



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

Beverly Hills City Council Liaison / Public Works Commission Meeting

SPECIAL MEETING HIGHLIGHTS

Thursday, September 29, 2022
10:00 AM

MEETING CALLED TO ORDER

Date / Time: September 29, 2022 / 10:00 AM

IN ATTENDANCE: Vice Mayor Julian Gold MD, Councilmember Sharona Nazarian PYSD, Chairperson John Millan, Vice Chairperson Wendy Nystrom, Public Works Director Shana Epstein, Utilities General Manager Robert Welch, Assistant City Manager Nancy Hunt-Coffey, Senior Management Analyst Melissa Gomez, Community Development Director Ryan Gohlich, Finance Director Jeff Muir, Executive Assistant Ilene Knebel, Assistant Finance Director Tatiana Szerwinski, Rick Simonson (HF&H Consultants LLC)

1. PUBLIC COMMENT

Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.

Speakers: None

2. STATUS UPDATE FOR THE WATER AND WASTEWATER COST OF SERVICE STUDY

Shana Epstein, Director of Public Works, introduced Rick Simonson of HF&H Consultants LLC, who presented a status update on the water and wastewater cost of service studies with additional information that was requested at the last liaison meeting. She covered the proposed restructuring of wastewater rates and rebalancing water revenues.

Rick Simonson reviewed briefly, what was presented in the previous meeting, which included:

- Proposed Wastewater Revenue
 - Revenue requirements range from about \$15 million to \$16 million each year for the next five years.
 - Costs are shifting away from the commercial and multi-family classes and towards the single-family class, as they have a higher flow per dwelling unit. A flow-based charge for residential customers (single family and multi-family) is recommended, based on a return to sewer factor.
- Commercial Customer Class Restructuring
 - The proposed restructuring of commercial customer classes would result in three classes. Currently there are two commercial customer classes- Domestic strength and Excess strength. The proposed three-class structure would include a medium strength as noted below.

- Low strength (0 to 250 ppm BOD/TSS)--single family, multi family, and retail
 - Medium strength (251 to 600 ppm BOD/TSS)--- hotels with dining and mixed use commercial
 - High strength (over 600 ppm BOD/TSS)--- restaurants.
- Proposed Wastewater Cost-of-Service Rates
 - Rick Simonson reviews the cost-of-service rates for all customer classes. Single family and multi-family bi-monthly fixed services charges decrease with the introduction of a flow-based quantity charge. Rick Simonson explained the derivation of unit costs.
 - Rick Simonson covers the average bi-monthly bill comparison for all customers. He also compares the proposed bi-monthly bills with other agencies.
 - The revised phase-in applies to all customer classes. This approach will remain revenue neutral and without the use reserves.
 - Director Epstein explained that the quantity charge and the service charge would now both be phased in, a difference from the original plan.

Chairperson Millan and Vice Chairperson Nystrom both voiced support for the revised rate phase-in plan without the use of reserves. There was a discussion concerning the classification of hotels as medium strength class. Rick Simonson said that the strength of the water is based on how much additional debris (oils, fats, etc.) is sent to the sewage facilities. There was a discussion concerning why single-family customers would pay more in the proposed rate structure. Rick Simonson said that it was based on higher occupancy rates and the number of machines that use water in the house. Vice Mayor Gold MD inquired about the Urban Run-Off/Stormwater charges. He mentioned it is a tax and cannot be modified without voter approval. Vice Mayor Gold MD inquired about the notion that a single-family customer uses more water than a multi-family customer. Rick Simonson explained that a single-family home tends to have a higher occupancy, and much larger square footage, which means more toilets and washing machines as compared to a multi-family unit. Vice Mayor Gold MD said he was not sure this would go over well with the public. There was a discussion concerning the methodology of the rebalanced wastewater restructuring, and which way to best implement them.

After the Wastewater discussion, Rick Simonson continued with the Water cost-of-service presentation.

- Water Revenue Requirements
 - Revenue requirements range from \$36 million to \$42 million each year under CIP option 2.
- Water CIP Options
 - Options regarding the Cabrillo reservoir increase of emergency storage were discussed. The financial impact of the water rates on the CIP budget and currently budgeted projects was discussed. The three proposed options for water rates and their combined bill impact were discussed, with option 2 recommended by the Public Works Commission. The Water fund balance was also discussed.
 - The water cost of service allocations was presented with multi-family customers seeing the biggest impact on the realignment in costs.

- Proposed Water Rates
 - Proposed 2023 water cost of service rates were presented for the different CIP options.
 - Inside and Outside City customers pay the same service charge and fire service charge. There is a differential between inside and outside city quantity rates.
 - Tier sizes changed for single-family and duplex customers.
 - Bill comparisons and bill impacts were presented.
 - The current practice of balancing the fixed and quantity charges was recommended to continue.
 - The current practice of the outside city rate differential was recommended to continue, with an applied updated analysis of rate differential. Outside City quantity charge rates will be \$0.66 more per HCF than Inside City rates.
 - Pass Through adjustments and revenue stabilizations factors were also recommended to continue.
 - Water expenses were discussed and broken down by category. 41% of expenses are capital related (equipment), 29% of expenses are water purchases, and 30% are other costs. Total water costs are approximately \$37.4 million per year.
 - Wastewater and Water Costs per 1,000 gallons were presented.

All liaison members had the opportunity to comment on the information presented. There was a discussion concerning the overall effect of water rate revenues being rebalanced, and on restructuring wastewater rates. Councilmember Nazarian PSYD requested further information for the full five-year cost and plan, citing safety concerns for water emergencies. Director Epstein said all water pumps have backup diesel engines for reliability. Utilities General Manager Welch explained that the City has about half a day's worth of water should Beverly Hills be cut off from all other water supply during an emergency such as "The Big One" (earthquake). Councilmember Nazarian PSYD asked if there were further options for water reserves beyond building the Cabrillo reservoir. Director Epstein said the addition or expansion of water reserves would have to be thoroughly discussed by the Public Works Commission and City Council. Vice Mayor Gold MD said he understands the concept of water storage, but thinks that there has to be other options for \$20 million that are more reliable. He also pointed out that the cost of producing water internally is much higher than purchasing water from the Metropolitan Water District. Vice Mayor Gold MD mentioned that he is not ready to make the recommendation to City Council. He said the final rates should be vetted by the public before being brought to the full City Council for a decision. Director Epstein said the original plan for notice and public hearings were anticipated for December, and said that there potentially would not be any other solutions prepared for presentation without holding out and missing potential revenue beginning in January 2023. Director Epstein said Public Works would be willing to walk councilmembers and citizens through the proposed water and wastewater rates however needed.

ADJOURNMENT

Date / Time:

September 29, 2022 / 11:59 AM