



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: AUGUST 10, 2026

SUBJECT: HOLDING TANK COST REIMBURSEMENT AGREEMENT BETWEEN THE CITY OF RIVERSIDE AND ROBERT ALLEN SHEPHERD

ISSUE:

Consider recommending City Council approve a Holding Tank Cost Reimbursement Agreement between the City of Riverside and Robert Allen Shepherd, which formalizes the terms of a 1999 letter agreement for holding tank cost reimbursement for an estimated annual cost of \$7,600 in addition to \$92,737.47 that has been reimbursed to date for holding tank cost reimbursement until the time that the property can be connected to the public sewer system.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Recommend that the City Council approve a Holding Tank Cost Reimbursement Agreement between the City of Riverside and Robert Allen Shepherd, which formalizes the terms of a 1999 letter agreement for holding tank cost reimbursement for an estimated annual cost of \$7,600 in addition to \$92,737.47 that has been reimbursed to date for holding tank cost reimbursement until the time that the site can be connected to the public sewer system; and
2. Authorize the City Manager, or designee, to execute the agreement, including making minor and non-substantive changes.

LEGISLATIVE HISTORY:

Riverside Municipal Code 14.08.030 – Connection to public sewer required.

- A. No one shall occupy a house or any other structure in the City or camp or live on any premises within the City, unless such house or other structure or such premises be properly connected to a public sewer whenever the property on which such house, other structure or premises is situated abuts upon a public or private street or alley or other right-of-way or City easement in which there exists a public sewer to which connection may be made; provided, however, if a house or structure is served by a satisfactorily functioning septic system, such connection to a public sewer system will not be required until the septic system for such house or other structure fails.

- B. Anyone desiring to obtain a building permit for an addition to any existing house or structure shall be allowed to use a properly functioning septic system.
- C. Anyone desiring to obtain a building permit for a new house or structure shall connect to the public sewer system when the property on which such house or structure is situated is not more than 160 feet from the public sewer and the right-of-way admits such connection, or if the house or structure is located within an area where the use of a septic tank poses a potential contamination risk to the City's drinking water wells in the area, as specified by resolution of City Council. All new houses or structures located within such area must be properly connected to the public sewer system, even if the property on which such house or structure is situated more than 160 feet from the public sewer and/or the right-of-way must be altered to admit such connection.

BACKGROUND:

On June 9, 2025, the Board of Public Utilities discussed this item, requested additional information to address their concerns, and continued the matter to a future Board meeting.

The North Orange Well Field overlying the Riverside groundwater basin is one of three major drinking water supplies for the City of Riverside, providing approximately 18% of Riverside's potable water supply in 2024. Historically, there have been several production wells located within easements on the parcel at 3625 Placentia Lane, going back to the Russell A Well which was constructed in 1931, Russell B Well in 1970, and Russell C Well in 1999. Water produced from these wells contributed to Riverside Public Utilities (RPU) potable water supply as the North Orange Well Field underwent urbanization from agricultural use to industrial and residential developments. Due to the lack of sewer infrastructure in the area, developments utilized on-site septic systems.

As early as 1993, RPU staff had expressed concerns about the developer's proposal for onsite sewage disposal adjacent to the Russell B well. Minutes from the RPU Board's Water Committee Meeting on May 20, 1998 indicate that there were additional requests from the same developer for another property in the area to appeal RPU's denial for water service unless holding tanks were used in lieu of a proposed septic system. Minutes from the October 22, 1998 meeting document a proposal presented to RPU in which the City of Colton would pay for the installation and pumping of holding tanks for a site in San Bernardino County in order to secure water service from RPU; Minutes from the November 17, 1998 meeting confirmed that the developer had accepted the City of Colton's proposal and that RPU staff was working with the developer on providing water service to the property. At that time RPU staff were also working with the state Department of Health Services (DOHS) to prepare a Source Water Assessment (SWA) report of the North Orange area. DOHS had an interest in this report, as they were developing formal guidelines for the Source Water Assessment and Protection Program process and wanted RPU's SWA to serve as an example and test of the new regulation. On December 3, 1998, the Planning Commission approved the conditional use permit for the construction of the Russell C Well to replace the Russell B Well. Construction of the Russell C Well started in 1999 and was completed in late December of that year.

Although the RPU Utilities Director had issued a written request to the Planning Department in July 1998 to consider denying requests for future septic installations in the North Orange area, the development at 3625 Placentia was allowed to proceed with the proposed use of a septic

system. RPU identified this in late November 1999, and the RPU Utilities Director issued a memo to the City Council on December 7, 1999 requesting that the conditions for development be changed to include replacing the sewage leach field with a holding tank, requiring on-going pumping of the tank to dispose of the contents until a time when municipal sewer became available, and requiring the property owner to then connect to the sewer system. These changes were added to the planning case as conditions of approval, and the development was approved by City Council at their meeting that same day.

Later that month, a letter agreement signed by the RPU Utilities Director, Bill Carnahan, dated December 21, 1999, was produced which documented a verbal agreement between the City of Riverside and Robert Allen Shepherd regarding the reimbursement of costs by the City to empty and dispose of holding tank waste until the site was connected to a sewer system. Additional terms of the agreement include the requirement for the property owner to connect to sewer facilities when the sewer was within 200 feet, and the transferability of these conditions and obligations to the new owners of 3625 Placentia Lane.

To prevent future septic installations within the North Orange area, staff completed a SWA report of the Highgrove and North Orange Area of Riverside Basin in August 2000, which identified septic systems as one of the major potential contaminating activities in the area. A Groundwater Protection Plan From Septic Systems in the Highgrove and North Orange Areas was prepared by RPU staff in March 2002 as a follow up and taken to the RPU Board, Land Use Committee, and City Council of that year, with the following recommendations: jointly fund a sewer line project to serve new developments in the vicinity of Placentia Lane with Public Works at an estimated cost of \$1.3 million; present for adoption an ordinance prohibiting installation of new septic systems within the North Orange area; and request that the Riverside County Board of Supervisors adopt a similar position on new septic installations. In July 2002, City Council approved amending Riverside Municipal Code section (RMC) 14.08.030 to reflect the requested changes prohibiting the installation of septic systems for new developments within the North Orange area.

Staff have not been able to confirm that the original 1999 letter agreement was presented to the RPU Board or the City Council for approval. Meeting minutes from January 19, 2000 RPU Board Water Committee Meeting indicate that this item was presented to the Committee Members, and it was agreed that this should be placed on the Board Agenda, however it does not appear that this happened. Searching the past hard copy files, staff found a formalized agreement that was prepared by the City Attorney's Office and signed by Robert Shepherd on January 30, 2001, however it appears that this had not been taken to Board or Council for approval. A search by the City Clerk's Office did not find any records of this item going to Board or Council either.

Due to the uncertainty of an executed agreement and because total reimbursements have exceeded department head approval limits, staff brought this item to Board on June 9, 2025 for Council approval to ratify the understanding between RPU and Robert Shepherd. At the June 9, 2025 meeting following staff's presentation, the Board of Public Utilities continued this item and requested additional information. Staff have since performed additional research. Information and details from the findings along with responses to the questions raised at the last Board meeting have been incorporated into the Board Report.

DISCUSSION:

RMC Section 14.08.030 requires new houses or structures to be connected to the sewer system if located within an area where the use of a septic system poses a potential contamination risk to the City's drinking water wells in the area, as specified by resolution of the City, such as the North Orange area. The recently constructed warehouse development (Riverside Logistics Center) west of 3625 Placentia Lane is connected to the 8-inch sewer main within Center Street.

Sewer connections are required to be made from the customer's parcel to the sewer main fronting the respective parcel. The parcel immediately north of 3625 Placentia Lane is tied into the sewer system within Center St., however, the subject property would not be permitted to obtain service by running their lateral northerly through their neighbor's property. The closest viable connection to an existing sewer line is within Garner Rd., southwest of the site, and would require construction of approximately 2,460 feet of new sewer pipeline at an estimated cost of \$4.1M.

The Northside Neighborhood has several sizeable development projects that are in various stages of the planning process. These are expected to require expansion of sewer infrastructure to service the new demands in this area. As development in the Northside Neighborhood continues, it is anticipated that this will facilitate the necessary expansion of supporting sewer infrastructure that will eventually allow the site to be removed from holding tank service. Additionally, under the RMC Section 14.08.030, failure of the existing system or the need for a building permit at the property will require connection to the public sewer system, even if the property is located more than 160 feet from the sewer main, since there is the potential risk of contamination to the City's drinking water wells.

With regard to existing sewer lines within the area, and the question as to which sites have a record of utilizing onsite septic systems, this is shown in Attachment 1. The data shown on the figure is a combination of the City's Public Works' GIS layer and GIS information received from Riverside County. While Riverside County's GIS data goes back to the early 2000's, it does not include the older onsite septic systems, which only exist in paper record format and have not been digitized into their GIS database.

Under the conditions of the original letter agreement, reimbursement for the costs of emptying the holding tank will continue until the time the City's sewer system is constructed to within 200 feet of the property, at which time the owner would be required to connect to sewer facilities. Regarding the indefinite term of the agreement and if this was the understanding negotiated between the parties, a letter was found dated March 17, 2000 sent from RPU to the Riverside County Department of Environmental Health (County) stating that the City's Public Utilities Department had requested that Mr. Shepherd install a waste water holding tank in lieu of a septic tank and leach field, and that the City had agreed to reimburse Mr. Shepherd for the costs of properly emptying the holding tank. In the letter, according to the County's Ordinance 650 at that time, a holding tank system was considered only as a temporary expedient (not to exceed two years); however, since the site was located within the City and the costs of emptying and disposing of waste were to be borne by the City, RPU requested that the County waive the temporary expedient period of two years to an indefinite period until the City constructed a sewer system in the vicinity of the project. Staff did not find a response from the County in the files.

Although the three Russell Wells A, B, and C have since been abandoned and the utility easements quitclaimed back to the property owner with no future intent to redrill new wells on this parcel, RPU continues to operate nearby potable wells within the area, and the holding tank continues to serve as a means of protecting the quality of the underlying groundwater basin.

Additionally, RPU has realized the protection of the water quality produced by the Russell C Well during its time in operation. While RPU's potable wells are no longer on site, and the septic ordinance is in effect, the property owner is no longer permitted to revert to using an on-site septic disposal system as originally conditioned in the planning case. The only remaining options are connecting to public sewer system when it becomes available or to do so when the existing tanks fail. The reimbursement agreement, along with other source water protection efforts: the implementation of a septic ban ordinance, and RPU's joint funding of new sewer line construction within the North Orange area, have served as a cost-effective management strategy to protect the groundwater basin and the City's potable water supplies in comparison to potential incurred costs to treat contaminated groundwater. Per the City's accounting system, a total of \$92,737.47 has been reimbursed to date (9/7/2001 to 6/24/2026).

This reimbursement agreement is atypical and not a common RPU practice and appears to have originated from the unique timing of the construction of RPU's Russell C Well simultaneously with the property's development, along with the impending regulatory moratorium being developed to prohibit septic systems in the area. In this case, the developer's schedule was slightly ahead of RPU's well construction and the letter agreement served as a last-minute workaround to safeguard the water quality of the well and groundwater basin. The development of the parcel also happened to occur right as the State was preparing formal guidelines for its Source Water Assessment and Protection Program. This along with completion of RPU's Source Water Assessment would provide support for the City's banning of future on-site septic systems within the North Orange area. As there were several wells within the vicinity of the parcel, RPU benefited from the continued protection of its potable water supply, while also allowing the property owner to develop their property.

Staff is seeking to ratify the understanding between both parties in the updated and formalized agreement with Robert Allen Shepherd for on-going reimbursement expenditures for holding tank pumping services until the site is connected to public sewer services.

FISCAL IMPACT:

The estimated annual cost is approximately \$7,600, which will vary slightly based on site use and inflation. Sufficient funds are budgeted and available in the Water Fund, Public Utilities Water Productions & Operations Professional Services Account No. 6200000-421000. Funds for this expenditure will continue to be budgeted within this account until the site has been connected to the City's sewer system.

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Certified as to availability of funds:	Julie Nemes, Finance Director
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Attachments:

1. Figure – 3625 Placentia Lane
2. Letter Agreement
3. Agreement
4. Presentation