

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: June 1, 2018

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, and Environmental Justice Committee

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

SUBJECT: RESPONSE TO COUNCIL MOTION NO. 18-0384 REGARDING LOS ANGELES COUNTY'S SAFE, CLEAN WATER PROGRAM AND COUNCIL MOTION NO. 17-0360 REGARDING ENVIRONMENTAL JUSTICE

This report is in response to:

- Council Motion No.18-0384, instructing the Bureau of Sanitation (LASAN) and the Department of Water and Power (LADWP) to report back relative to the Los Angeles County's Safe, Clean Water Program (SCW Program) and its potential effects on the City of Los Angeles and its residents.
- Council Motion No. 17-0360, instructing LASAN and LADWP to report on how their infrastructure and operations incorporate Environmental Justice, as well as any opportunities for further support environmental justice in burdened communities. Response to this motion is incorporated throughout the response to the first motion.

The proposed SCW Program is a multi-benefit stormwater and urban runoff capture program with the goals of improving water quality, complying with stormwater permit and mandates, increasing water supply, and providing community benefits. The latest version of the proposed SCW program elements is shown in Attachment 1 and is available on the program website at www.safecleanwaterla.org. As proposed, the SCW consists of special property tax to be imposed on parcels within the Los Angeles County Flood Control District (LACFCD) and an expenditure plan for programming revenues from the parcel tax and implementing eligible programs and projects. The Los Angeles County Board of Supervisors will hold a hearing on June 26, 2018 to consider placing the tax on a general election ballot to be held on November 6, 2018. If the voters in LA County approve the parcel tax with 2/3 of the votes, the revenues of the SCW Program would provide the City of Los Angeles with the means for expanding green stormwater infrastructure projects in Los Angeles' watersheds, complying with the stormwater permit and mandates, enhancing water capture, reuse and recharge, providing equity and addressing environmental justice by providing community benefits, integrating flood

protection needs, greening communities and prioritizing implementation in disadvantaged communities. The funding from the SCW Program will alleviate financial liability of the City's General Fund and ensure that necessary investments are funded to comply with the stormwater permits and mandates.

This response addresses the instructions from the City Council in the order as provided by Council Motion No. 18-0384.

- 1. Report back on the County's proposed SCW Program; including its elements, governance, financial/revenue structure; and whether it upholds the City's principles of equity, local hiring, and the implementation of grassroots community projects that address pressing infrastructure needs such as flooded streets and intersections; including equitable funding for disadvantaged and underserved communities.**

The County of Los Angeles released the draft program elements of the SCW Program in April of this year. A revision of the draft program elements was released on May 29, 2018. The LACFCD has led an open and transparent stakeholder process with City and other stakeholders. LASAN and LADWP prepared a detailed response letter to the draft program elements (Attachment 2). This input was incorporated in the proposed governance, financial, and revenue structure as currently proposed and constituted in the SCW Program, including the composition of the Watershed Area Steering Committees and the proposed boundaries of the Watershed Areas. In addition, the SCW Program maintains the integrity of the watersheds to have maximum efficiencies and effectiveness and to ensure compliance with the watershed based and stakeholder developed Enhanced Watershed Management Plans (EWMPs).

The SCW Program defines nine (9) Watershed Areas in the District and tax revenues would be spent in the Watershed Area where they were collected. The City of Los Angeles is in four Watershed Areas: Central Santa Monica Bay, North Santa Monica Bay, South Santa Monica Bay, and Upper Los Angeles River. Each Watershed Area would have a Watershed Area Steering Committee (WASC) with representation by municipalities, water agencies, sanitation agencies, groundwater agencies, open space agencies, and community stakeholders. In general, the municipal representation is proportional to the size of the municipality in the watershed. The WASC is responsible for developing and implementing the Stormwater Investment Plans for each Watershed Area.

Revenues collected by the CSW Program would be allocated as follows:

- 10% for LACFCD for administration and implementation of the CSW Program (District Program);
- 40% for municipalities as a local return (Municipal Program); and

- 50% for regional programs with implementation of watershed-based projects and programs (Regional Program).

The District Program will provide the LACFCD with the funds to administer the program, provide technical assistance, and fund cross-watershed area scientific studies. In addition, the District Program will provide \$25 million over 5 years for stormwater education programs including local workforce job training, certification classes and vocational training with focus on disadvantaged communities.

The Municipal Program will be providing the Cities with 40% of the taxes raised in that City in advance at the beginning of the year. The Municipal Program will provide cities like Los Angeles with full local control of the funding and provides maximum flexibility for implementation. Expenditures under this program are required to be water quality based with preference for multi-benefit projects and programs. There is a cap of a maximum of 30% of the funds are eligible for use to maintain existing efforts except for operation and maintenance of projects or programs established as part of the 2012 stormwater permit.

The Regional Program provides no less than 85% of the funding to develop and implement multi-benefit based projects with focus on disadvantaged communities. The program will allow for stormwater conveyance pipeline projects to address flooding and convey stormwater to regional projects. It will also provide funding for scientific studies and monitoring. Projects eligible for funding under this program will have to be part of a regional plan such as the City's Enhanced Watershed Management Programs. Funding for approved projects will be funded annually in advance. Cities can bond against the tax to create capacity and increase the level of investment. In the scoring of projects, community benefits to disadvantaged communities, addressing flooding, leveraging other sources of revenues receive significant consideration.

The three programs focus on multi-benefits including water quality, water supply, and community benefits. Similarly, the SCW Program has equity as a major element in all of the three subprograms (District, Municipal, and Regional). The following is a summary of equity in the overall SCW Program:

- Five seats representing community stakeholders are included in the governance of the Watershed Area Steering Committees.
- Exemption for low-income seniors.
- Best efforts to adhere to terms consistent with Local and Targeted Workforce Hire Policies.
- Encouragement of Small Local Businesses.
- Maximum flexibility to address equity within the unique communities.
- Funding return of not less than 110% to DACs.
- Inclusive list of Project Applicants and a Technical Resource Program for assistance to DACs and others to compete in the Regional Program.

- Watershed Coordinators for partnership opportunities, facilitation of collaborative decision-making, educational workshops, and networking for communities.
- Stormwater education programs.
- Schools education and curriculum program.
- Public education programs.
- Local workforce job training (certification classes, vocational training at community level).

It is currently proposed that a \$0.024 parcel tax per square feet of impervious area be assessed. The annual revenue of the SCW Program is approximately estimated at \$300,000,000 county-wide. The following table provides the anticipated allocations and return to the City:

Anticipated SCW Program annual revenues and allocation (\$0.024 parcel tax)	
Annual Revenue SCW Program Countywide	\$300,000,000
Revenue from City	\$100,000,000
Allocation of revenue from City:	
- District Program (10%)	\$10,000,000
- Municipal Program (40%)	\$40,000,000
- Regional Program (50%)	\$50,000,000
Total return to City (90%)	\$90,000,000

The anticipated cost for property owners assuming a parcel tax of \$0.024 per square feet of impervious area is shown in the next table:

Category	Mean/median	Annual cost
Single Family Residential Parcels (including condos)	Mean	\$85
	Median	\$80
Multi-Family Residential Parcels (including condos)	Mean	\$172
	Median	\$118
Single Family Residential Parcels (excluding condos)	Mean	\$96
	Median	\$87
Multi-Family Residential Parcels (excluding condos)	Mean	\$172
	Median	\$118
Condo Properties (SFR & MFR)	Mean	\$31
	Median	\$26

As advocated by the City, equity and focus on disadvantaged communities (DAC) has been integrated into the proposed SCW Program. Low income senior citizen property owners are exempted from the tax. The proposed SCW Program has a provision for providing a more than proportional return of tax revenues to disadvantaged communities. Funding those benefits disadvantaged communities shall not be less than

110% of the ratio of the disadvantaged communities' population to the total population in the Watershed Area. Revenues from the CSW Program would provide City the opportunity to expand on its implementation of multi-benefit green stormwater infrastructure projects across the City and meet water quality compliance obligations, addressing flood protection infrastructure needs and the needs of disadvantaged and underserved communities.

LASAN has developed a 5-year Stormwater Capital Improvement Program (CIP) which identified over 450 green stormwater infrastructure projects that were prioritized on three main criteria: water quality and regulatory compliance, water supply augmentation, and flood protection benefits (Attachment 3). At a total estimated cost \$3.5 billion, this Stormwater CIP will allow the City to prioritize projects for funding by the CSW Program and address the City's needs for water quality, water supply, and flood protection. Many projects in the Stormwater CIP are in disadvantaged and underserved communities and address environmental justice as well.

Attachment 4 includes a revised 5-year Stormwater CIP that has been further prioritized for stormwater infrastructure projects that are located in disadvantaged communities and in areas with flooding complaints, which provides the City the highest opportunity to maximize funding from the proposed program. This prioritized 5-year Stormwater CIP contains 149 projects at a total projected cost of \$1,043,000,000. The following table summarizes the prioritized 5-year Stormwater CIP:

SCW Program Watershed Area	City watersheds	Number of projects	Total cost
Upper Los Angeles River	Upper Los Angeles River	59	\$479,000,000
South Santa Monica Bay	Dominguez Channel	19	\$158,000,000
Central Santa Monica Bay	Ballona Creek Santa Monica Bay Marina del Rey	71	\$406,000,000
Total		149	\$1,043,000,000

The current governance structure assures that the City's interests in the four watersheds are met. Having this funding measure will alleviate the current liability on the City's General Fund and protects the City from future non-compliance penalties and lawsuits. It is estimated that failure to comply with the Stormwater Permit will result in a penalty of \$37,500 per violation, per pollutant, per day, and per location. This could add up to about \$1.5 billion per year (36 days X \$37,500 x 50 locations x 22 TMDLs).

- 2. Report back on the SCW program on whether the proposed SCW Program contains provisions that support the needs of the local business community,**

including rebates/offsets for businesses entities that have implemented storm water best management practices and principles.

The parcel tax will be calculated based on the impermeable area of each parcel, which includes surfaces such as pavement, concrete, or rooftops. Stormwater Best Management Practices do not necessarily reduce the impermeable area of a parcel (i.e., a rain barrel can collect runoff from a rooftop but the rooftop area remains the same). The SCW Program is including credits and rebates for existing stormwater best management practices implemented by local businesses and others up to 65% of the tax based on the type of best management practices used. The more capture, recharge and community benefits that are included in these measures, the more the credit that is applied to the assessment.

The SCW Program will also include a credit program for Low Impact Development (LID) requirements as part of the SCW Program. This would provide greater flexibility for onsite and offsite stormwater management by businesses, private developers, and others. This credit program would also create an opportunity for incentivizing projects that exceed LID requirements.

Five seats that represent community stakeholders including the business community have been added to each of the Watershed Area Steering Committees.

3. Report back on the City's current stormwater/watershed management and water quality programs; and how the proposed SCW program may correlate/interact with these efforts and the City's regulatory compliance.

LASAN, through its Watershed Protection Program, is responsible for the City's compliance with water quality regulations. These regulations include the federal Clean Water Act, the State's Porter Cologne Water Quality Improvement Act, and the National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) Permit (Stormwater Permit) from the California Regional Water Quality Control Board, Los Angeles Region. The latest Stormwater Permit became effective in December 2012 and includes increased responsibilities for commercial and industrial inspections, low impact development, and monitoring but, more importantly, the requirement that the City complies with all Total Maximum Daily Load (TMDL) water quality regulations. To date, the City is subject to 22 TMDLs that address multiple water quality impairments in Los Angeles River, Ballona Creek, the Santa Monica Bay shoreline, Dominguez Channel, Marina del Rey, and several lakes within the City. These TMDLs set limits to the amount of stormwater pollutants that the City can discharge from its storm drain system to the receiving waters and they require that the City build stormwater management facilities throughout the City.

Since the early 2000's, LASAN developed a multi-benefit approach for water quality compliance by implementing green stormwater infrastructure projects. The key

objectives of this approach are: compliance with water quality regulations for City's waters, capture of stormwater for groundwater recharge and potable water offset, ecosystem restoration, neighborhood improvements, and environmental justice. Green stormwater infrastructure projects combine these goals and assists with Mayor's vision as outlined in the Sustainability pLAN. To date, LASAN has completed (or is in progress with the design or construction) over 60 green stormwater infrastructure projects in the City at a total construction cost of \$396 million (\$345 million from Proposition O, and \$51 million from grants). These projects are listed in Attachment 5.

One of the compliance pathways of the 2012 MS4 Permit is the development and implementation of an Enhanced Watershed Management Program (EWMP). As the largest municipality in its watersheds (i.e., Upper Los Angeles River, Ballona Creek, Santa Monica Bay, and Dominguez), the City developed four EWMPs in collaboration with about 30 co-permittees and many stakeholders. These EWMPs were approved by the City Council and Mayor's office back in spring of 2015 and the Regional Water Board in April 2016, and they provide detailed compliance strategies, schedules, and action items for compliance with the MS4 Permit and the 22 TMDLs. As summarized by the CAO for the Council and Mayor (CAO File No. 0220-05283-0000), the estimated cost of implementing the EWMPs over the next 25 years is estimated to be \$7.2 billion, excluding costs for operation and maintenance.

The compliance strategy of the City's is based on the same principles as the proposed SCW Program: a multi-benefit approach for managing stormwater to improve water quality and meet water quality regulations, provide water supply benefits and reduce the reliance on imported water, and provide community benefits including flood protection. As such, the SCW Program is an important opportunity as a potential source of funding for bringing the City closer towards regulatory compliance.

As mentioned before, LASAN has developed a 5-year Stormwater CIP with over 450 green stormwater infrastructure projects ranging from green streets in local neighborhoods to large regional projects. This Stormwater CIP is an important first step in prioritizing green stormwater infrastructure projects for funding by SCW Program revenues, and it would strengthen the City's position in project selection discussions in the Watershed Area Steering Committees of the SCW Program. The Stormwater CIP identifies green stormwater infrastructure projects across the City and in all council districts and provides at the same time the opportunity for prioritizing project implementation in disadvantaged communities and environmentally burdened communities.

Operation and maintenance of completed projects as part of the 2012 Stormwater Permit are eligible for funding under the proposed SCW Program. This will alleviate financial liability of the City's General Fund and ensure our investments.

4. Report in coordination with CLA on whether the City should consider the adoption of a legislative position to support or oppose the proposed SCW Program and the related elements.

The SCW Program will assist the City in many critical areas including water quality compliance, water supply augmentation, social and economic equities, green jobs, social and economic equity, flood protection, ecosystem improvement, green projects and healthy communities. Therefore, LASAN recommends support of the proposed SCW Program, and to continue its negotiations with the LACFCD of the program elements to ensure that the City's interests are best served.

5. Report on the role and function of the LACFCD; including the total annual amount that the District levies on City residents and businesses, and how those funds are expended to address flood control in areas of the City that suffer from chronic flooding.

The LACFCD takes in a central role in the SCW Program and has many responsibilities, including the administration of the SCW Program, tax and payment administration, preparation of revenue forecasts and budgets, technical support for the Watershed Area Steering Committees, the scoring of project applications, and audits. They will receive 10% of the SCW Program revenues, or about \$30 million annually Countywide. A part of this budget would be used for "District-scale Projects" consistent with multi-benefit approach of the Regional Program of the SCW Program. It can be anticipated that LACFCD expenditures for flood protection under the SCW Program will fall short of the overall flood protection needs in the City and region.

LASAN and BOE have identified and prioritized about 400 flood protection projects to address flooding in the City (Attachment 6). Many of these flood protection projects have also been included in the aforementioned 5-year Stormwater CIP, because the project selection for this Stormwater CIP was based on three criteria: water quality, water supply, and flood protection. Therefore, SCW Program revenues will benefit flood protection in areas that suffer from chronic flooding by using LASAN's Stormwater CIP as a basis for funding by the SCW Program. The SCW Program will relieve the current investment in water quality by LACFCD to allocate more to flood protection and the construction of storm drains to relieve chronic flooding.

Community benefits such as flood protection is an integral part of all projects and is scored as part of the overall project scoring. Constructing storm drains to capture stormwater for conveyance to regional or local projects is eligible for funding under the SCW Program.

RECOMMENDATIONS

1. Instruct LASAN to work with the CLA to prepare and present a support position for SCW Program in coordination with the Mayor's Office.
2. Direct LASAN to continue to collaborate with the LACFCD on the finalization of the SCW Program to meet the needs and obligations of the City.
3. Direct LASAN to develop and present a City-based program delivery model including governance, stakeholder processes, staffing, outreach, and funding.
4. Direct LASAN to work with BOE and LACFCD to incorporate chronic flooding locations across the City in the proposed SCW Program projects and LACFCD projects.

For any further questions or comments, please call me at 213-485-2210, or Shahram Kharaghani at 213-485-0587.

