

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: September 24, 2014

TO: Honorable Members of the Rules, Elections and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst Council File No: 14-0002-S90
Assignment No: 14-08-0608

SUBJECT: Resolution (Fuentes - O'Farrell - Bonin) to SUPPORT Proposition 1 (the Water Bond)

CLA RECOMMENDATION: Adopt Resolution (Fuentes - O'Farrell - Bonin) to include in the City's 2013-2014 State Legislative Program SUPPORT for Proposition 1 (the Water Bond) on the November 4, 2014 statewide general election ballot which seeks to provide funding in the amount of \$7.55 billion to support water quality, water supply and infrastructure projects consistent with the City's local sustainability objectives.

SUMMARY:

Resolution (Fuentes - O'Farrell - Bonin), introduced on August 15, 2014, states that on August 13, 2014, the state legislature approved and the Governor signed AB 1471 (Rendon) - the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (the Water Bond). The Water Bond will be placed on the ballot for the November 4, 2014 statewide general election as Proposition 1. The Resolution follows that the measure seeks to authorize the issuance of bonds in the amount of \$7.55 billion to finance water quality, supply and infrastructure programs throughout the state.

According to the Resolution, Proposition 1 seeks to provide funding to support clean, safe and reliable drinking water projects. It also plans to provide funding for watershed protection/restoration projects, including river enhancement projects. In addition, the measure seeks to allocate funding for water conservation and water-use efficiency projects; including stormwater capture and groundwater remediation efforts to increase water supply.

The Resolution states that the objectives of Proposition 1 are consistent with the City's adopted state legislative position supporting water bond legislation that recognizes the City's local water sustainability objectives (Resolution - Fuentes - O'Farrell - Krekorian; CF 14-0002-S47 & Resolution - Koretz- Blumenfield; CF 14-0002-S8). Proposition 1 will assist the City in harnessing local water resource opportunities in order to reduce reliance on imported water and ensure the environmental health and economic well-being of the City and region.

Therefore, the Resolution requests that the City support Proposition 1.

BACKGROUND:

In November 2009, the legislature passed the Safe, Clean, and Reliable Drinking Water Supply Act of 2010 which consisted of \$11.14 billion in general obligation bonds to fund various statewide water resources programs and projects. The measure was placed on the November 2010 statewide ballot for voter consideration.

Given concerns of the lagging economy and statewide voter support, the measure's consideration was twice delayed. It was initially delayed to the November 2012 statewide ballot; and then ultimately delayed to November 2014.

In order to assess potential next steps regarding the Water Bond proposal, the state legislature held a hearing in early 2013. The key policy consideration of the hearing was *"What's Changed Since the Legislature Passed the Safe, Clean, and Reliable Drinking Water Supply Act of 2010?"* The hearing highlighted some of the unanticipated developments that occurred since the drafting of the original bond and raised questions if changes should be made.

This was followed by a legislative hearing in September 2013 titled *"Setting the Stage for a 2014 Water Bond: Where Are We and Where Do We Need To Go?"* That hearing focused on the state of various legislative bond discussions, the identification of key issues and alternative approaches for revising the Water Bond.

As a result of this effort, a variety of bills were proposed during the following legislative session that sought to modify the measure. Bills such as AB 1331 (Rendon), SB 848 (Wolk), AB 2043 (Conway and Bigelow) and AB 2686 (Perea) sought to reduce the general obligation bond amount (less than \$11.14 billion); and implement different funding categories and water resource objectives.

AB 1471/Proposition 1

Ultimately, the state legislature and the Governor approved AB 1471 (Rendon) which repeals the current Water Bond scheduled for the November 2014 statewide ballot; and in its place proposes the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1).

As previously noted, the measure seeks to authorize the issuance of \$7.55 billion in general obligation bonds to finance water quality, supply and resource improvements.

Primary funding chapters consist of the following:

Chapter 5

\$520 million available statewide for grants and loans for projects that improve water quality and provide clean and safe drinking water, such as:

- Reducing contaminants in drinking water supplies;
- Addressing the immediate needs of disadvantaged, rural, or small communities that suffer from contaminated drinking water supplies.

Chapter 6

\$1.495 billion available for expenditures and grants for multi-benefit ecosystem and watershed protection and restoration projects. Funding components include, but are not limited to:

- \$200 million for the Wildlife Conservation Board for projects that result in enhanced stream flows;
- \$100 million for projects to protect and enhance urban creeks;
- \$20 million for watershed and urban rivers enhancement projects in urban watersheds that increase regional and local water self-sufficiency;

Chapter 7

\$810 million available for expenditures, competitive grants and loans to projects that respond to climate change and contribute to regional water security. Funding components consist of:

- \$510 million allocated to hydraulic regions as identified in the California Water Plan, including \$98 million for the Los Angeles sub-region;
- \$100 million for grants and loans for water conservation and water-use efficiency plans, projects, and programs; and
- \$200 million for grants for multi-benefit stormwater management projects.

Chapter 9

\$725 million available for grants and loans for water recycling and advanced treatment technology projects; specifically:

- Water recycling projects, including treatment, storage, conveyance, and distribution facilities for potable and non-potable recycling projects;
- Contaminant and salt removal projects, including groundwater and seawater desalination and associated treatment, storage, conveyance, and distribution facilities;
- Dedicated distribution infrastructure to serve residential, commercial, agricultural, and industrial end-user retrofit projects to allow use of recycled water;
- Water supply reliability improvement for critical urban water supplies in designated superfund areas.

Chapter 10

\$900 million available for expenditures, competitive grants and loans for projects to prevent or cleanup the contamination of groundwater that serves, or has served, as a source of drinking water.

Potential projects shall be prioritized based on the following criteria:

- The threat posed by groundwater contamination to the affected community's overall drinking water supplies, including an urgent need for treatment of alternative supplies or increased water imports if groundwater is not available due to contamination;
- The potential of the project, if fully implemented, to enhance local water supply reliability;
- The potential of the project to maximize opportunities to recharge vulnerable, high-use groundwater basins and optimize groundwater supplies.

The majority of these funding chapters contain a 50% local cost share requirement in order to obtain state funding.

Department of Water and Power

In prior reports associated with water bond legislation, the Department of Water and Power (DWP) reported that these proposals would allow the DWP to compete for vital funding to support water conservation, water recycling, stormwater capture, and groundwater cleanup projects. The DWP noted that these components would help provide a reliable and sustainable local water supply for the City.

The DWP identified that remediation of contamination in the San Fernando Basin (SFB) as the highest water supply priority for the City. This source has historically provided approximately 30% of the City's water supply in dry years and is needed to reduce reliance on imported water. The DWP estimates that remediating groundwater contamination in the SFB will cost between \$600 million and \$900 million.

According to the DWP, Proposition 1 will also help provide critical funding to support needed local water supply projects and offset costs to ratepayers; thereby making these projects more locally cost effective.

The DWP recognizes that if the measure passes, it will have to compete for funding along with other water agencies across the state. However, it maintains that the City's water supply reliability needs are important and that it can make a compelling case to obtain the needed funds.

Office of Public Accountability

The Office of Public Accountability/Ratepayer Advocate (OPA) has reviewed the provisions of the Water Bond and has determined that, under most scenarios, it is likely to provide positive benefits to the City and region. The OPA anticipates the Water Bond to be affordable to most households (CF 14-0121).

Prior Action

On January 28, 2014, the Council approved a Resolution (CF 14-0002-S8) to support the passage of a state water bond that provides for ecosystem restoration, water recycling and Los Angeles

River revitalization. It also seeks funding for environmental remediation of the commercial and recreational waterways of the Port of Los Angeles.

Subsequently, on May 7, 2014, the Council approved a Resolution (CF 14-0002-S47) to support AB 1331 (Rendon), SB 848 (Wolk), AB 2043 (Conway and Bigelow), AB 2686 (Perea), known as “the water bond legislation” if amended to support the City’s local water sustainability objectives by including the following:

- A dedicated bond chapter of \$ billion for groundwater remediation needs;
- Funding for recycled water, treatment and distribution systems;
- Funding for stormwater capture/water management and replenishment projects including the Los Angeles River Watershed and related tributaries.

The Water Bond has incorporated key components of the City’s local water sustainability objectives.

DEPARTMENTS NOTIFIED

Department of Water and Power
Department of Public Works, Bureau of Sanitation

BILL STATUS

AB 1471	8/13/14	Approved by the Senate and Assembly
AB 1471	8/13/14	Approved by the Governor and placed on the November 4, 2014 statewide general election ballot (Proposition 1)



Rafael E. Prieto
Analyst

Attachment: 1. Resolution (Fuentes - O’Farrell - Bonin)

RESOLUTION

WHEREAS, any official position of the City of Los Angeles (City) with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, on August 13, 2014, the state legislature approved and the Governor signed AB 1471 (Rendon) - the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (the Water Bond); and

WHEREAS, the Water Bond will be placed on the ballot for the November 4, 2014 statewide general election as Proposition 1; and

WHEREAS, if approved by the voters, Proposition 1 would authorize the issuance of bonds in the amount of \$7.55 billion to finance a water quality, supply and infrastructure program; and

WHEREAS, Proposition 1 seeks to provide funding, up to \$520 million, to support clean, safe and reliable drinking water projects throughout the state; and

WHEREAS, the measure also seeks to allocate up to \$1.5 billion to support watershed protection and restoration projects, including urban creek and river enhancement projects; and

WHEREAS, Proposition 1 will also provide funding for water conservation and water-use efficiency projects, including stormwater capture/management projects; and

WHEREAS, up to \$725 million in grants will be provided in the measure for water recycling, treatment, storage and water conveyance projects for potable and non-potable water uses; and

WHEREAS, Proposition 1 will dedicate \$900 million to support groundwater remediation/clean-up projects to improve water supply; and

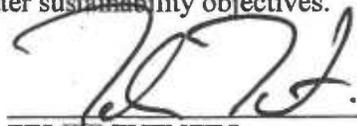
WHEREAS, the objectives of Proposition 1 are consistent with the City's adopted state legislative position supporting water bond legislation that recognizes the City's local water sustainability objectives (Resolution - Fuentes - O'Farrell - Krekorian; CF 14-0002-S47 & Resolution - Koretz- Blumenfield; CF 14-0002-S8); and

WHEREAS, the City's local water sustainability objectives consist of supporting local water recycling, treatment and distribution projects; stormwater capture/watershed management projects; and a dedicated bond chapter to support groundwater remediation/clean-up needs; and

WHEREAS, Proposition 1 will assist the City in harnessing local water resource opportunities in order to reduce the City's reliance on imported water and thereby ensure the environmental health and economic well-being of the City and region;

NOW, THEREFORE, BE IT RESOLVED, that by adoption of this Resolution, with the concurrence of the Mayor, the City of Los Angeles hereby includes in its 2013-2014 State Legislative Program **SUPPORT** for **Proposition 1** (the Water Bond) on the November 4, 2014 statewide general election ballot which seeks to provide funding in the amount of \$7.55 billion to support water quality, water supply and infrastructure projects consistent with the City's local water sustainability objectives.

PRESENTED BY:

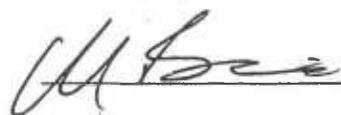


 FELIPE FUENTES
 Councilmember, 7th District



 MITCH O'FARRELL
 Councilmember, 13th District

SECONDED BY:



AUG 15 2014