

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Stufflebean

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

**DATE:** 05-27-08

Approved

Date

5-29-08

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Authorize the City Manager to negotiate and execute an agreement with the Santa Clara Valley Water District (District) for cost sharing associated with water conservation programs in FY 2008-2009, under which the City will receive an amount not-to-exceed \$280,000 and the District will receive an amount not-to-exceed \$406,977 for a net cost to the City of \$126,977.

## OUTCOME

In support of the San José/Santa Clara Water Pollution Control Plant's (Plant) National Pollutant Discharge Elimination System (NPDES) permit, this agreement will achieve approximately 250,000 gallons annually of measurable flow savings in the Plant Service Area. This is about the same water savings as last year's cost sharing agreement for less cost, due to increased grant funds the Santa Clara Valley Water District (District) is receiving or expects to receive. The agreement will also support the City's goal to achieve approximately 44.6 million gallons per day of water savings within San José by 2030 (using 1992 as a base year), by funding programs identified in the City's Water Conservation Plan.

This proposed 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

Since January 1996, the City has achieved water conservation savings through financial incentives and cost sharing agreements in cooperation with the District. In addition to the reduced wastewater flows, water conservation reduces the City's total demand for potable water,

which given expected population and economic growth, is expected to exceed available supply by 2030. This assumes continued availability of current imported supplies.

## **ANALYSIS**

### **Payment to the District**

Under this agreement, the City will reimburse the District for flow reduction achieved through District administered programs with established water savings estimates, such as rebates for high efficiency clothes washers and high efficiency toilets, at a rate of \$2.10 per gallon per day for non-grant funded programs, and \$0.63 per gallon per day for grant funded programs (see Attachment). The total potential District reimbursement for these programs is \$287,977 provided the District achieves all water conservation goals as defined in the agreement.

The District will also continue to receive reimbursement on a pre-defined per-unit basis for programs that do not have established water savings estimates such as Waterwise Housecalls, and Cooling Tower Controllers (see Attachment A). The total potential District reimbursement for these types of programs is \$119,000.

This combination of reimbursement approaches promotes cost effective programs while still providing flexibility to the District. The total not to exceed amount for City reimbursement to the District is \$406,977.

### **Reimbursement to the City**

Under the agreement, the District will reimburse the City up to \$250,000 to cover 50% of the City's Water Efficient Technology (WET) rebates provided to businesses within the Plant Service Area.

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

The total not to exceed amount for District reimbursement to the City is \$280,000.

## **EVALUATION AND FOLLOW-UP**

Staff will estimate and track wastewater flow reduced in the Plant service area as a result of the water conservation programs under this agreement. This performance measure is reported annually in the Environmental and Utility Services CSA, Core Service: Protect Natural and Energy Resources.

## **POLICY ALTERNATIVES**

Staff considered the following three alternatives in developing the recommendation.

### ***Alternative # 1: Solely develop, implement and fund water conservation programs.***

**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:** The cooperative cost-sharing agreement is more efficient and cost effective.

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

**Pros:** Decrease in program costs and staff time.

**Cons:** Less water conserved, higher wastewater flows, fewer services offered to the community.

**Reason for not recommending:** Reduction in achievable water conservation, potentially increasing future water demand, and increasing wastewater flows and treatment costs.

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

**Pros:** Elimination of associated program costs and staff time.

**Cons:** Increased wastewater flow and increased demand for future water supply. Ongoing education and conservation efforts would lose momentum.

**Reason for not recommending:** Elimination of the water conservation programs may require amendment of the Plant's NPDES Permit. Also, uncertainties and challenges to the City's water supply and reliability present a need for continued water conservation.

## **PUBLIC OUTREACH/INTEREST**

- 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)**

Although this action does not meet any of the criterion above, this memo has been posted on the City's website for June 17, 2008 Council Agenda.

**COORDINATION**

This agreement and memorandum have been coordinated with the City Attorney's Office, Risk Management, Planning, Building and Code Enforcement Department, and the City Manager's Budget Office and is scheduled to be heard at the June 12, 2008 Treatment Plant Advisory Committee meeting.

**FISCAL/POLICY ALIGNMENT**

This agreement supports activities that align with several City policies and regulatory requirements, including: 1) City's Green Vision; 2) Water Pollution Control Plant NPDES Permit; 3) City Water Policy Framework; and 4) Urban Environmental Accords Actions 19 and 20.

**COST SUMMARY/IMPLICATIONS**

The total reimbursement from City funds for District administered programs will not exceed \$406,977. Reimbursement from the District for City administered programs will be up to \$280,000, for a net agreement cost to the City of \$126,977. Funding for this agreement is included in the Environmental Services Department Proposed 2008-2009 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 | \$31,804,740 | \$406,977         | VIII-38              | n/a*                                |

\* The 2008-2009 Proposed Operating Budget is scheduled for City Council adoption on June 24, 2008.

HONORABLE MAYOR AND CITY COUNCIL

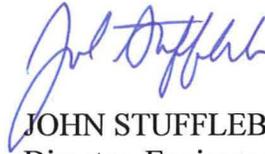
05-27-08

**Subject: Cost Sharing Agreement Implementation of Water Conservation Programs**

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**CEQA**

Not a project.



JOHN STUFFLEBEAN  
Director, Environmental Services

For questions please contact Mansour Nasser, Deputy Director, at (408) 277-4218.

Attachment

## Attachment

### Cost and estimated gallons of flow reduction

Under this agreement the City will reimburse the District \$2.10 per gallon per day for non-grant funded programs and \$0.63 per gallon per day for grant funded programs. As shown in the table below, these programs include high efficiency clothes washer and toilet replacement rebate programs for businesses and residents.

The City will reimburse the District on a per-unit basis for the Water Wise House Call program, Commercial, Industrial, and Institutional (CII) Water Use Surveys, urinal valve retrofits, and Cooling Tower Conductivity Controller installations.

### 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             |            |                  | 24,500             | \$51,450           |                   |
| Residential Clothes Washer Rebate*            |            |                  | 98,000             | \$61,740           |                   |
| MFD HET Rebate                                |            |                  | 6,014              | \$12,630           |                   |
| MFD HET Rebate *                              |            |                  | 24,058             | \$15,156           |                   |
| SF HET Rebate                                 |            |                  | 15,876             | \$33,340           |                   |
| Commercial Clothes Washer Rebate - Laundromat |            |                  | 12,110             | \$25,431           |                   |
| Commercial Clothes Washer Rebate - MFD        |            |                  | 10,899             | \$22,888           |                   |
| CII HET                                       |            |                  | 17,780             | \$37,338           |                   |
| CII HET *                                     |            |                  | 44,450             | \$28,004           |                   |
| Water-Wise House Call Program                 | \$25       | \$52,500         |                    |                    |                   |
| Urinals                                       | \$50       | \$3,500          |                    |                    |                   |
| Cooling Tower Controller **                   | \$300      | \$21,000         |                    |                    |                   |
| CII Surveys                                   | \$750      | \$42,000         |                    |                    |                   |
| <b>Total</b>                                  |            | <b>\$119,000</b> | <b>253,687</b>     | <b>\$287,977</b>   | <b>\$406,977</b>  |

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