



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: MAY 13, 2019

ITEM NO: 9

SUBJECT: TRANSITIONAL WATER SERVICE AGREEMENT WITH OLIVEWOOD MEMORIAL PARK FOR PURPOSE OF PROVIDING A TEN-YEAR TRANSITION TO REVISED RATE SCHEDULE WA-10 RECYCLED WATER SERVICE THROUGH JUNE 30, 2028.

ISSUE:

Recommend that the City Council approve the Transitional Water Service Agreement with Olivewood Memorial Park to provide retail water service for a ten-year transition to the WA-10 Recycled Water Service rate schedule through June 30, 2028.

RECOMMENDATIONS:

That the Board of Public Utilities recommend that the City Council:

1. Approve the Transitional Water Service Agreement with Olivewood Memorial Park providing a ten-year transition to the revised rate Schedule WA-10 Recycled Water Service through June 30, 2028; and
2. Authorize the City Manager, or his designee, to execute the Transitional Water Service Agreement with Olivewood Memorial Park, including making minor, non-substantive changes, to sign all documents and instruments necessary to complete the transaction, and to execute amendments.

BACKGROUND:

Olivewood Memorial Park (Olivewood) was established by the City of Riverside's early founders in 1888. Prominent figures instrumental to the development of Riverside are interred here, including Samuel C. Evans and Matthew Gage. As a significant part of the City of Riverside's heritage, Olivewood has been receiving water service at the Schedule WA-7 rate, "Special Metered Service." Prior to the City's new rate plan implementation, water service classified under this rate class included historical cemeteries.

On May 22, 2018, the City Council adopted a five-year water rate plan effective July 1, 2018. As part of that process, the City undertook a cost-of-service study and determined that the City was not adequately collecting all costs from customers under service Schedule WA-7. In response, the City created the Schedule WA-11 rate, "Landscape Irrigation Metered Service," which caused a significant increase in the projected water costs for customers transitioned from Schedule WA-7 to Schedule WA-11. Under the new rate plan, Olivewood is required to transition to Schedule WA-11 or to Schedule WA-6 rate, "Commercial and Industrial Metered Service," depending on applicability.

In adopting the five-year water rate increases, the City Council directed that cemeteries be offered a transitional rate agreement, in order to transition the cemetery customers to their otherwise applicable tariff over a number of years. Because Riverside Public Utilities (RPU) will not be collecting the full cost of service during the transitional period, the revenue shortfalls will be offset with non-rate revenue, which is interest income.

Moreover, Olivewood has invested in part of the necessary infrastructure to take recycled water from the City when available. However, at this time the City does not have sufficient infrastructure to deliver recycled water to Olivewood. RPU plans to expand the recycled water transmission system to serve Olivewood and other customers in the area that could use recycled water for irrigation purposes. The project is planned to be included in the 5-year CIP and corresponding Rate Plan proposals for fiscal year 2023 unless funding from grants or other sources can be identified for earlier implementation.

DISCUSSION:

Staff identified during the rate planning process that Olivewood would experience a substantial increase in water costs under the cost-of-service Schedule WA-11 and WA-6 rates. Based on Olivewood's average consumption, their annual water bill would increase by 67% or over \$50,000 in the first year of implementation. Due to the unique circumstances of Olivewood, this 67% increase is dramatically higher than increases experienced by typical customers. Staff also determined that the new cost-of-service Schedule WA-11 and WA-6 rates do not account for Olivewood's historical significance or past investments in installing part of the necessary infrastructure to take recycled water from the City when available.

Staff conducted numerous alternative rate analyses and held several meetings with Olivewood representatives, resulting in the proposed 10-year transitional water agreement to the revised Schedule WA-10 rate, "Recycled Water Service." The Transitional Rate Agreement has an average annual increase of approximately 7% each year, which allows for a gradual increase to the projected Schedule WA-10 Rate at the end of the transitional agreement term.

Under the terms of the proposed Transitional Water Service Agreement, RPU will transition Olivewood's water rate starting January 1, 2019 and extending through June 30, 2028, after which Olivewood's irrigation system will be placed into the Schedule WA-10 water rate. The office facilities will be served under WA-6. During this period, the City will endeavor to install the necessary infrastructure in order to deliver recycled water service to Olivewood.

To encourage efficient use of water, the City will provide Olivewood with a comprehensive water audit to identify conservation and efficiency updates for both the irrigation systems and commercial buildings on site. Additionally, City staff will assist Olivewood to analyze and review potential rebate programs to help offset costs for any water and electric upgrades that meet criteria for the rebate programs.

FISCAL IMPACT:

Water service revenue based on prior usage is estimated to range from \$77,000 to \$152,500 annually during the 10-year term of the Transitional Water Service Agreement and will be collected as part of the normal billing process for RPU water customers.

The estimated average annual difference between cost of service and the Transitional Water Service Agreement during the 10-year term of the agreement is \$30,000 and will be offset with non-ratepayer revenues, with a total reduced revenue collection of \$298,000 to the Water Fund over ten years, and reaching projected cost-of-service Schedule WA-10 rates in year 10.

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Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
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Attachments:

1. Transitional Water Service Agreement
2. Presentation