



## Stakeholder Advisory Committee and Subcommittee Notes & Comments

### PROJECT CRITERIA (Feb 2018)

- General consideration: The Board of Supervisors’ motion says their goal is to provide “multi-benefit projects that achieve meaningful water supply, meaningful water quality, and community enhancements...” This could be interpreted as meaning every project, individually, must provide “meaningful” water supply and water quality benefits – “meaningful” implying large or “significant.” It could also be interpreted as meaning that the funding package as a whole must result in “meaningful” benefits. I believe the latter interpretation makes more sense, since what matters should be the total amount of water supply, water quality, and community enhancement benefits provided. If requiring that every individual project meet an arbitrary “meaningfulness” standard reduces the total amount of benefits provided, as it absolutely could, I do not think it will be serving the intent of the Board’s motion.
- As I stated on a few occasions, I don’t see much reason for assigning points based on the magnitude of water supply or water quality benefits. If the goal is getting the most supply and (especially) quality benefits, maximizing cost-effectiveness is what gets us there.
  - Just to drive this point home with an example, say we have \$100 million to spend. If we select only the most cost-effective projects, maybe we achieve an average water supply increase of 1 ac-ft per \$1300, for a total 76,900 ac-ft added. If we limit the projects to the most cost-effective *within the set of projects that exceed an absolute threshold*, the cost-effectiveness will at best be the same (\$1300) but will more likely be somewhat worse, say \$1600 – 62,500 ac-ft.
  - That said, I can understand wanting to prioritize big projects simply because they can get a lot done all at once, and some may be ready to go. But I also hope there’s a recognition that a lot of small, cost-effective projects have the potential to achieve the same benefits at even less cost (or more benefits at the same cost), and they could be delivered fast as well due to less required planning. I just don’t see the purpose of closing the door on small projects when evaluating projects by cost-effectiveness seems to eliminate any concerns about using the funds unproductively.
- Related to my request to eliminate or minimize the role of magnitude in the criteria, we should increase the importance of cost-effectiveness. This can take many forms:
  - The points assigned to each tier of cost effectiveness (taking water supply as an example) should grow significantly as cost-effectiveness increases. We should also have a minimum cost-effectiveness threshold to receive any points. For example, >\$3000/ac-ft would receive no points. \$2000-3000/ac-ft would receive 5 points, \$1000-2000 would receive 15 points, \$500-1000 would receive 30 points, and <\$500 would receive 50 points. (These point values aren’t my actual recommendations and they’re not based on a 100-point scale; they’re just illustrative of how the point values should increase at a non-linear rate.)
    - Regardless of how the tiers are structured, it will be challenging to determine what share of funds for a given project are assignable to water quality investments versus water supply investments. This will need further consideration because if a project has both water supply and water quality

benefits, its cost effectiveness on each individual measure can't be determined by dividing by the overall project cost – this would wrongly disadvantage multiple-benefit projects.

- At the same time, we shouldn't close the door to projects that are extremely cost-effective on one metric (supply or quality) but provide limited/no benefits on the other. These projects may still be more cost-effective as an overall water plan package than more expensive projects that provide some of both benefit at a significantly lower cost-effectiveness.
- We should eliminate Section D (Cost-Effective) of the project criteria and wrap these calculations into the cost-effectiveness metrics in A2 and B2 (Water Supply and Water Quality).
  - The cost-share component of Section D can be incorporated into A2 and B2 by only including the County Water Tax's share of revenue in the calculation. In this way, projects that find outside sources of funding will boost their cost-effectiveness and thereby improve their overall competitiveness. Since much of the matching funding is likely to be used for community benefits, this will allow us to focus more of the County Water Tax's revenues on water supply and water quality compliance with MS4.
  - Just as matching funds should be removed from cost-effectiveness calculations A2 and B2, capitalized O&M costs should be *added*.
- Administrative and planning costs should also be included in the cost-effectiveness calculations, which will likely further benefit large projects without placing an outright ban on projects that don't meet a magnitude threshold.
- Some of the metrics in Section E (Readiness for Implementation) overlap in such a way that meeting one objective will almost certainly guarantee meeting another. For example, if a project is set to begin within 18 months, it has likely also satisfied its CEQA requirements or is on its way to doing so. These metrics should be structured so that they stand alone and do not directly influence one another in this way.
- Mark Gold's point about the cost-effectiveness of conservation blowing all other "water supply" benefits out of the water seemed very important, and will need to be accounted for if we're looking to fund other types of projects.
- To the same end, between water supply and water quality, we should almost certainly be elevating water quality above water supply, given the demands of MS4. It should be assigned more points for similar cost-effectiveness.
- Community enhancements, while an important component overall, should be the lowest of the three priorities and/or account for the smallest share of funding.
  - Not only do the community enhancements fail to directly address drought protection and MS4 compliance, they are also hardest to measure and most likely to lead to wasted money and/or non-functional "enhancements" tacked onto water supply and quality projects. How do we assign minimum thresholds for such enhancements, much less establish a range of point values?
- Further to the two bullets above, if we overspend on water supply and community enhancements relative to water quality, we'll be hit with MS4 fines that leave us with less money for *all* of these investments.
- Regarding prioritization of disadvantaged communities, it will be important to identify up front what qualifies a community as disadvantaged/underserved. What metric will we be using?

- There will be a tension between investing in the most cost-effective projects and ensuring consideration of (and investment in) underserved communities. One way to address this could be by requiring a minimum share of funding go to underserved communities (possibly set to meet or exceed the share of LA County's population living in such communities) paired with extra points for projects in underserved communities – but only using those points as a tie-breaker between same/similarly scoring projects. A tie-breaker by itself might not be enough to ensure that underserved communities receive their fair share of investment, but putting a floor on the share assigned to these communities would guard against this possibility.

## **INCENTIVES AND REBATES (Feb 2018)**

- In general, incentives are about getting someone to do something (often something above and beyond), whereas rebates & credits are rewarding/offsetting costs for something that's already been done or is being done (such as already capturing all on-site stormwater).
- Incentive programs should have some kind of standards set by the region/County, and if incentives are allowed they should mostly be administered through one of those higher-level jurisdictions.
- That said, it may make sense for cities to be allowed to have their own incentive programs that comply with regional/County standards. If that's allowed, such programs should be limited to a relatively small share of cities' overall local return budget.
- Incentive programs at every level should be evaluated for efficacy/efficiency on a regular basis, and the County should consider formally adopting any city-level programs that are particularly successful.
- Rebates should not be designed or administered at the city level. For one, this could invite some gaming of the system where rebates are distributed unfairly/inequitably. Even if countywide standards were designed to guard against this, the complexity and administration would be too costly with every single city managing their own program.
- In terms of capping how much of the total tax revenues can go toward incentives, an initial consideration should be what other commitments have been made, particularly for regional projects, and whether enough funding will be available to follow through on those commitments after incentives have been paid out.
- We also need to have more conversations about efficacy and efficiency of the types of distributed projects that would most likely be funded by incentives, and whether incentives of any kind will ever be more effective than large scale projects – basically, whether incentives should be pursued at all, and if so whether they're mainly about achieving water supply and quality goals directly, or indirectly through education, awareness, or some other mechanism.
- Potential caps on rebates and credits will need a different approach than incentives. Incentives are about how revenues are spent, whereas rebates and credits are about how much revenue is raised. We need a decent estimate of how much rebates and credits will reduce revenues, and how they're distributed, to know how a tax should be structured and how big it should be.
- Additional incentives to consider:
  - Education not just for homeowners, property owners, and businesses, but also professionals who interact with water supply & quality issues regularly, such as architects, landscape designers, and civil engineers. Those kinds of targeted education programs could have a bigger impact.

- Alternatives to existing standards (LID is most obvious, but also a huge lift) where builders and property owners can invest in water supply & quality at off-site rather than on-site locations, at lower cost but greater efficacy. A way to structure this so it fit with the incentive/rebate system would be to have the builder pay the full cost of on-site compliance at an off-site location (or a County/regional/flood district fund) but then to receive a rebate on future stormwater taxes.
- Maintaining an open-door policy on unsolicited proposals for incentives, allowing private actors to approach the County with requests for incentive payments to offset capital or programmatic expenses that improve water supply & quality beyond what's already required. This would be judged against an objective standard and would have to result in better outcomes per dollar spent compared to existing programs or projects.
- Residential investments like cash for grass typically aren't designed specifically to reduce stormwater runoff or improve water quality, but they do help in a way by reducing overall water use (mostly during drier times). We need to decide if that's a priority, and to what extent that kind of program helps to meet MS4 requirements or other regulations.
- Investments made by large-scale multifamily, commercial, or industrial properties (or developments) may be more likely to address stormwater runoff and water quality directly, and therefore it may make sense for an incentive program to focus on these types of investments.
- A balance between smaller residential versus large-property incentives could be to use limited funds to supplement existing water reduction incentive strategies (like those managed by DWP or MWD), but to only create completely new incentive programs where they're designed specifically to address stormwater and water quality.
- The best time to engage property owners in improved water supply and quality is most likely during development, when a project is starting from scratch rather than requiring retrofits. If the County wants to engage these owners in incentive programs, they need to do so at the right time (early in the development process), voluntarily, and in a way that doesn't add process – otherwise the incentive payments or rebates will not be enough to offset the additional risk & delay caused by working with the County/regional program.
- Simplicity will be important for measuring the benefits of projects and incentive programs, as well as for determining eligibility for rebates (and how much those rebates are worth). A single metric would be best, if possible. Right now that metric seems like “percent (or quantity) of stormwater captured,” adjusted for parcel size. We're very open to other ideas, but a single metric is highly preferred because each metric added may increase complexity exponentially.
- Finally, community benefits should not be included as a valid use or metric for the incentive programs, rebates, or credits. Allowing community benefits would increase complexity enormously (see bullet above) and seems ripe for abuse, or at least poor returns on our investment with respect to water supply & quality. Community benefits make sense as a part of larger projects that are pursued by cities, the County, and other jurisdictions – and they're a requirement of the Supervisors' motion anyway – but they would be unmanageable in an incentive program or for rebates/credits.

#### **PROJECT CRITERIA (March 2018)**

- Points assigned for cost effectiveness should not be linear, but rather exponential. This would allow projects that are mainly either water quality or water supply (but not both at the same time) to still score well so long as they're cost effective for one metric. For example, the point breakdown for water supply might be:

- >\$2k/ac-ft = 5 pts
- \$1k-\$2k/ac-ft = 10 pts
- <\$1k/ac-ft = 30 pts
- Also consider having more point categories for cost-effectiveness, for example giving even more points for costs under \$750 or \$500 per acre-foot, and less than 5 points for >\$3k/ac-ft. This would help to really set apart the highly cost-effective projects.
- Mark Gold brought up the valid critique that our data on cost-effectiveness is still limited, and this should be taken into account. Diana Mahmud, however, noted that much of the lifecycle cost for many of these projects is actually O&M, which is very predictable.
- Cost-effectiveness should be worth more than magnitude, since it's cost-effectiveness that will ultimately determine the total magnitude of water supply and water quality benefits from the entire program.
- Water quality should be valued above water supply which should be valued above community enhancement benefits. Possible breakdown is 60/30/10 (e.g.). Water quality is most important from many groups' perspectives, including the business community and many jurisdictions very concerned about MS4 compliance.
- The Public Works team should create a matrix of scores for various projects (large and small) and test them with different score ratios and weighting. This will give people real examples of how projects would score under different conditions and let them see which scenarios lead to the highest scores for what they consider the "best" projects. Example ratios/weighting to compare against each other:
  - 50/50 (equal weighting) between magnitude and cost-effectiveness for both water supply and water quality, as well as 75/25 and 25/75 magnitude/cost-effectiveness.
  - 50/50 weighting between water supply and water quality, as well as 25/75 (or 30/60, as above) between the two.
  - All potential weights and ratios should be tested simultaneously, resulting in at least 6 different score columns for each project if using the above examples.
- Points for sections A4 and B4 (Nature-based solutions) should only be awarded once, independent of whether they're tied specifically to water quality or water supply investments.
- Relatedly, nature-based solutions often amount to the same as community enhancements, so projects probably shouldn't receive points for both. At the very least, points awarded specifically for nature-based solutions should be very limited because of their overlap with community enhancements.
- It was noted in the meeting that low flow diversion / sewer connection projects would not be a high priority for regional spending, and that these were imagined as more likely to be municipal-level projects. Given the very cost-effective benefits to water quality and water supply of these investments, we need to make sure that *someone* is doing them; we shouldn't leave it to chance and potentially end up completing a lot of moderately effective regional and municipal projects and leaving highly-effective diversion / connection projects uncompleted.