



San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

January 11, 2017

MEMBER AGENCIES

- Carlsbad
Municipal Water District
- City of Del Mar
- City of Escondido
- City of National City
- City of Oceanside
- City of Poway
- City of San Diego
- Fallbrook
Public Utility District
- Helix Water District
- Lakeside Water District
- Olivenhain
Municipal Water District
- Otay Water District
- Padre Dam
Municipal Water District
- Camp Pendleton
Marine Corps Base
- Rainbow
Municipal Water District
- Ramona
Municipal Water District
- Rincon del Diablo
Municipal Water District
- San Dieguito Water District
- Santa Fe Irrigation District
- South Bay Irrigation District
- Vallecitos Water District
- Valley Center
Municipal Water District
- Vista Irrigation District
- Yuima
Municipal Water District

Mark Alexander, City Manager
City of La Canada Flintridge
1327 Foothill Blvd.
La Canada, CA 91011

Dear Mr. Alexander:

What would you do if you found out your city spent \$30,000 to conserve one acre-foot of water when the going rate was \$594 per acre-foot? If your city buys water from the giant Metropolitan Water District of Southern California, that's exactly what your city's water ratepayers were charged. (An acre-foot is about 326,000 gallons – enough water to meet the annual water needs of two families of four.)

Last year, the Metropolitan Water District of Southern California hastily launched a turf removal rebate program that quickly spun out of control, in which the agency spent \$239 million in water ratepayer money to conserve approximately 8,000 acre-feet of water. That works out to nearly \$30,000 per acre-foot of water conserved by the program. Assuming those conservation savings will actually be repeated every year for the next 10 years (and there is no assurance it will), that makes MWD's turf removal rebate program among the most expensive water supply programs in its history – all paid for by our water ratepayers.

It's no surprise to learn that MWD's reckless spending on turf removal received a scathing review by the agency's own internal auditor (http://www.mwdfacts.com/wp-content/uploads/2016/12/Turf_Audit.pdf). Enclosed is the *Los Angeles Times* story (<http://www.latimes.com/local/lanow/la-me-water-turf-rebate-program-audit-20161209-story.html>) reporting on the mismanagement, poor planning and inadequate oversight of the turf rebate program.

The San Diego County Water Authority – one of MWD's largest member agencies whose ratepayers contribute about 25 percent of MWD's total revenues – has consistently expressed serious concerns about MWD's out-of-control spending practices. For many months, MWD did not even require participants in this turf rebate program to provide any receipts proving they actually spent the money tearing out their turf. Even now, after some safeguards were finally implemented, receipts are only required if the applicant is seeking more than \$100,000 in rebates. MWD management defends the turf rebate program by stating the obvious: it was wildly popular. If you stood on a street corner handing out \$1,000 bills, that would be popular, too. But popularity does not make a program prudent, fiscally sustainable or good water conservation policy.

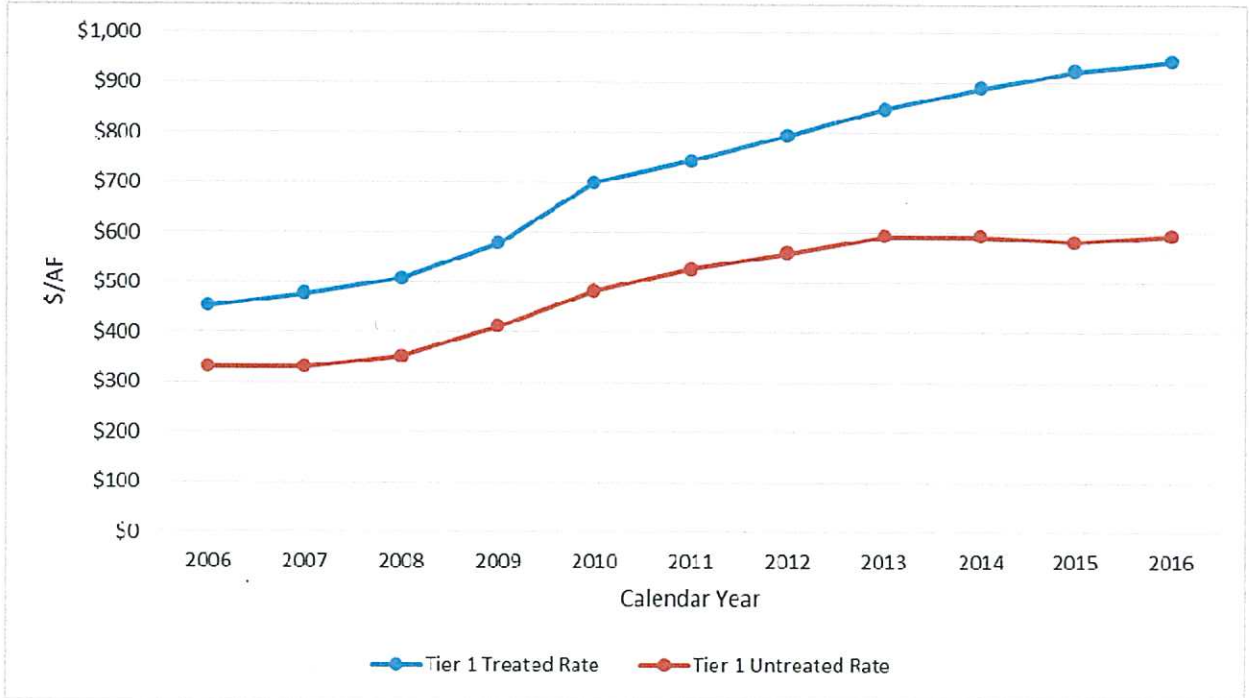
OTHER REPRESENTATIVE

County of San Diego

A public agency providing a safe and reliable water supply to the San Diego region

MWD's reckless spending has contributed to historic increases in water rates at MWD over the past decade. Since 2006, MWD's treated water rate has more than doubled, with rate increases of 7.6 percent, compounded annually. MWD's untreated water rate has risen nearly as fast, with rate increases of 6.7 percent, compounded annually.

Table 1: MWD Water Rates, 2006-2016



It's long past time to reign in the out-of-control Metropolitan Water District. If you're as concerned as we are with the turf removal program, we encourage you to talk to your retail water district provider. Ask them to explain why their appointed representative on MWD's Board of Directors believes the turf removal program was a good investment of your water ratepayers' dollars and what they are doing to contain costs at MWD and control escalating water rates. You can also learn more about how MWD is spending your ratepayers' money by visiting www.MWDFacts.com. We encourage you to join us in calling for accountability and transparency at MWD. If you have any questions, please contact us at mmuir@sdcwa.org.

Sincerely,

Mark Muir
Chair, Board of Directors
San Diego County Water Authority
Councilmember, City of Encinitas

Jim Madaffer
Vice Chair, Board of Directors
San Diego County Water Authority;
Former San Diego City Councilmember
and Past President of the League of
California Cities

Enclosure

Los Angeles Times

Massive \$340-million turf rebate program plagued by poor planning and oversight, audit finds



A crew helps with turf removal and replacement at a Pacific Palisades home. The oversight of a Metropolitan Water District rebate program that was designed to help homeowners reduce their outdoor water use was “less than satisfactory,” according to an audit. (Luis Sinco / Los Angeles Times)



Matt Stevens Contact Reporter

December 10, 2016

The Metropolitan Water District’s massive \$340-million turf rebate program — which helped thousands of Southern Californians rip out their lawns in favor of drought-tolerant landscaping — was plagued by poor planning and oversight by the agency, a new audit found.

The rebate program was a key element of California’s drought response, and officials say it helped residents conserve water. But the audit found that the MWD did a “less than satisfactory” job administrating the program due to “inadequate planning, execution, and follow-up.”

As a result, MWD auditors concluded that the agency may have overpaid a contractor tasked with inspecting turf replacements, and that the contractor also may have failed to perform some critical inspections it was required to carry out.

The findings represent perhaps the most scrupulous examination of the popular but costly lawn removal program, which was designed to help urban Californians sharply reduce their outdoor water use during [the drought](#).

Residents began flocking to the program after MWD doubled the size of its rebate to \$2 per square foot in 2014, and it grew exponentially after MWD poured an additional \$350 million into the conservation program a year later.

Some watchdogs have long feared that the size of the program would lead to waste — and possibly fraud — without strong oversight.

During the period that auditors reviewed, MWD received more than 85,000 applications to remove about 270 million square feet of turf. More than 46,000 of those applications were approved for a payout of \$239 million.

MWD spokesman Bob Muir estimated that the audit, which was performed at the direction of the agency's board, covered the period from May 2014 to July 2015.

"It was extraordinary what [the program] was able to accomplish," he said. "We were more than satisfied with how the program was managed. We know that we can do better and we need to do better."

Auditors agreed that the program successfully drove water conservation.

But they also criticized MWD on a number of fronts.

A review of turf removal applications processed through Nov. 30, 2015, showed that the contractor, EGIA, was paid for completing aerial measurement testing for 212 applications for projects of a certain size. But only 121 such applications were reported as having been measured, the report found.

Five applications for turf removal of more than 50,000 square feet were not reported as having been inspected by EGIA at all, even though the firm was required under its contract to inspect all projects of that size. The auditors noted that the five applicants were collectively paid \$4.4 million.

The auditors cited two cases in which an applicant got paid to remove significantly more turf than the applicant did.

Muir said he did not know if the examples cited by the auditors represented "actual fraud," though he acknowledged that they were "obviously something that needed to be corrected."

The auditors also assailed MWD for failing to "provide detailed instructions" on how the contractor should have checked the applications.

For example, auditors said MWD failed to provide step-by-step instructions on how to measure parcels manually, check customer information and inspect applications that proposed removing more than 50,000 square feet of lawn.

In a letter responding to the report, Deven Upadhyay, an MWD manager, said his team generally agreed with the findings.

Upadhyay wrote that his team has "made changes to the ongoing administration of remaining turf-removal wait-list applications and will incorporate the recommendations into the design of any potential turf removal programs ... in the future."