



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

5/12/2026 Board Meeting

8-1

Subject

Adopt a resolution in support of the application for Proposition 4 funding under the State Water Resources Control Board Water Recycling Funding Program for the direct potable reuse testing facility improvements at the Napolitano Innovation Center; authorize the General Manager to accept the grant if awarded; and appropriate any funds awarded; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

California's Proposition 4 establishes a \$10 billion statewide climate-resilience bond to support water recycling and other initiatives. More than \$1.8 billion is allocated for water-related investments to support long-term drought resilience and water supply strategies. Approved by voters in November 2024, Proposition 4 is now entering its initial implementation phase. Funding for water reuse and recycling under Proposition 4 is primarily administered through the State Water Resources Control Board (SWRCB) Water Recycling Funding Program (WRFP), which serves as the state's main financing mechanism for recycled water projects.

Proposition 4 provides grant funding for planning, design, and construction of large-scale water recycling facilities for both potable and non-potable reuse applications. Funding for large-scale projects is limited to 35 percent of the total project cost, with a maximum of \$15 million in grant funding available per project phase. While no local match is required, applicants must demonstrate that full funding for the proposed project phase is secured. Projects must have completed the California Environmental Quality Act (CEQA) process and have completed or nearly completed design, with the ability to begin construction.

Staff recommends applying for up to \$15 million in Proposition 4 grant funding to support equipment procurement, design and construction of Direct Potable Reuse (DPR) testing facilities at the Grace F. Napolitano Pure Water Southern California Innovation Center (Napolitano Innovation Center). The DPR facilities are included in the Capital Investment Plan (CIP) for Fiscal Year (FY) 2026/27 and FY 2027/28 and align with the grant funding program's eligibility criteria and priorities. If awarded, WRFP grant funds would increase the amount of funds available for DPR activities. This action adopts a resolution to support the application for Proposition 4 funding for DPR testing facility improvements.

See **Attachment 1** for the Board Resolution that supports the Proposition 4 grant application and **Attachment 2** for the Pure Water Southern California (PWSC) Location Map.

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

Staff Recommendation: Option #1

Option #1

Adopt a resolution in support of the application for Proposition 4 funding under the State Water Resources Control Board Water Recycling Funding Program for the direct potable reuse testing facility improvements at

the Napolitano Innovation Center, authorize the General Manager to accept the grant if awarded, and appropriate any funds awarded.

Fiscal Impact: Proposition 4 does not have a local match requirement. Accordingly, there are no new costs associated with this grant application.

Business Analysis: This option would provide potential additional funding to advance equipment procurement, design, and construction activities for DPR testing facility improvements to allow DPR testing for regulatory acceptance and potential future full-scale implementation for PWSC. The CIP for FY 2026/27 and FY 2027/28 includes an estimated expenditure of \$25 million for the DPR testing facilities project. If awarded, WFRP grant funds would increase the allocated capital funds for DPR activities to approximately \$40 million.

Option #2

Do not adopt a resolution in support of the application for Proposition 4 funding.

Fiscal Impact: None.

Business Analysis: This option would forego the opportunity to pursue potential Proposition 4 grant funds to advance equipment, procurement, design, and construction activities for the DPR testing facility improvements.

Alternatives Considered

Staff considered deferring the application for Proposition 4 funding until board authorization of the design for the initial stage of PWSC, currently anticipated later this year after completion of the Climate Adaptation Master Plan (CAMP4W) integrated assessments. However, this application is for the DPR testing facility, which is separately included in the CIP. Also, as the individual award is limited to \$15 million, Metropolitan would not be eligible for more grant funds by submitting on the full PWSC Program. Further, deferring the application is not recommended because the funding is awarded on a first-come, first-served basis. Of the \$386 million allocation, the fundable list of projects subscribed totals approximately two-thirds of the available funds and, if awarded, reduces the availability of funds for Metropolitan. For this reason, SWRCB staff has recommended that Metropolitan apply as soon as possible to be added to the FY 2026/27 fundable projects list. Additionally, grant applications typically take six to nine months to process. If the grant application is deferred to later this year or early next year, this would likely reduce the likelihood that Metropolitan could obtain any remaining Proposition 4 funding. Furthermore, it would reduce the amount of equipment procurement, design, and construction work that could be funded by the grant if awarded.

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 50410, dated March 8, 2016, the Board authorized agreements for design of the demonstration scale recycled water treatment plant and feasibility studies of the recycled water delivery system.

By Minute Item 50884, dated July 11, 2017, the Board authorized construction of the advanced water treatment demonstration plant.

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 53784, dated September 10, 2024, the Board expressed support for Proposition 4, the Safe Drinking Water, Wildlife Prevention, Drought Preparedness, and Clean Air Bond Act of 2024.

By Minute Item 53849, 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.

By Minute Item 53881, dated December 10, 2024, the Board authorized 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 Recycling Program for Pure Water Southern California.

By Minute Item 54290, dated October 14, 2025, the Board appropriated an additional \$30 million for projects identified in the CIP for Fiscal Years 2024/25 and 2025/26, increasing the biennial CIP appropriation to \$666.48 million.

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, 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)). 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 project is exempt from CEQA because it consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure (State CEQA Guidelines Section 15303). Additionally, the proposed action is exempt from CEQA because it consists of basic data collection, research, experimental management, and resource evaluation activities, which 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).

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 Districts (Sanitation Districts) A.K. Warren Water Resource Facility (Warren Facility) in the City of Carson. A new advanced water purification facility (AWPF) located adjacent to the Warren Facility would further purify water, producing up to 150 million gallons per day for indirect potable reuse and DPR applications. The purified water would recharge regional groundwater basins through spreading facilities and injection wells, meet non-potable demands currently supplied by imported water, and augment existing water supplies.

Metropolitan is evaluating DPR opportunities. To implement DPR either through raw or treated water augmentation, additional treatment processes would be required at the AWPF, Metropolitan's Weymouth Plant, or other satellite locations along the backbone conveyance system. To determine which DPR treatment processes would be most feasible and economical at full-scale, testing would be needed to evaluate the options and optimize the performance of the selected process train.

In October 2024, the state of California's DPR regulation went into effect, outlining requirements for treatment, monitoring, and water-quality sampling to demonstrate pathogen reduction and chemical control. The regulation has also prescribed an acceptable default DPR treatment train, which includes ozone and biological activated carbon, followed by membrane filtration, reverse osmosis, and ultraviolet advanced oxidation processes. A new DPR testing facility is proposed for the Napolitano Innovation Center to evaluate DPR treatment options for regulatory acceptance and for potential full-scale implementation of PWSC. Through several technical studies, four potential alternative DPR treatment trains had been identified that may be equivalent to the prescribed default DPR train. The testing of alternative treatment processes to the prescribed default DPR treatment train may allow

Metropolitan to optimize DPR treatment processes for the PWSC Program, thereby reducing overall program costs.

Staff developed a staged approach to complete the DPR testing facility design. The first step is to prioritize procurement of the major long-lead DPR testing equipment, with an average delivery time of 14 months. The design of the DPR testing facility will follow, based on the selected equipment, which will enhance long-term operation and maintenance and minimize constructability issues. Staff will return to the Board later to award procurement contracts for the major DPR testing equipment and to amend an existing agreement with Stantec Consulting Inc., for the final design of DPR testing facility improvements. If awarded, staff plans to use Proposition 4 funding to advance activities related to the DPR testing facility improvements.

Pursuit of Proposition 4 Funding Under the SWRCB Water Recycling Funding Program

This action adopts a resolution supporting Metropolitan's pursuit of a grant application for up to \$15 million from the SWRCB for Proposition 4 WRFP funding and authorizes the General Manager to accept the grant if awarded.

California's Proposition 4 establishes a \$10 billion statewide climate-resilience bond, with a substantial portion dedicated to water supply, water quality, and water reuse and recycling initiatives. More than \$1.8 billion is allocated for water-related investments, including a specific funding category for water reuse and recycling to support the state's long-term drought resilience and water supply strategies. In September 2024, Metropolitan's Board expressed support for Proposition 4, the Safe Drinking Water, Wildlife Prevention, Drought Preparedness, and Clean Air Bond Act of 2024. Approved by voters in November 2024, Proposition 4 is now entering its initial implementation phase. Approximately \$386 million is available for grants, of which \$150 million is available for encumbrance in FY 2025/26, with an estimated \$70 million anticipated for FY 2026/27 and the remaining funds expected to be appropriated in FY 2027/28 and FY 2028/29, depending on annual state budget appropriations and legislative priorities.

Funding for water reuse and recycling under Proposition 4 is primarily administered through the SWRCB WRFP, which serves as the state's main financing mechanism for recycled water projects. Through this program, financial assistance is provided in the form of grants and low-interest loans for planning, design, and construction of projects that expand the beneficial use of treated municipal wastewater. Eligible projects include non-potable reuse systems, advanced treatment for indirect and direct potable reuse, distribution infrastructure, and pilot or demonstration efforts that advance water recycling technologies. SWRCB has allocated funding in the intended use plan for large-scale recycling projects, defined as projects producing at least 10,000 acre-feet of recycled water per year. Projects can apply for funding in multiple phases, with each phase eligible for up to 35 percent of the total eligible project cost, and no more than \$15 million, allowing agencies to stack funding across design and construction phases.

Projects funded by Proposition 4 grant funds are subject to state requirements, including CEQA, State Prevailing-Wage and Workforce requirements, as well as state contracting, procurement, and audit standards. In addition, grant reporting and annual reporting on project performance are required.

Staff recommends applying for up to \$15 million in Proposition 4 grant funds to support DPR testing facility improvements at the Napolitano Innovation Center, which is budgeted in the CIP for FY 2026/27 and FY 2027/28. The applications are reviewed, and funds are obligated on a first-come, first-served basis; therefore, staff recommends applying before all funds are obligated.

Update on Large-Scale Water Recycling Program United States Bureau of Reclamation Grant

The Infrastructure Investment and Jobs Act (IIJA) (P.L. 117-58, §§ 40905) created the Large-Scale Water Recycling Program (LSWRP) at the United States Bureau of Reclamation (Reclamation) for the planning, design, and construction of regional recycled water projects. The IIJA included \$450 million in funding for the LSWRP, available to be awarded through September 30, 2026. Under this law, Reclamation is authorized to issue grants that provide 25 percent in federal cost-sharing towards regional recycled water projects, matched by 75 percent project sponsor investment. PWSC is eligible for Reclamation funding under the IIJA, and in January 2025, Metropolitan and the Sanitation Districts entered into an agreement with Reclamation to accept approximately \$125.5 million for planning and design activities. At the time of the award, Metropolitan and the Sanitation

Districts only had the matching funds available to utilize approximately \$55 million of this award. Reclamation is holding the remaining \$70.5 million until additional matching funds can be committed.

In April 2026, Metropolitan's Board appropriated \$150 million for PWSC final design activities for FY 2026/27 and FY 2027/28. This includes appropriation of grant funds, other contributions, and unrestricted reserves. This amount will enable Metropolitan to fully utilize the \$55 million released by Reclamation. Metropolitan is currently working with Reclamation to rescope the grant agreement and extend the period of performance. Metropolitan will also be required to submit a letter of commitment to Reclamation that demonstrates a commitment of funds to secure the remaining \$70.5 million in federal grant funds, which includes a commitment letter from Sanitation Districts for their revised scope of work.

Reclamation recently released the third and final LSWRP Notice of Funding Opportunity that would provide up to \$130 million in grants for planning, design, and construction of large-scale water recycling and reuse projects. This will be the final opportunity to apply for any more funding under the LSWRP, with applications due May 13, 2026. However, Metropolitan does not have sufficient matching funds or new scope activities to be able to apply for this additional funding.

In addition, the LSWRP program authorization is anticipated to expire in November 2026, after which Metropolitan may not be able to modify the current agreement, including any potential future changes to planned work activities, completion dates, or projected expenditures. Therefore, an agreement amendment is prudent to ensure Metropolitan can maximize the use of the existing \$125.5 million grant award from Reclamation. Staff will return to the Board this summer for approval of the agreement amendment.

Summary

This action adopts a resolution to support the application for Prop 4 funding for DPR testing facility improvements at the Napolitano Innovation Center. See **Attachment 1** for the Board Resolution that supports the Proposition 4 grant application, and **Attachment 2** for the PWSC Location Map. This action also authorizes the General Manager to accept the grant if awarded and appropriates any awarded funds to advance activities related to the DPR testing facility improvements.

Project Milestones

Summer 2026 – Board action to award multiple equipment procurement contracts for DPR testing equipment and agreement amendment for final design activities

Fall 2026 – Board action to authorize design of the initial stage of PWSC following CAMP4W evaluation

Fall 2027 – Complete final design of DPR testing facility improvements


Early 2029 – Complete construction and system commissioning of DPR testing facility improvements



Mai M. Hattar
Chief Engineer
Engineering Services

5/1/2026

Date



Shivaji Deshmukh
General Manager

5/1/2026

Date

Attachment 1 – Resolution for Proposition 4 Funding under the State Water Resources Control Board Water Recycling Funding Program

Attachment 2 – Location Map

Ref# es12708348

Resolution for Proposition 4 Funding under the State Water Resources Control Board Water Recycling Funding Program

RESOLUTION XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
IN SUPPORT OF ITS APPLICATION FOR FUNDING
FOR PROPOSITION 4 WATER REUSE AND WATER
RECYCLING PROGRAM FUNDING UNDER THE
STATE WATER BOARDS WATER RECYCLING
FUNDING PROGRAM**

WHEREAS, The Metropolitan Water District of Southern California (Metropolitan or Entity) desires to request funding from the State of California for the costs for the planning, design, procurement of equipment and materials, and construction of all components of the Direct Potable Reuse (DPR) Testing Facility Improvements (Project) for Pure Water Southern California; and

WHEREAS, Metropolitan Board of Directors has authorized development of studies, investigations and assessments for the Project that will include but are not limited to construction and operation of a Demonstration Plant and associated DPR testing facilities.

WHEREAS, Metropolitan intends to finance the Project with the assistance of funds provided by the State of California acting by and through the State Water Resources Control Board (SWRCB); and

WHEREAS, the SWRCB requires that Metropolitan indicate by resolution that it has designated an authorized representative or their designee to sign and file the funding application, provide the assurances, certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from SWRCB and any amendments or changes thereto, and carry out Metropolitan's responsibilities under the agreement, including certifying disbursement requests on behalf of Metropolitan and compliance with applicable state and federal laws.

NOW, THEREFORE, BE IT RESOLVED by the Metropolitan Board of Directors that Metropolitan's General Manager (the "Authorized Representative") or designee is hereby authorized and directed to sign and file, for and on behalf of the Entity, a Financial Assistance Application for a financing agreement from the SWRCB for the planning, design, procurement of equipment and materials, and construction of all components of the Project.

BE IT FURTHER RESOLVED that the Authorized Representative, or his/her designee, is designated to provide the assurances, certifications, and commitments required for the financial assistance application, including executing financial assistance agreements from the SWRCB and any amendments or changes thereto.

BE IT FURTHER RESOLVED that Authorized Representative, or his/her designee, is designated to represent Entity in carrying out the Entity's responsibilities under the financing agreement(s), including certifying disbursement requests on behalf of the Entity and compliance with applicable state and federal laws.

BE IT FURTHER RESOLVED that the Authorized Representative or his/her designee is authorized to accept grant funding of up to \$15,000,000.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California at its meeting held May 12, 2026.

Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California

Pure Water Southern California – Project Map

