



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

**SUBJECT: COST SHARING AGREEMENT
WITH WATER DISTRICT FOR
WATER CONSERVATION**

DATE: 05-02-07

Approved

Kay Winer

Date

6/3/07

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Approval of an agreement with the Santa Clara Valley Water District (District) for cost sharing associated with water conservation programs in FY 2007-2008, under which the City will receive an amount not to exceed \$280,000 and the District will be paid an amount not to exceed \$547,480, for a net cost to the City of \$267,480.

OUTCOME

In support of the Plant's National Pollutant Discharge Elimination System (NPDES) permit, this agreement will achieve up to 259,307 gallons of measurable flow savings in the Plant Service Area. This is approximately 38% more maximum water savings than in last year's cost sharing agreement for approximately 12% additional cost. In support of the District's goal to achieve 60,000 acre feet of additional conservation by 2030, the agreement will also support pilot programs for new water conservation technologies.

This agreement is a cost-effective strategy for achieving two desired outcomes for the Environmental and Utility Services core service area: 1) Safe, Reliable and Sufficient Water Supply; and 2) Healthy Streams, River, Marsh and Bay.

BACKGROUND

To reduce the volume of wastewater flows, the City's Water Efficiency Program (WEP) has promoted indoor water conservation to businesses and residents through financial incentives and cost sharing agreements between the City and the District since January 1996. Water supply benefits accrue as well.

ANALYSIS

Payment to the District

Under this agreement the City will reimburse the District \$2.10 per gallon per day (\$0.63 per gallon per day for grant funded programs) for flow reduction achieved through District programs with established savings estimates (see attachment). This constitutes approximately 38% and 30%, respectively, of District program costs. The total potential District reimbursement for these programs is \$422,180 (provided the District completes all retrofits under this agreement).

The District will also continue to receive reimbursement on a per unit retrofit basis for programs that do not have established water savings estimates (such as Waterwise Housecalls). These reimbursement rates will repay the District approximately 33% to 50% of District costs (see attachment). The total potential District reimbursement for these programs is \$125,300.

This combination of reimbursement approaches will promote cost effective programs while still providing program flexibility to the District. The total not to exceed amount for reimbursement to the District for these approaches is \$547,480.

Reimbursement to the City

The agreement continues the District reimbursement for up to \$250,000 to cover 50% of Water Efficient Technology (WET) rebates provided to businesses within the Plant Service Area.

The agreement also provides complete reimbursement from the District for the City's Neighborhood Preservation Water Conservation Program for an amount not to exceed \$30,000. This City program provides vouchers (maximum of \$2,000) to low-income San José homeowners who have been "noticed" under the City's Neighborhood Preservation Ordinance and upgrade their properties in water-conserving ways. The program supports the City's Strong Neighborhoods Initiative.

These programs equate to a not to exceed reimbursement amount of \$280,000.

POLICY ALTERNATIVES

Staff considered the following three alternatives in developing the recommendation.

Alternative # 1: Develop, implement and fund water conservation programs in house and/or through contractors and consultants.

Pros: Direct control over which water conservation programs are developed and implemented.

Cons: Increase in costs and staff time to implement or manage program contracts.

Reason for not recommending: This agreement is more cost effective and accounts for recent staff and budget reductions.

Alternative # 2: Develop, implement and fund water conservation programs at a greatly reduced level.

Pros: Decrease in program costs and staff time.

Cons: Fewer services offered to the community.

Reason for not recommending: Reduction in achievable water conservation, potentially increasing the need for other programs and future water demand.

Alternative # 3: Cease to offer and fund water conservation programs.

Pros: Elimination of associated program costs and staff time.

Cons: The Plant would not be able to meet its permit requirements. Increased demand for future water supply. Ongoing education and conservation efforts would lose momentum.

Reason for not recommending: Elimination of the water conservation programs would require an amendment of the Plant's NPDES Permit and there is concern that we may be entering a drought.

PUBLIC OUTREACH/INTEREST

Public Outreach was not undertaken for this agreement. The criteria below do not apply.

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

COORDINATION

This agreement and memorandum have been coordinated with the City Attorney's Office, Risk Management, Planning, Building and Code Enforcement Department and the Budget Office and is scheduled to be heard at the June 14, 2007 Treatment Plant Advisory Committee (TPAC) meeting.

FISCAL/POLICY ALIGNMENT

This agreement supports activities that align with several City policies and regulatory requirements: 1) Sustainable City Major Strategy; 2) Water Pollution Control Plant NPDES Permit; 3) City Water Policy Framework; and 4) Urban Environmental Accords Action 19.

COST SUMMARY/IMPLICATIONS

The cost to the utility funds will not exceed \$547,480. Revenues will be up to \$280,000, for a net cost to the City of \$267,480. Funding for this agreement is included in the Environmental Services Department Proposed 2007-2008 Operating Budget.

This recommendation meets the general principles of the Council approved budget strategy to protect vital core City services (Environmental Services: Protect Natural and Energy Resources).

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	Proposed Budget Page	Last Budget Action (Date, Ord. No.)
513	0762	Non-Personal/ Equipment	\$3,125,013	\$547,480	VIII-40	n/a*
446	0762	Non-Personal/ Equipment	\$32,274,452	\$30,000	VIII-40	n/a*

* The 2007-2008 Proposed Operating Budget is scheduled for City Council adoption on June 19, 2007.

CEQA

Not a project.



JOHN STUFFLEBEAN
Director, Environmental Services

For questions please contact Junko Vroman, Environmental Services Specialist, at (408) 975-2579.

Attachment

Cost and estimated gallons of flow reduction

Under this agreement the City will reimburse the District \$2.10 per gallon per day and (\$0.63 per gallon per day for grant funded programs) for flow reduction achieved. Among the programs are high efficiency clothes washer and toilet replacement incentive and rebate programs for businesses and residents.

The City will reimburse the District on a per unit basis for the Water Wise House Call program, which educates residents about water conservation and helps them make their homes more water efficient. The District will also be reimbursed on a per unit basis for urinal valve retrofits, Commercial, Industrial and Institutional (CII) Water Use Surveys, pre-rinse spray valve replacements, Cooling Tower Conductivity Controller installations and for the installation of dual-flush flushometer valves for businesses.

District Program Costs and Flow Reduction Goals

District Programs	Unit Costs	Total Unit Costs	Total Gallons Goal	Total Gallons Cost	Total to District
Residential Clothes Washer Rebate			98,000	\$205,800	
Residential Clothes Washer Rebate*			22,050	\$13,892	
MFD HET Rebate			12,029	\$25,260	
MFD HET Rebate *			3,007	\$1,895	
SF HET Rebate			7,938	\$16,670	
Commercial Clothes Washer Rebate - Laundromat			12,110	\$25,431	
Commercial Clothes Washer Rebate - Laundromat *			4,844	\$3,052	
Commercial Clothes Washer Rebate - MFD			10,899	\$22,888	
Commercial Clothes Washer Rebate - MFD *			4,360	\$2,747	
CII HET			44,450	\$93,345	
CII HET *			17,780	\$11,201	
Pre-rinse Sprayers **	\$32.50	\$4,500	21,840		
Water-Wise House Call Program	\$25	\$52,500			
Urinals	\$50	\$3,500			
Cooling Tower Controller **	\$300	\$21,000			
Flushometers (Uppercut)	\$25	\$1,750			
CII Surveys	\$750	\$42,000			
Total		\$125,300	259,307	\$422,180	\$547,480

HET: High Efficiency Toilet

MFD: Multi-Family Dwelling

SF: Single-Family

CII: Commercial, Industrial and Institutional

* Grant funded: \$0.63 per gallon per day

** Grant funded: flat rate per unit