



WASTEWATER FINANCIAL MODEL UPDATE

Public Works Department

City Council
October 4, 2022

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1

BACKGROUND

WQCP services **93,000 customers**
within the City of Riverside

Treatment Plant

27 Million gallons
per day average

Collections System

 800 miles of gravity sewers

 20 wastewater lift stations

 16,000 sewer manholes



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2

BACKGROUND

City Council has taken numerous actions regarding the Water Quality Control Plant over last 8 years

- 2014 adopted annual rate increases of 8.5% for FY 2014/15 through FY 2018/19
- 2015 approved agreement and settlement with Jurupa Community Services District in the amount of \$15,000,000
- 2016 adopted Sewer Enterprise Reserve Fund Policy. Approved agreement with Carollo Engineers for Wastewater Master Plan Update
- 2017 rescinded 8.5% rate increase for FY 2018/19. Recommend reserves be held closer to Reserve Policy minimum
- 2020 approved 2019 Integrated Wastewater Master Plan except for Volume 8, Financial Plan and User rates and Fees. Approved public Works Renewable Resources Master Plan
- 2022 extended contract with Carollo Engineers for Financial Model Update



3

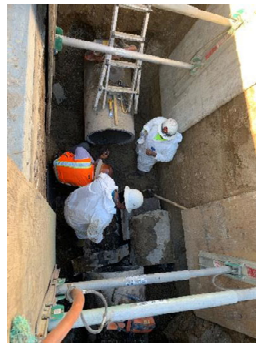
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3

ONGOING CIP



**Digester 5 Rehabilitation
for Food Waste**
Budget = \$ 2.75 M



**Priority Pipeline
Replacements**
Budget = \$2.60 M



**Magnolia Sewer Force
Main Rehabilitation**
Budget = \$ 8.50 M



4

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4

CRITICAL WASTEWATER TREATMENT PROJECTS



Headworks & Primary Odor Control Meters

Funded = \$ 0.00 M

Needed = \$0.75 M



Digester Gas System Rehabilitation

Funded = \$ 0.00 M

Needed = \$2.00 M



Upgrade Flow Meters to Electromagnetic

Funded = \$ 0.00 M

Needed = \$6.32 M



Dissolved Air Flotation Rehabilitation

Funded = \$ 0.55 M

Needed = \$8.08 M

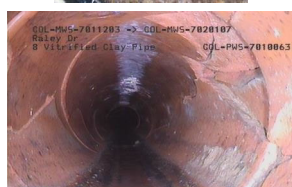


5

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5

CRITICAL COLLECTION SYSTEM PROJECTS



Pipeline Replacements

Funded = \$4.12 M

Needed = \$4.27 M



Wood Rd. Pump Station

Funded = \$0.20 M

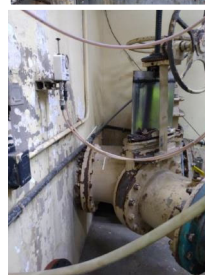
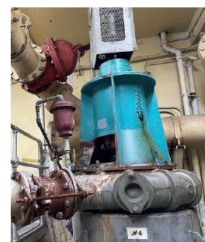
Needed = \$8.00 M



Pierce St. Pump Station

Funded = \$0.20 M

Needed = \$8.83 M



6

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6

WASTEWATER FINANCIAL MODEL UPDATE

- Present need to advance critical Master Plan and Renewable Resource Projects
- Division requested update of existing financial model
- Consultant directed to ensure update:
 - Reflected current economic conditions
 - Focused foremost on options which reduce pressure on rates and reserves
 - Forestalled any potential rate increases
 - Maintained reserves at or above a reserve goal equal to the minimum Sewer Enterprise Fund Reserve Policy (Reserve Policy) amount plus 10-percent; and
 - Provided sufficient funding for the CIP



7

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7

SEWER ENTERPRISE FUND RESERVE POLICY

- Adopted November 2016
- Ensure fiscal stability by establishing target and minimum
- Provide guidance to staff in the financial management of Sewer Division operations
- 2017 - Council directed staff to hold reserves closer minimum rather than targets; no set level was established
- Technical consultant defined a "Reserve Goal" as an amount equal to the Reserve Policy minimum plus 10-percent as part of Financial Model Update
- "Reserve Goal" used to evaluate scenarios to fund Capital Improvement Program through FY 2026/27

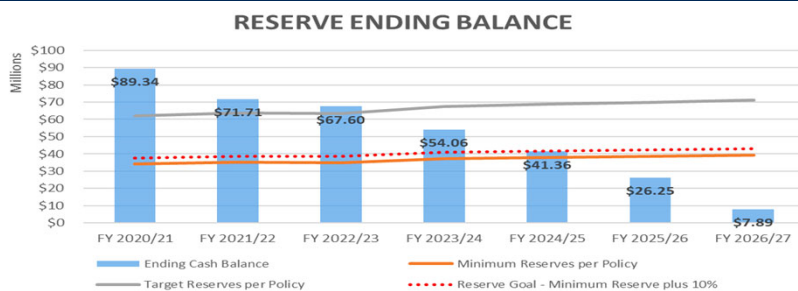


8

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8

BASE CASE SCENARIO



ASSUMPTIONS

- No future rate increases
- No new bonds issued
- Jurupa Settlement refunded

PROJECTIONS

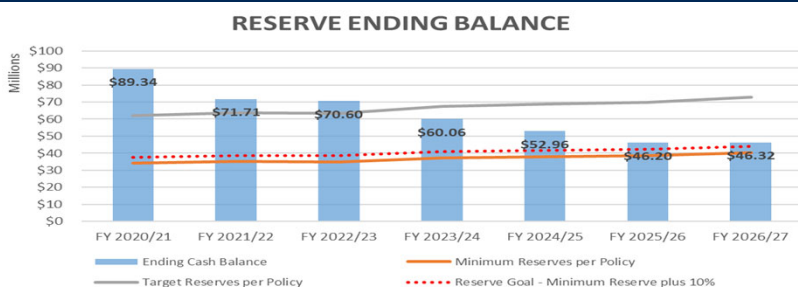
- Not considered viable
- Significant cuts to capital
- Reserves below goal in FY 2024/25 and near depleted FY 2026/27



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9

OPTION 1 - RECOMMENDED



ASSUMPTIONS

- Utilize Jurupa Settlement for capital
- Resume 4% rate increases FY 2024/25

PROJECTIONS

- Decreased pressure on rates & reserves
- Maintains reserves at or above goal
- Bonds issued in FY 2026/27 to provide funding for FY 2026/27 & FY 2027/28
- Debt coverage sufficient

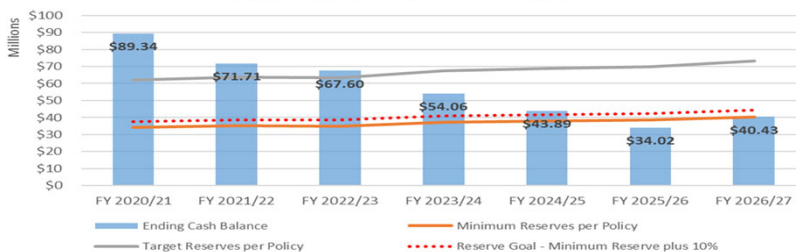


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10

OPTION 2A

RESERVE ENDING BALANCE



ASSUMPTIONS

- Jurupa Settlement refunded
- 4% rate increases starting FY 2024/25

PROJECTIONS

- Reserves below goal (~\$8.3M) FY 2025/26 and through at least FY 2026/27
- Rates would not make up reserve deficit
- Additional bond funds required
- Debt coverage sufficient



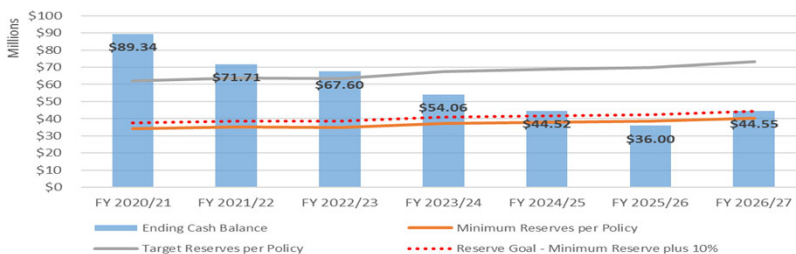
11

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11

OPTION 2B

RESERVE ENDING BALANCE



ASSUMPTIONS

- Jurupa Settlement refunded
- 5% rate increases starting FY 2024/25

PROJECTIONS

- Reserves below goal in FY 2025/26
- Higher rates would allow reserves to rebound in FY 2026/27
- Additional bond funds required
- Debt coverage sufficient



12

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12

STRATEGIC PLAN ALIGNMENT



Strategic Priority 4 – Environmental Stewardship

Goal 4.1 - Rapidly decrease Riverside's carbon footprint by acting urgently to reach a zero-carbon electric grid with the goal of reaching 100% renewable energy production by 2040 while continuing to ensure safe, reliable and affordable energy for all residents.

Goal 4.2 - Sustainably manage local water resources to maximize reliability and advance water reuse to ensure safe, reliable and affordable water to our community.

Goal 4.4 - Implement measures and educate the community to responsibly manage goods, products and services throughout their lifecycle to achieve waste reduction outcomes.

Goal 4.6 - Implement the requisite measures to achieve citywide carbon neutrality no later than 2040.



13

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13

STRATEGIC PLAN ALIGNMENT (CONT.)



Strategic Priority 6 – Infrastructure, Mobility & Connectivity

Goal 6.2 - Maintain, protect and improve assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



14

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14

RECOMMENDATIONS

That the City Council:

1. Receive an update on the Wastewater Financial Model;
2. Approve the City of Riverside Wastewater Master Plan Technical Memorandum – Summary of Financial Model Update dated July 2022;
3. Approve Option 1 within the City of Riverside Wastewater Master Plan Technical Memorandum – Summary of Financial Model Update dated July 2022;
4. Define as a Sewer Enterprise Fund Reserve Policy “Reserve Goal” an annual Reserve Ending Balance of at least the Policy Minimum Reserve Target plus 10.0-percent;



15

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15

RECOMMENDATIONS (CONT.)

5. Authorize the use of Sewer Enterprise Fund Reserves above the “Reserve Goal” to fund Capital Improvement Projects through FY 2026/27;
6. Authorize the use of \$15,000,000 in Jurupa CSD Settlement funds for capital projects outlined in this report; and
7. Direct staff to finalize the 2019 Wastewater Master Plan Volume 8 – Financial Plan and User Rates and Fees based on the Wastewater Financial Model Update and return to the City Council for consideration.



16

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16