

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: February 23, 2015

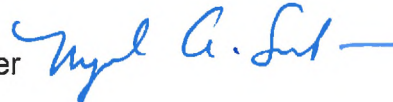
CAO File No. 0220-05133-0000

Council File No. 14-1158-S1

Council District: 1, 4, 13, 14

To: The Mayor  
The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Los Angeles River Ecosystem Restoration

Subject: **Funding framework for the United States Army Corps of Engineers Los Angeles River Ecosystem Restoration project**

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### SUMMARY

The City Engineer has submitted for Council consideration a proposed Letter of Intent (LOI) for the Los Angeles River Ecosystem Restoration (LARER) project. This LOI recommends that the City Administrative Officer (CAO), as the City's chief financial officer, execute the "Non-Federal Sponsor's Self-Certification of Financial Capability for Decision Documents" form for the Los Angeles River Ecosystem Restoration (LARER) project as required by federal rules. In addition, an O'Farrell-Krekorian motion introduced on February 18, 2015 requests the CAO to present potential funding options for cost sharing of the project (C.F.14-1158-S1). According to the City Engineer, the form must be signed by February 28, 2015 in order for the LARER project to be considered this year by the Civil Works Review Board of the US Army Corps of Engineers (USACE).

My Office has prepared an analysis of potential funding sources, source requirements and fiscal impacts of a cost sharing funding framework for this project. However, given the significant fiscal impact of this project on the City over an extended period of time, we recommend that both Mayor and Council approve the preliminary funding framework and instruct my Office to execute the financial self-certification form.

As the non-federal sponsor of the proposed LARER project, the City's local share of the project cost is expected to range between \$1.0 billion and \$1.4 billion dollars. A 15-year project horizon is prescribed by USACE policy, although all parties expect the project will likely take 30 to 50 years to complete. To a large extent, the City will determine the schedule and scope of investment going forward because individual elements of the project can only be initiated by the City's acquisition and remediation of property. In addition the City will need to solicit Congressional appropriations to USACE for the federal funds to construct LARER improvements.

Since existing sources of funding will likely only cover a portion of the City's total obligation, the LARER project funding framework will necessitate establishment of new funding sources that require voter approval. Council will need to determine that the LARER project is a City priority to put before the voting public. Successful implementation of the funding framework will require extensive efforts by the City to coordinate with various existing funding sources and to develop new sources of funding.

**PRELIMINARY FUNDING FRAMEWORK**

The below survey of potential funding sources includes projections of funding that could reasonably come from existing sources, as well as options for new potential sources that could generate funding for the LARER project. The following is presented as a preliminary funding framework for the City's LARER obligation. Attachment A contains a more detailed analysis of the various funding sources and availability.

**EXISTING FUNDING SOURCES<sup>1</sup>**

Amounts reasonably available from existing sources to fund LARER projects.

Source	Amount	Requirements
Prop 1 State Water Bond	\$140 million	Competitive grant/appropriation
State Cap-and-Trade Proceeds	\$100 million	Competitive grant/appropriation
Private Sponsorship and Philanthropy	\$20 million	Competitive grant/appropriation
Non-Profit Contributions	\$20 million	Competitive grant/appropriation
Brownfield Cleanup Grants	\$15 million	Competitive grant/appropriation
General Fund	\$27 million	City's jurisdiction
Quimby Fees	\$5 million	City's jurisdiction
Other Federal Sources	\$10 million	Competitive grants
<b>EXISTING FUNDING SOURCES SUBTOTAL</b>	<b>\$337 million</b>	

**POTENTIAL FUNDING SOURCES<sup>2</sup>**

Funding sources that could be established to fund LARER projects

Source	Amount	Requirements
Enhanced Infrastructure Finance District (EIFD)	TBD, likely not more than \$30 million	New state authority. Ideally requires County participation. 55% voter approval to bond on district proceeds. Would divert General Fund for special purpose.
Citywide General Obligation Bond	\$500 million out of \$1 billion Citywide	Citywide vote of 2/3 to approve.
County Water Quality Assessment	\$400 million out of \$4 billion Countywide	Countywide vote required. Services must be provided for assessment.
City Water Quality Assessment	\$100 million out of over \$1 billion Citywide	Citywide hearing required. Services must be provided for assessment.
<b>POTENTIAL FUNDING SOURCES SUBTOTAL</b>	<b>\$1.03 billion</b>	

**PRELIMINARY FUNDING FRAMEWORK TOTAL<sup>3</sup>      \$1.367 billion**

The City's submission of the Self Certification Letter and the Letter of Intent (being prepared by the City Engineer) are required by USACE by February 28, 2015 for the project to be considered for approval by USACE's Civil Works Review Board in June 2015. Subsequent USACE approvals include the ACE Chief of Engineers' report to the Assistant Secretary of the Army Civil works, resulting in an expected determination in fall 2015.

<sup>1</sup> All amounts are projections based on precedents and reasonable expectations of amounts available.

<sup>2</sup> All amounts are order-of-magnitude projections and are subject to further vetting.

<sup>3</sup> To the extent that one funding source can provide more or less funding, adjustments from other funding sources would be needed to compensate.

## **RECOMMENDATIONS**

If the Council and Mayor support conceptually approving the preliminary funding framework for the Los Angeles River Ecosystem Restoration Project, as described in this report, then the following recommendations should be adopted:

1. Adopt the preliminary funding framework for the Los Angeles River Ecosystem Restoration Project, as described in this report, and
2. Instruct the City Administrative Officer to complete and sign the “Non-Federal Sponsor’s Self-Certification of Financial Capability for Decision Documents.”

## **FISCAL IMPACT STATEMENT**

Adoption of this report does not obligate the City to spend monies but signing the “Non-Federal Sponsor’s Self Certification” document certifies that the City has the financial capacity to do so. In order to make this finding, Council and Mayor would need to adopt the preliminary funding framework for the LARER project. We also note that failure to obtain sufficient funds from the sources outlined in the framework may add pressure to the General Fund and/or require the City to seek alternative funding sources.

Attachment:  
Preliminary Funding Framework and Analysis of LARER Funding Sources

*MAS:JR:05150096C*