



MARK PESTRELLA, Director

**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC WORKS**

"To Enrich Lives Through Effective and Caring Service"

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IN REPLY PLEASE
REFER TO FILE

December 18, 2018

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**WATER RESOURCES CORE SERVICE AREA
FUNDING AUTHORIZATION OF STAFF AND OPERATIONAL COSTS
FOR PUBLIC WORKS
SERVING AS THE INTERIM ADMINISTRATOR
FOR THE SATIVA LOS ANGELES COUNTY WATER DISTRICT AND
APPROVE APPROPRIATION ADJUSTMENT
(SUPERVISORIAL DISTRICT 2)
(3 VOTES)**

SUBJECT

Public Works is seeking Board approval to authorize the Director of Public Works or his designee to approve various actions necessary to fund the staffing, operational, and urgent infrastructure repair costs for the County of Los Angeles to provide Interim Administration of the Sativa Los Angeles County Water District through June 30, 2019.

IT IS RECOMMENDED THAT THE BOARD ACTING AS THE GOVERNING BODY OF THE COUNTY AND THE SATIVA LOS ANGELES COUNTY WATER DISTRICT:

1. Find that the proposed actions are either not a project or exempt under the California Environmental Quality Act for the reasons stated in this letter and in the record of the proposed activities.
2. Find that the provision of funds to the Sativa Water District to keep the water system operational is necessary to meet the social needs of the population of the County.
3. Authorize the Director of Public Works or his designee, on behalf of and in Administration of

Sativa Los Angeles County Water District, to negotiate and enter into a loan agreement with the County of Los Angeles, related to the administration, operation, and repairs to the infrastructure of the Water District, up to an amount not to exceed \$1.4 million.

4. Approve the Fiscal Year 2018-19 Appropriation Adjustment that establishes a \$1.4 million General Fund Nonspendable Long Term Loans Receivable for Sativa Water District by transferring \$1.4 million from the Provisional Financing Uses budget unit for loans to be made available to Sativa Water District on a draw down basis via the terms of the loan agreement.

5. Authorize the Director of Public Works or his designee to take any other actions consistent with and/or necessary for the implementation of the foregoing approvals.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions is expected to allow the Department of Public Works (Public Works), functioning as the Interim Administrator of the Sativa Los Angeles County Water District (Sativa), to keep Sativa operational, barring unforeseen situations, funding through June 2019.

Background

Sativa is a community public water system serving approximately 6,837 persons through 1,306 service connections in the Willowbrook and Compton communities. Sativa operates its water system under Domestic Water Supply Permit No. 04-22-12P-009, issued by the State Water Resources Control Board (State Water Board) on August 30, 2012.

The State Water Board has issued numerous citations, taken administrative actions, and made other negative findings relative to Sativa related to the operation and condition of the Sativa water system.

On September 28, 2018, the California State Legislature authorized the State Water Board, pursuant to Assembly Bill 1577, to order Sativa to accept administrative and managerial services, including full management and control, from an Interim Administrator selected by the State Water Board.

On October 9, 2018, the Board adopted a Resolution approving the appointment of, and delegating authority to, the Director of Public Works to act as Interim Administrator for Sativa. The State has granted \$200,000 to reimburse the County for the cost of providing Interim Administration to Sativa.

On October 31, 2018, the State Water Board issued an Administrative Order, which dissolved Sativa's Board of Directors and appointed Los Angeles County as the Interim Administrator of Sativa.

Immediately after being appointed Interim Administrator, Public Works undertook an assessment of Sativa's financial position and the condition of the Sativa infrastructure. Based on this initial assessment, Public Works estimates the cost to the County to provide Interim Administration of Sativa and to address Sativa's most critical water service issues through June 30, 2019, to be approximately \$1.4 million above and beyond the \$200,000 in available State funds and the revenue generated by the district through service charges. This estimate includes:

- Urgent repairs to Sativa's water system infrastructure;
- Addressing safety issues;

- Professional oversight of Sativa's field personnel;
- Addressing Sativa's past due, current, and upcoming bills;
- Reconstructing Sativa's accounting records;
- Developing proper accounting control procedures;
- Professional oversight of Sativa's procurement and accounting activities;
- A thorough financial audit;
- Information technology support; and
- Legal services.

Public Works will provide the services above in collaboration with Auditor-Controller, County Counsel, and contract vendors.

To the extent feasible, Sativa's revenues and the State funds will be used to fund the County's operation of Sativa prior to utilizing County funds, which will be provided in the form of a loan from the County to Sativa. The terms of the loan will be negotiated by Public Works and will include Sativa's obligation to repay the County loan. Sativa is not obligated to reimburse the State for the \$200,000 in State funds.

Implementation of Strategic Plan Goals

The County Strategic Plan directs the provisions of Strategy II.2, Support the Wellness of our Communities and Objective II.2.3, Prioritize Environmental Health Oversight and Monitoring. The recommended action improves the wellness and social well-being of our communities.

FISCAL IMPACT/FINANCING

The State has allocated \$200,000 to reimburse the County for the cost of providing Interim Administration to Sativa. To the extent feasible, these funds, and Sativa's revenues, will be utilized first to provide administrative and operational services.

Upon approval, an appropriation adjustment will transfer \$1.4 million for a loan from the Provisional Financing Uses budget unit to establish a General Fund Nonspendable Long Term Loans Receivable to fund expenses related to the operations and repairs to the infrastructure of Sativa through June 2019.

Sativa will be obligated to repay any funds loaned by the County.

Public Works will return to the Board if additional funding is necessary.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On September 28, 2018, Governor Brown signed into law Assembly Bill 1577. This bill required the State Water Board to order Sativa to accept administrative and managerial services from an administrator selected by the State Water Board.

On October 9, 2018, the Board adopted a Resolution approving the appointment of, and delegating authority to, the Director of Public Works to act as Interim Administrator for Sativa.

On October 31, 2018, the State Water Board issued an Administrative Order, which dissolved

Sativa's Board of Directors and appointed Los Angeles County Public Works as the Interim Administrator of Sativa.

Pursuant to Government Code section 26227, the County may provide funds from the County General Fund to Sativa in the form of a loan because it will serve public purposes and is necessary to meet the social needs of the population of the County, including but not limited to health, public safety, and welfare.

Pursuant to the Water Code Sections 31001 and 31007, Sativa may accept funds from the County in the form of a loan for the purposes delineated above.

ENVIRONMENTAL DOCUMENTATION

The proposed staffing and operational actions, including their funding, are not a project pursuant to the California Environmental Quality Act (CEQA) because they are activities that are excluded from the definition of a project by Section 21065 of the Public Resources Code and Sections 15378 (b)(2), (4) and (5) of the State CEQA Guidelines, which apply to continuing administrative activities, the creation of a government funding mechanism, or other government fiscal activities, that do not involve commitment to any specific project that may result in a potentially significant physical impact on the environment and administrative activities of government that will not result in direct or indirect physical changes in the environment.

The proposed work for the repair of Sativa's infrastructure is categorically exempt under Section 15301 (a),(b),(d) and (f) and Class 2 of the State CEQA Guidelines and Classes 1(c,d,e) and (i) and 2 of the County's Environmental Document Reporting Procedures and Guidelines, Appendix G, which apply to restoration and rehabilitation of deteriorated or damaged mechanical equipment, installation of safety equipment at existing facilities and replacement of equipment that will have the same purpose and capacity. The Sativa water system infrastructure repair projects are primarily anticipated to consist of the following types of activities: repairs to existing infrastructure, installation of equipment, and notification systems and maintenance. In addition, based on the records of the proposed projects, they will comply with all applicable regulations, are not located in sensitive environments, and there are no cumulative impacts, unusual circumstances, damage to scenic highways, listing on hazardous waste sites pursuant to Government Code Section 65962.5, or indications that they may cause a substantial adverse change in the significance of historical resources that would make the exemption inapplicable.

For any proposed activities that are not determined to be exempt under CEQA as noted above, Public Works will make necessary recommendations for additional CEQA findings to the Board prior to commencing work.

Upon the Board's approval of the recommended actions, Public Works will file a Notice of Exemption with the County Clerk in accordance with Section 21152 of the Public Resources Code.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no adverse impact on current services.

CONCLUSION

Please return an adopted copy of this letter to Public Works, Stormwater Planning Division.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark Pestrella". The signature is fluid and cursive, with the first name "Mark" and last name "Pestrella" clearly distinguishable.

MARK PESTRELLA

Director

DL:KL:ts

Enclosures

c: Chief Executive Office
County Counsel
Executive Office

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT

DEPT'S. NO. 690

DEPARTMENT OF CHIEF EXECUTIVE OFFICER

December 18, 2018

AUDITOR-CONTROLLER:

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. PLEASE CONFIRM THE ACCOUNTING ENTRIES AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF EXECUTIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2018-19

3 - VOTES

SOURCES

USES

PFU-VARIOUS
A01-CB-2000-13749-13760
SERVICES & SUPPLIES
DECREASE APPROPRIATION

\$1,400,000

GENERAL FUND
A01-303J
NONSPENDABLE FOR LT LOANS RECEIVABLE - SATIVA CWD
INCREASE OBLIGATED FUND BALANCE \$1,400,000

SOURCES TOTAL: \$

\$1,400,000

USES TOTAL: \$

\$1,400,000

JUSTIFICATION

Loan for Sativa Los Angeles County Water District in an amount not to exceed \$1,400,000 for the interim administration, operation, and repair of infrastructure.

Handwritten signature of Chia Ann Yen
AUTHORIZED SIGNATURE CHIA-ANN YEN

BOARD OF SUPERVISOR'S APPROVAL (AS REQUESTED/REVISED)

REFERRED TO THE CHIEF EXECUTIVE OFFICER FOR ---

[] ACTION

[x] RECOMMENDATION

AUDITOR-CONTROLLER

BY [Signature]

B.A. NO. 085

Dec. 10 20 18

[x] APPROVED AS REQUESTED

[] APPROVED AS REVISED

CHIEF EXECUTIVE OFFICER

BY [Signature]

Dec. 10, 20 18