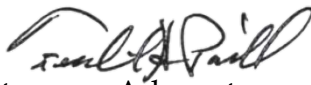


REPORT FROM

OFFICE OF PUBLIC ACCOUNTABILITY

Date: July 8, 2024

To: The Board of Water & Power Commissioners
Janisse Quiñones, Chief Executive Officer and Chief Engineer
Department of Water & Power

From: Frederick H. Pickel, Ph.D., Executive Director/Ratepayer Advocate 

Reference: Agreements regarding the Stormwater Capture Parks Program in DWP
Board Agenda of July 9, 2024, Items O.8, O.9, and O.10

RECOMMENDATION

OPA believes that the proposed Stormwater Capture Parks Program (Program) is not cost-effective as a water source of supply, and as such would have an unreasonable rate impact on DWP customers.

OPA recommends that the Board of Water & Power Commissioners (Board) defer approval of the Memorandum of Agreement (MOA) until receiving a full disclosure of the Program water supply and the community benefits. A full disclosure would include:

1. The estimated unit water supply cost of each individual Program project;
2. An itemization of the community benefits in the Program and the total Program costs that are not directly associated with water supply benefits.

Also, OPA recommends that:

- No individual project be contracted to start until a cost/benefit ratio of 1.0 or less is achieved based on a firm construction bid price and irrevocable grant money commitments.
- DWP provides a periodic report, at least twice per year, to the Board on the progress of the Program, showing grants in-hand for DWP Program and specific projects and the current cost/benefit ratio for the Program and the specific projects.

DISCUSSION

1. Program Costs

The original 2018 Program preliminary costs were based on nine projects totaling \$231 Million for 2,912 acre-feet per year (AFY) of groundwater infiltration capacity. On and around 2020, most of the projects were selected for irrevocable grant funding by Los Angeles County Measure M Safe, Clean Water Program; these seven successful projects reduced the estimated Program costs to \$149 Million for 1,701 AFY of capacity. Subsequent detailed designs by the Bureau of Engineering identified the current Program cost of \$298 Million for 1,800 AFY. DWP's multi-beneficial Program has been successful in securing almost \$90 Million in irrevocable award grants from LA County's Safe, Clean Water Program (SCWP). DWP also has \$75 Million in competitive grant applications which if received may reduce the Program net capital costs to \$133 Million.

2. Program Benefits

The proposed MOA does not quantify benefits. However, OPA estimates, based on the newly available information, that the unit cost of Program water created for infiltration is more than \$2,300 per Acre-Foot (AF) with the irrevocable SCWP grants, and more than \$1,500 with all potential grants. In contrast, the unit cost of MWD treated water is \$1,450. Of the seven projects, several appear to have site conditions for optimizing stormwater infiltration capacity better than the others. Nonetheless, with only assured grants included in net Program costs, the proposed Groundwater Replenishment (GWR) Project at the Tilman Water Reclamation Plant has a better cost/benefit ratio than any individual project. Calculations on the following page provide key details.

The proposed Program MOA qualitatively refers to benefits, including "long-term reliability of the City's local groundwater supply...improve water quality...enhance recreational space; provide social, economic, and environmental benefits..." Moreover, certain DWP grant applications to Measure M detail recreational benefits as part of the multi-beneficial approach to securing grants. For example, the David M. Gonzales Recreation Center Stormwater Capture Project application specified: "The Project will include... a new natural turf soccer field, playground, basketball court, handball court, baseball fields, and LED lighting... planting a series of trees... the Project will strengthen the community from the inside out."

OPA supports Los Angeles community park improvements but does not concur with DWP utility ratepayer funding of city parks, especially with projects that have higher water supply costs than their equivalent alternative.

3. Construction Schedule and Contracting Conditions

The projects are primarily underground construction of large water vaults in parklands. Construction delays are typical in excavations, and the seven independent project sites create

complex project delivery coordination. The Program construction is starting in 2025 with planned completion before the 2028 Los Angeles Olympics. It is likely that construction labor resources will be stressed due to this pre-Olympic period. With delays, construction costs will increase when the pace of construction is accelerated to avoid the possibility of active construction pits in City parks during the Olympics.

The proposed MOA includes standard construction terms and conditions that create significant financial liabilities to DWP if the subterranean construction is suspended without completion due to unanticipated subsurface conditions. These construction terms and conditions can be modified to better reflect the project specifics.

4. Conclusions

The proposed Stormwater Capture Parks Program is not cost-effective and will have an unreasonable rate impact on DWP customers compared to currently available supplies and to the proposed GWR Program. DWP might attract Proposition 218 legal challenges for funding park improvements, and delays in project completion could interfere with public access to City parks during the 2028 Olympics. Finally, the use of standard construction terms and conditions in the proposed MOA may exposure DWP to unnecessary financial liability if construction is suspended.

If the Board proceeds with the Program, OPA recommends that every individual Park project be authorized to proceed only if it becomes cost-effective. The cost-effectiveness should be based on guaranteed cost construction bids and irrevocable grant guarantees that fix each project cost/benefit ratio to 1.0 or less. Projects not reaching that threshold should be cancelled.

Stormwater Capture Parks Program Cost Benefit Estimate - Updated

Park	Water Capture (AFY)	Project Capital Cost per Proposed MOA	Irrevocable SCWP Awards	Potential/ Revocable Grants	Total Grants	Net Potential Project Capital Cost	Unit Capital Unit Costs (\$/AF)	
							Cost net of SCWP Grants	Potential Net Capital Cost
David Gonzales Park	362	\$ 65,200,000	\$ 33,371,000	\$ -	\$ 33,371,000	\$ 31,829,000	\$ 87,949	\$ 87,949
Fernangeles Park	203	\$ 42,900,000	\$ 8,361,000	\$ 17,070,000	\$ 25,431,000	\$ 17,469,000	\$ 169,997	\$ 85,980
Strathern Park North	311	\$ 41,900,000	\$ 9,279,000	\$ 13,927,000	\$ 23,206,000	\$ 18,694,000	\$ 104,853	\$ 60,088
Valley Plaza Park North	480	\$ 62,700,000	\$ 18,500,000	\$ 22,747,000	\$ 41,247,000	\$ 21,453,000	\$ 92,002	\$ 44,654
Whitsett Fields Park	159	\$ 32,500,000	\$ 8,393,000	\$ 910,000	\$ 9,303,000	\$ 23,197,000	\$ 151,874	\$ 146,141
Valley Plaza Park South	143	\$ 32,300,000	\$ 7,947,000	\$ 12,583,000	\$ 20,530,000	\$ 11,770,000	\$ 170,471	\$ 82,390
Valley Village Park	142	\$ 20,200,000	\$ 3,177,000	\$ 8,000,000	\$ 11,177,000	\$ 9,023,000	\$ 120,050	\$ 63,632
Total Program	1,800	\$ 297,700,000	\$ 89,028,000	\$ 75,237,000	\$ 164,265,000	\$ 133,435,000	\$ 115,929	\$ 74,131

	Lifetime Water Supply Costs		MWD Water Cost (\$/AF, 2024)	Cost/ Benefit Ratios	
	Cost net of SCWP Grants	Potential Net Capital Cost		Ratio net of SCWP Grants	Potential Ratio
David Gonzales Park	\$1,811	\$1,811	\$1,450	1.2	1.2
Fernangeles Park	\$3,500	\$1,770	\$1,450	2.4	1.2
Strathern Park North	\$2,159	\$1,237	\$1,450	1.5	0.9
Valley Plaza Park North	\$1,894	\$919	\$1,450	1.3	0.6
Whitsett Fields Park	\$3,127	\$3,009	\$1,450	2.2	2.1
Valley Plaza Park South	\$3,510	\$1,696	\$1,450	2.4	1.2
Valley Village Park	\$2,472	\$1,310	\$1,450	1.7	0.9
Total Program	\$2,387	\$1,526	\$1,450	1.6	1.1

Capital costs are per the 2024 proposed MOA. A 50 year service life is assumed. A 5% escalation and discount rate is applied.

Annual Stormwater Capture (SW Cap per AFY) is per the 2018 estimates; current program

The potential/revocable grant applications include \$65.5 million in Caltrans and \$5 million in State BOR WaterSMART funds.

The unit cost of Alternative MWD supplies is based on \$1,450/AF deliveries over 50 years with 5% annual inflation