



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JUNE 11, 2019**

FROM: E. SETH WILSON, CHAIR **WARDS: ALL**
AGRICULTURAL WATER RATES TASK FORCE

**SUBJECT: AGRICULTURAL WATER RATES TASK FORCE – FINAL RATE PROPOSAL
RECOMMENDATION**

ISSUE:

Final rate proposal recommendation from the Agricultural Water Rates Task Force.

TASK FORCE RECOMMENDATIONS:

The Agricultural Water Rates Task Force recommends that the City Council:

- 1) Receive and file the WA-Hybrid rate proposal recommendation from the Agricultural Water Rates Task Force; and
- 2) Direct staff to obtain outside validation of crop factors for agricultural purposes, and, for horticultural purposes, a review of past water use practices in determining the water use allocations.

BOARD RECOMMENDATIONS:

On May 21, 2019, the Agricultural Water Rates Task Force presented their final rate proposal recommendation to the Board of Public Utilities.

The Board discussed the following items: (1) requiring on-site property inspections to verify qualification for the proposed rate; (2) revising the proposed rate allocation method for a water budget to first provide for residential indoor use prior to agricultural use and non-agricultural outdoor use; (3) how many current WA-3 and WA-9 customers will qualify for the proposed rate and if additional customers will be able to qualify for the new rate; (4) what the City's verification process for customers applying for the rate will consist of; (5) whether applicants will be required to verify that they are commercial farmers; (6) the cost of the process to calculate the water allocation for trees, crops and pastures and the financial impact of such allocation process on the proposed rate; (7) the schedule for consideration of the proposed rate; (8) the fiscal impact of the proposed rate; and (9) whether other customers will be subsidizing customers on the proposed rate. The Board also asked staff to inquire if further City Council action is required to extend the one-year rate freeze for customers on WA-3 and WA-9 water rates and, if yes, to seek such Council approvals. Staff researched this issue and noted that the 12-month period expires in July of 2019.

Following the presentation and discussion, the Board unanimously approved the following motion:

- 1) Received and filed the WA-Hybrid rate proposal recommendation from the Agricultural Water Rates Task Force;
- 2) Directed staff to obtain outside validation of crop factors for agricultural purposes, and, for horticultural purposes, a review of past water use practices in determining the water use allocations;
- 3) Recommended that the City Council receive and file the WA-Hybrid rate proposal recommendation from the Agricultural Water Rates Task Force;
- 4) Directed staff to estimate the fiscal impact of the WA-Hybrid rate proposal recommendation including the fiscal impact of the one-year rate freeze approved by the City Council for customers on Water Rates WA-3 and WA-9;
- 5) Directed staff to also prepare a revised WA-Hybrid rate proposal recommendation with a tiered agricultural rate that establishes a true budget-based rate, where indoor use is charged as the first tier of use (WA-1A tier one), the agricultural rate is the second tier of use, and the third and fourth tiers of use cover all use that exceeds the agricultural use (WA-1A tiers two and three); and
- 6) Directed staff to review whether an additional City Council action is needed to extend the rate freeze for customers on Water Rates WA-3 and WA-9 pending adoption of a new rate for agricultural customers.

BACKGROUND:

On November 28, 2017, City Council recommended the establishment of an Agricultural Water Rates Task Force (Task Force), subject to the Brown Act, for one year while freezing WA-3 and WA-9 agricultural water rates at current levels. The Task Force, composed of 16 community members and stakeholders, has worked with Riverside Public Utilities (RPU) staff over the last 13 months to develop WA-3 and WA-9 rate alternative recommendations for consideration by the RPU Board (Board) and City Council. The goal of the Task Force was to return with a final rate recommendation to the City Council by July 1, 2019. The Task Force provided three quarterly updates to the Utility Services/Land Use/Energy Development Committee in August and December of 2018, and in April 2019. The Task Force completed their final rate proposal recommendation during the meeting on April 25, 2019, a month ahead of schedule.

Composition of the Task Force

City Council requested that the Board appoint the members of the Task Force. The Board determined the size of the Task Force needed to be limited with each Council ward being represented by two residents, with a Chair and Vice-chair selected at large, for a total of 16 members. The Task Force was appointed by the RPU Board on March 29, 2018 with Boardmember Walcker appointed as Chair and Seth Wilson appointed as Vice-chair.

Task Force Leadership

Board member Walcker resigned as Chair from the Task Force on October 21, 2018. At the November 5, 2018 Board meeting, Vice-chair Seth Wilson was appointed as Chair of the Task Force with Board member David Crohn being nominated and appointed as Vice-chair of the Task Force.

Task Force Members and Alternates

The Task Force membership has been composed of the following community members: Andrew Walcker, Seth Wilson, Dr. David Crohn, Dale Sexton, Ed Adkison, Tom Evans, Gilberto Esquivel, Dr. Sharon Mateja, Darleen De Mason, Barbara Croonquist, Michele Sheehe, Rose Mayes, Patricia Lock-Dawson, Gurumantra Khalsa, John Gless, Jason Gless, Jason Hunter, Scott Andrews and Steven Robillard. Alternates have included: Carl Pongs, Rick Moslenko, Kevin Dawson, Scott Simpson, Cecilia Arias, Dr. Sharon Mateja, Gurumantra Khalsa, Malissa McKeith and Brian Sheehe.

Task Force Participation

The overall attendance and participation level of the Task Force members and alternates has been 93% throughout the 13 meetings conducted. There has been substantial public participation during the Task Force meetings.

Topics Covered by the Task Force

There was a wide breadth of topics presented to and discussed by the Task Force. The first 5 meetings were primarily focused on bringing the members up to an equal level of understanding and knowledge of the matters and issues related to WA-3 and WA-9 water rates. These topics included WA-3/WA-9 history and rate class, history of the Greenbelt, GrowRIVERSIDE, Cost of Service Analysis, Gage Canal Company, Riverside Food Systems Alliance, Urban Water Management Plan, water rate comparisons, Proposition 218, and zoning and land use. Meetings 6 – 13 focused on presentation, development, systematic review, and open discussion of the various citizen rate proposals brought forward. Topics of open discussion included value and economic viability of agriculture in the City, side by side comparison of the various citizen proposals, preferred terms and conditions, and determination of preferred water rate. There were ultimately five citizen rate proposals developed by various members with each proposal having its own unique characteristics.

DISCUSSION:

After hours of discussion, systematic review, and consideration of the potential rate proposals the Task Force decided to move forward with the WA-Hybrid proposal concept. Further refinement of the WA-Hybrid proposal followed with the final determination of the WA-Hybrid preferred terms and conditions, preferred water allocation method, and preferred water rate completed during the April 25, 2019 meeting. The outcome of that meeting is reflected in the WA-Hybrid Agricultural Service rate proposal attached to this report (Attachment 1).

The approach of the WA-Hybrid rate proposal is based on the concept of establishing a water budget for qualifying agricultural activities. A property conducting qualifying agricultural activities within the RPU service area could qualify for this rate assuming it was ½ an acre or larger and met certain qualifying criteria. The agricultural area meeting the qualifying criteria would be allocated a specific volume (or budget) of agricultural water to be used for agricultural irrigation purposes. The Task Force selected the rate of \$1.16 per hundred cubic feet (CCF) of

agricultural water allocation. Water use on the property beyond the agricultural water allocation would be charged at the otherwise applicable rate, most likely WA-1 or WA-6.

There are 3 components involved with determination of the agricultural water allocation: (1) total area of qualifying agricultural activities; (2) reference evapotranspiration rate; and (3) type of crop and associated crop factor. The WA-Hybrid proposal suggests that fixed Irrigated Area Allocations be assigned to individual trees or vines (400 sq. ft. and 100 sq. ft., respectively), and that Irrigated Area Allocations for activities such as row crops, nursery stock, or pasture be determined by the length x width of the qualifying agricultural activities. The reference evapotranspiration rate can be established using historical data from UCR's California Irrigation Management Information System (CIMIS) Station #44, located in Riverside.

During the April 25, 2019 meeting the Task Force had a lengthy discussion on how Section 4 of the DEFINITIONS in the WA-Hybrid proposal (Monthly Agricultural Water Use Allocation in CCF) would be fully defined and implemented. It was determined that RPU staff should apply industry accepted practices and values to determine agricultural water allocations with independent validation by a qualified professional. RPU Staff should also perform a comparative review of the allocation methodology, using a sample of existing WA-3 and WA-9 customer historical usage patterns.

A water allocation chart using 15-year average evapotranspiration data and a crop factor for citrus was developed and presented to the Agricultural Water Rates Task Force. The methodology was not approved. The Task Force directed RPU staff to develop a water allocation methodology subject to an independent 3rd party review. This will be developed and included in the report for the public hearing process if the proposed adjustments to WA-3 and WA-9 are approved by RPU Board and City Council.

The Task Force anticipates that a number of the existing (194) WA-3 and WA-9 customers may not qualify for the new WA-Hybrid rate, primarily due to the fact that about 20% of the current group appear to currently not be in compliance. The existing group will have their properties inspected within 6 months of grandfathering onto the new rate and if found to not be in compliance will have 6 months to bring their properties back into compliance or be transitioned to the otherwise applicable rate.

FISCAL IMPACT:

The Task Force requested staff to provide potential financial impacts on two separate occasions. Staff was unable to do so due to a number of outstanding variables. During the March 28, 2019 Task Force meeting staff posed a number of questions to the Task Force in an effort to clarify some of the unknowns. These questions focused on issues such as potential acreage or volumetric water allocation "caps" for existing and/or new customers, potential crop factors (Kc values), potential crop types, potential limitations, potential temporary incentives, potential level of customer participation, potential costs to update City billing system, and potential "phased" roll-out.

The selected rate of \$1.16 per CCF (equal to the WA-1A Single Family Residential Metered Service tier 1 quantity rate) is a flat rate for each billing unit (CCF) of the agricultural water allocation budget. All consumption above the allocation budget would be charged at the applicable rate, most likely WA-1A or WA-6. The existing WA-3 with residence rates are \$0.81

for tier 1 and \$1.26 for tier 2. The existing WA-9 with residence rates are \$0.91 for tier 1, \$1.58 for tier 2, and \$1.07 for tier 3. The \$1.16 per CCF is higher than the existing WA-9 without residence rate of \$1.07 per CCF and lower than the existing WA-3 without residence rate of \$1.26 per CCF. The proposed rate is a COSA referenced rate that utilizes RPU's lowest cost, Gage water supply. The proposed monthly customer charge is also equal to the WA-1A customer charges. The proposed quantity rate and customer charge will increase over the next 4 years equal to the WA-1A rate schedule.

The fiscal impact of the proposed rate is not known at this time.

Prepared by:



E. SETH WILSON, Chair
Agricultural Water Rates Task Force

Attachments:

- (1) WA-Hybrid Agricultural Service rate proposal.
- (2) Presentation.
- (3) Unapproved minutes from April 25, 2019 Task Force meeting.
- (4) Draft minutes for the May 21, 2019 meeting of the Board of Public Utilities.