



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Committee Item INFORMATION

Engineering, Operations, and Technology Committee

8/19/2024 Committee Meeting

6b

Subject

Federal grant funding available from the U.S. Bureau of Reclamation to advance the Pure Water Southern California Program

Executive Summary

Metropolitan worked with its congressional delegation to create a new federal grant program to help advance large, regional recycled water projects. The Large-Scale Water Recycling Program (LSWRP) was included in the Bipartisan Infrastructure Law (P.L. 117-58, § 40905) enacted on November 15, 2021. Under that law, the U.S. Bureau of Reclamation (USBR) is authorized to issue grants that provide 25 percent in federal cost-sharing towards the planning, design, and construction of large-scale water recycling projects to develop local, drought-resistant water supplies.

Metropolitan applied for an LSWRP grant for planning and design activities for the Pure Water Southern California Program (PWSC) in November 2023 to help fund preliminary program work, which is currently estimated at \$500 million. In May 2024, USBR notified Metropolitan that its application was among those receiving the highest ratings and that USBR anticipated awarding up to \$99,199,096 in federal grant funds to Metropolitan. To receive this federal grant funding, USBR requires a resolution from Metropolitan's Board supporting the grant proposal and commitment to comply with the cost-share requirement. With this grant, Metropolitan can seek reimbursement for 25 percent of allowable planning and design costs during the term of the grant. Although permissible under program funding guidelines, Metropolitan's grant application did not request LSWRP funds for the core capital construction costs of PWSC, as the Board has not yet approved the PWSC as a program within the Capital Investment Plan (CIP).

Over the next several months, staff will work with USBR to develop the terms of the grant agreement. Staff anticipates that the terms of the agreement will provide Metropolitan flexibility on the timing and use of grant funds while ensuring that the Board's ability to take a future action(s) related to approval of the program is not compromised. With the current focus on program planning and early design activities, staff will manage the planned work and cashflow requirements of the grant match to ensure that funds provided by Metropolitan are derived from previously budgeted and board-approved funding sources. Going forward, Metropolitan will continue to pursue identifying and securing sources of matching funds so that additional funds from the LSWRP grant can be accessed. Staff plans to return to the Board for authorization in the fourth quarter of 2024, once discussions with USBR have been undertaken, to adopt a resolution to accept the LSWRP planning and design grant funding.

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

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 the development of a potential regional recycled water supply program and a demonstration project.

By Minute Item 52174, dated November 10, 2020, the Board authorized the preparation of environmental documentation and technical studies, and public outreach activities for the Regional Recycled Water Program.

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 grant funding from the State Water Resources Control Board and to commence activities related to the initiation of the Pure Water Southern California Program.

By Minute Item 53177, dated March 14, 2023, the Board authorized an agreement with Black & Veatch Corporation, Inc. in an amount not to exceed \$8 million for the preliminary design of conveyance Reach 1 of the Pure Water Southern California Program; and an agreement with HDR Engineering, Inc. in an amount not to exceed \$9 million for preliminary design of conveyance Reach 2 of the Pure Water Southern California Program; and adopted a resolution to support a grant application to the U.S. Bureau of Reclamation for water recycling and desalination planning and authorized the General Manager or a designated representative to accept the grant if awarded.

Details and Background

Background

PWSC 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 advanced water purification facility (AWPF) located at the Warren Facility to produce up to 150 mgd at full build-out. Staff currently envisions that PWSC will be implemented in multiple phases. 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 to establish the framework of terms and conditions for the development of a regional recycled water program, including the pursuit of grant and loan funding.

In December 2022, Metropolitan's Board authorized the acceptance of \$80 million in state funds to initiate pre-construction activities for PWSC. Metropolitan has received the entire \$80 million, and these budgeted funds are available to provide matching funds for the federal grant. An example of the work activities that have been undertaken with these funds include establishing the program management team, continuing demonstration testing, planning and preparation of a bridging document for Progressive Design Build (PDB) contracts for AWPF, coordinating with Southern California Edison, initiating term sheets with water districts and other partnering agencies, and conducting preliminary design of the first two pipeline reaches. Through June of 2024, Metropolitan has spent approximately \$20 million of these state-issued funds on PWSC for the efforts described above.

Federal Grant Funding for the Pure Water Southern California Program

Prior to the enactment of the Bipartisan Infrastructure Law, there was no federal grant program to support large regional water recycling projects at the scope and scale being considered by agencies like Metropolitan and the

City of Los Angeles. The existing USBR Title XVI water recycling program limited total federal funding to 25 percent of a project's costs or a maximum of \$20 million, whichever is lower. Metropolitan worked with its congressional delegation and lawmakers from the other Colorado River Lower Basin States (Arizona and Nevada) to develop the LSWRP. Lawmakers designed the LSWRP to provide federal assistance for this new generation of large, recycled water projects. Metropolitan testified before the House Natural Resources Subcommittee on Water, Oceans, and Wildlife in support of the LSWRP along with one of its partners, Southern Nevada Water Authority. The LSWRP was included in the Bipartisan Infrastructure Law and the program was provided with \$450 million in funding that USBR must obligate by November 2026.

In late 2023, USBR issued a Notice of Funding Opportunity for eligible applicants to apply for up to \$180 million for planning, design, and construction of large-scale water recycling projects to develop local drought-resistant water supplies. USBR's LSWRP provides for reimbursement of 25 percent of the total project costs.

In November 2023, Metropolitan applied for the LSWRP grant in the amount of \$125,472,855 for planning and design activities. The LSWRP grant would fund planning and design activities completed during the applicable grant period, which extends for three years from Metropolitan's application submittal date of November 21, 2023. External funding is particularly valuable during the planning and design phase of a project as debt financing is not an option.

In May 2024, USBR notified Metropolitan of its intent to award Metropolitan up to \$99,199,096 in LSWRP federal grant funding to advance the planning efforts for PWSC. With this grant, Metropolitan can seek reimbursement for 25 percent of up to approximately \$400 million of allowable planning and design costs during the term of the grant. This grant provides Metropolitan the opportunity to continue to advance PWSC's planning design work with federal funding in a manner that will allow the Board to have the information needed to consider approval of the full-scale project. Staff does not anticipate a grant structure that forces board actions to approve higher expenditure on the program to provide matching funds. Rather, the Board could simply allow use of currently budgeted funds to serve as a match while considering additional funds in the next biennium as the Board considers next steps on the program. Los Angeles County Sanitation District will also be conducting work on the program that will allow them to access funds under this grant.

Prior to entering into a grant agreement with USBR, Metropolitan's Board must adopt a resolution that (1) supports the proposal/application; (2) authorizes the General Manager to accept the grant funding; (3) delegates authority to the General Manager to enter into an agreement with USBR; (4) ensures Metropolitan is financially capable of providing the matching funds; and (5) states Metropolitan will work with USBR to meet established deadlines. Currently, staff anticipates that the grant funds will need to be drawn upon by November 2026.

In addition to the funds Metropolitan has budgeted for PWSC in the current biennium through utilization of state-issued funds, Metropolitan has also allocated approximately \$18 million in budgeted CIP funds for modifications to the Grace F. Napolitano Pure Water Southern California Innovation Center (NIC) for DPR testing that supports the ongoing full-scale program planning effort. Additionally, it is anticipated that the Sanitation Districts will make partner contributions that will count towards a portion of the grant's cost-share obligation. These three sources of funds will provide the initial source of matching funds for the LSWRP grant. Going forward, Metropolitan will continue to pursue identifying and securing sources of matching funds so that additional funds from the LSWRP grant can be accessed.

Anticipated planning and design activities for PWSC include the following: (1) evaluate existing infrastructure to convey pure water for DPR in the first phase of PWSC; (2) perform DPR and RO concentrate pilot testing, including operation of testing facilities; (3) initiate design of pre-treatment and nitrogen management facilities by the Sanitation District; (4) secure a PDB entity to initiate the design of the AWP; (5) perform the design of pipeline reaches and procure alternative delivery entities for various conveyance system contract packages (6) pursue property acquisition for groundwater recharge and pump station sites; (7) advance ongoing regulatory

permitting and public engagement; (8) assess key properties along pipeline alignment for potential acquisition, and (9) continue professional services for program management and other program-related work.

Next Steps

Staff will work with USBR to develop the terms of the grant agreement, with the objective of Metropolitan and USBR agreeing to terms that will provide Metropolitan flexibility on the timing and use of grant funds while ensuring that the Board's ability to take a future action(s) related to approval of the program is not compromised. Once these discussions with USBR are complete, staff will return to the Board for authorization to adopt a resolution to accept the LSWRP grant funding. With the current focus on program planning and early design activities, staff will manage the planned work and cashflow requirements of the grant match to ensure that funds provided by Metropolitan are derived from previously budgeted and board-approved funding sources. Staff is also actively negotiating with other PWSC partners to provide planning phase matching funds and will pursue other matching fund opportunities, so that additional funds from the LSWRP grant can be accessed.

Project Milestones

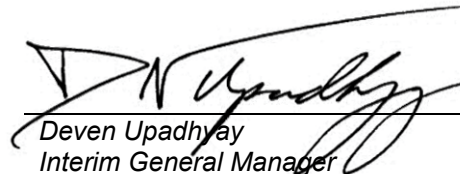
Fourth Quarter 2024 –Board action to adopt a resolution to accept the LSWRP grant funding for planning and design activities



Mai M. Hattar
Interim Manager/Chief Engineer
Engineering Services

7/30/2024

Date



Deven Upadhyay
Interim General Manager

8/1/2024

Date