



- **Board of Directors**  
***One Water and Adaptation Committee***

5/13/2025 Board Meeting

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7-6

## Subject

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Authorize an amendment to LRP Agreement to extend the start of operation deadline for San Diego Pure Water North City Project Phase 1; adopt CEQA determination that the proposed action was previously addressed in the City of San Diego's adopted 2018 Final EIR/EIS and that no further CEQA review is required

## Executive Summary

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This letter requests authorization for Metropolitan to approve the San Diego County Water Authority's (SDCWA) request to amend the Local Resources Program Agreement extending the start of operation deadline from June 30, 2025, to June 30, 2028, for the San Diego Pure Water North City Project Phase 1 (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

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### Staff Recommendation: Option #1

#### Option #1

Authorize an amendment to LRP Agreement to extend the start of operation deadline for San Diego Pure Water North City Project Phase 1; adopt CEQA determination that the proposed action was previously addressed in the City of San Diego's adopted 2018 Final EIR/EIS 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 December 10, 2019, and remaining at up to \$285.6 million for a project yield of 840,000 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 San Diego Pure Water North City Project Phase 1.

**Fiscal Impact:** Metropolitan's financial commitment for up to \$285.6 million over 25 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.

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## Alternatives Considered

Not applicable

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## 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 51835, dated December 10, 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 San Diego for the San Diego Pure Water North City Project Phase 1 for up to 33,600 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.

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

Not applicable

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## California Environmental Quality Act (CEQA)

### CEQA determination for Option #1:

On December 10, 2019, the Board acted as a Responsible Agency and certified that it reviewed and considered the information in the City of San Diego's 2018 Final Environmental Impact Report/ Environmental Impact Statement (EIR/EIS) and Mitigation Monitoring and Reporting Program, and adopted the Lead Agency's findings and Statement of Overriding Considerations; and approved the terms and conditions of an LRP agreement for the San Diego Pure Water North City Phase 1 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

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## 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 \$548 million in incentives for the development of more than 3.2 million AF of recycled water and 1.3 million AF of recovered groundwater. There are 117 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 December 2019, the Board authorized the General Manager to enter into an LRP Agreement with SDCWA and the City of San Diego (City) for the San Diego Pure Water North City Project Phase 1 (Project). In August 2020, the LRP Agreement (Agreement) was executed. The Project met its first milestone for start-of-construction by August 17, 2022.

### **San Diego Pure Water Project Phase 1 (Project)**

The Project is part of the City's multi-phased Pure Water Program, which will produce a local, sustainable, and drought-resilient supply of 92,972 AF per year. The Agreement is for Phase 1 of the Project consisting of the construction of the North City Pure Water Facility (NCPWF) that will purify tertiary recycled water from the existing North City Water Reclamation Facility (not part of the Agreement). The Project will produce up to 33,600 AF per year of potable reuse via surface water augmentation at the Miramar Reservoir. The Project facilities under the Agreement include the NCPWF, pump stations, conveyance pipelines to deliver purified water to the Miramar Reservoir, and the influent structure and necessary facilities, such as a subaqueous pipeline that will discharge the Project water into the reservoir. The NCPWF will include advanced treatment processes such as ozone, biological filtration, reverse osmosis, ultraviolet disinfection, and an advanced oxidation process. The advanced treatment process will treat tertiary-treated recycled water to produce purified water suitable for surface water augmentation. The Agreement will be amended to clarify that the Project water is advanced treated and suitable for potable indirect reuse via surface water augmentation as approved by the Board in 2019.

### **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).

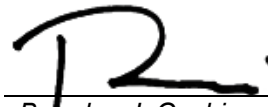
### **SDCWA's Request to Extend the Start-of-Operation Deadline – Agreement Amendment**

On March 13, 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 construction delays and legal-related issues, 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.

The Project was underway during the global COVID-19 pandemic, and the macroeconomic pressures severely affected the cost of construction commodities and the delivery of critical materials and equipment. The Project was impacted by significant price increases, the inability to obtain pricing commitments, and challenges in obtaining construction materials. These supply chain challenges resulted in time delays in the delivery of key materials and equipment. The Project also experienced construction delays due to differing siting conditions and tunnel delays. Construction of the NCPWF has seen several design changes, including structural, drainage, electrical, and controller modifications driven by regulatory requirements and additional operational safety measures.

Legal challenges also contributed to delays in Project implementation. After advertising construction for the Project, the Association of General Contractors (AGC) initiated litigation against the City related to joint apprenticeship language in their construction contracts. The court issued an injunction that prohibited proceeding with construction while in litigation. The state subsequently passed legislation requiring project labor agreements (PLAs) for pure water projects receiving State Revolving Fund loan financing. The City removed joint apprenticeship language from all Project contracts, successfully negotiated PLAs with applicable labor and construction groups, and settled with AGC. As a result of litigation and changes in state law, Project construction was delayed approximately 18 months.

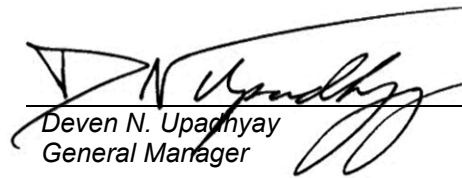
If the Board grants SDCWA's extension request, the Agreement will terminate 25 years following the new start-of-operation deadline. **Attachment 2** summarizes the Project's current LRP contract terms and the revised terms if the Board approves the extension request. Metropolitan would not incur any 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.



Brandon J. Goshi  
Interim Manager, Water Resource Management

4/28/2025

Date



Deven N. Upadhyay  
General Manager

4/28/2025

Date

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

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

Ref# wrm12699745

**Brandon Goshi**

Interim Water Resource Management Group Manager  
700 Alameda St  
Los Angeles, CA 90012

March 13, 2025

**RE: MWD's Local Resource Program Agreement No. 191282 for San Diego Pure Water North City Project Phase 1**

Dear Mr. Goshi,

*Hi  
Brandon*

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-fiscal-year extension to the contractual date for start of operations under the above referenced Local Resources Program (LRP) Agreement (Agreement).

On August 17, 2020, the Water Authority, the City of San Diego (City), and MWD executed the above referenced Agreement for the San Diego Pure Water North City Project (Project) which will be owned and operated by the City of San Diego (City), a member agency of the Water Authority.

On behalf of the City, the Water Authority is requesting to extend the start of operation from June 30, 2025, to June 30, 2028, due to unforeseen delays including supply chain challenges resulting from the COVID-19 pandemic, unforeseen construction delays, and legal challenges. This request is consistent with the requirements outlined in the June 8, 2021, Item 7-7 approved by the Water Planning and Stewardship Committee and MWD's Board of Directors.

In addition to the extension, the Water Authority requests amendments to the Agreement to improve its clarity and make it more consistent with the Project.

The Project is currently 70% complete and the City is fully committed to bringing the project online as a local and sustainable water source for the region. The City will meet the requested three-fiscal-year LRP extension deadline and strives 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 detailing reasons for the delay and its commitment to completing the Project on schedule. Also attached is a revised schedule for Project implementation with a revised start of operations date as required by MWD.

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

Sincerely,



Meena Westford  
Director of Imported Water

Attachment – Extension Request Letter from City of San Diego 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



February 13, 2025

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

Re: MWD's Local Resources Program Agreement No. 191282 for San Diego Pure Water North City Project Phase 1

Dear Mr. Denham:

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

The San Diego Pure Water North City Project (Project) will be owned and operated by the City of San Diego (City). The City is constructing a multi-phased Pure Water San Diego Program. The Project is the first phase of the San Diego Pure Water Program and will provide up to 33,600 AFY of purified water to the Miramar Reservoir for surface water augmentation. Future phases of the City of San Diego's Pure Water Program are not part of this agreement.

As you know, on August 17, 2020, the City, MWD, and SDCWA executed the above referenced Agreement. The City is requesting to extend the start of operation from June 30, 2025, to June 30, 2028, due to unforeseen delays including supply chain challenges resulting from the COVID-19 pandemic, unforeseen construction delays, and legal challenges. This request is consistent with the requirements outlined in the June 8, 2021, Item 7-7 approved by the Water Planning and Stewardship Committee and MWD's Board of Directors.

In addition to the extension, the City of San Diego requests amendments to clarify the LRP Agreement and make it more consistent with the Project.

#### Background

The City of San Diego's Pure Water program is a multi-phased project to produce a local, sustainable, and drought proof supply of 92,972-acre feet of water per year. Phase 1 of the program consists of the City of San Diego Pure Water North City Project which will treat tertiary

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Dan Denham  
General Manager  
February 13, 2025

recycled water from the North City Water Reclamation Facility to produce an anticipated 33,600-acre feet annually of water for potable reuse via surface water augmentation at the Miramar Reservoir. This LRP Agreement focuses on Phase 1 of the City of San Diego's Pure Water program, which is the City of San Diego Pure Water North City Project Phase 1 (Project).

The Project facilities under this Agreement only include the North City Pure Water Facility (NCPWF), the North City Pure Water pump stations and conveyance pipeline to deliver purified water to the Miramar Reservoir, and the influent structure and necessary facilities such as a subaqueous pipeline that will discharge the Project water into the reservoir. NCPWF will include advanced treatment processes such as ozone, biological activated carbon filters, membrane filtration, reverse osmosis, ultraviolet disinfection, and an advanced oxidation process. The advanced treatment process will treat tertiary treated recycled water from the North City Water Reclamation Plant to produce purified water suitable for surface water augmentation at the Miramar Reservoir. North City Water Reclamation Plant is not part of this Agreement.

#### Reason for Requested Extension

The City of San Diego is requesting an extension of the schedule set forth in Exhibit D due to the following delays to the project implementation timeline.

The City of San Diego Pure Water project is the most complex capital improvement program project undertaken by the City of San Diego, which is comprised of 12 individual projects. Early site work for the Project began on May 22, 2019, and the Project is approximately 70% complete as of early 2025. The delays that the Project experienced include supply chain challenges resulting from the COVID-19 pandemic, unforeseen construction delays, and legal challenges. Since being identified, and to the extent possible, these risks have largely been mitigated. Following is more detail on delays to the Project as rationale for this request for extension.

The Project got underway during the global COVID-19 pandemic and was affected by macroeconomic pressures that severely impacted the cost of construction commodities and the delivery of critical materials and equipment. Like many construction projects, this Project was impacted by significant price increases, the inability to obtain pricing commitments, and challenges in obtaining construction materials resulting in an uncertain construction environment. These supply chain challenges impacted the delivery time for key materials and equipment, ultimately delaying the Project.

The Project has seen delays on the construction side due to unforeseen challenges including differing site conditions, tunneling delays, and supply chain issues. Construction of the North City Pure Water Facility has seen several construction changes which have caused delays to the project including structural modifications, drainage modifications, controller and electrical modifications, changes driven by regulatory requirements, and additional operational safety measures. Construction at the North City Water Reclamation Plant, which is crucial to the Project, has also seen delays. Upgrades to the plant must be completed while the plant remains in operation 24/7, which brings a unique level of complexity to the project. This portion the Project has seen delays due to varied site conditions, design modifications, and electrical equipment procurement delays.

Legal challenges have been another contributing factor in Project implementation delays. In November 2018, the City Council authorized the City of San Diego Public Utilities Department to



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begin advertising for construction of the Project. After advertisement of associated projects, the Association of General Contractors (AGC) initiated litigation against the City, alleging that joint apprenticeship language in three of the construction contracts violated the City's Proposition A requirements. The Court issued an injunction that prohibited proceeding with construction while the litigation was resolved. The State subsequently passed legislation requiring project labor agreements (PLAs) for Pure Water projects that received State Revolving Fund loan financing and in November 2019 the City Council approved removing joint apprenticeship language from all the Pure Water contracts. The City then successfully negotiated project labor agreements (PLAs for Pure Water with applicable labor and construction groups. In November 2019, the City settled with AGC. As a result of this litigation and the change in state law requiring PLAs, construction of the Project was delayed approximately 18 months.

The City of San Diego believes that these unforeseen delays are sufficient rationale to request an extension to the start of operations consistent with the requirements outlined in the June 8, 2021, Item 7-7 approved by the Water Planning and Stewardship Committee and MWD's Board of Directors.

Commitment to Continuing to Pursue the Pure Water North City Project

The San Diego Pure Water North City Project Phase 1 is currently 70% complete and the City of San Diego is fully committed to bringing the project online as a local and sustainable water source for the region. The following are updates on the Project implementation:

The Project has met major milestones including installation of approximately 21 of 30 miles of pipeline, completion of 12 of 15 tunnels, installation of the subaqueous pipeline at Miramar reservoir, completion of testing of two of the four new secondary clarifiers at the North City Water Reclamation Plant, completion of the operations and maintenance building exterior, while we continue the installation of major process equipment at the North City Pure Water Facility.

In addition to construction implementation, the City continues to prepare for implementation of the Project operations and maintenance needs. The City has hired fifteen of 20 operations positions, nine of 17 maintenance positions, and five of seven engineering and administrative positions. Of the positions where certifications are required, eight out of ten required Advanced Water Treatment (AWT) Certifications have been obtained. Additional AWT training is scheduled for early 2025. The City also continues to work toward obtaining necessary contracts for chemicals, services, and other specialized parts and labor.

The City will meet the requested 36-month LRP extension deadline and strives to bring the Project online sooner, if possible. Attached is a summary schedule of Project implementation with a revised start of operations date as required by MWD.

If you have any questions or need additional information, please contact Ally Berenter, at (619) 541-3642 or [aberenter@saniego.gov](mailto:aberenter@saniego.gov).

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Dan Denham  
General Manager  
February 13, 2025

Thank you for your consideration of our request. The City of San Diego looks forward to working with SDCWA and MWD staff on seeking approval of this request and bringing this important water supply to MWD's service area.

Sincerely,



Juan Guerreiro  
Director of Public Utilities  
City of San Diego

Attachment 1 – Revised Schedule San Diego Pure Water North City Project Phase 1

cc: Lisa Celaya, Executive Assistant Director, Public Utilities Department  
Doug Campbell, Assistant Director, Public Utilities Department  
Alexandra Berenter, Deputy Director, Public Utilities Department

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Dan Denham  
General Manager  
February 13, 2025

Attachment 1

Revised San Diego Pure Water Program Implementation Schedule

| Revised Date               | Activity                                                                         |
|----------------------------|----------------------------------------------------------------------------------|
| April 19, 2022             | Commence Construction                                                            |
| December 2025              | Begin Start Up and Commissioning                                                 |
| April 2026                 | Conduct Partial Flow System Acceptance Test                                      |
| May 2026                   | Conduct UV Validation Testing for DDW                                            |
| July 2026                  | Receive DDW Approval for Surface Water Discharge to Miramar Reservoir at 7.5 MGD |
| November 2026              | Complete Full Flow System Acceptance Test                                        |
| February 2027              | Obtain DDW Approval for 30 MGD Operations                                        |
| July 1, 2027-June 30, 2028 | Project Allowable Yield begins                                                   |

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

|                                                                                                                                                                                 |                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| <b>Project Information</b>                                                                                                                                                      |                                                 |
| <i>LRP Project</i>                                                                                                                                                              | San Diego Pure Water North City Project Phase 1 |
| <i>Member Agency</i>                                                                                                                                                            | San Diego County Water Authority (SDCWA)        |
| <i>Ultimate Yield (AF)</i>                                                                                                                                                      | 33,600 AF                                       |
| <i>Date of Agreement Execution</i>                                                                                                                                              | August 17, 2020                                 |
| <b>Extension Timeline</b>                                                                                                                                                       |                                                 |
| <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                                       |
| <b>Additional Information</b>                                                                                                                                                   |                                                 |
| <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"/>                                                  |                                                 |
| <b>Reasons for Requested Extension</b>                                                                                                                                          |                                                 |
| The extension request is due to unforeseen delays including supply chain challenges resulting from the COVID-19 pandemic, unforeseen construction delays, and legal challenges. |                                                 |