



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: MAY 13, 2024

SUBJECT: WORKSHOP TO REVIEW PROPOSED FISCAL YEAR 2024/25 USER FEES AND CHARGES FOR RIVERSIDE PUBLIC UTILITIES ELECTRIC AND WATER

ISSUE:

Consider receiving information and providing feedback on the Proposed Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Electric and Water.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Receive information on the Proposed Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Electric and Water; and
2. Provide feedback on the Proposed Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Electric and Water.

LEGISLATIVE HISTORY:

Riverside City Charter, Article XII. Department of Public Utilities Section 1202 Power and Duties. The Board of Public Utilities shall have the power and duty to:

- (a) Consider the annual budget for the Department of Public Utilities during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.
- (e) Establish rates for all utility operations as provided under Section 1200 including but not limited to water and electrical revenue producing utilities owned, controlled or operated by the City, but subject to the approval of the City Council.

BACKGROUND:

On June 13, 2011, the Board of Public Utilities (Board) approved Board Resolution 2011-01 and on June 21, 2011, the City Council adopted Resolution No. 22228 to amend Electric Rule Appendix A Electric Fees and Charges Schedule and Water Rule Appendix A Water Fees and Charges for charges imposed for a specific government service provided directly to the customer

that is not provided to those not charged, and does not exceed the reasonable costs incurred by the City in the provisions of these services, or are charged imposed as a condition of property development.

On January 13, 2020, the Board approved Resolution 2020-1, and on February 4, 2020, the City Council adopted Resolution No. 23547 to revise Water Rule A Water Fees and Charges in response to Senate Bill 998 to prohibit low-income residential water service from being disconnected before a 48-hour disconnection notice, an amortized payment plan, and a reduced same day reconnection fee of \$50. The 2020 low-income service fee is the only update to the Water Fees and Charges schedule approved in 2011.

On May 4, 2021, the City engaged MGT of America Consulting, LLC from RFP 2072 to conduct a comprehensive user fees and charges study (excluding Development Impact Fees). On March 3, 2022, Riverside Public Utilities (RPU) contracted with MGT of America Consulting, LLC, for a fee study for Electric and Water Fees and Charges for time and materials-base user fees for RPU. The firm met with several staff members in all RPU Divisions over several months to better understand the true costs of providing services for individuals and organizations that require individualized services from RPU.

MGT of America Consulting, LLC collaborated with City and RPU staff to gather data based on the FY 2020/21 budget and FY 2019/2020 (pre-pandemic) volume data for analysis in preparation for public outreach. In March 2022, the study was placed on hold due to the impending departure of the City Manager.

On May 8, 2023, the Board approved Resolution 2023-1, and on June 20, 2023, the City Council adopted Resolution R-24003 for the FY 2023/24 Master Fees and Charges schedule, which included a 7.5% CPI increase to account for inflation that was in line with the Consumer Price Index (CPI) of Riverside-San Bernardino-Ontario region in November 2022 (12 month). The goal of implementing a CPI adjustment was to mitigate potentially significant increases to fees and charges until the formal study was updated.

The current schedule for the Electric Fees and Charges is detailed in Appendix A and is available at <https://riversideca.gov/utilities/residents/rates/electric-rules-rates>. The current schedule for the Water Fees and Charges is detailed in Appendix A and is available at <https://riversideca.gov/utilities/residents/rates/water-rules-rates>.

DISCUSSION:

Fees & Charges Study

A user fee study is typically performed by local governments every 3-5 years to adjust for changing costs and circumstances. Fee studies help manage the City's growth-related fiscal challenges by aligning supply and demand, setting realistic expectations for cost recovery, properly funding needed programs, and creating greater transparency within the community for citywide services.

The June 2023 FY 2023/24 Fees and Charges adoption included 0% to 7.5% increases to account for the current inflation at the time, were reflected in a 7.5% CPI for the Riverside-San Bernardino-Ontario region in November 2022. The City and RPU have largely recovered from the effects of the pandemic, with fee-related activities returning to normal. The data for the current fees and charges study resumed with new, refreshed data for current costs to ensure an accurate accounting of the cost of service.

FY 2024/25 Fees & Charges Study

The City and RPU's consultant, MGT of America Consulting, LLC, has completed the FY 2024/25 Fees and Charges Study (Attachment 1). The study was directed by the Finance Department with support from RPU subject matter experts and analysts. The work included determining the costs to provide specific fee-related services, a review of potential new fees for service, and fiscal projections based on historic fee related activity.

The hourly rate methodology for the study includes determining the hourly rate of the staff performing the service and the time required to provide the service. The fully burdened hourly rate includes salaries, benefits, and overhead rates. The costs were updated using the FY 2023/24 budgeted expenditures and salaries/benefits. The data gathered by staff included the amount of time to perform each task, the known volume of work performed for each task, and calculating the number of productive hours per staff member.

Calculation of the fees and charges, including legal considerations, are listed on pages 1-7 of the Study and include:

State law - In California, user fees are limited to the "estimated reasonable cost of providing a service" by Government Code section 66014(a) and other supplementary legislation. California voters approved Proposition 26 in November of 2010, which defined "taxes" as "any levy, charge, or exaction of any kind imposed by a local government" subject to seven exceptions. Most of the exceptions require that the City charge a fee which does not exceed the reasonable cost to the City to provide the service for which the fee is charged. Thus, if the fee exceeds the reasonable cost of service, it may be considered a "tax" which must be approved by the voters. We have calculated each fee to recover no more than the reasonable cost of each service so that none of the fee adjustments recommended herein will be considered taxes under Proposition 26. Additionally, it should be noted that some fees (e.g., certain animal control fees or oversize permit fees) may be capped by state law and may not change, regardless of any cost analysis performed.

The fees are charged in either of the following ways:

- Flat Fees – same fee, no change for size or complexity
- Actual Cost – City staff track all hours and materials for the service to recover the actual costs

Electric

The Study did not include an analysis of Electric Rates for providing electric service to customers. The Study reviewed the electric services, as requested by or benefiting specific individuals or businesses, are recovering 59% of the costs to complete those services. At 100% cost recovery, the additional electric revenue, based on prior service history, is estimated at \$2,711,000.

The current 5-year electric service rates did not include an estimation of additional revenue for fees and charges for services. The estimated impact for FY 2024/25 for the \$2,711,000 would make a one-time 0.75% impact on the Electric rates.

Water

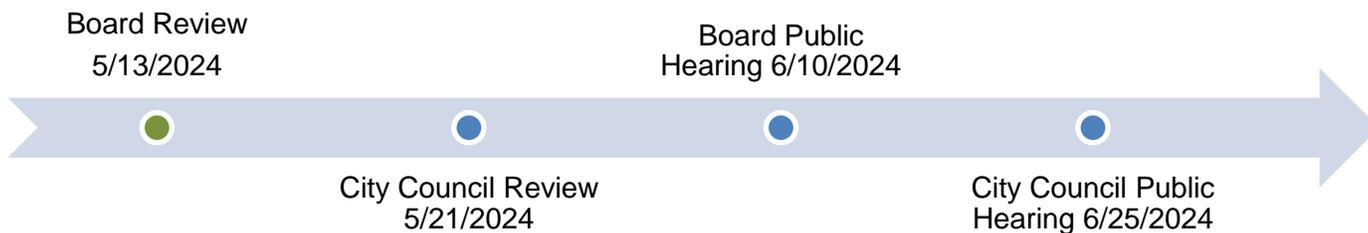
The study did not include an analysis of Water Rates for providing water service to

customers. The study reviewed the water services, as requested by or benefiting specific individuals or businesses, and found that they are recovering 37% of the costs to complete those services. At 100% cost recovery, the additional water revenue, based on prior service history, is estimated at \$1,556,000.

The current 5-year Water service rates did not include an estimation of additional revenue for fees and charges for services. The estimated impact for FY 2024/25 for the \$1,556,000 would be a one-time 2% impact on the water rates.

Anticipated Timeline and Engagement

Below is an anticipated timeline for the User Fees and Charges review.



In addition to the public meetings noted above, on April 29, 2024, Finance and RPU staff met with Greater Riverside Chambers of Commerce and Building Industry Association representatives to review the proposed fees and charges.

STRATEGIC PLAN ALIGNMENT:

The reporting and presentation of financial results support **Strategic Priority 5 – High Performing Government** and **Goal 5.3** - Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision making.

Financial reporting aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Presentation of financial results provides a transparent view and communication of City finances in a forum that accommodates community engagement.
2. **Equity** – The financial report is available to all members of the public via the City website, and the presentation of the financial report in a public forum accommodates community engagement from all members of the public.
3. **Fiscal Responsibility** – The financial report and proposed recommendations demonstrate the City’s commitment to responsible management of the City’s financial resources.
4. **Innovation** – The financial reports, methodologies, and strategies proposed by staff demonstrate innovative management of City finances.
5. **Sustainability & Resiliency** – The financial reports, methodologies, and strategies proposed by staff demonstrate the City’s commitment to the long-term fiscal health of the City and the preservation of City services.

FISCAL IMPACT:

Fees and charges are intended to offset the cost of providing the services rendered. The proposed fees and charges are estimated to have a fiscal impact of \$4,267,000 in FY 2024/25.

Department	FY 2024/25 Projected Revenue Impact
510 Electric Fund	\$2,711,000
520 Water Fund	\$ 1,556,000
Projected Revenue Impact Total	\$4,267,000

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Approved by: David A Garcia, Interim Utilities General Manager
Certified as to availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

- Attachments:
1. MGT Fees & Charges Study, Electric and Water only
 2. Presentation