

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 29, 2019

CAO File No. 0220-05557-0001

Council File No. 18-0384-S1

Council District: ALL

To: Energy, Climate Change and Environmental Justice Committee
The Council
The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Motion (C.F. 18-0384-S1)

Subject: **Sewer Construction and Maintenance Fund Loan for Measure W Project Feasibility Studies**

RECOMMENDATIONS

That the Council:

1. Authorize the Bureau of Sanitation to transfer \$2,200,000 from the Sewer Operations and Maintenance Fund (SCMO) to the Stormwater Pollution Abatement Fund for use to front-fund feasibility studies for projects related to the Safe, Clean Water Program; and,
2. Instruct the Bureau to promptly pay back the loan from the SCMO once revenues from the Los Angeles Flood Control District's Safe, Clean Water Program are received during Fiscal Year 2019-20.

SUMMARY

On February 20, 2019, Councilmember Martinez introduced a Motion (C.F. 18-0384-S1) that instructed the Chief Legislative Analyst, the City Administrative Officer (CAO) and the Bureau of Sanitation (Bureau) to report to Council on the Safe, Clean Water (SCW) Program, which was approved as Measure W by Los Angeles County voters on November 6, 2018. In the report dated March 15, 2019, the Bureau outlined the key components of the SCW Program and how revenue generated from the parcel tax will benefit the City.

On March 19, 2019, the Energy, Climate Change and Environmental Justice Committee approved the Bureau's report and instructed the CAO to report back on the Bureau's recommendation for a \$2.2 million loan from the Sewer Operations and Maintenance Fund (SCMO) Fund. The \$2.2 million would be transferred to the Stormwater Pollution Abatement Fund (SPAF) and used to front-fund project feasibility studies associated with the SCW Program. In order to compete for funds from the SCW Regional Program, the Bureau will need to submit feasibility studies to the Los Angeles Flood

Control District (LAFCD) during the first call for projects as early as Spring 2019. LAFCD will determine eligible projects for funding from the SCW Regional Program as early as Fall 2019. Funds from the SCW Program, both local return and eligible regional projects, are anticipated to be available in Winter 2020.

Currently, the General Fund covers part of the SPAF's expenditures as the SPAF has a structural deficit. As such, the SPAF cannot fund the costs of the feasibility studies required by the LAFCD. This is to be a one-time loan as revenue from the SCW Program will be used to support subsequent costs associated with eligible projects including feasibility studies.

FISCAL IMPACT STATEMENT

There is no fiscal impact to the General Fund as special funds have been identified to support the one-time costs of the feasibility studies for the LAFCD's first call for projects. Funding for subsequent years of program activities will be provided in future year budgets from the SCW Program's local return revenues, which is subject to Mayor and Council approval. The recommendation in this report complies with the City's Financial Policies as one-time funding has been identified to support one-time expenditures.

On November 6th, 2018, voters in Los Angeles County approved Measure "W" - The Safe, Clean Water Program (SCW). The SCW seeks to provide funding for projects that increase stormwater and urban runoff capture and pollution reduction. The Measure will serve to improve water quality, increase water supply, and green local parks and wetlands.


The SCW is structured to provide 50% of the parcel tax revenues to regional watershed projects; and 40% of the revenues to cities to implement stormwater capture and pollution reduction projects of local concern. The remaining 10% of the revenues are retained by the LAFCD to administer the Program. Under the SCW, the City's assessed parcels will generate approximately \$100 million annually. Of these funds, \$50 million will be dedicated to regional watershed projects; and \$40 million will be provided to the City for local stormwater projects and associated needs.

Regional watershed funds will be administered via Watershed Steering Committees consisting of representatives from neighboring cities, leading agencies and representatives from the City of Los Angeles. The local share funds will be administered and expended by the City consistent with criteria established by the County. City residents have a vested interest in the administration and success of the SCW Program inasmuch as they are providing nearly a 1/3 of the funding. Given this, it is critical that the City's stormwater management and water quality objectives are achieved.

I THEREFORE MOVE that the Chief Legislative Analyst, the City Administrative Officer and the Bureau of Sanitation report to the Council in 30 days on the key components/structure of the Safe, Clean Water Program, the County's administration of the Program, Program requirements/criteria and funding schedule; the report should also include the following:

- The City's participation in the regional watershed program, including the identification of Watershed Steering Committees that warrant City representation and options for appointing representatives to these bodies in a manner that ensures accountability to the Council and Mayor;
- The City's local share of funds, including the County's requirements for use of these funds and options for the effective local programming of these funds in a manner that meets the City's stormwater management compliance and objectives.

PRESENTED BY:


 NURY MARTINEZ
 Councilwoman, 6th District

SECONDED BY:




FEB 20 2019

ORIGINAL

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: March 15, 2019

TO: Honorable Nury Martinez, Chair
Honorable Paul Koretz, Vice Chair
Honorable Paul Krekorian, Member
Honorable Gilbert Cedillo, Member
Honorable Mitch O'Farrell, Member
Energy, Climate Change & Environmental Justice Committee

FROM: Enrique C. Zaldivar, Director and General Manager
LA Sanitation and Environment (LASAN) 

SUBJECT: **SAFE, CLEAN WATER PROGRAM (SCW) / CITY STORMWATER
MANAGEMENT / LOCAL PROGRAMMING OF FUNDS (CF 18-0384-S1)**

On February 20, 2019, Council motion 18-0384-S1 (Martinez – Rodriguez) was introduced instructing LASAN, the Chief Legislative Analyst (CLA), and the City Administrative Office (CAO) to report on the Safe, Clean Water (SCW) Program that was approved as Measure W by Los Angeles County voters on November 6, 2018.

Background

The SCWP establishes a parcel tax of \$0.025 per square feet of impervious area on property owners in LA County, generating \$300 million per year countywide. Revenues will be allocated to three programs:

1. 10% for District Program: This is for the general administration and implementation of the SCW Program by Los Angeles County Flood Control District (LACFCD).
2. 40% for Municipal Program: This is a local return to municipalities. The City is anticipated to receive \$40 million annually.
3. 50% for Regional Program: Revenues will be awarded on a competitive basis for new, regional stormwater projects. The City could receive up to \$50 million annually, if awarded its anticipated share.

Eligibility

All expenditures must meet the water quality benefit requirements of the SCW Program. Funds from the Regional Program must also provide water supply benefits, and/or community investment benefits. The SCW Program is an opportunity to fund O&M of existing stormwater projects and build and maintain new stormwater projects, while meeting the City's goals for water quality compliance, local water supply, and other benefits for local communities.

SCW Program administration

The LACFCD administers the SCWP Program; it is subject to approval by the LA County Board of Supervisors. There are strict accounting and auditing requirements for municipalities that

receive funds. Municipalities will be required to submit financial reports to the LACFCD on a quarterly and annual basis.

Funding schedule

Funds will be transferred to municipalities in advance on an annual basis. The first revenues are expected in spring of 2020 for fiscal year 2020-21 (Year 1). LACFCD's first call for projects for the Regional Program will be in spring of 2019. SCW Program committees will select projects for funding and make their recommendations to LA County Board of Supervisors in summer of 2019. They will make their final decision in fall/winter of 2019.

Regional Program and Feasibility Studies

In order to be competitive for Regional Program funding, it is critical that LASAN prepares Feasibility Studies for the projects that the City intends to submit to LACFCD. These Feasibility Studies are a SCW Program requirement and they would need to demonstrate the technical feasibility of design and the competitiveness of City's projects.

First Call for Projects

LASAN in coordination with other city departments and offices will identify potential projects to be considered for LACFCD's first call for projects in spring of this year. Funding is urgently needed for preparing the Feasibility Studies of the projects once they have been determined.

Fiscal Year 2019-20

Additional funding may be needed by LASAN in the next fiscal year until the first revenues from the SCW Program are being received. This funding would be needed for development of additional projects for the SCW Program (project concept reports, Feasibility Studies with predesign), as well as for critical O&M activities for several existing projects.

RECOMMENDATIONS

1. Subject to the approval of the Mayor, authorize the Controller, upon instructions from the Director of LASAN, to transfer cash and create/increase/decrease appropriations as follows:

a. SCMO Appropriation:

	<u>Fund No.</u>	<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
From:	760 (SCMO)		Cash Balance	\$2,200,000
To:	760 (SCMO)	TBD	Loan to SPAF	\$2,200,000

b. SPAF Transfer – transfer cash and increase appropriations within SPAF, upon instructions from the Director of LASAN, up to a maximum of \$2,200,000 as shown:

<u>Fund No.</u>	<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
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From:	760 (SCMO)	TBD	Loan to SPAF	\$2,200,000
To:	511 (SPAF)	50R565	Sanitation Contracts	\$2,200,000

2. Authorize LASAN to make any technical or accounting corrections or clarifications to the above instructions in order to effectuate the intent of this recommendation.

For any further questions or comments, please contact Traci Minamide, Chief Operating Officer, or Shahram Kharaghani, Program Manager, at 213-485-2210.