



SEWER SERVICE PROPOSED FIVE-YEAR RATE PLAN

Public Works Department

Mobility & Infrastructure Committee

June 12, 2025

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WHAT WE DO



Serve **100K** customers & 3 community service districts



Operate **24/7-365**



Ensure **compliance** with Federal & State regulations



Protect **public health & environment**



POLICY AND REGULATORY OVERSIGHT

2016 Sewer Fund Reserve Policy

- Fiscal stability & guidance to staff on financial management of Sewer Fund
- “Reserve Goal” is annual ending balance 10% above policy minimum target

RWQCP 2013 NPDES “discharge” Permit

- New permit will inevitably include more stringent requirements

Sewer Collection System Statewide General Requirements

- Regulations require prioritized corrective actions & capital improvement plan



HISTORY OF SEWER RATES

\$580M in CIP projects remaining from 2019 Sewer Master Plan

Sewer Service	Adopted Rate Increase	Implemented Rate Increase
7/1/2014	8.5%	8.5%
7/1/2015	8.5%	8.5%
7/1/2016	8.5%	8.5%
7/1/2017	8.5%	8.5%
7/1/2018	8.5%	0%
7/1/2019	-	0%
7/1/2020	-	0%
7/1/2021	-	0%
7/1/2022	-	0%
7/1/2023	-	0%
7/1/2024	-	0%

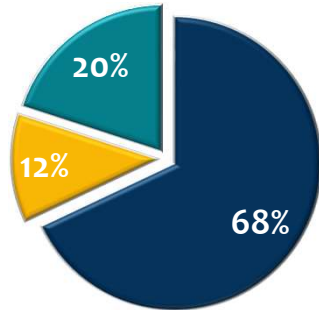
Final increase of prior rate plan was paused due to favorable financial position at that time

No Rate Increases since 2017



SEWER PLANT INFLUENT FLOW

RWQCP Influent Contributions



■ City Residential
 ■ City Commercial
 ■ Community Service Districts

City residential customers pay 2017 rates

City commercial customers pay 2017 rates

Community Service Districts pay annually based on actual current-day costs



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WHATS BEEN DONE TO ADAPT

Reserves, Settlements, & Grants for Projects

- Utilized reserves and settlement funds for projects to reduce sewer rate pressures
- Since 2018 executed \$65M in projects 35% below estimated costs (\$65M vs. \$101M)

Process Efficiencies, Innovation, & Chemicals

- Optimized disinfection process. Received State approval to reduce chemical use
- Re-bid bulk chemicals
- Estimated savings up to \$1.6M per year



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COSTS OUTPACING EXISTING REVENUE

Sewer Fund has absorbed 29.1% in O&M increases



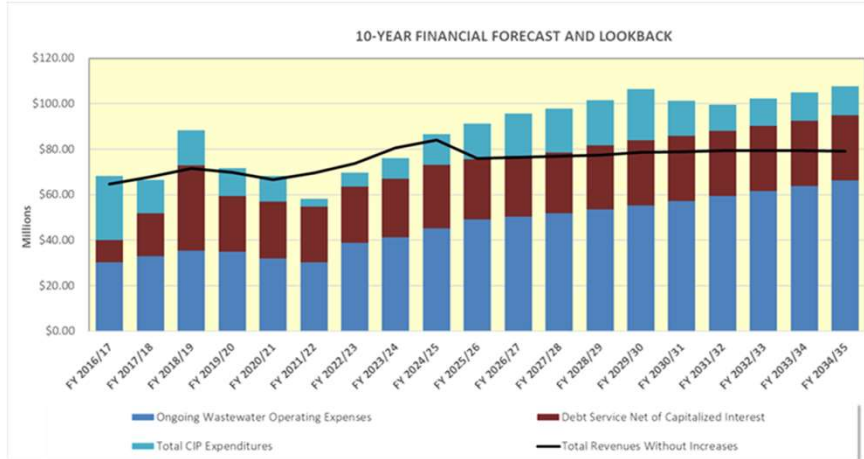
Inflation

Higher costs

- Chemicals (135%)
- Biosolids disposal (56%)
- Construction (57%)
- Labor



Regulations



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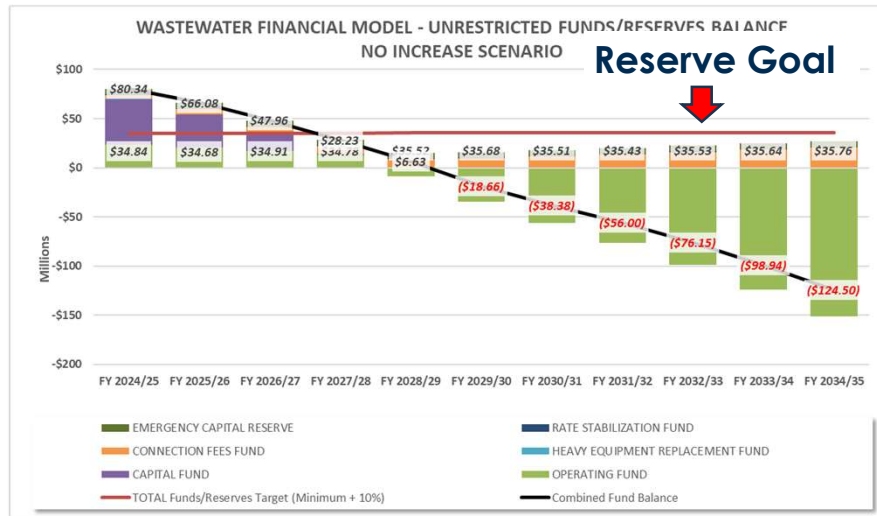
PROJECTED RESERVES

If unchanged, by 2027 the fund will:

Be unable to fund any Capital Improvement Program



Fail to maintain the minimum reserve goal defined by City Council



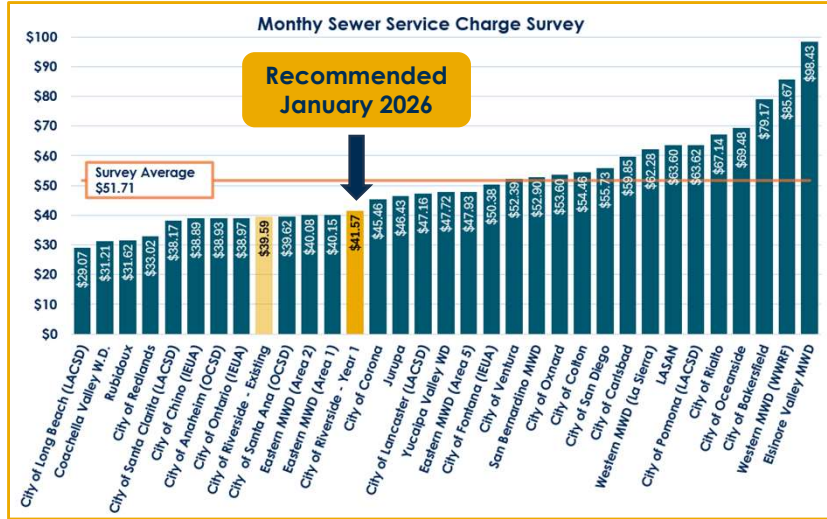
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RECOMMENDED RATE PLAN & COMPARISON

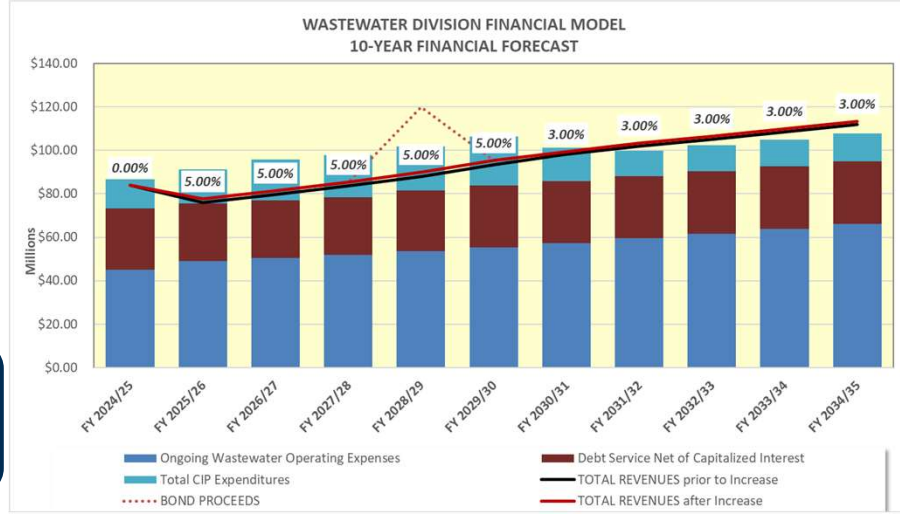
Sewer Service Rate	
Recommended Effective Date	Recommended Increase
Jan 2026	5.0%
July 2027	5.0%
July 2028	5.0%
July 2029	5.0%
July 2030	5.0%



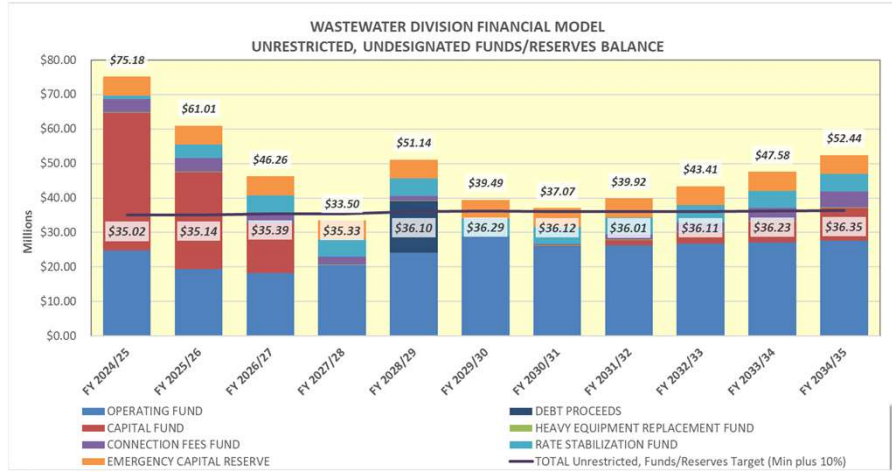
FUTURE REVENUES & EXPENDITURES

New rates will:

- ★ Maintain consistent and continuous service
- ↓
- Supports additional bonds to fund CIP program



FUTURE RESERVES



FUTURE-PROOFING SEWER

- Position for growth by expanding system capacity and eliminating bottlenecks
- Reduce liability associated with aging & deteriorating infrastructure
- Fund best-practice O&M activities such as digester cleaning and MBR filter replacement program



DELAYED IMPLEMENTATION



General Economic
Uncertainty

Persistent Inflationary
Pressures

Sewer Service Rate	
Effective Date	Rate Increase
Jan 2026	-
July 2027	≥ 5.5%
July 2028	≥ 5.5%
July 2029	≥ 5.5%
July 2030	≥ 5.5%
July 2031	≥ 5.5%

18 Month delay feasible, but would:

Further Defer Projects
While Costs Increase

Continue Reliance on
Reserve Funds for
O&M



Necessitate Higher Rates
in Future

Risk to Compliance
Status

Risk Debt Coverage &
Bond Rating

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RECOMMENDATION

That the Mobility and Infrastructure Committee:

Receive a report on the Sewer Enterprise Fund and provide direction on sewer service rate plan alternatives.



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