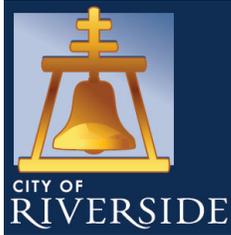


REVISED

Date: 9-19-23

Item No.: 39

Added Slides: 39, 45, 46, and 48



WATER UTILITY FIVE-YEAR RATE PLAN PROPOSAL

Public Utilities Department

City Council
September 19, 2023

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1

PROPOSED RESIDENTIAL 5 YEAR WATER RATE PLAN



WATER: \$0.15 Per Day



ELECTRIC: \$0.21 Per Day



REFUSE: + \$0.09 Per Day

\$0.45 Per Day

or

\$13.50 Per Month



Average rate
increase per year
for 5 years



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2

PROPOSED RATES

In year 1, the rate increase will amount to an additional

\$4.07 per month for the average residential customer



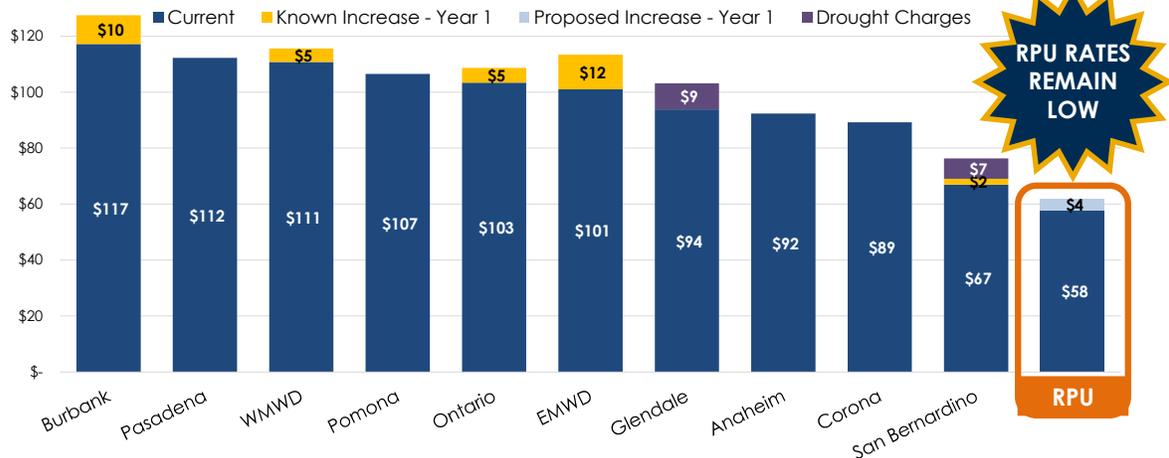
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WATER RATE PLAN COMPARISON

Average Residential Monthly Bill at 21 CCF Per Month – Year One



RPU = 66K Service Connections

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OVERVIEW OF WATER

Current Rate Plan Expired 6/30/2023



Established
1913



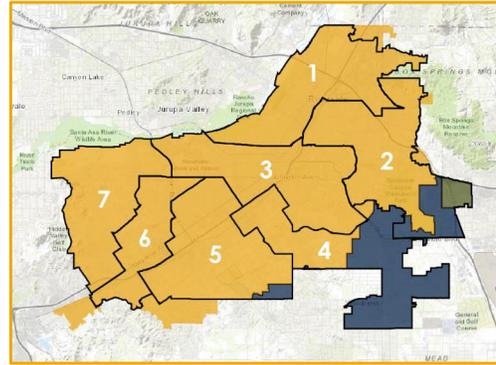
66K
Service
Connections



100%
of the City's
potable (drinking)
water has been
supplied from local
groundwater
sources since 2009



**Highest State
operational
classification
rating** due to
size and
complexity



■ Riverside Public Utilities ■ Western Municipal Water District ■ Eastern Municipal Water District



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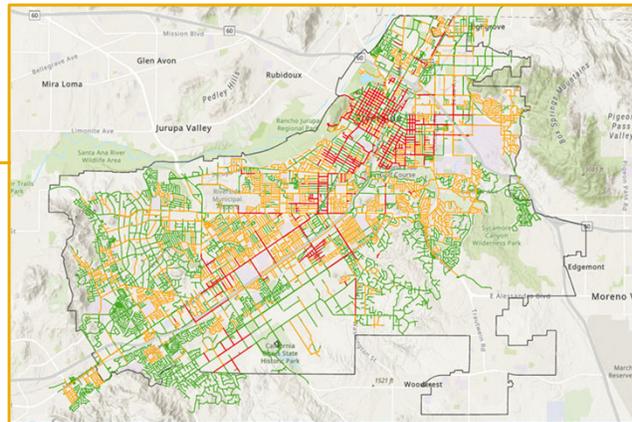
OVERVIEW OF WATER



Maintain
826 Miles
Water Distribution Pipeline

Average age of system: **47 years**

35% are over **50 years old**



■ 1-50 Years Old (57%) ■ 50-80 Years Old (35%) ■ 80+ Years Old (8%)



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WATER RELIABILITY



RPU responded to an average of **3.6 leaks per day** over the last ten years.

Types of Leaks	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Main Leaks	122	112	96	114	125	107	116	131	81	126	102
Service Leaks	1,102	1,105	1,025	1,014	1,029	1,117	1,199	1,221	1,158	1,130	1,172



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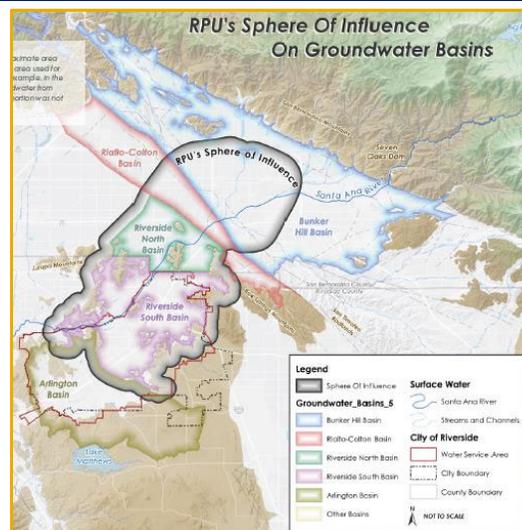
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WATER SUPPLY-GROUNDWATER BASINS

RPU produces water from four groundwater basins adjacent to the Santa Ana River

- San Bernardino (Bunker Hill)
- Rialto-Colton
- Riverside North
- Riverside South



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RPU: ALL DAY EVERY DAY



RPU team members work
24/7 to keep the water flowing



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WATER SUPPLY-FACILITIES



50
Domestic
Wells

60
Pressure
Stations

6
Water Treatment
Facilities

16
Reservoirs



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WATER SUPPLY-FACILITIES



System "Arteries"
(16-72 inches)

34 Miles
of Supply
Pipeline

98 Miles
of Transmission
Pipeline

826 Miles
of Distribution
Pipeline



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GROUND WATER SUPPLY CHALLENGES

Sustainability Challenges to Riverside Requiring Vital Solutions



Water Rights



Climate Change



2040 Potable & Recycled Water Demand



Groundwater Conditions



City of Riverside Growth



Water Quality Regulation Changes



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WHAT'S BEEN DONE TO KEEP RATES LOW

Water Wheeling & Surplus Water Sales

- Sale of surplus water supply and delivery to neighboring water utilities
- \$4.5 to \$6.0 million in annual revenue

Payments for Water Clean Up Costs

- Treatment plants and operational costs currently paid by Lockheed Martin Corporation



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BOARD ENGAGEMENT

Agenda Topic	Date
Rate Trends Analysis	August 8, 2022
Conceptual approval of five-year rate plan proposal	June 12, 2023
Fiscal Policy and Cash Reserve Policy update	June 26, 2023
Alternative rate scenarios	July 10, 2023
Capital Improvement Plan accomplishments	August 14, 2023



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BOARD ENGAGEMENT

FISCAL POLICY AND CASH RESERVES

(The following slides are a synopsis of a presentation to the Board of Public Utilities on June 26, 2023. Refer to Attachment 4 for the complete slide deck)



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PURPOSE OF THE RESERVE POLICIES

Properly designed reserve policies send a positive signal to ratepayers, investors, and regulatory and credit rating agencies that the Board and City Council are committed to maintaining the long-term fiscal strength of RPU.

Strong and transparent financial policies, including maintaining prudent reserves for emergencies, rate stability, working capital, capital improvements and debt service, are consistent with best practices in the utility industry.



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RESERVE CATEGORIES

1. *Restricted Reserves* are established and utilized for narrowly defined purposes as specified by legal restrictions, bond covenants, and other regulations or ordinances.
2. *Designated Reserves* are that portion of unrestricted reserves that meet specific purposes set aside by the Board and City Council. Designated reserve funds ensure stable service delivery, meet future needs, and protect against financial instability. Designated reserves may be held for specific capital and operating purposes.
3. *Undesignated Reserves* are the remaining unrestricted reserves that may be used for any lawful purpose and have not been designated for specific capital and operating purposes; however, maintaining a proper level of undesignated reserves is critical to ensure the utility can meet its fluctuating cashflow demands and mitigate financial volatility.



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RESERVES - EXAMPLES AND DEFINITIONS

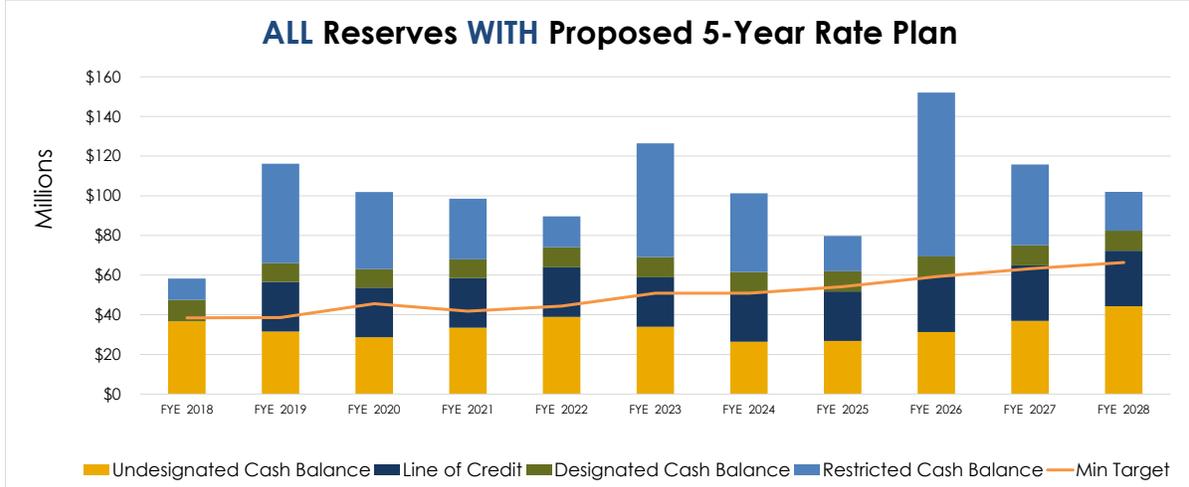
Restricted Reserve	Definition
Bond Redemption Reserve (Debt Service)	This reserve is set aside for future bond payments that are governed by bond covenants.
Water Conservation Fund	May 2004 City Council approved 10-year monthly surcharge of 1.5% of the total water charge to provide financing to create and encourage water conservation and efficiency programs, renewed March 2014.
Designated Reserve	Definition
Customer Deposits	Monies held on behalf of RPU's customers as required to be utilized if a customer fails to pay their utility bill.
Recycled Water	Established June 2014 to set aside funds for a recycled water program. Funding was from a legal settlement from the City.
Undesignated Reserve	Definition
Operating (Working Capital)	Ensures sufficient resources to pay budgeted operating and maintenance expenses, including power supply costs, recognizing the timing differences between payment of expenditures and receipt of revenues.
System Improvements Capital	Provide funds to ensure continuity of construction over fiscal years to be reimbursed by bond proceeds or other resources.



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WATER RESERVES WITH PROPOSED RATE INCREASES



Source: Refer to Board presentation on Cash Reserve Policy (Attachment 5)

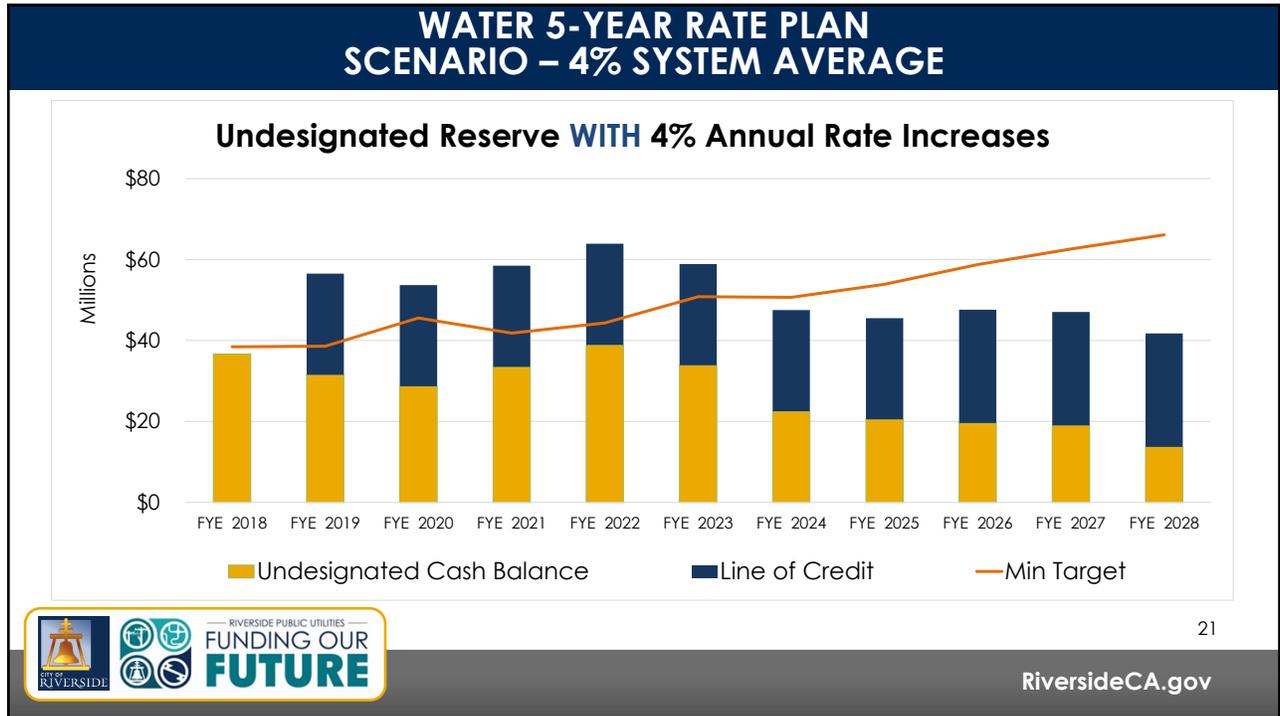
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BOARD ENGAGEMENT

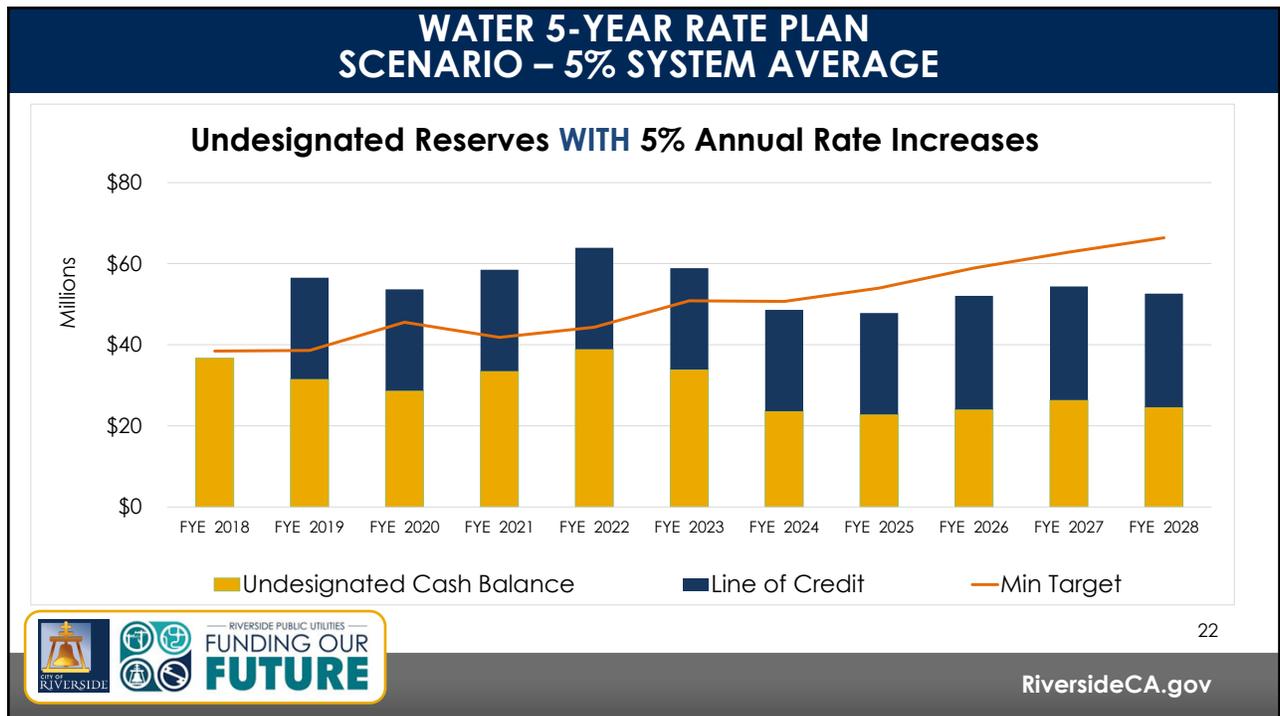
ALTERNATIVE RATE SCENARIOS

(The following slides are a synopsis of a presentation to the Board of Public Utilities on July 10, 2023. Refer to Attachment 5 for the complete slide deck)

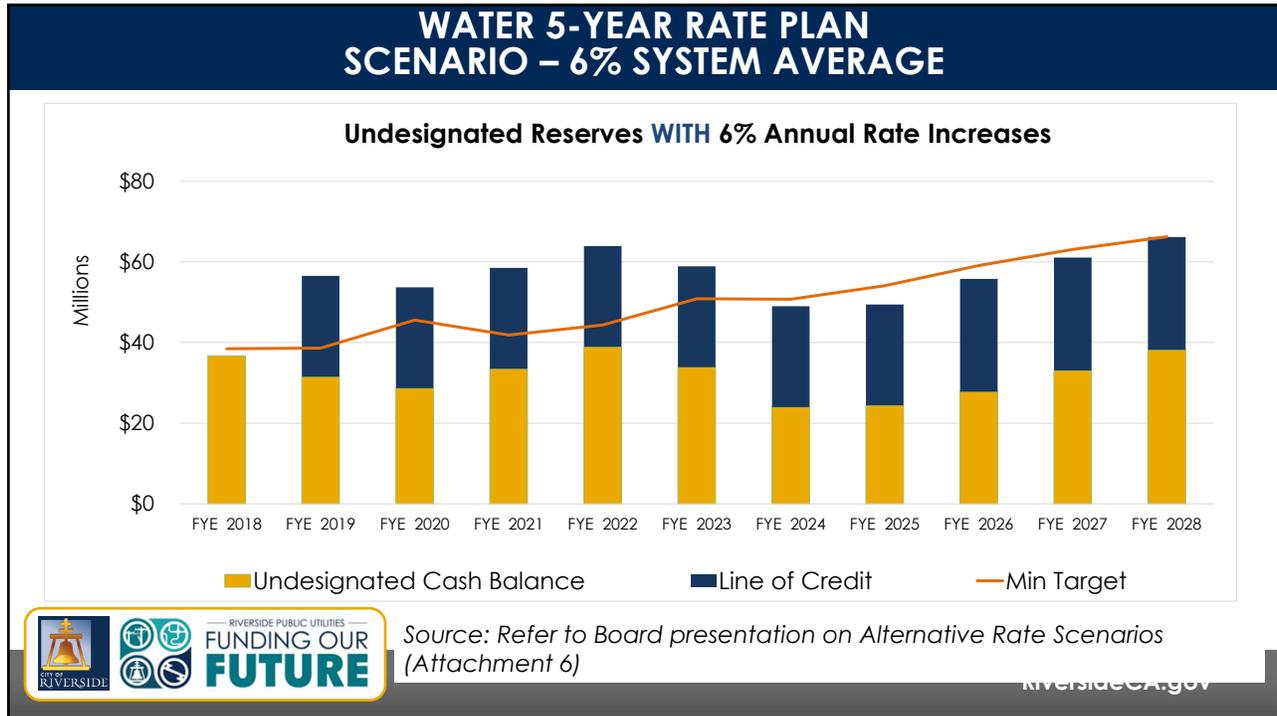




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BOARD ENGAGEMENT

CAPITAL IMPROVEMENT PROJECTS

(The following slides are a synopsis of a presentation to the Board of Public Utilities on August 14, 2023. Refer to Attachment 6 for the complete slide deck)

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WATER CIP

The Water Plan rate increases support investment in the water system. The following is a summary of the 2018 investment plan, the 2018-2023 expenses, and the projects to be funded by the currently proposed for the Water Utility Five-Year Rate Plan.

Project Category	10 Year Plan (2018-2028)	Budgeted (2018-2023)	Expenditures 2018-2023	5 Year Plan (2024-2028)
1. Water Supply	\$10,791,000	\$12,291,304	\$10,026,110	\$28,000,000
2. Water Treatment	\$1,296,000	0		\$1,296,000
3. Well Projects	\$30,499,000	\$15,124,388	\$11,718,676	\$15,552,000
4. Transmission Pipelines	\$65,823,000	\$29,681,357	\$20,787,935	\$36,142,000
5. Distribution Pipelines	\$117,790,000	\$46,573,283	\$56,249,000	\$74,317,000
6. Distribution Facilities	\$19,268,000	\$11,581,246	\$16,197,230	\$7,872,000
7. Reservoir Projects	\$2,440,000	0		\$1,288,000
8. System Automation	\$39,209,000	\$17,859,939	\$2,844,856	\$19,225,000
Total:	\$287,116,000	\$133,111,517	\$117,823,807	\$183,692,000
Rate Increase:	5.7%			6.5%



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COMPLETED AND PLANNED – WATER WELLS

Well Projects: \$30,499,000 10-Year Investment (FY 2018-2028)

- 3-5 well rehabilitations annually
- 5 new drinking water wells
- 2 new irrigation wells

Completed:

14 Wells Rehabilitated
 2 new water wells (Warren 4R and Gage 29-3R)

Planned:

Drilling and equipping Gage 29-2R
 Rehabilitation of wells - Garner 6 and Garner D



Source: Refer to Board presentation on CIP (Attachment 7)

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RATES

RATES 2009 - PRESENT



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HISTORY OF WATER RATES

Water	Rate Increase
11/1/2009	10.00%
11/1/2010	10.00%
7/1/2011	0%
7/1/2012	0%
7/1/2013	0%
7/1/2014	0%
7/1/2015	0%
7/1/2016	0%
7/1/2017	0%

No Rate Increases
from 2011 - 2017



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HISTORY OF WATER RATES

**Current Rate Plan Expired
6/30/2023**

Water	Rate Increase
7/1/2018	4.50%
7/1/2019	5.75%
7/1/2020	5.75%
7/1/2021	5.75%
7/1/2022	6.50%




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FUTURE**

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THE WHY

RPU Water Rate Increases vs CPI (Water & Sewerage Index)

Year	Cumulative Rate Increase (%)	Cumulative Increase in Water CPI (%)
2011	0.0	0.0
2012	0.0	~6.0
2013	0.0	~12.0
2014	0.0	~18.0
2015	0.0	~24.0
2016	0.0	~30.0
2017	0.0	~36.0
2018	0.0	~42.0
2019	~4.5	~48.0
2020	~10.25	~54.0
2021	~16.0	~60.0
2022	~21.75	~66.0
2023	~27.5	~72.0




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FUTURE**

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THE WHY



Increased **construction/equipment costs**



The State of California drought messaging and increased Citywide water efficiency have decreased water revenue without decreasing operational costs



2011 – 2017 there were no rate increases resulting in a Water Fund Balance that **doesn't meet the minimum reserve levels** set by City Council without the line of credit.



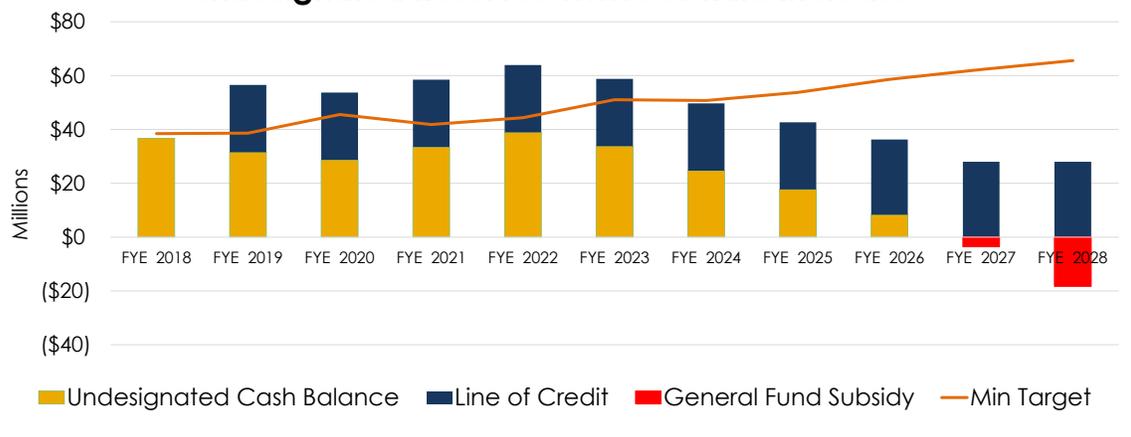
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THE WHY

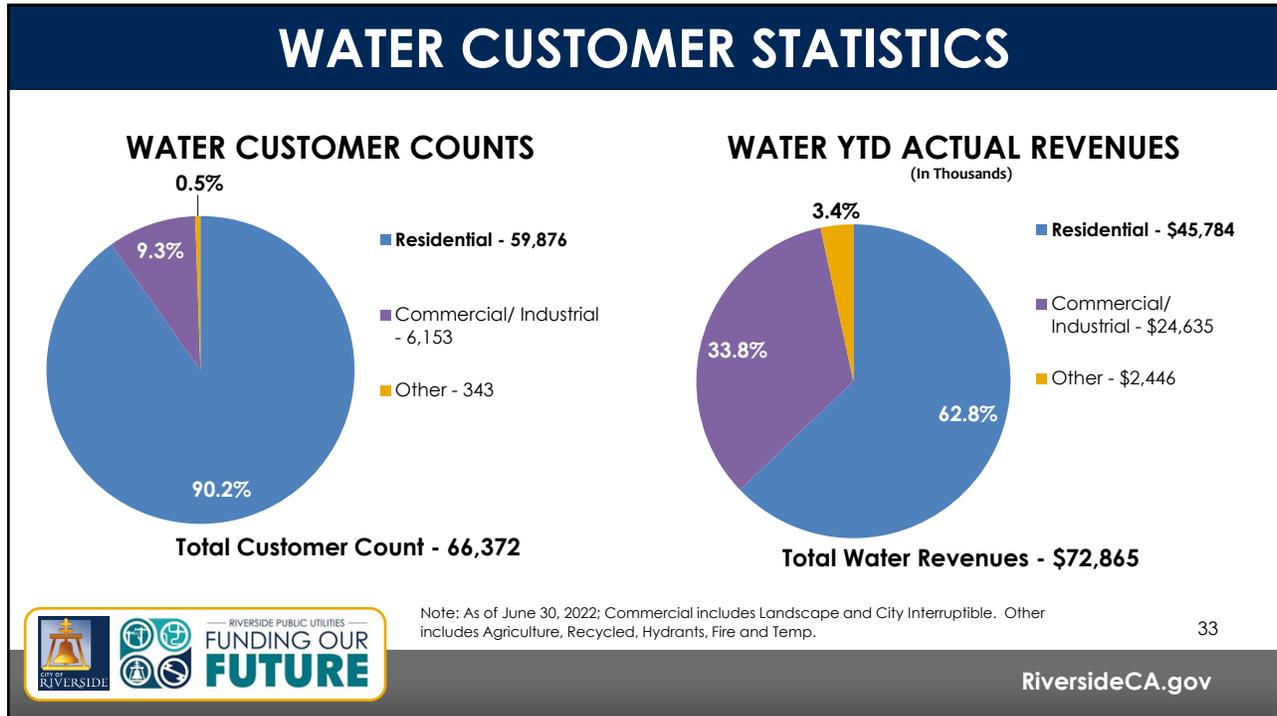
Undesignated Reserves **WITHOUT** Rate Increases



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PROPOSED WATER 5-YEAR RATE PLAN

Customer Class	Customers	Year 1 % Increase	Year 2 % Increase	Year 3 % Increase	Year 4 % Increase	Year 5 % Increase
Single Family Residential (3 tiers per class)	58,731	5.7%	6.6%	6.6%	6.7%	6.6%
Multi Family Residential (2 tiers per class)	1,145	4.6%	6.6%	6.6%	6.7%	6.6%
Commercial/ Industrial	5,137	8.6%	6.0%	6.1%	6.3%	6.0%
Landscape	500	13.6%	5.9%	5.8%	6.1%	5.8%
City Interruptible/ Recycled	530	5.8%	6.3%	6.0%	5.8%	6.3%
Agriculture (up to 3 tiers per class)	224	1.8%	6.4%	6.5%	6.4%	6.5%
Riverside Water Co. Irrigators (3 tiers per class)	24	19.3%	7.1%	7.0%	7.2%	6.9%
Temporary Service	72	12.0%	7.0%	6.9%	7.1%	7.0%

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PROPOSED WATER 5-YEAR RATE PLAN

Single Family Customer Class Examples	Avg CCF Usage (Tier 1 and Tier 2)	Year 1 % Increase	Average Years 2-5 % Increase
Residential - Low User	10	3.8%	6.7%
Residential – Typical	21	7.0%	6.6%
Residential - High User	26	7.1%	6.6%



\$4.07
Average Monthly increase year 1 at 21 CCF

\$0.15
Average Cost Per Day over 5 years at 21 CCF






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PROPOSED WATER 5-YEAR RATE PLAN

Customer Class	Avg CCF Usage (Tier 1)	Year 1 % Increase	Average Years 2-5 % Increase
Commercial/ Industrial Example	37	8.5%	6.1%



\$9.02
Average monthly increase year 1

\$0.26
Average Cost Per Day over 5 years

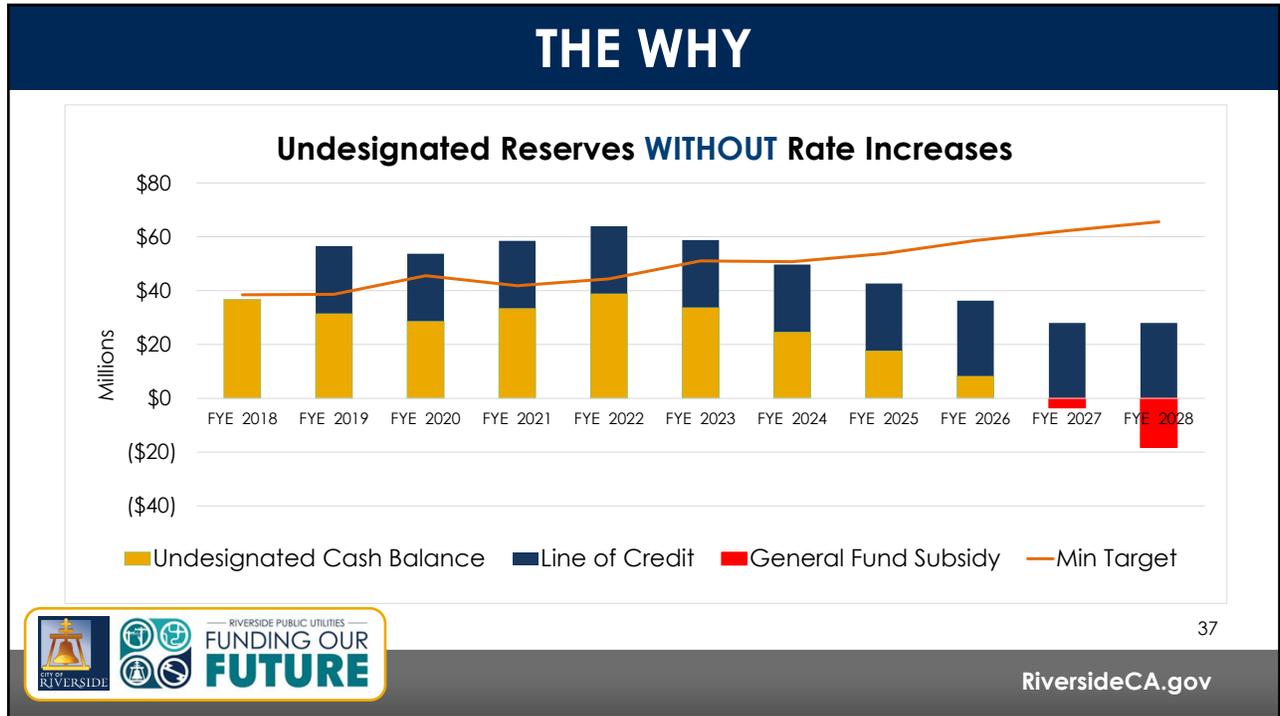




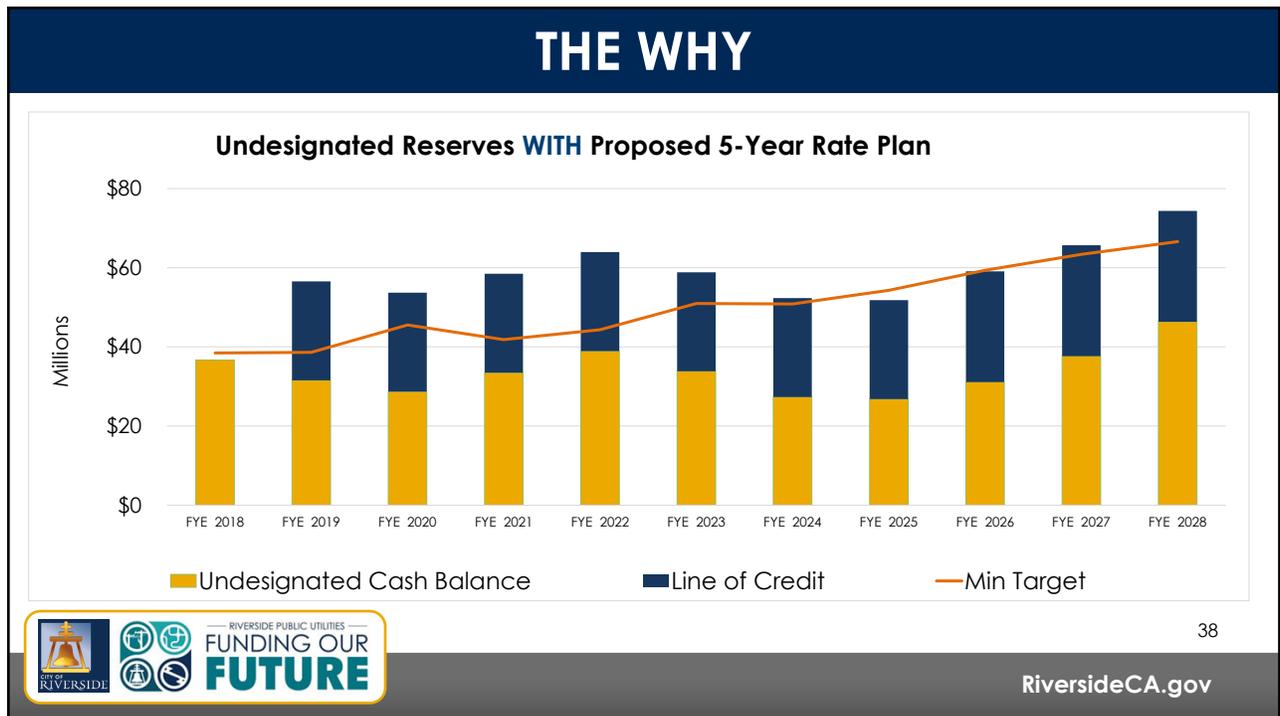

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FUNDING OUR FUTURE



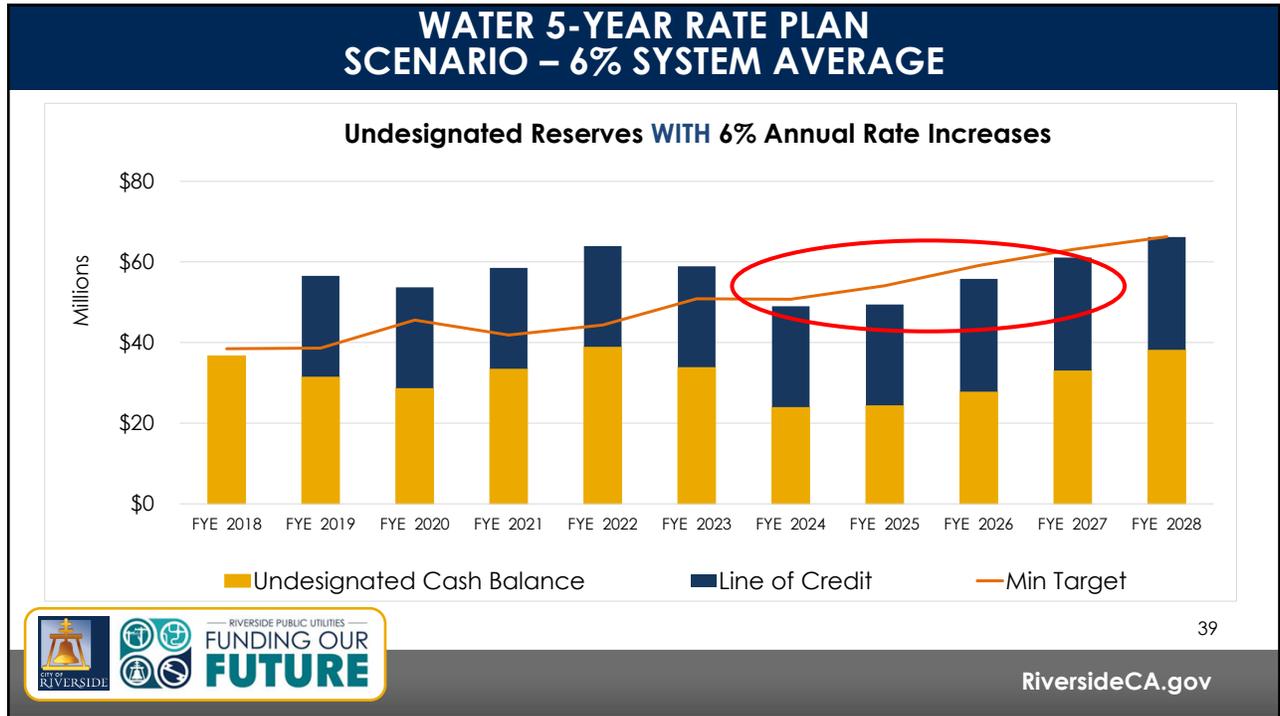
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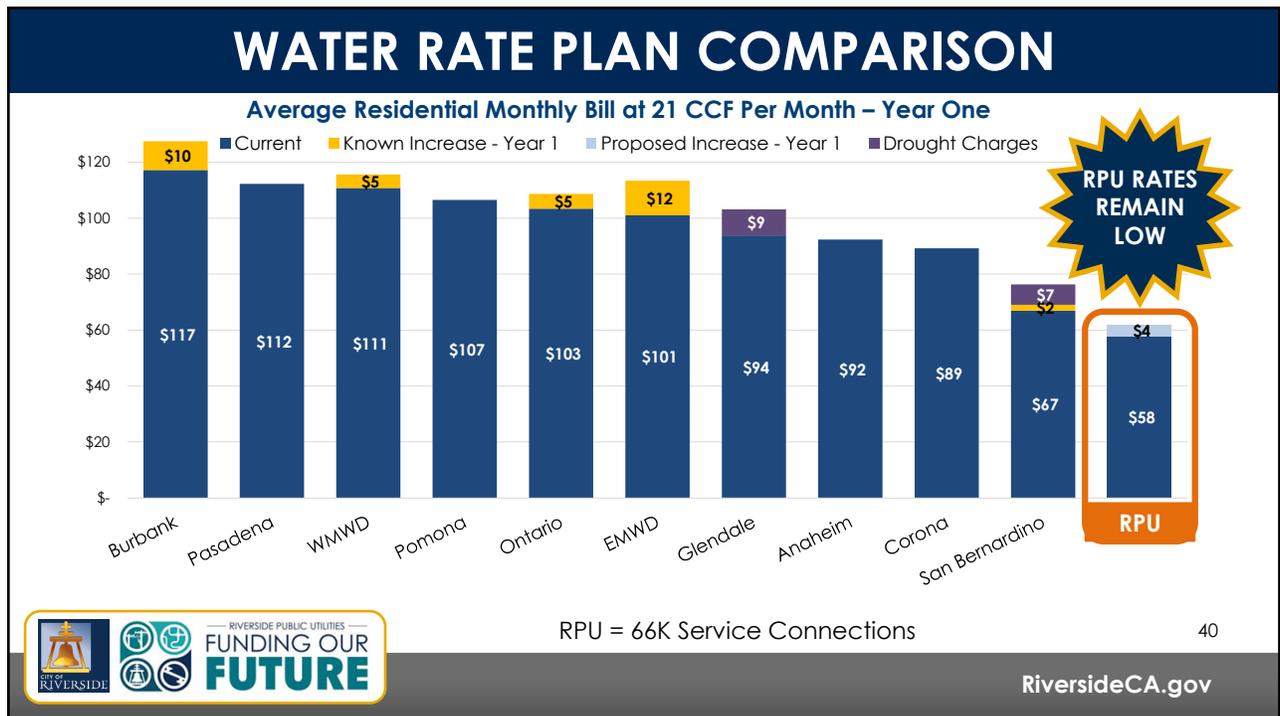
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LOW-INCOME PROGRAM - WATER

Sharing Households Assist Riverside's Energy (SHARE) Program

Established
1989

2,144
Residential Water Customers
Assisted (01/2023)



\$3.25
Current Monthly Water
SHARE Credit

\$4.25 Year 1
6.25 by Year 5
Projected future Monthly
Water SHARE Credit



RiversidePublicUtilities.com/Assistance



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WATER EFFICIENCY PROGRAMS



Turf Replacement



Rotating Sprinkler
Nozzles



High Efficiency
Clothes Washers



Weather Based
Irrigation Controllers



Premium High
Efficiency Toilets

Additional Information on Programs & Rebates available at:

RiversidePublicUtilities.com/Rebates



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EXPAND WATER SUPPLY PORTFOLIO

Seven Oaks Dam Enhanced Recharge



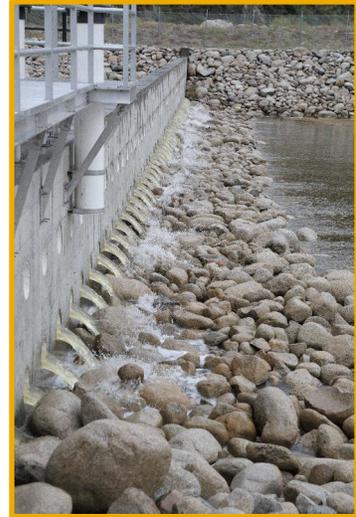
\$15.5M (\$8.5 existing appropriation, \$7.0 additional appropriation)



Diversifies **Riverside's water supply portfolio** options while securing additional perpetual water rights.



Ensures **water supply reliability** for current and future demand. Future Proofing



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EXPANDED WATER SUPPLY PORTFOLIO

Riverside Habitat Parks & Water Project West Branch



\$12M Project



Creates a regional recycled water pipeline to deliver recycled water to irrigation customers and improves select tributaries



Habitat Conservation Plan Tributaries Restoration



\$0.75M Project



Adds resiliency to local water supplies through sustainable and environmentally ethical efforts, working to revitalize the Santa Ana River.



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GENERAL FUND TRANSFER – WATER (ADDED SLIDE)

General Fund Transfer helps pay for police, fire, parks, public works, library and all general services

Simpson v. Riverside

- * Voters Approve Water GFT June 4, 2013
- * Suit Filed on Water GFT December 19, 2019
- * August, 2023: Liability ruling, Water GFT violates the California Constitution despite voter approval
- * Trial Continues in 2024



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GENERAL FUND TRANSFER – WATER (ADDED SLIDE)

General Fund Transfer helps pay for police, fire, parks, public works, library and all general services

Collections	FY 2018/19 Actual	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Actual	FY 2022/23 Actual	FY 2023/24 Amended Budget
Water GFT	\$ 6,584,300	\$ 6,518,200	\$ 6,972,200	\$ 7,708,400	\$ 8,169,500	\$ 8,565,800

Recommendation: Lawsuit continues. Place all future Water GFT collections into a reserve account until further City Council direction and amend budget accordingly.

**** Will require cutting the City budget this year by \$8,565,800**



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RECOMMENDATIONS

That the City Council:

1. Conduct a public hearing to consider all oral comments and written protests to the proposed water utility five-year rate plan;
2. If a majority protest does not exist, adopt a Resolution approving and establishing the FY2023/24-2027/28 water rates, to be effective October 1, 2023;
3. Approve an increase to the low-income water assistance program from \$3.25 per month to \$4.25 per month for qualifying customers; and



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RECOMMENDATIONS

That the City Council:

4. Lawsuit continues. Place all future Water GFT collections into a reserve account until further City Council direction and amend budget accordingly.



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