



## **Proposed Water Rate Adjustment**

### *Frequently Asked Questions*

**Q: Why do utility rates need to be adjusted now?**

A: The City reviewed water rates as part of a 10-year financial plan and determined that rates should be adjusted in two phases. Phase 1 was a 3% increase to ensure sufficient revenues are generated to cover expenses and a pass-through charge for increases in Metropolitan Water District (MWD) purchased water. This water is brought to southern California by MWD from northern California and the Colorado River. The City Council approved phase 1 in December of 2017 and the new rates went into effect on January 18, 2018.

Phase 2 includes three elements: a cost-of-service analysis, the addition of a water reliability charge, and a revenue stabilization rates schedule. Below is more information on these three elements. If phase two is approved the proposed rates would go into effect on March 9, 2019, however, the restructured rates will apply to all meter reads starting on March 1, 2019.

**Q: What is a cost-of-service analysis?**

A: A cost-of-service analysis determines the actual cost of providing water service to residential and commercial customer classes, then assigns these costs to each customer class in a fair and equitable way. The City used a base-extra capacity model endorsed by the American Water Works Association. In this model, each customer's use of the water system is examined through the base demand, average demand, peak day, and peak hour usage. Then rates are adjusted accordingly.

**Q: What is the water reliability charge?**

A: The water reliability charge will fund the City's efforts to increase local water production. Increasing local water production will protect the City's water customers when Metropolitan Water District's water service is interrupted. This fee will be charged on a per unit basis (i.e. per hundred cubic feet of metered water use), and it will cover the capital expenses, debt service payments, and maintenance and operations costs required to drill new wells and expand the City's treatment facilities. This charge will apply equally to all customers in all classes.

**Q: What are revenue stabilization rates?**

A: Revenue stabilization rates would take effect when the City Council approves mandatory water reductions stemming from a drought or water emergency. These temporary rates would vary with the type of customer and the level of water restriction, as detailed in the tables below. The rates will help ensure that the Water Utility has funds to continue to deliver water to customers during shortages. These rates replace the drought surcharge applied in prior years. Water rates will return to normal when mandatory conservation ends. If enacted, water customers would receive 30 days' notice.

Revenue Stabilization Rate Schedule Tables

<b>Revenue Stabilization Factors By Class</b>					
<b>Class</b>	<b>Stage A</b>	<b>Stage B</b>	<b>Stage C</b>	<b>Stage D</b>	<b>Stage E</b>
	<b>5% Reduction</b>	<b>10% Reduction</b>	<b>20% Reduction</b>	<b>30% Reduction</b>	<b>50% Reduction</b>
<b>Single Family</b>	1.039	1.081	1.187	1.333	1.824
<b>Multi Family</b>	1.016	1.033	1.069	1.110	1.262
<b>Commercial</b>	1.023	1.048	1.103	1.170	1.388
<b>Irrigation</b>	1.076	1.169	1.474	2.192	n/a

To be applied to the non-shortage rates in effect prior to the shortage has been declared.

<b>Shortage Reductions By Class</b>					
<b>Class</b>	<b>Stage A</b>	<b>Stage B</b>	<b>Stage C</b>	<b>Stage D</b>	<b>Stage E</b>
	<b>5% Reduction</b>	<b>10% Reduction</b>	<b>20% Reduction</b>	<b>30% Reduction</b>	<b>50% Reduction</b>
<b>Single Family</b>	6%	12%	24%	36%	58%
<b>Multi Family</b>	3%	5%	11%	16%	31%
<b>Commercial</b>	4%	7%	15%	22%	40%
<b>Irrigation</b>	11%	22%	45%	67%	100%

Below are the proposed rates for 2019 by stage if the revenue stabilization rates are enacted.

Customer Class	2019 Proposed Rate (\$/HCH)	Shortage Rates by Stage									
		Stage A		Stage B		Stage C		Stage D		Stage E	
		Factor	Rate	Factor	Rate	Factor	Rate	Factor	Rate	Factor	Rate
<b>Single Family</b>	<b>A</b>	<b>B</b>	<b>C = A*B</b>	<b>D</b>	<b>E = A*D</b>	<b>F</b>	<b>G = A*F</b>	<b>H</b>	<b>I = A*H</b>	<b>J</b>	<b>K = A*J</b>
Tier 1	\$3.34	1.039	\$3.47	1.081	\$3.61	1.187	\$3.96	1.333	\$4.45	1.824	\$6.09
Tier 2	\$6.51	1.039	\$6.76	1.081	\$7.04	1.187	\$7.73	1.333	\$8.68	1.824	\$11.87
Tier 3	\$9.58	1.039	\$9.95	1.081	\$10.36	1.187	\$11.37	1.333	\$12.77	1.824	\$17.47
Tier 4	\$13.61	1.039	\$14.14	1.081	\$14.71	1.187	\$16.16	1.333	\$18.14	1.824	\$24.82
<b>Single Family - Irrigation</b>											
Tier 1	\$3.34	1.076	\$3.59	1.169	\$3.90	1.474	\$4.92	2.192	\$7.32		n/a*
Tier 2	\$6.51	1.076	\$7.00	1.169	\$7.61	1.474	\$9.60	2.192	\$14.27		n/a*
Tier 3	\$9.58	1.076	\$10.31	1.169	\$11.20	1.474	\$14.12	2.192	\$21.00		n/a*
Tier 4	\$13.61	1.076	\$14.64	1.169	\$15.91	1.474	\$20.06	2.192	\$29.83		n/a*
<b>Multi Family</b>											
Tier 1	\$4.26	1.016	\$4.33	1.033	\$4.40	1.069	\$4.55	1.110	\$4.73	1.262	\$5.38
Tier 2	\$12.17	1.016	\$12.36	1.033	\$12.57	1.069	\$13.01	1.110	\$13.51	1.262	\$15.36
<b>Multi Family - Irrigation</b>											
Tier 1	\$4.26	1.076	\$4.58	1.169	\$4.98	1.474	\$6.28	2.192	\$9.34		n/a*
Tier 2	\$12.17	1.076	\$13.09	1.169	\$14.23	1.474	\$17.94	2.192	\$26.68		n/a*
<b>Commercial</b>	\$6.63	1.023	\$6.78	1.048	\$6.95	1.103	\$7.31	1.170	\$7.76	1.388	\$9.20
<b>Commercial - Irrigation</b>	\$6.63	1.076	\$7.13	1.169	\$7.75	1.474	\$9.77	2.192	\$14.53		n/a*

**When will my water rates change?**

A: If adopted by the City Council, the new rates would go into effect on March 8, 2019. After 2019, water rate increases will be effective on January 1, 2020, January 1, 2021, and January 1, 2022. All meter reads starting on March 1, 2019 will be charged at the new rates.

**Q: How can one protest the proposed water rate adjustments?**

A: Any property owner or property tenant that is directly responsible for the payment of the water service charges (each, a “water customer”) may submit a written protest against the proposed increased. Written protests may be delivered to the City Clerk at the public hearing, prior to the end of the public hearing or may be mailed or personally delivered to the City Clerk at City Hall, 455 N. Rexford Drive, Room 290, Beverly Hills, CA 90210. Protests that are mailed or delivered to City Hall must be received by the City Clerk before 5:00 p.m. on January 15 , 2019.

A majority protest exists if, at the end of the public hearing, there are written protests submitted by a majority of the water customers subject to the proposed rate changes. No more than one written protest, per parcel of property will be counted in calculating a majority protest. The City Council cannot adopt the proposed changes if a majority protest exists. No late postmarks will be accepted and emailed, faxed or photocopied protests will not be counted.

A written protest must include all of the following to be considered in determining a majority protest:

- (1) Clearly state opposition to the changes in the water charge(s);
- (2) Name of the owner or customer of record who is submitting the protest;
- (3) Identification by street address or utility account number of the parcel with respect to which the protest is made; and

(4) Original signature and legibly printed name of the owner or customer of record who is submitting the protest.

Oral comments at the public hearing will not be counted in the determination of a majority protest unless accompanied by a written protest.

**Q: Will the other rates on my bill increase?**

A: If approved by the City Council, customers will only see changes on the water charges on their bills in March 2019. All of the other rates—stormwater, solid waste and wastewater—will remain the same at this time.

However, in the future there may be some changes to the stormwater and solid waste charges on the utility bill. The City's stormwater fees may increase as the City seeks funding to comply with its increasing stormwater regulatory requirements to protect water quality in the City and in the region. The City is evaluating its solid waste fees in 2018 and 2019, so there may be changes to the solid waste charges in the near future.

**Q: Can I expect water rate increases in the future?**

The City will review water rates every five years as part of part of a 10-year financial plan, which helps Beverly Hills Water prepare for the future and keep rates steady. Our customers can also plan ahead and take steps to minimize inefficient water use and thereby reduce water charges. Going forward, the City will annually report our financial status to the City Council and the community, allowing the Council to determine whether to hold rates constant or to lower them based on the financial status of the water enterprise.

**Q: Doesn't the City have other funding that can be used instead of adjusting rates?**

A: The Water Enterprise Fund is a municipal enterprise fund that is separate from the City's General Fund. This means that all of the expenses of the water fund should be recovered within the Water Enterprise Fund. Water Fund revenues come entirely from customers' rates, service charges, connection fees and other fees and charges (i.e. water supply fee and water capacity fee). The proposed rates have been set to ensure that the revenues that the City is collecting from customers cover these operational and capital costs and reserve requirements for the water utility. The City Council does infuse General Fund money to the Water Enterprise Fund for water system costs such as: fire and police service, street and sidewalk maintenance and repair, and capital asset maintenance and repairs. This results in a discount for inside City customers on the proposed water reliability charge.

**Q: Where does my water come from?**

A: At this time, all of the City's water is imported and purchased from the Metropolitan Water District of Southern California (MWD). The City has historically purchased about 90% of its annual water demand from MWD and pumped and treated the remaining 10% from its groundwater basin.

The proposed Water Reliability Charge will allow the City to expand the water system into the La Brea basin. This will increase the amount of local groundwater available to water customers while decreasing the City's reliance on imported water purchased from MWD. This will provide a much needed insurance policy in the event water service from MWD is interrupted. The expansion of the water system into the La Brea basin will help the City decrease its reliance on MWD to 75% of its overall water demand.

**Q: What are my rates funding?**

A: Water rates are funding all of the daily operational expenses, capital costs—including those debt service payments associated with past capital projects—and reserve requirements of the Water Enterprise Fund. These include the costs of purchasing water from MWD, the electricity and other utility costs associated with operating the water utility, and supplies, materials, and staff to maintain the system. If bonding is determined to be an appropriate financing strategy, then rate revenue will also fund the debt service on the bonds.

One of the most important uses for customers' water rates is maintaining and upgrading the water utility's infrastructure to ensure that all customers continue to receive the highest-quality water. The Beverly Hills water system is made up of 171 miles of pipeline, 11 reservoirs, six water wells, and a water treatment plant, and the City is looking to expand even more to increase its local water supply. The Public Works Department is responsible for maintaining, expanding, and rehabilitating this aging infrastructure to ensure that all customers continue to receive the highest-quality water. These new and rehabilitation projects are possible because funding from the water rates is re-invested into the water capital improvement programs for projects to maintain, expand and rehabilitate the system.

**Q: Can landlords pass through water rate increases?**

A: Landlords can pass-through water rate increases for Chapter 5 tenants (tenants whose original rent on their current lease was \$600 or less per month and whose building was built before September 20th, 1978). Water rate increases cannot be passed-through to Chapter 6 tenants (tenants whose original rent on their current lease was more than \$600). Only penalty surcharges can be passed through to Chapter 6 tenants. For more information, please visit <http://www.beverlyhills.org/rentinfo> or call (310) 285-1031.

**Q: What can I do to reduce my bill?**

A: All customers are encouraged to sign up for Water Tracker, an online service provided free by the City. Water Tracker can give customers a daily look at their water consumption and help identify possible leaks or excessive use. Customers can sign up for Water Tracker at <http://water.beverlyhills.org>. Customers can find tips and strategies to reduce their water consumption at [www.bhsaves.org](http://www.bhsaves.org).