



Management Study of the Water Supply and Distribution Program

Beverly Hills, California

matrix 
consulting group

Scope of Work for the Study

- ◆ The scope of work for this analysis was two-fold:
 - An assessment of the organizational / operational efficiency and effectiveness of the water utility including organization structure, staffing levels, current operations, customer experience and service, and comparisons to peer utilities; and
 - An analysis of financial conditions and planning, and reporting including financial performance, water enterprise fund expenditures and revenues, allocation of indirect cost.

How the Study Was Conducted

- ◆ Conducted interviews at all levels of the City's organization to develop an understanding of how services are delivered, staffed, managed, and the costs associated with the delivery of those services.
- ◆ Collected data regarding service delivery including organization of services, structure and functions of the Program, budgets, workload data, management systems, inventory of the infrastructure, etc.
- ◆ Compared existing practices, staffing and service delivery to the *American Water Works Association*, other local water utilities, and the experience of the Matrix Consulting Group.
- ◆ Compared existing practices, staffing and service delivery to the ten attributes of an effectively managed water utility developed by the *United States Environmental Protection Agency* and six national water and wastewater professional associations

The Water Enterprise Fund is a \$30+ Million Business

- ◆ This \$30 million business consists primarily of:
 - Water purchased from the Metropolitan Water District as the single largest projected cost for the fund in 2015-16 at 34% of the total costs.
 - Internal Service Fund charges as the second largest projected cost for the for the fund in 2015-16 at 24% of the total costs.
 - Personnel services as the third largest projected cost for the for the fund in 2015-16 at 14% of the total costs.
 - Debt service interest as the fourth largest projected cost for the fund in 2015-16 at 8% of the total costs.
 - Materials and supplies as the fifth largest projected cost for the for the fund in 2015-16 at 6% of the total costs.
- ◆ The City has also embarked on the implementation of a \$60 million Water Enterprise Plan.

The Amount of Water Used by Customers Has Decreased (1)

- ◆ The City of Beverly Hills is mandated to reduce water consumption.
- ◆ In April 2015, Governor Brown issued Executive Order B-29-15 declaring a continuing State of Emergency regarding California's water supply.
- ◆ The water consumed by customers of the Water Supply and Distribution Program decreased by 8.4% in 2015 versus 2014.
- ◆ In the first seven months of 2016, the water consumed by customers of the Water Supply and Distribution Program decreased another 11% versus 2015, although water consumed in June and July 2016 exceeded the same months in 2015.

The Amount of Water Used by Customers Has Decreased (2)

- ◆ The reduction in the amount of water consumed by customers has obvious cost implications; while the cost of purchased water decreases, other fixed costs (e.g. debt service; maintenance, repair and replacement of utility assets; etc.) remain the same.
- ◆ Other cities are grappling with this same problem including Santa Barbara, Pasadena, and Santa Monica. Each of these cities are increasing water rates in response to water conservation and other increased costs.
- ◆ The water rate study completed for the City of Beverly Hills by HF & H Consultants in December 2015 recommended a 19.2% increase in service charges to generate sufficient revenue given the estimated reduction in the demand for water.

The Program Employs a Number of Best Practices.

- ◆ There are a number of strengths in the Water Supply and Distribution Program. For example:
 - The Assistant Public Works Director has created a resource forecasting system to forecast staffing needs.
 - Employees of the Water Supply and Distribution Program hold appropriate State certification.
 - A water supply distribution master plan was developed, in 2002, that identified needed infrastructure replacement requirements over the next five to ten years.
 - All conceptual planning, design and construction for capital projects for the Water Supply and Distribution Program are outsourced to consulting engineers.
 - The City's Consumer Confidence Reports indicate that the City meets or betters water quality standards.

Eleven Point Agenda for Change (1)

1. Indirect Cost Allocation.

- The City's current cost allocation model functions effectively to allocate indirect costs among the City's various funds.
- However, the cost of purchased water should be excluded from the Water Supply and Distribution Program allocation in the City's cost allocation model. This is the same approach that the Matrix Consulting Group makes in the development of cost allocation plans for other California cities with their own water utilities such as Pasadena, Manhattan Beach, Long Beach, Richmond, Vacaville, etc.
- However, before this adjustment is made, the Administrative Services Department should report back to the Office of the City Manager and the City Council regarding the implications of this adjustment to other funds.

Eleven Point Agenda for Change (2)

- 2. Asset Management.** The City should establish an Asset Management Office within the Public Works Department to ensure consistency in asset management practices throughout the Public Works Department through policies, frameworks, templates and standard tools (e.g. level of services such as preventive maintenance, asset management plan templates, risk management tools, etc.), and to provide coordination in the re-optimization of the Hansen computerized maintenance management system.
- 3. Computerized Maintenance Management System.** The Public Works Department should proceed forward with the re-optimization and complete implementation of the computerized maintenance management system.

Eleven Point Agenda for Change (3)

- 4. Preventive Maintenance of the Water Utility Assets.** The Program needs to improve some aspects of the preventive maintenance of assets entrusted to its care (e.g., fire hydrants, air release valves, Cla-Valves, commercial water meters, water distribution valves, etc.). This should include directly assuming the responsibilities for the administration of the City's backflow prevention program.
- 5. Capital Projects Management.** The Public Works Department should enhance the effectiveness of its capital project management practices so that these projects can be designed and built in a timely and cost-effective manner.

Eleven Point Agenda for Change (4)

- 6. Staffing of the Program.** The number of authorized positions for the water distribution system in Beverly Hills are comparable to Glendale, Pasadena, Santa Monica, and Torrance, but somewhat more than Burbank and Manhattan Beach. However, the Program should (1) focus its scarce and valuable staff resources on the delivery of core services as recommended within the body of the report, and (2) improve the management of overtime by staff assigned to the Program.
- 7. Geographic Information System.** The Public Works Department should complete the asset registry for the Water Supply and Distribution Program. The Information Technology Department should develop formal governance systems for citywide GIS. The Public Works Department should more effectively utilize the standard tools available from ESRI for GIS.

Eleven Point Agenda for Change (5)

8. Water Resources.

- The Water Supply and Distribution Program should report its progress in accomplishing the recommendations contained in the Water Enterprise Plan to the Public Works Commission on an annual basis.
- The Civil Engineer position in the Building and Safety Division should continue to be assigned responsibility for development review on behalf of the Public Works Department and relieve the Water Resources Manager of development-related workload.
- Given the capital project workload associated with the Water Supply and Distribution Program, including the implementation of the Water Enterprise Plan, the two Project Managers positions in the Engineering Division funded by the Water Enterprise Fund should be assigned to Water Supply and Distribution Program capital projects on a full-time basis.

Eleven Point Agenda for Change (6)

9. Utility Billing.

- The Administrative Services Department should develop a proposal for the consideration of the City Council regarding the costs and benefits of converting water utility billing from bi-monthly to monthly billing.
- The Administrative Services Department should acquire web interface commercial off the shelf software to enable electronic billing, payment, and communication with utility customers.
- The Water Supply and Distribution Program and the Administrative Services Department should reduce the extent of meter re-reads.

Eleven Point Agenda for Change (7)

10. Real Property.

- The Public Works Department should conduct a market-based rent analysis of three properties - 333 South La Cienega Boulevard, the West Hollywood pipe yard, and the Public Works facility at 345 North Rexford - and develop recommendations regarding the rent that should be paid by the General Fund to the Water Enterprise Fund for these three properties that reflects their market-based rent, given the current conditions of the property.
- In addition, the Department should develop recommendations regarding the appropriate market-based rent that should be provided by the Water Enterprise Fund to the General Fund for properties “owned” by the General Fund, but used by the Water Enterprise Fund for water storage tanks.

Eleven Point Agenda for Change (8)

11. Plan of Organization for the Water Supply and Distribution Program.

- Upon the retirement of the Water Operations Manager, the Water Resources Manager position should be assigned responsibility for managing the Water Supply and Distribution Program. The vacant Water Operations Manager position should be reclassified within the civil engineering series and, under the supervision of the Water Resources Manager position, utilized to coordinate the implementation of the Water Enterprise Plan.
- The Civil Engineering GIS Specialist should be transferred from the Public Works Department to the Information Technology Department, but continue to be physically based in the Public Works Department administration building and continue to be assigned to GIS.