

CITY OF RIVERSIDE PUBLIC UTILITIES DEPARTMENT

1 of 4

Minutes of: Agricultural Water Rates Task Force, Meeting #10
Date of meeting: January 24, 2019
Time of meeting: 5:30 pm
Place of meeting: Mayors Ceremonial Room, 7th Floor City Hall
3900 Orange St., Riverside, CA 92501

Meeting was called to order by Chair Wilson

Pledge of allegiance to the flag was given by Scott Andrews

Roll Call

Present:	Seth Wilson (Chair)	David Crohn (Vice-chair)	Michele Sheehe
	Barbara Croonquist	Jason Gless	Darleen De Mason
	Scott Andrews	Tom Evans	Jason Hunter
	Dale Sexton	Ed Adkison	Steven Robillard

Absent: Sharon Mateja, Rose Mayes, Gilberto Esquivel

1. Citizen Participation

Scott Simpson spoke about his appreciation for staff assisting him in getting his rate proposal into the framework of a rate sheet. He commented on how he feels the City operates not just one water Utility system, but instead three separate water systems: those being the Gage Canal system, the recycled water system, and the potable water system. He feels each of these systems requires their own separate rate setting process. He voiced concerns that the City could lose some of its surplus water rights if it doesn't utilize all its water for its originally stated purpose. He feels his rate proposal is fair, and addresses all of the issues while ensuring the City retains all of its water rights. Mr. Simpson brought copies of his WA-9 Flat Rate proposal v1.7.

2. Approval of meeting minutes for December 13, 2018 meeting

Chair Wilson and staff explained why the printed meeting packet had odd page numbering between pages 13 – 30. The published electronic materials had an error on page 20 of the electronic package that did not allow those pages to print. Staff resolved this by replacing pages 14-29 of the electronic package with pages 63-70, which were the exact same materials.

Motion: Andrews Second: Robillard

Ayes: All present.

Absent: Mateja, Mayes, Esquivel.

3. Chair Announcements

Chair Wilson reaffirmed the Task Force mission by re-reading it from Section 1.A of the Agricultural Water Rates Task Force Guidelines and Participation Rules ***“The mission of the Agricultural Water Rates Task Force is to develop WA-3 and WA-9 rate recommendations for the Board of Public Utilities and City Council consideration by July 1, 2019”***. He also reaffirmed how Task Force members should conduct themselves during meetings by reading Section 5.D of the Agricultural Water Rates Task Force Guidelines and Participation Rules. Chair Wilson announced that Ward 2 member, Patricia Lock-Dawson, had resigned from the Task Force and that Gurumantra Khalsa is being recommended to the Public Utilities’ Board as a replacement for the vacated Ward 2 seat. The Chair presented the Rate Proposal Milestones chart illustrating that the rate proposal completion status was close to 60%. Member De Mason requested that at 7:15pm of each meeting the Chair assess what can be done in the remaining 15 minutes of a meeting so the meeting can be adjourned on time.

Member Hunter made a motion that at 7:15pm the Chair calls a short recess to discuss what can be accomplished in the remaining 15 minutes of the meeting with the hope to adjourn the meeting at 7:30pm.

Motion: Hunter Second: Adkison

Ayes: All present.

Absent: Mateja, Mayes, Esquivel.

Motion passed.

4. Presentation of WA-Ag Hybrid v2.11 Rate Proposal

Vice-chair Crohn introduced and presented the Hybrid rate proposal approach to the Task Force. Substantial discussion followed with numerous questions being asked by the Task Force with answers provided by both Mr. Crohn and RPU staff.

Public Comment: Scott Simpson spoke about how the Hybrid proposal could be used as a tool for the Utility to use in calculating water budgets for agricultural customers. He asked what the price for the Hybrid rate would be.

Member Andrews made a motion to receive and file the presentation.

Motion: Andrews Second: Hunter

Ayes: All present.

Absent: Mateja, Mayes, Esquivel.

Motion passed.

Member Hunter made a motion that Item 6 of the agenda (Rate Proposal Comparison Matrix) be moved up before Item 5 on the agenda.

Motion: Hunter Second: Gless

Ayes: All present.

Absent: Mateja, Mayes, Esquivel.

Motion passed.

6. Rate Proposal Comparison Matrix

Chair Wilson presented, explained, and reviewed the Rate Proposal Comparison Matrix with the Task Force. Staff handed around copies of Mr. Simpson's WA-9 Flat Rate proposal v1.7. Member Hunter and Andrews requested that Mr. Simpson's proposal be heard. Member De Mason voiced concern that an outline and framework for the final report and rate recommendation should be developed.

Member Hunter made a motion to allow Scott Simpson to present his proposal at the beginning of the February 21 meeting.

Motion: Hunter Second: Andrews

Ayes: All present.

Absent: Mateja, Mayes, Esquivel.

Motion passed.

5. Open Discussion and Continued Review of WA-Ag v17

Item was not covered.

7. Discuss Schedule of Meetings

Item was not covered.

8. Emerging Ideas and Questions and Answers

Item was not covered.

9. Items for Future Consideration

Member Andrews requested the ability to utilize a live spreadsheet for rate calculations as well as access to a water lawyer to answer specific claims of water related legalities. Member Gless requested more information on how the Hybrid proposal would apply to nurseries. Members Evans and Adkison both are concerned about the remaining timeframe to get the mission accomplished with the potential changes on the Council coming in June. Member Evans suggested a potential additional meeting be added to the schedule.

Meeting was adjourned by Chair Wilson

By: _____



Richard Small, Secretary for Agricultural Water Rates Task Force

Attachments:

- (1) WA-9 Flat Rate v1.7 rate proposal.

Reminder that all Ag Task Force meetings are videotaped and available for viewing at:

<https://riversideca.legistar.com/Calendar.aspx>

SCHEDULE WA-9 Rate (v1.7)

Riverside Water Irrigator

POLICY:

To provide abundant and reliable water for beneficial use at the lowest rates possible to benefit the community of customers served.

APPLICABILITY:

These rates apply to one of three types of irrigator customers defined by the type of water service they receive, either: (1) non-potable water service from The Gage Canal Company; (2) non-potable reclaimed water service; or (3) potable water service. All existing customers will be re-assigned to at least one of these three irrigator types.

See Appendix A for a detailed explanation of each of these three types of irrigator customers.

TERRITORY: Within the RPU Service Area.

RATES:

A. Gage Canal Non-Potable Water Irrigator Service (9-1)

Quantity Rates

Per (CCF)

All 100 cubic feet (CCF) per month

\$0.34*

*Requires: a change to The Gage Canal Company annual Water Tax assessment, conversion to metered potable water service, and implementation of a monthly meter fee. Otherwise this is the existing rate for Gage service less the GFT.

B. Non-potable Reclaimed Water Irrigator Service (9-2)

Quantity Rates

Per (CCF)

All 100 cubic feet (CCF) per month

\$1.39**

**Current WA-10 rate, minus General Fund Transfer.

C. Potable Water Irrigator Service (9-3)

Quantity Rates

Per (CCF)

All 100 cubic feet (CCF) per month

\$0.61***

***Requires an AW Subsidy (see Special Condition #1). This is the stated cost of water delivered throughout the infrastructure less the GFT and Debt service. It will be approximately \$0.37 per CCF with fixed expenses removed.

Monthly Service Charge (Applicable to 9-1, 9-2 and 9-3)

	Per Meter, Per Month				
Meter Size	2018	2019	2020	2021	2022
5/8 and 3/4-inch*	\$36.91				\$40.49
1-inch*	46.19				49.77
1-1/2-inch*	69.19				72.77
2-inch*	96.91				100.49
3-inch*	161.62				165.20
4-inch*	254.06				257.64
6-inch*	531.21				534.79
8-inch*	854.51				858.09
10-inch*	1316.39				1319.97
12-inch*	1870.70				1874.28

DEFINITIONS:

1. "Irrigator" is the sole class of customer(s) served with water. Riverside properties were all originally served with appropriated water for irrigation over 100 years ago. The original designation of "purpose of use" for all of our appropriated water carries forward to today. The land first received canal water for irrigation and the water and its intended water use are fixed to the land in perpetuity.

2. Customers under RATES A (9-1) hold shares in The Gage Canal Company. Properties under this rate must have a metered potable water service installed to be used for irrigation of agriculture.
3. Customers under RATES B (9-2) are customers who receive metered non-potable recycled water from the City's "purple pipe" system. It is intended to be used only for landscape irrigation or non-potable water sales to other agencies.
4. Customers under RATES C (9-3) are customers who receive potable water from the City's potable distribution system. It is intended to serve water for beneficial use and incidental domestic uses.

SPECIAL CONDITIONS:

1. A ballot measure to increase the Utility Users Tax by 1-2% must be adopted to fund the AW Subsidy in order to buy down the potable water service rate to equal that of the Gage Canal non-potable water delivery rate.
2. The General Fund Transfer (GFT) is to be eliminated.
3. All customers will be billed a monthly service charge proportional to the meter size for the water service being provided, this charge will initially include all fixed costs and debt of the until a tax-deductible assessment is approved to recover the Debt expense.
4. Energy cost adjustments are eliminated and the 50% surcharge on water customers outside of the city limits is eliminated. These revenues are to be recovered by a recalculation of the true fixed costs into the meter charge and true variable costs into the Irrigation rate of each of the water supply systems.
5. All Gage Canal customers receiving non-potable water from the canal will be converted to metered potable water service, rather than gravity fed canal service. Land owners who desire to continue to receive non-potable water from the Gage Canal for agricultural purposes can "rent" Gage Canal shares from the City at the cost of \$1.00 per year.
6. A ballot measure must be approved for a property assessment to recover the respective debt expense of each of the three different water service systems. Tax exempt government agency customers must sign contracts agreeing to pay the equivalent of the property assessment as a fee.
7. Monthly meter fee schedules need to be developed for each respective water service delivery class to establish the required fixed costs recovery for the respective delivery infrastructure system.

8. Water Conservation Surcharge: The rates and charges above are subject to a surcharge (Water Conservation Surcharge) as adopted via City Council Resolution No. 22675 on April 22, 2014 and such surcharge as in effect from time to time. The Water Conservation Surcharge will be applied to the Customer's total water usage charge including without limitation the quantity rates, customer and minimum charge for the applicable billing period.

APPENDIX A

Water Rate General Information

The water supply for the community of Riverside was originally established (circa 1870) and expanded by two pioneer land developers who understood the necessity of an abundant, reliable, high quality supply of water to irrigate the lands they sold and for the general benefit of the new settlement called, Riverside. The original water rights they established to supply Riverside's needs in perpetuity are called Appropriative water rights. The total volume of these rights must be used completely each year and only used for their originally stated purpose (to irrigate the land). The original statement(s) of purpose for appropriating the waters of the Santa Anna River for beneficial use in the community of Riverside said,

"to supply the community with all the un-appropriate water of the Santa Ana River via canals, pipes and any other means of conveyance for Irrigation, domestic use and other uses that benefit the community."

Expanded Explanation of Applicability and Use

The current zoning of your parcel is irrelevant to this customer class designation. This is peculiar to California law. Domestic use of some of the water delivered to your parcel is included in the broader meaning of "Irrigator". Originally, all lands in the community were served with irrigation water for citrus, other crops, animal husbandry and domestic uses incidental to the family farm of that time. The family farm is a form of manufacturing and commerce. This was the state of agriculture of that time. Agriculture is manufacturing by utilizing the natural resources of the land. We harvest water from the land for this purpose. Modern zoning codes for commercial or manufacturing are designations for managing the land use impacts upon the community and they are irrelevant to the use of the water resource. In Riverside, thru the decades to today, we have only removed the citrus plantings and re-planted

"housing" with the intent of producing wealth from the land by supplying water and raising a crop of families. Modern families still need irrigation water for landscaping, growing food, animals and other domestic uses of the land. In a broad sense, we only changed the crop and method of production. Therefore, Irrigator is the only appropriate customer class served with water.

Other land uses do not conflict with this definition of customer class. All such properties today still irrigate landscaping and all have some limited form of original incidental domestic water use (toilets, sinks, showers, food preparation, cooking, laundry ...). Therefore, this single class designation for rate setting purposes is appropriate, fair, reasonable, just, non-discriminatory and within Prop 218's rate setting requirements.

9-1 Gage Irrigator Customer

APPLICABILITY: Gage Canal water delivery is only for properties holding shares in the Gage Canal Co. The City is the largest share owner and largest voting bloc of the canal company giving the city managerial control of this system. The lands served by the canal are irrigated agricultural lands protected by Prop. R and/or Measure C.

The Gage Canal water delivery system is a separate and distinct level or type of water delivery service serving a small number of parcels within the green belt area of the city. By definition it is its own water system and has its' own variable and fixed expenses. Currently, it is the least expensive water delivery system operating in the city. Capital investment in the system is recovered as a property assessment.

9-2 Recycled Water Irrigator Customer

APPLICABILITY: The Reclaimed Water Service is an Experimental new type of conservation water service for Riverside. It is intended to serve water only for landscape irrigation. Still in its infancy, it serves a very small number of properties. Some or all of this water may be sold for delivery to other water agencies.

The Reclaimed Water Service is a separate and distinct level or type of water delivery service serving a small number of parcels within the city. By definition it is its own water system serving landscape irrigators. This system has its' own variable and fixed expenses. Currently, it is the most expensive water delivery system operating in the city. Capital investment expense is recovered by property assessment or the San Marcos legislation for government agencies or the export wholesale price.

9-3 Potable Water Irrigator Customer

APPLICABILITY: The Potable Water Service rate is available to all properties with City Potable Water pipes in the street contiguous to your property. It is intended to serve "Irrigators" with water for beneficial purposes in the potable Water Utility service area including some customers outside of the city. All customers of this system are "Potable Water-Irrigators" with incidental domestic uses included and, all customers pay the same price for the same service.

The Potable Water Service is a separate and distinct level or type of water delivery service serving 67,400 customers within the service area. By definition it is a water system with its' own variable and fixed expenses. Capital investment expense for expanding service capacity is recovered by Developer fees and Property Assessment. Capital investment expense for capital replacement of the infrastructure of this system is recovered by Property Assessment and by the San Marcos legislation for government agencies which are exempt from taxation.

Important Proposal Guidelines and Requirements

In order to protect our water rights to appropriate the water for beneficial uses in our community, we must follow simple guidelines:

1. We must limit our customer classes to a single class called Irrigators to bolster the argument that we are using water for its intended purpose.
2. We must define the sole customer class of Irrigator to include incidental domestic use.
3. We must set rates for the single class of Irrigator. This recognizes that irrigation was the original use of water for all lands served then and served now. Today, all lands which receive water service, irrigates some landscaping as well as utilizes water for some variation of incidental domestic use. So, all customers of Riverside's Water Utility are deemed Irrigators with incidental domestic use (DWRs regulations define domestic use to include commercial activity like resorts, hotels, motels, campgrounds, restaurants and irrigation of lawn and gardens).
4. We must limit wholesale water transactions including transfers to other water agencies to the city's Recycled Water only. This means, raw water and potable water shall only be sold to another water agency during a declared water supply emergency in their service district. We do not want to lose the appropriative water right for the 40,000 ac feet of surplus water we annually transport under contracts to other agencies. This is the water supply we need for future development. Other modern cities like Riverside

have faced legal challenges to their appropriative water rights and lost their surplus water because they harvested the surplus and sold it to another agency. "They did not use the water for the original stated purpose of the appropriative right."

5. We must make conservation voluntary until we declare a Water Supply Emergency for Riverside.
6. The Cost of Service Analysis says, we conserved too much water and experienced a large decline in water retail revenues due to overpricing water rates. We need lower water rates to achieve greater revenue stability. In order to do that, all fixed costs must be removed from the consumption rates and placed into the monthly meter service charge. Debt expense must be removed from the consumption rate and recovered via property assessment. This will require CC action. The property assessment can be successfully promoted to the voters by explaining the tax deduction benefit to them with water billings going down for all customers. Lower consumption rates will increase retail sales revenue and higher monthly service charges will stabilize total sales revenue for the water utility. Water use will increase to the benefit of the community. Higher more stable water revenues will result and we will see a re-greening of the city landscape- no more dead landscaping and property values will rise (a Win-Win for everyone).
7. The GFT (11.5%) must be removed from the consumption rate and recovered by an increase in the Utility Users Tax (UUT) of 1-2 %. I suggest an increase designed to prevent the General Fund from a loss of (the GFT) revenue plus additional new UUT revenue to pay for the AWS and the Business Retention rate subsidy. Ideally this should be revenue neutral for the water customers as rates will decrease a little and the UUT charge go up a little. The UUT also applies to other utility services such as, electric billings. So, in general a small increase in UUT % will deliver greater tax revenues to the General Fund (above \$7m).
8. The Agricultural Water Subsidy is a budget policy driven program that the CC can exercise to use the (new) UUT revenues to buy down the higher Potable water rates to a level equivalent with the lowest cost Non-potable Gage Canal rate for land owners in the Green Belt under Prop R. This is a tax funded subsidy to support commercial agriculture in the city. The AWS should be available to all land owner/growers who meet specified requirements but may easily be expanded and should include greenbelt growers who currently have water contracts for low potable water rates where they formerly received low cost Gage Canal water.

9. Convert all Gage Canal non-potable customers to metered pressure pipe service. This can be accomplished as a water efficiency program. RPU can apply for grant funds.
10. Energy Cost Adjustments for pumping water shall be deleted from the schedule of rates and charges for all three water systems. All costs are either variable or fixed expenses. The cost of pumping is a variable expense and all expenses for rate setting purposes are accounted for annually not seasonally.
11. The water GFT must be deleted from the City Charter. This can easily be accomplished by the charter review committee or a declaration from the city attorney (the revenue is replaced with increased UUT revenue).
12. The 50% surcharge for customers outside the city limits shall be eliminated by CC action. These customers will be voting as property owners to approve the water service property assessment to recover debt expense. The current surcharge revenue can be recovered in the revised monthly meter charge for all customers.
13. The CC should pass an ordinance requiring all parcels of land within the City to have a water connection and meter installed. This is required for property owners to comply with existing city code requiring "all parcels in the city to be landscaped, irrigated, mowed, trimmed and weeded to present a clean healthy appearance." The water service would then be "immediately available" per Prop 218 and subject to monthly service charges (increases utility revenue and beautifies the city).