



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JUNE 10, 2024

SUBJECT: PUBLIC HEARING - FISCAL YEAR 2024/25 USER FEES AND CHARGES FOR RIVERSIDE PUBLIC UTILITIES ELECTRIC AND WATER

ISSUE:

Consideration of the Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Electric and Water.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Conduct a public hearing to receive public input related to Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Electric and Water;
2. Adopt a resolution to establish the Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Electric, as further described in the resolution;
3. Adopt a resolution to establish the Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Water, as further described in the resolution;
4. Recommend the City Council conduct a public hearing to receive public input related to the Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Electric and Water; and
5. Recommend the City Council adopt a resolution approving the Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Electric and Water, as further described in that resolution.

LEGISLATIVE HISTORY:

Riverside City Charter, Article XII. Department of Public Utilities Section 1202 Power and Duties. The Board of Public Utilities shall have the power and duty to:

- (a) Consider the annual budget for the Department of Public Utilities during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.

- (e) Establish rates for all utility operations as provided under Section 1200 including but not limited to water and electrical revenue producing utilities owned, controlled, or operated by the City, but subject to the approval of the City Council.

BACKGROUND:

On June 13, 2011, the Board of Public Utilities (Board) approved Board Resolution 2011-01. On June 21, 2011, the City Council adopted Resolution No. 22228 to amend Electric Rule Appendix A Electric Fees and Charges Schedule and Water Rule Appendix A Water Fees and Charges. These amendments pertain to charges imposed for specific government services provided directly to customers, services not provided to those not charged. The charges do not exceed the reasonable costs incurred by the City in providing these services. Additionally, some charges are imposed as a condition of property development.

On January 13, 2020, the Board approved Resolution 2020-1, and on February 4, 2020, the City Council adopted Resolution No. 23547 to revise Water Rule A Water Fees and Charges in response to Senate Bill 998 to prohibit low-income residential water service from being disconnected before a 48-hour disconnection notice, offer an amortized payment plan, and implement a reduced same day reconnection fee of \$50. The 2020 low-income service fee is the only update to the Water Fees and Charges schedule approved in 2011.

On May 4, 2021, the City engaged MGT of America Consulting, LLC from RFP 2072 to conduct a comprehensive user fees and charges study (excluding Development Impact Fees). On March 3, 2022, Riverside Public Utilities (RPU) contracted with MGT of America Consulting, LLC, for a fee study for Electric and Water Fees and Charges for time and materials-base user fees for RPU. The firm met with several staff members in all RPU Divisions over several months to better understand the true costs of providing services for individuals and organizations that require individualized services from RPU.

MGT of America Consulting, LLC collaborated with City and RPU staff to gather data based on the FY 2020/21 budget and FY 2019/2020 (pre-pandemic) volume data for analysis in preparation for public outreach. In March 2022, the study was placed on hold due to the impending departure of the City Manager.

On May 8, 2023, the Board approved Resolution 2023-1, and on June 20, 2023, the City Council adopted Resolution R-24003 for the FY 2023/24 Master Fees and Charges schedule, which included a 7.5% CPI increase to account for inflation that was in line with the Consumer Price Index (CPI) of Riverside-San Bernardino-Ontario region in November 2022 (12 month), with the goal of implementing a CPI adjustment to mitigate potentially significant increases to fees and charges until the formal study was updated.

On May 13, 2024, the Board held a workshop to receive information and discuss the Proposed Fiscal Year 2024/25 User Fees and Charges for Riverside Public Utilities Electric and Water.

The current schedule for the Electric Fees and Charges is detailed in Appendix A and is available at <https://riversideca.gov/utilities/residents/rates/electric-rules-rates>. The current schedule for the Water Fees and Charges is detailed in Appendix A and is available at <https://riversideca.gov/utilities/residents/rates/water-rules-rates>.

DISCUSSION:

Fees & Charges Study

A user fee study is typically performed by local governments every 3-5 years to adjust for changing costs and circumstances. Fee studies help manage the City's growth-related fiscal challenges by aligning supply and demand, setting realistic expectations for cost recovery, properly funding needed programs, and creating greater transparency within the community for citywide services.

The June 2023 FY 2023/24 Fees and Charges adoption included increases ranging from 0% to 7.5% to account for the prevailing inflation at the time and reflected by the 7.5% CPI for the Riverside-San Bernardino-Ontario region in November 2022. The City and RPU have largely recovered from the effects of the pandemic, with fee-related activities returning to normal. The data for the current fees and charges study resumed with new, refreshed data for current costs to ensure an accurate accounting of the cost of service.

FY 2024/25 Fees & Charges Study

The City and RPU's consultant, MGT of America Consulting, LLC, has completed the FY 2024/25 Fees and Charges Study (Attachment 2). The study was directed by the Finance Department with support from RPU subject matter experts and analysts. The work included determining the costs to provide specific fee-related services, a review of potential new fees for service, and fiscal projections based on historic fee related activity.

The hourly rate methodology for the study includes determining the hourly rate of the staff performing the service and the time required to provide the service. The fully burdened hourly rate includes salaries, benefits, and overhead rates. The costs were updated using the FY 2023/24 budgeted expenditures and salaries/benefits. The data gathered by staff included the amount of time to perform each task, the known volume of work performed for each task, and calculating the number of productive hours per staff member.

Calculation of the fees and charges, including legal considerations, are listed on pages 1-7 of the Study and include:

State law - In California, user fees are limited to the "estimated reasonable cost of providing a service" by Government Code section 66014(a) and other supplementary legislation. California voters approved Proposition 26 in November of 2010, which defined "taxes" as "any levy, charge, or exaction of any kind imposed by a local government" subject to seven exceptions. Most of the exceptions require that the City charge a fee which does not exceed the reasonable cost to the City to provide the service for which the fee is charged. Thus, if the fee exceeds the reasonable cost of service, it may be considered a "tax" which must be approved by the voters. We have calculated each fee to recover no more than the reasonable cost of each service so that none of the fee adjustments recommended herein will be considered taxes under Proposition 26. Additionally, it should be noted that some fees (e.g., certain animal control fees or oversize permit fees) may be capped by state law and may not change, regardless of any cost analysis performed.

The fees are charged in either of the following ways:

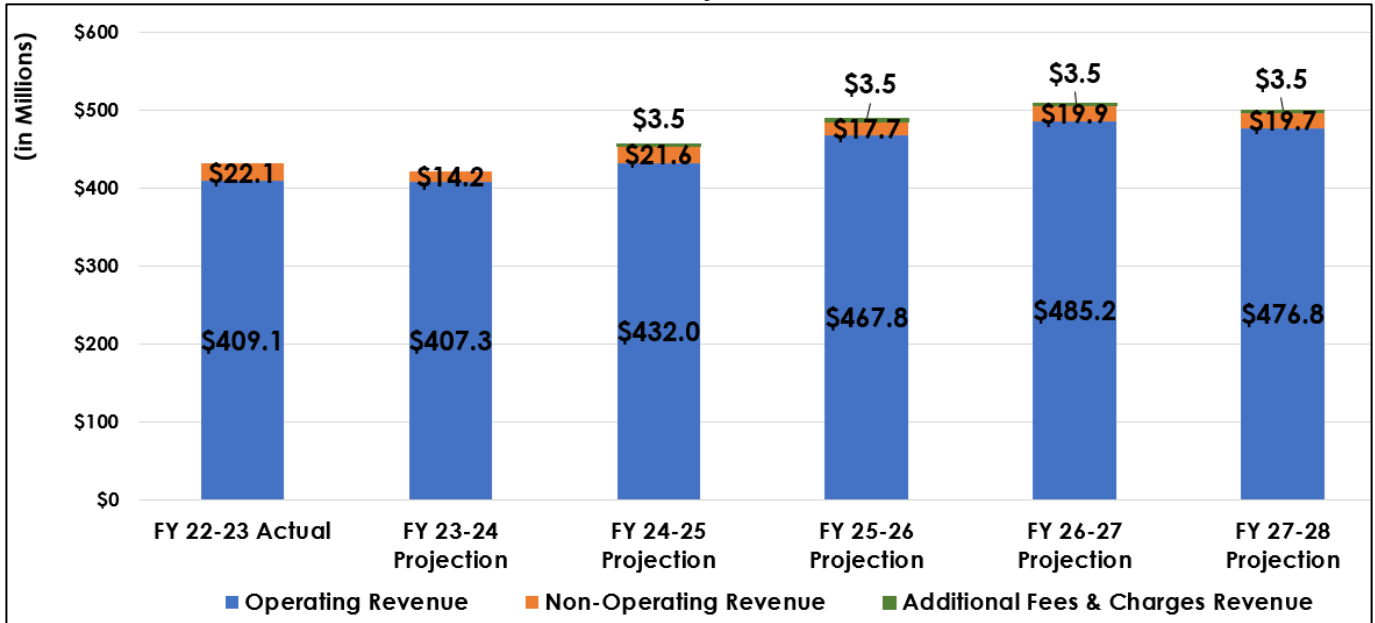
- Flat Fees – same fee, no change for size or complexity
- Actual Cost – City staff track all hours and materials for the service to recover the actual costs

Electric

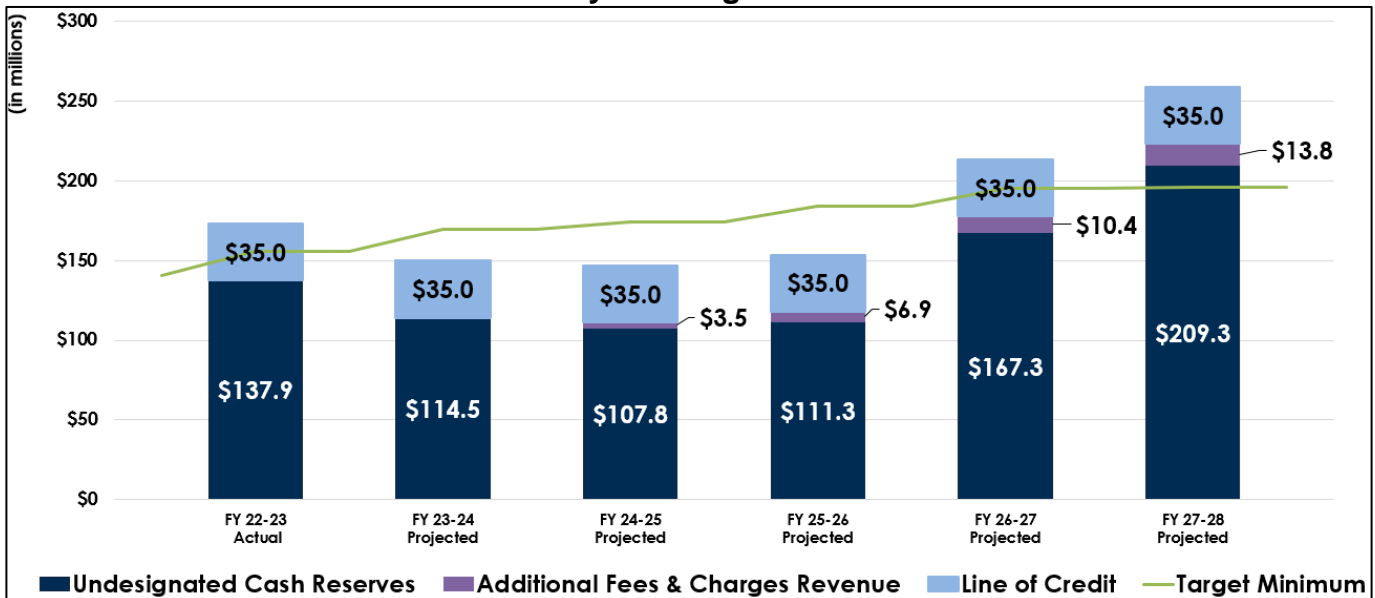
The Study did not include an analysis of Electric Rates for providing electric service to customers. The Study reviewed the electric services, as requested by or benefiting specific individuals or businesses, are recovering 53% of the costs to complete those services. At 100% cost recovery, the additional electric revenue, based on prior service history, is estimated at \$3,460,000.

The current 5-year electric service rates did not include an estimation of additional revenue for fees and charges for services. The estimated impact for FY 2024/25 for the \$3,460,000 would make a one-time 1.0% impact on the Electric rates.

Electric Utility Revenue



Electric Utility Undesignated Reserves



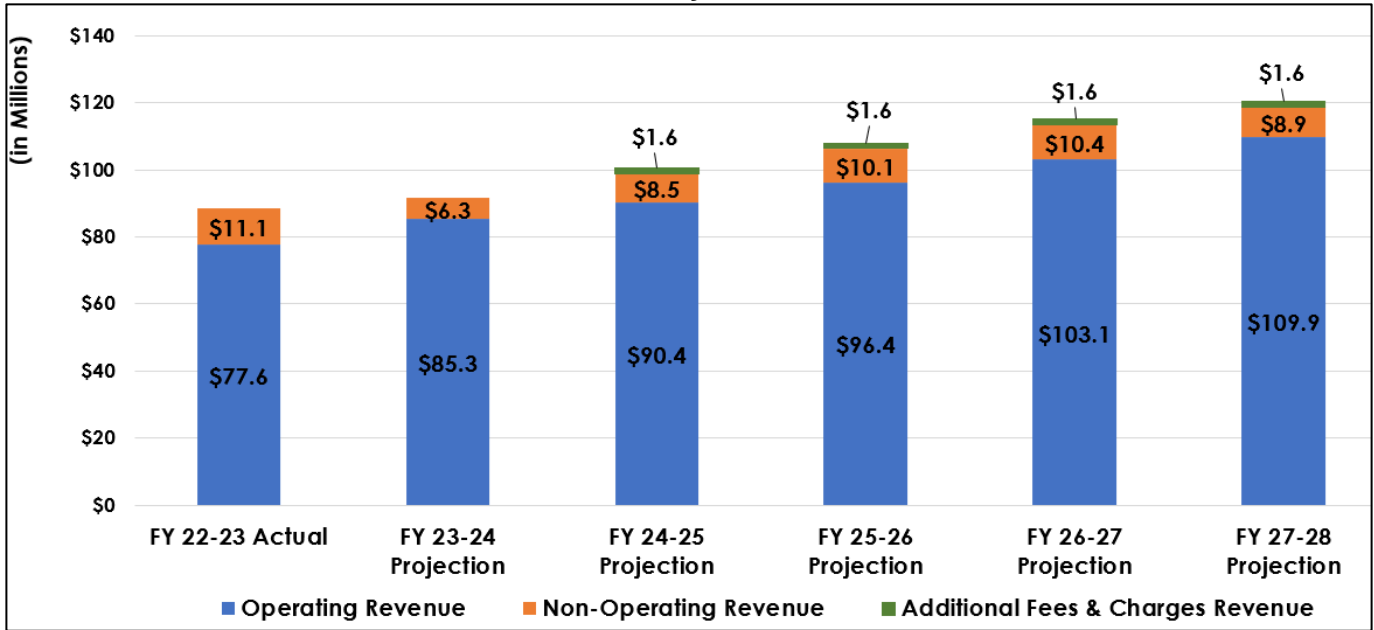
As requested by the Board at the May 13, 2024 workshop, a comparison of the Electric Fees & Charges with neighboring municipal electric providers has been completed and provided in attachment 3.

Water

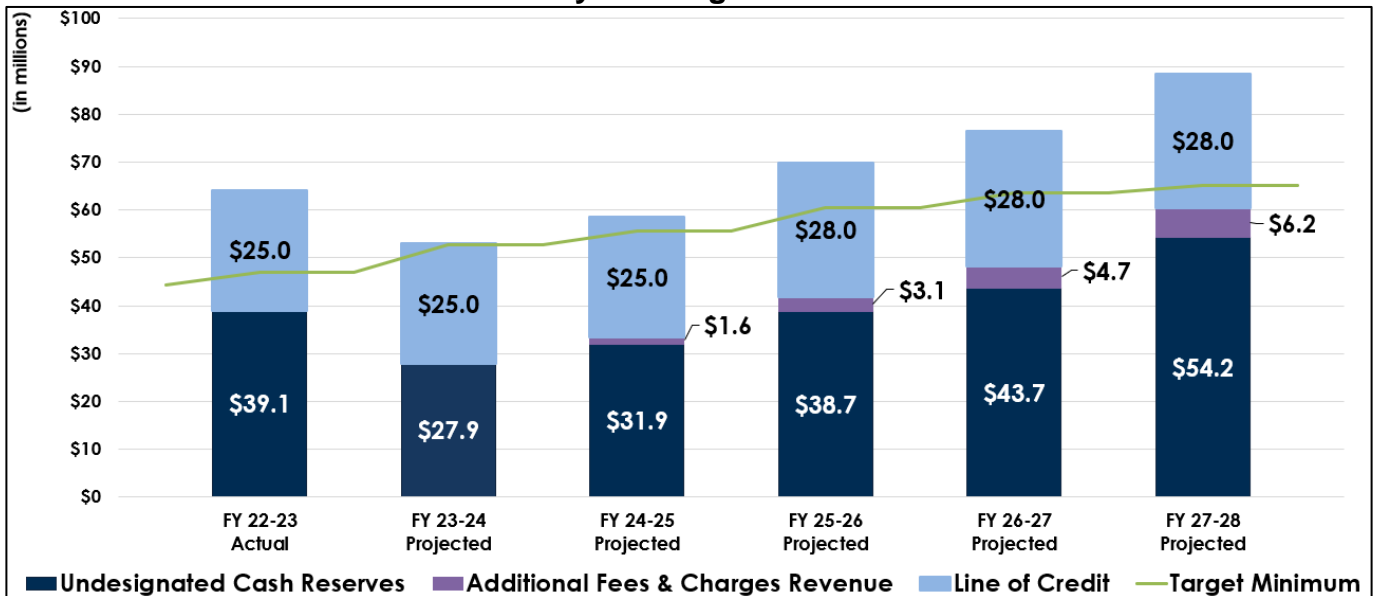
The study did not include an analysis of Water Rates for providing water service to customers. The study reviewed the water services, as requested by or benefiting specific individuals or businesses, and found that they are recovering 37% of the costs to complete those services. At 100% cost recovery, the additional water revenue, based on prior service history, is estimated at \$1,556,000.

The current 5-year Water service rates did not include an estimation of additional revenue for fees and charges for services. The estimated impact for FY 2024/25 for the \$1,556,000 would be a one-time 2.0% impact on the water rates.

Water Utility Revenue



Water Utility Undesignated Reserves



As requested by the Board at the May 13, 2024 workshop, a comparison of the Water Fees & Charges with neighboring municipal water providers has been completed and provided in attachment 4.

Chamber of Commerce Feedback on RPU’s Fees & Charges

In addition to the input received from the various Boards and Commissions, on April 29, 2024, City staff presented an overview of the proposed fee changes to the Riverside Chamber of Commerce Economic Development Council and Building Industry Association. The City received positive feedback from the meeting regarding most of the fees and charges and has a few questions related to RPU Water and Electric proposed fee increases.

As it relates to RPU Water Inspection Fees (Base and Lineal Foot): the Chamber recommended truing up the fee in relation to the size of the line/project. They recommended that staff could look at either 1) reducing the base fee and adjusting the lineal ft fee to represent the size of the project more accurately or 2) allowing the base fee to cover a minimum of a certain number of feet. Staff has confirmed that the inspection fee accounts for the minimum project size, not the average project size as initially indicated. It captures the standard labor costs associated with material submittal review, survey cut-sheet review, preconstruction meeting, pothole data review, inspection of material review delivery, as-built drawing review, etc., regardless of project length. The per-foot charge will be calculated based on the size of the project.

The water service connection fee has been updated to include the minimum standard water service connection fee based on connection size with an estimated paving component based on project size.

| | Fee Description | | Service Line | Paving |
|----|---|---------------------|--------------|----------------|
| 59 | Water Service Connection Charges - 3/4 inch meter (residential 2 lane street) | Flat Fee | \$3,277 | Estimated Cost |
| 60 | Water Service Connection Charges - 3/4 inch meter (non-residential/4 lane street) | New flat fee | \$5,265 | Estimated Cost |
| 61 | Water Service Connection Charges - 1 inch meter (residential 2 lane street) | Flat Fee | \$3,288 | Estimated Cost |
| 62 | Water Service Connection Charges - 1 inch meter (non-residential/4 lane street) | New flat fee | \$5,277 | Estimated Cost |

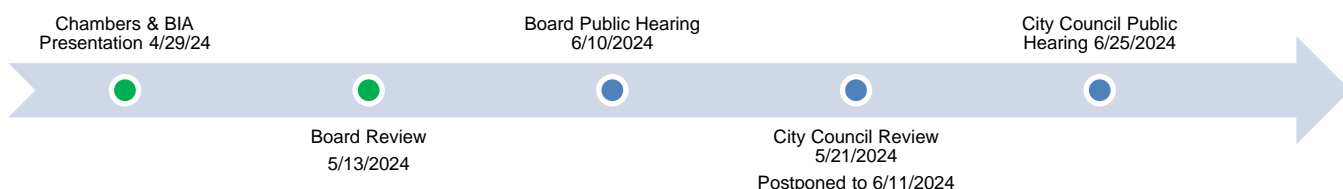
Additional clarity was requested about RPU’s Electric Meter Disconnect-Reconnect and Midspan fees. To clarify, the basis of existing electric Meter/Service Disconnect-Reconnect fees are needed when a service needs to be disconnected for work on the customer side of the meter (for example electrician working on a panel upgrade, breaker upgrade, or a planned outage for any other reason). This is a highly skilled labor intensive request. The electrical service needs to be reconnected once the work has been completed. This is for work where there is no change in service size, service conductors, reroute, and meter quantity. This fee includes hours for a standard 3-man Electric Utility Service Crew to disconnect the electric service requested by customers and in coordination with the Building and Safety Division. In most instances, the crew must make the trip at least two times, once in the beginning of the day to disconnect the power and allow the customer’s electrician to work on the panel safely while de-energized. The electrical crew must then be on standby and return the same afternoon if the work has been completed and the Building and Safety Inspector has approved the installation, for the Utility Service Crew to restore power to the electrical panel at the home or property.

Electric Service Midspan fee is applied to remove overhead electric service conductors crossing over someone else’s property and don’t meet overhead clearance requirements

when requests for panel upgrades are submitted. Customers that have these pre-existing conditions must bring their electric service to RPU's current standards to relocate the electric service going over some else's property before making any panel and electric service replacements/upgrades. Also, if property improvements create overhead electrical clearance issues, the customer must fix issues by bringing their electric service to current standards. This fee includes hours for a standard 3-person Electric Utility Service Crew to fix overhead electric service infractions and bring it to safe utility practices in accordance with Utility requirements.

Timeline and Engagement

Below is an anticipated timeline for the User Fees and Charges review and approval. The City Council Workshop for Fees and Charges scheduled on the May 21, 2024, agenda was postponed to the June 11, 2024 City Council meeting.



STRATEGIC PLAN ALIGNMENT:

The reporting and presentation of financial results support **Strategic Priority 5 – High Performing Government** and **Goal 5.3** - Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision making.

Financial reporting aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Presentation of financial results provides a transparent view and communication of City finances in a forum that accommodates community engagement.
2. **Equity** – The financial report is available to all members of the public via the City website, and the presentation of the financial report in a public forum accommodates community engagement from all members of the public.
3. **Fiscal Responsibility** – The financial report and proposed recommendations demonstrate the City's commitment to responsible management of the City's financial resources.
4. **Innovation** – The financial reports, methodologies, and strategies proposed by staff demonstrate innovative management of City finances.
5. **Sustainability & Resiliency** – The financial reports, methodologies, and strategies proposed by staff demonstrate the City's commitment to the long-term fiscal health of the City and the preservation of City services.

FISCAL IMPACT:

Fees and charges are intended to offset the cost of providing the services rendered. The proposed fees and charges are estimated to have a fiscal impact of \$5,016,000 in FY 2024/25.

| Department | FY 2024/25 Projected Revenue Impact |
|---------------------------------------|-------------------------------------|
| 510 Electric Fund | \$3,460,000 |
| 520 Water Fund | \$ 1,556,000 |
| Projected Revenue Impact Total | \$5,016,000 |

Prepared by: Carlie Myers, Utilities Assistant General Manager Finance/Administration
Approved by: David A Garcia, Interim Utilities General Manager
Certified as to availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Board Resolution and recommended Electric and Water Rules, Appendices, and Rate Schedule (red-lined)
2. MGT Fees & Charges Study, Electric and Water only
3. Comparison Survey Electric
4. Comparison Survey Water
5. Presentation