



San Diego County Water Authority

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May 8, 2015

Randy Record and
Members of the Board of Directors
Metropolitan Water District of Southern California
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Los Angeles, CA 90054-0153

MEMBER AGENCIES

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 - City of San Diego
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 - 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
- OTHER REPRESENTATIVE**
- County of San Diego

RE: Board Memo 8-2: Authorize (1) \$150 million in additional funding for conservation incentives from the Water Stewardship Fund and the Water Management Fund; and (2) Implementation of modifications to the Turf Removal Program -- **OPPOSE**

Chair Record and Members of the Board:

As you know, the Water Authority and its member agencies have an outstanding record of leadership in water conservation planning, programs and implementation. The San Diego region's per capita water use has dropped by 22 percent since 2007. More than a year ago, in response to the current drought, the Water Authority launched its *When in Drought, Save Every Day, Every Way* campaign to further increase public awareness. Through our continuous efforts, a recent poll shows 87 percent of San Diegans believe saving water is a civic duty, 85 percent are aware the drought is very serious, and 81 percent have taken additional actions to reduce water use since mandatory water use restrictions were implemented in San Diego County last August. It is clear that San Diegans are doing our part to reduce water use, and we will continue to support the Governor's call for increased water conservation and strive to meet the State Board's newly adopted regulations. Against this backdrop, we must oppose staff's recommendation for the following reasons:

- **Lack of accountability.** In spite of repeated requests, MWD has failed to demonstrate actual near-term water savings resulting from the turf removal program. At an estimated cost of almost \$1,500 per acre-foot (AF), which staff has amortized over ten years, the near-term cost of any water savings would be substantially more than \$1,500/AF and well in excess of MWD's current spot market transfers. Short term, there has been no demonstration of meaningful water savings as a result of these subsidies, and certainly no demonstration of water savings that would not otherwise have occurred, either as a result of the high cost of water or state mandates limiting the amount of water retail agencies and their ratepayers may use on ornamental landscapes. Long term, MWD's program includes *no measures* to ensure that turf that someone is paid to remove today won't be reestablished in the future. *Without*

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

such accountability, this program constitutes a waste of ratepayer dollars and a gift of public funds.

- ***Lack of transparency.*** MWD has not even provided an accounting of the participants who have received the more than \$77 million that has already been spent on the program. No further public rate dollars should be allocated or spent without an accounting of past expenditures. We renew our request for an immediate audit of this program, including identification of fund recipients, evidence of the turf removal or other "conservation" improvements that have been made with these public funds, and disclosure of any consultants or business entities that have benefitted from the implementation of this program by MWD.ⁱ
- ***Lack of available funding to pay for this massive, unbudgeted program expansion.*** It appears that there are insufficient funds available to pay for the staff recommendationⁱⁱ; and it is therefore highly probable that rate increases will be required for which there has been no public notice. In a PowerPoint presentation to the Finance and Insurance Committee last month, staff reported a Water Management Fund balance of \$32.2 million as of March 31, 2015.ⁱⁱⁱ This month, staff is requesting to use \$9.975 million of that remaining balance to purchase transfer supplies from Yuba County Water Agency, leaving only \$22.25 million available in the Water Management Fund.^{iv} This means that the rest of the funding - \$127.8 million - must come from the Water Stewardship Fund. But in order for the Water Stewardship Fund to generate that level of funding, *MWD would have to sell 3.12 million acre-feet of water (MWD must also make payments due on long term contracts paid for with Water Stewardship Rate dollars)*. Since MWD's water sales are obviously going to be much lower than 3 million acre-feet, there is no identified source from which to generate the \$150 million needed for this program. MWD is running this program as an "open checkbook," but it has not planned or budgeted for these expenditures.
- ***The conservation program is being funded with rates the Superior Court has already ruled are illegal.*** MWD is continuing to collect the Water Stewardship Rate even though the Superior Court has already ruled that it is an illegal tax. In addition, San Diegans are being excluded from full participation in the member agency program as a result of MWD's inclusion of the "Rate Structure Integrity" clause, as to which the Court has also ruled substantively in San Diego's favor, subject only to the question of standing.
- ***The turf removal program is a regressive tax.*** Many low income ratepayers allowed their lawns to die many months if not years ago due to the cost of water. Now, they are being forced to subsidize turf replacement by private golf clubs and other commercial and residential high water users.

We have stated our deep concerns about the turf replacement program and MWD's water conservation programs generally, due to the absence of accountability actually measuring conservation results or accounting for the ratepayer dollars being spent on these programs. We have provided suggestions and made requests for information and for an audit on many prior occasions. A copy of our most recent letter dated December 8, 2014, is attached.

Instead of adopting staff's recommendation, we urge the board to: 1) order an immediate audit of the \$77 million that has been spent to date, including the information described above; and 2) request that staff bring back a detailed report including (a) data and an analysis demonstrating the near-term and long-term benefit of these programs, (b) a recommendation and firm budget cap for any proposed expanded conservation program, and (c) identify the source of available funding to pay for it. Staff should also report on the demand reduction impacts from permanent landscape ordinances and/or code changes limiting outdoor water use and how such changes should contribute to phasing out subsidies as a primary means to achieve water conservation.

For these reasons, we oppose staff's recommendations.

Sincerely,



Michael T. Hogan
Director



Keith Lewinger
Director



Fern Steiner
Director



Yen C. Tu
Director

Attachments:

1. Water Authority's December 8, 2014 Letter to MWD Board re 8-1

ⁱ We have been asked, for example, what role MWD's past General Manager, Ron Gastelum, has played in the development and implementation of the turf removal program and whether he has benefitted financially from it on behalf of his client "Turf Terminators." In addition to his former role as General Manager of MWD, Mr. Gastelum also represents a number of MWD member agencies.

ⁱⁱ MWD's budgeted conservation program funding for fiscal years 2014/15 and 2015/16 totaled \$40 million; the staff recommendation in this month's Board Memo 8-2 will increase that budget more than six-fold to \$250 million.

ⁱⁱⁱ In this month's presentation, the projected balance of the Water Management Fund is shown as \$141.9 million as of June 30, 2015; no explanation is provided how the balance will increase by more than \$100 million from March to June 2015.

^{iv} This is all the money that is left in the Water Management Fund of the \$232 million transferred there from the almost **\$500 million MWD has over-collected from ratepayers since June 2013.**