



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

12/10/2024 Board Meeting

8-2

Subject

Authorize entering into one or more agreements to accept up to \$125,472,855 in grant funding from the United States Bureau of Reclamation through the WaterSMART Large-Scale Water Recycling Program for Pure Water Southern California; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan worked with its congressional delegation to create a new federal grant program to help advance large-scale, 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 (Reclamation) 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.

In November 2023, Metropolitan and the Los Angeles County Sanitation District applied for a \$125 million LSWRP grant to help fund planning and design activities for the Pure Water Southern California Program (PWSC). Although permissible under the LSWRP guidelines, Metropolitan's grant application did not request, and the award does not provide LSWRP funds for the core capital construction costs of PWSC. In May 2024, Reclamation notified Metropolitan of Reclamation's intent to award Metropolitan up to \$99,199,096. In May 2024, Metropolitan applied for another LSWRP grant, this time for approximately \$26 million, the amount not awarded based on Metropolitan's initial application. On November 15, 2024, Reclamation notified Metropolitan that it intends to award Metropolitan the additional requested funds. After receiving input from the Board, staff has worked with Reclamation to develop the terms for the agreement required for Metropolitan to receive the awarded federal funds.

Staff recommends that the Board authorizes the General Manager to enter into an agreement with Reclamation and accepts up to \$125,472,855 in LSWRP grant funding,

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

Staff Recommendation: Option #1

Option #1

Authorize entering into one or more agreements with the United States Bureau of Reclamation to accept up to \$125,472,855 in grant funding through the WaterSMART Large-Scale Water Recycling Program.

Fiscal Impact: Reimbursable expenditure of up to \$125,472,855 in LSWRP grant, including up to approximately \$22 million allocated for County Sanitation District No. 2 of Los Angeles County for their portion of the work during the Large-Scale Water Recycling Program grant period.

Business Analysis: This option would allow Pure Water Southern California to advance the delivery of new water sources in Southern California to augment regional supplies within Metropolitan's service area and enhance the region's operational resilience and reliability.

Option #2

Do not enter into an agreement with the United States Bureau of Reclamation to accept the grant funding.

Fiscal Impact: None. However, additional funds would be required to advance Pure Water Southern California.

Business Analysis: This option would forgo the use of the Large-Scale Water Recycling Program grant funds to advance Pure Water Southern California, jeopardize receipt of future federal funds, and delay the development of a new source of water in Southern California.

Alternatives Considered

Staff considered an alternative that would have Metropolitan defer the acceptance of the federal grant funding until board approval of PWSC. However, deferring the use of federal grant funds is not recommended for several reasons and is likely not feasible as Reclamation is unlikely to allow deferral. The PWSC is anticipated to be approved in the first quarter of 2026 upon completion of the environmental documentation. If grant acceptance is deferred to that date, this would likely significantly reduce the amount of planning and design work that could be funded during the grant period, resulting in under-utilization of the grant funds. As the federal grant funding process is highly competitive, Metropolitan may risk prospects of getting additional federal grant funds by forfeiting or deferring this current funding opportunity. It is also not guaranteed, and is unlikely, that Reclamation would allow Metropolitan to defer grant acceptance. Reclamation may require Metropolitan to forgo acceptance and re-apply later if any grant funds remain.

Staff initially considered an alternative that would have Metropolitan accept less grant funding, thus requiring a lower cost-share obligation. Instead, Metropolitan collaborated with Reclamation to develop proposed terms that allow Reclamation to obligate the full grant amount to Metropolitan, and Metropolitan can start drawing on the grant based on Metropolitan's available matching funds while allowing Metropolitan to access the full grant amount if additional matching funds are secured in the future.

Applicable Policy

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 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 52210, dated December 8, 2020, the Board authorized the General Manager to enter into an agreement with Southern Nevada Water Authority to accept up to \$6 million in financial support for the 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 53099, dated January 10, 2023, the Board authorized the General Manager an agreement with the joint venture of AECOM Technical Services, Inc. and Brown and Caldwell in an amount not to exceed \$25 million for program management services to support 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 adopt a resolution to support a grant application to the U.S. Bureau of Reclamation for water recycling and desalination planning and authorize the General Manager or a designated representative to accept the grant if awarded.

By Minute Item 53570, dated March 12, 2024, the Board authorized an increase of \$1.3 million to an existing agreement with Helix Environmental Planning Inc. for a new not-to-exceed amount of \$4.1 million to continue preparing environmental documentation for the Pure Water Southern California Program.

By Minute Item 53598, dated April 9, 2024, the Board appropriated a total of \$636.5 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26.

By Minute Item 53792, dated September 10, 2024, the Board authorized an amended and restated agreement with the County Sanitation District No. 2 of Los Angeles County for shared implementation of the advanced water purification facility for Pure Water Southern California.

By item dated November 19, 2024, the Board adopted federal grant resolutions verifying that the Board reviewed and supports the grant application with the U.S. Bureau of Reclamation for the Pure Water Southern California Program.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

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 that may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)). In addition, the proposed action is exempt from CEQA because it involves minor alteration of existing public topographical features, involving negligible or no expansion of existing or former use, and no possibility of significantly impacting the physical environment. (State CEQA Guidelines Section 15301.) Furthermore, the proposed action is exempt from CEQA because it consists of minor public or private alterations in the condition of land, water, and/or vegetation that do not involve removal of healthy, mature, scenic trees except for forestry or agricultural purposes. (State CEQA Guidelines Section 15304.) Additionally, the proposed action is exempt from CEQA because it consists of basic data collection, research, experimental management, and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource. These may be strictly for information-gathering purposes or as part of a study leading to an action that a public agency has not yet approved, adopted, or funded. (State CEQA Guidelines Section 15306.) 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

PWSC would reuse treated wastewater currently being discharged to the Pacific Ocean from the Los Angeles County Sanitation District's (Sanitation District) A.K. Warren Water Resource Facility (Warren Facility) in the City of Carson. Treated wastewater would be further purified at a new advanced water purification facility (AWPF) located at the Warren Facility to produce up to 150 million gallons per day (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. In addition to the treatment facilities, a new backbone conveyance system would extend over 40 miles from the City

of Carson to as far north as the City of Azusa, with a portion of the flow potentially conveyed over 10 miles east to the City of La Verne to connect with Metropolitan's existing water treatment and distribution facilities for raw water augmentation. A new direct potable reuse (DPR) facility would also be constructed at Metropolitan's F.E. Weymouth Water Treatment Plant for further treatment before blending with other raw water sources. Staff is also evaluating potential alternative phasing options that would reduce initial costs and address purified water demands for initial customer connections, including possible opportunities to incorporate treated water augmentation.

In November 2015, Metropolitan's Board authorized an agreement with the Sanitation District to implement a demonstration project and establish the framework of terms and conditions for developing a Regional Recycled Water Program, including the pursuit of grant and loan funding. This agreement was amended and restated agreement in September 2024 to define roles and responsibilities for the shared implementation of the AWPf. The Sanitation District will be responsible for the design of pretreatment and nitrogen management facilities. Metropolitan will primarily be responsible for designing advanced treatment and ancillary facilities. Metropolitan and the Sanitation District would share responsibilities for regulatory permitting, public engagement, program management, and other related work. The amended and restated agreement defines each agency's role and responsibilities during the early design phase of the AWPf covered by the LSWRP funding period.

In November 2020, Metropolitan's Board authorized the initiation of the environmental planning phase of the PWSC, which included technical studies and conceptual engineering for the AWPf and conveyance system facilities to prepare a comprehensive Program Environmental Impact Report in accordance with the CEQA Guidelines. Various technical studies and analyses were conducted to define the key PWSC components, including the treatment and conveyance facilities, and identify their associated environmental impacts.

In December 2022, Metropolitan's Board authorized the acceptance of \$80 million in state funds to initiate PWSC activities, including program management, continued demonstration testing, continued AWPf planning, and preliminary design of the first two pipeline reaches. In January 2023, Metropolitan's Board awarded a program management support consulting agreement to assist Metropolitan in developing PWSC implementation strategies; evaluating opportunities for alternative project delivery; performing cost, schedule, and budget reporting functions; identifying program and project-level risks and potential mitigation; and provide other as-needed program management support.

In March 2023, Metropolitan's Board awarded two new consulting agreements for preliminary design of the first two pipeline reaches. In that action, the Board also authorized staff to pursue and accept \$5 million in federal grant funding from Reclamation to advance the PWSC, which Reclamation awarded to Metropolitan.

LSWRP Grant Funding for Pure Water Southern California

In November 2023, Metropolitan submitted a grant application to Reclamation's LSWRP federal grant program, which will fund up to \$180 million to plan, design, and construct large-scale water recycling projects to develop local drought-resistant water supplies. Through this grant, Reclamation would provide up to 25 percent federal cost-sharing of the expected total project cost, with the remaining 75 percent cost-share required to be met by each grant recipient. Metropolitan submitted a proposal for \$125,472,855 in LSWRP grant funding for planning and design activities, along with the required Feasibility Study Report for the funding application.

In May 2024, Reclamation approved Metropolitan's Feasibility Study Report and notified Metropolitan of its intent to award Metropolitan up to \$99,199,096 in LSWRP federal grant funding for planning and design activities. In that same month, Metropolitan submitted a second grant application to Reclamation for approximately \$26 million, the difference between the amount requested in the initial application and the amount initially awarded. On November 15, 2024, Reclamation notified Metropolitan of its intent to award Metropolitan an additional \$26,273,759 in grant funds. As a result, if accepted, Metropolitan would have access to \$125,472,855 of LSWRP grant funds.

In November 2024, Metropolitan's Board adopted two resolutions required by Reclamation prior to accepting the LSWRP grant funding to verify that, for Metropolitan's November 2023 and May 2024 applications: (1) the Board reviewed and supported the application; (2) subject to board approval of a grant agreement, the General Manager or his/her designee had the legal authority to enter into that agreement; and (3) the General Manager or

his/her designee will work with the United States Bureau of Reclamation to meet established deadlines for entering into a grant agreement.

As a consequence of the initial notice by Reclamation of its intent to award Metropolitan federal funds, Metropolitan and Reclamation staff have been working since May to address potential grant agreement-related concerns raised by the Board. Those potential concerns are identified below, along with the manner in which they were resolved.

Material Terms and Conditions

The following “standard” terms and conditions are provided for in the proposed agreement with Reclamation:

- **Period of Performance:** The proposed agreement establishes a period of performance that commences on April 6, 2020, which was the date Reclamation approved the feasibility study Metropolitan prepared for the Title VXi WIIN Reclamation and Reuse grant and continues until three years from the effective date of the agreement, unless prior to that date Reclamation agrees to an extension.
- **Scope of Work and Budget:** The proposed agreement includes descriptions of the proposed work, major tasks, and project milestones, as well as related budgets. Metropolitan and the Sanitation District will use the full award grant and associated matching funds to (1) procure a progressive design-build entity to initiate the AWPf design; (2) continue design and initiate pre-construction alternative delivery services for pipeline reaches; (3) pursue potential property acquisition for PWSC facilities; (4) continue design of the centrate treatment facilities; (5) advance ongoing regulatory permitting and public engagement; and (6) continue professional services for program management and other related work.
- **Ability to Acquire Real Property:** The proposed agreement authorizes the use of federal funds for the acquisition of real property, provided the real property is identified in the scope of work.

Reclamation agreed to include a special term that addresses the existing available funding:

- **No Obligation to Use the Full Award Amount:** Through the special term, Reclamation: (1) awards and obligates the full grant award of \$125,472,855 for the identified scope of work; (2) authorizes an initial grant award of funds based on existing, secured matching funds for defined tasks within the scope of work; and (3) will make available the remaining grant award if and as Metropolitan demonstrates to Reclamation that Metropolitan has secured additional matching funds.

The existing, secured matching funds include: (1) approximately \$30 million in operations and maintenance (O&M) funds to support environmental phase activities previously authorized by the Board and expended by Metropolitan since April 2020 for fiscal years 2020/21 through 2025/26; (2) approximately \$54 million of the state funds previously authorized by Metropolitan’s Board in December 2022¹; (3) approximately \$19.5 million in capital funds for design and construction of the DPR pilot/demonstration testing facility previously authorized by Metropolitan’s Board in April 2024 for fiscal years 2024/25 through 2025/26; and (4) approximately \$28.1 million in other Metropolitan group O&M funds that were/are committed to PWSC planning activities and previously authorized by Metropolitan Board for fiscal years 2020/21 through 2025/26. The Sanitation District will provide approximately \$88.4 million in matching funds for the planning and design of pretreatment facilities design for the AWPf. As a result, a total of approximately \$131.6 million in Metropolitan board-approved funds and up to \$88.4 million contribution by the Sanitation District is expected to be available to support Reclamation’s 25 percent reimbursement, which results in approximately \$55 million of federal grant

¹ The State provided approximately \$80 million. However, approximately \$15 million of the \$80 million have been designated by Metropolitan as matching funds for the \$5 million WaterSMART Water Recycling and Desalination Planning grant previously awarded to Metropolitan in 2023; and approximately \$11 million of \$80 million will be allocated to the Sanitation District to plan and develop pre-treatment and nitrogen management facilities for the AWPf. As a result, the remaining \$54 million of the state funds are available for the LSWRP cost-share match.

funding. The scope of work and corresponding budget are based on federal funds received being reinvested in the planning and design of PWSC.

Although not in the proposed agreement, Reclamation's contracting officer assigned to this grant provided Metropolitan with the following important assurances in writing:

- Confirmed Metropolitan will not have to pay Reclamation back for any of the federal funding, whether used by Metropolitan or any of its consultants or sub-recipients, if at any time the Metropolitan Board decides not to approve the project.
- Understood that Metropolitan intended to use the federal funding to support activities provided for in contracts let through any one of the methods (alternative project delivery) authorized by California Public Contract Code section 20928 et seq.
- Indicated that it is standard practice, if requested by a grant recipient, for Reclamation to extend the period of performance and that denial of such requests is rare.

These assurances are not necessarily binding on Reclamation until they are affirmed after the grant agreement becomes effective, which the contracting officer said she will do. However, staff believes the risk is relatively low since the positions are consistent with the applicable state and federal law, and, as to the proposed extension, common Reclamation practice.

Staff recommends that the Board authorize the General Manager to enter into an agreement with Reclamation to accept the LSWRP grant funds. Staff plans to return to the Board to appropriate federal funds received.

See **Attachment 1** for the location map.

Project Milestone

January 2026 – Request for Board to certify CEQA and approve PWSC


 _____ 11/27/2024
 Mai M. Hattar
 Interim Chief Engineer
 Engineering Services
 Date


 _____ 12/3/2024
 Deven Upadhyay
 Interim General Manager
 Date

Attachment 1 – Location Map

Ref# es12696813

Pure Water Southern California – Preliminary Configuration

