


ADOPTED BY THE BOARD
PUBLIC WORKS OF THE CITY
of Los Angeles, California
AND REFERRED TO THE CITY COUNCIL
JUL 20 2018

LA SANITATION
BOARD REPORT NO.
JULY 20, 2018

CD: ALL


Executive Officer
Board of Public Works

ESTABLISHMENT OF "CLASS 2" INSPECTION AND CONTROL FEE FOR
MICROBREWERIES IN REFERENCE TO CF-17-0974

RECOMMENDATIONS

1. Instruct LA Sanitation (LASAN) to assign a "Class 2" annual Inspection and Control fee to microbreweries as defined in this report.
2. Modify Table 1 of the Rules and Regulations Governing Disposal of Industrial Wastewater into the Publicly Owned Treatment Works of the City of Los Angeles to assign, for "Industrial Class Code" 018 (Breweries), a Classification Number of "5" to large breweries as defined in this report.
3. Modify Table 1 of the Rules and Regulations Governing Disposal of Industrial Wastewater into the Publicly Owned Treatment Works of the City of Los Angeles to assign, for "Industrial Class Code" 018 (Breweries), a Classification Number of "2" to microbreweries as defined in this report.
4. Forward this report to the City Council to receive and file for informational purposes only in response to Council File No. 17-0974.

TRANSMITTAL

1. Proposed modifications to the Rules and Regulations Governing Disposal of Industrial Wastewater into the Publicly Owned Treatment Works of the City of Los Angeles to assign Classification Numbers for Large Breweries and Microbreweries
2. Motion (CF-17-0974) by Los Angeles Councilmembers Paul Krekorian and Bob Blumenfield
3. LASAN Microbrewery Fee Study

DISCUSSION

Background

On August 25, 2017, Los Angeles Councilmembers Paul Krekorian and Bob Blumenfield of City Council Districts 2 and 3, respectively, issued a motion for the Board of Public Works and LASAN to review brewery permit charges based on the size of the operations and the amount of industrial wastewater discharges.

On November 1, 2017, the Public Works and Gang Reduction Committee held a hearing, in response to the above referenced Motion, for a presentation by LASAN staff to present its proposed findings and recommendations to reduce industrial wastewater fees for the microbreweries. The Council Committee further approved the above referenced motion and instructed LASAN to finalize its report and present it to the Board of Public Works (Board) with the recommendation that the Board adopt LASAN's recommendations to implement the rate and fee adjustments as proposed.

All Industrial Users (IUs) are subject to one or more categories of Industrial Waste (IW) fees to ensure fair and equitable recovery of the City of Los Angeles (City) costs in providing the required level of monitoring, control, wastewater treatment and disposal services. IW fees include the City's Inspection and Control (I&C) fee, Significant Industrial User (SIU) fee and the Quality Surcharge Fee (QSF).

The I&C fee represents cost recovery for the basic level of services provided by the City to IUs. The basic level of services include inspection, permitting, sampling, laboratory analytical services, monitoring, inventory control, systems development and management, and reporting to local, State and Federal authorities. The SIU fee is to recover the cost of additional permitting and monitoring requirements mandated by Federal regulations. The QSF is to recover the cost of treatment and removal of high strength waste. High strength waste is defined as wastewater quality that exceeds typical domestic sewage strength. The strength of industrial wastewater is measured in terms of Biochemical Oxygen Demand (BOD) and Suspended Solids (SS) concentrations. Quality Surcharge Fee is assessed if these concentrations, as measured in the industrial wastewater, are higher than those typical of domestic sewage. Domestic sewage strength is set at a BOD concentration of 265 milligrams per liter (mg/l) and a SS concentration of 275 mg/l.

Industrial Users are classified based on their primary business type and the wastewater generating operations conducted at their facilities. LASAN utilizes an "Industrial Classification (IC) Code" system that assigns an IC Code number to various types of businesses. There are 130 IC Codes in the Rules and Regulations Governing Disposal of Industrial Wastewater into the Publicly Owned Treatment Works of the City of Los Angeles (Rules and Regulations). Each IC Code is subsequently assigned a "Classification Number" that indicates the level of required monitoring and determines the I&C fees assigned to the IU. The IC Code also determines if the IU is subject to the QSF.

Breweries are described as "establishments primarily engaged in brewing beer, ale, malt liquors, and nonalcoholic beer" based on North American Industry Classification System (NAICS). Large breweries have industrial wastewater discharge equal to or greater than 25,000 gallons per day (gpd). Microbreweries have industrial wastewater discharge of less than 25,000 gpd. Wastewater is generated from many process operations such as raw material cleaning, fermentation, brewing, equipment and bottle washing, and the wastewater pretreatment process.

To date, there are 18 craft breweries in Los Angeles. In the existing Rules and Regulations, all breweries are assigned an IC Code of "018" and are assigned a Classification Number of "5"

indicating that they are subject to a "Class 5" annual I&C fee currently at \$1,749. Additionally, large breweries are assessed Non-Categorical SIU (NCSIU) fees and QSF.

Proposed Fee Changes for Microbreweries

The City currently has 19 breweries (18 micros and 1 large) that are permitted by the IWMD with production ranging from 50-12,000,000 beer barrels (bbl) per year. To ensure a fair and equitable cost recovery from microbreweries, LASAN is proposing that microbreweries be inspected based on the complexity and extent of the unit operations in the facility and that the permit charges for microbreweries be adjusted commensurate to the industrial wastewater discharges from the facility and the complexity of the inspection and control process.

This proposal does not impact the inspection process and permit charges of large breweries. Large breweries will continue to be subject to the current "Class 5" annual I&C fees. The NCSIU fee will be assessed based on the volume of the industrial wastewater discharge, and the QSF based on the strength of the industrial wastewater discharge.

For the 18 microbreweries permitted by the IWMD to discharge industrial wastewater to the collection system, they will be subject to reduced "Class 2" annual I&C fees, currently at \$700, each microbrewery will be saving \$1,049. The reclassification of microbreweries reflects the expectation that they will receive only two inspections per year, thereby reducing the costs of monitoring their wastewater discharges.

CONCLUSION

To ensure a fair and equitable cost recovery from microbreweries, it is recommended that the Board approve assignment of "Class 2" I&C fees to microbreweries and continue to assign "Class 5" I&C fees to large breweries.

To implement LASAN's recommendations, it is recommended that the Board modify Table 1 (Transmittal) of the Rules and Regulations for breweries (IC Code 018) to be added to designate Classification Numbers as follows:

IC Code	Industry or Waste Process	Classification Number				
		1	2	3	4	5
018	Breweries (See Note 8)		X			X

Note 8: Classification Numbers for IC 018 shall be assigned as follows:

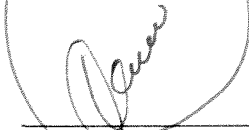
Classification Number	Industry
5	(018A) Large Breweries (IW discharge =>25,000 gpd)
2	(018B) Microbreweries (IW discharge < 25,000 gpd)

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FINANCIAL IMPACT

The anticipated revenue reduction from the microbreweries will be offset by reduced LASAN operations costs. Therefore, this will be revenue neutral.

Respectfully submitted,


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