



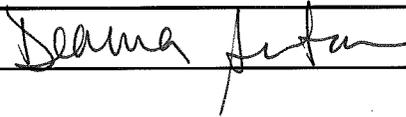
Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

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

DATE: 09-28-09

Approved  Date 10/1/09

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Adopt a resolution authorizing 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 2009-2010, under which the City will receive an amount not to exceed \$205,000 and the City will pay the District an amount not to exceed \$500,000 for a net cost to the City of \$295,000.

OUTCOME

In support of the Treatment Plant's National Pollutant Discharge Elimination System (NPDES) permit, programs administered by both the District and the City under this agreement could achieve up to 233,000 gallons per day of measurable flow savings in the Plant Service Area. The agreement will also support the City's goals identified in the City's Water Conservation Plan and the City's Green Vision Goal #6 (Recycle or beneficially reuse 100 percent of our wastewater), as part of the wastewater discharge reductions in that goal.

This agreement will help achieve 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 (or sooner, depending on availability of future imported supplies). Cost-sharing with the

District has been a cost-effective strategy to implement water conservation rebates and other incentives in the Plant's service area, because it capitalizes on the District's staffing resources to administer several programs, while sharing costs in programs administered by the City.

ANALYSIS

Payment to the District

Under this agreement, the City will reimburse the District for wastewater flow reduction through specific District administered programs, such as rebates for high efficiency clothes washers and high efficiency toilets and urinals, submeters for mobile home parks and apartment buildings, and water use surveys for residents and businesses. The City's reimbursement will be based on a pre-determined flat rate for each program as listed in the Agreement. Using flat reimbursement rates will reduce administrative costs for the City. Staff will still track quantifiable wastewater reductions for each program. Goals for the wastewater reduction by each program are listed in the Attachment.

The total not to exceed amount for reimbursement to the District for these programs is \$500,000.

Reimbursement to the City

Under the agreement, the District will reimburse the City up to \$175,000 to cover 50% of the City's cost (not including administration) for the Water Efficient Technology rebates administered by the City 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 program provides vouchers to low-income San José homeowners who have received a citation under the City's Neighborhood Preservation Ordinance and who have improved their front yards in water-efficient ways. The program supports the City's Strong Neighborhoods Initiative.

The total not to exceed amount for District reimbursement to the City is \$205,000.

EVALUATION AND FOLLOW-UP

Staff will track wastewater flow reduced in the Plant service area as a result of the 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 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

This action does not meet any of the criteria below.

- 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, and the City Manager's Budget Office and is scheduled to be heard at the October 8, 2009 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's Water Conservation Plan; 4) San José Municipal Water System Urban Water Management Plan; and 5) Urban Environmental Accords Actions 19 and 20.

COST SUMMARY/IMPLICATIONS

The total reimbursement from City funds for District administered programs will not exceed \$500,000. Reimbursement from the District for City administered programs will be up to \$205,000, for a net cost to the City of \$295,000. Funding for this agreement is included in the Environmental Services Department Adopted 2009-2010 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	2009-2010 Proposed Budget Page	Last Budget Action (Date, Ord. No.)
513	0762	Non-Personal/ Equipment	\$36,207,625	\$500,000	X1-78	6/23/2009, Ord. No. 28593

CEQA

Not a project.

/s/

JOHN STUFFLEBEAN

Director, Environmental Services

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

Attachment

Attachment

Goals and Costs of Cost-Shared Programs

Under this agreement the City will reimburse the District up to \$500,000 for programs administered by the District, and the District will reimburse the City up to \$205,000 for programs administered by the City. The tables below list the cost-shared programs, with the goal in gallons of flow reduced annually (for programs that have established water savings estimates) or number of units completed (for programs without established water savings estimates). The total costs to each agency are also shown as estimated if these goals are reached.

District-Administered Programs	Total Goals	District Cost if Goals are Reached (not including administration)	City Cost if Goals are Reached
Residential Clothes Washers	61,250 gallons	\$437,500	\$140,000
Residential High Efficiency Toilets	57,442 gallons	\$344,750	\$122,500
Commercial Clothes Washers	11,505 gallons	\$52,500	\$17,500
Commercial High Efficiency Toilets	66,675 gallons	\$336,000	\$105,000
Water Submeter Rebates	35,700 gallons	\$70,000	\$28,000
Commercial High Efficiency Urinals	228 urinals	\$64,750	\$20,125
Water-Wise House Call Surveys for residents	1050 surveys	\$78,750	\$26,250
Water Use Surveys for businesses, schools, etc.	53 surveys	\$183,750	\$39,375
Total		\$1,568,000	\$498,750

City-Administered Programs	Total Goal	Total City Cost (not including administration)	District Cost Share
Water Efficient Technologies rebates	14 projects	\$350,000	\$175,000
Neighborhood Preservation vouchers	20 vouchers	\$0	\$30,000
Total		\$400,000	\$230,000