

## Riverside Public Utilities Economic and Social Impact Analysis February 2017

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## Study Purpose

### Study purpose:

- Quantify the annual economic impact of Riverside Public Utilities (RPU) on the local economy
- Evaluate net benefits of a publicly owned utility to the City of Riverside

### UCR Center for Economic Forecasting:

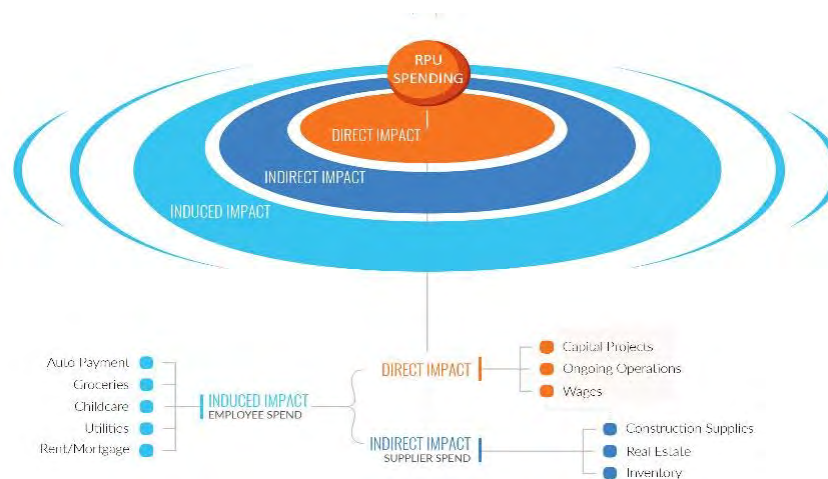
- Wide variety of research experience, independently and in collaboration with academic, business, and government partners

# Methodology

IMPLAN modeling system:

- Uses data on RPU expenditures and other activities
- Replicates the local economy, its industries, and their linkages
- Measures the “ripple” or multiplier effect of RPU’s expenditures on the local economy
- Three types of impacts: Direct, Indirect, and Induced

## A ‘Ripple’ Effect



# Methodology

**Direct impacts** are the initial expenditures on:

- Operations (jobs and wages to local residents, tax revenue)
- Capital improvements (new infrastructure)
- Ancillary activities (consumer cost savings, rebates, reliability)

**Indirect** and **Induced impacts** are the secondary or 'ripple' effects resulting from the direct impacts:

- Supply chain effects on businesses connected to RPU
- Increased employment and consumption

# Total Economic Impact

## Total Economic Impact Summary

Impact Type	Employment	Labor Income (\$ Millions)	Output (\$ Millions)
Direct Impact	2,081	96.0	289.0
Indirect Impact	790	33.5	107.6
Induced Impact	663	26.3	83.1
<b>Total</b>	<b>3,533</b>	<b>155.7</b>	<b>479.7</b>
<b>Per \$1 Million</b>	<b>12</b>	<b>0.5</b>	<b>1.7</b>

**Direct + Indirect + Induced = Total Economic Impact**

# Operations

Most of RPU's economic impact derives from its operations, which include:

- Local wages paid to its workers
- Maintenance, office supplies, and marketing activities
- Payment transfers to the General Fund (tax revenue)

## Operational Expenditures Impact

Impact Type	Employment	Labor Income (\$ Millions)	Output (\$ Millions)
Direct Impact	725	40.7	128.8
Indirect Impact	416	18.1	57.0
Induced Impact	301	11.9	37.8
<b>Total</b>	<b>1,442</b>	<b>70.8</b>	<b>223.5</b>

# Local Jobs & Wages

Division	Job Type	Share of Total Jobs (%)
Administration	Management Services	5.8
Administration	Business Support	1.2
Administration	Utility Billing	2.0
Administration	Field Services	7.8
Administration	Customer Service	9.9
Administration	Marketing Services	4.0
Administration	Legislative and Regulatory Risk	0.3
Administration	Production & Operations	8.0
Electric	Fields Operators	12.7
Electric	Energy Delivery Engineering	5.8
Electric	Customer Engineering-GIS	4.4
Electric	Power Generation	9.1
Electric	Production & Operations	5.5
Water	Fields Operators	14.8
Water	Water Engineering	6.1
Water	Water Resources	0.8
Water	Conservation/Reclamation Program	0.4
Central Stores	N/A	1.2

Nearly **half** of RPU's employees live within the City of Riverside

## Capital Improvements

Capital improvements are one-time impacts associated with construction and development, they:

- Maintain, update, and replace aging infrastructure
- Use new energy and water conservation technology

### Economic Impact of RPU's Capital Improvements

Impact Type	Employment	Labor Income (\$ Millions)	Output (\$ Millions)
Direct Impact	333	16.8	55.2
Indirect Impact	140	6.2	19.4
Induced Impact	118	4.7	14.8
<b>Total</b>	<b>591</b>	<b>27.7</b>	<b>89.4</b>

## Ancillary Activities

Ancillary activities save customers money in the long run and have significant impacts on the local economy. They include:

- Low utility rates
- Rebate programs
- High service reliability

### Economic Impact of RPU's Ancillary Activities

Impact Type	Employment	Labor Income (\$ Millions)	Output (\$ Millions)
Direct Impact	1,023	38.5	105.0
Indirect Impact	233	9.2	31.2
Induced Impact	244	9.6	30.5
<b>Total</b>	<b>1,500</b>	<b>57.2</b>	<b>166.7</b>

## Ancillary-Low Rate Savings

RPU customers pay a **lower rate** per kilowatt hour than SoCal Edison customers

### Electricity Rate Comparison

Utility Provider	Residential	Commercial & Industrial
SCE Rate (¢/kWh)	19.0	14.4
RPU Rate (¢/kWh)	15.7	13.4
kWh	725,815,000	1,420,878,000
<b>Net Effect</b>	<b>\$23,951,895</b>	<b>\$13,498,341</b>

## Ancillary-Low Rate Savings

Customers pay lower rates for water because RPU is **water independent**

### Impact of Net Savings for Electric & Water Customers

Impact Type	Employment	Labor Income (\$ Millions)
Direct Impact	878	31.7
Indirect Impact	198	7.6
Induced Impact	201	8.0
<b>Total</b>	<b>1,276</b>	<b>47.2</b>

## Ancillary-Rebates

RPU spends nearly **\$12 million** each year on rebates that help customers conserve water and electricity

### Impact of RPU's Green Initiatives & Rebates

Impact Type	Employment	Labor Income (\$ Millions)
Direct Impact	87	3.9
Indirect Impact	21	1.0
Induced Impact	25	1.0
<b>Total</b>	<b>134</b>	<b>5.9</b>

## Ancillary-Reliability

Each year, RPU's high level of reliability supports about **\$7.2 million** in additional expenditures

### Impact of RPU's Increased Reliability of Electric Power

Impact Type	Employment	Labor Income (\$ Millions)
Direct Impact	58	2.9
Indirect Impact	14	0.6
Induced Impact	18	0.7
<b>Total</b>	<b>90</b>	<b>4.1</b>

## Financial Security

- Strong financial reserves have maintained RPU's excellent water and electric bond ratings at the AAA and AA- levels
- These ratings save customers about **\$90 million/year** through lower borrowing costs
- Low costs now = low future debt obligations

## Connection Fees

Low connection fees:

- Save customers money
- Boost new residential/commercial development

### Water Connection Fees

Utility Provider	Residential Fees (\$)	Commercial Fees (\$)
WMWD	10,100	26,900
<b>RPU</b>	<b>10,300</b>	<b>30,400</b>
Corona DWP	16,400	52,000
EMWD	21,100	48,100



## Benefits of Public Ownership

- About **11.5%** of RPU's revenues flow back into the city budget and can be used to finance other municipal operations
- Connection fees can be used to shape local objectives, usage patterns, and manage service costs
- A 2010 study by *Environmental Management* found that **California public utilities are more proactive** in appealing to customers regarding water conservation, helping to curb the drought

## Conclusion

- Each year, RPU generates:
  - **\$480 million** in economic output
    - \$289 million in Direct impacts
    - \$191 million in Secondary impacts
  - More than **3,500 jobs**
  - **\$155 million** in labor income
  - **Millions in savings** from rebates, strong reliability, good fiscal management, and lower rates of service

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## Impact Breakouts

### Direct Economic Impact Summary

Category	(\$ Millions)
Operations	128.8
Capital Improvements	55.2
Ancillary Activities	105.0
<b>Total</b>	<b>289.0</b>

### Indirect/Induced Economic Impact Summary

Category	(\$ Millions)
Operations	94.8
Capital Improvements	34.2
Ancillary Activities	61.7
<b>Total</b>	<b>190.7</b>