



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JULY 22, 2024

SUBJECT: WATER CONSERVATION SURCHARGE PROGRAM ENHANCEMENTS IN THE AMOUNT OF \$615,000 FOR A TOTAL PROGRAM AMOUNT OF \$1,215,000

ISSUE:

Consider approving Water Conservation Surcharge programing enhancements for an additional amount of \$615,000 for a total program amount of \$1,215,000 for Fiscal Year 2024/25.

RECOMMENDATIONS:

That the Board of Public Utilities approve and recommend that the City Council:

1. Approve the increase to the annual Turf Removal Programs, Residential by \$175,000 for a total of \$400,000, and Commercial by \$400,000 for a total of \$700,000, total increase of \$575,000;
2. Approve rebate funding for High Efficiency Toilet Programs, Residential for \$10,000 and Commercial for \$40,000, total of \$50,000;
3. Approve rebate funding for a High Efficiency Clothes Washer Program in the amount of \$40,000;
4. Approve the reduction for the Weather Based Irrigation Controller Program to \$15,000, a decrease of \$10,000;
5. Approve the reduction for the High Efficiency Sprinkler Nozzles Program to \$5,000, a decrease of \$10,000;
6. Approve the reduction to the Hose Bib Timer Program to \$2,500, a decrease of \$7,500; and
7. Approve the reduction to the Residential Flow Monitoring Device Program to \$2,500, a decrease of \$22,500.

LEGISLATIVE HISTORY:

On May 24, 2022, the State Water Resources Control Board (SWRCB) adopted an emergency

water conservation regulation to ensure water purveyors adopted more aggressive conservation measures across the state due to the drought. The regulation required all urban water suppliers to implement conservation actions under Level two (2) of their Water Shortage Contingency Plans. With abundant precipitation and snowpack in California starting in late 2022 and continuing into early 2023, California Governor Newsom on March 24, 2023, rescinded the conservation requirements and rolled back the call for voluntary conservation. As a result of the rescinded requirements, the Department of Water Resources (DWR) has announced the 100% delivery of requested water through the State Water Project.

On October 13, 2023, Assembly Bill AB 1572 was adopted by the State Legislature. The goal of the legislation is to prevent the use of potable water for irrigating nonfunctional turf (decorative grass). The Bill specifically prohibits potable water for the irrigation of nonfunctional turf on commercial, industrial, and institutional properties (CII), as well as on properties of homeowners' associations, common interest developments, and community service organizations or similar entities. In addition, AB 1572 establishes implementation dates by different types of organizations beginning in January 2027, starting with local governments, local or regional public agencies and public water systems; full implementation is expected by January 2031.

BACKGROUND:

Water Conservation Surcharge

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:

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 January 22, 2024, the Board conducted a public hearing to receive input on the renewal of the Water Conservation Charge. At the meeting, the renewal of the program was approved by Board Resolution 2024-1 at one- and one-half percent (1.5%) for a period of ten years or April 22, 2034.

On April 16, 2024, continued from March 19, 2024, the City Council conducted a public hearing and received a report on the renewal of the Water Conservation Surcharge. City voted to discontinue the Water Conservation Surcharge and continue the Water Conservation Program until the Water Conservation Surcharge fund is fully expended.

Metropolitan Water District

Metropolitan Water District (MWD) is the wholesale water district for most water agencies in Southern California. Water districts such as Western Municipal Water District (WMWD) purchase their water or supplement their water supply from MWD. In 2006, MWD and WMWD entered into a Water Conservation Funding Agreement to provide funding for local residential, commercial, industrial, and institutional water conservation programs. Concurrently, RPU entered into an agreement with WMWD that allowed RPU to participate in MWD's water conservation programs as a member agency of WMWD. The term for both agreements was from Fiscal Year (FY) 2006/07 through FY 2014/15. The WMWD/RPU agreement allowed RPU to receive regional water conservation funding during California's unprecedented 2014-16 drought, assisting RPU to fund such programs as the popular WaterWise Landscape Program, which contributed to RPU meeting its state-mandated water conservation goals.

In 2015, MWD and WMWD executed the Second Amendment to the Residential and Commercial Water Conservation Funding Agreement, extending WMWD participation in the conservation programs through June 30, 2025.

On June 12, 2018, the City Council approved RPU's participation in MWD's regional conservation program, which offers rebates and conservation measures, including high-efficiency toilets, high-efficiency clothes washers, weather-based irrigation controllers, turf replacement (Water-wise landscaping) and other commercial and residential incentives. SoCalWaterSmart.com provides RPU customers with a fully automated, convenient rebate application and rebate processing tool.

DISCUSSION:

At the April 22, 2024, Board Meeting, Interim General Manager Danny Garcia reported that the City Council did not approve the renewal of the Water Conservation Surcharge and that Vice Chair Goldware asked for a RPU to return to the Board with a plan to draw down the Water Conservation Surcharge fund. By Resolution, the Water Conservation Surcharge funds are to be used only for

conservation, education, and water use efficiency programs; and research, development, and demonstration programs to advance science and technology with respect to water conservation. The audited fund balance as of June 30, 2022 is \$3,431.189.20.

In the effort to broadly distribute Water Conservation Surcharge funds, it is necessary to maximize access by increasing programs offered and funding availability for popular incentives. Making reductions to the program funding available for those less-popular programs and increasing funds available where programs can realize the maximum water savings would ensure that funds could be accessed more widely across RPU's water customer base.

The proposed program increases including adding funding to the more popular residential and commercial turf removal programs and increasing the RPU incentive from \$3 per square foot to \$5 per square foot, increasing the combining program benefit from \$5 to \$7. The proposal includes reintroducing rebate enhancements for high efficiency clothes washers and residential and commercial high efficiency toilets. The proposed project decreases are for weather-based irrigation controllers, high efficiency sprinkler nozzles, hose bib timers and flow monitoring devices. The table below outlines the proposed changes to the FY 2024/25 Water Conservation Funded programs.

RESIDENTIAL						
Programs	MWD	RPU	Total Incentive	FY 2023/24 Budget	Proposed Changes	Proposed Budget FY24/25
Turf Removal (Sq Ft)	\$2	\$5	\$7	\$225,000	\$175,000	\$400,000
Weather Based Irrigation Controller	\$80	\$120	\$200	\$25,000	-\$10,000	\$15,000
High Efficiency Sprinkler Nozzles	\$2	\$3	\$5	\$15,000	-\$10,000	\$5,000
Hose Bib Timer	\$35	\$15	\$50	\$10,000	-\$7,500	\$2,500
Flow Monitoring Device	\$100	\$75	\$175	\$25,000	-\$22,500	\$2,500
High Efficiency Clothes Washer	\$85	\$200	\$285	\$0	\$40,000	\$40,000
High Efficiency Toilets	\$40	\$100	\$140	\$0	\$10,000	\$10,000
Residential Total				\$300,000	\$175,000	\$475,000
COMMERCIAL						
Programs	MWD	RPU	Total Incentive	FY 2023/24 Budget	Proposed Changes	Proposed Budget FY24/25
Turf Removal (Sq Ft)	\$2	\$5	\$7	\$300,000	\$400,000	\$700,000
High Efficiency Toilets	\$40	\$200	\$240	\$0	\$40,000	\$40,000
Commercial Total				\$300,000	\$440,000	\$740,000
Program Total				\$600,000	\$615,000	\$1,215,000

The proposed program changes for FY 2024/25 increases the current budget from \$610,000 to \$1,215,000. The programs will be supported by a comprehensive marketing and outreach campaign.

STRATEGIC PLAN ALIGNMENT:

The actions taken to increase the efficient use of water support Environmental Stewardship Goal 4.2 – sustainably manage local water resources to maximize reliability and advance water reuse to ensure safe, reliable and affordable water to our community.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Riverside is actively engaged in providing education and tools to the community that can help RPU customers increase their water use efficiency.
2. **Equity** – Riverside has developed a suite of successful water conservation programs that reduce demand and that programs are accessible to all water customers.
3. **Fiscal Responsibility** – The programs contained in this report all follow industry best practices and are either paid for in full or are subsidized in part by MWD funds.
4. **Innovation** – The implementation of the devices supported by the rebates will enable customers to access the most current innovations in water savings and conservation technology for their homes and businesses.
5. **Sustainability & Resiliency** – By providing community education and enhanced water rebates to customers, RPU's water conservation measures help all City residents in effectively managing our water resources in a sustainable manner.

FISCAL IMPACT:

The total fiscal impact of the requested program changes is \$615,000 for a total program funding budget of \$1,215,000. Sufficient funds are available in Public Utilities Water Conservation Unprogrammed Funds Account Number No. 6220200-453001 with approved carryforward from FY 23/24 expected later in the FY 24/25 fiscal year. Upon program approval, funds will be transferred to the Public Utilities Water Conservation Account No. 6220200-457028 for residential and Public Utilities Water Conservation Account No. 6220200-457024 for commercial.

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Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
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Approved as to form:	Phaedra A. Norton, City Attorney

Attachment: Presentation