



- **Board of Directors**  
***Engineering, Operations, and Technology Committee***

10/14/2025 Board Meeting

---

8-1

## Subject

---

Appropriate an additional \$30 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26, increasing the biennial CIP appropriation to \$666.48 million; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

## Executive Summary

---

In April 2024, Metropolitan's Board appropriated \$636.48 million for projects identified in the Capital Investment Plan (CIP) for fiscal years (FYs) 2024/25 and 2025/26. An increase in funding for the current biennium would allow Metropolitan to address known vulnerabilities to Metropolitan's conveyance, distribution, and treatment systems by awarding additional construction contracts in the remainder of the current fiscal year.

This action approves and appropriates an increase of \$30 million to the CIP appropriation for FYs 2024/25 and 2025/26 for a new biennium amount of \$666.48 million. This action is consistent with Metropolitan's Administrative Code, which states that the General Manager must request that the Board appropriate additional CIP funding if total expenditures are expected to exceed the appropriated amount. If approved, work on the additional construction contracts awarded in this biennium will continue into the next biennium. As a result, approximately \$950 million to \$990 million in CIP funding would be required in the next biennial budget to fund construction contracts ongoing at the start of the next biennium. This is approximately \$262 million to \$302 million more than the amount currently assumed in the 10-year CIP expenditure plan. Without the increase in funding for the CIP as described in this letter, work on critical infrastructure projects would be deferred until sufficient funding is available in subsequent budgets.

## Proposed Action(s)/Recommendation(s) and Options

---

### Staff Recommendation: Option #1

#### Option #1

Appropriate an additional \$30 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26, increasing the biennial CIP appropriation to \$666.48 million.

**Fiscal Impact:** This action will increase the CIP appropriation for the FY 2024/25 and FY 2025/26 biennial budget to \$666.48 million. However, if some of the invoices are not able to be processed before June 30, 2026, some of the \$30 million may be carried over to the FY 2026/27 budget. The additional \$30 million for FY 2025/26, if approved, will be funded from unrestricted reserves. While the increased CIP appropriation will not impact rates in the current year, the award of additional construction contracts in FY 2025/26 will add approximately \$262 million to the FY 2026/27 and FY 2027/28 biennial budget, which will need to be financed through long-term debt. The resulting annual debt service of about \$17 million is expected to increase rates by roughly one percent over the next biennium.

**Business Analysis:** This option will enable the continued efficient management of the CIP and timely execution of needed refurbishment and replacement (R&R) projects.

**Option #2**

Do not increase the budget for the Capital Investment Plan for FYs 2024/25 and 2025/26 at this time.

**Fiscal Impact:** None

**Business Analysis:** Under this option, staff would defer contractor awards until the next fiscal year begins in July 2026. This effectively reduces the amount of new work that can be conducted in the current biennium and defers needed R&R projects increasing the risk of unplanned maintenance.

**Alternatives Considered**

---

Staff initially sought to identify opportunities to reduce the CIP expenditures and minimize any fiscal impact by modifying project scopes or deferring projects. However, continuing to defer refurbishment projects increases safety risks and the frequency of failures, potentially disrupting essential water deliveries. The recommended alternative to increase the biennium budget by approximately five percent to address conveyance, distribution, and treatment vulnerabilities will protect Metropolitan's assets and enhance delivery reliability to member agencies.

**Applicable Policy**

---

Metropolitan Water District Administrative Code Section 2431: Engineering and Operations Committee Duties and Functions

Metropolitan Water District Administrative Code Section 5108: Appropriations

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Administrative Code Section 5108: Appropriations

**Related Board Action(s)/Future Action(s)**

---

By Minute Item 53598, dated April 9, 2024, the Board appropriated a total of \$636.48 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/2025 and 2025/2026.

By Minute Item 54133, dated June 24, 2025, Capital Investment Plan Process (Information Item).

Committee Item dated August 18, 2025, Increase of funding for the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26 (Information Item).

**California Environmental Quality Act (CEQA)**

---

**CEQA determination for Option #1:**

The proposed actions are not defined as a project under CEQA because they involve the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project, which may result in a potentially significant physical impact on the environment (State CEQA Guidelines Section 15378(b)(4)).

Metropolitan, as the Lead Agency, will be responsible for complying with the requirements of CEQA and the State CEQA Guidelines for each project that meets the CIP criteria prior to final approval of that project. As preliminary work and design on CIP projects proceed, Metropolitan staff will conduct any necessary CEQA review and prepare the appropriate environmental documentation for consideration and approval by the Board or the General Manager, as appropriate.

**CEQA determination for Option #2:**

None required

**Details and Background**

---

**Background**

As part of Metropolitan's budget process, staff develop a recommended two-year budget expenditure plan for the CIP. At the time the two-year budget is adopted by the Board, projections for the 10-year CIP expenditure plan

are also established. The budget and expenditure plan for the CIP are reflected in the CIP Appendix and included in Metropolitan's overall two-year budget and associated budget documents. Following approval of the biennial budget, the Board also takes action to appropriate the funds necessary to fund the CIP in the upcoming biennium. In addition, the Board authorizes the General Manager to initiate or proceed with work on capital projects identified in the CIP Appendix, subject to the requirements of CEQA and the limits of the General Manager's authority. This approach to appropriating funds for the CIP and authorizing the General Manager to conduct work has been in effect since October 2018. Since then, staff have utilized the streamlined approach to efficiently perform work on the CIP, resulting in a higher percentage of planned CIP work being conducted in a biennium compared to the prior authorization practices.

In June and August 2025, staff presented information and conducted a workshop with the Board on the need to increase current and future CIP appropriations. These items provided a broad overview of Metropolitan's aging water infrastructure systems and the projects competing for CIP funds. Approximately 80 percent of the 500 projects in the CIP aim to mitigate an undesirably high risk to reliable water delivery or safety. Staff also described how, after a severe state-wide drought and resulting low allocation of State Water Project (SWP) supplies, Metropolitan fast-tracked a series of projects in 2021 to make supply availability improvements for service areas that depend exclusively on water deliveries from the SWP. In addition, staff described how the rapid deterioration of infrastructure has required shifting of CIP funding to address urgent projects, including the Urgent Allen McColloch Pipeline Prestressed Concrete Cylinder Pipe Rehabilitation and Garvey Reservoir Improvements. These combined project interests have resulted in the deferment of rehabilitation projects, which increases the risk of failures that could potentially disrupt essential water delivery services.

Before the 2020/2022 budget cycle, Metropolitan's CIP budget had been held constant at approximately \$500 million per biennium for eight years or four budget cycles. In the FY 2022/23 and 2023/24 biennium, CIP appropriations increased to \$625 million to address aging infrastructure. In the current FY 2024/25 and 2025/26 budget, the CIP was increased by 1.8 percent to \$636.48 million to address inflation.

The CIP includes a mix of projects that support Metropolitan's strategic plan and financial targets. However, under current CIP funding levels, significant inflationary trends, supply chain disruptions, and the significant backlog of critical infrastructure work needing refurbishment place at risk Metropolitan's commitment to identify, assess, and reduce potential vulnerabilities to Metropolitan's system, operations, and infrastructure.

### **Proposed Capital Investment Plan Appropriation Increase for the Current Biennium**

An increase in capital expenditures is required to adequately implement needed CIP projects that will ultimately reduce Metropolitan's risk exposure and ensure the reliability of its aging critical systems. Staff have identified several industry-wide metrics from the American Water Works Association and other asset management organizations to determine the appropriate level of increased CIP funding. These metrics indicate that Metropolitan should be investing in R&R projects related to its existing infrastructure, at a minimum of 1-to-1.1 percent of its asset replacement value, which is estimated at approximately \$46 billion. This equates to a biennial CIP budget ranging from \$920 million to \$1.4 billion. Recently, Metropolitan's capital investments have been well below these ranges. The lower level of spending results in a lack of progress on key R&R projects which can result in reduced operational flexibility, increased costs due to urgent repairs, and an increased reliance on field staff to perform unplanned corrective maintenance. Increases in the CIP appropriation should also include the funds needed to advance projects such as drought-resiliency and others that support Metropolitan's strategic priorities.

Per Metropolitan's Administrative Code Section 5108(e), "If, during the biennial budget period, the total Capital Investment Plan expenditures are expected to exceed the appropriated amount, the General Manager shall request that the Board appropriate additional funding and submit a report supporting said request."

This action appropriates an additional \$30 million for projects identified in the CIP for FYs 2024/25 and 2025/26, increasing the CIP appropriation to \$666.48 million. With this level of funding, staff can award contracts and initiate work on a greater number of the critical refurbishment and rehabilitation projects highlighted in **Attachment 1**, Potential Key Contract Awards for Fiscal Year 2025/2026. Without a CIP increase, most of these projects will be deferred until they can be accommodated within future approved biennial budgets.

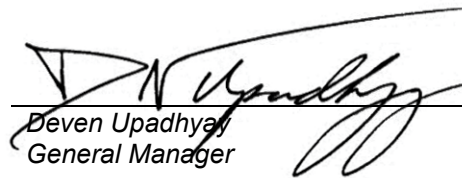
An increase in the current biennium and subsequent contract awards will impact the next biennium's CIP budget, currently estimated to be \$688 million. Most of the costs incurred under contracts awarded in the second year of this biennium will be spent in the upcoming years. As such, staff estimates that the anticipated recommended FYs 2026/27 and 2027/28 budget will be approximately \$950 million to \$990 million. The increased costs will need to be financed through long-term debt.



Mai M. Hattar  
Chief Engineer  
Engineering Services

10/6/2025

Date



Deven Upadhyay  
General Manager

10/6/2025

Date

#### **Attachment 1 – Potential Key Contract Awards for Fiscal Year 2025/2026**

Ref# es12702050

**The Metropolitan Water District of Southern California**  
**Potential Key Contract Awards for Fiscal Year 2025/2026**

<b>Contracts under \$10 million</b>	<b>Contracts \$10 to \$70 million</b>	<b>Contracts over \$70 million</b>
Cabazon Radial Gate Facility Rehabilitation	Copper Basin Discharge Valve Replacement	Garvey Reservoir Rehabilitation
Diemer Chemical Feed Facility Improvements	CRA Pumping Plants Sump Piping Rehabilitation	Sepulveda PCCP Rehabilitation – Reach 2
San Diego Canal Radial Gates Replacement	Eagle & Hinds Pumping Plants Utilities Replacement	Sepulveda Feeder Pump Stations
	Foothill Pump Station/Inland Feeder Intertie	
	Gene & Iron. Mountain Utilities Replacement	
	Jensen Security Upgrades	
	Lakeview Pipeline Stage 2 Rehabilitation	
	Weymouth Administration Building Seismic Upgrade	