



● **Board of Directors**  
***Water Planning and Stewardship Committee***

6/8/2021 Board Meeting

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**7-5**

**Subject**

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Review and consider the Santa Margarita Water District's approved Final Mitigated Negative Declaration and Addendum and take related CEQA actions; and authorize the General Manager to enter into an agreement with the Municipal Water District of Orange County and Santa Margarita Water District for the Las Flores Recycled Water Expansion Project

**Executive Summary**

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This letter requests authorization for Metropolitan to enter into a Local Resources Program (LRP) Agreement with the Municipal Water District of Orange County (MWDOC) and Santa Margarita Water District (SMWD) for the Las Flores Recycled Water Expansion Project (Project). The Project would provide up to 209 acre-feet per year (AFY) of recycled water for irrigation use. The Project would help Metropolitan to increase regional water supply reliability, reduce future demands for imported water supplies, and achieve its Integrated Water Resources Plan (IRP) goals. In addition, the Project helps Metropolitan comply with a legislative direction under Senate Bill 60 (SB 60) to expand water conservation, recycling, and groundwater storage and replenishment.

**Details**

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**Background**

Metropolitan created the LRP to provide financial incentives to local projects such as water recycling, groundwater recovery, and seawater desalination projects developed by local and member agencies. Since inception of the LRP in 1982, Metropolitan has provided financial assistance for the production of almost 4.1 million acre-feet (AF) of recycled water and recovered groundwater. These programs provide benefits to all member agencies regardless of individual project location. Benefits include helping increase water supply reliability, reducing imported water demands, decreasing the burden on Metropolitan's infrastructure, reducing system costs, and freeing up conveyance capacity. In addition, these programs help Metropolitan meet its legislative mandates under SB 60 to expand water conservation, recycling, and groundwater storage and replenishment measures. In October 2018, the Board approved an interim LRP target of 170,000 AFY to develop additional contractual yield. Currently, the remaining portion of the LRP target is 104,478 AFY. In fiscal year 2019/20, Metropolitan incentivized member agencies to produce approximately 128,401 AF of local supply.

**Proposed Project**

To increase local supply development, staff recommends that the Board authorize the General Manager to enter into an LRP Agreement with MWDOC and SMWD to provide financial incentives for the proposed Project. The Project will be located within the unincorporated community of Las Flores in south Orange County. The Project will convert up to 209 AFY of potable water demands to recycled water for irrigation purposes in Las Flores. The Project includes construction of over 12,000 feet of new recycled water distribution pipelines and repurposing a surplus sewer lift station to serve as a recycled water booster pump station. Source water for the Project is tertiary treated wastewater from either SMWD's Oso Creek Water Reclamation Plant or Chiquita Water Reclamation Plant. SMWD will own and operate the Project and plans to deliver water in 2022.

The Project, described in **Attachment 1**, complies with LRP criteria adopted by the Board on October 13, 2014.

Key terms of the proposed agreement, subject to approval in form by the General Counsel, include the following:

1. Agreement term is 25 years for a maximum contract yield of 209 AFY.
2. Pay for performance – LRP financial incentives are only for recycled water delivered by the Project for beneficial use.
3. Sliding scale incentives up to \$475 per AF, calculated annually based on actual project unit costs that exceed Metropolitan’s prevailing water rate over 15 years.
4. Termination for non-performance if construction does not commence within two years of agreement execution or if recycled water deliveries are not realized within four years of agreement execution.
5. Reduction in Metropolitan’s contract commitment if the Project falls short of production targets measured in four-year intervals throughout the agreement term.

## Policy

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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.

## California Environmental Quality Act (CEQA)

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### CEQA determination for Option #1:

Pursuant to the provisions of CEQA and the State CEQA Guidelines, the Santa Margarita Water District, acting as Lead Agency, prepared and processed a Final Mitigated Negative Declaration (MND) for the proposed project in unincorporated Orange County. The Final MND was adopted and the project approved by the Lead Agency on June 19, 2020. The Lead Agency also approved the project Mitigation Monitoring and Reporting Program (MMRP). Subsequent to that time, SMWD prepared an Addendum to the project to identify minor project modifications (dated March 19, 2021). Metropolitan, as a Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the Final MND and Addendum and adopt the Lead Agency’s findings and MMRP prior to approval of the formal terms and conditions for the proposed agreement. The environmental documentation is included as **Attachment 2**.

### CEQA determination for Option #2:

None required

## Board Options

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### Option #1

Review and consider the Santa Margarita Water District’s approved Final Mitigated Negative Declaration and Addendum, adopt the Lead Agency’s findings and Mitigation Monitoring and Reporting Program related to the proposed action; and authorize the General Manager to enter into a Local Resources Program Agreement with the Municipal Water District of Orange County and Santa Margarita Water District for the Las Flores Recycled Water Expansion Project for up to 209 acre-feet per year.

**Fiscal Impact:** Metropolitan’s maximum financial obligation would be up to \$1.5 million for a Project yield of 5,225 AF over 25 years. Staff factors these incentive payments into Metropolitan’s rate projections and includes them in future budgets.

**Business Analysis:** The Project would help Metropolitan to achieve its IRP goals and meet its legislative mandates, while reducing Metropolitan’s system costs.

### Option #2

Do not authorize execution of an agreement for the Project.

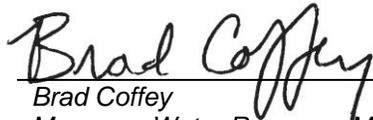
**Fiscal Impact:** None.

**Business Analysis:** Metropolitan would pursue other projects and it may take longer to meet IRP goals.

**Staff Recommendation**

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Option #1

  
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Brad Coffey  
Manager, Water Resource Management

5/21/2021  
Date

  
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Jeffrey Nightlinger  
General Manager

5/27/2021  
Date

**Attachment 1 – Las Flores Recycled Water Expansion Project Description**

**Attachment 2 – Initial Study/Mitigated Negative Declaration Las Flores Enhanced Water Reliability Project**

Ref# wrm12680469

## **LAS FLORES RECYCLED WATER EXPANSION PROJECT**

### **Project Description**

#### **Overview**

The Las Flores Recycled Water Expansion Project (Project) will be owned and operated by Santa Margarita Water District (SMWD). The Project will be located within the unincorporated community of Las Flores in south Orange County. The Project will convert up to 209 acre-feet per year of potable water demands for irrigation purposes to recycled water in Las Flores.

#### **Project Facilities**

The Project consists of expanding SMWD's current recycled water distribution system to serve the Las Flores area which does not currently have recycled water infrastructure. The Project will construct over 12,000 feet of new recycled water distribution pipelines and will repurpose a surplus sewer lift station to serve as a recycled water booster pump station. The on-site retrofit costs, if paid by SMWD, are eligible cost under this Agreement.

#### **Source of Water**

The source of the water is wastewater that is treated at either SMWD's Oso Creek Water Reclamation Plant (Oso Creek WRP) or Chiquita Water Reclamation Plant (Chiquita WRP). The water will be treated to the tertiary level of treatment to meet Title 22 requirements.

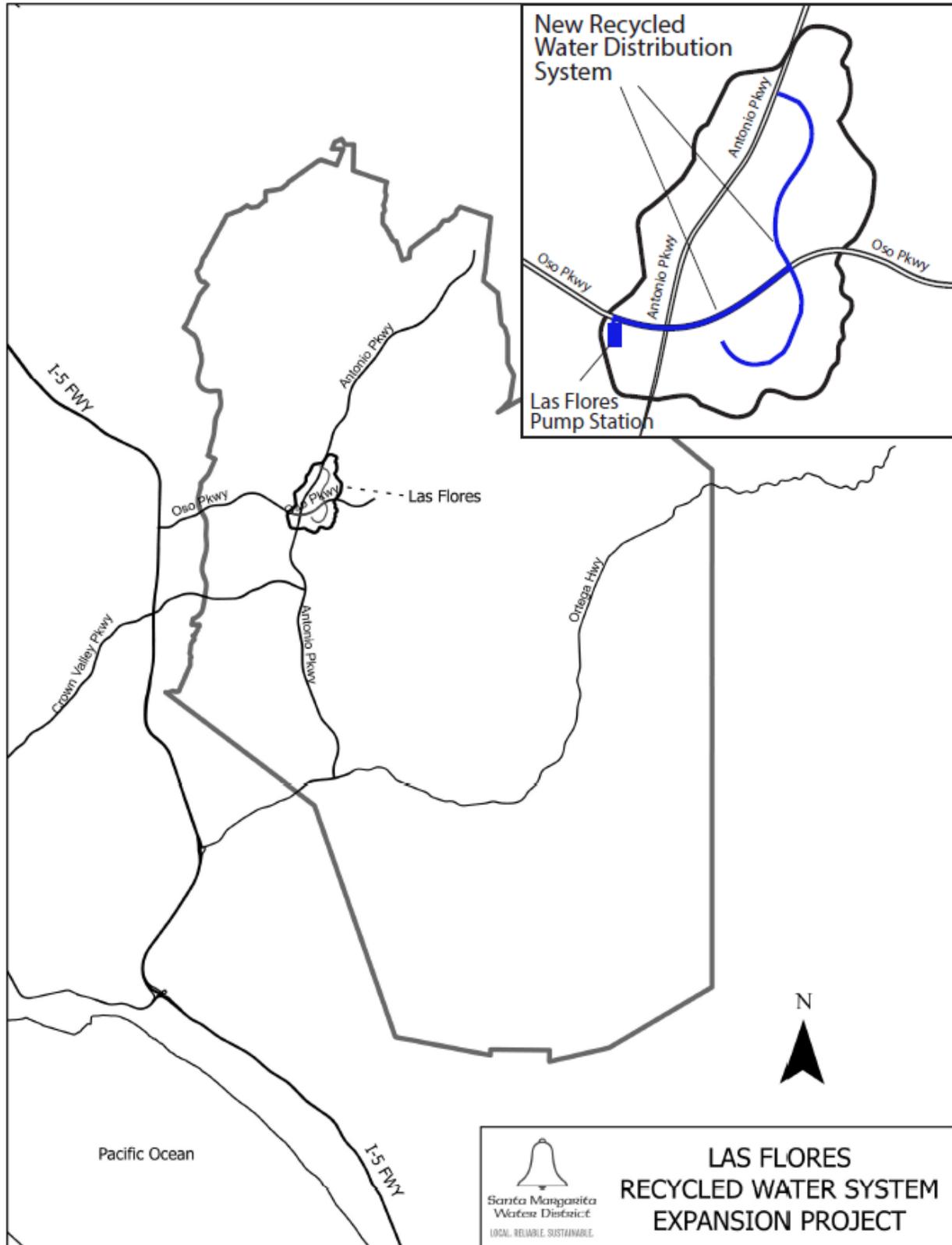
#### **End Users**

The Project will deliver recycled water to the Las Flores community in south Orange County within SMWD's service area. This community consists of approximately 5,200 residents and is near the intersection of Oso Parkway and Antonio Parkway.

#### **Points of Connection**

Project facilities begin at the connection to the existing recycled water distribution pipeline and end at the following points of connection:

- Each end-user
- Sewer, storm drain, channel and potable system interties



**LAS FLORES RECYCLED WATER EXPANSION PROJECT**



*THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA*  
700 N. Alameda Street, Los Angeles, California 90012

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**Board Letter # 7-5**

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**Attachment 2:**  
**Initial Study/Mitigated Negative Declaration**  
**Las Flores Enhanced Water Reliability Project**

The CEQA documentation attachments are not included

You may review these documents on our website at:  
<http://mwdh2o.com/WhoWeAre/Board/Board-Meeting>

OR

By contacting Metropolitan's Board Executive Secretary at: (213) 217-6291  
or via email at [DL-BoardSupportTeam@mwdh2o.com](mailto:DL-BoardSupportTeam@mwdh2o.com)