



Beverly Hills City Council Liaison / Public Works Commission Committee will conduct a Special Meeting, at the following time and place, and will address the agenda listed below:

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

IN-PERSON / TELEPHONIC / VIDEO CONFERENCE MEETING

Beverly Hills Liaison Meeting
<https://beverlyhills-org.zoom.us/my/committee>
Meeting ID: 516 191 2424
Passcode: 90210

You can also dial in by phone:
+1 669 900 9128 US
+1 833 548 0282 Toll-Free

One tap mobile
+16699009128,,5161912424#,,,,*90210# US
+18335480282,,5161912424#,,,,*90210# Toll-Free

Friday, January 27, 2023
11:00 AM

Please be advised that pre-entry metal detector screening requirements are now in place in City Hall. Members of the public are requested to plan visits accordingly.

In the interest of maintaining appropriate social distancing, members of the public can view this meeting through live webcast at www.beverlyhills.org/live and on BH Channel 10 or Channel 35 on Spectrum Cable, and can participate in the teleconference/video conference by using the link above. Written comments may be emailed to mayorandcitycouncil@beverlyhills.org and will also be taken during the meeting when the topic is being reviewed by the Beverly Hills City Council Liaison / Public Works Commission Committee. Beverly Hills Liaison meetings will be in-person at City Hall.

AGENDA

- 1) Public Comment
 - a) Members of the public will be given the opportunity to directly address the Committee on any item not listed on the agenda.

- 2) Resolution of the Beverly Hills City Council Liaison / Public Works Commission Committee continuing to authorize public meetings to be held via teleconferencing pursuant to Government Code Section 54953(e) and making findings and determination regarding the same.

Recent legislation was adopted allowing the Beverly Hills City Council Liaison / Public Works Commission Committee to continue virtual meetings during the COVID-19 declared emergency subject to certain conditions and the proposed resolution implements the necessary requirements.

3) Status Update for the Water and Wastewater Cost of Service Study

4) Adjournment



Huma Ahmed
City Clerk

Posted: January 20, 2023

**A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW AT
WWW.BEVERLYHILLS.ORG**



Pursuant to the Americans with Disabilities Act, the City of Beverly Hills will make reasonable efforts to accommodate persons with disabilities. If you require special assistance, please call (310) 285-1014 (voice) or (310) 285-6881 (TTY). Providing at least forty-eight (48) hours advance notice will help to ensure availability of services. City Hall, including Room 280A, is wheelchair accessible.

Item 2



STAFF REPORT

Meeting Date: January 27, 2023

To: City Council Liaison / Public Works Commission Committee

From: Shana Epstein, Director of Public Works

Subject: A RESOLUTION OF THE CITY COUNCIL LIAISON / PUBLIC WORKS COMMISSION COMMITTEE OF THE CITY OF BEVERLY HILLS CONTINUING TO AUTHORIZE PUBLIC MEETINGS TO BE HELD VIA TELECONFERENCING PURSUANT TO GOVERNMENT CODE SECTION 54953(e) AND MAKING FINDINGS AND DETERMINATIONS REGARDING THE SAME

Attachments: 1. Proposed resolution

RECOMMENDATION

Staff and the City Attorney's office recommend that the City Council Liaison / Public Works Commission Committee adopt a resolution making the following findings so that meetings of the City Council Liaison / Public Works Commission Committee will be subject to the special Brown Act requirements for teleconference meetings: (1) the City Council Liaison / Public Works Commission Committee has reconsidered the circumstances of the COVID-19 state of emergency; (2) the state of emergency continues to directly impact the ability of the members to meet safely in person; and (3) state or local officials continue to impose or recommend measures to promote social distancing. Though the City Council Liaison / Public Works Commission Committee adopted such a resolution in the past, these findings must be continuously made to continue to hold meetings under these special teleconferencing requirements.

FISCAL IMPACT

The proposed resolution allowing the City Council Liaison / Public Works Commission Committee greater flexibility to conduct teleconference meetings is unlikely to cause a greater fiscal impact to the City as the City Council Liaison / Public Works Commission Committee has been conducting such teleconference meetings for over a year.

INTRODUCTION

AB 361 allows the City Council Liaison / Public Works Commission Committee to continue virtual meetings during the COVID-19 declared emergency subject to certain conditions. These special requirements give the City greater flexibility to conduct teleconference meetings when there is a declared state of emergency and either social distancing is mandated or recommended, or an in-person meeting would present imminent risks to the health and safety of attendees.

BACKGROUND

On September 16, 2021, the Governor signed AB 361, amending the Brown Act to establish special requirements for teleconference meetings if a legislative body of a local public agency holds a meeting during a proclaimed state of emergency and either state or local officials have imposed or recommended measures to promote social distancing, or the body determines, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

AB 361 authorizes local agencies to continue meeting remotely without following the Brown Act's standard teleconferencing provisions if the meeting is held during a state of emergency proclaimed by the Governor and either of the following applies: (1) state or local officials have imposed or recommended measures to promote social distancing; or (2) the agency has already determined or is determining whether, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

DISCUSSION

To continue to hold meetings under these special teleconferencing requirements, the City Council Liaison / Public Works Commission Committee needs to make two findings pursuant to Government Code Section 54953(e)(3). First, there must be a declared state of emergency and the City Council Liaison / Public Works Commission Committee must find that it has reconsidered the circumstances of such emergency. Second, the City Council Liaison / Public Works Commission Committee must find that such emergency continues to directly impact the ability of the City Council Liaison / Public Works Commission Committee's members to meet in person. Alternatively, for the second finding, the City Council Liaison / Public Works Commission Committee must find that state or local officials continue to impose or recommend social distancing measures. These findings must be continuously made to continue to hold meetings under these special teleconferencing requirements.

The declared emergency is still in effect. Furthermore, the State of California and the County of Los Angeles have recommended measures to promote social distancing. The Centers for Disease Control and Prevention continue to advise that COVID-19 spreads more easily indoors than outdoors and that people are more likely to be exposed to COVID-19 when they are closer than 6 feet apart from others for longer periods of time. Additionally, the Los Angeles County Department of Public Health still encourages people at risk for severe illness or death from COVID-19 to take protective measures such as social distancing and, for those not yet fully vaccinated, to physically distance from others whose vaccination status is unknown. The County Health Department also continues to

Meeting Date: January 27, 2023

recommend that employers take steps to support physical distancing and the City Council continues to recommend steps to reduce crowding indoors and to support physical distancing at City meetings to protect the health and safety of meeting attendees.

Please note that AB 361 applies to all legislative bodies. Therefore, Commissions and standing committees will need to also comply with the requirements of AB 361.

Shana Epstein
Secretary of the
City Council Liaison /
Public Works Commission Committee

Approved By

RESOLUTION NO. CCL-PWCC-02

RESOLUTION OF THE CITY COUNCIL LIAISON / PUBLIC WORKS COMMISSION COMMITTEE OF THE CITY OF BEVERLY HILLS CONTINUING TO AUTHORIZE PUBLIC MEETINGS TO BE HELD VIA TELECONFERENCING PURSUANT TO GOVERNMENT CODE SECTION 54953(e) AND MAKING FINDINGS AND DETERMINATIONS REGARDING THE SAME

WHEREAS, the City Council Liaison / Public Works Commission Committee is committed to public access and participation in its meetings while balancing the need to conduct public meetings in a manner that reduces the likelihood of exposure to COVID-19 and to support physical distancing during the COVID-19 pandemic; and

WHEREAS, all meetings of the City Council Liaison / Public Works Commission Committee are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code Sections 54950 – 54963), so that any member of the public may attend, participate, and watch the City Council Liaison / Public Works Commission Committee conduct its business; and

WHEREAS, pursuant to Assembly Bill 361, signed by Governor Newsom and effective on September 16, 2021, legislative bodies of local agencies may hold public meetings via teleconferencing pursuant to Government Code Section 54953(e), without complying with the requirements of Government Code Section 54953(b)(3), if the legislative body complies with certain enumerated requirements in any of the following circumstances:

1. The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.
2. The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the

emergency, meeting in person would present imminent risks to the health or safety of attendees.

3. The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote, that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

WHEREAS, on March 4, 2020, Governor Newsom declared a State of Emergency in response to the COVID-19 pandemic (the “Emergency”); and

WHEREAS, the Centers for Disease Control and Prevention continue to advise that COVID-19 spreads more easily indoors than outdoors and that people are more likely to be exposed to COVID-19 when they are closer than 6 feet apart from others for longer periods of time; and

WHEREAS, the Los Angeles County “Responding together at Work and in the Community Order (8.23.21)” provides that all individuals and businesses are strongly encouraged to follow the Los Angeles County Public Health Department Best Practices. The Los Angeles County Public Health Department “Best Practices to Prevent COVID-19 Guidance for Businesses and Employers”, updated on September 13, 2021, recommend that employers take steps to reduce crowding indoors and to support physical distancing between employees and customers; and

WHEREAS, the unique characteristics of public governmental buildings is another reason for continuing teleconferenced meetings, including the increased mixing associated with bringing people together from across several communities, the need to enable those who are immunocompromised or unvaccinated to be able to safely continue to fully participate in public

meetings and the challenge of achieving compliance with safety requirements and recommendations in such settings; and

WHEREAS, the Beverly Hills City Council has adopted a resolution that continues to recommend steps to reduce crowding indoors and to support physical distancing at City meetings to protect the health and safety of meeting attendees; and

WHEREAS, due to the ongoing COVID-19 pandemic and the need to promote social distancing to reduce the likelihood of exposure to COVID-19, the City Council Liaison / Public Works Commission Committee intends to continue holding public meetings via teleconferencing pursuant to Government Code Section 54953(e).

NOW, THEREFORE, the City Council Liaison / Public Works Commission Committee of the City of Beverly Hills resolves as follows:

Section 1. The Recitals provided above are true and correct and are hereby incorporated by reference.

Section 2. The City Council Liaison / Public Works Commission Committee hereby determines that, as a result of the Emergency, meeting in person presents imminent risks to the health or safety of attendees.

Section 3. The City Council Liaison / Public Works Commission Committee shall continue to conduct its meetings pursuant to Government Code Section 54953(e).

Section 4. Staff is hereby authorized and directed to continue to take all actions necessary to carry out the intent and purpose of this Resolution including, conducting open and public meetings in accordance with Government Code Section 54953(e) and other applicable provisions of the Brown Act.

Section 5. The City Council Liaison / Public Works Commission Committee has reconsidered the circumstances of the state of emergency and finds that: (i) the state of emergency continues to directly impact the ability of the members to meet safely in person, and (ii) state or local officials continue to impose or recommend measures to promote social distancing.

Section 6. The Secretary of the City Council Liaison / Public Works Commission Committee shall certify to the adoption of this Resolution and shall cause this Resolution and her certification to be entered in the Book of Resolution of the City Council Liaison / Public Works Commission Committee of this City.

Adopted: January 27, 2023

JULIAN A. GOLD
Presiding Councilmember of the City
Council Liaison / Public Works
Commission Committee of the City
of Beverly Hills, California

Item 3



CITY OF BEVERLY HILLS
PUBLIC WORKS DEPARTMENT
MEMORANDUM

TO: Beverly Hills Public Works City Council Liaison Committee

FROM: Shana Epstein, Director of Public Works
Robert Welch, P.E. Utilities General Manager
Melissa Gomez, Senior Management Analyst

DATE: January 27, 2023

SUBJECT: Status Update for the Water and Wastewater Cost of Service Study

ATTACHMENTS:

1. 1/27/23 Water and Wastewater Rates Presentation
2. 9/13/22 Agenda Report- Status Update for the Water and Wastewater Cost of Service Study
3. 9/29/22 Agenda Report- Status Update for the Water and Wastewater Cost of Service Study
4. Water and Wastewater Customer Bill Impacts

RECOMMENDATION

Staff recommends that the City Council Public Works Liaison Committee receive and provide direction on:

1. The proposed policy recommendations, which maintain the residential customer class (single-family and multi-family) and adds a quantity (volumetric) charge for the residential customer class;
2. The proposed sewer return factors based on a three-year average of the lowest month for each year;
3. The proposed change in the commercial wastewater customer classes to include a third class;
4. The proposed Water CIP Option 1;
5. The proposed fixed charge revenue ratio for water;
6. The proposed pass-through charges, outside city differential, water reliability charge, and water shortage revenue stabilization factors; and
7. Recommend that City Council begin the required Proposition 218 public notice process for rates based on the cost of service studies.

INTRODUCTION

At the September 13, 2022 Public Works Liaison Committee (Committee), staff and consultants introduced the water and wastewater cost of service study to the Committee. The September 13, 2022 agenda report is included as Attachment 2.

On September 29, 2022, the Committee continued the rate discussion. Vice Mayor Gold recommended that if CIP Option 2 was selected, that the entire City Council should weigh in on that decision, as it requires the most funding from customer rates. Shana Epstein, Director of

Public Works, recommended that the staff offer briefings on the topic to individual council members. The September 29, 2022 agenda report is included as Attachment 3.

After further individual briefings, staff is returning to the Committee with further refinements to the cost of service study previously presented.

DISCUSSION

Wastewater

In the cost of service study that was previously presented to the Committee, single-family and multi-family wastewater customers were separate customer classes and had different services charges (as shown in Table 1). The information presented today includes new proposed wastewater rates, which combine single family and multi-family customers providing uniform rates in order to maintain the current residential customer rate structure (as shown in Table 2).

Table 1- Previous Proposed Wastewater Cost-of-Service Rates (Presented 9/13/2022)

Customer Class	Current Bi-Monthly	Cost of Service
Single Family		
Service Charge per dwelling unit	\$87.38	\$58.16
Quantity Charge	n/a	\$3.58
Multi Family		
Service Charge per dwelling unit	\$87.38	\$27.51
Quantity Charge	n/a	\$3.58
Commercial/Municipal		
Service Charge per account	\$34.20	\$58.16
Quantity Charges (option 1 - existing classes)		
Domestic Strength	\$4.74	\$3.58
Excess Strength	\$7.08	\$6.95
Quantity Charges (option 2 - proposed classes)		
Low Strength	n/a	\$3.58
Med Strength	n/a	\$5.24
High Strength	n/a	\$6.95

Table 2- Revised Wastewater Cost-of-Service Rates (Presented 1/27/2023)

Customer Class	Current Bi-Monthly	Cost of Service
Single and Multi Family		
Service Charge per dwelling unit	\$87.38	\$40.08
Quantity Charge	n/a	\$3.58
Commercial/Municipal		
Service Charge per account	\$34.20	\$40.08
Quantity Charges (option 1 - existing classes)		
Domestic Strength	\$4.74	\$3.58
Excess Strength	\$7.08	\$6.95
Quantity Charges (option 2 - proposed classes)		
Low Strength	n/a	\$3.58
Med Strength	n/a	\$5.24
High Strength	n/a	\$6.95

Water

After further feedback received, the information being presented today focuses on CIP Option 1, as that CIP budget has already been approved by City Council during the last budget cycle. At this time, the City is sensitive to raising rates as the community is facing historic inflation while still recovering from the pandemic.

As previously shown, staff presented three CIP scenarios, which fund various projects and require different spending (as shown in Table 4 below).

Table 4- Water CIP Options

Water Capital Project Schedule Options	Option 1	Option 2	Option 3
1 Cabrillo Reservoir Project ¹	\$4,180,937	\$21,270,460	\$4,180,937
2 Reservoir Repl. & Pump Station Rehab Project ¹	\$2,969,633	\$2,969,633	\$9,508,941
3 All Other Capital Projects ¹	\$45,274,713	\$45,274,713	\$45,274,713
4 Total 5-Year CIP Spending¹	\$52,425,283	\$69,514,806	\$58,964,591

In this report, staff will focus on presenting rates for CIP option 1, which provides the least fiscal impact to the community from the three CIP options being brought forward. Table 5 and 6 below show the proposed 2023 water cost of service rates under CIP Option 1.

Table 5- Proposed 2023 Water COS Fixed Service Charges – CIP Option 1

Service Size	Current Charge	COS Charges
Fixed Service Charges		
1"	\$53.51	\$56.38
1-1/2"	\$93.84	\$97.56
2"	\$142.24	\$146.99
3"	\$271.30	\$278.78
4"	\$416.50	\$427.05
6"	\$819.82	\$838.92
8"	\$1,311.71	\$1,333.16
10"	\$1,967.57	\$3,474.86
Fire Service Charges		
<= 2"	\$29.73	\$30.32
2 1/2"	\$44.32	\$45.21
3"	\$64.56	\$65.85
4"	\$124.69	\$127.18
6"	\$340.52	\$347.33
8"	\$712.74	\$726.99
10"	\$1,272.63	\$1,298.08
12"	\$1,654.42	\$1,687.51

Table 6- Proposed 2023 Water COS Quantity Charges – CIP Option 1

Current Quantity Charge Rates			COS Quantity Charge Rates	
Tier Size		\$/HCF	Tier Size	\$/HCF
Inside City				
Single-Family/Duplex				
Tier 1	0-26 HCF	\$3.54	0-32 HCF	\$4.17
Tier 2	27-48 HCF	\$6.91	33-48 HCF	\$6.98
Tier 3	49-86 HCF	\$10.17	49-83 HCF	\$9.72
Tier 4	86+ HCF	\$14.44	84+ HCF	\$12.15
Multi-Family				
Tier 1	0-8 HCF	\$4.52	0-8 HCF	\$5.62
Tier 2	9+ HCF	\$12.92	9+ HCF	\$14.55
Commercial		\$7.03	\$7.70	
Water Reliability (all customers)		\$0.26	\$0.27	
Outside City				
Single-Family/Duplex				
Tier 1	0-26 HCF	\$4.41	0-32 HCF	\$4.83
Tier 2	27-48 HCF	\$7.78	33-48 HCF	\$7.64
Tier 3	49-86 HCF	\$11.03	49-83 HCF	\$10.39
Tier 4	86+ HCF	\$15.31	84+ HCF	\$12.81
Multi-Family				
Tier 1	0-8 HCF	\$5.39	0-8 HCF	\$6.29
Tier 2	9+ HCF	\$13.78	9+ HCF	\$15.21
Commercial		\$7.90	\$8.36	
Water Reliability (all customers)		\$0.41	\$0.42	

It is important to note that the water and wastewater cost of service study is setting rates for a five year period. Combined bill impacts for the various customer classes are included in Attachment 4 and will be reviewed during the presentation. Additional information is included in the Water and Wastewater Rates Presentation included as Attachment 1.

Next Steps

If the Liaison decides to move forward, staff will present the final recommendation and public notice to the full City Council at the February 21, 2023 City Council Study Session. If Council wishes to move forward with the proposed rate restructuring, staff will distribute the public notice to customers and implement the proposed community engagement plan detailed below. Following community engagement and in the absence of a majority protest, the revised Water and Wastewater Rates Ordinance will be introduced to City Council at a public hearing in May 2023. If the ordinance is adopted, the adjusted rates will take effect July 1, 2023.

Meeting/Action	Date
Presentation to City Council (with Prop 218 notice)	February 21, 2023
Public Notice Distributed	March 2023
Presentation/Discussion at the Public Works Commission	April 13, 2023
Community Outreach <ul style="list-style-type: none"> • Town Hall Meetings • Commission Meeting Presentations • Community Presentations • Presentation to the Chamber of Commerce • Article on the Backbone Newsletter • Newspaper Ads • Social Media Posts 	March-April 2023
Public Hearing (1 st Reading)	May 2023
Public Hearing (2 nd Reading)	May 2023
Rates Effective	July 1, 2023

Attachment 1



Water & Wastewater Rates

Public Works Commission
Meeting

January 27, 2023



Presentation Outline

- Wastewater Enterprise
 - Five-year financial projection and cost-of-service analysis
 - Confirm key policies
 - New flow-based single and multi family quantity rate
 - Expand commercial classes from two to three classes
 - Phase in single family rate adjustments

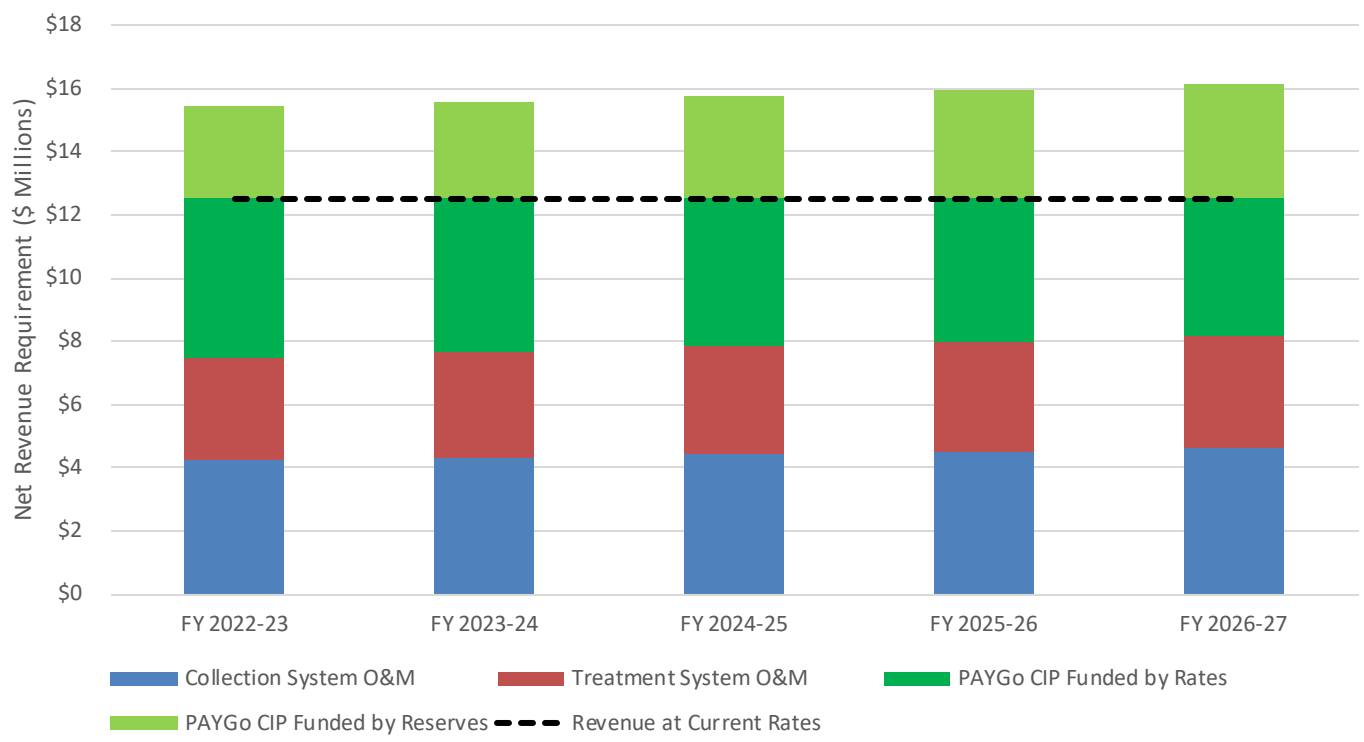
- Water Enterprise
 - Five-year financial projections
 - Confirm key policies
 - Capital spending alternatives
 - Balance of revenue from fixed and quantity charges
 - Outside City rate differential
 - Pass-through adjustments
 - Water reliability charge
 - Water shortage revenue stabilization factors



WASTEWATER RATE STUDY



Wastewater Revenue Requirements

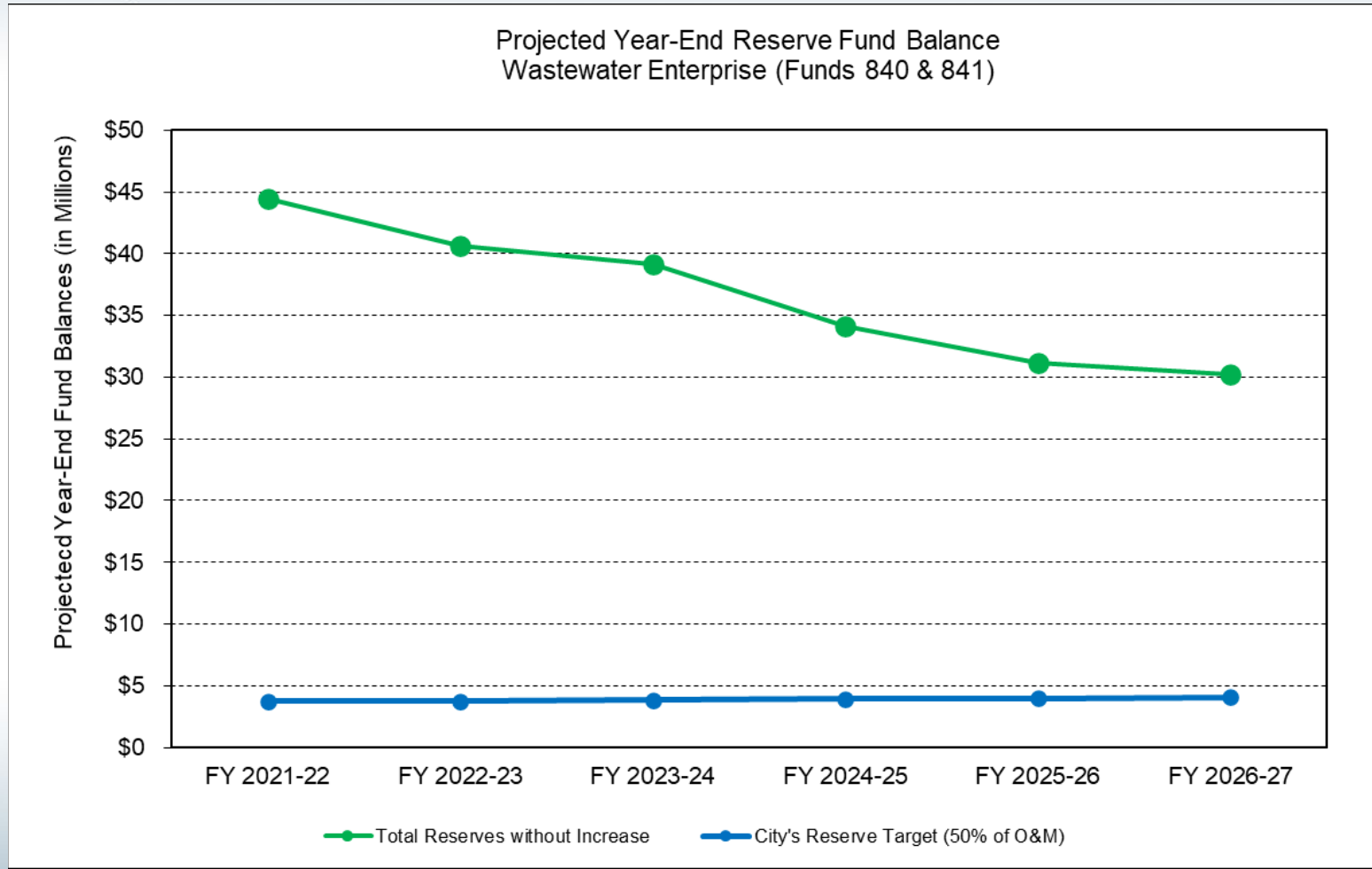


Reserves will be drawn down to meet needs without the need for revenue increases

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Collection System O&M	\$4,238,395	\$4,315,594	\$4,434,281	\$4,527,779	\$4,635,228
Treatment System O&M	\$3,234,500	\$3,331,535	\$3,398,166	\$3,466,129	\$3,535,452
PAYGo CIP Funded by Rates	\$5,036,134	\$4,861,901	\$4,676,583	\$4,515,121	\$4,338,349
PAYGo CIP Funded by Reserves	\$2,920,865	\$3,095,098	\$3,280,416	\$3,441,878	\$3,618,649
Total Revenue Requirement	\$15,429,894	\$15,604,127	\$15,789,445	\$15,950,907	\$16,127,678



Wastewater Fund Balance





Wastewater Cost of Service Allocations

	Current Revenue	Cost-of-Service	Difference
	a	b	c = b - a
Single and Multi Family	\$8,491,763	\$9,490,807	\$999,043
Commercial Domestic Strength	\$2,739,728	\$1,909,644	(\$830,085)
Commercial Excess Strength	\$1,277,538	\$1,108,579	(\$168,959)
Total	\$12,509,029	\$12,509,029	\$0

- Costs shift toward Residential class
- Commercial share of costs has declined relative to the increase in Residential



Derivation of Return to Sewer Factors

Customer Class	Annual Flow [1] hcf	Sewered Flow [2] hcf	Return to Sewer	Accounts Units	Avg Flow per Unit hcf per year
	a	b	c = b/a	d	e = b/d
Single Family Residential					
Without Irrigation meter	2,017,021	1,049,980	52%	6,080	173
Multiple Family Residences	572,457	512,609	90%	10,117	51
Commercial/Industrial	734,172	610,599	83%	795	768
Municipal	43,051	21,441	50%	57	376

- 1. Average of CY 2017 & 2018 annual metered flow
 - 2. Average of lowest three winter months
- Note: does not apply to accounts with separate irrigation meters



Examples of Rate Structure Approaches

Agency	Sewered Flow Factor [a]	Flow Factor Winter Period	Billed Flow	Single Family Cap
I. ONGOING WATER USE WITH NO FLOW FACTOR ADJUSTMENT				
East Bay MUD (7/1/2021)	100%	None	Ongoing	9 HCF
City of Pasadena (5/1/2021)	100%	None	Ongoing	43 HCF/mo
City of Santa Rosa (7/1/2021)	100%			5-mo winter average
		None	Ongoing	
City of Ventura (7/1/2021)	100%	None	Ongoing	12 HCF/mo [a]
City of Santa Barbara (7/1/2022)	100%	None	Ongoing	10 HCF/mo
II. ONGOING WATER USE WITH FLOW FACTOR ADJUSTMENT				
City of San Francisco (7/1/2021)	90%	Not specified	Ongoing	None
City of Santa Monica (7/1/2021)	85%	Lowest 4 consecutive months [c]	Ongoing	None
City of Los Angeles (7/1/2020)	76% [b]	5-month winter average (Nov - Mar)	Ongoing	None
City of Beverly Hills (proposed)	52% [d]	Lowest winter month	Ongoing	None
III. FIXED CHARGE PER BILL BASED ON EACH CUSTOMER'S WINTER FLOW				
City of San Diego (1/1/2022)	95%	5-month winter period	2 winter bills [e]	20 HCF/mo
City of Glendale (7/1/2021)	100%	None	Feb or Mar [e]	None
IV. EQUAL FIXED CHARGE PER BILLING PERIOD FOR ALL ACCOUNTS				
City of Beverly Hills (current)	None	None	N/A	None
City of West Hollywood	None	None	N/A	None
City of Palo Alto	None	None	N/A	None
City of Mountain View	None	None	N/A	None

This table applies to Single Family Residential rates.

[a] Sewered Flow Factor as a percent of ongoing metered water use.

[b] Los Angeles - 93% factor for commercial; recalculated annually.

[c] Santa Monica: Multi-family discharge factor increases from 90% to 99% depending the number of units.

[d] Beverly Hills: average of three years.

[e] San Diego and Glendale: Flow is used to bill customers for the next year (no variation from bill to bill) updated annually.



Commercial Customer Classes

- Current two class structure
 - Domestic charge
 - Excess strength surcharge added to domestic charge primarily for businesses that prepare and serve food
- Proposed three class structure
 - Low strength (0 to 250 ppm BOD/TSS)*
 - Single family, multi family, retail
 - Medium strength (251 to 600 ppm BOD/TSS)*
 - Hotels with dining, mixed use commercial
 - High strength (over 600 ppm BOD/TSS)*
 - Restaurants

*Strength concentrations based on State *Revenue Program Guidelines*.



Commercial Wastewater Strengths Categories

Low	Medium	High
<ul style="list-style-type: none"> • Banks & Financial Institutions • Barber Shops / Hair Salons (Hair Cutting Only) • Halls & Lodges • Libraries • Offices (Business and Professional) • Post Offices/Government • Retail Stores • Schools 	<ul style="list-style-type: none"> • Appliance Repair • Barber Shops/Hair Salons (Haircutting w/Add'l Treatments) • Bars & Taverns (w/o Dining) • Car Rental/Car Service • Car Washes • Commercial Laundromats • Dry Cleaners • Gym or Health Club • Hotels, Motels, or Bed & Breakfast • Medical Offices/Hospitals • Mini Mart with Gas Pumps (w/o Dish Washer or Garbage Disposal) • Nail Salons • Pet Groomers • Pools with Restrooms (Clubhouse) • Service Stations, Garages, Auto Repair Shops • Spa • Tasting Rooms • Theaters 	<ul style="list-style-type: none"> • Bakeries Butcher Shops • Bars & Taverns (w/ Dining) • Catering • Coffee Shops • Eatery • Grocery Stores or Markets • Ice Cream Parlors • Juice Bars • Mini Marts (w/ Dish Washer or Garbage Disposal) • Restaurants



Proposed Wastewater Cost-of-Service Rates

Customer Class	Current Bi-Monthly	Cost of Service
Single and Multi Family		
Service Charge per dwelling unit	\$87.38	\$40.08
Quantity Charge	n/a	\$3.58
Commercial/Municipal		
Service Charge per account	\$34.20	\$40.08
Quantity Charges (option 1 - existing classes)		
Domestic Strength	\$4.74	\$3.58
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High Strength	n/a	\$6.95

- Single and Multi Family bi-monthly fixed service charges decrease with the introduction of a flow-based quantity charge
- Quantity charges based on estimated sewer flow
 - Metered water use factored down to eliminate flow that is not sewer such as irrigation
 - Return to sewer factors calculated for each customer class



Derivation of Unit Costs

Functional Costs [1]	Service Charge Component		Quantity Charge Component			Total
	Accounts/ Dwellings	Capacity	Flow	BOD	TSS	
Treatment Plant	\$0	\$0	\$1,099,730	\$1,067,385	\$1,067,385	\$3,234,500
Collection System O&M	\$0	\$0	\$2,061,730	\$114,541	\$114,541	\$2,290,811
Collection System Capital	\$0	\$3,210,901	\$3,210,901	\$802,725	\$802,725	\$8,027,253
Other Expenses	\$1,877,330	\$0	\$0	\$0	\$0	\$1,877,330
Transfers To/(From) Reserves	(\$355,377)	(\$607,821)	(\$1,206,282)	(\$375,693)	(\$375,693)	(\$2,920,865)
	\$1,521,953	\$2,603,080	\$5,166,079	\$1,608,958	\$1,608,958	\$12,509,029
	÷	÷	÷	÷	÷	
Units of Service [2]	17,152	17,152	2,194,630	3,709,818	3,193,090	
	accts/DUs	accts/DUs	hcf	lbs	lbs	
Unit Costs	\$88.73	\$151.77	\$2.35	\$0.43	\$0.50	
	\$/acct or DU	\$/acct or DU	\$/hcf	\$/lb	\$/lb	
Bi-Monthly Unit Costs	\$14.79	\$25.29				
	\$/acct or DU	\$/acct or DU				
Portion of Rate Revenue	33%		67%			100%

- “Other Expenses” includes allocations of City-wide internal services
- “Transfers to/(from) Reserves” allocated using a composite percent of all expense allocations
- Service charge = \$14.79 + 25.29 = \$40.08 per bi-month per account of dwelling unit



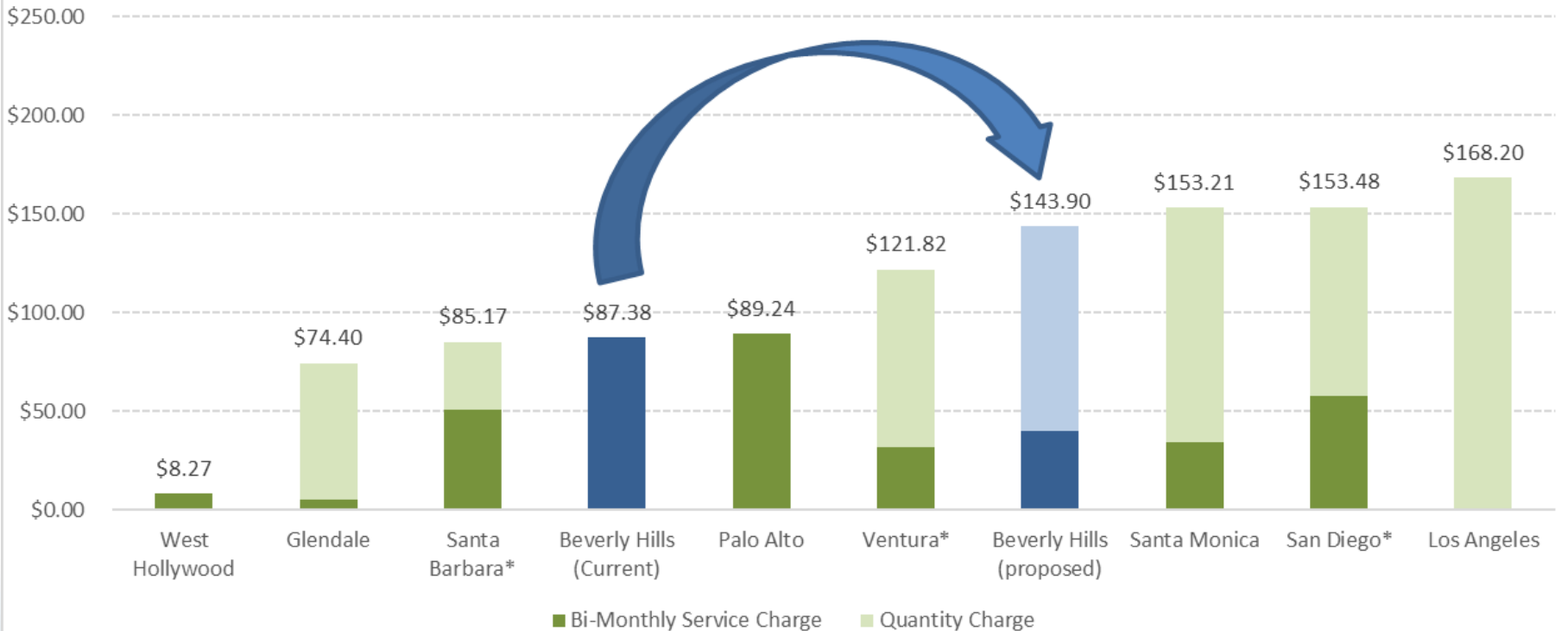
Average Bi-Monthly Bill Comparison

Average Bi-Monthly Bill by Class				
	Single Family	Multi Family	Commercial Domestic/Low	Commercial Excess/High
Sample Bills at Current Rates				
Bi-Monthly Service Charge	\$87.38	\$87.38	\$34.20	\$34.20
Quantity Charge per hcf				
Metered water use			112	304
Rate per hcf			\$4.74	\$7.08
Total Quantity Charge	n/a	n/a	\$530.88	\$2,152.32
Current Bi-Monthly Bill	\$87.38	\$87.38	\$565.08	\$2,186.52
Sample Bills at Proposed Rates				
Bi-Monthly Service Charge	\$40.08	\$40.08	\$40.08	\$40.08
Quantity Charge per hcf				
Metered water use	56	9	112	304
Return to sewer factor	52%	90%	83%	83%
Sewered flow	29	8	93	252
Rate per hcf	\$3.58	\$3.58	\$3.58	\$6.95
Total Quantity Charge	\$103.82	\$28.65	\$333.02	\$1,751.06
Proposed Bi-Monthly Bill	\$143.90	\$68.73	\$373.11	\$1,791.15
Difference				
Dollar Difference	\$56.52	(\$18.65)	(\$191.97)	(\$395.37)



Comparison With Other Agencies – Single Family

Average Single-Family Bi-Monthly Bills - 29 hcf

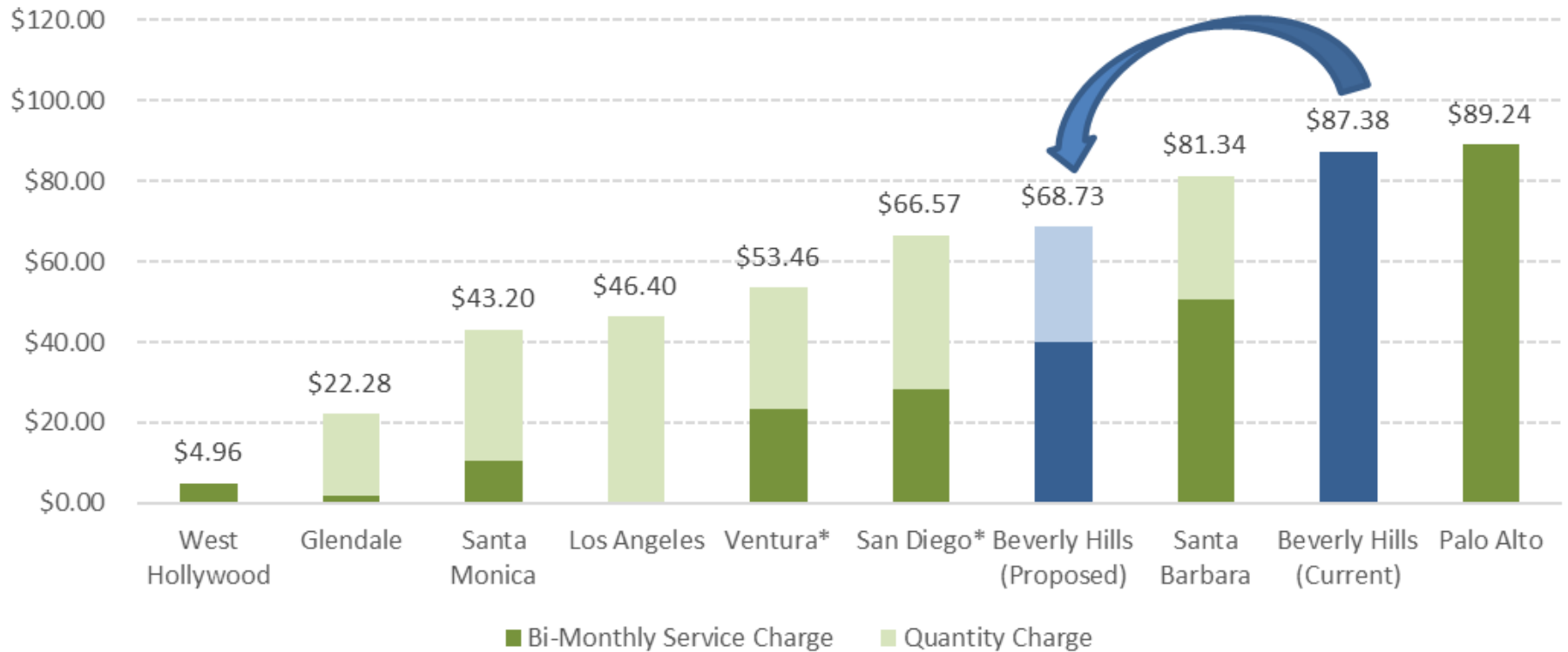


*Caps water consumption for wastewater billing purposes



Comparison With Other Agencies – Multi Family

Average Multi-Family Bi-Monthly Bills - 8 hcf per dwelling unit



*Caps water consumption for wastewater billing purposes



Wastewater Phase-In Rates

Phase-in applies to all three customer classes

Two
Commercial
classes

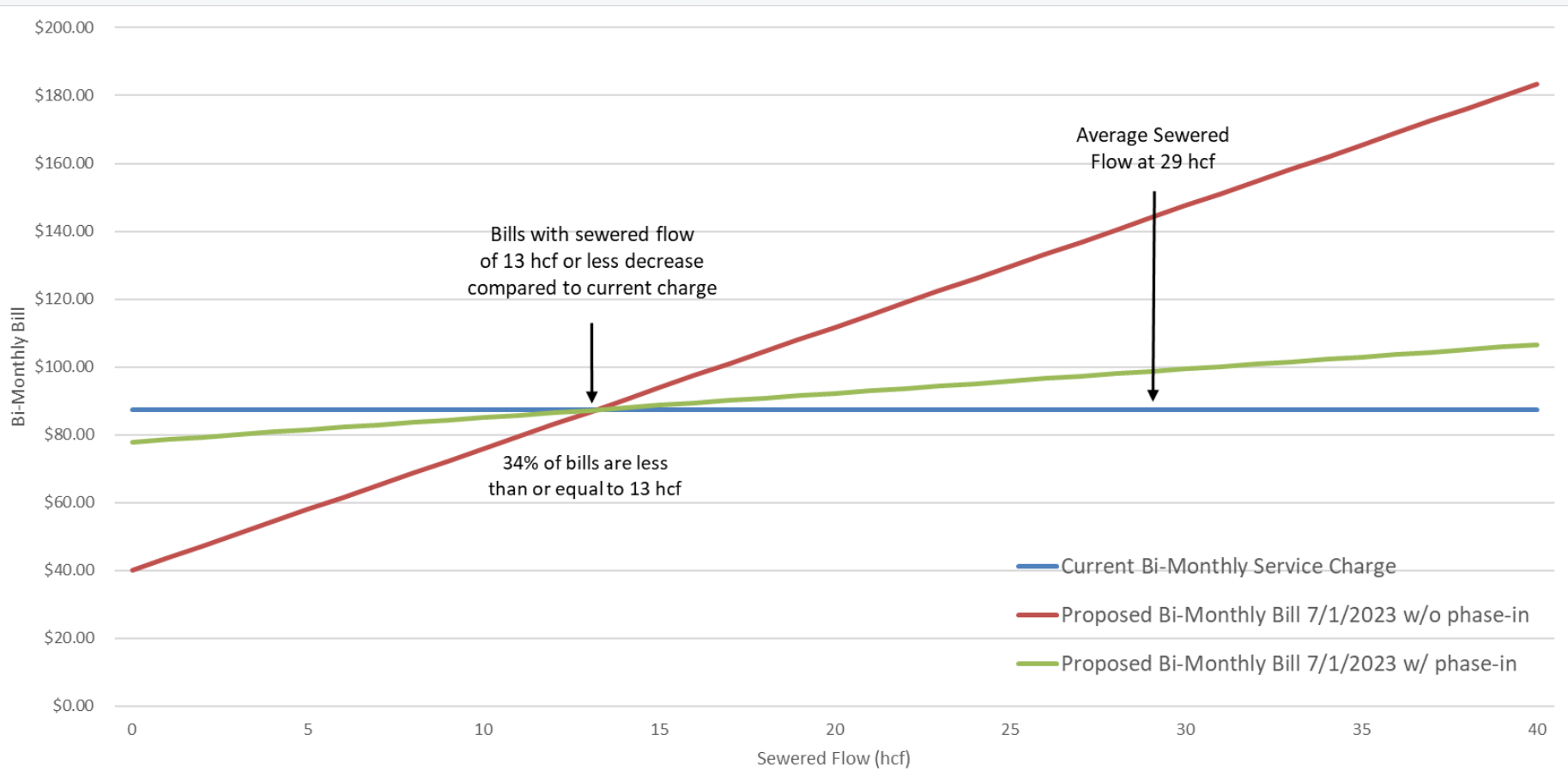
Proposed Rates	Current Rates	7/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027
Bi-Monthly Service Charge						
Single and Multi Family	\$87.38	\$77.92	\$68.46	\$59.00	\$49.54	\$40.08
Commercial Low	\$34.20	\$35.38	\$36.55	\$37.73	\$38.91	\$40.08
Commercial High	\$34.20	\$35.38	\$36.55	\$37.73	\$38.91	\$40.08
Quantity Charge Rate per hcf						
Single and Multi Family	\$0.00	\$0.72	\$1.43	\$2.15	\$2.86	\$3.58
Commercial Low	\$4.74	\$5.03	\$4.66	\$4.30	\$3.94	\$3.58
Commercial High	\$7.08	\$7.83	\$7.61	\$7.39	\$7.17	\$6.95

Three
Commercial
classes

Proposed Rates	Current Rates	7/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027
Bi-Monthly Service Charge						
Single and Multi Family	\$87.38	\$77.92	\$68.46	\$59.00	\$49.54	\$40.08
Commercial Low	\$34.20	\$35.38	\$36.55	\$37.73	\$38.91	\$40.08
Commercial Medium	n/a	\$35.38	\$36.55	\$37.73	\$38.91	\$40.08
Commercial High	\$34.20	\$35.38	\$36.55	\$37.73	\$38.91	\$40.08
Quantity Charge Rate per hcf						
Single and Multi Family	\$0.00	\$0.72	\$1.43	\$2.15	\$2.86	\$3.58
Commercial Low	\$4.74	\$5.03	\$4.66	\$4.30	\$3.94	\$3.58
Commercial Medium	n/a	\$7.36	\$6.81	\$6.29	\$5.76	\$5.24
Commercial High	\$7.08	\$7.83	\$7.61	\$7.39	\$7.17	\$6.95

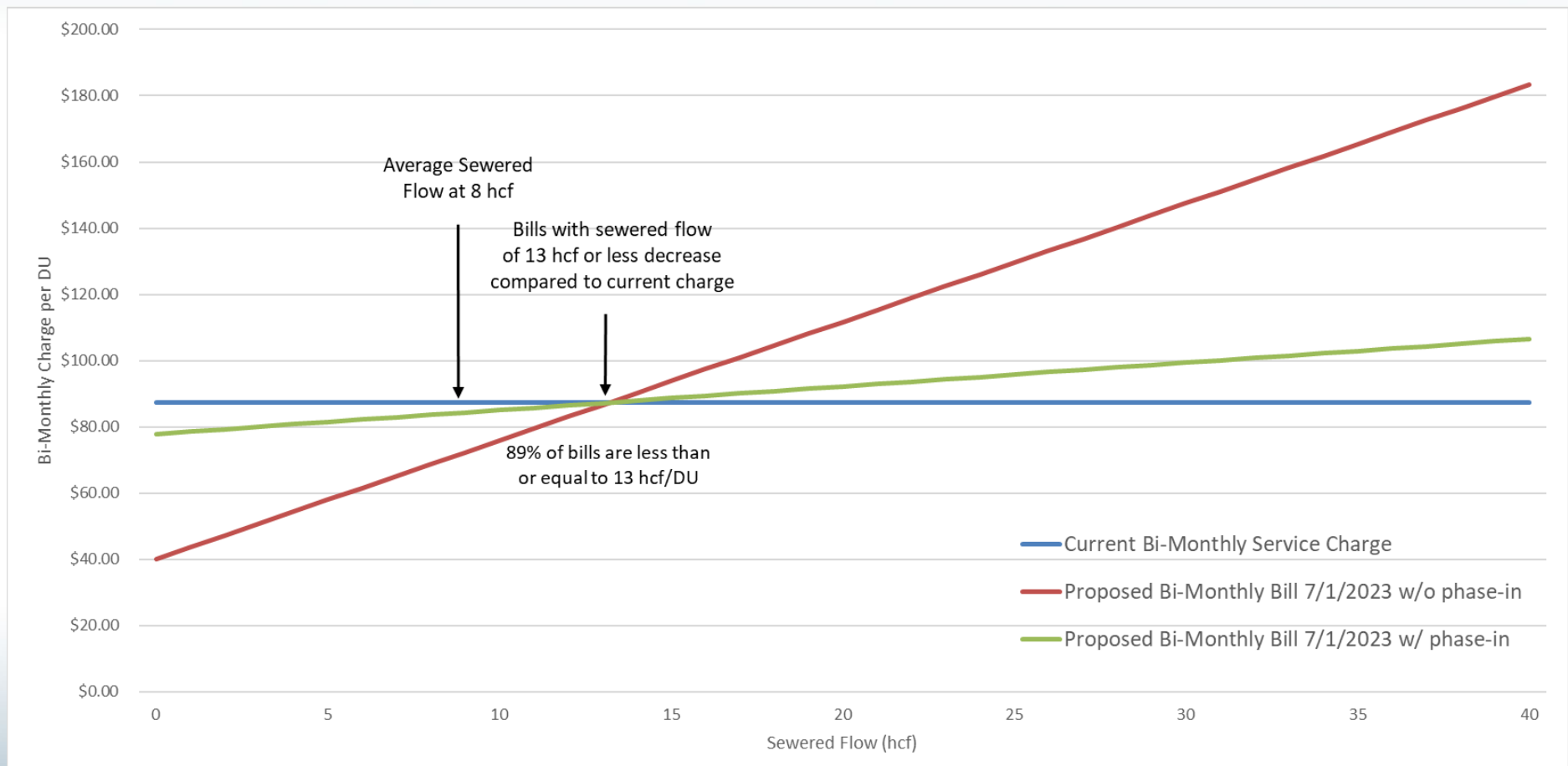


SFR Bills with Phase-In: 2023





MFR per DU with Phase-In: 2023





WATER RATE STUDY



Cost per Gallon

BH Tap Water	Avg. Bottled Water	Whole Milk (CA)	Gasoline (regular) (Southern California)
\$0.01/g	\$1.17/g ^A	\$4.44/g ^B	\$4.51 ^C

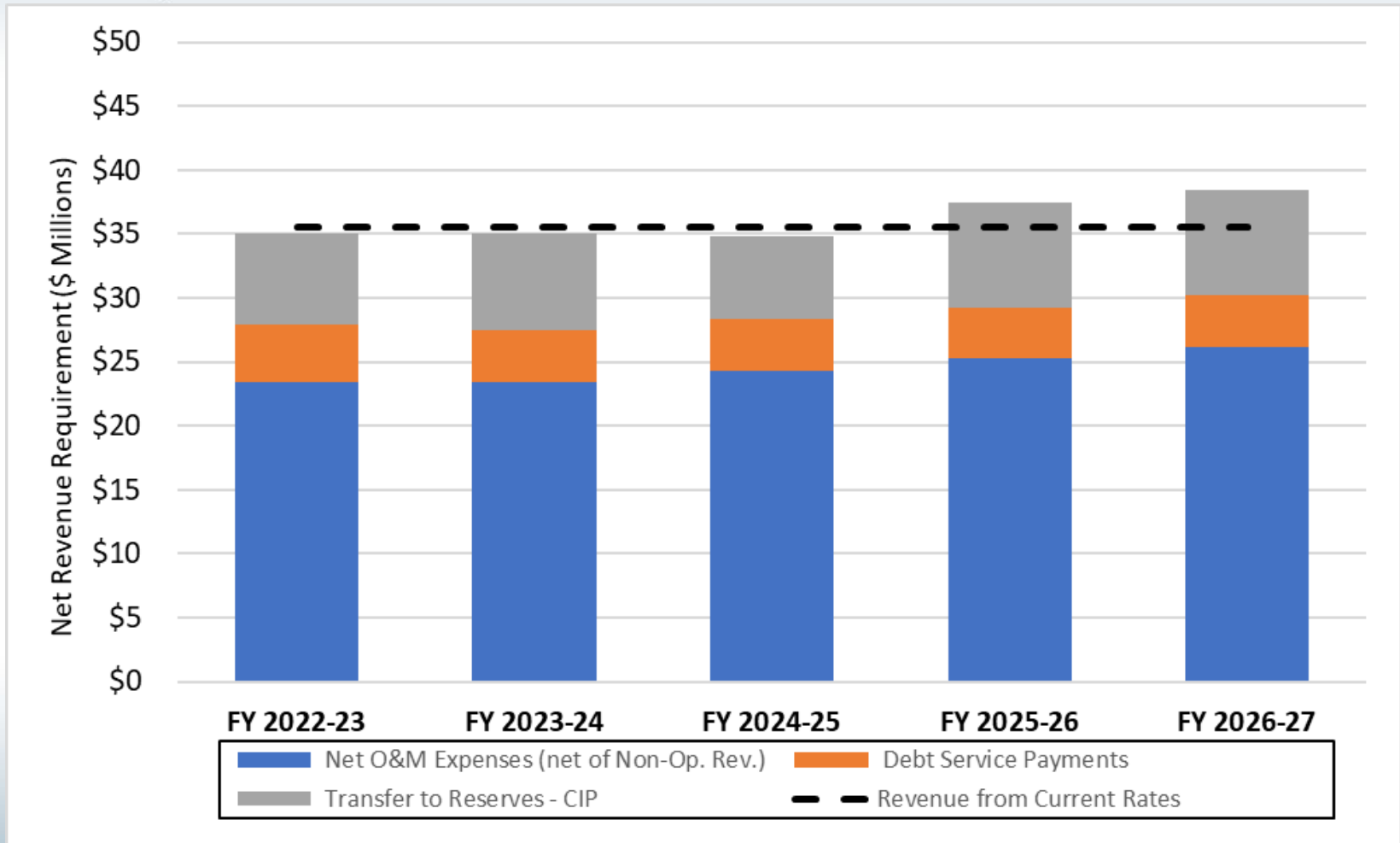
^A Per International Bottled Water Association-2020

^B U.S Department of Agriculture-Average through December 2022

^C AAA Gas Prices as of January 20, 2023

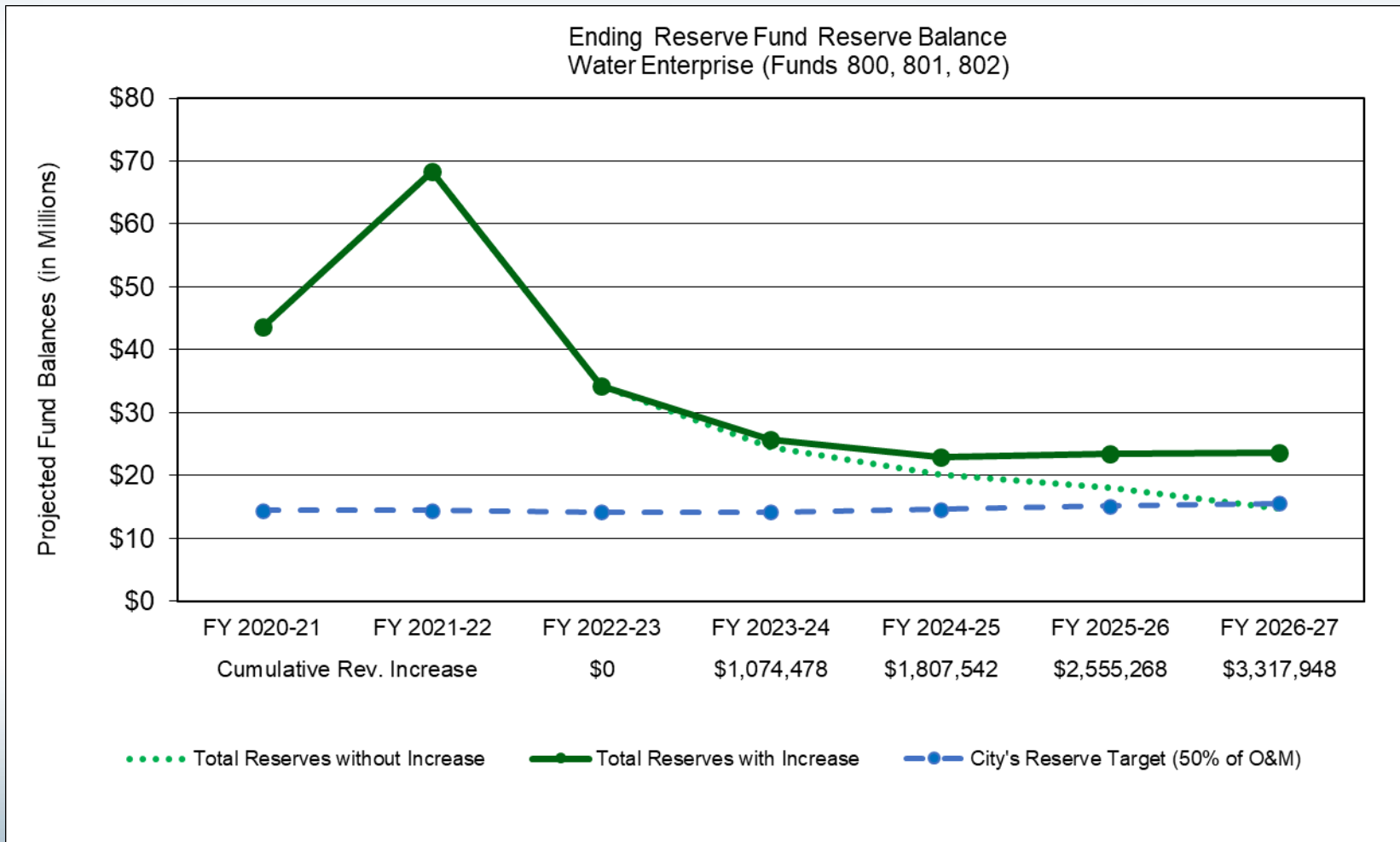


Water Revenue Requirement – CIP Option 1





Water Fund Balance – CIP Option 1





Cabrillo CIP Options

Options	Project	Preliminary Cost Estimate	Increase in Emergency Storage*	
1	Cabrillo Forebay	\$14.2M	0.3MG	<1%
2	Cabrillo Reservoir	\$32M	4.3MG	10%
3	Cabrillo Forebay and Reservoir 4C	\$24.7M	1.3MG	3%

*Existing Total Storage 43.5MG

- Option 1
 - Added resilience to existing LADWP interconnect and the Montecielo pump station
 - New pump station for the hillside, new transmission line and backup power
- Option 2
 - Same as Option 1 w/ 4.3MG of Storage
- Option 3
 - Same as Option 1 w/ 1MG of Storage



Capital Projects

1. Reservoir Management Systems (RMS)
 - Design underway 2022
 - Design Completion – Summer 2023
 - Construction Completion – Summer 2024
 - Increasing emergency storage by 25% (8.5MG).
2. LCW-1 Well (Former Coffee Bean and Tea Leaf)
 - Construction Complete December 2022
 - Permit amendment anticipated
3. La Cienega Park Wells
 - Design underway for two wells at Park
4. New Well La Brea Subarea Well Development
5. Water Treatment Plant Expansion



Water CIP – Option 1 (Base)

Capital Improvement Projects	Fund	Budgeted	Projected					5-Year
		FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	SUBTOTAL
1 Street And Sidewalk Improvements	800	\$1,581,237	\$275,000	\$400,000	\$400,000	\$400,000	\$400,000	\$1,875,000
2 Well Rehab And Groundwater Development	800 - 802	\$830,758	\$500,000	\$750,000	\$775,000	\$775,000	\$875,000	\$3,675,000
3 Water Conservation Program	800	\$946,811	\$10,000	\$10,000	\$10,500	\$0	\$10,500	\$41,000
4 Water Main And Hydrant Replacement	800	\$10,742,382	\$3,000,000	\$3,000,000	\$3,500,000	\$3,500,000	\$4,000,000	\$17,000,000
5 Water Master Plan	800	\$258,321	\$0	\$0	\$0	\$1,000,000	\$0	\$1,000,000
6 Coldwater Canyon Reservoir	800	\$103,687	\$0	\$0	\$0	\$0	\$0	\$0
7 Land Acquisition	800	\$24,000	\$0	\$0	\$0	\$0	\$0	\$0
8 Water Meter Replacement	800	\$584,696	\$3,232,605	\$3,232,605	\$3,232,605	\$500,000	\$500,000	\$10,697,815
9 Water Treatment Replacement And Repair	800	\$783,240	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,250,000
10 Reservoir Replacement & Pump Station Rehab	800	\$3,637,469	\$675,000	\$675,000	\$695,250	\$700,000	\$700,000	\$3,445,250
11 Public Works Asset Management System	800	\$47,254	\$0	\$12,500	\$10,000	\$10,000	\$10,000	\$42,500
12 System-Wide Water Capacity Upgrades	801	\$3,450,000	\$1,750,000	\$1,750,000	\$750,000	\$500,000	\$500,000	\$5,250,000
13 La Brea Basin Well Development (WEP)	800, 802	\$35,068,686	\$0	\$0	\$0	\$6,500,000	\$5,000,000	\$11,500,000
14 Cabrillo Reservoir Project	800	\$2,274,319	\$2,000,000	\$2,000,000	\$1,000,000	\$0	\$0	\$5,000,000
15 Subtotal		\$60,332,859	\$11,692,605	\$12,080,105	\$10,623,355	\$14,135,000	\$12,245,500	\$60,776,565
16 Construction Cost Index		1.000	1.025	1.050	1.076	1.103	1.130	
17 % of Adjusted CIP Expenditures		80%	80%	80%	80%	80%	80%	80%
18 Modeled Inflated Total CIP Expenditures		\$48,266,287	\$9,585,945	\$10,149,112	\$9,146,452	\$12,471,551	\$11,072,223	\$52,425,283
19						5-year average CIP		\$10,485,057

Individual projects shown at 100% of projected costs; Rates include spending 80% of capital budget annually (completion factor)



Water CIP Options

Water Capital Project Schedule Options		Option 1	Option 2	Option 3
1	Cabrillo Reservoir Project	\$4,180,937	\$21,270,460	\$4,180,937
2	Reservoir Repl. & Pump Station Rehab Project	\$2,969,633	\$2,969,633	\$9,508,941
3	All Other Capital Projects	\$45,274,713	\$45,274,713	\$45,274,713
4	Total 5-Year CIP Spending	\$52,425,283	\$69,514,806	\$58,964,591



Water Cost of Service Allocations

	Current		
	Revenue	Cost-of-Service ¹	Difference
Single-family/Duplex	\$17,070,869	\$15,969,980	(\$1,100,889)
Multi-Family Residential	\$5,413,607	\$6,359,477	\$945,870
Commercial & Municipal	\$7,189,296	\$7,824,407	\$635,110
Fixed Service Charges	\$5,904,963	\$6,136,447	\$231,484
Total	\$35,578,735	\$36,290,310	\$711,575

¹Includes \$711,575 increase to revenues from current rates



Proposed 2023 Water COS Rates – CIP Option 1

Service Size	Current Charge	COS Charges
Fixed Service Charges		
1"	\$53.51	\$56.38
1-1/2"	\$93.84	\$97.56
2"	\$142.24	\$146.99
3"	\$271.30	\$278.78
4"	\$416.50	\$427.05
6"	\$819.82	\$838.92
8"	\$1,311.71	\$1,333.16
10"	\$1,967.57	\$3,474.86
Fire Service Charges		
<= 2"	\$29.73	\$30.32
2 1/2"	\$44.32	\$45.21
3"	\$64.56	\$65.85
4"	\$124.69	\$127.18
6"	\$340.52	\$347.33
8"	\$712.74	\$726.99
10"	\$1,272.63	\$1,298.08
12"	\$1,654.42	\$1,687.51

Inside and Outside City customers pay the same service charge and fire service charge.

Current Quantity Charge Rates		COS Quantity Charge Rates		
Tier Size	\$/HCF	Tier Size	\$/HCF	
Inside City				
Single-Family/Duplex				
Tier 1	0-26 HCF	\$3.54	0-32 HCF	\$4.17
Tier 2	27-48 HCF	\$6.91	33-48 HCF	\$6.98
Tier 3	49-86 HCF	\$10.17	49-83 HCF	\$9.72
Tier 4	86+ HCF	\$14.44	84+ HCF	\$12.15
Multi-Family				
Tier 1	0-8 HCF	\$4.52	0-8 HCF	\$5.62
Tier 2	9+ HCF	\$12.92	9+ HCF	\$14.55
Commercial		\$7.03	\$7.70	
Water Reliability (all customers)		\$0.26	\$0.27	
Outside City				
Single-Family/Duplex				
Tier 1	0-26 HCF	\$4.41	0-32 HCF	\$4.83
Tier 2	27-48 HCF	\$7.78	33-48 HCF	\$7.64
Tier 3	49-86 HCF	\$11.03	49-83 HCF	\$10.39
Tier 4	86+ HCF	\$15.31	84+ HCF	\$12.81
Multi-Family				
Tier 1	0-8 HCF	\$5.39	0-8 HCF	\$6.29
Tier 2	9+ HCF	\$13.78	9+ HCF	\$15.21
Commercial		\$7.90	\$8.36	
Water Reliability (all customers)		\$0.41	\$0.42	



Bill Comparison – Inside City

Beverly Hills - Single-Family/Duplex Bill Comparison							
HCF	Bill @ Current Rates	<u>2023</u>			<u>2027</u>		
		Bill @ Proposed Rates Option 1	Bill @ Proposed Rates Option 2	Bill @ Proposed Rates Option 3	Bill @ Proposed Rates Option 1	Bill @ Proposed Rates Option 2	Bill @ Proposed Rates Option 3
0	\$53.51	\$56.38	\$51.79	\$54.35	\$61.02	\$59.99	\$59.41
10	\$88.91	\$100.78	\$95.79	\$98.35	\$109.32	\$110.93	\$109.32
20	\$124.31	\$145.18	\$139.79	\$142.35	\$157.62	\$161.86	\$157.62
30	\$173.19	\$189.58	\$183.79	\$186.35	\$205.92	\$212.80	\$205.92
40	\$242.29	\$256.46	\$250.35	\$252.75	\$278.54	\$289.87	\$278.70
50	\$317.91	\$334.44	\$328.85	\$330.53	\$363.16	\$380.77	\$363.32
60	\$419.61	\$434.34	\$432.55	\$431.43	\$471.46	\$500.85	\$473.72
70	\$521.31	\$534.24	\$536.25	\$532.33	\$579.76	\$620.94	\$584.12
80	\$623.01	\$634.14	\$639.95	\$633.23	\$688.06	\$741.03	\$694.52
90	\$741.79	\$751.05	\$777.04	\$757.23	\$814.77	\$899.79	\$830.19
100	\$886.19	\$875.25	\$928.44	\$891.13	\$949.37	\$1,075.13	\$976.69

Average bill is 56 HCF.



Bill Comparison – Outside City

West Hollywood - Single-Family/Duplex Bill Comparison							
HCF	Bill @ Current Rates	<u>2023</u>			<u>2027</u>		
		Bill @ Proposed Rates Option 1	Bill @ Proposed Rates Option 2	Bill @ Proposed Rates Option 3	Bill @ Proposed Rates Option 1	Bill @ Proposed Rates Option 2	Bill @ Proposed Rates Option 3
0	\$53.51	\$56.38	\$51.79	\$54.35	\$61.02	\$59.99	\$59.41
10	\$101.71	\$108.88	\$103.99	\$106.55	\$117.92	\$120.19	\$116.41
20	\$149.91	\$161.38	\$156.19	\$158.75	\$174.82	\$180.38	\$173.41
30	\$211.59	\$213.88	\$208.39	\$210.95	\$231.72	\$240.58	\$230.41
40	\$293.49	\$288.86	\$283.07	\$285.55	\$312.94	\$326.82	\$311.89
50	\$381.89	\$380.46	\$375.97	\$377.27	\$406.18	\$434.16	\$405.81
60	\$496.29	\$488.56	\$487.77	\$486.27	\$523.18	\$563.39	\$525.01
70	\$610.69	\$596.66	\$599.57	\$595.27	\$640.18	\$692.62	\$644.21
80	\$725.09	\$704.76	\$711.37	\$704.27	\$757.18	\$821.85	\$763.41
90	\$856.61	\$829.80	\$856.56	\$836.37	\$892.59	\$989.76	\$907.88
100	\$1,013.81	\$962.10	\$1,016.06	\$978.37	\$1,035.89	\$1,174.24	\$1,063.18

Average bill is 48 HCF.



Combined Bill Impact – Single Family

Water bills based on CIP Option 1

	Current		Proposed			
		<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Assumptions						
Meter Size	1" meter	1" meter				
Water Consumption	56	56				
Return to Sewer Factor	n/a	52%				
Sewered Flow	n/a	29				
Water						
Fixed Service Charge	\$53.51	\$56.38	\$57.50	\$58.65	\$59.83	\$61.02
Quantity Charge	\$325.42	\$322.88	\$329.60	\$336.00	\$342.88	\$349.76
Water Reliability Charge	\$14.56	\$15.12	\$15.68	\$16.24	\$16.80	\$17.36
Total	\$393.49	\$394.38	\$402.78	\$410.89	\$419.51	\$428.14
Increase/(Decrease)		\$0.89	\$8.41	\$8.11	\$8.61	\$8.64
Wastewater						
Service Charge	\$87.38	\$77.92	\$68.46	\$59.00	\$49.54	\$40.08
Quantity Charge	\$0.00	\$20.88	\$41.47	\$62.35	\$82.94	\$103.82
Total	\$87.38	\$98.80	\$109.93	\$121.35	\$132.48	\$143.90
Increase/(Decrease)		\$11.42	\$11.13	\$11.42	\$11.13	\$11.42
Total Bi-monthly Bill	\$480.87	\$493.18	\$512.71	\$532.24	\$551.99	\$572.04
Increase/(Decrease)		\$12.31	\$19.54	\$19.53	\$19.74	\$20.06



Combined Bill Impact – Multi Family

Water bills based on CIP Option 1

Wastewater bills based on revised phased-in rates

		Current		Proposed			
			2023	2024	2025	2026	2027
Assumptions							
Meter Size		1.5" meter	1.5" meter				
Water Consumption per unit		9.3	9.3				
Return to Sewer Factor		n/a	90.0%				
Sewered Flow		n/a	8.4				
Dwelling Units		10	10				
Water							
Fixed Service Charge		\$93.84	\$97.56	\$99.51	\$101.50	\$103.53	\$105.60
Quantity Charge		\$529.56	\$595.10	\$607.60	\$619.40	\$632.00	\$644.70
Water Reliability Charge		\$24.18	\$25.11	\$26.04	\$26.97	\$27.90	\$28.83
Total		\$647.58	\$717.77	\$733.15	\$747.87	\$763.43	\$779.13
Increase/(Decrease)			\$70.19	\$15.38	\$14.72	\$15.56	\$15.70
Wastewater							
Service Charge		\$873.80	\$779.20	\$684.60	\$590.00	\$495.40	\$400.80
Quantity Charge		\$0.00	\$60.26	\$119.69	\$179.96	\$239.38	\$299.65
Total		\$873.80	\$839.46	\$804.29	\$769.96	\$734.78	\$700.45
Increase/(Decrease)			(\$34.34)	(\$35.17)	(\$34.34)	(\$35.17)	(\$34.34)
Total Bi-monthly Bill		\$1,521.38	\$1,557.24	\$1,537.44	\$1,517.83	\$1,498.22	\$1,479.58
Increase/(Decrease)			\$35.86	(\$19.79)	(\$19.62)	(\$19.61)	(\$18.64)



Combined Bill Impact – Commercial

Water bills based on CIP Option 1

Wastewater bills based on revised phased-in rates

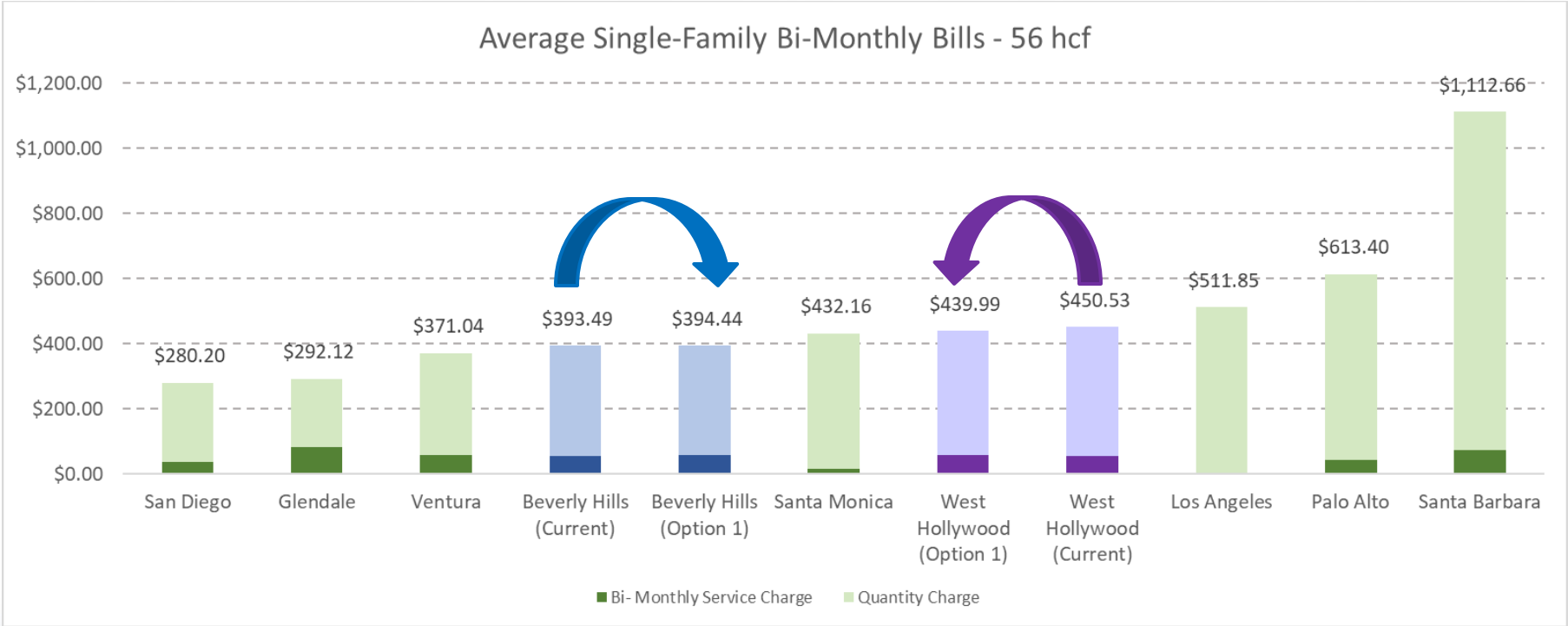
	Current		Proposed			
		<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Assumptions						
Meter Size	1" meter	1" meter				
Water Consumption per unit	113	113				
Return to Sewer Factor	n/a	83.0%	Municipal return to sewer factor = 50.0%			
Sewered Flow	113	94				
Commercial Strength	Domestic	Low				
Water						
Fixed Service Charge	\$53.51	\$56.38	\$57.50	\$58.65	\$59.83	\$61.02
Quantity Charge	\$794.39	\$870.33	\$888.18	\$905.13	\$923.21	\$942.42
Water Reliability Charge	\$29.38	\$30.51	\$31.64	\$32.77	\$33.90	\$35.03
Total	\$877.28	\$957.22	\$977.32	\$996.55	\$1,016.94	\$1,038.47
Increase/(Decrease)		\$79.94	\$20.10	\$19.23	\$20.38	\$21.54
Wastewater						
Service Charge	\$34.20	\$35.38	\$36.55	\$37.73	\$38.91	\$40.08
Quantity Charge	\$535.62	\$472.82	\$438.04	\$404.20	\$370.36	\$336.52
Total	\$569.82	\$508.20	\$474.59	\$441.93	\$409.27	\$376.60
Increase/(Decrease)		(\$61.62)	(\$33.61)	(\$32.66)	(\$32.66)	(\$32.67)
Total Bi-monthly Bill	\$1,447.10	\$1,465.42	\$1,451.91	\$1,438.48	\$1,426.21	\$1,415.07
Increase/(Decrease)		\$18.32	(\$13.51)	(\$13.43)	(\$12.28)	(\$11.13)



Comparison With Other Agencies – Single Family

2023 Rates

Average Single-Family Bi-Monthly Bills - 56 hcf

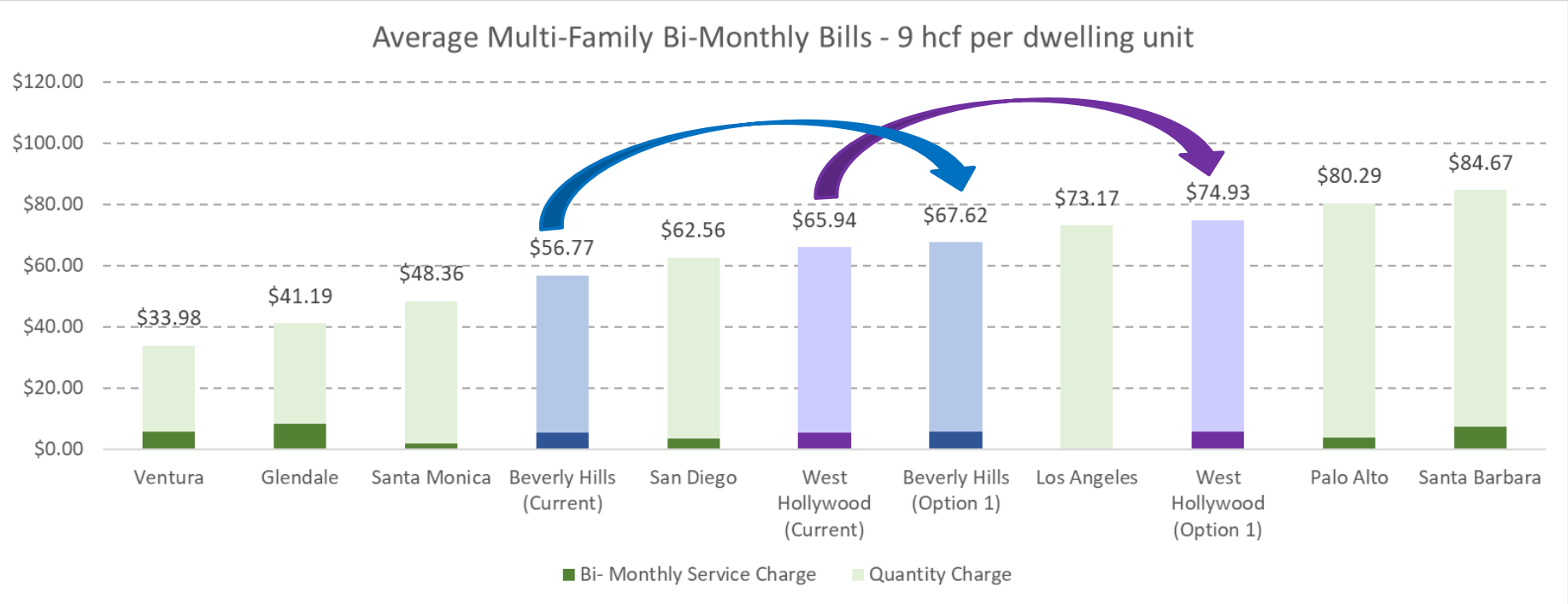


Beverly Hills and West Hollywood bills include Water Reliability Charge.



Comparison With Other Agencies – Multi Family

2023 Rates



Beverly Hills and West Hollywood bills include Water Reliability Charge.



Balance of Fixed and Quantity Charge Revenue

- Current practice
 - Fixed charges for water and fire service revenue are based on COS analysis
 - Generates approximately 17% of rate revenue
 - Fixed costs are about 68% of revenue requirement
 - Difference between fixed revenue and fixed costs is balanced by other revenue stabilization measures
 - Pass-thru adjustments and revenue stabilization factors
- Recommendation – continue practice



Outside City Rate Differential

- Current practice
 - Inside City (Beverly Hills) customers pay less than Outside City (West Hollywood) customers
 - Reflects the costs incurred by the Water Enterprise that have been paid by Beverly Hills' General Fund (e.g., street maintenance & repairs, use of City facilities, public safety)
 - Outside City customers do not have a similar contribution to reduce their rates
- Recommendation – continue practice
 - Apply updated analysis of rate differential
 - Outside City quantity charge rates will be \$0.66 more per hcf than Inside City rates in 2023 and will increase according to recommended rate increase schedule



Pass-Through Rate Adjustments

- Current practice
 - Option to adjust quantity charges to cover the cost of unforeseen increases in the cost of purchased water from Metropolitan Water District
 - Does not require Proposition 218 notification; customers receive notice of adjustment on bills
 - Common industry practice
- Recommendation – continue practice



Water Reliability Charge

- Current practice
 - An additional uniform rate per HCF paid by all customers
 - Generates revenue to cover the cost of developing water supplies that reduce the City's dependence on MWD
- Recommendation – continue practice
 - Rate per HCF continues to increase \$0.01 per HCF per year
 - Continue to monitor revenues and expenses for future rate adjustments, if necessary



Water Shortage Revenue Stabilization Factors

- Current practice
 - Option to adjust quantity charges to offset revenue shortfalls caused by conservation during water shortages
 - Factors are tailored to each class' ability to conserve within each required Stage's overall reduction goal
 - Does not require Proposition 218 notification; customers receive notice of adjustment on bills
- Recommendation – continue practice
 - Apply updated analysis of revenue stabilization factors



Updated Water Shortage Revenue Stabilization Factors

Water Shortage Reductions by Customer Class					
Class	Stage A Up to (5% Reduction)	Stage B Up to (10% Reduction)	Stage C Up to (20% Reduction)	Stage D Up to (30% Reduction)	Stage E Up to (50% Reduction)
Single Family	6%	12%	25%	37%	57%
Multi-Family	3%	6%	11%	17%	37%
Commercial	4%	8%	16%	24%	44%

Revenue Stabilization Factors by Customer Class					
Class	Stage A Up to (5% Reduction)	Stage B Up to (10% Reduction)	Stage C Up to (20% Reduction)	Stage D Up to (30% Reduction)	Stage E Up to (50% Reduction)
Single Family	1.043	1.093	1.217	1.390	1.878
Multi-Family	1.019	1.040	1.085	1.137	1.388
Commercial	1.027	1.057	1.124	1.206	1.511



Updated Water Shortage Revenue Stabilization Factors

Revenue Stabilization Factors by Customer Class										
Class	Stage A Up to (5% Reduction)		Stage B Up to (10% Reduction)		Stage C Up to (20% Reduction)		Stage D Up to (30% Reduction)		Stage E Up to (50% Reduction)	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Single Family	1.039	1.043	1.081	1.093	1.187	1.217	1.333	1.390	1.824	1.878
Multi-Family	1.016	1.019	1.033	1.040	1.069	1.085	1.110	1.137	1.262	1.388
Commercial	1.023	1.027	1.048	1.057	1.103	1.124	1.170	1.206	1.388	1.511

Proposed Factors simplify structure, removing the Irrigation class.



END OF PRESENTATION

Attachment 2



CITY OF BEVERLY HILLS
PUBLIC WORKS DEPARTMENT
MEMORANDUM

TO: Vice Mayor Julian A. Gold, M.D. and
Councilmember Sharona Nazarian PsyD

FROM: Shana Epstein, Director of Public Works
Robert Welch, P.E. Utilities General Manager
Melissa Gomez, Senior Management Analyst

DATE: September 13, 2022

SUBJECT: Status Update for the Water and Wastewater Cost of Service Study

ATTACHMENTS: 1. State Commercial User Strength Characteristics Table
2. Example Commercial Sewer Strength Classifications

RECOMMENDATION

Staff recommends that the City Council Public Works Liaison Committee receive and provide direction on:

1. The proposed policy recommendations, which separate the residential wastewater customers (single-family and multi-family) and add a quantity (volumetric) charge for the single-family and multi-family classes;
2. The proposed sewer return factors based on a three-year average of the lowest month for each year;
3. The proposed change in the commercial wastewater customer classes to include a third class;
4. The proposed water CIP scenario 2 (full scale Cabrillo Reservoir project) recommend by the Public Works Commission;
5. The proposed fixed charge revenue ratio for water;
6. The proposed pass-through charges, outside city differential, water reliability charge, and water shortage revenue stabilization factors; and
7. Recommend that City Council begin the required Proposition 218 public notice process for rates based on the cost of service studies.

BACKGROUND

The City's Water and Wastewater Utilities provide services to residential and commercial customers. In return, the City collects a charge for the service. Establishing cost-based rates, fees, and charges is essential in a well-managed and operated utility. Cost-based rates provide sufficient funding to allow communities such as Beverly Hills to build, operate, maintain, and reinvest in the water and wastewater systems that provide the community with safe and reliable drinking water, fire protection, and wastewater service. Rates are reviewed periodically to ensure revenue requirements are being met. The City is responsible for setting rates in compliance with California law requiring that fees and charges for water and wastewater services do not exceed the proportional cost of service.

On December 19, 2017, the Beverly Hills City Council adopted a five-year water rate adjustment through January 1, 2022. The ordinance adopted by City Council also allowed pass-through of Metropolitan Water District (MWD) rate increases with notice. On February 5, 2019, the Beverly Hills City Council approved restructured water rate adjustments based on a cost-of-service study conducted by HF&H Consultants, LLC (HF&H). The restructured rate adjustments accounted for changes to the existing consumption and fixed service charges, implemented a water reliability charge, and adopted water shortage revenue stabilization factors. As for wastewater, present rates have not been updated since FY 2009-10. Although at the time, staff recommended automatic consumer price index (CPI) rate increases for future years, the CPI rate increase was never included in the adopted rates. HF&H evaluated the current rates in 2017 and found that revenue was sufficient to continue the enterprise's strong financial position through FY 2021-22, without any need for a rate increase.

DISCUSSION

The City is responsible for setting rates in compliance with California law. In November 1996, voters passed Proposition 218, which enacted Article XIII D of the California Constitution, requiring that fees and charges for water and wastewater services not exceed the proportional cost of service. A local government, such as the City of Beverly Hills, which provides water and wastewater services, may also adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water, sewage treatment, or wastewater treatment or adjustments for inflation. State law requires that a local government comply with certain procedures before imposing or increasing property-related fees or charges. Those procedures include:

- Identify the parcels upon which a fee or charge is proposed for imposition;
- Calculate the amount of the fee proposed to be imposed on each parcel;
- Provide written notice by mail to the record owner of each identified parcel;
- Conduct a public hearing on the proposed fee not less than 45 days after the mailing;
- Consider all protests against the proposed fee or charge submitted before the closing of the public hearing;
- If written protests against the fee are presented by a majority of owners of the identified parcels, the fee cannot be imposed; and
- The proposed rates need a 2/3 majority vote or greater from City Council to pass.

In 2021, the City contracted with HF&H to conduct a cost-of-service study for the water and wastewater enterprises. Similar to past rate cycles, staff met with the Public Works Commission (Commission) Water and Wastewater Rates Ad-Hoc Committee (Ad-Hoc) made up of Vice Chair Wendy Nystrom and Commissioner Joshua Greer on May 23, 2022 and July 12, 2022 seeking input on assumptions and policies affecting the City's water and wastewater rates. Staff also presented to the entire Commission on June 9, 2022, July 21, 2022, August 11, 2022, August 31, 2022, and September 8, 2022 seeking feedback. During the meetings, the Commissioners provided input on assumptions that drive the cost-of-service studies. Areas of discussion for the wastewater enterprise included financial projection assumptions, wastewater capital projects, cost and revenue projections, projected fund balance, and most importantly restructuring wastewater rates and possible alternatives. Areas of discussion for the water enterprise included financial projection assumptions, water purchases, water capital projects, including three options to fund the Cabrillo reservoir project, revenue requirements for each capital improvement projects option, and lastly, service charge policies. Because of the direction received from the Commission, staff would like to present the findings to the Public Works Liaison for further direction.

Wastewater

The wastewater cost of service study concluded the following:

1. Revenue requirement projections

- No additional revenue from rates is necessary during the next five-year period.

2. Cost-of-service analysis

- Based on the cost-of-service analysis, single-family customers are contributing less than their share of the cost of service, and all other customer classes are contributing more.
- The shift in cost from multi-family to single-family is the result of the current cost of service analysis, which takes into account the difference in flow between multi-family and single-family customers.
- Irrigation is the principal non-sewered water use so water meter readings during the winter season provide the most accurate proxy for sewer residential water use. The winter season flow is used to allocate costs to each customer class and would be used in the calculation of customers' bills if a flow-based component is introduced for residential customers.
- Installing a wastewater meter is not practical. Wastewater flows for residential customers, in particular, cannot be metered accurately because the flow is typically not pressurized and contains solids and other organic and inorganic constituents that will quickly clog meters.

3. Rate structure design

- Introduce a flow-based quantity charge for residential customers. Currently, low and high single-family and multi-family water users pay the same fixed rate.
- Many neighboring jurisdictions charge a fixed charge and flow-based quantity charge to their residential customers (e.g., Glendale, San Diego, Santa Monica, and Ventura).
- Expand the number of commercial customer classes from two (i.e., domestic strength and excess strength) to three (i.e., low, medium, and high strength).

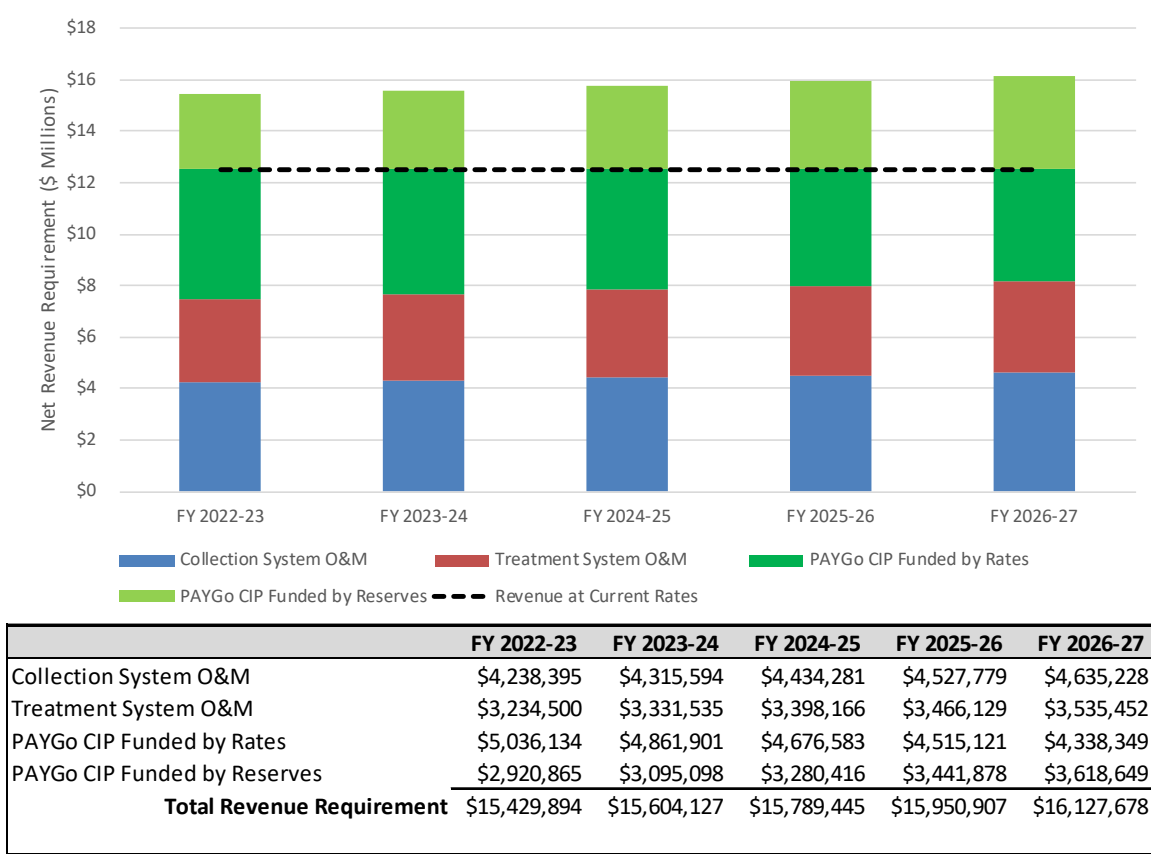
4. Customer bill impacts

- Bill impacts will vary by customer class and actual water use from billing period to billing period.

Five-year Financial Model

HF&H and staff developed a five-year financial projection of operational and maintenance (O&M) and capital costs based on the Council-approved FY 2022-23 budget. As noted in Table 1 below, the average annual expenses amount to \$15.8 million. Revenue at current rates amounts to \$12.5 million. Therefore, an annual average of \$3.3 million of capital expenses will be funded using reserve funds, which have accumulated over the years from sewer rate revenue exceeding expenses. As a result, no additional revenue from rates is necessary during the next five-year period to cover costs and maintain a reasonable reserve fund balance.

Table 1: Revenue Requirements



Although no additional rate revenue is needed to fund wastewater operations, this cost-of-service study determines if each of the customer classes’ rates contributes revenue in proportion to their cost of service. Table 2 below outlines the current revenue collected per customer class and what the cost-of-service study determined to be the actual revenue that should be collected. The shift in cost from multi-family to single-family is the result of the current rate structure, which charges multi-family dwellings the same bi-monthly rate as single-family residents even though the average multi-family dwelling is estimated to discharge 104 gallons per day, while single-family residents are estimated to discharge an average of 354 gallons per day.

Table 2: Cost of Service Allocations

	Current Revenue	Cost-of-Service	Difference
Single Family Residential	\$3,187,622	\$5,881,504	\$2,693,882
Multi Family Residential	\$5,304,141	\$3,505,726	(\$1,798,415)
Commercial Domestic Strength	\$2,739,728	\$2,002,049	(\$737,680)
Commercial Excess Strength	\$1,277,538	\$1,119,750	(\$157,788)
Total	\$12,509,029	\$12,509,029	\$0

Fixed and Quantity Charge Types

Currently, residential customers (single-family and multi-family) are charged only a fixed rate per dwelling unit, which is the same for both classes. Commercial customers pay a fixed rate per account, a flow charge based on actual water use, and some excess strength customers pay an additional water quality surcharge. Commercial customers with higher strength wastewater (e.g., restaurants, grocery stores), which requires greater treatment to meet discharge requirements, are charged a higher flow charge than those customers with average strength wastewater. Due to the disparity between revenues and the cost-of-service for each customer class, HF&H and staff are exploring alternative rate structures to better align revenue from each class with their respective cost of service. Introducing a flow-based quantity charge for residential customers would help address the concern.

The proposed single-family and multi-family bi-monthly fixed service charges (both currently \$87.38) would decrease with the introduction of a flow-based quantity charge as noted in Table 3 below. Quantity charges would be based on estimated sewer flow by factoring down each customer's actual water use by a Sewer Return Factor, which reflects the fact that not all water use (e.g., irrigation) returns to the sewer system. Sewer Return Factors were derived for each customer class and are applied to all customers in each class (see Table 4). At the September 8, 2022 Commission meeting, the Commission supported the use of Sewer Return Factors based on a three-year average of the lowest month for each year.

Table 3: Proposed Cost-of-Service Bi-Monthly Rates

Customer Class	Current Bi-Monthly	Cost of Service
Single Family		
Service Charge per dwelling unit	\$87.38	\$58.16
Quantity Charge	n/a	\$3.58
Multi Family		
Service Charge per dwelling unit	\$87.38	\$27.51
Quantity Charge	n/a	\$3.58
Commercial/Municipal		
Service Charge per account	\$34.20	\$58.16
Quantity Charges (option 1 - existing classes)		
Domestic Strength	\$4.74	\$3.58
Excess Strength	\$7.08	\$6.95
Quantity Charges (option 2 - proposed classes)		
Low Strength	n/a	\$3.58
Med Strength	n/a	\$5.24
High Strength	n/a	\$6.95

Table 4: Sewer Return Factors

Customer Class	Annual Flow [1]	Sewered Flow [2]	Return to Sewer
	hcf	hcf	
	a	b	c = b/a
Single Family Residential			
Without Irrigation meter	2,017,021	1,049,980	52%
With Irrigation meter			100%
Irrigation meter			0%
Multiple Family Residence	572,457	512,609	90%
Low Strength Non Residential			
Commercial	547,737	455,544	83%
Municipal	41,207	20,523	50%
	588,944	476,067	
High Strength Non Residential			
Commercial	186,436	155,056	83%
Municipal	1,844	918	50%
	188,279	155,974	
	3,366,701	2,194,630	65%

1. Average of CYs 2017, 2018, 2019 annual metered flow
2. Average of lowest month for each year

The proposed Commercial bi-monthly fixed service charge would increase from \$34.20 to \$58.16. Proposed quantity charges for low strength customers would decrease from \$4.74 to \$3.58, and for high strength, customers would decrease from \$7.08 to \$6.95. Table 3 demonstrates the current rate schedule and the proposed rates based on the cost-of-service study. There is currently no medium strength class. However, the Commission recommends adding a third commercial strength category for multi-use and other “medium” strength properties. Some commercial accounts are comprised of multiple businesses with a mix of domestic (e.g., retail) and excess strength (e.g., restaurants) wastewater and are served by the same meter. Introducing a third commercial class in-between domestic and excess strength is a common industry practice and will recognize mixed-use properties, which are not 100% domestic or 100% excess strength, as well as other medium strength businesses. Introducing a medium strength class would require the evaluation of each commercial property and business licenses to identify the medium strength customers. Medium strength customers and unassigned commercial customers would remain in their current strength classes until staff evaluates the properties and determines if there should be a change in their strength class. In addition, staff will address any misassigned commercial customers. In order to work effectively with each customer, staff anticipates the process would take approximately a year.

A California State Commercial User Strength Characteristics table is included as Attachment 1. This table will help identify low, medium, and high strength classes. For purposes of the current cost-of-service study, we would define each strength level as the following:

1. Low (Domestic) = If BOD **and** TSS are less than 250 ppm (parts per million)
2. Medium = If BOD **or** TSS is greater than 250 ppm but less than 700 ppm
3. High (Excess) = If BOD **or** TSS is greater than 700 ppm

Additionally, staff is including a detailed list of commercial business types and their respective strength classification as Attachment 2. The reclassification of commercial accounts from the current two classes to three classes would occur over the next year in conjunction with another ongoing review of commercial customers.

Phase-In of Quantity Charge Rate Adjustments

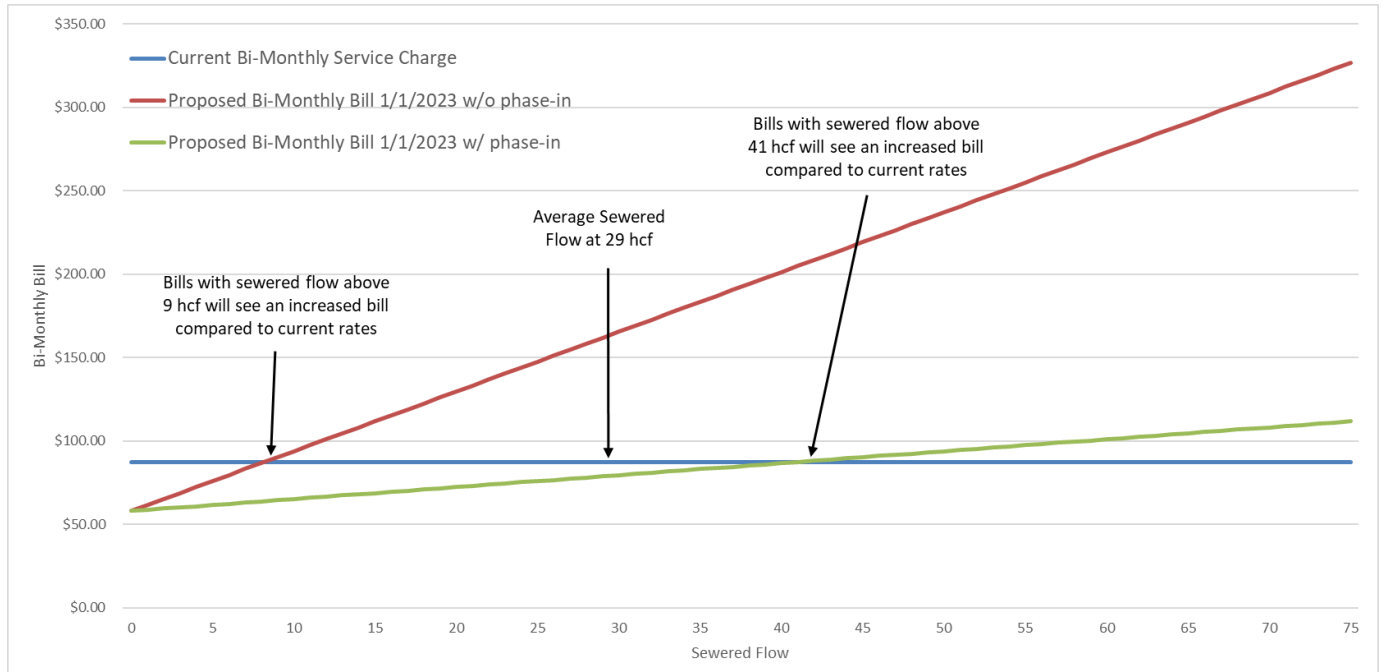
The proposed rate adjustments for service charges for all classes will be made immediately without phasing in. However, the Commission recommends phasing in single-family quantity charges over five years to ease quantity charge adjustments. The proposed quantity charge rate of \$3.58 would be set at 20% in year one, or \$0.72, and increases approximately \$0.72 each year over the five-year phase-in (see Table 5). The quantity charge rates for multi-family and commercial customers will be made immediately and will not be phased in. While the single-family quantity charge rates are phased in, the Wastewater Enterprise reserves will supplement the revenue shortfall of \$7.7 million over five years. The Wastewater Enterprise reserves have sufficient funding to cover the revenue shortfall while maintaining funding above the City’s financial policy. The fund balance is projected to be \$22.4 million at the end of FY 2026-27 with the phased in single-family rate.

Table 5: Phase-In of Quantity Charge Rates for Single-Family Customers

	1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027
Proposed Rate per hcf	\$3.58	\$3.58	\$3.58	\$3.58	\$3.58
Phase-in Increase	20%	40%	60%	80%	100%
Phased-in Rate per hcf	\$0.72	\$1.43	\$2.15	\$2.86	\$3.58
Bi-monthly water use	55	55	55	55	55
Sewer return factor	52.1%	52.1%	52.1%	52.1%	52.1%
Sewered flow (rounded)	29	29	29	29	29
Quantity charge	\$20.77	\$41.54	\$62.31	\$83.08	\$103.85
Service charge	\$58.16	\$58.16	\$58.16	\$58.16	\$58.16
Proposed bill	\$78.93	\$99.70	\$120.47	\$141.24	\$162.00
Bill under current rates	\$87.38	\$87.38	\$87.38	\$87.38	\$87.38
Difference	(\$8.45)	\$12.32	\$33.09	\$53.86	\$74.62

Table 6 provides a single-family customer bill comparison across a range of sewered water use, comparing the bills at current rates, year one of the phase-in, and if rates are not phased in. If the residential quantity rate is not phased-in, customer bills with sewered flow above 9 hcf would see a bill decrease and customer bills with sewered flow above 9 hcf would see a bill increase. If the phase-in approach is selected, the point at which customer bills transition from a decrease to an increase is 41 hcf.

Table 6: Residential Bills by Consumption (With and Without Phase-In)



Water

On June 9, 2022, staff presented to the Commission and discussed the Water Enterprise that included the financial projection assumptions, water purchases, water capital projects, including three options to fund the Cabrillo reservoir project, revenue requirements for each capital improvement projects option, and lastly, service charge policies. Staff returned to the Commission on August 11, 2022 and August 31, 2022, continued the discussion, and asked for direction on a preferred CIP option, fixed charge revenue, and the outside city rate differential. Additionally, staff presented on previously adopted water charges, which include pass-through adjustments, water reliability charges, and water shortage revenue stabilization factors.

CIP Options

There were three CIP options considered as part of this study. All options include funding for three Reservoir Management Systems (RMS) totaling approximately \$3M. With the addition of the new RMS at Greystone (19.4MG), Coldwater (8.3MG), and Sunset (6MG) reservoirs, which make up 77% of the total storage within the City, we will be increasing operational storage by 25% (8.5MG).

- **Option 1** includes funding for the Cabrillo Forebay project. This option would provide added resilience to existing LADWP interconnect and the Montecielo pump station. The improvements for Option 1 include a new pump station for the hillside along with a forebay storage area of approximately 300,000 gallons, new transmission line and backup power.
- **Option 2** includes funding for the full-scale Cabrillo Reservoir project, which includes a new pump station for the hillside, a reservoir with a capacity of 4.3MG, new transmission line and backup power.
- **Option 3** includes funding for the Cabrillo Forebay project and the Reservoir 4C project. The improvements associated with Option 3 include at Cabrillo, a pump station and forebay storage area of 300,000 gallons and a 1MG reservoir at the existing Reservoir 4C site. The Commission discussed the various CIP options and voted in recommendation

of CIP Option 2, the full-scale Cabrillo Reservoir project. Table 7 below shows each CIP Option and the total 5-year spending.

Table 7: Water CIP Options

Water Capital Project Schedule Options		Option 1	Option 2	Option 3
1	Cabrillo Reservoir Project ¹	\$4,180,937	\$21,270,460	\$4,180,937
2	Reservoir Repl. & Pump Station Rehab Project ¹	\$2,969,633	\$2,969,633	\$9,508,941
3	All Other Capital Projects ¹	\$45,274,713	\$45,274,713	\$45,274,713
4	Total 5-Year CIP Spending¹	\$52,425,283	\$69,514,806	\$58,964,591
5				
6	Average Annual Increase for Bi-Monthly Bill (2022-2027)			
7	Single-Family/Duplex	\$9.02	\$10.37	\$8.86
8	Multi-Family ²	\$32.34	\$49.81	\$40.21
9	Commercial/Municipal	\$53.62	\$90.06	\$70.18

¹All CIP Figures are escalated and assume CIP Completion Factor of 80% due to project timing.

²Multi-Family bill impact assume a 10-unit complex.

Table 8 below demonstrates the proposed cost-of-service bi-monthly rates for Water CIP Option 2. It is important to note that inside and outside City customers pay the same fixed water and fire service charges. However, the quantity charge differs between inside and outside City customers. The difference is explained later in this report. As part of the cost-of-service analysis, the tier structure was reviewed and updated to reflect current customer demand patterns. Accordingly, the size of the tiers were adjusted to reflect changing customer demands and aligns the level of service with the cost of providing that service within each tier.

Table 8: Proposed Cost-of-Service Bi-Monthly Rates

Current Quantity Charge Rates			COS Quantity Charge Rates		Service Size	Current Charge	COS Charges
Tier Size	\$/HCF		Tier Size	\$/HCF			
Inside City					Fixed Service Charges		
Single-Family/Duplex					1"	\$53.51	\$58.05
Tier 1	0-26 HCF	\$3.54	0-32 HCF	\$4.30	1-1/2"	\$93.84	\$100.46
Tier 2	27-48 HCF	\$6.91	33-48 HCF	\$7.19	2"	\$142.24	\$151.35
Tier 3	49-86 HCF	\$10.17	49-83 HCF	\$10.01	3"	\$271.30	\$287.06
Tier 4	86+ HCF	\$14.44	84+ HCF	\$12.51	4"	\$416.50	\$439.74
Multi-Family					6"	\$819.82	\$863.84
Tier 1	0-8 HCF	\$4.52	0-8 HCF	\$5.79	8"	\$1,311.71	\$1,372.76
Tier 2	9+ HCF	\$12.92	9+ HCF	\$14.98	10"	\$1,967.57	\$3,578.07
Commercial							
		\$7.03		\$7.93			
Water Reliability (all customers)							
		\$0.26		\$0.27	Fire Service Charges		
Outside City					<= 2"	\$29.73	\$31.23
Single-Family/Duplex					2 1/2"	\$44.32	\$46.55
Tier 1	0-26 HCF	\$4.41	0-32 HCF	\$4.96	3"	\$64.56	\$67.81
Tier 2	27-48 HCF	\$7.78	33-48 HCF	\$7.85	4"	\$124.69	\$130.96
Tier 3	49-86 HCF	\$11.03	49-83 HCF	\$10.67	6"	\$340.52	\$357.65
Tier 4	86+ HCF	\$15.31	84+ HCF	\$13.17	8"	\$712.74	\$748.59
Multi-Family					10"	\$1,272.63	\$1,336.64
Tier 1	0-8 HCF	\$5.39	0-8 HCF	\$6.45	12"	\$1,654.42	\$1,737.63
Tier 2	9+ HCF	\$13.78	9+ HCF	\$15.64			
Commercial							
		\$7.90		\$8.59			
Water Reliability (all customers)							
		\$0.41		\$0.42			

Fixed Charge Revenue

HF&H and staff recommend maintaining the current fixed charge revenue balance (16% from fixed service plus fire service charges and 84% from variable quantity charges). Even though the majority of the Water Enterprise fund's costs are fixed, this ratio has allowed customers to manage their bills through consumption. At the same time, the Water Enterprise fund has maintained revenue stability. The Commission agreed to maintain the fixed charge revenue balance.

Outside City Rate Differential

The City provides water services to a portion of the City of West Hollywood. During the previous cost of service study, it was determined that Beverly Hills customers (Inside City customers) and West Hollywood customers (Outside City customers) should pay different quantity charges mainly due to the contribution by the services provided by the City of Beverly Hills' General Fund to the Water Enterprise. These services include public safety from police and fire, use of government facilities such as City Hall and corporation yards, and right-of-way maintenance. Inside City customers pay for these services through property taxes. Outside City, customers do not contribute to property taxes, so their rates reflect an increase over Inside City rates to account for these costs and reimburse the General Fund. As part of the 2018 cost-of-service analysis, HF&H determined that the City's General Fund was projected to incur approximately \$2,440,000 in costs to provide public safety, government facilities, and right-of-way maintenance to the Water Enterprise. Of the total \$2,440,000, the General Fund incurs \$2,015,000 per year to serve Inside City customers and \$425,000 per year to serve Outside City customers. For Inside City customers, these costs are covered by property taxes paid to the City; therefore, no adjustment to the quantity charge rates was made to the Inside City customers. Outside City customers do not contribute property taxes to the City; therefore, an adjustment was made to the Outside City quantity charges rates so the General Fund can recuperate the cost of these services. The reimbursement by Outside City customers (through the quantity charge rate adjustment) for public safety services, government facilities, and right-of-way maintenance was required to maintain parity with Inside City customers, which pay the entire cost through property tax revenue. It was determined that the entire \$425,000 cost was recoverable by adding \$0.82 per HCF to the Outside City quantity charges for its single-family, multi-family, and commercial customers. The service charges to both Inside City and Outside City customers remained the same. For the current cost of service study, it was determined that the Outside City rate differential should be \$0.66 per HCF due to the decrease in Outside City flow. The Commission agreed to maintain the outside city rate differential.

Previously Adopted Water Charges

In addition to the last water rate adjustments, Beverly Hills City Council adopted pass-through charges, water reliability charges, and water shortage revenue stabilization factors. As part of the current cost-of-service study, the pass-through adjustments, water reliability charge, and revenue stabilization factors need to be re-noticed to the community to allow the charges to be implemented for an additional five years.

Pass-Through Adjustments

Government Code Section 53736 allows an agency that provides water, wastewater or sewer service to adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water, or wastewater treatment. City Council adopted pass-through adjustments that would allow increases in wholesale water charges for purchasing water from MWD to be passed through directly to customers if they are higher than the adopted budgeted costs. If future MWD rates are more than what was projected in the cost of service

study, then the incremental difference will be passed through to customers. Customers will be notified prior to the effective date of adjustment. Since the pass-through adoption, the City has not exercised the adjustments. Every five years, this provision needs to be included in the Proposition 218 notification. The Commission agreed to maintain the pass-through adjustments.

Water Reliability Charge

The water reliability charge provides dedicated funding for the expansion of the water system to the La Brea subarea. Developing the La Brea basin will increase local groundwater production and reduce the City's dependence on MWD for water supply. Estimated project costs for the calculation of the water reliability charge were derived from the La Brea Subarea Wells, Water Treatment and Transmission Main Project Preliminary Design Report from May 2017. The water reliability charge is in addition to the quantity and service charges. A customer's water reliability charge is the product of the water reliability charge rate multiplied by the customer's water consumption during the billing period. The water reliability charge will be billed to both inside and outside City customers over 30 years to cover the cost of the project. The 30-year projection of this rate in the last cost of service will be retained for this study and the next five years are recommended to be included in the upcoming cost-of-service study. The Commission agreed to maintain the water reliability charge.

Water Shortage Revenue Stabilization Factors

The State of California has experienced intense periods of drought, resulting in mandatory water restrictions. In extreme cases, restrictions could negatively affect water utility revenues. To prepare, the City adopted a schedule of revenue stabilization factors to be implemented during water shortages with City Council approval and thirty days' notice to water customers. The factors are correlated with reductions in each customer class's required level of conservation for each Stage. The factors are lowest for multi-family customers because their water use has less irrigation than, for example, single-family customers. (During water shortages, irrigation water use is restricted more than indoor water uses). The revenue stabilization factors act as a multiplier to the customers' existing quantity charge rates. Once the water shortage is over, rates will return to the normal rate schedule. The revenue stabilization rates replaced the drought surcharge implemented in prior years. Since the adoption of the revenue stabilization factors, the City has not exercised the charges. The revised water shortage revenue stabilization factors are included in Table 9 below. The Commission agreed to the water shortage revenue stabilization factors.

Table 9: Water Shortage Revenue Stabilization Factors

Revenue Stabilization Factors by Customer Class					
Class	Stage A Up to (5% Reduction)	Stage B Up to (10% Reduction)	Stage C Up to (20% Reduction)	Stage D Up to (30% Reduction)	Stage E Up to (50% Reduction)
Single Family	1.043	1.093	1.217	1.390	1.878
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Commercial	4%	8%	16%	24%	44%

NEXT STEPS

If the Liaison decides to move forward, staff will present the final recommendation and public notice to the full City Council at the October 11, 2022, City Council Study Session. If Council wishes to move forward with the proposed rate restructuring, staff will distribute the public notice to customers and implement the proposed community engagement plan detailed below. Following community engagement and in the absence of a majority protest, the revised Water and Wastewater Rates Ordinance will be introduced at a public hearing at the December 6, 2022, City Council meeting. Pending support from a majority of the City Council, the ordinance will be adopted at the December 13, 2022, City Council meeting. If the ordinance is adopted, the adjusted rates will take effect in mid-January 2023.

Community Outreach

Staff will host two town hall meetings to present the proposed rates, the impact on customers' bills, and how the rate adjustments will allow the Water and Wastewater Enterprises to continue serving the community. Since each customer will be impacted differently, a bill impact calculator will be provided on the City's website. Customers will be able to input their water use data and compare their bill under the current and proposed rates. Staff will also provide ample time to respond to questions and concerns from the public. The date, time, and location of the town hall meetings will be advertised in local newspapers, on the City's website, and through multiple social media channels, including Instagram, Facebook and Twitter. In addition, staff will attend community meetings in October and November. Staff will present the proposed rate adjustment to the Chamber of Commerce to address concerns from the business community. Staff will also include information on the water and wastewater rate adjustments in the Public Works newsletter, The Backbone, and the City's social media accounts.

Meeting/Action	Date
Presentation to City Council (with Prop 218 notice)	October 11, 2022
Public Notice Distributed	October 21, 2022
Presentation/Discussion at the Public Works Commission	November 10, 2022
Community Outreach <ul style="list-style-type: none"> • Town Hall Meetings • Commission Meeting Presentations • Community Presentations • Presentation to the Chamber of Commerce 	October-December 2022

<ul style="list-style-type: none"> • Article on the Backbone Newsletter • Newspaper Ads • Social Media Posts • Website • Bill Impact Calculator 	
Public Hearing (1 st Reading)	December 6, 2022
Public Hearing (2 nd Reading)	December 13, 2022
Rates Effective	Mid-January 2023

Attachment 1

COMMERCIAL USER STRENGTH CHARACTERISTICS

<u>STANDARD CLASSIFICATIONS</u>	<u>BOD₅(ppm)</u>	<u>SS(ppm)</u>
Residential (average varies depending on average water usage per capita)	175 to 250	175 to 250
Auto Steam Cleaning	1,150	1,250
Bakery, wholesale	1,000	600
Bars without dining facilities	200	200
Car Wash	20	150
Department and Retail Store	150	150
Hospital and Convalescent	250	100
Hotel with dining facilities	500	600
Hotel/Motel without dining	310	120
Industrial Laundry	670	680
Laundromat	150	110
Laundry, commercial	450	240
Market with garbage grinders	800	800
Mortuary	800	800
Professional Office	130	80
Repair Shop and Service Station	180	280
Restaurant	1,000	600
School and College	130	100
Septage	5,400	12,000
Soft Water Service	3	55

Attachment 2

Example Commercial Sewer Strength Classifications

Low Strength

Banks & Financial Institutions
Barber Shops/Hair Salons (Hair Cutting Only)
Post Offices/Government
Retail Stores
Libraries
Schools
Religious Buildings, Halls & Lodges
Offices (Business and Professional)

Medium Strength

Bars & Taverns (w/o Dining)
Appliance Repair
Barber Shops/Hair Salons (Haircutting w/Add'l Treatments)
Dry Cleaners
Nail Salons
Pet Groomers
Commercial Laundromats
Tasting Rooms
Medical Offices/Hospitals (General, Cosmetic, Dental, Convalescent & Veterinarian)
Hotels, Motels, or Bed & Breakfast

Pools with Restrooms (Clubhouse)
Theaters
Warehouses
Car Washes
Gym or Health Club
Service Stations, Garages, Auto Repair Shops
Car Rental/Car Service
Mini Marts (w/o Dish Washer or Garbage Disposal)
Mini Mart with Gas Pumps – (w/o Dish Washer or Garbage Disposal)
Spa

High Strength

Restaurants
Coffee Shops
Ice Cream Parlors
Catering
Eatery
Juice Bars
Bakeries Butcher Shops
Bars & Taverns (w/ Dining)

Grocery Stores or Markets
Mini Marts (w/ Dish Washer or Garbage Disposal)
Delicatessens

Attachment 3



CITY OF BEVERLY HILLS
PUBLIC WORKS DEPARTMENT
MEMORANDUM

TO: Vice Mayor Julian A. Gold, M.D. and
Councilmember Sharona Nazarian PsyD

FROM: Shana Epstein, Director of Public Works
Robert Welch, P.E. Utilities General Manager
Melissa Gomez, Senior Management Analyst

DATE: September 29, 2022

SUBJECT: Status Update for the Water and Wastewater Cost of Service Study

ATTACHMENTS: 1. 9/13/22 Agenda Report- Status Update for the Water and
Wastewater Cost of Service Study

RECOMMENDATION

Staff recommends that the City Council Public Works Liaison Committee receive and provide direction on:

1. The proposed policy recommendations, which separate the residential wastewater customers (single-family and multi-family) and add a quantity (volumetric) charge for the single-family and multi-family classes;
2. The proposed sewer return factors based on a three-year average of the lowest month for each year;
3. The proposed change in the commercial wastewater customer classes to include a third class;
4. The proposed water CIP scenario 2 (full scale Cabrillo Reservoir project) recommend by the Public Works Commission;
5. The proposed fixed charge revenue ratio for water;
6. The proposed pass-through charges, outside city differential, water reliability charge, and water shortage revenue stabilization factors; and
7. Recommend that City Council begin the required Proposition 218 public notice process for rates based on the cost of service studies.

DISCUSSION

At the September 13, 2022 Public Works Liaison Committee, staff and consultants introduced the water and wastewater cost of service study. This item is a continuation of that discussion. The September 13, 2022 agenda report is included as reference.

Attachment 4

Attachment 4- Water and Wastewater Bill Impacts

Combined Bill Impact – Single Family

	Current		Proposed			
		<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Assumptions						
Meter Size	1" meter	1" meter				
Water Consumption	56	56				
Return to Sewer Factor	n/a	52%				
Sewered Flow	n/a	29				
Water						
Fixed Service Charge	\$53.51	\$56.38	\$57.50	\$58.65	\$59.83	\$61.02
Quantity Charge	\$325.42	\$322.88	\$329.60	\$336.00	\$342.88	\$349.76
Water Reliability Charge	\$14.56	\$15.12	\$15.68	\$16.24	\$16.80	\$17.36
Total	\$393.49	\$394.38	\$402.78	\$410.89	\$419.51	\$428.14
Increase/(Decrease)		\$0.89	\$8.41	\$8.11	\$8.61	\$8.64
Wastewater						
Service Charge	\$87.38	\$77.92	\$68.46	\$59.00	\$49.54	\$40.08
Quantity Charge	\$0.00	\$20.88	\$41.47	\$62.35	\$82.94	\$103.82
Total	\$87.38	\$98.80	\$109.93	\$121.35	\$132.48	\$143.90
Increase/(Decrease)		\$11.42	\$11.13	\$11.42	\$11.13	\$11.42
Total Bi-monthly Bill	\$480.87	\$493.18	\$512.71	\$532.24	\$551.99	\$572.04
Increase/(Decrease)		\$12.31	\$19.54	\$19.53	\$19.74	\$20.06

Combined Bill Impact – Multi Family

	Current		Proposed			
		<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Assumptions						
Meter Size	1.5" meter	1.5" meter				
Water Consumption per unit	9.3	9.3				
Return to Sewer Factor	n/a	90.0%				
Sewered Flow	n/a	8.4				
Dwelling Units	10	10				
Water						
Fixed Service Charge	\$93.84	\$97.56	\$99.51	\$101.50	\$103.53	\$105.60
Quantity Charge	\$529.56	\$595.10	\$607.60	\$619.40	\$632.00	\$644.70
Water Reliability Charge	\$24.18	\$25.11	\$26.04	\$26.97	\$27.90	\$28.83
Total	\$647.58	\$717.77	\$733.15	\$747.87	\$763.43	\$779.13
Increase/(Decrease)		\$70.19	\$15.38	\$14.72	\$15.56	\$15.70
Wastewater						
Service Charge	\$873.80	\$779.20	\$684.60	\$590.00	\$495.40	\$400.80
Quantity Charge	\$0.00	\$60.26	\$119.69	\$179.96	\$239.38	\$299.65
Total	\$873.80	\$839.46	\$804.29	\$769.96	\$734.78	\$700.45
Increase/(Decrease)		(\$34.34)	(\$35.17)	(\$34.34)	(\$35.17)	(\$34.34)
Total Bi-monthly Bill	\$1,521.38	\$1,557.24	\$1,537.44	\$1,517.83	\$1,498.22	\$1,479.58
Increase/(Decrease)		\$35.86	(\$19.79)	(\$19.62)	(\$19.61)	(\$18.64)

Combined Bill Impact – Commercial

	Current	Proposed				
		<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Assumptions						
Meter Size	1" meter	1" meter				
Water Consumption per unit	113	113				
Return to Sewer Factor	n/a	83.0%				
Sewered Flow	113	94				
Commercial Strength	Domestic	Low				
Water						
Fixed Service Charge	\$53.51	\$56.38	\$57.50	\$58.65	\$59.83	\$61.02
Quantity Charge	\$794.39	\$870.33	\$888.18	\$905.13	\$923.21	\$942.42
Water Reliability Charge	\$29.38	\$30.51	\$31.64	\$32.77	\$33.90	\$35.03
Total	\$877.28	\$957.22	\$977.32	\$996.55	\$1,016.94	\$1,038.47
Increase/(Decrease)		\$79.94	\$20.10	\$19.23	\$20.38	\$21.54
Wastewater						
Service Charge	\$34.20	\$35.38	\$36.55	\$37.73	\$38.91	\$40.08
Quantity Charge	\$535.62	\$472.82	\$438.04	\$404.20	\$370.36	\$336.52
Total	\$569.82	\$508.20	\$474.59	\$441.93	\$409.27	\$376.60
Increase/(Decrease)		(\$61.62)	(\$33.61)	(\$32.66)	(\$32.66)	(\$32.67)
Total Bi-monthly Bill	\$1,447.10	\$1,465.42	\$1,451.91	\$1,438.48	\$1,426.21	\$1,415.07
Increase/(Decrease)		\$18.32	(\$13.51)	(\$13.43)	(\$12.28)	(\$11.13)