One Water Los Angeles
Funding and Cost-Benefit Special Topic Group – Meeting #2
Tuesday, April 26, 2016 10:00AM–12:00PM
2714 Media Center Drive, Los Angeles, CA 90065 (Conference Rm 2A & 2B)

“This summary reflects the opinions of stakeholders and may not necessarily be those of the City of Los Angeles.”

Meeting Summary
The purpose of this summary is to provide an overview of the discussion topics, including ideas, solutions and issues. It is not intended as a transcript or as minutes.

Meeting Attendees

Participants:
Carolyn Casavan Casavan Consulting
Jack Humphreville Greater Wilshire Neighborhood Council
Rita Kampalath Heal the Bay
Andy Lipkis Tree People
David Nahai DNCS
Alex Paxton Resources Legacy Fund
Denny Schneider Westchester Neighborhood Council
Guang-yu Wang Santa Monica Bay Restoration Commission
Tom Williams Citizens Coalition for a Safe Community

Meeting Team
Facilitator Jack Baylis Baylis Group
Technical Lead Robb Grantham Carollo
One Water LA Team Eliza Jane Whitman LASAN
One Water LA Team Flor Burrola LASAN
One Water LA Team Lenise Marrero LASAN
One Water LA Team Dale Burgoyne LASAN
One Water LA Team Kim O'Hara LADWP
One Water LA Team Bob Sun LADWP
One Water LA Team Christine Tran LADWP
Rate Payer Advocate Grant Hoag City of Los Angeles
Note taker Tom West Carollo

Welcome, Introductions, and Overview
Introduction of LASAN and LADWP staff, consultant staff, and lead team took place. Participants also introduced themselves to the group.

Outcomes to Workshop #1 were briefly introduced and the results of the survey were also discussed.
Survey Results
The One Water LA team presented the results of the pre-meeting surveys that were sent to the STG members. The intention of the survey was to prioritize discussion topics during the second workshop. There were a few topics that were of broad interest to the stakeholder group, but there was some confusion regarding the ranking process. As a result, the One Water LA team will re-process all of the survey results, combine results from those recommendations that were similar, and present the results at the next meeting.

For the Partnerships category, the top ranked issue was to "Facilitate collaboration between multiple agencies to plan, fund, and build multi-purpose infrastructure"

Comments:
- Concern that top ranked projects all say that someone else should pay.
- Should we address the governance structure first, then focus on allocation of cost?
- Look at the allocation of costs/benefits and then use that to inform governance discussions.

Process Goals of STG and Discussion
Objectives and outcomes for the funding and cost/benefit STG were presented to the group. The expected process of Stakeholder input from our meetings is to help draft policies and principles related to cost sharing and approaches for defining costs and benefits. The City is currently at the planning phase and will implement the recommendations from the stakeholders wherever feasible. Members requested that the City send presentation materials out preferably 3 days before the meeting.

Discussion on fundable projects by City departments and regional entities
- Response to question about County involvement: The County is involved through the steering committee, but the team acknowledged that participation needs to be better communicated.
- LID ordinance was passed by the City a few years ago. The City needs to consider cost and how it can be a barrier to implementation.
- Minor changes in County policy can have significant impacts on funding. This is important when considering a countywide funding measure. For example, in 2014 there was a recreation and parks revision of funding. Policy on assessment for park development changed from $/square feet of parcel to $/parcel. This created a significant benefit to developers in the Antelope Valley, but significantly hurt park funding.

- Priority list of funding opportunities:
  1. Federal - Significant funding not available.
  2. State - Acknowledged Prop. 1 but also that grant funds are not enough and often requires local matching funds.
  3. Regional - Opportunity for further exploration through entities like Metropolitan Water District (MWD).
4. County - Most energy should be placed in order to demonstrate efficient sharing of resources and coordinated messaging.
5. City - Point of last resort once acknowledging all had been done at prior level.

Allocation of Benefits and Costs Discussion:
- One Water LA plan needs to share categories of cost components including treatment. For example, solids, trash, pharmaceuticals, etc. Consequently, examine who is responsible for the costs and then proportionally allocate those costs to the beneficiaries/party causing the costs to be incurred.
  - Cost of treatment could decrease if the amount of pollutants is decreased at the source.
  - Discussion about applying this to direct potable reuse (DPR). For example, what are the pollutants that need to be removed from that process and who is responsible?
  - Same consideration for stormwater pollutants.
- Concern about delegating responsibilities between parties. Ex: cities vs. private industry responsible for birds, cigarette butts, etc. It will be a challenge to search for each responsible party of each pollutant. Instead, the way the current MS-4 permit is applied (and purposefully developed to avoid this challenge), each city has a responsibility to keep contaminants out of storm drains. There was a desire expressed to avoid re-opening the MS-4 permit.
- There was discussion regarding homeowners’ runoff on their property. Should they pay a stormwater fee if they are capturing all the stormwater for on-site use? It was acknowledged that they still would (at minimum least pay a portion of the fee) because they are part of a larger unit (the City), just like fire, police, etc., and benefit from the collection, conveyance, and treatment of stormwater within the general system. It was generally agreed that the City is the most common unit and is probably best suited to address needs.
- High value of stormwater suggests that it is best managed on site and reused. Once it goes into storm drain, the cost goes up significantly to capture and treat.

Question: Do all of the pots of money represent public funds? Does this not take into account private funding? Since at the end of the day we are all paying, isn't it best to maximize leverage by consolidating funding?

- It was noted that existing pots of money have constraints. Additionally, Prop. 218 says that payment has to be based on costs and proportional benefits, unless approved through a voter approved tax. There are barriers to achieving collaboration and cost sharing, as well as proper allocation of responsibility. For example, LAUSD could be considered as not paying its share because it has large impervious surface but doesn't pay any current runoff/pollution charge.
**Funding Sources**

The One Water LA team presented a table highlighting the different funding sources. It was recommended that O&M considerations should be a new column added to the table.

1. Utility rates
   - Water
   - Sewer
   - Recycled water

2. Tax-funded; voter-approved funding measures
   - Would be needed for stormwater.
   - Ask voters to pay for programs that they say they want.
   - Prop. O was a capital program; meanwhile previous County funding measure could pay for both capital and O&M.

3. Federal grants and low interest loans
   - State Revolving Fund (SRF) loans still require revenue source to pay back and also have administrative issues.
   - Grants, programs are available but funding is limited largely to just capital and amounts are only a fraction of overall amount of funding needed.

4. Inter-agency or local funding from other agencies.
   - e.g., collaborative Countywide effort

5. Market-based or private development
   - e.g., incentivize customers to retain stormwater

With regard to costs and funding models, the following topics were discussed:

- Every project should present both the capital and full O&M/lifecycle cost (including energy). This would be helpful to ensure that all costs can be recovered and that we avoid having major deferred maintenance on new projects built (like we have now on prior projects reaching the end of their useful lives).
- What about a cap and trade approach? Discussion noted that this is complicated to do with fragmentation of water agencies across the State. Noted that it does work in select places when focused on individual contaminant and clearly identified sources.
- EPRI is exploring a cap and trade approach on water in the northeast.
- Private sector vs Government - Returns that private investors would want aren't there and there are other concerns about private involvement (e.g., ownership of water) in general. Acknowledged that the current government/agency owned models don't embrace innovation that could improve costs, performance, and efficiency.
- It was noted that agencies want to keep rates too low; which results in extensive deferred maintenance. Current LADWP replacement rate is 200 years.
- Once implementing stormwater projects, need to account for capital replacement cost as we look at new fees.
- There was discussion about the sensitivity of LADWP’s water pipeline replacement rate increases to pay for deferred maintenance, which would require increased funding and staff capacity to accomplish higher replacement rates.
• Voter-Approved Funding Measures:
  o LASAN and LADWP are now looking at a number of other funding measures/assessment totaling over $1.7 billion from Prop 1. They are also considering alternative funding opportunities from other non-traditional water sources, such as; transportation grants. LASAN and LADWP will only pursue funding options that are applicable and meet their specific funding needs and objectives.
  o In order to successfully promote a funding measure, the City needs someone to be the face of stormwater. Ex: Marci Edwards was on LADWP rate increase.
  o Also, any funding measure is going to need provide some better oversight. Ex: LADWP rate payer advocate.

Questions:
1. What are other models of funding from around the country?
2. What are the values of benefits and how do we quantify these?
   • Living Streets study has attempted to quantify the value of benefits
   • The County LA Basin Study did look at benefits. Suggested that we look at that and consider incorporating into One Water.

Funding Matrix Tool Exercise
Question: Is the cost-benefit tool the same as benefit based funding?
• We are developing principles to provide the basis for broad cost-benefit analysis and benefit-based funding. Benefit-based funding is established on a per project basis. Cost-benefit will determine the attributes necessary to help prioritize projects. It will build upon the principles established to ultimately determine what portion of the shared project will be funded by each individual department or entity. However, every project is different and needs to have room for special considerations.
• Special topic group is an influence body to help develop policy and plan. The Steering Committee (City departments and regional agencies) is the body that implements the projects.

The One Water LA team explained the concept and purpose of the two handouts:
• The handout was intended to illustrate a structure for considering benefits. The example was not intended to cover all projects. Just start a conversation.
• City Departments and Regional Entities and types of fundable projects (Tables 1).
  o Described that some funds are restricted.
  o Recommended expanding the funding source column (Funding Source table) to identify and describe primary, secondary and other funding sources.
• Hypothetical stormwater project that suggests benefit and cost allocation (Table 1).
  o What stakeholders had requested in Phase 1.
Use chart to identify imbalances.
Example may be a stormwater detention basin located in a park.
Concern about misallocation.
  - Water supply allocation
  - Rec and Parks shouldn't be billed for public health benefits.
  - Suggest using Sun Valley project as an example of cost-sharing.
  - On O&M, lacking the skilled staff to maintain green infrastructure
Concern about discrepancy between cost and benefit in the table being a Prop. 218 problem.
Suggest using this also for Countywide LID.
  - Consider using a ranking system rather than comment.

Noted that department lists between the two tables needed to match. Also, need to be consistent between County Public Works and City Public Works. Need to clarify why some are included in the funding discussion (e.g., why include Department of Neighborhood Empowerment (DONE) when they have no funding). DONE is included on the list due to their influence on marketing and outreach. Suggest including State agencies/regulators, such as the Regional Water Quality Control Board (RWQCB), even though they don't have financial responsibility.

Next Steps
The meeting concluded with agreement on the need for two additional meetings. Both will be scheduled shortly with the STG members, and the meeting notes, tables, and action items will be sent out to STG members.