

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 6, 2026

CAO File No. 0130-02161-0001
Council File No. 21-1015-S12
Council District: ALL

To: The City Council

From:  ^{for}
Matthew W. Szabo, City Administrative Officer

Subject: **FEDERAL AND STATE GRANT APPLICATIONS: AUTHORITY TO APPLY FOR THE U.S. DEPARTMENT OF INTERIOR BUREAU OF RECLAMATION – WATERSMART LARGE-SCALE WATER RECYCLING PROJECTS GRANT FY 2026**

RECOMMENDATIONS

That the Council, subject to approval of the Mayor:

1. Authorize the Director of the Bureau of Sanitation (LASAN) and the Interim General Manager of the Los Angeles Department of Water and Power (LADWP), or designees, to each prepare and submit grant applications for the U.S. Department of Interior, Bureau of Reclamation, WaterSMART Large-Scale Water Recycling Projects Grant - FY 2026; and,
2. Instruct the Director of LASAN and the Interim General Manager of LADWP, or designees, to report if the City is awarded the grants, to request authority to accept the grant awards, and to request approval for any related actions to implement the grant awards.

DISCUSSION

On March 12, 2026, the U.S. Department of Interior, Bureau of Reclamation (BOR) released a notice of funding availability for a WaterSMART Large-Scale Water Recycling Projects (LSWR) - FY 2026 grant NOFA NO. R25AS00322. The LSWR grant will provide funding to support the planning, design, and construction of large-scale water recycling projects to help communities develop local and drought-resistant sources of water supply by turning currently unusable water sources into a new source of water supply that is less vulnerable to drought. Application submissions for the LSWR grant are due on May 13, 2026. This Office received two project proposals, one from the Bureau of Sanitation (LASAN) and one from the Los Angeles Department of Water and Power (LADWP):

- LASAN – Pure Water LA (PWLA) Hyperion Phase 1A; and
- LADWP – Los Angeles Groundwater Replenishment (GWR) Project

LASAN PWLA Hyperion Phase 1A - LASAN's grant application for the PWLA Hyperion Phase 1A project was originally approved for submission by Council under the BOR WaterSMART Large-Scale Recycling Projects Grant – FY 2024 (C.F. 21-1015-S12). BOR halted the grant submittal process prior to the application being submitted. LASAN updated the application scope and cost estimate and plans

to apply for funds under the current grant opportunity in the amount of \$20,374,011. The proposed PWLA Hyperion Phase 1A project is a critical path to preparing the Hyperion Water Reclamation Plant for its transformation from a conventional wastewater treatment facility to an advanced water purification facility for the City's goal of 100 percent recycled water, 70 percent local water, and a more diversified water supply. Preparation consists of hydraulic plant modifications and other plant infrastructure modifications. This project was previously awarded \$5 million from the BOR under its WaterSMART Recycled Water Planning program, and the funds were used to support the predesign phase of the PWLA Hyperion Phase 1A project.

LADWP GWR – LADWP is applying for funds in the amount of \$126 million. The proposed GWR project is currently under construction. The LSWR grant will enable the expansion of the GWR project leveraging active on-site resources in a cost-effective and environmentally responsible manner, allowing LADWP to maximize the development of sustainable local water supplies. The GWR project expansion will have the ability to treat up to 45 million gallons per day (MGD), which is equivalent to the annual water supply for 500,000 Angelenos. The grant amount being requested reflects 20 percent of the project total (\$186,000,000) less \$60,000,000 previously awarded in Rounds One and Two.

Applicant Eligibility and Availability of Funding

Applicants eligible to receive financial assistance to fund activities under the LSWR grant include:

- States, Indian Tribes, municipalities, irrigation districts, water districts, wastewater districts, and any state, regional, or other organization with water or power delivery authority.
- State, regional, or local authorities, the members of which include one or more organizations with water or power delivery authority.
- An agency established under State law for the joint exercise of powers, or a combination of the entities described above.

All LSWR grant applicants must be located in the Western United States; specifically, Arizona, California, Colorado, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, or Wyoming.

Eligible projects reclaim and reuse municipal, industrial, domestic, or agricultural wastewater or impaired groundwater or surface water and have a total project cost greater than or equal to \$500 million. Applicants may apply for funding under one of the following criteria:

- *Planning* – pre-final design activities that contribute towards a feasibility-level design and cost estimate
- *Final Design and Value Engineering* – Design activities required to reach 100 percent final design or preparation of a Value Engineering Accountability Report
- *Construction* – All phases of construction

LASAN's PWLA Hyperion Phase 1A project goal during the grant period is to reach 70 percent of the Final Design and Value Engineering stage and enter the Construction stage. LADWP's GWR project will start the grant period in the Construction stage.

There are \$130 million in funds available for distribution under the LSWR grant. It is anticipated that between one and 10 grants will be awarded depending on the amount requested by each applicant and

the amount of Federal funding available.

Cost Sharing Requirements

The LSWR grant has a cost-sharing requirement of at least 75 percent of the total project cost. The total project cost for the LSWR grant is defined as the total allowable costs incurred under a Federal award and all required cost share and voluntary committed cost share contributions, including third-party contributions. Cost share may be made through non-federal cash, funds committed by the recipient, subrecipient, or third-parties, or third-party in-kind contributions when the funds are verifiable, not included as contributions for any other Federal award, and are necessary and reasonable for achieving the objectives of the Federal award.

Although the total project costs for PWLA are estimated at over \$800 million, LASAN will be submitting this grant application for Phase 1A design of the PWLA project, which has a cost of \$81,496,042. The cost-share is \$61,122,032 which LASAN will front-fund through the Sewer Construction and Maintenance fund. A cost-sharing agreement is currently under negotiation between LASAN and LADWP to split the cost of the 75 percent non-federal match for the Pure Water LA Phase 1A project.

LADWP's GWR project has a cost of \$930 million. LADWP will be providing 80 percent matching funds in the amount of \$744 million, which will be funded through the LADWP Water Revenue Fund.

Required Approval to Accept Award

In accordance with Los Angeles Administrative Code Section 14.6(a), all departments are required to seek Mayor and Council approval before accepting and receiving a grant award. It is therefore recommended that LASAN and LADWP report to the Mayor and Council upon award notification to request authority to accept and receive the grant award and confirm that there is no additional General Fund impact.

FISCAL IMPACT STATEMENT

Approval of the recommendations in this report will not result in a General Fund impact. There are sufficient project funds to meet the minimum 75 percent cost sharing requirement for the projects proposed under the U.S. Department of Interior, Bureau of Reclamation WaterSMART Large-Scale Recycling Projects grant – FY 2026, NOFA No. R25AS00322. Upon notification of a grant award, a reassessment on the General Fund impact should be completed by departments as it relates to either lower than requested grant award amounts, verification of local match requirements, or front-funding for grants on a reimbursement basis.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

Attachment: Proposed Grant Projects

MWS/JWW/JVW:JAS:10260134

cc: CAO Grant Coordination

ATTACHMENT 1 – PROPOSED GRANT PROJECTS

Grant Administrator: U.S. Department of Interior, Bureau of Reclamation
 Name of Grants: WaterSMART Large-Scale Water Recycling FY 2026
 NOFO Release Date: March 12, 2026
 Award Date: Approximately November 2026
 Performance Period: 3 years (May 2027 through May 2030)

Lead Department	Project Name	WaterSMART Large-Scale Water Recycling Grant Project Description	Total Project Budget (in millions)	Total Grant Request (in millions)	Local Match (in millions)	Planned Completion Date
Department of Water and Power (LADWP)	Los Angeles Groundwater Replenishment Project	The project will allow the ability to treat up to 45 million gallons of water per day, which will be one of the largest potable reuse projects in the State of California.	\$930.0	\$126.0	\$744.0	1 year (12/2027)
Bureau of Sanitation (LASAN)	Pure Water Los Angeles: Hyperion Phase 1A Recycled Water Foundational Infrastructure Project	The project will make infrastructure modifications and hydraulic improvements at the Hyperion Water Reclamation Plant to facilitate the plant's subsequent conversion to 100 percent water recycling.	\$800.0 \$81.5 (Phase I)	\$20.4	\$61.1	3 years (05/2030)