



RESOLUTION NO. _____

BOARD LETTER APPROVAL

Ann M. Santilli
Ann M. Santilli (Feb 13, 2025 14:58 PST)

ANN M. SANTILLI
Chief Financial Officer

Anselmo G. Collins

ANSELMO G. COLLINS
Senior Assistant General Manager
Water System

Janisse Quiñones

JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

DATE: February 10, 2025

SUBJECT: Transmittal of Preliminary Fiscal Year 2025-2026 LADWP Budget to the Los Angeles City Council – Water Revenue Fund Receipts and Appropriations Budget and Associated Schedules

SUMMARY

Submitted to the Board of Water and Power Commissioners (Board) for consideration is a Resolution authorizing LADWP to transmit the preliminary Fiscal Year (FY) 2025-2026 LADWP Water Revenue Fund Receipts and Appropriations budget and associated schedules to the Los Angeles City Council (Council), as required by City Charter Section 684. Estimated appropriations for FY 2025-2026 total \$3.23 billion or \$2.46 billion, net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board adopt the attached Resolution authorizing the transmittal of the preliminary FY 2025-2026 LADWP Water Revenue Fund Receipts and Appropriations budget and associated schedules to the Council with the understanding that the LADWP will submit to the Board changes from this preliminary budget through the final budget by May 31, 2025.

FINANCIAL INFORMATION

The Water Revenue Fund Preliminary Budget incorporates expenditures for the Water System, including the share of expenditures associated with the Joint System and Power Revenue Fund that support Water System functions. Estimated appropriations for FY 2025-2026 total \$3.23 billion. Net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations are \$2.46 billion.

BACKGROUND

Development of the FY 2025-26 Preliminary Budget is subject to further analysis and refinement culminating in the submission of the final budget in May 2025. The FY 2025-2026 preliminary budget reflects pass-through rates that would continue to adjust for, in part, variable and uncontrollable costs including infrastructure investments, continuing water quality improvements and purchased water from the Metropolitan Water District. The final budget will include refined water supply costs based on the snowfall through the end of the winter season.

The LADWP continues to emphasize cost control and fiscal discipline across all programs and performance metrics reporting contributing to greater cost efficiency and accountability. The FY 2025-2026 funding priorities reflect continued investment to comply with mandates, upgrade aging infrastructure, and create a more sustainable and local water supply.

Some of the proposed budget highlights are as follows:

Replace Aging Infrastructure: Total \$738.1M (*Capital \$542.7M and O&M \$195.4M*)

Ensuring reliable water for domestic use and fire protection, and replacement and repair of water pipelines and other water system facilities are critical priorities for the Water System. To address these priorities, the Water System has developed and continues to update the Water Infrastructure Program (WIP). To support the WIP, the Water System is developing an Asset Management process to assess the reliability of aging distribution mainlines, trunk lines, pump stations, pressure regulating stations, tanks, reservoirs, aqueducts, and meters and services and plan for appropriate ongoing maintenance and operations.

Water Quality Program: Total \$425.4M (*Capital \$254.7M and O&M \$170.7M*)

Planned water quality capital projects will continue to fund investments in FY 2025-2026 that develop the high quality water through the reservoir covers, bypasses, trunk line replacement, and regulatory compliance for construction, operation and maintenance, equipment, and supplies for facilities and systems, and meet State and Federal water quality standards. In order to leverage those investments, Water System pursues

available external funding for qualifying projects. The Water System has been awarded \$309.9 million in Proposition 1 Groundwater Grant Program grants for the planning, design, and construction of the North Hollywood Central; North Hollywood West; Tujunga; and Southern San Fernando Groundwater Basin Wellfields Remediation Projects. In addition, Water System currently has three active low-interest Safe Drinking Water State Revolving Fund agreements for \$215,947,000 in low-interest financing for infrastructure and treatment projects required to comply with federal drinking water regulations.

Local Water Supply and Conservation: Total \$354.2M (Capital \$187.9M and O&M \$166.3M)

Currently, the LADWP receives its water supply from four sources:

1. Owens Valley and Mono Basin via the Los Angeles Aqueduct
2. Pumping groundwater in the San Fernando Groundwater Basin, the Sylmar Basin, and the Central Basin
3. Recycled water
4. Purchases from the Metropolitan Water District of imported water delivered through the Colorado River Aqueduct and the California Aqueduct

To ensure long term reliability, resilience and low-costs, the Water System is investing in increased local supply and conservation. Investments include increased stormwater capture capability, and long-term recycled water strategies.

Water System has continued to successfully secure external funding for its water supply and conservation projects and programs. To date, Water System has been awarded the following from various State of California funding programs:

- Institutional Water Use Efficiency Loan Program: \$3 million zero-interest loan
- Integrated Regional Water Management Grant Program:
 - Whitsett Park Stormwater Capture Project: \$1 million grant
 - Strathern Park Stormwater Capture Project: \$786,000 grant
- State Highway Operation and Protection Program Stormwater Mitigation Program:
 - Fernangeles Park Stormwater Capture Project: \$17.1 million grant
 - Strathern Park North Stormwater Capture Project: \$13.1 million
 - Valley Plaza Park North Stormwater Capture Project: \$22.7 million
 - Valley Plaza Park South Stormwater Capture Project: \$12.6 million
- Stormwater Grant Program:
 - Tujunga Spreading Grounds Enhancement Project: \$7 million grant
 - Valley Village Stormwater Capture Project: \$3 million grant

- Urban Community Drought Relief Grant Program:
 - Dominguez Gap Second Connection Project: \$4.5 million grant
 - Landscape Efficiency Assistance Program: \$14.6 million grant
- Water Recycling Funding Program:
 - Griffith Park South Water Recycling Project: \$9.1 million grant
 - LA Groundwater Replenishment Initial Phase-Ozone Demonstration Project: \$1 million grant

At the local level, Water System has also been awarded a total of \$89 million in grant funds from the County of Los Angeles' Safe Clean Water Program for its Stormwater Capture Parks Program.

At the federal level, Water System has received preliminary notification of award for the following grants from the U.S. Bureau of Reclamation:

- Drought Resiliency Projects Grant Program: \$5 million grant for Valley Village Stormwater Capture Project
- Large-Scale Water Recycling Grant Program: \$60 million grant for Los Angeles Groundwater Replenishment Project

Operating Support: Total \$345.3M (Capital \$150.0M and O&M \$195.3M)

Funding is for Water's share of the technology and system upgrades, cyber security investment, customer, meter, and billing services, in addition to insurance and legal services.

Owens Valley Regulatory: Total \$75.3M (Capital \$27.9M and O&M \$47.4M)

These investments allow LADWP to continue meeting air quality and other regulatory requirements in the Owens Valley.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(1). In accordance with this section, an activity is not subject to CEQA if it does not involve the exercise of discretionary powers by a public agency. Transmitting budget information to Los Angeles City Council is not an action subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Cover Letter to the City Administrative Officer
- LADWP's Strategic Plan
- Preliminary Water Revenue Fund Receipts and Appropriations
- Water Revenue Fund Capital Improvement Program
- Water Revenue Fund Salaries and Authorized Number of Positions (based on Annual Personnel Resolution)
- Preliminary Retirement, Disability, and Death Benefit Insurance Plan
- Federal and State Grant Funding Estimates