



City of Palo Alto City Council Staff Report

(ID # 5484)

Report Type: Consent Calendar

Meeting Date: 3/16/2015

Summary Title: Utilities Marketing Contract Amendment: SCVWD

Title: Approval and Authorization for the City Manager to Execute Amendment One to Memorandum of Understanding with the Santa Clara Valley Water District to Increase Palo Alto's Total Cost Obligation by \$500,000 Through FY 2016 for a Total Cost Obligation of \$1,235,915 to Fund Water Conservation Rebate and Incentive Programs and Adoption of a Related Budget Amendment Ordinance for Fiscal Year 2015 to Provide Appropriation in the Amount of \$400,000

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council:

- 1) Approve and authorize the City Manager to execute Amendment One (Attachment A) to the 2014-2016 Memorandum of Understanding with the Santa Clara Valley Water District for the Administration and Funding of Water Conservation Programs (the "2014-2016 MOU") to increase the City of Palo Alto's (City) three-year \$735,915 total cost obligation by \$500,000 to \$1,235,915;
- 2) Authorize the City Manager or his designee to approve changes to the targets, budgets and other aspects of the programs set forth in Appendix A of the 2014-2016 MOU; provided such changes do not otherwise increase the City's total cost obligation.
- 3) Adopt a related Budget Amendment Ordinance (Attachment C) to appropriate \$400,000 for this Amendment One from the Water Fund offset with reduction from the Water Operations Reserve.

Executive Summary

Although not a wholesale water customer of the Santa Clara Valley Water District (SCVWD), the City, through its Utilities Department (CPAU), partners with SCVWD to achieve mandated state and local water efficiency and drought conservation targets. This partnership is formalized in a

Memorandum of Understanding (MOU), and offers water conservation programs and services to residential and commercial customers within the City.

The 2014-2016 MOU was approved midway through the current four-year California drought. In response to recent state drought restrictions, SCVWD pursued very aggressive action in 2014, including doubling rebates and lifting of cost caps for the Landscape Rebate Program (LRP). The enormous customer response to the new LRP program incentives depleted the available funds for the MOU for the remainder of the contract term unless funding is increased as proposed. The proposed funding increase of \$500,000 will allow CPAU and SCVWD to continue delivering cost effective water efficiency programs for the remaining term of the MOU.

Background

For over a decade, CPAU has partnered with SCVWD to administer water efficiency programs to meet the City's water reduction goals (the 2010 Urban Water Management Plan established a goal of reducing per capita water usage by 20% by 2020). This partnership between SCVWD and the City is currently formalized through the 2014-2016 MOU, under which SCVWD and the City co-fund various programs. The first MOU was adopted by Council in 2002 (CMR 359:02). Over time, the water efficiency programs provided under the MOU have evolved or expanded concurrent with advancements in water-saving technologies and best practices for water-efficient program delivery.

The most recent 2014-2016 MOU, approved by Council in July 2013 (Staff Report #3744), covers the period between July 1, 2013 and June 30, 2016, and provides for nine water efficiency programs, with seven administered by SCVWD and two administered by CPAU. Under this 2014-2016 MOU, the City has an obligation to pay SCVWD a maximum of \$735,915 as co-funding for the seven programs administered by SCVWD. Similarly, SCVWD has an obligation to pay the City a maximum of \$164,625 as co-funding for the two programs administered by the City. For rebate programs, including the LRP, the co-funding from CPAU pays for 50% of the total customer rebate.

Discussion

The LRP provides rebates for residential and commercial customers to replace high water using landscape with low water using landscape. With limited participation levels in prior years due to the high cost of landscape conversion, the original LRP annual budget in the MOU was set at \$100,000 in rebates for 100,000 square feet of landscape conversions per year, and assumed 37 participants (30 residential and 7 commercial).

	FY2010-011	FY2011-2012	FY2012-2013	FY2013-2014
Landscape Conversion Program Number of Participants	72	26	28	27

Due to the severe drought situation, in 2014 the State Water Resources Control Board adopted emergency regulations for urban water conservation, requiring mandatory water use restrictions in all cities, specifically targeting outdoor water use

In April 2014 and in response to State action SCVWD doubled the LRP rebate level from \$1.00 to \$2.00 per square foot of replacement landscaping. SCVWD's change was designed to boost customer participation in the historically underutilized LRP program. SCVWD also recommended removing the maximum rebate amount of \$1,000 for residential and \$10,000 for commercial properties in order to attract customer participation. SCVWD recommended that CPAU consider a similar action... In that same month, CPAU followed SCVWD's recommendation and increased its customer rebate contribution from \$1.00 to \$2.00 per square foot until December 31, 2014, and agreed to waive the maximum rebate, thus providing LRP applicants with up to \$4.00 per square foot for their entire conversion.

The doubling of rebates and elimination of maximum rebate amount limits by SCVWD and CPAU immediately resulted in increased volume and size of customer LRP applications throughout the City, including commercial customers with significant turf acreage and large campus environments. Through December 31, 2014, SCVWD received 226 Palo Alto rebate applications for 409,708 square feet of landscape, with CPAU rebates totaling approximately \$725,000.

The SCVWD and CPAU program changes resulted in the total number of Palo Alto LRP applications in 2014 exceeding the prior four years of the program by 148%. The hugely successful effort permanently converted 9.4 acres of high water using landscapes in Palo Alto to low water use.

Due to MOU budgetary constraints, and after fulfilling the commitment to double the LRP rebate level through December 2014, on January 1, 2015, CPAU returned LRP funding levels to the original \$1.00 per square foot (all customer classes), and rebate limits to the original \$1,000 per residential site, and \$10,000 per commercial site. SCVWD will extend their doubled LRP program funding through June 15, 2015, which will continue to benefit Palo Alto LRP applicants.

To ensure continued and aggressive water conservation efforts, and because of the unanticipated level of response to the LRP, staff recommends Council approve an amendment to the existing 2014-2016 MOU with SCVWD to add an additional \$500,000 to CPAU's funding obligation for a revised maximum City funding obligation total of \$1,235,915. The additional funding will ensure continued momentum of the seven effective water efficiency programs administered by SCVWD during the ongoing drought.

A summary of the 2014-2016 MOU and the proposed amendment is included below:

	City's Total Cost Obligation	Proposed Increase	End of Term
--	---	--------------------------	--------------------

2014-2016 MOU (July 1, 2013)	\$735,915	n/a	June 30, 2016
Amendment No. 1 (Proposed)	\$1,235,915	\$500,000	June 30, 2016

In addition to the proposed change to the 2014-2016 MOU maximum funding level in Amendment One, staff further recommends that Council authorize the City Manager or his designee to approve changes to the targets, budgets and Palo Alto's cost per measure set forth in Appendix A of the MOU. This will allow budget flexibility across the various water conservation programs covered under the MOU.

Resource Impact

For Fiscal Year 2015, \$100,000 of funds for the proposed Amendment One to the 2014-2016 SCVWD-MOU for the balance of the term is available in the FY 2015 budget. The remaining \$400,000 for Fiscal Year 2015 will be added to the Water Fund, offset by a reduction to the Water Operations Reserve as recommended in the attached Budget Amendment Ordinance. The additional \$500,000 will fund previously committed incentive rebates, pending rebate requests, and additional anticipated rebates for the rest of the fiscal year 2015. Given the return of program rebate limits, the budgeted contract amount is also expected to be sufficient to fund the program for Fiscal Year 2016. Staff will monitor the levels of 2014-2016 MOU customer participation, rebate expenditures by program, and financial reports from SCVWD to ensure adequate budgetary oversight for the remainder of the 2014-2016 MOU term.

Policy Implications

The proposed Amendment One to the MOU continues funding for water efficiency programs authorized under the MOU and the Council-approved Urban Water Management Plan. The 2014-2016 MOU with SCVWD is also consistent with the Council-approved Utilities Strategic Plan: Key Strategic Objective BP6: "Offer programs to meet the needs of customers and the community" and Strategic Objective BP12: "Promote efficient use of resources."

Environmental Review

The proposed Amendment One does not meet the definition of a project pursuant to Section 21065 of the California Public Resources Code, thus no environmental review under the California Environmental Quality Act is required.

Attachments:

- Attachment A: Amendment One to SCVWD MOU with revised Attachment A (PDF)
- Attachment B: Copy of Current MOU FY 14 - 16 (PDF)
- Attachment C: BAO xxxx - SCVWD Amendment (PDF)

ATTACHMENT A

**AMENDMENT NO. ONE TO
MEMORANDUM OF UNDERSTANDING
BETWEEN
THE
SANTA CLARA VALLEY WATER DISTRICT AND
THE CITY OF PALO ALTO
FOR WATER CONSERVATION PROGRAMS**

This Amendment No. One ("First Amendment") to the Memorandum of Understanding between the Santa Clara Valley Water District and the City of Palo Alto for Residential and Commercial Water Conservation Programs, Fiscal Year 2014-2016 ("MOU") is entered into on _____ 2015 ("Amendment Effective Date") by and between the CITY OF PALO ALTO, a California charter municipal corporation ("CITY") and the Santa Clara Valley Water District, an independent special district created by the California Legislature, located at 5750 Almaden Expressway, San Jose, California ("WATER DISTRICT") (collectively referred to as, the "Parties").

RECITALS:

A. The MOU was entered into on July 1, 2013 between the Parties for the WATER DISTRICT to administer Residential and Commercial Water Conservation Programs in the City's service area during Fiscal Year 2014-2016.

B. The Parties now desire to increase the City's maximum not to exceed cost obligation amount by five hundred thousand dollars (\$500,000) from seven hundred and thirty-five thousand, nine hundred and fifteen dollars (\$735,915) to one million, two hundred thirty-five thousand, nine hundred and fifteen dollars (\$1,235,915) to allow the WATER DISTRICT to continue to administer Residential and Commercial Water Conservation Programs through the end of the MOU's Term.

C. The Parties also desire to make certain modifications to Appendix "A" attached to the MOU, which sets forth programs, targets and budgets.

D. To accomplish these purposes, the Parties wish to amend the MOU.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this First Amendment, the Parties agree:

SECTION 1. Section 2(j) of the MOU is hereby amended to read as follows:

"j) PALO ALTO'S maximum NOT TO EXCEED obligation to the WATER DISTRICT for programs 1-7 as specified in Appendix "A" is one million, two hundred thirty-five thousand, nine hundred and fifteen dollars (\$1,235,915)."

SECTION 2. The following Appendix to the MOU is hereby amended to read as set forth in the attachment to this First Amendment, which is incorporated in full by this reference:

a. Appendix "A" entitled "Appendix "A": Programs, Targets, and Budgets"

SECTION 3. Except as herein modified, all other provisions of the MOU, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have by their duly authorized representatives executed this First Amendment on the Amendment Effective Date.

CITY OF PALO ALTO

Senior Deputy City Attorney

Valerie Fong
Director, City of Palo Alto Utilities

James Keene
City Manager

SANTA CLARA VALLEY WATER DISTRICT



BEAU GOLDIE
Chief Executive Officer



ANTHONY FULCHER
Senior Assistant District Counsel

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT AND THE CITY OF
PALO ALTO
FOR RESIDENTIAL AND COMMERCIAL WATER CONSERVATION PROGRAMS
Fiscal Year 2014-2016**

Appendix "A": Programs, Targets and Budgets

The programs, their targets, and their budgets in the MOU are detailed below.

<i>Program Designation</i>	<i>Program Description</i>	<i>Targets Per Year in Palo Alto</i>	<i>Palo Alto Cost Per Measure</i>	<i>Annual Palo Alto Program Cost</i>	<i>Total Program Cost for Palo Alto (for 3 years)</i>
-----------------------------------	-----------------------------------	---	--	---	--

Program 1	Water-Wise House Call Program	300 per Fiscal Year	\$50 – Audit	\$15,000	\$45,000 for audits; \$11,340 for admin.
			\$315 – Monthly Administration	\$3,780	TOTAL = \$56,340
Program 2	Landscape Water Use Evaluation Program and Landscape Field Surveys	50 sites per Fiscal Year	Initial Water Budget Per Site: \$72.50	\$32,225	TOTAL = \$96,675
			Monthly Water Budget Per Site Per Year: \$36		
			Landscape Field Survey (20% sites): \$700		

<i>Program Designation</i>	<i>Program Description</i>	<i>Target Per Year in Palo Alto</i>	<i>Palo Alto Cost Per Measure</i>	<i>Annual Palo Alto Program Cost</i>	<i>Total Program Cost for Palo Alto (for 3 years)</i>
-----------------------------------	-----------------------------------	--	--	---	--

Program 3 Landscape Rebate Program	LRP: Weather Based Irrigation Controller Rebates	25 per FY	Up to \$150: 1-12 stations	\$5,000	TOTAL = \$15,000
			Up to \$350: 13-24 stations		
			Up to \$500: 25+ stations		
	LRP: Landscape Conversion Rebates	195 Residential Sites per FY	Up to \$1,000 per residential site	\$600,000	TOTAL = \$800,000
		35 Commercial Sites per FY	Up to \$10,000 per commercial site		
	LRP: Irrigation Hardware Upgrade Rebates	10 Residential Sites per Fiscal Year	50% of total rebate—up to \$500 per residential site and \$2,000 per commercial site	\$7,375	TOTAL = \$22,125
		3 Commercial Sites per Fiscal Year			
Program 4	High Efficiency Toilet Rebate Program (Tiered rebate – Higher rebate for 3.5 gpf and Lower rebate for old ULFTs)	200 High Tier, 100 Low Tier per Fiscal Year	50% of total rebate	\$16,250	TOTAL = \$48,750

<i>Program Designation</i>	<i>Program Description</i>	<i>Targets Per Year in Palo Alto</i>	<i>Palo Alto Cost Per Measure</i>	<i>Annual Palo Alto Program Cost</i>	<i>Total Program Cost for Palo Alto (for 3 years)</i>
-----------------------------------	-----------------------------------	---	--	---	--

Program 5	Commercial & Multi-Family High-Efficiency Toilet & Urinal Flush Valve Installation Program	150 per Fiscal Year	\$150 per HET \$75 per urinal flush valve	\$22,500	TOTAL = \$67,500
Program 6	Graywater Rebate Program	25 per year	50% of total rebate	\$2,500	Total = \$7,500
Program 7 Commercial Rebate Program (CRP)	CRP: Commercial Clothes Washer Rebate Program	10 per Fiscal Year	\$200	\$2,000	TOTAL = \$6,000
	CRP: Connection-less food steamers	10 per FY	50% of total rebate (rebates are \$485 per compartment)	\$2,425	TOTAL = \$7,275
	CRP: Air-Cooled Ice Machines	10 per FY	50% of total rebate (rebates are up to \$1,000 per machine)	\$5,000	TOTAL = \$15,000
	CRP: Measured Rebates (WET)	5 per FY	50% of total rebate	\$25,000	TOTAL = \$75,000
	CRP: High-Efficiency Urinals	25 per Fiscal Year	Up to \$250 per urinal	\$6,250	TOTAL = \$18,750

NOTE:

1. These are targets only; funding for programs 1 – 7 are interchangeable and useable by any of these programs as needed and agreed upon in advance and in writing by the WATER DISTRICT and CITY
2. The CITY at its discretion and in writing from City of Palo Alto Utilities Director may amend the “Palo Alto Cost per Measure” for programs 1 – 7 as set forth in Appendix “A”.
3. City of Palo Alto Total Not To Exceed amount for Programs 1 – 7 through the end of the Term of the MOU = \$1,235,915

<i>Program Designation</i>	<i>Program Description</i>	<i>Targets Per Year in Palo Alto</i>	<i>District Cost Per Measure</i>	<i>Annual District Program Cost</i>	<i>Total Program Cost for District (for 3 years)</i>
Program 8	Residential High-Efficiency Clothes Washer Rebate Program	450 per fiscal year	\$37.50 per washer	\$16,875	TOTAL = \$50,625
Program 9	Residential Water Report Program	80,000 per year	\$0.45 per report	1 st year set up cost \$6,000	\$114,000
				\$36,000	

Santa Clara Valley Water District Total Per Fiscal Year, Programs 8 & 9 = \$58,875

Santa Clara Valley Water District Total for FY 2014–16, Programs 8 & 9 = \$164,625

**AMENDMENT NO. ONE TO
MEMORANDUM OF UNDERSTANDING
BETWEEN
THE
SANTA CLARA VALLEY WATER DISTRICT AND
THE CITY OF PALO ALTO
FOR WATER CONSERVATION PROGRAMS**

This Amendment No. One ("First Amendment") to the Memorandum of Understanding between the Santa Clara Valley Water District and the City of Palo Alto for Residential and Commercial Water Conservation Programs, Fiscal Year 2014-2016 ("MOU") is entered into on _____ 2015 ("Amendment Effective Date") by and between the CITY OF PALO ALTO, a California charter municipal corporation ("CITY") and the Santa Clara Valley Water District, an independent special district created by the California Legislature, located at 5750 Almaden Expressway, San Jose, California ("WATER DISTRICT") (collectively referred to as, the "Parties").

RECITALS:

A. The MOU was entered into on July 1, 2013 between the Parties for the WATER DISTRICT to administer Residential and Commercial Water Conservation Programs in the City's service area during Fiscal Year 2014-2016.

B. The Parties now desire to increase the City's maximum not to exceed cost obligation amount by five hundred thousand dollars (\$500,000) from seven hundred and thirty-five thousand, nine hundred and fifteen dollars (\$735,915) to one million, two hundred thirty-five thousand, nine hundred and fifteen dollars (\$1,235,915) to allow the WATER DISTRICT to continue to administer Residential and Commercial Water Conservation Programs through the end of the MOU's Term.

C. The Parties also desire to make certain modifications to Appendix "A" attached to the MOU, which sets forth programs, targets and budgets.

D. To accomplish these purposes, the Parties wish to amend the MOU.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this First Amendment, the Parties agree:

SECTION 1. Section 2(j) of the MOU is hereby amended to read as follows:

"j) PALO ALTO'S maximum NOT TO EXCEED obligation to the WATER DISTRICT for programs 1-7 as specified in Appendix "A" is one million, two hundred thirty-five thousand, nine hundred and fifteen dollars (\$1,235,915)."

SECTION 2. The following Appendix to the MOU is hereby amended to read as set forth in the attachment to this First Amendment, which is incorporated in full by this reference:

a. Appendix "A" entitled "Appendix "A": Programs, Targets, and Budgets"

SECTION 3. Except as herein modified, all other provisions of the MOU, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have by their duly authorized representatives executed this First Amendment on the Amendment Effective Date.


CITY OF PALO ALTO

Senior Deputy City Attorney

Valerie Fong
Director, City of Palo Alto Utilities

James Keene
City Manager

SANTA CLARA VALLEY WATER DISTRICT



BEAU GOLDIE
Chief Executive Officer



ANTHONY FULCHER
Senior Assistant District Counsel

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT AND THE CITY OF
PALO ALTO
FOR RESIDENTIAL AND COMMERCIAL WATER CONSERVATION PROGRAMS
Fiscal Year 2014-2016**

Appendix "A": Programs, Targets and Budgets

The programs, their targets, and their budgets in the MOU are detailed below.

<i>Program Designation</i>	<i>Program Description</i>	<i>Targets Per Year in Palo Alto</i>	<i>Palo Alto Cost Per Measure</i>	<i>Annual Palo Alto Program Cost</i>	<i>Total Program Cost for Palo Alto (for 3 years)</i>
-----------------------------------	-----------------------------------	---	--	---	--

Program 1	Water-Wise House Call Program	300 per Fiscal Year	\$50 – Audit	\$15,000	\$45,000 for audits; \$11,340 for admin.
			\$315 – Monthly Administration	\$3,780	TOTAL = \$56,340
Program 2	Landscape Water Use Evaluation Program and Landscape Field Surveys	50 sites per Fiscal Year	Initial Water Budget Per Site: \$72.50	\$32,225	TOTAL = \$96,675
			Monthly Water Budget Per Site Per Year: \$36		
			Landscape Field Survey (20% sites): \$700		

<i>Program Designation</i>	<i>Program Description</i>	<i>Target Per Year in Palo Alto</i>	<i>Palo Alto Cost Per Measure</i>	<i>Annual Palo Alto Program Cost</i>	<i>Total Program Cost for Palo Alto (for 3 years)</i>
-----------------------------------	-----------------------------------	--	--	---	--

Program 3 Landscape Rebate Program	LRP: Weather Based Irrigation Controller Rebates	25 per FY	Up to \$150: 1-12 stations	\$5,000	TOTAL = \$15,000
			Up to \$350: 13-24 stations		
			Up to \$500: 25+ stations		
	LRP: Landscape Conversion Rebates	195 Residential Sites per FY	Up to \$1,000 per residential site	\$600,000	TOTAL = \$800,000
		35 Commercial Sites per FY	Up to \$10,000 per commercial site		
	LRP: Irrigation Hardware Upgrade Rebates	10 Residential Sites per Fiscal Year	50% of total rebate—up to \$500 per residential site and \$2,000 per commercial site	\$7,375	TOTAL = \$22,125
		3 Commercial Sites per Fiscal Year			
Program 4	High Efficiency Toilet Rebate Program (Tiered rebate – Higher rebate for 3.5 gpf and Lower rebate for old ULFTs)	200 High Tier, 100 Low Tier per Fiscal Year	50% of total rebate	\$16,250	TOTAL = \$48,750

<i>Program Designation</i>	<i>Program Description</i>	<i>Targets Per Year in Palo Alto</i>	<i>Palo Alto Cost Per Measure</i>	<i>Annual Palo Alto Program Cost</i>	<i>Total Program Cost for Palo Alto (for 3 years)</i>
-----------------------------------	-----------------------------------	---	--	---	--

Program 5	Commercial & Multi-Family High-Efficiency Toilet & Urinal Flush Valve Installation Program	150 per Fiscal Year	\$150 per HET \$75 per urinal flush valve	\$22,500	TOTAL = \$67,500
Program 6	Graywater Rebate Program	25 per year	50% of total rebate	\$2,500	Total = \$7,500
Program 7 Commercial Rebate Program (CRP)	CRP: Commercial Clothes Washer Rebate Program	10 per Fiscal Year	\$200	\$2,000	TOTAL = \$6,000
	CRP: Connection-less food steamers	10 per FY	50% of total rebate (rebates are \$485 per compartment)	\$2,425	TOTAL = \$7,275
	CRP: Air-Cooled Ice Machines	10 per FY	50% of total rebate (rebates are up to \$1,000 per machine)	\$5,000	TOTAL = \$15,000
	CRP: Measured Rebates (WET)	5 per FY	50% of total rebate	\$25,000	TOTAL = \$75,000
	CRP: High-Efficiency Urinals	25 per Fiscal Year	Up to \$250 per urinal	\$6,250	TOTAL = \$18,750

NOTE:

1. These are targets only; funding for programs 1 – 7 are interchangeable and useable by any of these programs as needed and agreed upon in advance and in writing by the WATER DISTRICT and CITY
2. The CITY at its discretion and in writing from City of Palo Alto Utilities Director may amend the “Palo Alto Cost per Measure” for programs 1 – 7 as set forth in Appendix “A”.
3. City of Palo Alto Total Not To Exceed amount for Programs 1 – 7 through the end of the Term of the MOU = \$1,235,915

<i>Program Designation</i>	<i>Program Description</i>	<i>Targets Per Year in Palo Alto</i>	<i>District Cost Per Measure</i>	<i>Annual District Program Cost</i>	<i>Total Program Cost for District (for 3 years)</i>
Program 8	Residential High-Efficiency Clothes Washer Rebate Program	450 per fiscal year	\$37.50 per washer	\$16,875	TOTAL = \$50,625
Program 9	Residential Water Report Program	80,000 per year	\$0.45 per report	1 st year set up cost \$6,000	\$114,000
				\$36,000	

Santa Clara Valley Water District Total Per Fiscal Year, Programs 8 & 9 = \$58,875
 Santa Clara Valley Water District Total for FY 2014–16, Programs 8 & 9 = \$164,625

ATTACHMENT B

MEMORANDUM OF UNDERSTANDING BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT AND THE CITY OF PALO ALTO FOR RESIDENTIAL AND COMMERCIAL WATER CONSERVATION PROGRAMS Fiscal Year 2014-2016

This MEMORANDUM OF UNDERSTANDING (MOU) between the Santa Clara Valley Water District, an independent special district created by the California Legislature (hereinafter referred to as WATER DISTRICT), and the City of Palo Alto (hereinafter referred to as PALO ALTO) sets forth the respective roles of the WATER DISTRICT and PALO ALTO in regard to the WATER DISTRICT'S and PALO ALTO'S RESIDENTIAL AND COMMERCIAL WATER CONSERVATION PROGRAMS (hereinafter referred to as PROGRAMS) becomes effective as of July 1, 2013. WATER DISTRICT and PALO ALTO may be individually referred to individually as "PARTY" or jointly as "PARTIES" hereinafter.

RECITALS

WHEREAS the PROGRAMS involve providing Water Conservation services and rebates for properties located within PALO ALTO's service area;

WHEREAS these water conservation PROGRAMS are appropriate measures for the Best Management Practices addressed in the California Urban Water Conservation Council's memorandum of understanding regarding Urban Water Conservation in California;

WHEREAS the WATER DISTRICT and PALO ALTO have established these PROGRAMS to provide information on how to use water most efficiently; and

WHEREAS the WATER DISTRICT and PALO ALTO wish to participate in these PROGRAMS.

NOW, THEREFORE, in consideration of the recitals and mutual obligations of the PARTIES expressed in this MOU, WATER DISTRICT and PALO ALTO agree as follows:

1. WATER DISTRICT'S RESPONSIBILITIES:

- a) Administer PROGRAMS 1 through 7 (see Appendix A: Programs, Targets and Budgets).
- b) Collect data to determine usage and water savings resulting from PROGRAMS 1 through 7. Data for PROGRAMS 1 through 7 will be put together by DISTRICT and provided to PALO ALTO.
- c) Administer funds for PROGRAMS 1 through 7.
- d) Invoice PALO ALTO on a quarterly basis for each of the PROGRAMS 1 through 7 (aggregate invoice, broken down by program).
- e) Work cooperatively with PALO ALTO in appropriately advertising PROGRAMS to targeted customers.
- f) Verify qualifying installed program measures for PROGRAMS 1 through 7.
- g) Pay co-funding amounts for PROGRAMS 8 and 9.
- h) Make payment to PALO ALTO within sixty (60) calendar days of receipt of invoice from PALO ALTO for funding amounts for PROGRAMS 8 and 9.
- i) WATER DISTRICT's obligation to pay for the activities is capped at a maximum of \$164,625.

2. PALO ALTO'S RESPONSIBILITIES:

- a) Administer PROGRAMS 8 and 9 (see Appendix A: Programs, Targets and Budgets).
- b) Provide WATER DISTRICT with water usage records and other data necessary to determine savings and cost effectiveness of the PROGRAMS. Water usage records for individual accounts will only be made available to WATER DISTRICT for those account holders who have authorized the WATER DISTRICT to obtain the information from PALO ALTO.
- c) Collect data to determine electric and water usage and savings resulting from PROGRAMS 8 and 9 and provide it to WATER DISTRICT. Data for PROGRAMS 8 and 9 will be put together by PALO ALTO and provided to WATER DISTRICT.
- d) Administer funds for PROGRAMS 8 and 9.
- e) Invoice WATER DISTRICT on a quarterly basis for PROGRAMS 8 and 9.
- f) Work cooperatively with WATER DISTRICT in appropriately advertising PROGRAMS to targeted customers.
- g) Verify qualifying installed program measures for PROGRAMS 8 and 9.

- h) Pay co-funding amounts for PROGRAMS 1 through 7 as specified in APPENDIX A.
- i) Make payment to the WATER DISTRICT within sixty (60) calendar days of receipt of invoice from WATER DISTRICT for funding amounts for PROGRAMS 1 through 7."
- j) PALO ALTO's obligation to pay for the activities is capped at a maximum of \$735,915.

3. HOLD HARMLESS AND LIABILITY

Each party mutually agrees to indemnify hold harmless and defend the other party, its governing members, officers, agents, employees, and volunteers (collectively, the "indemnified Parties") in an amount equal to its proportionate share of liability on a comparative fault basis. This indemnity obligation shall exist with respect to any claim, loss, liability, damage, lawsuit, cost or expense that arises out of, or is any way related to the performance of this MOU. This indemnity obligation extends, without limitation, to any injury, death, loss, or damage which occurs in the performance of the MOU and that is sustained by a third-party, agent, or contractor of a party. Each party certifies that it has adequate self-insured retention of funds to meet any obligation arising from this MOU, and it shall continue to maintain such funds throughout the term of this MOU. Notwithstanding the foregoing, nothing herein shall be construed to require any party to indemnify the other party from any claim arising from the sole negligence or willful misconduct of such other party regardless of whether any insurance policies are applicable.

4. DOCUMENT REVIEW

WATER DISTRICT and PALO ALTO will make available for inspection to the other party, upon reasonable advance written notice, all records, books and other documents relating to the PROGRAMS.

5. TERM

The term of the MOU is from July 1, 2013 through June 30, 2016. The term of the MOU may be extended by mutual consent of the Parties acting through their authorized representatives. This MOU is contingent upon approval of program funding each fiscal year by the WATER DISTRICT's Board of Directors and PALO ALTO's City Council. In the event such contingency is not met, this MOU terminates on the first day of the fiscal year for which funding is not approved.

6. NOTICE

Any notice, payment, credit or instrument required or permitted to be given hereunder is deemed received upon personal delivery or five (5) calendar days after deposit in any United States mail depository, first class postage prepaid and addressed to the party for whom intended; or on the same day as a facsimile or email transmission is sent as long as original is placed in the mail, as provided above, on the same day.

If to WATER DISTRICT:

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3614
Attn: Jerry De La Piedra, Program Administrator
Facsimile: (408) 979-5639

If to PALO ALTO:

City of Palo Alto Utilities
250 Hamilton Ave., 3rd Floor
Palo Alto, CA 94301
Attn: Catherine Elvert, Utility Account Representative
Facsimile: (650) 617-3140

Either party may change such address or contact person by notice given to the other party as provided in this Section 6.

7. AMENDMENTS

The MOU may be amended by written agreement executed by both PARTIES.

8. ASSIGNMENT

Neither PARTY is allowed to assign, sublet, or transfer this MOU or any of the rights or interests in this MOU without the written consent of the other PARTY.

9. SEVERABILITY

The partial or total invalidity of one or more parts of this MOU will not affect the intent or validity or remaining parts of this MOU.

10. GOVERNING LAW

This MOU will be deemed a contract under the laws of the State of California and for all purposes must be interpreted in accordance with such laws.

11. TERMINATION OF AGREEMENT

This MOU may be terminated by either party hereto for any reason upon thirty (30) calendar days written notice to the other Party.

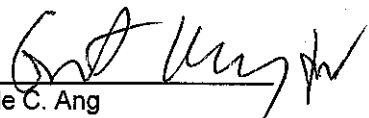
12. SIGNATURES

The individuals executing this MOU represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

In WITNESS WHEREOF, the PARTIES have executed this MOU as of the effective date.

CITY OF PALO ALTO, CALIFORNIA

APPROVED AS TO FORM:


Marybelle C. Ang
Senior Assistant City Attorney


James Keene
City Manager

ATTEST: 
Valerie Fong
Director, City of Palo Alto Utilities

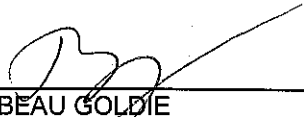
Address:
250 Hamilton Ave., 3rd Fl.
Palo Alto, CA 94301
Telephone: 650.329.2241
Facsimile: 650.617.3140

SANTA CLARA VALLEY WATER DISTRICT

an independent special district created by the California Legislature

APPROVED AS TO FORM:


ANTHONY FULCHER
Sr. Assistant District Counsel


BEAU GOLDIE
Chief Executive Officer

Address:
5750 Almaden Expressway
San Jose, CA 95118
Telephone: 408.265.2600
Facsimile: 408.267.3127

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE SANTA CLARA VALLEY WATER DISTRICT AND THE CITY OF PALO ALTO
FOR RESIDENTIAL AND COMMERCIAL WATER CONSERVATION PROGRAMS
Fiscal Year 2014-2016**

Appendix A: Programs, Targets and Budgets

The programs, their targets, and their budgets in the proposed MOU are detailed below.

<i>Program Designation</i>	<i>Program Description</i>	<i>Proposed Number Per Year in Palo Alto</i>	<i>Palo Alto Cost Per Measure</i>	<i>Annual Palo Alto Program Cost</i>	<i>Total Program Cost for Palo Alto (for 3 years)</i>
-----------------------------------	-----------------------------------	---	--	---	--

Program 1	Water-Wise House Call Program	300 per Fiscal Year	\$50 – Audit	\$15,000	\$45,000 for audits; \$11,340 for admin.
			\$315 – Monthly Administration	\$3,780	TOTAL = \$56,340
Program 2	Landscape Water Use Evaluation Program and Landscape Field Surveys	50 sites per Fiscal Year	Initial Water Budget Per Site: \$72.50	\$32,225	TOTAL = \$96,675
			Monthly Water Budget Per Site Per Year: \$36		
			Landscape Field Survey (20% sites): \$700		

Program Designation	Program Description	Proposed Number Per Year in Palo Alto	Palo Alto Cost Per Measure	Annual Palo Alto Program Cost	Total Program Cost for Palo Alto (for 3 years)
----------------------------	----------------------------	--	-----------------------------------	--------------------------------------	---

Program 3 Landscape Rebate Program	LRP: Weather Based Irrigation Controller Rebates	25 per FY	Up to \$150: 1-12 stations	\$5,000	TOTAL = \$15,000
			Up to \$350: 13-24 stations		
			Up to \$500: 25+ stations		
	LRP: Landscape Conversion Rebates	30 Residential Sites per FY	Up to \$1,000 per residential site	\$100,000	TOTAL = \$300,000
		7 Commercial Sites per FY	Up to \$10,000 per commercial site		
	LRP: Irrigation Hardware Upgrade Rebates	10 Residential Sites per Fiscal Year	50% of total rebate—up to \$500 per residential site and \$2,000 per commercial site	\$7,375	TOTAL = \$22,125
		3 Commercial Sites per Fiscal Year			
Program 4	High Efficiency Toilet Rebate Program (Tiered rebate – Higher rebate for 3.5 gpf and Lower rebate for old ULFTs)	200 High Tier, 100 Low Tier per Fiscal Year	50% of total rebate	\$16,250	TOTAL = \$48,750

Program Designation	Program Description	Proposed Number Per Year in Palo Alto	Palo Alto Cost Per Measure	Annual Palo Alto Program Cost	Total Program Cost for Palo Alto (for 3 years)
----------------------------	----------------------------	--	-----------------------------------	--------------------------------------	---

Program 5	Commercial & Multi-Family High-Efficiency Toilet & Urinal Flush Valve Installation Program	150 per Fiscal Year	\$150 per HET \$75 per urinal flush valve	\$22,500	TOTAL = \$67,500
Program 6	Graywater Rebate Program	25 per year	50% of total rebate	\$2,500	Total = \$7,500
Program 7 Commercial Rebate Program (CRP)	CRP: Commercial Clothes Washer Rebate Program	10 per Fiscal Year	\$200	\$2,000	TOTAL = \$6,000
	CRP: Connection-less food steamers	10 per FY	50% of total rebate (rebates are \$485 per compartment)	\$2,425	TOTAL = \$7,275
	CRP: Air-Cooled Ice Machines	10 per FY	50% of total rebate (rebates are up to \$1,000 per machine)	\$5,000	TOTAL = \$15,000
	CRP: Measured Rebates (WET)	5 per FY	50% of total rebate	\$25,000	TOTAL = \$75,000
	CRP: High-Efficiency Urinals	25 per Fiscal Year	Up to \$250 per urinal	\$6,250	TOTAL = \$18,750

City of Palo Alto Total per Fiscal Year \$245,305

City of Palo Alto Total for Three Years \$735,915

Program Designation	Program Description	Proposed Number Per Year in Palo Alto	District Cost Per Measure	Annual District Program Cost	Total Program Cost for District (for 3 years)
----------------------------	----------------------------	--	----------------------------------	-------------------------------------	--

Program 8	Residential High-Efficiency Clothes Washer Rebate Program	450 per fiscal year	\$37.50 per washer	\$16,875	TOTAL = \$50,625
Program 9	Residential Water Report Program	80,000 per year	\$0.45 per report	1 st year set up cost \$6,000 \$36,000	\$114,000

Santa Clara Valley Water District Total Per Fiscal Year = \$58,875

Santa Clara Valley Water District Total for Three Years = \$164,625

NOTE: These are goals only, funding for these programs is interchangeable and useable by any of these programs as needed and agreed upon by the DISTRICT and PALO ALTO.

ATTACHMENT C

Ordinance No. XXXX

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO AMENDING THE BUDGET FOR FISCAL YEAR 2015 IN THE WATER FUND TO PROVIDE AN APPROPRIATION OF \$400,000 FROM THE WATER FUND OPERATING RESERVE TO AMEND THE MEMORANDUM OF UNDERSTANDING WITH THE SANTA CLARA VALLEY WATER DISTRICT (SCVWD) THEREBY INCREASING PALO ALTO'S TOTAL COST OBLIGATION BY \$500,000 THROUGH FISCAL YEAR 2016 FOR A TOTAL COST OBLIGATION OF \$1,235,915 TO PARTICIPATE IN WATER CONSERVATION PROGRAMS. THE REMAINING \$100,000 IN FUNDING NEEDED FOR THE CONTRACT WILL BE FUNDED FROM AVAILABLE WATER DEMAND SIDE MANAGEMENT (DSM) OPERATING BALANCE.

The Council of the City of Palo Alto does ordain as follows:

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of the Charter of the City of Palo Alto, the Council on June 16, 2014 did adopt a budget for Fiscal Year 2015; and

B. Since 2002, the City of Palo Alto Utilities Department (CPAU) has partnered with SCVWD to administer water efficiency programs to meet the City's water reduction goals (the 2010 Urban Water Management Plan established a goal of reducing per capita water usage by 20% by 2020.) This partnership between SCVWD and the City is formalized through a MOU, through which SCVWD and the City co-fund various programs; and

C. The most recent MOU, approved by Council in July 2013, covers the period between July 1, 2013 and June 30, 2016, and comprises nine water efficiency programs, with seven administered by SCVWD and two by CPAU. Under this MOU, the City has an obligation to pay SCVWD a maximum of \$735,915 as co-funding for the seven programs administered by SCVWD and SCVWD has an obligation to pay the City a maximum of \$164,625 as co-funding for the two programs administered by the City. For rebate programs, the co-funding from CPAU pays for 50% of the total customer rebate; and

D. Due to the severe drought situation, in 2014 the State Water Resources Control Board adopted emergency regulations for urban water conservation, requiring mandatory water use restrictions in all cities, specifically targeting outdoor water use; and

E. In April of 2014 and in response to SCVWD doubling its Landscape Rebate Program (LRP) rebate level from \$1.00 to \$2.00 per square foot for replacement landscaping and removed the maximum rebate amount of \$1,000 for residential and \$10,000 for commercial properties in order to attract participation in this historically underutilized program, CPAU followed SCVWD's recommendation and increased its customer rebate contribution from \$1.00 to \$2.00 per square foot until December 31, 2014, and agreed to

waive the maximum rebate thus providing LRP applicants with up to \$4.00 per square foot for their entire conversion; and

F. The doubling of rebates and lifting of limits by SCVWD and CPAU immediately resulted in increased volume and size of customer LRP applications throughout the City, including commercial customers with significant turf acreage and large campus environments; and

G. To ensure continued and aggressive water conservation efforts, and because of the unanticipated level of response to the landscape rebate program, staff recommends Council approve an amendment to the existing 2014-2016 MOU with SCVWD to increase Palo Alto's total cost obligation by Five Hundred Thousand Dollars (\$500,000) needed to fund the MOU for the remainder of Fiscal Year 2015.

SECTION 2. The sum of Four Hundred Thousand Dollars (\$400,000) is hereby appropriated to the Water Operating budget to fund a portion of the MOU. This increase is offset by a reduction to the Water Stabilization Reserve. The remaining One Hundred Thousand Dollars (\$100,000) required for the contract will be funded from available Water DSM operating balance.

SECTION 3. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 4. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

//
//
//
//
//
//
//
//
//
//
//
//
//

INTRODUCED AND PASSED: Enter Date Here

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

City Clerk

APPROVED AS TO FORM:

Senior Assistant City Attorney

Mayor

APPROVED:

City Manager

Director of Administrative Services

Director of Utilities