

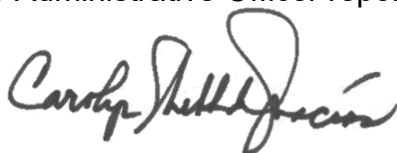
0150-12741-0000

TRANSMITTAL

TO Janisse Quinones, General Manager Los Angeles Department of Water and Power	DATE 10/11/2024	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 6	

**LOS ANGELES DEPARTMENT OF WATER AND POWER PROPOSED RESOLUTION
AUTHORIZING A MEMORANDUM OF AGREEMENT WITH THE BUREAU OF SANITATION
FOR THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF THE GROUNDWATER
REPLENISHMENT PROJECT**

Transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.



MAYOR

Attachment

(Carolyn Webb de Macias for)

MWS:PJH/JVW:IR/jpq:10250041t

CAO 649-d

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 27, 2024

CAO File No. 0150-12741-0000

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 June 26, 2024; referred by the Mayor for report on July 19, 2024

Subject: **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 Memorandum of Agreement No. WR-24-1000 with the Bureau of Sanitation (LASAN) for construction of the Groundwater Replenishment Project (GWR) for a not-to-exceed cost of \$740,000,000; and upon completion of the GWR, the reimbursement to LASAN for the costs of operations and maintenance for a term of 35 years, annual costs to be based on an annual reconciliation of actual costs;
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 Memorandum of Agreement (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. The GWR Project's total construction costs are estimated for a not-to-exceed amount of \$740,000,000, which includes an additional \$80 million in contingency funding. Following completion of the GWR, LASAN will provide O&M support for a

term of 35 years and be reimbursed by LADWP. The GWR Project is a joint effort between LADWP and the LASAN that will help increase local water supply by supplying up to 25,000 acre-feet per year (AFY) of recycled water for groundwater replenishment, expandable to 30,000 acre-feet per year. The Agreement also includes reimbursement authority to LASAN for annual O&M costs based on a reconciliation of actual costs. First year O&M costs are currently projected to be \$33,000,000.

Approval of the Agreement is necessary as development of the GWR Project is included / referenced in the LADWP 2020 Urban Water Management Plan (UWMP), the Los Angeles Green New Deal (GND), and the Mayor's Executive Directive No. 5 (ED5) goal of increasing local water supplies by utilizing recycled water, including through the GWR Project. Non-approval will compromise the Department's ability to achieve the water recycling goals outlined in the above-mentioned City's policies. The Department reports that alternatives to increase non-potable reuse water supplies in lieu of the GWR Project were determined to be most expensive and not technically viable.

Once the Board of Water and Power Commissioners approves the Agreement, LASAN will seek approval from the Los Angeles Board of Public Works and submit the approved Agreement for Executive Directive 3 review. Assuming the Agreement for both departments is approved in September 2024, construction for the GWR Project can begin in October 2024 and is expected to be completed by 2028.

The proposed Agreement 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 5 (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. On November 29, 2022, the Board of Water and Power Commissioners (LADWP Board) approved the partnership to initiate the GWR Project (Agreement WR-22-1000) for the preplanning and design services. Agreement WR-22-1000 also stated that upon completion of the design of the GWR Project, staff would return to the LADWP Board with an analysis of the GWR Project and a recommended path forward. LADWP reports that the GWR Project is viable and the design of the GWR Project is nearly complete, technically viable, and is recommended for construction. The GWR Project is currently past the 90 percent design milestone and LASAN is expected to complete design early September 2024.

The goal of the GWR Project is to process up to 25 million gallons per day (MGD) of wastewater at the Donald C. Tillman Water Reclamation Plant (DCTWRP) with capacity to expand to 30 MGD. Through the Advanced Water Purification Facility (AWPF), up to 21,000 acre-ft per year (AFY) of highly treated recycled water will be produced. The recycled water will be used by the LADWP to replenish the San Fernando Groundwater Basin (SFB) and spread at the Hansen Spreading

Grounds, which are owned and operated by the Los Angeles County Department of Public Works. After an estimated two year period, the recycled water will be extracted by LADWP's groundwater extraction wells. The amount of water replenished is enough for 250,000 Angelenos.

The scope of the GWR Project consists of four facilities: the AWPf, an Equalization Storage (EQ) Facility, a Maintenance and Warehouse Facility (Maintenance WF), and the Japanese Garden Effluent Bypass (JGE Bypass). More information regarding the facilities can be found on Page 5 of the LADWP report as well as Attachment A of the Agreement. The GWR Project is a design-build project and the LADWP and LASAN have received a Guaranteed Maximum Price of \$660 million which has been incorporated into the Agreement.

Proposed Agreement – Under new Agreement WR-24-1000, the LASAN is responsible for the final design, construction start-up, commissioning, and performance validation for the AWPf and EQ Facility as well as the implementation of the Maintenance WF and JGE Bypass. The LADWP will reimburse the LASAN for costs associated with the above in addition to the operation and maintenance of the facilities. The Agreement provides for the creation of a Technical Oversight Committee, a Management Oversight Committee and Executive Management Committee for the implementation and management of the GWR Project. Each committee will consist of members from both the LADWP and LASAN.

Capital Costs and Reimbursement – The Guaranteed Maximum Price as submitted by the contractor is \$660 million. The LADWP and LASAN agreed that an additional \$80 million would be included in the Agreement to address contingency costs. Under the Agreement, the LADWP agrees to reimburse the Bureau up to \$740 million for the various project components budgeted as follows:

- Construction of the AWPf (\$495 million);
- Design and Construction of an EQ Facility (\$130 million);
- Construction of a Maintenance WF (\$20 million);
- Construction of the JGE Bypass (\$15 million); and,
- Contingency funding (\$80 million).

To date, approximately \$398 million in external funding has been secured, including \$224 million from a Water Infrastructure Finance and Innovation Act Loan and \$139 million from the Metropolitan Water District of Southern California. The remaining \$342 million will be provided by the LADWP's Water Revenue Fund. Additional detail regarding capital costs can be found in Section Six/Page 10 of the Agreement.

Operations and Maintenance - Construction of the GWR Project is estimated to begin in 2028. Following the completion of construction and the start of the O&M of the GWR Project, the LADWP will reimburse LASAN for actual O&M costs. The O&M rate will be determined on an annual basis and reconciled each year. Reimbursement from the LADWP to LASAN for O&M funding will be based on the amount of recycled water produced compared to the annual production goal according to the table found on Section 8.6/Page 17 of the Agreement. Notably, if the amount of recycled water produced is equal to or greater than 90 percent of the annual production goal, the LADWP agrees to provide 100 percent of the reimbursement for labor costs. The annual production goal will be determined on an annual basis by the DCTWRP Plant Manager.

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 until the date of termination.

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 Agreement provides for LASAN to be the contracting entity for the GWP Project. As such, in accordance with Charter Section 1022, LASAN submitted a request for a 1022 Determination to the Personnel Department. In August 2018, the Personnel Department determined that as City forces cannot perform the work intended for contracting, it was more feasible to contract for the work related to the GWR Project. In September 2019, the Council approved Ordinance No. 185751 which allowed for the GWP Project to be a design-build project. Also 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. 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. Once the LADWP Board approves the Agreement, LASAN will seek simultaneous approvals by their Board of Public Works and submit the approved Agreement for Executive Directive 3 review. Assuming the Agreement for both departments is approved in September 2024, construction for the GWR Project could begin in October 2024.

FISCAL IMPACT STATEMENT

Approval of the proposed Resolution and Agreement WR-24-1000 with 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 \$740,000,000 is funded by the LADWP's Water Revenue Fund. Estimated operation and maintenance costs of the GWR Project is currently estimated to be \$33,000,000 and will be budgeted on an annual basis from the LAWDP's Water Revenue Fund and reconciled from actual costs provided by the Department of Public Works Bureau of Sanitation. The recommendations in this report comply with LADWP Financial Policies.

MWS:PJH:JVW:IR/jpq:10250041

Attachment – June 26, 2024 Correspondence from LADWP, Proposed Resolution, and Agreement WR-24-1000.

June 26, 2024

The Honorable Karen Bass
Mayor, City of Los Angeles
Room 303, City Hall
Mail Stop 370

Attention: Ms. Heleen Ramirez, Legislative Coordinator

Dear Mayor Bass:

Subject: Agreement No. WR-24-1000 between LADWP and the Los Angeles Department of
Public Works Bureau of Sanitation and Environment for the Groundwater
Replenishment Project

In accordance with Executive Directive No. 4, enclosed is a copy of a Board letter and supporting documents recommending approval and transmittal to the Los Angeles City Council of Agreement No. WR-24-1000 between the Los Angeles Department of Water and Power and the Los Angeles Department of Public Works Bureau of Sanitation and Environment for the Groundwater Replenishment Project

It is respectfully requested that your review be completed as soon as possible. Once the required City Administrative Officer report has been received, the matter will be scheduled for action by the Los Angeles Board of Water and Power Commissioners, the Los Angeles Board of Public Works, and forwarded to the Los Angeles City Council for final consideration.

Please contact Mr. Paul Habib, Interim Director of Legislative and Intergovernmental Affairs at (213) 367-3846 upon completion of the review, if the review will take longer than 30 days, or if there are any questions regarding this item.

Sincerely,



Janisse Quiñones
Chief Executive Officer and Chief Engineer

GV:lj

Enclosures

c/enc: Mr. Luis Gutierrez, Office of the Mayor
Dr. Frederick H. Pickel, Office of Public Accountability
Board of Water and Power Commissioners
Mr. Paul Habib