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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JUN 14 1994

Daren E. Delf
EXECUTIVE SECRETARY

May 25, 1994

To: Board of Directors (Water Problems Committee-Action)
(Finance and Insurance Committee-Action)

From: General Manager

Subject: Authorization to Allocate Funds and to Enter Into Agreements
to Implement the Ultra-Low-Flush Toilet Retrofit Program for
Fiscal Year 1994-95

Report

This Board Letter addresses the following subjects:
(1) authorization of funding of ultra-low-flush (ULF) toilet projects in excess of \$250,000; (2) modification of the ULF toilet budget allocation method to account for ULF toilet projects that require funding beyond the fiscal year (FY) in which they are initiated; (3) funding criteria for commercial ULF toilet projects; and (4) selection of the consultant to manage the Community-Based-Organization ULF Toilet Program (CBO Program).

General Manager Authorization. The proposed conservation budget of \$19.4 million for FY 1994-95 includes \$12.4 million for ULF toilet retrofit projects. As recent staff presentations to your Board demonstrated, the ULF Toilet Program (Program) achieves highly cost-effective water savings and generates numerous positive community benefits. For FY 1994-95 staff proposes that your Board, as it has in each of the last two years, authorize the General Manager to enter into contracts in excess of \$250,000 with member agencies, program contractors, and product suppliers in order to efficiently implement the Program. Staff would continue to report back to your Board on the progress of the Program.

Modification of the Allocation Method. The ULF toilet budget allocation method approved by your Board in June 1992 (Attachment A) was intended to allocate the ULF toilet budget when member agency requests for funding of new ULF toilet projects exceeded the amount of available budget. The primary type of ULF toilet project in effect then was the toilet-rebate project. The nature of a rebate project permits Metropolitan to fund its contribution to a member agency, in full, at the project's inception. However, with the generally more effective CBO Program, initiated since the

ULF toilet budget allocation method was adopted, Metropolitan's funds are disbursed over the life of a project. Because many of these CBO ULF toilet projects are not completed in the fiscal year in which they are initiated, project costs carry over into the new fiscal year (carry-over) and must be funded from the budget of that new fiscal year. Accounting procedures have been established to deal with the cash flow requirements of the CBO Program. However, to avoid inequity in the allocation of the ULF toilet budget due to the funding of carry-over, staff proposes the amount of ULF toilet budget allocated to a member agency in a given fiscal year include both funding for new projects and the carry-over required for ongoing projects. This change in the allocation method would not increase the total amount of the ULF toilet budget.

Funding Commercial Projects. In July 1992, your Board approved a flat-rate funding policy of \$60 per ULF toilet. This funding policy was designed for residential toilets. On the other hand, commercial sites usually require more expensive, flushometer-type toilets. Analysis of limited data suggests commercial ULF toilet retrofits save significantly more water-per-toilet than residential ULF toilet retrofits. A pilot project is planned to evaluate the water savings potential at commercial sites. However, until the potential water savings are clearly defined, and the benefit/cost analysis better understood, staff proposes that pilot commercial ULF toilet retrofits be funded under the Conservation Credits Program criteria rather than at the \$60 flat-rate. Under this program, Metropolitan funds conservation projects at a rate of \$154 per acre-foot of water saved, or 50 percent of project costs, whichever is less. Staff also proposes the same criteria be applied to the financing of the more expensive ULF toilets used for handicapped installations.

Program Manager Selection. In October 1992, based on the results of a competitive request-for-proposal process, CTSI Corporation (CTSI) was selected as program manager for the CBO Program. Metropolitan's agreement with CTSI has evolved through two separate phases (Phases I and II). Phase II is scheduled to conclude July 31, 1994. Staff proposes that CTSI also manage Phase III, which would continue the CBO Program through September 30, 1995. Phase III would include a CBO Program management agreement for approximately \$9.9 million and a toilet purchase agreement for up to \$16.6 million for a maximum of an additional 225,000 ULF toilets. (These costs also include participating member agency contributions, which would be invoiced to the agencies by Metropolitan.)

Staff's proposal is based on CTSI's highly successful 18-month track record since the CBO Program's inception.

During that time, CTSI has exceeded its original distribution goal by 100 percent (from 75,000 to 150,000 ULF toilets); successfully implemented a complicated and politically sensitive program; created a high level of ethnic diversity among CBO Program implementors (16.5 percent minority-controlled CBO businesses, 25.2 percent women-owned businesses, and, 58.3 percent large corporate manufacturers of ULF toilets); and dramatically reduced CBO Program management costs (from \$16.25 to less than \$10 per ULF toilet). In addition, analysis of the CBO Program indicates the cost to change program management at this time would entail new start-up costs of approximately \$430,000.

Board Committee Assignments

This letter is referred for action to:

The Water Problems Committee because of its authority to make recommendations regarding policies on water conservation, pursuant to Administrative Code Section 2481 (a); and

The Finance and Insurance Committee because of its authority to study, advise, and make recommendations in matters concerning the disposition of funds, pursuant to Administrative Code Section 2441(c).

Recommendations

WATER PROBLEMS AND FINANCE AND INSURANCE COMMITTEES FOR ACTION.

It is recommended that: (1) the General Manager be authorized to enter into agreements in excess of \$250,000 to implement the Ultra-Low-Flush (ULF) Toilet Retrofit Program; (2) the ULF toilet allocation method be modified to have the amount allocated for a member agency in a given fiscal year include both funding for new projects and the carry-over required for ongoing projects; (3) commercial ULF toilet retrofit projects be funded based on Conservation Credits Program criteria; and (4) CTSI Corporation continue to oversee program management and ULF toilet purchasing for Phase III of the Community-Based-Organization Program.


John R. Wodraska

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Attachments

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-21

June 30, 1992

To: Board of Directors (Water Problems Committee--Action)
Board of Directors (Finance and Insurance Committee--Information)

From: General Manager

Subject: Conservation Credits Program Funding Policy

Report

Statewide implementation of the Urban Water Conservation Best Management Practices (BMP) is well under way in Southern California. Water agencies throughout Metropolitan's service area are budgeting upwards of \$50 million for conservation programs in fiscal year 1992-93. In apportioning Metropolitan's conservation budget, two criteria are important: 1) funding for all BMPs, and 2) fair access for all member agencies to Metropolitan funds. Currently, the largest request for funds is for ultra-low-flush (ULF) toilets - \$12 million of applications. Funding these requests from the conservation program budget of approximately \$16 million would not leave sufficient funds for the other BMPs. Consequently, staff has been investigating ways to determine each member agency's fair share of the amount budgeted for a given BMP.

Staff considered four alternative funding criteria to determine a member agency's relative share of conservation funds available from Metropolitan: a) total demand in Metropolitan's service area, b) total urban demand in Metropolitan's service area, c) total purchases from Metropolitan, and d) total urban purchases from Metropolitan. The relative funding allocation in percent for each member agency for the four alternatives considered is shown for your reference in the attachment.

Based on considerations of effectiveness and fairness, and after consultation with member agencies, staff recommends that when requests for funds exceed budgeted amounts, funds for the Conservation Credits Program be based on alternative "b", each member agency's relative share of total urban demand in Metropolitan's service area. The logic of this recommendation is based on the overall objective of the BMPs -- to reduce total urban demand in Metropolitan's service area. The base criteria of total urban demand is therefore the most equitable basis for dispersing conservation funds.

Board of Directors

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June 30, 1992

Steps in the proposed allocation process are as follows: 1) At the beginning of the last quarter of each fiscal year, staff would make a tentative distribution of anticipated conservation funds among each of the BMP work orders; member agencies would be informed of that distribution, with the proviso that it would be subject to change, based on your Board's final budget approval and on the extent of requests for funds by member agencies. 2) Member agencies would be requested to submit applications prior to the end of the fiscal year. 3a) For a given BMP, if, by the beginning of the fiscal year, the requested funds are less than the budgeted amount, each requesting agency would be funded up to the amount requested; funds remaining would be held for subsequent applications or reassigned to a different BMP work order, as appropriate. 3b) If, by the beginning of the fiscal year, the requested funds for a specific BMP program are greater than the budgeted amount, all applying agencies would be funded up to an amount necessary to implement a minimum, threshold program. Funds remaining would be allocated among each applying agency based on its relative proportion of average service area total urban water demand in the fiscal period 1987-88 to 1990-91. All applications would be funded up to this initial allocation. 4) These allocations could be adjusted based on the following criteria: project innovation; breadth and history of the agency's conservation program; and other relevant factors affecting project cost-effectiveness.

Board Committee Assignments

This letter is referred to:

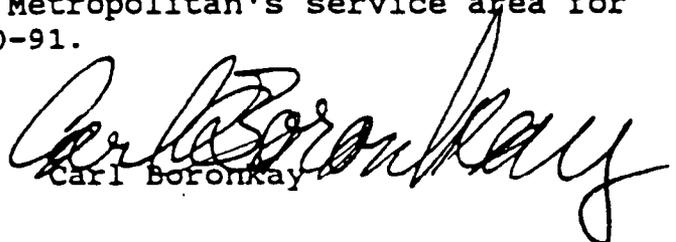
The Water Problems Committee for action because of its authority to advise and make recommendations with regard to policies regarding water conservation pursuant to Administrative Code Section 2481 (i); and

The Finance and Insurance Committee for information because of its authority to advise and make recommendations with regard to policies regarding disposition and investment of funds pursuant to Administrative Code Section 2441 (c).

Recommendation

WATER PROBLEMS COMMITTEE FOR ACTION.

It is recommended that the Board adopt staff's proposed allocation Conservation Credits funding policy based on percent of average total urban demand in Metropolitan's service area for the fiscal period 1987-88 to 1990-91.


Carl Boronkay

**Conservation Credits Program
Alternative Funding Criteria**

**PERCENT OF TOTAL OF FOUR-YEAR AVERAGE
FISCAL YEARS 1987-88 TO 1990-91**

AGENCY	(a) TOTAL SERVICE AREA DEMAND	(b) TOTAL SERVICE AREA URBAN DEMAND	(c) TOTAL PURCHASED FROM MWD	(d) TOTAL URBAN PURCHASED FROM MWD
San Fernando	0.10%	0.11%	0.06%	0.07%
San Marino	0.17%	0.18%	0.05%	0.05%
Compton	0.28%	0.32%	0.22%	0.24%
Beverly Hills	0.38%	0.43%	0.66%	0.72%
Foothill MWD	0.44%	0.49%	0.48%	0.52%
Santa Monica	0.45%	0.50%	0.48%	0.53%
Las Virgenes MWD	0.63%	0.70%	1.02%	1.11%
Burbank	0.61%	0.68%	1.01%	1.10%
Torrance	0.64%	0.72%	0.99%	1.08%
Glendale	0.84%	0.94%	1.23%	1.34%
Fullerton	0.89%	0.98%	0.71%	0.77%
Pasadena	1.00%	1.12%	1.10%	1.20%
Santa Ana	1.33%	1.48%	0.79%	0.87%
Coastal MWD	1.37%	1.52%	2.05%	2.22%
Anaheim	1.90%	2.11%	1.25%	1.36%
Long Beach	2.05%	2.29%	2.17%	2.38%
Three Valleys MWD	3.39%	3.72%	3.21%	3.50%
Calleguas MWD	3.48%	3.22%	4.71%	4.67%
Eastern MWD	3.82%	2.38%	2.22%	1.98%
Upper San Gabriel Valley MWD	4.99%	5.57%	2.81%	3.07%
West Basin MWD	5.30%	5.90%	8.39%	9.15%
Chino Basin MWD	5.38%	4.98%	2.31%	2.51%
Western MWD of Riverside Co.	7.00%	4.45%	3.49%	1.78%
Central Basin MWD	7.10%	7.92%	6.39%	6.99%
MWD of Orange County	11.66%	11.92%	12.12%	12.40%
San Diego CWA	16.96%	15.51%	26.73%	23.79%
Los Angeles	17.85%	19.88%	13.37%	14.61%
TOTAL	100.00%	100.00%	100.00%	100.00%