TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DATE: JANUARY 10, 2005

DEPARTMENT: UTILITIES
CMR:103:05

SUBJECT: APPROVAL OF MEMORANDUM OF UNDERSTANDING WITH SANTA CLARA VALLEY WATER DISTRICT (SCVWD) TO IMPLEMENT A WATER CONSERVATION PROGRAM PARTNERSHIP IN THE AMOUNT OF $96,405

RECOMMENDATION
Staff recommends that Council:

1. Approve the Memorandum of Understanding (MOU) between City of Palo Alto and Santa Clara Valley Water District (SCVWD) to continue to promote and implement water conservation programs for Palo Alto residents and utility customers for FY 2004/2005 at an annual cost of $96,405.

2. Authorize the City Manager or his designee to exercise the option to renew the program partnership for FY2005/2006 and FY2006/2007, provided funds are available and included in each year’s Water Fund operating budget.

BACKGROUND
In December 1991, City Council approved a Memorandum of Understanding (MOU) with the California Urban Water Conservation Council (CUWCC), CMR:550:91, that promoted the 14 Best Management Practice (BMP) water conservation strategies. There are significant legislative efforts to make BMP implementation mandatory in the future.

In September 2002, Council approved CMR: 359:02, which included an MOU with Santa Clara Valley Water District (SCVWD) to cost-share the development and implementation of water conservation programs. As part of the overall water conservation efforts and to comply with CUWCC BMP, the City of Palo Alto Utilities (CPAU) and SCVWD have partnered the last four years to promote and cost-share water conservation programs for CPAU customers. To date, the City has fully implemented six of the 14 BMP (Attachment B) strategies, including:
• System Water Audits
• Metering with Commodity Rates
• High Efficiency Clothes Washers
• Public Information Program
• Conservation Pricing
• Conservation Coordinator

Additionally, CPAU will be submitting the following BMP reports for programs implemented during the next reporting period 2003 and 2004:
• Residential Water Surveys
• Large Landscape Conservation
• School Education

The remaining five BMP water conservation programs have not been implemented and partnership with SCVWD would not affect the City’s involvement for several reasons:
• The programs are staff resource intensive. Full implementation of the remaining programs would necessitate the hiring of additional staff.
• Program implementation could cause an upward impact on water rates in order to pay for program marketing and rebates. If all the BMPs are implemented at the same time, water revenue will be impacted because of declining consumption through conservation.

DISCUSSION
There are a total of ten cost-sharing programs, nine water conservation programs and one marketing and outreach program (Attachment D) that SCVWD will be administering and implementing for CPAU. Marketing for water conservation will be shared between SCVWD and CPAU. SCVWD will provide staffing and administration for the remaining nine programs including program reporting. Implementation and administrative functions for these programs (e.g. provide scheduling, budget tracking and invoicing, contractor oversight, customer service, and project reporting associated with program implementation) will be handled by the SCVWD staff in San Jose. These water conservation programs and water savings are concurrent with the Water Conservation Savings Potential Information Report (CMR:395:04) presented to Council on September 13, 2004. Three different portfolios were presented in this report; nine of the measures discussed in that report are included in the proposed cost-sharing agreement with SCVWD.

The following table provides a summary of the water conservation programs to be implemented with SCVWD. The program numbers correspond to Attachments A and C.
Advantages to partnering with SCVWD include:

- Significantly lower costs of implementing the water conservation programs because SCVWDM infrastructure is already in place, with adequate staffing and technical expertise. Past experience with SCVWD has been positive and is a significant reason for seeking to expand the collaboration to include additional conservation services.
- Leveraging of technical expertise between the organizations
- Minimizing program start-up costs
- Reducing demands on City staffing resources associated with in-house implementation

**RESOURCE IMPACT**

The total cost of the program is approximately $190,000. CPAU is directly contributing $96,405 (Attachment C). The balance of the total program costs, as well as most of the administrative costs associated with implementation of the water conservation programs, see Attachment D Cost-Sharing Program, will be absorbed by SCVWD. Funds for the program in the amount of $96,405 are included in the FY 04/05 Water Fund operating budget. CPAU has confirmed that the State’s recent takeaway of funds from SCVWD will not impact this cost-sharing agreement. For this fiscal year, SCVWD encumbered funding for the cost-sharing programs. The City proposes to continue the successful partnership with SCVWD by offering three additional water conservation programs in 2004: ET controllers, dedicated irrigation meters, and a residential clothes washer rebate. Last fiscal year the CPAU fully funded a residential clothes washer rebate.
program at a cost of $76,000. By partnering with SCVWD, Palo Alto residents will receive the same rebate amount with CPAU funding one-third of the cost, a savings of $33,000. This partnership allows CPAU to leverage grant monies for these programs and spend $10,000 less for the combined program offerings.

Implementation of the proposed conservation programs will slightly reduce the City’s water consumption and thus reduce water revenues to the utility. However, implementing these water conservation programs will decrease Palo Alto’s susceptibility to future water shortages by reducing water consumption and leaving more water available during potential water shortages. The San Francisco Public Utilities Commission (SFPUC) and the wholesale customers of the regional water system (including Palo Alto) signed the Interim Water Shortage Allocation Plan (IWSAP) in 2001. The IWSAP establishes a fixed percentage of water to be provided to all wholesale customers during a future drought. Thus, conserving water in Palo Alto may reduce the severity of future cutbacks that Palo Alto customers will face in a future drought.

POLICY IMPLICATIONS
This recommendation is consistent with the Council approved Utilities Strategic Plan, specifically: Supporting Objective No.1: Enhance customer satisfaction by delivering valued products and services and Key Strategy No.7: Implement programs that improve the quality of the environment. The recommendation is also in line with the City Comprehensive Plan N-24: Maintain City-wide water conservation and efficiency programs for all customer classes.

ENVIRONMENTAL REVIEW
This is not a project under the California Environmental Quality Act (CEQA).

ATTACHMENTS
A: Memorandum of Understanding  
B: List of Best Management Practices  
C: Co-Funding Amounts  
D: Cost-Sharing Program  
E: Urban Water Conservation Outlay Grant Contract  
F: In-Kind Reporting for DWR Grant

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