



Authorize: (1) \$150 million in additional funding for conservation incentives; and (2) Implementation of modifications to the Turf Removal Program

Water Planning and Stewardship Committee
Item 8-2
May 11, 2015

Conservation Budget Update

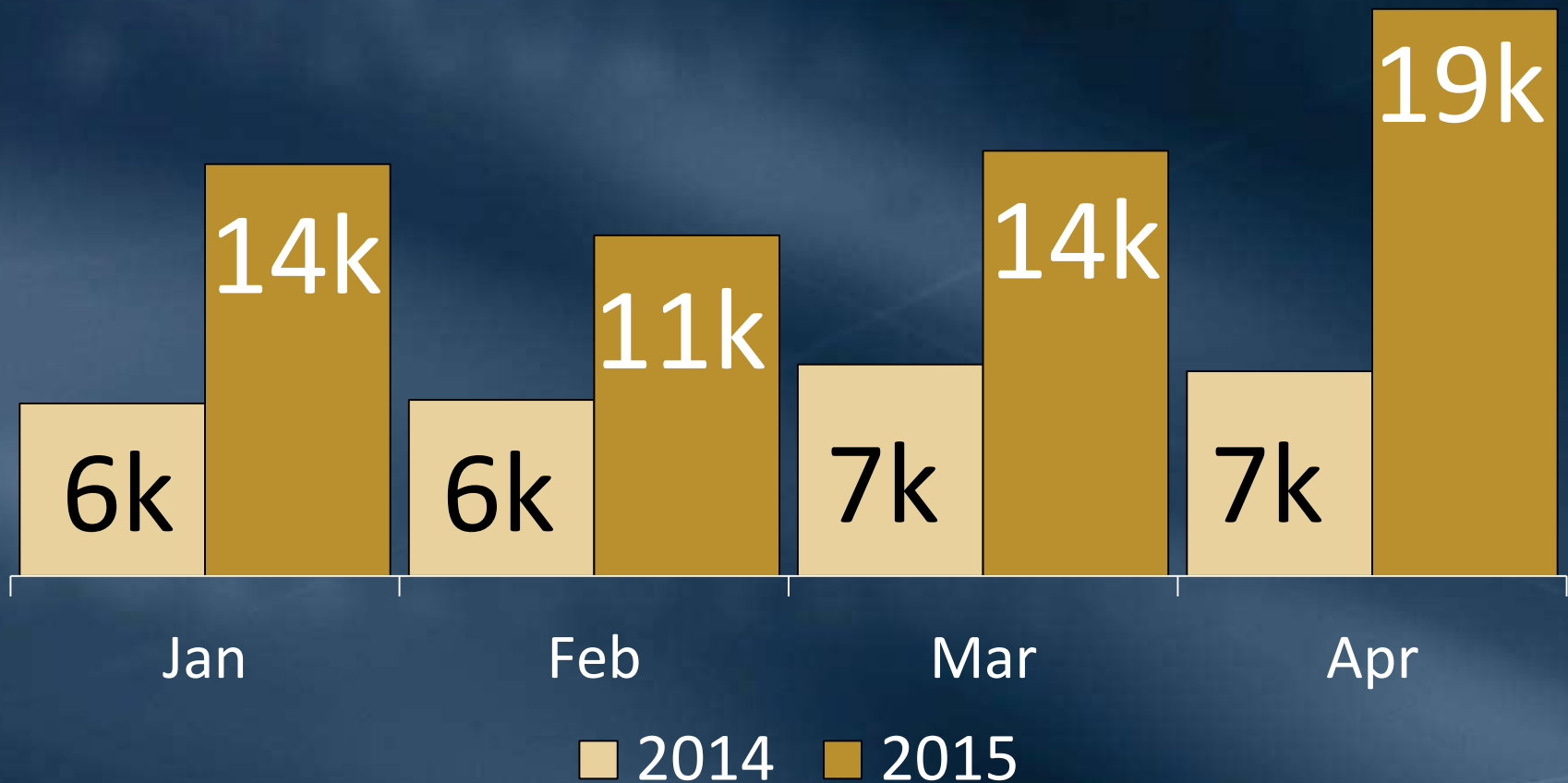
Southern Californians Responded to the Governor's Call



Weekly requests for device rebates and
turf removal incentives
after April 1, 2015 Executive Order

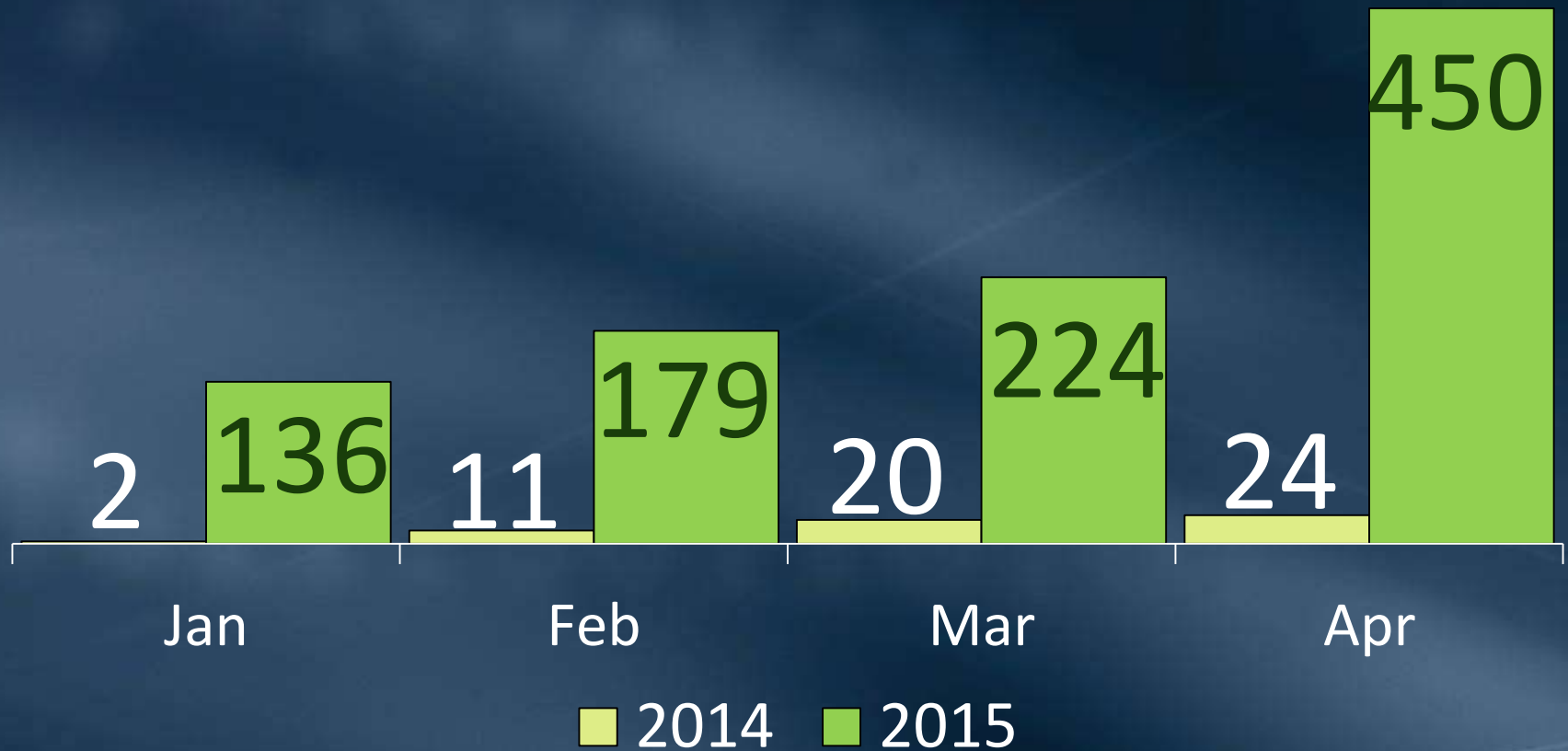
Interest In Device Rebates Is Growing

Applications for Residential Devices



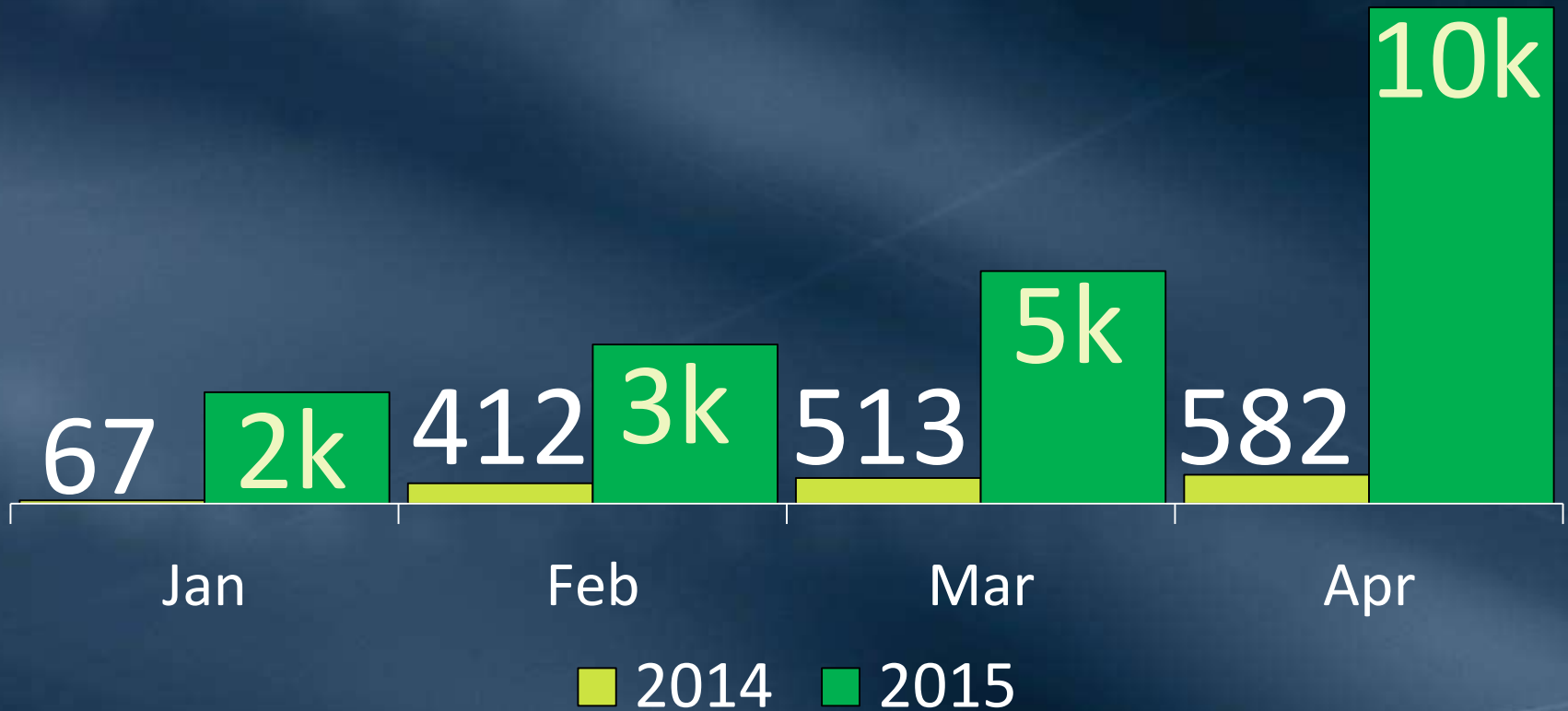
High Interest In Commercial Turf Removal

Applications for Commercial Turf Removal



Large Increase In Residential Interest

Applications for Residential Turf Removal



Conservation Program Status

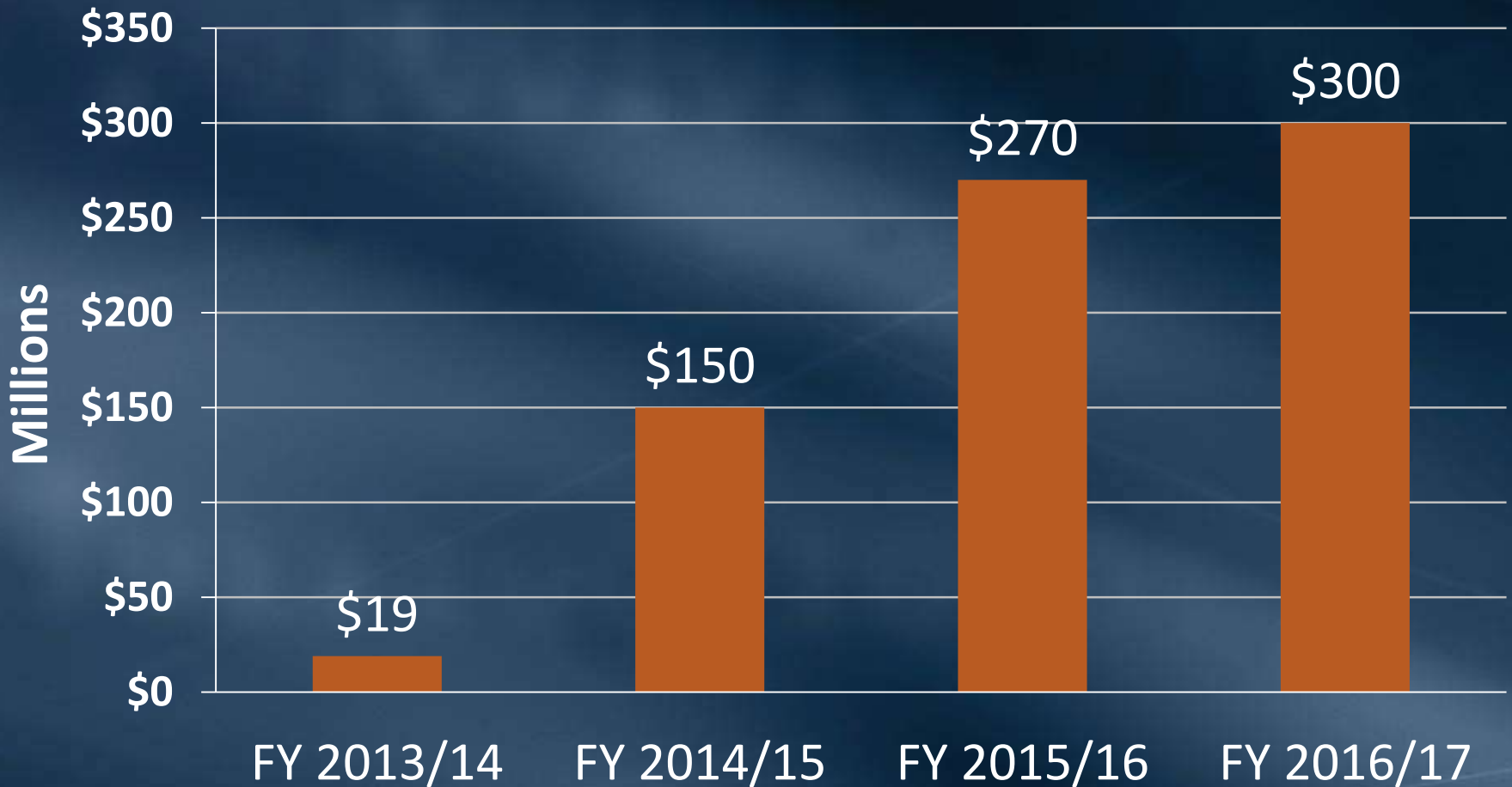
	Paid FY 14/15*	Approved*	Outstanding Requests*
Residential Rebates	\$10.4M	\$6.3M	N/A
Commercial Rebates	\$10.8M	\$14.9M	N/A
Turf Removal	\$40.6M	\$96.1M	\$120.0M
Other	\$18.8M	\$1.2M	\$31.1M
TOTAL	\$80.6M	\$118.5M	\$151.1M

*As of May 3, 2015

Approved:
Applications and member agency requests approved to proceed

Outstanding Requests:
Applications requesting funds but not approved yet

Forecasted Conservation Expenditures Without Changes To Turf Removal



Turf Removal Program

Turf Removal Program Objectives

- Public awareness of water efficient landscaping
- Market transformation
- Regional compliance with 20 by 2020
- Increased water savings

Turf Removal Program Background



Proposed Approach

- Approve \$150 M add'l funding for program
- Approve modifications to turf program
- Develop new Model Landscape Ordinance
 - Collaborate with agencies and State
- December: add'l funding request and add'l turf program modifications

Current Turf Removal Program

- \$2 per square foot for all customers
- No maximum funding level
- Continued increase in “large” turf removal projects over \$100,000.
- Continued questions on:
 - Long term sustainability of the program
 - Small percentage of commercial customers receiving the majority of funding

Proposed Modifications

Recommended Turf Removal Program Modification

- Tiered turf removal incentive
- Maximum funding levels per property

Proposed Tiered Incentive & Maximums



Columns not to scale

Lifetime Water Savings of Proposed Modifications (FY 14/15 – FY 15/16 Projected Expenditures)

Turf @
\$2/sq ft

\$249M/168TAF

Turf @
\$1/sq ft

\$7M/9TAF

Devices @
\$195/AF

\$92M/472TAF



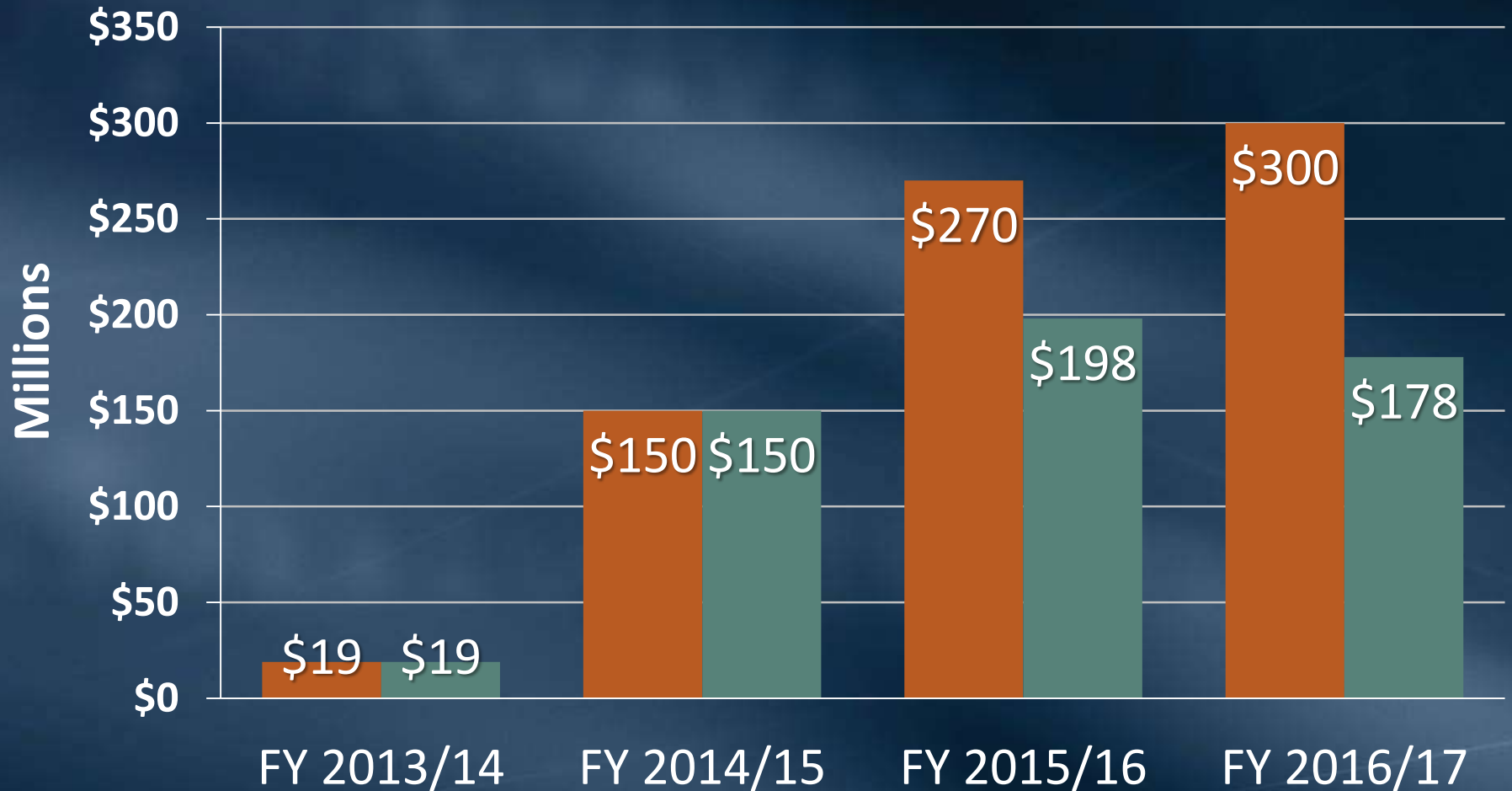
Melded
Unit-Cost **\$535/AF**

Benefits of Changes

- Allows funding to reach a broader customer base
 - Without limits, funding is concentrated in a small number of projects
- Begins to drive down the cost of the savings
 - Tiered approach reduces unit-cost
 - Some projects will go forward even though they exceed the funding limits, allowing MWD incentives to achieve greater savings
- Geared to target public agencies/institutions

Forecasted Conservation Expenditures

■ No Change ■ Proposed Change



Conservation Program Budget

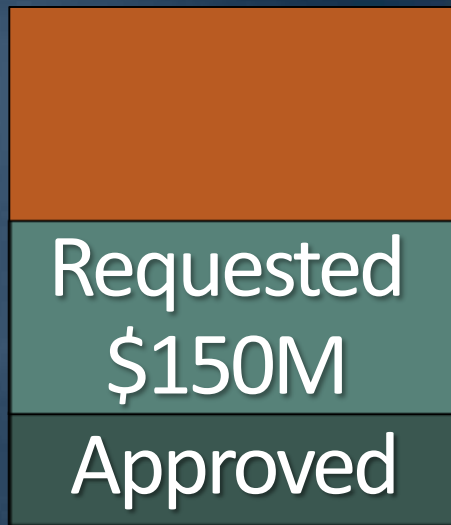
Budget Increase of \$150M Recommended At This Time

- Activity levels are volatile at this time
- Additional Budget of \$150 million will allow funding of current peak in activity
 - This funding request will not fund activity through FY 2015/16
- Funding provided by Water Stewardship and Water Management Funds
- Staff to monitor activity in coming months
- Request additional funding in December 2015

Budget Impacts of Proposed Changes (FY 14/15 and FY 15/16)

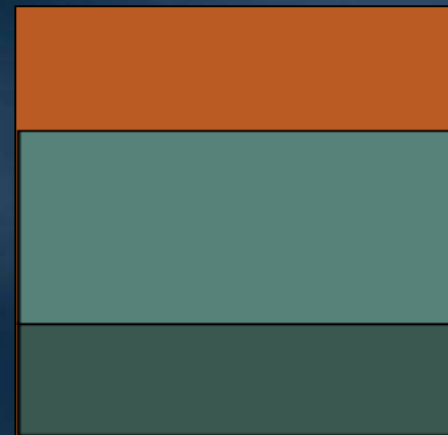
No Action

\$420M



Proposed
Turf Program
Changes

\$348M



* Projections are uncertain and subject to change.

Projected Water Management Fund, Water Stewardship Fund, Water Rate Stabilization Fund Balances

April 30, 2015

(\$'s in millions)	
Beginning balance in Water Management Fund (WMF)	232.0
Fiscal year 2015 projected spending authorized by Board	<u>(90.1)</u>
Projected balance in WMF at 6/30/2015	141.9
Projected balance in Water Stewardship Fund (WSF) at 6/30/2015	49.5
Projected balance over target in Water Rate Stabilization Fund (WRSF) at 6/30/2015	<u>155.2</u>
Total projected amount available in WMF, WSF, and WRSF at 6/30/2015	<u>\$346.6</u>

Additional Changes May be Necessary

- Additional modifications may be necessary to be effective on January 1, 2016
- These changes would impact the FY 16/17 and FY 17/18 Budget Cycle
- Target date of January 1, 2016 is due to the fact that turf removal projects take 6 months to complete
- Further changes may be necessary in Mid-2016

How Modifications Impact Budget

	No Changes	Proposed Changes To Turf Removal Program	Difference
FY 2014/2015	\$150M	\$150M	\$0
FY 2015/2016	\$270M	\$198M	(\$72M)
FY 2016/2017	\$300M	\$179M	(\$121M)

Total for No Changes: \$420M (FY 2014/2015 + FY 2015/2016)
 Total for Proposed Changes: \$348M (FY 2014/2015 + FY 2015/2016)

Without add'l changes, a significant rate increase could be required to cover costs in 2016/17

Proposed Board Letter Program Changes:
 \$2/sq ft up to 1.5k sq ft. \$1/sq ft up to 1 acre for commercial and up to \$250k to public agencies.

New Model Landscape Ordinance

Changes In Ordinances and Landscape Requirements Are Necessary

- Market transformation will not occur with incentives alone
- Engage Board, State, and Member Agencies
 - Develop model landscape ordinances suitable for Southern California
 - Toolbox of requirements that will augment incentive-based efforts
 - Provide technical assistance to local agencies

Summary

- Approve additional funding to continue conservation program
- Approve turf removal modifications
 - Staff to monitor activity in coming months
- December 2015: request add'l funding and approve add'l turf removal modifications
 - Changes in December to feed into Bi-ennial Budget discussions

Board Options

- Option #1

- Adopt the CEQA determination that the proposed action is not defined as a project
- Authorize:
 - Increase in the biannual FY14/15 and FY 15/16 budget of \$150 million for conservation incentives from the Water Stewardship Fund and the Water Management Fund; and
 - Implementation of Turf Removal Program modifications as described in the letter.

Board Options

- Option #2
 - Adopt the CEQA determination that the proposed action is not defined as a project
 - Authorize:
 - Increase in the biannual FY14/15 and FY 15/16 budget of \$248 million for conservation incentives from the Water Stewardship Fund and the Water Management Fund; and
 - Implementation of Turf Removal Program modifications as described in the letter.

Board Options

- Option #3
 - Take no action

Recommendation

- Option #1

