

Lompoc City Council Agenda Item



City Council Meeting Date: June 1, 2010

DATE: May 24, 2010

TO: Laurel M. Barcelona, City Administrator

FROM: Mary Kammer, Utility Conservation Coordinator
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SUBJECT: RESCIND RESOLUTION NUMBER 4988 (02), AND APPROVE RESOLUTION NUMBER 5629 (10), AMENDING THE STANDARDS AND GUIDELINES RELATING TO DEVELOPMENT PROJECT IMPACT ON WATER SUPPLY. NEW WATER AND AUGMENTATION OF EXISTING PROGRAMS AND TEMPORARILY SUSPEND COLLECTION OF RETROFIT FEES

RECOMMENDATION:

That the City Council:

1. Rescind Resolution No. 4988 (02) and replace it with Resolution 5629 (10) to allow the expenditure of funds from the Retrofit/Rebate program for additional water conservation measures approved by the City Council.
2. Authorize the expenditure of funds of \$210,000.00 for new and existing water conservation programs, to be charged to account number 51-22002, entitled Water Retrofit Fund.
3. Suspend the collection of Retrofit Fees through the current biennial budget cycle ending June 30, 2011.

DISCUSSION: In 1990, the City Council authorized the "Toilet Retrofit/Rebate Program" funded from building permit fees for new construction. It requires developers to offset expected water use of new construction by either finding existing property that currently has toilets in place that use 3.5 or more gallons of water per flush and retrofitting an appropriate number of toilets, or by paying into a City fund that will provide rebates to any City water customer who replace their high water using toilets with 1.6 gallon per flush toilets or that will "... provide water conservation measures and remedies to the existing City supply and distribution system that results in a decrease in the existing City water demand ..."

Through December 31, 2009, a balance of \$1,689,071.96 remains and is available in a restricted account set aside for payment of such rebates and programs. In order to permit the expenditure of funds from the Retrofit/Rebate Program for additional water conservation programs, approval by the City Council is needed. Replacing Resolution No. 4988 (02) with Resolution 5629 (10) will accomplish this objective.

SECTION 5 of the existing resolution currently reads as follows:

SECTION 5. Guidelines. In-Lieu Program.

- A. In-lieu of compliance with Section 4 Guidelines above, applicants may make a payment to the City for the complete material costs of retrofitting sufficient showerheads, kitchen and bathroom sink faucets, and a maximum of \$80.00 of the material cost and \$50.00 of the installation cost of each toilet, to offset the expected water use of their respective developments. Payment shall be based on the City's costs of providing said materials. Such payments will be placed in the Retrofit Program Account and used for the operation of the Retrofit/Rebate Program. A City of Lompoc representative will work directly with property owners who desire to retrofit properties. Staff/representative will verify that the retrofitted units have been installed, and estimate the savings achieved.
- B. Applicants will be assessed an operational cost for the in-lieu program, which is directly related to the number of units that are retrofitted for the applicant's project. This is hereby established as \$10.22 per retrofitted unit. This cost is subject to change as the salary and benefits of the City representative changes; however, no such increase shall exceed five percent per annum.

Resolution 5604 (10) will replace SECTION 5 of the existing resolution with new SECTION 6 which is as follows:

SECTION 6. Guidelines. In-Lieu Program.

- A. In-lieu of compliance with Section 5 Guidelines above, applicants may make a payment to the City for the complete material costs of retrofitting sufficient showerheads, kitchen and bathroom sink faucets, and a maximum of \$80.00 of the material cost and \$50.00 of the installation cost of each toilet, to offset the expected water use of their respective developments. Payment shall be based on the City's cost of providing said materials. Such payments will be placed in the Retrofit Program Account and used for the operation of the Retrofit/Rebate Program. A City of Lompoc representative will work directly with property owners who desire to retrofit properties. Staff/representative will verify the retrofitted units have been installed, and estimate the average savings.
- B. Applicants will be charged an operational cost for the in-lieu program, which is directly related to the number of units that are retrofitted for the applicant's project. That charge is hereby established as \$10.22 per retrofitted unit. That cost is subject to change as the salary and benefits of the City staff/representative changes; however, no such increase shall exceed five percent per annum.
- C. Developer in-lieu fees collected in the City's Retrofit/Rebate Program Account are to be expended only for water conservation measures addressed in this

Retrofit Program or other identified water conservation measures as approved by the City Council.

With the exception of the re-numbering of sections, all text in other sections of Resolution No. 4988 (02) will remain the same with the exception all collection of fees will be suspended through the current budget cycle ending June 30, 2011.

Rebate History: Promoting water conservation practices has been an integral part of the City's goal of protecting the water supply by striving to maintain water demand at a pre-1990 level. The toilet retrofit program has been successful in reducing both overall and indoor water usage in homes and businesses that have participated in the program. The number of customers reached through the program has exceeded expectations, with over 7000 toilets retrofitted since 1991. The success of this program has resulted in a decrease in the number of customers participating in the program in recent years even though the conservation staff continues to promote retrofits. There just are not enough retrofit opportunities for this program to grow.

The attached table titled **Water Use History by Calendar Year** provides an indication of how successful water conservation programs have been even though the number of water customers in the City has increased. The table compares years 1990 through 2009 to the base year 1989 (before conservation programs were instituted).

In the past five years, the number of retrofitted properties has averaged 161 per year, at an average program cost of \$25,145.00 per year. No other programs have been created to provide water conservation measures funded by these fees. One can easily note from the table below that the monies collected have far out paced expenditures. The past five year history of revenue and expenditures associated with building permit fees as shown in the table below yields an unspent surplus of \$1,067,868.04 (collected fees less rebates paid).

Five-year History of Water Retrofit/Rebate Collections and Rebates

Fiscal Year	Collected Fees	Rebates Paid
2004-05	\$202,267.02	\$18,344.48
2005-06	\$117,943.55	\$4,797.87
2006-07	\$470,873.78	\$13,263.26
2007-08	\$170,436.50	\$6,622.36
2008-09	\$275,098.69	\$125,723.53*
Total	\$1,236,619.54	\$168,751.50

*Includes rebate paid to the Lompoc Unified School District in the amount of \$118,989.00.

To continue to promote water conservation at a level that will meet the City's goal, it is necessary to develop additional programs that will encourage water users to reduce water usage and more effectively use Retrofit Program Account funds.

A. Suggested Programs: below are proposed new programs and adjustments to existing programs that have been discussed with and approved by the Utility Commission.

1. **Toilet Retrofit Fees:** Increase the rebate to \$153.00 per toilet for the installation of High Efficiency Toilets (HET) that have qualified as a WATER SENSE certified toilet. (WATER SENSE is to water products as what ENERGY STAR is to electric and gas appliances. WATER SENSE is an Environmental Protection Agency (EPA) program that promotes water efficiency and enhances the market for water-efficient products, programs, and practices.) HET flush at 1.28 gallons per flush (gpf), while the older style Ultra Low Flow Toilets (ULFT) flush at 1.6 gpf. The current rebate for installing ULFT is \$130.00 per toilet which will be superseded. HET save 1.18% more water than the 1.6 UFLT. The same percentage increase in the rebate amount rounds out to \$153.00 ($\130.00×1.18). The rebate levels will then be: replacement of 3.5+ gallons per flush (gpf) with HET will receive a rebate of \$153.00; replacement of 1.6 gpf UFLT with HETs will receive a rebate of \$23.00 per toilet. All current requirements will remain. (For example, all toilets on the applicant's side of the meter must be retrofitted.) Cost of increased retrofit rebates is expected to be \$56,000.00, over the next ten years.

2. **Fix a Leak Month:** This program will provide free plumbing repairs for leaks in toilets and at faucets. The U.S Environmental Protection Agency (EPA) estimates that owner-occupied homes are losing an average of 25 gallons of water a day through leaky pipes, toilets and appliances. Renters lose even more to water leaks. Often a renter does not want to report a leak to the owner for fear that the owner will raise their rent or make the renter pay for the repair; or the renter does not pay the bill and is not concerned with or aware of how much water is lost, or that a water leak is present.

Allowing for a plumber's average hourly charge of \$80.00 an hour for two hours of work and the cost of replacement parts for toilets and faucets, it would cost an average of \$200.00 per household to make simple repairs. Repairs to supply pipes would not be covered in this program. If 500 customers applied for repairs it would cost \$110,000 to offer this program at a savings of approximately 160,427 hundred cubic feet of water a year. That savings is based upon the EPA findings.

3. **Clothes Washer and Dishwasher Rebate Program:** It has become desirable to charge rebates for the replacement of dishwasher and clothes washers to the Water Retrofit Fund. Currently, rebates for the replacement of these appliances are charged to the Public Benefit Fund which is supported by electric rates. The greatest savings realized is from the water saved and the energy used to heat the water and to dry the clothes not from the electricity to operate the appliance. When staff processes a rebate, the type of water heater and clothes dryer in operation in that household is noted. It has become apparent that in Lompoc, the majority of water heaters and clothes dryers heat with gas not electricity. Therefore, for our utility customers, the real savings is in the reduced amount of water used by these appliances. To charge the expenditure of rebates for dish washers and clothes washers to water funds will charge the utility that realizes the greatest savings.

Staff foresees possible problems if rebates for clothes washers and dishwashers continue to be charged to electric funds. Every three years, the City must report to the California Energy Commission (CEC) expenditures of Public Benefit Funds and the electrical energy saved as a result of the funded programs. The process of determining energy savings uses a CEC approved program that determines energy savings for each measure. Information needed includes fuel type used to heat the water and to dry the clothes. Because the savings from clothes washer and dishwasher, in Lompoc, is mainly from the water saved to wash clothes and dishes and the gas saved to heat the water and dry clothes, continuing to fund these programs from Public Benefit Funds could raise a 'Red Flag' and prompt the CEC or other organizations to more closely scrutinize (audit) City programs.

To date, approximately, \$67,300.00 has been paid in rebates and for the cost of disposal of these appliances. It is recommended this amount, plus an additional \$30,000.00, be appropriated from the water retrofit fees for future rebates for the replacement of these older high water using appliances to EnergyStar appliances.

4. **Low Water Using Landscape Rebate:** The City has the opportunity to participate with the Santa Barbara County Water Agency to provide rebates for the installation of low water using landscape material and equipment. The Santa Barbara County Water Agency has received grant money from the CALFED Water Use Efficiency Grant Program. The application and subsequent approval of funding included the water agencies from City of Santa Barbara, City of Lompoc, Carpinteria Valley Water District, Goleta Water District and Vandenberg Village Community Services District. The grant money is to be used to increase water efficiency in landscapes by installing efficient irrigation equipment, low water using plants and water efficient irrigation systems in existing landscapes. Lompoc has requested funds to retrofit up to 10 locations at \$1,000 maximum per rebate. This program requires a match of funds from each

agency. Lompoc has committed to \$5,000 in rebate funds and \$5,000 in value of staff time that will include water audits and administration of the program.

B. Temporarily suspend collection of building permit fees: To better help stimulate the economy and provide an extra incentive to develop new construction within the City, the suspension of the collection of retrofit fees through June 30, 2011 is recommended. Since there is a significant unexpended cash balance in the retrofit fund, the suspension of the collection of fees will not impact the creation of these new programs or decrease the level of service that is currently being provided to our water customers.

Summary of Water Conservation Programs

Program	Expected Cost of Program
HET Retrofit	\$56,000.00
Fix a Leak (New)	\$110,000.00
Clothes Washer and Dishwasher (New)	\$30,000.00
Landscape Program (New)	\$5,000.00

FISCAL IMPACT: Funds are available in the Retrofit/Rebate Program Account. The cost of the proposed programs total \$201,000.00, leaving a balance of \$866,860.04 in the fund. The use of these funds will not create an impact on other water programs or approved budgeted programs.

CONCLUSION: The above new programs will help the City to further reduce water usage, help protect the City’s water supply and reinforce to customers the City’s concern for water conservation and preservation of this resource. The suspension of the collection of retrofit funds will not impact the creation of new water conservation programs or cause existing programs to be suspended and may encourage new construction of homes or the creation of new business within the City. Staff’s recommendations have been discussed with and approved by the Utility Commission.

Respectfully submitted,

Mary Kammer, Utility Conservation Coordinator

APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR:

Ronald V. Stassi, Utilities Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Laurel M. Barcelona, City Administrator

Attachments: [Resolution 4988 \(02\)](#) and [Resolution No. 5629 \(10\)](#)
Water Use History by Calendar Year

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Calendar Year	Number of Water Meters	Number of Toilet Retrofits	Total Usage Million Cubic Feet
1989	8,404	NA	1.934
1990	8,611	82	1.880
1991	8,741	3120	1.762
1992	8,795	725	1.723
1993	8,841	372	1.790
1994	8,922	902	1.789
1995	9,019	185	1.796
1996	9,099	200	1.929
1997	9,135	183	2.051
1998	9,153	317	1.973
1999	9,167	75	2.105
2000	9,177	30	2.077
2001	9,196	48	2.010
2002	9,355	102	2.036
2003	9,427	252	2.014
2004	9,465	50	2.111
2005	9,549	144	2.008
2006	9,550	36	1.957
2007	9,623	49	2.110
2008	9,918	503	1.960
2009	10,195	71	1.640