

0150-12741-0002

**TRANSMITTAL**

TO Janisse Quinones, General Manager Los Angeles Department of Water and Power	DATE 09/08/2025	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 6	

**LOS ANGELES DEPARTMENT OF WATER AND POWER PROPOSED RESOLUTION  
AUTHORIZING A FIRST AMENDMENT TO MEMORANDUM OF AGREEMENT NO. WR-24-  
1000 WITH THE BUREAU OF SANITATION FOR THE CONSTRUCTION, OPERATION, AND  
MAINTENANCE OF THE GROUNDWATER REPLENISHMENT PROJECT AT THE DONALD  
C. TILLMAN WATER RECLAMATION PLANT**

Approved and transmitted for further processing.  
See the City Administrative Officer report attached.



MAYOR

(Jenny Delwood for)

Attachment

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

---

Date: August 21, 2025

CAO File No. 0150-12741-0002

Council File No.

Council District: 6

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communication from the Department of Water and Power dated July 24, 2025; referred by the Mayor for report on August 4, 2025

Subject: **PROPOSED FIRST AMENDMENT TO MEMORANDUM OF AGREEMENT NO. WR-24-1000 BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND THE BUREAU OF SANITATION FOR THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF THE GROUNDWATER REPLENISHMENT PROJECT AT THE DONALD C. TILLMAN WATER RECLAMATION PLANT IN COUNCIL DISTRICT SIX**

---

### RECOMMENDATION

That the Mayor:

1. Approve the Los Angeles Department of Water and Power (LADWP) proposed Resolution authorizing the First Amendment to Memorandum of Agreement No. WR-24-1000 with the Bureau of Sanitation for construction of the Groundwater Replenishment Project, increasing the not-to-exceed cost of the project by \$190 million, from \$740 million to \$930 million, and expanding the production of highly treated recycled water from 25 million gallons per day to 45 million gallons per day by December 2027;
2. Authorize and direct, upon proper certification, the Chief Accounting Employee to draw demands on the Water Revenue Fund over the term of Agreement WR-24-1000, incurred by such Agreement; and,
3. Return the proposed Resolution to LADWP for further processing.

### SUMMARY

The Los Angeles Department of Water and Power (LADWP) requests authority to execute a First Amendment (Amendment) to Memorandum of Agreement No. WR-24-1000 (Agreement) with the Los Angeles Department of Public Works, Bureau of Sanitation (LASAN) for the construction, operation, and maintenance (O&M) of the Groundwater Replenishment (GWR) Project. As the result of discussions with stakeholders, including the Board of Water and Power Commissioners

(Board) and the Board of Public Works (BPW), and in the best interest of the City, the project scope has been revised to expand the amount of highly treated recycled water produced to be 45 million gallons per day (MGD) which is almost double the original estimate of 25 MGD. In order to account for the scope changes, the Amendment will increase the total not-to-exceed cost of the project by \$190 million, from \$740 million to \$930 million. The additional \$190 million will be used to construct a basement under the originally proposed facility as well as upgrades needed to increase water production. Additionally, the initial project contingency has been reduced by \$30 million, from \$80 million to \$50 million. The additional scope will not impact the construction timeline. The project is anticipated to be complete in the fourth quarter of 2027 and operational by June 2028. Except as stated in the Amendment, all other terms and conditions remain unchanged.

Upon approval of the Amendment by the Board, LASAN will seek approval from the BPW and, thereafter, submit the proposed Amendment to the Agreement to the Office of the Mayor for review in accordance with Executive Directive No. 3 (ED3, Villaraigosa Series).

The proposed Amendment has been reviewed and approved as to form by the City Attorney. Pursuant to Charter Section 373 and the Los Angeles Administrative Code Section 10.5(a), as the Agreement is between two governmental agencies, Council approval is not required. Our Office has reviewed the request and recommends approval.

## **BACKGROUND**

The GWR Project is a joint collaboration between the LADWP and the LASAN to achieve goals set by Executive Directive No. 5 (ED5, Garcetti Series) – Emergency Drought Response – Creating a Water Wise City, the City's Green New Deal, and the 2020 Urban Water Management Plan to increase sustainability of the local water supply. The goal of the GWR Project is to increase the City's local water supply by treating wastewater at the Donald C. Tillman Water Reclamation Plant (DCTWRP). Through the Advanced Water Purification Facility (AWPF) located at DCTWRP, highly treated recycled water will be produced and used by the LADWP to replenish the San Fernando Groundwater Basin, including at the Hansen Spreading Grounds, which are owned and operated by the Los Angeles County Department of Public Works. Additionally, a portion of the water produced is eligible to be used to augment raw water supply flows in to the Los Angeles Aqueduct Filtration Plant under the State of California Direct Potable Reuse regulations.

On November 29, 2022, the Board of Water and Power Commissioners (LADWP Board) approved the partnership between LADWP and LASAN to initiate the GWR Project (Agreement No. WR-22-1000) for the preplanning and design services. On October 22, 2024, the Board approved Agreement No. WR-24-1000 which provided for the progressive design-build project and included mechanisms for reimbursement to LASAN for the capital portion of the project at a cost of \$740 million. The Agreement also includes reimbursement to LASAN for O&M costs for a term of 35 years, currently annually projected to be \$33 million. Construction for the GWP Project began December 6, 2024, is approximately 15 percent complete, and is expected to be completed by the fourth quarter of 2027 followed by operational testing. The facility is expected to be fully operational by June 2028.

*Proposed First Amendment* – The proposed Amendment expands the project scope to increase highly treated recycled water production by 20 MGD, from 25 MGD to 45 MGD. This expansion requires an additional \$190 million investment in the total project cost. Attachment A of the Amendment provides a complete description of the project, including its expanded scope. The enhanced water supply capacity will serve the equivalent needs of approximately 500,000 Los Angeles residents annually. In order to increase production, several scope changes are needed including:

- **AWPF Basement Expansion** – The expansion will allow for additional advanced water treatment components and upgrades in pipe sizing, from 36 inches to 48 inches, to occur. An additional depth of 15 feet will be required as the basement will be located directly under the AWPf.
- **Additional electrical and mechanical work** – Additional scope is needed to accommodate the expanded production rate.
- **Preliminary Flow Recovery Project** – This is a set of projects that will optimize the AWPf's performance and longevity, reduce odors, and reduce the amount of abrasive grit materials found in wastewater. This component is not anticipated to be complete until 2032 as optimization will take place once the facility is operational.

*Project Expansion Benefits and Implementation Strategy* – The project expansion leverages ongoing construction activities to achieve better pricing. This approach enables completion of expanded scope work without impacting the existing project completion timeline. Additionally, the expansion maximizes recycled water production throughout the San Fernando Valley, advancing the LADWP's water sustainability objectives and reducing reliance on imported water supplies.

*Capital Costs and Reimbursement* – The Guaranteed Maximum Price as submitted by the contractor is \$930 million and includes \$50 million to address contingency costs. The proposed First Amendment reduces the GWR Project contingency costs from the original Agreement by \$30 million. This reduction is a result of LADWP's comprehensive risk assessment, which identified and eliminated project risks that were previously assumed but are no longer applicable or have been mitigated through improved project planning and controls. Attachment B of the Amendment presents the associated cost estimate and proposed project schedule. As shown in Table 1 below, the following changes are proposed for capital costs:

Table 1: Proposed Changes to Project Costs First Amendment to Agreement No. WR-24-1000			
	Original Agreement	First Amendment	Change
AWPF	\$ 495,000,000	\$ 655,000,000	\$ 160,000,000
Equalization Storage Facility	130,000,000	160,000,000	30,000,000
Maintenance and Warehouse Facility	20,000,000	20,000,000	--
Japanese Garden Effluent Bypass	15,000,000	15,000,000	--
Preliminary Flow Recovery Project	--	30,000,000	30,000,000
Contingency*	80,000,000	50,000,000	(30,000,000)
<b>Total</b>	<b>\$ 740,000,000</b>	<b>\$ 930,000,000</b>	<b>\$ 190,000,000</b>

\*Contingency decreased due to mitigation of risks.



To date, approximately \$428 million in external funding has been secured, including:

- \$224 million from a Water Infrastructure Finance and Innovation Act Loan
- \$139 million from the Metropolitan Water District of Southern California
- \$60 million from the Bureau of Reclamation
  - The current federal administration has placed this grant funding opportunity on hold; however, LADWP is actively advocating for its release.
- \$5 million from the California State Water Resources Control Board

The remaining \$502 million will be provided by the LADWP's Water Revenue Fund. Approximately \$100 million in expenditures have been spent to date.

*Efficiencies in Design and Construction* – In order to deliver almost double the amount of highly recycled water produced, the expanded scope leverages the existing construction footprint, permits, and resources. As a result, the additional water production components, including the microfiltration, reverse osmosis, and ultraviolet technologies, can be housed in the expanded basement and there will be no impact to the construction schedule.

Termination of the Agreement is allowable only after construction of the GWR Project. If the Agreement is terminated once O&M commences, a two-year minimum notice is required. Any outstanding financial obligations will be paid by the LADWP up to the date of termination. Except as stated in the proposed Amendment, all other terms and conditions remain the same.

*Alternatives Considered* – The LADWP evaluated alternatives to develop new water supplies rather than continue with the GWR Project. Studies confirm that the GWR Project is the most effective and technically feasible project to replenish the City's water supply. Approval of the Amendment is necessary as development of the GWR Project is included/referenced in the LADWP 2020 Urban Water Management Plan, the Los Angeles Green New Deal, and the ED5 goal of increasing local water supplies by utilizing recycled water, including through the GWR Project. Non-approval will compromise LADWP's ability to achieve the water recycling goals outlined in the above-mentioned City's policies.

## **CITY COMPLIANCE**

*California Environmental Quality Act (CEQA)* – In accordance with CEQA requirements, an Environmental Impact Report (EIR) was prepared. On December 6, 2016, the Board of Water and Power Commissioners (LADWP Board) certified the EIR, adopted the Mitigation Monitoring and Reporting Program, Findings of Fact and Statement of Overriding Considerations; and approved the Project. The initial EIR accounted for the Amendment's additional excavation and requirements, negating the necessity for additional CEQA compliance to accommodate the amended scope.

Once the LADWP Board approves the Agreement, LASAN will seek approval by the BPW and submit the approved Agreement to the Mayor's Office pursuant to ED 3.

In accordance with Charter Section 1022, the proposed Resolution included as part of the report to the LADWP Board finds that contracting is more feasible for the GWR Project. The City Attorney has approved the proposed Memorandum of Agreement as to form and legality. In accordance with Charter Section 373 and the Los Angeles Administrative Code Section 10.5(a), as the Agreement is between two governmental agencies, Council approval is not required. Our Office has reviewed the request and recommends approval.

## **FISCAL IMPACT STATEMENT**

Approval of the proposed Resolution and First Amendment to Agreement No. WR-24-1000 between the Los Angeles Department of Water and Power (LADWP) and the Department of Public Works, Bureau of Sanitation for the construction, operation, and maintenance of the GWR Project will not have an impact on the General Fund. The total construction cost of \$930 million is funded by grants and LADWP's Water Revenue Fund. The recommendations in this report comply with LADWP adopted Financial Policies.

*MWS:PJH:JVW:DLG/jpq:10260047*

Attachment – July 24, 2025 Correspondence from LADWP, Proposed Resolution, and First Amendment to Agreement No. WR-24-1000.