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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

EXECUTIVE SECRETARY

REVISED 8-13

October 3, 1994

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

From: General Manager

Subject: Requests from Member Agencies for Additional Funding for Ultra-Low-Flush Toilet Projects for FY 1994-95

Report

At the September Board meeting, the Finance and Insurance Committee (Committee) requested that staff report back to the Committee on the shortfall of ultra-low-flush (ULF) toilet program funding for this year, and also present for consideration a proposal to make up the shortfall.

Metropolitan's ULF toilet budget was approved at \$12.4 million for fiscal year (FY) 1994-95. During this fiscal year, member and subagencies have submitted \$13.6 million in requests for funding of new ULF toilet projects. In addition, there exists \$3.2 million of funding commitments made for ULF toilet projects in FY 1993-94 that carried over into FY 1994-95 because they could not be completed in the fiscal year in which they were initiated (carryover). There also exists \$0.65 million of funds committed to EXPERT, the Executive Partnership for Environmental Resources Training, Inc., for a community-based-organization (CBO) ULF toilet project. In total, these new requests and carryover total \$17.5 million, leaving a ULF toilet budget shortfall of \$5.1 million (see Attachment A).

In July 1992, your Board approved a budget allocation process to deal with situations when the ULF toilet budget has insufficient funds to meet the requests for funds. This allocation process was applied to the FY 1994-95 ULF toilet budget.

The \$5.1 million shortfall is the result of an essentially level conservation budget (\$19.2 million in FY 1993-94 and \$19.4 million in FY 1994-95) having to accommodate three significant conservation successes, each of which generated more demand for funding. First, many more member agencies (and subagencies) are initiating new and/or larger conservation programs. For example, 13 member agencies

participated in ULF toilet projects in FY 1993-94, and 25 member agencies are participating in FY 1994-95. Second, conservation programs are becoming more multi-dimensional (i.e., placing less emphasis on ULF toilet projects), and addressing the full array of Best Management Practices. With an almost level conservation budget, the increased budget required to support the increased program diversity reduces the amount of conservation budget available for ULF toilets projects. Third, significant new funding has been committed to Southern California conservation efforts by the United States Bureau of Reclamation (USBR), which has accelerated the successes mentioned in the first two points above. It has also required significant matching funds from Metropolitan. For example, of the \$3.65 million of USBR funds, the portion devoted to ULF toilet projects requires \$2.3 million of funding from Metropolitan.

The increased agency demand and interest to participate in Metropolitan-supported projects demonstrates a truly successful regional conservation effort. For some agencies, the motivation is the additional \$3.65 million of USBR funds, without which many conservation projects would not have been initiated. In USBR-funded ULF toilet projects, member and subagencies fund only 10 percent of the total project cost, USBR provides approximately 40 percent, and Metropolitan funds at \$60 per ULF toilet.

There are three alternatives to deal with the shortfall: 1) leave the ULF toilet budget at \$12.4 million; 2) fund the \$3.2 million carryover; or, 3) fund the entire \$5.1 million shortfall. Staff proposes Alternative 2 for the following reason. Metropolitan budgets on a cash basis which required that at the end of FY 1993-94, any unexpended funds flow to the Revenue Remainder Fund. Hence, to complete these projects to which Metropolitan is contractually obligated, the unexpended funds must be taken from the budget of FY 1994-95, leaving that much less for new requests for funding. The nature of Metropolitan's CBO ULF toilet program, which represents most of the \$3.2 million carryover, requires progressive payments once a ULF toilet project is initiated, rather than providing a single, lump-sum payment to a member agency at the beginning of the project. Since these are contractual obligations of Metropolitan and the monies are significant, it is appropriate to carry these monies over to the next budget year. This proposal would be a one-time request. The effects of this alternative are shown in Attachment B.

Alternative 1 is not proposed because it maintains the status quo, rather than resolving the problem. Alternative 3 is not proposed because it may be premature to make a decision at

this time. The budget will be revisited later in the fiscal year to see if unspent funds from other parts of the Conservation budget can be reallocated to the ULF toilet budget.

Staff is developing a carryover procedure that does not penalize the subsequent fiscal year budget as well as a system for early notification of member agencies of the conservation budget available for the next fiscal year. Staff will be bringing this before your Board in the near future.

Recommendations

It is recommended that: 1) the Conservation budget of \$19.4 million be increased by \$3.2 million to fund contractually-obligated ultra-low-flush toilet carryover, and 2) that the remaining \$1.9 million of shortfall remain unfunded.

John R. Wodraska
General Manager

By Debra C. Man
Debra C. Man
Chief of Planning
and Resources

Concur:

John R. Wodraska
John R. Wodraska
General Manager

JPW:cl

ATTACHMENT A

COMPONENTS OF \$5.1 MILLION SHORTFALL

Budget Requests

New Requests

Non-USBR	\$ 11.3
USBR	<u>2.3</u>
	13.6

Carryover	3.2
EXPERT	<u>.65</u>

Subtotal	<u>17.5</u>
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ULF Toilet Budget	\$ 12.4 million
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Total Shortfall	5.1 million
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ATTACHMENT B

EFFECTS OF FUNDING \$3.2 MILLION OF CARRYOVER

	<u>Without Carryover Funding</u>	<u>With Carryover</u>
<u>Member Agency</u>	<u>Shortfall</u>	<u>Shortfall</u>
Anaheim	\$ 106,263	\$ 0
LADWP	3,248,407	1,516,336
MWDOC	56,178	0
Pasadena	14,958	0
Santa Monica	107,856	64,267
SDCWA	1,283,219	0
Torrance	300,000	300,000
All remaining agencies	<u>0</u>	<u>0</u>
Total	\$ 5,116,881	\$ 1,879,603