



San Diego County Water Authority

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January 26, 2017

Councilmember Kris Murray
City of Anaheim
200 S. Anaheim Blvd
Anaheim, CA 92805

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

RE: Metropolitan Water District Overcharged Water Ratepayers \$847,200,000 and Claims its Turf Removal Program Had No Impact on Water Rates

Dear Councilmember Murray,

In a famous line from the 1993 movie, "Philadelphia," the jury foreman -- skeptical of what he has heard from the defense -- looks around the table at his fellow jurors and asks them to explain the situation to him, "as if I were a six-year-old." That's the kind of reaction we had when we read MWD's incredulous explanation of how it paid for its \$450 million conservation and turf removal subsidy program:

"As part of that evolution and in response to the most severe California drought in recorded history, Metropolitan in 2015 approved the largest turf removal, water conservation and public outreach program in the United States. The \$450 million program, together with local rebate programs, brought total regional investments to more than half billion dollars over two years **without impacting water rates.**" (emphasis added). MWD Talking Points, "Top-Line Messages" at page one, bullet #3 (<http://bit.ly/MWDconservationalkingpoints>)

What?! OK, leaving aside the debate on the merits of the program (discussed in our January 11, 2017 letter), explain that to us, as if we were six-year-olds: How does a public water agency come up with \$450 million without impacting rates? Of course, it can't, and MWD paid every penny of the turf subsidy program with ratepayer dollars. And, making this fiscal mess worse, this was an **unplanned, unbudgeted expenditure** approved by the MWD board ex post facto, *after* the budget was prepared, *after* the public hearing and *after* adoption of MWD's water rates.

The fact of the matter is that the turf removal program was paid for by MWD from revenues it collected by **overcharging ratepayers a whopping \$847,200,000** over the four-year period 2012-2015 (a schedule calculating these overcharges for each of MWD's 26 member agencies and your own ratepayers appears on the back of this letter). According to MWD's own General Manager, every \$100,000,000 in annual revenue requirement translates to an MWD rate increase of 7% (Jeff Kightlinger, May 26, 2015 Executive Committee and Special Board Meeting).¹ Did the \$450 million MWD program impact water rates? You do the math.

This is only one of many examples supporting the main point of our January 11 letter: MWD is on an out-of-control spending spree that is going to catch up with all of us. While a few MWD water users were lucky enough to receive turf rebates large enough to pay for a week-long cruise to Mexico (<http://bit.ly/rebatesdriveremovalfrenzy>) or pocket \$420,000 of water ratepayer money after paying 100% of

¹ Statement found at 57:28 here: http://mwdh2o.granicus.com/MediaPlayer.php?view_id=2&clip_id=4569

the costs of turf removal the rest of us are paying for it, (<http://bit.ly/Businessesgetfatrebatechecks>) including a large number of low-and-fixed-income residents who can't afford to have a front lawn, let alone water it.

We welcome your questions and comments and we hope to have a continuing dialogue on this subject. We also encourage you to ask your MWD board representative(s) for further details.

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

	Fiscal Years 2012-2015
	MWD Overcharges
Anaheim	\$ 8,114,918.69
Beverly Hills	\$ 6,138,524.25
Burbank	\$ 6,546,677.98
Calleguas Municipal Water District	\$ 58,702,739.10
Central Basin Municipal Water District	\$ 18,637,509.38
Compton	\$ 419,761.80
Eastern Municipal Water District	\$ 46,775,850.56
Foothill Municipal Water District	\$ 4,677,941.06
Fullerton	\$ 4,822,981.49
Glendale	\$ 10,033,627.01
Inland Empire Utilities Agency	\$ 21,778,139.87
Las Virgenes Municipal Water District	\$ 12,228,150.54
Long Beach	\$ 18,697,349.69
Los Angeles	\$ 171,157,203.26
Municipal Water District of Orange County	\$ 103,381,280.27
Pasadena	\$ 10,869,337.53
San Diego County Water Authority	\$ 188,978,871.27
San Fernando	\$ 40,574.67
San Marino	\$ 562,508.66
Santa Ana	\$ 5,813,599.48
Santa Monica	\$ 3,500,450.49
Three Valleys Municipal Water District	\$ 31,577,465.03
Torrance	\$ 8,911,132.79
Upper San Gabriel Valley Municipal Water District	\$ 10,806,043.72
West Basin Municipal Water District	\$ 60,672,092.85
Western Municipal Water District	\$ 33,355,268.54
Total	\$ 847,200,000.00



Rebates drive grass removal frenzy during California drought

Published May 29, 2015 | Associated Press

There's a torrent of Californians taking advantage of rebates for ripping out water-guzzling lawns during the drought, and that's providing a big boost to landscapers.

In Southern California in particular, things are poised to get even better for an industry that was battered by the recession and slow to recover. This week, the board of the Metropolitan Water District of Southern California voted to replenish its turf removal and other water conservation programs with \$350 million to meet booming demand.

In communities across the state, homeowners are swapping out traditional lawns for drought-tolerant plants and shrubs, changing the look of many yards and the business outlook for landscaping and nurseries.

"Where rebates exist, interest is high," said Sandra Giarde, executive director of the 2,000-member California Landscape Contractors Association.

The Metropolitan Water District says it has seen monthly rebate applications increase 20-fold since April, when Gov. Jerry Brown imposed mandatory water cuts. The agency currently has requests involving the conversion of about 60,000 front yards.

In Northern California, the Santa Clara County Water District issued rebates for the conversion of 1.2 million square feet of lawn in the first four months of the year, more than all of 2014.

"It's just gangbusters," said Marty Grimes, a district spokesman. "We have people waiting in line."

The rebates have helped long-time landscapers and also drawn newcomers to the industry. Last summer, a group of friends started Turf Terminators to process rebate paperwork and convert lawns for Southern California homeowners who sign over the cash, said Julian Fox, chief operating officer of the company.

"The rebate is what gets us in the door and gets us on a lot of people's radar," Fox said, adding the company has converted 4,000 lawns.

Under rebate programs, homeowners get money after they replace their lawns with drought-tolerant landscaping, or in some cases, artificial turf. Some go way over budget, adding odds and ends. Still, others make more thrifty use of the cash.

Raymond Aleman, a 71-year-old retiree from Los Angeles, tore out his thirsty lawn and planted a garden of pampas-style grasses, lavender and sage. He received nearly \$5,000 in rebate cash and used half for his project and the rest to take a weeklong cruise to Mexico.

"I said, this is ridiculous not to do it, because it is not going to be any money out of my pocket," said Aleman, who designed the new yard himself to cut down on costs and now only needs to water once a week. "When I look out, I

marvel at the idea I did it and it looks so nice."

But turf removal hasn't been a boon to everyone. Some small-time gardeners, who rely largely on mowing, have seen business dip as residents water less or convert landscapes, said Alvaro Huerta, a professor at California State Polytechnic University, Pomona who conducts research on Latino gardeners.

Some nurseries saw sales drop 15 percent or more in April, usually the peak month of the year. While sales of succulents, mulch and pottery are up, roses, bedding and tropical plants took a hit, industry leaders said.

"We were rocking and rolling like we normally do in spring, and business kind of significantly slowed down," said Ashley Rossi, owner of Folsom-based Green Acres Nursery and Supply and vice chair of the California Association of Nurseries and Garden Centers.

Homeowners seem to be evaluating what to do with their yards since the water restrictions, she said.

Not every place in the state offers rebates — nor does the cash always seem to matter. In the northern city of Redding, where officials are trying to get state funding to offer rebates, some homeowners have already ripped out lawns, said John Wendele, the city's water utility manager.

In the East Bay Municipal Utility District, interest in turf removal has surged even though a 50 cent-per-square-foot rebate has been available for years, said Nelsy Rodriguez, an agency spokeswoman.

"It is mostly the water conservation that is the motivation — but the money certainly helps," she said.

Rick Jenkins, a 57-year-old retired firefighter, said he had already started digging up his yard in Gilroy when he learned about the rebate. He said he would have done the job anyway, but the cash helped him make it look much nicer.

But in some places, rebates matter. Applications to the Municipal Water District of Orange County increased after the rebate rate jumped last year, and tend to spike when Brown makes an announcement about the drought, said Joe Berg, the district's water use efficiency program manager.

Now, with the rebate reaching at least \$2 per square foot, Berg said, "it's getting people off the couch and getting them to go out there and do their project."

URL

<http://www.foxnews.com/leisure/2015/05/29/rebates-drive-grass-removal-frenzy-during-california-drought/>

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Los Angeles Times

Businesses get fat rebate checks for water-saving turf replacement

The majority of the \$85.6 million MWD has allocated for turf replacement rebate is slated for businesses

By Matt Stevens and Javier Panzar

JANUARY 11, 2015 5:56 PM

A tractor rumbled over 2 acres of green turf last month at the MillerCoors brewery, its mechanical rake leaving wide swaths of thirsty grass chomped up in its wake.

The once-lush knoll, by springtime, will feature a pathway of decomposed granite, a bed of river rocks and a sign encouraging water conservation.

For its water-saving efforts, the beer company is scheduled to receive a check for about \$187,000 from the Metropolitan Water District of Southern California through the agency's turf replacement rebate program.

Local and state water officials have lauded the multimillion-dollar program as a water-saving boon for the drought-stricken state. Thousands of Southland residents have applied for financial incentives to tear out and replace turf with drought-friendly foliage, a move experts say is critical to recalibrating Californians' attitude toward water. Businesses are cashing in, too, in a big way.

Of the \$85.6 million MWD has allocated for turf replacement rebates under the program, about 60% is slated for commercial customers, according to department records and officials. Commercial entities, including expansive golf courses and for-profit businesses with gigantic lots, such as MillerCoors, used around \$51 million. Meanwhile, residential customers received about \$34 million to replace grass.

Unlike some other turf rebate programs across California, MWD's does not limit the size of rebates. At least three golf courses in affluent parts of Southern California are slated to receive more than \$4 million, according to department records compiled for The Times in November.

Experts said the cost of rebates for large, commercial projects is a long-term investment that will help ensure future water reliability. But homeowners who have pinched pennies to replace their lawns with drought-friendly landscaping found the distribution of millions to commercial entities that could otherwise afford the cost of turf replacement irksome.

"I don't think millions of dollars to private commercial property such as golf courses is the best use of those funds," said Liz Crosson, executive director of Los Angeles Waterkeeper, a waterway protection and restoration organization.

MWD spokesman Bob Muir said the successful program has seen an "extraordinary" spike in participation over the last year. He defended the program's payouts as "unprecedented action" in response to "unprecedented challenges."

"We're in a drought. We're a water agency, and we're trying to save water," said Bill McDonnell, MWD water efficiency manager. "The water we save does not know whether it's in your front yard or in a private golf course. It's water, and it's Metropolitan's job to save water."

Officials at the Irwindale brewing plant have pushed to conserve water outdoors in recent years, said Ed Gharavi, MillerCoors technical services manager. Landscapers have removed several acres of turf, saving millions of gallons of water each year, he said.

The company would have probably removed a smaller portion of turf from the grassy knoll without the rebate, Gharavi said. But with removal and replacement costs estimated between \$3 and \$4 a square foot, the \$2 rebate allowed the company to do more.

"There can be a real hesitation to invest, but we understand that water is something we need to protect," Gharavi said. "You never know the worth of water until you don't have it."

Asked whether for-profit companies should receive ratepayer-funded rebates for their projects, Gharavi said: "I don't know that I'd have a response."

At about 94,000 square feet, the turf replacement at the MillerCoors property is small, compared with projects underway at some golf courses.

Brookside Golf Club in Pasadena is removing 870,000 square feet of turf, said David A. Sams, director of golf operations. Costs to replace it, about 70 cents a square foot, are lower than those of most other projects because officials are not buying or adding native plants that golfers "wouldn't want to hit out of," he said. They plan to plant about 200 trees and realign sprinkler heads in where grass used to be.

The project will cost about \$600,000, much less than the \$1.74 million rebate that MWD approved. The golf course will save about \$80,000 a year in water costs but will spend about \$60,000 a year to maintain the new non-irrigated areas, Sams said.

"We're not doing it to save money; we're doing it because it's the right thing," he said. "We were going to do this project regardless of whether we got a rebate."

Brookside will receive a check only for the amount of money the project ultimately costs, not for the entire amount MWD approved for the replacement. The water district created a new rule in July — about two months after the \$2-per-square-foot rebate went into effective — that limits the amount of rebate to the actual cost of the project, instead of giving applicants the entire amount approved based on initial estimates.

Ten entities that applied early have been grandfathered in and will receive the full rebate regardless of a project's actual cost.

The largest of those projects is the Rancho Santa Fe Assn.'s plan to replace 810,000 square feet of turf at its golf course, according to water district records. The project cost about \$1.2 million, course superintendent Tim Barrier said. MWD records show the course will receive a check for \$1.62 million.

Barrier said he was so pleasantly surprised when he learned the water district was offering a \$2 rebate for turf removal that he "almost choked." The course, which serves 500 members in an affluent part of northern San Diego County, would have gradually replaced the turf even without a rebate, he said.

"If there's an agency that wants to help us on this endeavor, then we should take advantage of it," he said. "If we're going to cooperate with an agency that wants to embark on a program like this, we should absolutely not be singled out as somebody that doesn't need the money."

Mark Gold, of UCLA's Institute of the Environment and Sustainability, praised the rebates — which are as high as \$3.75 per square foot in Los Angeles — as a "strong, bold response" to the drought, adding that payments for a smaller number of large projects reduce administrative costs. The incentive, he said, "gets people to act immediately."

"When people look back at this five years from now, this last six months will be the beginning of the end of our love affair with grass turf," Gold said.

Some other water suppliers that offer turf removal rebate programs limit the size of rebates.

The [Los Angeles Department of Water and Power](#) pays a \$1.75-per-square-foot rebate for only the first 1,500 square feet of a residential project. It pays \$1 each for the first 10,000 square feet of a commercial project, and 50 cents for additional square feet, up to an acre.

East Bay Municipal Water District, which serves more than 1.3 million Californians, caps residential projects at \$2,500. Commercial projects are limited to \$20,000.

The city of San Diego, another large water supplier, supplemented MWD's rebate with up to \$4,800 for residential projects and up to \$60,000 for commercial and multifamily projects — until the funding ran out.

Long Beach resident Loren Scott, 55, spent \$3,700 to kill her front lawn and replace it with drought-tolerant plants. She got a \$3,500 rebate from MWD and the Long Beach Water Department, which caps residential rebates at 1,000 square feet.

Water savings from commercial projects will be larger, but Scott worries what might happen if the money runs out.

"How many residents are going to be left out?" she said. "That is not going to be a fair distribution."

Of the more than 14,000 requests MWD has received for turf removal, about 95% came from residents, according to department records. But the roughly 600 commercial customers' requests account for about 60% of the total projected funding.

McDonnell, MWD's water efficiency manager, said he was surprised that so much of the program's money is bound for commercial projects. He said the program is too new to know exactly how much water will be saved.

Changes, including adding a rebate limit, could be forthcoming, he said.

Turf rebate requests continue rolling in, and so far, customers have requested an additional \$36 million in rebates, though MWD has yet to commit the money. The department won't necessarily spend all of that; some customers don't follow through on turf removal plans, officials said.

Asked how much longer he believes the water district can sustain such high levels of funding, McDonnell said, "That's a good question."

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