



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 17, 2019
FROM: PUBLIC UTILITIES DEPARTMENT WARD: ALL
SUBJECT: TRANSITIONAL WATER SERVICE AGREEMENTS WITH OLIVEWOOD
MEMORIAL PARK, EVERGREEN MEMORIAL HISTORIC CEMETERY, AND
EVERGREEN MEMORIAL PARK & MAUSOLEUM

ISSUE:

Approve transitional water service agreements with Olivewood Memorial Park, Evergreen Memorial Historic Cemetery, and Evergreen Memorial Park & Mausoleum.

RECOMMENDATIONS:

That the City Council:

1. Approve the Transitional Water Service Agreement with Olivewood Memorial Park, as amended by the Board's Water Committee;
2. Approve transitional water service agreements with Evergreen Memorial Historic Cemetery and with Evergreen Memorial Park & Mausoleum with similar terms to the Transitional Water Service Agreement with Olivewood Memorial Park, as amended by the Board's Water Committee; and
3. Authorize the City Manager, or designee, to execute transitional water service agreements with Olivewood Memorial Park, Evergreen Memorial Historic Cemetery, and Evergreen Memorial Park & Mausoleum, including making minor, non-substantive changes, sign all documents and instruments necessary to complete the transaction, and to execute amendments.

BOARD RECOMMENDATION:

On August 12, 2019, the Board of Public Utilities, with six (6) members present, recommended that the City Council approve transitional water service agreements with Olivewood Memorial Park, Evergreen Memorial Historic Cemetery, and Evergreen Memorial Park & Mausoleum.

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.

Evergreen Cemetery (Evergreen) has been an important site in the City of Riverside since 1872, when it was established by the City's early founders. Today, two (2) entities manage the now expanded cemetery. Evergreen Memorial Park & Mausoleum (EMPM) continues to serve the community with burial services, while Evergreen Memorial Historic Cemetery (EMHC) manages the historic portion of the cemetery where some of Riverside's notable founders are interred, including John W. North, Luther and Eliza Tibbets, and Raymond Best.

As significant parts of Riverside's heritage, both Olivewood and Evergreen cemeteries have been receiving water service at the Schedule WA-7 rate, "Special Metered Services." 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 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 historical cemeteries who would be transitioned from Schedule WA-7 either to Schedule WA-11 or to the Schedule WA-6 water rate, "Commercial and Industrial Metered Service," depending on applicability.

After the five-year water rate increases were adopted by the Board of Public Utilities (Board) and the City Council, Riverside Public Utilities (RPU) offered transitional water service agreements to the historical cemeteries in order to transition them to their otherwise applicable tariff over a number of years. Because 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.

Both Olivewood and Evergreen cemeteries have invested in part of the necessary infrastructure to take non-potable/recycled water from the City when available. However, at this time the City does not have sufficient infrastructure to deliver non-potable/recycled water to either cemetery.

On May 13, 2019, the Board considered the Transitional Water Service Agreement (Agreement) with Olivewood Memorial Park, and took the following actions:

- Referred the transitional water service agreements for both Olivewood and Evergreen cemeteries to the Board's Water Committee.
- Requested that the following changes be made to the Agreement with Olivewood Memorial Park:
 - Stronger language requiring the cemeteries to implement the water conservation measures identified in the water audit.
 - A shorter timeframe in the event that recycled/non-potable water service becomes available to the cemetery prior to the end of the ten-year term.
 - Clarification on the requirement that the cemetery take the recycled/non-potable water service once it becomes available.
- Requested staff to invite representatives from both Olivewood and Evergreen cemeteries to attend the Water Committee meeting.

On June 10, 2019, the Board's Water Committee approved the amendments made to the Agreements for all three (3) cemetery entities as follow:

- Section 2.7: “Customer agrees that if City is able to provide recycled water service that Customer shall take such recycled water service ***within a commercially reasonable time.***”
- Section 6.1: “***In the event City is able to provide non-potable water service to Customer’s Site, Customer shall take such non-potable water service within a commercially reasonable time.***”
- Section 9.2: “***Customer commits to implementing cost-effective and feasible conservation and efficiency updates identified in the water audit.***”

DISCUSSION:

Staff identified during the rate planning process that Olivewood and Evergreen cemeteries would experience a substantial increase in water costs under the revised cost-of-service Schedule WA-11 rate. Based on Olivewood’s average consumption, their annual water bill would increase by 67% or over \$50,000 in the first year of implementation. Based on EMHC and EMPM’s average consumption, their annual water bill would increase by 84% and 75%, or \$10,500 and \$13,500, respectively, in the first year of implementation. Staff also determined that the new cost-of-service Schedule WA-11 rate does not account for the cemeteries’ historical significance or past investments in installing part of the necessary infrastructure to take non-potable/recycled water from the City when available.

Staff conducted numerous alternative rate analyses and held several meetings with both cemeteries’ representatives, resulting in a proposal to base the transitional water service agreements for both cemeteries on a ten-year transition to the revised Schedule WA-10 rate, “Recycled Water Service.” Such a transition would result in an average annual increase of approximately 7-8% each year for all three (3) cemetery entities, which allows for a gradual increase to the projected Schedule WA-10 rate at the end of the ten-year transition.

Under the terms of the proposed Agreement with the cemeteries, RPU will transition the cemeteries’ water rate starting January 1, 2019 and extending over the following 10 years, after which the cemeteries will be placed into the Schedule WA-10 water rate. During this period, the City will endeavor to install the necessary infrastructure in order to deliver non-potable/recycled water service to Olivewood and the Evergreen cemeteries.

To encourage efficient use of water, the City will provide the cemeteries with a comprehensive water audit to identify conservation and efficiency updates for both the irrigation systems and commercial buildings on site. City staff will also assist the cemeteries 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 Olivewood’s prior usage is estimated to range from \$77,000 to \$152,500 annually during the ten-year term of the Agreement. For EMHC’s, that estimate ranges from \$12,500 to \$26,500 annually and EMPM’s water service revenue based on prior usage is estimated to range from \$19,000 to \$40,000 annually. Water service revenue for all three (3) cemeteries 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 with Olivewood during the ten-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 10 years, and reaching projected cost-of-service Schedule WA-10 rates in year 10.

For the Evergreen cemeteries, the estimated average annual difference between cost-of-service and the transitional water service agreements during the ten-year term of the agreements is \$7,000 and \$8,000 for EMHC and EPM, respectively, and will be offset with non-ratepayer revenues, with a total reduced revenue collection of \$147,500 to the Water Fund over 10 years, and reaching projected cost-of-service Schedule WA-10 rates in year 10.

Prepared by: Todd M. Corbin, Utilities General Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Transitional Water Service Agreement – Olivewood Memorial Park
2. Transitional Water Service Agreement – Evergreen Memorial Park & Mausoleum
3. Transitional Water Service Agreement – Evergreen Memorial Historic Cemetery
4. August 12, 2019 - Board of Public Utilities meeting minutes
5. Presentation