



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

12/11/2018 Board Meeting

8-9

**Subject**

Approve Program for Increasing Conservation in Disadvantaged Communities; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

**Executive Summary**

Metropolitan's conservation programs are designed to tap into various conservation potentials throughout a large and diverse service area. Because nearly half of the residents within the service area either live in disadvantaged communities or otherwise qualify as low-income, a potential exists for improving water conservation by increasing the access to and effectiveness of local conservation efforts. This letter describes a proposed approach targeted towards increasing conservation savings in these communities that includes: (1) a Regional Pilot program for installing Premium High Efficiency Toilets; (2) increased access to Member Agency Administered Program funding; and (3) focused activity on identifying and competing for grants in partnership with the member agencies.

**Details**

**Background**

Conservation and water use efficiency has played a key part in Metropolitan's Integrated Water Resources Plan for decades. Metropolitan largely achieves its conservation goals through a conservation credits program, which includes financial incentives to encourage the installation of water-saving fixtures and devices.

The state of California defines a disadvantaged community (DAC) as a geographical area (such as a census tract, city, or unincorporated area) in which the median household income is less than 80 percent of the statewide median household income. Based on an analysis of census data, approximately half of Metropolitan's service area population lives within census tracts that meet this income threshold. Thus, an approach that targets water efficiency within DACs has the potential to meaningfully increase overall regional conservation savings, while providing the residents of these communities greater access to efficient water-using devices and programs.

Although Metropolitan's incentives and programs are available throughout the service area, residents within DACs experience barriers to participating in conservation programs. Income levels may mean that residents lack the resources necessary to take advantage of rebates that require a large outlay of cash to purchase water efficient devices while waiting for a rebate check. In other instances, the ability to participate in outdoor-focused programs may also be limited because residents may live in apartments with no yards. Finally, residents who rent housing rely on the building owners to make physical improvements to improve water efficiency.

**Process and Input**

During the discussion and approval of the two-year conservation budget and modifications to the conservation program, staff was given feedback and direction to explore ways to increase the access to conservation programs by residents in DACs. Staff held an initial meeting in May 2018 with the member agencies to begin discussion and develop an approach to address conservation issues in DACs. A recurring item was added to the Conservation and Local Resources Committee agenda to foster board discussion and input. Staff also held ongoing discussions at the monthly Member Agency Managers meeting, receiving further input towards the development of a proposed approach.

The Conservation and Local Resources Committee and the member agencies provided valuable input and feedback in shaping a proposed approach to increasing conservation in DACs. Key input included:

- Direct installation programs can effectively target specific consumer sectors for conservation at the local level;
- Third-party contractors, motivated by higher incentives, serve an important role in increasing installation of conservation devices;
- Local programs can effectively reach the particular circumstances of local areas, but some agencies have had difficulty in designing, funding, and administering programs; and
- Metropolitan can be effective from a regional perspective, particularly in administering programs reaching across the service area and in providing regional outreach and grant support.

## **Proposed Approach**

The primary objective of the proposed approach is to increase water savings within DACs. This objective was refined based on input from the member agency and Conservation and Local Resources Committee process. Importantly, the proposed approach focuses on water use efficiency as opposed to any direct financial or water rate relief. Increasing water conservation in DACs remains consistent with Metropolitan's statutory purposes, which include the development of water conservation programs.

The proposed approach is comprised of three parts: (1) a Regional Pilot Program; (2) Member Agency Administered Program Support; and, (3) Grant Funding Support. Each part reflects a regional role and complementary perspective in an overall approach to increasing water savings within DACs. Approval and implementation of the proposed approach would increase Metropolitan's regional participation in focusing efforts to increase conservation in DACs and increase regional conservation savings.

### ***Regional Pilot Program***

#### *Description*

- The purpose of the Regional Pilot Program is to determine whether enhanced incentives for water-saving devices can spur the participation of third-party contractors to increase the installation rates of toilets to a specific water-using sector.
- During a time- and dollar-limited pilot program, Metropolitan would increase its incentive from \$40 to \$250 for the installation of Premium High Efficiency Toilets within multi-family housing constructed prior to 1994. No additional funding from member or retail agencies will be allowed for the pilot program.
- The pilot program would continue for up to 18 months and would include data collection and an inspection protocol to verify installations.
- The pilot program would be funded using \$3 million allocated from the Water Stewardship Fund to cover up to 10,000 toilet installations and would also include the cost related to the overall program, including administrative costs, inspections, and outside professional services if needed.
- The pilot program would include coordinated outreach and conservation program marketing information to multi-family property owners.

#### *Supporting Information*

The pilot program will add to the understanding of how regional approaches can effectively increase conservation within DACs. For device installations, both direct installation programs and increased device incentives were considered. Direct installation programs involve contracting with vendors throughout the region to ensure widespread coverage, capacity, and quality control. By contrast, increased device incentives motivate third-party contractors to target appropriate customers and to install devices where it is most economical to do so.

During the development process, staff learned that direct installation programs are effective at the local level because they can directly target a market segment while minimizing barriers to implementation. However, the costs for developing and administering a direct installation program at the regional scale are high and would take a significant amount of time to implement. Under a regionally-administered direct installation program, Metropolitan would incur the overhead and responsibility of designing the program, qualifying and contracting with numerous vendors, managing the vendor contracts and ensuring the quality of devices and installations.

Historical data on regional toilet installations over the past five years showed that toilet rebates in certain areas can be up to \$250 (including all agency contributions). In DACs, the majority of toilet installations were incentivized in that range of \$250 per toilet and nearly all installations came as a result of third-party contractor activity in the multi-family residential sector. The multi-family sector creates a natural economy-of-scale for contractors because multiple installations can be done in a single visit through a single owner. Under the regional pilot, Metropolitan will first market the program and then collect data to determine whether increasing the regional incentive to \$250 per toilet for the entire service area expands third-party contractor activity beyond the areas where it is already occurring.

Targeting the multi-family residential sector with pre-1994 construction will serve several purposes in the regional pilot. First, it will target a sector in which a higher proportion of the residents and of the water use may be in DACs. An estimated nine million of the residents within the service area may reside within DAC census tracts. The majority of the housing units within these tracts are multi-family as opposed to single-family dwellings. Second, higher water use savings will be achieved by replacing older, higher-water using toilets with Premium High Efficiency Toilets. Pre-1994 construction dwelling units are more likely to have these older toilets.

The regional pilot approach will allow Metropolitan to evaluate whether a targeted enhanced device incentive can effectively increase the installation and water savings in a manner that is more cost effective and administratively simpler than a regional direct installation program. The data and information from the pilot will help to inform the development of longer-term or ongoing approaches in this area.

### ***Member Agency Administered Program Support***

#### *Description*

- The purpose is to provide funding and program support for conservation programs that are designed and administered at the local level and which reasonably serve DACs.
- Member agencies would be enabled to use 100 percent of their Member Agency Administered Program allocation for programs targeted at increasing conservation savings in a manner supportive of DACs or income-qualified consumers. The eligible costs would not be capped at Metropolitan's base conservation rate of \$195 per acre-foot.
- Member agencies would also be permitted to request approval for programs that would exceed their Member Agency Administered Program budget allocations by up to \$300,000 per agency.
- Total Member Agency Administered Program expenditures in excess of annual budgeted amounts for Fiscal Years 2018/19 and 2019/20 would be limited to an up-to \$1.5 million allocation from the Water Stewardship Fund.
- Metropolitan would provide regional support for the design and/or administration of programs.

#### *Supporting Information*

Providing a funding mechanism and support for member and local agency programs addresses some of the input and information received during the development process and is complementary to the regional pilot approach. Staff received input that programs designed and administered at the local level can be more effective than regional approaches because of familiarity with the local issues and needs. However, member agencies have not been able to fully utilize the Member Agency Administered Program funding allocations from the Metropolitan conservation budget in past years, due to a variety of factors.

The Member Agency Administered Program Support approach will help to address these issues. Under this approach, member and local agencies will be able to utilize more of the Member Agency Administered Program funding allocations for programs that increase conservation in DACs. Further, member agencies that have experienced difficulties in designing and administering programs will have regional support from Metropolitan which will then enable them to access and utilize funding for their programs. Although additional funding is available, it is not envisioned that supplemental program expenditures greater than \$300,000 would be granted to any individual agency.

### ***Grant Funding Support***

#### *Description*

- The purpose is to provide proactive regional participation in identifying and procuring grant funding opportunities to enhance funding of DAC conservation programs.
- Metropolitan would work in conjunction with member and local agencies to procure grant funding in this area.

#### *Supporting Information*

Potential funding sources exist through state and federal grants or bond measures. Working with its member agencies, Metropolitan could coordinate and multiply the benefits of such grant funding.

### **Next Steps**

If approved by the Board, staff will issue all contract documents needed for implementation of the Regional Pilot Program and the Member Agency Administered Program. Staff will monitor data from the program and report progress and results to the Board.

### **Policy**

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities.

By Minute Item 50358, dated January 12, 2016, the Board adopted the 2015 Integrated Water Resources Plan Update, as set forth in Agenda Item 8-3 board letter.

By Minute Item 49542, dated September 10, 2013, the Board authorized new conservation program initiatives effective October 1, 2013.

By Minute Item 49068, dated May 8, 2012, the Board authorized changes to Metropolitan's Water Conservation Program effective July 1, 2012.

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

### **California Environmental Quality Act (CEQA)**

#### **CEQA determination for Option #1:**

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities such as general policy and procedure making (Sections 15378(b)(2) and 15378(b)(5) of the State CEQA Guidelines).

#### **CEQA determination for Option #2:**

None required

## Board Options

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### Option #1

- a. Approve implementation of Regional Pilot Program;
- b. Authorize use of Member Agency Administered Funds subject to staff approval of programs; and
- c. Authorize the use of up to \$4.5 million from the Water Stewardship Fund for both the Regional Pilot Program and the Member Agency Administered Program specifically for the disadvantaged communities projects.

**Fiscal Impact:** Up to \$4.5 million in funds used from the Water Stewardship Fund

**Business Analysis:** The proposed changes would aim to increase water efficiency in disadvantaged communities

### Option #2

Take no action.

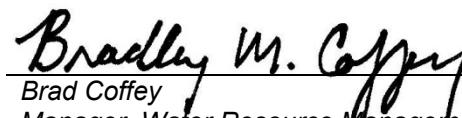
**Fiscal Impact:** None

**Business Analysis:** Staff would consider other initiatives to increase water efficiency in disadvantaged communities.

## Staff Recommendation

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### Option #1

  
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Brad Coffey  
Manager, Water Resource Management

11/27/2018  
Date

  
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Jeffrey Rightliger  
General Manager

11/29/2018  
Date