



*City of Arts & Innovation*

# City Council Memorandum

*City of Arts & Innovation*

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: JUNE 12, 2018**

**FROM: PUBLIC UTILITIES DEPARTMENT** **WARDS: ALL**

**SUBJECT: SECOND AMENDMENT TO AGREEMENT NO. C06-207 FY 2015-2025 WESTERN MUNICIPAL WATER DISTRICT WATER CONSERVATION FUNDING AGREEMENT BETWEEN WESTERN MUNICIPAL WATER DISTRICT AND RIVERSIDE PUBLIC UTILITIES FOR THE PURPOSE OF PROVIDING WATER CONSERVATION FUNDING INCLUDING RESIDENTIAL, COMMERCIAL, INDUSTRIAL AND INSTITUTIONAL PROGRAMS FROM METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FOR A TERM THROUGH JUNE 30, 2025**

## **ISSUES:**

Approve the Second Amendment to Agreement No. C06-207 FY 2015-2025 Western Municipal Water District Water Conservation Funding Agreement between Western Municipal Water District and Riverside Public Utilities for the purpose of providing water conservation funding including residential, commercial, industrial and institutional programs from Metropolitan Water District of Southern California for a term through June 30, 2025, and authorize Riverside Public Utilities to participate and receive water conservation funding from Metropolitan Water District of Southern California, including the use of the SoCal WaterSmart automated rebate application and rebate processing tool.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Second Amendment to Agreement No. C06-207 FY 2015-2025 Western Municipal Water District Water Conservation Funding Agreement between Western Municipal Water District and Riverside Public Utilities for a term through June 30, 2025;
2. Authorize Riverside Public Utilities to participate and receive water conservation funding from Metropolitan Water District of Southern California, including the use of the SoCal WaterSmart automated rebate application and rebate processing tool; and
3. Authorize the City Manager, or his designee, to execute the Second Amendment to Agreement No. C06-207 FY 2015-2025 Western Municipal Water District Water Conservation Funding Agreement between Western Municipal Water District and Riverside Public Utilities, including making minor and non-substantive changes.

## **BOARD RECOMMENDATION:**

This report is published on May 31, 2018, for the June 12, 2018, City Council meeting.

On June 11, 2018, the Board of Public Utilities will hear this item for consideration to recommend to City Council to approve the Water Conservation Funding Agreement between Western Municipal Water District and the City of Riverside Public Utilities for the purpose of providing water conservation funding including residential, commercial, industrial and institutional programs including the use of SoCal WaterSmart automated rebate application and rebate processing tool from Metropolitan Water District of Southern California for an Agreement term through June 30, 2025.

If the Board of Public Utilities approves to forward this to City Council, we respectfully request the City Council consider the item at the June 12, 2018, City Council meeting.

## **LEGISLATIVE HISTORY:**

Senate Bill (SB) X7-7 (2009) requires the State to achieve a 20% reduction in urban per capita water use in California by December 31, 2020.

Executive Order B-29-15 (2014) authorized the State Water Resources Control Board to implement an Emergency Conservation Regulation, including water use restrictions, to achieve a statewide 25% reduction in potable urban water usage. Riverside Public Utilities (RPU) initially was mandated by the State to reduce its potable water consumption by 28% (this level was subsequently reduced to 25%).

Executive Order B-37-16 (2016) established a state-wide regulatory framework, entitled “Making Water Conservation a California Way of Life,” to use water more wisely, eliminate water waste, strengthen local drought resilience, and improve agricultural water efficiency and drought planning.

Executive Order B-40-17 (2017) rescinded the Emergency Conservation Regulation for all California counties except Fresno, Kings, Tulare and Tuolumne, while retaining prohibitions on wasteful practices such as watering during or after rainfall, hosing off sidewalks and irrigating ornamental turf on public street medians.

## **BACKGROUND:**

The Metropolitan Water District of Southern California (Metropolitan) is a regional water wholesaler that delivers imported water from the Colorado River and Northern California to 26 member agencies, including 14 cities, 11 municipal water districts, and one county water authority. Metropolitan member agencies, in turn, supply water to the residents, business and cities throughout the region, including in Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura counties. The City of Riverside has access to, but currently does not take, imported water from Metropolitan through its member agency, Western Municipal Water District (WMWD).

In addition to supplying imported water, Metropolitan assists its member agencies in developing water recycling, storage, water use efficiency and other local resource programs. The purpose of

these programs is to reduce regional demands, increase regional water supply reliability, and reduce demands for imported water supplies.

In 2006, Metropolitan and WMWD entered into a Water Conservation Funding Agreement to provide funding for local residential, commercial, industrial and institutional water conservation programs. Concurrently, RPU entered into an agreement with WMWD that allowed RPU to participate in Metropolitan's water conservation programs as a member agency of WMWD. The term for both of these agreements was from Fiscal Year (FY) 2006/07 through FY 2014/15. The WMWD/RPU agreement allowed RPU to receive regional water conservation funding during California's unprecedented 2014-2016 drought, assisting RPU to fund such programs as the popular WaterWise Landscape Program, which contributed to RPU meeting its State-mandated water conservation goals.

In 2015, Metropolitan and WMWD executed the Second Amendment to the Residential and Commercial Water Conservation Funding Agreement, extending WMWD participation in the conservation programs through June 30, 2025. During the renewal process, the master agreement between RPU and WMWD, which allows RPU's participation in Metropolitan conservation programs, was not renewed. Staff is now seeking to re-enter into an agreement with WMWD that will act as a follow-through to WMWD and Metropolitan's Second Amendment Master Agreement, thus allowing RPU to continue participating in Metropolitan's conservation incentive funding and programming.

## **DISCUSSION:**

Through the master agreements and member-agency partnerships, RPU residential and commercial customers would be able to receive conservation dollars directly from Metropolitan, at no cost to RPU or its ratepayers. The majority of other municipal utilities and water purveyors throughout Southern California, including WMWD, Eastern Municipal Water District, and the cities of Corona, Anaheim and Pasadena, among others, currently use Metropolitan's funding and automated rebate website, SoCalWaterSmart.com.

In an effort to invest in long-term conservation and local resource management, Metropolitan's regional conservation program offers rebates and conservation measures, including high-efficiency toilets, high-efficiency clothes washers, weather-based irrigation controllers, turf replacement (WaterWise landscaping) and other commercial and residential incentives. The Metropolitan water conservation offerings exceed the current minimum standards for water efficiency. In addition, SoCalWaterSmart.com offers customers a fully automated, convenient rebate application and rebate processing tool.

RPU may elect to participate and receive funding for conservation programs from Metropolitan – at no-cost to RPU ratepayers – through RPU's member-agency status with WMWD. RPU has successfully utilized this partnership in the past for commercial water rebates, as well as to develop the Free Sprinkler Nozzle Program that is expiring on July 1, 2018. Staff is now seeking to migrate all water conservation rebates, both residential and commercial, to be funded and processed by Metropolitan.

In order to improve program participation, RPU has the ability to add funding to Metropolitan's fixed incentive levels. For instance, Metropolitan is currently proposing to restart their turf removal (WaterWise landscaping) rebate. Metropolitan is planning to offer \$1 per square foot of turf removed and replaced with water-efficient and climate-appropriate landscaping. RPU has the ability to add an additional \$1, in excess of Metropolitan's \$1 incentive, offering RPU customers

\$2 per square foot. This incentive increase will allow RPU to generate greater customer participation and program effectiveness. The additional funding amount, billed to RPU based on customer participation, would be paid from Water Conservation Surcharge funds.

### *Operational Efficiencies*

RPU currently funds residential water rebates through the Water Conservation Surcharge (WCS) and processes water rebates internally by way of a labor-intensive, paper-driven process. The existing rebate process is costly, and customers are not able to track their rebate application status, anticipated rebate amounts or payment dates. Due to the lack of scalability of the current paper-intensive rebate process, staff was not able to provide optimal customer service when rebate application volumes increased significantly during the recent drought.

During the last five years, RPU has averaged approximately 1,330 water rebate participants for an annual average WCS disbursement of \$445,000. In addition to the \$445,000 in rebate funding, the average administration processing cost exceeds \$40,000 annually, for an approximate total rebate cost of \$485,000 per year. RPU, by utilizing SoCalWaterSmart.com, will gain an operational efficiency with a reduction of staff hours and will also allow RPU to redirect the WCS funds to other conservation activities such as direct installation and educational programs to further enhance RPU's existing programs and improve the customer experience.

Staff is recommending RPU utilize Metropolitan's conservation dollars directly to the ratepayer by switching to Metropolitan's online rebate platform, SoCalWaterSmart.com. This is direct-funded, at no cost to RPU or its ratepayers, and is used by nearly all Southern California water purveyors to administer water conservation rebates. Once RPU's water rebate programs are administered by Metropolitan, RPU's rate payers will receive direct funding from Metropolitan for their water rebates. RPU will retain the ability to work with any water customer who requires additional assistance.

### **FISCAL IMPACT:**

There is no fiscal impact for the executed Second Amendment to the Water Conservation Funding Agreement. The fiscal impact for the programmatic change for ratepayers to directly receive rebates from Metropolitan, through the opportunity for the WCS funds currently used for these rebates to instead be directed to other conservation efforts to improve program participation and ratepayer benefit, is \$445,000 plus the staff costs for manual processing.

Prepared by: Todd Jorgenson, Interim Utilities General Manager

Certified as to

availability of funds: Adam Raymond, Chief Financial Officer/City Treasurer

Approved by: Marianna Marysheva, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

### Attachments:

1. Agreement No. C06-207 FY 2007 – 2015
2. Second Amendment to Agreement No. C06-207,
3. Presentation