



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Utilities

Meeting Date: June 19, 2023

Staff Report: 2304-1380

TITLE

Approval of an Agreement Between Santa Clara Valley Water District and the City of Palo Alto for Administration and Funding of Water Conservation and Stormwater Rebate Programs and Advanced Metering Infrastructure for a Total Not-To-Exceed Amount of \$1,575,000 Over a Seven-Year Term Ending June 30, 2030 (This is not a project and therefore is exempt from California Environmental Quality Act (CEQA))

RECOMMENDATION

Staff recommends the Palo Alto City Council:

- 1) Approve and authorize the City Manager or designee to execute the agreement between Santa Clara Valley Water District (Valley Water) and the City of Palo Alto for administration and funding of Water Conservation and Stormwater Rebate Programs and Advanced Metering Infrastructure (Agreement), comprised of the City contribution of \$1,400,000 for water conservation programs and \$175,000 for stormwater programs over the seven-year contract term ending June 30, 2030, for a total-not-to-exceed amount of \$1,575,000; and
- 2) Authorize the City Manager or designee to adjust the reimbursement amounts for the Programs, so long as the City's total contribution does not exceed \$1,400,000 for water conservation programs and \$175,000 for stormwater programs over the seven-year contract term ending June 30, 2030.

EXECUTIVE SUMMARY

Staff recommends approval of the proposed Agreement with Valley Water for a new seven-year term allowing Valley Water and the City to administer a variety of water conservation programs including Advanced Metering Infrastructure (AMI) and allow the City to match funding for rebate programs, effectively increasing incentives for Palo Alto residents and businesses to reduce water use. The Rain Barrel Distribution Events, AMI, and the Water Use Reports are administered by the City, and Valley Water will pay up to \$1,435,000 to help fund these programs.

To achieve state and local water conservation and efficiency objectives, the City of Palo Alto Utilities (CPAU) partners with Valley Water to offer a suite of conservation programs and services to Palo Alto's water customers. Valley Water offers the programs in the City's service area, and the City adds funding to some of the programs. This partnership enables Palo Alto to receive more benefits and cost savings than would be achieved through self-administered water efficiency programs. The new agreement will replace the existing Agreement governing these programs to allow the City to receive funding from Valley Water for AMI.

BACKGROUND

State requirements and Council policies have resulted in aggressive water reduction goals which are largely achieved through conservation and efficiency programs. Valley Water and Palo Alto use innovative technologies and cost-effective programs to best utilize the annual water conservation operating budget.

The guiding document for water utility efficiency goals is the Urban Water Management Plan (UWMP) ([Staff Report #12025](#))¹. The UWMP is updated every five years and outlines the long-term supply and demand-side issues and policies impacting the water utility. The UWMP also details the measures CPAU will take to reach its water reduction goals, through a series of Demand Management Measures.

For over a decade Valley Water has delivered water conservation programs to residents and businesses throughout Santa Clara County. Valley Water and the City co-fund various programs and partner to promote residential and commercial sanitary fixtures, free conservation devices, indoor and outdoor water efficiency surveys, irrigation hardware upgrades, and residential educational workshops. Marketing for all water conservation programs is shared between Valley Water and the City. Implementation and administrative functions for these programs (e.g., scheduling, budget tracking and invoicing, contractor oversight, customer service, and project reporting associated with program implementation) is managed by City and/or Valley Water staff, depending on the program. The most recent agreement was approved by Council on June 20, 2022 ([Staff Report #14384](#))², for the delivery of water conservation and efficiency programs to the Palo Alto residents and businesses. This new agreement expands on the prior one to incorporate AMI programs.

On October 18, 2021, Council approved the AMI project with Sensus for the citywide AMI installation system ([Staff Report #13665](#))³. The new and upgraded AMI water meters will be able to provide near-real time data on water consumption. When the AMI system becomes fully

¹ Staff Report 12025 <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2021/id-12025.pdf>

² Staff Report 14384 <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/attachments/06-20-2022-id-14384.pdf>

³ Staff Report 13665 <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2021/10-18-2021-id-13665.pdf>

operational, residents and businesses will be able to monitor ongoing water consumption data and be alerted about possible water leaks from high flow.

ANALYSIS

There is a need for a new agreement because the 2022 Agreement did not include funding from Valley Water for AMI. Cost-sharing for other water conservation programs remains the same.

Under this Agreement, most rebates will continue to be funded by Valley Water, with the City matching payments to customers for some programs. Palo Alto residents and businesses will be eligible to receive higher incentives than those from other water retailers in Santa Clara County for retrofits such as high-water use landscape conversion and custom facility process improvements for water efficiency. Mobile home parks and condominium complexes in Palo Alto will receive increased incentives for adding residential submeters. Rebates for laundry-to-landscape gray water systems will provide a financial incentive to residents to reduce potable water landscape irrigation. The Landscape Replacement Program provides rebates for residential and commercial customers to replace high water use landscapes with low water use landscape, and the rebate will be greater in Palo Alto due to the City's contribution. Likewise, cost sharing will be implemented for rain barrels, cisterns, graywater systems, and rain gardens, all of which reduce reliance on potable water while keeping pollution out of the stormwater system and, thus, the San Francisco Bay.

Tables A-1, A-2 and A-3 summarize the proposed Agreement costs and reflect funding for the cost-sharing rebate amounts for the programs. Palo Alto will match Valley Water-funded rebates for landscape conversion rebates, graywater systems, submeters, rain barrels, cisterns, and rain gardens resulting in higher incentives for the Palo Alto community.

Table A-1 Water Conservation Program Rebate Matching Amounts from Palo Alto

Program	PALO ALTO's Reimbursement Rates
Landscape Conversion Rebate (in addition to VALLEY WATER rebate)	\$2.00 per square foot, up to \$2,000 per residential site and \$20,000 per commercial site
Large Landscape Lawn to Mulch Rebate (in addition to VALLEY WATER rebate)	\$1.00 per square foot, up to \$1,000 per residential site and \$10,000 per commercial site
Graywater Conversion Rebate (in addition to VALLEY WATER rebate)	\$200 per site
Submeter Rebate	\$150 per submeter

Table A-2 Stormwater Program Rebate Matching Amounts from Palo Alto

Program	PALO ALTO's Reimbursement Rates	
Rain Barrel Rebate (in addition to VALLEY WATER rebate)	Rebate cap: \$1,000 per residential site; \$5,000 per commercial site. Rebates may be applied to any combination of rebate types and amounts listed in Tables A-2 or A-3.	Cost of the rain barrel minus VALLEY WATER's rebate amount, up to a maximum of \$35.
Cistern (in addition to VALLEY WATER rebate)		\$0.50 per gallon
Rain Garden (in addition to VALLEY WATER rebate)		\$1 per square foot, up to \$300 per site

Table A-3 Payments from Valley Water to Palo Alto for Rain Barrels Distributed by Palo Alto

Program	VALLEY WATER's Reimbursement Rates	
Rain Barrel Distribution Event Rebate (in addition to CITY rebate)	Rebate caps do not apply	\$35.00 per rain barrel

Valley Water provides access to their online application portal to City of Palo Alto residents and businesses for all the programs listed above. Valley Water administers rebates for the programs listed in Table A-1 and A-2 on behalf of both agencies and then invoices the City. The City will administer rebates for the discounts on any rain barrels, cisterns or rain gardens (listed in Table A-3), and then invoice Valley Water. These discounts are offered at Rain Barrel Distribution Events which may occur yearly or biannually.

CPAU staff also administers several water conservation programs in-house. CPAU's Water Reports provide information to residents including water use and tips and programs to improve water efficiency. CPAU's AMI program will be able to provide near-real time data on water consumption and alert residents of possible leaks. Valley Water will pay the City up to \$1,435,000 to help fund the City's AMI and Water Use Reports program, and Rain Barrel Distribution program.

To ensure continued and aggressive water conservation efforts, staff recommends Council approve the proposed Agreement with a maximum City funding obligation total of \$225,000 per year and \$1,575,000 over the seven-year term. The additional funding will ensure continued momentum of the eight water efficiency programs administered by Valley Water and City through June 30, 2030. Table 2 shows funding amounts for the seven years of the proposed Agreement by department budget.

Table 2: The City's Proposed Agreement Funding

Department	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Utilities (Water Fund)	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,400,000
Public Works (Stormwater Management Fund)	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$175,000
Total	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$1,575,000

FISCAL/RESOURCE IMPACT

Palo Alto will match Valley Water-funded rebates for landscape conversion rebates, graywater systems, submeters, rain barrels, cisterns, and rain gardens resulting in higher incentives for the Palo Alto community.

- Rebates for landscape conversion rebates, graywater systems, and submeters programs will be funded from the Utilities Department budget while rebates for the remaining programs will be funded by the City's Stormwater Management Fee for the first year of the contract subject to the approval of the FY 2024 Proposed Operating budget. Funding for FY 2025 and beyond is subject to City Council approval of the annual appropriation of funds through the annual budget process.
- Valley Water will pay the City up to \$1,435,000 to help fund the City's AMI and Water Use Reports program, and Rain Barrel Distribution program.

Implementation of the proposed conservation programs will slightly reduce the City's water consumption, and thus reduce water revenues to the Utility but will reduce water supply costs by a greater amount, reducing overall costs to the community. These water efficiency programs are expected to be cost-effective, meaning the cost of implementation will be lower than the water supply cost.

POLICY IMPLICATIONS

The proposed Agreement continues funding for water efficiency programs consistent with the 2020 Urban Water Management Plan ([Staff Report #12025](#))⁴, the Utilities Strategic Plan, and the City's Sustainability and Climate Action Plan Goals and Key [Draft Sustainability and Climate Action Plan Goals and Key Actions](#)⁵. Stormwater-related programs support implementation of the Green Stormwater Infrastructure (GSI) Plan accepted by Council in May 2019 ([Staff Report #9883](#))⁶.

⁴ Staff Report 12025 <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2021/id-12025.pdf>

⁵ Draft Sustainability and Climate Action Plan Goals and Key Actions <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/attachments/2020-sustainability-and-climate-action-plan-potential-goals-and-key-actions-draft.pdf>

⁶ Staff Report 9883 <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2019/id-9883-acceptance-of-the-copa-green-stormwater-infrastructure-plan.pdf>

In December 2018, the SWRCB adopted amendments to the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay Delta Plan Amendment) to establish water quality objectives to maintain the health of the Bay Delta ecosystem. Palo Alto Council expressed support for the Bay Delta Plan Amendment in its August 20, 2018 vote⁷. Water conservation programs are an important means for Palo Alto to reduce its dependence on the Tuolumne River.

STAKEHOLDER ENGAGEMENT

Palo Alto and Valley Water both actively market these programs through their websites, at community events, via bill inserts, other social media and newsletters.

ENVIRONMENTAL REVIEW

Approval of the proposed Agreement 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 (CEQA) is required and is categorically exempt from CEQA under Public Resources Code Sections 15307 (Actions by Regulatory Agencies for Protection of Natural Resources) and 15308 (Actions by Regulatory Agencies for Protection of the Environment). Valley Water is the lead agency with respect to Water Conservation and Stormwater programs covered by the Agreement. The City's implementation and use of AMI water meters is categorically exempt under California Environmental Quality Act (CEQA) Guidelines section 15301(b) as a Project involving minor alteration of existing public utilities facilities and equipment.

ATTACHMENTS

Attachment A: Agreement for Water Conservation Programs and Advanced Metering Infrastructure

APPROVED BY:

Dean Batchelor, Director of Utilities

Staff, Linda Grand, Sustainability Programs Administrator

⁷ <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/00-archive/2018/08-20-2018-final-ccm-minutes.pdf>