

STAFF REPORT
City of Lancaster

NB 2
04/28/15
MVB

Date: April 28, 2015

To: Mayor Parris and City Council Members

From: Mark V. Bozigian, City Manager
Carlyle S. Workman, Public Works Manager

Subject: **Recommendations for Enhancements to the current Cash for Grass Rebate Program offered by the Los Angeles County Waterworks Districts (LACWD)**

Recommendation:

Direct the City Manager, or his designee, to provide recommendations to the Los Angeles County Waterworks Districts (LACWD) and the Los Angeles County Board of Supervisors to enhance the accessibility and effectiveness of the current LACWD Cash for Grass Rebate Program.

Fiscal Impact:

No direct fiscal impact to the City.

Background:

Los Angeles County Waterworks Districts (LACWD), along with other water providers in California, has enacted several water conservation programs and incentives over the last few years. Statewide, programs to provide financial incentives to assist property owners in replacing water intensive turf and landscaping with less water intensive, drought tolerant options have successfully resulted in millions of square feet of turf replacement. In Lancaster, the LACWD Cash for Grass Rebate Program has enabled many residents to make water conservation changes in their landscaping. However, several restrictions in the LACWD program likely limit its appeal and accessibility, thereby potentially restricting the effectiveness of the program. Staff has identified some of these below, along with recommended program enhancements:

- **Rebate Amount:** Currently LACWD offers \$1 per square foot for live turf that is replaced with identified, water-efficient landscaping. An additional \$1 is added by the Antelope Valley East Kern (AVEK) Water Agency. While this rebate amount certainly helps in offsetting costs, it is not sufficient to recover the full cost of removing/disposing of turf and installing the required new landscaping, which is estimated at approximately \$3.75 to \$4.00 per square foot. Several other water agencies offer \$3 per square foot, Santa Monica offers \$3.50, and the City of Los Angeles Department of Water and Power offers \$3.75 per square foot. LACWD already collects funds from ratepayers to fund its rebate program, and will likely be restructuring its water rates to encourage water conservation and fund conservation programs. It is recommended that LACWD increase its rebate program amount to a minimum of \$3.00 per square foot.

- Rebate Process: The LACWD Cash for Grass Rebate Program requires the homeowner to pay the entire cost of the project up front with the expectation of receiving a rebate in the future, upon project completion. LACWD advises potential customers that the rebate waiting period could be two months or longer after the project is finished. In contrast, many other water agencies have established a contractor program where the entire cost of the conversion may be fronted by an agency-approved contractor for a pre-approved landscape package. This type of program allows those homeowners who do not have the means of initially funding a project to participate in cash for grass programs. The approved contractor option can also provide piece of mind to those who are wary of, or unfamiliar with, engaging a landscape contractor. It is recommended that the LACWD rebate program process be substantially revised to incorporate best practices from other water agencies statewide.
- Program Funding: LACWD advises potential customers that funding for rebates could be discontinued at any time. A potential customer is required to be pre-approved before turf is removed but has no guarantee that funding will be available for a rebate after the project is completed. The minimal budget for the program in the current year has already been exhausted. LACWD is currently working to identify additional program funding. The current model places the risk of financing the project almost solely on the homeowner. Other water agencies throughout the state “reserve” rebate money for the customer upon project pre-approval, thereby ensuring the rebate. It is recommended that LACWD increase program funding as referenced above and reserve rebate funds upon customer pre-approval.
- Potential Tax Consequences: LACWD now notifies potential customers that they will be receiving a 1099 tax form and will be required to report the rebate as income for tax purposes. Depending upon the customer’s tax status, this stipulation could be costly. The above mentioned approved contractor option, wherein the customer does not receive any money directly, could alleviate this tax concern. While tax consequences and advice are beyond the expertise of City staff, it is recommended that LACWD engage the appropriate expertise to design a program that could avoid income tax impacts for customers.
- Water Rate Schedule: Currently, customers who participate in the LACWD rebate program are placed on a different water rate schedule than their current schedule, after project completion. LACWD advises customers that, after turf conversion and depending upon water usage, customers may not see significant savings on their bill and, in fact, may be paying more for water on a per capita basis. It is recommended that this policy be revised to provide customers with an ongoing financial incentive to conserve water after conversion from turf.
- Approved Plant List: The LACWD Cash for Grass program requires homeowners to replant at least 25% of the conversion area with plants from an approved list. A customer who does not wish to include plants in their converted landscaping, or does not prefer the plants on the approved list, would likely be denied a rebate under the program. Many other water agencies provide flexibility as to the percentage of plantings. It is recommended that LACWD also revise its polices to provide additional flexibility in this regard.

In conclusion, the LACWD Cash for Grass Rebate Program is certainly a good step in the right direction for Lancaster residents and businesses, along with others countywide who are served by LACWD. However, there appears to be revisions and improvements, many having been already tested and implemented by other water agencies, which could make the LACWD rebate program much more attainable and appealing to LACWD customers. These program improvements would also likely increase water conservation countywide and help in meeting statewide water conservation mandates.

ATT:cmm