



Proposed Water Rate Increase

Frequently Asked Questions

Q: Why do utility rates need to be increased now?

A: During the drought, the City received less revenue from water sales as customers used less water to achieve mandatory conservation targets. While the City's expenses to purchase wholesale water from the Metropolitan Water District of Southern California ("MWD") have decreased, there are still many other expenses—materials and supplies for the water system to ensure the highest water quality; debt service payments for bonds issued for capital projects; staff to operate the water system—that have remained constant or increased. As a result, the Water Enterprise Fund has faced a revenue shortfall. The City is also facing increased costs as it looks to expand its water production efforts by drilling additional wells to provide a critical supplement to the water purchased from MWD. Reducing reliance on MWD will not only protect the City against future MWD rate increases; it will also provide a critical water source during emergencies in the event that MWD's allocations to the City are reduced or eliminated. With these considerations, the proposed water rate increase will allow the Water Enterprise Fund to become revenue neutral over the next five years.

When will my water rates increase?

A: If adopted by the City Council, the new rates would go into effect on January 1, 2018. After 2018, water rate increases are proposed to be effective on January 1, 2019, January 1, 2020, January 1, 2021, and January 1, 2022. The new rates will be pro-rated so that all usage prior to January 1 will be charged at the prior rates, and all usage after January 1 will be charged at the new rates.

Q: How much will rates increase?

A: The City has worked diligently to ensure that the proposed increases are the minimum necessary to make sure the City is sufficiently funding its water services. On January 1, 2018, a Beverly Hills single-family residential customer using 30 units bimonthly or 374 gallons per day—will see their bi-monthly utility bills increase by \$5.56 or approximately 9 cents per day. A Beverly Hills multi-family property owner with a master-metered building with five residential units using an average amount of water—eight units or approximately 199 gallons per day—will see their bi-monthly utility bill increase by \$6.73, or approximately 11 cents per day. Finally, a Beverly Hills commercial customer using an average amount of water—19 units bimonthly or about 237 gallons per day—will see their bi-monthly utility bill increase by \$5.10 or approximately eight cents per day.

The City's website features a water rates calculator that allows customers to calculate their anticipated bill based on the proposed increases. Customers can find this calculator at www.beverlyhills.org/waterrates.

Q: Will the other rates on my bill increase?

A: If approved by the City Council, customers will only see increases on the water charges on their bills in January. 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 will be evaluating its solid waste fees in 2018, so there may be changes to the solid waste charges at that time.

In spring 2018, the City will also be calculating a "water reliability charge" to fund the City's efforts to increase local water production. 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 and debt service payments required to drill new wells and expand the City's treatment facilities. At that time, the City will also be completing a cost of service study to ensure that each customer is paying the appropriate rates that match the City's costs of providing each customer with water.

Q: How will the rate increases be implemented?

A: At the public hearing on November 7, 2017, the City Council will consider five years of rate increases to become effective on January 1 of each year, from 2018 through 2022. Prior to each year's rate increase, City staff will annually report the financial status of the Water Enterprise Fund to the City Council and the community, allowing the Council to determine each year whether to hold rates constant or to lower them based on the financial status of the Water Enterprise Fund.

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

Yes. In spring 2018, the City will also be calculating a "water reliability charge" to fund the City's efforts to increase local water production. 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 and debt service payments required to drill new wells and expand the City's treatment facilities. At that time, the City will also be completing a cost of service study to ensure that each customer is paying the appropriate rates that match the City's costs of providing each customer with water.

Q: I understand that the City is considering a "pass-through" charge. What is a pass-through charge; why is the City considering it and how would it impact me?

A: State law (Government Code Section 53736) allows an agency that provides water, wastewater, or sewer service to authorize automatic adjustments that pass through increases in wholesale charges for water, sewage treatment or wastewater treatment. These pass-through charges would be applied if there were increases in the wholesale charges for purchasing water from the Metropolitan Water District of Southern California (MWD) or the City's costs to treat wastewater at the City of Los Angeles' Hyperion Wastewater Treatment Plant. Charges will be passed through if the actual costs are higher than the costs anticipated in the rates model. Using pass-through charges allows the City to minimize rate increases at this time while still ensuring that the Water Fund and Wastewater Fund are still able to recover their costs in the event that actual costs are higher than what is anticipated.

If the City were to adopt pass-through charges, additional customer outreach would be conducted, and customers would be notified prior to the effective date of any increase.

Q: Why is the City considering five years of rates?

A: The five-year rate proposal is 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 raising 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.

Q: Will there be a drought penalty surcharge?

A: The drought penalty surcharge ended in June 2016, so customers no longer see that charge on their utility bills. While this drought has been declared over, the City will continue to face droughts and water conservation remains a priority. However, since the proposed rates are based on the amount of water projected to be sold and the amount of wastewater to be cleaned, using less water will decrease revenues. As part of the cost-of-service study to be completed in the spring of 2018, the City will also consider different funding alternatives to address revenue gaps during future droughts and periods of reduced water consumption.

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.

In August 2015, the City adopted its Water Enterprise Plan (WEP), which will allow the City to produce its own water supply and further decrease its reliance on imported water purchased from MWD by increasing its own local groundwater supply. Having a reliable water supply independent from MWD is critical for water storage and emergency preparedness in the event that the City ever becomes disconnected from MWD's supply. The Water Enterprise Plan (WEP) identified projects that will help the City decrease its reliance on MWD to 75% of its overall water demand. As mentioned above, the City will be considering a water reliability unit charge to help fund the implementation of the WEP.

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.

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 and wastewater 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. Water rate increases cannot be passed-through to Chapter 6 tenants. Only penalty surcharges can be passed through to Chapter 6 tenants. For more information, please visit <http://www.beverlyhills.org/citygovernment/departments/communitydevelopment/codecompliance/bhrent/rentincreasesadjustments/> or call (310) 285-1031.

Q: What can I do to reduce my bill?

A: Customers can find tips and strategies to reduce their water consumption at www.bhsaves.org. Customers can also track their water usage at <http://water.beverlyhills.org>.