

**REPORT OF THE  
CHIEF LEGISLATIVE ANALYST**

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DATE: February 6, 2019

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

FROM: Sharon M. Tso *Sharon Tso* Council File No: 19-0002-S17 &  
Chief Legislative Analyst 19-0002-S21  
Assignment No: 18-10-0956

SUBJECT: Resolutions regarding Department of Water and Power Legislative Proposals

CLA RECOMMENDATION: Adopt the attached Resolutions (Martinez – Koretz) & (Martinez – Smith) to SPONSOR/SUPPORT legislation in the 2019-2020 State Legislative Program, as recommended by the Department of Water and Power.

SUMMARY:

As requested by the Rules, Elections and Intergovernmental Relations Committee, the Department of Water and Power (DWP) has prepared two proposals for inclusion in the City's 2019-2020 State Legislative Program. The proposals are as follows:

1. Resolution (Martinez – Koretz; CF# 19-0002-S17) to Sponsor/Support legislation that seeks to implement a consolidated reporting timeframe of either January 1<sup>st</sup> or July 1<sup>st</sup> of every year for State water reporting requirements to allow water suppliers to effectively meet the State's conservation objectives;
2. Resolution (Martinez – Smith; CF# 19-0002-S21) to Sponsor/Support legislation that seeks to amend the Joint Exercise of Powers Act (Act) in relation to financing water quality capital improvement projects to:
  - Remove the December 31, 2020 sunset date relative to the use of Rate Reduction Bonds; and
  - Allow Rate Reduction Bonds to finance wastewater capital improvement projects in addition to water quality capital improvement projects; and
  - Clarify the role of the California Pollution Control Financing Authority in the review of the Rate Reduction Bonds in order to facilitate review issuance; and

- Specify that Rate Reduction Bonds financing documents/resolutions are irrevocable to ensure proper securitization.

## BACKGROUND:

### Consolidated Reporting Timeframe

In May 2018, the Governor signed two bills (SB 606 and AB 1668) which seek to implement a water conservation framework that will make the State more resilient to drought conditions. To achieve this, the bills make changes to State law associated with water supplier water use and reporting requirements.

Specifically, urban and agricultural water suppliers will be required to report to the State on indoor and outdoor residential water use; and commercial and industrial water use. The agencies will also be required to report on performance measures for water use reduction; among other related requirements.

Water suppliers will be required to provide this information to the State under a variety of reporting timeframes. The DWP recommends that these reporting timeframes be streamlined by specifying an annual reporting deadline of either January 1<sup>st</sup> or July 1<sup>st</sup> of every year.

The DWP states that a consolidated reporting timeframe would allow water suppliers adequate time to thoroughly compile and review data, ensure accuracy and effectively utilize staff resources. The DWP maintains that this approach would allow it to more effectively meet local and State water conservation objectives.

### Joint Exercise of Powers Act Amendments

The State's Joint Exercise of Powers Act (Act) allows two or more public agencies to form a Joint Powers Authority (JPA) to jointly exercise any power common to the parties. The City's 2013-14 State Legislative Program sponsored/supported AB 850 (CF# 13-0002-S30) which amended the Act to allow JPA's to issue Rate Reduction Bonds to fund water quality capital improvement projects.

Rate Reduction Bonds are a public financing tool which can be used to finance capital improvement projects in a cost-effective manner. Rate Reduction Bonds are often secured by a dedicated tariff through an agency's billing system. The DWP intends to use securitization to fund groundwater contamination clean-up in the San Fernando Valley and various water quality and water conservation capital projects.

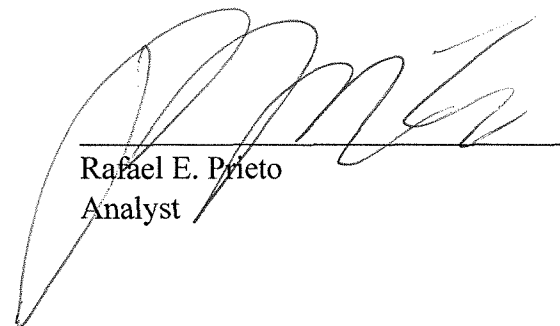
The Governor signed AB 850 in October 2013, however provisions of the measure terminate on December 31, 2020. The DWP recommends the City sponsor and support legislation to amend the Act to remove the December 31, 2020 sunset date so that it may utilize the option in the future.

In addition, the DWP seeks to amend the Act to allow Rate Reduction Bonds to finance wastewater capital improvement projects in addition to water quality capital improvement projects. This would broaden the Act's applicability to allow for a variety of water-oriented capital projects to address water quality, water supply and conservation.

The DWP also seeks a clarification of the California Pollution Control Financing Authority (CPCFA) role in the review and issuance of Rate Reduction Bonds. The use of Rate Reduction Bonds requires clean, up-front, unconditional regulatory approvals. The DWP states that the CPCFA's current role in the securitization process may need further clarification to meet this standard.

The DWP also recommends amending the Act to expressly state that final financing documents and resolutions associated with Rate Reduction Bonds are irrevocable. The current provisions of the Act do not identify the final financing resolution in this manner. The DWP states that this amendment is important to ensure proper securitization.

The DWP maintains that the proposed amendments to the Act are intended to allow the City to implement mandated water system capital improvement projects in a manner that is cost-effective for the ratepayers.



Rafael E. Prieto  
Analyst

- Attachment(s):
1. Resolution (Martinez – Koretz) to sponsor/support Consolidated Reporting Timeframe
  2. Resolution (Martinez – Smith) to sponsor/support Joint Exercise of Powers Act Amendments

RESOLUTION

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles 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, in May 2018, the Governor signed SB 606 and AB 1668; bills that seek to implement a water conservation framework that will make the State more resilient to drought conditions; and

WHEREAS, the bills make changes to portions of State law affecting urban and agricultural water suppliers; and

WHEREAS, water suppliers will be required to calculate overall water use based on efficient indoor and outdoor residential water use, commercial and industrial water use, and performance measures for water use reduction; and

WHEREAS, water suppliers will be required to provide this information to the State under a variety of reporting timeframes; and

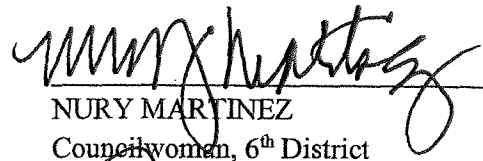
WHEREAS, given the number of reporting timeframes, the Department of Water and Power (DWP) recommends streamlining the reporting requirements by specifying an annual reporting deadline of either January 1<sup>st</sup> or July 1<sup>st</sup> of every year; and

WHEREAS, the DWP maintains that a consolidated reporting timeframe would allow water suppliers adequate time to thoroughly compile and review data, ensure accuracy and effectively utilize staff resources; and

WHEREAS, a consolidated reporting timeframe would allow water suppliers to effectively meet the State's water conservation objectives and ensure drought resiliency;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 State Legislative Program SPONSORSHIP/SUPPORT for legislation that seeks to implement a consolidated reporting timeframe of either January 1<sup>st</sup> or July 1<sup>st</sup> of every year for water reporting requirements to allow water suppliers to effectively meet the State's conservation objectives.

PRESENTED BY:

  
NURY MARTINEZ  
Councilwoman, 6<sup>th</sup> District

SECONDED BY:



JAN 25 2019

RESOLUTION

WHEREAS, any official position of the City of Los Angeles 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, the State's Joint Exercise of Powers Act (Act) allows two or more public agencies to form a Joint Powers Authority (JPA) to jointly exercise any power common to the parties; and

WHEREAS, the City's 2013-14 State Legislative Program sponsored/supported legislation, AB 850, amending the Act to allow JPA's to issue Rate Reduction Bonds to fund water quality capital improvement projects; and

WHEREAS, Rate Reduction Bonds are a public financing tool which can be used to finance water quality capital improvement projects in a cost effective way; and

WHEREAS, a number of mandated water quality capital improvement projects are eligible to be funded through this mechanism such as groundwater contamination clean-up in the San Fernando Valley and other water quality/water conservation projects; and

WHEREAS, the Governor signed AB 850 in October 2013; the provisions of the measure terminate on December 31, 2020; and

WHEREAS, the Department of Water and Power (DWP) urges the City to sponsor/support legislation to amend the Act to remove the December 31, 2020 sunset date; and

WHEREAS, the DWP also seeks amending the Act to allow Rate Reduction Bonds to finance wastewater capital improvement projects in addition to water quality projects; and to clarify the role of the California Pollution Control Financing Authority in the review and issuance of Rate Reduction Bonds; and

WHEREAS, the DWP also urges amending the Act to expressly state that Rate Reduction Bond's financing documents and resolutions are irrevocable to ensure proper securitization; and

WHEREAS, the proposed amendments to the Joint Exercise of Powers Act are intended to allow the City to implement mandated water system capital improvement projects in a manner that is cost-effective for the ratepayers;

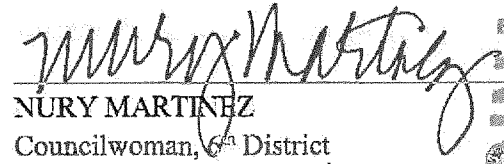
NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 State Legislative Program SPONSORSHIP/SUPPORT for legislation that seeks to amend the Joint Exercise of Powers Act to:

- Remove the December 31, 2020 sunset date; and
- Allow Rate Reduction Bonds to finance wastewater capital improvement projects in addition to water quality capital improvement projects; and



- Clarify the role of the California Pollution Control Financing Authority in the review of the Rate Reduction Bonds in order to facilitate review/issuance; and
- Specify that Rate Reduction Bond's financing documents/resolutions are irrevocable to ensure proper securitization.

PRESENTED BY:

  
NURY MARTINEZ  
Councilwoman, 6<sup>th</sup> District

SECONDED BY:



ORIGINAL

JAN 29 2019