

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: September 23, 2008**
FROM: PUBLIC WORKS DEPARTMENT **ITEM NO: 3**
WARDS: ALL
SUBJECT: PUBLIC HEARING FOR ADOPTION OF SEWER SERVICE AND CAPACITY CHARGES—RESOLUTIONS

ISSUE:

The issues for City Council consideration are approval of the Sewer Services and Capacity Charges structure for residential, commercial, institutional and industrial customers outlined in this report. The Sewer Services Charge was last adjusted on January 1, 1993, and the Capacity Charge on April 20, 1991. Adjustment is necessary to meet regulatory and operational requirements, rehabilitate and replace aging sewer plant and collections systems infrastructure and serve new customers.

Following conceptual approval by the Land Use Committee on July 10, 2008, the City Council conceptually approved the Sewer Services and Capacity Charges structure on July 22, 2008 and authorized the preparation and mailing of a notice to rate payers of the City Council's intent to consider the Sewer Services Charge structure on September 23, 2008. Subsequent to conceptual approval of the Sewer Services structure, the Public Works Department was able to revise the rate structure to defer implementation from November 1, 2008 to July 1, 2009 and lessen the amount of the rate adjustment. The Capacity Charge rate structure reflects the deferments directed by the City Council on July 22, 2008.

The final item for City Council consideration is approval of a Sewer Public Benefit (SPB) program for all customer categories. One component of the SPB is a financial assistance program for low-income residential sewer customers to be administered through the County of Riverside's Sharing Households Assist Riverside's Energy (SHARE) Program. The other components are an ongoing public awareness campaign and incentives for commercial, institutional, and industrial customers to reduce flow and/or pollutant discharge into the sewer system thereby reducing collection and treatment costs for all customer categories.

RECOMMENDATIONS:

That the City Council:

1. Approve the Sewer Services Charge structure for residential, commercial, institutional, and industrial customers beginning July 1, 2009 and ending June 30, 2015 as outlined in this report;

2. Approve the Sewer Capacity Charge on new residential, commercial, institutional, and industrial development as outlined in this report;
3. Adopt the resolution fixing the Sewer Services Charge structure as proposed;
4. Adopt the resolution fixing the Sewer Capacity Charge as proposed;
5. Approve the Sewer Public Benefits (SPB) program for residential, commercial, institutional, and industrial customers;
6. Approve the financial assistance program for low-income residential sewer customers through the County of Riverside's Sharing Households Assist Riverside's Energy (SHARE) program;
7. Direct the Public Works Department to return to City Council with the necessary amendment to the City's current SHARE agreement with the County of Riverside within sixty days; and
8. Direct the Public Works Department to include \$109,200 in its Fiscal Year 2009/10 General Fund budget and annually thereafter to fund the financial assistance program for low-income residential sewer customers.

COMMITTEE RECOMMENDATIONS:

On July 10, 2008, the Public Works Department presented the proposed Sewer Services and Capacity Charges structure for residential, commercial, institutional, and industrial customers to the Land Use Committee (Members Bailey and MacArthur were present).

The Land Use Committee recommended that the City Council conceptually approve the Sewer Services Charge structure for residential, commercial, institutional, and industrial customers beginning November 1, 2008, and ending June 30, 2014; authorize the preparation and mailing of a notice to rate payers of the City Council's intent to adopt the Sewer Services Charge structure; conceptually approve the Sewer Capacity Charge on new residential, commercial, institutional, and industrial development as outlined in this report effective November 1, 2008; and conceptually approve the Integrated Master Plan for Wastewater Collection and Treatment Facilities.

BACKGROUND:

The Public Works Department Sewer Division is responsible for the collection and treatment of wastewater generated within the City of Riverside and the communities of Edgemont, Highgrove, Jurupa and Rubidoux. The collection system encompasses more than 800 miles of gravity sewers and eighteen wastewater pump stations. Sewage treatment is carried out at the Riverside Water Quality Control Plant (WQCP), which provides preliminary, primary, secondary and tertiary treatment for a rated capacity of 40 million gallons per day (MGD).

On June 20, 2006, the City Council approved an agreement with Carollo Engineers, P.C. to prepare an Integrated Master Plan for Wastewater Collection and Treatment Facilities (Integrated Master Plan). The Integrated Master Plan will be presented along with the proposed Rate Structure. The Executive Summary is attached. As part of the work, a long-range financial plan was developed from both a cost and revenue perspective.

The outcomes of the Integrated Master Plan are manifold. Notably the City needs to rehabilitate and/or replace aged facilities; modify and/or improve processes to comply with regulatory requirements; and expand treatment plant capacity.

The Integrated Master Plan determined that there are approximately 250 miles (more than 30%) of collection system piping over 50 years in age (Exhibit 6) and some treatment process structures at the WQCP are over 60 years old. These facilities are at the end of their life cycle and need to be replaced to reduce maintenance effort and chance of failure, and ensure regulatory compliance. It will cost approximately \$274.2 million to replace aging portions of the collection system and approximately \$223.6 million for WQCP replacements and regulatory upgrades.

Reflected in the replacement and upgrade costs are improvements necessary to meet the level of treatment required to comply with state and federal regulations. The Integrated Master Plan assesses how regulations relating to water quality standards, the City's National Pollutant Discharge Elimination System (NPDES) and air quality permits are likely to change over the next 10 to 20 years. Regulatory requirements will require new or improved treatment processes to ensure continued compliance. As examples, more restrictive chlorine limits may necessitate alternative disinfection strategies and contaminants of emerging concern (pharmaceuticals, personal care products, etc.) may require advanced water treatment.

The Integrated Master Plan also determined an increase in the treatment capacity of the WQCP from the existing 40 MGD to 52.2 MGD is necessary to allow for the development proposed in the recently adopted General Plan and for the City to meet its obligations to the communities of Edgemont, Highgrove, Jurupa and Rubidoux. In addition, portions of the collection system would need capacity improvements to serve future development within the City. Capacity improvements for the WQCP are estimated to cost \$142.3 million and collection system capacity improvements will cost approximately \$43.3 million.

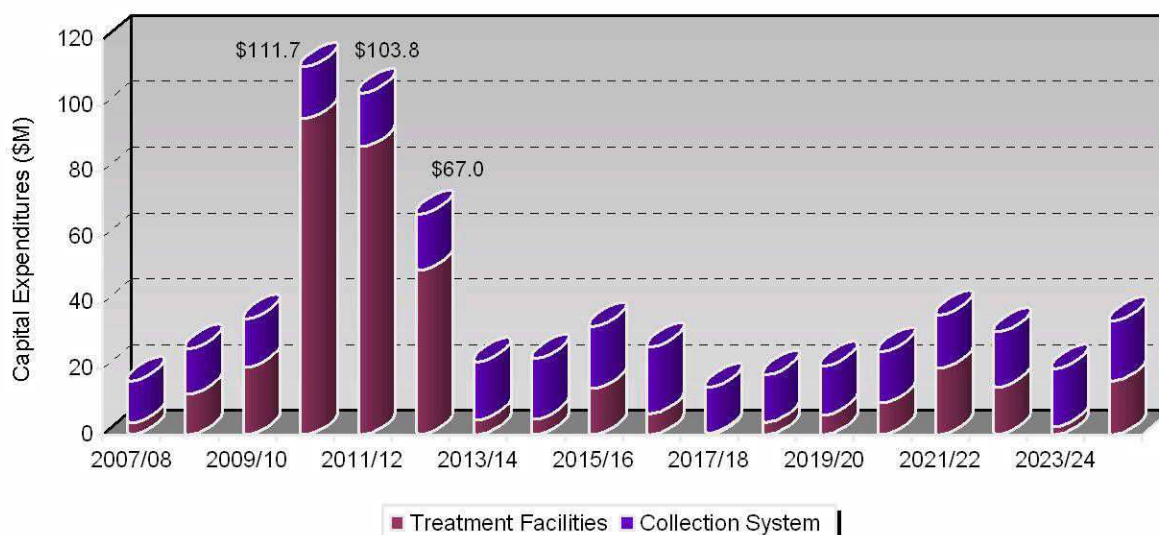
The total capital improvement program over the 20-year planning period presented in the Integrated Master Plan is estimated to cost \$683.4 million. To fund these proposed improvements, an equitable monthly sewer rate and sewer connection fee (capacity charge) increase is required. Revenue bonds would need to be sold to fund construction of most of the proposed improvements within the timeframes specified in the Integrated Master Plan. The rate and fee increases must be enough to meet obligations of the bond covenants and payments.

Table 1: Costs of Sewer Facilities 20-Year Capital Improvement Program

	Collection System (\$M)	Treatment Facilities (\$M)	Total (\$M)
System Replacements/Upgrades	274.2	223.6	497.8
Capacity Improvements	43.3	142.3	185.6
Total	317.5	365.9	683.4

The highest level of expenditures would occur in fiscal years 2010/11 through 2012/13. The centerpiece of the expenditure during this period is the \$185.0 million project to rehabilitate (63%) and expand (37%) the treatment plant. Throughout the capital plan there is ongoing funding for collection system rehabilitation projects.

Chart 1: Annual Capital Expenditures by Year



On July 22, 2008, the City Council conceptually approved the Integrated Master Plan for Wastewater Collection and Treatment Facilities.

Sewer Services Charge

The current Sewer Services Charge structure became effective on January 1, 1993. Revenues generated from the Sewer Services Charge fund day-to-day operations and maintenance of the sewer collection and treatment systems. In addition, this charge provides funds to replace aging, worn out portions of the sewer system and to meet regulatory requirements. Residential and some commercial customers pay a monthly flat rate, where a majority of commercial and institutional customers' rate is based on the amount of water measured by their water meter. The monthly billing for industrial customers is based on the amount of flow, pounds of Chemical Oxygen Demand (COD), pounds of Total Suspended Solids (TSS), and pounds of Oil and Grease (O&G).

On July 22, 2008, the City Council conceptually approved a six-year Sewer Services Charge structure for all customer categories beginning November 1, 2008, and ending June 30, 2014. The rate structure specifies adjustments for each fiscal year beginning November 1, 2008 through 2012/13 and an annual increase equivalent to the Consumer Price Index (CPI) in 2013/14. Rate payers were notified in writing of the City Council's intent to adopt the Sewer Services Charge structure.

Subsequent to the City Council's conceptual approval of the Sewer Services Charge structure, the Public Works Department re-evaluated the rates to determine if it was possible to move back the effective date and/or reduce the amount of the increase. Through the use of "just-in time" borrowing or multiple small bond issuances with capitalized interest, as opposed to one large bond issuance, the City is able to reduce rates in all categories. Additionally, through the use of internal financing prior to the first bond issuance in summer of 2009, the City is able to move back the effective date of the rate increase from November 1, 2008 to July 1, 2009 without compromising the schedule of the capital program. Under this scenario the final rate increase would be in Fiscal Year 2014/15 instead of Fiscal Year 2013/14.

Table 2 below illustrates the impact the adjustments have on the Sewer Services Charge for single-family residences. On July 1, 2009, for example, the monthly charge for residential service would be \$16.55; \$4.45/month less than the conceptually approved rate of \$21.00/month. This is a savings of approximately 44% in Fiscal Year 2009/10.

Table 2: Sewer Service Charge—Single-Family Residence (\$/Month)

	Current	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Published	13.05	17.00	21.00	24.00	27.00	29.00	+CPI	---
Revised	13.05	13.05	16.55	20.55	23.55	26.55	28.55	+CPI

Table 3 below illustrates the impact the adjustments have on the Sewer Services Charge for commercial occupancies. On July 1, 2009, for example, the monthly charge per 100 cubic feet (CCF) of flow for commercial occupancies would be \$1.42; \$0.35/CCF less than the conceptually approved rate of \$1.77/CCF. This is a savings of approximately 49% in Fiscal Year 2009/10.

Table 3: Sewer Service Charge—Commercial (\$/CCF)

	Current	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Published	1.06	1.43	1.77	2.02	2.27	2.44	+CPI	---
Revised	1.06	1.06	1.42	1.75	2.00	2.25	2.42	+CPI

Exhibit 1 details the revised Sewer Services Charge structure by user rate category. The exhibit includes both the rates conceptually approved by the City Council on July 22, 2008 and the revised rates as described above. The Sewer Services Charge for the various categories would remain competitive with nearby agencies as shown in Exhibit 2.

Sewer Capacity Charge (Connection Fee)

The Sewer Capacity Charge was last adjusted on April 20, 1991, and no longer reflects the current cost of adding system capacity. New development connecting to the sewer system must pay the Capacity Charge to ensure that new customers are paying their fair share of system capacity. Revenue from this fee funds improvements to increase the capacity of both the collection system and treatment facilities.

On July 22, 2008, the City Council considered the proposed Sewer Capacity Charge structure and directed staff to modify the structure as follows:

1. Defer the charge increase on residential development until 2010;
2. Defer until July 1, 2009 and phase-in the charge increase over a three-year period for commercial/institutional development in increments of 33% per year; and
3. No deferment of the charge on industrial development.

The proposed Sewer Capacity Charge structure would be effective on December 1, 2008. All projects currently in review would pay current rates if the applicant pays the corresponding fees and pulls his/her building permit on or before June 30, 2009. The structure would be administratively adjusted on an annual basis thereafter to reflect changes in the Consumer Price Index (CPI).

The present Sewer Capacity Charge structure for residential development is charged on a per unit basis. The charge for commercial, institutional, and industrial developments is based on the usable floor space of buildings to be constructed.

The method used to develop the proposed Sewer Capacity Charge fairly distributes the costs to improve the collection and treatment capacity of the sewer system to each category of development. The basis of the charge considers the amount of flow and composition of the sewage to be contributed to the system. As a result, the amount of change in the charge is variable when assessing all categories of development. Staff has also calculated the average cost of installing sewer lines and has determined the unit of benefit fee necessary to recover these costs. The purpose of the sewer connection unit of benefit fee is to reimburse either the City or a private developer for the cost of sewer extensions installed by the City or by a private developer, and staff has determined that such fee should be increased to \$105.00.

The proposed Sewer Capacity Charge structure for residential developments would remain based on each unit to be constructed. Following the adjustment in 2010, the Sewer Capacity Charge for residential developments would still remain competitive with nearby agencies. See Exhibit 3 for the comparisons.

The Sewer Capacity Charge structure proposed for commercial developments would continue to be based on the usable floor space; however, it would be divided into the categories used for the Sewer Service Charge. Categories are used to fairly distribute system improvement costs on the amount of sewage flow and composition anticipated to be contributed by the development. The proposed Sewer Capacity Charge would be implemented in three phases—July 2009, July 2010, and July 2011. The rate structure is competitive with nearby agencies. Exhibit 3 shows the proposed Sewer Capacity Charge structure and compares it to other agencies.

Industrial developments would have a Sewer Capacity Charge based on sewage flow and strength anticipated to be contributed to the sewer system. The Sewer Capacity Charge paid at the time of receiving a building permit would be limited to a maximum sewage contribution to the sewer system of: 25,000 gallons/day (33.5 CCF/day); 150 pounds/day of Chemical Oxygen Demand (COD); and 150 pounds/day of Total Suspended Solids (TSS). Contributions in excess of these limits would cause a Supplemental Capacity Charge to be added to the customer's monthly sewer bill.

This innovative approach would make the City of Riverside an attractive location for new industrial development. Exhibit 4 describes the method of the industrial Sewer Capacity Charge and the Supplemental Capacity Charge. Exhibit 5 shows Capacity Charges and monthly billing for typical industrial customers.

Sewer Public Benefit Program (SPB)

On July 22, 2008, the City Council directed the Public Works Department to develop and implement a low-income assistance program to aid residential sewer customers. Additionally, through ongoing discussions with City officials and the business community, the potential benefits of public education and financial incentives to encourage existing customers to implement technology to reduce flow and/or intensity of discharge into the sewer system became evident. All three components comprise the proposed Sewer Public Benefit (SPB) program.

Financial Assistance for Low Income Residential Customers

The Public Works Department recommends implementation of a financial assistance program similar to that offered by Riverside Public Utilities (RPU). RPU assists qualified low-income residential electric and water customers with their utility bills and deposits, through the SHARE program. The SHARE program is administered by Riverside County Department of Public Social Services Community Action, and is currently supported by voluntary customer contributions and funds from the state-mandated Electric Public Benefits Charge. Qualifying customers receive up to \$150 per year.

For the ease of customers, the Public Work Department recommends the SHARE program administer the sewer financial assistance program. Under the proposal, the City would offer \$20/year in financial assistance to qualifying residential customers. This represents 10% in annual assistance per eligible customer. The Fiscal Year 2009/10 cost of the financial assistance would be approximately \$109,800 and require an annual General Fund appropriation. By law the Sewer Fund can only be used for expenditures benefitting all customer categories; not low income assistance for residential customers.

Upon approval of the financial assistance program by the City Council, the Public Works Department would return to the City Council with an amendment to the current SHARE agreement within sixty days. The financial assistance program would commence July 1, 2009.

Public Awareness/Financial Incentives

The Public Works Department recommends an ongoing public awareness campaign for all customers and financial incentives for both existing and new commercial, institutional and industrial customers to reduce flow and/or pollutant discharge into the sewer system. The reduction of flow and/or intensity would reduce collection and treatment costs for all customer categories.

The reduction of flow into the sewer system reduces wear on the collection system and the amount of wastewater requiring treatment at the WQCP. Lower flow results in the use of less chemicals and utilities associated with treatment. It also prolongs the life of collection and treatment facilities. The reduction of constituents discharged into the sewer system would also result in cost savings to all customer categories through reduced maintenance, treatment, and replacement requirements. Fats, oils, grease, personal care products, pharmaceuticals and industrial discharges are some of the substances that adhere to insides of sewer lines restricting flow and require additional treatment at the WQCP. While the disposal of these contaminants is being addressed through permitting, best management practices, and regulation, education about how to lessen discharge and the installation of pre-treatment equipment by industrial, institutional, and commercial customers would further reduce the presence of these materials in the wastewater stream.

Objectives for the public awareness campaign and financial incentives include:

- Identification of target audiences;
- Development of tools to educate residential, commercial, institutional, and industrial customers;
- Measurement of the effectiveness of the outreach program; and
- Development and implementation of rebate programs for commercial, institutional, and industrial customers to encourage the installation, operation, and maintenance of pre-treatment facilities and/or other equipment which reduces flow to the sewer system.

The public awareness campaign and financial incentives would be structured into different initiatives for residential and industrial/institutional/commercial customers.

➤ Residential

Implementation of the residential SPB would begin in Fiscal Year 2009/10 and encompass:

1. Identification of Target Audience—the process to strategically identify target audiences would include an assessment of ways for residential customers to reduce sewer flow, as well as analysis of collection system maintenance issues on a neighborhood-by-neighborhood basis. From this list, a direct mail campaign to targeted audiences would be completed; and

2. Educational Toolbox—the next step would be identification of educational tools appropriate for residential customers. For example, customers would receive post card information introducing the campaign along with recommended ways to reduce sewer flow and the impacts of disposing pollutants such as fats, oils, grease, personal care products and pharmaceuticals. Tools include built-in tracking mechanisms to monitor outreach effectiveness.

The intent is to promote a consistent message on how the reduction of flow and/or constituents into the sewer system would result in lower collection and treatment costs for all customer categories.

➤ Commercial/Institutional/Industrial

Implementation of the commercial/institutional/industrial component of the SPB would begin in Fiscal Year 2009/10 and include the following elements:

1. Identification of Target Audience—the process to strategically identify target audiences would include identification of commercial, institutional, and industrial users. From this list, a direct mail campaign to targeted audiences would be completed;
2. Educational Toolbox—the next step would be identification of educational tools appropriate for commercial/institutional/industrial customers. For example, customers would receive post card information introducing the campaign along with recommended ways to reduce flow and/or constituents into the sewer system. Customers would be encouraged to install, operate and maintain enhanced pre-treatment facilities and/or equipment to reduce sewer flow. Tools include built-in tracking mechanisms to monitor outreach effectiveness;
3. Incentive Program Highlights—Existing Customers
 - Existing (as of September 23, 2008) commercial/institutional/industrial customers would be eligible for reimbursement of up to 50% of the cost to install pre-treatment facilities, for an amount not to exceed \$50,000/year/customer;
 - The program would have an annual cap of \$400,000. The City would begin accepting applications for the incentives beginning, July 2010, in order to measure the success of the public awareness campaign;
 - Applicants must demonstrate reduction in flow, Chemical Oxygen Demand (COD), and/or Total Suspended Solids (TSS) into the sewer system; and
 - Reimbursements would be awarded on a first come, first served basis beginning July 2010, for Fiscal Year 2010/11, and annually thereafter.
4. Incentive Program Highlights—New Customers
 - Reimbursements to new commercial/institutional/industrial customers would be based on one-half of the Supplemental Capacity Charge to new industrial customers up to 50% of the cost to install pre-treatment facilities, for an amount not to exceed \$50,000/year/customer. The reimbursement values are shown in the table below:

Table 4: SPB Reimbursement Values

Reimbursement to New Commercial/ Institutional/Industrial Customers for Installation of Pretreatment Facilities	Flow (For each 1 CCF/day)	COD (For each 1 lb/day)	TSS (For each 1 lb/day)
Effective July 1, 2009	\$0.5723	\$0.2713	\$0.0516
Effective July 1, 2010	\$0.5894	\$0.2794	\$0.0531

Table 4: SPB Reimbursement Values

Reimbursement to New Commercial/ Institutional/Industrial Customers for Installation of Pretreatment Facilities	Flow (For each 1 CCF/day)	COD (For each 1 lb/day)	TSS (For each 1 lb/day)
Effective July 1, 2011	\$0.6042	\$0.2878	\$0.0547
Effective July 1, 2012	\$0.6254	\$0.2964	\$0.0564
Effective July 1, 2013	\$0.6441	\$0.3054	\$0.0580

- The program would have an annual cap of \$400,000 for reimbursements in capacity charges to new customers.

Funding for the public awareness and incentive components (existing customers) would come from an allocation of the Sewer Services Charge for each customer category. On a monthly basis \$0.05 per residential account would be allocated, as well as \$0.05 per hundred cubic feet (CCF) of commercial, institutional, and industrial flows.

The Sewer Public Benefit (SPB) program development and implementation costs are estimated at \$453,521 in Fiscal Year 2009/10 with a 3% annual growth thereafter in number of residential accounts and CCF used. Projected funding is itemized in the table below:

Table 5: Projected Funding for Sewer Public Benefits (SPB) Program (\$)

Program Component	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Low-income Assistance (General Fund)	109,200	112,476	115,850	119,326	122,906	126,593
Residential SPB (\$0.05 of Sewer Service Charge per 82,659 residential accounts)	49,595	51,083	52,615	54,194	55,820	57,495
Commercial/Institutional/Industrial SPB (\$0.05 per CCF of commercial/institutional/industrial flows from Sewer Service Charge)	294,726	303,568	312,675	322,055	331,717	341,668
Totals:	453,521	467,127	481,140	495,575	510,443	525,756

The following guidelines would apply to the SPB:

- No Sewer Fund revenue can be allocated to low income assistance;
- SPB revenue generated by the Sewer Services Charge may be allocated to the public awareness and incentive components as needed to achieve program goals; and
- Surplus General Fund and Sewer Fund monies at the end of a fiscal year would be carried over to the subsequent fiscal year and allocated as needed to achieve program goals.

Due to the need to accumulated funds for the public awareness/incentive components during the initial year (Fiscal Year 2009/10) the following is proposed:

- The initial year of the program, July 1, 2010 – June 30, 2011, should be treated as a pilot year;
- During the pilot year, a public awareness campaign would be implemented to encourage participation from residential, commercial, institutional, and industrial rate payers; and
- Through the public awareness campaign, all customers would be made aware of cost savings possibilities associated with reducing flow and/or constituents discharged to the sewer system. Commercial/institutional/industrial customers would also be encouraged to

participate in the incentive component and install, operate and obtain technology to reduce flow and/or enhance pre-treatment.

Incremental development of the program would allow the City to fully fund the incentive component in Fiscal Year 2010/11 and annually thereafter.

FISCAL IMPACT:

The proposed Sewer Services Charge structure would equitably distribute the costs of the operations, maintenance, and replacement of the existing sewer collection and treatment system between residential, commercial, institutional, and industrial customers.

Revenue generated by the proposed Sewer Capacity Charge would cover the costs to increase the sewer collection and treatment facilities' capacity to provide service to new development. The Charge would be fairly distributed to each category of development based on the anticipated amount of sewage flow and strength to be contributed to the sewer system.

The anticipated revenue to be generated by the Sewer Services and Capacity Charges and received from bond sales to construct needed collection system and treatment facility improvements over the next six years totals \$669.6 million. Expenses over the same six years for operations and maintenance, replacement and rehabilitation of existing collection system and treatment facilities, collection system and treatment facility capacity improvements, and debt service are projected to total \$666.3 million. Due to the movement of the effective date of the initial Sewer Services Charge from November 1, 2008 to July 1, 2009, short-term internal borrowing may be necessary to maintain the capital project schedule.

The Fiscal Year 2009/10 cost of the financial assistance component of the Sewer Public Benefit (SPB) program is \$109,200. This would necessitate an annual General Fund appropriation in the Public Works Department budget beginning in Fiscal Year 2009/10 and annually thereafter. A 3% annual increase in participation is estimated for fiscal years 2010/11 through 2014/15. By law the Sewer Fund can only be used for expenditures benefitting all customers.

The projected revenue for the public awareness and incentive components of the SPB is \$344,321 in Fiscal Year 2009/10. This is based on a monthly allocation from the Sewer Services Charge equal to \$0.05 per residential account and \$0.05 per hundred cubic feet (CCF) of commercial, institutional, and industrial flows. A 3% annual increase in number of residential accounts and commercial, institutional and industrial flows is estimated for fiscal years 2010/11 through 2014/15. The reduction in Sewer Services Charges due to the restructuring of the bond issuances enabled the funding of this initiative.

Prepared by:	Siobhan Foster, Public Works Director
Certified as to	
availability of funds:	Paul C. Sundeen, Assistant City Manager/CFO/Treasurer
Approved by:	Michael J. Beck, Assistant City Manager
	for Bradley J. Hudson, City Manager
Approved as to form:	Gregory P. Priamos, City Attorney

1 RESOLUTION NO. 21713

2 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIVERSIDE,
3 CALIFORNIA: (1) INCREASING SEWER CAPACITY CHARGES (CONNECTION
4 FEES), AS AUTHORIZED BY RIVERSIDE MUNICIPAL CODE SECTION
5 14.08.120 (2) ESTABLISHING THE SEWER CONNECTION UNIT OF BENEFIT
6 FEE, AS AUTHORIZED BY RIVERSIDE MUNICIPAL CODE SECTION
7 14.08.100; (3) REPEALING RESOLUTION 21184; AND (4) CONTINUING
8 PREVIOUSLY APPROVED REDUCTIONS IN SEWER CAPACITY CHARGES
9 (CONNECTION FEES) FOR QUALIFYING AGE-RESTRICTED SENIOR
10 CITIZEN HOUSING (RESOLUTION NO. 21085) AND RESIDENTIAL IN-FILL
11 (RESOLUTION NO. 20400)

12 WHEREAS, the City of Riverside ("City") by and through its Public Works Department,
13 Sewer Division, is responsible for the collection and treatment of wastewater generated within the
14 City of Riverside and the communities of Edgemont, Highgrove, Jurupa, and Rubidoux, with a
15 collection system encompassing more than 800 miles of gravity sewers and eighteen wastewater
16 pump stations; and

17 WHEREAS, sewage treatment is carried out at the Riverside Water Quality Control Plant
18 (WQCP), which provides preliminary, primary, secondary, and tertiary treatment for a rated capacity
19 of 40 million gallons per day (MGD); and

20 WHEREAS, Riverside Municipal Code section 14.08.120 provides that any person desiring a
21 permit to connect property with a City sewer shall pay for off-site trunk lines and general plant
22 facilities required for the disposal of sanitary sewage an amount as established by the City Council
23 by resolution (hereinafter, "sewer connection fees" or "Sewer Capacity Charges"); and

24 WHEREAS, by Resolution No. 17962, adopted on February 19, 1991, the City increased
25 such sewer connection fees, and has not increased such fees since that date; and

26 WHEREAS, by Resolution No. 20400, adopted on April 22, 2003, the City adopted a
27 comprehensive residential in-fill strategy, including a reduction in sewer connection fees for
28 properties which meet the criteria of such program; and

WHEREAS, by Resolution No. 21085, adopted on December 6, 2005, the City adopted a
program to encourage the construction of age-restricted senior housing, including a reduction in
sewer connection fees for properties which meet the criteria of such program; and

1 WHEREAS, the City's Public Works Department has conducted an analysis of the sewer
2 connection fees established by Resolution No. 17692 and has recommended that the rates be
3 adjusted to defray the cost of all or a portion of the cost of public facilities required for sewer service
4 for new development, as provided by Government Code section 66010 et seq., as the current sewer
5 connection fees do not reflect the current cost of adding system capacity; and

6 WHEREAS, the proposed increased Sewer Capacity Charges would be effective
7 July 1, 2010, which is at least sixty days after approval by the City Council, with annual increases
8 thereafter; and

9 WHEREAS, the present Sewer Capacity Charges for residential development is charged on a
10 per unit basis, and the charge for commercial and industrial developments is based on the usable
11 floor space of buildings to be constructed; and

12 WHEREAS, the method used to develop the proposed Sewer Capacity Charges equitably
13 distributes the costs to improve the collection and treatment capacity of the sewer system to each
14 category of development, with the basis of the charge being a consideration of the amount of flow
15 and composition of the sewage to be contributed to the system; and

16 WHEREAS, as a result, the amount of change in the proposed Sewer Capacity Charge is
17 variable when assessing all categories of development; and

18 WHEREAS, the proposed Sewer Capacity Charges for residential developments would
19 remain based on each unit to be constructed; and

20 WHEREAS, the proposed Sewer Capacity Charges for commercial developments would
21 continue to be based on the usable floor space; however, it would be divided into the categories used
22 for the City's monthly sewer service charges, which are used to equitably distribute system
23 improvement costs on the amount of sewage flow and composition anticipated to be contributed by
24 the new development; and

25 WHEREAS, the proposed Sewer Capacity Charges for industrial developments would
26 include a charge based on sewage flow and strength anticipated to be contributed to the sewer
27 system, with contributions in excess of the set limits resulting in a Supplemental Capacity Charge
28 added to the customer's monthly sewer bill; and

1 WHEREAS, by notice duly given and published for the proposed Sewer Capacity Charge
2 increases, the City set the time and place for the public hearing for such proposed Sewer Capacity
3 Charge structure; and

4 WHEREAS, at least ten days prior to the hearing on the proposed Sewer Capacity Charge
5 structure increase, the Public Works Department made available to the public data including but not
6 limited to the estimated costs required to provide the service for which the fee or charge is to be
7 levied and the revenue sources anticipated to provide the services; and

8 WHEREAS, the City Council, at the time and place set for said hearing, considered the
9 information provide by City staff related to the increased costs for the Sewer Capacity Charges as
10 proposed, and all other comments, both written or oral, submitted prior to the conclusion of said
11 hearing; and

12 WHEREAS, the City Council had determined that an increase to such Sewer Capacity
13 Charges, as outlined in the written staff report and oral presentation provided at the public hearing, is
14 required to allow the recovery of the estimated reasonable costs for providing such service; and

15 WHEREAS, the Public Works Department of the City of Riverside has calculated the
16 average cost of installing sewer lines and has determined the unit of benefit fee necessary to recover
17 these costs, as authorized by Riverside Municipal Code Section 14.08.100; and

18 WHEREAS, the purpose of the sewer connection unit of benefit fee is to reimburse either the
19 City or a private developer for the cost of sewer extensions installed by the City or by a private
20 developer, and staff has determined that such fee should be increased to \$105.00

21 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Riverside,
22 California, as follows:

23 Section 1: The foregoing recitals are true and correct and are adopted and incorporated
24 herein by reference as findings of fact.

25 Section 2: In accordance with the provisions of Section 14.08.120 of the Riverside
26 Municipal Code, the Sewer Capacity Charges set forth in Exhibit A are hereby established and
27 effective July 1, 2009, July 1, 2010, and July 1, 2011, and annual increases thereafter, first effective
28 July 1, 2012, for all such charges, according to any increase in Consumer Price Index ("CPI"), for

1 the Los Angeles-Riverside-Orange County area, as published by the Bureau of Labor Statistics of
2 the U.S. Department of Labor, all of which dates are at least sixty days from the date of adoption of
3 this resolution.

4 Section 3: The effective date for the increased Sewer Capacity Charges for new industrial
5 customers, for which an application has been made for sewer connection prior to December 1, 2008,
6 the increased sewer capacity charges shall not take effect until after July 1, 2009, so long as the
7 requested permit is issued prior to July 1, 2009; and

8 Section 4: Resolution No. 17692 is hereby repealed, effective as of the dates set forth in
9 Section 2, herein.

10 Section 5: In accordance with the provisions of Section 14.08.100 of the Riverside
11 Municipal Code, the sewer connection unit of benefit fee is hereby determined to be one hundred
12 and five and 00/100 dollars (\$105.00) per unit.

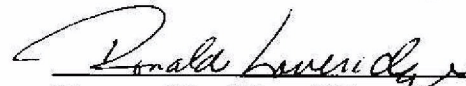
13 Section 6: Based upon and incorporating the facts set forth in Resolution No. 21085, and
14 notwithstanding anything to the contrary, any Sewer Capacity Charge as established herein to be
15 paid by an applicant for the construction of a age-restricted senior citizen housing development,
16 where a covenant has been recorded with, or will be recorded with prior to the issuance of a building
17 permit, the Riverside County Recorder limiting occupancy, residency and use in accordance with
18 Civil Code section 51.3, shall be reduced by sixty percent (60%). Such covenant shall provide that
19 the covenant may only be removed with City approval, and that the City shall condition such
20 removal upon verification that the 60% reduction in fees has been repaid to the City by applicant or
21 their successor in interest, with such repayment calculated as of the time of proposed removal.

22 To qualify for such reduction, the applicant must submit a verified statement in writing to the
23 City's Planning Department requesting such reduction, together with such supporting documentation
24 as may be requested by the Planning Director, or his designee, to establish the applicability for such
25 reduction as set forth in this section.


26 Section 7: Based upon and incorporating the facts set forth in Resolution No. 20400, any
27 Sewer Capacity Charge as established herein for an applicant that meets the criteria of the City's
28 Residential In-Fill Strategy Program, as set forth in Resolution No. 20400, shall be reduced by

1 50% in accordance with the Residential In-Fill Strategy Program, adopted herein, for the
2 development of any residential property which meets the criteria of the Residential In-Fill Strategy
3 Program established herein. When the reduced Sewer Connection Fee is assessed on a residential
4 development project, the sewer fund shall be repaid from the City's General Fund within thirty
5 (30) days and such payments shall include interest, if any, at the City's pooled cash rate.

6 ADOPTED by the City Council this 23rd day of September, 2008.

7
8 
9 Mayor of the City of Riverside

10 Attest:

11  For
12 City Clerk of the City of Riverside

13 I, Colleen J. Nicol, City Clerk of the City of Riverside, California, hereby certify that the
14 foregoing resolution was duly and regularly introduced and adopted this 23rd day of September,
15 2008, by the following vote, to wit:

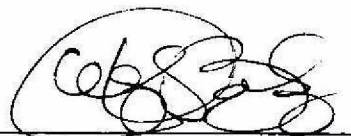
16 Ayes: Councilmembers Gardner, Melendrez, Mac Arthur, Hart, and Adams

17 Noes: Councilmember Schiavone

18 Absent: Councilmember Bailey

19 Abstain: None

20 IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the
21 City of Riverside, California, this 29th day of September, 2008.

22
23  For
24 City Clerk of the City of Riverside

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EXHIBIT A
SEWER CAPACITY CHARGES
(CONNECTION FEES)

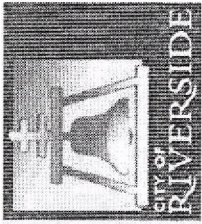


City of Riverside **SEWER CAPACITY CHARGE** **(CONNECTION FEES)**

Residential and Commercial Capacity Charge Schedule

User Rate Categories	Existing Capacity Charge Basis		Proposed Capacity Charge Basis				
	Capacity Charge (Connection Fee)	Per/ Units	Per/ Units	Effective July 1, 2009	Effective July 1, 2010	Effective July 1, 2011	Effective July 1, 2012
Residential Sewer Capacity Charge							
Basic Multi-Family Dwelling Unit	\$2,332	Unit		\$2,332	\$3,325	+CPI	+CPI
Basic Single Family Dwelling Unit	\$2,684	Unit		\$2,684	\$3,683	+CPI	+CPI
Commercial Sewer Capacity Charge							
Basic Commercial (Flat Rate)	\$700	3,000 S.F.		\$1,694	\$2,689	\$3,683	+CPI
Commercial Sewer Capacity Charge Structure							
Department & Retail Stores	\$700	3,000 S.F.	1,000 S.F.	\$209	\$215	\$222	+CPI
Hotels & Motels	\$341	Unit	Unit	\$692	\$1,043	\$1,394	+CPI
Laundromats	\$700	3,000 S.F.	1,000 S.F.	\$3,317	\$6,401	\$9,486	+CPI
Laundries	\$700	3,000 S.F.	1,000 S.F.	\$3,041	\$5,849	\$8,657	+CPI
Markets	\$700	3,000 S.F.	1,000 S.F.	\$868	\$1,502	\$2,137	+CPI
Mortuaries	\$700	3,000 S.F.	1,000 S.F.	\$2,100	\$3,966	\$5,833	+CPI
Professional Offices	\$700	3,000 S.F.	1,000 S.F.	\$279	\$324	\$369	+CPI
Repair Shops & Service Stations	\$700	3,000 S.F.	1,000 S.F.	\$1,547	\$2,861	\$4,175	+CPI
Restaurants	\$700	3,000 S.F.	1,000 S.F.	\$3,225	\$6,217	\$9,209	+CPI
Other Commercial	\$700	3,000 S.F.	1,000 S.F.	\$360	\$487	\$614	+CPI
Hospitals	\$700	3,000 S.F.	1,000 S.F.	\$662	\$1,090	\$1,518	+CPI
Churches & Halls	\$700	3,000 S.F.	1,000 S.F.	\$672	\$1,110	\$1,548	+CPI
Schools "B"	\$700	3,000 S.F.	1,000 S.F.	\$324	\$415	\$506	+CPI
Other Commercial "A"	\$700	3,000 S.F.	1,000 S.F.	\$688	\$1,142	\$1,597	+CPI
Other Commercial "B"	\$700	3,000 S.F.	1,000 S.F.	\$283	\$332	\$381	+CPI
Warehouse	\$700	**	1,000 S.F.	\$100	\$103	\$106	+CPI

** - First 12,000 S.F. is charged \$700/3000 S.F. in excess of 12,000 is charge at a rate of \$175/3000 S.F.



Capacity Charge for Industrial Customers

The applicant to connect to the public sewer will provide the Public Works Department with anticipated Flow, COD, and TSS data. This data will be used to calculate the Capacity Charge. However, the calculation will be limited to: 33.5 CCF/day in flow; 150 lbs./day, COD; and 150 lbs./day, TSS. Flow and/or constituents greater than these limits will be used in calculating the monthly Supplemental Capacity Charge.

Calculation for Capacity Charge to be Paid at the Time of Receiving a Building Permit

$$\left[\frac{(0.55 \times Fd) + (0.37 \times COD) + (0.08 \times TSS)}{0.29424} \right] \times \frac{0.8350}{0.4751} \times \$/EDU = \text{Capacity Charge **}$$

** In addition to the initial Capacity Charge a Supplemental Capacity Charge will be added to each monthly bill based on the criteria below.

Where,

Fd = Anticipated flow from development in CCF per day. (Maximum of 33.5 CCF per day)

COD = Anticipated Chemical Oxygen Demand in pounds per day. (Maximum of 150 lbs. per day)

TSS = Anticipated Total Suspended Solids (TSS) in pounds per day. (Maximum of 150 lbs. per day)

CCF = One hundred cubic feet.

\$/EDU = \$3472 for December 2008; \$3576.16 for July 2009; Then equal to SFR Capacity Charge in subsequent years

SFR = Single Family Residential

BOD/COD=0.50

Supplemental Capacity Charge

The Supplemental Capacity Charge is added to an Industrial Customer's monthly billing. This Charge is to recover the costs to provide the increased collection and treatment facilities needed to carry and treat the additional flow and constituents greater than the maximum used to calculate the Capacity Charge paid at the time of receiving a building permit. The values used in the monthly calculation are in the following table.

Supplemental Capacity Charge	Flow (For each 1 CCF/day in excess of 33.5 CCF/day)	COD (For each 1 lb./day in excess of 150 lbs./day)	TSS (For each 1 lb./day in excess of 150 lbs./day)
Effective December 1, 2008	\$1.14	\$0.54	\$0.10
Effective July 1, 2009	\$1.18	\$0.56	\$0.11
Effective July 1, 2010	\$1.21	\$0.58	\$0.11
Effective July 1, 2011	\$1.25	\$0.59	\$0.11
Effective July 1, 2012	\$1.29	\$0.61	\$0.12