i>*City Council Budget Study Sessions</i>
May 5, 2015	Public Hearing and First Reading of the Ordinance at the City Council meeting
May 19, 2015	Second Reading of the Ordinance at the City Council meeting
<i>*June 2015</i>	<i>*City Council approves budget</i>
July 1, 2015	Rates take effect for FY 15/16, if approved