



The Municipal League of Beverly Hills

Since 1962 - The Residents' Voice

NEWSLETTER JUNE 2014

YOU'RE INVITED TO A Town Hall & General Membership Meeting

featuring

Senior Management of the Beverly Hills Police and Fire Departments

discussing Public Safety

Mayor Lili Bosse

Councilmember John Mirisch

on unfunded city employee pension liability

Thursday, June 26th, 2014 at 7:00 p.m.

at the Municipal Gallery, Beverly Hills City Hall

Refreshments will be served.

This event is free, open to the public, and co-sponsored by the City of Beverly Hills.

League members will elect their Board of Governors.

Parking is available at the Civic Center Garage on North Rexford Drive.

HOW YOUR WATER RATES ARE SET

By Steven Weinglass

Let's clear up the title of the bill we receive bi-monthly. It is a UTILITY SERVICE BILL. Your WATER usage charge is one of six fees listed on this bill. Water is the subject of this letter. Perhaps we will cover each of the other charges in future newsletters. The City is actively redesigning the Utility bill itself. As the new software system is implemented, a first-look bill will be issued, and then, after bugs are worked out, a more permanent version, easier to read and more informative will be available.

California Prop 218 (1996). Change was imposed on local governments as to the way they could obtain revenue from their customers. It is available to read on-line and the effect generated by this Prop is directly relevant to the way WATER RATES are set today. Prop 218 actually caused localities to become more creative in the way they replace revenues which are no longer allowed to be leveled. Now they "can't charge more than what it costs to serve." This has caused cities to carefully analyze the costs of Capital Improvement Projects,

and further, it required that a 50% Operating Reserve must be held by the Financial Dept. just in case of extreme expense or loss of revenue. Any surplus in annual revenue (Capital Replacement) must be considered as added revenue for the next fiscal year. Revenue must cover expenses in a fair and equitable manner. The counter effect of conservation, for example, is the lack of revenue while expenses largely remain the same. The same can be said of drought restrictions. In both cases rates will be affected in "out years".

At its base, the bi-monthly water usage bill starts with a fixed service charge that depends on the meter size. The larger the pipe (diameter) the more water it will let through and the more you are charged. This is based on the needs of a structure. Most single family residential houses (SFR) have a 1" pipe and are charged \$43.51 bi-monthly. If the diameter is 1 1/2" the charge is \$73.69 and so on. This refers to the pipe that runs from the meter to the structure. The pipe's diameter can range upward to 6" at a cost of \$634.83 bi-monthly. Obviously for commercial or very large multi unit structures.

The next charge is for usage. Usage is set in TIERS. It is a system used in most communities today. I say it this way because the future may change the way we charge for water. Anyway, today there are 4 TIERS in Beverly Hills with a different usage amount in each TIER for either SFR or multi-family residential (MFR). The way it is figured is this. You are billed in Tier 1 SFR should you maintain water use from 1-10 units bi-monthly (1 unit =748 gal.). The charge is \$3.46 per unit. In Tier 2 ,which is over 10 and up to 55 units the cost is \$4.58 per unit. Tier 3 is over 55 and up to 120 units at a cost of \$7.22 per unit and Tier 4 is over 120 units and costs \$13.94 per unit. SFR rates also apply to duplexes, however MFR rates differ.

In Beverly Hills there is a total of only 9,025 connections. Approximately 12% of our revenue comes from Tier 1 customers, 32% from Tier 2, 26% from Tier 3 and 30% from Tier 4.

There can be a one-time fee for connection. The Council is taking up the concept of a development fee since new and perhaps expanded construction sites never do contribute to, already paid for, existing infrastructural improvements.

When the Metropolitan Water District raises the purchase rate, say 1%. That figure (+1%) is an average hike to all its customers. Beverly Hills is in the higher demand range and so we get raised more like 3%. We purchase fully treated water from them

at \$938.00 per acre ft. We then spend more money on maintaining the quality of that water in our reservoirs and delivery system. These costs are not going to reverse any time soon. The City Council has just approved more than \$500,000 to hire Psomas Engineering Firm to prepare a new Water Master Plan. They hope it will be ready by June 2015. Our city needs to monitor its Operating Expenses and, besides more conservation, explore more ways to use shallow ground water, grey water and continue to search aggressively for fresh aquifer sources.

The Financial State of Beverly Hills

By Eliot Finkel, City Treasurer

In addition to our wonderful climate Beverly Hills enjoys robust financial health. The City's revenues from Property, Sales, Transit Occupancy (TOT or hotel) and Business taxes have grown 16% in the past three years, far in excess of the nation's growth rate. Further, revenue surpluses of \$26 million to \$31 million are forecast for each of the next five years. Beverly Hills has the rare distinction of being "triple-A" rated by the three preeminent credit rating agencies - Standard & Poor's, Moody's and Fitch.

The City's General Portfolio, which contains reserves for the General and Enterprise (utility) Funds, capital projects and replacement of existing equipment, is worth \$454 million. The portfolio has increased \$153 million since December 2011. A detailed explanation of where the funds came from, where they have been allocated and the City's reserve policies is forthcoming from the City Finance Staff.

Two major liabilities, largely beyond the City's control, also exist - pension obligations and funding for the Clean Water Enterprise Fund. The City's pension obligations have gone from a \$26 million surplus to a \$126 million unfunded liability since the turn of the century. Due to accounting changes by the California Public Employees' Retirement System (CalPERS), unfunded pension liabilities will exceed \$200 million next year. How we got here is beyond the scope of this article. Nevertheless, the responsibility for this debacle belongs to CalPERS and the elected officials who believed its story, not to the City's employees.

The Clean Water Enterprise Fund obligation arose from a combination of the Federal Clean Water Act and an oversight of our state government. The Clean

Water Act mandates that the water entering Santa Monica Bay from Ballona Creek (the outlet for our storm drains) must be clean. When the state created enterprise funds to cover utility costs (water, sewers, trash removal) it failed to include storm drains among the utilities that could increase fees to cover costs. Unless the law is changed, our cost to remediate Ballona Creek will come from General Fund reserves. The cost of facilities for treating Ballona Creek runoff could be billions of dollars and we are obligated to pay our share.

One more issue threatens us in the near-term – the many construction projects in the works. These include: the Santa Monica Boulevard redo, the Subway under Wilshire, the Waldorf Astoria, 9900 Wilshire, 9200 Wilshire, Lexus and Sunset Boulevard hotels. Each of these construction projects will impact traffic, thereby inconveniencing our residents and businesses. The City should use its influence to schedule these projects in order to minimize their traffic impact.

What remains to be determined is how best to use our reserves to promote the long-term financial health and residential quality of Beverly Hills? The Citizens' Budget Review Committee (BRC), which I lead, has made the following recommendations. First, use the surplus to pay down our unfunded pension obligations or accelerate pension funding. The City Finance Staff is addressing this issue and will present alternatives to the City Council shortly. Second, purchase property for future City needs, especially to accommodate future parking facilities.

Two changes we should avoid are: reducing taxes and subsidizing the Water Enterprise Fund. Taxes should not be reduced because they are all but impossible to reinstate and our good times may not last forever. Subsidizing water consumption when we live in a desert and are in the midst of a drought would be irresponsible.

The recently adopted agreements with non-safety employees (Memorandums of Understanding or MOUs) will increase City expenses by \$1.3 million per year net of the reduction in pension contributions, a 0.3% increase in the City's budget. Whether or not City employees are fairly compensated is the subject of a study currently being conducted under the supervision of the BRC.

In summary, our liabilities can be accommodated and we have the surpluses to consider new and postponed projects. Beverly Hills is in great financial shape.

State of the Unified

By Noah Margo, President BHUSD
Board of Education

I have to be honest. At this halfway point through my term as president I was really hoping for fewer legal bills, more stability in our site administration and a solid agreement with our teacher's union. Some would call these issues growing pains, I would call it a push for excellence. Although there are so many unresolved matters plaguing us at the moment, i.e., Metro, staffing, law suits and Common Core, we are more determined than ever to emerge from these experiences as a school district that leads the nation in both academics and extra-curricular activities. It is the sum of all of our parts that will make Beverly Hills Unified the best place to learn and grow. It just takes time to give those parts the attention they deserve. Something I have learned after serving two and half years on the Board of Education.

This year our accomplishments have been numerous. Our Academic Decathlon team placed among the top ten in the nation. Several of our high school programs received national recognition including robotics, journalism, yearbook and theater arts. Our four K-8 schools were awarded numerous accolades in the fields of science and mathematics. And speaking about science and mathematics, sixth graders throughout the entire district were exposed to the beginnings of our STEM (Science Technology Engineering & Math) program. This course featured concepts ranging from robotics to aerodynamics to computer programming. We are extending this STEM option to our seventh graders this fall as well as offering our high school students a course entitled "Introduction to Computer Science Programming."

This summer promises the beginning of our multi-million dollar development at Horace Mann School. We are thrilled to be bringing a brand new classroom building to the campus as well as renovating the original building. This project marks the second major investment of our Measure E bond funds directed solely towards construction.

The Board established the first "endowment" in our district's history. This ten million dollar fund was created to provide financial consistency during the state's unpredictable economic conditions. This is the first step in a long-term fiscal stability plan that we hope will conclude with future security in our post-employment benefits program.

We have re-established a campus safety program with EBI (Evidence-Based Incorporated.) They are a private security firm that utilizes retired Beverly Hills police officers who are familiar with both the schools and the community. In the first six months of the program we have received tremendous support from the parents, faculty and site administrators as well as the community at large.

This district also said goodbye to many wonderful teachers who "graduated" this year. Among them were such superstars as Jane Wortman (BHHS Mathematics), Cheryl Katz (HM Mathematics) and Merle Bauer (BV English). Their unparalleled dedication and skills will be missed.

BHUSD continues to strive to be the best school district in Southern California. Although it is true that we must learn to get out of our own way, we on the board have the best interests of the district at heart. We are working tirelessly to see our collective vision of academic excellence, a rise in four-year college acceptances and unmatched extra-curricular offerings come to fruition. I hope to continue us down this path during the remainder of my term as president and well beyond.

Thank you,

Noah Margo

Beverly Gardens Park Preserved....for Now.

By Thomas A. White

Beverly Hills residents have, so far, avoided losing part of a precious community resource - Beverly Gardens Park - which is threatened by the removal of parkland to accommodate two new proposed bicycle lanes along already heavily impacted Santa Monica Blvd., which at Wilshire Blvd. includes what has been characterized as the most dangerous intersection in Los Angeles County. The effort to intrude into the park, notwithstanding the obvious public safety issues and hazards to motorists, comes mostly from cyclists in Los Angeles, West Hollywood, Culver City and Santa Monica.

According to State of California standards, Beverly Hills has a longstanding deficit of parkland, and the proposed removal of a portion of Beverly Gardens Park would exacerbate that problem, and deprive residents of a treasured and irreplaceable resource.

The City of Beverly Hills has already created specially designated bike lanes on North Crescent Drive and Burton Way, but which appear to be infrequently used.

The City Council appointed a Blue Ribbon Committee to study the Santa Monica Boulevard Reconstruction Project, ostensibly to upgrade its roadway and drainage system, but the Committee's focus was repeatedly shifted to the primary but undisclosed objective of the City's outside consultant - approval of the bike lanes. It was later learned that the consultant's fee for the completed project was \$1.9 million, to be paid from Beverly Hills taxpayer funds.

Along with many concerned Beverly Hills residents, the Municipal League appeared before the Blue Ribbon Committee and later the City Council in support of preserving Beverly Gardens Park intact for the benefit of all residents, both now and in the future.

City Council has not, however, made a final determination on this matter, and expected to do so in July 2014.

The Municipal League of Beverly Hills Board of Governors

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