TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: UTILITIES

DATE: SEPTEMBER 9, 2002

SUBJECT: APPROVAL OF MEMORANDUM OF UNDERSTANDING WITH SANTA CLARA VALLEY WATER DISTRICT (SCVWD) TO IMPLEMENT A WATER CONSERVATION PROGRAM PARTNERSHIP IN THE AMOUNT OF $106,480.

RECOMMENDATION

Staff recommends that Council:

1. Approve the Memorandum of Understanding (MOU) between City of Palo Alto and SCVWD to promote and implement water conservation programs for Palo Alto residents and utility customers for FY 2002/03 at an annual cost of $106,480.

2. Authorize the City Manager or his designee to exercise the option to renew the program partnership for the following FY 2003/04, provided funds are available and included in that year’s Water Fund operating budget.

BACKGROUND

In December 1991, staff requested Council approval of a Memorandum of Understanding with the California Urban Water Conservation Council (CUWCC) promoting implementation of the Best Management Practices (CMR:550:91). The Best Management Practices (BMPs) are a list of 14 water conservation programs and
strategies. To date, the City has fully implemented 6 of the 14 BMP (Attachment B) strategies, including:

- BMP 3, System Water Audits
- BMP 4, Meter Connections and Retrofit Existing
- BMP 6, High Efficiency Washing Machines
- BMP 7, Public Information Program
- BMP 11, Conservation Pricing
- BMP 12, Conservation Coordinator

The remaining 8 water conservation programs have not been implemented for several reasons:

- The programs are staff resource intensive. Current staffing resources are insufficient to implement the programs adequately. Full implementation of the remaining programs would necessitate the hiring of additional staff.
- Program implementation would cause an upward impact on water rates in order to pay for additional resources. If all the BMPs are implemented at the same time, water revenue will be impacted because of declining consumption through conservation.
- The high cost of program implementation was a barrier.

**DISCUSSION**

Although the BMPs are not currently mandatory, they may become mandatory within the next couple years as a result of legislation being proposed for the 2003 legislative session. Continuing to move toward full implementation of the BMPs with the cooperation of the SCVWD appears to be timely and appropriate.

The City proposes to partner with the SCVWD to implement water conservation programs. Staff sees the following advantages to partnering with SCVWD:

- Partnering with the SCVWD will significantly lower the cost of implementing the water conservation programs because SCVWD infrastructure is already in place, with adequate staffing and technical expertise. CPAU is presently collaborating with the SCVWD to provide rebates for commercial washing machines. The experience from this collaboration has been positive and is a significant reason for seeking to expand the collaboration to include additional conservation services.
• Leveraging technical expertise between the organizations

• Minimizing program start-up costs

• Reducing demands on City staffing resources associated with in-house implementation

This unique partnership involves SCVWD staff working directly with Palo Alto residents on a number of programs. The total cost of the programs is approximately $209,575. Of that amount, CPAU is directly contributing $106,480 (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 will be absorbed by SCVWD.

• There are a total of 8 programs (7 water conservation programs and one marketing and outreach program, Attachment D) that SCVWD will be administering and implementing for CPAU. The water conservation programs will be implemented from the SCVWD office in San Jose. SCVWD will perform most of the administrative functions for these programs (e.g. scheduling, budget tracking and invoicing, contractor oversight, customer service, and project reporting associated with program implementation.) SCVWD will provide staffing resources to implement the seven programs. The Marketing and Outreach Program will be a collaborative effort between SCVWD and CPAU. CPAU staff will take the lead role in the marketing and outreach efforts.

The following table provides a summary of the water conservation programs to be implemented with SCVWD.
<table>
<thead>
<tr>
<th>CPAU/SCVWD Program Designation</th>
<th>Program Name</th>
<th>Best Management Practices Designation</th>
<th>Program Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program I</td>
<td>Residential Interior/Exterior Water Audits</td>
<td>BMP 1, Water Surveys</td>
<td>This program provides free site surveys to residential dwellings. SCVWD staff will conduct a survey that will include an interior evaluation. Replace old fixtures with water saving devices such as showerheads, aerators and toilet flappers. An exterior evaluation that includes a watering schedule for landscaping will also be provided.</td>
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<tr>
<td>Program II</td>
<td>Low Income, Elderly &amp; Disabled Residential Ultra Low Flush Toilet (ULFT)</td>
<td>BMP 14, Residential ULFT Programs</td>
<td>A full service toilet replacement program for qualifying Palo Alto residents. SCVWD designated contractor will come out to residents home and remove the old toilet and install a water conserving toilet free of charge.</td>
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<tr>
<td>Program III</td>
<td>Multi-Family Dwelling (MFD) Ultra Low Flush Toilet (ULFT)</td>
<td>BMP 14, Residential ULFT Programs</td>
<td>A full service toilet replacement program wherein participants pay a nominal fee ($15 per toilet) for each toilet replaced for MFDs (2+units). Condominiums &amp; town homes are excluded. SCVWD designated contractor will replace the old toilet with a water-conserving fixture.</td>
</tr>
<tr>
<td>Program IV</td>
<td>Irrigation Technical Assistance (ITAP)</td>
<td>BMP 5, Large Landscape Conservation/Incentives</td>
<td>Program provides free site evaluations to assist property owners in better managing their water use and improve their irrigation efficiency. SCVWD staff or designated contractor will conduct the audit.</td>
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<tr>
<td>Program V</td>
<td>Commercial Ultra Low Flush Toilet (ULFT)</td>
<td>BMP 9, Commercial, Industrial, Institutional Programs</td>
<td>Program provides full service toilet replacement program for a fee to high end use commercial facilities such as restaurants, food stores and gas stations. SCVWD designated contractor will replace the old toilet with a water-conserving fixture.</td>
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<tr>
<td>Program VI</td>
<td>Commercial Washing Machine Rebate</td>
<td>BMP 9, Commercial, Industrial, Institutional Programs</td>
<td>Program provides cash rebates for the purchase of qualifying commercial grade high-efficiency clothes washers. SCVWD will accept applications and process and disburse rebate checks to Palo Alto customers.</td>
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<tr>
<td>Program VII</td>
<td>Pre-rinse Spray Valve Installation</td>
<td>BMP 9, Commercial, Industrial, Institutional Programs</td>
<td>Program provides high-efficiency pre-rinse spray valves to restaurants and kitchens. SCVWD staff or designated contractor will disburse valves to Palo Alto customers.</td>
</tr>
<tr>
<td>Program VIII</td>
<td>Marketing and Outreach Program</td>
<td>BMP 7, Public Information Program</td>
<td>A collaborative effort that CPAU will lead.</td>
</tr>
</tbody>
</table>

**RESOURCE IMPACT**

Funds for the programs in the amount of $106,480 are included in the FY 2002/03 Water Fund operating budget.

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 future 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, Key Strategy No.7, Implement programs that improve the quality of the environment and,
- City’s Comprehensive Plan N-24, Maintain citywide 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: Appendix I: Co-Funding Amounts
D: Appendix II: Detail Program Description

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