



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: APRIL 16, 2024**
FROM: PUBLIC UTILITIES DEPARTMENT **WARDS: ALL**
SUBJECT: RENEWAL OF THE TEN-YEAR WATER CONSERVATION SURCHARGE

ISSUE:

Approve the renewal of the ten-year 1.5% Water Conservation Surcharge applied to all Riverside Public Utilities water customer accounts.

RECOMMENDATIONS:

That the City Council:

1. Conduct a public hearing to engage the community and receive input related to the renewal of the Water Conservation Surcharge applicable to all RPU water customers;
2. Approve the renewal of the Water Conservation Surcharge applicable to all RPU water customers, effective through the ten years thereafter; and
3. Adopt a resolution establishing the revised Schedules WA-1A, WA-1B, WA-2, WA-4, WA-5, WA-6, WA-7, WA-8, WA-10, WA-11, and WA-12 effective upon Council approval through ten years thereafter.

BOARD RECOMMENDATION:

On January 22, 2024, the Board of Public Utilities, with eight members present, conducted a public hearing to receive public input related to the renewal of the ten-year Water Conservation Surcharge. Pursuant to Proposition 218, the Board received 23 valid protests regarding the renewal of the Water Conservation Surcharge, which is less than a majority of ratepayers. Following discussion, the Board voted seven “ayes” and one “no” to renew the Water Conservation Surcharge for an additional ten-year term upon City Council approval; recommend that the City Council conduct a public hearing to receive input related to the renewal of the ten-year Water Conservation Surcharge.

LEGISLATIVE HISTORY:

Pursuant to Proposition 218 the Board of Public Utilities conducted a public hearing to allow the public to comment upon the proposed Water Conservation Surcharge. If more than 50% of the

ratepayers had protested in writing, then the proposed surcharge could not be adopted by the City; however, only 23 protests were received.

On December 6, 2023, written notices were mailed to all water utility customers. The Board of Public Utilities hearing was also advertised in the Press-Enterprise on January 4, 2024, satisfying the legal requirements to notice the public hearing. The Riverside Public Utilities (RPU) website was updated with information regarding the public hearing: <https://www.riversideca.gov/utilities/about-rpu/board-public-utilities/public-hearings>.

City Charter section 1202(e) provides that the Board of Public Utilities is authorized to establish rates for all utility operations, but subject to the approval of the City Council. This public hearing is to complete the approval process set out in Charter section 1202.

BACKGROUND:

On May 6, 2004, the Board of Public Utilities held a public hearing to present the Water Conservation Surcharge and provide written and verbal comments from customers. On May 14, 2004, the Board approved the Water Conservation Surcharge and adopted Board Resolution 2004-02 to adopt and establish the water conservation and reclamation surcharge. The charge was approved at one-half of a percent (0.5%) effective June 1, 2004, another one-half of a percent (0.5%) effective June 1, 2005, and a final additional one-half of a percent (0.5%) effective June 1, 2006, for a total of one- and one-half percent (1.5%) of total water rates and charges, through May 31, 2014. Approval of the surcharge included restrictions on the use of the funds to be used for only:

1. Water conservation and reclamation education programs;
2. Water conservation and reclamation programs;
3. Science and technology advancement of water conservation and reclamation research, development and demonstration programs;
4. Water conservation and reclamation assistance for low-income customers in the City; and
5. Other programs consistent with the Board's water conservation and reclamations goals and objectives.

On May 25, 2004, City Council approved the Water Conservation program, adopting Resolution No. 20695, for the same one-half percent (0.5%) surcharge amounts and effective dates for a total of one- and one-half percent (1.5%) of the total retail water usage-based rates and charges, effective through May 31, 2014. Approval of the surcharge included the restricted use of the fund to be expended on such water conservation and reclamation programs recommended by the Board and approved by City Council.

On March 21, 2014, the Board conducted a public hearing to receive input on the renewal of the Water Conservation Charge and to eliminate the expiration date of the surcharge. At the meeting, the renewal of the program was approved by Board Resolution 2014-01 at the one- and one-half percent (1.5%) for a period of ten years following City Council approval of the renewal. The surcharge restrictions were modified from the original program to be used for only:

1. Conservation, education, and water use efficiency programs; and
2. Research, development, and demonstration programs to advance science and technology with respect to water conservation.

On April 22, 2014, City Council approved the renewal of the Water Conservation Surcharge, adopting Resolution No. 22675, for the one- and one-half percent (1.5%) for a period of ten years or April 22, 2024.

On March 19, 2024, City Council discussed the renewal of the Water Conservation Surcharge applicable to all RPU water customers and voted 5 yeses and 1 no to continue the conversation to April 16, 2024, to allow staff to gather and present additional information.

DISCUSSION:

For over 100 years, the delivery of safe and reliable water to customers has been an essential service of RPU.

Why Do We Need a Water Conservation Surcharge

Saving water is a way of life for California. In November 2009, the Governor and State Legislature approved Senate Bill (SB) x7-7 mandating urban water suppliers to lower per capita water usage 20% by the year 2020. In 2018, Senate Bill 606 and Assembly Bill 1688 created State Water Resources Control Board's Framework, 'Conservation is a California Way of Life' requires that retail water agencies calculate, and report water use objectives to the Department of Water Resources annually. RPU must complete a set of compliance tasks that will inform and potentially change water use objectives over time. The renewal of the Water Conservation Surcharge is essential to assist RPU provide education and program offerings to customers to meet the new efficiency requirements that are focused on residential and commercial, industrial, and institutional water usage.

Water Conservation Surcharge Benefits

The conservation programs and efforts are funded through the Water Conservation Surcharge. RPU has expended over \$13 million dollars and leveraged an additional \$5.2 million dollars in conservation program funding from Western Municipal Water District and the Metropolitan Water District of Southern California (WMD). Since the 2014 renewal of the Water Conservation Surcharge, RPU has received funding from Western Municipal Water District to administer programs such as Multi-family High Efficiency Toilet Direct Installation Program, FreeSprinklerNozzles.com and reimbursement for Weather Based Irrigation Controllers installed via the RPU Smart Irrigation Program.

During the 2014/15 drought in Southern California, MWD allocated \$3.5 million to RPU to enhance the RPU WaterWise Landscape Program. Since 2018, all RPU water rebate programs are administered by MWD's SoCalWaterSmart.com. RPU utilizes funding from the Water Conservation Surcharge to enhance the incentive level of certain water rebates that are deemed to show the best benefit for the City. The increased incentive provided by the Water Conservation Surcharge allowed RPU to offer \$5 per square of turf removed and has inspired other water districts to emulate the RPU incentive.

Since its adoption in 2004, the Water Conservation Surcharge has funded programs that have resulted in providing 61,318 customer rebates for water efficiency measures with a combined lifetime water savings of 13.4 billion gallons of water. The surcharge funded programs have helped customers save water, reduce costs and allowed RPU to meet state mandated water conservation targets while continuing to be a responsible environmental steward of water

resources.

Water Conservation Programs 2014 - today

Since 2014, over 38,800 rebates have been provided to support water conservation, contributing to a total combined savings over 4.2 billion gallons of water. The table below highlights the most popular water rebates:

| Measure/Device | Number Provided | Water Savings (Gallons) |
|--|------------------------|--------------------------------|
| High Efficiency Clothes Washers | 3,606 | 28,940,868 |
| High Efficiency Toilets | 2,625 | 31,410,016 |
| Smart Irrigation Controllers (Direct Installation) | 1,709 | 116,468,836 |
| High Efficiency Sprinkler Nozzles | 27,492 | 116,748,588 |
| Weather based irrigation controller | 668 | 28,464,392 |
| Commercial waterwise landscape | 57 | 3,384,311,040 |
| Waterwise landscape incentive | 614 | 481,914,708 |

Since 2014, residential and commercial turf replacement programs have had robust participation with nearly 2.5 million square feet of turf being removed resulting in less water being used to irrigate and reduced water costs for customers.

| Description | Turf Removed Sq Ft |
|--------------------|---------------------------|
| Residential | 1,048,635 |
| Commercial | 1,446,410 |
| Total | 2,495,045 |

On September 20, 2022, the City Council approved a set of enhancements to existing water conservation programs. These changes brought about an expansion of existing programs as well as an increase to the available funding for water rebates. The rebate program currently allocates \$610,000 towards water efficient devices and turf removal programs.

| Water Classes | Class Participants | Water Conservation Community Events | Community Event Participants |
|----------------------|---------------------------|--|-------------------------------------|
| 549 | 16,020 | 51 | 15,892 |

Education programs have played a significant role in ensuring RPU's younger residents understand the importance of being responsible water users and how to contribute to water sustainability. Since 2014, the Customer Engagement Team has provided extensive educational content to over 16,000 young Riversiders, teaching them about water conservation and efficiency.

Community educational outreach has been consistent and there have been a wide range of diverse events attended since 2014 including - school science fairs, engineering days, Earth Day and Earth night, STEM PULL, STEM FUNDamentals, Explore Riverside, STEP conferences and reading events.

Lifetime Conservation Fund Activity

At the March 19, 2024, the fund activity was requested to be brought back to the City Council. The following chart outlines the conservation surcharge collected from customers, program funding from other agencies, program costs and the fund balance.

| Fiscal Year | Surcharge Collected | Other Credits from WMWD, Interest earned | Program Costs | Administrative Costs | Fund Balance |
|--------------------|----------------------------|---|----------------------|-----------------------------|---------------------|
| FY 04-05 | \$152,913 | \$2,576 | \$2,029 | \$22,098 | |
| FY 05-06 | \$377,485 | \$56,249 | \$187,013 | \$40,875 | \$131,362 |
| FY 06-07 | \$661,411 | \$75,452 | \$165,953 | \$55,205 | \$33,208 |
| FY 07-08 | \$703,051 | \$122,216 | \$140,197 | \$143,821 | \$852,913 |
| FY 08-09 | \$758,930 | \$175,501 | \$302,096 | \$138,935 | \$1,394,162 |
| FY 09-10 | \$781,026 | \$55,955 | \$265,024 | \$293,673 | \$1,887,562 |
| FY 10-11 | \$839,978 | \$57,666 | \$376,519 | \$371,389 | \$2,165,846 |
| FY 11-12 | \$907,722 | \$20,182 | \$527,696 | \$397,089 | \$2,315,582 |
| FY 12-13 | \$942,273 | \$105,138 | \$637,147 | \$441,470 | \$2,318,701 |
| FY 13-14 | \$954,477 | \$92,368 | \$471,428 | \$364,236 | \$2,287,495 |
| FY 14-15 | \$869,087 | \$4,550,843 | \$5,068,628 | \$365,838 | \$2,498,676 |
| FY 15-16 | \$754,834 | \$1,283,677 | \$1,580,118 | \$396,340 | \$2,163,479 |
| FY 16-17 | \$820,655 | \$299,074 | \$911,528 | \$423,196 | \$2,225,532 |
| FY 17-18 | \$875,328 | \$11,066 | \$483,697 | \$431,095 | \$2,009,655 |
| FY 18-19 | \$866,493 | \$76,067 | \$260,744 | \$489,510 | \$2,046,945 |
| FY 19-20 | \$931,938 | \$91,485 | \$228,467 | \$391,632 | \$2,239,251 |
| FY 20-21 | \$1,063,420 | \$3,232 | \$295,117 | \$510,276 | \$2,902,499 |
| FY 21-22 | \$1,091,280 | \$(91,003) | \$214,711 | \$518,135 | \$3,163,758 |
| FY 22-23 | \$1,047,271 | \$42,895 | \$485,165 | \$491,645 | \$3,431,189 |
| | \$15,399,572 | | \$12,603,277 | \$6,286,458 | |

The Water Conservation Program projected year end fund balance and proposed 2-year budget:

| Fiscal Year | Starting Fund Balance | Surcharge Collection | Water Programs | Admin. Costs | Projected Fund Balance |
|---------------------------------|------------------------------|-----------------------------|-----------------------|---------------------|-------------------------------|
| Projected Year End for FY 23/24 | \$3,431,189 | \$1,374,000 | \$1,140,494 | \$505,866 | \$3,158,829 |
| Budgeted for FY 24/25 | \$3,158,829 | \$1,481,000 | \$1,163,300 | \$401,488 | \$3,075,041 |
| Budgeted for FY 25/26 | \$3,075,041 | \$1,613,000 | \$1,186,550 | \$417,161 | \$3,084,330 |

Current cost for Water Ratepayers

The Water Conservation Surcharge accounts for 1.5% of the total water rates and charges. The average residential customer pays \$0.91 a month, or about \$10.92 per year. The average commercial customer pays \$1.70 a month or about \$20.40 per year. Since 2020, the average annual collection for the surcharge is approximately \$1,033,000, with a 20-year program average collection of \$810,000.

A review was requested to provide additional details on estimations for alternative surcharge collection percentages.

| Fiscal Year | Projected Water Sales | Budgeted Program and Staff costs | Surcharge Renewal 1.5% | If reduced to 1% Surcharge | If reduced to 0.5% Surcharge |
|--------------------|------------------------------|---|-------------------------------|-----------------------------------|-------------------------------------|
| FY 24-25 | \$81,587,000 | \$1,565,000 | \$1,223,805 | \$815,870 | \$407,935 |
| FY 25-26 | \$87,330,000 | \$1,604,000 | \$1,309,950 | \$873,300 | \$436,650 |

The water bill impact scenarios for the average monthly Residential Customer, 21 CCFs per month, surcharge based on currently adopted Water Rates.

| Rate Effective Date | 1.5% | 1% | 0.5% |
|----------------------------|-------------|-----------|-------------|
| 10/1/2023 | \$.91 | \$.61 | \$.30 |
| 7/1/2024 | \$.98 | \$.65 | \$.33 |
| 7/1/2025 | \$1.04 | \$.70 | \$.35 |

The renewed Water Conservation Surcharge is recommended to be renewed 1.5% and continue to be strictly designated for water conservation programs though:

1. Conservation, education, and water use efficiency programs; and
2. Research, development, and demonstration programs to advance science and technology with respect to water conservation.

Water Efficiency tips can be found online at <https://riversideca.gov/utilities/residents/our-water/water-efficiency> and Water Efficiency rebates, administered and processed by Metropolitan Water District, can be found online at <https://socalwatersmart.com/en/residential/>.

STRATEGIC PLAN ALIGNMENT:

The Water Conservation Surcharge aligns with Strategic Priority 4, Environmental Stewardship, Goal 4.2 to sustainably manage local water resources to maximize reliability and advance water reuse to ensure safe, reliable, and affordable water to our community.

The agreements align with the following of the City's Cross-Cutting Threads as described below:

1. **Community Trust** – The Water Conservation Surcharge programs ensure that RPU can continue to provide community outreach and education on water conservation and help

customers to achieve these goals.

2. **Equity** – The Water Conservation Surcharge programs and educational offerings are accessible across the community and materials are provided in accessible languages and formats.
3. **Fiscal Responsibility** – The Water Conservation Surcharge funds include a restricted, designated use; all programs and education provisions are carefully reviewed to ensure financial prudence is observed.
4. **Innovation** – The Water Conservation programs reflect the most current tools and technologies to provide the best possible water efficiencies are available.
5. **Sustainability & Resiliency** – The purpose of the Water Conservation programs is to promote and encourage water conservation measures and education to the community to ensure the best outcomes in terms of sustainability and resiliency are achieved.

FISCAL IMPACT:

The renewal of the Water Conservation Surcharge will provide approximately \$1,000,000 per year for the Water Conservation restricted fund. Annual program budgets will be included in the City's budget biennial budget process and new water efficiency program offerings presented to the Board and City Council for approval.

Prepared by: Daniel E. 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. Council and Board Resolutions
2. PE Hearing Notice
3. Board of Public Utilities Minutes 1/22/24
4. Presentation