



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

9/10/2024 Board Meeting

8-2

Subject

Authorize an amended and restated agreement with the Los Angeles County Sanitation District for shared implementation of the advanced water purification facility for Pure Water Southern California; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In November 2015, Metropolitan's Board authorized an agreement with the County Sanitation District No. 2 of Los Angeles County (Sanitation District) to implement a demonstration project and establish a framework of initial terms and conditions for the joint development of a large-scale regional recycled water supply program. This agreement was amended in November 2020 to include certain provisions related to cost-sharing, in-kind technical studies, and public outreach efforts in support of the environmental planning phase for the Pure Water Southern California Program (PWSC).

Both parties initially envisioned that Metropolitan would have responsibility for most of the treatment facilities related to the large-scale program. The key treatment facilities under Metropolitan's scope of work at that time included the membrane bioreactor (MBR), reverse osmosis (RO), and ultraviolet with advanced oxidation process (UV/AOP). Metropolitan and the Sanitation District have recently collaborated to prepare an amended and restated agreement (Restated Agreement) to document a revised set of shared responsibilities to produce purified water for PWSC and align each agency's participation in the program with its expertise and organizational mission.

Under the revised approach, the Sanitation District would be responsible for the design, construction, and operation of pre-treatment and nitrogen management facilities, including the MBR process. Metropolitan would be primarily responsible for advanced water treatment downstream of the MBR, including RO and UV/AOP. The proposed Restated Agreement also would provide for Sanitation District staff to assist in operating the Grace F. Napolitano Pure Water Southern California Innovation Center (NIC) to obtain experience for full-scale MBR operation. Furthermore, the Restated Agreement would define the sharing of grant funds and each party's obligation to provide matching funds for grants received for PWSC. As a result, Metropolitan's overall program costs would be reduced as the Sanitation District will implement additional treatment facilities when compared to the original arrangement.

The Restated Agreement also would establish sharing of grant funding between the two agencies. Up to \$1 million of the United States of Reclamation (USBR) WaterSMART \$5 million planning grant funds will be allocated to the Sanitation District for preliminary design of the sidestream centrate treatment facility. A portion of the \$80 million state funds Metropolitan received in December 2022 for PWSC planning would be shared with the Sanitation District for planning and design of the pre-treatment facilities. Finally, the Sanitation District would also receive a portion of the USBR Large-Scale Water Recycling Project (LSWRP) grant award to support planning and design activities related to the pre-treatment and nitrogen management facilities following the terms outlined in the Restated Agreement. The Sanitation District would contribute the associated matching funds for its

portion of the cost-share obligation for the LSWRP grant. This also would proportionally reduce Metropolitan's cost-share obligation.

This action authorizes a Restated Agreement with the Sanitation District to establish roles and responsibilities for the development of PWSC, including design of treatment facilities, joint operation of NIC, operator training, and sharing of grant funds.

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

Staff Recommendation: Option #1

Option #1

Authorize an amended and restated agreement with County Sanitation District No. 2 of Los Angeles County for shared implementation of Pure Water Southern California.

Fiscal Impact: The Sanitation District will be responsible for funding the program costs for its portion of the treatment facilities. This would directly offset Metropolitan's program cost and share of matching funds should the Board authorize the amended and restated agreement.

Business Analysis: This option would establish roles and responsibilities for each agency and provide financial support to advance the development of PWSC.

Option #2

Do not authorize an amended and restated agreement with the County Sanitation District No. 2 of Los Angeles County for shared implementation of Pure Water Southern California.

Fiscal Impact: Metropolitan would require additional funds to advance the PWSC.

Business Analysis: This would forego the opportunity to share costs and responsibilities for treatment facilities implementation and leverage PWSC partner contributions to cover a significant portion of the cost-share obligation for the LSWRP grant. As a result, this would delay the development of a new water resource to address drought, climate change, and seismic risk.

Alternatives Considered

Several alternatives were considered for amending the existing agreement with the Sanitation Districts, including the extent of the Sanitation District's role and responsibilities in the development of the treatment facilities, as well as the timing to amend and restate the agreement.

Shared Implementation of the AWPf

The 2015 agreement and 2020 amendment between Metropolitan and the Sanitation District were based on Metropolitan taking the sole responsibility for the development and implementation of the AWPf. The Restated Agreement considers the Sanitation District's expanded role in AWPf implementation to share costs and responsibilities in the implementation of PWSC.

Timing of the Restated Agreement

Staff also considered deferring the Restated Agreement until Metropolitan's Board considers final approval of the PWSC. Board approval of PWSC and certification of the environmental documentation is anticipated in the second quarter of 2026. However, this would increase Metropolitan's planning costs and likely delay the Sanitation District's planning effort for the pre-treatment facilities.

To better align each agency's scope with its expertise and organizational mission, streamline the program schedule, and reduce Metropolitan's costs for the full-scale program, staff recommends amending and restating the existing agreement with the Sanitation District for shared implementation of the AWPf, joint operation of the NIC, and sharing of grant funds and cost-share obligations, while continuing to work with the Sanitation District on long-term commitments for the full implementation of PWSC. A future agreement is envisioned to detail the responsibilities of each agency for the full-scale program.

Applicable Policy

Metropolitan Water District Administrative Code Section 5108: Appropriations

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

By Minute Item 50299, dated November 10, 2015, the Board authorized an agreement with County Sanitation District No. 2 of Los Angeles County for development of a potential regional recycled water supply program and a demonstration project.

By Minute Item 52181, dated November 10, 2020, the Board authorized an amendment to an existing agreement with County Sanitation District No. 2 of Los Angeles County and a new agreement with Southern Nevada Water Authority to support continued evaluation and development of the Regional Recycled Water Program.

By Minute Item 53052, dated December 13, 2022, the Board authorized the General Manager to use \$80 million in funding from the State Water Resources Control Board and to commence activities related to the initiation of the Pure Water Southern California Program.

Summary of Outreach Completed

Metropolitan staff has collaborated with the Sanitation District to identify the respective design and operational responsibilities for the AWPf. Multiple meetings were conducted with the Sanitation District staff to discuss the scope of work, roles and responsibilities, technical parameters, and operational interfaces. As a result, the Sanitation District will assume responsibility for the planning, design, construction, and operation of the MBR and upstream pre-treatment facilities, while Metropolitan will assume primary responsibility for the planning, design, construction, and operation of treatment facilities downstream of the MBR and ancillary facilities. Shared implementation of the AWPf will result in cost-sharing and other mutual benefits to both agencies.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)). In addition, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities that 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)). Finally, the proposed action does not constitute an approval of the project for the purposes of CEQA. Environmental review will be completed prior to any decision by the Board which commits Metropolitan to the project. (State CEQA Guidelines Section 15352).

CEQA determination for Option #2:

None required

Details and Background

Background

Pure Water Southern California would reuse treated wastewater currently being discharged to the Pacific Ocean from the Sanitation District's A. K. Warren Water Resource Facility (Warren Facility) in the city of Carson. The treated wastewater would be further purified at a new AWPf located at the Warren Facility to produce up to 115 million gallons per day (mgd) of purified water in the first phase and up to 150 mgd at full build-out. Purified water would recharge regional groundwater basins through spreading facilities and injection wells, satisfy non-potable demands currently relying on imported water, and augment existing water supplies at two of

Metropolitan's existing water treatment plants. In addition to the treatment facilities, a new backbone conveyance system would extend from the city of Carson as far north as the city of Azusa and east to the city of La Verne to connect with Metropolitan's existing water treatment and distribution facilities as a form of direct potable reuse (DPR) through raw water augmentation. Staff is also developing options for additional DPR applications, including the potential for future use of treated water augmentation.

In November 2015, Metropolitan's Board authorized an agreement with the Sanitation District to implement a demonstration project and establish the initial terms and conditions for developing a regional recycled water supply program. The demonstration project was defined as having components such as a demonstration plant for testing advanced treatment processes, feasibility studies of the delivery system, and a financing plan for program funding. The terms and conditions for development of the demonstration project included (1) location and capacity of the testing facility; (2) design and construction; (3) ownership and operation; (4) removal of facilities; (5) permitting and authorization; (6) utilities; (7) source water obligation and facilities; (8) distribution and use of purified water; and (9) pursuit of grant and loan funding. The terms and conditions for development of a full-scale program included (1) the design, construction, permitting, and operation of a full-scale AWWPF; (2) source water control and obligations; (3) distribution and use of purified water; (4) disposal of treatment residuals; (5) laboratory analyses and data sharing; and (6) pursuit of grant and loan funding.

In November 2020, Metropolitan's Board authorized an amendment to the existing agreement with the Sanitation District to include provisions related to cost-sharing, in-kind technical studies, and public outreach efforts in support of the environmental planning phase for the PWSC. With respect to cost-sharing, the amendment provided for reimbursement for the preparation of environmental documentation (equally split with Metropolitan for approximately \$2 million from the Sanitation District), engineering studies (equally split for Warren Facility-related consultant work for approximately \$2 million from the Sanitation District), and public outreach efforts (equally split with Metropolitan for approximately \$400,000 from the Sanitation District). In total, the Sanitation District agreed to contribute approximately \$4.4 million, which Metropolitan is using to offset the program cost by the same amount directly.

Key Terms – Los Angeles County Sanitation District Agreement Amendment and Restatement

Staff collaborated with the Sanitation District to prepare the Restated Agreement to define the roles and responsibilities of each agency. Changes to the current agreement are proposed primarily to revise the scope of work to increase the Sanitation District's treatment responsibility, provide for sharing of grant funds, and allow joint operation of the NIC, as explained below. The term sheet that provides details on these items is included in **Attachment 1**.

Implementation of PWSC Treatment Facilities - Revised Scopes of Work

Metropolitan and the Sanitation District are interested in shared implementation of the AWWPF, whereby the Sanitation District would be responsible for the pre-treatment and nitrogen management components of the AWWPF. This aligns each agency's participation with its expertise and mission. The Sanitation District's staff intends to present a proposed plan to its board this fall to authorize funding, management, and contract administration for design of these facilities. The work includes a connection to an existing secondary effluent channel, influent pump station, fine screening, MBR, sidestream centrate treatment, modifications to the Warren Facility's secondary treatment modules, and associated support facilities. Metropolitan would be primarily responsible for funding, management, and contract administration for design of the (1) AWWPF components downstream of the proposed MBR facility, including RO, UV/AOP, and post-treatment; (2) chemical feed systems; (3) clearwell and product water pump station; and (4) ancillary facilities. Metropolitan and the Sanitation District would share responsibilities for regulatory permitting, public engagement, program management, and other related work.

Use of Grant Funds

The Amendment also would establish sharing of grant funding between the two agencies. Up to \$1 million of the United States of Reclamation (USBR) WaterSMART planning grant funds will be allocated to the Sanitation District for preliminary design of the sidestream centrate treatment facility. In December 2022, Metropolitan's

Board authorized the acceptance of \$80 million in state funds to initiate PWSC activities, including program management, continuing demonstration testing, AWPf planning, and preliminary design of the first two pipeline reaches. Pursuant to the 2015 agreement with the Sanitation District, state funds allocated for treatment facilities will be shared with the Sanitation District to support planning and design activities for its portion of the treatment facilities.

Metropolitan worked with its congressional representatives to develop a new grant program that was created with the passage of the Bipartisan Infrastructure Law (P.L. 117-58, § 40905), known as the LSWRP. The Bipartisan Infrastructure Law was enacted on November 15, 2021. Metropolitan applied for an LSWRP grant in November 2023. In May 2024, the USBR notified Metropolitan of its intent to award up to \$99,199,096 in federal grant funds to Metropolitan to advance PWSC. Under current plans, the Sanitation District would receive a portion of the grant funds to support planning and design activities for its portion of treatment facilities. USBR requires three times the cost-share match from Metropolitan. The Sanitation District would contribute towards required matching funds to cover a portion of the cost-share in accordance with the terms that will be set forth in the Restated Agreement. PWSC partner contributions from the Sanitation District may also be used to cover a portion of the cost-share obligation for the LSWRP grant.

Operation of the NIC

The Sanitation District is interested in joint operation of the NIC to gain experience for full-scale MBR operation. Metropolitan would initially provide operator training for the Sanitation District’s staff. Metropolitan and the Sanitation District would share responsibilities and costs for the operation and maintenance of the NIC.

Next Steps

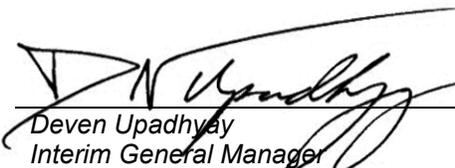
Staff will also work with the Sanitation District on a future agreement to further define each agency's roles and responsibilities for the full implementation of treatment and support facilities for PWSC, including agency governance, final design responsibilities, construction obligations, system operation, water quality, and other long-term agency commitments. The future agreement would replace the Restated Agreement that is the subject of this action and be brought to the Board for authorization after the terms have been negotiated.

Project Milestone

Early 2026 – Request the Board to consider a new agreement with the Sanitation District for the construction and operation of PWSC



Mai M. Hattar
Interim Manager/Chief Engineer
Engineering Services
8/26/2024
Date



Deven Upadhyay
Interim General Manager
9/3/2024
Date

Attachment 1 – Term Sheet for Amendment and Restatement for Agreement with the Los Angeles County Sanitation District

The Metropolitan Water District of Southern California

DRAFT Terms for Amended and Restated Pure Water Southern California Program (previously Regional Recycled Water Program) Agreement

General Provisions

- Parties
 - County Sanitation District No. 2 of Los Angeles County (Sanitation District)
 - Metropolitan Water District of Southern California (Metropolitan)
- Term
 - Terminates with the existing 2015 Agreement (no change) or when it is superseded by another agreement.
- Purpose
 - This amended and restated agreement (Restated Agreement) is intended to define the partnership and division of work for the treatment and support facilities located within the Warren Facility only.
- Conditions
 - Construction of the treatment facilities are conditioned upon completion and certification of a Final Environmental Impact Report (EIR) pursuant to the California Environmental Quality Act. No construction work described in this Restated Agreement will be awarded or performed prior to certification of the Final EIR.

Design and Construction Responsibilities

- Metropolitan
 - Pay for, manage, and serve as contracting authority for the design and construction of all advanced water treatment (AWT) facilities (i.e., downstream of the proposed membrane bioreactor (MBR)), including reverse osmosis, ultra-violet light/advanced oxidation process (UV/AOP), and all support facilities associated with AWT.
 - Pay for, manage, and serve as contracting authority for the design and construction of all ancillary facilities associated with the AWT, including but not limited to the laboratory, warehouse, parking facilities and electric vehicle charging stations, chemical facilities, and administration, maintenance, and operations buildings.
 - Manage and serve as contracting authority for the workforce training center and public outreach facilities, such as amphitheater, demonstration garden, and visitor center and tour galleries.
- Sanitation District
 - Pay for, manage, and serve as contracting authority for the design and construction of:
 - Sidestream centrate treatment facilities,
 - Pretreatment facilities upstream of AWT facilities including the connection to existing secondary effluent channel, influent pump station, fine screening facilities, MBR, and all ancillary facilities associated with pretreatment facilities (collectively referred to herein as "Pretreatment").
- Metropolitan and the Sanitation District
 - Share equally the cost of design and construction of the workforce training center and public outreach facilities.
 - Share site preparation costs as mutually agreed by both parties.

- Share proportional cost of design and construction of the main electrical power supplies facilities.

Owner's Advisor for PDB Contract of Pretreatment Facilities

- Metropolitan
 - Issue a task order to the Program Management Team of the AECOM Technical Services, Inc. and Brown and Caldwell joint venture (AECOM/BC) under the existing contract authorized by Metropolitan's Board of Directors, to provide the Sanitation District with "Owner's Advisor" services for the proposed Pretreatment facilities, including but not limited to preparation of PDB contract documents, evaluation of PDB proposals, and negotiations with qualified PDB contractors, and supporting Sanitation District staff with management of the PDB contract, through award of the GMP.
 - Submit quarterly invoice for costs incurred under this task to the Sanitation District.
- Sanitation District
 - Develop scope of work for the Program Management Team's task order for the proposed Pretreatment facilities, including defining key personnel and staffing requirements.
 - Lead and manage this task, including carrying out day-to-day activities and approval of work product and invoices from the Program Management Team.
 - Pay 100% of the costs of this task and pay invoices provided by Metropolitan within 30 days of receipt.

Operator Training and Joint Operation of Grace F. Napolitano Pure Water Southern California Innovation Center (NIC)

- Metropolitan
 - Provide initial training for Sanitation District's employees to learn the operations at NIC.
- Metropolitan and the Sanitation District
 - Share responsibility for the operation and maintenance of the NIC as mutually agreed by both Parties.
 - Each party will pay for all costs associated with their staff's work at the NIC. Operational costs currently covered by Metropolitan (e.g., chemicals, utilities) will continue to be paid by Metropolitan. Costs for special projects, maintenance, and repairs will be shared per mutual agreement of both Parties.
 - Personnel from each Party will abide by safety and emergency procedures established for the facilities.

Sharing of Grant Funding

- Metropolitan
 - Share a portion of the \$80 million appropriation by the State of California for tasks related to the Pretreatment and sidestream centrate treatment facilities.
 - Share up to \$1 million of the WaterSmart planning grant awarded by the Bureau of Reclamation (Bureau) to Metropolitan in September 2023 with the Sanitation District for preliminary design of the sidestream centrate treatment facility.
 - Share funds from any Large-Scale Water Recycling Project (LSWRP) grant awarded by the Bureau to Metropolitan with the Sanitation District for design of the Pretreatment and sidestream centrate treatment facilities.

- Metropolitan and the Sanitation District
 - Jointly pursue future grant and loan funding opportunities in support of the overall implementation of the full-scale project.
 - Share any grant and loan funding received based on the percentage of full-scale project facility design and construction costs contributed by each Party in support of the full-scale project.
 - Unless otherwise negotiated, each Party will keep 100% of any grant awarded if the grant was sought by either Party for elements of the full-scale project specific to facilities to be designed and constructed by the Party.