

Date of Hearing: June 12, 2024

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

SB 1169 (Stern) – As Amended March 18, 2024

SENATE VOTE: 37-0

SUBJECT: Los Angeles County Flood Control District: finances.

SUMMARY: Makes changes to the Los Angeles County Flood Control District's (District) authority to borrow money from the federal government. Specifically, **this bill:**

- 1) Makes the following changes to provisions related to the District's ability to borrow money from the United States of America, any agency or department of the United States, or from any specified nonprofit corporation:
 - a) Authorizes the District to obtain loan guarantees.
 - b) Extends the maximum loan periods from 20 to 35 years.
 - c) Increases the maximum loan interest rate from 4.25% to 5.5%.
 - d) Removes the requirement that the District levy a tax on property to repay these loans, but specifies that the District may levy such a tax in compliance with the applicable constitutional provisions.
 - e) Removes the requirement that taxes levied in any year for repaying federal loans proportionally reduces the District's authority to tax real property in the district.
- 2) Removes the \$4.5 million limit on the total amount the District may borrow and the total amount of certain bonds the district may issue, as specified.
- 3) Makes numerous technical and conforming changes.
- 4) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable because of the unique circumstances of the Los Angeles County Flood Control District, the limitations the state imposes on the district's federal borrowing capacity, and the district's need to effectively address its extensive infrastructure needs and the challenge of climate-induced flood risks.

FISCAL EFFECT: None.

COMMENTS:

- 1) **Los Angeles County Flood Control District.** According to the District, the Los Angeles County Flood Control Act (Act) was adopted by the State Legislature in 1915, after a disastrous regional flood took a heavy toll on lives and property. The Act established the District and empowered it to provide flood protection, water conservation, recreation and aesthetic enhancement within its boundaries. The District is governed, as a separate entity, by the County of Los Angeles Board of Supervisors.

In 1984, the Flood Control District entered into an operational agreement with the Los Angeles County Department of Public Works transferring planning and operational activities to the Department of Public Works. Watershed Management Division is the planning and policy arm of the Flood Control District. Public Works Flood Maintenance and Water Resources Divisions, respectively, oversee its maintenance and operational efforts. The Flood Control District encompasses more than 2,700 square miles and approximately 2.1 million land parcels within six major watersheds. It includes drainage infrastructure within 86 incorporated cities as well as the unincorporated County areas. This includes 14 major dams and reservoirs, 483 miles of open channel, 27 spreading grounds, 3,330 miles of underground storm drains, 47 pump plants, 172 debris basins, 27 sediment placement sites, 3 seawater intrusion barriers and an estimated 82,000 catch basins.

The Act gives the District various powers to finance flood control projects. For example, the District can levy a tax upon real property in the district to carry out its objectives and purposes, and to maintain, operate, extend, and repair work or improvements. This tax cannot exceed \$0.15 per \$100 of assessed value, exclusive of any tax levied to pay off bonds. Additionally, the District can borrow money without voter approval from the U.S. government, its agencies or departments, or from any nonprofit corporation the federal government authorizes to complete any flood control project provided the loan terms do not exceed 20 years, or have interest rates over 4.25%. To repay these loans, the District must levy a tax on property sufficient to pay the interest and installments of principal. However, the amount of taxes levied in any year for this purpose proportionally reduces the District's authority to tax real property in the district. In addition, the District can issue bonds for sale to the County. Combined, these loans and bonds cannot exceed \$4.5 million. This \$4.5 million limit has been in place since 1935 [AB 1258 (Field), Chapter 4, Statutes of 1935]. If adjusted for inflation, this amount would be over \$100 million today. According to the District, it has never financed a project using this borrowing authority, in part because the \$4.5 million limit is too small for the projects the District wants to build.

The District has various projects it plans on funding in part with loans from the federal government, including:

- a) Big Tujunga Reservoir Restoration Project with a total budget of \$60 million. This project has been preliminarily accepted by the federal Environmental Protection Agency (EPA) as eligible for funding under the federal Water Infrastructure Financing and Innovation Act of 2014 (WIFIA). The project will restore the reservoir's storage and flood control capacity, reducing flood risk to downstream communities.
- b) Pacoima Reservoir Restoration Project with an \$80 million total budget. Similar to the Big Tujunga project, it has been preliminarily accepted by the EPA for WIFIA funding. The project will reduce excess sediment buildup caused by recent fires and storms at the Pacoima Reservoir, which is threatening its continued operation, and improve its resilience to future extreme weather events.
- c) The Rory M. Shaw Wetlands Park Project, which has advanced through the permit acquisition phase and undergone a final review of its plans, specifications, and cost estimates. The District expects the total project costs to be around \$240 million, which could come from various funding sources including a \$105 million WIFIA loan. The

project plans to mitigate flood risk, reduce stormwater pollution, and increase water conservation, recreational opportunities, and wildlife habitat by converting a 46-acre, engineered, inert landfill into a multi-purpose wetlands park.

According to the EPA, WIFIA projects have loan durations up to 35 years, a minimum project cost of \$20 million, and can fund a maximum of 49% of eligible project costs. Additionally, the total federal assistance may not exceed 80% of a project's eligible costs. Projects must also be creditworthy and have a dedicated source of revenue.

- 2) **Bill Summary and Author's Statement.** This bill makes specified changes to provisions related to the District's ability to borrow money from the U.S. Government, any agency or department of the U.S. Government, or from any specified nonprofit corporation, including removing the \$4.5 million borrowing limit, increasing the maximum interest rate on loans from 4.25% to 5.5%, and extending the maximum length of a loan from 20 to 35 years. Los Angeles County is the sponsor of this bill.

According to the author, "Climate change has introduced new terms like bomb cyclone and atmospheric river to convey the force and magnitude of winter weather conditions that are becoming the norm, not the exception. We therefore need to update our infrastructure to be ready and resilient to all winter expectations. That is why I authored SB 1169, in hopes to modernize the Los Angeles County Flood Control Act to address critical infrastructure challenges facing our beautiful city.

"This bill seeks to remove outdated restrictions on federal loans, ensuring that the Los Angeles County Flood Control District has access to necessary financial resources to safeguard our communities from climate-induced flood risks and strengthen our water infrastructure. The need for this legislation is clear: our current infrastructure is aging, and the impacts of climate change are exacerbating the challenges we face. SB 1169 will empower the District to undertake essential projects to protect our residents and enhance our water management systems."

- 3) **Arguments in Support.** According to Los Angeles County, the sponsors of this bill, "By modernizing the Los Angeles County Flood Control Act (Act), SB 1169 will provide Los Angeles County access to critical financial assistance programs to finance projects that safeguard communities from climate-induced flood risks and bolster water infrastructure.

"The Act was enacted by the California Legislature in 1915 after a disastrous regional flood took a heavy toll on lives and property in the County; it has been amended several times since its enactment. The Act currently includes a restriction, added in 1935, that prohibits the Los Angeles County Flood Control District (District) from borrowing more than \$4.5 million from federal sources. This limit has yet to be adjusted for inflation or changed to reflect the cost of modern-day infrastructure projects of regional importance, which are typically valued well above \$4.5 million.

"By modernizing the outdated debt language and removing the non-adjusting limit, SB 1169 will ensure reasonable current and future financial flexibility for the Los Angeles Flood Control District to provide flood protection that safeguards our communities now and well into the future."

- 4) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Los Angeles County [SPONSOR]
Las Virgenes Municipal Water District
Los Angeles County Sanitation Districts
Metropolitan Water District of Southern California
San Gabriel Valley Water Association
Santa Clarita Valley Water Agency
Southern California Water Coalition
Upper San Gabriel Valley Municipal Water District
Water Replenishment District of California

Opposition

None on file

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