



CITY OF BEVERLY HILLS
455 N. Rexford Drive
Beverly Hills, CA 90210
City Hall Room 280-A

**PUBLIC WORKS COMMISSION
REGULAR MEETING MINUTES**

October 13, 2016
8:00 a.m.

MEETING CALLED TO ORDER

Date/Time: October 13, 2016 / 08:03 am

PLEDGE OF ALLEGIANCE

ROLL CALL

Commissioners Present: Commissioners Felsenthal, Pressman, Shalowitz, Vice Chair Wolfe, Chair Aronberg

Commissioners Absent: None

Staff Present: Mark Cuneo, Vincent Chee, Vince Damasse, Debby Figoni, Nancy Hunt-Coffey, Erick Lee, Chad Lynn, Trish Rhay, Audrey Wright

COMMUNICATIONS FROM THE AUDIENCE

Members of the public may address the Commission regarding any items not on the Agenda that are within the subject matter jurisdiction of the Commission. By State law, the Commission may not discuss or vote on items not on the Agenda.

Speakers: None

APPROVAL OF AGENDA

By Order of the Chair, the agenda was approved as presented.

CONSENT CALENDAR

1. Consideration of the Minutes of the regular meeting of September 8, 2016.

Motion: MOVED by Commissioner Pressman, SECONDED by Commissioner Felsenthal to approve the minutes as presented (5-0).

AYES: Commissioners Felsenthal, Pressman, Shalowitz, Vice Chair Wolfe, Chair Aronberg

NOES: None

CARRIED

REPORTS FROM PRIORITY AGENCIES

Operations Reports from City Departments, Consultants and Outside Agencies

- **Metropolitan Water District (MWD) Director**

Dr. Wunderlich provided an update. Last year was an average water year; there should be enough water to refill reservoirs. Looking forward, Lake Mead may move to benchmark dry status. In the first level of shortage, California will not suffer a cutback; if water levels continue to drop, California would see a shortage. MWD engaged in negotiation in which California may participate to avoid a more serious cutback in a second shortage stage. MWD is trying to find insurance. Local resources will become more important. The Colorado River is systematically overdrawn. The State Board is considering new ways to implement shortage requirements, water budgets instead of conservation targets. Some at MWD are concerned; a system implemented should allow for conservation to develop additional resources. Across the board efficiency targets eliminate the incentive for local agencies to develop water sources. Joint letters can be penned to send to State. Due to a recent public records request, an economic impact report on the tunnel project came out which contained information that a need exists for a federal subsidy of \$4 billion. The head of the Department of Water Resources met with MWD and gave a presentation; that report is not complete. Numbers being discussed were a trade-off on the agricultural side. All water users would pay for the project; it is a no-brainer for urban users as benefits exceed costs. An analysis should occur when the study is complete.

The Commission discussed the following:

- Other areas in California that depend on Colorado River water. Dr. Wunderlich stated Southern California, agricultural areas and urban Southern California.
- How the City and other agencies could make the case to the State to include a provision for areas that develop local resources. Dr. Wunderlich stated he can look into the matter. Staff also noted the City can look into the matter.
- The reason MWD does not discuss desalination. Dr. Wunderlich stated it is primarily due the higher cost. Tunnel and recycling projects are cheaper than desalination.
- The idea of desalinization as a form of an insurance policy. Dr. Wunderlich stated eventually more desalination will occur. Providers must think about the costs at a sufficient volume to make it worthwhile.
- The view that Public Works (PW) is reactive, not proactive.
- Whether consumers will notice a change in the mixture of drinking water. Dr. Wunderlich stated there are some differences depending on water source.

CONTINUED BUSINESS

2. Capital Improvement & Major Projects

City Engineer Mark Cuneo provided an update.

a. Water Treatment Plant

Construction is complete; punch list items remain. The Plant has been turned over to operations staff. Hazen and Sawyer is working with staff; operations training, membrane replacement and permitting will occur during the process.

The Commission discussed the following:

- Whether a permit has been received from the Division of Drinking Water ('DDW') and when this item will fall off the project list. Staff noted there are operations issues; the City's contractor may assist.

b. Shallow Groundwater Wells

Water quality testing continues. Hazen and Sawyer is working with the DDW. Tetra Tech is designing conveyance then construction will begin. The State has asked the City to continue to provide information over the winter season.

The Commission discussed the following:

- Whether DDW is giving the City latitude on projects and time. Staff noted DDW is giving latitude; there is regular coordination. DDW worked with the City on the implementation plan. Parameters of surface water will be the determining factor; the City will work with DDW on an alternative plan if significant rain does not occur.
- When the City will be able to use shallow groundwater following rains, testing and approval and if this will occur next spring. Staff noted yes; use will occur spring 2017.

c. Greystone Reservoir Rehabilitation

The Greystone Reservoir rehabilitation is complete.

d. Cabrillo Reservoir Project

Work is moving forward; liner installation will begin in November with a four-month timeframe for completion. Staff is working on the scope for the next phase to be taken before City Council in November concerning water use and method of conveyance.

The Commission discussed the following:

- With the completion of Greystone, whether both sides are filled and if the City will have emergency water supply. Staff noted this is the case.

e. La Brea Basin Development

Many things are taking place. The City has contracted for the construction of the pilot well at the Coffee Bean Site. Cascade Drilling will mobilize in November, with an estimated month of work. Following pilot well drilling, water quality and quantity information will be gathered for analysis.

The Commission discussed the following:

- Whether surrounding neighbors were noticed of the work. Staff noted noticing took place; the Los Angeles Council Office was also notified.
- Requested a copy of the Notice. Staff evaluated the pipeline from both ends. A few hundred feet into the pipe, water and obstructions were encountered. Potholing may be completed to locate the pipe. Staff will secure permits from Los Angeles to continue the evaluation; salvage of the pipe would be a plus for the City.

f. Metro Subway Extension

Many things are taking place. Community meetings have been held regarding work hours and conditions; feedback has been received. Plans will be taken to City Council by year's end for review and approval to begin February 2017. Some demolition work has been done at the laydown area for section one; some work on section two has also begun. Utility relocation is possible early 2017.

g. N. Santa Monica Boulevard Informational Update

Community meetings have been held. Staff is going before City Council October 18, 2016, to present its approach and receive feedback to move forward in January. City Council will decide traffic mitigation, with an emphasis on S. Santa Monica Boulevard.

The Commission discussed the following:

- Whether work on Santa Monica Boulevard has begun. Staff noted the contractor has limited notice to proceed for advanced exploratory work during off hours.

3. Management Study of the Water Supply and Distribution Program / Water Operational Audit

Matrix Consultant Gary Goelitz provided an overview of the study. As part of the rate process, City Council directed staff to complete an overall operational and efficiency audit. The goal today is to receive input and recommendations from the Commission to present to City Council in December. The audit served to identify cost savings, operational expenditure changes and efficiencies that could be implemented into the water rate evaluation. Matrix completed studies, collected available data and spoke with staff in the Water Supply Distribution program.

The Commission discussed the following:

- Water purchasers should pay a fair rate; they should not be burdened with the costs to run the City. The Commission is charged with protecting the Water Enterprise Fund.
- Whether the City and MWD are charging adequately for infrastructure versus water use costs. MWD is looking at a potential plan whereby 38% of the total cost of water will be allocated to fixed infrastructure costs. HF&H previously suggested the City is at 23% fixed infrastructure costs. Whether Matrix looked at the actual infrastructure costs of running the Enterprise Fund and whether sufficient amounts are being charged; the percentage of costs that are actually fixed. Mr. Goelitz will look into the matter.
- City Council's concern over increasing unit costs/overall rates and areas identified that impact rates. Mr. Goelitz noted HF&H identified the basis for the rate increase. 41% of the increase was linked to Water Enterprise Plan (WEP) implementation. The extent of cost impacts contained in the Report when compared to the overall revenue requirements going forward will not have a substantive impact on the need for revenues to fund the WEP. Mr. Goelitz noted the information is on page 28; the Executive Summary will be amended.
- Potential savings by implementing the Report's suggestions. Mr. Goelitz noted a \$300k reduction on indirect cost allocation, based on a \$3 million business, \$400k due to staff reduction once the SCADA system is fully online and approximately \$1.5 million in additional revenue from the general fund. This will mitigate the need to increase rates to a degree; rates will still need to increase
- The purpose of the Report was to ensure the City is doing all it can to keep rates as low as they should be. Whether rates are reasonable given size and operation; the information should be in the first section of the Executive Summary. Mr. Goelitz noted rates are reasonable and the Report will be changed to add the necessary language.
- Concerning Internal Service Fund (ISF) charges, a percentage was referenced which implied a large number, and further into the Report, a different number was given, \$300k, which seemed lower. The Commission requested clarity on figures. Mr. Goelitz noted the percentage will not enable the City to not have a rate increase.
- Concerning asset management, the Report denotes Public Works (PW) as the asset manager of the City as a whole. The focus should be on the Water Enterprise;

whether Matrix will ensure recommendations are not getting convoluted based on PW operations in general versus the Water Enterprise Fund specifically. Mr. Goelitz stated the two cannot be completely separated. Percentages can be identified by the City's Comprehensive Annual Financial Report (CAFR).

- A number of points mentioned will require coordination among Departments to be implemented; whether challenges have existed in other cities. This is a concern from an implementation standpoint. Mr. Goelitz noted challenges will exist; staff has changed since the 2006 Report. The City is enthusiastic about implementation.
- Next steps and staff's expectations of the Commission. Staff noted the full Report and presentation will be provided to City Council in December. Staff is working in parallel on the rate process, waiting on recommendations which will be fed into the process. Each impacted Director and/or Assistant Director of each Department should take the Report and create an implementation plan. Recommendations and City considerations must be analyzed together to create an implementation plan to present to the City Manager then City Council. One recommendation is an annual update to the Commission on implementation progress.
- Whether the Report is similar to the 2006 Report. Matrix's 2006 Report had 21 recommendations; this Report contains 130. Mr. Goelitz stated the 2006 Report viewed the Department as a whole. The current Report covers water use and supply distribution only.
- The 2006 Report stated Divisions were adequately staffed; since then staff has increased. How to ensure corrections will be made. Mr. Goelitz noted a change in management has occurred; previously, no implementation was taken to the City Manager's Office. Concerning staffing, the Plant was contractually provided. The Department had an unimplemented master plan and issues with preventative maintenance existed. The chart on page 4 depicts personnel as 14% of costs; reducing personnel will not materially impact costs. Without an effective computerized maintenance management system it is hard to assess staff's efficiency.
- Whether it is customary for indirect or ISF charges to be almost twice that of personnel. Mr. Goelitz noted ISF costs are mixed with indirect costs.
- Whether it is customary for cities to include the total cost of governance of operations in tax or to bifurcate it. Whether the City is collecting on the total cost and collecting again on the cost of water. Mr. Goelitz stated no; he has never seen a water utility or city that operates a water utility not allocate ISF or indirect costs.
- Concerning the Hansen system, whether it does not work as it has not been moved forward. Mr. Goelitz stated no; there are many different packages other than Hansen. Hansen implementation has not occurred as needed due to prior management.
- How the Hansen system differs from the GIS system. Mr. Goelitz noted they are two different platforms. GIS deals with physical location of assets. GIS, SCADA and Hansen are tied together and critically important. The tie-in with Hansen deals with records maintenance. Staff noted GIS is a visual, graphical representation of where assets are located, an asset register. As it is used now, it is 80-90% accurate. It creates an asset register fed into the work order management system to enable the computerized maintenance management system work.
- The Report states 1 - 2% of water mains should be replaced yearly with none replaced recently. It was noted the Commission previously decided to forego main replacement. Mr. Goelitz noted a critical measure is the number of main breaks and unaccounted for water; over the last 12 months the Department has been doing well.
- The Department has seen increases in management staff; whether payment levels are comparable and realistic. Mr. Goelitz stated compensation is realistic.

- The Report is to inform City Council and the Commission in the rate-setting process. Whether the Commission's recommendation for an increase is reasonable; some points in the Report have nothing to do with that. Some factors in the Report will affect rates; the appropriate distribution must be determined. The chart on page 4 points out purchased water costs 34% and is roughly 80% of rates. As rate structure efforts move forward, this must be considered.
- The idea of carrying this item over to the next meeting for further discussion.
- The concept of staff returning to the Commission with its recommendation.
- What staff is asking the Commission to do with the Report, how the Commission should go about the process and if a sub-committee should be formed. The suggestion that staff return to the Commission with an exercise. Staff noted the Report contains recommendations from Matrix; the Commission can accept, reject or make modifications or form a sub-committee among other options.
- Mr. Goelitz noted the Report contains Matrix's recommendations; it is the unvarnished perspective of Matrix. Staff noted the Report belongs to Matrix; staff has not accepted, modified or rejected any of its contents.
- Questions exist as to what percentage of actual costs is represented by various factors. There is merit for Commission Members to speak with Finance to decipher how much will be charged to PW and why. Whether the increases are justified.
- Endorsing increases will have a direct impact on rates; uncertainty exists as to whether all charges in the Report are justifiable. Mr. Goelitz noted Matrix has evaluated the cost allocation methodologies by the City.
- A question of math exists; mechanisms in place can be moved to come up with a different rate. Mr. Goelitz stated fixed costs exist, the variable is purchased water.
- The manner in which the Commission wants to look at the WEP 41% of the rate increase. Whether the Commission believed a portion of funding would come from the general fund surplus and not all charged to the Water Enterprise. Funding the Enterprise Plan affects rates. Staff noted discussion took place with former Mayor Gold's task force. The recommendation to City Council was that \$10 million would be made available from water fund reserves; a \$10 million general fund transfer was not. \$3 million of general fund money was used for the water fund for water projects. The large WEP expenditures have not yet been made.
- Whether there is the potential for use of the City's recent acquisition. Staff noted it depends on how the property will be used. \$5.75 million existed in the property acquisition account; \$3+ million came from the general fund and will be sorted out once the property use is determined.
- Whether it is possible the general fund will have surplus funds this year; City Council could choose to allocate a portion and indirectly reduce the cost of water and water rates. There is an opportunity to lower bonded indebtedness with surplus funds.
- The Commission's recommendations should be included.
- The idea that the Report is to inform the rate structure process; the Commission must decide how it should be used in setting rates. Staff noted a sub-committee is working with Finance and staff on the process. A review of the portion of the Report pertinent to rates can occur and staff can bring a recommendation back to the Commission. Staff noted City Council requested the Report to ensure efficient operations as it relates to rates. City Council commissioned the Report so it will be delivered to City Council; the Commission's recommendations can be relayed to the Council.
- Staff to forward the Report to City Council as soon as possible. Staff noted the Report may be included as a study session item; it will be delivered as soon as possible.
- The Commission to be notified when City Council receives the Report.

- The sub-committee aspect needs to be decided. Staff to review the Report to develop priorities, meet with the sub-committee then return to the Commission.

The Commission took a recess at 10:17 am

The Commission reconvened at 10:30 am

4. Green Streets and Water Efficient Landscape On Burton Way

Environmental Compliance & Sustainability Program Manager Josette Descalzo provided an update. The following were discussed: Regulatory Background; What is a Green Street; What is Water Efficient Landscape; Project Objectives; Project Parameters; Burton Way Median; Burton Way Green Streets Conceptual Drawing; Potential Subsurface Design Elements; Plant Palette and Amenities Selection; Mediterranean Plant Palette; California Native Plant Palette; Site Amenities; Results of Workshop #1; Potential Surface Features; and Public Input Process.

The Commission discussed the following:

- The idea of Burton Way as an enhanced median, similar to one in Marrakesh.
- Whether this type of project has been completed by neighboring communities. Staff noted Culver City is working on one and Los Angeles has completed one.
- Whether staff can provide the locations of similar completed projects in other locations. Staff can look into the matter.
- The reason for the change from the original concept. Staff noted it allowed the community to understand the how, why and critical aspects of green streets and how citizens can provide input; to help the community understand green streets.
- Staff should complete an analysis and provide a centered focus on what works and choices of workable options. Staff noted time for analysis exists as permit compliance is 2021; the permit requires the implementation of 63 miles of green streets. This project is a pilot and demonstration and will provide the footprint for future projects.
- Whether grant funding is available for the project. Staff noted a grant has been applied for; there is a budget for this project. Funds are projected for overall permit compliance.
- It is impossible for the public to make decisions. The recommendation of using experts then explaining 'why' and 'what' to the public. The public input process should begin with the Commission's output to the community.
- Whether this project will take place at the same time as the Beverly Gardens Park Project. Staff noted the Beverly Gardens Park Project is under Parks & Recreation, but the medians are not.
- To comply with the permit, PW is completing work underground; whether the aesthetics are under Parks & Recreation. Staff noted bioswales are in Beverly Gardens.
- The reason public opinion is being sought on medians. Staff noted Burton Way is a critical gateway into the City and is being treated differently.

NEW BUSINESS

(Out of Order)

6. Beverly Gardens Park Project

PROJECT UPDATES & STATUS ITEMS

Chair Aronberg noted Items 7 through 11 are provided for informational purposes; staff will respond to any questions.

7. Update on Will Serve Policy Guidelines

Water Resources Manager Vince Damasse responded to questions.

The Commission discussed the following:

- Whether developers will have to return to the City for an extension if a project is not complete in two years; clarification in the policy is needed. Developers would like five years as projects are moving targets. There could be an adjustment after two years; the fair share amount may change in two years.
- Granted Will Serve Letters should state charges may change but water will be provided. Staff noted this was discussed with the Planning Division and reviewed by the City Attorney's Office. The entitlement process can take three to five years; staff can review initial assumptions in two years in light of possible changes and developers can request an extension depending on development size.
- In reference to section 1.6.2, Water Supply Verification, when a Will Serve Letter has been granted, staff will be relying on developer's estimates to state how much water will be used. Whether the intent is to complete a review to ensure estimates match consumptions. Staff noted Senate Bill 610 governs; developers are required to provide a water supply estimate within 30 days. When fees are assessed, based on potential future demand, staff analyzes a certain amount of connections with a certain amount of potential capacity available. If developers do not return to ask for additional connections, fees assessed will have covered costs.
- A developer seeking a new building permit provides an estimate on how much it will cost to develop and staff decides if the estimate is reasonable. Predicated on that cost estimate, there is a fee for the permit. If the fee charged is based on connection size and two or three years later, the estimate was substantially off, whether the City will know because the original connection size will not support it. Staff noted the City will know when the developer returns for additional connections.

8. Water Conservation Update and Water Use Regulations

The report provided included an update on the City's water conservation efforts over the last month.

The Commission discussed the following:

- Penalty surcharge appeals are caught up thanks to Vice Chair Wolfe. An article in the Los Angeles Times noted Beverly Hills received praise from the State Water Board.
- The concern as to whether or not the City's conservation rate would fall; 20% conservation was maintained. Percentages have been maintained without the penalty surcharge; this is a credit to the City's Conservation Coordinator among other things. The excessive use policy is being worked on.
- The idea that water rates will not be dealt with until after elections. The question of how much revenue PW will lose during the delay; the cost to not address rates sooner. Whether staff will provide the Commission with a monthly cost. Staff noted the monthly figure is not on hand. Staff met with Finance concerning delays. The analysis showed the City will likely be in the same situation as present if rates are set in May or June of 2017. Staff will connect with Finance and return with the cost.

- The Commission does not want to raise rates higher than necessary. Staff should make every reasonable effort to reduce PW operating costs. It is unlikely the Commission will vote for an increase without the assurance staff has analyzed reducing costs.

9. County of Los Angeles Community Choice Aggregation Update

A report was provided detailing the latest update on the County of Los Angeles' efforts to develop a county-wide community choice aggregation program.

10. Specific Information and Department Updates

The report provided transmitted responses to questions posed at prior Commission meetings; a synopsis of the Department's items for the most recently completed and upcoming City Council meetings and an update on the status of the Department's master plans.

COMMUNICATIONS FROM THE COMMISSION

- Chair's Report – *None*
- Mayor's Cabinet Meeting – Chair Aronberg did not attend the meeting of September 26, 2016; minutes should be online.
- Comments from Commissioners

Commissioner Felsenthal raised the following:

- His hope the last Mayor's Cabinet Meeting would discuss where the City is on water capacity fees as they are to be voted on October 18, 2016. Staff noted it is the water supply fee, not capacity fee.
- Concerning the size of new projects, the cost of producing a well in the Central Basin is \$6 million; the City may need two or three more wells.
- It seems clear the water supply fee only relates to developers building new projects or expanding current ones.

COMMUNICATIONS FROM STAFF

- Report from Director, Assistant Directors and Deputy Director – *None*
- Upcoming Events – *None*

ADJOURNMENT

Date / Time: October 13, 2016 / 11:36 a.m.

PASSED AND APPROVED THIS 10TH DAY of NOVEMBER, 2016

Sandra Aronberg, Chair