



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

November 16, 1999 Board Meeting

8-4

Subject

Local Resources Program Agreement for the Phase 4 Reclamation System Expansion Project with Municipal Water District of Orange County and Moulton Niguel Water District

Description

The 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 with an ultimate yield of 1,276 acre-feet per year. A copy of the negative declaration is available for your review in the office of the executive secretary.

Policy

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

Board Options/Fiscal Impacts

Option #1

- A. Review and consider information provided in the project's negative declaration ; and
- B. Authorize the general manager to execute a LRP agreement for this expansion project to provide incentive payments of \$154 per acre-foot over 20 years.

Fiscal Impact: About \$3.8 million for approximately 25,000 acre-feet of water over 20 years.

Option #2

Defer entering a LRP agreement.

Fiscal Impact: Would avoid future payments totaling about \$3.8 million over 20 years.

Staff Recommendation

Option #1

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

 11/2/99
General Manager 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 implementation 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 Phase 4 Reclamation System Expansion Project (Project) is one of the 14 selected projects. The Project involves extending the existing recycled water distribution system, modifications to existing pump stations, construction of new pump stations, and conversion of existing potable facilities for recycled water service. This Project will reduce the demand for an equal amount of potable supplies from Metropolitan that Moulton Niguel Water District (MNWD) would have used to supply existing and future users. MNWD will construct and operate the Project. Attachment 3 provides a description of the Project's features. The Project's capacity is 1,276 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 of \$154 per acre-foot over 20 years as specified in MNWD's proposal. A corresponding annual contribution from the start of operation (2000-2001) through 2019-2020 will be included in future O&M budgets. No incentive payments will be provided this fiscal year. Metropolitan will provide up to \$200,000 annually for a total contribution of about \$3.8 million for approximately 25,000 acre-feet over 20 years. Metropolitan's financial contribution to the Project would be provided to MNWD through the Municipal Water District of Orange County (MWDOC) under a 20-year agreement term. Attachment 4 is a schedule of Metropolitan's projected annual contribution to the Project.

Metropolitan, MWDOC and MNWD have entered into a previous Local Projects Program agreement dated February 24, 1992 for the Moulton Niguel Water Reclamation Project (Existing Project). The agreement for this proposed Project will be the second financial incentive

agreement executed with MWDOC and MNWD, and will contain provisions that address the interrelationship of the two projects.

Environmental Documentation

Pursuant to the California Environmental Quality Act (CEQA), MNWD, 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.