

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: September 15, 2022

PREPARED BY: Trisha Stull, Management Analyst
Amy Lawrence, Special Programs Manager

REQUEST: CONSIDER IMPLEMENTATION OF THE PALM DESERT TURF REBATE PROGRAM IN PARTNERSHIP WITH THE COACHELLA VALLEY WATER DISTRICT (CVWD) AND APPROPRIATE \$1,000,000 FROM THE UNOBLIGATED GENERAL FUND RESERVE

RECOMMENDATION:

1. Consider the implementation of the Palm Desert Turf Rebate Program in partnership with the Coachella Valley Water District (CVWD).
2. Approve an appropriation of \$1,000,000 from the Unobligated General Fund Reserve to Account No. 4004437-4391503 (Turf Retrofit).
3. Provide the City Manager conditional authorization to provide the program an additional \$500,000 from the Unobligated General Fund Reserve to Account No. 4004437-4391503 (Turf Retrofit).
4. Authorize the City Manager to take all further actions to implement the program including waiving plan check and encroachment permit fees and approving/executing all associated agreement(s), approved as to form by the City Attorney.

BACKGROUND/ANALYSIS:

In May of 2022, the California State Water Resources Control Board adopted a new emergency water conservation regulation to ensure a more aggressive approach to saving water, including a ban on the watering of nonfunctional turf, i.e., turf that is solely ornamental and is not regularly used for recreation or civic community events or turf areas with trees. Regulation required water agencies to activate "Level 2" of their Water Shortage Contingency Plans, which assumes up to a 20% water shortage, which the CVWD Board of Directors adopted at their June 14, 2022, meeting. See chart below describing CVWD's Water Shortage Contingency Plan levels:

Shortage Level	Percent Shortage Range	Description	Shortage Response Actions
1	Up to 10%	Normal water supplies	Mandatory prohibitions defined by the state, ongoing rebate programs.
2	Up to 20%	Slightly limited water supplies	Outdoor water use restrictions on time of day, increased water waste patrols.
3	Up to 30%	Moderately limited water supplies	Outdoor water use restrictions on days per week, restrictions on filling swimming pools.
4	Up to 40%	Limited water supplies	Limits on new landscaping, expanded public information campaign.
5	Up to 50%	Significantly limited water supplies	Limits on watering of parks or school grounds.

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6	Greater than 50%	Severe shortage or catastrophic incident	No potable water use for outdoor purposes.
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On June 10, 2022, the state ban on watering nonfunctional turf went into effect, and included:

- Irrigation of nonfunctional turf is prohibited at commercial, industrial, and institutional sites including HOAs.
- Fines up to \$500 per day may be imposed for watering during restricted times.

Level 2 actions became effective on June 14, 2022, and included:

- Outdoor water use for spray irrigation is prohibited during daylight hours except to check for leaks.
- Restaurants can only serve water upon request.
- Overseeding is discouraged.

The Coachella Valley Water District (CVWD) has continued encouraging customers to reduce their water use, especially outdoors, where the biggest water savings can be achieved. This includes fixing leaks immediately and applying for conservation rebates such as their \$3 per square foot turf conversion program. The City of Palm Desert has long supported the reduction of water usage. The City has encouraged the removal of turf and conversion to more drought tolerant landscaping through two prior Palm Desert Turf Rebate Programs which ran in 2010 and 2014.

Establishing a new rebate program for the City of Palm Desert would incentivize residents, HOAs, and businesses to move forward with the costly endeavor of converting from living turf to drought-tolerant landscaping while maintaining aesthetics. It will also help the City and CVWD accomplish their mutual goals of increased efficiency in landscape water use, reduced groundwater consumption, and elimination of street water run-off.

Currently, the only city within the Coachella Valley to participate in a Turf Rebate Program with CVWD this fiscal year is Rancho Mirage. However, CVWD did note other cities have expressed interest. Below is a history of Rancho Mirage's most recent actions related to their Turf Rebate Program:

Date	Action
July 7, 2022	Approved \$500,000 for a matching rebate of \$3 per sq. ft. for all applicable residential and HOA/Commercial projects submitted through CVWD's turf rebate program, as well as up to \$6,000 per project for those required by Rancho Mirage to utilize a landscape architect.
July 21, 2022	Due to high demand for the program which exhausted previously approved funds in a matter of two weeks, Rancho Mirage approved an additional \$750,000 in funding – \$350,000 was reserved for residential projects and provided a matching \$3 per sq. ft. rebate, \$200,000 was available to HOA/Commercial projects at the matching \$3 per sq. ft. rate, and the remaining \$200,000 was available to HOA/Commercial projects for a City contribution of \$1 per sq. ft.
August 16, 2022	Approved an additional \$750,000 bringing the total program amount to \$2 million – \$400,000 was reserved for residential projects at the \$3 per sq. ft. contribution with the

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	remaining \$350,000 available for HOA/Commercial projects at the \$1 per sq. ft. contribution.
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Given Rancho Mirage's Turf Rebate Program success, it is proposed that the City of Palm Desert consider appropriating \$1,000,000 from the Unobligated General Fund Reserve to account number 4004437-4391503 (Turf Retrofit) to fund a similar rebate program in partnership with CVWD. Staff recommends that the program be available to those residents, businesses, and HOAs that qualify under CVWD's current Turf Rebate Program on a first-come, first-serve basis, beginning September 15, 2022. Below is a breakdown of maximum project size, matching options, total sq. ft. removed, etc.

Residential - maximum project size 10,000 sq. ft.
\$2/sq. ft. City match (total rebate \$5 - City \$2/CVWD \$3) = 50 projects
\$3/sq. ft. City match (total rebate \$6 - City \$3/CVWD \$3) = 33.3 projects
Sq. ft. removed based on total rebate - \$5 rebate 500,000 sq. ft./\$6 rebate 330,000 sq. ft.

Commercial/HOAs – maximum project size 25,000 sq. ft.
\$1/sq. ft. City match (total rebate \$4 - City \$1/CVWD \$3) = 40 projects
\$2/sq. ft. City match (total rebate \$5 - City \$2/CVWD \$3) = 20 projects
Sq. ft. removed based on match options - \$4 rebate 1,000,000 sq. ft./\$5 rebate 500,000 sq. ft.

Please note that the number of projects in the tables above are based on residents, businesses, and HOAs using funds at the maximum project size. Many projects will likely be below the maximum resulting in more projects. The table below reflects current Palm Desert residential and commercial/HOA applications on file with CVWD:

Residential Applications		Total sq. ft.
In Progress (Pre-Approved)	25	32,303
Apps Submitted (Pre-Site Scheduled)	2	1,514
Apps Submitted (Not Scheduled)	5	7,628

HOA/Commercial Applications		Total sq. ft.
In Progress (Pre-Approved)	12	133,533
Apps Submitted (Pre-Site Scheduled)	0	0
Apps Submitted (Not Scheduled)	5	149,017

CVWD is willing to oversee the program and obtain and share all necessary documentation including processing applications and providing the full rebate to applicants at a project's completion. Any City plan check and encroachment permit fees associated with this program would be waived. The City would be invoiced monthly to reimburse CVWD for the City's portion of the joint rebate.

If the program is approved, staff will work with Public Affairs and CVWD on a marketing plan to include a press release, social media outreach, and posting on CVWD's and the City's websites.

FINANCIAL IMPACT:

To recognize the water conservation efforts this program can produce, staff is requesting an appropriation of \$1,000,000 from the Unobligated General Fund Reserve to Account No. 4004437-4391503 (Turf Retrofit). Staff additionally suggests that the City Council authorize the City Manager to approve an increase upon depletion of initially allocated funds of an additional \$500,000 from the Unobligated General Fund Reserve to Account No. 4004437-4391503 (Turf Retrofit). Below is an updated Reserve Estimate for your reference. Approval of this appropriation may reduce the est. unassigned balance to \$11,133,892.

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Est. General Fund Bal with ARPA*	\$116,155,423	\$93,894,266	\$92,975,895	\$87,304,493	\$86,476,693
Non-Spendable	3,045,978	2,881,978	2,709,978	2,525,978	2,333,978
<u>Current Reserve Policy</u>					
ASSIGNED					
GF Operating Reserve (25% of Ops and Transfers)	17,647,578	18,624,581	18,953,219	19,711,148	20,302,482
COMMITTED					
GF Emergency Reserve (20% of GF Revenue)	14,236,116	14,651,431	15,085,991	15,304,295	15,753,358
Facilities Reserve (Capital Rplmnt Reserve Study)	29,362,316	16,304,739	17,277,051	15,540,501	16,097,758
CIP Reserve (20% of total 5-Year CIP)	14,168,406	14,821,255	12,022,380	5,945,356	3,513,584
Liability Reserve (\$4M)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Emplmnt Bene Reserve					
(50% for PERS change in Discount Rate)	9,791,203	10,084,939	10,387,487	10,699,112	11,020,085
Other Fund Stability Reserve (equal to T-fer Out)	8,268,959	8,434,339	8,856,056	9,298,858	9,577,824
Equip Replacement Reserve					
(100% of historical cost of assets balance)	3,000,975	3,091,004	3,183,734	3,279,246	3,377,624
Econ Dvlpmnt/Land Acqn Reserve					
(proceeds from SARDAs sales)	-	1,000,000	500,000	1,000,000	500,000
Total Required Reserve	\$ 103,521,531	\$ 93,894,266	\$ 92,975,895	\$ 87,304,493	\$ 86,476,693
Est. Unassigned Fund Balance	\$ 12,633,892	\$ (0)	\$ (0)	\$ (0)	\$ (0)

* Estimated Unassigned Fund Balance does not account for 2021/2022 year-end adjustments

An application will be submitted for the Department of Water Resources' Urban Community Drought Relief Grant Program which should be available beginning in September 2022. Costs incurred after July 1, 2022, are eligible for reimbursement.

REVIEWED BY:

Department Director:	<i>Eric Ceja</i>
Finance Director:	<i>Veronica Chavez</i>
Assistant City Manager:	<i>Chris Escobedo</i>
City Manager:	<i>Todd Hileman</i>

ATTACHMENTS:

1. Draft Agreement

**Coachella Valley Water District and City of Palm Desert
Cost-Share Agreement for a Cooperative Turf Rebate Program**

1. The purpose of this agreement is to formally document the intention of the Coachella Valley Water District (CVWD) and the City of Palm Desert (City) to participate in a joint turf rebate program. This program will provide customers residing within the City of Palm Desert the opportunity to convert turf to water efficient landscape. Turf conversions will help accomplish CVWD's and the City's mutual goals of increased efficiency in landscape water use and reduced groundwater consumption.
2. It is understood by both parties that this agreement provides additional funds through the City's match to CVWD's existing turf rebate program. Funds for the turf conversion rebate program are available to City's residents on a first-come-first-served delivery sequence until the initial funding has been exhausted.
3. The program is limited to turf conversion projects;
 - a. Residential – max project size of 10,000 sq. ft. Program guidelines are outlined in Attachment A.
 - b. Commercial and HOA – max project size of 25,000 sq. ft. per project. Program guidelines are outlined in Attachment B.
4. CVWD will complete pre-conversion and final inspections prior to disbursing funds to customers upon completion of approved projects. CVWD reserves the right to deny applications based upon the attached program guidelines. Applicants who are denied may request an administrative hearing in accordance with CVWD Regulations Governing Domestic Water. CVWD shall defend, indemnify and hold harmless the City, its officers, officials, agents, employees and volunteers from and against any and all claims, demands, actions, losses, damage, injuries, and liability, direct or indirect (including any and all costs, expenses and attorneys' fees in connection therewith), arising out of the Turf Rebate Program, except for any such claim arising out of the sole negligence or willful misconduct of the City.
5. The City agrees to provide a total contribution **not to exceed \$XXX** to the cooperative turf rebate program, as follows.
 - a. **The City agrees to provide a contribution of \$X.00 per square foot to eligible residential and HOA/Commercial applicants on first-come-first-served delivery sequence.**
 - b. CVWD agrees to pay directly to customers the full rebate amount available, CVWD's and the City's contribution, and subsequently invoice the City on a monthly basis for reimbursement of the City's contribution. City's contribution will be due within 30 days of CVWD's invoice date.
6. CVWD agrees to receive and process applications, documentation, photographs, and plans, and will share all documentation with City staff upon request.
7. The City and CVWD agree to consider the continuation of funding for this program in the current and subsequent fiscal years if funding is available. Should all City-approved funds be committed or reserved by CVWD, the City Manager will advise CVWD whether to accept new applications and commit to reimbursing CVWD for those rebates issued in excess of the approved funds, subject to allocation of funds pursuant to a duly adopted City budget.

Signed and approved by:

Date: _____
Jim Barrett
General Manager
Coachella Valley Water District



Coachella Valley Water District
75515 Hovley Ln E.
Palm Desert, CA 92211
(760) 398-2651

Date: _____
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