

**Meeting Date:** 6/21/2016

**Report Type:** Consent

**Report ID:** 2016-00629

**Title: Agreement: Regional Water Indoor Efficiency Retrofit Project for Disadvantaged Communities**

**Location:** Citywide

**Recommendation:** Pass a Motion authorizing the City Manager or the City Manager's designee to execute an agreement with the Regional Water Authority (RWA) to provide up-front funding for RWA's Regional Water Indoor Efficiency Retrofit Project in an amount not-to-exceed \$200,000, subject to reimbursement from grant funding no later than March 31, 2018.

**Contact:** Bill Busath, Director (916) 808-1400; William Granger, Program Specialist, (916) 808-1417, Department of Utilities

**Presenter:** None

**Department:** Department Of Utilities

**Division:** Water Conservation

**Dept ID:** 14001381

**Attachments:**

- 1-Description/Analysis
- 2-Background
- 3-Agreement

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**City Attorney Review**

Approved as to Form  
Joe Robinson  
6/13/2016 10:54:50 AM

**Approvals/Acknowledgements**

Department Director or Designee: Bill Busath - 6/3/2016 1:04:05 PM

## Description/Analysis

**Issue Detail:** The Sacramento Regional Water Indoor Efficiency Retrofit Project, being administered by the Regional Water Authority (RWA), will replace older interior water fixtures in disadvantaged communities with high efficiency fixtures. The Department of Utilities is requesting approval of an agreement to provide RWA with \$200,000 that will be used to pay contractors and invoiced expenses incurred through the implementation of the Project, while RWA awaits grant reimbursement from the Department of Water Resources (DWR). RWA will return the \$200,000 in full to the City after the grant has ended and all the invoices have been reimbursed, not later than March 31, 2018.

**Policy Considerations:** The project is in line with the City Water Conservation Plan adopted by City Council in October 2013 and consistent with the City Council focus area of sustainability, and supports water use reduction efforts in response to ongoing drought conditions.

**Economic Impacts:** None

**Environmental Considerations:** The Sacramento Regional Water Indoor Efficiency Retrofit Project is categorically exempt from the California Environmental Quality Act (CEQA) under Class 2 and Section 15302 of the CEQA Guidelines. Projects exempt under Class 2, Section 15302 consist of the replacement of existing utility systems. The project will not result in a significant effect on the environment. Old toilets and showerheads will be recycled by the contractor.

**Sustainability:** Approval of this agreement is in line with the City's approved Water Conservation Plan.

**Commission/Committee Action:** Not Applicable

**Rationale for Recommendation:** Participation in this grant funding opportunity will help reduce per capita water demand in disadvantaged communities within the City, which is consistent with the City's Water Conservation Plan and assist RWA in managing the grant program.

**Financial Considerations:** RWA was awarded a \$2.5 million Water Energy Grant by DWR. RWA will incur the costs of the program and then get reimbursed by the grant. Through this agreement, the City will advance RWA \$200,000 in up-front funding, which will allow the program to start and run continuously. The funding will be returned in full to the City by RWA after the grant has ended and all the invoices have been reimbursed, not later than March 31, 2018. Sufficient funding exists in the FY2015/16 Department of Utilities Operating Budget to advance the funds to RWA.

**Local Business Enterprise (LBE):** The City will not be procuring any services or supplies to implement this program.

## BACKGROUND

The Regional Water Authority was awarded a \$2.5 million Water Energy Grant by the California Department of Water Resources (DWR). The grant focuses on achieving water and energy savings through the replacement of high water use fixtures (toilets, urinals, showerheads and faucet aerators) with lower water use, high efficiency fixtures. Grant activities include direct installations in single and multifamily properties, commercial, industrial and institutional reimbursement for new fixtures and public outreach focused showerhead and faucet aerator giveaway events. These activities will be focused in disadvantaged communities (DACs) as defined by the CalEnviroScreen 2.0 online tool. A portion of the DACs in the Sacramento region fall within the City of Sacramento's boundaries. Outreach by RWA's selected vendor will focus on residential customers living within the DACs that have older, less efficient fixtures.

The Water Energy Grant has a two-year time frame that expires in December 2017. In order to successfully implement the grant over the two year period, activities and expenses need to move forward at an approximate minimum rate of \$100,000 per month. These expenses will be incurred by RWA through contracts for the direct installation, direct purchases and reimbursement of fixtures and local nonprofit partnerships to manage public outreach events. Many of these expenses will require the processing of monthly invoices. As with most grants, funding is not provided upfront to pay expenses but is reimbursed after the submittal of invoices to DWR. Reimbursement from DWR for expenses incurred by RWA can take between four and six months. This will require RWA to "float" four to six months' worth of invoices, which is estimated at \$400,000-\$600,000. The total RWA Water Efficiency Program budget is around \$400,000. Therefore the Water Efficiency Program does not have the resources to "float" projected monthly expenses for this grant internally while still carrying out the annual regular Program activities.

RWA has requested that the water agencies who will be receiving benefits from the grant activities contribute to a cash flow funding pool to collectively "float" the monthly invoices incurred during the grant period. There are four water agencies that stand to receive benefit from this grant: Sacramento, West Sacramento, Sacramento Suburban Water District (SSWD), and California American (CalAm). At a minimum, the grant needs \$400,000 (\$100,000 in average grant costs per month, multiplied by the number of months DWR requires for reimbursement) to sustain activities until the end of the grant period. Ideally a minimum of \$400,000 will be provided by the four participating agencies. The agencies, CalAm and West Sacramento have each provided \$100,000 and the City of Sacramento will provide \$200,000. SSWD is considering making a contribution of between \$50,000 and \$100,000 as well. Each agency's contribution will be reimbursed in full no later than March 31, 2018. Since there is no local match requirement, there will be no net cost to the water agency.

**REGIONAL WATER AUTHORITY**  
**Water-Energy Grant Program**  
**Agency Agreement**

THIS AGREEMENT is made and entered into this 31<sup>st</sup> day of May 2016, by and between the Regional Water Authority, hereinafter referred to as "RWA", and City of Sacramento, hereinafter referred to as "Sacramento."

The Sacramento region recognizes the need invest in water efficiency programs to achieve both water and energy savings. RWA received a grant through the Department of Water Resources for \$2.5 million to implement water efficiency programs in the Sacramento region. Details of the Program are in Attachment A.

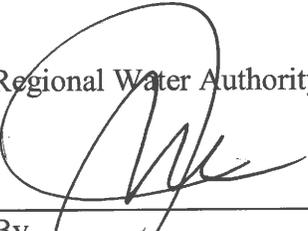
As a participating agency in the Water-Energy Grant Program, Sacramento agrees to the following conditions:

Cash Flow Payment and Reimbursement:

Sacramento will provide RWA with \$200,000 by July 30, 2016 to contribute to a cash flow account that will be used to pay contractors and invoice expenses incurred through grant implementation while awaiting grant reimbursement from the Department of Water Resources. The funding will be returned in full to Sacramento after the grant has ended and all the invoices have been reimbursed by March 31, 2018.

Regional Water Authority

City of Sacramento

  
\_\_\_\_\_  
By  
John Woodling, Executive Director

\_\_\_\_\_  
By  
William O. Busath, Director of Utilities

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

5/31/16

## ATTACHMENT A

The Regional Water Authority was awarded a \$2.5 million Water Energy Grant by the California Department of Water Resources (DWR). The grant focuses on achieving water and energy savings through the replacement of high water use fixtures (toilets, urinals, showerheads and faucet aerators) with lower water use high efficiency fixtures. Grant activities include direct installations in single and multifamily properties, commercial, industrial and institutional reimbursement for new fixtures and public outreach focused showerhead and faucet aerator giveaway events. These activities will be focused in disadvantaged communities (DACs) as defined by the CalEnviroScreen 2.0 online tool. A portion of the DACs in the Sacramento region fall within the Sacramento Suburban Water District boundaries.

The Water Energy Grant has a two year time frame that expires in December 2017. In order to successfully implement the grant over the next 18 months, activities and expenses need to move forward at an approximate minimum rate of \$100,000 per month. These expenses will be incurred by RWA through consultant contracts for the direct installation, direct purchases and reimbursement of fixtures and local nonprofit partnerships to manage public outreach events. Many of these expenses will require the processing of monthly invoices. As with most grants, funding is not provided upfront to pay expenses but must be reimbursed after the submittal of invoices to DWR. In turn, reimbursement from DWR for expenses incurred by RWA can take between 4 and 6 months. This will require RWA to “float” 4 to 6 months’ worth of invoices (which is estimated at \$400,000-\$600,000). The total RWA Water Efficiency Program budget is around \$400,000. Therefore the Water Efficiency Program is unable to “float” projected monthly expenses for this grant internally while still carrying out the annual regular Program activities.

One strategy for addressing this situation is to request that the water agencies who will be receiving benefits from the grant activities contribute to a cash flow funding pool to collectively “float” the monthly invoices incurred during the grant period. There are 4 water agencies that stand to receive benefit from this grant: City of Sacramento, City of West Sacramento, Sacramento Suburban Water District, and the California American Water. Since there is no local match requirement, there will be no net cost to the water agency. For the two-year fully refundable investment of \$200,000 upfront, the City of Sacramento has the opportunity to receive over \$600,000 in value through the grant activities. Without sufficient cash flow, the grant cannot be implemented and the region risks returning the grant funding to the DWR and forfeiting the regional and local benefits.