



- Board of Directors
Engineering and Operations Committee

11/10/2020 Board Meeting

7-4

Subject

Authorize an amendment to an existing agreement with County Sanitation District No. 2 of Los Angeles County and a new agreement with Southern Nevada Water Authority to support continued evaluation and development of the Regional Recycled Water Program; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA

Executive Summary

In November 2015, Metropolitan's Board authorized an agreement with County Sanitation District No. 2 of Los Angeles County (Sanitation District) that established a framework for potential development of a Regional Recycled Water Program (Program). Since that agreement was put into place, Metropolitan and the Sanitation District have continued to develop information and coordinate efforts to support implementation of the Program, if approved. In addition, a number of water agencies have executed Letters of Intent/Interest (LOIs) expressing potential interest either indirectly participating in the Program or in coordinating with Metropolitan on continued development of the Program.

To that end, staff recommends executing an amendment to the existing agreement with the Sanitation District to support further evaluation and development of the proposed Program. Under this amendment, the Sanitation District would provide in-kind technical studies and up to \$4.4 million in direct cost sharing reimbursements to support preparation of environmental documentation, technical studies, and public outreach activities for the Program. Likewise, staff recommends executing an agreement with the Southern Nevada Water Authority (SNWA) to accept up to \$6 million in financial support for these activities.

Details

Background

To maintain water supply reliability, Metropolitan and its member agencies are pursuing resource strategies that accelerate the development of significant local resources to deal with drought, climate change, and seismic risks. Local supplies serve an important role in ensuring the availability of Metropolitan's service, and implementation of the proposed Program would be consistent with these strategies. If approved, this Program would add a significant new water supply to Metropolitan's service area for either groundwater replenishment or direct potable reuse through raw water augmentation.

The Sanitation District is a member of a partnership of 24 independent and special districts that provide wastewater and solid waste management for approximately 5.3 million people in Los Angeles County. The combined Sanitation Districts currently treat an average of 440 million gallons per day (mgd) of wastewater at eleven treatment facilities. The eleventh and largest treatment plant in their system, the Joint Water Pollution Control Plant (Joint Plant) located in Carson, California, has a capacity of 400 mgd and currently treats an average daily flow of approximately 300 mgd. A 0.5 mgd advanced water treatment (AWT) Demonstration Plant has been constructed at the Joint Plant. The Demonstration Plant is now being operated to implement testing plans that will ultimately lead to the regulatory certification of the full-scale treatment process. The Program serves as an opportunity to instead capture that water and treat it for beneficial reuse. A collaboration between the two districts could advance the reuse of water at a scale, with effective timing, and at a strategic location to serve the direct needs of multiple member agencies to augment regional supplies for Metropolitan's service area.

In November 2015, Metropolitan's Board authorized an agreement with the Sanitation District that established a framework of proposed terms and conditions for development of a full-scale Program. The agreement effectively established a partnership between Metropolitan and the Sanitation District that ensures the collaboration of two significant regional agencies in the development of this new resource. Under the agreement, key terms and responsibilities for both Metropolitan and the Sanitation District were identified for the joint development of a full-scale Program. These key terms and conditions are tentative and would go into effect only if and when presented to and approved by both districts' respective boards. The existing agreement facilitates current planning for a full-scale Program by equitably dividing potential costs and investments for both parties, establishing responsibilities between Metropolitan and the Sanitation District, and reserving the use of a Sanitation District site for the AWT facility. This type of collaboration and partnership also ensures that development of this Program would avoid potential conflicts and duplication of efforts with other recycled water plans.

Parallel to Metropolitan's planning effort on the Program, the Sanitation District has provided continuous support on Demonstration Plant construction, and testing, prepared source control evaluations and a remediation action plan for the site where the full-scale AWT facility will be constructed, and actively participated in the evaluation of nitrogen management options. The Sanitation District recently has completed a brine study to explore the options to reduce the dissolved solids loading in the feed water to the AWT facility. A technical analysis currently is in progress to evaluate the potential modifications to the wastewater treatment process, which could have a significant impact on the selection of the downstream AWT process and the associated facility planning. A survey of the potential AWT facility site also is in progress to identify all surface structures/features, and shallow substructures.

The Program is a multi-agency undertaking that will require close collaboration and coordination among many agencies. To establish preliminary commitments and confirm the willingness of other parties to receive purified water, Metropolitan has obtained LOIs from agencies within these areas to collaborate on potential future development agreements related to delivery of the treated water. In addition, Metropolitan has received LOIs from SNWA, the Arizona Department of Water Resources, and the Central Arizona Water Conservation District for potential water transfers and exchange opportunities.

SNWA currently operates a water recycling program in Southern Nevada. Metropolitan and SNWA have collaborated on previous projects and agreements involving water supplies and continue to seek new strategies to help maximize the availability of limited water supplies. In the course of developing the LOIs to support the Program, SNWA expressed an interest in potentially providing a significant financial contribution towards implementation of the Program in exchange for receiving additional Colorado River supplies from Lake Mead. In light of this, SNWA has offered to contribute towards the planning phase activities for the Program.

After five years of progress, staff recommends that Metropolitan proceed with preparation of environmental documentation and technical studies and public outreach activities in support of the Program. This has been submitted for the Board's consideration under a separate item in November 2020. Following board approval of that action, Requests for Proposals to solicit consultant services will be issued to support the initial planning activities.

Staff further recommends that the Board amend the November 2015 agreement with the Sanitation District to provide in-kind technical studies and cost sharing for the preparation of environmental documentation and technical studies, and public outreach efforts. The Sanitation District will reimburse a portion of the costs to Metropolitan, as discussed below, in accordance with the First Amendment to the Regional Recycled Water Program Agreement with County Sanitation District No. 2 of Los Angeles County.

Lastly, staff recommends authorization of an agreement with SNWA to establish the framework of terms and conditions for the potential water exchange opportunity and initial support during the planning phase. SNWA will reimburse Metropolitan for some planning phase activities, as discussed below, in accordance with its agreement with Metropolitan.

Amendment to Agreement - County Sanitation District No. 2 of Los Angeles County

As described above, the Sanitation District has been providing continuous support throughout different phases of the Demonstration Plant, including the use of site utilities, process/equipment assistance, and sample collection

and analyses. As work efforts commence on the environmental planning process and other technical studies, the Sanitation District has identified various activities that it will undertake to support continued evaluation of the Program. Many of these activities will directly support the upcoming planning effort and will have the net effect of reducing Metropolitan's O&M expenditures related to this work. One example is the ongoing technical study on biological and advanced treatment of secondary effluent at the Joint Plant, which would provide optimized pre-treatment for AWT to improve the treatment effectiveness and provide potential cost savings for the Program. The findings from these studies will be used to assess the viability of potentially retrofitting the existing Joint Plant secondary treatment process with MBR treatment modules. Such a retrofit may increase the overall effectiveness and efficiency of the Program.

In addition to the in-kind technical studies, the Sanitation District will provide direct cost sharing, in the form of reimbursements to Metropolitan, for the preparation of environmental documentation (equally split with Metropolitan for approximately \$2 million from Sanitation District), engineering studies (equally split for Joint Plant-related consultant work for approximately \$2 million from Sanitation District), and public outreach (equally split with Metropolitan for approximately \$400,000 from Sanitation District), as detailed in the term sheet that will comprise the agreement amendment between the two organizations. Under the amended agreement, each district is responsible for its own labor costs associated with the preparation of environmental documentation and technical studies. In total, the Sanitation District will contribute approximately \$4.4 million, which will be reimbursed to Metropolitan to directly offset the program cost by the same amount.

Agreement with Southern Nevada Water Authority

SNWA has expressed significant interest in and support for the Program. SNWA has proposed a potential agreement with Metropolitan under which it would provide up to \$750 million towards development and implementation of the Program in exchange for receiving additional Colorado River supplies to sustain development in its service area. While no commitments have been made, SNWA and Metropolitan signed a nonbinding LOI in March 2020 that laid the foundation for a cooperative working relationship to support further evaluation of the Program.

To that end, SNWA is proposing to provide financial resources to support further planning phase activities for the Program. The term sheet appears in **Attachment 2**. During the initial planning phase of the Program, SNWA will provide direct cost contribution in the amount of the lesser of either \$6 million or 24 percent of Metropolitan's costs in conducting analyses, investigations, evaluations, studies, and public outreach to complete the environmental review and documentation required for design and construction of the Program. This is detailed in the term sheet that will comprise the agreement between the two organizations. The contribution from SNWA will be reimbursed to Metropolitan to directly offset the program planning costs by the same amount.

This proposed agreement does not obligate Metropolitan or SNWA to an exchange in the future. There are strategic values in partnering with agencies on the Colorado River and developing joint regional reliability partnerships, and financial contributions are also clearly helpful in developing large scale, expensive projects. However, surrendering a portion of Metropolitan's Colorado River supply must be carefully considered. Climate change and deepening drought may mean Southern California will need all its available water resources in the future to meet our long-term demands. Staff recommends proceeding with this partnership without any obligations related to a long-term exchange. Under the proposed arrangement, either SNWA or Metropolitan can decide not to proceed in the future at no cost. Staff will develop a detailed analysis of the risks and benefits of a long-term investment and exchange before a final decision is made by the Board.

Summary

This action authorizes an amendment to the agreement with County Sanitation District No. 2 of Los Angeles County for planning phase support. See **Attachment 1** for First Amendment to Regional Recycled Water Program Agreement with County Sanitation District No. 2 of Los Angeles County. This action also authorizes an agreement with the Southern Nevada Water Authority. See **Attachment 2** for the proposed agreement with SNWA.

Project Milestones

June 2021 – Board authorization of professional service agreements for preparation of studies, environmental analysis support, and public outreach support

March 2024 – Completion of environmental documentation

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

By Minute Item 42287, dated February 11, 1997, the Board adopted a set of policy principles on water recycling.

By Minute Item 50299, dated November 10, 2015, the Board authorized an agreement with County Sanitation District No. 2 of Los Angeles County for development of a potential regional recycled water supply program and a demonstration project.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative or maintenance activities (Section 15378(b)(2) of the State CEQA Guidelines). The proposed action also is not defined as a project under CEQA because it involves 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 (Section 15378(b)(4) of the State CEQA Guidelines). Additionally, the proposed action is exempt from the provisions of CEQA and the State CEQA Guidelines 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 which a public agency has not yet approved, adopted, or funded (Section 15306 of the State CEQA Guidelines). Finally, where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the proposed activity is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

CEQA determination for Option #2:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative or maintenance activities (Section 15378(b)(2) of the State CEQA Guidelines). The proposed action also is not defined as a project under CEQA because it involves 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 (Section 15378(b)(4) of the State CEQA Guidelines). Additionally, the proposed action is exempt from the provisions of CEQA and the State CEQA Guidelines 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 which a public agency has not yet approved, adopted, or funded (Section 15306 of the State CEQA Guidelines). Finally, where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the proposed activity is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

CEQA determination for Option #3:

None required

Board Options

Option #1

- a. Authorize an amendment to agreement with County Sanitation District No. 2 of Los Angeles County, and
- b. Authorize an agreement with Southern Nevada Water Authority to support the development of the Regional Recycled Water Program.

Fiscal Impact: Approximately \$4.4 million will be reimbursed to Metropolitan by County Sanitation District No. 2 of Los Angeles County and up to \$6 million by Southern Nevada Water Authority for expenditure on planning phase activities to develop the Regional Recycled Water Program.

Business Analysis: This option would provide substantial financial support to advance the development of significant water reuse in Southern California and would augment regional supplies for Metropolitan's entire service area to deal with droughts, climate change, and seismic risks.

Option #2

- a. Authorize an amendment to agreement with County Sanitation District No. 2 of Los Angeles County, or
- b. Authorize an agreement with Southern Nevada Water Authority to support the development of the Regional Recycled Water Program.

Fiscal Impact: Approximately \$4.4 million will be reimbursed to Metropolitan by County Sanitation District No. 2 of Los Angeles County if the agreement is amended. Up to \$6.0 million will be reimbursed to Metropolitan by Southern Nevada Water Authority if the agreement is authorized.

Business Analysis: Under this option, Metropolitan will receive no financial contribution from either the Sanitation District or SNWA to advance the Regional Recycled Water Program.

Option #3

- a. Do not authorize an amendment to agreement with County Sanitation District No. 2 of Los Angeles County, and
- b. Do not authorize an agreement with Southern Nevada Water Authority to support the development of the Regional Recycled Water Program.

Fiscal Impact: None

Business Analysis: Under this option, no financial contribution from either the Sanitation District or SNWA will be received to offset the cost of the initial planning activities for the Regional Recycled Water Program.

Staff Recommendation

Option #1


 _____ 10/29/2020
 John V. Bednarski Date
 Manager/Chief Engineer
 Engineering Services


 _____ 11/2/2020
 Jeffrey Kightlinger Date
 General Manager

Attachment 1 – Term Sheet for First Amendment to Potential Regional Recycled Water Program Agreement with Sanitation District No. 2 of Los Angeles County

Attachment 2 – Term Sheet for Potential Regional Recycled Water Program Agreement with Southern Nevada Water Authority

**TERM SHEET FOR POTENTIAL REGIONAL RECYCLED WATER PROGRAM
AMENDMENT NO. 1 WITH COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES**

POTENTIAL TERMS

Amendment to Section 4. CALIFORNIA ENVIRONMENTAL QUALITY ACT to the REGIONAL RECYCLED WATER PROGRAM AGREEMENT dated November 16, 2015.

Joint Scopes of Work and Selection of Consultants	<p>The Parties shall cooperate to jointly develop, review and agree to one or more scopes of work for the Full-Scale Project and overall Program, including the services to be provided by consultants jointly selected for Environmental Planning Phase Services (individually “Scope” and collectively “Scopes”). Each Scope will contain, at a minimum, a general project description, a list of tasks and a list of deliverables, along with any other details deemed necessary for the Parties to complete their evaluation of the Scope. Each Scope may be modified or amended by mutual agreement of the Parties at any time and no change in any Scope will be implemented until the Parties each sign an authorization for the change in Scope.</p> <p>The Parties shall jointly select the persons or firms to provide the Environmental Planning Phase Services. Metropolitan shall act as the lead agency to contract with the selected persons and firms for the completion of the consultant services pursuant to the Scope for those tasks. Any approval or mutual agreement contemplated by the Parties under this First Amendment shall be authorized by a designated representatives for each Party.</p>
Site Remediation, and Technical Studies for Brine Collection and Biological Treatment	<p>The Sanitation District has retained and will retain additional consultants to continue proposed AWT site investigation and remediation and prepare technical studies on brine collection and the biological treatment at JWPCP to determine the optimal nutrient reduction process for the Full-Scale Project. The Sanitation District is the lead on these studies and Metropolitan is an active participant on the biological treatment study.</p>
CEQA Review and Documentation	<p>The Parties agree that Metropolitan shall be the lead agency and Sanitation District shall be a responsible agency for purposes of conducting any environmental reviews and preparing any environmental documentation that may be required for the Full-Scale Project and overall Program pursuant to CEQA. Costs for such review and documentation shall be allocated as set forth in subsection (v) below. Should additional funds be required to complete the requisite environmental review and documentation, both parties will seek further authorizations from their respective Boards, as needed.</p>
Consultant Management	<p>Day-to-day management of the Environmental Planning Phase Services shall be performed by Metropolitan. Metropolitan agrees to carry out such management for the benefit of the Parties. Metropolitan shall prepare, execute and administer contracts for the Environmental Planning Phase Services with the selected consultants, and Metropolitan shall be responsible for making all payments due to the selected consultants. The Parties shall be equally entitled to receive all work product prepared by any consultants performing work in connection with each Scope and may use the work product for any purposes not adverse to the other Party.</p>

Cost Allocation	<p>Each Party shall contribute to the payment of consulting costs for the Environmental Planning Phase Services as follows:</p> <ul style="list-style-type: none">• Environmental Evaluation - 50-50 split of costs with the Sanitation District paying approximately \$2 million. Metropolitan will pay the balance of the cost.• AWT Site Remediation and Technical Studies - Sanitation District will pay 100% of costs• Engineering Support - Sanitation District will pay approximately 1/6 of the total cost (based on 50-50 cost split for the AWT work at the JWPCP and the Conveyance Facilities in the city of Carson estimated at 1/3 of Engineering Support costs), for a total amount of approximately \$2 million. Metropolitan will pay the balance of the cost.• Public Outreach – 50-50 split of costs with the Sanitation District paying approximately \$400,000. Metropolitan will pay the balance of the cost. <p>Metropolitan shall provide an accounting and invoice Sanitation District on a quarterly basis for the Sanitation District's share of the costs. Sanitation District shall have the right to review and confirm the invoiced tasks and amount conform to the terms of this First Amendment, and if so approved, the Sanitation District shall pay the invoice within 30 days of receipt.</p>
Use of Staff	<p>The Parties shall each provide their own staff resources, including without limitation labor, materials, incidentals and information in support of the Full-Scale Project, overall Program and any Scopes approved under this First Amendment at the sole cost and expense of the contributing party. Periodic joint meetings will be scheduled by the Parties to review progress and results.</p>
Indemnification	<p>Metropolitan and Sanitation Districts shall split all fees and costs associated with any legal actions of any nature arising out of or relating to the Program's Environmental Evaluation, except to the extent that any such legal action includes a challenge to either the Conveyance Facilities or Other Facilities. Metropolitan shall be responsible for all costs of compliance relating to the Program's Environmental Evaluation for the Conveyance Facilities and Other Facilities. Metropolitan shall indemnify, defend, and hold harmless the Sanitation District and its directors, employees, and agents from any losses, claims, or legal actions of any nature solely arising out of or relating to the Program's Environmental Evaluation of the Conveyance Facilities or Other Facilities.</p>

**TERM SHEET FOR POTENTIAL REGIONAL RECYCLED WATER PROGRAM
AGREEMENT WITH SOUTHERN NEVADA WATER AUTHORITY**

TERMS

1. SNWA will provide to Metropolitan the lesser of either \$6 million or 24 percent of Metropolitan's costs for conducting analyses, investigations, evaluations, studies, and public outreach, as needed, to complete any environmental review and documentation required for design and construction of the Program (collectively "Environmental Planning Phase Services"). These Environmental Planning Phase Services include environmental evaluation, engineering and other technical support, and public outreach, and will conform to and comply with the requirements of the California Environmental Quality Act and any other applicable environmental requirements, permitting processes and laws.
2. Metropolitan shall provide an accounting and invoice SNWA on a quarterly basis for 24 percent of the costs incurred by Metropolitan for Environmental Planning Phase Services, up to a maximum cumulative amount of \$6 million. SNWA shall have the right to review and confirm that the invoice conforms to the terms of this Agreement, and if so approved, SNWA shall pay the invoice within 30 days of receipt.
3. This Agreement does not: obligate Metropolitan to approve or develop the Program; obligate Metropolitan to make water available to SNWA through exchange or other mechanism; obligate SNWA to agree to such exchange; allocate any Program water to SNWA; or set any precedent for the terms of any such allocation. Such terms may be provided for in a separate Development Agreement between the Parties.
4. If Metropolitan does not approve or develop the Program or if Metropolitan or SNWA determines to not enter into a separate Development Agreement to allocate Program water to SNWA, then Metropolitan will return the funds that SNWA provided to Metropolitan under this Agreement, without any interest.
5. If the Parties enter into a separate Development Agreement which allocates Program water to SNWA, the Development Agreement will credit SNWA with the funds provided by SNWA under this Agreement.
6. Metropolitan and SNWA will also explore whether certain in-kind services could be provided by SNWA in support of the Environmental Planning Phase Services.
7. This Agreement is effective as of the date the last Party executes the Agreement and will terminate on December 31, 2035, provided that the Parties may agree to extend the term of this Agreement.
8. This Agreement is not intended by the Parties to create any right in or benefit to Parties other than SNWA and Metropolitan. This Agreement does not create any third-party beneficiary rights or causes of action.
9. The failure of either Party to enforce at any time, or for any period of time, the provisions hereof shall not be construed as a waiver of such provisions or of the rights of such Party to enforce each and every such provision.