

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Fiscal Year 2013-14

Sole Source Procurement Justification for Projects under \$25,000*



A. Supplier Information/Name of Company and Prime Contact at the Supplier and at MWDOC:

Gilbert Associates, Inc.
2880 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833

B. Contract awards to Supplier over prior 36-months: July 2008

C. Product(s) or Service(s) to be provided and Deliverables:

Review and test MWDOC's grants management compliance procedures in preparation for a possible Single Audit of FY 2013-14 financials.

D. Justification Definition**

Prior phase of professional services contract completed successfully by same Consultant; and Special technical expertise by Consultant for tasks desired.

E. Narrative Explanation:

The work to be performed by Gilbert Associates, Inc. is an important component of MWDOC's ongoing efforts to review, test and refine our grant management procedures to maintain compliance with state and federal grant requirements.

F. Budget Line Item Reference: 62-7040

G. Core or Choice designation: Choice, Water Use Efficiency

H. Signature/Approvals:

Joseph M. Berg 5-2-14
Requestor Date

[Signature] 5.2.14
General Manager Date

* Projects over \$25,000 must go to a Committee of the Board.

** Possible justifications include but are not limited to: Only qualified bidder; Proprietary item; Urgent necessity; Bid process did not produce competitors; Governmental agency, association or Utility; Prior phase of professional services contract completed successfully by same Consultant; and Special technical expertise by Consultant for tasks desired.

May 2, 2014

Mr. Jeffery Kightlinger, General Manager
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA. 90054-0153

Subject: On-Site Recycled Water Retrofit Pilot Program

Mr. Kightlinger:

On April 30, the Municipal Water District of Orange County (MWDOC) with support from Metropolitan staff presented the On-Site Recycled Water Retrofit Pilot Program to our retail agencies. MWDOC and our agencies are very excited about this new and innovative opportunity to break down customer barriers to expand the use of recycled water.

MWDOC supports the refinements proposed for Board consideration on May 13 including adjusting the payment term from two years to five and increasing the cap of expenditures in the pilot program to \$7.5 million. We agree that these refinements will allow for a more appropriate level of incentive based on known retrofit costs and a more meaningful pilot program to gauge longer term feasibility.

One additional administrative refinement MWDOC and its agencies propose for your consideration is to establish a waiting list for interested sites that attempt to participate after all funding is reserved. We know invariably that some sites approved to participate with good intentions will for one reason or another will not be able to complete their retrofit. A waiting list would serve as a tool to prioritize sites on a first-come first-served basis (after the full budgeted amount has been reserved) and help to insure the budgeted funds are completely utilized. By no means would this waiting list assure the site would receive funding, only a prioritized opportunity to be considered if funding becomes available.

Thank you in advance for your consideration of this additional refinement. Should you have any questions, please give me a call at (714) 593-5026 or Joe Berg at (714) 593-5008.

Sincerely,

Robert J. Hunter



• **Board of Directors**
Water Planning and Stewardship Committee

5/13/2014 Board Meeting

8-6

Subject

Authorize changes to conservation program in response to drought conditions

Executive Summary

As a measure to address the drought that California is experiencing, staff is seeking authority to modify existing conservation and water recycling initiatives to help increase and enhance conservation program activity.

Details

With California's driest months ahead, Governor Edmund G. Brown Jr. issued an executive order on April 25, 2014, to strengthen the state's ability to manage water and habitat effectively in current drought conditions. The executive order also called on all Californians to redouble their efforts to conserve water. The order asks Californians and California businesses to take specific actions to avoid wasting water, focusing on limiting outdoor watering in both residential and commercial sectors. In response to this order, staff is recommending changes and updates to Metropolitan's water conservation program.

In February 2014, the Board declared a Condition 2: Water Supply Alert with a resolution calling for cities, counties, member agencies and retail agencies to immediately adopt extraordinary conservation measures, including adopting and implementing local drought ordinances that include landscape irrigation conservation measures such as:

- tiered rate structures that promote conservation
- restrictions on the hours of outdoor watering
- prohibitions on landscape irrigation runoff
- provisions for water efficient landscapes in new construction and landscape retrofits
- hotlines or other mechanisms for the public to report inefficient or prohibited water use
- restrictions on use of potable water for street cleaning
- new or enhanced rebate programs for water saving devices
- new or enhanced incentives to maximize the use of recycled water.

Since the Board adopted the resolution, the drought conditions have continued. In response, staff reaffirms the need for a response from water agencies and water users in Southern California. Staff recommends changes to the conservation program to achieve these measures during the current drought.

Key changes include updates to the following areas:

1. Increase incentive for Turf Removal Program to \$2 per square foot.
2. Continue funding rain barrels.
3. Revise recycled water hookups incentive pilot program (On-site Retrofit Pilot Program).
4. Continue funding incentives for Residential High Efficiency Toilet Rebate Program.

Turf Removal

Metropolitan's Turf Removal Program currently has an incentive of \$1 per square foot. In order to encourage customers to participate, many member and retail agencies are offering additional incentive funding above that amount. Those agencies that are providing additional incentives are experiencing much greater success than the ones that are not. Metropolitan has seen increases over 50 percent in program participation when an agency increased their incentive over the base rate of \$1 per square foot. To motivate public participation uniformly throughout Metropolitan's service area and to increase savings related to outdoor water use, it is recommended to increase the turf removal rebate to \$2 per square foot.

Rain Barrels

Rain barrels capture and store rain water runoff from roof gutters to then use for landscape irrigation at a later date. An incentive of \$75 per rain barrel was originally offered under a pilot program with a total budget of \$500,000 or through June 30, 2016, whichever came first. This program's popularity has surpassed staff's expectations with 95 percent of funding already committed, less than seven months since the program began. Staff has received feedback from member agencies that rain barrels are a useful tool in promoting awareness of outdoor water use. In order to sustain this interest in rain barrels, staff recommends that incentives for rain barrels be continued and included in Metropolitan's regional residential program.

Recycled Water Hookups

The On-site Retrofit Pilot Program was recently approved by the Board in February 2014. With the onset of one of the worst droughts in California history and a greater focus on water use efficiency, staff recommends that the payment term of the incentive be increased from two years of water savings up to five years of water savings. This approach is consistent with other conservation incentives that recognize the savings expected over the life of a device. Historic data suggests recycled water systems remain in use for more than five years once installed. Staff also recommends increasing the cap of expenditures on the pilot program to \$7.5 million, allowing for a larger amount of annual recycled water use.

The On-site Retrofit Pilot Program provides financial incentives directly to property owners (public or private) to convert their potable water irrigation or industrial water systems to recycled water. The purpose of this pilot is to reduce the financial burden that prevents potential users from converting to recycled water. Applications are being accepted from July 1, 2014 to June 30, 2016, or until program funding is exhausted, whichever occurs first. To be eligible for funding, retrofitted sites must have their recycled water systems operational by June 30, 2017.

Incentives would only apply to new conversions of existing recycled water projects. Systems already under construction would be ineligible for this program.

Residential High Efficiency Toilets

Metropolitan's Residential High Efficiency Toilet Rebate Program is set to expire on June 30, 2014. This policy was created to follow state legislation that only allows for the sale of high efficiency toilets after January 1, 2014. Staff recommends continued funding of high efficiency toilet incentives to speed up conversion from non-conserving toilets to high efficient versions during the drought.

Next Steps

Staff will implement these changes upon board approval. Staff estimates an increase in conservation expenditures of \$4 million annually while these changes are in place. These expenditures will be managed within the board-approved conservation budget. The recycled water On-site Retrofit Pilot Program could be as much as \$7.5 million, which would be funded by the Water Management Fund. Staff will bring back recommended changes to these programs when the drought conditions improve.

Policy

By Minute Item 49676, dated February 11, 2014, the Board adopted a Water Supply Alert Resolution (Resolution 9168).

By Minute Item 49675, dated February 11, 2014, the Board authorized the On-site Retrofit Pilot Program for converting sites to receive recycled water.

By Minute Item 49542, dated September 10, 2013, the Board authorized new conservation program initiatives.

By Minute Item 49068, dated May 8, 2012, the Board authorized changes to Metropolitan's Water Conservation Program.

By Minute Item 48772, dated August 16, 2011, the Board adopted the Long-Term Conservation Plan and revisions to the water conservation policy principles.

By Minute Item 42785, dated January 13, 1998, the Board approved expanding Conservation Credits Program funding to projects that conserve recycled water.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and authorize the proposed changes to the conservation program in response to drought conditions.

Fiscal Impact: Staff estimates these changes could increase conservation expenditures by \$4 million annually while these changes are in place. These expenditures will be managed within the board-approved conservation budget. The On-site Retrofit Pilot Program could be as much as \$7.5 million, which would be funded by the Water Management Fund.

Business Analysis: The proposed actions will help the region conserve water during this significant drought period.

Option #2

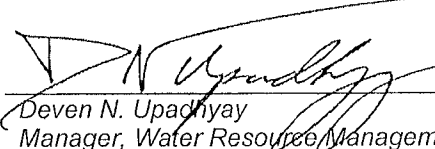
Take no action.

Fiscal Impact: Metropolitan may incur increased operational costs to withdraw more water from regional storage and may need to purchase additional transfer water to protect storage reserves.

Business Analysis: Demands for imported water may exceed supply and make it more difficult to manage storage reserves in 2015 and later years if dry conditions persist.

Staff Recommendation

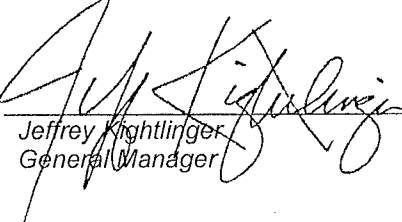
Option #1



Deven N. Upadhyay
Manager, Water Resource Management

4/29/2014

Date



Jeffrey Kightlinger
General Manager

4/30/2014

Date