



SEWER ENTERPRISE FUND FINANCIAL MODEL AND FINANCIAL POSITION UPDATE

Public Works Department

City Council
August 19, 2025

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WHAT WE DO



Serve **100K** customers & 3
community service districts



Operate **24/7-365**



Ensure **compliance** with
Federal & State regulations



Protect **public health & environment**



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WHAT WE'VE DONE IN A YEAR



10 Billion gallons of wastewater treated



417 Million gallons of recycled water produced



9.5M kw·h clean energy from biogas



550 miles of sewer cleaned and inspected



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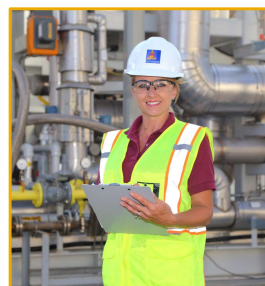
SEWER: ALL DAY EVERY DAY

RIVERSIDE PUBLIC WORKS

**ALL DAY
EVERY DAY**



Sewer team members work 24/7 to keep flow flowing and treatment treating



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REGULATORY OVERSIGHT

RWQCP 2013 NPDES “discharge” Permit; New permit anticipated in 2026

- **More stringent requirements highly likely including:**
 - PFAS monitoring
 - Biosolids disposal
- **Prioritized rehabilitation and replacement of treatment assets**
- **Compliance will require additional investment**

Sewer Collection System - Statewide General Requirements

- **The City shall:**
 - *Maintain a means to manage all necessary revenues for the sanitary sewer system; and*
- **Allocate necessary resources to:**
 - *Comply with the regulation*
 - *Implement Sewer System Management Plan & associated CIP*
 - *Repair the system*

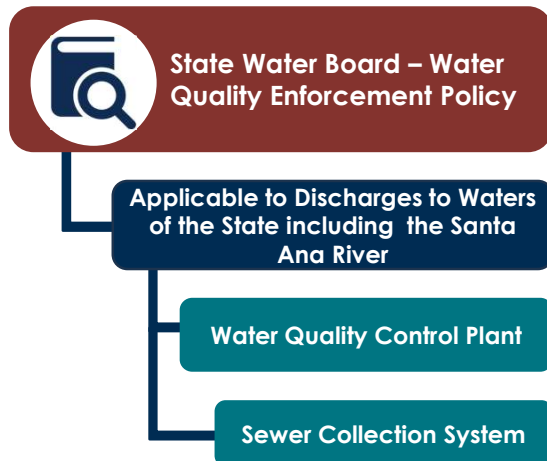


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STATE WATER QUALITY ENFORCEMENT POLICY



State Water Quality Enforcement Policy Perspective

- **Compliance** with regulations **is critical** to protecting public health and the environment
- A point where cooperative approaches should make way for more forceful ones
- Formal enforcement should **always** result **when non-compliance leads to** a competitive **economic advantage**
- Improves public confidence when government is ready, willing, and able to **back up its requirements with action.**



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POLICY OVERSIGHT

2016 Sewer Fund Reserve Policy

- Fiscal stability & guidance to staff on financial management of Sewer Fund
- **“Reserve Goal” is annual ending balance 10% above policy minimum target**
- Reserves below the minimum target, Wastewater and/or Finance will implement plan to return reserves to target levels within three years upon City Council approval

Bond Legal Covenants

- The Additional Bonds Test
- Bond Covenants
 - City maintain **at least 110%** debt service **coverage**
 - Cannot issue any **Additional Bonds** unless it can demonstrate this minimum coverage metric will be met
 - If ever falls below 110%, required to raise sewer rates immediately



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HISTORY OF SEWER RATES

\$580M in CIP projects remaining from 2019 Sewer Master Plan

Sewer Service	Adopted Rate Increase	Implemented Rate Increase
7/1/2014	8.5%	8.5%
7/1/2015	8.5%	8.5%
7/1/2016	8.5%	8.5%
7/1/2017	8.5%	8.5%
7/1/2018	8.5%	0%
7/1/2019	-	0%
7/1/2020	-	0%
7/1/2021	-	0%
7/1/2022	-	0%
7/1/2023	-	0%
7/1/2024	-	0%

Final increase of prior rate plan was paused due to favorable financial position at that time

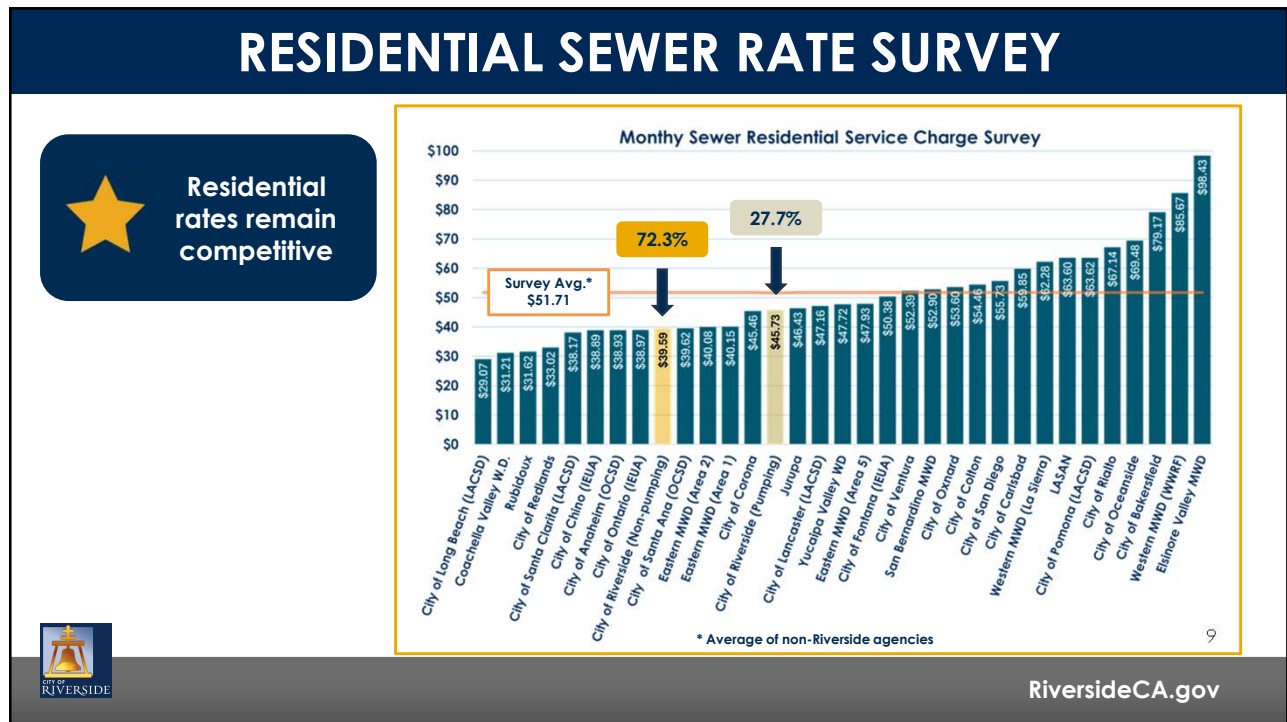
No Rate Increases since 2017



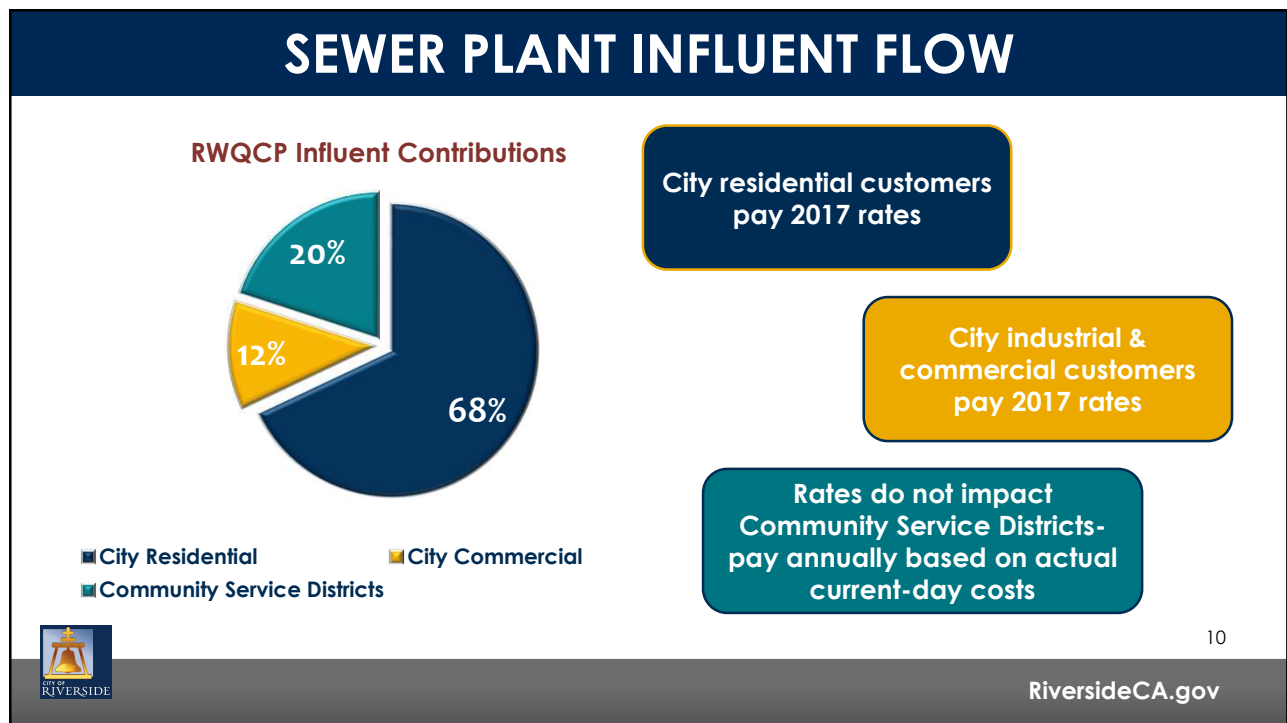
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COSTS AND CAPITAL NEEDS OUTPACING REVENUE

Sewer Fund has absorbed 29.1% in O&M increases



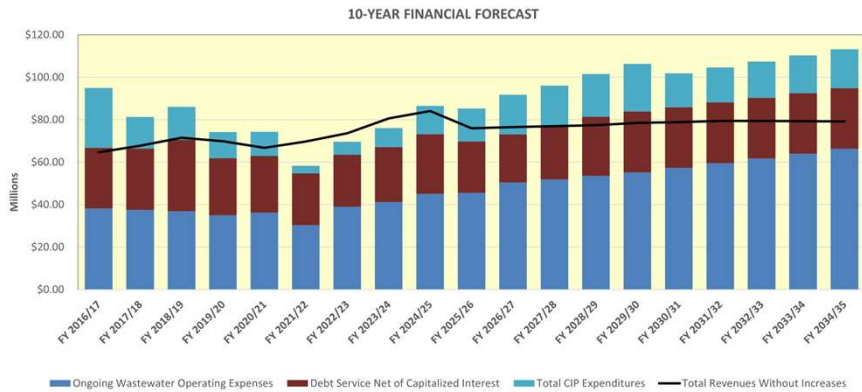
Inflation

Higher costs

- Chemicals (135%)
- Biosolids disposal (56%)
- Construction (57%)
- Labor



Regulations



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WHATS BEEN DONE TO ADAPT & MAINTAIN

Reserves, Settlements, & Grants for Projects

- Utilized reserves and settlement funds for projects to reduce sewer rate pressures
- **Since 2018 executed \$65M in projects 35% below estimated costs (\$65M vs. \$101M)**

Process Efficiencies, Innovation, & Chemicals

- Optimized disinfection process. Received State approval to reduce chemical use
- Re-bid bulk chemicals
- **Estimated savings up to \$1.6M per year**



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TREATMENT PLANT ACCOMPLISHMENTS



HVAC Replacement

Administration, Laboratory, and Operations Center HVAC and control systems replacement (\$3M)



Phase I Levee Rehabilitation

Increase height to protect WQCP from extreme storm events in Santa Ana River (\$5M)



Membrane Bioreactor Treatment Expansion

6 MGD capacity increase for MBR treatment plant (\$5.1M)



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COLLECTION SYSTEM ACCOMPLISHMENTS



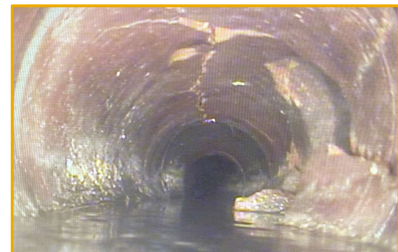
Magnolia Force Main Rehabilitation

2.6-mile lining of City's second- largest pressurized sewer pipe (\$8M)



Van Buren Sewer

Extension of sewer service to unserved portions of City and County of Riverside (City Share \$11.7M)



Priority Pipeline Replacements

Citywide replacements due to failing condition and/or capacity limitation (\$8.6M)



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WHAT WE ARE TRYING TO DO



Position for growth by improving system capacity and replacing deteriorating infrastructure



100% Regulatory Compliance



Proactive yet conservative Capital Improvement Program that ensures continuous reliable service



Strong financial fundamentals & high-grade credit rating



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TREATMENT PLANT NEEDS

AGING TREATMENT ASSETS

- **Activated Treatment Plant**
 - Compliance upgrades for ammonia and nitrogen removal
- **MBR Treatment Plant**
 - By 2027, 75% of the membrane cassettes will be out of warranty
- **Headworks Facility**
 - Complete replacement due to obsolete and failing equipment



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COLLECTION SYSTEM NEEDS

AGING SEWER SYSTEM



- Average age of sewer system is 50 years old; 55% over 50
- 57 miles over 80 years old
- Regulations require prioritized corrective action & capital improvement plan



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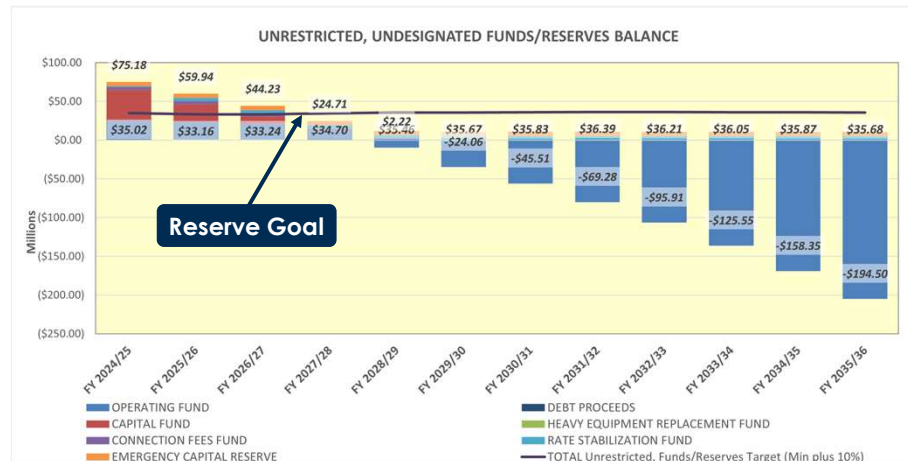
WHERE WE'RE CURRENTLY AT

If unchanged,
by 2027 the fund
will:

Be unable to fund any
Capital Improvement
Program



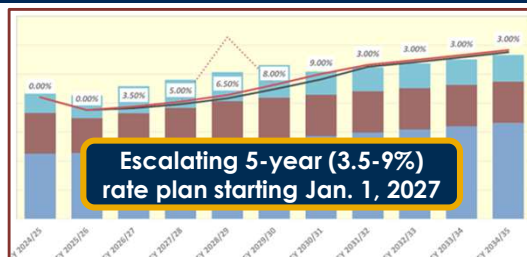
Fail to maintain the
minimum reserve
goal defined by City
Council



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WHAT IF SCENARIOS



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FUTURE CONSIDERATIONS



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RECOMMENDATION

That the City Council:

Receive a report on the Sewer Enterprise Fund Financial Model and provide input on the Sewer Fund financial position.



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