



• **Board of Directors**  
**Water Planning and Resources Committee**

November 16, 1999 Board Meeting

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8-3

**Subject**

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Agreement for Ladera Ranch and Talega Valley with Municipal Water District of Orange County and Santa Margarita Water District for the Nondomestic Water System Development Project

**Description**

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The 2,772 acre-feet-per-year project is one of 14 competitively selected projects under Metropolitan's Local Resources Program that would collectively produce 51,500 acre-feet per year of new LRP production (see [Attachment 1](#)). The 14 projects were selected following guidelines adopted by the board in June 1998. A report summarizing the screening process was presented to the board in December 1998. In August 1999, the board reconfirmed moving these projects forward for consideration and approval. The final step in the process is board authorization of the LRP agreement for the project. A copy of the negative declaration is available for your review in the office of the executive secretary.

**Policy**

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Prior board direction provided by board letter 8-9 dated May 26, 1998.

**Board Options/Fiscal Impacts**

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**Option #1**

- A. Review and consider information provided in the project's negative declaration and adopt the lead agency's findings related to the Project; and
- B. Authorize the general manager to execute a LRP agreement for this expansion project to provide incentive payments over 25 years that begin at \$214 per acre-foot and are incrementally reduced each year. The payment in year 25 would be \$78 per acre-foot.

**Fiscal Impact:** About \$6.5 million for approximately 66,000 acre-feet of water over 25 years.

**Option #2**

Defer entering a LRP agreement.

**Fiscal Impact:** Would avoid payments totaling about \$6.5 million over 25 years.

**Staff Recommendation**

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Option #1

  
\_\_\_\_\_  
Stephen N. Arakawa, Acting Manager  
Water Resource Management Group  
10/28/99  
Date

  
\_\_\_\_\_  
General Manager  
11/2/99  
Date

## **Detailed Report**

### **Local Resources Program Background**

In June 1998, with endorsement of the member agencies, Metropolitan established the Local Resources Program (LRP). Metropolitan issued a competitive Request for Proposals (RFP) for 53,000 acre-feet per year (AFY) of production. Twenty-eight proposals were received and in the ensuing two-month period reviewed by a committee made up of Metropolitan staff and water resource consultants using weighting criteria for ranking factors adopted by the Board. In December 1998, staff reported to the Board that the review committee identified 14 projects that best meet the selection criteria. Those 14 projects would collectively yield about 51,500 AFY (see Attachment 2).

Project operation would help the region meet the year 2020 goal of 500,000 AFY for recovered groundwater and recycled water production. An estimated 125,000 AFY shortfall in meeting the goal was identified in the RFP. This locally developed water improves regional water supply reliability by displacing requirements for future Metropolitan capital improvements and water importation.

### **Project Features**

The Nondomestic Water System Development Project for Ladera Ranch and Talega Valley (Project) is one of the 14 selected projects. The Project involves construction of an advanced tertiary treatment facility using secondary effluent from the existing Chiquita Water Reclamation Plant and a new recycled water distribution system to two new planned communities (Ladera Ranch and Talega Valley) for irrigation purposes. This Project will reduce the demand for an equal amount of potable supplies from Metropolitan that Santa Margarita Water District (SMWD) would have used to supply the two planned communities. SMWD will construct and operate the Project. Attachment 3 provides a description of the Project's features. The Project's capacity is 2,772 AFY.

The Project complies with LRP criteria adopted by Metropolitan's Board in June 1998. Subject to the Board's approval, the proposed Project would receive financial assistance which varies from \$214 down to \$77 per acre-foot over 25 years as specified in SMWD's proposal. A corresponding annual contribution from the start of operation (2000-2001) through 2024-2025 will be included in future O&M budgets. No incentive payments will be provided this fiscal year. Metropolitan will provide up to \$425,000 annually for a total contribution of about \$6.5 million for approximately 66,000 acre-feet over 25 years. Metropolitan's financial contribution to the Project would be provided to SMWD through the Municipal Water District of Orange County (MWDOC) under a 25-year agreement term. Attachment 4 is a schedule of Metropolitan's projected annual contribution to the Project.

Metropolitan, MWDOC and SMWD have entered into a previous Local Projects Program agreement dated June 9, 1987 for the Santa Margarita Water Reclamation Project. The agreement for this proposed Project will be the second financial incentive agreement executed with MWDOC and SMWD, and will contain provisions that distinguish recycled water production between the Nondomestic Water System Development Project for Ladera Ranch and Talega Valley and the Santa Margarita Water Reclamation Project.

Environmental Documentation

Pursuant to the California Environmental Quality Act (CEQA), SMWD, acting as the Lead Agency, has prepared and adopted a Negative Declaration for the Project. Metropolitan, as a Responsible Agency due to its financial participation in the Project, is required to review and consider the information provided in the Negative Declaration prior to reaching a decision on the Project. Copies of the Lead Agency's Negative Declaration and Notice of Determination are available for your review in the office of the Executive Secretary. No further environmental documentation is necessary for you to act upon in this matter.

## ATTACHMENT 2

<b>LOCAL RESOURCES PROGRAM</b>							
<b>14 Selected Projects</b>							
	Ultimate	Financial	Total MWD	Agreement	Total	MWD	
	Yield	Incentive	Contribution	Term	Yield*	Board	Executed
Selected Projects	(AFY)	(\$/AF)	(\$)	(yrs.)	(AF)	Approval	Agreement
Westlake Wells - Tapia WRF Intertie Project	150	130	78,000	4	600	x	x
Temescal Basin Desalting Facility	10,000	100	25,000,000	25	250,000	x	x
Dry Weather Runoff Reclamation Facility	280	150	1,050,000	25	7,000	x	x
Colored Water Treatment Facility	11,300	97-169	37,115,824	25	277,792	x	x
Alamitos Barrier Reclaimed Water Project	3,024	151-209	13,636,728	25	74,088	x	
Olivenhain Recycled Project - SE Quadrant	1,788	150	4,076,400	20	27,176	x	
Otay Recycled Distribution Expansion	8,515	160-200	21,637,465	24	125,880	x	
Rincon del Diablo Recycled Water Program	648	15-250	648,785	11	4,633		
Santa Margarita Non-Domestic System	2,772	77-214	6,538,416	25	65,951		
Juan Well Filter Facility	900	75	472,500	7	6,300		
Capistrano Valley Non-Domestic System	2,895	150	9,591,300	25	63,942		
Harbor Water Recycling Project	5,000	86-139	13,595,000	24	120,000		
Moulton Niguel Phase 4 Expansion	1,276	154	3,821,356	20	24,814		
Encina Water Reclamation Phase 2	2,950	100-210	7,975,685	25	62,750		
<b>Total</b>	<b>51,498</b>		<b>145,237,459</b>		<b>1,110,926</b>		

\* Total Yield is the sum of the project's annual yield over the requested term of financial assistance.

## **ATTACHMENT 3**

### **Nondomestic Water System Development for Ladera Ranch and Talega Valley**

#### **Project Description**

##### **Overview**

The Santa Margarita Water District (SMWD) intends to pursue a project for Development of Nondomestic Water System in the planned communities of Ladera Ranch and Talega Valley (Project). The Project will ultimately provide 2,772 acre-feet per year (AFY) of recycled water produced at the Chiquita Water Reclamation Plant (CWRP) and construct a new recycled water distribution system to two new planned communities (Ladera Ranch and Talega Valley) for irrigation purposes.

##### **Existing LRP Agreement**

Metropolitan has entered into a Local Projects Program (LPP) agreement dated June 7, 1987 with Municipal Water District of Orange County and Santa Margarita Water District for the Santa Margarita Water Reclamation Project (Existing Project). Under the LPP agreement, Metropolitan provides a flat incentive rate of \$154 per acre-foot for recycled water deliveries to parks, slopes, school grounds, recreation area, greentbelts, freeways landscaping and construction grading supply. SMWD currently serves reclaimed water consisting of return irrigation surface flows and recycled water from the Oso Creek Water Reclamation Plant as part of an existing project, and those sources of supply are not included as part of the Project under this Agreement

The agreement for this proposed Project will be the second financial incentive agreement executed with MWDOC and SMWD, and will contain provisions that distinguish recycled water production between the Nondomestic Water System Development Project for Ladera Ranch and Talega Valley and Existing Project. Although the Existing Project and the proposed Project will be interconnected, the projects operate under separate and distinct pressure zones and will not commingle recycled water deliveries except in unusual circumstances.

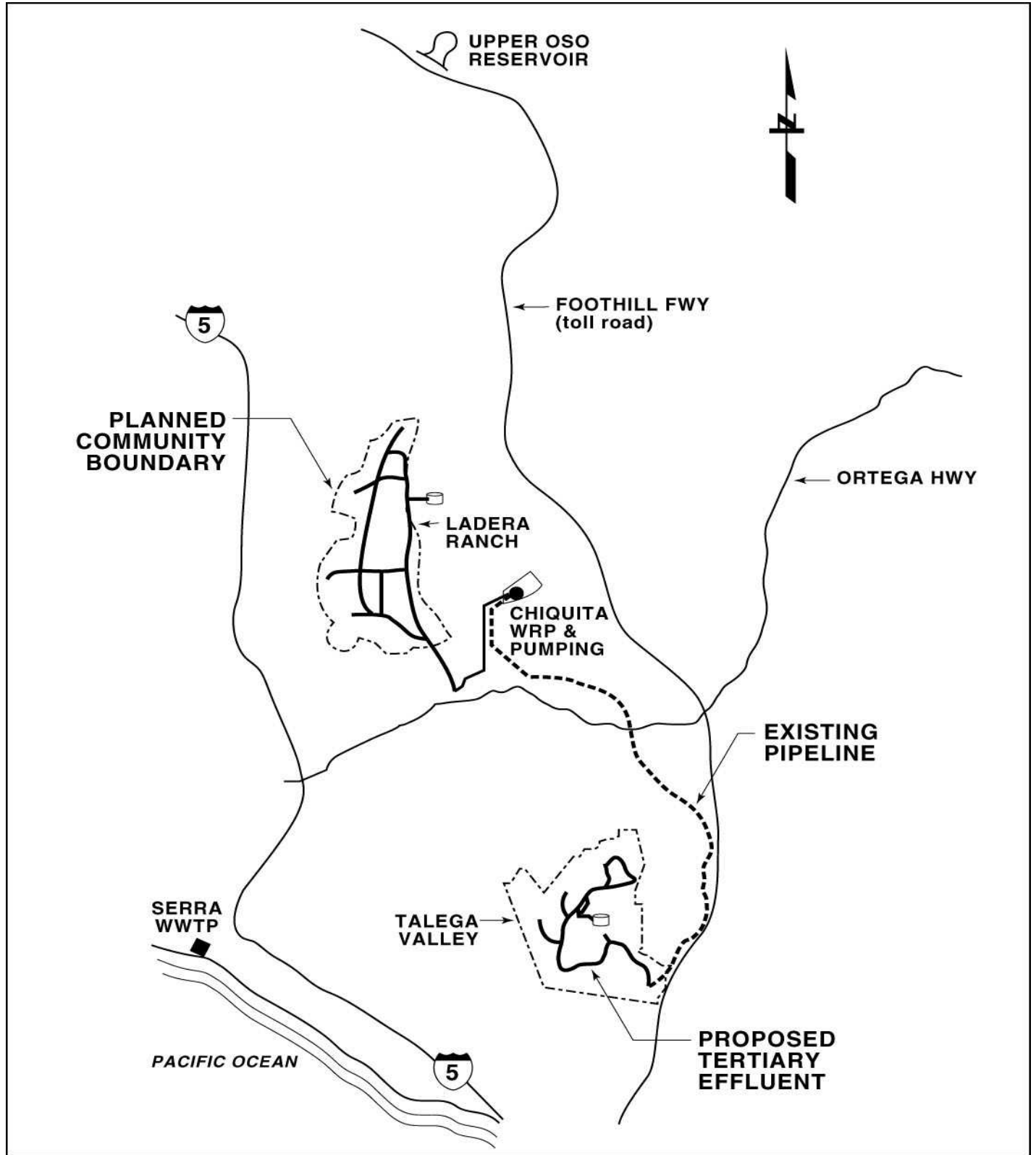
##### **Project Facilities**

The Project consists of construction of an advanced tertiary treatment facility using secondary effluent from the existing CWRP. New treatment facilities will include flow equalization, flocculation, pulsed bed filtration and sodium hypochlorite disinfection. New distribution facilities include a pump station, about 85,000 feet of distribution main and two storage reservoirs required to deliver Project water to the planned Talega Ranch and Ladera Ranch communities. The Project facilities are shown on the attached Figure 1.

Recycled water from the new treatment plant will not be sufficient to meet peak summer demands from the areas being served by the Project and untreated groundwater will be blended with Project recycled water to meet peak demands. That groundwater will not be eligible for payment under this agreement and is not considered to be part of the Project.

Supply to Capistrano Valley Water District

In the future, SMWD may provide recycled water to the Capistrano Valley Water District (CVWD). However, deliveries to CVWD are not eligible to receive LRP financial assistance under this agreement or existing LPP agreements.



**Figure 1**  
**DEVELOPMENT OF NONDOMESTIC WATER SYSTEM**  
**IN LADERA RANCH AND TALEGA VALLEY**

## ATTACHMENT 4

**Metropolitan's Annual Contribution**

<b><u>Fiscal Year</u></b>	<b><u>Incentive Rate (\$/AF)</u></b>	<b><u>Production (AF)</u></b>	<b><u>Annual Contribution (\$)</u></b>
2000-2001	214	1,807	386,698
2001-2002	169	2,118	357,942
2002-2003	186	2,287	425,382
2003-2004	155	2,400	372,000
2004-2005	134	2,512	336,608
2005-2006	122	2,569	313,418
2006-2007	114	2,610	297,540
2007-2008	105	2,650	278,250
2008-2009	97	2,691	261,027
2009-2010	89	2,731	243,059
2010-2011	82	2,772	227,304
2011-2012	81	2,772	224,532
2012-2013	80	2,772	221,760
2013-2014	80	2,772	221,760
2014-2015	79	2,772	218,988
2015-2016	78	2,772	216,216
2016-2017	78	2,772	216,216
2017-2018	78	2,772	216,216
2018-2019	77	2,772	213,444
2019-2020	77	2,772	213,444
2020-2021	77	2,772	213,444
2021-2022	77	2,772	213,444
2022-2023	77	2,772	213,444
2023-2024	78	2,772	216,216
2024-2025	78	2,772	216,216
<b>Total</b>		<b>65,955</b>	<b>6,534,568</b>