



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: MAY 8, 2023

SUBJECT: PROPOSED USER FEES AND CHARGES ADJUSTMENTS FOR FISCAL YEAR 2023/24 – ELECTRIC RULE APPENDIX A AND WATER RULE APPENDIX A

ISSUE:

Consider a recommendation to City Council for proposed changes to Electric Rule Appendix A Electric Fees and Charges Schedule and Water Rule Appendix A Water Fees as part of the City's Fees and Charges and set a public hearing for the adoption of the proposed user fees and charges and a resolution amending the City Fees and Charges Schedule for FY 2023/24.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Receive and provide input on proposed adjustments to Electric Rule Appendix A Electric Fees and Charges Schedule and Water Rule Appendix A Water Fees and Charges; and
2. Approve the Board Resolution to amend Electric Rule Appendix A Electric Fees and Charges Schedule and Water Rule Appendix A Water Fees and Charges; and

Recommend that the City Council:

3. Receive and provide input on proposed adjustments to Riverside Public Utilities' user fees and charges as part of the City's user fees and charges; and
4. Set a public hearing for the adoption of the proposed adjustments to Riverside Public Utilities' user fees and charges as part of the City's user fees and charges.

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 21, 2011, the City Council approved 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. The current schedule for the Electric Fees and Charges is available at <https://riversideca.gov/utilities/residents/rates/electric-rules-rates>.

On February 4, 2020, the City Council approved 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. The current schedule for the Water Fees and Charges is available at <https://riversideca.gov/utilities/residents/rates/water-rules-rates>.

DISCUSSION:

User 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.

In March 2021, the City engaged MGT Consulting Group 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 Consulting Group 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. In the interim, RPU's costs for providing services increased since the last Electric and Water Fees and Charges update in 2011. The City and RPU have largely recovered from the effects of the pandemic, with fee-related activities returning to normal. As such, the data used for the current fees and charges study must be refreshed to ensure an accurate accounting of the cost of service. The fee studies will resume following the adoption of the amended FY 2023/24 Budget which incorporates the fiscal impact of cost increases.

FY 2023/24 Master Fees and Charges Schedule

With the delay of the current fee study and the time lapse since the most recent studies, the City is currently undercharging for services provided. Staff desires to adopt a 7.5% Consumer Price Index (CPI) increase for current fees. The proposed FY 2023/24 Master Fees and Charges Schedule (Attachment 1) includes a 0% to 7.5% increase to account for current inflation that is in

line with the 7.5% CPI of the Riverside-San Bernardino-Ontario region in November 2022 (12 month).

The State Constitution provides the authority for cities to impose user fees and regulatory fees for services and activities; however, the fees may not exceed the estimated reasonable cost of providing the service or performing the activity. Any fees set higher than the estimated total cost of providing the related services would be subject to a popular vote of two-thirds of voters under California Constitution, Proposition 218 because the charge would then be considered a tax and not a fee. Therefore, out of an abundance of caution, staff is proposing fee adjustments between 0% and 7.5% guided by the preliminary results of the suspended fees and charges study.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the following strategic priorities and goals from the Envision Riverside 2025 Strategic Plan:

Strategic Priority 5 - High Performing Government

Goal 5.4 Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust:** The development of the FY 2023/24 Schedule of Fees and Charges is a transparent process that incorporates community engagement, involvement of City Boards & Commissions, and timely and reliable information.
2. **Equity:** User fees are charged to the user for a service provided when the cost of providing that service, and the benefits that service provides, are mainly attributed to that specific person or user. The fee is typically based upon the cost the agency incurs in providing the service but may be set at less than the full cost of providing the service for practical or policy reasons.
3. **Fiscal Responsibility:** The thoughtful and deliberate nature of the City's Schedule of Fees and Charges demonstrates the City's commitment to responsible management of the City's financial resources while providing quality public services to all by ensuring that general revenues such as rate-payer funds are not used to pay for services that mainly provide private benefit to individuals.
4. **Innovation:** The proposed CPI fee increase is an innovative solution to cost recovery pending a full cost study.
5. **Sustainability and Resiliency:** Charging users for services that provide private benefit to recover the cost of providing such service ensures reliable and sustainable service.

FISCAL IMPACT:

Fees and charges are intended to offset the cost of providing the services rendered; however, the actual recovery of costs varies per fee. The fiscal impact of increasing some fees up to 7.5% CPI

is projected to present a revenue increase of approximately \$213,000 in FY 2023/24.

Department	FY 2023/24 Projected Revenue Impact
510 Electric Fund	\$145,000
520 Water Fund	\$ 68,000
Projected Revenue Impact Total	\$213,000

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- Attachments:
1. Resolution
 2. FY 2023/24 Proposed Master Fees & Charges Schedule
 3. Presentation