

ENERGY, CLIMATE CHANGE AND ENVIRONMENTAL JUSTICE and PUBLIC WORKS AND GANG REDUCTION COMMITTEES' REPORT relative to the establishment of a Class 2 Inspection and Control Fee for microbreweries.

Recommendations for Council action:

1. INSTRUCT the Bureau of Sanitation (BOS) to assign a Class 2 Annual Inspection and Control fee to microbreweries as defined in the July 20, 2018 Board of Public Works (BPW) report, attached to the Council file.
2. AUTHORIZE the following modifications to Table 1 of the *Rules and Regulations Governing Disposal of Industrial Wastewater into the Publicly Owned Treatment Works of the City of Los Angeles*:
 - a. Assign for Industrial Class Code 018 (Breweries), a Classification Number of 5 to large breweries as defined in the July 20, 2018 BPW report, attached to the Council file.
 - b. Assign for Industrial Class Code 018 (Breweries), a Classification Number of 2 to microbreweries as defined in the July 20, 2018 BPW report, attached to the Council file.

Fiscal Impact Statement: The BPW reports that the anticipated revenue reduction from the microbreweries will be offset by reduced BOS operations costs. Therefore, this action will be revenue neutral.

Community Impact Statement: None submitted.

Summary:

On August 7, 2018, the Energy, Climate Change and Environmental Justice (ECCEJ) Committee considered a July 20, 2018 BPW report relative to the establishment of control fees for microbreweries. According to the BPW, on November 1, 2017, Council instructed the BPW and BOS to review its permit charges for breweries and report with changes to more appropriately assess charges based on the size of the brewery operations and the amount of wastewater discharge. 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's 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.

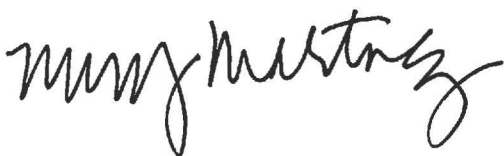
The BOS utilizes an Industrial Classification (IC) Code system that assigns an IC Code number to various types of businesses. There are 130 IC Codes in the *Rules and Regulations Governing Disposal of Industrial Wastewater into the Publicly Owned Treatment Works of the City of Los Angeles* (Rules and 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 indicating that they are subject to a "Class 5" annual I&C fee which is currently \$1,749.

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.

After consideration and providing an opportunity for public comment, the ECCEJ Committee moved to recommend approval of the recommendations contained in the BPW report as detailed in the above recommendations. Subsequently, on September 5, 2018, the Public Works and Gang Reduction Committee also considered this matter and concurred with the ECCEJ Committee after consideration and having provided an opportunity for public comment. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY, CLIMATE CHANGE AND ENVIRONMENTAL JUSTICE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
MARTINEZ:	YES
KORETZ:	YES
KREKORIAN:	YES
CEDILLO:	YES
O'FARRELL:	YES

PUBLIC WORKS AND GANG REDUCTION COMMITTEE

A handwritten signature in blue ink, appearing to read "Joel Blumenfeld", is written over the printed name "Joel Blumenfeld" in the table below.

<u>MEMBER</u>	<u>VOTE</u>
BLUMENFELD:	YES
BUSCAINO:	ABSENT
MARTINEZ:	YES
RYU:	YES
RODRIGUEZ:	YES

ARL
9/5/18

-NOT OFFICIAL UNTIL COUNCIL ACTS-