



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

4/10/2018 Board Meeting

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**8-4**

**Subject**

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Adopt CEQA determination and authorize Modifications to the Water Efficiency Programs

**Executive Summary**

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A team of member and retail agencies, Metropolitan staff and agencies outside of Metropolitan reviewed our existing water efficiency programs. This letter describes the recommended program modifications. Staff is seeking approval from the Board to implement certain actions. The benefits of these modifications would increase water savings to meet our Integrated Resource Plan (IRP) goals, and provide additional landscape education programs and local agency program flexibility.

**Details**

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**Annual Program Review Process**

Over the past six months, Metropolitan's Project Advisory Committee (PAC) has worked to develop recommendations to modify Metropolitan's water efficiency programs. The PAC is comprised of Metropolitan Water Efficiency Team staff and member agency and retail agency conservation managers. The proposed program modifications also reflect recommendations made by the Alliance for Water Efficiency (AWE) peer review. In addition, review and input have been provided by Metropolitan's Conservation and Local Resources Committee, Water Planning and Stewardship Committee, and correspondence received from Member Agencies. **Attachment 1** includes answers to many questions raised in the recent committee discussions.

Staff proposes all of Metropolitan's existing water efficiency programs stay in place. However, two existing programs would be modified and two new ones would be added. These changes are described below:

❖ *Member Agency Administered (MAA) Program (Existing Program)*

Agencies have asked Metropolitan to be more flexible in funding local programs. Right now, agencies can only use Metropolitan funds for local programs and activities that have specific estimates of the water savings they provide. However, there are many potential water efficiency programs and activities that provide value to the region, but the water savings is difficult to determine. Examples include consumer landscape education workshops, storm water capture workshops, consumer landscape design help, and public agency demonstration gardens. Metropolitan agrees that these types of programs and activities provide outreach and educational benefits that help increase water efficiency. Accordingly, staff proposes that up to 25 percent of a member agency's allocation be available for such programs and activities. If an agency has an allocation of less than \$50,000, that agency could use all their funding for these programs.

❖ *Public Agency Landscape Program (Existing Program)*

The current Public Agency Landscape program is authorized through June 30, 2018. Staff proposes the sunset date be removed. Outreach to public agencies would become a permanent part of Metropolitan's conservation program.

❖ *Landscape Transformation Program (New Program)*

A new Landscape Transformation Program would be offered to residential, commercial, and public agencies. The program is designed to take advantage of what is known as the “multiplier effect.” This is where rebated California Friendly landscapes are seen by neighbors and then those neighbors choose to re-landscape their yards, but do not seek a rebate. The program also will include sustainable landscaping requirements, such as swales, dry river beds, rain barrels or other options. The Landscape Transformation Program is designed to be offered every year to consumers.

The proposed rebate from Metropolitan is \$1 per square foot of turf removed. Member and retail agencies can add funds to Metropolitan’s \$1 per square foot, if desired. The proposed program also has improved controls as compared to Metropolitan’s past turf removal program:

- Program managed within a specific budget;
- Maximum square footage caps; and
- Improved inspection and review protocols.

For a detailed description of the Landscape Transformation Program refer to **Attachment 2**.

In the past, several member and/or retail agencies chose not to be in Metropolitan’s regional turf removal program. The agencies ran their own local turf removal programs. Those locally-run programs received Metropolitan’s funding. In the new Landscape Transformation Program, agencies could do the same. Member and/or retail agencies could run their own programs and still receive Metropolitan’s funding of \$1 per square foot. Locally-run programs would be coordinated with Metropolitan’s regional program. Funding for the local landscape programs would come out of the same budget as Metropolitan’s regional landscape program.

❖ *Professional Landscape Training (New Program)*

Metropolitan’s education programs are currently only for consumers. New training on the Model Water Efficiency Landscape Ordinance (MWELO) will be added. The MWELO workshops for city and county staff and landscape professionals will be conducted in partnership with the California Landscape Contractors Association (CLCA).

Staff also proposes a new program that offers a professional landscape certification for contractors that complete Qualified Water Efficient Landscaper (QWEL) training. A list of contractors that have completed this certification would be available for consumers that are looking for qualified contractors.

**Budget**

The budget amounts for the proposed new water efficiency programs will follow what the Board adopts in April for the biennial budget. Below is the breakdown of the proposed budget for one fiscal year.

	Annual Budget
Regional Devices	\$13.5M
Member Agency Administered	\$5.5M
Landscape Transformation	\$17M
Advertising	\$5M
Other	\$2M
<b>Total</b>	<b>\$43M</b>

❖ *Landscape Transformation Budget*

The proposed Landscape Transformation Program is intended to be a long term program that is offered to consumers every year. While targeting annual expenditures of \$17 million, annual application limits for the Landscape Transformation Program budget component, would be set at \$50 million, during this budget cycle. If the application limit is reached in a given year, then consumers would be asked to consider applying in the

following fiscal year. Locally-run landscape transformation programs could continue without Metropolitan's funding, if the local agency desired. Metropolitan would start accepting new applications again at the beginning of the new fiscal year.

One lesson learned from the past turf removal program is there are "dropouts" in the program. Some consumers apply for the program, submit all the correct paperwork to start their projects, but never complete their projects. Historically, this drop off has been in the range of 40 percent. With the new design of this landscape transformation program it is hard to estimate what the dropout rate may be.

Staff proposes to set the annual application limit, for Landscape Transformation Program projects, at \$50 million and to process payments as projects are completed. If consumers follow-through with projects resulting in expenditures that are higher than the \$17 million annual budget, then staff would be authorized to draw from the Water Stewardship Fund (WSF) to pay for the difference. In the most extreme scenario, the annual application limit would be reached and every consumer would follow through with their projects, resulting in expenditures of \$50 million. This would result in a draw of \$33 million from the WSF. If this were to occur for both years, then the draw could be as much as \$66 million. Metropolitan anticipates starting the biennial 2018/19 and 2019/2020 budget periods with more than \$70 million in the WSF, which could accommodate this extreme scenario. This approach allows Metropolitan to have a robust landscape transformation program should consumer interest increase during the biennial budget. If consumer interest is lower or historic dropout rates are observed, then draws from the WSF would be significantly lower, if necessary at all. Staff plans to observe activity levels, dropout rates, and other factors in order to identify potential adjustments to the program for the next biennial budget cycle. For example, if dropout rates are lower than previous experience, then the annual application limit could be reduced based on future budget considerations.

#### ❖ *Member Agency Administered Program Funds*

Due to recent events, the MAA Program funds for fiscal year 2017/18 allocated to the San Diego County Water Authority (SDCWA) was provided in November 2017. SDCWA notified Metropolitan that the late notice prevented them from starting and completing projects within the current fiscal year. Staff recommends that due to the late notice, the MAA Program funds from fiscal year 2017/18 allocated to SDCWA be accrued into next budget cycle.

#### **Disadvantaged Communities**

Member agencies have shared their interest in having Metropolitan increase water-use efficiency in disadvantaged communities. There will be many considerations that affect how Metropolitan can assist in this area, including Metropolitan's authority for and the goals of a program to increase water-use efficiency in disadvantaged communities.

Staff is committed to working with the member and retail agencies on researching how best to structure a program to increase water-use efficiency in disadvantaged communities and will come back with recommendations during this biennial budget. Metropolitan also intends to conduct outreach to these areas as part of the advertising program promoting the efficiency programs.

#### **Next Steps**

If approved by the Board, Metropolitan will work with Member Agencies to update their contracts with new program information. Metropolitan will also work with our regional vendor to implement the Regional Landscape Transformation Program by early next fiscal year. In addition, Metropolitan will be working with the PAC on disadvantaged community program options.

#### **Policy**

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By Minute Item 50134, dated May 26, 2015, the Board authorized a budget increase and modifications to the turf removal program.

By Minute Item 49773, dated May 13, 2014, the Board authorized proposed changes to Conservation Program in response to drought conditions.

By Minute Item 49676, dated February 11, 2014, the Board adopted a Water Supply Alert Resolution (Resolution 9168).

By Minute Item 49675, dated February 11, 2014, the Board authorized the On-site Retrofit Pilot Program for converting sites to receive recycled water.

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

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

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)**

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### **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 (Section 15378(b)(2) of the State CEQA Guidelines). Also, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not defined as a project under Public Resources Code Section 21065 and Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines and is not subject to CEQA pursuant to Section 15061 (b)(3) of the State CEQA Guidelines.

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

None required

## **Board Options**

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### **Option #1**

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and authorize the proposed changes to the water efficiency program, the authority to use the Water Stewardship Fund for the Landscape Transformation Program, and the accrual of MAA Program funds from fiscal year 2017/18 for SDCWA.

**Fiscal Impact:** The budget for water efficiency activities for the next two-year budget cycle would be \$86 million. If needed, staff would be authorized to draw up to an additional \$66 million from the Water Stewardship Fund for the Landscape Transformation Program.

**Business Analysis:** The proposed changes would help achieve the 2015 IRP water savings goals.

### **Option #2**

Take no action.

**Fiscal Impact:** None

**Business Analysis:** Staff would consider other initiatives to help achieve the IRP water savings goal.

**Staff Recommendation**

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Option #1

  
Kevin A. Donhoff  
Interim Manager, Water Resource  
Management

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4/2/2018  
Date

  
Jeffrey Nighlinger  
General Manager

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4/4/2018  
Date

**Attachment 1 – Board Committee Input on Water Conservation Program Modifications**

**Attachment 2 - Landscape Transformation Program**

Ref#wrm12654767

## **Water Conservation Program Questions and Answers**

**Question:** Will there be a cap on member agency co-funding in the landscape transformation program?

**Answer:** Proposed program does not have a limit on agency co-funding.

**Question:** Will residential consumers be limited to front yards only?

**Answer:** No. Back and side yards will be allowed when either: a minimum of 250 square feet is being transformed in the front yard also; or the front yard was previously transformed.

**Question:** Are commercial and public agencies limited to transforming visible areas only?

**Answer:** No. However, staff will monitor areas being transformed in the commercial and public sector to determine whether this is an issue going forward.

**Question:** Will there be a required plant list for landscape transformation?

**Answer:** Metropolitan will have a recommended plant list for consumers to reference, but use of plants on this list will not be a requirement. Metropolitan will also focus on native plants on the promotion of the program.

**Question:** Are receipts required for the landscape transformation program?

**Answer:** Receipts are not required. Receipts will be requested to help understand the nature of costs for landscape transformation projects.

**Question:** When will the application period close for the Landscape Transformation Program?

**Answer:** Landscape Transformation Program applications would be accepted up to an annual limit of \$50 million. Once the application limit is reached, consumers would be asked to apply in the next fiscal year.

**Question:** Will Metropolitan pay for local agency Qualified Water Efficient Landscape training?

**Answer:** Metropolitan will pay the enrollment fee for agencies.

**Question:** Is there a required amount of time that the consumer has to keep turf removed?

**Answer:** The expectation is that this is a permanent change. Inspections can be done in the future to determine the amount of consumers that retain the new landscape. This will help inform whether requirements of this kind are necessary in the future.

**Question:** Can staff provide data on actual water savings versus estimates for landscape transformation?

**Answer:** Staff is completing a water savings study on the previous turf removal program. Results of this study should be available in the next fiscal year.

**Question:** Why train landscape designers in our new MWELO class?

**Answer:** This class will primarily be targeted to city staff and landscape contractors but open to all landscape professionals.

**Question:** How much will the QWEL classes cost?

**Answer:** Staff has issued an RFP and will come back with the costs once costs are known.

**Question:** Can staff make sure the budget matches where we need to be in water savings and gpcd?

**Answer:** Staff is monitoring whether the budgeted amount is achieving the water savings and gpcd goals.

**Question:** If you are adding professional landscape training, are you dropping residential landscape training?

**Answer:** Both professional landscape training and residential landscape training will be offered.

**Question:** Why pay for public agencies to save water? Shouldn't they be doing this on their own?

**Answer:** Program is intended to assist agencies to upgrade their facilities to save water and set a positive example for the community.

**Question:** Should participants in QWEL be required to pay for the training? Could money then be refunded if the participant completes the training?

**Answer:** Staff will consider this during review of the proposals received from the RFP.

**Question:** Will there be a website for consumers to be able to find a certified landscape contractor?

**Answer:** Yes. The QWEL program maintains a list of certified landscape contractors.

**Question:** Will customers have to sign an agreement to allow inspections?

**Answer:** This will be included in the terms and conditions that the consumer has to accept as part of the application process.

**Question:** Are greywater devices eligible for funding?

**Answer:** These devices could be eligible for funding through the Member Agency Administered Program.

**Question:** Do the same program requirements apply for member agencies running their own landscape transformation program?

**Answer:** Member agencies can have more stringent requirements, but need to have the same minimum requirements as the regional program.

**Question:** Will synthetic turf be allowed in the landscape transformation program?

**Answer:** No, synthetic turf is not allowed.

**Question:** Is there a way to market to disadvantaged communities?

**Answer:** A component of the advertising and outreach program will be focused on disadvantaged communities.

**Question:** Can member agency local landscape transformation programs be funded from the general landscape transformation budget?

**Answer:** Yes, this will require some additional reporting from member agencies running local landscape transformation programs, but it can be done.

**Question:** Can Metropolitan allocate the funding for landscape transformation, so that each member agency has an allocated amount of the landscape transformation budget?

**Answer:** This would be administratively difficult, but would also remove any regional component, because as each agency runs out of funding, the program would have to be shut down in separate areas.

**Question:** Can Metropolitan carry-over SDCWA's member agency administered allocation from the current fiscal year since they were not notified until November that the funds were available? Can Metropolitan carry-over funds for other agencies?

**Answer:** Metropolitan can accrue the funds for SDCWA's allocation if the Board approves. Other agencies have had the full year to implement their projects and should not need additional time.

**Question:** Can Metropolitan increase the amount of the budget that is allocated for the Member Agency Administered Program?

**Answer:** Historically, this budget is almost always underspent. Increasing the budget would only serve to tie up funds from being used through the regional programs.

# Landscape Transformation Program

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## PROGRAM DESCRIPTION

The Landscape Transformation Program would offer a rebate of \$1 per square foot of transformed landscape to consumers within Metropolitan's service area for replacing high water-using turf with a more drought-tolerant landscape, while incorporating a sustainable landscape approach in order to control runoff.

### **FUNDING:**

- a. Metropolitan to provide a base rebate of \$1 per square foot.
- b. Member agency may add supplemental funding with no cap on the supplemental funding amount.

### **RESIDENTIAL LANDSCAPE TRANSFORMATION**

#### **1. Program Guidelines:**

- a. Projects must remove a minimum of 250 square feet of turf.
- b. Maximum of 1,500 square feet of turf eligible for funding.
- c. Eligible areas for transformation:
  - i. Front yards
  - ii. Back/side yards as long as:
    - A minimum of 250 sq. ft. in the front yard is included, or
    - Front yard was previously transformed.
- d. Consumer to provide a simple landscape plan showing intended transformation.
- e. Completed project area must be covered by at least five (5) plants per 100 square feet, which equates to approximately 50% of project area coverage.
- f. Project must include a sustainable landscape approach for storm water and irrigation runoff retention (e.g. rock garden, dry river bed, swales, berms, or rain barrels).
- g. Three inches of mulch must cover any bare spaces within project area (*No bare soil allowed*).
- h. Irrigation modification or conversion required for all projects
  - i. Convert over-head sprays to drip, micro-spray, bubblers, rotating nozzles; whichever is applicable; or
  - ii. Cap sprinkler heads or remove irrigation equipment and hand-water
- i. No synthetic turf is allowed.
- j. No plant that appear to be turf are allowed.
- k. Areas which have already been converted are not eligible.

# Landscape Transformation Program

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- l. Receipts will be requested, but not required.
- m. Customer has 180 days to complete project.

## 2. Program Recommendations:

- a. An education component will be developed.
- b. Installation of a smart controller is recommended.
- c. A recommended plant list will be prepared.

## 3. Verification Process:

- a. Pre-Inspection
  - i. Consumer-provides before photos (*pre-project installation*) of turf area to be removed.
  - ii. Vendor will conduct aerial pre-inspections on 10% of projects submitted to verify existing turf coverage.
  - iii. Customer service representatives (CSR) will be trained to spot potential abnormalities in pre-project photos submitted by customers, and if found, CSR will be given authority to send applications to mandatory aerial review.
  - iv. If aerial review is not possible due to obstructions (tree coverage), or inconclusive, CSR given authority to request inspection vendor to perform a physical pre-inspection.
- b. Post-Inspection
  - iii. Consumer-provides after photos (*post-project installation*).
  - iv. Inspection vendor will conduct on-site post-inspection on 20% of approved projects.
  - v. Customer service representatives (CSR) will be trained to spot potential abnormalities in post-project photos submitted by customers, and if found, CSR will be given authority to send applications to mandatory physical inspection.
- c. Staff will report on the inspection findings at the end of the 2-year cycle, an effort to develop program refinements.

# Landscape Transformation Program

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## **COMMERCIAL AND PUBLIC AGENCY LANDSCAPE TRANSFORMATION GUIDELINES**

The commercial and public agency landscape transformation program has the same guidelines as listed above for residential, with the following exceptions:

**1. Program Requirements:**

- a. Maximum of 10,000 square feet of turf per site.
- b. All existing turf areas are eligible.
- c. No education component.

**2. Program recommendations:**

- a. Installation of a smart controller is recommended.
- b. A recommended plant list will be prepared

**3. Verification Process:**

- a. Pre-Inspection:
  - i. Consumer-provides before photos (*pre-project installation*) of turf area to be removed.
  - ii. Vendor will conduct on-site pre-inspections on 100% of total projects submitted to verify existing turf coverage.
- b. Post-Inspection:
  - i. Consumer-provided after photos (*post-project installation*).
  - ii. Inspection vendor will conduct on-site post-inspection on 100% of total approved projects.
- c. Staff will report on the inspection findings at the end of the 2-year cycle, in an effort to develop program refinements.

**4. Exceptions:**

- a. As described above, the Landscape Transformation Program has requirements that are expected to be met. However, it must also be recognized that in every program there will be exceptions requested by consumers. A typical example is a request for extended time to complete the project. Staff will continue to use its best judgement to accommodate reasonable requests without impacting the overall management of the program.