

FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 9, 2013

CAO File No.: 0220-04691-0002

Council File No.:

Council District:

To: The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Communication from the Department of Water and Power dated March 20, 2013

Subject: **NEW SURPLUS WATER SUPPLY AUGMENTATION AGREEMENT WITH UNIVERSAL STUDIOS LLC**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of Resolution No. 013 210 (Resolution) authorizing the execution of the proposed new Surplus Water Supply Augmentation Agreement (Agreement) with Universal Studios LLC (Universal). This Agreement is necessary to support the NBC Universal Evolution Plan Project (Project), a proposed major new development on the Universal property that will increase Universal's water demand. Surplus Water is water or water rights acquired by Universal and delivered to DWP under the provisions of this proposed Agreement.

Approval of the proposed Agreement will (1) increase the water supply currently provided to the Universal property to support the new Project and (2) identify provisions and conditions for the replacement of DWP water with groundwater or groundwater pumping rights (Surplus Water) that exceed Universal's historical water demands. To ensure a long-term reliable source of water, the term of the Agreement is 50-years with water rates billed in accordance with the existing Water Rates Ordinance, and as amended in the future.

The City Attorney opines that the 50-year term in this agreement requires City Council approval in accordance with Charter Section 373 and the Los Angeles Administrative Code Section 10.5, for long term contracts, because the cumulative length of the agreement exceeds three years. The City Attorney has approved the proposed resolution as to form and legality.

BACKGROUND

Universal owns a 391 acre parcel of land in the eastern San Fernando Valley region with approximately 24 percent of the parcel within the City of Los Angeles (City) and 76 percent within the County of Los Angeles (LA County). DWP provides service to the portion of land located in the City pursuant to the City Charter and the DWP Rules Governing Water and Electric Service. While the land located within LA County is outside the jurisdictional limits of the City, DWP has provided water service for the portion of land located in LA County for almost 100 years under specific agreements. As a result, the current water use for the LA County land has been

accounted for in the City's Urban Water Management Plan.

On May 4, 2010, the DWP Board of Commissioners (Board) adopted the original Surplus Water Supply Augmentation Agreement for NBC Universal, under Resolution No. 010 314. The adopted resolution and original agreement were transmitted by DWP to the Council for consideration. Subsequently, the request was withdrawn by the Department to complete other required actions and supporting documents. In response, on July 2, 2010, the City Council received and filed the item without approval and returned the matter to the Department for further action and report at the appropriate time with all necessary documents.

On November 1, 2013, following numerous project changes, Universal submitted to DWP a revised Project scope that results in a reduction in the net water demand for the new development. A Water Supply Assessment (WSA) was completed and approved for the original Project scope (Resolution No. 010 315) that involved a higher water demand. A new WSA is not required for the revised Project as the new water demand does not exceed the previously approved WSA, in accordance with California Water Code Section 10910.

NEW AGREEMENT

On March 19, 2013, the DWP Board adopted Resolution No. 013 210 authorizing the execution of the proposed Agreement with Universal to reflect the revised Project scope and water demand. Also included are updated terms and conditions associated with the replacement of water that exceeds Universal's historical water demand and the payment terms from Universal for the new capital costs associated with the groundwater pumping facilities.

Given that the proposed Project will be developed on land that crosses both the City of Los Angeles (City) and the County of Los Angeles (County) jurisdictional boundaries, Universal will provide DWP with replacement water in the form of groundwater pumping rights in the local Central and/or West Coast Groundwater Basins for both new City-jurisdiction water demand and new County-jurisdiction water demand upon notice by the Department. Furthermore, Universal will pay DWP the new capital costs for the groundwater facilities required to pump the replacement water.

Upon review of the attached DWP request, it is the opinion of this Office that the item can be approved, as the requested action appears to be reasonable and in accordance with City policies and procedures.

RECOMMENDATION

That the Council approve, subject to concurrence by the Mayor, Resolution No. 013 210 authorizing the execution of a new Surplus Water Supply Augmentation Agreement with Universal Studios LLC with a term of 50 years.

FISCAL IMPACT STATEMENT

Approval of the proposed resolution will result in additional revenue to the Water Revenue Fund

for additional Water Sales that will be billed at applicable water rates as established by the existing Water Rates Ordinance, and as amended in the future. There is no fiscal impact to the City's General Fund. The proposed Agreement complies with the Department's adopted Financial Policies.

TIME LIMIT FOR COUNCIL ACTION

Pursuant to Charter Section 373, "Long Term Contracts Approved by Council," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than three years within 60 days after submission to Council, the contract shall be deemed approved.

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