



- **Board of Directors**

Finance, Affordability, Asset Management, and Efficiency Committee

6/10/2025 Board Meeting

7-9

Subject

Authorize an amendment to the LRP Agreement to extend the start-of-operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project; adopt CEQA determination that the proposed action was previously addressed in the City of Oceanside's adopted 2018 Final MND and Addendum and Olivenhain Municipal Water District's certified 2015 Final PEIR and Addendum and that no further CEQA review is required

Executive Summary

This letter requests authorization for Metropolitan to approve the San Diego County Water Authority's (SDCWA) request to amend the Local Resources Program Agreement by extending the start-of-operation deadline from June 30, 2025, to June 30, 2028, for the Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project) consistent with the adopted framework under the Local Resources Program (LRP).

The LRP provides financial incentives to encourage the development of local water supplies in Southern California. Each LRP agreement includes milestones for timely construction, operation, and production. In June 2021, the Board adopted a framework and evaluation criteria for considering future extension requests. In October 2021, the Board approved a framework for amending program agreements to provide additional flexibility to agencies to return projects to operation after a disruption. Under the approved framework for extension requests, member agencies may request an extension to the start of operation of their LRP project by up to three additional fiscal years if the member agency conforms to the approved criteria.

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

Staff Recommendation: Option #1

Option #1

Authorize an amendment to the LRP Agreement to extend the start-of-operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project; adopt CEQA determination that the proposed action was previously addressed in the City of Oceanside's adopted 2018 Final MND and Addendum and Olivenhain Municipal Water District's certified 2015 Final PEIR and Addendum and that no further CEQA review is required.

Fiscal Impact: No new fiscal obligations will result from the proposed amendment. Payments to the Project are included in the budget and are currently projected to begin in 2025. Payments to the Project will be shifted by three years to begin in 2028. The maximum financial obligations were provided when the Board approved the LRP Agreement for this Project on November 5, 2019, and remain at up to \$42.7 million over 15 years for a project yield of 150,000 acre-feet (AF) over 25 years.

Business Analysis: The Project would help Metropolitan support local supply development and meet legislative mandates while alleviating the burden on Metropolitan's infrastructure and reducing overall system costs.

Option #2

Do not extend the LRP Agreement start-of-operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project.

Fiscal Impact: Metropolitan's financial commitment for up to \$42.7 million over 15 years would be removed from the budget forecast.

Business Analysis: Metropolitan would no longer provide financial incentives for the Project and potentially delay meeting the LRP's target goals.

Alternatives Considered

Not applicable

Applicable Policy

By Minute Item 49923, dated October 14, 2014, the Board approved refinements to the Local Resources Program to encourage additional local resource production.

By Minute Item 51356, dated October 9, 2018, the Board approved an interim Local Resources Program target yield of 170,000 AFY of new water production.

By Minute Item 51794, dated November 5, 2019, the Board approved authorizing the General Manager to enter into a Local Resources Program Agreement with the San Diego County Water Authority and the City of Oceanside for the Oceanside Pure Water and Recycled Water Expansion Phase I Project for up to 6,000 AFY of recycled water.

By Minute Item 52415, dated June 8, 2021, the Board approved changes to the start-of-operation timing for four Local Resources Program Projects and formally adopted the policy described in the board letter for evaluation of future LRP extension requests.

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

Not applicable

Summary of Outreach Completed

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

On November 5, 2019, the Board acted as a Responsible Agency and certified that it reviewed and considered the information in the City of Oceanside's 2018 Final Mitigated Negative Declaration (MND) and Addendum, and adopted the Lead Agency's findings and Mitigation Monitoring and Reporting Program (MMRP); and certified that it reviewed and considered the information in Olivenhain Water District's certified Final 2015 Program Environmental Impact Report (PEIR) and Addendum and adopted the Lead Agency's findings and MMRP; and approved the terms and conditions of an LRP agreement for the Oceanside Pure Water and Recycled Water Expansion Phase I Project. The proposed action to extend the LRP Agreement start-of-operation deadline represents a minor modification affecting only the fiscal aspects of the Project. Thus, the previous environmental documentation acted on by the Board in conjunction with the LRP project complies with CEQA, and no further action is required.

CEQA determination for Option #2:

None required

Details and Background

Background

In 1982, Metropolitan created the LRP to provide financial incentives to help local agencies develop water recycling and groundwater recovery projects and, therefore, assist Metropolitan in reaching its regional water reliability goals. Since the LRP's inception, Metropolitan has provided about \$549 million in incentives for the development of more than 3.2 million AF of recycled water and about \$209 million in incentives for the development of more than 1.3 million AF of recovered groundwater. There are 118 projects currently under contract. LRP projects increase water supply reliability, reduce imported water demands, decrease the burden on Metropolitan's infrastructure, reduce system costs, and free up conveyance capacity. In addition, the LRP helps Metropolitan meet its legislative mandates under Senate Bill 60 to expand water conservation, recycling, and groundwater storage and replenishment measures. Overall, the LRP benefits all member agencies regardless of the project location.

In November 2019, the Board authorized the General Manager to enter into an LRP Agreement with SDCWA and the City of Oceanside (City) for the Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project). In December 2020, the LRP Agreement (Agreement) was executed. The Project met its first milestone for the start of construction by June 30, 2023.

Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project)

The Project consists of two components: (1) the Oceanside Pure Water Project, and (2) the Upper and Lower Recycled Water System Phase I Expansion Project. For Component 1, the Oceanside Pure Water Project consists of the construction of a 4.5 million gallon per day advanced water purification facility (AWPF) to produce up to 5,040 AFY of purified water to inject 3,360 AFY into the Mission Basin Groundwater Purification Facility to supplement the City's potable water supply. For Component 2, the Upper and Lower Recycled Water System Phase I Expansion project consists of the construction of the upper conveyance system in the northeastern portion of the City and the lower conveyance system in the southeastern region of the City. The upper system is planned to blend and transport up to 1,680 AFY of purified water with Title 22 tertiary recycled water to provide up to 2,640 AFY to agricultural, landscape, and urban irrigation customers.

The Project facilities under the Agreement include the AWPF (reverse osmosis filtration and ultraviolet-advanced oxidation process), nitrification and denitrification upgrades to the existing San Luis Rey Water Reclamation Facility (SLRWRF), a pump station, conveyance and backwash pipelines, injection and monitoring wells, 60,700 feet of recycled water pipeline, a 3.0-million-gallon storage reservoir, and pump stations for the Upper System, and 28,500 linear feet of recycled water pipeline, a 2.2-million-gallon storage reservoir, a pump station, and connections to existing recycled water pipeline for the Lower System.

2021 Framework and Criteria for Evaluating the Request to Extend the Start of Operation

In June 2021, the Board approved a framework and evaluation criteria proposed by staff for extensions due to delays in the start-of-operation milestones for the LRP projects. To qualify, the project must have an active agreement and currently be under construction. The member agency must also meet the following four criteria: (1) formally request an extension and describe the reasons for the delay; (2) affirm that all parties to the Agreement are still pursuing the project; (3) provide a revised schedule; and (4) affirm that the project will start operation within the requested extension (not to exceed three fiscal years).

SDCWA's Request to Extend the Start-of-Operation Deadline – Agreement Amendment


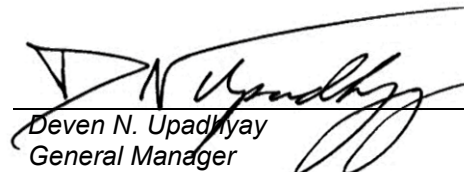
On May 22, 2025, SDCWA, on behalf of the City, submitted a formal request to Metropolitan for an extension to the Project's start of operation due to unforeseen delays, including technical, regulatory, and operational challenges, as described in their letter (**Attachment 1**). The Project has an active LRP Agreement and is under construction. Metropolitan staff determined their request satisfied the Board established criteria to seek an extension because the letter formally requested an extension, described the reasons for the delay, affirmed that all parties to the Agreement continue to pursue the Project, provided a revised schedule, and affirmed that the Project would start operating within the requested extension of three fiscal years.

After initiating advanced treatment at the AWPf, the City encountered a series of operational issues in early 2022, including microbiologically influenced corrosion in the injection wells, causing damage to the stainless-steel components, and external fouling in the facility's strainers. The original strainer design made in-place flushing inefficient, requiring frequent labor-intensive cleaning. Therefore, a more suitable replacement was identified, but the procurement was delayed by COVID-19-related supply chain issues. In 2023, the air compressor system failed, halting ultrafiltration operations. The City experienced procurement delays for the replacement unit, and a redesign of the compressor pipe was needed to maintain equipment warranties, which further extended the installation schedule. During this time, injection operations remained offline. The City is awaiting final regulatory inspection; further testing and optimization are needed for full implementation of the AWPf. The City is also working to transition from manual to automated operations, which are needed to support continuous 24/7 facility operations.

The City has also experienced delays in the construction of its recycled water system expansion. The Fire Mountain and pump station construction has been delayed due to rising costs and equipment procurement.

Additionally, the City experienced staffing transitions, specifically the primary contacts for the LRP. While some of these positions have recently been filled, the vacancy of the Water Utilities Director role has contributed to the delay in submitting the extension request.

If the Board grants SDCWA's extension request, the Agreement will terminate 25 years following the new start-of-operation date. **Attachment 2** summarizes the Project's current LRP contract terms and the revised terms if the Board approves the extension request. Metropolitan would not incur any new financial obligations from such an extension. The Project is included in the budget, and the current forecast includes payments to the Project starting in 2025. If the extension is granted, staff will shift the timing of the payments by three years. If the extension request is not granted, the Agreement will terminate, and the estimated payments to the Project will be removed from the forecasted expenditures of the LRP.

	6/3/2025
Bandon J. Goshi	Date
Manager, Water Resource Management	
	6/3/2025
Deven N. Upadhyay	Date
General Manager	

Attachment 1 – SDCWA Letter Requesting Start-of-Operation Extension

Attachment 2 – LRP Project Requesting Start-of-Operation Extensions

Ref# wrm12706870

Brandon Goshi

Water Resource Management Group Manager
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012

May 22, 2025

RE: MWD's Local Resource Program Agreement No. 191282 for Oceanside Pure Water and Recycled Water Expansion Phase I Project - Request for Contract Extension

Dear Mr. *Brandon* Goshi:

The San Diego County Water Authority (Water Authority) is submitting this letter to Metropolitan Water District of Southern California (MWD) to formally request a three-year extension to the contractual start date for operations under the above referenced Local Resources Program (LRP) Agreement (Agreement).

On December 1, 2020, the Water Authority, the City of Oceanside (City), and MWD executed the above referenced Agreement for the Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project), which will be owned and operated by the City, a member agency of the Water Authority.

On behalf of the City, the Water Authority requests an extension of the Project's start of production deadline from June 30, 2025, to June 30, 2028. This request is made as a result of unforeseen delays related to COVID-19 supply chain issues, construction delays, and a series of technical and operational challenges. This request for an extension is consistent with the requirements outlined in Item 7-7, as approved by MWD's Water Planning and Stewardship Committee and MWD's Board of Directors on June 8, 2021.

Despite the unforeseen setbacks, the City continues to make progress and is fully committed to bringing the Project online as a local and sustainable water source for the region. The City will meet the requested extension deadline and continue to work to bring the Project online sooner, if possible. The Water Authority remains supportive of the City in completing the Project according to the revised schedule.

Attached is a letter from the City with additional information that details the reasons for the delay and its commitment to complete the Project under the three-year extension. Also attached is a revised schedule for Project implementation with a revised start of production date as required by MWD.

Thank you for considering our request. If you have any questions, please contact Jesica Cleaver at JCleaver@sdewa.org or 858-522-6764.

Sincerely,



Meena Westford
Director of Imported Water

Attachment – Extension Request Letter from City of Oceanside and Revised Project Schedule

CC: Kira Alonzo, MWD, Water Resource Management Group
Nadia Hardjadinata, MWD, Water Resource Management Group
Tracy Abundez, MWD, Water Resource Management Group

May 22, 2025

Mr. Dan Denham
General Manager
San Diego County Water Authority
4677 Overland Avenue
San Diego, California 92123

Re: MWD's Local Resources Program Agreement No. 191280 for Oceanside Pure Water and Recycled Water Expansion Phase I Project - Request for Contract Extension

Dear Mr. Denham,

This letter is required for the San Diego County Water Authority (SDCWA) to initiate a request to the Metropolitan Water District of Southern California (MWD) to extend for three fiscal years the contractual date for start of production of advanced treated water and recycled water under the above referenced Local Resources Program (LRP) Agreement (Agreement).

The Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project) will be owned and operated by the City of Oceanside (City). The City is constructing a multi-phased Pure Water Oceanside Program which includes construction of a 4.5 million gallon per day (MGD) advanced water purification facility (AWPF), nitrification and denitrification (NDN) upgrades to the existing San Luis Rey Water Reclamation Facility (SLRWRF), a pump station, conveyance and backwash pipelines, and injection and monitoring wells. The Project will provide up to 5,040 AFY of purified water to inject 3,360-acre feet per year (AFY) into the Mission Basin aquifer which will be treated at the Mission Basin Groundwater Purification Facility (MBGPF) to supplement the City's potable water supply.

In addition, the Project includes the construction of the Upper and Lower Recycled Water System Expansion Phase I Project. The Upper system is planned to blend and transport up to 1,680 AFY of fully advanced treated water with Title 22 tertiary recycled water to provide up to 2,640 AFY to agricultural, landscape and urban irrigation customers to the Upper System. The Lower distribution system will include conveyance pipelines, a reservoir, and pump station to irrigation customers.

On December 1, 2020, the City, MWD, and SDCWA executed the above referenced Agreement. The City is requesting to extend the start of production from June 30, 2025 to June 30, 2028, due to unforeseen delays including supply chain challenges, resulting from the COVID-19 pandemic, unforeseen operational and construction issues, and environmental challenges.

Reason for Requested Extension

The City of Oceanside is requesting a one-time, three-fiscal-year extension of the required production date under the Local Resources Program Agreement due to a series of technical, regulatory, and operational challenges that have delayed full implementation of the Project.

After initiating advanced treatment at the AWPf on December 30, 2021, the City encountered early operational issues in 2022, including microbiologically influenced corrosion in the injection wells that caused damage to stainless steel components. Around the same time, the facility's strainer experienced significant external fouling. The original design made in-place flushing ineffective, requiring frequent labor-intensive cleaning. A more suitable replacement was identified, but procurement was delayed by supply chain constraints. These post-COVID delays continued to affect material and equipment availability across the construction industry, including this Project. As a result, the delivery of the replacement strainer delivery was delayed approximately nine months compared to pre-pandemic lead times.

In 2023, the air compressor system failed, halting ultrafiltration operations. Although the vendor initially estimated a lead time of 7 to 9 weeks, the replacement unit did not arrive for five months – more than double the originally quoted timeframe. Additionally, a redesign of the compressor piping was required to maintain equipment warranties, further extending the installation schedule. Installation was ultimately in March 2025. Injection remained offline during this period, though the City has completed system testing and implemented maintenance protocols. Final regulatory inspection is scheduled for June 30, 2025.

Manual operations, limited automation, optimization of programming and integration of equipment, including staffing shortages have prevented continuous 24/7 facility operation. In addition, the Fire Mountain Reservoir and Pump Station project—supporting the City's recycled water system expansion—has faced delays due to rising construction costs and equipment procurement.

While the City has secured funding and continues to make steady progress, these compounded delays have extended the project schedule. The City requests an extension of the production start date to **June 30, 2028** to complete construction, obtain regulatory approvals, and achieve LRP production goals.

Additionally, the City experienced staffing transitions earlier this year, including the departure of its primary contacts for the LRP. While one of these positions has recently been filled, the vacancy of the Water Utilities Director role has contributed to the delay in submitting the extension request.

Commitment to Project Completion

The City of Oceanside remains fully committed to advancing the Pure Water Oceanside program and Recycled Water System Expansion and delivering a drought-resilient, local water supply for our region. Significant progress has been made, and the City continues to allocate resources toward facility optimization, staffing, permitting, and construction. The City will meet the requested extension of three fiscal years to complete construction and begin production by June 30, 2028, and anticipates this to occur sooner based on the current conditions. A revised implementation schedule from the original LRP application dated March 2019 is shown below for your review.

We respectfully request that this extension be considered by the MWD Board ahead of the current production deadline.

Thank you for your consideration of our request. We appreciate your continued support and look forward to working collaboratively with SDCWA and MWD staff to advance this important local water supply for the region.

Please feel free to contact me at (760) 435-5819 or MUyeda@oceansideca.org with any questions or requests for additional information.

Sincerely,



Mabel Uyeda, P.E.
Water Engineering Manager
Water Utilities Department
City of Oceanside

Enclosures: Revised schedule for Pure Water Oceanside

cc: Michael Gossman, Assistant City Manager
Aaron Cooley, Project Manager
John McKelvey, Principal Management Analyst

Revised Pure Water Oceanside and Recycled Water Expansion Project Implementation Schedule	
Injection Well Capacity Testing	January 2019 – April 2022
Monitoring Well Construction	November 2019 – January 2020
Injection Well Construction and Rehabilitation	November 2019 – September 2024
AWPF/NDN Upgrades Construction	January 2020 – November 2021
Conveyance/Backwash Piping Construction	March 2020 – October 2021
AWPF/NDN Upgrades Startup	October 2021 – December 2021
Tracer Test/Operational Support	October 2021 – December 2025
Operation Re-Design and Improvements/Implementation	January 2022 – March 2025
Monitoring Well Sampling Begins	March 2022
Upper Ph 1 Recycled Water Pipeline Final Design	April 2022 – September 2025
Lower Ph 1 Recycled Water Reservoir and Pump Station Construction	January 2025 – July 2026
Final Regulatory Inspection	June 30, 2025
AWPF Design Optimization and Blending with Recycled Water	September 2025 – March 2028
Water First Reaches Production Wells #2 for extraction at MBGPF	March 2026
AWPF Water Production	March 2028

LOCAL RESOURCES PROGRAM (LRP) PROJECT REQUESTING START-OF-OPERATION EXTENSION

Project Information	
<i>LRP Project</i>	Oceanside Pure Water and Recycled Water Expansion Phase I Project
<i>Member Agency</i>	San Diego County Water Authority (SDCWA)
<i>Ultimate Yield (AF)</i>	6,000 AF
<i>Date of Agreement Execution</i>	December 1, 2020
Extension Timeline	
<i>Start-of-Operation Milestone</i>	June 30, 2025
<i>Revised Start-of-Operation Milestone</i>	June 30, 2028
<i>Length of Extension Request</i>	36 months
Additional Information	
<i>Project currently under construction?</i> <input checked="" type="checkbox"/>	
<i>Member agency affirmed all parties pursuing project?</i> <input checked="" type="checkbox"/>	
<i>Member agency provided revised schedule?</i> <input checked="" type="checkbox"/>	
<i>Member agency affirmed that the project will start operation within 3 fiscal years?</i> <input checked="" type="checkbox"/>	
Reasons for Requested Extension	
The extension request is due to unforeseen delays including supply chain challenges resulting from the COVID-19 pandemic supply chain issues, unforeseen construction delays, and a series of technical and operational challenges.	