NOTICE TO THE PUBLIC


PUBLIC COMMENT MAY BE SUBMITTED BY EITHER OF THESE TWO METHODS:

(1) BEFORE THE MEETING SUBMIT YOUR TELEPHONE NUMBER BY E-MAIL TO THE CLERK AT MNELSON@SDCWA.ORG AND THE CLERK WILL CALL YOU WHEN THE BOARD IS READY TO HEAR YOUR PUBLIC COMMENT (THREE MINUTES OR LESS); OR

(2) BEFORE THE MEETING E-MAIL YOUR COMMENT TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG AND IT MAY BE READ ALOUD AT THE PUBLIC COMMENT PERIOD (THREE-MINUTE LIMIT).

IF MODIFICATIONS OR ACCOMMODATIONS FROM INDIVIDUALS WITH DISABILITIES ARE REQUIRED, SUCH PERSONS SHOULD PROVIDE A REQUEST AT LEAST 24 HOURS IN ADVANCE OF THE MEETING BY E-MAIL TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG

BOARD OF DIRECTORS’ AND STANDING COMMITTEES’
REGULAR MEETING
9:00 A.M. JUNE 24, 2021

1. UNIFIED AGENDA: This unified agenda provides a brief description of each item to be considered by the Board and its Administrative and Finance, Engineering and Operations, Imported Water, Legislation and Public Outreach, and Water Planning and Environmental Committees. For convenience, the agenda for each of the Committees and for the formal Board meeting are stated separately; however, all agendas shall be considered as a single agenda and any item listed on the agenda of any Committee may be acted upon by the Board. All items on the agenda of any Committee, including information items, may be deliberated and become subject to action by the Board.

2. DOCUMENTS: Staff reports and any other public information provided to the Board or Committee before the meeting relating to items on the agenda are available for public review on the Water Authority website at https://www.sdcwa.org/meetings-and-documents. Additional documents may be distributed at the meeting electronically, and will be made available. Copies of individual items are available through the Clerk of the Board at (858) 522-6614.

3. MEETING TIMES: The morning session of the Standing Committees will commence at 9:00 a.m. on June 24, 2021, and any afternoon session of the Standing Committees may commence at the conclusion of the morning session and earlier than 1:00 p.m. Please see the meeting schedule. The meeting of the full Board may begin as early as 1:00 p.m. or as soon thereafter as the last Committee meeting is completed.

4. ACTION AT COMMITTEE MEETINGS: Committee meetings are also noticed as meetings of the Board because a quorum of the Board may be present. Members of the Board who are not members of the Committee may participate in the meeting, but only members of the Committee may make, second or vote on any motion or other action of the Committee unless the Board determines to convene for consideration of action on an item or items on the Committee agenda. Items receiving substantive review by a standing
committee are generally included on the Consent Calendar for action at the meeting of full Board. Closed Sessions also occur at Committee meetings and may not be repeated at the formal Board meeting.

5. **CONSENT CALENDAR**: The agenda contains items listed on a consent calendar which is for matters considered routine or otherwise not requiring further deliberation. A Committee or the Board will take action as recommended by one motion. There will be no individual discussion on such items prior to the vote unless an item is removed for discussion. If a member of the public.

6. **PUBLIC HEARINGS OR COMMENT**: Any comments related to a public hearing should be made as stated in the special notice section above.

7. **ACCESS FOR THE DISABLED**: See above notice.

8. **INFORMATION ITEMS**: Items are listed on the agenda as information based on staff’s judgment. Circumstances or the Committee's or Board's judgments may require deliberation or, if necessary, action on these items. Any member of the public with an interest in one of these items should review the background material and request information on the possible action that could be taken.

9. **RULES GOVERNING MEETINGS**: The Water Authority’s Administrative Code Chapter 2.00 governs conduct of meetings of the Board and the Committees. The Administrative Code is available online at [www.sdcwa.org](http://www.sdcwa.org).
MEETING SCHEDULE

JUNE 24, 2021

9:00 A.M. START TIME FOR COMMITTEE MEETINGS

- Administrative & Finance Committee
- Engineering & Operations Committee
- Imported Water Committee
- Legislation & Public Outreach Committee
- Water Planning & Environmental Committee

FORMAL BOARD MEETING 1:00 p.m.

* The Committees are listed above in the order in which they will proceed. The Committee meetings will start at 9:00 a.m. and continue until concluded. The regular Board meeting will start no earlier than 1:00 p.m., and will follow the conclusion of the last Committee meeting.

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2. BEFORE THE MEETING E-MAIL YOUR COMMENT TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG, AND TIME ALLOWING IT MAY BE READ ALOUD AT THE PUBLIC COMMENT PERIOD (THREE-MINUTE LIMIT).

IF MODIFICATIONS OR ACCOMMODATIONS FROM INDIVIDUALS WITH DISABILITIES ARE REQUIRED, SUCH PERSONS SHOULD PROVIDE A REQUEST AT LEAST 24 HOURS IN ADVANCE OF THE MEETING BY E-MAIL TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG]

ADMINISTRATIVE AND FINANCE COMMITTEE

AGENDA FOR

JUNE 24, 2021

Marty Miller, Chair Matt Hall
Jimmy Ayala, Vice Chair Frank Hilliker
Doug Wilson, Vice Chair Gary Hurst
Ismahan Abdullahi Mel Katz
Gary Arant Tom Kennedy
Brian Boyle Jim Madaffer
Chris Cate Kim Thorner
Gary Croucher

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).
3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4-A Directors’ comments.

I. CONSENT CALENDAR

   Staff recommendation: Note and file the Treasurer’s report.  
   (Action)  
   Lisa Marie Harris

2. Purchase of Water Authority Business Insurance for Fiscal Year 2022.  
   Staff recommendation: Authorize the General Manager to purchase property insurance from Swiss Reinsurance Company Ltd in the amount of $222,060, liability insurance from Allied World Assurance Company – CalMutuals JPRIMA in the amount of $409,888, and workers’ compensation insurance from Zenith Insurance Company – CalMutuals JPRIMA in the amount of $271,836, for a total amount of $903,784.  
   (Action)  
   Vadim Livshits

3. Permanent Special Agricultural Water Rate (PSAWR) Program Temporary Access Period Extension.  
   Staff recommendation: Approve the Financial Strategy Work Group recommendation of a two-month extension to the existing six-month temporary eligibility period granted by the Board to previous Transitional Special Agricultural Water Rate (TSAWR) Program customers for access to the PSAWR Program.  
   (Action)  
   Goldy Herbon

II. ACTION/DISCUSSION/PRESENTATION

   (Presentation)  
   Frank Hilliker

2. General Manager’s Recommended Budget for Fiscal Years 2022 and 2023.  
   Staff recommendation: Staff recommends that the Board formally adopt the General Manager’s Recommended Budget for Fiscal Years 2022 and 2023.  
   Approve adoption of Resolution No. 2021-___, a Resolution of the Board of Directors of the San Diego County Water Authority approving the General Manager’s Recommended Budget for Fiscal Years 2022 and 2023, for operations and capital improvements and appropriating $1,692,690,100 consistent with the approved budget.  
   (Action)  
   Sandra L. Kerl
3. **Adopt the Water Authority’s Rates and Charges for Calendar Year 2022.**

   **Staff recommendations:**
   
   a. Conduct the Public Hearing;

   b. **Adopt Ordinance No. 2021-__** an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services;

   c. **Adopt Resolution No. 2021-__** a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge;

   d. **Adopt Ordinance No. 2021-__** an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act;

   e. Find the actions exempt from CEQA pursuant to Public Resources Code §21080(b)(8) and authorize the General Manager to file a notice of exemption. (Action)

4. **Phased reopening of Water Authority facilities. (Presentation)**

   Sandra L. Kerl

III. **INFORMATION**

1. **Controller’s Report on Monthly Financial Activity.**
   
   Chris Woidzik

2. **Board calendar.**

IV. **CLOSED SESSION**

V. **ADJOURNMENT**

   Melinda Nelson
   Clerk of the Board

**NOTE:** This meeting is called as an Administrative and Finance Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
June 16, 2021

Attention Administrative and Finance Committee

Monthly Treasurer’s Report on Investments and Cash Flow

Purpose

The Treasurer’s Report provides monthly financial information to the Board of Directors.

Executive Summary

The Water Authority is well diversified with investment holdings in Agencies, Treasuries and Corporate notes totaling approximately 58% of the portfolio. The overall portfolio of $244.6 million maintained a Market Yield of 1.707% exceeding the Intercontinental Exchange Bank of America (ICE BofA) benchmark.

<table>
<thead>
<tr>
<th>Information as of 5/31/21</th>
<th>ICE BofA 1-3 Year US Treasury &amp; Agency Index</th>
<th>SDCWA Consolidated Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Yield</td>
<td>n/a</td>
<td>1.730%</td>
</tr>
<tr>
<td>Market Yield</td>
<td>0.15%</td>
<td>1.707%</td>
</tr>
<tr>
<td>Book Value</td>
<td>n/a</td>
<td>$244,631,415</td>
</tr>
<tr>
<td>Weighted Average Maturity</td>
<td>1.84</td>
<td>1.47</td>
</tr>
</tbody>
</table>

The Treasurer’s Report is attached for review by the Administrative and Finance Committee and the Board of Directors. The report provides documentation that the Water Authority has sufficient funds to meet its financial obligations for the next six months. A brief description of each report follows:

Portfolio Master Summary: A summary of the Water Authority’s cash and investments.

Chandler Portfolio Summary: A snapshot of the investment manager’s portfolio holdings and characteristics, account summary, top issuers, sector allocation, maturity distribution and credit quality.

Portfolio Details - Investments: A detailed listing of the Portfolio Master Summary’s cash and investments.

The Water Authority’s portfolio is diversified among investment types with a concentration toward short-term maturities. This concentration is the result of current cash flow needs. Market value information is provided by the Bank of New York Mellon and is as of the report date.

In May 2021, the Water Authority’s overall portfolio Purchase and Market Yields were 1.730% and 1.707%, respectively. The benchmark yield decreased due to continued demand for short-term US Government securities, a low interest rate policy by the Fed and continued Fed purchases, which provided support for bond prices in May despite robust US Treasury issuance.

All investments have been made in accordance with the Water Authority’s Annual Statement of Investment Policy, which was last adopted by the Board on November 19, 2020. The reports are completed in accordance with California Government Code Section 53607.

Lisa Marie Harris, Director of Finance/Treasurer
## PORTFOLIO MASTER SUMMARY
**as of May 31, 2021**

### PORTFOLIO PERCENTAGES

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted By Board Policy</th>
<th>Portfolio Percentage</th>
<th>Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$75 Million</td>
<td>32.14%</td>
<td>$74,588,063</td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td>40%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Treasury Securities*</td>
<td>100%</td>
<td>17.01%</td>
<td>39,467,348</td>
</tr>
<tr>
<td>Agency Securities*</td>
<td>100%</td>
<td>18.34%</td>
<td>42,550,627</td>
</tr>
<tr>
<td>Asset-Backed, Mortgage-Backed, Mortgage Pass-Through</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities, and Collateralized Mortgage Obligations</td>
<td>20%</td>
<td>1.05%</td>
<td>2,427,299</td>
</tr>
<tr>
<td>Supranational Securities*</td>
<td>10%</td>
<td>5.51%</td>
<td>12,789,799</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Certificates of Deposit (Placement, Negotiable &amp; Time Deposits)</td>
<td>30%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>25%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Medium Term Notes/Corporates*</td>
<td>30%</td>
<td>16.53%</td>
<td>38,367,125</td>
</tr>
<tr>
<td>Municipal Securities</td>
<td>30%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>2.56%</td>
<td>5,951,931</td>
</tr>
<tr>
<td>Mutual Funds and Money Market Mutual Funds*</td>
<td>20%</td>
<td>6.86%</td>
<td>15,910,965</td>
</tr>
</tbody>
</table>

100.00% $232,053,157

Accrued Interest (unavailable for investing) 2,783
Checking/Petty Cash/Available Funds (unavailable for investing) 334,700

**Subtotal for Pooled Funds:**  $232,390,640

### Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:

- Trinity Plus - Reserve (GIC) - Series 1998A COPs 12,240,775
- **Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):**  $12,240,775

**Total Cash and Investments**  $244,631,415

### PORTFOLIO INFORMATION

<table>
<thead>
<tr>
<th>Pooled Funds **</th>
<th>Debt Service Reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Yield to Maturity - 365 Days</td>
<td>1.52%</td>
<td>5.55%</td>
</tr>
<tr>
<td>Average Term</td>
<td>1,047</td>
<td>1</td>
</tr>
<tr>
<td>Average Days to Maturity</td>
<td>565</td>
<td>1</td>
</tr>
</tbody>
</table>

*Some investments in these categories are managed by Chandler Asset Management.*

**Pooled Funds include Operating, Pay Go, RSF, Equipment and Stored Water funds.*
Portfolio Summary
As of May 31, 2021

ACCOUNT SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>Beg. Values as of 4/30/21</th>
<th>End Values as of 5/31/21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Value</strong></td>
<td>141,901,332</td>
<td>141,980,109</td>
</tr>
<tr>
<td><strong>Accrued Interest</strong></td>
<td>677,325</td>
<td>834,411</td>
</tr>
<tr>
<td><strong>Total Market Value</strong></td>
<td><strong>142,578,658</strong></td>
<td><strong>142,814,521</strong></td>
</tr>
<tr>
<td><strong>Income Earned</strong></td>
<td>242,965</td>
<td>245,616</td>
</tr>
<tr>
<td><strong>Cont/WD</strong></td>
<td>-3,165</td>
<td></td>
</tr>
<tr>
<td><strong>Par</strong></td>
<td>137,197,945</td>
<td>137,283,311</td>
</tr>
<tr>
<td><strong>Book Value</strong></td>
<td>136,102,039</td>
<td>136,187,064</td>
</tr>
<tr>
<td><strong>Cost Value</strong></td>
<td>136,102,039</td>
<td>136,187,064</td>
</tr>
</tbody>
</table>

PORTFOLIO CHARACTERISTICS

- Average Modified Duration: 2.38
- Average Coupon: 2.14%
- Average Purchase YTM: 2.33%
- Average Market YTM: 0.33%
- Average S&P/Moody Rating: AA/Aa1
- Average Final Maturity: 2.49 yrs
- Average Life: 2.45 yrs

SECTOR ALLOCATION

- Agency: 30.9%
- US Treasury: 29.1%
- Corporate: 28.5%
- Supras: 9.2%
- ABS: 1.7%
- Money Mkt Fd: 0.5%

MATURITY DISTRIBUTION

- 0 - 0.25 yrs: 1.9%
- 0.25 - 0.5 yrs: 1.1%
- 0.5 - 1 yrs: 6.6%
- 1 - 2 yrs: 24.7%
- 2 - 3 yrs: 34.0%
- 3 - 4 yrs: 13.3%
- 4 - 5 yrs: 18.4%
- 5+ yrs: 0%

TOP ISSUERS

- Government of United States: 29.1%
- Federal Home Loan Bank: 13.0%
- Federal National Mortgage Assoc: 11.5%
- Federal Home Loan Mortgage Corp: 6.4%
- Intl Bank Recon and Development: 4.2%
- Inter-American Dev Bank: 3.5%
- Bank of America Corp: 2.3%
- Deere & Company: 2.2%
- Total: 72.3%

CREDIT QUALITY (S&P)

- AA (66.0%)
- AAA (20.0%)
- NR (1.4%)
- A (22.6%)
## Portfolio Summary

<table>
<thead>
<tr>
<th>Investments</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Maturity</th>
<th>YTM 360 Equiv.</th>
<th>YTM 365 Equiv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Pool Accounts</td>
<td>98,256,459.16</td>
<td>98,256,459.16</td>
<td>98,256,459.16</td>
<td>42.01</td>
<td>1</td>
<td>1</td>
<td>0.910</td>
<td>0.923</td>
</tr>
<tr>
<td>Medium Term Notes</td>
<td>38,500,000.00</td>
<td>40,363,795.00</td>
<td>38,367,125.00</td>
<td>16.41</td>
<td>1,693</td>
<td>698</td>
<td>3.002</td>
<td>3.044</td>
</tr>
<tr>
<td>Federal Agency - Coupon</td>
<td>42,250,000.00</td>
<td>43,856,072.50</td>
<td>42,550,627.50</td>
<td>18.19</td>
<td>1,749</td>
<td>1,078</td>
<td>1.927</td>
<td>1.954</td>
</tr>
<tr>
<td>Treasury Securities - Coupon</td>
<td>40,400,000.00</td>
<td>41,430,269.68</td>
<td>39,470,130.89</td>
<td>16.88</td>
<td>1,725</td>
<td>989</td>
<td>2.086</td>
<td>2.115</td>
</tr>
<tr>
<td>Supranationals</td>
<td>13,000,000.00</td>
<td>13,107,158.75</td>
<td>12,789,798.75</td>
<td>5.47</td>
<td>1,595</td>
<td>862</td>
<td>1.941</td>
<td>1.968</td>
</tr>
<tr>
<td>Asset Backed Securities</td>
<td>2,424,764.99</td>
<td>2,456,786.23</td>
<td>2,427,298.54</td>
<td>1.04</td>
<td>1,635</td>
<td>948</td>
<td>2.205</td>
<td>2.235</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td><strong>233,861,439.84</strong></td>
<td><strong>239,470,541.32</strong></td>
<td><strong>233,861,439.84</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>992</strong></td>
<td><strong>535</strong></td>
<td><strong>1.707</strong></td>
<td><strong>1.730</strong></td>
</tr>
</tbody>
</table>

### Cash

<table>
<thead>
<tr>
<th>Passbook/Checking (not included in yield calculations)</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Maturity</th>
<th>YTM 360 Equiv.</th>
<th>YTM 365 Equiv.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10,769,975.56</td>
<td>10,769,975.56</td>
<td>10,769,975.56</td>
<td>1</td>
<td>1</td>
<td>0.010</td>
<td>0.010</td>
<td></td>
</tr>
</tbody>
</table>

### Total Cash and Investments

<table>
<thead>
<tr>
<th>Total Cash and Investments</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Maturity</th>
<th>YTM 360 Equiv.</th>
<th>YTM 365 Equiv.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>245,601,199.71</strong></td>
<td><strong>250,240,516.88</strong></td>
<td><strong>244,631,415.40</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>992</strong></td>
<td><strong>535</strong></td>
<td><strong>1.707</strong></td>
<td><strong>1.730</strong></td>
</tr>
</tbody>
</table>

### Total Earnings

<table>
<thead>
<tr>
<th>Total Earnings</th>
<th>May 31</th>
<th>Month Ending</th>
<th>Fiscal Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Year</td>
<td>321,338.24</td>
<td>4,104,130.20</td>
<td></td>
</tr>
<tr>
<td>Average Daily Balance</td>
<td>240,610,031.45</td>
<td>270,341,864.81</td>
<td></td>
</tr>
<tr>
<td>Effective Rate of Return</td>
<td>1.57%</td>
<td>1.65%</td>
<td></td>
</tr>
</tbody>
</table>

SDCWA,
## Portfolio Details - Investments
### May 31, 2021

### Managed Pool Accounts

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH21</td>
<td>2200</td>
<td>Bank of New York Mellon Corp</td>
<td>5,241,008.64</td>
<td>04/30/2019</td>
<td>5,241,008.64</td>
<td>5,241,008.64</td>
<td>0.010</td>
<td>A</td>
<td>0.010</td>
<td>1</td>
<td>0.010</td>
<td>1</td>
</tr>
<tr>
<td>CASH35</td>
<td>73</td>
<td>CAMP - OPERATING/POOLED</td>
<td>5,951,931.03</td>
<td>05/31/2019</td>
<td>5,951,931.03</td>
<td>5,951,931.03</td>
<td>0.050</td>
<td>AAA</td>
<td>0.050</td>
<td>1</td>
<td>0.070</td>
<td>1</td>
</tr>
<tr>
<td>CASH11</td>
<td>0002</td>
<td>GOLDMAN - OPERATING/POOLED</td>
<td>234,680.95</td>
<td>06/27/2019</td>
<td>234,680.95</td>
<td>234,680.95</td>
<td>0.070</td>
<td>AAA</td>
<td>0.070</td>
<td>1</td>
<td>0.070</td>
<td>1</td>
</tr>
<tr>
<td>CASH13</td>
<td>72</td>
<td>LAIF - OPERATING</td>
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**Subtotal and Average:**
- Total Par Value: 98,256,459.16
- Total Market Value: 98,256,459.16
- Total Book Value: 98,256,459.16
- Average YTM: 0.923
- Average Days to Maturity: 1

### Medium Term Notes

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<th>Issuer</th>
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<th>Purchase Date</th>
<th>Par Value</th>
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<th>Book Value</th>
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<th>S&amp;P</th>
<th>YTM</th>
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- Total Market Value: 38,500,000.00
- Total Book Value: 40,363,795.00
- Average YTM: 3.044
- Average Days to Maturity: 698
SDCWA - Fiscal Year 2021
Portfolio Management

Page 2

Portfolio Details - Investments
May 31, 2021
CUSIP

Investment #

Average
Balance

Issuer

Purchase
Date

Par Value

Market Value

Book Value

3,500,000.00
2,000,000.00
2,500,000.00
5,000,000.00
2,250,000.00
1,250,000.00
1,250,000.00
3,000,000.00
3,000,000.00
2,500,000.00
3,000,000.00
2,500,000.00
4,000,000.00
3,500,000.00
3,000,000.00

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2,053,220.00
2,652,950.00
5,353,000.00
2,423,992.50
1,346,662.50
1,345,012.50
3,237,780.00
3,157,110.00
2,474,075.00
3,108,540.00
2,650,725.00
4,160,360.00
3,459,820.00
2,974,440.00

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1,994,260.00
2,547,450.00
5,083,100.00
2,300,760.00
1,290,575.00
1,304,037.50
3,159,420.00
2,981,820.00
2,500,175.00
2,939,520.00
2,489,925.00
3,984,320.00
3,488,170.00
3,000,150.00

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43,856,072.50

42,550,627.50

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1,250,000.00
1,400,000.00
250,000.00
1,500,000.00
1,500,000.00
2,000,000.00
3,000,000.00
4,000,000.00
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5,000,000.00
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3,000,000.00
2,000,000.00
2,000,000.00
3,000,000.00
3,000,000.00
3,000,000.00

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2,095,000.00
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40,400,000.00

41,430,269.68

39,470,130.89

Stated
Rate

S&P

YTM Days to
365 Maturity

Maturity
Date

Federal Agency - Coupon
3137EAEX3
3130AEBM1
313383QR5
313383YJ4
3130A0F70
3130A0F70
3130A1XJ2
3130A2UW4
3137EAEN5
3137EAEU9
3135G0T94
3135G0U43
3135G0W66
3135G05X7
3135G06G3

21084
21013
21020
21042
21046
21055
21066
21076
21028
21082
21030
21043
21077
21083
21085

Bank of New York Mellon Corp
FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN BANK
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL HOME LOAN MORTGAGE COR
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
FEDERAL NATION MORTAGE ASSOC.
Subtotal and Average

10/14/2020
07/20/2018
08/27/2018
11/30/2018
12/18/2018
02/14/2019
06/19/2019
10/31/2019
09/11/2018
08/11/2020
09/11/2018
11/30/2018
10/31/2019
10/14/2020
11/30/2020

42,550,772.66

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3.250
3.375
3.375
3.375
2.875
2.875
2.750
0.375
2.375
2.875
1.625
0.375
0.500

A
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+

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2.822
2.998
2.885
2.652
2.121
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829
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920
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748
1,511
597
833
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1,620

1.954

1,078

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2.823
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0.717

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1,674
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2.115

989

09/23/2025
06/10/2022
06/09/2023
09/08/2023
12/08/2023
12/08/2023
06/14/2024
09/13/2024
06/19/2023
07/21/2025
01/19/2023
09/12/2023
10/15/2024
08/25/2025
11/07/2025

Treasury Securities - Coupon
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912828P38
912828F96
9128283C2
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91282CBQ3

21003
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21011
21015
21016
21019
21026
21029
21044
21045
21051
21064
21070
21071
21087
21088
21089

UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
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UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
UNITED STATES TREASURY
Subtotal and Average

Run Date: 06/03/2021 -Page
12:52

12 of 369

39,470,130.89

02/21/2018
02/21/2018
05/08/2018
06/26/2018
07/23/2018
07/23/2018
08/27/2018
09/11/2018
09/11/2018
11/30/2018
11/30/2018
12/31/2018
05/31/2019
08/23/2019
10/16/2019
02/19/2021
03/05/2021
03/05/2021

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1.750
2.000
2.000
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2.625
1.625
1.625
2.125
2.250
2.125
2.125
0.375
0.375
0.500

AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
AA+
A
AA+

01/31/2023
02/28/2022
04/30/2023
01/31/2023
10/31/2021
10/31/2022
08/31/2022
08/31/2023
06/30/2023
04/30/2023
10/31/2023
11/30/2023
01/31/2024
07/31/2024
09/30/2024
01/31/2026
12/31/2025
02/28/2026

Portfolio CWA2
CC
PM (PRF_PM2) 7.3.0


## Portfolio Details - Investments

**May 31, 2021**

### Supranationals

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<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
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<th>S&amp;P</th>
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**Subtotal and Average** | 12,789,798.75 | 13,000,000.00 | 13,107,158.75 | 12,789,798.75 | 1.968 | 862   |

### Asset Backed Securities

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<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
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**Subtotal and Average** | 2,504,667.88 | 2,424,764.99 | 2,456,786.23 | 2,427,298.54 | 2.235 | 948   |

**Total and Average** | 240,610,031.45 | 234,831,224.15 | 239,470,541.32 | 233,861,439.84 | 1.730 | 535   |
## Portfolio Details - Cash
### May 31, 2021

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<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
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<th>Book Value</th>
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<td><strong>Total Cash and Investments</strong></td>
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**Average Balance**: 245,601,199.71

**Total Cash and Investments**: 244,631,415.40
June 16, 2021

Attention: Administrative and Finance Committee

Purchase of Water Authority Business Insurance for Fiscal Year 2022. (Action)

Staff recommendations
Authorize the General Manager to purchase property insurance from Swiss Reinsurance Company Ltd in the amount of $222,060, liability insurance from Allied World Assurance Company – CalMutuals JPRIMA in the amount of $409,888, and workers’ compensation insurance from Zenith Insurance Company – CalMutuals JPRIMA in the amount of $271,836, for a total amount of $903,784.

Alternatives
1. Increase the deductible for property insurance from $50,000 to $75,000 and increase the deductible for liability insurance from $75,000 to $100,000. This would result in a reduction of $13,182 in premiums. The total combined premium for all three lines of insurance would be reduced from $903,784 to $890,602.

2. Increase the deductible for property insurance from $50,000 to $100,000 and increase the deductible for liability insurance from $75,000 to $125,000. This would result in a reduction of $28,250 in premiums. The total combined premium for all three lines of insurance would be reduced from $903,784 to $875,534.

Fiscal impact
Funds for the purchase of property, liability, and workers’ compensation insurance for Fiscal Year 2022 are included in the Fiscal Years 2022 and 2023 Recommended Budget.

Executive Summary
- Insurance representatives informed the Water Authority in early 2021 that it faced a very difficult insurance renewal market for fiscal year 2022 due to worsening risk conditions in California.
- Staff responded with outreach to foster the most competitive renewal market possible and set a goal to keep overall premium increases for fiscal year 2022 below 10 percent.
- The Water Authority solicited 20 bids for liability coverage, 22 for property coverage, and four for workers’ compensation coverage.
- Based on staff’s recommended renewal bid, the Water Authority’s total premium will increase 7.58 percent in fiscal year 2022.
- Premiums for workers’ compensation will decrease 7.74 percent, property will increase 6.54 percent, and liability will increase 21.61 percent.
- The recommended renewal premiums overall meet the 10 percent goal and is within the recommended budget for fiscal years 2022 and 2023.
**Background**

The Water Authority purchases property, liability, and workers’ compensation insurance coverage on an annual basis. In fiscal year 2021, property coverage was provided by SwissRe, while automobile physical damage coverage was provided by Travelers Insurance Company. Liability coverage was purchased from Allied World Assurance Company, and two layers of excess liability coverage were purchased from Great American Assurance Company and Berkley National Assurance Company. Since fiscal year 2018, the Water Authority has purchased workers’ compensation insurance from the California Association of Mutual Water Companies Joint Powers Risk and Insurance Management Authority (CalMutuals JPRIMA), a pooled insurance program.

In January 2021, Water Authority staff discussed the state of the insurance market with its insurance broker and other representatives of the industry to get an idea of what to expect when renewing policies for fiscal year 2022. The Water Authority received feedback that it was likely to see steep premium increases – potentially 25 percent or more – in the upcoming renewal due to continuing turmoil in the insurance market, including impacts from ever rising fire risk, social unrest, severe weather, social inflation, etc.

To mitigate the potential for increases, staff initiated wide outreach to insurance companies and risk pools to foster the most competitive renewal market possible. Staff also moved up the renewal schedule to help determine a realistic cost estimate that could be incorporated into the recommended budget for fiscal years 2022 and 2023. Based on preliminary information received during the renewal process, staff set a goal for the overall premium increase for fiscal year 2022 to not exceed 10 percent, if possible.

**Discussion**

As part of its outreach efforts, the Water Authority solicited 20 bids for liability coverage, 22 for property, and four for workers’ compensation. Overall, the Water Authority received three bids for liability coverage, three bids for property, and three bids for workers’ compensation.

The bids the Water Authority received were from ACWA-JPIA, CalMutuals JPRIMA/SwissRe, and a combination of carriers consisting of Water Plus/AIG/Applied Underwriters. How the bids compared is shown in Table 1 below:

<table>
<thead>
<tr>
<th>Bidder</th>
<th>Coverage Type</th>
<th>JPRIMA/SwissRe</th>
<th>ACWA-JPIA (3 Program Bundle)*</th>
<th>ACWA-JPIA (2 Program Bundle)</th>
<th>ACWA-JPIA (Single Program)</th>
<th>Water Plus/AIG/Applied Underwriters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability</td>
<td>$409,888</td>
<td>$394,811</td>
<td>$407,279</td>
<td>$415,591</td>
<td>$412,225</td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>$222,060</td>
<td>$269,393</td>
<td>$277,901</td>
<td>$283,572</td>
<td>$270,060</td>
<td></td>
</tr>
<tr>
<td>WC</td>
<td>$271,836</td>
<td>$332,615</td>
<td>$343,188</td>
<td>$350,121</td>
<td>$345,095</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$903,784</td>
<td>$996,819</td>
<td>$1,028,368</td>
<td>$1,049,284</td>
<td>$1,027,380</td>
<td></td>
</tr>
</tbody>
</table>

*ACWA-JPIA’s pricing is discounted if multiple lines of coverage are bundled together.*
In addition to the premium costs outlined in Table 1, staff also considered potential cost reductions offered by the bidders, in the form of retrospective adjustments or dividends, to gauge the value of the bids.

After analyzing the bids, staff recommends continuing with the Water Authority’s current providers, with the only adjustment being a change of insurance carrier for Automobile Physical Liability coverage. The package of renewals from the incumbent bidders was the only one that met staff’s goal to keep overall premium increases below 10 percent. Compared to fiscal year 2021, the combined fiscal year 2022 total cost for the recommended premiums increases 7.58 percent. Any savings below the 10 percent goal leaves the Water Authority more room to handle potential increases in fiscal year 2023 due to likely spikes in cybersecurity and workers’ compensation coverage, as well as other possible emerging risks.

Additional details on the lines of coverage and their recommended providers are given below.

**Workers’ Compensation**
Workers’ compensation coverage is statutory in the State of California. This means that the coverage terms and conditions are standard, with no material differences in coverage among the various providers. The recommended premium for fiscal year 2022 is decreasing 7.74 percent ($22,797) when compared to fiscal year 2021 (from $294,633 to $271,836). The coverage provided by CalMutuals JPRIMA is underwritten by Zenith Insurance Company, which has provided workers’ compensation coverage since 1937, and authorized in California since 1950. A.M. Best rates Zenith Insurance Company at A X (A=Excellent / X=$500M to $750M financial size).

**Property**
The recommended premium for property insurance coverage for fiscal year 2022 is increasing by 6.54 percent ($13,631) from fiscal year 2021 (from $208,429 to $222,060). Property insurance rates continue to increase, particularly in California, as the state recovers from notable losses in recent years as a result of extensive damage from wildfires, and as the country as a whole recovers from major losses due to record-breaking weather events such as hurricanes, flooding, and freezing. Property coverage continues to be provided by SwissRe. A.M. Best rates SwissRe at A+ XV (A+ = Superior / XV = $2B + financial size). Auto Physical Damage coverage is switching from Travelers Insurance Company to Hannover Insurance Company, which was able to offer a lower premium for the same coverage. A.M. Best rates Hannover Insurance Company at A+ XV (A+ = Superior / XV = $2B + financial size).

**Liability**
Total recommended premiums for liability coverage in fiscal year 2022 will increase 21.61 percent ($72,835) when compared to fiscal year 2021 (from $337,053 to $409,888). The Water Authority purchases $31 million of liability coverage in a structure which includes a primary layer of $11 million, and two excess layers up to $31 million. Staff believe that this an adequate excess liability limit as the Water Authority has an excellent loss history and does not have some of the higher risk operations of other public entities, such as public safety and transit. The Water Authority’s liability coverage is provided by Allied World Assurance Company, rated by A.M.
Best as A XV, Berkley National Insurance Company, and Great American Assurance Company, both rated at A+ XV.

Table 2 below summarizes the cost comparison of all three lines of business insurance between fiscal years 2021 and 2022. As stated in the two alternative staff recommendations, additional premium savings could be achieved by raising the deductibles for liability and property; however, staff recommends the deductibles in the following table as the appropriate levels.

<table>
<thead>
<tr>
<th>Line of Coverage</th>
<th>FY 21 Deductibles</th>
<th>FY 21 Premiums</th>
<th>FY 22 Deductibles</th>
<th>FY 22 Premiums</th>
<th>Delta FY 21 to FY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>$50,000</td>
<td>$208,429</td>
<td>$50,000</td>
<td>$222,060</td>
<td>$13,631</td>
</tr>
<tr>
<td>Liability</td>
<td>$75,000</td>
<td>$337,053</td>
<td>$75,000</td>
<td>$409,888</td>
<td>$72,835</td>
</tr>
<tr>
<td>Workers’ Comp</td>
<td>$0</td>
<td>$294,633</td>
<td>$0</td>
<td>$271,836*</td>
<td>-$22,797</td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td><strong>$840,115</strong></td>
<td><strong>---</strong></td>
<td><strong>$903,784</strong></td>
<td><strong>$63,669</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Estimated amount. Final cost based on actual payroll.

Prepared by: Vadim Livshits, Senior Management Analyst
Reviewed by: Jason Foster, Director of Administrative Services
Approved by: Tish Berge, Assistant General Manager
June 16, 2021

Attention: Administrative and Finance Committee

Permanent Special Agricultural Water Rate (PSAWR) Program Temporary Access Period Extension. (Action)

Staff recommendation
Approve the Financial Strategy Work Group recommendation of a two-month extension to the existing six-month temporary eligibility period granted by the Board to previous Transitional Special Agricultural Water Rate (TSAWR) Program customers for access to the PSAWR Program.

Alternatives
Do not approve a two-month extension of temporary eligibility period for previous TSAWR customers to access the PSAWR Program.

Fiscal Impact
There is no projected fiscal impact. The financial impact is projected net neutral to the Water Authority as it continues to collect the same total revenue requirement.

Executive Summary
- In September 2020, the Board adopted Ordinance No. 2020-04 establishing the PSAWR Program.
- In September 2020, the Board also approved a six-month temporary eligibility period (January 1, 2021 - June 30, 2021) to allow previous TSAWR Program customers to participate in the PSAWR Program until their eligibility for the PSAWR Program could be determined.
- In May 2021, the Water Authority received a joint letter from six member agencies requesting an extension to the temporary access granted to previous TSAWR Program customers.
- On June 4, 2021, the Financial Strategy Work Group (FSWG) convened to consider options related to the request made in the joint letter from the member agencies.
- As a result of the meeting, the FSWG recommended a two-month extension to allow temporary access by previous TSAWR Program customers to the PSAWR Program through August 31, 2021.

Background
In September 2020, the Water Authority Board adopted Ordinance No. 2020-04, which established the PSAWR Program beginning on January 1, 2021. At the same meeting, the Board also granted previous TSAWR Program customers temporary access to the PSAWR Program through June 30, 2021, to allow member agencies sufficient time to verify TSAWR customers meet
the PSAWR Program eligibility criteria. Under the PSAWR Program eligibility requirements, agricultural customers must grow or raise, for commercial purposes, products of an agricultural, horticultural, or floricultural nature. Additionally, member agencies are required to confirm customers are included on one of the following four lists that are maintained by the San Diego Regional Water Quality Control Board or the County of San Diego: 1) General Agricultural Orders Enrollment List; 2) Growers List; 3) Active Certified Producers List; or 4) Organic Producers List.

Discussion
In May 2021, the Water Authority received a joint letter from six member agencies that expressed concerns about the pace of enrollment into the PSAWR Program by customers that were previously enrolled in the TSAWR Program. In the letter, the member agencies listed several potential contributing factors, including limited member agency operations due to COVID-19, the process and cost to enroll on one of the qualifying lists, and recent media coverage on worsening drought conditions. The letter also stated that as of April 2021, for the signatories to the letter, less than 50% of the previous TSAWR Program customers had been verified for enrollment into the PSAWR Program. As result, the letter requested an additional six-month extension for previous TSAWR Program customers to temporarily access the PSAWR Program.

On June 4, 2021, a FSWG meeting was held in which Water Authority staff presented background information on the PSAWR Program and discussed the request for an extension of the temporary PSAWR Program access period. After a robust discussion, and in consideration of various factors and risks, the FSWG recommended a two-month extension to the temporary access period, extending the temporary access deadline to August 31, 2021. The FSWG also indicated this would be the final extension granted for temporary access to the PSAWR Program. The extension is intended to balance the member agencies’ need for additional time to confirm previous TSAWR Program customer eligibility for the PSAWR Program and to ensure rate payer equity. It should be noted that if previous TSAWR Program customers are either deemed ineligible or their eligibility is not verified by August 31, 2021, the member agencies will immediately remove those customers from the PSAWR Program. However, it also should be noted that previous TSAWR Program customers may apply to enroll in the PSAWR Program once eligibility requirements are satisfied at any time following the August 31st deadline.

Prepared by: Goldy Herbon, Senior Water Resources Specialist
Reviewed by: Jeff Stephenson, Water Resources Manager
Reviewed by: Kelley Gage, Director of Water Resources
Lisa Marie Harris, Director of Finance
Approved by: Dan Denham, Deputy General Manager
June 16, 2021

Attention: Administrative and Finance Committee

Financial Strategy Work Group Update. (Presentation)

Purpose
The Financial Strategy Work Group (FSWG) process provides an opportunity for dialogue for
development and implementation of strategies for continued financial health and resilience of the
Water Authority.

Background
There has periodically been a Fiscal Sustainability Task Force (FSTF) to examine and assess, with
help from counsel, certain financial policies of the Water Authority. Building from the foundation
offered by the Fiscal Sustainability Task Force (2013 and 2018), the new FSWG provides an
opportunity for addressing current and future financial or economic challenges.

Topics covered in the first three meetings of the FSWG included discussions on guiding principles
and plans for the group, the Capital Improvement Program, the Long-Range Financing Plan, Water
Authority credit ratings and the reports, the Urban Water Management Plan and the Long-Range
Demand Forecast, the water sales forecast and rates development, and the Fiscal Years 2022 and
2023 budget development.

Discussion¹
The FSWG met on June 4, 2021, due to schedules of various FSWG members, it was determined
that the presentations would be given in a different order from the agenda. First, Pierce Rossum, the
Rate and Debt Manager, gave a presentation on the rate setting schedule and Calendar Year 2022
Rates, followed up by a presentation from Liana Whyte, the Budget and Treasury Manager, on the
Fiscal Years 2022 and 2023 Recommended Budget with a schedule overview. The last presentation
was given by Kelley Gage, Director of Water Resources, and Goldy Herbon, Senior Water
Resources Specialist on Member Agencies’ request for an additional time extension of the
Transitional Special Agricultural Water Rate Program.

A summary presentation from the fourth FSWG meeting was also presented to Member Agency
Managers on Tuesday, June 15, 2021. The next FSWG meeting will be on Tuesday, June 29, 2021,
with a follow-up presentation to the Member Agency Managers again in July.

Prepared by: Pierce Rossum, Rate & Debt Manager
Liana Whyte, Budget & Treasury Manager
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Tish Berge, Assistant General Manager

Attachments:
Attachment 1 – Financial Strategy Work Group Meeting Agenda for June 4, 2021
Attachment 2 – Financial Strategy Work Group Presentation for June 4, 2021

¹ General remarks made here are without waiver of attorney-client privilege or attorney work product.
FINANCIAL STRATEGY WORK GROUP

AGENDA FOR
Friday, June 4, 2021 - Meeting #4
8:00 – 10:00 a.m.
Microsoft Teams

Frank Hilliker, Chair  Carlos Lugo  Mona Rios
Gary Arant  Jim Madaffer  Matt Vespi
Chris Cate  Marty Miller  Doug Wilson
Mike Hogan

1. Summary of Topics Covered from Meeting #3 (Chair Hilliker)

2. Member Agencies’ Request for an Additional Time Extension of the Transitional Special Agricultural Water Rate Program (Gage/Herbon)

3. Rate Setting Schedule and Calendar Year 2022 Rates (Rossum)

4. Fiscal Years 2022 and 2023 Recommended Budget (Whyte)

5. Schedule & Next Steps (Kerl)
Financial Strategy Work Group

June 4, 2021

Frank Hilliker, Chair
Meeting #3 Summary of Topics Covered

- Water Sales Forecast and proposed CY2022 rates and charges

- Fiscal Years 2022 and 2023 Draft Budget

- Schedule and Next Steps
Today’s Agenda

- Member Agencies’ request for an additional time extension of TSAWR
- Rate Setting Schedule & CY 2022 Rates
- Fiscal Years 2022 and 2023 Recommended Budget
- Schedule and Next Steps
Member Agencies’ Request for an Additional Time Extension of the TSAWR Program

Kelley Gage, Director of Water Resources
Goldy Herbon, Sr. Water Resources Specialist
Timeline

2019

Activity Lead:
Board of Directors
Fiscal Sustainability Task Force (FSTF)

FSTF
Reconvened

FSTF
Recommendation to
Board

Board Approval:
PSAWR Program
Development
Timeline

2020

PSAWR Kick-Off Meetings

PSAWR Handbook released for public comment

Final PSAWR Handbook and Eligibility List released

Board Approval: CY 2021 Water Rates Adopted

Board Approval: PSAWR Program Ordinance (with new eligibility criteria) & extend TSAWR customer access

2021

Eligibility List updated

Eligibility List updated

Commencement of CY 2021 PSAWR Program

Verification Period

Activity Lead:
Board of Directors
Water Authority Staff

San Diego County Water Authority
September 2020 Board Action

- Allowed temporary access for TSAWR customers from January 1, 2021 – June 30, 2021
  - Period to allow verification of PSAWR Program eligibility and complete enrollment form
  - Ineligible TSAWR customers to be immediately removed from PSAWR Program by member agencies
Member Agency Letter

- Signed by Fallbrook, Oceanside, Rainbow, Vallecitos, Valley Center and Yuima

- Noted enrollment process for TSAWR customers slower than expected

- Listed potential factors impacting the eligibility verification process
  - COVID–19
  - Process for joining eligibility lists
  - Recent news regarding drought conditions
Request Contained in Letter

- Extend TSAWR customer Temporary Access Period from June 30 to December 31, 2021

- Percent of TSAWR customers verified for enrollment in PSAWR
  - Fallbrook PUD – 28%
  - Oceanside, City of – 34%
  - Rainbow MWD – 28%
  - Vallecitos WD – 40%
  - Valley Center MWD – 35%
  - Yuima – 16%
Current Drought Condition Context

- Second consecutive dry-year in California and southwest
  - Predictions favor intensifying drought conditions
- SWP allocation at 5% of requested volume
- Colorado River potential supply allocation
- MWD supply allocation uncertainty
Cost of Service and Equity Considerations

- Justification of PSAWR based on reduced reliability
  - Drought is a risk and extension unfairly gives some applicants greater visibility
- Analysis based on Jan 1, 2021 adoption (extension through June 30, 2021)

Impacts of Extension
- Could further shift defined rate payer equities
- Incentivizes use of delay (“free pass”)
- Creates one-sided benefits/risks
- May impact MA’s existing Proposition 218 process
**Option 1: Extend Eligibility**

- Extend previous TSAWR customer Temporary Access Period to December 31, 2021

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>MA: Allows member agencies more time to enroll eligible TSAWR customers.</td>
<td>MA/WA: Could further shift defined rate payer equities</td>
</tr>
<tr>
<td>MA: Eliminates temporary removal of qualifying TSAWR customers</td>
<td>MA/WA: Incentivizes use of delay and creates one-sided benefits/risks</td>
</tr>
<tr>
<td></td>
<td>WA: No assurance of meeting December 31, 2021, extension deadline</td>
</tr>
</tbody>
</table>
Option 2: No Change to Current Policy

- Eligibility verification deadline remains June 30, 2021

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>MA/WA: Ensures rate payer equity and removes one-sided benefits/risks</td>
<td>MA: Temporarily removes some qualifying TSAWR customers</td>
</tr>
<tr>
<td>MA: Motivates unresponsive TSAWR customers to submit enrollment form verifying eligibility</td>
<td>MA: Member agency administrative “crunch” to verify as many as possible by existing deadline</td>
</tr>
<tr>
<td>WA: Assesses appropriate water rate based on customer class</td>
<td></td>
</tr>
</tbody>
</table>

MA: Member agency administrative “crunch” to verify as many as possible by existing deadline.
### Option 3: Hybrid

- Extend Temporary Access Period to December 31, 2021
- Require reimbursement of rate differential by member agencies for PSAWR purchases made between July 1 - December 31, 2021 [TSAWR customers deemed ineligible as of January 1, 2022]

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MA:</strong> Allows member agencies more time to enroll eligible TSAWR customers</td>
<td><strong>MA/WA:</strong> Results in additional administrative duties and retroactive collection of rate differential</td>
</tr>
<tr>
<td><strong>MA/WA:</strong> Ensures rate payer equity</td>
<td></td>
</tr>
<tr>
<td>Potential Options</td>
<td>Extend Eligibility</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Extend Eligibility</strong></td>
<td>Extend verification period to December 31, 2021</td>
</tr>
<tr>
<td><strong>Would require Board approval</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Questions & Discussion
Rate Setting Schedule & CY 2022 Rates
Development of preliminary key inputs
- O&M Budget | Water Sales | CIP | Inflation Rates | Meter Counts | MWD Fixed Charges | Debt Optimization
- Key inputs not available or finalized until April

Water Sales relies on January-March rainfall
- Impacts local surface water levels/use
- Outdoor domestic and agricultural demands

MWD Rates presented in Feb/Mar and adopted in April
- Additional rates adopted in May
MWD Rate Setting Cycle

- Mirrors CWA process, but a month earlier
- However, MWD rates are significantly more volatile
FY21 Water Sales - Actuals to Forecasted

Timing Matters…
Reliance on older data can lead to significant misses, requiring greater conservatism (higher rates)

Year-To-Date (April ‘21)
- YTD Actual: 313,752 AF
- YTD Forecasted: 284,192 AF
- Differential: +29,560 AF (10.4%)
No changes to Cost-of-Service
  - Consistent application of methodology, allocations, processes, etc.
  - No modifications to IAC, SRC, DSCR, or Reserve Targets

Report states continued compliance and adherence to Board policies and legal requirements

CY 2022 Rates and Charges in alignment to prior guidance
Water Authority Rates and Charges
Resolution No. 98-26, Ord. 2002-03, Ord. 2015-03

Supply recovers the cost of water supply incurred by SDCWA, including the purchase of water (MWD, QSA, desalinated water, and MWD wheeling for non-MWD supplies)

Treatment recovers the costs of treating water, including costs associated with MWD, Helix, Olivenhain

Transportation recovers cost of Water Authority’s aqueduct system, including all facilities used to physically transport the water to member agency meters

Customer Service recovers costs incurred to support the functioning of the Water Authority, to develop policies, and to implement programs that benefit the region as a whole

Storage recovers the costs associated with the Emergency Storage Program (ESP)

Supply Reliability recovers the functional incremental supply costs allocated to enhanced supply reliability

Infrastructure Access Charge designed to be independent of commodity sales and generate a minimum 25 percent ratio of fixed revenues to fixed expenditures
Water Authority Rate Setting Review Process

Financial Goal:

- Maintain strong credit ratings to achieve greatest interest savings and lowest cost of capital

Rate Framework:

- Minimize rate-payer impacts, while maintaining fiscal responsibility and sustainability

Cost of Service Review:

- Regular review from industry experts to ensure continued compliance and application of rate methodology and adherence to Board policies

Collaborations & Outreach:

- Regular and consistent stakeholder engagement (Board, MAM, FSWG)
- 12+ presentations since January to discuss rates and key financial inputs (rates and charges, budget, CIP, and demands)
## CY 2022 Rate Recommendation

<table>
<thead>
<tr>
<th>Variable ($/AF)</th>
<th>CY 2021</th>
<th>CY 2022</th>
<th>%Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Rate</td>
<td>$940</td>
<td>$1,009</td>
<td>7.3%</td>
</tr>
<tr>
<td>Treatment Rate</td>
<td>$295</td>
<td>$310</td>
<td>5.1%</td>
</tr>
<tr>
<td>Transportation</td>
<td>$150</td>
<td>$173</td>
<td>15.3%</td>
</tr>
<tr>
<td>Untreated SAWR</td>
<td>$777</td>
<td>$799</td>
<td>2.8%</td>
</tr>
<tr>
<td>Treated SAWR</td>
<td>$1,072</td>
<td>$1,109</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed ($M)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Service</td>
<td>$25.60</td>
<td>$25.60</td>
<td>0.0%</td>
</tr>
<tr>
<td>Storage</td>
<td>$60.00</td>
<td>$60.00</td>
<td>0.0%</td>
</tr>
<tr>
<td>Supply Reliability</td>
<td>$38.84</td>
<td>$39.3</td>
<td>1.3%</td>
</tr>
<tr>
<td>IAC ($/ME)</td>
<td>$4.24</td>
<td>$4.24</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

| All-In Untreated          | $1,474  | $1,523  | 3.3%|
| All-In Treated            | $1,769  | $1,833  | 3.6%|

5% below Prior Years Guidance (May ‘20) ($1,604/AF)
“All-In” Rate used for High/Low Forecasting

2007 Long Range Financing Plan

“The overall [all-in] rate includes the Water Authority’s fixed water charges and commodity rates”

“The fixed water charges are converted to an average rate (i.e. $/AF) by dividing them by the projected water sales”

“It is important to note that even if the Water Authority’s rates and charges do not change, the overall M&I water rate is subject to change if the water sales forecast changes”

“The overall M&I water rate is only intended to provide a simple summary of the Water Authority’s rates and charges for illustrative purposes.”
“All-In” Provides Illustrative Rate Impact for Consistent Messaging and Forecasting

Despite a constant Customer Service Charge, the $/AF fluctuates based on demands. Increases with lower demands, decreases with higher demands.

<table>
<thead>
<tr>
<th>Official Rate Schedule</th>
<th>CYE2019</th>
<th>CYE2020</th>
<th>CYE2021</th>
<th>CYE2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variable Rates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Melded M&amp;I Supply Rate ($/AF)</td>
<td>$909</td>
<td>$925</td>
<td>$940</td>
<td>$1,009</td>
</tr>
<tr>
<td>Melded M&amp;I Treatment Rate ($/AF)</td>
<td>$276</td>
<td>$280</td>
<td>$295</td>
<td>$310</td>
</tr>
<tr>
<td>Transportation ($/AF)</td>
<td>$120</td>
<td>$132</td>
<td>$150</td>
<td>$173</td>
</tr>
<tr>
<td><strong>Fixed Charges</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service Charge ($ millions)</td>
<td>$25.6</td>
<td>$25.6</td>
<td>$25.6</td>
<td>$25.6</td>
</tr>
<tr>
<td>Storage Charge ($ millions)</td>
<td>$65.0</td>
<td>$65.0</td>
<td>$60.0</td>
<td>$60.0</td>
</tr>
<tr>
<td>Supply Reliability Charge ($ millions)</td>
<td>$30.2</td>
<td>$37.4</td>
<td>$38.8</td>
<td>$39.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Creation of All-In</th>
<th>CYE2019</th>
<th>CYE2020</th>
<th>CYE2021</th>
<th>CYE2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed charges divided by annual forecasted demands</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service ($/AF)</td>
<td>$61</td>
<td>$64</td>
<td>$73</td>
<td>$65</td>
</tr>
<tr>
<td>Storage ($/AF)</td>
<td>$171</td>
<td>$181</td>
<td>$189</td>
<td>$167</td>
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<tr>
<td>Supply Reliability ($/AF)</td>
<td>$80</td>
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<td>$349</td>
<td>$384</td>
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<th>M&amp;I Untreated All-In Rate ($/AF)</th>
<th>CYE2019</th>
<th>CYE2020</th>
<th>CYE2021</th>
<th>CYE2022</th>
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<td>M&amp;I Treated All-In Rate ($/AF)</td>
<td>$1,341</td>
<td>$1,406</td>
<td>$1,474</td>
<td>$1,523</td>
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Despite a constant Customer Service Charge, the “All-In” $/AF fluctuates based on demands. Increases with lower demands, decreases with higher demands.

Provided for illustrative and communication only. No MA is charged the “all-in” rate.
Estimated impact may differ from “All-In”

**CY ‘21 Est. Rate Impact by MA**

CY ‘21 All-In %

-15.0% -10.0% -5.0% 0.0% 5.0% 10.0%

-15.0% -10.0% -5.0% 0.0% 5.0% 10.0%

-15.0% -10.0% -5.0% 0.0% 5.0% 10.0%

**MA Est. % Chg**

**CY ‘22 Est. Rate Impact by MA**

4.8%/4.9% All-In is higher than 2.8% avg MA impact

3.3%/3.6% All-In is lower than 5.6% avg MA impact

**MA Est. % Chg**
Fiscal Years 2022 & 2023
Recommended Budget

Liana Whyte, Budget & Treasury Manager
General Internal Budget Timeline

- September-December - Internal development begins
  - Initial Assumptions and projects forecasted
  - Operating Departments
  - Capital Improvement Program
  - Equipment Replacement and Grants
  - Finance and departments review and discuss

- January - Internal development with Board input
General Internal Budget Timeline

- January-May - Internal and Board input
  - February 26, FSWG - CIP Overview with FY2022-2031 estimates
  - April 8, FSWG - Draft numbers for Operating Departments, CIP, ERF, Grants
  - May 3, FSWG - Draft numbers all categories in Sources and Uses of Funds, CIP and Operating Departments overview

- April-May - Water Sales/Purchases & Treatment consistent with Rates & Charges
FYs 2022 & 2023 Sources of Funds

<table>
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<tr>
<th>Revenue Source</th>
<th>Amount</th>
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<tr>
<td>Water Sales</td>
<td>$1,343,494</td>
<td>79%</td>
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<tr>
<td>Net Fund Withdraws</td>
<td>$98,565</td>
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<tr>
<td>Infrastructure Access Charges</td>
<td>$94,955</td>
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<tr>
<td>Capacity Charges</td>
<td>$34,186</td>
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<tr>
<td>Property Taxes &amp; In-Lieu Charges</td>
<td>$32,361</td>
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<td>Build America Bonds &amp; Investment Income</td>
<td>$26,969</td>
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<tr>
<td>Water Standby Availability Charges</td>
<td>$22,400</td>
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<tr>
<td>All Other Revenue Sources</td>
<td>$39,759</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$1,692,690</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
FYs 2022 & 2023 Uses of Funds

Water Purchases & Treatment: $1,110,422 (66%)
Debt Service: 256,064 (15%)
CIP Expenditures: 170,381 (10%)
Operating Departments: 112,600 (7%)
Equipment Replacement: 4,907 (<1%)
Other & Grants: 38,317 (2%)

Total: $1,692,690 (100%)

91% of TOTAL BUDGET
### Next Steps

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tr>
<td>May 27, 2021</td>
<td>Presentation of General Manager’s Recommended Budget for Fiscal Years 2022 and 2023</td>
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<tr>
<td>June 4, 2021</td>
<td>Presentation of General Manager’s Recommended Budget for Fiscal Years 2022 and 2023 to Financial Strategy Work Group</td>
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<td>June 7, 2021</td>
<td>Member Agency Finance Officers Presentation of Recommended Budget</td>
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<tr>
<td>June 8 and 10, 2021</td>
<td>Special Board Workshops for Recommended Budget</td>
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<tr>
<td>June 15, 2021</td>
<td>Presentation of General Manager’s Recommended Budget for Fiscal Years 2022 and 2023 to Member Agency Managers</td>
</tr>
<tr>
<td>June 24, 2021</td>
<td>Consideration for Adoption of General Manager’s Recommended Budget for Fiscal Years 2022 and 2023</td>
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</table>

- One on one meetings with member agencies available between now and June 24
- Staff available to meet individually with work group if needed
Next Steps
FSWG - Next Steps

- Long-Range Financing Plan
  - Special Board Meeting - July or August (TBD)
  - July Board - preliminary LRFP
  - August Board - consideration for adoption
- July 2, 2021 - Next regular meeting
June 16, 2021

Attention: Administrative and Finance Committee

General Manager’s Recommended Budget for Fiscal Years 2022 and 2023. (Action)

**Staff recommendations**
Staff recommends that the Board formally adopt the General Manager’s Recommended Budget for Fiscal Years 2022 and 2023.

Approve adoption of Resolution No. 2021-___, a Resolution of the Board of Directors of the San Diego County Water Authority approving the General Manager’s Recommended Budget for Fiscal Years 2022 and 2023, for operations and capital improvements and appropriating $1,692,690,100 consistent with the approved budget.

**Alternative**
The Committee and the Board may modify the Recommended Budget prior to adoption of the Budget Resolution.

**Fiscal Impact**
Distributed to the Board on May 26, 2021, the General Manager’s Recommended Budget for Fiscal Years 2022 and 2023 included an appropriation of $1,692,690,100. This is allocated amongst the following categories: Water Purchases and Treatment, $1.11 billion; Capital Improvement Program (CIP), $170.38 million; Debt Service, $256.06 million; Quantification Settlement Agreement (QSA) Mitigation, $5.89 million; Operating Departments, $112.60 million; Equipment Replacement, $4.91 million, Grant Expenditures, $29.00 million; and Other Expenditures, $3.42 million.

With the proposed increase in rates and charges being considered at the Public Hearing on June 24, adequate revenues and funding sources are anticipated to be available to meet the budgetary needs for Fiscal Years 2022 and 2023.

**Background**
The General Manager delivered to the Board the Recommended Budget on May 26, 2021 and introduced the Recommended Budget to the Administrative and Finance Committee on May 27, 2021. The presentation provided highlights on the accomplishments for the past two-year budget period, the factors impacting the development of the budget, an overview of the budget, and the format for the upcoming budget workshops.

The General Manager’s Recommended Budget for Fiscal Years 2022 and 2023 is a reflection of the Water Authority’s commitment to continued leadership on water issues statewide, upholding the public trust with our member agencies and community stakeholders, and maintaining operational excellence of the region’s large-scale water infrastructure. The recommended budget expands our resources to achieve goals in the 2021-2025 Business Plan and align with Board-adopted fiscal sustainability policies.

**Discussion**
On June 8, 10, and 15, 2021, the Administrative and Finance Committee considered and discussed the Fiscal Years 2022 and 2023 Recommended Budget. On the first day of budget hearings, presentations on key assumptions utilized to develop the budget were provided on the Water Authority’s water sales, rates and charges, the capital improvement program, and debt service. In
addition, an overview of assumptions for operating departments was provided. Directors asked a variety of clarifying questions on water sales, rates and charges, capital improvement program, and debt service, which staff responded to.

On the second day of budget workshops, a recap of day one was provided with follow-up on Water Sales Forecast, Rates and Charges, and the Capital Improvement Program. Presentations were provided on operating departments, which were Finance, Administrative Services, General Counsel, General Manager and Board of Directors, Government Relations, Human Resources, the Colorado River Program, and the MWD Program. Additionally, staff provided responses to questions received after the first budget hearing on Tuesday. On the second day, the Administrative and Finance Committee voted to continue the workshops the following week on June 15, 2021.

On the third day of budget workshops, a recap of the prior week’s presentations was provided along with presentations on the remaining Operating Departments, Engineering, Operations and Maintenance, Water Resources, and Public Affairs, and the Equipment Replacement Fund and Grants. A presentation on the Water Authority’s Cost of Service Study was also provided. Directors asked a variety of questions, which staff responded to.

Directors requested additional information and the evaluation of adding funds to the budget for the Colorado River Program for professional services to support outreach for Lake Mead Storage activities. The total cost of adding funds for this item would add $480,000 to the Colorado River Program budget for the two-year period. More information on Lake Mead Storage activities will be provided at the Board meeting on June 24, 2021.

Directors also asked for an evaluation of adding the eliminated Water Resources Specialist position back to the Water Resources department. The total cost of adding the position back to the Water Resources department budget would be $326,800 for the two-year period and increase the total full-time equivalent positions by 1.00.

The addition of both requests to the two-year budget for Fiscal Years 2022 and 2023 would create a budget total of $1,693,496,900. If approved by the Board the resolution would be amended to reflect the additional funds.

Following approval of the Budget at the June Board meeting, staff will distribute the final document to the Board by the end of September 2021.

Prepared by:  Liana M. Whyte, Budget and Treasury Manager
Reviewed by:  Lisa Marie Harris, Director of Finance/Treasurer
              Tish Berge, Assistant General Manager
Approved by:  Sandra L. Kerl, General Manager

Attachments:

Attachment 1 – Resolution No. 2021-___ Resolution of the Board of Directors of the San Diego County Water Authority Approving the General Manager’s Recommended Budget for Fiscal Years 2022 and 2023 for Operations and Capital Improvements and Appropriating $1,692,690,100 consistent with the Approved Budget

Attachment 2 – Fiscal Year 2022 Classification and Salary Schedule
RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY APPROVING THE GENERAL MANAGER’S RECOMMENDED BUDGET FOR FISCAL YEARS 2022 AND 2023 FOR OPERATIONS AND CAPITAL IMPROVEMENTS AND APPROPRIATING $1,692,690,100 CONSISTENT WITH THE APPROVED BUDGET

WHEREAS, in accordance with section 2.04.050 of the Administrative Code, the General Manager has prepared, presented, and submitted the General Manager’s Recommended Multi-Year Budget for Fiscal Years 2022 and 2023, a copy of which is on file in the Office of the Clerk of the Board (“Recommended Budget”);

WHEREAS, the Administrative and Finance Committee reviewed and considered the Recommended Budget during publicly noticed meetings on May 27, June 8, 10, 15, and 24, 2021; and

WHEREAS, based on its review of the recommended budget and the presentations and discussions at its meetings the Administrative and Finance Committee has recommended approval of the Recommended Budget, including recommended operational program additions and modifications, new and revised project budgets within the Capital Improvement Program, and implementation of previously approved compensation plans and employment agreements; and

WHEREAS, the Administrative and Finance Committee also recommended appropriating $1,692,690,100 consistent with the approved budget; and

WHEREAS, on June 24, 2021 the Board of Directors considered the General Manager’s Recommended Budget for Fiscal Years 2022 and 2023 and the report and recommendation of the Administrative and Finance Committee;

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves as follows:

1. The Recommended Budget is approved as the bi-annual budget for Fiscal Years 2022 and 2023.

2. The total amount of $1,692,690,100 is hereby appropriated for the purposes and in the amounts specified in Exhibit A. Expenditures of appropriated funds shall be consistent with the Recommended Budget. Except as provided in this Resolution, no increases or decreases to the budget shall occur except upon prior approval by the Board of Directors.

3. The General Manager has the authority within the Operating Fund balance to make adjustments to employee salaries and benefits. Such adjustments must be consistent with
this resolution, the salary schedules, compensation plans and employment agreements in effect on
the date of this resolution, and salary schedules, compensation plans, and employment agreements
effective after the date of this resolution as approved by the board for represented or unrepresented
employees. The General Manager may make and implement further amendments to the
Classification and Salary Schedule in accordance with the Administrative Code and other rules and
regulations governing the personnel system, provided such adjustments are consistent with the
budget controls contained in paragraph 4.

4. The following controls are hereby placed on the use and transfers of the appropriated
and budgeted funds:

a. The General Manager is responsible for keeping expenditures within the
approved appropriations and budgeted allocations for positions, salaries and benefits, and
operational expenditures and may adopt budget policies as necessary to carry out that responsibility.
No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the
Board or General Manager as described herein.

b. Subject to paragraph d, the General Manager may exercise discretion in
administration of the Operating Budget to respond to changed circumstances, provided that any
modification in excess of $150,000 requires approval by the Board.

c. Subject to paragraph d, the General Manager may exercise discretion in
administration of the Capital Budget to respond to changed circumstances, provided that total
expenditures for all CIP projects, in the two fiscal years do not exceed the total appropriations for
the Capital Improvement Program in the budget approved in paragraph 1. Addition or deletion of a
project or increase in excess of $150,000 to a project budget within the Capital Improvement
Program requires approval by the Board. Inclusion of a project in the Capital Improvement
Program Budget for planning and environmental review purposes shall not be construed as an
irrevocable commitment to the project or implementation. A project shall be subject to revision or
deletion from the Capital Improvement Program as necessary to comply with the California
Environmental Quality Act. No appropriation under this resolution for a capital project that
provides new or expanded service shall be spent for activities other than exempt planning,
feasibility, environmental review and other similar purposes until the Board certifies or approves the
environmental review document for the project.

d. Increases in the appropriation amount of $1,692,690,100 shall not be
effective unless approved by the Board. Addition of personnel positions above the level identified
in the budget as approved in paragraph 1 shall not be effective unless approved by the Board. The
General Manager may authorize the hiring of temporary or part-time staff as necessary, within the
limits imposed by the available expenditure amounts designated in the budget as approved in
paragraph 1. This paragraph shall not be construed as a limitation on reclassification or
reassignment of positions or other administration of the personnel system consistent with paragraph
3.

e. The General Manager is authorized, subject only to the total appropriation, to
exceed the expenditure amount designated for water purchases in the budget as approved in
paragraph 1 in order to meet the water demands of the Water Authority.
PASSED, APPROVED AND ADOPTED, this 24th day of June 2021.

AYES: Unless noted below, all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

_________________________
Gary Croucher, Chair

ATTEST:

_________________________
Jerry Butkiewicz, Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2021- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

_________________________
Melinda Nelson
Clerk of the Board
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<th>BOARD APPOINTED</th>
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<th>REPRESENTED EMPLOYEES, CONTINUED</th>
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<td>Asset Management Specialist I</td>
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Revised: 6/24/2021
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<tr>
<td>Senior Survey Technician</td>
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<tr>
<td>Senior Systems Administration &amp; Support Specialist</td>
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<tr>
<td>Senior System Operator</td>
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</tr>
<tr>
<td>Senior Water Resources Specialist</td>
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<tr>
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<td>System Operator I</td>
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<tr>
<td>System Operator II</td>
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<td>26</td>
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<td>Water Resources Aide</td>
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<td>Water Resources Specialist</td>
<td>31</td>
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<tr>
<td>Water Resources Specialist (E)</td>
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<tr>
<td>Student Worker (Fixed at CA Min. Wage)</td>
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<td>2</td>
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<td>-----</td>
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<td>49</td>
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Monthly salary is hourly rate x 2080 hours / 12.
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<tr>
<th>SALARY RANGE</th>
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<th>PERIOD</th>
<th>MINIMUM</th>
<th>MAXIMUM</th>
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<tr>
<td>A</td>
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<td>$106.609</td>
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<td>$18,478.82</td>
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<td></td>
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<td>$23,326.07</td>
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<td>Hourly</td>
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<td>$125.187</td>
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<td>$21,699.15</td>
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<td>Hourly</td>
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<td>Monthly</td>
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<td>$70.166</td>
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<td>Monthly</td>
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<td>Hourly</td>
<td>$67.203</td>
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<td>Monthly</td>
<td>$11,648.46</td>
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<tr>
<th>BOARD APPOINTED CLASSIFICATIONS</th>
<th>ANNUAL SALARY SET BY BOARD OF DIRECTORS</th>
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<tbody>
<tr>
<td>X</td>
<td>$327,000.00</td>
</tr>
<tr>
<td>Y</td>
<td>$265,380.00</td>
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</table>
June 16, 2021

Attention: Administrative and Finance Committee

Adopt the Water Authority’s Rates and Charges for Calendar Year 2022. (Action)

Purpose
To establish rates and charges sufficient to meet the Water Authority’s revenue requirements in conformance with state law and board policies.

Staff recommendations
a. Conduct the Public Hearing;

b. Adopt Ordinance No. 2021-__ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services;

c. Adopt Resolution No. 2021-__ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge;

d. Adopt Ordinance No. 2021-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act;

e. Find the actions exempt from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the General Manager to file a notice of exemption.

Alternative
Direct staff to set a different time or date for the public hearing.

Fiscal Impact
The proposed water rates and charges, in combination with reserves, property tax revenues, the System Capacity Charge, the Water Treatment Capacity Charge, the Infrastructure Access Charge (IAC), investment income, the Standby Availability Charge, and the Supply Reliability Charge (SRC), are expected to raise revenues sufficient to meet the Water Authority’s revenue requirement, bond covenants and other key fiscal policy goals. The recommended M&I All-In cost of water increase for CY 2022 is $49/AF or 3.3% for untreated water and $64/AF or 3.6% for treated water. These increases continue to be mitigated by a projected draw from the Rate Stabilization Fund (RSF) within the Board policy.
Executive Summary

- Treated Water Cost increasing from the CY 2021 All-In rate of $1,769 to $1,833 in CY 2022 rates, a $64 or 3.6% increase.
- Untreated Water Cost increasing from the CY 2021 All-In rate of $1,474 to $1,523 in CY 2022, rates a $49 or 3.3% increase.
- Rate Stabilization Fund: Continued use of reserves, within policy, to mitigate rates.
- Supply Reliability Charge: For CY 2022, the SRC will increase from its current level of $38.8M to $39.3M.

Background

At the May 27, 2021 Board meeting, staff provided a report on the proposed CY 2022 rates and charges, as well as a draft of Carollo’s independent cost of service study. The report not only provided the proposed CY 2022 rates and charges but also discussed the primary drivers behind the proposed increases. The key rate and charge drivers identified in the board report are MWD’s rate increases, historical rate smoothing, and the continued low water sales. The Board memo associated with the report is provided as Attachment A.

Previous Board Actions

On May 27, 2021, the Board received the detailed staff report and Carollo’s draft cost of service study recommending the proposed CY 2022 rates and charges, and adopted Resolution 2021-14 setting the time and place for the public hearing on June 24, 2021, to receive comments on the proposed rates and charges.

Discussion

The June 24, 2021 Administrative and Finance Committee meeting has been scheduled as the time, date, and place to receive public comments regarding proposed rates and charges, including the information presented in connection with the May 27, 2021 meeting and the additional information provided in this memorandum, and any other matters pertinent to the Board’s setting of rates and charges. In addition, upon the Board’s May action, the Cost of Service Report from Carollo Engineers was finalized and is provided as Attachment B.

The proposed actions are exempt from CEQA as provided by statute under Public Resources Code §21080(b)(8). This Statutory Exemption is stipulated for actions involving the establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas. The General Manager is therefore authorized to file a Notice of Exemption pursuant to Public Resources Code §21152(b) and §15061(d) of the State CEQA Guidelines (Title 14, Chapter 3, California Code of Regulations).

The Water Authority has complied with the procedural requirements for continuing the Standby Availability Charge and increasing its rates and charges for water and other services. After consideration of public comments at the Public Hearing on June 24, 2021, the staff recommends that the Board adopt the ordinance setting the water rates and charges for CY 2022.
Prepared by: David Gore, Senior Management Analyst
Reviewed by: Pierce Rossum, Rate and Debt Manager
Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Tish Berge, Assistant General Manager

Attachments:

Attachment A - May 19, 2021 Board Memo on setting the public hearing for proposed CY 2022 rates and charges
Attachment B - Carollo Engineers’ Cost of Service Study dated June 2021
Attachment C - Ordinance No. 2021-__ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services
Attachment D - Resolution No. 2021-__ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge
Attachment E - Ordinance No. 2021-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act
May 19, 2021

Attention: Administrative and Finance Committee

Resolution setting a Public Hearing date and Preliminary Assessment for Rates and Charges. (Action)

Purpose
The purpose of this report is to review the recommended rates and charges for calendar year 2022 and adopt a resolution setting a time and place for a public hearing for the consideration and adoption of the recommended rate and charge increases for water, services, and facilities.

Staff recommendation
A. Adopt Resolution Number 2021-__ setting the time and place for a public hearing on June 24, 2021, at or after 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding recommended rates and charges to be effective January 1, 2022. (Action)

B. Preliminary Assessment of Calendar Year 2022 Rates and Charges. (Presentation)

Alternative
Direct staff to set a different time or date for the public hearing.

Fiscal Impact
The recommended water rates and charges, in combination with reserves, existing taxes, the System Capacity Charge, the Water Treatment Capacity Charge, the Infrastructure Access Charge (IAC), investment income, the Standby Availability Charge, and the Supply Reliability Charge (SRC), are expected to raise revenues sufficient to meet the Water Authority’s revenue requirement, bond covenants and other key fiscal policy goals. The recommended CY 2022 water increase for M&I is equivalent to $49/AF or 3.3% for untreated water and $64/AF or 3.6% for treated water. In order to mitigate upward rate pressures, continued use of the Rate Stabilization Fund (RSF) is forecast for FY 2022.

Executive Summary
- Treated Water Cost increasing from the CY 2021 rate of $1,769 to $1,833 in CY 2022 rates, a $64 or 3.6% increase.
- Untreated Water Cost increasing from the CY 2021 cost of $1,474 to $1,523 in CY 2022 rates, a $49 or 3.3% increase.
- Rate Stabilization Fund: Continued use of reserves, within policy, to mitigate rates.
- Supply Reliability Charge: For CY 2022, the SRC will increase from its current level of $38.8M to $39.3M.
Background

**Metropolitan Water Rate Increases**

On April 14, 2020, MWD’s Board of Directors adopted rate and charge increases for calendar years 2021 and 2022. For CY 2022 this resulted in increases of 3.5% and 2.8% to volume-sensitive treated and untreated Full Service MWD supplies, respectively. MWD’s non-volume sensitive Readiness-to-Serve (RTS) and Capacity Charges, which are passed straight through to the Water Authority’s Member Agencies, increased by 7.7% and 14.0%, respectively. While the cost of MWD supplies experienced a modest increase, the rate components of transporting water through the MWD system, including member agency purchases of MWD supplies and sending Quantification Settlement Agreement (QSA) water to the San Diego region, will increase by a larger 4.1% in CY 2022 due to the increases in the System Access Charge and the System Power Charge.

**Prudent Financial Management and Long-Range Planning**

The Water Authority has a long history of prudent financial planning. The San Diego County Water Authority is presently preparing the 2021 Long-Range Financial Plan (LRFP), an update to the existing 2015 LRFP. Dovetailing with the prior Fiscal Sustainability Task Force and current Financial Strategy Work Group, staff has presented information and sought feedback from member agency general managers and the work group on a variety of fiscal topics. This input is being incorporated into the 2021 LRFP and with the focus of long-term financial stability and resilience of the Water Authority.

Similar processes have resulted in successful adoption and implementation of key policies to strengthen the financial health of the Water Authority. In 2006, the Board strengthened the Water Authority’s key financial ratios by setting a Senior Lien Debt Service Coverage Ratio (DSCR) target of 1.50x and establishing a target funding level for the RSF that better protects the Water Authority against the financial impact of demand volatility. In 2014, following an 18-month collaborative process evaluated potential enhancements that would further strengthen the Water Authority’s future fiscal health. One of the key actions taken as part of the fiscal sustainability review was the creation of the Supply Reliability Charge (SRC).

These early and continued actions helped the Water Authority navigate the recession and continue to support the maintenance of the Water Authority’s AAA/Aa2/AA+ credit ratings and access to lower interest rates.

**Comprehensive Cost of Service Reviews**

The Water Authority engaged Carollo Engineers (Carollo) to perform a Cost of Service Study to review, calculate, and validate the Recommended Calendar Year (CY) 2022 water rates and charges. This regular review ensures continued compliance with California legal requirements, American Water Works Association cost of service standards, industry best practices, and Water Authority Board Policies.

**Special Agricultural Water Rate Program (PSAWR)**

On November 21, 2019, the Board directed staff to develop a permanent special agricultural rate program base on the successful Temporary Special Agricultural Water Rate program. Similar to
the pre-existing transitional program, the Permanent Special Agriculture Water Rate (PSAWR) program provides agricultural customers with a lower cost of water at the expense of reduced supply reliability. While the proposed rate is defined through the cost-of-service process, the specific program details and eligibility requirements are defined through a separate process prepared by Water Resources.

Discussion
There are three primary drivers behind the recommended CY 2022 rate and charge increases. The drivers are:

- **MWD Rate and Charge Increases** – The cost of purchasing Full Service Untreated and Treated water increased 2.8% ($22/AF) and 3.5% ($39/AF) respectively. The cost to transport QSA water to the service area increased 4.1% or $22/AF.

  MWD Readiness-to-Serve charge increased 7.7%; however, the Water Authority cost share will decrease by $1.2M due to the SDCWA’s decreased reliance on MWD’s water supplies. The Capacity Charge increased by 14%, from $9.2M to $10.4M. As directed by the Board, these charges are passed straight through to Member Agencies and are not part of the Water Authority’s net revenue requirement, or reflected in rates and charges.

- **Water Sales Environment** – While demands have experienced a recent uptick, following multiple wet years, demands regionally are still below historical levels. Water sales forecasts are developed annually as part of the rate setting process to provide greater rate smoothing flexibility and adaptability.

- **Historical Rate Smoothing** – With the aim of smooth and predictable rates, over the past few years, the Water Authority has utilized its rate stabilization fund to mitigate the impacts of these rate drivers. Rather than raising rates significantly in a single year, these rate drivers are spread over multiple years. The planned and strategic use of the RSF smooths the net impact of increases. CY 2022 rates and charges continue to utilize the RSF, within levels adopted by the Board.

As part of the 2015 LRFP, staff developed a high/low rate and charge forecast to support member agency financial planning efforts. The high/low rate and charge forecasts were based upon scenarios varying the level of water sales, MWD rate and charge increases, and CIP expenditures. The CY 2022 recommended rates and charges are within that guidance. It should be noted that the actual cost of water will vary by member agency based upon each agency’s fixed charge allocations.

**Setting Water Rates and Charges**
On an annual basis, the Water Authority staff develops recommended water rates and charges, which it presents to the Board of Directors for adoption. Water rates and charges include the Melded Supply, Melded Treatment, Transportation rates and the Customer Service, Storage and Supply Reliability charges. Each year the Water Authority undertakes the following cost of service analysis to determine water rates and charges.
Step 1. Establish the revenue requirement—determine the total amount of revenue needed to recover the Water Authority’s annual operating (operations and maintenance of facilities, cost of water, treatment costs, etc.) and capital expenditures (cash and short and long-term debt)

Step 2. Allocate the revenue requirement and offsetting non-commodity revenues (i.e. investment income, property tax, IAC, etc.) to rate categories (Melded Supply, Melded Treatment, Transportation, Storage, Customer Service and SRC) to determine the net revenue requirement for each rate category

Step 3. Determine rates and charges based upon the net revenue requirements, water sales projections and other key financial management metrics (i.e. senior lien debt service coverage, fund deposits and withdrawals)

Step 4. Allocate fixed charges (Storage, Customer Service and SRC) to member agencies based on specified allocation methodologies

Consistent with best management practices, the Water Authority retained Carollo to perform an independent Cost of Service Study to review the recommended CY 2022 rates and charges and ensure that they are set in compliance with California legal requirements, cost of service standards, and Water Authority Board policies. The draft Carollo report is provided as Attachment 2.

Description of Recommended Rates and Charges
Table 2 summarizes the Water Authority’s recommended CY 2022 rates and charges. A description of the Water Authority’s rates and charges is provided in subsequent sections. In addition to the Water Authority’s rates and charges shown in Table 2, MWD’s RTS and Capacity Charges are passed through to Water Authority member agencies.
Table 2 – Summary of Water Authority Rates and Charges

<table>
<thead>
<tr>
<th>Water Authority Rates and Charges</th>
<th>CY 2020 Adopted</th>
<th>CY 2021 Adopted</th>
<th>CY 2022 Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melded Supply Rate ($/AF)</td>
<td>$925</td>
<td>$940</td>
<td>$1,009</td>
</tr>
<tr>
<td>Melded Treatment Rate ($/AF)</td>
<td>$280</td>
<td>$295</td>
<td>$310</td>
</tr>
<tr>
<td>Transportation Rate ($/AF)</td>
<td>$132</td>
<td>$150</td>
<td>$173</td>
</tr>
<tr>
<td>Untreated Transitional &amp; Permanent Special Agricultural Water Rate ($/AF)(^1)</td>
<td>$755</td>
<td>$777</td>
<td>$799</td>
</tr>
<tr>
<td>Treated Transitional &amp; Permanent Special Agricultural Water Rate ($/AF)(^1)</td>
<td>$1,035</td>
<td>$1,072</td>
<td>$1,109</td>
</tr>
<tr>
<td>Infrastructure Access Charge</td>
<td>$3.66/ME(^4)</td>
<td>$4.24/ME(^4)</td>
<td>$4.24/ME(^4)</td>
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<td>Customer Service Charge</td>
<td>$25,600,000</td>
<td>$25,600,000</td>
<td>$25,600,000</td>
</tr>
<tr>
<td>Storage Charge</td>
<td>$65,000,000</td>
<td>$60,000,000</td>
<td>$60,000,000</td>
</tr>
<tr>
<td>Supply Reliability Charge</td>
<td>$37,430,000</td>
<td>$38,840,000</td>
<td>$39,340,000</td>
</tr>
<tr>
<td>Standby Availability Charge per parcel or acre, whichever is greater(^2)</td>
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<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>System Capacity Charge</td>
<td>$5,301/ME</td>
<td>$5,312/ME</td>
<td>$5,328/ME</td>
</tr>
<tr>
<td>Treatment Capacity Charge</td>
<td>$147/ME(^3)</td>
<td>$148/ME(^3)</td>
<td>$149/ME(^3)</td>
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<tr>
<td>Annexation Application Fee (Per Application)</td>
<td>$10,749</td>
<td>$10,771</td>
<td>$10,801</td>
</tr>
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</table>

\(^1\) TSAWR ended on December 31, 2020 and was immediately replaced by PSAWR
\(^2\) Fiscal Year Charge.
\(^3\) ME (meter equivalent) as defined in the resolution establishing the IAC.

Table 3 summarizes MWD’s rates and charges that the Water Authority passes through to its member agencies.

Table 3 – Summary of Water Authority Pass Through Rates and Charges

<table>
<thead>
<tr>
<th>MWD Rates and Charges</th>
<th>CY 2020 Adopted</th>
<th>CY 2021 Adopted</th>
<th>CY 2022 Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Untreated Tier 2 Supply Rate $/AF(^1)</td>
<td>$842</td>
<td>$819</td>
<td>$841</td>
</tr>
<tr>
<td>Replenishment Water Rate Untreated ($/AF)(^2)</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Replenishment Water Rate Treated ($/AF)(^2)</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>MWD Capacity Charge</td>
<td>$8,019,440</td>
<td>$9,153,850</td>
<td>$10,437,100</td>
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<tr>
<td>Readiness-to-Serve Charge(^3,4)</td>
<td>$12,909,485</td>
<td>$11,739,042</td>
<td>$10,553,506</td>
</tr>
</tbody>
</table>

\(^1\) Agencies exceeding their Tier 1 allocation are subject to the MWD Tier 2 Supply Rate.
\(^2\) Discussions on the future of the replenishment program are continuing.
\(^3\) Fiscal Year Charge. Net of Stand-by-Charge and Admin Fee.
\(^4\) Readiness-to-Serve gross charge has changed from $136M in ‘20, $130M in ‘21, to $140M in ‘22. SDCWA’s share of that charge has decreased from 20% to 18% to 16%, and will continue to decrease following the development of QSA and desalination supplies.
The following rates and charges will be effective July 1, 2021:

**Standby Availability Charge.** The County Water Authority Act limits the maximum annual Standby Availability Charge to $10 per acre or parcel, whichever is greater. Beginning before November 6, 1996, the Water Authority has determined that the maximum annual Standby Availability Charge should be levied on property within the Water Authority’s service area. To provide necessary funding for the CIP, the General Manager recommends that the charge continue at the $10 maximum for fiscal year 2021-2022. The recommended Standby Availability Charge rate would be effective July 1, 2021.

**Annexation Application Fee.** The Annexation Application Fee recovers the full administrative cost of service associated with an application for annexation and recovers the costs incurred throughout the annexation process. The updated Annexation Processing Fee of $10,801 per application would be effective July 1, 2021.

The following rates and charges are being recommended effective on January 1, 2022:

**Melded Untreated Supply Rate (exclusive of PSAWR deliveries).** The Melded Untreated Supply Rate (Melded Supply Rate) will be set to recover the costs of purchasing Tier 1 water from MWD, water purchases from IID, payments in connection with the All-American and Coachella Canal lining projects, payments to MWD under the 2003 Exchange Agreement for conveyance of IID and Canal Lining water, desalinated water and the portion of the Water Authority’s revenue requirement allocated to the supply rate. The revenue requirement may include other costs specifically associated with the acquisition of the IID supply source, cost recovery for supply costs previously incurred but not charged, reserve withdrawals/deposits and coverage requirements. Table 4 on the following page shows the calculation of the Melded Supply Rate.
Table 4 – Untreated Melded Supply Rate Calculation

<table>
<thead>
<tr>
<th></th>
<th>CY 2022</th>
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<tbody>
<tr>
<td>Acre-Foot Sales (000's)</td>
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<tr>
<td>MWD Tier I Deliveries</td>
<td>75.3</td>
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<tr>
<td>IID Deliveries</td>
<td>202.5</td>
</tr>
<tr>
<td>Canal Water Deliveries</td>
<td>78.7</td>
</tr>
<tr>
<td>Carlsbad Desalination Production</td>
<td>42.0</td>
</tr>
<tr>
<td>Less SAWR Sales</td>
<td>36.1</td>
</tr>
<tr>
<td><strong>Total A/F Sales</strong></td>
<td><strong>359.7</strong></td>
</tr>
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</table>

**Water Purchase Cost (in Millions)**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>MWD Tier 1 Water Purchases*</td>
<td>$60.2</td>
</tr>
<tr>
<td>IID Water Purchases</td>
<td>254.9</td>
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<tr>
<td>Canal Water Purchases</td>
<td>45.0</td>
</tr>
<tr>
<td>Desalinated Water Supply Costs</td>
<td>97.8</td>
</tr>
<tr>
<td>Less SAWR Expenditures</td>
<td>(28.9)</td>
</tr>
<tr>
<td><strong>Subtotal Water Purchases</strong></td>
<td><strong>$429.0</strong></td>
</tr>
</tbody>
</table>

**Additional Costs (in Millions)**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Supply Revenue Requirement</td>
<td>$14.2</td>
</tr>
<tr>
<td>Additional Discretionary Pension Payment</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Subtotal Other Costs</strong></td>
<td><strong>$12.4</strong></td>
</tr>
</tbody>
</table>

**Offsetting Revenues (in Millions)**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Reliability Charge Revenues</td>
<td>($39.3)</td>
</tr>
<tr>
<td>Use of Reserves</td>
<td>($40.9)</td>
</tr>
<tr>
<td><strong>Total Net Supply Costs</strong></td>
<td><strong>$363.0</strong></td>
</tr>
</tbody>
</table>

**A/F RATE (Total Net Supply Cost /Total AF Sales)** $1,009/AF

*Includes system losses due to meter inaccuracies of +/-0.5 percent.

Based upon these forecasted costs, the Melded Supply Rate would increase from its current level of $940/AF to $1,009/AF in CY 2022.

**Permanent Special Agricultural Water Program Rates.**

The untreated PSAWR will be set to MWD’s Tier 1 rate and increase from its current level of $777/AF to $799/AF in CY 2022. In addition, the treated PSAWR will increase from $1,072/AF in CY 2021 to $1,109/AF in CY 2022. The PSAWR program rates correspond to a lower level of water supply reliability for its participants.

**Melded Treatment Rate.** The Melded Treatment Rate will be set to recover the costs of treating water for the Water Authority and may include costs of purchasing treated water from MWD, the Levy and Olivenhain treatment plants, the Water Authority’s Twin Oaks Valley Water Treatment Plant, desalinated water costs allocated to this rate and may recover certain other costs associated with the delivery of treated water. For CY 2022, the Melded Treatment Rate will increase from its current level of $295/AF to $310/AF. The Water Authority’s proposed melded treatment rate
represents a discount to MWDs’ treatment surcharge of $344/AF. Table 5 shows the calculation of the Melded Treatment Rate.

Table 5 – Melded Treatment Rate Calculation

<table>
<thead>
<tr>
<th>Acre-Foot Sales (A/F) (000's)*</th>
<th>CY 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD</td>
<td>50.9</td>
</tr>
<tr>
<td>Water Authority</td>
<td>43.4</td>
</tr>
<tr>
<td>Helix</td>
<td>18.7</td>
</tr>
<tr>
<td>Carlsbad Desalination Production</td>
<td>42.0</td>
</tr>
</tbody>
</table>

**TOTAL A/F SALES**

155.0

<table>
<thead>
<tr>
<th>Cost (in Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD</td>
<td>$17.5</td>
</tr>
<tr>
<td>Water Authority</td>
<td>8.7</td>
</tr>
<tr>
<td>Helix</td>
<td>2.1</td>
</tr>
<tr>
<td>Treatment Revenue Requirement</td>
<td>6.7</td>
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<tr>
<td>Desalinated Water**</td>
<td>13.0</td>
</tr>
</tbody>
</table>

**TOTAL TREATMENT COSTS**

$48.0

A/F RATE (Total Treatment Costs/Total A/F Sales) $310/AF

* Includes treated water deliveries intended for agriculture

**Based on recommended cost of treated water (42,000AF*$310 = $13.0M)

**Transportation Rate.** The Transportation rate is set to recover capital, operating, and maintenance costs of Water Authority-owned water delivery facilities, including facilities used to physically transport the water to member agency meters. The Transportation Rate is charged to each acre-foot of water delivered by the Authority as it occurs. For CY 2022, the Transportation Rate will increase from its current level of $150/AF to $173/AF. While the costs associated with transportation are largely fixed, higher rates are largely driven by a decrease in sales.

**Infrastructure Access Charge.** The infrastructure access charge is imposed on member agencies as a condition of maintaining connections to Water Authority facilities. It is apportioned based on water meters within each member agency. The infrastructure access charge just completed a two-year ramp up to meet existing Board policy, and will remain at $4.24/ME.

**Customer Service Charge.** The Customer Service Charge is set to recover costs that are necessary to support the functioning of the Water Authority. The Customer Service Charge will be allocated among the member agencies on the basis of each agency’s three-year rolling average of member agency supply purchases from the Water Authority. For CY 2022, the Customer Service Charge will remain at $25.6M.

**Storage Charge.** The Storage Charge is set to recover costs associated with the Emergency Storage Program and the Carryover Storage Program. Because agricultural users that participate in the SAWR program agree to reduced or interrupted service during times of water emergencies, they will not receive benefit from the storage program; therefore, the Storage Charge is based on all non-SAWR water deliveries and will be allocated among the member agencies using a pro rata share of
each agency’s three-year rolling average deliveries. For CY 2022, the Storage Charge remains at $60.0M.

Supply Reliability Charge. The Supply Reliability Charge (SRC) is a fixed charge established in 2016 to recover a portion of the costs associated with the Water Authority’s highly reliable water supplies, which includes desalinated and IID transfer waters. The charge is allocated to member agencies based upon their pro rata share of the Water Authority’s 5-year rolling M&I deliveries. As a result of greater increases to MWD’s exchange rate, the CY 2022 SRC will increase from its current level of $38.8M to $39.3M.

Water Authority Capacity Charges. Capacity charges are one-time fees charged to new system connections. The fee is set to recover the proportionate cost of the system necessary to serve that connection. The change reflects an increase of 0.28% in the Engineering News Record - Los Angeles Consumer Cost Index.

System Capacity Charge. This charge recovers a portion of the capital costs for the conveyance and storage facilities necessary to operate the delivery system. The current charge of $5,312/ME for each new meter equivalent will be administratively adjusted to $5,328/ME effective January 1, 2022.

Water Treatment Capacity Charge. This charge recovers a portion of the regional water treatment facility to be collected from all future users of the facility. In keeping with the Water Authority’s policy of exempting agencies that cannot benefit from a service, the Water Treatment Capacity Charge excludes customers from the City of Del Mar, City of Escondido, and City of Poway. The current charge of $148/ME for each new meter equivalent will be administratively adjusted to $149/ME effective January 1, 2022.

Table 6 presents a summary of the CY 2022 Capacity Charge schedule that will be go in effect January 1, 2022.

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>System Capacity Charge</th>
<th>Water Treatment Capacity Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1</td>
<td>$5,328</td>
<td>$149</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>8,525</td>
<td>238</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3</td>
<td>15,984</td>
<td>447</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>27,706</td>
<td>775</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>51,149</td>
<td>1,430</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>87,379</td>
<td>2,443</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30</td>
<td>159,840</td>
<td>4,470</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52</td>
<td>277,056</td>
<td>7,748</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78</td>
<td>415,584</td>
<td>11,622</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132</td>
<td>703,296</td>
<td>19,668</td>
</tr>
</tbody>
</table>
The following MWD rates and charges are passed on directly or allocated to the Water Authority’s member agencies in the same manner as MWD applies them to the Water Authority.¹

**MWD Capacity Charge.** For CY 2022, the Capacity Charge is $12,200 per cubic foot second (cfs) of maximum daily flow requested by a MWD member agency. The Capacity Charge is a fixed charge levied on an agency’s maximum daily flows over the three previous fiscal years. It recovers the cost of providing peak capacity within the distribution system, and is designed to encourage member agencies to shift demands and avoid placing large daily peaks on the MWD system during the summer months. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Charge will include deliveries (except long-term seasonal storage deliveries) made by MWD to a member agency or member agency customer including water transfers, exchanges and agricultural deliveries. As part of a separate surface storage operating agreement to manage seasonal peaking, the Authority is expected to reserve its full available capacity. The Capacity Charge will be set at $10,437,100. The Authority’s Board has directed that the Capacity Charge will be recovered proportionally based on a five-year rolling average of member agency flows during coincident peak weeks.

**Readiness-to-Serve Charge.** MWD’s Readiness-to-Serve Charge differs from the other MWD charges in that it is set on a Fiscal Year basis. The total Readiness-to-Serve Charge will increase from its current level of $130 million to $140 million. The Authority’s share is set at $22,818,107 for Fiscal Year 2021-2022. After credits from the MWD Standby Charge, and administrative costs, the net Water Authority share is $10,553,506. MWD’s Readiness-to-Serve Charge will recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge will be allocated among MWD member agencies on the basis of each agency’s ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity). This allocation will be revised each year. Revenues equal to the amount of MWD Standby Charges will continue to be credited against the member agency’s Readiness-to-Serve Charge obligation unless a change is requested by the member agency. The Board has directed that the Authority’s Readiness-to-Serve Charge will be passed through proportionally to member agencies on the basis of each agency’s ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity).

**Summary**
Staff is seeking Board direction for which rate and charge increases should be considered at the Public Hearing on June 24, 2021.

Prepared by: David Gore, Senior Management Analyst
Reviewed by: Pierce Rossum, Rate and Debt Manager
Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Tish Berge, Assistant General Manager

¹ The Water Authority has challenged MWD’s cost of service methodology associated with these charges.
Attachments:

Attachment 1 - Resolution of the Board of Directors of the San Diego County Water Authority fixing the time and place for a public hearing to consider: (1) Changes to the rates and charges for delivery and supply of water; (2) Continuing the existing Standby Availability Charge; (3) and Changes to the system and treatment capacity charges

Attachment 2 - Carollo’s draft Cost of Service Study for Calendar Year 2022 Rates and Charges
San Diego County Water Authority
Cost of Service Study

CY 2022 RATES AND CHARGES

FINAL | June 2021
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<td>Table 2</td>
<td>Revenue Requirements Summary (in $ millions)</td>
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<td>Determination of Operating Cost</td>
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<td>Table 4</td>
<td>Offsetting Revenues (in $ millions)</td>
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<td>Table 5</td>
<td>Infrastructure Access Charge Calculation (in $ millions)</td>
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<td>Allocation of CY 2022 Operating Budget (in $ millions)</td>
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<td>Debt Service Allocation Summary (in $ millions)</td>
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<td>CY 2022 Additional Expenses (in $ millions)</td>
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<td>Remaining Coverage and Reserve Allocation Summary (in $ millions)</td>
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<td>Revenue Requirements Summary (in $ millions)</td>
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<td>Table 16</td>
<td>CY 2022 Melded Supply Revenue Requirement (in $ millions)</td>
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<td>Proposed CY 2022 M&amp;I Melded Supply Rate</td>
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<td>CY 2022 Melded Treatment Revenue Requirement (in $ millions)</td>
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<td>Table 20</td>
<td>Proposed CY 2022 Transportation Rate (in $ millions)</td>
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<tr>
<td>Table 21</td>
<td>Proposed System and Treatment Capacity Charge Increases</td>
<td>36</td>
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</table>
Section 1

EXECUTIVE SUMMARY

The San Diego County Water Authority (Water Authority or SDCWA) is a public agency serving the San Diego region as a wholesale supplier of water. The Water Authority's mission is to provide a safe and reliable supply of water to its 24 member agencies. The Water Authority purchases water from the Metropolitan Water District of Southern California (MWD) and obtains and produces additional supplies pursuant to agreements commonly referred to as the Quantification Settlement Agreement (QSA). The Water Authority also has a water purchase agreement with Poseidon Resources, LLC, for desalinated water produced at Poseidon’s Carlsbad Desalination Plant.

In summer 2019, the Water Authority issued a request for Cost of Service proposals and engaged Carollo Engineers, Inc. (Carollo) to perform a Cost of Service Study to review, calculate, and validate the proposed Calendar Year (CY) 2021 water rates and charges, and subsequently the CY 2022 water rates and charges. In meeting this scope, Carollo reviewed and updated the existing CY 2020 rate analysis and reviewed the Water Authority’s existing cost of service methodology and financial model for compliance with American Water Works Association (AWWA) cost of service standards, industry best practices, Board policies, as described in Report Section 2.3, and California legal requirements, as described in Report Section 2.4. Together, these establish the cost of service standard that is referenced throughout this report.

Based on Carollo’s independent review, Carollo has determined that the amount of money reasonably anticipated to be generated through the Water Authority’s proposed CY 2022 water rates and charges, when combined with other Water Authority revenues, is reasonable to recover the costs of the Water Authority’s activities. This is consistent with the findings of Carollo’s previous Cost of Service Reports (2014, 2016, 2018, 2020, and 2021). It is Carollo’s professional opinion that the Water Authority’s allocation of rates and charges to each of the member agencies bears a fair, reasonable, and logical relationship to each member agency’s burdens on or benefits from Water Authority services. This allocation complies with legal requirements, cost of service standards, industry best practice, and Board policy requirements, as discussed in this report.

1.1 Rates and Charges

The Water Authority imposes several different types of water rates and charges that are collected from the member agencies. These include volumetric commodity rates that are collected monthly per unit of metered water delivered to each agency (supply, transportation, and treatment rates) and service charges that are apportioned among the member agencies according to their respective three or five-year rolling average of water purchases from the Water Authority (three years for customer service and storage and five years for supply reliability charges). Volumetric water rates are set as a unit price per acre-foot for actual water delivered. Customer service and storage charges recover costs for facilities and services that are provided generally and are apportioned in a manner that is designed to account for moderate annual
fluctuations in water demands and demand patterns commonly resulting from weather conditions and conservation requirements.  

In addition to these water rates and charges, the Water Authority recovers at least 25 percent of fixed annual expenditures through a combination of ad valorem property taxes, water availability standby charges imposed on properties within the Water Authority’s service area, and an Infrastructure Access Charge (IAC). The IAC is an annual service charge imposed on member agencies and apportioned based on their respective total connected meter capacity, a measure of an agency’s potential to take water from the Water Authority.

The Water Authority also imposes System Capacity and Treatment Capacity Charges on users that obtain new or updated water meters. These charges fairly and reasonably recover the costs associated with providing additional system capacity for new users. In addition, the Water Authority collects additional revenues through the Standby Availability Charge and property taxes. A description of each water rate and charge category is as follows:

- **Customer Service:** The Customer Service charge is a commodity-based fixed charge set to recover costs that are necessary to support the functions of the Water Authority, develop policies, and implement system-wide programs.
- **Storage:** The Storage charge is a commodity-based fixed charge set to recover costs associated with the Emergency Storage Program (ESP) and Carryover Storage Program (CSP). The ESP and CSP are a system of reservoirs, interconnected pipelines, and pumping stations designed to make water available to the San Diego region in the event of an interruption in imported water deliveries and, in the case of the CSP, provide operational flexibility and drought protection.
- **Supply Reliability Charge:** The Supply Reliability Charge is a commodity-based fixed charge established to recover a portion of the Carlsbad Desalination Plant and the IID transfer water costs. The charge is set equal to the difference between the supply cost of reliable local sources and a like amount of water purchased at the MWD Tier 1 rate multiplied by 25 percent and apportioned according to a five-year rolling average of water purchases.
- **Supply:** The Supply rate is a volumetric charge that recovers the cost of water supply incurred by the Water Authority including the full cost of purchase of water from MWD at the delivery point, payments to the IID for transfer of conserved water, costs associated with obtaining conserved water from the Coachella and All-American Canal Lining Projects, costs of MWD wheeling for non-MWD water supplies (e.g. QSA supply exchange costs), other costs associated with acquisition of supplies and implementation of the QSA, and supply and acquisition costs related to the Poseidon water purchase agreement associated with the Carlsbad Desalination Project.
- **Transportation:** The Transportation rate is a volumetric charge set to recover capital, operating, and maintenance costs of the Water Authority’s water delivery facilities including all facilities used to physically transport the water to member agency meters. 

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1 Customer Service Charge allocation excludes member agency wheeled water.
2 Costs associated with facilities covered by the East County Facility Agreements are not included in Transportation but relate to treatment services in connection with the Helix Water District’s Levy Water Treatment Plant and are recovered through the Treatment rate.
• **Treatment:** The Treatment rate is a volumetric charge designed to recover the cost of treating water. The Melded Municipal and Industrial (M&I) Treatment Rate includes the costs of purchasing treated water from MWD, the operating and capital costs associated with the Water Authority’s agreement with Helix Water District’s Levy Water Treatment Plant, operating costs associated with the Olivenhain Treatment Plant, and the operating and capital costs associated with the Twin Oaks Valley Treatment Plant.

### 1.2 Water Authority Rate-Setting Process

The Water Authority develops proposed rates and charges on an annual basis, which it presents to the Board of Directors for adoption. Each year, the Water Authority undertakes the following cost of service process to determine water rates and charges:

- **Step 1:** Establish the revenue requirement — determine the total amount of revenues needed to recover the Water Authority’s annual operating and capital expenditures.

- **Step 2:** Allocate the revenue requirement and offsetting non-commodity revenues to rate categories to determine the net revenue requirement for each category.

- **Step 3:** Determine the legal rates and charges based upon the net revenue requirements, water sales projections, and other key financial management metrics.

- **Step 4:** Allocate fixed charges to member agencies based on specific allocation methodologies.

The Water Authority’s methodology and application remain consistent with the AWWA cost of service guidelines, as well as existing Board policies and legal requirements stated herein. Rates are designed to recover all direct, indirect, and other costs of providing water and water services that are not recovered through other revenues such as taxes, assessments, or other charges. Throughout the process, the Water Authority identifies major cost drivers and allocates them to specific rate and charge categories.

### 1.3 Carollo Independent Review Process

Carollo independently performed Steps 1 through 4 above when evaluating the proposed CY 2021 rates and charges. The purpose of this cost of service process is to: (1) identify which costs are recovered through water rates and charges; (2) allocate the Water Authority costs to functional rate categories; (3) update the rates and use of offsetting revenues to fairly and reasonably recover system expenditures from member agencies; and (4) appropriately calculate non-commodity revenues.
In order to determine the costs to be recovered by water rates and charges, Carollo relied upon cost projections, reserve requirements, and revenue policies provided by the Water Authority. Source data for this review included the Fiscal Year (FY) 2021, 2022, and 2023 cost projections provided by the Water Authority’s Finance Department, the 2020 Comprehensive Annual Financial Report (CAFR), debt service schedules and bond official statements, Board policy documents, and summary outputs from the Water Authority’s rate model. Additionally, Carollo worked with the Water Authority’s Finance staff to review the cost of service methodology and process.

In Carollo’s previous Cost of Service reviews, Carollo conducted interviews with select divisions within the Water Authority to discuss the functional allocation approach and metrics for assigning operating costs to rate categories. While the overall percentages will change from year-to-year, the Water Authority’s allocation approach remains consistent and continues to be valid. As part of the FY 2022 and FY 2023 budget development process, Water Authority staff updated these internal allocations to reflect any forecasted change in service or operations.

The details of this analysis are presented within the body of this report.

1.4 Summary of Findings

The Water Authority has developed a clear and defensible process to allocate system expenditures to rate categories and fairly and reasonably recover those expenditures from member agencies. The analysis performed by Carollo confirms that the Water Authority’s cost of service approach and the proposed CY 2022 rates and charges as determined in this report comply with cost of service principles, industry best practices, and applicable legal requirements.

Based on Carollo’s independent review and rate development, the proposed CY 2022 cost of service water rates and charges are illustrated in Table 1 below.

Table 1  Summary of Proposed CY 2022 Water Rates and Charges

<table>
<thead>
<tr>
<th>Water Rates and Charges</th>
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</thead>
<tbody>
<tr>
<td>Customer Service Charge</td>
<td>$25.6M</td>
</tr>
<tr>
<td>Storage Charge</td>
<td>$60.0M</td>
</tr>
<tr>
<td>Supply Reliability Charge</td>
<td>$39.3M</td>
</tr>
<tr>
<td>Melded M&amp;I Supply Rate</td>
<td>$1,009/AF</td>
</tr>
<tr>
<td>Melded M&amp;I Treatment Rate</td>
<td>$310/AF</td>
</tr>
<tr>
<td>Transportation Rate</td>
<td>$173/AF</td>
</tr>
</tbody>
</table>
Section 2

INTRODUCTION

Carollo conducted an independent review of the Water Authority’s CY 2022 water rates and charges. The purpose of this Cost of Service Study is to calculate and affirm the proposed CY 2022 water rates and charges consistent with cost of service principles and the AWWA M1 guidelines, Board policy, and legal requirements. The results of this study are outlined within the body of this report.

The cost of service and rate development review process consists of the following steps:

1. Revenue Requirement Analysis
   • Review the total revenues required to fund operations, capital, debt service and coverage, and policy requirements.

2. Functional Allocation by Rate Category
   • Allocate the revenue requirements and offsetting revenues to the Water Authority’s five water rate and charge categories in a fair and equitable manner.

3. Water Rates and Charges
   • Set rates to recover the revenue requirements from member agencies based on water sales projections.

4. Member Agency Allocation
   • Allocate expenditures to each member agency based on water demand patterns and other key metrics.

Based on this study review and in Carollo’s professional opinion, the Water Authority’s CY 2022 rates and charges are consistent with AWWA cost of service principles, Board policies, and legal requirements, and appropriately recover costs from member agencies as described herein.

2.1 Background on Existing Rates and Charges

The Water Authority sets water rates and charges, which, when combined with other revenues, are sufficient to pay operating expenses, provide for maintenance and repair of facilities, provide for payment of principal and interest on debt, and provide reasonable reserves consistent with bond covenants and sound fiscal management. As a public agency, the Water Authority sets rates and collects other revenues to meet all reasonably anticipated costs of its operations as required by law.
On June 27, 2002, the Water Authority adopted Ordinance No. 2002-03 establishing the current revenue structure, which consists of ad valorem property taxes, including payments of member agencies in-lieu of taxes; a Water Standby Availability Charge levied pursuant to §5.2 of the County Water Authority Act; an Infrastructure Access Charge imposed on member agencies as a condition of maintaining connections to Water Authority facilities; a capacity charge levied pursuant to §5.9 of the County Water Authority Act; and rates and charges for delivery and supply of water, use of facilities, and provision of other services. This revenue structure is reflected in §5.00.050 of the Water Authority Administrative Code.

The June 2002 Board action unbundled the then uniform commodity rate, creating separate commodity rates and charges for customer service, storage, supply, and transportation. This action was the result of a multi-year work effort involving the member agencies, Water Authority staff, and consultants. The unbundled rates and charges took effect January 1, 2003. With the development of the Twin Oaks Water Treatment Plant, treatment was later added as the final functional rate category in 2006. In March 2015, the Board added a Supply Reliability Charge, as described in this report. Most recently in June 2021, the Board adopted a Permanent Special Agricultural Water Rate (PSAWR) to correspond to a lower level of water supply reliability for its participants.

2.2 Criteria for Findings and Recommendations

To confirm the appropriateness and general application of AWWA cost of service principles, Board policies, and legal requirements, Carollo applied the following framework throughout the review:

- Does the cost allocation approach result in a fair, reasonable, and quantifiable connection between the cost of services made available and the benefits received by each ratepayer?
- Do the rate structures effectively and appropriately recover the allocated costs from each ratepayer?
- Is the allocation approach and methodology consistent with standards established in the AWWA M1 manual, meet Board policies, and adhere to applicable legal requirements?
- Have the policies and standards been applied consistently by the Water Authority? Is it likely that the allocation approach will be appropriate for use by the Water Authority in the future?
- Are there issues or processes that may be appropriate to highlight for possible financial review?

The review presented in this report applies these criteria to the existing revenue requirement and water rate and charge methodology utilized by the Water Authority.

2.3 Key Governing Board Policies

In setting its rates and charges, the Water Authority must first meet cost of service requirements, in which rates and charges may not exceed the reasonable cost of providing the services, as well as clearly demonstrate the nexus between the costs allocated and services provided to customers. As this requirement is achieved, the rates must also adhere to adopted Board policies, which serve as the basis for the determination of the total revenue requirement as well as the proportion of the revenue requirement to be recovered by fixed charges and variable commodity rates. Several key Board policies are highlighted below and can be found in the appendix of this report.
2.3.1 Infrastructure Access Charge

In 1998, under Resolution No. 98-26, the Board established the IAC. The intent of the IAC is to provide the Water Authority with a more appropriate balance of fixed and commodity revenues. Prior to the implementation of the IAC, the Water Authority had a greater dependency on variable revenues that fluctuated with demand and did not adequately align with the existing cost structure. As such, the IAC was designed to be independent of commodity sales and the new business development cycle and generate a minimum 25 percent ratio of fixed revenues to fixed expenditures. Resolution No. 98-26 is included as Appendix A.

2.3.2 Ordinance No. 2002-03

Following development and implementation of the IAC, the Water Authority reviewed and redesigned the existing rate structure in 2002. Ordinance No. 2002-03 transitioned the rate structure from a historical unit price (“postage stamp”) water rate to assigning the revenue requirements to functional categories. The rate structure was split into fixed and variable components. The fixed water rate categories are comprised of the Storage and Customer Service charges. The variable water rate categories encompass the Transportation, Melded M&I Treatment, and Melded M&I Supply rates. This transition further aligned the Authority’s expenditure and cost recovery nexus. The ordinance in its entirety is included as Appendix B.

2.3.3 Financial Management Amendment (2006)

In 2006, following the recommendations of the Rate Model Workgroup (RMWG) and Administrative and Finance Committee, the Board amended the Water Authority’s financial policies regarding the Rate Stabilization Fund (RSF) and Debt Service Coverage Ratio (DSCR). As part of the amendment, the Board established a target funding level for the RSF that better protects the Water Authority against the financial impact of 2.5 years of wet weather (3.5 years max) where water sales are moderated. In addition, it established a target DSCR of 1.50x, which is above the minimum legal bond covenant of 1.20x.

The overall benefits of the amendment include reduced rate volatility, increased protection against wet weather, a transparent and flexible RSF framework, and increased cash funding of the Capital Improvement Program (CIP). The RSF also provides a mechanism for rate smoothing and source of emergency funding, as necessary. Furthermore, it strengthened key financial ratios—higher debt service coverage ratio, decreased debt ratio, and increased cash days—to support the maintenance of the Water Authority’s AA+ credit ratings and access to lower borrowing rates. The Board Action, implementing the RMWG Financial Policy Proposal, is included as Appendix C.

Based on a recommendation stemming from the CY 2019 Rate Study, the Water Authority Board approved Ordinance No. 2018-03 to update the RSF methodology to better align with current water demand conditions and continued improvements in water use efficiency.

2.3.4 Fiscal Sustainability Task Force (2015 & 2019)

In 2014, the Board created the Fiscal Sustainability Task Force (FSTF). Over an 18-month collaborative process, the FSTF identified issues related to the long-term fiscal sustainability of the Water Authority. Central to this effort was a detailed review of the Water Authority’s revenue structure and evaluating potential enhancements that would further strengthen the Water Authority’s future fiscal health.
The resulting and approved recommendations included: (1) the creation of the Supply Reliability Charge, as defined in the A&N Technical Services memorandum to the Water Authority’s rate and charge structure; (2) the allocation of non-commodity revenues to all rate and charge categories including treatment, as recommended in the 2014 Cost of Service Report; (3) the permanent application of the debt and equity payments for the Carlsbad Desalination Plant to the Supply Rate; and (4) the extension of the Transitional Special Agricultural Water Rate Program through December 31, 2020.

In June 2019, the Board adopted the General Manager’s Recommended Budget for Fiscal Years 2020/2021. The Board action was modified and adopted to include the reconstitution of the FSTF. In July 2019, the FSTF was established and comprised of a mix of Member Agency Managers and Water Authority Board Members.

Between August 2019 and February 2020, the FSTF met on ten occasions. Over this period, the task force discussed a myriad of topics focusing on Transitional Special Agricultural Water Rate (TSAWR), the IAC policy, the fixed/variable charge mix, roll-off and detachment impacts, and MWD rates. To better frame these discussions, subject matter experts presented key data and responded to FSTF input and questions.

From this discussion and analysis, the task force provided two recommendations for Board consideration including the 2nd year of the forecasted IAC ramp up be included in the CY 2021 Rates and Charges and that the TSAWR be made permanent. In November 2019, the Board directed staff to (1) create a Permanent Special Agricultural Water Rate (PSAWR) Program and (2) that the 2nd year ramp up of IAC be incorporated in the CY 2021 Rate and Charges.

In late 2020, the FSTF was dissolved and replaced by the Financial Strategy Work Group (FSWG). While the name changed, the FSWG is a clear successor to the FSTF. The FSWG has provided input into the FY 2022 and FY 2023 Budget, CY 2022 Rates and Charges, and 10-year Capital Improvement Plan. The FSWG will continue to work with staff as the 2021 LRFP is developed.

2.4 Overview of Legal Cost of Service Requirements

The Water Authority’s rates must adhere to California constitutional and statutory requirements. California law requires agencies imposing water rates and charges to demonstrate a nexus between the cost of providing services and the service or benefits received.

Beyond the cost of service requirements imposed by the constitution and general statutory law, the Water Authority must also adhere to the County Water Authority Act. Section 7 (j) of the County Water Authority Act states that the “board of directors, so far as practicable, shall fix such rate or rates for water as will result in revenue which will pay the operating expenses of the authority, provide for repairs and maintenance, and provide for the payment of interest and principal of the bonded debt.” The revenue requirement (e.g., “costs”) described in this report is grounded on this statutory requirement, the Water Authority’s General Resolution, and sound fiscal management. These costs are then apportioned to the member agencies through the allocation of fixed charges and variable rates described in the adopted rate structure according to service function. The apportionment is accomplished in accordance with standards established by California law, including the provisions summarized below, which, while paraphrased, essentially describe the same cost of service standard.
2.4.1 Proposition 26

This proposition was adopted by the voters in November 2010. Among other things, it amended California Constitution article XIII C, Section 1 to add a definition of “tax.” As defined by Proposition 26, a tax means “any levy, charge, or exaction of any kind imposed by a local government” with certain enumerated exceptions.

There are two applicable exceptions:

- The exception for a “charge imposed for a specific benefit conferred or a privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege,” and
- The exception for a “charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.”

Proposition 26 establishes that: “The local government bears the burden of proving by a preponderance of evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.”

2.4.2 Government Code Section §50076

This section of the Government Code was adopted in 1979, following the adoption of Proposition 13 in 1978. It provides that special taxes “shall not include any fee which does not exceed the reasonable cost of providing the service or regulatory activity for which the fee is charged.”

2.4.3 Government Code Section §54999.7

This is another section that grounds public agency rate-setting on cost of service principles and states that fees “for public utility service, other than electricity or gas, shall not exceed the reasonable cost of providing the utility service.” It also provides that the fees will be “established in consideration of service characteristics, demand patterns, and other relevant factors.”

2.4.4 County Water Authority Act Section 5 (13)

This provision of the County Water Authority Act provides that in setting rates, “the board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service.”

The Water Authority’s General Counsel has advised Carollo that this provision requires that rates be non-discriminatory and that differences in rates or rate apportionment be based on service differences, such as with the non-allocation of storage charge to agricultural customers. The General Counsel has also advised that this section may be construed consistently with the Constitutional and statutory cost of service requirements described above.
2.5 Overview of Generally Accepted Rate-Setting Standards

In addition to formal Board policies and objectives, the AWWA established a general set of principles used to guide the development of water rates. These principles were developed and published in the AWWA M1 Manual – Principles of Water Rates, Fees, and Charges (M1 Manual). These guiding principles outline a consistent, universal approach and minimum standard that is employed by most agencies when setting rates and charges. The M1 Manual denotes that there is no prescribed single approach for establishing cost-based rates. Rather, agencies must exercise judgment to align rates and charges with local conditions and requirements, as well as applicable state law.

These guidelines, along with applicable California law, the Board's policies, and industry best practices have been utilized within the Water Authority's rate-setting framework to help develop water rates and charges that are cost based and fairly, reasonably, and lawfully quantified and allocated to comply with the legal requirements outlined in Report Section 2.4. Throughout this report, compliance with industry standards shall refer to the AWWA M1 Manual and industry best practices.

2.6 CY 2022 Rate Drivers and Mitigation Strategies

Various supply and financial components comprise the need to increase rate revenues under the proposed CY 2022 rates, and the Water Authority has instituted numerous levers in order to mitigate substantial increases. Continued increases from MWD, impacts of historical rate smoothing, and water sales below historical levels are some of the key drivers behind the proposed CY 2022 rates.

Similar to last year, the Water Authority made strategic moves in the debt market. In April, the Water Authority completed a series of bond refundings that will save ratepayers $48 million. This action is the latest in a long series of debt refinancing moves that help reduce the cost of critical water infrastructure investments.

Besides refinancing debt, the Water Authority continues working on several fronts to save money for ratepayers and reduce upward pressure on rates from forces outside the agency's control. Water Authority court victories recently generated $44.4 million in refunds for member agencies and prevented tens of millions of dollars in additional charges. In addition, the Water Authority has rescheduled capital projects, deferred equipment replacement, and left several staff positions vacant to reduce overhead while maintaining supply reliability. Those efforts allowed the agency to identify $44.5 million in budget savings this fiscal year, while evaluating similar opportunities for next year.

The Water Authority has saved ratepayers more than $278 million with bond refundings over the past decade, lowering the cost of borrowing for major capital projects that help to ensure water supply reliability, particularly during dry years like 2021. Despite the economic recession and challenges from the global pandemic, during the last two years the Water Authority has saved a total of $130 million.
Section 3

REVENUE REQUIREMENTS

A revenue requirements analysis defines the annual system revenue needed to be recovered through water rates and charges. The revenue requirement is typically derived from five components: Operations and Maintenance Expenditures, Annual Debt Service, Policy Requirements and Coverage, Capital Expenditures, and Offsetting Revenues.

Table 2 outlines the Water Authority’s CY 2022 revenue requirements.

<table>
<thead>
<tr>
<th>Revenue Component</th>
<th>CY 2022 Total</th>
<th>Description</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>$59.49</td>
<td>The Operating Department's Budget funds the day-to-day operations of the Water Authority.</td>
<td>3.1</td>
</tr>
<tr>
<td>Equipment &amp; Replacement</td>
<td>$3.42</td>
<td>Funds the replacement of equipment such as vehicles or software</td>
<td>3.1</td>
</tr>
<tr>
<td>Debt Service (LTD + STD)</td>
<td>$116.43</td>
<td>The Water Authority uses debt to fund capital and refund previous debt. Excludes planned cash defeasance</td>
<td>3.3.1</td>
</tr>
<tr>
<td>Offsetting Revenues</td>
<td>$(101.28)</td>
<td>Additional revenues generated from sources outside traditional water rates and charges are applied as a credit to reduce required rates and charges revenues. Includes the IAC, standby availability charges, system and treatment capacity charges, property taxes, interest earnings, and miscellaneous revenues.</td>
<td>3.4</td>
</tr>
<tr>
<td>Operating Rev. Req. Before Coverage</td>
<td>$78.06</td>
<td>Revenue requirements associated with the Water Authority’s operating costs, debt service, and offsetting revenues.</td>
<td></td>
</tr>
<tr>
<td>Misc. Cost Recovery</td>
<td>$9.63</td>
<td>Miscellaneous Cost Recovery includes seepage and evaporation, recovery of working capital for the San Vicente dam raise, local supply development, and Twin Oaks Valley WTP reimbursement</td>
<td>3.2</td>
</tr>
<tr>
<td>Rev. Req. Before Coverage</td>
<td>$87.70</td>
<td>Revenue requirements including miscellaneous cost recovery.</td>
<td></td>
</tr>
<tr>
<td>Remaining Coverage and Reserve Driven Needs</td>
<td>$83.83</td>
<td>Revenue requirements associated with meeting the Water Authority’s Financial Management Policies.</td>
<td>3.7</td>
</tr>
<tr>
<td>Water Sales Revenue Requirement</td>
<td>$171.53</td>
<td>Total required revenues including coverage and reserve needs.</td>
<td></td>
</tr>
</tbody>
</table>

The following section of this report delineates the cost categories included in the Water Authority’s annual revenue requirement analysis.
3.1 Operations and Maintenance Costs

As part of the multi-year budget, an operating forecast is developed by the Water Authority’s various departments. For the Water Authority, operating budget expenditures account for most of the day-to-day expenditures for operation. The operating budget expenditures include: Administrative Services, Colorado River Program, Engineering, Finance, General Counsel, General Manager, MWD Program, Operations and Maintenance, Public Outreach and Conservation, and Water Resources. For CY 2022, the Water Authority’s operating costs are projected to be $59.49 million.

Table 3  Determination of Operating Cost

<table>
<thead>
<tr>
<th>Operating Costs</th>
<th>FY 2022 and 2023 Expenditures(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2022 Operating Budget</td>
<td>$61.52</td>
</tr>
<tr>
<td>FY 2023 Operating Budget</td>
<td>$57.47</td>
</tr>
<tr>
<td><strong>Total FY 2022 and 2023 Operating Costs Used for Rates and Charges</strong></td>
<td><strong>$118.99</strong></td>
</tr>
<tr>
<td><strong>Calculated CY 2022 Operating Costs(^{(2)})</strong></td>
<td><strong>$59.49</strong></td>
</tr>
</tbody>
</table>

Notes:
1. Presented in million dollars, calculations in tables may not sum due to rounding.
2. CY 2022 Operating Costs are calculated by averaging the Total FYs 2022 and 2023 Operating Costs used for rates and charges, as the calendar year rates will collect half of each fiscal year costs.

In conjunction with the Water Authority’s budget development process, departments evaluate and recommend equipment replacement purchases based on a thorough process in which equipment and vehicles are reviewed to evaluate the necessity to the overall operations; suitability with the function being performed; past repair history; anticipated costs to continue maintaining; and options to cost effectively replace (i.e., lease, rental, and/or used purchases). During FY 2019 Water Authority staff performed an Equipment Replacement Fund (ERF) study, created a comprehensive ERF assets list and adopted a new ERF policy. The updated policy focuses on long range planning and will help moderate the fund balance as well as smooth the impact of replacing expensive equipment such as vehicles or software. For CY 2022, an Equipment Replacement budget of $3.42 million is forecasted and includes updates to the Supervisory Control and Data Acquisition system, computers and servers, and critical vehicle and equipment replacements.

3.2 Miscellaneous Cost Recovery

Miscellaneous Cost Recovery consists of expenses not included in annual Operating Costs and other cost recoveries to the Water Authority. Miscellaneous Cost Recovery is an important element of the Water Authority’s annual revenue requirements.

Miscellaneous Cost Recovery totals $9.63 million in CY 2022, which is allocated to rate categories based on the nature of the cost that was incurred. Miscellaneous Cost Recovery includes the following:

- **Emergency Storage Project Evaporation and System Losses**: This cost accounts for the cost of purchased water that is lost due to surface water evaporation or other system losses. As this is a function of storage, the $3.77 million cost has been allocated to the storage rate component and will be recovered through the CY 2022 rates.
• **Local Water Supply Development:** This is the cost to implement local water supply projects within the Water Authority’s service area in order to provide a long-term reliable and sustainable supply. The cost is recovered through the Customer Service charge. A total of $5.13 million will be recovered through the CY 2022 rates.

• **Twin Oaks Reimbursement:** This reimbursement reflects a 25-year payback to customer service for the upfront investment in the implementation of the Twin Oaks Valley Water Treatment Plant. This original investment was funded through use of Pay-as-you-Go (PAYGO) funds, which had been historically collected from the non-treatment functional rate categories. The cost is recovered through the treatment charge. A total of $0.74 million will be recovered through the CY 2022 rates.

3.3 **Capital Costs**

The Water Authority’s existing CIP is based on a detailed staff assessment of projects stemming from budget discussion and development of capital needs for the 2021 Long Range Financing Plan. These CIP projects include a mix of new facilities that will add capacity to existing conveyance, storage, and treatment facilities, as well as repair and replace aging infrastructure. In order to take advantage of historically low interest rates and maintain cash for financial flexibility, a new debt issue is projected to fund a majority of near-term projects.

3.3.1 **Annual Debt Service**

The Water Authority has adopted a comprehensive set of financial policies. The Debt Management Policy sets forth comprehensive guidelines for the issuance and management of the Water Authority’s debt.

The Water Authority finances major capital improvements, in part, by issuing debt for two primary reasons. First, given the size of past capital projects, the Water Authority did not have the financial reserves available that would otherwise be required to solely fund the CIP, nor would it have been advisable to increase the water rates and charges in order to cash fund these improvements. Second, spreading the debt service costs for the project over the repayment period provides intergenerational equity by effectively spreading the financial recovery (burden) between both existing and future users of the system. This approach allows the Water Authority to better match the cost of improvements with those benefitting from the improvements. This methodology is internally consistent with the development of the Water Authority’s System and Treatment Capacity Charges.

Finally, as an auxiliary benefit to the use of debt, the cash generated from meeting the Water Authority’s coverage requirements provides additional cash that can be used to fund PAYGO projects.

Excluding the Build America Bonds (BABs) subsidy, Helix apportioned debt and planned defeasance, the net FY 2022 long-term debt service expenditure for allocation is $72.29 million. This is a significant and short-term decrease from prior levels of $102M in FY 2020 resulting from the Water Authority’s refunding efforts and front-loading of savings. Short-term debt service expenditures, excluding Helix, for FY 2022 are projected at $14.15 million.

The sum of these debt obligations does not reflect the Water Authority’s planned debt restructuring and nor its ability to take advantage of optimal market conditions in order to reduce its debt burden. This is done to ensure proper allocation and appropriation of expenses – these actions are reflected in the final results and planned use of reserves.
3.3.2 Non-Debt Capital Expenditures
To maintain its targeted capital structure, the Water Authority has historically augmented its use of short and long-term debt by funding a portion of its capital program with cash through its PAYGO Funds. The Water Authority amortizes the cash funds used for capital to reduce the immediate and cyclical impact on rates. In addition, as stated above, excess funds derived from meeting the Water Authority’s targeted debt coverage ratio enables cash funding of capital projects. However, given historically low borrowing rates, the Water Authority is planning to debt fund a majority of the FY 2022 and FY 2023 CIP. However, as these forecasts are contingent on market conditions, the Water Authority could elect to defer a new issuance in favor of PAYGO. It is reasonable and prudent to have some built-in flexibility to further safeguard the overall financial metrics as well as provide greater rate smoothing.

3.3.3 Depreciation and System Replacement
The Water Authority does not adjust rates to recover system depreciation. Rather, the Water Authority operates on a cash basis and the cost to rehabilitate and improve the system is accounted for through direct capital reinvestments. The cost of renewing the system over time is captured in the on-going renewal and replacement related CIP, as included in the 30-year budget. This approach also creates consistency with the Water Authority’s capacity charge methodology, which excludes depreciated asset values from the buy-in cost basis of the charge, and then recovers a proportionate share of the CIP through the charge. It is important to note that once a meter is connected to the system, the user is then obligated to fund a proportionate share of future capital improvements and ongoing debt obligations through the water rates and charges.

3.4 Offsetting Revenues to Reduce Revenue Requirements
Beyond water rates and charges, the Water Authority collects revenues through other various funding sources. These revenues provide a credit against the total revenues that must otherwise be collected annually from rates. Offsetting revenues include the IAC, standby availability charges, system and treatment capacity charges, property taxes, interest earnings, and miscellaneous revenues.

Table 4 details the offsetting revenues and provides a brief description of the source of revenue.
Table 4   Offsetting Revenues (in $ millions)

<table>
<thead>
<tr>
<th>Revenue Component</th>
<th>CY 2022 Revenues</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Offsets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Capacity Charge</td>
<td>$16.40</td>
<td>The charge is designed to recover a proportionate share of the capital costs associated with providing services to new connections in the Water Authority’s service area.</td>
</tr>
<tr>
<td>Treatment Capacity Charge</td>
<td>$0.46</td>
<td>Helps fund the Water Authority’s regional water treatment facility. The charge recovers a portion of the capital costs from the future users of the treatment facility.</td>
</tr>
<tr>
<td>Standby Availability Charge</td>
<td>$11.11</td>
<td>This fixed charge, which is in the nature of a special assessment, is limited by statute and funds some of the capital costs associated with maintaining the system. It is $10 per acre per year, or $10 for a parcel less than one acre per year. The charge was first established prior to the adoption of Proposition 218 and has been continuously levied pursuant to law at pre-Proposition 218 levels.</td>
</tr>
<tr>
<td>PAYGO Earnings</td>
<td>$0.40</td>
<td>Interest earnings on the Water Authority’s PAYGO Fund.</td>
</tr>
<tr>
<td><strong>Operating Offsets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>$14.71</td>
<td>The Water Authority receives a portion of the 1% property tax pursuant to the Revenue and Taxation Code.</td>
</tr>
<tr>
<td>IAC</td>
<td>$47.35</td>
<td>The IAC is an annual service charge that is imposed on member agencies and apportioned based on all retail water meters within the Water Authority’s service area. The IAC maintains a minimum ratio of projected fixed revenues to projected fixed expenditures of 25% in any future fiscal year, excluding fixed water rate revenues.</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>$4.56</td>
<td>Interest earnings on operating funds.</td>
</tr>
<tr>
<td>Specific Revenues</td>
<td>$5.76</td>
<td>Revenues reflect directly allocated revenues for the reimbursement of previous capital outlays or reimbursements. For example, one revenue reflects a 25-year payback to customer service for the upfront investment in the implementation of Twin Oaks Valley Water Treatment Plant.</td>
</tr>
<tr>
<td>Misc. Revenue</td>
<td>$0.52</td>
<td>Includes other nominal revenues.</td>
</tr>
<tr>
<td><strong>Total Offsets</strong></td>
<td>$101.28</td>
<td></td>
</tr>
</tbody>
</table>

3.5 Infrastructure Access Charge

In addition to revenues generated through the five rate and charge categories, the Water Authority has additional revenues used to meet the annual rate revenue requirements. The most significant of these offsetting revenues is the IAC. The IAC was implemented in 1998 by Board policy to reduce financial vulnerability due to fluctuations in annual Water Authority revenues.
This is accomplished by increasing the amount of fixed expenditures recovered through fixed charges. The IAC was designed to generate a minimum 25 percent ratio of fixed revenues to fixed expenditures.

Consistent with the Board policy, the IAC equals the forecasted four-year average of debt service (long- and short-term debt) plus 80 percent of forecasted four-year average O&M costs, times 25 percent, times 110 percent. Based on the results of an expenditures analysis at the time of implementation, the Water Authority concluded that roughly 80 percent of the agency’s operating costs were fixed (e.g., personnel costs) and did not vary based on water sales. Additionally, the level of fixed expenditures to be recovered through the IAC was established to mitigate fluctuations in net revenues due to water sales volatility that the Water Authority had experienced. Finally, in establishing the IAC Policy the Board increased the 25 percent fixed expenditure recovery to 25 percent multiplied by 110 percent. This accounts for potential fluctuations in expenditures and offsetting revenues, as well as costs yet to be identified in the four-year budget forecast.

In CY 2021, the Water Authority completed a ramp-up of the IAC to complement the Water Authority’s financial planning efforts. The ramp-up followed the conclusion of Water Authority staff and Carollo, in CY 2020, that the method of funding capital (debt or cash) should not be viewed differently as both are a fixed cost to the agency. As such, a two-year ramp up of IAC was recommended to enable recovery of fixed costs in alignment with Board policy.

The forecasted increased use of PAYGO, as opposed to historically assumed regular debt issuances, better matches the R&R nature of the CIP (replacing depreciated assets). As detailed in the CY 2020 Cost of Service Study, it was recommended that the IAC reflect the fixed capital costs related to system maintenance and replacement (depreciation) as a fully developed multi-year CIP was not always available at that time, and depreciation can serve as a reasonable, albeit low, proxy for capital funding needs. With the development of a multi-year CIP for inclusion in the 2021 LRFP, the use of depreciation is no longer necessary. However, as the Water Authority develops an update to the Water Authority’s Facility Master future changes may be necessary. The projected CIP costs incorporated in the CY 2022 cost of service analyses reflect the recommendations of the draft CIP developed for the 2021 LRFP.

The forecasted four-year average of the Water Authority’s Standby Availability Charge and property tax revenues are credited to recognize other fixed revenues. As detailed below, the CY 2022 IAC provides $47.35 million in revenue offsets against the required water rate and charge revenues. The IAC is allocated to each member agency based upon the previous year’s total household meter equivalents (as reported by the member agencies). A meter equivalent is based on a meter size less than one inch. For CY 2022, the monthly IAC is proposed to remain at the current charge of $4.24 per household meter equivalent.

Table 5 illustrates the calculation of the proposed IAC.
Table 5  Infrastructure Access Charge Calculation (in $ millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2022 – FY 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt Service</td>
<td>$111.32</td>
</tr>
<tr>
<td>Fixed Capital Cost (Paygo)</td>
<td>$68.56</td>
</tr>
<tr>
<td>Total Short-Term Debt Service</td>
<td>$22.14</td>
</tr>
<tr>
<td>and Costs</td>
<td></td>
</tr>
<tr>
<td>Administration and Maintenance</td>
<td>$47.48</td>
</tr>
<tr>
<td>times 80%</td>
<td></td>
</tr>
<tr>
<td>Total Local Supply Development</td>
<td>$3.01</td>
</tr>
<tr>
<td>Costs times 80%</td>
<td></td>
</tr>
<tr>
<td>ESP Evaporation and System</td>
<td>$5.12</td>
</tr>
<tr>
<td>Losses times 80%</td>
<td></td>
</tr>
<tr>
<td>Desalination FY Pipeline Cost</td>
<td>$9.55</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Fixed Costs</strong></td>
<td><strong>$267.18</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Fixed Costs Times 110%</strong></td>
<td><strong>$73.47</strong></td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
</tr>
<tr>
<td>Other Tax Receipts</td>
<td>$(15.01)</td>
</tr>
<tr>
<td>Standby Availability Charge</td>
<td>$(11.11)</td>
</tr>
<tr>
<td>Rev</td>
<td></td>
</tr>
<tr>
<td><strong>Remaining Fixed Cost Need (IAC Revenue)</strong></td>
<td><strong>$47.35</strong></td>
</tr>
<tr>
<td>Average Number of Meter</td>
<td>930,996</td>
</tr>
<tr>
<td>Equivalents Used in Calculation</td>
<td></td>
</tr>
<tr>
<td><strong>Proposed CY 2021 Monthly IAC</strong></td>
<td><strong>$4.24/MEU</strong></td>
</tr>
<tr>
<td><strong>Per Meter Equivalent (in dollars)</strong></td>
<td></td>
</tr>
</tbody>
</table>

### 3.6 Revenue Sufficiency

Water Authority revenues must be sufficient on a fiscal year basis to meet two tests – (1) cash flow and (2) bond coverage. These sufficiency tests are commonly used to determine the amount of annual revenue that must be generated from an agency’s rates.

- **Cash Flow Sufficiency Test:** The cash flow test defines the amount of annual revenues that must be generated in order to meet annual expenditure obligations of the utility. These needs can include direct cash expenditures as well as planned transfers or additions to reserves.

- **Bond Coverage Sufficiency Test:** Bond coverage refers to the collection in revenues to meet all operating expenses and debt service obligations plus an additional multiple of that debt service. The Water Authority has a legally required minimum bond coverage ratio of 1.20x and a policy target of 1.50x. The Water Authority, as do many utilities, established a policy target in excess of legal requirements to retain or attain high bond ratings with correspondingly lower interest costs.

The revenue requirement analysis sets water rate and charge revenues at a level sufficient to pass both tests. Revenue requirements are considered to be driven by either “cash flow” or “coverage” based on the test that requires a greater adjustment.

The Water Authority’s annual revenue requirements remain coverage driven – it must generate revenues in excess of its cash needs in order to meet its legal and policy debt requirements. While recent refundings have lessened this driver for FY 2021 and FY 2022, coverage remains the primary driver of revenue sufficiency testing in the long-term. These excess revenues then become available to fund future capital projects, non-cash items, and reserves.
3.7 Financial Policies

Rate setting cannot be viewed as a single year process nor in a vacuum. There are many variables that fluctuate from year to year causing changes to demand as well as expenditures. Additionally, there may be known costs in the future that need to be proactively funded to prevent rate shock. Reserve and rate smoothing policies provide a mechanism to normalize and smooth rates over a multi-year process. These policies prevent a whipsaw effect of rates and provide greater predictably to its member agencies.

3.7.1 Debt Service Coverage Ratio

The Water Authority has a legally required minimum bond coverage ratio of 1.20x on senior lien debt service.\(^3\) In order to maintain strong bond ratings and mitigate the impacts of annual water demand fluctuations, the Board sets rates to meet a senior lien debt service coverage target of 1.50x, inclusive of RSF transfers, and 1.00x excluding capacity charge revenues.

As shown on the Figure 1, the Water Authority has a strong history of meeting the Board policy target of 1.50x. While not shown, the last time the Water Authority fell short of the Board target was in FY 2012 in order to mitigate rate increases due to water demand reductions associated with statewide drought conditions and water pumping restrictions from the Bay-Delta. Although the coverage ratio fell below the Board target, the Water Authority’s coverage ratio remained above its legal requirement.

Given the Water Authority’s recent strategic efforts, refunding savings were front load to maximize rate mitigation efforts. As such, and given the recent uptick in water sales, the forecast FY 2021 and FY 2022 coverages are projected to well exceed target levels. However, to avoid preempting guidance provided by the upcoming 2021 Long Range Financing Plan, specific forecasts beyond ’21 are not being provided.

3.7.2 Rate Stabilization Fund (RSF)

In 2006, the Board strengthened key financial metrics, including establishing a target funding level for the RSF that better protected the Water Authority against the financial impact of reduced water sales. The Board revisited this Policy in 2018 with the adoption of Ordinance No. 2018-03.

The Water Authority sets aside money into the RSF (as available), which, by covenant, may be used to meet the Water Authority’s legal bond coverage requirement in a year in which other revenues are insufficient. Use of the RSF is a critical short-term water rate management tool and helps the Water Authority manage weather and timing related revenue risks and stabilize annual revenue needs through rate smoothing.

Reduced water sales were projected assuming 2.5 years of wet weather (3.5 years max). At that time (2006), it was calculated that during a wet weather period, the Water Authority would experience a 25 percent reduction in water sales. However, in 2018 Carollo and staff recommended this policy be revised to 15 percent reduction in sales.

This change in the reserve policy was driven by continued improvements in water use efficiency. A 47 percent decline in per capita water use from 1990 to 2017 in the Water Authority’s service area is an indicator of increasingly efficient water use practices throughout the region. As water

\(^3\) This requirement is established by the Water Authority General Resolution as amended. This resolution and amendments are attached as Appendix D of this report.
use efficiency continues, regional water demand “hardens,” becoming less susceptible to significant demand reduction due to wet weather. Carollo recommended, and the Board adopted, a staggered reduction process to draw down the reserve gradually.

As a result of recommended rate methodology and the Water Authority’s desire to moderate rate increases, the Water Authority has forecasted continued draws in FY 2022. Ahead of the 2021 LRFP and as the Water Authority looks to receive guidance from the Financial Strategy Work Group, no short-term or specific projections are offered at this time. It is forecasted that the Water Authority will continue leverage its reserves within policy limits to provide smooth and predictable rates.

For CY 2022, the Water Authority’s revenue requirements continue to be coverage driven. In order to meet this policy bond coverage target, the Water Authority must collect roughly an additional $83.8 million above its operating costs and debt service obligations. The bond coverage target is calculated based on net revenues, excluding capital expenses and policy requirements, such as additions to reserves. Revenues collected to fund these excluded expenditures help to meet the annual bond coverage requirement.
Section 4

ALLOCATION OF REVENUE REQUIREMENTS TO FUNCTIONAL CATEGORIES

The purpose of a cost of service analysis is to provide a reasonable basis for distributing the full costs of the Water Authority’s operations and capital investments to rate categories and then the member agencies in proportion to the demands placed on or benefits received from the system. The Water Authority currently maintains five functional rate categories. These components are developed and designed to mirror the nature in which expenditures are incurred. The Water Authority’s operating budget is allocated, by division, to a specific rate category as a part of the development of the two-year budget process. This process is based on clear, concise, and consistent rate and charge category definitions. In the allocation process, if work performed in a department or program is not specifically applicable to one of the five rate categories defined below, it is considered General and Administrative (G&A). This category is applicable to departments that support the internal operations of the Water Authority, such as Finance and Administrative Services.

Debt issuances and the associated annual debt services are allocated to rate categories based on the specific capital improvement projects financed through bond sales. Additionally, the Water Authority utilizes a combination of cash and PAYGO reserves to pay for capital projects. However, in an effort to minimize the immediate impact to rates, the Water Authority amortizes cash expenditures directly to the related rate category. The Water Authority uses its calculated weighted cost of capital as the interest rate on cash used for capital expenditures in each respective year. The Water Authority assumes a 30-year amortization term to calculate the projected annual cash payment stream. The annual cash payments are allocated to rate categories based on the same percentages developed to allocate long-term debt service.

4.1 Allocation Categories

The Water Authority allocates its annual operating budget to the five functional rate categories. As applicable and identifiable, these expenditures are assigned directly to rate categories. For expenditures incurred for the general operations of the Water Authority, costs are allocated to G&A and then redistributed to five functional categories based on their weighted average of directly assignable operating costs. A description of each category is as follows:

4.1.1 Customer Service

The Customer Service charge is set to recover costs that are necessary to support the functioning of the Water Authority, to develop policies, and to implement system-wide programs. Costs recovered through the customer service charge include, but are not limited to, customer billing, public relations, and expenses associated with the Board of Directors.
4.1.2 Storage

The Storage charge is set to recover costs associated with the ESP and CSP. The ESP is a system of reservoirs, interconnected pipelines, and pumping stations designed to make water available to the San Diego region in the event of an interruption in imported water deliveries.

An example of expenditures or programs allocated to this category would be a division which works in support of the ESP projects such as Olivenhain Dam and Reservoir Operations in the Operations and Maintenance Department. Agriculture customers do not benefit from the Storage charge as addressed in Report Section 5.3.

4.1.3 Supply

The Supply rate recovers the cost of water supply incurred by the Water Authority, including the purchase of water from MWD, the IID, and the Coachella and the All-American Canals; costs of MWD wheeling for non-MWD water supplies; desalination water costs; and certain other costs associated with the QSA.

4.1.4 Transportation

The Transportation rate is set to recover capital, operating, and maintenance costs of the Water Authority’s aqueduct system, including all facilities used to physically transport the water to member agency meters, excluding certain distribution facilities covered under the East County Treatment Agreement. An example of this category would be the maintenance division in the Operations and Maintenance Department. This division maintains the valves, pipelines, and facilities that are integral to the aqueduct system.

4.1.5 Treatment

The Treatment rate is designed to recover the Water Authority’s cost of treating water. The Melded M&I Treatment Rate includes the costs of purchasing treated water from MWD, the operating and capital costs associated with the Water Authority’s agreement with Helix Water District’s Levy Water Treatment Plant, operating costs associated with the Olivenhain Treatment Plant, and the operating and capital (debt service) costs associated with the construction of the Twin Oaks Valley Treatment Plant, as well as desalinated water costs allocated to this rate and may recover certain other costs associated with the delivery of treated water. As treated water is a result of the desalination process, the treatment rate is also used a proxy for deriving the treatment cost associated with production of the desalination supply. The resulting cost is also recovered through the Treatment Rate.

4.1.6 General and Administrative

Expenditures that cannot reasonably be allocated directly to a rate category are assigned to G&A, which supports the general function of the Water Authority. An example of a cost that is assigned to G&A is accounting. As no rate component directly relates to G&A, these costs are reallocated to the other rate components based on total direct budget allocation to customer service, storage, supply, transportation, and treatment.
4.2 Allocation Summary

As part of the 2014 rate setting process, Carollo held interviews with select departments and divisions in order to confirm the methodology and the appropriateness of application of cost of service principles during the annual budget process. This interview process is completed by staff in parallel with development of each new two-year budget.

The interviews evaluated the methodology and basis of the percentage allocations and developed the reasoning that allocations varied from the previous process, if applicable. In most cases, costs were allocated based on the historical and forecasted employee utilization and direct expenditures.

As a part of the FY 2022 and FY 2023 budget process, the allocations were updated consistent with historical practices; however, the updated allocations include the recent internal reorganization of various departments and divisions. This internal review accounted for changes in processes and day-to-day operations. Based on Carollo’s review, the provided allocations appear reasonable and continue to be based on sound and defensible definitions.

The debt service and capital allocations developed in the Cost of Service Study reflect the continued shift in CIP efforts towards transportation and away from storage. This shift is amplified by the recent refundings and cash defeasance of debt series largely apportioned to Storage. These adjustments are reflected in each revenue requirement. Relative to CY 2020, the portion of debt-funded capital allocated to customer service and storage decreased, while the allocation to transportation has increased.

4.2.1 Allocation of Operating Costs

Table 6 illustrates the allocation of CY 2022 operating costs to each rate category based upon the total weighted average FY 2022 and FY 2023 expenditure allocation.

<table>
<thead>
<tr>
<th>CY 2022 Allocation</th>
<th>CY 2022 Expenditures</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Supply</th>
<th>Transportation</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Allocation</td>
<td>100.0%</td>
<td>35.4%</td>
<td>10.0%</td>
<td>15.5%</td>
<td>38.0%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Cost Allocation</td>
<td>$59.49</td>
<td>$21.04</td>
<td>$5.92</td>
<td>$9.21</td>
<td>$22.61</td>
<td>$0.72</td>
</tr>
</tbody>
</table>

4.2.2 Allocation of Debt Service

For each debt issuance, the Water Authority actively allocates its use of long-term and short-term debt. Each issuance is apportioned to rate components based on specific projects funded. As a result, the Water Authority’s debt service is allocated in a defensible and equitable manner. Table 7 provides a summary allocation of the total CY 2022 debt service by functional rate category.
### Table 7  
**Debt Service Allocation Summary (in $ millions)**

<table>
<thead>
<tr>
<th></th>
<th>CY 2022 Total</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Supply</th>
<th>Transportation</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTD Service</td>
<td>$80.59</td>
<td>$5.04</td>
<td>$24.22</td>
<td>$5.48</td>
<td>$42.73</td>
<td>$3.12</td>
</tr>
<tr>
<td>STD Service</td>
<td>$14.21</td>
<td>$0.89</td>
<td>$4.26</td>
<td>$0.97</td>
<td>$7.54</td>
<td>$0.55</td>
</tr>
<tr>
<td>Build America Bonds (3)</td>
<td>$21.64</td>
<td>$1.35</td>
<td>$6.49</td>
<td>$1.47</td>
<td>$11.49</td>
<td>$0.83</td>
</tr>
<tr>
<td><strong>Total Debt Service</strong></td>
<td><strong>$116.43</strong></td>
<td><strong>$7.27</strong></td>
<td><strong>$34.97</strong></td>
<td><strong>$7.92</strong></td>
<td><strong>$61.76</strong></td>
<td><strong>$4.50</strong></td>
</tr>
</tbody>
</table>

**Notes:**
1. May not sum due to rounding.
2. Includes Super Subordinate rate for Desalination Pipeline (Transportation - LTD).
3. Amount is net and includes the associated $10.7M subsidy.

### 4.2.3 Allocation of Offsetting Revenues

Offsetting revenues provide a credit against rate revenue needs. Operating revenue offsets are allocated to each functional rate category proportionate to the two-year average expenditures by rate category. Table 8 provides the allocation factors that are used to distribute each offsetting revenue.

### Table 8  
**CY 2022 Allocation Factors for Offsetting Revenues**

<table>
<thead>
<tr>
<th>Methodology (1)</th>
<th>Applicable Offsetting Revenues</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Supply</th>
<th>Transportation</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Excluding Treatment</td>
<td>System Capacity Charges</td>
<td>6.48%</td>
<td>31.22%</td>
<td>7.08%</td>
<td>55.22%</td>
<td>-</td>
</tr>
<tr>
<td>Treatment Only</td>
<td>Treatment Capacity Charge</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Total Capital</td>
<td>Water Standby Charges PAYGO Earning</td>
<td>6.23%</td>
<td>30.01%</td>
<td>6.81%</td>
<td>53.10%</td>
<td>3.85%</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>IAC Property Taxes and In-Lieu Charges Investment Income General Misc. Revenue</td>
<td>16.35%</td>
<td>31.28%</td>
<td>11.82%</td>
<td>36.07%</td>
<td>4.49%</td>
</tr>
</tbody>
</table>

**Notes:**
1. These allocation factors do not cover all offsetting revenues, notably those that are allocated to specific functions.
Finally, treatment capacity charges are allocated directly to the Water Authority’s treatment rate category as a reimbursement for treatment-related capital expenditures.

Some non-rate revenues are directly attributable to a specific function. These specific revenues are thus directly allocated to the function that is receiving the direct benefit or provided the upfront capital outlay to complete the project. This includes, but is not limited to, the Twin Oak Reimbursement, Hydroelectric revenues, and desalination reimbursements.

Table 9 illustrates the offsetting revenues and allocated offsets to each rate component.

### Table 9  CY 2022 Offsetting Revenues (in $ millions)

<table>
<thead>
<tr>
<th>Capital Offset</th>
<th>Total Revenue Offsets</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Supply</th>
<th>Transportation</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>System Capacity Charge</td>
<td>$16.40</td>
<td>$1.06</td>
<td>$5.12</td>
<td>$1.16</td>
<td>$9.06</td>
<td>-$</td>
</tr>
<tr>
<td>Standby Availability Charge</td>
<td>11.11</td>
<td>0.69</td>
<td>3.33</td>
<td>0.76</td>
<td>5.90</td>
<td>0.43</td>
</tr>
<tr>
<td>Treatment Capacity Charge</td>
<td>0.46</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.46</td>
</tr>
<tr>
<td>PAYGO Earnings</td>
<td>0.40</td>
<td>0.02</td>
<td>0.12</td>
<td>0.03</td>
<td>0.21</td>
<td>0.02</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Offsets</th>
<th>Total Revenue Offsets</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Supply</th>
<th>Transportation</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$14.71</td>
<td>$2.41</td>
<td>$4.60</td>
<td>$1.74</td>
<td>$5.31</td>
<td>$0.66</td>
</tr>
<tr>
<td>IAC</td>
<td>47.35</td>
<td>7.74</td>
<td>14.71</td>
<td>5.60</td>
<td>17.08</td>
<td>2.12</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>4.56</td>
<td>0.75</td>
<td>1.43</td>
<td>0.54</td>
<td>1.64</td>
<td>0.20</td>
</tr>
<tr>
<td>General Misc. Revenue</td>
<td>5.76</td>
<td>4.39</td>
<td>-</td>
<td>0.09</td>
<td>1.27</td>
<td>0.02</td>
</tr>
<tr>
<td>Specific Revenues</td>
<td>0.52</td>
<td>0.09</td>
<td>0.16</td>
<td>0.06</td>
<td>0.19</td>
<td>0.02</td>
</tr>
</tbody>
</table>

**Total Offsets** $101.28 $17.15 $29.57 $9.97 $40.66 $3.93

### 4.2.4 Additional Expenses

As described in Report Section 3.1, the Water Authority incurs costs beyond those captured within the core budget, such as expenditures which were initially funded using reserves and then recovered from member agencies over time through rates. When developing the rates and charges, the Water Authority accounts for these additional expenditures separately from the base operating expenditures, allocating these expenditures directly to each rate category based on direct benefit.
Table 10 details the additional expenditures that are incurred by each rate category outside the operating budget.

Table 10  CY 2022 Additional Expenses (in $ millions)

<table>
<thead>
<tr>
<th></th>
<th>Total Expense</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Supply</th>
<th>Transportation</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twin Oak Reimbursement</td>
<td>$0.74</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$0.74</td>
</tr>
<tr>
<td>Local Water Supply Development</td>
<td>5.13</td>
<td>5.13</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ESP Evaporation and Losses</td>
<td>1.13</td>
<td>-</td>
<td>1.13</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ESP Water Purchases</td>
<td>2.64</td>
<td>-</td>
<td>2.64</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Expense</td>
<td>$9.63</td>
<td>$5.13</td>
<td>$3.77</td>
<td>$-</td>
<td>$-</td>
<td>$0.74</td>
</tr>
</tbody>
</table>

4.2.5 Coverage + Reserve Driven Requirements

The bond coverage target is calculated based on net revenues, excluding capital expenses and policy requirements, such as additions to reserves. Although the bond coverage requirement applies to all Water Authority rates and charges revenues in aggregate, the Water Authority establishes rates to separately meet the 1.50x coverage test by rate category, proportionate to its share of overall debt. This approach is designed to recover bond coverage and reserve costs fairly and reasonably by rate category.

Based on the revenue requirements defined above, the Water Authority must generate an additional $83.8 million through rates to achieve a 1.50x debt service coverage ratio and provide funding for reserves. This is illustrated in Table 11.

Table 11  Remaining Coverage and Reserve Allocation Summary (in $ millions)

<table>
<thead>
<tr>
<th>Revenue Requirement</th>
<th>CY 2022 Total</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Supply</th>
<th>Transportation</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remaining Coverage and</td>
<td>$83.83</td>
<td>$8.10</td>
<td>$44.57</td>
<td>$6.53</td>
<td>$19.99</td>
<td>$4.64</td>
</tr>
<tr>
<td>Reserve Driven Needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2.6 Summary of Allocation

Table 12 provides a summary of the Water Authority’s revenue requirements and rate component allocations. The water sales revenue requirements reflect only the portion of water rates and charges related to direct Water Authority operating activities and do not include expenditures such as purchased water costs.
Table 12  Revenue Requirements Summary (in $ millions)

<table>
<thead>
<tr>
<th>Revenue Requirement</th>
<th>CY 2021 Total</th>
<th>Customer Service</th>
<th>Storage</th>
<th>Supply</th>
<th>Transportation</th>
<th>Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>$59.49</td>
<td>$21.04</td>
<td>$5.92</td>
<td>$9.21</td>
<td>$22.61</td>
<td>$0.72</td>
</tr>
<tr>
<td>Equipment Purchase</td>
<td>3.42</td>
<td>1.21</td>
<td>0.34</td>
<td>0.53</td>
<td>1.30</td>
<td>0.04</td>
</tr>
<tr>
<td>Debt Service (LTD + STD)</td>
<td>116.43</td>
<td>7.27</td>
<td>34.97</td>
<td>7.92</td>
<td>61.76</td>
<td>4.50</td>
</tr>
<tr>
<td>Offsetting Revenues</td>
<td>(101.28)</td>
<td>(17.15)</td>
<td>(29.57)</td>
<td>(9.97)</td>
<td>(40.66)</td>
<td>(3.93)</td>
</tr>
<tr>
<td>Operating Rev Req Before Coverage</td>
<td>78.06</td>
<td>12.37</td>
<td>11.66</td>
<td>7.69</td>
<td>45.01</td>
<td>1.33</td>
</tr>
<tr>
<td>Additional Expenses</td>
<td>9.63</td>
<td>5.13</td>
<td>3.77</td>
<td>-</td>
<td>-</td>
<td>0.74</td>
</tr>
<tr>
<td>O&amp;M Rev Req Before Coverage</td>
<td>87.70</td>
<td>17.50</td>
<td>15.43</td>
<td>7.69</td>
<td>45.01</td>
<td>2.07</td>
</tr>
<tr>
<td>Remaining Coverage and Reserve Driven Needs</td>
<td>83.83</td>
<td>8.10</td>
<td>44.57</td>
<td>6.53</td>
<td>19.99</td>
<td>4.64</td>
</tr>
<tr>
<td>Water Sales Rev Req</td>
<td>$171.53</td>
<td>$25.60</td>
<td>$60.00</td>
<td>$14.22</td>
<td>$65.00</td>
<td>$6.71</td>
</tr>
</tbody>
</table>
Section 5

WATER RATES AND CHARGES

Based on the resulting revenue requirements analysis and detailed cost of service allocations, the revenue requirements for each rate and charge category are recovered from the member agencies based on water demand and usage factors. The Water Authority serves two classes of customers: Full Service and Special Agricultural Water Rate (SAWR) customers. As of CY 2022, per Board direction, the former transitional (TSAWR) program has expired and was replaced by the permanent (PSAWR) program. Staff at the Water Authority is working with stakeholders and member agencies to fully develop and streamline the PSAWR program.

In general, the Water Authority’s rate setting follows a streamlined approach where each rate component relates back to a single and specific cost allocation category. This methodology is in contrast to that of many retail water agencies who, by virtue of their cost and rate structures, may need to combine revenue requirements from multiple categories into each rate component. The Water Authority’s approach allows for each rate to accurately and proportionally reflect the Water Authority’s cost to provide each component of its service while providing a high level of transparency in the rate setting process. It also results in a rate structure that can be easily communicated to each agency and incorporated into their respective rate planning efforts. The following section of this report summarizes the proposed CY 2022 water rates and charges.

5.1 Commodity Based Fixed Charges

Fixed revenues are distinguished from variable revenues as they provide a known and predictable annual source of revenue for an upcoming calendar year. The fixed commodity charges are allocated to each agency based on their proportionate share of a three-year rolling average of water purchases.

This allocation methodology balances the fixed nature of the costs recovered by the fixed charges with the potential for shifting demands of the retail agencies. The rolling average purchase volumes provide a measure of each agency’s use of the Water Authority’s system that can evolve naturally over time with each agency’s retail demands. The use of another fixed allocation methodology, such as MEUs, could sufficiently recover costs but would not account for lasting changes in agency demands i.e., development of local water resources or retail customer growth.

5.1.1 Customer Service Charge

Based on the cost of service analysis, $25.6 million must be recovered through the customer service water rate in CY 2022. This is unchanged from CY 2021 levels. These costs are recovered as an annual charge, as these costs do not vary based on current year water demand. Specifically, the costs are allocated among the member agencies based on each agency’s three-year rolling average of all purchases, excluding member agency wheeled water.
Table 13  CY 2022 Customer Service Revenue Requirement (in $ millions)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures (LTD and STD)</td>
<td>$7.27</td>
</tr>
<tr>
<td>Equipment Purchase</td>
<td>1.21</td>
</tr>
<tr>
<td>O&amp;M + Share of Agency Operating Expenditures</td>
<td>21.04</td>
</tr>
<tr>
<td>Additional Expenses</td>
<td>5.13</td>
</tr>
<tr>
<td><strong>Gross Revenue Requirements</strong></td>
<td><strong>$34.65</strong></td>
</tr>
</tbody>
</table>

**Less: Offsetting Revenues**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Related</td>
<td>(1.78)</td>
</tr>
<tr>
<td>Operating Related</td>
<td>(15.37)</td>
</tr>
<tr>
<td><strong>RR before Coverage and RSF Support</strong></td>
<td><strong>$17.50</strong></td>
</tr>
<tr>
<td>Coverage + Reserves</td>
<td>8.10</td>
</tr>
<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td><strong>$25.60</strong></td>
</tr>
</tbody>
</table>

5.1.2 Storage

Based on the cost of service analysis, $60.0 million is to be recovered through the storage charge in CY 2022, maintaining the same rate from CY 2021. The storage charge is a flat annual charge applied to non-agricultural water deliveries. The storage charge is allocated among the member agencies using a pro rata share of each agency’s three-year rolling average of non-agricultural deliveries (including all users, member agencies, and third-party wheeling throughput). In return for not paying for storage, PSAWR program customers agree to receive a level of service during an emergency that is less than that received by the Water Authority’s M&I customers.

The Water Authority’s ESP and Carryover Projects are designed to make water available to the San Diego region in the event of an interruption in imported water deliveries. Because agricultural users that participate in the PSAWR program agree to reduced or interrupted service during times of water emergencies, they will not receive benefit from the Water Authority’s investment in its long-term storage program. It is therefore appropriate to exclude agricultural deliveries from the calculation of the storage rate.

Table 14  CY 2022 Storage Revenue Requirement (in $ millions)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures (LTD and STD)</td>
<td>$34.97</td>
</tr>
<tr>
<td>Equipment Purchase</td>
<td>0.34</td>
</tr>
<tr>
<td>O&amp;M + Share of Agency Operating Expenditures</td>
<td>5.92</td>
</tr>
<tr>
<td>Additional Expenses</td>
<td>3.77</td>
</tr>
<tr>
<td><strong>Gross Revenue Requirements</strong></td>
<td><strong>$45.00</strong></td>
</tr>
</tbody>
</table>

**Less: Offsetting Revenues**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Related</td>
<td>(8.57)</td>
</tr>
<tr>
<td>Operating Related</td>
<td>(21.00)</td>
</tr>
<tr>
<td><strong>RR before Coverage and RSF Support</strong></td>
<td><strong>$15.43</strong></td>
</tr>
<tr>
<td>Coverage + Reserves</td>
<td>$44.57</td>
</tr>
<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td><strong>$60.00</strong></td>
</tr>
</tbody>
</table>
5.1.3 Supply Reliability Charge

Based on recommendations from the A&F Committee and approval of the Board, the Supply Reliability Charge recovers the functional incremental supply costs allocated to enhanced supply reliability. The Committee recognized the importance of equitably recovering the cost of the Water Authority’s investments in long-term water supply reliability in accordance with the cost of service requirements. The concept of a fixed charge for supply reliability was to balance the impact of the fixed costs on member agencies with the allocation of costs associated with long-term investments in supply reliability to member agencies based on a rolling average of M&I deliveries. Access to reliable supply benefits all member agencies regardless of whether the agency uses water every day or intermittently.

The approved methodology for determining the Supply Reliability Charge is as follows:

\[
\text{Supply Reliability Charge} = \left[ (\text{Desal Water Cost} + \text{IID Water Transfer Cost}) - \text{MWD Tier 1 Equivalent Cost} \right] \times 25\%
\]

For a full detailing of the calculation, the Supply Reliability Charge Report prepared by A&N Technical Services, Inc. is provided as Appendix E. Following this methodology, Table 15 details calculation of the proposed CY 2022 Supply Reliability Charge.

Table 15  Proposed CY 2022 Supply Reliability Charge

<table>
<thead>
<tr>
<th>SUPPLY RELIABILITY CHARGE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Desal Deliveries (TAF)</td>
<td>42.0</td>
</tr>
<tr>
<td>IID Transfer Deliveries (TAF)</td>
<td>202.5</td>
</tr>
<tr>
<td>Desal Supply Cost ($/AF)</td>
<td>$2,329</td>
</tr>
<tr>
<td>IID Transfer Cost ($/AF)</td>
<td>$1,258</td>
</tr>
<tr>
<td>MWD Tier 1 Untreated Rate ($/AF)</td>
<td>$799.00</td>
</tr>
<tr>
<td>Reliable Water Cost ($M)</td>
<td>$352.68</td>
</tr>
<tr>
<td>MWD Comparison Cost ($M)</td>
<td>$195.36</td>
</tr>
<tr>
<td>Differential ($M)</td>
<td>$157.32</td>
</tr>
<tr>
<td>Supply Reliability Needs ($M)</td>
<td>$39.34</td>
</tr>
</tbody>
</table>

As used in the above formula, Desalination Deliveries are 42,000 AF/Y and IID Water Transfer Deliveries are 202,500 AF/Y in CY 2022.

The revenue generated from this charge will only be applied to the supply revenue requirement prior to determining the volumetric Melded Supply Rate. This charge will be allocated to member agencies based on a five-year rolling average of applicable historical water deliveries. This represents a 1.29 percent increase from the CY 2021 rate, resulting from 4.1 percent increases to MWD’s transportation charges. With last year’s conclusion of the IID deliveries ramp-up, future adjustments to the SRC are forecasted to be minimal. Should MWD’s Tier 1 Full-Service Supply Rate continue to escalate beyond the cost of reliable water, the SRC will decrease. This charge will be zero when MWD’s Tier 1 costs are equal or greater than the combined Desalination and IID Water Transfer Costs.
The calculated Supply Reliability Charge follows general water industry cost of service-based rate-setting principles. By design, it cannot recover more than the costs allocated to the supply functional costs, as it is calculated as a portion of those functional supply costs. Further, it constitutes a reasonable allocation of functional supply costs in that it better aligns the fixed incremental supply costs incurred by the Water Authority to make highly reliable potable water supplies available to its member agencies with the benefits available to all water customers connected to the Water Authority integrated water system.

As detailed in the A&F findings, the rate addresses fairness by allowing for predictability of incurred charges (based on a rolling five-year average of historical deliveries) and adjustments to future charges imposed on each member agency as demand requirements change in the future due to local supply development or demand management. As approved, the Water Authority spreads the Supply Reliability cost to member agencies based upon their share of the rolling five-year average M&I deliveries.

### 5.2 Commodity Based Variable Rates

The commodity based variable water rates and charges are distinguished from fixed revenues as they are recovered based on annual water sales.

#### 5.2.1 Supply (Melded M&I Supply Rate)

The Melded Untreated M&I rate is a volume rate assessed on a per acre-foot basis. The rate is a combination of direct and indirect costs. The revenue requirement apportioned to the supply rate component is $14.22 million and is detailed in Table 16.

<table>
<thead>
<tr>
<th>MELDED SUPPLY REVENUE REQUIREMENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures (LTD and STD)</td>
<td>$ 7.92</td>
</tr>
<tr>
<td>Equipment Purchase</td>
<td>0.53</td>
</tr>
<tr>
<td>O&amp;M + Share of Agency Operating Expenditures</td>
<td>9.21</td>
</tr>
<tr>
<td>Additional Expenses</td>
<td>-</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
<td>$17.66</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less: Offsetting Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Related</td>
<td>($1.94)</td>
</tr>
<tr>
<td>Operating Related</td>
<td>($8.02)</td>
</tr>
<tr>
<td>RR before Coverage and RSF Support</td>
<td>$ 7.69</td>
</tr>
<tr>
<td>Additional Coverage</td>
<td>$ 6.53</td>
</tr>
<tr>
<td>Total Revenue Requirement</td>
<td>$14.22</td>
</tr>
</tbody>
</table>

For CY 2022, the total supply costs are projected to total $402.01 million, before any use of reserves. The Water Authority projected sales of 395,883 acre-feet at a cost of $428.99 million. An additional $14.22 million must be recovered through rates to fund the supply’s revenue requirements and costs associated with the IID cost differential, storage, and QSA costs. The Supply Reliability Charge provides a revenue (cost of water) offset of $39.34 million. An additional $40.9 million in reserves is used to mitigate (smooth) rate increases related to continued increases by MWD and past investment in supply reliability. By dividing the total supply cost of $362.98 million by total water sales, a per acre-foot cost of $1,009 is calculated.
## Table 17  Proposed CY 2022 M&I Melded Supply Rate

<table>
<thead>
<tr>
<th>MELDED SUPPLY RATE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acre-Foot Supplies (A/F) (000's)</td>
<td></td>
</tr>
<tr>
<td>MWD Tier I Deliveries</td>
<td>75.3</td>
</tr>
<tr>
<td>Carlsbad Desalination Water Production</td>
<td>42.0</td>
</tr>
<tr>
<td>IID Deliveries</td>
<td>202.5</td>
</tr>
<tr>
<td>Canal Water Deliveries</td>
<td>78.7</td>
</tr>
<tr>
<td>System Losses</td>
<td>(2.6)</td>
</tr>
<tr>
<td><strong>Total A/F Supplies</strong></td>
<td><strong>359.7</strong></td>
</tr>
<tr>
<td>Water Purchase Costs ($ Millions)</td>
<td></td>
</tr>
<tr>
<td>MWD Tier 1 Water Purchases</td>
<td>$60.15</td>
</tr>
<tr>
<td>Carlsbad Desalination Water Supply Cost</td>
<td>97.83</td>
</tr>
<tr>
<td>IID Water Purchases</td>
<td>254.85</td>
</tr>
<tr>
<td>Canal Water Purchases</td>
<td>45.04</td>
</tr>
<tr>
<td>Less SAWR Expenditures</td>
<td>(28.88)</td>
</tr>
<tr>
<td><strong>Subtotal Water Purchase Costs</strong></td>
<td><strong>$428.99</strong></td>
</tr>
<tr>
<td>Additional Costs ($ Millions)</td>
<td></td>
</tr>
<tr>
<td>Supply Revenue Requirement</td>
<td>$14.22</td>
</tr>
<tr>
<td>Pension Liability</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Additional Costs</strong></td>
<td><strong>$14.22</strong></td>
</tr>
<tr>
<td>Offsetting Revenues ($ Millions)</td>
<td></td>
</tr>
<tr>
<td>Supply Reliability Credit</td>
<td>$(39.34)</td>
</tr>
<tr>
<td>Cash and Reserves (1)</td>
<td>$(40.89)</td>
</tr>
<tr>
<td><strong>Total Supply Cost (millions)</strong></td>
<td><strong>$362.98</strong></td>
</tr>
<tr>
<td>Proposed Melded Supply Rate</td>
<td>$1,009/AF</td>
</tr>
</tbody>
</table>

Notes:
(1) Consists of operating funds and rate stabilization funds.

The proposed increase in the Melded Supply Rate is driven almost entirely by increased water purchase costs, which account for over 97 percent of supply costs. Of those costs, the component with the largest increase are the costs incurred from for MWD, which are forecasted to increase approximately $9.7 million from CY 2021 levels. Increases in costs for IID and Canal water purchases account for $3.1 million and $0.04 million of the overall supply cost increase, respectively. This MWD increase in on top of last year's $15.4 million increase (94 percent of the Water Authority's total CY 2021 increase).

### 5.2.2 Treatment (Melded M&I Treatment Rate)

The Treatment rate is a volumetric rate, assessed on a per acre-foot basis, designed to recover the Water Authority’s cost of treating water. The Water Authority’s direct cost related to Treatment is $5.78 million as detailed in Table 18.
In addition, the rate will be set to recover the costs of purchasing treated water from MWD, the Levy and Olivenhain treatment plants, and the Water Authority’s Twin Oaks Valley Water Treatment Plant, as well as desalinated water costs allocated to this rate and may recover certain other costs associated with the delivery of treated water.

Table 18  CY 2022 Melded Treatment Revenue Requirement (in $ millions)

<table>
<thead>
<tr>
<th>MELDED TREATMENT REVENUE REQUIREMENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures (LTD and STD)</td>
<td>$4.50</td>
</tr>
<tr>
<td>Equipment Purchase</td>
<td>0.04</td>
</tr>
<tr>
<td>O&amp;M + Share of Agency Operating Expenditures</td>
<td>0.72</td>
</tr>
<tr>
<td>Additional Expenses</td>
<td>0.74</td>
</tr>
<tr>
<td><strong>Gross Revenue Requirements</strong></td>
<td>$6.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less: Offsetting Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Related</td>
<td>$(0.90)</td>
</tr>
<tr>
<td>Operating Related</td>
<td>(3.03)</td>
</tr>
<tr>
<td><strong>RR before Coverage and RSF Support</strong></td>
<td>$2.07</td>
</tr>
<tr>
<td>Additional Coverage</td>
<td>4.64</td>
</tr>
<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td>$6.71</td>
</tr>
</tbody>
</table>

Table 19 outlines the Water Authority’s forecasted treated acre-foot demand, incurred treatment costs, and corresponding melded treatment rate. Similar to the melded supply rate, the costs associated with the operation of the Twin Oaks Water Treatment Plant ($8.70 million) will be recovered through the CY 2022 rates outside the revenue requirements outlined in Table 18.

Table 19  Proposed CY 2022 Melded Treatment Rate

<table>
<thead>
<tr>
<th>MELDED TREATMENT RATE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;I Treatment Demands - (AF 000’s)</td>
<td></td>
</tr>
<tr>
<td>MWD</td>
<td>50.9</td>
</tr>
<tr>
<td>Carlsbad Desalination Production</td>
<td>42.0</td>
</tr>
<tr>
<td>CWA (Twin Oaks)</td>
<td>43.4</td>
</tr>
<tr>
<td>Helix</td>
<td>18.7</td>
</tr>
<tr>
<td><strong>Total Demands</strong></td>
<td>155.0</td>
</tr>
<tr>
<td>M&amp;I Treatment Costs ($ Millions)</td>
<td></td>
</tr>
<tr>
<td>MWD</td>
<td>$17.51</td>
</tr>
<tr>
<td>Desalination Water</td>
<td>13.02</td>
</tr>
<tr>
<td>Treatment Revenue Requirement</td>
<td>6.71</td>
</tr>
<tr>
<td>CWA Contract Treatment Cost</td>
<td>8.70</td>
</tr>
<tr>
<td>Helix</td>
<td>2.11</td>
</tr>
<tr>
<td><strong>Treatment Cost</strong></td>
<td>$48.05</td>
</tr>
<tr>
<td>Proposed Melded Treatment Rate</td>
<td>$310/AF</td>
</tr>
</tbody>
</table>
The Water Authority spreads the Melded Treatment costs over the forecasted acre-feet demands. The proposed CY 2022 Melded Treatment rate is $310 per acre-foot.

### 5.2.3 Transportation

The Transportation rate is a uniform rate set to recover capital and operating and maintenance costs of the Water Authority’s aqueduct system, including all facilities used to physically transport the water to member agency meters. The Transportation rate is charged to member agencies based on water deliveries. While this existing methodology reflects each agency’s specific usage and applies rates consistently and proportionately, the recent volatility highlights the revenue risk. As these costs are largely fixed and given the variability in annual demands, the existing transportation methodology should be reviewed annually to ensure continued equity and recovery. As was discussed last year, the CY 2022 was forecasted to increase given lower overall demands (without any corresponding decreases in expenses) and higher allocation of debt and capital expenses.

<table>
<thead>
<tr>
<th>TRANSPORTATION RATE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures (LTD and STD)</td>
<td>$61.76</td>
</tr>
<tr>
<td>Equipment Purchase</td>
<td>1.30</td>
</tr>
<tr>
<td>O&amp;M + Share of Agency Operating Expenditures</td>
<td>22.61</td>
</tr>
<tr>
<td>Additional Expenses</td>
<td>-</td>
</tr>
<tr>
<td><strong>Gross Revenue Requirements</strong></td>
<td><strong>$85.67</strong></td>
</tr>
</tbody>
</table>

Less: Offsetting Revenues

| Capital Related                          | ($15.17) |
| Operating Related                        | (25.49)  |
| **RR before Coverage**                   | **$45.01** |
| Coverage + Reserves                      | 19.99    |
| **Total Revenue Requirement**            | **$65.00** |
| **Proposed Transportation Rate**         | **$173/AF** |

The Water Authority spreads the Transportation cost over all forecasted acre-feet demands, less water taken directly from MWD, to generate the Transportation rate. The proposed CY 2022 Transportation rate is $173 per acre-foot.

### 5.3 Permanent Special Agricultural Water Rate Program

In October 2008, faced with a prolonged drought and rising water costs, the MWD Board voted to terminate the Interim Agricultural Water Program (IAWP) through a five-year phase-out of the program ending December 31, 2012. The IAWP was a discounted rate for surplus system supplies available for the purpose of growing agricultural, horticultural, or floricultural products.

In response to MWD’s phase-out of IAWP, in October 2008, the Water Authority Board approved the TSAWR and formed a SAWR Board Workgroup to develop a recommended permanent program. In March 2010, the Board approved the Workgroup recommendation for a permanent TSAWR that would begin January 1, 2013, and only include the storage charge exemption.
On April 26, 2012, the Board voted to extend the TSAWR program for two additional years to provide agricultural customers with additional time to transition to the higher cost of water. On March 26, 2015, the Board again voted to extend the TSAWR program through December 31, 2020.

On March 26, 2015, the Board approved the extension of the TSAWR program through December 31, 2021. Based on the FSTF recommendation, in November 2019, the Board directed staff to develop a permanent program in coordination with the CY 2021 Rate Setting Process. Similar to the existing transitional program, the adopted PSAWR Program lower cost continues to recognize the reduced supply reliability. While the adopted rate is defined through the cost of service process, the specific program details and eligibility requirements were developed over a near year long process led by Water Resources.

Under the PSAWR program, agricultural users receiving untreated water are charged the MWD Full Service Untreated Tier 1 water rate. In CY 2022, this rate is $799 per acre-foot. Agricultural users receiving treated water are also charged the MWD untreated rate plus the Water Authority's Melded Treatment Charge, which is proposed at $310 per acre-foot in CY 2022, as shown above. Transportation and customer service-related costs are recovered through each member agency’s Transportation and Customer Service rates.

5.4 Capacity Charge Increase

Section §5.9 of the County Water Authority Act permits the Water Authority to fix and impose capacity charges on each of its member agencies or upon ultimate users of water delivered by the Water Authority to the member agencies. Capacity charges are a one-time payment for new or upsized meters to fund the cost to construct capacity to serve that meter. These capacity charges may include components for water resources, production, storage, distribution, treatment, and financial reserves. However, the Water Authority must demonstrate a reasonable nexus between the amount of the charge and the cost of capacity to serve new development.

Based on the 2018 Capacity Charge Report, Carollo found that the Water Authority’s methods for calculating the System Capacity Charge and the Treatment Capacity Charge continue to be consistent with applicable AWWA and industry standards, Board policy, and applicable legal requirements. Consistent with Ordinance 2018-04, Carollo also recommended that, between studies (every three to five years), the Water Authority continue its policy to escalate the implemented charges by an appropriate inflationary metric.

Based on this analysis, both the System and Treatment Capacity Charges are thus escalated to CY 2022 levels using the Engineering News-Record Construction Cost Index (ENR-CCI) index for the City of Los Angeles. The percent increase in the index from December 2019 to December 2020 for Los Angeles (0.28 percent) is used as an escalator for the system and treatment capacity charges as shown in Table 21.

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>System Capacity Charge ($/new MEU)</th>
<th>Treatment Capacity Charge ($/new MEU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing</td>
<td>$5,312</td>
<td>$148</td>
</tr>
<tr>
<td>CY 2022</td>
<td>$5,328</td>
<td>$149</td>
</tr>
</tbody>
</table>
Section 6
FINDINGS

Based on the independent review performed for this rate study, Carollo confirms the Water Authority’s existing methodology, cost allocations, rate-setting principles, and proposed CY 2022 rates are reasonable and consistent with the AWWA cost of service principles, Board policies, and California legal requirements. Carollo’s finding for this study are as follows:

- Beyond the financial measures identified by the Water Authority, revenue adjustments are necessary.
- A combination of revenue adjustments and RSF utilization are necessary to cover the Water Authority’s budget requirements.
- The Water Authority has significant detail and a sound basis for existing and proposed water rates and charges.
- The resulting cost of service allocations and existing methodology provide a clear, reasonable, and defensible nexus between the cost of service provided and rates charged.
- The Water Authority rate structures effectively and appropriately recover the allocated costs from each member agency.
- Board policies and cost of service guidelines are applied alongside industry best practices and AWWA M1 standards, and the rates and charges adhere to the legal requirements as described within this report.
- The IAC was calculated in compliance with Board policies and adheres to the legal requirements as described within this report. The proposed IAC at $4.24 per MEU achieve the Board directive of 25 percent fixed cost recovery.
- The existing methodology yields an appropriate and reasonable method for allocating costs, which continues to be sustained despite changes to cost drivers and changes to demands.
- Based on the current RSF balance and the recent revision to the RSF methodology, the proposed CY 2022 water rates and charges plan continued utilization of the RSF in FY 2022 As a result, the Water Authority will continue to meet the Board’s DSCR target of 1.50x.
- A more detailed discussion and guidance of future RSF utilization, overall reserves levels, and rate guidance (new 10-year High/Low) will be provided as part of the 2021 Long-Range Financing Plan.
- Adjust the System and Treatment Capacity Charge schedules based on the annual percentage change in the ENR-CCI LA (0.28 percent).
Appendix A

INFRASTRUCTURE ACCESS CHARGE RESOLUTION
RESOLUTION NO. 98-26

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING THE AMOUNT OF THE INFRASTRUCTURE ACCESS CHARGE PURSUANT TO SECTION 15.3.5 OF THE ADMINISTRATIVE CODE

WHEREAS, on January 8, 1998, the Board of Directors adopted an Implementation Plan for Proposed Changes to the Authority's Revenue Structure; and

WHEREAS, on March 12, 1998, the Board of Directors conducted a public hearing duly noticed by publication to consider a revised revenue structure including a proposed infrastructure access charge; and

WHEREAS, on March 26, 1998, the Board of Directors adopted Resolution No. 98-10, amending Article 15 of the Administrative Code adding Section 15.3.5 establishing an infrastructure access charge the amount of which would be determined by later action of the Board of Directors; and

WHEREAS, Section 15.3.5 of the Administrative Code provides that the infrastructure access charge shall be set at an amount which, when added to the Authority's Water Standby Availability Charge and property tax revenues, will provide funding for at least 25 per cent of the Authority's estimated annual fixed costs, and further, that member agencies shall pay the infrastructure access charge based on the number and size of retail water meter connections within their respective jurisdictions; and

WHEREAS, on April 9, 1998, the Board of Directors established June 11, 1998, as the date for a public hearing to consider protests to the infrastructure access charge; and

WHEREAS, notice of the hearing to consider protests regarding the amount of the infrastructure access charge was mailed to owners of real property, as referred to in Articles XIIIC and XIIID of the California Constitution, not less than 45 days prior to the public hearing; and

WHEREAS, on June 11, 1998, the Board of Directors held a public hearing and considered the protests regarding the amount of the infrastructure access charge; and

WHEREAS, the Board of Directors did not receive a majority protest to the amount of the infrastructure access charge; and

WHEREAS, pursuant to Section 15.3.5 of the Administrative Code and as recommended by the "Final Report, Revenue Plan Review (Including Implementation
Steps\textsuperscript{*} dated December 1997 prepared by R. W. Beck, consulting engineers, the Board of Directors hereby declares that the annual fixed costs of the Authority for the purposes of calculating the infrastructure access charge shall include annual payments of principle and interest on debt of the Authority, eighty percent of all operation and maintenance expenses as established by the Board in the annual budget, and payments to member agencies for generation of reclaimed water.

WHEREAS, the Board of Directors has considered the information relating to the infrastructure access charge and has determined that the revenue derived from the charge will, when combined with standby charges and property tax revenues, provide the sum necessary to pay at least twenty-five percent of the estimated annual fixed costs of the Authority, including but not limited to debt service; and

WHEREAS, the Board of Directors has determined that the amount of the infrastructure access charge for each member agency charge as set forth in this resolution complies with the requirements of Section 15.3.5 of the Authority’s Administrative Code; and

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the San Diego County Water Authority as follows:

1. The foregoing recitations are true and correct.

2. The monthly amount of the infrastructure access charge to be collected from each member agency pursuant to Section 15.3.5 of the Authority’s Administrative Code, commencing on January 1, 1999, is established as follows:

| Carlsbad Municipal Water District | $25,385 |
| City of Del Mar                    | $2,442  |
| City of Escondido                  | $30,744 |
| Fallbrook Public Utilities District| $10,261 |
| Helix Water District               | $62,433 |
| City of National City              | (See Sweetwater Authority) |
| City of Oceanside                  | $49,222 |
| Olivenhain Municipal Water District| $17,125 |
| Otay Water District                | $37,988 |
| Padre Dam Municipal Water District | $24,678 |
| City of Poway                      | $14,829 |
| Pendleton Military Reservation     | $0      |
| Rainbow Municipal Water District   | $11,157 |
| Ramona Municipal Water District    | $9,967  |
| Rincon del Diablo Municipal Water District | $8,938 |
| City of San Diego                  | $354,539 |
| San Dieguito Water District        | $14,591 |
| Santa Fe Irrigation District       | $10,269 |
South Bay Irrigation District  (See Sweetwater Authority)
Sweetwater Authority  $ 43,373
Vallecitos Water District  $ 17,194
Valley Center Municipal Water District  $ 12,889
Vista Irrigation District  $ 31,946
Yuima Municipal Water District  $ 564

Pursuant to Section 15.3.5 of the Administrative Code, the Board of Directors, by resolution, may establish a system of credits that member agencies may offset against the charge set by this section.

3. The amount of the monthly infrastructure access charge for each member agency has been determined based upon information provided by member agencies summarized in the table attached hereto as Attachment 1, and is apportioned based upon anticipated water delivery measured by the number of “household meter equivalents” served by each member agency. The infrastructure access charge for the Pendleton Military Reservation has been established at $0.00 due to the unique circumstances and limitations of its current receipt of service from the Authority.

4. The General Manager shall require each member agency to provide sufficient information to permit the Manager, or the Manager’s designee, to evaluate the water use potential of a member agency based upon the number and types of water meters within the member agency as of December 31 of each year. Thereafter the General Manager shall determine the infrastructure access charge according to the procedures set forth in Attachment 2 to this resolution and shall recommend any adjustments to the charge to the Board of Directors.

5. The Board of Directors, by resolution, may from time-to-time adjust the infrastructure access charge to account for changes in capital improvement costs, operation and maintenance expenses, and other fixed costs to assure revenue from the charge, when combined with revenue from property taxes and stand-by charges, is sufficient to pay at least twenty-five percent of the Authority’s fixed costs as defined in this resolution. Based upon current capital improvement plans, it is estimated that the infrastructure access charge will increase to $2.00 per month per household meter equivalent over the next ten years. Further, the charge is subject to future adjustments for inflation and modifications of capital improvement plans. The procedure by which the Board of Directors established and set the infrastructure access charge, or adopted this resolution, shall not be deemed to establish a precedent for future proceedings of the Authority to establish, levy, set, or increase any fee or charge.

PASSED, APPROVED, AND ADOPTED this 11th day of June, 1998.

AYES: Unless noted below, all Directors voted aye.
NOES: Chenelle, Mason, & Pocklington

ABSTAIN:

ABSENT: Fowler, Krauel, Madigan, & McMillan

Chris Frahm, Chair
Board of Directors

ATTEST:

Harold W. Ball, Secretary
Board of Directors

I, Janet R. Maltman, Board Secretary of the Board of Directors of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 98-26 of said Board and that the same has not been amended or repealed.

Janet R. Maltman, Board Secretary
Board of Directors
### SDCWA Active Retail Meters Equivalent to 3/4" or Smaller (as of 12/31/97)

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<th>3/4&quot;</th>
<th>1&quot;</th>
<th>1 1/2&quot;</th>
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Attachment 2 to Resolution No. ____

PROCEDURES FOR
DETERMINING THE INFRASTRUCTURE ACCESS CHARGE

The Infrastructure Access Charge shall be adjusted each year to maintain an estimated income, when combined with estimate income from taxes and standby charges, sufficient to pay at least twenty-five percent of the Authority's annual fixed costs. The annual fixed costs of the Authority for the purposes of calculating the infrastructure access charge shall include annual payments of principle and interest on debt of the Authority, eighty percent of all operation and maintenance expenses as established by the Board in the annual budget, and payments to member agencies for generation of reclaimed water. The adjustment shall occur as a part of, and in the same manner as, the Authority's regular rate-setting process.

The steps for setting the IAC will be as follows:

1) In January of each year, the Authority will request each member agency to provide a count of retail water meters serviced by that agency and active as of December 31 of the previous year. The meter count shall be based on the number of equivalent household meters, using multiplication factors established by the Authority's Director of Engineering for each meter size to determine the number of household meter equivalents. (Criteria for including a meter in the active retail meter count are given later.)

2) The estimated average annual fixed capital and operating expenditures for the following four fiscal years will be established through the annual budgeting process by the end of March of each year.

3) The estimated average annual fixed capital and operating expenditures for the next four years will be multiplied by 25% to establish the minimum level of fixed revenues required for the next fiscal year. Since actual expenditures can vary from the budget estimates upon which the IAC will be based, the estimate of the minimum level of required fixed revenues will be increased by 10% to provide increased assurance that actual fixed revenues will be at least 25% of actual fixed expenditures.

4) Estimated income from the Authority's other fixed income sources (standby charges and property taxes) will be subtracted from the estimated minimum level of fixed revenues to establish the total revenue required from the IAC.

5) The total revenue required from the IAC will be divided by the sum of the meter counts of all the member agencies to establish the IAC for a household meter equivalent (the per-meter IAC).
6) The amount of the IAC charge to be levied against each member agency will be established by multiplying the member agency's meter count times the per-meter IAC.

7) The Board will adopt the fixed IAC charge for each member agency and the per-meter IAC at the same time the capacity charge and the water rate is set, typically in April.

8) Changes in the IAC will be effective the same date in the fiscal year that changes in the commodity rate are normally effective.

9) Meters will be counted using the following criteria and definitions:

- All active retail water meters will be included in the meter count.
- The meter count will be expressed as the number of household meter equivalents based on the same factors used for the capacity charge to compute the household meter equivalent for meters 1-inch and larger.
- Active meters are defined as those meters which took water at any time during the preceding 12 months. If a meter is officially listed as inactive on a member agency’s books on December 31, but has taken any amount of water during the previous 12 months, it must be included in the meter count.
- Fire service and similar types of emergency meters are not counted, even if they have taken water during the previous 12 months.
- Reclaimed water meters are not counted unless they are connected to a reclaimed water system that has used water from the Authority’s system to meet more than 20% of that reclaimed water system’s total demand during the past 12 months.
- Meters of local distributors other than member agencies which receive water through a master meter from a member agency are not separately counted if the annual amount of water attributable to the Authority is less than or equal to 20% of the total annual amount of water distributed by the local distributor.
- Mutual support meters between member agencies are not counted.
- Master meters within a member agency are counted if they are used by a member agency to bill retail customers.
- Individual meters within a master metered area are not counted unless they are used by the member agency to bill retail customers in lieu of the master meter.
- Meters in areas outside the Authority’s service area are not counted unless they are a net recipient of imported water through one of the member agencies.
- Meters receiving the Special Agricultural Rate will be counted.
Appendix B

ORDINANCE NO. 2002-03
ORDINANCE NO. 2002-03

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES AND CHARGES FOR THE DELIVERY AND SUPPLY OF WATER, USE OF FACILITIES AND PROVISION OF SERVICES.

WHEREAS, Subdivision (13) of Section 5 of the County Water Authority Act provides that the Authority may: "Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates the board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service." and

WHEREAS, Subdivision (11) of Section 5 of the County Water Authority Act provides, in part that, the Authority's Board of Directors, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs;" and

WHEREAS, the Long-Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority's purposes and programs as determined by the Board of Directors; and

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted ordinances and resolutions levying and fixing property taxes, water availability standby charges and other rates and charges for delivery and supply of water, use of facilities and provision of other services by the Authority, including, without limitation, a capacity charge, an infrastructure access charge, a readiness to serve charge and a water rate; and

WHEREAS, under direction of the Board and its Rate Structure Subcommittee, the Authority's staff and consultants have been working with member agencies over the past several years to develop a new rate structure; and

WHEREAS, the Rate Structure Subcommittee has recommended a new structure of rates and charges is designed to ensure that the Authority has sufficient revenue to fulfill its role as the regional wholesale water provider, support local resources development and provide a new class of service for agencies with connections not using Authority facilities; and

WHEREAS, under the new structure of rates and charges, taxes, the water availability standby charge, the infrastructure access charge, and the capacity charge are not affected and will continue as currently levied; and

WHEREAS, under the new structure revenue formerly collected from a uniform water rate for raw and treated water of $95 per acre foot and a special agricultural water rate of $80 per acre foot will instead be collected from rates and charges fixed according to four categories called: Customer Service, Storage, Transportation, and Supply; and
WHEREAS, pursuant to Resolution No. 2002-06 adopted May 23, 2002, the Clerk of the Board has caused legal notice of a public hearing to hear objections protests or comments from the public about the proposed new rate structure; and

WHEREAS, the Director of Finance has presented a report dated June 19, 2002 describing the proposed structure of fees and charges, including, without limitation, the revenue requirement, the reasonable allocation of the revenue requirement among the appropriate functional categories, and the reasonable apportionment of revenue requirement allocated to the four functional categories to rates and charges to be collected from the member agencies (the "Report"); and

WHEREAS, the Director of Finance has recommended approval of the new structure of rates and charges as set forth in the Report; and

WHEREAS, on May 21, 2002 the Authority filed a Notice of Exemption pursuant to the California Environmental Quality Act for the project described as "Establishment of water supply and delivery rates and charges including; Customer Service Charge, Emergency Storage Program Charge, Transportation Rate and Supply Service Charge, Capacity Reservation Charge and Readiness-to-Serve Charge, and maintaining the Infrastructure Access Charge and Standby Availability Charge" stating the project is exempt from the requirements of CEQA pursuant to the statutory exemption of Public Resources Code Section 21080(b)(8) and stating as the reason therefore: "Project involves establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing and leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas.", and

WHEREAS, the Board of Directors has considered the information contained in the Report, the testimony and other evidence presented during the public hearing, the recommendations of the Rate Study Subcommittee, the recommendations of the Fiscal Policy Committee, and other information presented to the Board during its consideration of a new rate structure; and

WHEREAS, the Board of Directors hereby makes the following legislative findings and determinations:

1. The foregoing recitals are true and correct;
2. The rates and charges as proposed and recommended in the Report are exempt from the requirements of the California Environmental Quality Act pursuant to Public Resources Code Section 21080(b)(8);
3. Any and all protests to the rates and charges as proposed and recommended in the Report are overruled;
4. The Report is approved;
5. The rates and charges as proposed and recommended in the Report are reasonable, fair, proper and necessary to meet the Authority's revenue requirements and fund its capital, operation, maintenance and other costs.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:
1. The Authority's revenues from taxes, water rates and charges consists of: ad valorem property taxes, including payments of member agencies in lieu of taxes; a standby availability charge levied pursuant to Section 5.2 of the County Water Authority Act, including payments of such charges pursuant to Section 5.3 if the County Water Authority Act; an infrastructure access charge levied and established pursuant to Resolution No. 98-10; a capacity charge levied pursuant to Section 5.9 of the County Water Authority Act and established by Ordinance No. 97-1 in an amount as amended by Ordinance No. 99-2; and water rates and charges having the following components as described in this ordinance: customer service, storage, transportation and supply.

2. Ad valorem taxes, the standby availability charge and the capacity charge are not affected by this ordinance. All other water rates and charges shall continue to be paid pursuant to existing authority until January 1, 2003.

3. Pursuant to Resolutions Nos. 98-10 and 2001-26, the Infrastructure Access Charge is based on a fixed amount per month per equivalent meter. The current charge of $1 per month per equivalent meter unit is not changed by this ordinance. Commencing January 1, 2003, the amount of the infrastructure access charge to be paid monthly by each member agencies of the Authority, shall be determined according to Table 1 attached hereto and made a part hereof.

4. Effective January 1, 2003, the Customer Service Charge is fixed at $13,753,401. Commencing January 1, 2003 the amount of the monthly Customer Service Charge to be paid by each member agency shall be determined according to Table 2 attached hereto and made a part hereof.

5. Effective January 1, 2003, the Storage Charge is fixed at $13,375,295. Commencing January 1, 2003 the amount of the monthly Storage Charge to be paid by each rate to the Authority for Storage as set forth in Table 3 attached hereto and made a part hereof.

6. Effective January 1, 2003, the Transportation Rate is fixed at $55 per acre-foot of water delivered by the Authority through Authority facilities. Member agencies shall pay the Transportation Rate in accordance with the procedures and processes of the Administrative Code relating to billing and payment of the Municipal and Industrial Water Rate.

7. (a) Effective January 1, 2003, as a Supply Charge, each member agency shall reimburse the Authority on a per-acre foot of water delivered basis, except as otherwise provided in subdivisions (b) and (c), for rates, fees and charges of the Metropolitan Water District of Southern California.

(b) Effective January 1, 2003 as part of the Supply Charge, each member agency shall pay to the Authority a Capacity Reservation Charge determined according to Table 4 attached hereto and made a part hereof.

(c) Effective July 1, 2002 to January 1, 2003 each member agency shall pay a Readiness-to-Serve Charge determined according to Table 5 attached hereto and made a part hereof, and effective January 1, 2003 as part of the Supply Charge, each member agency shall pay a Readiness-to-Serve Charge determined according to Table 5.
(d) The Authority has apportioned the Capacity Reservation Charge and the Readiness-to-Serve charge to member agency based upon historic water delivery information provided by the Metropolitan water district and historic water delivery information of the Authority. Any member agency, by October 1, 2002, may submit information to the Authority challenging the basis upon which the Capacity Reservation Charge and the Readiness-to-Serve Charge have been allocated. If justified by the information submitted by an agency, the board of directors may adjust the amount charged the agency. The information used to make an adjustment shall be used as the basis for future allocations.

(e) This section shall be administered in accordance with the Report approved by this Ordinance.

8. For the purposes of this ordinance, including the tables, the City of National City and the South Bay Irrigation District are collectively referred to as Sweetwater Authority. Any reference in this ordinance to Sweetwater Authority as a member agency shall be construed as a reference to the City of National City and the South Bay Irrigation District.

9. This ordinance shall be effective upon adoption. In lieu of publication of the text of this ordinance, the Clerk of the Board may publish a summary prepared by the General Counsel.

10. The provisions of this ordinance shall prevail over any provisions of the Administrative Code relating to rates and charges to the extent of any conflict. All existing rates and charges shall continue in effect until superseded on January 1, 2003 as provided in this ordinance.

11. To the greatest extent possible the provisions of this ordinance shall be construed to be compatible with the provisions of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Joint Use of Lake Hodges Dam and Reservoir) and of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir); however, the contract provisions shall control in the event of a conflict.

12. For the purposes of Section 6 of this ordinance, water delivered by the Authority through the following turnouts is deemed not to be "water delivered by the Authority through Authority facilities" -- DeLuz 1, Fallbrook 3, Fallbrook 6, Rainbow 1, Rainbow 8, Rainbow 9 and Rainbow 10.
PASSED, APPROVED AND ADOPTED, this 27th day of June 2002.

AYES: Unless noted below all Directors voted aye.
    Broomell,
    Knutson, Mason, Quist, Williams

NOES: Lewinger

ABSTAIN: Croucher, Haddad, Irvin, Jacob, Lopez, Tu

James F. Turner, Chairman
Board of Directors

ATTEST:

James Bond, Secretary

I, Vernice R. Hartman, Clerk of the Board of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of Ordinance No. 2002-03 of said Board and that the same has not been amended or repealed.

Vernice R. Hartman
Clerk of the Board
<table>
<thead>
<tr>
<th>Agency</th>
<th>Meters</th>
<th>Per Meter</th>
<th>Monthly Charge</th>
<th>Annual Charge</th>
<th>Monthly Charge</th>
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Grand Totals  846,566  $10,158,792  $846,566
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Note: Values in table contain greater precision than displayed.
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<th>Agency</th>
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<th>Calendar Year Storage Charge Due</th>
<th>Monthly Charge</th>
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Note: Values in table contain greater precision than displayed.
## Table 4. Capacity Reservation Charge

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**TOTALS** $7,905,600 $658,800

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**TOTALS**: $10,778,798 $10,141,374 $20,919,172 $(12,153,428) $8,762,744

*Net of MWD Standby Charge Program Administrative Costs of $175,689.

Note: Values in table contain greater precision than displayed.
Appendix C

FINANCIAL POLICY AMENDMENT
August 16, 2006

Attention: Board of Directors

Adopt the Rate Model Work Group Financial Policy Proposal. (Action)

Purpose
To amend Water Authority financial policies regarding the Rate Stabilization Fund (RSF) and Debt Service Coverage Ratio (DSCR) as recommended by the Rate Model Work Group Proposal and the Administrative and Finance Committee.

Administrative and Finance Committee Recommendation
Adopt the Rate Model Work Group Proposal to amend financial policies regarding the RSF and DSCR.

Fiscal impact
The Rate Model Work Group (RMWG) Proposal will be phased in over a three-year period starting January 1, 2008. The phase-in will require that by June 30, 2011, the RSF have a balance approximately $10 million higher than the projected balance under the current policy. Starting January 1, 2008, water rates will need to include an additional increase of approximately one percent per year on average for the next three years; however, Infrastructure Access Charges (IAC) will decrease by approximately $3 per year per meter. Looking out to 2020-2021, the IAC will be approximately $6 per year per meter lower than projected under current policies, and the average annual increase in the water rate will decrease by approximately 0.40 percent.

Background
In December 2004, the Water Authority created the RMWG to promote financial transparency, to foster member agency relations and to create an open and collaborative process for discussing financial and rate management issues. The RMWG is made up of member agency general managers and finance officers. In 2005, the RMWG’s focus centered on understanding the inputs and outputs of the Financial Rate Modeling Program and how these were used to set rates and charges and prepare the Long Range Financing Plan. A workshop was then conducted with the member agencies to share this information. From this process, a list of parking lot items resulted. The analytical work surrounding these items formed the basis of the Proposal currently before the Board.

The Proposal is the result of six months of intensive, collaborative work among RMWG members, staff and Water Authority financial advisors. RMWG members included: Keith Lewinger (Fallbrook); Joe Beachem (Otay); Augie Caires and Doug Wilson (Padre Dam); Tom Brammell (Ramona); Charles Yackly, Christine Ruess and Cathy Pieroni (San Diego); Dennis Bostad and Debra Farrow (Sweetwater); Eldon Boone and Farrokh Shahamiri (Vista): and Linden Burzell (Yuima). The group met six times between January and June 2006. In these meetings, the group analyzed quantitative data related to Water Authority financial risks, reviewed studies of comparable agency financial ratios, evaluated 35 rate runs, identified common interests and barriers regarding policy development, developed and voted on specific recommendations, and drafted the policy recommendations contained in Attachment A. Staff presented the RMWG Proposal at the member agency general managers’ meeting on July 18, 2006 and at the quarterly meeting of member agency finance officers on August 3, 2006. Staff
also held a workshop on the RMWG Proposal at a special meeting of the Administrative and Finance Committee on August 10, 2006. At this meeting, by a unanimous vote, the Committee recommended adoption of the RMWG Proposal to the Board.

Previous Board Action: On August 10, 2006, the Administrative and Finance Committee recommended adoption of the RMWG Proposal.

Discussion

The key findings that drove the development of the Proposal are the result of a comprehensive risk analysis (including quantitative hydrologic data) and a comparative analysis of the financial ratios of other AA-rated water agencies. The risk analysis showed not only that hydrologic risk was significant, but also that the existing RSF minimum provides only one year of protection against the negative financial impacts of extreme wet weather. The RMWG considered this level of protection to be insufficient and chose to implement a target funding level that provides 2.5 years of protection against wet weather. In addition to the risk analysis, the comparative financial analysis revealed that with respect to the three financial ratios of greatest importance to investors and rating agencies, the Water Authority placed below the average of its AA rating category. After analyzing different scenarios and with extensive input from the Water Authority’s financial advisor, the RMWG recommended a DSCR policy target of 1.50x.

Attachment A contains the RMWG recommendations relating to the RSF and DSCR policies. In addition to policy statements, the attachment provides edited sections of the Water Authority’s Long Range Financing Plan which demonstrate how the policies will be “operationalized.” The primary elements of the RMWG Proposal are to:

- Establish a target funding level for the RSF that protects the Water Authority against the financial impact of 2.5 years of wet weather;
- Decrease the maximum funding level for the RSF to protect the Water Authority against the financial impact of 3.5 years of wet weather;
- Phase in the new target funding level of the RSF over three years and replenish any target level deficits over the same time period;
- Provide for the use of RSF funds to pay for O&M and debt service expenses, to smooth water rates and to meet Operating Fund and DSCR targets;
- Establish a separate fund for known, specific future expenses such as dam fills; and
- Establish a target DSCR of 1.50x, which is above the minimum bond covenant of 1.20x.

Benefits of the RMWG Proposal include reduced rate volatility, increased protection against wet weather, a transparent and flexible RSF framework, increased cash funding of the CIP and less outstanding debt. Moreover, the strengthening of key financial ratios—higher debt service coverage ratio, decreased debt ratio and increased cash days—support the maintenance of the Water Authority’s AA credit ratings.

Prepared by: Eric Sandler, Deputy Director of Finance
Reviewed by: Karen P. Brust, Director of Finance/Treasurer
Approved by: Paul A. Lanspery, Deputy General Manager

Attachment(s):
Attachment A - Rate Model Work Group Recommended Adjustments to Existing Water Authority Financial Policies
ATTACHMENT—A
RATE MODEL WORK GROUP RECOMMENDED ADJUSTMENTS TO EXISTING WATER AUTHORITY FINANCIAL POLICIES RELATED TO THE RATE STABILIZATION FUND AND DEBT SERVICE COVERAGE

Rate Stabilization Fund Policy Statement
The target funding level for the RSF is equal to the financial loss resulting from 2.5 years of above average rainfall, calculated at a 95% exceedence level. The maximum funding level for the RSF is equal to the financial loss resulting from 3.5 years of above average rainfall.

Transfers from the RSF to the Operating Fund may be made to meet annual O&M expenses, debt service expenses, stabilize water rates or to comply with debt service coverage and operating fund policies. Transfers from the Operating Fund to the RSF will be made as a closing audit adjustment if the Operating Fund maximum balance has been met.

Balances below the RSF target level are to be replenished within three years. The Board may also choose to budget for RSF deposits resulting in balances in excess of the target level but below the maximum level to provide for rate smoothing. The RSF is managed so that any funds above the maximum balance will be transferred to the Operating Fund—Operating Fund balances above the existing 45-day policy are subject to discretionary use by the Board.

Funds committed to specific future non-operating expenditures such as dam fills or QSA water pre-payments will be set-aside in either the Dam Fill Fund or QSA Commitment Fund.

Rate Stabilization Fund
Red-lined text from Water Authority’s Long Range Financing Plan for fiscal year 2004-2005
The Rate Stabilization Fund (RSF) was created in Fiscal Year 1989-1990 for the purpose of collecting amounts of water revenues greater than expenditures in years of strong water sales. Funds can then be used to mitigate “rate shock” in years of weak water sales and/or to manage debt service coverage, or to smooth out water rate increases. The RSF is a critical short-term water rate management tool that provides the necessary funds to maintain a smooth water rate pattern over a long period of time. With the new melded supply rate, and the expansion of the Water Authority’s functional areas with treatment and desalination, the RSF will have an increasingly important role in managing hydrology risk and stabilizing annual revenue needs.

The RSF has served the Water Authority well since it was created, providing a vehicle that collected approximately $60 million in the first three years of its existence. Revenues greater than expenditures were generated in those years from strong water sales during the drought, combined with relatively low debt service requirements because major funding for the CIP was just beginning. In Fiscal Year 1994-1995, approximately $6 million was withdrawn from the RSF to supplement operating revenues and mitigate the need for water rates to rise above $80 per acre-foot. A transfer of $19 million was made from the RSF to the Operating Fund, as directed by the Board in Fiscal Year 1996-1997, to more efficiently balance Rate Stabilization and Operating Funds. The RSF will supply approximately $10 million in water purchases for the Olivenhain reservoir in Fiscal Year 2003-2004. In addition, in Fiscal Year 2003-2004, $10 million of this fund has been placed in restricted investments to fund the IID socioeconomic payment obligation. As a part of the Long Range Financing Plan process, a “QSA Commitment Fund” will be established to recognize that these restricted investments are no longer available for rate stabilization purposes. The RSF is anticipated to have an ending balance of $55.7 million (inclusive of the remaining $8 million in IID-restricted investments), and a permitted maximum balance of $86.1 million at the close of Fiscal Year 2003-2004.
For long-range financial planning purposes, Board policy requires that the sets a target funding level for the RSF be maintained at a minimum balance of at least 25 percent of the Water Authority's net water sales revenue, defined as total Water Authority water sales revenue less Water Authority water purchases from Metropolitan Water District. The RSF also has a maximum balance of 100 percent of the average annual water sales projected over the proceeding four years, equal to the financial loss resulting from 2.5 years of above average rainfall, calculated at a 95% exceedance level. Additionally, it establishes a maximum funding level equal to the financial loss resulting from 3.5 years of above average rainfall. The four-year forward-rolling average allows the RSF to gradually increase or decrease with respect to revenue coverage needs. Defining the target and maximum funding levels of the RSF in terms of the financial impact of above average rainfall matches the size of the fund to the primary risk it is designed to mitigate and provides additional capacity for rate smoothing.

As a general rule, the Water Authority will transfer portions of its net water revenues not required to meet either its debt service coverage ratio requirement or operating fund requirement into the RSF. The Board may choose to budget for RSF deposits resulting in balances in excess of the target level but not in excess of the maximum level for the purposes of rate smoothing. Balances below the target level are to be replenished within three years. As necessary, the Water Authority will transfer amounts from its RSF into net water revenues to meet its debt service coverage requirements, Operating Fund requirements or to smooth rate increases. Interest earnings accrue to the Rate Stabilization Fund unless the maximum balance is achieved, at which point they will be deposited into the Operating Fund. The RSF is managed so that any funds above the maximum balance will be transferred to the Operating Fund—Operating Fund balances above the existing 45-day policy are subject to discretionary use by the Board—deposits are not made into the fund if the fund is at its maximum permitted balance.

In Fiscal Year 2003-2004, $10 million of the RSF was placed in restricted investments to fund the IID socioeconomic payment obligation. As a part of the Long-Range Financing Plan process, a “QSA Commitment Fund” was established to recognize that these balances are no longer available for rate stabilization purposes. Similarly, funds committed to specific future non-operating expenditures such as dam fills or QSA water pre-payments are to be set aside in the Dam Fill Fund or the QSA Commitment Fund. Planned non-operating expenditures in the future include San Vicente and Lake Hodges dam fill payments scheduled for 2012-2016 and a QSA Water Prepayment due in 2008.

The RSF was created to provide funds that would mitigate the need for an unanticipated rate increase in the event of an unexpected decline in water sales. As a result, the RSF is a critical short-term water rate management tool that provides the necessary funds to maintain a smooth water rate pattern over a long period of time.

With the new melded supply rate, and the expansion of the Water Authority’s functional areas with treatment and desalination, the RSF will have an increasingly important role in stabilizing annual revenue needs.
Debt Service Coverage Policy Statement
The Board will set rates to meet a senior lien debt service coverage target inclusive of RSF transfers of 1.50x as well as a senior lien debt service coverage target (excluding capacity charge revenues) of 1.00x. The 1.50x senior lien debt service coverage target is above the existing 1.20x bond covenant.

Debt Service Coverage
Red-lined text from Water Authority’s Long Range Financing Plan for fiscal year 2004-2005
Debt service coverage is another key constraint in the FRMP, and is mandated by the legal documents that govern the Water Authority’s outstanding debt issues. The Water Authority’s debt service coverage covenants require that the Water Authority’s net operating revenues, defined as operating revenues less operations and maintenance expenditures, equal a minimum of 120 percent of debt service on senior lien debt. The Water Authority has also covenanted to provide gross revenues of at least 100 percent of debt service on all Water Authority obligations. Senior lien refers to debt that has a legal first priority repayment after the Water Authority first pays its operations and maintenance expenditures. At the present time, all of the Water Authority’s outstanding fixed-rate debt is senior lien debt.

The projected senior lien debt service ratio, and overall debt service ratio are presented in Figures 5-3 and 5-4 respectively. The obligations that are subject to the 100 percent debt service coverage requirement consist of all Water Authority obligations, including operations and maintenance expenditures, long-term debt service, short-term debt service and any other obligations (e.g., leases, contracts, etc.)

In addition to the 120 percent and 100 percent requirements, the Water Authority has the ability to issue an intermediate lien that would require 110 percent coverage after the payment of senior lien obligations. The Water Authority currently has no intermediate lien obligations outstanding and no plan to issue such debt.

Highly-rated water utilities generally have actual debt service coverage ratios in excess of the their legal obligations. The maintenance of the Water Authority’s high credit ratings requires debt service coverage ratios that generally exceed the minimum requirement. Though not a legal commitment, the Board has established that inclusive of RSF transfers, the Water Authority will maintain senior lien debt service coverage of 150% and senior lien debt service coverage of 100% after excluding capacity charge revenues.
Appendix D

GENERAL RESOLUTION 89-91
(WITH AMENDMENTS)
SAN DIEGO COUNTY WATER AUTHORITY

RESOLUTION NO. 89-21

A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues

(General Resolution)

Adopted May 11, 1989
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SAN DIEGO COUNTY WATER AUTHORITY

RESOLUTION NO. 89-21

A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues

(General Resolution)

WHEREAS, the San Diego County Water Authority owns and operates the Water System;

WHEREAS, the Authority expects to issue Bonds and enter into Contracts, including the 1989 Installment Sale Agreement and the 1989 Contract of Indebtedness, the obligations of the Authority under which will be payable from Net Water Revenues;

WHEREAS, the Authority now desires to provide for the allocation of revenues of the Water System; and

WHEREAS, the Authority also desires to establish covenants to secure the payment of obligations payable from Net Water Revenues;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AS FOLLOWS:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accreted Value

"Accreted Value" means, with respect to any Capital Appreciation Bonds or Capital Appreciation Certificates, as of
the date of calculation, the initial amount thereof plus the interest accrued thereon to such date of calculation, compounded from the date of initial delivery at the approximate interest rate thereof on each semiannual date specified with respect thereto, as determined in accordance with the table of accreted values for any Capital Appreciation Bonds or Capital Appreciation Certificates prepared by the Authority at the time of sale thereof, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) months of thirty (30) days each.

Accreted Value Payment Date

"Accreted Value Payment Date" means any Installment Payment Date on which Accreted Value is payable.

Authority

"Authority" means the San Diego County Water Authority, a county water authority duly organized and existing under and by virtue of the laws of the State of California.

Bond or Contract Reserve Fund

"Bond or Contract Reserve Fund" means any debt service reserve fund established to secure the payment of Bond Payments or Installment Payments.

Bond Payments

"Bond Payments" means the principal and interest payments scheduled to be paid by the Authority on Bonds.

Bonds

"Bonds" means all revenue bonds of the Authority authorized, executed, issued and delivered by the Authority under and pursuant to applicable law, the interest and principal and redemption premium, if any, payments under and pursuant to which are payable from Net Water Revenues on a parity with all other Bonds and Contracts.

Capital Appreciation Bonds

"Capital Appreciation Bonds" means any Bonds described as such when issued.
Capital Appreciation Certificates

"Capital Appreciation Certificates" means any certificates of participation in Installment Payments described as such when issued.

Certificate of the Authority

"Certificate of the Authority" means an instrument in writing signed on behalf of the Authority by the Chairman of the Board of Directors of the Authority, or by any other officer of the Authority duly authorized by the Board of Directors of the Authority to sign documents on its behalf with respect to the matters referred to therein.

Certificates

"Certificates" means any certificates of participation representing interests in payments to be made by the Authority pursuant to Leases, Installment Sale Agreements or Contracts of Indebtedness.

Contract Payments

"Contract Payments" means the contract payments scheduled to be paid by the Authority under and pursuant to Contracts of Indebtedness.

Contracts

"Contracts" means all Installment Sale Agreements, Leases and Contracts of Indebtedness.

Contracts of Indebtedness; 1989 Contract of Indebtedness

"Contracts of Indebtedness" means contracts of indebtedness or similar obligations of the Authority authorized and executed by the Authority under and pursuant to applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues on a parity with all other Contracts and Bonds. "1989 Contract of Indebtedness" means the contract of indebtedness by and between the Authority and Security Pacific National Bank, dated as of May 1, 1989, as originally executed and as it may from time to time be amended or supplemented and which constitutes a Contract of Indebtedness hereunder.

Current Water Revenues

"Current Water Revenues" means all gross income and revenue received or receivable by the Authority from the
ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Authority for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Water System or arising from the Water System, and also including (1) all income from the deposit or investment of any money in the Water Revenue Fund, the General Reserve Fund and the Rate Stabilization Fund, and (2) all income from the deposit or investment of money held in the Installment Payment Fund, the Subordinate Obligation Fund or any Bond or Contract Reserve Fund or other fund established pursuant to a Trust Agreement to the extent such income will be available to pay Bond Payments or Installment Payments, but excluding any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

Debt Service

"Debt Service" means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year or period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year or period if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Payments due under any of such Contracts are evidenced by Capital Appreciation
Certificates, then the Accreted Value payment shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Payments due under any such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Bonds or Contracts (with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02, the initial interest rate on such Bonds or Contracts), or, (2) if available, the average interest rate on such Bonds or Contracts during the thirty-six (36) months preceding the date of calculation or, (3) if such Bonds or Contracts have not been outstanding for such thirty-six month period (or with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02), such average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by the rating agencies rating such Bonds or Contracts in a rating category equivalent to the rating on such Bonds or Contracts; and (c) if 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Contracts or twenty (20) years, whichever is greater; provided further, that "Debt Service" shall not include (1) payments due on voter-approved general obligation bonds and other voter-approved general obligation debts for which taxes are then being levied and collected or (2) interest on Bonds or Contracts which are to be paid from amounts constituting capitalized interest held pursuant to a Trust Agreement.

**Director of Finance**

"Director of Finance" means the Director of Finance of the Authority or its successor designated by the Board of Directors of the Authority.

**Fiscal Year**

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Board of Directors of the Authority as the Fiscal Year of the Authority.
General Reserve Fund

"General Reserve Fund" means the fund by that name established pursuant to Section 2.01.

Generally Accepted Accounting Principles

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Installment Payment Date

"Installment Payment Date" means any date on which Bond Payments or Installment Payments are scheduled to be paid by the Authority under and pursuant to any Contract or Bonds.

Installment Payment Fund

"Installment Payment Fund" means the fund by that name established pursuant to Section 2.01.

Installment Payments

"Installment Payments" means Contract Payments, Installment Sale Payments or Lease Payments.

Installment Sale Agreements; 1989 Installment Sale Agreement

"Installment Sale Agreements" means installment sale agreements or similar obligations of the Authority authorized and executed by the Authority under and pursuant to applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues on a parity with all other Contracts and Bonds. "1989 Installment Sale Agreement" means the installment sale agreement by and between the Authority and Security Pacific National Bank, dated as of May 1, 1989, as originally executed and as it may from time to time be amended or supplemented and which constitutes an Installment Sale Agreement hereunder.

Installment Sale Payments

"Installment Sale Payments" means the installment sale or other periodic payments scheduled to be paid by the Authority under and pursuant to Installment Sale Agreements.
Interest Payment Date

"Interest Payment Date" means an Installment Payment Date on which interest is payable.

Law

"Law" means the County Water Authority Act, being California Water Code Appendix, Sections 45-1 et seq., and all laws amendatory thereof or supplemental thereto.

Lease Payments

"Lease Payments" means the rental payments scheduled to be paid by the Authority under and pursuant to Leases.

Leases

"Leases" means capital leases or similar obligations of the Authority authorized and executed by the Authority under and pursuant to applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues on a parity with the payment of all other Contracts and Bonds.

Maintenance and Operation Costs

"Maintenance and Operation Costs" means all costs paid or incurred by the Authority for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all costs of water purchased by the Authority for resale, and including all expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Authority, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other costs of the Authority or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution of any Contract or of such Contract or of any resolution authorizing the issuance of any bonds or of such bonds, such as compensation, reimbursement and indemnification of the trustee for any such Contracts or bonds and fees and expenses of Independent Certified Public Accountants; but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense and (3) amounts paid from other than Water Revenues (including, but not limited to, amounts paid from the proceeds of ad valorem property taxes).
Maximum Annual Debt Service

"Maximum Annual Debt Service" means the greatest total Debt Service payable in any Fiscal Year during the period commencing with the next ensuing Fiscal Year and terminating with the Fiscal Year in which payments are due under the last outstanding Bonds or the last outstanding Contract, whichever is later.

Monthly Accrued Debt Service

"Monthly Accrued Debt Service" means, with respect to any month, an amount equal to the sum of Debt Service with respect to all Bonds and Contracts accrued and to accrue to the end of such month; provided, in calculating the amount of Monthly Accrued Debt Service (i) Accreted Value with respect to Capital Appreciation Bonds and Capital Appreciation Certificates shall be deemed to accrue over the twelve-month period immediately preceding the scheduled redemption or prepayment date of such Capital Appreciation Bond or Capital Appreciation Certificate, (ii) the adjustment to principal described in provision (c) of the definition of Debt Service shall not be made and (iii) if the interest on any Bonds or Installment Payments due under any Contract bear interest payable pursuant to a variable rate formula, the amount of interest deemed to accrue during any period shall be the actual interest borne by such Bonds or Installment Payments during such period.

Net Water Revenues

"Net Water Revenues" means, for any Fiscal Year or other period, the Water Revenues during such Fiscal Year or period less the Maintenance and Operation Costs during such Fiscal Year or period.

Obligation

"Obligation" means any contract or lease for the purchase of any facilities, properties, structures, or works, or any loan of credit to or guaranty of debts, claims or liabilities of any other person for the purpose of obtaining any facilities, properties, structures or works, the final payments under which are due more than five years following the effective date thereof, so long as in each case the payments thereunder are to constitute Maintenance and Operations Costs.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel of national representation generally recognized to be
well qualified in the field of law relating to municipal bonds, retained by the Authority.

Outstanding

"Outstanding" means with respect to any Bonds or Contracts, Bonds or Contracts the payment obligations of the Authority under which are not deemed paid in accordance with the terms of such Bonds or Contracts or applicable Trust Agreement.

Principal Payment Date

"Principal Payment Date" means any Installment Payment Date on which principal is payable.

Rate Stabilization Fund

"Rate Stabilization Fund" means the fund by that name established pursuant to Section 2.01.

Reimbursement Agreement

"Reimbursement Agreement" means an agreement between the Authority and a bank or financial institution providing for the issuance of a letter of credit, reserve fund insurance policy, guaranty or surety bond for the purpose of making Bond Payments or Installment Payments and requiring the Authority to make payments to reimburse or compensate such bank or financial institution for draws under such instruments from Net Water Revenues on a parity with all Contracts and Bonds.

Reimbursement Payments

"Reimbursement Payments" means amounts payable by the Authority as compensation or reimbursement for a draw on a letter of credit, reserve fund insurance policy, guaranty or surety bond for the purpose of making Bond Payments or Installment Payments in accordance with any Reimbursement Agreement.

Subordinate Obligation Payment Fund

"Subordinate Obligation Payment Fund" means the fund by that name established pursuant to Section 2.01.

Subordinate Obligation Payments

"Subordinate Obligation Payments" means the payments scheduled to be paid by the Authority under and pursuant to Subordinate Obligations.
Subordinate Obligations

"Subordinate Obligations" means obligations of the Authority authorized and executed by the Authority under applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues, from the Subordinate Obligation Payment Fund, subject and subordinate to Bond Payments and Installment Payments.

Trust Agreement

"Trust Agreement" means any indenture or trust agreement providing for the issuance of Bonds or Certificates.

Trustee

"Trustee" means the trustee under any Trust Agreement.

Water Revenue Fund

"Water Revenue Fund" means the San Diego County Water Authority Water Revenue Fund established pursuant to Section 2.01.

Water Revenues

"Water Revenues" means Current Water Revenues plus deposits to the Water Revenue Fund from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in Section 2.03, less amounts transferred to the Rate Stabilization Fund.

Water Service

"Water Service" means the water service furnished, made available or provided by the Water System.

Water System

"Water System" means all property rights, contractual rights and facilities of the Authority, including all facilities for the conservation, storage, transmission and distribution of water and the generation and delivery of hydroelectric power in connection therewith now owned by the Authority and all other properties, structures or works for the conservation, storage, transmission and distribution of water and the generation and delivery of hydroelectric power in connection therewith hereafter acquired and constructed by or for the Authority and determined by the Authority to be a part of the Water System; together with all additions,
betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

ARTICLE II
WATER REVENUES

SECTION 2.01. Establishment of Funds. The Authority hereby establishes and agrees to maintain, so long as any Bonds, Certificates or Subordinate Obligations remain outstanding, the following funds, each such fund to be held by the Director of Finance:

(1) Rate Stabilization Fund;
(2) Water Revenue Fund;
(3) Installment Payment Fund;
(4) Subordinate Obligation Payment Fund; and
(5) General Reserve Fund.

Amounts in such funds shall be disbursed, allocated and applied solely to the uses and purposes hereinafter in this article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority. The Authority will only have such beneficial right or interest in such money as is provided herein.

SECTION 2.02. Allocation of Water Revenues. In order to carry out and effectuate the obligations of the Authority to make Bond Payments, Installment Payments, Reimbursement Payments and Subordinate Obligation Payments, the Authority agrees and covenants that all Current Water Revenues received by it shall be deposited when and as received in the Water Revenue Fund. The Authority may, to the extent provided in Section 2.03, transfer amounts in the Water Revenue Fund to the Rate Stabilization Fund or from the Rate Stabilization Fund to the Water Revenue Fund.

The Authority shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Water Revenue Fund as they become due and payable, and all remaining money on deposit in the Water Revenue Fund shall be set aside and deposited or transferred
by the Authority, as the case may be, at the following times in the following order of priority:

(a) **Installment Payment Fund.** On or before the last business day of each month, beginning in May, 1989, the Authority shall deposit in the Installment Payment Fund, a sum equal to the Monthly Accrued Debt Service for such month, plus a sum equal to all Reimbursement Payments then due and payable; provided that no such deposit need be made if amounts on deposit in the Installment Payment Fund equal the amount of Bond Payments or Installment Payments due with respect to all Bonds and Contracts on the next succeeding Interest Payment Date (with respect to interest), Principal Payment Date (with respect to principal) and Accreted Value Payment Date (with respect to Accreted Value) for such Bonds or Contract, and the Reimbursement Payments then due and payable.

(b) **Bond or Contract Reserve Funds.** On or before the last business day of each month, the Authority shall transfer to each Trustee for deposit in the applicable Bond or Contract Reserve Fund an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Bond or Contract Reserve Fund as and to the extent required by the applicable Contract or Trust Agreement.

(c) **Subordinate Obligation Payment Fund.** On or before the last business day of each month, the Authority shall deposit in the Subordinate Obligation Payment Fund the sum or sums required to be deposited under or pursuant to the indenture, trust agreement or other instrument securing each Subordinate Obligation.

(d) **Subordinate Obligation Reserve Funds.** On or before the last business day of each month, the Authority shall transfer to each trustee with respect to Subordinate Obligations for deposit in the debt service reserve fund with respect to such Subordinate Obligations an amount equal to the amount, if any, required to be deposited therein to build up or replenish such debt service reserve fund as and to the extent required by the applicable Subordinate Obligation or the indenture, trust agreement or other instrument securing such Subordinate Obligation.

(e) **General Reserve Fund.** On the last business day of each month, the Authority shall, after making each of the foregoing deposits and transfer, transfer all money remaining in the Water Revenue Fund to the General Reserve Fund.

**SECTION 2.03. Rate Stabilization Fund.** From time to time the Authority may deposit in the Rate Stabilization Fund from Current Water Revenues such amounts as the Authority
shall determine. All amounts transferred by the Authority from the Rate Stabilization Fund to the Water Revenue Fund shall be used by the Authority solely to pay Maintenance and Operation Costs. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Current Water Revenues.

SECTION 2.04. Installment Payment Fund. The Authority may withdraw amounts from the Installment Payment Fund solely for the purpose of paying Bond Payments, Installment Payments and Reimbursement Payments at the times and in the amounts required by applicable Bonds, Contracts, Trust Agreements and Reimbursement Agreements.

SECTION 2.05. Subordinate Obligation Payment Fund. The Authority may withdraw amounts from the Subordinate Obligation Fund solely for the purpose of paying or providing for the payment of Subordinate Obligation Payments at the times and in the amounts required by applicable Subordinate Obligations or trust agreement or indenture securing such Subordinate Obligations.

SECTION 2.06. General Reserve Fund. The Authority may withdraw money in the General Reserve Fund for any lawful purpose of the Authority except to make transfers to the Rate Stabilization Fund.

ARTICLE III

BONDS AND CONTRACTS; OBLIGATIONS

SECTION 3.01. 1989 Installment Sale Agreement; 1989 Contract of Indebtedness. (a) The Authority may execute the 1989 Installment Sale Agreement and the 1989 Contract of Indebtedness without the necessity of complying with Section 3.02.

(b) The Authority may not execute any amendment to the 1989 Installment Sale Agreement or the 1989 Contract of Indebtedness if such amendment would increase the amount of Installment Payments thereunder; provided, the Authority may execute such an amendment if the requirements of Section 3.02 will be satisfied in connection therewith.

SECTION 3.02. Additional Bonds and Contracts. The Authority may at any time issue any Bonds the payments under and pursuant to which or execute any Contract the Installment Payments under and pursuant to which, as the case may be, are payable from the Net Water Revenues on a parity with the 1989 Installment Sale Agreement, the 1989 Contract of Indebtedness and all other Contracts and Bonds; provided:
(a) For any period of twelve (12) consecutive calendar months within the twenty-four (24) calendar month period ending on the last day of the month preceding the date of issuance of such Bonds or execution of such Contract, as evidenced by a Certificate of the Authority (together with supporting calculations prepared by the Authority) to the effect that (1) the Net Water Revenues shall have been equal to at least one hundred twenty per cent (120%) of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Bonds or the execution of such Contract, as the case may be, and (2) the Net Water Revenues shall have been sufficient for the payment of all amounts payable from Net Water Revenues during such twelve-month period and at least equal to one hundred twenty percent (120%) of Debt Service on all Bonds and Contracts outstanding during such twelve-month period, or

(b) (i) For any period of twelve (12) consecutive calendar months within the twenty-four (24) calendar month period ending on the last day of the month preceding the date of issuance of such Bonds or the execution of such Contract, as evidenced by a Certificate of the Authority (together with supporting calculations prepared by the Authority) to the effect that the Net Water Revenues shall have been sufficient for the payment of all amounts payable from Net Water Revenues during such twelve-month period and at least equal to one hundred twenty percent (120%) of Debt Service on all Bonds and Contracts outstanding during such twelve-month period, and

(ii) As evidenced by a Certificate of the Authority (together with supporting calculations and assumptions prepared by the Authority) to the effect that, in each of the five succeeding Fiscal Years, projected Net Water Revenues shall be sufficient for the payment of all amounts to be payable from Net Water Revenues in each such Fiscal Year and at least equal to one hundred twenty percent (120%) of Debt Service on all Bonds and Contracts to be outstanding in each such Fiscal Year, and

(c) The Authority shall file a Certificate of the Authority to the effect that the Authority is not then in default under any Trust Agreement or with respect to any Bonds or Contracts and

(d) Such Bond or Contract shall not allow the declaration of Bond Payments or Installment Payments
thereunder to be immediately due and payable in the event of a default by the Authority thereunder or under the applicable Trust Agreement unless such remedy is then allowed with respect to all Bonds and Contracts then outstanding.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the Authority to execute any Contract or to issue any Bonds at any time to refund any outstanding Bonds or any outstanding Contract or to execute Reimbursement Agreements.

SECTION 3.03. Obligations. Amounts to be paid by the Authority with respect to any Obligation shall constitute Maintenance and Operation Costs only if at the time such Obligation is entered into the Authority shall deliver a Certificate of the Authority to the effect that (i) the making of payments on such Obligation as Maintenance and Operation Costs will not impair the Authority's ability to comply with the covenant set forth in Section 4.09 hereof during the next five Fiscal Years or five years beyond the commercial operation date of the project being financed with such Obligation, whichever is later and (ii) the properties, services or commodities to be furnished pursuant to such Obligation can be economically and beneficially utilized by the Authority. If the amounts to be paid by the Authority for an Obligation do not constitute Maintenance and Operation Costs, then such amounts shall be paid out of the Subordinate Obligation Payment Fund or the General Reserve Fund.

ARTICLE IV

COVENANTS OF THE AUTHORITY

SECTION 4.01. Against Encumbrances. The Authority will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the Authority in, upon, about or relating to the Water System and will keep the Water System free of any and all liens against any portion of the Water System. In the event any such lien attaches to or is filed against any portion of the Water System, the Authority will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Authority desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay
thereafter expires, the Authority will forthwith pay or cause to be paid and discharged such judgment.

SECTION 4.02. Against Sale or Other Disposition of Property. The Authority will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Water Revenues, and will not enter into any agreement or lease which would impair the operation of the Water System or any part thereof necessary to secure adequate Net Water Revenues for the payment of Bond Payments, Installment Payments or Subordinate Obligation Payments, or which would otherwise impair the rights of the holders of Bonds or Certificates with respect to the Net Water Revenues or the operation of the Water System; provided, that any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Water Revenues below the requirements to be maintained under Section 4.09.

SECTION 4.03. Maintenance and Operation of the Water System; Budgets. The Authority will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

Not later than September 1 of each year, the Authority will adopt and, if requested, make available to each Trustee, a budget approved by the Board of Directors of the Authority setting forth the estimated Maintenance and Operation Costs, the estimated payments for Debt Service and the estimated debt service payments on all Subordinate Obligations for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget shall be made available to each Trustee.

SECTION 4.04. Compliance with Contracts. The Authority will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the Authority is a party thereto.

SECTION 4.05. No Superior Liens. The Authority will not create or allow any lien on or payment from the Net Water Revenues or any part thereof prior or superior to the

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obligation to make the Bond Payments or Installment Payments as provided herein or which might impair the security of the Bond Payments or Installment Payments other than Subordinate Obligations.

SECTION 4.06. Insurance. The Authority will procure and maintain such insurance relating to the Water System which it shall deem advisable or necessary to protect its interests, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with facilities, properties, structures and works similar to the Water System; provided, the Authority shall not be required to procure or maintain any such insurance unless such insurance is commercially available at reasonable cost; provided, further, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with facilities, properties, structures and works similar to the Water System. All policies of insurance required to be maintained herein shall provide that each Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.


(a) The Authority will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by each Trustee at reasonable hours and under reasonable conditions.

(b) The Authority will prepare and file with each Trustee annually within one hundred and twenty (120) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1989):

(1) financial statements of the Authority for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, certified by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to his attention in connection with such examination that caused him to believe that the Authority was not in compliance with any of the agreements or covenants contained herein; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the Authority with respect to the Water
System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

(c) The Authority will prepare annually not more than one hundred twenty (120) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1989) a summary report showing in reasonable detail the results of the operations of the Authority for such Fiscal Year and containing a general statement of the physical condition of the facilities, properties, structures or works of the Authority. The Authority will furnish a copy of such summary report to each Trustee.

SECTION 4.08. Payment of Taxes and Compliance with Governmental Regulations. The Authority will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof when the same shall become due. The Authority will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the Authority shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

SECTION 4.09. Amount of Rates, Fees and Charges. The Authority will at all times fix, prescribe and collect or cause to be collected rates, fees and charges for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield during the next succeeding Fiscal Year of the Authority Net Water Revenues sufficient for the payment of all amounts payable from Net Water Revenues during such Fiscal Year and at least equal to one hundred twenty per cent (120%) of the Debt Service on all Bonds and Contracts for such Fiscal Year. The Authority may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Water Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

SECTION 4.10. Collection of Rates, Fees and Charges. The Authority will charge and collect or cause to be collected the rates, fees and charges applicable to the Water Service and will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of
California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the Authority may without charge use the Water Service.

SECTION 4.11. Eminent Domain and Insurance Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, or if the Authority receives any insurance proceeds resulting from a casualty loss to the Water System, the proceeds thereof shall be used to substitute other components for the condemned or destroyed components of the Water System.

ARTICLE V

MISCELLANEOUS

SECTION 5.01. Benefits of 1989 Resolution Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustees, the other parties to any Trust Agreement, Contract or Reimbursement Agreement or the holder of any Bonds, Certificates or Subordinate Obligations any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority shall be for the sole and exclusive benefit of such other party.

SECTION 5.02. Successor Is Deemed Included in all References to Predecessor. Whenever the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the Authority shall bind and inure to the benefit of the successors thereof whether so expressed or not.

SECTION 5.03. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections," "Exhibits" and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Resolution as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.

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SECTION 5.04. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Authority hereby declares that it would have adopted this Resolution, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 5.05. Funds. Any fund required to be established and maintained herein by the Director of Finance may be established and maintained in the accounting records of the Director of Finance either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the rights of the holders of Bonds, Certificates and Subordinate Obligations.

SECTION 5.06. Investments. Any money held by the Authority in any of the funds provided herein shall be invested in lawful investments of Authority funds, provided that money held in the Installment Payment Fund and the Subordinate Obligation Payment Fund shall be invested in lawful investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed to pay Bond Payments, Installment Payments, Reimbursement Payments or Subordinate Obligation Payments.

SECTION 5.07. Repeal of Inconsistent Resolutions. Any resolution of the Authority and any part of any resolution inconsistent herewith is hereby repealed to the extent of such inconsistency.

SECTION 5.08. Effective Date. This Resolution shall take effect from and after its passage and approval.
PASSED AND ADOPTED this 11th day of May, 1989, by the following vote:

AYES: 29

NOES: 0

ABSENT: 6

Approved:

[Signature]
Chairman of the Board of Directors of the San Diego County Water Authority

[SEAL]

Attest:

[Signature]
Secretary of the Board of Directors of the San Diego County Water Authority
RESOLUTION NO. 97-52

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY PLEDGING NET WATER REVENUES TO SECURE THE PAYMENT OF OBLIGATIONS PAYABLE FROM NET WATER REVENUES

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "Authority"), is authorized under provisions of the Constitution and laws of the State of California, and in accordance therewith, to incur indebtedness and to purchase real and personal property as the Authority may determine is necessary or proper; and

WHEREAS, the Board of Directors of the Authority adopted, on May 11, 1989, Resolution No. 89-21 of the Authority providing for the allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues of the Authority (the "General Resolution"); and

WHEREAS, it is now desirable to amend the General Resolution to pledge net water revenues to secure the payment of Bonds, Contracts, Reimbursement Payments and Subordinate Obligations (as defined in the General Resolution);

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority, as follows:

Section 1. The Authority hereby specifically finds and declares that the statements, findings and determinations of the Authority set forth above are true and correct.

Section 2. Section 2.07 is hereby added to the General Resolution to read in full as follows:

Section 2.07 Pledge of Net Water Revenues. Net Water Revenues are hereby pledged to secure the payment of all Bond Payments, Installment Payments and Reimbursement Payments and, subordinate thereto, the payment of all Subordinate Obligations.

Section 3. This resolution shall take effect upon receipt of the consent of all parties from whom consent is required for amendments to the General Resolution.
PASSED, APPROVED and ADOPTED this 11th day of December, 1997.

AYES:

NOES: Manning

ABSTAIN:

ABSENT: Broomell, Chenelle, Davis, Newton, Salst, Slater, R. Williams

Chris Frahm, Chair

ATTEST:

Harold W. Ball, Secretary

I, Janet R. Maltman, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 97-5 of said Board and that the same has not been amended or repealed.

Janet R. Maltman, Board Secretary
RESOLUTION NO. 09-23

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY ADDRESSING THE TREATMENT OF INTEREST SUBSIDY PAYMENTS UNDER RESOLUTION 89-21

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and the laws of the State of California (the "Water Authority"), is authorized under provisions of the Constitution and the laws of the State of California, and in accordance therewith, to incur indebtedness and to purchase real and personal property as the Water Authority may determine is necessary or proper; and

WHEREAS, the Board of Directors of the Authority adopted, on May 11, 1989, Resolution No. 89-21 of the Water Authority, amended by Resolution No. 97-52 of the Board of Directors of the Water Authority adopted on December 11, 1997, providing for the pledge and allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues of the Water Authority (the "General Resolution"); and

WHEREAS, the Water Authority may, from time to time, issue Bonds (as defined in the General Resolution) or execute Contracts (as defined in the General Resolution) with respect to which the Water Authority will be entitled to receive cash subsidy payments from the United States Treasury, such as "Build America Bonds" issued under the provisions of the American Recovery and Reinvestment Act of 2009 ("Interest Subsidy Payments"); and

WHEREAS, it is now desirable to amend the General Resolution to provide that Interest Subsidy Payments not constitute Current Water Revenues (as defined in the General Resolution) but instead constitute reductions in Debt Service (as defined in the General Resolution).

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority, as follows:

Section 1. The Water Authority hereby specifically finds and declares that the statements, findings and determinations of the Water Authority set forth above are true and correct.

Section 2. Section 1.01 of the General Resolution is hereby amended to add the following definition:

Interest Subsidy Payments

"Interest Subsidy Payments" means cash subsidy payments entitled to be received by the Authority from the United States Treasury with respect to Bonds issued and Contracts executed by the Authority, including, but not limited to, "Build America Bonds" issued as contemplated by the American Recovery and Reinvestment Act of 2009.
PASSED, APPROVED and ADOPTED this 17th day of December, 2009.

AYES: Unless noted below, all Directors present voted aye.

NOES:

ABSTAIN: Wornham

ABSENT: Bowersox (p)
    Johnson
    Martin
    Watton (p)

ATTEST:

Thomas V. Wornham, Secretary

I, Doria F. Lore, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 09-23 of said Board and that the same has not been amended or repealed.

Doria F. Lore, Board Secretary
Section 3. The definition of “Current Water Revenues” in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Current Water Revenues

“Current Water Revenues” means all gross income and revenue received or receivable by the Authority from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Authority for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Water System or arising from the Water System, and also including (1) all income from the deposit or investment of any money in the Water Revenue Fund, the General Reserve Fund and the Rate Stabilization Fund, and (2) all income from the deposit or investment of money held in the Installment Payment Fund, the Subordinate Obligation Fund or any Bond or Contract Reserve Fund or other fund established pursuant to a Trust Agreement to the extent such income will be available to pay Bond Payments or Installment Payments, but excluding any Interest Subsidy Payments, any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

Section 4. The definition of “Debt Service” in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Debt Service

“Debt Service” means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year or period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year or period if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the Accreted Value payment shall be deemed due on the
scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Payments due under such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Bonds or Contracts (with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02, the initial interest rate on such Bonds or Contracts), or, (2) if available, the average interest rate on such Bonds or Contracts during the thirty-six (36) months preceding the date of calculation or, (3) if such Bonds or Contracts have not been outstanding for such thirty-six month period (or with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02), such average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by the rating agencies rating such Bonds or Contracts in a rating category equivalent to the rating on such Bonds or Contracts; and (c) if 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Contracts or twenty (20) years, whichever is greater; provided further, that “Debt Service” shall not include (1) payments due on voter-approved general obligation bonds and other voter-approved general obligation debts for which taxes are then being levied and collected, (2) interest on Bonds or Contracts which is to be paid from amounts constituting capitalized interest held pursuant to a Trust Agreement or (3) interest on Bonds or Contracts which is to be paid from Interest Subsidy Payments.

Section 5. This resolution shall take effect upon receipt of the consent of all parties from whom consent is required for amendments to the General Resolution.
PASSED, APPROVED and ADOPTED this 17th day of December, 2009.

AYES: Unless noted below, all Directors present voted aye.

NOES:

ABSTAIN: Wornham

ABSENT: Bowersox (p)  
  Johnson  
  Martin  
  Watton (p)

ATTEST:

Thomas V. Wornham, Secretary

I, Doria F. Lore, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 09-23 of said Board and that the same has not been amended or repealed.

Doria F. Lore, Board Secretary
RESOLUTION NO. 09-23

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY ADDRESSING THE TREATMENT OF INTEREST SUBSIDY PAYMENTS UNDER RESOLUTION 89-21

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and the laws of the State of California (the “Water Authority”), is authorized under provisions of the Constitution and the laws of the State of California, and in accordance therewith, to incur indebtedness and to purchase real and personal property as the Water Authority may determine is necessary or proper; and

WHEREAS, the Board of Directors of the Authority adopted, on May 11, 1989, Resolution No. 89-21 of the Water Authority, amended by Resolution No. 97-52 of the Board of Directors of the Water Authority adopted on December 11, 1997, providing for the pledge and allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues of the Water Authority (the “General Resolution”); and

WHEREAS, the Water Authority may, from time to time, issue Bonds (as defined in the General Resolution) or execute Contracts (as defined in the General Resolution) with respect to which the Water Authority will be entitled to receive cash subsidy payments from the United States Treasury, such as “Build America Bonds” issued under the provisions of the American Recovery and Reinvestment Act of 2009 (“Interest Subsidy Payments”); and

WHEREAS, it is now desirable to amend the General Resolution to provide that Interest Subsidy Payments not constitute Current Water Revenues (as defined in the General Resolution) but instead constitute reductions in Debt Service (as defined in the General Resolution).

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority, as follows:

Section 1. The Water Authority hereby specifically finds and declares that the statements, findings and determinations of the Water Authority set forth above are true and correct.

Section 2. Section 1.01 of the General Resolution is hereby amended to add the following definition:

Interest Subsidy Payments

“Interest Subsidy Payments” means cash subsidy payments entitled to be received by the Authority from the United States Treasury with respect to Bonds issued and Contracts executed by the Authority, including, but not limited to, “Build America Bonds” issued as contemplated by the American Recovery and Reinvestment Act of 2009.
Section 3. The definition of "Current Water Revenues" in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Current Water Revenues

"Current Water Revenues" means all gross income and revenue received or receivable by the Authority from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Authority for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Water System or arising from the Water System, and also including (1) all income from the deposit or investment of any money in the Water Revenue Fund, the General Reserve Fund and the Rate Stabilization Fund, and (2) all income from the deposit or investment of money held in the Installment Payment Fund, the Subordinate Obligation Fund or any Bond or Contract Reserve Fund or other fund established pursuant to a Trust Agreement to the extent such income will be available to pay Bond Payments or Installment Payments, but excluding any Interest Subsidy Payments, any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

Section 4. The definition of "Debt Service" in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Debt Service

"Debt Service" means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year or period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year or period if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the Accreted Value payment shall be deemed due on the
scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Payments due under such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Bonds or Contracts (with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02, the initial interest rate on such Bonds or Contracts), or, (2) if available, the average interest rate on such Bonds or Contracts during the thirty-six (36) months preceding the date of calculation or, (3) if such Bonds or Contracts have not been outstanding for such thirty-six month period (or with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02), such average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by the rating agencies rating such Bonds or Contracts in a rating category equivalent to the rating on such Bonds or Contracts; and (c) if 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Contracts or twenty (20) years, whichever is greater; provided further, that “Debt Service” shall not include (1) payments due on voter-approved general obligation bonds and other voter-approved general obligation debts for which taxes are then being levied and collected, (2) interest on Bonds or Contracts which is to be paid from amounts constituting capitalized interest held pursuant to a Trust Agreement or (3) interest on Bonds or Contracts which is to be paid from Interest Subsidy Payments.

Section 5. This resolution shall take effect upon receipt of the consent of all parties from whom consent is required for amendments to the General Resolution.
PASSED, APPROVED and ADOPTED this 17th day of December, 2009.

AYES: Unless noted below, all Directors present voted aye.

NOES:

ABSTAIN: Wornham

ABSENT: Bowersox (p)
        Johnson
        Martin
        Watton (p)

Claude A. "Bud" Lewis

ATTEST:

Thomas V. Wornham, Secretary

I, Doria F. Lore, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 09-23 of said Board and that the same has not been amended or repealed.

Doria F. Lore, Board Secretary
Appendix E
A&N TECHNICAL SERVICES, INC – SUPPLY RELIABILITY CHARGE MEMO
Memorandum

To: Lisa Marie Harris, Director of Finance
    Dan Hentschke, General Counsel

From: Thomas W. Chesnutt, Ph.D., CAP®

Date: March 2, 2015

Re: Review of Proposed SDCWA - Supply Reliability Charge

Purpose

A & N Technical Services, Inc. has been retained by the San Diego County Water Authority to independently review and provide a professional opinion of whether the proposed Supply Reliability Charge as described later in this memorandum is consistent with recognized cost-of-service based rate setting principles, that the amount expected to be generated by the charge is no more than necessary to cover the reasonably anticipated revenue requirement ("costs") for governmental services or products for which the charge is imposed, and that the manner in which the costs are generally allocated by the charge bears a fair or reasonable relationship to the payor’s burdens on or benefits received from the governmental services or products.1

Findings

The proposed Supply Reliability Charge comports with water industry cost-of-service-based rate-setting principles. By design, it cannot recover more than the costs allocated to the supply functional costs, since it is computed as a portion of those functional supply costs. Further, it constitutes a reasonable allocation of functional supply costs in that it better aligns the fixed incremental supply costs taken on by the Water Authority to make highly reliable potable water supplies available to its member agencies within the County of San Diego with the benefits available to all water customers connected to the SDCWA integrated water system.

The proposal addresses fairness by allowing for predictability of charge incidence (based on a rolling five year average of historical deliveries) and adjustments to future charge incidence if demand requirements of member agencies change in the future due to local supply

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1 This analysis is limited to a review of the proposed charge in the context of the Water Authority rates structure. It does not include allocation of individual costs to functional rate categories. That aspect of the cost-of-service study for the determination and setting of the amount of the charge will be performed by others.
development or demand management. This reviewer approves of the stated intention to re-examine the *Supply Reliability Charge* in five years and to embed it as a fixed charge in fiscal procedures and policies intended to assure the SDCWA’s fiscal sustainability objectives\(^2\).

**Description of the Supply Reliability Charge**

The proposed *Supply Reliability Charge* will create a new fixed charge for the functional incremental supply costs\(^3\) allocated to enhanced supply reliability. Under the proposed methodology the charge would be set annually. First the difference between the combined Desalination and IID Water Transfer Costs and a like amount of water purchased at the MWD Tier 1 Full Service Untreated Rate is determined. The calculated difference is then multiplied by 25\% to determine the calendar year *Supply Reliability Charge*. A detailed calculation methodology is shown below:

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\(^3\) Functional incremental supply costs for this purpose are understood to be associated with the two highly reliable supplies available to the San Diego County Water Authority that constitute the new and forward-looking supplies—i.e., the supply costs incidental to IID Transfer water supply and the Carlsbad Desalination plant; these are a subset of SDCWA’s overall functional supply costs. The overall supply costs for the Water Authority, include the Tier 1 full service water rate payments made to MWD for purchase of MWD water (currently the total of MWD’s Tier 1 supply rate, system access rate, system power rate, and water stewardship charge), the cost of payments made to IID for transferred water under the IID/SDCWA Agreement for Transfer of Conserved Water plus the payments made to MWD for transportation of that water to the Water Authority service territory under the Exchange Agreement, the payments made for desalinated water under the Water Authority/Poseidon Water Purchase Agreement, and certain other costs of water. Because the Water Authority provides both treated and untreated water, its functional supply costs, by definition, exclude other functional costs such as the functional cost of treatment. The Water Authority’s functional cost categories are currently described in Water Authority Administrative Code section 5.00.050 and Water Authority Ordinance No. 2014-01.
Supply Reliability Charge = \[(Desalination Water Cost + IID Water Transfer Cost) - MWD Tier 1 Equivalent Cost\] \times 25%

\[
\text{Desalination Water Cost} = (Water Purchase Agreement Contract Price}^4 - Melded Treatment Rate) \times \text{Desalination Deliveries}
\]

\[
\text{IID Water Transfer Cost} = (\text{IID Water Contract Price} + MWD Transportation Rate) \times \text{IID Water Deliveries}
\]

\[
\text{MWD Tier 1 Equivalent Cost} = (\text{MWD Tier 1 Full Service Untreated Rate} \times \text{Total Reliability Deliveries})
\]

\[
\text{Total Reliability Deliveries} = \text{Desalination Deliveries} + \text{IID Water Transfer Deliveries}.
\]

As used in this formula, Desalination Deliveries are 42,000 AF/Y and IID Water Transfer Deliveries are 100,000 AF/Y in 2016 and ramp up to 200,000 AF/Y according to the transfer schedule in the Transfer Agreement.

The revenue generated from this charge will only be applied to the supply revenue requirement prior to determining the volumetric Melded Supply Rate. This charge will be allocated to member agencies based on a five year rolling average of applicable historical water deliveries. This charge will be zero when MWD’s Tier 1 costs are equal or greater than the combined Desalination and IID Water Transfer Costs.

Criteria for Evaluation of the Supply Reliability Charge

This independent review will use the CUWA Public Investment Principles in its analysis of the Supply Reliability Charge. These principles were the product of a multiple agency working group at the California Urban Water Agencies and includes the following principles for publicly financed water projects:

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4 The desalinated water contract price includes the following components:
WPA Article 17.4 Capital Charges
(Debt Service Charge + Equity Return Charge)
WPA Article 17.5 Operating Charge
(Fixed Operating Charge + Variable Operating Charge)
WPA Article 17.6 Electricity Charge
(Fixed Electricity Charge + Variable Electricity Charge)
WPA Article 8.14 Poseidon Management Fee
(Annual Management Fee)

5 A & N Technical Services has been informed by Water Authority staff that discussions regarding the future of the Transitional Special Agricultural Water Rate (TSAWR) are ongoing and may impact the allocation of the charge to member agencies.

6 See the CUWA Public Investment White Papers found at http://www.cuwa.org.
1. Inclusive of all beneficiaries
2. A clear nexus between charges and benefits received
3. Specificity, based on defined projects and costs
4. Transparency of benefit and cost allocation decisions, understandable to beneficiaries funding the efforts
5. Strict dedication of funds
6. Reasonable assurances that benefits will be delivered

**AWWA Manual M1.** *On Rate Making Objectives:* Accurate attribution of costs of service is not the only objective of water utility ratemaking. Derived from Bonbright et al. (1961, 1988) the *Principles of Water Rates, Fees, and Charges, AWWA Manual M1, Sixth Edition* (2012, p. 4) provides a more complete list of typical ratemaking objectives:

- Effectiveness in yielding total revenue requirements (full cost recovery)
- Revenue stability and predictability
- Stability and predictability of the rates themselves from unexpected or adverse changes
- Promotion of efficient resource use (conservation and efficient use)
- Fairness in the appointment of total costs of service among the different ratepayers
- Avoidance of undue discrimination (subsidies) within the rates
- Dynamic efficiency in responding to changing supply and demand patterns
- Freedom from controversies as to proper interpretation of the rates
- Simple and easy to understand
- Simple to administer
- Legal and defendable

**Analysis**

The *Supply Reliability Charge* reasonably comports with the CUWA principles cited above. The charge is inclusive of all customers that have recently taken SDCWA deliveries and could reasonably be expected to benefit from highly reliable incremental water supplies. There is a clear nexus between this fixed charge and the benefits of highly reliable incremental supplies received by SDCWA customers. The charge is quite specific, being based on two incremental water supplies (Carlsbad Desalination and IID Transfer) defined by contract and imported supplies from MWD (though currently non-contractual, these supply costs are specific.) The multiple year public process (Board hearings, Board Fiscal Sustainability Task Force, Member Agency Managers Workgroup, and public outreach) have provided transparency of benefit and cost allocation deliberation with ample opportunity to improve understanding to SDCWA member agencies and their customers (beneficiaries) about the funding of these highly reliable incremental water supplies. Funds collected from the charge are dedicated to recovering a
subset of functional supply costs and cannot be used for other purposes. The contracts for incremental supplies provide reasonable assurances that the benefits of highly reliable incremental supplies will be delivered.

The Supply Reliability Charge makes reasonable tradeoffs among cost-of-service-based ratemaking objectives cited above.

Precedence for Fixed Charges. The concept of levying fixed charges to recover the costs required for the capacity to deliver public service has a long history (Dupuit, 1844 and more recently Kahn, 1991) and is familiar to anyone who has paid access, standby, or “demand” capacity charges.
Bibliography


ORDINANCE NO. 2021-____

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES AND CHARGES FOR THE DELIVERY AND SUPPLY OF WATER, USE OF FACILITIES, AND PROVISION OF SERVICES

WHEREAS, Subdivision (11) of Section 5 of the County Water Authority Act provides, in part that, the Authority's Board of Directors, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs;" and

WHEREAS, Subdivision (13) of Section 5 of the County Water Authority Act provides that the Authority may: "Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates, the Board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service"; and

WHEREAS, Subdivision (j) of Section 7 of the County Water Authority Act provides in part, that the Authority’s Board of Directors, “as far as practicable, shall fix such rate or rates for water as will result in revenues which will pay the operating expenses of the Authority, provide for required maintenance, and provide for the payment of the interest and principal of the bonded debt;” and

WHEREAS, the Long-Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority’s purposes and programs as determined by the Board of Directors; and

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted ordinances and resolutions levying and fixing property taxes, water standby availability charges and other rates and charges for delivery and supply of water, use of facilities and provision of other services by the Authority, including, without limitation, a System Capacity Charge, water Treatment Capacity Charge, Annexation Application Fee, an Infrastructure Access Charge, a Readiness-to-Serve Charge and water rates and charges; and

WHEREAS, the Board of Directors, upon recommendation of the Rate Study Subcommittee and the Fiscal Policy Committee, enacted Ordinance 2002-03, “An Ordinance of the Board of Directors of the San Diego County Water Authority Setting Rates and Charges for the Delivery and Supply of Water, Use of Facilities and Provision of Services”, which established a new structure for water rates and charges; and

WHEREAS, the rate structure is incorporated into the Water Authority’s Administrative Code as section 5.00.050 of chapter 5.00; and

WHEREAS, the Board of Directors, on June 25, 2020, adopted Ordinance No. 2020-01 setting rates and charges currently in effect; and

WHEREAS, since 2002, the Water Authority board of directors has regularly reviewed its budget, fiscal policies, revenue requirements, cost allocations, rates, and charges, and has adopted
ordinances and resolutions establishing appropriate rates and charges for delivery and supply of water, use of facilities, and provision of services; and

WHEREAS, the adoption of this ordinance is exempt from CEQA as provided by statute under Public Resources Code §21080(b)(8) because it involves the establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas. The General Manager is, therefore, authorized to file a Notice of Exemption pursuant to Public Resources Code §21152(b) and §15061(d) of the State CEQA Guidelines (Title 14, Chapter 3, California Code of Regulations).

WHEREAS, the Finance Department has presented reports dated May 27, 2021 and June 24, 2021 to the Administrative and Finance Committee (the “Reports”) along with a Cost of Service Rate Study Report dated June 2021 by Carollo Engineers (the “Study”) describing the proposed rates and charges to be collected from the member agencies; and

WHEREAS, on June 24, 2021 a duly noticed public hearing was held by the Administrative and Finance Committee which thereafter recommended the adjustments to the Water Authority’s rates and charges as set forth in this ordinance; and

WHEREAS, the Board has considered the recommendations of the Administrative and Finance Committee and is fully informed; and

WHEREAS, the Board of Directors has considered its budget, fiscal policies, and prior rate setting actions, the information contained in the Report and the Study, the testimony and other evidence presented during the public hearing, and the recommendations of the Administrative and Finance Committee; and

WHEREAS, the Board of Directors hereby makes the following legislative findings and determinations:

1. The foregoing recitals are true and correct;
2. The rates and charges as proposed and recommended in the Reports are exempt from the requirements of the California Environmental Quality Act pursuant to Public Resources Code Section 21080(b)(8);
3. Any and all protests, if any, to the rates and charges as proposed and recommended in the Reports are overruled;
4. The Reports and Study are approved;
5. The rates and charges as proposed and recommended in the Report and Study are reasonably expected to generate revenues that meet, but do not exceed, the Authority’s revenue requirements to fund its capital, operation, maintenance, and other costs, and the allocation of those costs to the member agencies and others through the rates and charges are reasonable, fair, and proper.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:
1. The Authority's revenues from taxes, water rates and charges consists of: ad
valorem property taxes, including payments of member agencies in lieu of taxes; a standby
availability charge levied pursuant to Section 5.2 of the County Water Authority Act, including
payments of such charges pursuant to Section 5.3 of the County Water Authority Act; an
infrastructure access charge levied pursuant to Section 5.00.050 (c) of the Administrative Code;
a System Capacity Charge and a water Treatment Capacity Charge levied pursuant to Section 5.9
of the County Water Authority Act and Ordinance No. 2021-__; and water rates and charges
having the following components as described in this ordinance: Customer Service, Storage,
Transportation, Treatment and Supply.

2. Ad valorem taxes, the standby availability charge and the system and water
treatment capacity charges are not affected by this ordinance. All other water rates and charges
shall continue to be paid pursuant to existing authority until increased or adjusted as provided in
this ordinance.
Commencing January 1, 2022, the amount of the Infrastructure Access Charge to be paid monthly by each member agency of the Authority, shall be $4.24 per equivalent meter within the territory of the member agency and determined according to Table 1 below.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>IAC Equivalent Meters (ME) as of 12/31/20(^1)</th>
<th>Monthly Rate ($/ME)</th>
<th>CY '22 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>36,577</td>
<td>$ 4.24</td>
<td>$1,861,044</td>
<td>$155,087</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>2,506</td>
<td>4.24</td>
<td>$127,512</td>
<td>$10,626</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>35,618</td>
<td>4.24</td>
<td>$1,812,252</td>
<td>$151,021</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>11,887</td>
<td>4.24</td>
<td>$604,812</td>
<td>$50,401</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>65,537</td>
<td>4.24</td>
<td>$3,334,524</td>
<td>$277,877</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>8,199</td>
<td>4.24</td>
<td>$417,168</td>
<td>$34,764</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>58,289</td>
<td>4.24</td>
<td>$2,965,752</td>
<td>$247,146</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>28,376</td>
<td>4.24</td>
<td>$1,443,780</td>
<td>$120,315</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>60,715</td>
<td>4.24</td>
<td>$3,089,184</td>
<td>$257,432</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>27,048</td>
<td>4.24</td>
<td>$1,376,208</td>
<td>$114,684</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>-</td>
<td>4.24</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>17,076</td>
<td>4.24</td>
<td>$868,836</td>
<td>$72,403</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>14,864</td>
<td>4.24</td>
<td>$756,288</td>
<td>$63,024</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>10,328</td>
<td>4.24</td>
<td>$525,492</td>
<td>$43,791</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>10,418</td>
<td>4.24</td>
<td>$530,076</td>
<td>$44,173</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>395,266</td>
<td>4.24</td>
<td>$20,111,136</td>
<td>$1,675,928</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>15,371</td>
<td>4.24</td>
<td>$782,088</td>
<td>$65,174</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>10,560</td>
<td>4.24</td>
<td>$537,300</td>
<td>$44,775</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>43,303</td>
<td>4.24</td>
<td>$2,203,260</td>
<td>$183,605</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>27,461</td>
<td>4.24</td>
<td>$1,397,220</td>
<td>$116,435</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>14,690</td>
<td>4.24</td>
<td>$747,432</td>
<td>$62,286</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>36,047</td>
<td>4.24</td>
<td>$1,834,080</td>
<td>$152,840</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>596</td>
<td>4.24</td>
<td>$30,336</td>
<td>$2,528</td>
</tr>
<tr>
<td>Totals</td>
<td>930,732</td>
<td></td>
<td>$47,355,780</td>
<td>$3,946,315</td>
</tr>
</tbody>
</table>

\(^1\)Equivalent meters rounded to nearest whole meter; annual and monthly charges rounded to nearest dollar.
4. Effective January 1, 2022, the Customer Service Charge is fixed at $25,600,000. Commencing January 1, 2022, the amount of the monthly Customer Service Charge to be paid by each member agency shall be determined according to Table 2 below.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>3-Year Average Deliveries (AF)¹</th>
<th>CY22 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>12,517</td>
<td>$821,247</td>
<td>$68,438</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>998</td>
<td>$66,456</td>
<td>$5,455</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>16,466</td>
<td>$1,080,318</td>
<td>$90,027</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>8,562</td>
<td>$561,773</td>
<td>$46,815</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>23,747</td>
<td>$1,558,021</td>
<td>$129,836</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>2,786</td>
<td>$182,780</td>
<td>$15,232</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>20,752</td>
<td>$1,361,494</td>
<td>$113,458</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>17,813</td>
<td>$1,168,693</td>
<td>$97,392</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>28,444</td>
<td>$1,866,169</td>
<td>$155,515</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,740</td>
<td>$638,999</td>
<td>$53,250</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>72</td>
<td>$4,711</td>
<td>$393</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>9,290</td>
<td>$609,483</td>
<td>$50,791</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>16,120</td>
<td>$1,057,623</td>
<td>$88,136</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>4,739</td>
<td>$310,943</td>
<td>$25,912</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,015</td>
<td>$329,040</td>
<td>$27,421</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>153,325</td>
<td>$10,059,481</td>
<td>$838,291</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,065</td>
<td>$201,078</td>
<td>$16,757</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,960</td>
<td>$391,016</td>
<td>$32,585</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>2,433</td>
<td>$159,646</td>
<td>$13,304</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>11,420</td>
<td>$749,248</td>
<td>$62,438</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>18,792</td>
<td>$1,232,931</td>
<td>$102,745</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>12,860</td>
<td>$843,729</td>
<td>$70,311</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>5,162</td>
<td>$338,687</td>
<td>$28,224</td>
</tr>
<tr>
<td>Contract Water</td>
<td>113</td>
<td>$7,433</td>
<td>$620</td>
</tr>
<tr>
<td>Totals</td>
<td>390,190</td>
<td>$25,600,000</td>
<td>$2,133,348</td>
</tr>
</tbody>
</table>

¹ Three-year rolling average of M&I, SAWR and agricultural MWD deliveries (excludes wheeled water) based on FY18-FY20 period. Rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.
5. Effective January 1, 2022, the Storage Charge is fixed at $60,000,000. Commencing January 1, 2022 the amount of the monthly Storage Charge to be paid by each member agency shall be determined according to Table 3 below.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>3-Year Average Deliveries (AF)(^1)</th>
<th>CY22 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>12,517</td>
<td>$2,073,271</td>
<td>$172,773</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>998</td>
<td>$165,246</td>
<td>$13,771</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>15,225</td>
<td>$2,521,798</td>
<td>$210,150</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>6,355</td>
<td>$1,052,561</td>
<td>$87,714</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>23,747</td>
<td>$3,933,284</td>
<td>$327,774</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>2,786</td>
<td>$461,435</td>
<td>$38,453</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>20,506</td>
<td>$3,396,453</td>
<td>$283,038</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>17,723</td>
<td>$2,935,570</td>
<td>$244,631</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>28,444</td>
<td>$4,711,216</td>
<td>$392,602</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,622</td>
<td>$1,593,787</td>
<td>$132,816</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>72</td>
<td>$11,892</td>
<td>$992</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>9,256</td>
<td>$1,533,121</td>
<td>$127,761</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>9,423</td>
<td>$1,560,771</td>
<td>$130,065</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>3,965</td>
<td>$656,810</td>
<td>$54,735</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,008</td>
<td>$829,542</td>
<td>$69,129</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>153,202</td>
<td>$25,375,181</td>
<td>$2,114,599</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,065</td>
<td>$507,630</td>
<td>$42,303</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,960</td>
<td>$987,136</td>
<td>$82,262</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>2,433</td>
<td>$403,033</td>
<td>$33,587</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>10,739</td>
<td>$1,778,721</td>
<td>$148,227</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>7,068</td>
<td>$1,170,684</td>
<td>$97,558</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>12,825</td>
<td>$2,124,313</td>
<td>$177,027</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>1,307</td>
<td>$216,542</td>
<td>$18,046</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>362,248</strong></td>
<td><strong>$60,000,000</strong></td>
<td><strong>$5,000,013</strong></td>
</tr>
</tbody>
</table>

\(^1\)Three-year rolling average of firm, non-agricultural MWD deliveries based on FY16-FY18 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.
6. Effective January 1, 2022, the Supply Reliability Charge is fixed at $39,340,000. Commencing January 1, 2022 the amount of the monthly Supply Reliability Charge to be paid by each member agency shall be determined according to Table 4 below.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>5-Year Average Deliveries (AF)</th>
<th>CY22 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>12,649</td>
<td>$1,352,453</td>
<td>$112,705</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>966</td>
<td>$103,300</td>
<td>$8,609</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>14,832</td>
<td>$1,585,836</td>
<td>$132,154</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>6,184</td>
<td>$661,244</td>
<td>$55,104</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>24,261</td>
<td>$2,594,004</td>
<td>$216,168</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>2,666</td>
<td>$285,056</td>
<td>$23,755</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>20,357</td>
<td>$2,176,618</td>
<td>$181,385</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>17,298</td>
<td>$1,849,508</td>
<td>$154,126</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>27,567</td>
<td>$2,947,453</td>
<td>$245,622</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,291</td>
<td>$993,415</td>
<td>$82,785</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>66</td>
<td>$7,010</td>
<td>$585</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>8,854</td>
<td>$946,640</td>
<td>$78,887</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>9,358</td>
<td>$1,000,506</td>
<td>$83,376</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>3,882</td>
<td>$415,088</td>
<td>$34,591</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>4,938</td>
<td>$527,970</td>
<td>$43,998</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>155,352</td>
<td>$16,610,240</td>
<td>$1,384,187</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,403</td>
<td>$363,892</td>
<td>$30,325</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>6,284</td>
<td>$671,914</td>
<td>$55,993</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>6,770</td>
<td>$723,882</td>
<td>$60,324</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>10,912</td>
<td>$1,166,698</td>
<td>$97,225</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>7,073</td>
<td>$756,198</td>
<td>$63,017</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>13,786</td>
<td>$1,474,004</td>
<td>$122,834</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>1,078</td>
<td>$115,256</td>
<td>$9,605</td>
</tr>
<tr>
<td>Contract Water - South Coast</td>
<td>111</td>
<td>$11,817</td>
<td>$985</td>
</tr>
<tr>
<td>Totals</td>
<td>367,938</td>
<td>$39,340,000</td>
<td>$3,278,345</td>
</tr>
</tbody>
</table>

1Five-year rolling average of firm, non-agricultural MWD deliveries based on FY16-FY20 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

7. Effective January 1, 2022, the Transportation Rate is fixed at $173 per acre-foot of water delivered by the Authority through Authority facilities. Member agencies shall pay the Transportation Rate for deliveries of Water Authority supplies in accordance with the procedures and processes of the Administrative Code relating to billing and payment of the Municipal and Industrial Water Rate. Payment of the Transportation Rate in connection with the wheeling of third-party water (non-Water Authority supplies) will be determined by an agreement approved by the Board of Directors. Wheeling of third-party water is also subject to a separate administration fee as stated in the agreement.

8. Effective January 1, 2022, the Melded Treatment Rate is fixed at $310 per acre-foot.
9. (a) Each member agency shall reimburse the Authority on a per-acre foot of water delivered basis, except as otherwise provided in subdivisions (b) and (c), for rates, fees and charges of the Metropolitan Water District of Southern California, the Imperial Irrigation District, or other sources of supply that may become available to the Authority (collectively the Supply Charges). It is the intent of the Authority to charge the melded rate for supply representing the cost of water to the Authority for the appropriate class of service. Effective January 1, 2022, the Melded Untreated Supply Rate (Melded Supply Rate) is $1,009 per acre-foot to reflect the cost of the supply of untreated municipal and industrial water to the Water Authority.
(b) Effective January 1, 2022 as part of the Supply Charges, each member agency shall pay to the Authority a MWD Capacity Charge determined according to the method set forth in Table 5 below.

### Table 5 - Calendar Year 2022 MWD Capacity Charge Allocation (Capacity Charge)

<table>
<thead>
<tr>
<th>Coincident Peak Week Deliveries (AF)</th>
<th>5-year average share</th>
<th>CY2022 - Monthly</th>
<th>CY2022 - Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/25/16</td>
<td>7/17/17</td>
<td>8/25/18</td>
<td>9/09/19</td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
<td>316.1</td>
<td>361.5</td>
<td>348.2</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>27.7</td>
<td>25.3</td>
<td>29.4</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>381.2</td>
<td>334.4</td>
<td>530.2</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>299.7</td>
<td>366.0</td>
<td>236.8</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>540.5</td>
<td>435.8</td>
<td>1,015.2</td>
</tr>
<tr>
<td>Lakeside</td>
<td>114.7</td>
<td>137.9</td>
<td>151.9</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>544.7</td>
<td>538.4</td>
<td>547.9</td>
</tr>
<tr>
<td>Olivenhain</td>
<td>463.7</td>
<td>437.4</td>
<td>513.9</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>796.8</td>
<td>834.9</td>
<td>912.1</td>
</tr>
<tr>
<td>Padre Dam</td>
<td>281.7</td>
<td>314.2</td>
<td>349.7</td>
</tr>
<tr>
<td>Pendleton Military Reserve</td>
<td>2.2</td>
<td>1.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>243.7</td>
<td>182.5</td>
<td>208.2</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>640.9</td>
<td>410.8</td>
<td>627.1</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>162.0</td>
<td>101.9</td>
<td>183.3</td>
</tr>
<tr>
<td>Rincon Del Diablo</td>
<td>136.6</td>
<td>133.4</td>
<td>146.5</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>4,365.8</td>
<td>3,647.2</td>
<td>4,467.5</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>128.6</td>
<td>54.3</td>
<td>117.7</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>270.6</td>
<td>153.8</td>
<td>250.2</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>313.6</td>
<td>118.3</td>
<td>282.5</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>298.8</td>
<td>338.2</td>
<td>340.8</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>697.3</td>
<td>600.4</td>
<td>696.7</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>336.8</td>
<td>412.4</td>
<td>422.1</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>186.8</td>
<td>171.2</td>
<td>216.6</td>
</tr>
<tr>
<td><strong>Total MWD Capacity Charge</strong></td>
<td>11,550.5</td>
<td>10,112.0</td>
<td>12,595.2</td>
</tr>
</tbody>
</table>

1. Five-year rolling average of firm, non-agricultural MWD peak deliveries based on FY16-FY20 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.
2. Percentages shown are rounded. Totals may not foot.
(c) Effective July 1, 2021 as part of the Supply Charges, each member agency shall pay a MWD Readiness-to-Serve Charge determined according to Table 6 below.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>10-yr avg deliveries (AF)¹</th>
<th>10-yr avg deliveries¹</th>
<th>FY22 RTS Charge</th>
<th>Net Stand-By Charge Credits²</th>
<th>FY '22 RTS Net Charge</th>
<th>FY '22 Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>14,655</td>
<td>3.42%</td>
<td>781,341</td>
<td>$(383,513)</td>
<td>$397,828</td>
<td>$33,153</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>1,020</td>
<td>0.24%</td>
<td>54,358</td>
<td>$(23,887)</td>
<td>$30,470</td>
<td>$2,540</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>17,620</td>
<td>4.12%</td>
<td>939,410</td>
<td>$(222,117)</td>
<td>$717,293</td>
<td>$59,775</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,022</td>
<td>2.34%</td>
<td>534,349</td>
<td>$(273,360)</td>
<td>$260,989</td>
<td>$21,750</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,744</td>
<td>6.02%</td>
<td>1,372,540</td>
<td>$(751,564)</td>
<td>$620,975</td>
<td>$51,748</td>
</tr>
<tr>
<td>Lakeside W.D.³</td>
<td>3,025</td>
<td>0.71%</td>
<td>161,257</td>
<td>$(156,148)</td>
<td>$5,108</td>
<td>$426</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>22,050</td>
<td>5.15%</td>
<td>1,175,540</td>
<td>$(650,627)</td>
<td>$524,993</td>
<td>$43,750</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>18,687</td>
<td>4.37%</td>
<td>996,291</td>
<td>$(380,926)</td>
<td>$615,366</td>
<td>$51,281</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>29,383</td>
<td>6.87%</td>
<td>1,566,567</td>
<td>$(913,200)</td>
<td>$653,367</td>
<td>$54,448</td>
</tr>
<tr>
<td>Padre Dam M.W.D.³</td>
<td>10,291</td>
<td>2.40%</td>
<td>548,691</td>
<td>$(506,384)</td>
<td>$42,306</td>
<td>$3,526</td>
</tr>
<tr>
<td>Pendleton Military Reserve</td>
<td>58</td>
<td>0.01%</td>
<td>3,094</td>
<td>$(37)</td>
<td>$3,057</td>
<td>$255</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>10,225</td>
<td>2.39%</td>
<td>545,130</td>
<td>$(269,868)</td>
<td>$275,262</td>
<td>$22,939</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>17,903</td>
<td>4.18%</td>
<td>954,523</td>
<td>$(514,669)</td>
<td>$439,855</td>
<td>$36,655</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>5,124</td>
<td>1.20%</td>
<td>273,192</td>
<td>$(381,139)</td>
<td>$(107,947)</td>
<td>$(8,995)</td>
</tr>
<tr>
<td>Rincon Del</td>
<td>Diablo M.W.D.</td>
<td>5,536</td>
<td>1.29%</td>
<td>295,141</td>
<td>$(300,141)</td>
<td>$(5,001)</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>165,576</td>
<td>38.69%</td>
<td>8,827,762</td>
<td>$(4,265,908)</td>
<td>$4,561,854</td>
<td>$380,155</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,532</td>
<td>0.83%</td>
<td>188,324</td>
<td>$(161,055)</td>
<td>$27,269</td>
<td>$2,273</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>Sweetwater Authority</td>
<td>6,775</td>
<td>1.58%</td>
<td>361,186</td>
<td>$(145,887)</td>
<td>$215,299</td>
</tr>
<tr>
<td>Valleymonte W.D.</td>
<td>13,919</td>
<td>3.25%</td>
<td>742,084</td>
<td>$(420,079)</td>
<td>$322,004</td>
<td>$26,834</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>21,160</td>
<td>4.94%</td>
<td>1,128,176</td>
<td>$(626,709)</td>
<td>$501,466</td>
<td>$41,789</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>Yuma M.W.D.</td>
<td>14,427</td>
<td>3.37%</td>
<td>769,160</td>
<td>$(402,323)</td>
<td>$366,837</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>Contract Water</td>
<td>3,339</td>
<td>0.78%</td>
<td>177,996</td>
<td>$(103,101)</td>
<td>$74,895</td>
</tr>
<tr>
<td></td>
<td>Total MWD RTS Charge</td>
<td>427,983</td>
<td>100%</td>
<td>22,818,107</td>
<td>$(12,226,601)</td>
<td>$10,553,506</td>
</tr>
</tbody>
</table>

¹10-year rolling average of firm MWD deliveries based on FY11-FY20 period and rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

²Net of $12,803,655 in stand-by charge credits, $511,915 in uncollectable stand-by charge credits, and $27,139 in administration fees.

³W.D.'s deliveries are metered separately from Padre Dam M.W.D's deliveries. Lakeside W.D. is allocated 23.87% of Padre Dam's M.W.D.'s stand-by charge credits based upon parcel count.
(d) This section shall be administered in accordance with the Report approved by this ordinance.

10. The Permanent Special Agricultural Water Rate Program replaced the TSAWR program on January 1, 2021. The untreated PSAWR will be set to MWD’s Tier 1 rate and increase to $799/AF on January 1, 2022. The treated PSAWR will increase to $1,109/AF on January 1, 2022.

11. Effective July 1, 2021, the Annexation Application Fee will be set at $10,801 per application.

12. For the purposes of this ordinance, including the tables, the City of National City and the South Bay Irrigation District are collectively referred to as Sweetwater Authority. Any reference in this ordinance to Sweetwater Authority as a member agency shall be construed as a reference to the City of National City and the South Bay Irrigation District.

13. This ordinance shall be effective upon adoption. In lieu of publication of the text of this ordinance, the Clerk of the Board may publish a summary prepared by the General Counsel.

14. The provisions of this ordinance shall prevail over any provisions of the Administrative Code relating to rates and charges to the extent of any conflict. All existing rates and charges shall continue in effect until adjusted as provided in this ordinance.

15. To the greatest extent possible the provisions of this ordinance shall be construed to be compatible with the provisions of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Joint Use of Lake Hodges Dam and Reservoir) and of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir; however, the contract provisions shall control in the event of a conflict).

16. For the purposes of Section 7 of this ordinance, water delivered by the Authority through the following turnouts is deemed not to be “water delivered by the Authority through Authority facilities” – DeLuz 1, Fallbrook 3, Fallbrook 6, Rainbow 1, Rainbow 8, Rainbow 9 and Rainbow 10.
PASSED, APPROVED AND ADOPTED, this 24th day of June, 2021 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

___________________________
Gary Croucher, Chair

ATTEST:

____________________________
Jerry Butkiewicz, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance 2021- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

____________________________
Melinda Nelson
Clerk of the Board
RESOLUTION NO. 2021-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY CONTINUING THE WATER STANDBY AVAILABILITY CHARGE

The Board of Directors of the San Diego County Water Authority resolves as follows:

Pursuant to Government Code Section 54984.7 the Water Standby Availability Charge shall continue to be levied, imposed and administered as provided in Ordinance No. 2008-04 and Ordinance No. 2013-04 in Fiscal Year 2021-2022 and each successive year thereafter.

PASSED, APPROVED AND ADOPTED, this 24th day of June 2021 by the following vote:

AYES:  Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

___________________________
Gary Croucher, Chair

ATTEST:

___________________________
Jerry Butkiewicz, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2021-_______ was duly adopted at the meeting of the Board of Directors on the date stated above.

___________________________
Melinda Nelson
Clerk of the Board
ORDINANCE NO. 2021-____

AN ORDINANCE OF SAN DIEGO COUNTY WATER AUTHORITY
AMENDING AND RESTATING THE SYSTEM CAPACITY AND
WATER TREATMENT CAPACITY CHARGES IMPOSED BY THE
WATER AUTHORITY PURSUANT TO SECTION 5.9 OF THE
COUNTY WATER AUTHORITY ACT

WHEREAS, pursuant to Section 5.9 of the County Water Authority Act, the San Diego County Water Authority (“Water Authority”) may fix and impose Capacity Charges upon the ultimate users of water delivered by the Water Authority to its member agencies and to require its member agencies to collect the charges on behalf of the Water Authority; and

WHEREAS, the Water Authority initially adopted a capacity charge in 1990 and thereafter has continuously imposed a capacity charge through the adoption and amendment of various ordinances; and

WHEREAS, the Water Authority’s capacity charges are nondiscriminatory and imposed in accordance with applicable law as demonstrated by the various studies, reports, budgets, and apportionment methodologies upon which they are and have been based; and

WHEREAS, the Water Authority Board of Directors has previously adopted Ordinances No. 97-1, 99-2, 2000-1, 2000-3, 2001-03, 2002-05, 2005-03, 2008-01, 2013-03, 2014-03, 2017-02, 2018-04, 2019-03 and 2020-02 the operative requirements of which, subject to adjustments in the amount of the capacity charges imposed, are amended and restated in this ordinance; and

WHEREAS, at least fifteen (15) days prior to the meeting at which the System and Water Treatment Capacity Charges were levied, the Water Authority made available to the public data indicating the amount of cost, or estimated cost, required to provide the services for which the charges are to be levied and the revenue sources anticipated to provide such services, including general fund revenues; and

WHEREAS, the Water Authority has determined that imposition of the revised System and Water Treatment Capacity Charges recommended by the Fixed Revenue Study is exempt from CEQA under Section 15378(b)(4) of the State CEQA Guidelines regarding the creation of government funding mechanisms that do not involve any commitment to any specific project that may have potentially significant physical impacts on the environment. Any project funded by this charge either has or will have appropriate CEQA documentation completed prior to any activities that could result in physical impacts on the environment.

WHEREAS, pursuant to Resolution No. 2021-14 a duly noticed public hearing was held by the Administrative and Finance Committee which thereafter recommended the
adjustments to the System Capacity Charge and Water Treatment Capacity Charge as set forth in this ordinance; and

WHEREAS, the Board has considered the recommendations of the Administrative and Finance Committee and is fully informed: and

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

Section 1. Capacity charges imposed on ultimate users of water.

(a) A System Capacity Charge in the amount specified in section 2 is imposed on each person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority for the establishment of a new metered connection or the increase in capacity of an existing metered connection, except as provided in subdivision (d).

(b) A Water Treatment Capacity Charge in the amount specified in section 3 is imposed on each person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority for the establishment of a new metered connection or the increase in capacity of an existing metered connection within a member agency having an existing or planned connection to the Water Authority’s treated water system, except as provided in subdivision (d).

(c) “Establishment of a new metered connection” includes any act that results in, or is intended to result in the delivery of water to property through a water meter, including, without limitation receipt of a meter from a member agency or the installation of one or more water meters.

(d) The following are exempt from the capacity charges imposed by this section:

(1) Sub-meters receiving service through a water meter for which a capacity charge is or has been imposed;

(2) Water meters permanently connected to a reclaimed water system and measuring reclaimed water only;

(3) Water meters used to measure water provided solely through a separately metered fire suppression system;

(4) Water meters obtained for temporary service in connection with construction, preliminary land development, landscape installation and interim maintenance in connection with land development or habitat restoration, or similar temporary activities, and the member agency does not impose a capacity or connection
charge for the temporary service meter in accordance with its standard practices and procedures;

(5) Reinstallation or unlocking of a water meter for which a capacity charge was previously paid or that was installed before October 1, 1990, where the reinstallation or unlocking is required to restore service following a temporary disconnection or disruption of service;

(6) Replacement of a meter with one of the same or smaller size, provided, however, that no refund or credit for any capacity charge previously paid will be made for the installation of a smaller meter.

Section 2. Amount of System Capacity Charge.

(a) Effective January 1, 2022 amount of the System Capacity Charge will be determined according to the following schedule:

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>System Capacity Charge ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1</td>
<td>5,328</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>8,525</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3</td>
<td>15,984</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>27,706</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>51,149</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>87,379</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30</td>
<td>159,840</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52</td>
<td>277,056</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78</td>
<td>415,584</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132</td>
<td>703,296</td>
</tr>
</tbody>
</table>

(b) The Director of Finance may adjust the schedule established by this section as of January 1, 2022, and as of each January 1 thereafter, based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles, California (ENR-CCI LA) for the calendar year immediately preceding the adjustment.
Section 3. **Amount of Water Treatment Capacity Charge.**

(a) Effective January 1, 2022 the amount of the Water Treatment Capacity Charge will be determined according to the following schedule:

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>Water Treatment Capacity Charge ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1</td>
<td>149</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>238</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3</td>
<td>447</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>775</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>1,430</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>2,443</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30</td>
<td>4,470</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52</td>
<td>7,748</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78</td>
<td>11,622</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132</td>
<td>19,668</td>
</tr>
</tbody>
</table>

(b) The Director of Finance may adjust the schedule established by this section as of January 1, 2022, and as of each January 1 thereafter, based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles, California (ENR-CCI LA) for the calendar year immediately preceding the adjustment.

Section 4. **Collection of Charges.**

(a) Each Water Authority member agency is required to collect on behalf of the Water Authority the capacity charges imposed by Section 1, in the amounts determined according to Sections 2 and 3, and to pay to Water Authority, at least quarterly, on or before the 30th day of the months of January, April, July, and October of each year, the total amount of the capacity charges collected during the prior three calendar months. At the time of each payment, the member agency must report to the Water Authority the number and size of all meters supplied to water users within the territory of the member agency during the prior three calendar months, including meters for which a capacity charge is imposed and meters exempt from a capacity charge. A member agency is liable to the Water Authority for the full amount of any capacity charge for which the member agency provides a water meter to an ultimate user without having collected a required capacity charge.

(b) Water will be provided to an ultimate user of water within the territory of the Water Authority only through a metered connection. A Water Authority member agency shall not provide a water meter to an ultimate user of water within the territory of the Water Authority unless the user has paid the capacity charges imposed by the Water Authority.

(c) The size of the meter necessary or appropriate to serve an ultimate user of water will be determined by the member agency.
(d) When a water meter for a single-family residential property is required to provide standby capacity for a fire sprinkler system, the capacity charge may be determined according to the size of the meter necessary to meet the water use requirements for the property, as determined according to the rules of the member agency providing the meter, without consideration of additional size necessary to provide the standby capacity. Standby capacity for a fire sprinkler system is required when (1) the fire sprinkler system is required by law, including any requirement imposed by statute, ordinance, or as a condition of development, permit, or occupancy, and (2) the fire chief, fire marshal, or building official of the city, county, or special district responsible for fire protection service to the property has provided a written statement verifying the requirement for additional meter size. The determination under this subdivision will be made at the time of installation of the meter, including installation to replace a meter with one of greater size because of the later installation of a fire protection system. This subdivision does not apply to any meters greater than one inch in size.

(e) If a single meter is exchanged for more than one smaller meter to serve property that has been subdivided or otherwise developed, the capacity charges shall be determined based on the difference between the cumulative capacity charges for all the smaller meters according to the schedules set forth in sections 2 and 3 and the capacity charges for the exchanged single meter according to sections 2 and 3, regardless of the capacity charge, if any, in effect when the exchanged meter was first obtained; provided, however, that no credit or refund will be made if the cumulative capacity charges for the small meters is less than the capacity charges for the exchanged meter.

(f) No capacity charge will be collected for installation of a new water meter on a previous service connection for a parcel within the territory of the Water Authority if the member agency determines all of the following to exist: the parcel is receiving water from the member agency through a lawful connection; the new meter will not result in a material change in land use; the new meter will not result in a material increase in water use; and the member agency will not impose for its own account a capacity or connection charge for the new meter.

(g) Any interest earned by a member agency on capacity charges collected and held before payment to the Water Authority pursuant to subdivision (a) may be retained by the member agency as reimbursement for any costs incurred in collecting and remitting capacity charges for the Water Authority.

(h) In lieu of retaining interest, a member agency may apply for reimbursement of costs it reasonably incurs in collecting the Water Authority’s capacity charges. If a member agency intends to apply for reimbursement, it must remit the interest earned on capacity charges collected and held on behalf of the Water Authority at the time it makes its quarterly payments. The application for reimbursement shall be filed annually on or before September 1. The application may be in the form established by the Finance Director and must itemize the costs incurred and shall include supporting documentation and explanation to reasonably verify the amounts sought. The Finance Director may request supplemental information. After review and approval of the application and any supplemental
information, the Finance Director is authorized to reimburse a member agency in the amount of the reasonable costs incurred as determined by the Finance Director.

(i) Any member agency that wholesales or otherwise supplies water obtained from the Water Authority to another public agency, private water company, or mutual water company (each referred to as a “sub-agency”) shall, as a condition of service, require the sub-agency to collect from each ultimate water user within the sub-agency a capacity charge pursuant to this ordinance. The sub-agency, at its option, may remit the charges at least quarterly, on or before the 10th day of the months of January, April, July, and October of each year, or it may remit the charges to its supplying member agency, which shall then remit the charges to the Water Authority as provided in subdivision (a). At the time of each payment to either the Water Authority or the supplying member agency, the sub-agency must report the number and size of all meters supplied to water users within the territory of the member agency during the period for which the payment is made, including meters for which a capacity charge is imposed and meters exempt from a capacity charge. Any interest earned by a sub-agency on capacity charges collected and held before payment to the Water Authority pursuant may be retained by the sub-agency as reimbursement for any costs incurred in collecting and remitting capacity charges for the Water Authority. In lieu of retaining interest, a sub-agency may apply for reimbursement of costs it reasonably incurs in collecting the Water Authority’s capacity charges. If a sub-agency intends to apply for reimbursement, it must remit the interest earned on capacity charges collected and held on behalf of the Water Authority at the time it makes its quarterly payments. The application for reimbursement shall be filed annually on or before September 1. The application may be in the form established by the Finance Director and must itemize the costs incurred and shall include supporting documentation and explanation to reasonably verify the amounts sought. The Finance Director may request supplemental information. After review and approval of the application and any supplemental information, the Finance Director is authorized to reimburse a sub-agency in the amount of the reasonable costs incurred as determined by the Finance Director. If a sub-agency remits capacity charges through its supplying member agency, the sub-agency shall pay any administrative costs imposed by the member agency without reimbursement by the Water Authority. A member agency is liable to the Water Authority for an amount equal to any capacity charges for which its sub-agency fails to collect or pay under this subdivision.

(j) Notwithstanding anything in this section to the contrary, the Water Authority may, pursuant to a written agreement with a member agency or a member agency’s sub-agency, collect capacity charges directly from each ultimate user of water for the installation of a water meter. The written agreement must provide that the member agency or sub-agency will not provide or authorize the installation of a water meter within the territory of the Water Authority until the Water Authority provides written documentation of compliance with the requirements of this ordinance.

Section 5. Application of Government Code Section 54999.3.

The imposition of the Water Authority capacity charges on any school district, county office of education, community college district, the California State University, the
University of California, or state agency is subject to the provisions of Government Code section 54999.3. Payment by any of these entities of a Water Authority capacity charge for the installation of a meter shall be deemed to be an agreement with the Water Authority regarding that charge. No water meter will be provided or approved for installation to any of these agencies without an agreement regarding that charge. If any of these entities refuses to pay a Water Authority capacity charge, the Water Authority will enter into negotiations for an agreement regarding the charge.

Section 6. Protests.

Any person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority may protest the application of this ordinance to the installation of a meter by filing of a written protest with the member agency and the Water Authority Director of Finance before payment of the charge, in which case the member agency will not provide or authorize the installation of a meter, or by payment of the charge and filing a written protest with the member agency and the Water Authority Finance Director not later than 10 days after payment of the charge. The protest will be reviewed by the Finance Director who will provide a written response within twenty days from the date of the protest. If the protester is not satisfied with the response by the Finance Director, a written appeal to the Water Authority General Manager may be filed within fifteen days of the date of the Finance Director’s response. The appeal shall provide a detailed explanation of the grounds for disagreement with the Finance Director’s response. The General Manager may determine the matter based on the written appeal and the Finance Director’s response. The final determination of the appeal will be provided by the General Manager in writing within thirty days of the date the appeal is filed. If the General Manager fails to provide a written determination within thirty days, the appeal is deemed denied on the grounds stated in the Finance Director’s response.

Section 7. Refunds for Conversion to Reclaimed Water Systems.

If a water user converts a water meter to permanently measure reclaimed water only, the capacity charges previously collected for the meter will be refunded, without interest, upon written request by the water user and written verification by the member agency of compliance with this subdivision. The request must be filed within 180 days of the connection of the meter to the reclaimed water system.

Section 8. Credit for Annexation Charge Paid

This section applies to property annexed to the territory of the Water Authority after November 17, 2005. Any person, corporation, partnership, public agency, entity, or other ultimate user of water that paid an annexation charge with respect to a parcel, or that is a successor-in-interest to the parcel for which an annexation charge was paid, may apply for a credit toward the System Capacity Charge imposed for that parcel or a subdivided portion of that parcel. The amount of the credit will be determined by the Water Authority before the capacity charge is paid and the meter provided. No credit will be provided for the charge...
imposed to reimburse the Water Authority for the cost of processing the application for annexation. No refund will be made for any charge previously paid.

Section 9. Use of Funds

All funds received from the System Capacity Charge, and interest attributable to those funds, will be separately accounted and expended only for capital expenses of existing or new Water Authority system facilities as authorized by law. All funds from the Water Treatment Capacity Charge, and interest attributable to those funds, will be separately accounted and expended only for capital expenses of existing or new Water Authority treatment facilities as authorized by law.

Section 10. Indemnification

The Water Authority will defend and indemnify member agencies, and their officers, employees, and agents against and from all claims, expenses, and costs, including costs of defense and reasonable attorneys’ fees, arising from implementation or application of this ordinance, except a claim, expense, or cost caused solely by the failure of a member agency, or its officers, employees, and agents to comply with the requirements of this ordinance.

PASSED, APPROVED AND ADOPTED, this 24th day of June, 2021

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Gary Croucher, Chair

ATTEST:

Jerry Butkiewicz, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance No. 2021- ______ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Nelson, Clerk of the Board
June 16, 2021

Attention: Administrative and Finance Committee

Phased reopening of Water Authority facilities. (Presentation)

Purpose
To provide the Board an update on the phased reopening of Water Authority facilities and return of teleworking employees following changes to public health directives relating to COVID-19.

Background
In March 2020, the General Manager directed all eligible Water Authority staff to move to telework in response to the COVID-19 pandemic and all Water Authority facilities were closed to the public. Staff access was limited to those who were required to be on-site to conduct Water Authority business. For 15 months, facilities have remained closed to the public and 78% of Water Authority staff have continued to work remotely. As public health directives continue to be updated in response to improving COVID-19 data and vaccination availability, planning a return to “normal” operations is now possible.

Discussion
In response to the changing restrictions and improving public health conditions, the Water Authority is planning a phased reopening of facilities and a return to the workplace of teleworking employees. Field and support personnel have continued to report to work in-person during the limited staff operation, although with many precautions in place. In recent weeks, existing protocols have been lifted or revised based on public health guidance. Future changes to workplace protocols will continue to comply with State and County public health orders, and Cal/OSHA regulations.

In the coming months, barring unforeseen changes to public health directives, Water Authority facilities will begin a careful reopening, and a phased approach will be implemented to return teleworking staff to in-person work. Some level of remote work will continue in cases where job classifications are compatible with remote work, understanding different departments may have different needs.

Prepared by: Ashley Kite, Director of Human Resources
Approved by: Sandra L. Kerl, General Manager
June 16, 2021

Attention: Administrative and Finance Committee

Controller’s Report on Monthly Financial Activity. (Information)

Purpose
The purpose of the Controller’s Report is to provide summarized financial information on a monthly basis to the Board of Directors.

Financial Information
Attached for review by the Administrative and Finance Committee and the Board of Directors are the following financial documents comprising the Controller’s Report:

1. Water Sales Volumes, in acre-feet
2. YOY Water Sales Comparison FY21 and FY20
3. Water Sales Revenues, in millions
4. Water Purchases and Treatment Costs, in millions
5. Budget Status Report
6. Schedule of Cash and Investments

The Multi-Year Budget Status Report compares actual revenues and expenses on a budgetary basis to the period-to-date budget. This report includes the mid-term budget amendments approved by the Board in June 2020. A summary of the Fiscal Years 2020 and 2021 Budget Status Report (in millions) for the twenty-two-month period of July 1, 2019 through April 30, 2021 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>FY 2020 &amp; 2021 Amended Budget</th>
<th>22 Months Budget</th>
<th>22 Months Actual</th>
<th>$ Variance Positive/ Negative</th>
<th>% Budget Above/ Below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Sales</td>
<td>$ 1,306.9</td>
<td>$ 1,185.1</td>
<td>$ 1,071.2</td>
<td>$(113.9)</td>
<td>-10%</td>
</tr>
<tr>
<td>Water Purchases &amp; Treatment</td>
<td>$ 1,075.5</td>
<td>$ 974.4</td>
<td>$ 867.1</td>
<td>$ 107.3</td>
<td>-11%</td>
</tr>
<tr>
<td>Net Water Sales Revenue</td>
<td>231.4</td>
<td>210.7</td>
<td>204.1</td>
<td>$(6.6)</td>
<td>-3%</td>
</tr>
<tr>
<td>Revenues &amp; Other Income</td>
<td>237.1</td>
<td>211.6</td>
<td>256.2</td>
<td>44.6</td>
<td>21%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>468.5</td>
<td>422.3</td>
<td>460.3</td>
<td>38.0</td>
<td>9%</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>449.9</td>
<td>372.1</td>
<td>388.7</td>
<td>(16.6)</td>
<td>4%</td>
</tr>
<tr>
<td>Net Revenues Before CIP</td>
<td>18.6</td>
<td>50.2</td>
<td>71.6</td>
<td>21.4</td>
<td>43%</td>
</tr>
<tr>
<td>CIP Expenses</td>
<td>162.2</td>
<td>153.3</td>
<td>97.6</td>
<td>55.7</td>
<td>-36%</td>
</tr>
<tr>
<td>Net Fund Withdraws</td>
<td>$(143.6)</td>
<td>$(103.1)</td>
<td>$(26.0)</td>
<td>$ 77.1</td>
<td>-75%</td>
</tr>
</tbody>
</table>

* Other Income and Other Expenses include the $44.4 million MWD settlement monies.

Summary
The Water Authority is twenty-two months into the two-year budget and has a favorable variance of $77.1 million for the period ending April 30, 2021. The twenty-two-month budget provided for a withdrawal from fund balance of $103.1 million, but the actual amount required from fund balance was a withdrawal of $26.0 million. Water sales revenues are below budget by 10 percent and water purchases and treatment costs are below budget by a similar amount as can be seen in
the summary table. Actual net water sales revenue was $204.1 million or 3 percent lower than the twenty-two-month budget. As of April 2021, other revenues and other expenses were $44.6 million and $16.6 million, respectively, higher than budget due primarily to the judgment payment of $44.4 million received from MWD and then distributed to the 24 member agencies comprising the Water Authority. CIP expenses were $55.7 million below budget, contributing to a significantly lower draw from fund balance than projected through April. Additional details on these variances follow.

Net Water Sales Revenue
Net Water Sales Revenue is the Water Authority’s principal source of revenue and is the difference between the sale of water and the cost of that water. Sales include revenues from variable commodity charges for supply, treatment, and transportation, as well as from fixed charges for customer service, storage, infrastructure access charge, and supply reliability. Cost of water includes payments to the following water suppliers: Metropolitan Water District (MWD), Imperial Irrigation District (IID), and Poseidon Resources (Channelside) LP.

Net Water Sales Revenue for the twenty-two-month period ended April 30, 2021 was $204.1 million, or 3 percent lower than the budgeted amount of $210.8 million. Actual Water Purchase and Treatment Costs were lower than budgeted by 11 percent due to lower than projected water sales of 10 percent. Detailed information relating to Net Water Sales Revenue is described below and shown on Attachments 1, 2, 3, and 4.

Total acre-feet (AF) of water sold was budgeted at 756,389 AF for the twenty-two-month period ended April 30, 2021. Actual water sales volumes were 667,760 AF or 12 percent less than budgeted due to lower demand (Attachment 1). The fiscal year 2021 actual water sales volumes through April 2021 were 313,753 AF, or 9.6 percent higher compared to the prior fiscal year’s actual water sales volumes of 286,277 AF through April 2020 (Attachment 2). Total Water Sales Revenues were $1,071.2 million or 10 percent lower than the budget of $1,185.1 million (Attachment 3). Reduced water sales continued through this reporting period and cumulatively are lower due to (1) member agencies using more local surface water supplies than anticipated, (2) the demand dampening effects of significant local rainstorms experienced over the November, December, and April months of Fiscal Year 2020 and (3) pandemic related economic downturn adversely impacting water demands.

Total Water Purchases and Treatment costs were budgeted at $974.4 million. Actual costs were $867.1 million or 11 percent lower than budgeted (Attachment 4). This cost category included $229.0 million for 339,168 AF of water purchased from IID, $239.5 million for MWD’s conveyance charges related to IID, Coachella Canal and All-American Canal water, and $219.6 million of water purchased from Poseidon Resources (Channelside) LP.

Revenues and Other Income
As shown in Attachment 5, total Revenues and Other Income were budgeted at $211.6 million for the twenty-two-month period ended April 30, 2021. Actual revenues were $256.2 million or $44.6 million higher than budget.
Actual revenues materially higher than the twenty-two-month budget include the following:

- **Other Income**: $47.4 million higher than budgeted due to the judgment payment of $44.4 million received from MWD, contracted shortfall payment revenues received from Poseidon for the months of May through July 2020, and due to other miscellaneous revenue reimbursements
- **Capacity Charges**: $3.9 million higher than anticipated due to an increase in the number of building permits issued for water services throughout the county
- **Property Taxes**: $2.9 million higher than anticipated due to increased property values
- **Contributions in Aid of CIP**: $1.4 million higher than budgeted due to a capital grant received relating to the DWR Prop 50 Desal Relining Project K0304

Actual revenues materially lower than the twenty-two-month budget include the following:

- **Grant Reimbursements**: $11.6 million lower than budgeted due to an 18-month extension granted by DWR for the IRWM projects due to pandemic related delays along with permitting and environmental delays affecting construction, and, to a lesser extent, timing of reimbursements from the state of California’s Department of Water Resources
- **Hydroelectric Revenue**: $0.7 million lower than budgeted due to reduced water demands and an unplanned 3-month outage on one of two generating units at the Lake Hodges Hydroelectric facility in Fiscal Year 2020

**Expenses**

As shown in Attachment 5, total Expenses were budgeted at $372.1 million for the twenty-two-month period ended April 30, 2021. Actual expenses were $388.7 million or $16.6 million higher than budget.

Actual expenses materially higher than the twenty-two-month budget include the following:

- **Other Expenses**: $47.0 million higher than budgeted primarily due to the judgment payment of $44.4 million received from MWD that was rebated to the 24 member agencies, engineering and construction project costs related to the MWD Skinner bypass line completed in Fiscal Year 2021, along with increased compensated absences accruals (vacation and sick leaves) for employee leaves not yet taken, and lastly, costs related to developer deposits and grants program administration costs that were already reimbursed. (Generally Accepted Accounting Principles require that revenues and expenses be shown gross and not net, and so some of the Other Income reported above directly offsets Other Expenses)

Actual expenses materially lower than the twenty-two-month budget include the following:

- **Grant Expenses**: $12.6 million lower than budgeted similar to the reduction in grant revenues because of the DWR 18-month project extension along with construction and implementation delays for the IRWM projects. There have also been more advance funded grants thereby increasing revenues without the matching expenses being received until later dates.
- **Debt Service**: $9.4 million lower than budget due to commercial paper program savings and cash flow savings from bond refunding transactions
• **Operating Departments:** $6.3 million lower than budgeted due to effects of implementing a hiring freeze, suspending most travel, limiting training to critical needs and reducing professional services costs; the Operating Department budgets include contributions for pension and OPEB benefits, but these expenses can vary significantly once actuarial reports are received (based on updated assumptions and experience studies), and so there was an additional $4.1 million charge related to pensions in Fiscal Year 2020 that will be paid through increased contributions in future years. Adjustments, if any, related to Fiscal Year 2021 will not be known until June.

• **Equipment Replacement:** $2.0 million lower than budgeted due to the deferral of purchases; it is anticipated that this same amount of savings will carry through Fiscal Year 2021

**CIP Expenses**
Attachment 5 shows CIP Expenses were budgeted at $153.3 million for the twenty-two-month period ended April 30, 2021. Actual expenses were $97.6 million or $55.7 million lower than budget due to the deferral of projects. It is projected that CIP expenses for both years will approximate $114 million resulting in about $48 million in savings.

**Cash and Investments**
As of April 30, 2021, the Water Authority’s cash and investments balance was $307.4 million, approximately 92 percent unrestricted funds with the remaining 8 percent of funds restricted for specific purposes (Attachment 6). The Water Authority Treasurer pools the cash of the Pay-As-You-Go Fund with total unrestricted funds to maximize investment returns. The Rate Stabilization Fund (RSF) cash and investments balance was $122.5 million, representing approximately 165 percent of the targeted value of $74.3 million and 116 percent of the maximum balance of $105.2 million. In June 2018, the Water Authority Board approved a multi-year refinement to its RSF methodology. FY 2021 will reflect the final adjustment to this methodology, and, as such, the current fund balances are expected to exceed target/maximum levels. The CY 2021 Rate Study forecasted future withdrawals to provide rate smoothing and align balances within the revised target levels.

Prepared by: Jocelyn Matsuo, Senior Accountant
Reviewed by: Geena Xiaoqing Balistrieri, CPA, Accounting Supervisor
Approved by: Christopher Woidzik, CPA, Controller

Attachments:
Attachment 1 – Water Sales Volumes
Attachment 2 – YOY Water Sales Comparison FY21 and FY20
Attachment 3 – Water Sales Revenues
Attachment 4 – Water Purchases and Treatment Costs
Attachment 5 – Budget Status Report
Attachment 6 – Schedule of Cash and Investments
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.

### Fiscal Year 2020 Cumulative Water Sales (AF)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Monthly Actual</td>
<td>35,833</td>
<td>41,541</td>
<td>38,774</td>
<td>39,000</td>
<td>29,132</td>
<td>17,061</td>
<td>20,999</td>
<td>22,838</td>
<td>20,834</td>
<td>20,265</td>
<td>32,015</td>
<td>35,715</td>
</tr>
<tr>
<td>Cumulative Actual (a)</td>
<td>35,833</td>
<td>77,374</td>
<td>116,148</td>
<td>155,148</td>
<td>184,280</td>
<td>201,341</td>
<td>222,340</td>
<td>245,178</td>
<td>266,012</td>
<td>286,277</td>
<td>318,292</td>
<td>354,007</td>
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<tr>
<td>Monthly Budget</td>
<td>47,103</td>
<td>48,614</td>
<td>42,568</td>
<td>38,728</td>
<td>36,236</td>
<td>30,476</td>
<td>17,689</td>
<td>19,119</td>
<td>20,344</td>
<td>34,602</td>
<td>34,602</td>
<td>38,443</td>
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<tr>
<td>Cumulative Budget (b)</td>
<td>47,103</td>
<td>95,717</td>
<td>138,285</td>
<td>180,013</td>
<td>213,249</td>
<td>243,725</td>
<td>261,414</td>
<td>280,533</td>
<td>300,877</td>
<td>335,479</td>
<td>370,081</td>
<td>408,524</td>
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<td>AF Difference (c) (a-b)</td>
<td>(11,270)</td>
<td>(18,343)</td>
<td>(22,137)</td>
<td>(21,865)</td>
<td>(28,969)</td>
<td>(42,384)</td>
<td>(39,074)</td>
<td>(35,355)</td>
<td>(34,602)</td>
<td>(49,202)</td>
<td>(51,789)</td>
<td>(54,517)</td>
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<tr>
<td>% Difference (c/b)</td>
<td>-24%</td>
<td>-19%</td>
<td>-16%</td>
<td>-12%</td>
<td>-14%</td>
<td>-17%</td>
<td>-15%</td>
<td>-13%</td>
<td>-12%</td>
<td>-15%</td>
<td>-14%</td>
<td>-13%</td>
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</table>

### Fiscal Year 2021 Cumulative Water Sales (AF)

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</tr>
</thead>
<tbody>
<tr>
<td>Monthly Actual</td>
<td>33,361</td>
<td>40,274</td>
<td>41,381</td>
<td>38,700</td>
<td>29,240</td>
<td>32,205</td>
<td>23,341</td>
<td>20,823</td>
<td>21,396</td>
<td>33,032</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Cumulative Actual (a)</td>
<td>33,361</td>
<td>73,635</td>
<td>115,016</td>
<td>153,716</td>
<td>182,956</td>
<td>215,161</td>
<td>238,502</td>
<td>259,325</td>
<td>280,721</td>
<td>313,753</td>
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<td>Monthly Budget</td>
<td>48,841</td>
<td>50,409</td>
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<td>40,157</td>
<td>37,574</td>
<td>31,601</td>
<td>18,342</td>
<td>19,826</td>
<td>21,095</td>
<td>35,879</td>
<td>35,879</td>
<td>39,721</td>
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<td>Cumulative Budget (b)</td>
<td>48,841</td>
<td>99,250</td>
<td>143,391</td>
<td>183,548</td>
<td>221,122</td>
<td>252,723</td>
<td>271,065</td>
<td>290,891</td>
<td>311,986</td>
<td>347,865</td>
<td>383,744</td>
<td>423,465</td>
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<td>AF Difference (c) (a-b)</td>
<td>(15,480)</td>
<td>(25,515)</td>
<td>(28,375)</td>
<td>(29,832)</td>
<td>(38,166)</td>
<td>(37,562)</td>
<td>(32,563)</td>
<td>(31,566)</td>
<td>(31,285)</td>
<td>(34,112)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% Difference (c/b)</td>
<td>-32%</td>
<td>-26%</td>
<td>-20%</td>
<td>-16%</td>
<td>-17%</td>
<td>-15%</td>
<td>-12%</td>
<td>-11%</td>
<td>-10%</td>
<td>-10%</td>
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</tr>
</tbody>
</table>

### Fiscal Year 2020 through Apr-21 Total

<table>
<thead>
<tr>
<th>Budget</th>
<th>FY20</th>
<th>FY21 through Apr-21</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>408,524</td>
<td>347,865</td>
<td>756,389</td>
</tr>
<tr>
<td>Difference</td>
<td>54,517</td>
<td>(4,612)</td>
<td>(59,129)</td>
</tr>
<tr>
<td>% Difference</td>
<td>-13%</td>
<td>-10%</td>
<td>-12%</td>
</tr>
</tbody>
</table>
FY21 & FY20 Actual Water Sales

YOY Comparison
FY21 313,753 AF
FY20 286,277 AF
Increase 27,476 AF or 9.6%
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Monthly Actual</td>
<td>$54.2</td>
<td>$60.3</td>
<td>$56.8</td>
<td>$56.9</td>
<td>$45.9</td>
<td>$32.6</td>
<td>$38.5</td>
<td>$40.3</td>
<td>$37.5</td>
<td>$37.9</td>
<td>$51.1</td>
<td>$53.8</td>
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<td>Cumulative Actual (a)</td>
<td>$54.2</td>
<td>$114.5</td>
<td>$171.3</td>
<td>$228.2</td>
<td>$285.7</td>
<td>$342.3</td>
<td>$388.8</td>
<td>$435.5</td>
<td>$482.0</td>
<td>$528.5</td>
<td>$575.1</td>
<td>$621.9</td>
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<td>Monthly Budget</td>
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<td>$54.5</td>
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<td>$35.9</td>
<td>$37.4</td>
<td>$54.0</td>
<td>$54.3</td>
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<td>Cumulative Budget (b)</td>
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<td>$(26.7)</td>
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<td>$(58.5)</td>
<td>$(61.7)</td>
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</tr>
<tr>
<td>% Difference (c/b)</td>
<td>-20%</td>
<td>-16%</td>
<td>-13%</td>
<td>-12%</td>
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<td>-12%</td>
<td>-10%</td>
<td>-9%</td>
<td>-11%</td>
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</tr>
</tbody>
</table>

**Fiscal Year 2020 Cumulative Water Sales (in millions $)**

<table>
<thead>
<tr>
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<td>$572.5</td>
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**Fiscal Year 2021 Cumulative Water Sales (in millions $)**

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**WATER SALES REVENUES (in millions $)**

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<tr>
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*Fiscal Year 2020 Cumulative Water Sales (in millions $)*

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<td>$350.3</td>
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<td>Monthly Budget</td>
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<td>$39.7</td>
<td>$58.2</td>
<td>$58.3</td>
<td>$63.5</td>
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<tr>
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<td>$216.5</td>
<td>$278.8</td>
<td>$339.0</td>
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<td>$474.6</td>
<td>$514.4</td>
<td>$572.5</td>
<td>$610.8</td>
<td>$674.3</td>
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Page 231 of 369
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021, as amended by the Board.

### Fiscal Year 2020 Cumulative Cost of Water Purchases and Treatment (in millions $)

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<td>$(19.6)</td>
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### Fiscal Year 2021 Cumulative Cost of Water Purchases and Treatment (in millions $)

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### Budget Versus Actual for the 22 Months Ended April 30, 2021

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<td>$48.4</td>
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<td>$56.2</td>
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<td>-15%</td>
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### Summary

- **Budget:** $974.4
- **Actual:** $867.1

**Difference:** $(68.7) (11%)

**% Difference:** -13%
### San Diego County Water Authority

**Fiscal Years 2020 and 2021 Budget Status Report**

**For the 22 Months Ended April 30, 2021**

Unaudited

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<th>[B]</th>
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<td><strong>22 Months</strong></td>
<td><strong>Variance</strong></td>
<td><strong>22 Months</strong></td>
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<td>974,377,149 (b)</td>
<td>867,115,652</td>
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<td>231,455,598</td>
<td>210,769,722</td>
<td>204,113,004</td>
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<td><strong>Revenues and Other Income</strong></td>
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<td>Infrastructure Access Charges</td>
<td>81,656,000</td>
<td>72,881,791</td>
<td>72,994,698</td>
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<td>26,303,450 (n)</td>
<td>29,214,890</td>
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<td>11,501,000 (d)</td>
<td>10,781,720 (n)</td>
<td>11,025,255</td>
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<td>Hydroelectric Revenue</td>
<td>7,350,000 (e)</td>
<td>6,737,500</td>
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<td>19,347,753</td>
<td>19,499,486 (l)</td>
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<td>2,462,000 (n)</td>
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<td>32,192,490 (n)</td>
<td>32,068,977</td>
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<td>22,221,000 (g)</td>
<td>18,665,476 (o)</td>
<td>19,365,851</td>
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<td>Contributions in Aid of Capital Improvement Program (CIP)</td>
<td>1,855,000 (h)</td>
<td>1,300,000 (n)</td>
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<td>211,637,838</td>
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<td>232,376,560 (n)</td>
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<td>4,710,889</td>
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<td>Grant Expenses</td>
<td>26,323,000</td>
<td>24,577,967</td>
<td>19,499,486 (l)</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>6,024,000</td>
<td>3,614,000 (n)</td>
<td>50,583,151</td>
</tr>
<tr>
<td>Operating Departments (see below)</td>
<td>111,503,285 (k)</td>
<td>101,932,197 (n)</td>
<td>95,621,807</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>449,881,285</td>
<td>372,067,058</td>
<td>388,736,609</td>
</tr>
<tr>
<td><strong>Net Revenues Before CIP</strong></td>
<td>$18,640,313</td>
<td>$50,340,501</td>
<td>$71,555,720</td>
</tr>
<tr>
<td>CIP Expenses*</td>
<td>$162,222,000</td>
<td>$153,348,561 (n)</td>
<td>$97,635,487</td>
</tr>
<tr>
<td><strong>Net Fund Withdraws</strong></td>
<td>$143,581,687 (m)</td>
<td>$103,008,059</td>
<td>$26,079,767</td>
</tr>
</tbody>
</table>

*(CIP Expenses are all funded by Pay-As-You-Go Fund)

### Operating Departments Detail

- Administrative Services: $13,611,163
- Colorado River Program: 3,458,721
- Engineering: 8,007,603
- Finance: 5,480,705
- General Counsel: 6,689,550
- General Manager & Board of Directors: 6,816,751
- Government Relations: 1,351,581
- Human Resources: 1,551,617
- MWD Program: 4,045,097
- Operations & Maintenance: 42,710,716
- Public Affairs: 7,270,725
- Water Resources: 10,509,056
- Actuarial amounts related to Pensions/OPEB: -

**Total Operating Departments**: $111,503,285

Unaudited
Notes to the Budget Status Report:

a) Period-to-date budgeted amounts are 22/24ths (92%) of Fiscal Years 2020 and 2021 amended budget unless noted.

b) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet calculated per month.

c) Property taxes are primarily received in December and April. In-lieu charges in the amount of $625,709 for Fiscal Year 2020 and $642,733 for Fiscal Year 2021 are received quarterly from the City of San Diego.

d) Investment income excludes unrealized gains/losses, which are non-cash transactions.

e) Hydroelectric revenue budget amount includes Rancho Penasquitos Hydro-generation and Pressure Control Facility (Rancho Hydro) and Lake Hodges Pumped Storage Facility (Hodges Hydro).

f) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue are recorded for the quarter ending June.

g) Water standby availability charges are primarily received in January and May.

h) Contributions in aid of capital improvement program include planned reimbursements for miscellaneous projects.

i) Bonds and Certificates of Participation debt service payments are due semi-annually on November 1 and May 1. Pipeline Bonds, Series 2019 debt service payments are due semi-annually on July 1 and January 1. Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to long-term debt, such as discounts, premiums, and deferred gain/loss on refunding are excluded because they are non-cash transactions. Short-term debt for Commercial Paper are paid monthly.

j) QSA Mitigation includes: 1) Fiscal Year 2020 contributions of $1,750,000 due July 1 and $1,060,053 due December 31; and 2) Fiscal Year 2021 contributions of $850,000 due July 1 and $1,050,836 due December 31.

k) Amounts include capital equipment purchases included in the project budget.

l) The semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds were reduced under Congressionally-mandated sequestration.

m) Represents withdraws from fund balances.

n) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.

o) This includes the $44.4 million MWD settlement payment. The monies received by the Water Authority were disbursed to the Member Agencies.
San Diego County Water Authority
Schedule of Cash and Investments
As of April 30, and March 31, 2021
Unaudited

<table>
<thead>
<tr>
<th>Fund Category</th>
<th>April</th>
<th>March</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$157,072,443</td>
<td>$155,365,794</td>
<td>$81,900,000</td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>1,641,328</td>
<td>1,905,694</td>
<td></td>
</tr>
<tr>
<td>Canal Maintenance Fund</td>
<td>254,877</td>
<td>238,494</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>122,502,724</td>
<td>122,377,040</td>
<td>$74,300,000</td>
</tr>
<tr>
<td><strong>Total Unrestricted Funds</strong></td>
<td><strong>92%</strong></td>
<td><strong>281,471,372</strong></td>
<td><strong>92%</strong> <strong>279,887,022</strong></td>
</tr>
<tr>
<td>Pay-As-You-Go Fund (1)</td>
<td>3,688,599</td>
<td>1,962,436</td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Funds</td>
<td>22,193,650</td>
<td>22,193,650</td>
<td></td>
</tr>
<tr>
<td><strong>Total Restricted Funds</strong></td>
<td><strong>8%</strong></td>
<td><strong>25,882,249</strong></td>
<td><strong>8%</strong> <strong>24,156,086</strong></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td><strong>$307,353,621</strong></td>
<td><strong>$304,043,108</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
(1) Total Unrestricted Funds and the Pay-As-You-Go Fund represent the Pooled Funds in the Treasurer's Report.

**Reserve Fund Categories**

**Operating Fund:** The Water Authority's working capital and emergency operating reserve. The Operating Fund's policy requires 45 days of average annual operating expenses to be kept in reserves as assessed on an annual basis.

**Stored Water Fund (SWF):** This fund provides working capital to purchase water inventory necessary to fully utilize the Water Authority's storage facilities. A 70,000 acre-feet target was established for Carryover Storage inventory along with a maximum of 100,000 acre-feet, which is the storage capacity. The SWF is to only hold a cash position if the cost to replace the target amount is below the current value of water inventory in the fund.

**Equipment Replacement Fund (ERF):** The ERF is funded by transfers from the Operating Fund for capital equipment purchases such as computers, vehicles, and SCADA systems and is used to replace equipment which has reached the end of its effective useful life.

**Canal Maintenance Fund:** This fund provides for the large periodic maintenance expenses of the All-American and Coachella Canals that is estimated to occur every five to eight years.

**Rate Stabilization Fund (RSF):** The RSF holds the water revenues greater than expenditures in years of strong water sales. Funds can then be used to mitigate "rate shock" in years of weak water sales and/or to manage debt service coverage. The RSF target balance is equal to the financial impact of 2.5 years of wet weather or mandatory restrictions and the maximum fund balance is equal to the financial impact of 3.5 years of wet weather or mandatory restrictions. The current balance in this fund represents approximately 165% of the targeted value of $74.3 million and 116% of the maximum balance of $105.2 million.

**Pay-As-You-Go Fund (PAYGO):** The PAYGO fund collects Capacity Charges and Water Standby Availability Charges to be used to pay for the cash portion of the CIP. The funds are dedicated for construction outlays as well as debt service.

**Debt Service Reserve Fund:** This fund contains the required legal reserve for Water Authority debt issues. Such reserves are held for the purpose of making an issue's annual debt service payments in the event the Water Authority should be unable to make such payments. The funds are held by trustees and interest earned is transferred into the Operating Fund and is not restricted.
JULY 2021
• 07  MWD Delegates meeting at 11:00 a.m.
• 08  No Special Board Meeting
• 22  Committees begin at 9:00 a.m.
      Formal Board meeting begins at 2:30 p.m.

AUGUST 2021
• 11  MWD Delegates meeting at 11:00 a.m.
• 12  Special Administrative & Finance Committee
      Meeting re: Long Range Financing Plan 1:30 p.m.
• 26  Committees begin at 9:00 a.m.
      Formal Board meeting begins at 2:30 p.m.

SEPTEMBER 2021
• 01  MWD Delegates meeting at 11:00 a.m.
• 09  Special Board Meeting / Workshop – 8:00 a.m.
• 23  Committees begin at 9:00 a.m.
      Formal Board meeting begins at 2:30 p.m.
ENGINEERING AND OPERATIONS COMMITTEE

AGENDA FOR
JUNE 24, 2021

Lois Fong-Sakai, Chair  Michael Hogan
Joe Mosca, Vice Chair  Keith Lewinger
Tim Smith, Vice Chair  Dan McMillan
Ismahan Abdullahi  Marty Miller
Gary Arant  Jim Murtland
Jimmy Ayala  John Simpson
Jack Bebee  Kim Thorner
Eric Heidemann


2. Additions to Agenda (Government Code Section 54954.2(b)).

3. Public Comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4-A Directors’ comments.
I. CONSENT CALENDAR

II. ACTION/DISCUSSION/PRESENTATION

1. Annual Aqueduct Operating Plan. (Presentation) Chris Castaing

2. New Operations and Maintenance Department Yard / Facility. (Presentation) Jesus Meda / John Kross

3. Drone Program and Mission Trails Flow Regulatory Structure II and Flow Control Facility project update. (Presentation) Tad Brierton / Mike Heu

III. INFORMATION

IV. CLOSED SESSION

V. ADJOURNMENT Melinda Nelson

Clerk of the Board

NOTE: This meeting is called as an Engineering & Operations Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
Attention: Engineering and Operations Committee

Annual Aqueduct Operating Plan. (Presentation)

Background
This is the sixteenth year that the annual Aqueduct Operating Plan has been published. It was developed in June 2006 to coordinate Water Authority and Member Agency regional operating activities, including the delivery of treated and untreated water, aqueduct and treatment plant shutdowns, energy production and consumption, reservoir storage summaries and storage opportunities. This plan covers July 1, 2021 to June 30, 2022.

Discussion
The Aqueduct Operating Plan is used as a planning document to optimize the delivery, treatment, and storage of water in the Water Authority’s service area by means of coordination and communication between the Member Agencies and the Metropolitan Water District of Southern California (“MWD”).

The Aqueduct Operating Plan includes a summary of the Water Authority’s scheduled shutdowns that impact the delivery of treated and untreated water to the region, Water Authority pump station operating schedules, Member Agency major maintenance information, and the production and consumption of energy for the Water Authority’s hydroelectric facilities, water treatment plant, and pump stations. The plan was developed based on information received from Member Agencies, historical delivery data, constraints in the aqueduct system, and scheduled shutdowns.

Based on the projected demands, system supply and capacity will be sufficient for meeting the region’s anticipated treated and untreated needs. Treated deliveries will be supplied by Twin Oaks Valley Water Treatment Plant, Carlsbad Desalination Plant, and MWD Skinner Plant. Untreated deliveries will be supplied primarily by Quantification Settlement Agreement water along with MWD supply.

The plan shows that, with effective communication and coordination, there is sufficient capacity to meet the region’s water supply demands for fiscal year 2022.

Prepared by: Chris Castaing, Operations and Maintenance Manager
Reviewed by: James E. Fisher, Director of Operations and Maintenance
Approved by: Dan Denham, Deputy General Manager

Attachment:

Attachment 1 - Aqueduct Operating Plan
AQUEDUCT OPERATING PLAN

JULY 1, 2021 to JUNE 30, 2022
On the Cover

- Venturi Meter Calibration
- Disinfection Set Up
- Pressure Transmitter Relocation
- Valve and Spool Removal
- RPH Spool Preparation
- Cathodic Protection System Maintenance
- Air Valve Removal
- Access Card System Maintenance
Executive Summary

The annual Aqueduct Operating Plan (AOP) reflects on-going efforts to optimize the delivery, treatment, and storage of water in the San Diego region through coordination between member agency Operating Heads, Water Authority staff, and the Metropolitan Water District of Southern California (MWD). Staff has updated the AOP for fiscal year 2022 to reflect anticipated operational opportunities and constraints, and to evaluate our performance for fiscal year 2021.

The AOP includes the Water Authority’s anticipated pump station operating schedules and water treatment plant outages. The AOP was developed based on information received from member agencies, historical delivery/production data, capacity constraints within the Water Authority’s aqueduct system, and scheduled shutdowns. Highlights for fiscal year 2022 include:

- System supply and capacity will be sufficient for meeting the region’s anticipated treated and untreated water requests.
- Treated water supply delivery is anticipated to peak at approximately 41 percent of treated aqueduct capacity for the fiscal year.
- Treated deliveries will be supplied by approximately 35 percent Twin Oaks Valley Water Treatment Plant, 35 percent Carlsbad Desalination Plant, and 10 percent QSA treated, 20 percent MWD.
- Untreated water supply delivery is anticipated to peak at approximately 76 percent of untreated aqueduct capacity for the fiscal year.
- Untreated deliveries will be supplied by approximately 92 percent QSA and 8 percent MWD.
- There will be three treated water shutdowns and three treated water outages*.
- There will be five untreated water shutdowns and one untreated water outage*.

*Shutdowns affect large portions of the system and affect deliveries to a significant number of metered connections; outages are more localized and have considerably smaller impact on aqueduct deliveries.
Water Supply

Based on the projected demands for both treated and untreated deliveries, it is expected that demand during fiscal year 2022 will not exceed available supply or system capacity on either system. These projections indicate the total treated water deliveries will peak at approximately 41 percent of the 650 cfs treated water pipeline capacity (Figure 1). This includes treated water deliveries from MWD’s Skinner Treatment Plant, Twin Oaks Valley Water Treatment Plant, and the Carlsbad Desalination Plant.

![Figure 1 - FY 2022 Projected Treated Water Supply Utilization](image)

Likewise, untreated deliveries for the year should peak at approximately 76 percent of the 780 cfs untreated pipeline capacity (Figure 2). Untreated water deliveries will fall into two categories – QSA and MWD deliveries. In order to meet regional demand for most of the year, deliveries will require both. During the low demand winter months, it is expected that untreated water will need to be placed into storage to meet the QSA minimum monthly delivery. The goal will be to supplement untreated water deliveries during the peak months utilizing the San Vicente pump station to draw from this QSA storage volume as well.
Fiscal year 2021 Water Authority demands for treated and untreated water have generally followed projected trends. Treated demands in July through September were slightly higher than projected. Lower untreated demands during the winter months and an extended untreated shutdown in March resulted in the need to place QSA water into local storage for future use during the summer high demand months. For fiscal year 2021, both treated and untreated water volumes were well below pipeline capacities (see Figure 3 and 4).

Figure 2 - FY 2022 Projected Untreated Water Supply Utilization

Figure 3 - FY 2021 AOP Treated Water Demand vs. Actual Deliveries

- 4 -
Figure 4 - FY 2021 AOP Untreated Water Demand vs. Actual Deliveries
Untreated Water Distribution Priorities

Through a series of discussions with member agency staff, key untreated operating concerns were identified and used to develop untreated water delivery priorities. These priorities are intended to provide a framework for Water Authority operators to manage potential conflicts during untreated water high demand periods. The priorities agreed upon regarding untreated water distribution is shown in Figure 5.

Figure 5 - Untreated Water Delivery Priorities
Water Authority Aqueduct Shutdowns

The Water Authority conducts scheduled shutdowns of sections of pipeline and facilities for internal inspection, maintenance, and Capital Improvement Project connections on an annual basis. These shutdowns are coordinated with MWD, member agencies, and all Water Authority departments. The schedule includes three years of shutdowns to allow for the proper planning of maintenance and CIP activities for both the Water Authority and its member agencies. This three-year schedule is updated each January to facilitate the compilation of the annual AOP. At that time, the next fiscal year’s aqueduct shutdown schedules are made available to member agencies for review and comment, prior to inclusion in the AOP.

For fiscal year 2022, there are three treated water shutdowns, five untreated water shutdowns, three treated water outages, and one untreated water outage scheduled between September 2021 and June 2022. While the O&M Department will be involved in additional maintenance activities that will maximize the benefits of the shutdowns planned for fiscal year 2022, the primary reasons for these shutdowns are to support activities related to either asset management or warranty inspections. The difference between shutdowns and outages are a matter of “scale”, shutdowns affect large portions of the system and deliveries to a significant number of metered connections, while outages are more localized and have considerably smaller impact on aqueduct deliveries. A timeline and brief description of the shutdowns and outages are shown in Figure 8.
Figure 8 - Water Authority FY 2022 Pipeline Shutdowns and Outages

Dec 5 - Dec 14, 2021: Treated
1. Internal inspection and 3-D scan of 1st Aqueduct treated tunnels - Lilac/Red Mtn. Oat Hills
2. NCDP tank regulatory compliance inspection

Nov 14 - Nov 23, 2021: Treated
1. PPL 4E1 Internal inspection and MTFRS regulatory compliance inspection

Nov 8 - Nov 14, 2021: Untreated
2. Lake Hodges Hydroelectric Facility annual maintenance

Nov 14 - Nov 18, 2021: Treated
3. Carlsbad Desalination Plant semi-annual maintenance

Jan 23 - Feb 1, 2022: Untreated
1. Rancho Penasquitos Hydroelectric Facility turbine train isolation for turbine replacement
2. Inspection of PPL 3/4/4A from Miramar Hill to SD5, including Red Cedar Crossing
3. Bulkhead removal in PPL3 to place MTFRS II and new flow control facility in service
4. Internal inspection of PPL3 from SR52 to Lake Murray interconnect

Apr 17 - Apr 26, 2022: Untreated
5. Rancho Penasquitos Hydroelectric Facility turbine final connection/SCADA integration and internal inspection of valve coatings
<table>
<thead>
<tr>
<th>Description</th>
<th>November 14 through November 23, 2021 - Treated Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>10-day treated shutdown of Pipeline 4/4BI/4BII/4EI/4EII from Black Mountain Vent to Lower Otay Terminus Point.</td>
</tr>
<tr>
<td>Shutoffs</td>
<td>1. PPL4EI Internal Inspection and Mission Trails FRS regulatory compliance inspection and cleaning</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>Minimal flow reduction of MWD on Pipeline 4 as shutdown is located in the southern portion of SDCWA system.</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following connections will be out of service and unavailable for 10 days during this shutdown – SD11, PD4, SD18, SD21, HLX5, OTAY11, SD19, NCSB4, OTAY10, OTAY12, OTAY13, Miramar Pump Station, and SD27.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>December 5 through December 14, 2021 - Treated Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>10-day full treated shutdown of the 1st Aqueduct with Pipeline 1 and 2 being isolated at the Skinner Treatment Plant to Hubbard Vent (Treated Terminal Structure) and the North County Distribution Pipeline (NCDP) from Pipeline 4 take-off to Terminus (OCS6/VID11). All treated water flows from MWD point of delivery to terminus will be terminated on Pipeline 1 and 2 for the 10-day period and the NCDP pipeline.</td>
</tr>
<tr>
<td>Shutoffs</td>
<td>2. Internal inspection and 3D scan of 1st Aqueduct treated tunnels – Lilac, Red Mountain, and Oat Hills.</td>
</tr>
<tr>
<td></td>
<td>3. NCDP Tank regulatory compliance inspection and cleaning</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>Treated water capacity reduction of approximately 180CFS due to Pipeline 1 and 2 being out of service and NCDP Pipeline.</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following connections will be affected by this shutdown: 1st Aqueduct – FB3, RB1, RB10, VC3, YWD3, VC1A, VC1B, VC5, VC6, VC2, VID12, VAL11, RIN1, RIN3; NCDP PPL – NCDP1, RB11, VAL8, OCS6, VID11.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>January 23 through February 1, 2022 - Untreated Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>10-day untreated shutdown of Pipeline 5 from Del Dios valve vault and Pipeline 3/4/4A from Miramar to Terminus.</td>
</tr>
<tr>
<td>Shutoffs</td>
<td>1. Rancho Peñasquitos Hydroelectric Facility turbine train isolation for turbine replacement.</td>
</tr>
<tr>
<td></td>
<td>2. Inspection of PPL 3/4/4A from Miramar Hill to SD5, including Red Cedar Crossing</td>
</tr>
<tr>
<td></td>
<td>4. Internal inspection of PPL3 from SR52 to Lake Murray interconnect</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>Potential reduction up to 200CFS in untreated flow demand from MWD.</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following connections will be affected by this shutdown – Pipeline 5 - SDSF 4, SDSF 5; San Vicente Tunnel - HLX 6, HLX 7; Pipelines 3/4/4A - SD5A, SD5B, SD5C, SD28, NCSB1, NCSB3, SD7, SD20, SD6A, SD6B.</td>
</tr>
</tbody>
</table>
### April 17 through April 26, 2022 - Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>10-day untreated shutdown of Pipeline 5 from Del Dios valve vault and Pipelines 3-4-4A to Terminus on Pipeline 4 (SD28 FCF) and Pipeline 3 (SD6A/B).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shutdowns</td>
<td>5. Rancho Peñasquitos Hydroelectric Facility turbine final connection and SCADA integration. Perform internal inspection of valve coatings.</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>Potential reduction of 200CFS in untreated flow demands from MWD.</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following connections will be affected by this shutdown – Pipeline 5 - SDSF 4, SDSF 5; San Vicente Tunnel - HLX 6, HLX 7; Pipelines 3/4/4A - SD5A, SD5B, SD5C, SD28, NCSB1, NCSB3, SD7, SD20, SD6A, SD6B.</td>
</tr>
</tbody>
</table>

### August 30 through October 8, 2021 – Treated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>40-day outage of the Valley Center Pipeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outage</td>
<td>1. Hauck Mesa FRS project isolation and tie-in construction</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>None</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>None</td>
</tr>
</tbody>
</table>

### November 8 through November 14, 2021 – Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>7-day outage of Lake Hodges Hydroelectric Facility annual maintenance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outage</td>
<td>2. Lake Hodges Hydroelectric Facility annual maintenance</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>None</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>None</td>
</tr>
</tbody>
</table>

### November 14 through November 18, 2021 – Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>5-day outage of Carlsbad Desalination Plant for semi-annual maintenance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outage</td>
<td>3. Carlsbad Desalination Plant semi-annual maintenance</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>Potential increase in treated flow demands due to Desalination Plant being offline</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following connection will be affected by this shutdown: Desalination Conveyance Pipeline – VAL9 will not be able to receive desalinated water during shutdown</td>
</tr>
<tr>
<td>Description</td>
<td>5-day outage of Carlsbad Desalination Plant for semi-annual maintenance.</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Outage</td>
<td>4. Carlsbad Desalination Plant semi-annual maintenance</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>Potential increase in treated flow demands due to Desalination Plant being offline.</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following connection will be affected by this shutdown: Desalination Conveyance Pipeline – VAL9 will not be able to receive desalinated water during shutdown.</td>
</tr>
</tbody>
</table>
Member Agency Shutdowns

To optimize the delivery, treatment, and storage of water in San Diego County, a request was sent to the Member Agency Operating Heads to obtain schedules for member agency treatment plant expansions, CIP tie-ins, scheduled treatment plant maintenance, and shutdowns. The goal of this request is to facilitate the production of one schedule that the member agencies can use to schedule their work at times that will have the least impact on the region. Responses from member agencies confirmed upcoming maintenance activities including those shown in Figure 9. Several other maintenance projects were also identified, but they either lacked firm schedules or did not have a significant operational impact to the region. These types of projects, as well as Treatment Plant Shutdown coordination, will be carried throughout the year as standing discussion items at the regularly scheduled Operating Head meetings.

Figure 9 - Scheduled Member Agency Maintenance Coordination
Water Authority Aqueduct Energy Production/Consumption

The Water Authority will continue operation of the Rancho Peñasquitos Hydroelectric Facility (RPH) and the Lake Hodges Pumped Storage Facility (LHPS) during fiscal year 2022. The Water Authority will be operating five pump stations and Jacobs/OMI will be operating the Twin Oaks Valley Water Treatment Plant in fiscal year 2022. Aqueduct operations also include over 100 small stations that consume energy. The following (Tables 1 and Table 2) are lists of the larger facilities along with their anticipated operation schedules and costs:

<table>
<thead>
<tr>
<th>Generation</th>
<th>Consumption</th>
<th>Bill Credit Saving</th>
<th>Estimated Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month of Operation</td>
<td>Turbine</td>
<td>Capacity</td>
<td>Power</td>
</tr>
<tr>
<td>RPH</td>
<td>Sep-21 Oct-21</td>
<td>1</td>
<td>4.6 MW</td>
</tr>
<tr>
<td>LHPS</td>
<td>As Dispatched</td>
<td>2</td>
<td>40 MW</td>
</tr>
</tbody>
</table>

Table 1 - Hydro Generation/Consumption

<table>
<thead>
<tr>
<th>Operational</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month of Operation</td>
</tr>
<tr>
<td>Pipeline 2A Pump Station</td>
</tr>
<tr>
<td>Olivenhain Pump Station</td>
</tr>
<tr>
<td>Escondido Pump Station</td>
</tr>
<tr>
<td>San Vicente Pump Station</td>
</tr>
<tr>
<td>Miramar Pump Station</td>
</tr>
<tr>
<td>Twin Oaks Water Treatment Plant</td>
</tr>
</tbody>
</table>

Table 2 - Large Facility Operational Energy Costs

The total power cost to operate the Lake Hodges Pump Storage Facility, Rancho Peñasquitos Pressure Control and Hydroelectric Facility, the five pump stations, and Twin Oaks Valley Water Treatment Plant is estimated to be $2,100,000 for fiscal year 2022. The fiscal year 2022 revenue and bill credits for all Water Authority hydroelectricity generation is estimated to be $3,200,000.

The Rancho Peñasquitos Hydroelectric generation is projected to be off-line from July 2021 through August 2021 due to the operation of the San Vicente Pump Station, which inhibits the ability to run the turbine generator. In addition, the Rancho Peñasquitos Hydroelectric turbine generator replacement project is scheduled to begin in early 2022. The timing of the turbine replacement was scheduled during periods of low flow and the operations of the San Vicente Pump Station to minimize the loss of generation capability. The Rancho Peñasquitos
Hydroelectric is operated under the Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) tariff and all energy generated is applied as a bill credit at the Lewis Carlsbad Desalination Plant. Due to projected low flows in fiscal year 2022, the estimated annual bill credit at the Carlsbad Desalination Plant is $400,000.

The Lake Hodges Pumped Storage Facility is expected to produce more than $3,000,000 in revenues by the end of fiscal year 2021 and exceed its revenue goal of $2,800,000. (see Figure 10). This is due to the outstanding level of maintenance provided by O&M and their ability to maintain a high level of facility availability throughout the year.

![Figure 10 - Annual Revenue Generated at Lake Hodges Pump Storage Facility](image)

Solar Generation

In October of 2010, a Solar Power and Services Agreement was signed between the Water Authority and Borrego Solar Systems Incorporated (Borrego) which allowed Borrego to install solar systems at the Kearny Mesa Headquarters, Escondido Operations Center, and the Twin Oaks Valley Water Treatment Plant. The Water Authority purchases the power generated at these sites at rates lower than the projected utility rate. The systems are owned and maintained by Borrego so that there are no expenses to the Water Authority other than the staff time required to monitor the agreements. The following table (Table 3) shows Water Authority solar facilities along with their anticipated operation schedules, and estimated savings to the Water Authority based on Borrego’s contract:
<table>
<thead>
<tr>
<th>Estimated</th>
<th>Month of Operation</th>
<th>Generation (kWh)</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escondido Operations Center</td>
<td>Jul-21, Jun-22</td>
<td>244,000</td>
<td>$22,000</td>
</tr>
<tr>
<td>Twin Oaks Water Treatment Plant</td>
<td>Jul-21, Jun-22</td>
<td>1,755,000</td>
<td>$158,000</td>
</tr>
<tr>
<td>Kearny Mesa Headquarters</td>
<td>Jul-21, Jun-22</td>
<td>644,000</td>
<td>$110,000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td><strong>$290,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 3 – Solar Generation
Member agency and Water Authority reservoirs serve multiple functions including surface water capture, seasonal shift water storage, carryover storage, and local sources of emergency water supplies. Member agency and Water Authority reservoirs function as system capacity buffers during peak demand periods and offer a level of security for short and long-term emergency situations. The size and location of each reservoir affects the extent to which it can perform the various functions, as does the individual agencies’ operational plan (see Figure 11, Table 4, and Figure 12).

Figure 11 - Location and Relative Capacities of San Diego County Reservoirs
Table 4 - Storage/Capacity in Member Agency and Water Authority Reservoirs (AF)

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>¹Total</th>
<th>Usable</th>
<th>Dead (unusable)</th>
<th>Storage as of June 1, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Member Agency</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Carryover</td>
</tr>
<tr>
<td>Henshaw</td>
<td>51,774</td>
<td>51,768</td>
<td>6</td>
<td>5,181</td>
</tr>
<tr>
<td>Wohlford</td>
<td>6,506</td>
<td>6,156</td>
<td>350</td>
<td>2,432</td>
</tr>
<tr>
<td>Dixon</td>
<td>2,606</td>
<td>2,541</td>
<td>65</td>
<td>2,365</td>
</tr>
<tr>
<td>Sutherland</td>
<td>29,508</td>
<td>29,396</td>
<td>112</td>
<td>10,924</td>
</tr>
<tr>
<td>Hodges²</td>
<td>30,632</td>
<td>28,422</td>
<td>1,829</td>
<td>2,092</td>
</tr>
<tr>
<td>San Dieguito</td>
<td>883</td>
<td>717</td>
<td>166</td>
<td>686</td>
</tr>
<tr>
<td>San Vicente</td>
<td>249,358</td>
<td>244,130</td>
<td>5,228</td>
<td>51,003</td>
</tr>
<tr>
<td>El Capitan</td>
<td>112,807</td>
<td>109,992</td>
<td>2,815</td>
<td>30,289</td>
</tr>
<tr>
<td>Murray</td>
<td>4,684</td>
<td>4,292</td>
<td>392</td>
<td>4,106</td>
</tr>
<tr>
<td>Cuyamaca</td>
<td>8,195</td>
<td>8,195</td>
<td>811</td>
<td>8,544</td>
</tr>
<tr>
<td>Jennings</td>
<td>9,790</td>
<td>9,790</td>
<td></td>
<td>8,011</td>
</tr>
<tr>
<td>Loveland</td>
<td>25,400</td>
<td>25,225</td>
<td>175</td>
<td>8,011</td>
</tr>
<tr>
<td>Sweetwater</td>
<td>28,079</td>
<td>27,179</td>
<td>900</td>
<td>11,566</td>
</tr>
<tr>
<td>Morena</td>
<td>50,694</td>
<td>50,020</td>
<td>674</td>
<td>5,417</td>
</tr>
<tr>
<td>Barrett</td>
<td>34,806</td>
<td>34,207</td>
<td>599</td>
<td>20,306</td>
</tr>
<tr>
<td>Lower Otay</td>
<td>49,849</td>
<td>46,026</td>
<td>3,823</td>
<td>35,272</td>
</tr>
<tr>
<td>Miramar</td>
<td>6,682</td>
<td>5,774</td>
<td>908</td>
<td>5,465</td>
</tr>
<tr>
<td>Poway</td>
<td>3,330</td>
<td>2,560</td>
<td>770</td>
<td>2,893</td>
</tr>
<tr>
<td>Ramona</td>
<td>12,000</td>
<td>11,800</td>
<td>200</td>
<td>1,310</td>
</tr>
<tr>
<td>Turner</td>
<td>1,612</td>
<td>1,552</td>
<td>60</td>
<td>1,475</td>
</tr>
<tr>
<td>Olivenhain</td>
<td>24,774</td>
<td>24,731</td>
<td>43</td>
<td>18,000</td>
</tr>
<tr>
<td>Totals</td>
<td>743,969</td>
<td>724,473</td>
<td>19,115</td>
<td>210,148</td>
</tr>
</tbody>
</table>

Notes:
2. Hodges Reservoir has a DSOD imposed level restriction of 295’ which limits capacity to 13,401AF.

In addition to meeting local storage and operational demands, Olivenhain, San Vicente, and Hodges reservoirs play a significant role in the Water Authority’s Emergency & Carryover Storage Program (E&CSP), in response to regional emergency and drought situations related to water supply availability.
Figure 12- Regional Reservoir Levels (% of Capacity) as of June 1, 2021
In addition to ongoing corrective maintenance that is undertaken in response to specific needs or events, the O&M Department is also engaged in a rigorous program of predictive and preventative maintenance that ensures optimal condition/performance of Water Authority property, right-of-way, infrastructure, and assets throughout their life cycles. These maintenance activities include inspection, testing, calibration, brush management, operation, lubrication, and parts replacement/rehabilitation/upkeep. In addition to routine maintenance work, the O&M Department undertakes additional Asset Management projects and “major” projects that fall outside the scope of routine maintenance. Some of the activities undertaken during fiscal year 2021 included:

- Third full year of operation and maintenance functions of the Lake Hodges Hydroelectric Pumped Storage Facility
- Completed a comprehensive 3D scan and visual assessment of the treated tunnels on the First Aqueduct
- Performed a system-wide risk assessment of all pipelines and flow control facilities and compiled a recommendation for rehabilitation and replacement projects for the 2022/2023 CIP budget
- Supported the development of the 10-year Long Range Financing Plan
- Developed major maintenance and replacement plan for all major mechanical and electrical components of the Lake Hodges Hydroelectric Facility, Escondido Pump Station, Valley Center Pump Station, Twin Oaks Area 10 Pump Station, Miramar Pump Station, San Vicente Pump Station, Olivenhain Pump Station, and the Rancho Peñasquitos Pressure Control and Hydroelectric Facility
- Completed access road improvements at the Santa Luz to Carmel Valley Road section.
- Completed significant pressure control and isolation valving and piping improvements/upgrades at the Rancho Peñasquitos Pressure Control and Hydroelectric Facility
- Performed significant leak repairs on the tunnel portions of the First Aqueduct
- Completed the visual warranty inspection of Pipeline 5 PCCP Relining project
- Completed the 2020 annual Cathodic Protection survey
- Completed construction of improvements at Valley Center 5/6 Flow Control Facility and demolition of San Diego 9 Flow Control Facility and Padre Dam 4 Takeoff
- Performed physical security improvements at various Water Authority facilities

The Asset Management and major maintenance activities planned by the O&M Department for fiscal year 2022 includes:

- Complete the 2021 annual Cathodic Protection survey and recommend improvement projects
- Perform access road improvements on the Miramar Vents and Miramar Vents to Camp Elliot road sections
- Perform improvements to the Peñasquitos Creek access road crossing/culvert
Install and integrate a new Monitoring and Protection System (Vibration System) at the San Vicente Pump Station
Perform a visual condition assessment and prioritize corrective maintenance needs of flow control facilities
Assess the performance of repairs performed on the First Aqueduct treated tunnels
Perform a follow-up comprehensive 3D scan and visual assessment of the treated tunnels on the First Aqueduct
Enhance online water quality monitoring on treated water pipelines with the installation of three new analyzers – RAM3, OCS6, and CR4/OCS4 flow control facilities
Replacement of 12KV switchgear at the Rancho Peñasquitos Pressure Control and Hydroelectric Facility.

Figure 13 – Venturi Meter Calibration
June 16, 2021

Attention: Engineering and Operations Committee

New Operations and Maintenance Department Yard/Facility. (Presentation)

Background
The Operations and Maintenance Department (O&M Department) Yard/Facility site was purchased in 1948 from the Santa Fe Land Improvement Company. It consists of 2.74 acres and is located in the City of Escondido. There are 38,864 square feet of improvements consisting of office, vehicle repair, workshops, and storage, with 123 parking spaces. In addition, since September 1, 1996, the Water Authority has been leasing a 15,000 square foot nearby lot for equipment storage.

In December 2018, the architectural firm Miller Hull was hired to conduct a space needs study to determine if the existing site could meet the long-term requirements for the O&M Department. Overall, the space needs study determined that a site larger than the existing site was needed to meet the current and future space requirements of the O&M Department. More specifically, the space needs study concluded the O&M Department required 45,865 square feet of improvements with 166 parking spaces and a site of four to six acres. Other conclusions stated the existing buildings were in need of substantial maintenance/improvements in the near term and the currently leased nearby lot was needed to accommodate all the operational needs at the existing site. In addition, the buildings did not meet current seismic standards.

In consultation with the Board, a new $10M O&M Department Yard/Facility CIP was created and in February 2020, Colliers International CA, Inc. was hired to locate properties for consideration as replacement of the O&M Department Yard/Facility. Approximately twenty properties were subsequently identified and analyzed and three of these properties are recommended for further study.

Discussion
The next step in the property search effort is to follow up on the leading properties for due diligence investigations, which may include soils testing, evaluating planning/zoning requirements, utilities evaluation/verification, review of suitability of building and facilities, and preparation of preliminary building and development costs. The due diligence investigations may require 9 to 18 months depending on the specific characteristics of the property. Once the due diligence investigations are completed, staff will be able to recommend the preferred site for acquisition to the Board.

Prepared by: John Kross, Right of Way Manager
Jesus Meda, Operations and Maintenance Manager

Reviewed by: James E. Fisher, Director of Operations and Maintenance

Approved by: Dan Denham, Deputy General Manager
June 16, 2021

Attention: Engineering and Operations Committee

Drone Program and Mission Trails Flow Regulatory Structure II and Flow Control Facility project update. (Presentation)

Purpose
To provide an update on the Water Authority’s drone program and its use on the Mission Trails Flow Regulatory Structure II and Flow Control Facility project.

Discussion
Water Authority staff implemented a drone program in 2018. Staff uses drones for inspecting facilities and property including steep sections of the Water Authority’s right of way inaccessible by vehicles. Staff also uses drones to capture aerial footage of Water Authority construction projects to aid construction management oversight and for use in presentations.

Water Authority staff currently fly the drone on the Mission Trails project on a bi-monthly basis to take aerial photos and construction progress videos. Major work items include constructing a 4.88-million-gallon storage tank, a 135 cubic feet per second flow control facility; and connections to the Second Aqueduct. The Water Authority awarded a contract to OHL USA, Inc. dba Group OHL North America in January 2020 for about $28.3 million. The project is expected to complete in the Spring of 2022.

Prepared by: Mike Heu, Engineer P.E.
Tad Brierton, Right of Way Supervisor
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Dan Denham, Deputy General Manager

PUBLIC COMMENT MAY BE SUBMITTED BY EITHER OF THESE TWO METHODS:

1. BEFORE THE MEETING SUBMIT YOUR TELEPHONE NUMBER BY E-MAIL TO THE CLERK AT MNELSON@SDCWA.ORG AND THE CLERK WILL CALL YOU WHEN THE BOARD IS READY TO HEAR YOUR PUBLIC COMMENT (THREE MINUTES OR LESS); OR

2. BEFORE THE MEETING E-MAIL YOUR COMMENT TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG, AND TIME ALLOWING IT MAY BE READ ALOUD AT THE PUBLIC COMMENT PERIOD (THREE-MINUTE LIMIT).

IF MODIFICATIONS OR ACCOMMODATIONS FROM INDIVIDUALS WITH DISABILITIES ARE REQUIRED, SUCH PERSONS SHOULD PROVIDE A REQUEST AT LEAST 24 HOURS IN ADVANCE OF THE MEETING BY E-MAIL TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG]

IMPORTED WATER COMMITTEE

AGENDA FOR

JUNE 24, 2021

Eric Heidemann, Chair
Jim Madaffer, Vice Chair
Consuelo Martinez, Vice Chair
Jerry Butkiewicz
Matt Hall
Michael Hogan
Gary Hurst
Terra Lawson-Remer

Valentine Macedo Jr.
Jim Murtland
Jose Preciado
Joel Scalzitti
Nick Serrano
Tim Smith
Fern Steiner

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).
3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
   4-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSISSION/PRESENTATION

1. MWD Issues and Activities Update.
   1-A Metropolitan Water District Delegates report. MWD Delegates (Discussion) (Supplemental Materials)

2. Colorado River Board Representative’s report. (Discussion) Jim Madaffer

III. INFORMATION

IV. CLOSED SESSIONS

1. Conference with Legal Counsel – Existing Litigation Mark Hattam
   Government Code §54956.9(d)(1)
   SDCWA v. Metropolitan Water District of Southern California; San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350; CPF-18-516389; California Court of Appeal (1st District) Case Nos. A146901; A148266; A154325; A161144; California Supreme Court Case Nos. S243500; and S251025

V. ADJOURNMENT

Melinda Nelson
Clerk of the Board

NOTE: This meeting is called as an Imported Water Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
June 16, 2021

Attention: Imported Water Committee

Colorado River Board Representative’s report. (Discussion)

Purpose
The Colorado River Board (CRB) Representative’s report summarizes monthly activities of the Colorado River Board of California.

Discussion
This report covers activities from the June 9, 2021. CRB meeting held virtually due to COVID-19. The meeting included the following reports, program updates, and announcements:

CRB Fiscal Year 2021 and 2022 Budget
The budget for Fiscal Years 2021 and 2022 in the amount of $2,413,000 (based on the Governor’s budget released in January 2021) was adopted.

Member Agency Water Supply Reports
- California Department of Water Resources reported that Lake Oroville is expected to set a record low this season. California is having a very dry water year with only 5 percent of snowpack remaining in Northern Sierra.
- Metropolitan Water District of Southern California (MWD) announced the hiring of its new General Manager Adel Hagekhalil.

Colorado River Basin Supply Conditions and Operations Report
The Colorado River Basin continues to experience below average conditions in water year 2021, tracking at the third lowest inflow historically. Current water supply and storage conditions from the Bureau of Reclamation (Reclamation) Weekly Water Supply Report are shown in Table 1.

<table>
<thead>
<tr>
<th>Conditions as of June 7, 2021*</th>
<th>Volume (MAF)</th>
<th>Percent of Capacity</th>
<th>Elevation (feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>8.4</td>
<td>35%</td>
<td>3,561</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>9.4</td>
<td>36%</td>
<td>1,072</td>
</tr>
<tr>
<td>Total System Storage</td>
<td>25.0</td>
<td>42%</td>
<td>---</td>
</tr>
<tr>
<td>Water Year 2021 Precipitation</td>
<td></td>
<td>73% of normal</td>
<td></td>
</tr>
<tr>
<td>Unregulated Inflow to Lake Powell Water Year Forecast</td>
<td></td>
<td>31% of normal</td>
<td></td>
</tr>
</tbody>
</table>

*Conditions shown may be updated from those reviewed during the meeting.

Minute 323 Implementation
The U.S. members of the Minute 323 Hydrology Workgroup are developing a draft annual report and work plan that will be provided to Mexico for review and discussion and ultimately adopted
Imported Water Committee
June 16, 2021
Page 2 of 3

by the Minute Oversight Group. Pursuant to Minute 323, the annual report and work plan provides an overview of the hydrology for the previous year and expected activities of the Hydrology Workgroup in the upcoming calendar year, as well as provide recommendations to both sections of the International Boundary and Water Commission (IBWC). This report will provide additional information associated with the relationship between hydrology and reservoir operations and impacts on projected reservoir elevations under the projected upcoming shortage. The Environmental Work Group for Minute 323 began environmental water deliveries to the Colorado River Delta on May 1. The water is being delivered through irrigation canals and habitat site infrastructure to Reach 4 of the Delta, which has a high groundwater table and is home to the majority of the habitat established under Minutes 319 and 323. Approximately 35,000 acre-feet of water will be delivered through October 2021 under Mexico’s allotment.

Glen Canyon Dam Adaptive Management Program
The Adaptive Management Work Group (AMWG) of the Glen Canyon Dam Adaptive Management Program met via webinar on May 19. Researchers provided some very preliminary information on the spring disturbance flow that occurred in March 2021. The flow consisted of five days of low steady flows for dam maintenance, followed by a small pulse flow. The low flows were approximately half of the regular minimum release volume from Glen Canyon Dam, but researchers reported that there was no fish stranding detected as a result of the low flows. The U.S. Fish and Wildlife Service (USFWS) reported that the proposal to down-list the humpback chub from endangered to threatened was progressing. USFWS also reported that an expert panel was being convened to consider experimental stocking of razorback sucker in Lake Mead which will include participation from the Lower Colorado River Multi-Species Conservation Program (LCR MSCP).

Lower Colorado River Multi-Species Conservation Program
The LCR MSCP held a Work Group meeting on May 12 and 13. The meeting focused on a review of the Draft Implementation Report, FY 2022 Work Plan and Budget, and FY 2020 Accomplishment Report. Reclamation staff provided updates on conservation area development and management, the wildlife program, adaptive management, the fisheries program, and program administration and budgeting. The LCR MSCP established 101 acres of honey mesquite habitat in FY 2020 and has created a total of 6,543 acres of habitat over the life of the program. Monitoring for covered species also continued in FY-2020. Yellow-billed cuckoos were observed across nine conservation areas. Monitoring at eight conservation areas detected migratory willow flycatchers at all of the monitored conservation areas; however, no breeding southwestern willow flycatchers were detected. Of note, a Summer tanager (Piranga rubra) that was originally banded by Reclamation’s LCR MSCP staff eleven years ago, was recently recaptured at the Beal Lake Conservation Area during the summer monitoring program. According to international records, this bird may be the oldest known Summer tanager to date.

Alternative Management Paradigms for the Future of the Colorado and Green Rivers
On May 21, 2021, CRB staff hosted a webinar to present the findings from the Utah State University Center for Colorado River Studies Center’s most recent white paper describing how declining runoff and increased consumptive use in the Colorado River Basin will impact future water supplies and ecosystems. The objective of the white paper is to encourage wide-ranging
and innovative thinking about how to sustainably manage the water supply, while simultaneously encouraging the negotiators of new agreements to consider their effects on ecosystems. The paper introduced the concept of combined Lake Powell and Mead storage in conjunction with alternative scenarios of Upper Basin demand caps and Lower Basin shortage triggers under a future drying climate. The scenarios were evaluated against the risk of an Upper Basin curtailment under 10-year 75 million acre-feet and 82.5 million acre-feet Colorado River Compact thresholds.

*Six Agency Committee*

Following the CRB meeting, meetings were held for the Six Agency Committee and Colorado River Authority which included adoption of their proposed budgets, $2,853,000 and $13,500, respectively. After application of refunds and reserves, the combined funding request for fiscal year 2022 is $2,413,000. The Water Authority’s cost share is 10 percent and is included in the Water Authority’s FY 2022 budget.

Prepared by:  Kara Mathews, Principal Water Resources Specialist
Reviewed by:  Jim Madaffer, CRB Representative
June 16, 2021

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: SDCWA v. Metropolitan Water District of Southern California;
San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466;
CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350;
CPF-18-516389; California Court of Appeal (1st District) Case Nos.
A146901; A148266; A154325; A161144; California Supreme Court Case
Nos. S243500; and S251025

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code
§54956.9(d)(1), to discuss the above-referenced matter at the June 24, 2021 meeting.

A closed session has also been included on the agenda of the formal Board of Directors’
meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a
closed session with the full Board at that time, but staff may request action to confirm directions
given or action recommended by the committee.

Prepared by: Mark J. Hattam, General Counsel

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LEGISLATION AND PUBLIC OUTREACH COMMITTEE

AGENDA FOR

JUNE 24, 2021

Mel Katz, Chair                          Terra Lawson-Remer
Frank Hilliker, Vice Chair              Consuelo Martinez
Fern Steiner, Vice Chair                Joe Mosca
Jerry Butkiewicz                        Amy Reeh
Chris Cate                             Mona Rios
Gary Croucher                          Elsa Saxod
Craig Elitharp                         John Simpson

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).
3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
   4-A Directors’ comments.

I. CONSENT CALENDAR

1. Adopt positions on various bills.  
   Staff recommendation:
   
   A. Adopt a position of Support and Seek Amendments on AB 897 (Mullin), relating to climate adaptation action plans.
   
   B. Adopt a position of Support on H.R. 3404 (Huffman), relating to the FUTURE Western Water Infrastructure and Drought Resiliency Act. (Action)

II. ACTION/DISCUSSION/PRESENTATION

1. Approval of Federal Advocacy Services Contract with Foley & Lardner.  
   Staff recommendation: Authorize the General Manager to execute an 18-month contract (from July 1, 2021 through December 31, 2022) for federal advocacy services with Foley & Lardner under a retainer of $12,000/month for a total compensable contract amount of $227,250 (inclusive of reimbursable expense allowance) over the contract term. (Action)

2. Legislative issues.  
   1-A Washington report by Ken Carpi. (Supplemental Materials)
   1-B Sacramento Report by Kristin Olsen and Joe Lang.

III. INFORMATION

1. Government Relations Update.  
   Glenn Farrel

IV. CLOSED SESSION

V. ADJOURNMENT

Melinda Nelson
Clerk of the Board
NOTE: This meeting is called as a Legislation and Public Outreach Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
June 16, 2021

Attention: Legislation and Public Outreach Committee

Adopt positions on various bills. (Action)

Staff recommendation
- Adopt a position of Support and Seek Amendments on AB 897 (Mullin), relating to climate adaptation action plans.
- Adopt a position of Support on H.R. 3404 (Huffman), relating to the FUTURE Western Water Infrastructure and Drought Resiliency Act.

Alternatives
1. Do not adopt one or more of the recommended positions.
2. Modify one or more of the recommended positions.

Fiscal Impact
There is no direct fiscal impact associated with the consideration of adopting policy positions on legislation.

Executive Summary
- This proposed action is to allow the Board to consider adopting positions on state and federal legislation.
- The legislation identified in this report would have some material effect on the Water Authority or its member agencies, or would advance an important interest.
- The recommended positions on legislation are based on an analysis of each bill with the Board’s adopted 2021 Legislative Policy Guidelines.
- Water Authority staff and legislative advocates will advance the Board’s policy positions during the current legislative session.

Discussion

AB 897 (Mullin) – Office of Planning and Research: Regional Climate Networks: Climate Adaptation Action Plans.
Existing law requires, by July 1, 2017, and every 3 years thereafter, the Natural Resources Agency to update the state’s climate adaptation strategy, known as the Safeguarding California Plan. Existing law establishes the Office of Planning and Research (OPR) in state government in the Governor’s office, and also establishes the Integrated Climate Adaptation and Resiliency Program to be administered by OPR to coordinate regional and local efforts with state climate adaptation strategies to adapt to the impacts of climate change.
AB 897, as amended on April 19, 2021, would authorize a regional, or state organization, including, but not limited to, a city, county, special district, council of government, metropolitan planning organization, joint powers authority, climate collaborative, regional member of the Alliance of Regional Collaboratives for Climate Adaptation, nonprofit organization, community-based organization, tribal government, school district, and higher education institution, to establish and participate in a regional climate network.

AB 897 would also require OPR to encourage the inclusion of agencies with land use planning authority into regional climate networks and would authorize a regional climate network to engage in activities to address climate change. AB 897 would also require a regional climate network to develop a regional climate adaptation action plan and to submit the plan to OPR for review, comments, and approval.

Additionally, AB 897 would require OPR to:

- Establish geographic boundaries for regional climate networks to develop and publish on its internet website guidelines on how eligible entities may establish regional climate networks and how governance boards may be established within regional climate networks by July 1, 2022.

- Develop and publish on its internet website guidelines establishing standards and required content for a regional climate adaptation action plan by January 1, 2023.

- Provide technical assistance to regions seeking to establish a regional climate network and to regional climate networks in developing regional climate adaptation action plans.

- Make recommendations to the Legislature related to regional adaptation on expanding state support for the work of regional climate networks, and the potential sources of financial assistance and options for distributing state funds to support the creation and implementation of regional climate adaptation action plans by January 1, 2023.

The potential effects of climate change are an important concern in water management planning. The Water Authority generally supports initiatives that incorporate considerations of climate change into water management planning, as long as the climate change information is developed and provided by the state. The Water Authority also supports initiatives that encourage innovation in developing responses to climate change, with maximum control at the local level. Local entities play a critical role in preparing for climate change, as many impacts will vary based on a community's physical, social, and economic characteristics. These characteristics tend to extend beyond city or county boundaries, making regional coordination between local governments, community-based organizations, non-profits, and private sector entities a vital component of thorough resiliency planning. Many Integrated Regional Water Management (IRWM) regions across the state, including San Diego, have begun the process of preparing for the impacts of climate change and have been working towards similar goals set out in AB 897.
AB 897 would help each region accelerate the implementation of climate adaptation strategies in a more strategic and inclusive manner while building longer-term capacity among agencies and organizations to address the more difficult climate challenges ahead. To ensure that San Diego’s robust and effective IRWM planning regions can continue to participate in planning to safeguard water supply resiliency in the face of climate change, AB 897 should be amended to specify that IRWM planning regions are also eligible entities that may form a regional climate network.

The Water Authority’s legislative policy guidelines state that the Water Authority shall support initiatives that:

- Incorporate state provided climate change information into statewide, regional, and local water management planning, and provide funding for projects that assist in adapting to effects of climate change on the water supply portfolios across the state.
- Investigate and provides financial support to projects designed to mitigate potential negative impacts of climate change on water supply reliability.

(2021 Legislative Policy Guidelines, Water Planning: Climate Change: Funding —Support, Pages 51, items 1 and 5).

**Staff recommends a position of Support and Seek Amendments on AB 897.**

**Suggested Amendment:** AB 897 should be amended to include IRWM planning regions to the list of eligible entities that may form a regional climate network.

**H.R. 3404 (Huffman) – FUTURE Western Water Infrastructure and Drought Resiliency Act.**

H.R. 3404 – the Furthering Underutilized Technologies and Unleashing Responsible Expenditures (FUTURE) Western Water Infrastructure and Drought Resiliency Act – was introduced in Congress on May 24. H.R. 3404 is a comprehensive western water infrastructure and drought response measure that is comprised of prior legislative proposals from other members of Congress, including components from:

- Representative Mike Levin’s Desalination Development Act (on which the Water Authority Board of Directors adopted a SUPPORT position in 2020)
- Representative Grace Napolitano’s Water Recycling Investment and Improvement Act
- Representative Mike Thompson’s GREEN Act that would address the issue of the tax-exempt status of water conservation rebates (which the Water Authority Board has previously supported)

Major components of H.R. 3404 include:
Infrastructure Development: H.R. 3404 would support significant new investment in water infrastructure, including
- $750 million for sustainable, multi-benefit water storage projects
- $260 million for innovative water desalination projects
- Authorization for new major water storage projects owned or supported by the Department of the Interior
- Increase in the Title XVI water recycling program funding authorization to $500 million through 2025 to support the creation of approximately 650,000 acre-feet of recycled water each year
- Establishment of a Water Infrastructure Fund to pay for long-term water infrastructure and drought-response needs, including water recycling and water reuse projects ($100 million/year), cooperative watershed management and Water SMART water use efficiency projects ($100 million/year), and dam safety projects ($100 million/year)

Improved Technology and Data: H.R. 3404 would include major investments in water data and technology to improve water management and reduce energy and water waste. Data and technology improvements would include support for new stream gauges to improve downstream water planning and support for the development and deployment of emerging technologies to help manage and improve water supply availability

Ecosystem Protection and Restoration: H.R. 3404 would advance measures to reduce fish and wildlife species decline across the western United States, including new voluntary incentives for farmers to provide waterfowl habitat, expanded watershed health project funding, support for wildlife refuges along the Pacific Flyway, multi-benefit water storage projects that provide both water supply benefits and fish and wildlife benefits, and improved drought planning efforts to protect biodiversity and sustain key fisheries.

Water Job Training and Education: H.R. 3404 would provide federal funding support for water education activities, collaborative water management efforts, and training and professional development support for the water sector workforce.

An additional important non-funding component of H.R. 3404 is the inclusion of a provision from Representative Mike Thompson’s H.R. 848 to expand the income tax exclusion for homeowners who receive rebates from water utilities to purchase and install water conservation systems and devices in residential homes. The Water Authority Board has supported several efforts in Congress to address this anomalous situation to provide similar income tax relief as is presently afforded under California law for water conservation and efficiency rebates.

The Water Authority’s legislative policy guidelines state that the Water Authority shall support initiatives that:
• Provide funding for seawater and brackish groundwater desalination studies and facilities, including concentrate disposal facilities.

• Provide funding or other incentives for conservation, peak management programs, water recycling, potable reuse, groundwater recovery and recharge, surface water development and management projects, including reservoir management, source water protection and watershed planning studies and facilities that sustain long-term reliable water resources.

• Authorize, promote, and provide incentives or credits for development of local drought-resilient water supply projects such as desalination, non-potable recycling and potable reuse projects.

• Provide for federal tax exempt status for water use efficiency rebates, consistent with income tax treatment at the state level.

(2021 Legislative Policy Guidelines, Local Water Resources: Desalination —Support, Page 37, item 1; Local Water Resources: Funding – Support, Pages 37-38, items 1 and 4; Water Use Efficiency: Funding – Support, Page 64, item 5).

Staff recommends a position of Support on H.R. 3404.

Prepared by: Ivy Brittain, Legislative Analyst
Glenn Farrel, Director of Government Relations
Approved by: Tish Berge, Assistant General Manager
June 16, 2021

Attention: Legislation and Public Outreach Committee

Approval of Federal Advocacy Services Contract with Foley & Lardner. (Action)

Staff recommendation
- Authorize the General Manager to execute an 18-month contract (from July 1, 2021 through December 31, 2022) for federal advocacy services with Foley & Lardner under a retainer of $12,000/month for a total compensable contract amount of $227,250 (inclusive of reimbursable expense allowance) over the contract term.

Alternative
1. Do not enter into the recommended contract.
2. Modify the terms of the recommended contract.

Fiscal Impact
If the federal advocacy services contract recommendation is approved, the amount of the contract for the next 18 months of service would total a not to exceed amount of $227,250, inclusive of reimbursable expense allowance. There are sufficient funds budgeted in the proposed FY 2022-23 budget to cover the proposed contract amount.

Executive Summary
- This action proposes selection of a firm to provide the Water Authority with federal advocacy services in Washington, D.C..
- The firm, Foley & Lardner, was selected for recommendation to the Board through a competitive Request for Proposal process involving the Legislation and Public Outreach Committee leadership and Water Authority management.
- The contract is proposed to have an 18-month term from July 1, 2021 through December 31, 2022.

Background
The Water Authority utilizes consultants to assist in accomplishing Board-directed priorities and programs. Since 1984, the Water Authority has utilized the Carpi & Clay firm to provide federal advocacy services in Washington, D.C.. The professional services contract with Carpi & Clay is scheduled to terminate on June 30, 2021.

Discussion
For many years, water- and resources-related legislative and regulatory issues have gained high profile throughout the state and continue to have significant priority for state and federal officials, legislators, and stakeholders. Challenges facing the Water Authority include navigating the variety of legislative, administrative, and regulatory efforts to address the state’s water supply situation, continuing debates over addressing the affordability of water for consumers,
ensuring the Water Authority is appropriately positioned to successfully compete for funding from federal sources, pursuing water supply storage opportunities in Lake Mead, and advancing opportunities to protect the region’s water supply reliability, drought resiliency, regional self-reliance, and water supply independence. Maintaining a strong presence in Washington, D.C. for the Water Authority’s legislative and regulatory advocacy efforts will be necessary to overcome challenges and to capitalize on opportunities that may be presented.

During Spring 2021, Water Authority staff worked with the Board Officers and LPO Committee leadership to execute a plan for competitively re-bidding the federal advocacy contract in a manner that provided for an open and transparent process with full engagement and opportunity for all federal advocacy service providers that wished to compete. Following a lengthy advertising and outreach effort, the Water Authority received proposals from five firms that provide federal advocacy services. All five proposals were reviewed, and a determination was made to interview all proposing firms to gain additional insight into their services, proposed approach for addressing the Water Authority’s interests, and to gather more information regarding the team with which the Water Authority would be working.

The Water Authority received proposals from – and interviewed – each of the following five firms:

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<tr>
<th>FIRM</th>
<th>PROPOSED MONTHLY RETAINER</th>
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<tr>
<td>Bluewater Strategies</td>
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<tr>
<td>Carpi &amp; Clay</td>
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<tr>
<td>ENS Resources</td>
<td>$12,000</td>
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<tr>
<td>Foley &amp; Lardner</td>
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<tr>
<td>Oldaker &amp; Willison</td>
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Following interviews with all of the proposing firms, the LPO Committee leadership and Water Authority management discussed the merits of each firm and their proposals, and made a determination to recommend the Foley & Lardner firm to the Board for provision of federal advocacy services in Washington, D.C. on behalf of the Water Authority. Although the Foley & Lardner proposal included a monthly retainer of $15,000, during negotiations with the Foley & Lardner firm, the Water Authority proposed a monthly retainer of $12,000 to be more closely aligned with the estimated level of effort anticipated, and the Foley & Lardner firm agreed to that monthly retainer amount for an 18-month contract term through December 31, 2022.

The Foley & Lardner firm is a well-respected Washington, D.C.-based government relations firm with broad experience in the halls of Congress and within key federal agencies. The Foley & Lardner firm provides the full spectrum of government relations services, including comprehensive counsel, legislative tracking, legislative advocacy, procurement, and development of strategic business opportunities.

The Foley & Lardner federal advocacy services team that will work with the Water Authority includes:
• **William “Bill” Ball** – As the primary Foley & Lardner team lead, Mr. Ball brings a decade of experience on Capitol Hill where he worked with House and Senate Committees on energy, natural resources, water, and infrastructure issues. Most recently, he served as the deputy staff director for the House Committee on Natural Resources, where he led the committee in numerous bicameral negotiations on major legislative packages such as the Water Resources Development Act and the water Infrastructure Improvements for the Nation Act. Mr. Ball was also the committee lead on environmental policies under the National Environmental Policy Act, the Endangered Species Act, the Migratory Bird Treaty Act, and the Marine Mammal Protection Act.

• **Dennis Cardoza** – Mr. Cardoza is a former member of Congress, serving five terms in the U.S. House of Representatives from California’s 18th Congressional District (within the San Joaquin Valley). Mr. Cardoza’s committee rules included serving four years on the House Rules Committee and the House Committee on Resources’ Subcommittee on Water and Power while he was also a key member of the House Democratic Leadership Team. Prior to his congressional service, Mr. Cardoza was also an elected member of the California State Legislature.

• **Jennifer Walsh** – Ms. Walsh has extensive experience in government affairs, including a lengthy career as a senior staffer in the U.S. Congress and the California Legislature, and as a vice president for Federal Government Affairs at a top 20 Fortune 500 company. Ms. Walsh has decades of experience dealing directly with California water issues – from Auburn Dam to salinity and perchlorate issues to the San Joaquin River settlement – at both the state and federal levels. Ms. Walsh served as Chief of Staff to Congressmember Dennis Cardoza and as a congressional field representative, deputy campaign manager, and House Democratic Caucus program director to former Congressmember Vic Fazio.

The recommendation for authorizing an advocacy services contract with the Foley & Lardner firm, and the compensation proposed under the contract reflects the comprehensive nature of services to be provided by the firm, and is also reflective of the contemporaneous cost of securing a high level of experienced and expertise services from federal advocacy firms in Washington, D.C..

Ensuring a strong and consistent presence for the Water Authority within federal legislative and regulatory forums and venues will be necessary to advocate the Water Authority’s, the member agencies’, and the region’s priorities and to capitalize on opportunities that may be presented. The Foley & Lardner firm has a meritorious track record of success in the context of California water issues, engagement, and strong relationships within the Congress and federal regulatory and administrative agencies.
June 16, 2021

Attention: Legislation and Public Outreach Committee

Government Relations Update. (Information)

Purpose
This report is an update of the Water Authority’s government relations program.

Discussion

The Legislature
On June 4, the Legislature reached its unofficial “half-way” point of the 2021 legislative session, as the deadline occurred for all bills introduced during 2021 to pass out of their houses of origin to remain alive and active for the remainder of the 2021 legislative session. Bills that successfully navigated the house of origin will now be scheduled for policy committee hearings in the second house, as the Legislature makes its way to July 16, at which time the Legislature will begin its Summer recess, returning to work in the legislative session on August 16.

At this time, the Legislature is also poised to vote on a state budget package, including the main budget bill and supplemental budget trailer bills to implement key provisions within the state budget. The deadline for the Legislature’s approval of the state budget is midnight on June 15, and the new budget year begins on July 1. Legislative leaders in the Assembly and Senate have reached an agreement on key budget provisions, and are currently in the process of negotiating with the Governor to reach agreement on a final package for approval by each house.

Sponsored Legislation
Water Authority staff is continuing to actively engage on multiple proposed bill sponsorship concepts, approved by the Board at its November 19, 2020 meeting, for the 2021 legislative session.

- **COVID Financial Relief**: Water Authority staff is continuing its efforts with local government coalitions to advance a state budget proposal to provide financial relief to water ratepayers and water suppliers impacted by the COVID pandemic by creating a structure for pass-through of federal relief funding to help offset local ratepayer delinquencies. The Legislature has agreed to fund $1 billion to cover unpaid water bills and $1 billion to cover unpaid energy bills, in alignment with the Governor’s May Revise proposal. Many critical details must still be ironed out, such as how to ensure equitable access to funding between investor-owned electric utilities and publicly-owned electric utilities. There are also details to be worked out in terms of the actual mechanisms for allocation of water bill debt relief to the local level.

- **Pumped Hydropower Storage**: Water Authority staff is working closely with the City of San Diego to advance a proposal to provide a path toward procurement of energy storage
services from the San Vicente Energy Storage Facility. Discussions are ongoing to execute strategies to advance this issue during 2021.

State Budget Update
On May 31, the Assembly and Senate released details of a joint budget agreement that is poised to be approved by the June 15 constitutional deadline. The legislative budget agreement is a major step toward an agreement with the Governor. Many of the Legislature’s priority budget items align with the Governor’s May Revise budget proposal, so a final deal is close. However, many details will be finalized after the June 15 budget deadline through various budget trailer bills and “Budget Bill Juniors.” The Legislature’s announcement does not represent a final budget agreement, but it does set the Assembly’s and Senate’s posture for a final three-party deal with the Governor.

Some of the key details around the Legislature’s budget agreement are:

- **An allocation of $2 billion in funding for unpaid utility bills, with details still to be worked out.** The Legislature has agreed to fund $1 billion to cover unpaid water bills and $1 billion to cover unpaid energy bills, in alignment with the Governor’s May Revise proposal. Many critical details must still be ironed out, such as how to ensure equitable access to funding between IOUs and POUs. In particular, for energy arrearages, the Legislature and Governor seem focused on ensuring assistance is prioritized for low-income customers. CMUA continues to advocate for the proposed structure in the Senate’s plan and to ensure that funding for water, wastewater and electric/gas arrearages be available to all Californians impacted by COVID-19, regardless of the geographic location, utility or system size, or income status before the pandemic.

- **Funding for water resilience and drought at $3 billion+, with categories and amounts to be negotiated.** Both the Assembly and Senate approved $3.475 billion in funding for water resilience and drought projects, but with no details or allocations provided. Substantial work remains to be done to reach agreement between both houses and the Governor on a final package, and it is likely that a budget trailer bill that follows into the summer will be the vehicle to advance the final agreement.

- **Historic funding for clean energy, with details to be worked out.** The Senate and Assembly are poised to support the Governor’s clean energy funding proposals for long duration energy storage, green hydrogen, offshore wind, SB 100 study funding, and industrial energy efficiency. Although the Legislature has signaled its willingness to approve as much as $835 million in this policy area, key implementation details still remain.

**Governor’s COVID-Related Emergency Orders**
Several local government industry associations delivered a letter to the Governor noting the June 15 date for reopening California’s economy and asking for a transition period of at least 30 days from the date that Executive Orders N-25-20 and N-29-20 — authorizing local agencies to hold public meetings via teleconferencing and requiring public comment to be presented.
electronically — are rescinded. The letter explains that time is needed for local agencies to effectively adjust to whatever new state or local public health and safety requirements may exist to ensure a deliberative and collaborative approach in returning to in-person public meetings.

The Governor’s office responded (see attachment) that although the Governor intends to terminate the executive orders at the earliest possible date that conditions warrant, they will not be terminated on June 15 and that the Governor recognizes the importance of an orderly return to the ordinary conduct of public meetings of state and local agencies and boards. The response added that the Governor’s office will work to provide notice to affected stakeholders in advance of rescission of this provision to provide state and local agencies and boards time necessary to meet statutory and logistical requirements.

**Status Report on Legislation and Legislative Positions**

Water Authority staff is currently actively reviewing and monitoring 80 bills that have been introduced during the early part of the 2021 legislative session for potential impact on the organization and its member agencies. Staff routinely monitors hundreds of bills during each legislative session as they proceed through the legislative process or are amended. Only those measures that warrant a closer review are analyzed comprehensively and considered for advancement to the Water Authority Board for possible adoption of a position. The Water Authority’s staff and legislative advocates review each bill in the context of the adopted 2021 Legislative Policy Guidelines. The Legislative Policy Guidelines provide direction to staff and the Water Authority’s legislative advocates to communicate support of, or opposition to legislation and amendments. Bills for which staff recommends a position are brought before the Legislation and Public Outreach Committee and the Board for consideration of a Water Authority position. Attached is a list of legislation under review by Water Authority staff as of June 16, 2021.

**Lobbyist Activities**

Kristin Olsen of California Strategies & Advocacy, and Joe Lang of Lang, Hansen, Giroux, and Kidane, will provide in-person virtual reports of Sacramento activities.

Prepared by: Glenn A. Farrel, Director of Government Relations  
Ivy Brittain, Legislative Analyst  
Approved by: Tish Berge, Assistant General Manager

Attachments:

- June 2, 2021 Letter Regarding Transition Period Prior to Repeal of COVID-Related Executive Orders  
- Monitored Legislation Report
June 2, 2021

VIA EMAIL

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RE: Transition Period Prior to Repeal of COVID-related Executive Orders

Dear Mr. Knaus, Ms. Miller, Ms. Hurst, Ms. Preston, Ms. Heaton, Ms. King, Ms. Coleman,  
Ms. Blacet-Hyden, Mr. McCormick, Mr. Anderson, and colleagues,

Thank you for your correspondence of May 18, 2021, inquiring what impact the  
anticipated June 15 termination of the Blueprint for a Safer Economy will have on  
Executive Order N-29-20, which provided flexibility to state and local agencies and  
boards to conduct their business through virtual public meetings during the COVID-19  
pandemic.
Please be assured that this Executive Order Provision will not terminate on June 15 when the Blueprint is scheduled to terminate. While the Governor intends to terminate COVID-19 executive orders at the earliest possible date at which conditions warrant, consistent with the Emergency Services Act, the Governor recognizes the importance of an orderly return to the ordinary conduct of public meetings of state and local agencies and boards. To this end, the Governor’s office will work to provide notice to affected stakeholders in advance of rescission of this provision to provide state and local agencies and boards time necessary to meet statutory and logistical requirements. Until a further order issues, all entities may continue to rely on N-29-20.

We appreciate your partnership throughout the pandemic.

Regards,

Ana Matosantos
Cabinet Secretary
AB 1  (Garcia, Cristina D)  Hazardous waste.
Current Text: Introduced: 12/7/2020  html  pdf
Introduced: 12/7/2020
Status: 5/28/2021-In Senate. Read first time. To Com. on RLS. for assignment.
Summary: Would create the Board of Environmental Safety in the California Environmental Protection Agency. The bill would provide requirements for the membership of the board and would require the board to conduct no less than 6 public meetings per year. The bill would provide for the duties of the board, which would include, among others, reviewing specified policies, processes, and programs within the hazardous waste control laws; proposing statutory, regulatory, and policy changes; and hearing and deciding appeals of hazardous waste facility permit decisions and certain financial assurance decisions.

AB 9  (Wood D)  Fire safety: wildfires: fire adapted communities.
Current Text: Amended: 4/19/2021  html  pdf
Introduced: 12/7/2020
Last Amend: 4/19/2021
Status: 5/28/2021-In Senate. Read first time. To Com. on RLS. for assignment.
Summary: Would establish in the Department of Conservation the Regional Forest and Fire Capacity Program to support regional leadership to build local and regional capacity and develop, prioritize, and implement strategies and projects that create fire adapted communities and landscapes by improving watershed health, forest health, community wildfire preparedness, and fire resilience. The bill would require, among other things, the department to, upon an appropriation by the Legislature, provide block grants to regional entities, as defined, to develop regional strategies that develop governance structures, identify wildfire risks, foster collaboration, and prioritize and implement projects within the region to achieve the goals of the program.

AB 30  (Kalra D)  Outdoor access to nature: environmental equity.
Current Text: Amended: 3/22/2021  html  pdf
Introduced: 12/7/2020
Last Amend: 3/22/2021
Status: 5/25/2021-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/12/2021)(May be acted upon Jan 2022)
Summary: Current law establishes various state agencies, including the Natural Resources Agency, which consists of various departments, including the Department of Conservation, the Department of Fish and Wildlife, and the Department of Parks and Recreation. Current law vests in the Natural Resources Agency various powers, including those related to conservation of lands. Current law establishes, within state agencies, state departments, including the Department of Transportation under the Transportation Agency. This bill would declare that it is the established policy of the state that access to nature and access to the benefits of nature is a human right and that every human has the right to safe and affordable outdoor access, among other things.

AB 59  (Gabriel D)  Mitigation Fee Act: fees: notice and timelines.
Current Text: Introduced: 12/7/2020  html  pdf
Introduced: 12/7/2020
Status: 4/30/2021-Failed Deadline pursuant to Rule 61(a)(2). (Last location was L. GOV. on 1/11/2021) (May be acted upon Jan 2022)
Summary: Current law authorizes any party to protest the imposition of a fee, dedication, reservation, or other exactions imposed on a development project within 90 or 120 days of the imposition of the fee, as applicable, and specifies procedures for those protests and actions. The Mitigation Fee Act imposes the same requirements on a local agency for a new or increased fee for public facilities. Current law, for specified fees, requires any judicial action or proceeding to attack, review, set aside, void, or annul an ordinance, resolution, or motion adopting a new fee or service charge or modifying an existing fee or service charge to be commenced within 120 days of the effective date of the ordinance, resolution, or motion. Current law also provides that, if an ordinance, resolution, or motion provides for an automatic adjustment in a fee or service charge and the adjustment results in an increase in the fee or service charge, that any action to attack, review, set aside, void, or annul the increase to be commenced within 120 days of the increase. This bill would increase, for fees and service charges and for fees for specified public facilities, the time for mailing the notice of the time and place of the meeting to at least 45 days before the meeting.

AB 64  (Quirk D)  Electricity: long-term backup electricity supply strategy.
Introduced: 12/7/2021
Last Amend: 3/23/2021
AB 79  (Committee on Budget)  Budget Act of 2020.
Introduced: 12/7/2020
Last Amend: 4/8/2021
Status: 5/18/2021-Re-referred to Com. on B. & F.R.
Summary: The Budget Act of 2020 made appropriations for the support of state government for the 2020-21 fiscal year. This bill would amend the Budget Act of 2020 by amending and adding items of appropriation and making other changes. This bill would declare that it is to take effect immediately as a Budget Bill.

Introduced: 12/7/2020
Last Amend: 4/15/2021
Summary: Would exclude, for taxable years beginning on or after January 1, 2019, from gross income any advance grant amount, as defined, issued pursuant to specified provisions of the CARES Act or the Consolidated Appropriations Act, 2021, and covered loan amounts forgiven pursuant to the Consolidated Appropriations Act, 2021.

AB 84  (Committee on Budget)  Employment: rehiring and retention: displaced workers.
Introduced: 12/7/2020
Last Amend: 4/8/2021
Status: 5/18/2021-Re-referred to Com. on B. & F.R.
Summary: Would, until December 31, 2024, require an employer, as defined, to offer its laid-off employees specified information about job positions that become available for which the laid-off employees are qualified, and to offer positions to those laid-off employees based on a preference system, in accordance with specified timelines and procedures. The bill would define the term “laid-off employee” to mean any employee who was employed by the employer for 6 months or more in the 12 months preceding January 1, 2020, and whose most recent separation from active service was due to a reason related to the COVID-19 pandemic, including a public health directive, government shutdown order, lack of business, a reduction in force, or other economic, nondisciplinary reason related to the COVID-19 pandemic. The bill would require an employer to keep records for 3 years, including records of communications regarding the offers.

AB 100  (Holden D)  Drinking water: pipes and fittings: lead content.
Introduced: 12/11/2020
Last Amend: 4/5/2021
Status: 5/28/2021-In Senate. Read first time. To Com. on RLS. for assignment.
Summary: The California Safe Drinking Water Act prohibits, with certain exceptions, the use of any pipe, pipe or plumbing fitting or fixture, solder, or flux that is not lead free in the installation or repair of any public water system or any plumbing in a facility providing water for human consumption. The act defines “lead free” for purposes of conveying or dispensing water for human consumption to mean not more than 0.2% lead when used with respect to solder and flux and not more than a weighted average of 0.25% lead when used with respect to the wetted surfaces of pipes and pipe fittings, plumbing fittings, and fixtures. This bill would additionally define “lead free,” with respect to endpoint devices, as defined, to mean that the devices do not leach more than one microgram of lead under certain tests and meeting a specified certification.

AB 119  (Salas D)  County auditor: direct levies.
Current Text: Amended: 1/26/2021  html  pdf
Current Text: Amended: 4/12/2021  html, pdf
Introduced: 12/18/2020
Last Amend: 4/12/2021
Status: 4/15/2021-From committee: Do pass and re-refer to Com. on NAT. RES. (Ayes 10. Noes 0.) (April 15). Re-referred to Com. on NAT. RES.
Summary: Would enact the Equitable Economic Recovery, Healthy Food Access, Climate Resilient Farms, and Worker Protection Bond Act of 2022, which, if approved by the voters, would authorize the issuance of bonds in the amount of $3,302,000,000 pursuant to the State General Obligation Bond Law, to finance programs related to, among other things, agricultural lands, food and fiber infrastructure, climate resilience, agricultural professionals, including farmers, ranchers, and farmworkers, workforce development and training, air quality, tribes, disadvantaged communities, nutrition, food aid, meat processing facilities, fishing facilities, and fairgrounds.

AB 230  (Voepel  R)  Employment: flexible work schedules.
Current Text: Introduced: 1/12/2021  html, pdf
Introduced: 1/12/2021
Status: 4/30/2021-Failed Deadline pursuant to Rule 61(a)(2). (Last location was L. & E. on 1/28/2021) (May be acted upon Jan 2022)
Summary: Would enact the Workplace Flexibility Act of 2021. The bill would permit an individual nonexempt employee to request an employee-selected flexible work schedule providing for workdays up to 10 hours per day within a 40-hour workweek, and would allow an employer to implement this schedule without the obligation to pay overtime compensation for those additional hours in a workday, except as specified. The bill would require that the flexible work schedule contain specified information and the employer's and the employee's original signature. The bill would also require the Division of Labor Standards Enforcement in the Department of Industrial Relations to enforce this provision and adopt regulations.

AB 237  (Gray  D)  Public employment: unfair practices: health protection.
Current Text: Amended: 3/1/2021  html, pdf
Introduced: 1/13/2021
Last Amend: 3/1/2021
Status: 5/27/2021-Refereed to Coms. on L., P.E. & R. and JUD.
Summary: Under existing law, the Public Employment Relations Board (PERB) has the power and duty to investigate an unfair practice charge and to determine whether the charge is justified and the appropriate remedy for the unfair practice. This bill, the Public Employee Health Protection Act, would make it an unfair practice for a covered employer, as defined, to fail or refuse to maintain or pay for continued health care or other medical coverage for an enrolled employee or their enrolled dependents, for the duration of the enrolled employee's participation in the authorized strike, at the level and under the conditions that coverage would have been provided if the employee had continued to work in their position for the duration of the strike.

AB 252  (Rivas, Robert  D)  Department of Conservation: Multibenefit Land Repurposing Incentive Program: administration.
Introduced: 1/14/2021
Last Amend: 3/29/2021
Status: 6/3/2021-In Senate. Read first time. To Com. on RLS. for assignment.
Summary: Would require the Department of Conservation to establish and administer a program named the Multibenefit Land Repurposing Incentive Program for purposes of providing grants to groundwater sustainability agencies or counties, or other specified entities designated by groundwater sustainability agencies or counties, for the development or implementation of local...
programs supporting or facilitating multibenefit land repurposing at the basin scale. The bill would establish procedures for the department’s administration of the program and would require the department to develop guidelines to implement the program and to exercise its expertise and discretion in awarding program funds to eligible applicants.

**AB 267** (Valladares R) California Environmental Quality Act: exemption: prescribed fire, thinning, and fuel reduction projects.

- **Current Text:** Amended: 6/2/2021 [html](#) [pdf](#)
- **Introduced:** 1/15/2021
- **Last Amend:** 6/2/2021
- **Status:** 6/2/2021-From committee chair, with author’s amendments: Amend, and re-refer to committee. Read second time, amended, and re-refered to Com. on N.R. & W.
- **Summary:** Current law, until January 1, 2023, exempts from the requirements of CEQA prescribed fire, thinning, or fuel reduction projects undertaken on federal lands to reduce the risk of high-severity wildfire that have been reviewed under the federal National Environmental Policy Act of 1969, as provided. Current law requires the Department of Forestry and Fire Protection, beginning December 31, 2019, and annually thereafter until January 1, 2023, to report to the relevant policy committees of the Legislature the number of times the exemption was used. This bill would extend the exemption from CEQA and the requirement on the department to report to the relevant policy committees of the Legislature to January 1, 2026.

**AB 280** (Rivas, Robert D) Electrical corporations: wildfire mitigation plans.

- **Current Text:** Introduced: 1/21/2021 [html](#) [pdf](#)
- **Introduced:** 1/21/2021
- **Status:** 5/7/2021-Failed Deadline pursuant to Rule 61(a)(3). (Last location was U. & E. on 1/28/2021) (May be acted upon Jan 2022)
- **Summary:** Under current law, the Public Utilities Commission has jurisdiction over electrical corporations. Current law requires each electrical corporation to annually prepare and submit a wildfire mitigation plan to the Wildfire Safety Division of the commission for review and approval. This bill would require each electrical corporation to also submit its wildfire mitigation plan to the appropriate policy committees of the Legislature.


- **Current Text:** Amended: 4/14/2021 [html](#) [pdf](#)
- **Introduced:** 1/21/2021
- **Last Amend:** 4/14/2021
- **Status:** 6/2/2021-In Senate. Read first time. To Com. on RLS. for assignment.
- **Summary:** The California Global Warming Solutions Act of 2006 requires the State Air Resources Board to prepare and approve a scoping plan for achieving the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions and to update the scoping plan at least once every 5 years. This bill would require the state board, when updating the scoping plan and in collaboration with the Natural Resources Agency and other relevant state agencies and departments, to take specified actions by January 1, 2023, including, among others, identifying a 2045 climate goal, with interim milestones, for the state’s natural and working lands, as defined, and identifying practices, policy and financial incentives, market needs, and potential reductions in barriers that would help achieve the 2045 climate goal.

**AB 297** (Gallagher R) Fire prevention.

- **Current Text:** Amended: 4/21/2021 [html](#) [pdf](#)
- **Introduced:** 1/25/2021
- **Last Amend:** 4/21/2021
- **Status:** 4/22/2021-Re-referred to Com. on NAT. RES.
- **Summary:** Would continuously appropriate $480,000,000 and $20,000,000 to the Department of Forestry and Fire Prevention and the California Conservation Corps, respectively, for fire prevention activities, as provided.

**AB 304** (Quirk D) Contaminated sites: waste releases or surface or groundwater contamination: local oversight: remedial actions.

- **Current Text:** Amended: 5/28/2021 [html](#) [pdf](#)
- **Introduced:** 1/25/2021
- **Last Amend:** 5/28/2021
- **Status:** 5/28/2021-From committee chair, with author’s amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Com. on E.Q.
- **Summary:** Whenever a release of waste occurs and remedial action is required, current law authorizes a responsible party, as defined, to request that a local officer supervise the remedial action. Current law authorizes a local officer to agree to supervise the remedial action if the local officer
determines that certain conditions have been met. Current law requires that remedial action to be
carried out only pursuant to a remedial action agreement, which includes specified elements, entered
into by the local officer and the responsible party, and authorizes the local officer to withdraw from the
agreement, after giving the responsible party adequate notice, at any time after making specified
findings. Current law requires a local officer to provide written notification that includes specified
information to the Department of Toxic Substances Control and the appropriate regional water quality
control board at least 10 working days before entering into a remedial action agreement with a
responsible party. This bill would authorize a responsible party to request the local officer to oversee a
remedial investigation, as defined, or a remedial action, as defined, or both, only if the release of
waste is not being overseen by the department or a regional water quality control board.

AB 315  (Stone D) Voluntary stream restoration property owner liability: indemnification.
Current Text: Amended: 4/21/2021 html pdf
Introduced: 1/25/2021
Last Amend: 4/21/2021
Status: 5/28/2021-In Senate. Read first time. To Com. on RLS. for assignment.
Summary: Current law authorizes a habitat restoration or enhancement project proponent to submit
a written request for approval of the project to the Director of Fish and Wildlife. Current law requires
the director to approve the project if the written request includes certain information, as specified, and
provides for an alternate authorization process by the State Water Resources Control Board. This bill
would require the state to indemnify and hold harmless a property owner who voluntarily allows their
property to be used for such a project to restore fish and wildlife habitat from civil liability for property
damage or personal injury resulting from the project if the project meets specified requirements,
including that the project is funded, at least in part, by a state or federal agency whose mission
includes restoring habitat for native fish and wildlife, and the liability arises from, and the property
owner or any person or entity retained by the property owner does not perform, the construction,
design specifications, surveying, planning, supervision, testing, or observation of construction related
to the project to restore fish and wildlife habitat.

AB 322  (Salas D) Energy: Electric Program Investment Charge program: biomass.
Current Text: Amended: 4/12/2021 html pdf
Introduced: 1/26/2021
Last Amend: 4/12/2021
Status: 6/3/2021-Referral to Com. on E., U. & C.
Summary: Current law creates in the State Treasury the Electric Program Investment Charge Fund to
be administered by the State Energy Resources Conservation and Development Commission and
requires the PUC to forward to the Energy Commission, at least quarterly, moneys for those EPIC
programs the PUC has determined should be administered by the Energy Commission for deposit in
the fund. Current law requires the Energy Commission, in administering moneys in the fund for
research, development, and demonstration programs, to develop and implement the EPIC program for
the purpose of awarding funds to projects that may lead to technological advancement and
breakthroughs to overcome barriers that prevent the achievement of the state’s statutory energy
goals and that may result in a portfolio of projects that are strategically focused and sufficiently narrow
to make advancement on the most significant technological challenges. Current law, until January 1,
2023, requires the Energy Commission to expend certain percentages of the moneys appropriated
from the fund for technology demonstration and deployment at sites that benefit certain communities.
This bill would require the Energy Commission to consider, in the investment planning process for the
EPIC program, bioenergy projects for biomass conversion, as specified.

AB 339  (Lee D) Local government: open and public meetings.
Introduced: 1/28/2021
Last Amend: 5/4/2021
Status: 6/3/2021-In Senate. Read first time. To Com. on RLS. for assignment.
Summary: Would, until December 31, 2023, require all open and public meetings of a city council or a
county board of supervisors that governs a jurisdiction containing least 250,000 people to include an
opportunity for members of the public to attend via a telephonic option or an internet-based service
option. The bill would require all open and public meetings to include an in-person public comment
opportunity, except in specified circumstances during a declared state or local emergency. The bill
would require all meetings to provide the public with an opportunity to comment on proposed
legislation in person and remotely via a telephonic or an internet-based service option, as provided.

AB 361  (Rivas, Robert D) Open meetings: local agencies: teleconferences.
Current Text: Amended: 5/10/2021 html pdf
Introduced: 2/1/2021
Last Amend: 5/10/2021
Status: 5/27/2021-Referral to Coms. on GOV. & F. and JUD.
Summary: Would authorize a local agency to use teleconferencing without complying with the
teleconferencing requirements imposed by the Ralph M. Brown Act when a legislative body of a local agency holds a meeting for the purpose of declaring or ratifying a local emergency, during a declared state of emergency or local emergency, as those terms are defined, when state or local health officials have imposed or recommended measures to promote social distancing, and during a declared local emergency provided the legislative body determines, by majority vote, that meeting in person would present imminent risks to the health or safety of attendees.

**AB 377**  
(Rivás, Robert  D)  
**Water quality: impaired waters.**

*Current Text: Amended: 4/13/2021*  
*Introduced: 2/1/2021*  
*Last Amend: 4/13/2021*  
*Status: 5/25/2021-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/19/2021)(May be acted upon Jan 2022)*

**Summary:** Would require, by January 1, 2023, the State Water Resources Control Board and regional boards to prioritize enforcement of all water quality standard violations that are causing or contributing to an exceedance of a water quality standard in a surface water of the state. The bill would require the state board and regional boards, by January 1, 2025, to evaluate impaired state surface waters and report to the Legislature a plan to bring all water segments into attainment by January 1, 2050. The bill would require the state board and regional boards to update the report with a progress summary to the Legislature every 5 years. The bill would create the Waterway Recovery Account available for the state board to expend, upon appropriation by the Legislature, to bring impaired water segments into attainment in accordance with the plan.

**AB 385**  
(Flora R)  
**Labor Code Private Attorneys General Act of 2004:**

*Current Text: Introduced: 2/2/2021*  
*Introduced: 2/2/2021*  
*Status: 4/30/2021-Failed Deadline pursuant to Rule 61(a)(2). (Last location was L. & E. on 2/12/2021) (May be acted upon Jan 2022)*

**Summary:** Would prohibit an aggrieved employee from maintaining an action on behalf of themselves or any other aggrieved employee under the Labor Code Private Attorneys General Act of 2004 if certain conditions apply, including if the aggrieved employee has brought an action under the act in conjunction with, or in addition to, claims for monetary damages or penalties for violations of the Labor Code arising out of the same period of employment that occurred between March 4, 2020, and the state of emergency termination date, as defined.

**AB 386**  
(Coope r D)  
**Public Employees’ Retirement Fund: investments: confidentiality.**

*Current Text: Amended: 4/28/2021*  
*Introduced: 2/2/2021*  
*Last Amend: 4/28/2021*  
*Status: 6/2/2021-In Senate. Read first time. To Com. on RLS. for assignment.*

**Summary:** The California Public Records Act requires state and local agencies to make their records available for public inspection, unless an exemption from disclosure applies. Current law excludes from the disclosure requirement certain records regarding alternative investments in which public investment funds invest. This bill would exempt from disclosure under the act specified records regarding an internally managed private loan made directly by the Public Employees’ Retirement Fund. Under the bill, these records would include quarterly and annual financial statements of the borrower or its constituent owners, unless the information has already been publicly released by the keeper of the information. The bill would prescribe specified exceptions to this exemption from disclosure.

**AB 692**  
(Waldron R)  
**Lake Wohlford Dam: grant funding: liquidation.**

*Current Text: Amended: 5/25/2021*  
*Introduced: 2/16/2021*  
*Last Amend: 5/25/2021*  
*Status: 6/2/2021-In Senate. Read first time. To Com. on RLS. for assignment.*

**Summary:** The Disaster Preparedness and Flood Prevention Bond Act of 2006, approved by the voters as Proposition 1E at the November 7, 2006, statewide general election, authorizes the issuance of bonds in the amount of $4,090,000,000 for the purposes of financing disaster preparedness and flood prevention projects. The act makes $300,000,000 of that amount available, upon appropriation to the Department of Water Resources, for grants for stormwater flood management projects, as specified. Current law appropriates $300,000,000 to the department for those purposes and requires those funds to be available for encumbrance until June 30, 2020, and for liquidation until June 30, 2023. This bill would instead make those funds that were appropriated to the department and allocated to the City of Escondido for use on the Lake Wohlford Dam project available for liquidation until June 30, 2028, if the City of Escondido uses a skilled and trained workforce for the Lake Wohlford Dam project.

**AB 703**  
(Rubio, Blanca  D)  
**Open meetings: local agencies: teleconferences.**

*Current Text: Amended: 4/29/2021*  
*Introduced: 2/1/2021*  
*Last Amend: 4/13/2021*  
*Status: 5/25/2021-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/19/2021)(May be acted upon Jan 2022)*

**Summary:** Would require, by January 1, 2023, the State Water Resources Control Board and regional boards to prioritize enforcement of all water quality standard violations that are causing or contributing to an exceedance of a water quality standard in a surface water of the state. The bill would require the state board and regional boards, by January 1, 2025, to evaluate impaired state surface waters and report to the Legislature a plan to bring all water segments into attainment by January 1, 2050. The bill would require the state board and regional boards to update the report with a progress summary to the Legislature every 5 years. The bill would create the Waterway Recovery Account available for the state board to expend, upon appropriation by the Legislature, to bring impaired water segments into attainment in accordance with the plan.
Introduced: 2/16/2021  
Last Amend: 4/29/2021

**Status:** 5/7/2021-Failed Deadline pursuant to Rule 61(a)(3). (Last location was L. GOV. on 2/25/2021) (May be acted upon Jan 2021)

**Summary:** Current law, by Executive Order N-29-20, suspends the Ralph M. Brown Act’s requirements for teleconferencing during the COVID-19 pandemic, provided that notice requirements are met, the ability of the public to observe and comment is preserved, as specified, and that a local agency permitting teleconferencing have a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, as specified. This bill would remove the notice requirements particular to teleconferencing and would revise the requirements of the act to allow for teleconferencing subject to existing provisions regarding the posting of notice of an agenda, provided that the public is allowed to observe the meeting and address the legislative body directly both in person and remotely via a call-in option or internet-based service option, and that a quorum of members participate in person from a singular physical location clearly identified on the agenda that is open to the public and situated within the jurisdiction.

**AB 836**  
*Gabriel D*  
**California Building Standards Commission: recycled water: nonpotable water systems.**

**Current Text:** Amended: 3/25/2021  
[Internet](html)  
[Internet](pdf)  

**Introduced:** 2/17/2021  
**Last Amend:** 3/25/2021

**Status:** 4/30/2021-Failed Deadline pursuant to Rule 61(a)(2). (Last location was E.S. & T.M. on 3/25/2021)(May be acted upon Jan 2022)

**Summary:** Would require, on or before January 1, 2023, the California Building Standards Commission to adopt mandatory building standards requiring that a newly constructed nonresidential building be constructed with dual plumbing to allow the use of recycled water for all applicable nonpotable water demands, as defined, if that building is located within an existing or planned recycled water service area, as specified. This bill would require, on or before January 1, 2023, the commission to adopt mandatory building standards requiring that a newly constructed nonresidential building with a total gross floor area of 100,000 square feet or more be constructed with dual plumbing to allow the use of nonpotable water sources for all applicable nonpotable water demands and provide for the collection, onsite treatment, and reuse of available onsite rainwater, graywater, and foundation drainage.

**AB 897**  
*Mullin D*  
**Office of Planning and Research: regional climate networks: climate adaptation action plans.**

**Current Text:** Amended: 4/19/2021  
[Internet](html)  
[Internet](pdf)  

**Introduced:** 2/17/2021  
**Last Amend:** 4/19/2021

**Status:** 6/3/2021-In Senate. Read first time. To Com. on RLS. for assignment.

**Summary:** Current law requires, by July 1, 2017, and every 3 years thereafter, the Natural Resources Agency to update, as prescribed, the state’s climate adaptation strategy, known as the Safeguarding California Plan. Current law establishes the Office of Planning and Research in state government in the Governor’s office. Current law establishes the Integrated Climate Adaptation and Resiliency Program to be administered by the office to coordinate regional and local efforts with state climate adaptation strategies to adapt to the impacts of climate change, as prescribed. This bill would authorize eligible entities, as defined, to establish and participate in a regional climate network, as defined. The bill would require the office to encourage the inclusion of agencies with land use planning authority into regional climate networks. The bill would authorize a regional climate network to engage in activities to address climate change, as specified.

**AB 1207**  
*Weber, Akilah D*  
**Pathways Through Pandemics Task Force.**

**Current Text:** Amended: 6/1/2021  
[Internet](html)  
[Internet](pdf)  

**Introduced:** 2/19/2021  
**Last Amend:** 6/1/2021

**Status:** 6/7/2021-In Senate. Read first time. To Com. on RLS. for assignment.

**Summary:** Would establish, in the California Health and Human Services Agency, the Pathways Through Pandemics Task Force to study lessons learned from the COVID-19 pandemic and to develop strategies to navigate future pandemics. The bill would require the task force to convene various entities to engage in discussions on the lessons learned from the COVID-19 pandemic, develop and recommend best practices for an equitable response to future pandemics, and determine the impact of state laws on coordinating the response to the COVID-19 pandemic, as specified. The bill would require the task force to report its findings to the Legislature on or before December 1, 2024, and would repeal these provisions as of January 1, 2025.

**AB 1217**  
*Rodriguez D*  
**Personal protective equipment: stockpile.**

**Current Text:** Amended: 4/8/2021  
[Internet](html)  
[Internet](pdf)  

**Introduced:** 2/19/2021  
**Last Amend:** 4/8/2021
**AB 1250**  
(Calderon D)  
**Water and sewer system corporations: consolidation of service.**

**Current Text:** Amended: 5/24/2021  
[Introduced: 2/19/2021](html, pdf)  
[Last Amend: 5/24/2021](html)  

**Status:** 6/2/2021-In Senate. Read first time. To Com. on RLS. for assignment.

**Summary:** The California Safe Drinking Water Act, provides for the operation of public water systems and imposes on the State Water Resources Control Board related regulatory responsibilities and duties. Current law authorizes the state board to order consolidation of public water systems where a public water system or state small water system serving a disadvantaged community consistently fails to provide an adequate supply of safe drinking water, as provided. This bill, the Consolidation for Safe Drinking Water Act of 2021, would authorize a water or sewer system corporation to file an application and obtain approval from the commission through an order authorizing the water or sewer system corporation to consolidate with a public water system or state small water system. The bill would require the commission to approve or deny the application within 8 months, except as provided.

**AB 1313**  
(Bigelow R)  
**COVID-19: immunity from civil liability.**

**Current Text:** Introduced: 2/19/2021  
[Introduced: 2/19/2021](html, pdf)  
[Introduced: 3/4/2021](html)  

**Status:** 3/4/2021-Referred to Com. on JUD.

**Summary:** Would exempt a business, as defined, from liability for an injury or illness to a person due to coronavirus (COVID-19) based on a claim that the person contracted COVID-19 while at that business, or due to the actions of that business, if the business has substantially complied with all applicable state and local health laws, regulations, and protocols. The bill would define a business to include a sole proprietorship, partnership, corporation, association, or other group, including a nonprofit organization, as specified. The bill would not permit this exception to apply if the injury or illness resulted from a grossly negligent act or omission, willful or wanton misconduct, or unlawful discrimination by the business or an employee of the business. The bill would include related legislative findings.

**AB 1317**  
(Berman D)  
**Clean energy.**

**Current Text:** Introduced: 2/19/2021  
[Introduced: 2/19/2021](html, pdf)  

**Status:** 5/7/2021-Failed Deadline pursuant to Rule 61(a)(3). (Last location was PRINT on 2/19/2021)  
(May be acted upon Jan 2021)

**Summary:** Current law establishes as policy of the state that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers and 100% of electricity procured to serve all state agencies by December 31, 2045. This bill would state the intent of the Legislature to enact subsequent legislation to accelerate the state’s progress toward having 100% of electricity provided by renewable energy or other zero-carbon sources while maintaining a reliable and resilient electricity grid.

**AB 1323**  
(Chiu D)  
**Department of Technology: modernization: state information technology contracts.**

**Current Text:** Amended: 3/26/2021  
[Introduced: 2/19/2021](html, pdf)  

**Status:** 3/26/2021-Amended  
[Amended: 3/26/2021](html)  
[Amended: 5/24/2021](html)  
[Last Amend: 3/26/2021](html)

**Summary:** Would require the Department of Technology to identify, assess, and prioritize legacy information technology system modernization efforts across state government. The bill would require state agencies and state entities, as defined, to submit their information technology service contracts to the Department of Technology before May 1, 2022. The bill would require the department to use this information for specified purposes, including analyzing state information technology investment in order to identify types of uses that are candidates for statewide contracts for commonly used or shared services. The bill would also require the Department of Technology and other state agencies and state entities to work with legislative staff and the Legislative Analyst’s Office to evaluate potential options to modernize state government information technology project approval and oversight processes. In this regard, the bill would require the Department of Technology to submit various reports to the Legislature, as specified.

**AB 1325**  
(Burke D)  
**Microgrids: Clean Community Microgrid Incentive Program.**
**Summary:** Would require the PUC to develop and implement a Clean Community Microgrid Incentive Program by 2022 to fund community microgrids that support the critical needs of vulnerable communities that utilize distributed energy resources for the generation of electricity. The bill would establish the budget for the program in an unspecified amount to be dispersed in successive phases to local public agencies for community microgrid development and would require that expenses incurred by a large electrical corporation to fund the program be allocated to all distribution customers of the large electrical corporation on a nonbypassable basis. The bill would require that a third-party administrator that is not a public utility administer the program.

**AB 1332** *(Flora R)*  **Local government ordinances.**

Current Text: Introduced: 2/19/2021 html pdf

Introduced: 2/19/2021

Status: 5/7/2021-Failed Deadline pursuant to Rule 61(a)(3). (Last location was PRINT on 2/19/2021) (May be acted upon Jan 2021)

Summary: Current law authorizes any local agency to enact any ordinance that adopts a code by reference if the referenced code is specified in the title of the ordinance. Current law requires that after the first reading of the title of the adopting ordinance, and of the title of the code to be adopted thereby, and of the title of the secondary codes therein adopted by reference, the legislative body shall make copies of the primary code and also copies of the secondary codes, if any, being considered for adoption, open to public inspection with the clerk of the legislative body. Current law prohibits, however, the adoption by reference of any penalty clauses that may appear in any code that is adopted by reference; a penalty clause may be enacted only if set forth in full, and published, in the adopting ordinance. This bill would make nontaxable changes to the latter provision.

**AB 1365** *(Bonta D)*  **Public contracts: clean concrete.**


Introduced: 2/19/2021

Last Amend: 3/25/2021

Status: 5/19/2021-Assembly Rule 47.1 invoked. (Berman).

Summary: The State Contract Act governs the bidding and award of public works contracts by specific state departments and requires an awarding department, before entering into any contract for a project, to prepare full, complete, and accurate plans and specifications and estimates of cost. This bill would require the Department of General Services, on or before January 1, 2024, to establish and publish a maximum acceptable global warming potential for concrete, as specified. The bill would, beginning January 1, 2022, require an awarding authority to require a winning bidder for an eligible project to submit an Environmental Product Declaration developed in accordance with specified standards prior to installation of any concrete products.

**AB 1376** *(Gray D)*  **Water quality: state certification.**

Current Text: Introduced: 2/19/2021 html pdf

Introduced: 2/19/2021

Status: 4/30/2021-Failed Deadline pursuant to Rule 61(a)(3). (Last location was E.S. & T.M. on 3/4/2021) (May be acted upon Jan 2022)

Summary: The Porter-Cologne Water Quality Control Act authorizes the State Water Resources Control Board to certify or provide a statement to a federal agency, as required pursuant to federal law, that there is reasonable assurance that an activity of any person subject to the jurisdiction of the state board will not reduce water quality below applicable standards. The federal act provides that if a state fails or refuses to act on a request for this certification within a reasonable period of time, which shall not exceed one year after receipt of the request, then the state certification requirements are waived with respect to the federal application. This bill would require the state board to make the certificate or statement available on its internet website for a 60-day public comment and review period, and would provide that the certificate or statement shall not be final until voted upon by a majority of the members of the state board at the conclusion of that period.

**AB 1384** *(Gabriel D)*  **Resiliency Through Adaptation, Economic Vitality, and Equity Act of 2022.**

Current Text: Introduced: 2/19/2021 html pdf

Introduced: 2/19/2021


Summary: Would require the Strategic Growth Council to develop and coordinate a strategic resiliency framework that makes recommendations and identifies actions that are necessary to prepare the state for the most significant climate change impacts modeled for 2025, 2050, and beyond, among other goals. The bill would require state agencies identified in the strategic resiliency framework to collaboratively engage with regional entities to enhance policy and funding coordination and promote
regional solutions and implementation and to proactively engage vulnerable communities whose planning and project development efforts have been disproportionately impacted by climate change, as provided. The bill would authorize the Treasurer, and the financing authorities that the Treasurer chairs, to assist state agencies by leveraging public and private capital investment to help with loans and other incentives to attain the goals identified in the strategic resiliency framework.

**AB 1399**  (Flora R)  **Diversion or use of water: penalties.**  
**Current Text:** Introduced: 2/19/2021  [html] [pdf]  
**Introduced:** 2/19/2021  
**Status:** 5/7/2021-Failed Deadline pursuant to Rule 61(a)(3). (Last location was PRINT on 2/19/2021)  
(May be acted upon Jan 2021)  
**Summary:** Under current law, the diversion or use of water other than as authorized by specified provisions of law is a trespass, subject to specified civil liability. This bill would make nonsubstantive changes to those provisions.

**AB 1428**  (Quirk D)  **Safe Drinking Water Act: applicability.**  
**Current Text:** Introduced: 2/19/2021  [html] [pdf]  
**Introduced:** 2/19/2021  
**Status:** 5/28/2021-In Senate. Read first time. To Com. on RLS. for assignment.  
**Summary:** Under current law, a water district, as defined, in existence prior to May 18, 1994, that provides primarily agricultural services through a piped water system with only incidental residential or similar uses is not considered to be a public water system under specified conditions, including the system certifying that it is providing alternative water for residential or similar uses for drinking and cooking to achieve the equivalent level of public health protection provided by the applicable primary drinking water regulations. This bill would remove the above provision authorizing those water districts to certify that they are providing alternative water for residential or similar uses to achieve the equivalent level of public health protection provided by the applicable primary drinking water regulations.

**AB 1434**  (Friedman D)  **Urban water use objectives: indoor residential water use.**  
**Current Text:** Amended: 4/19/2021  [html] [pdf]  
**Introduced:** 2/19/2021  
**Last Amend:** 4/19/2021  
**Status:** 5/25/2021-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. on 4/27/2021)  
(May be acted upon Jan 2022)  
**Summary:** Would establish, beginning January 1, 2023, until January 1, 2025, the standard for indoor residential water use as 48 gallons per capita daily. The bill would establish, beginning January 1, 2025, the standard as 44 gallons per capita daily and, beginning January 1, 2030, 40 gallons per capita daily.

**AB 1458**  (Frazier D)  **Fish and wildlife protection and conservation: lake and streambed alteration agreements: exemptions**  
**Current Text:** Introduced: 2/19/2021  [html] [pdf]  
**Introduced:** 2/19/2021  
**Status:** 4/30/2021-Failed Deadline pursuant to Rule 61(a)(2). (Last location was W.,P. & W. on 3/11/2021)(May be acted upon Jan 2022)  
**Summary:** Current law prohibits a person, a state or local governmental agency, or a public utility from substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake, unless prescribed requirements are met, including written notification to the Department of Fish and Wildlife regarding the activity. Current law requires the department to determine whether the activity may substantially adversely affect an existing fish and wildlife resource and, if so, to provide a draft lake or streambed alteration agreement to the person, agency, or utility. Current law prescribes various requirements for lake and streambed alteration agreements. Current law also establishes various exemptions from these provisions. This bill would additionally exempt from these provisions vegetation management or fuels treatment projects undertaken, carried out, or approved by a state or local governmental agency necessary to prevent or mitigate the threat or intensity of a wildfire.

**AB 1460**  (Bigelow R)  **State employment: COVID-19 telework: costs.**  
**Current Text:** Introduced: 2/19/2021  [html] [pdf]  
**Introduced:** 2/19/2021  
**Status:** 4/30/2021-Failed Deadline pursuant to Rule 61(a)(2). (Last location was P.E. & R. on 3/11/2021)(May be acted upon Jan 2022)  
**Summary:** Would authorize CalHR to provide a one-time payment of an unspecified amount to employees who have been required to telework as a result of the COVID-19 pandemic in order to offset costs associated with working remotely.

Introduced: 2/19/2021
Last Amend: 5/11/2021
Status: 5/20/2021-Joint Rule 62(a), file notice suspended. From committee: Do pass and re-refer to Com. on RLS. (Ayes 12. Noes 3.) (May 20). Re-referred to Com. on RLS.

Summary: Would enact the Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Bond Act of 2022, which, if approved by the voters, would authorize the issuance of bonds in the amount of $7,080,000,000 pursuant to the State General Obligation Bond Law to finance projects for safe drinking water, wildfire prevention, drought preparation, flood protection, extreme heat mitigation, and workforce development programs.

**ACA 1**  (Aguiar-Curry D) Local government financing: affordable housing and public infrastructure: voter approval.

Current Text: Introduced: 12/7/2020  html  pdf
Introduced: 12/7/2020
Status: 4/22/2021-Referred to Coms. on L. GOV. and APPR.

Summary: The California Constitution prohibits the ad valorem tax rate on real property from exceeding 1% of the full cash value of the property, subject to certain exceptions. This measure would create an additional exception to the 1% limit that would authorize a city, county, city and county, or special district to levy an ad valorem tax to service bonded indebtedness incurred to fund the construction, reconstruction, rehabilitation, or replacement of public infrastructure, affordable housing, or permanent supportive housing, or the acquisition or lease of real property for those purposes, if the proposition proposing that tax is approved by 55% of the voters of the city, county, or city and county, as applicable, and the proposition includes specified accountability requirements.

**ACR 17**  (Voepel R) Special Districts Week.

Current Text: Introduced: 2/1/2021  html  pdf
Introduced: 2/1/2021
Status: 6/3/2021-From committee: Ordered to third reading.

Summary: This measure proclaims the week of May 16, 2021, to May 22, 2021, to be Special Districts Week.

**SB 1**  (Atkins D) Coastal resources: sea level rise.

Introduced: 12/7/2020
Last Amend: 3/23/2021
Status: 5/28/2021-Referred to Com. on NAT. RES.

Summary: The California Coastal Act of 1976 establishes the California Coastal Commission and provides for planning and regulation of development in the coastal zone, as defined. The act requires the commission, within 90 days after January 1, 1977, to adopt, after public hearing, procedures for the preparation, submission, approval, appeal, certification, and amendment of a local coastal program, including a common methodology for the preparation of, and the determination of the scope of, the local coastal programs, as provided. This bill would also include, as part of the procedures the commission is required to adopt, recommendations and guidelines for the identification, assessment, minimization, and mitigation of sea level rise within each local coastal program, as provided. The bill would delete the timeframe specified above by which the commission is required to adopt these procedures.

**SB 5**  (Atkins D) Affordable Housing Bond Act of 2022.

Current Text: Amended: 3/10/2021  html  pdf
Introduced: 12/7/2020
Last Amend: 3/10/2021
Status: 3/18/2021-Re-referred to Coms. on HOUSING and GOV. & F.

Summary: Would enact the Affordable Housing Bond Act of 2022, which, if adopted, would authorize the issuance of bonds in the amount of $6,500,000,000 pursuant to the State General Obligation Bond Law. Proceeds from the sale of these bonds would be used to fund affordable rental housing and homeownership programs. The bill would state the intent of the Legislature to determine the allocation of these funds to specific programs. This bill would provide for submission of the bond act to the voters at the November 8, 2022, statewide general election in accordance with specified law.

**SB 12**  (McGuire D) Local government: planning and zoning: wildfires.

Introduced: 12/7/2020
Last Amend: 5/4/2021
**Status:** 6/2/2021-In Assembly. Read first time. Held at Desk.

**Summary:** Current law requires that the Office of Planning and Research, among other things, coordinate with appropriate entities, including state, regional, or local agencies, to establish a clearinghouse for climate adaptation information for use by state, regional, and local entities, as provided. This bill would require the safety element, upon the next revision of the housing element or the hazard mitigation plan, on or after July 1, 2024, whichever occurs first, to be reviewed and updated as necessary to include a comprehensive retrofit strategy to reduce the risk of property loss and damage during wildfires, as specified, and would require the planning agency to submit the adopted strategy to the Office of Planning and Research for inclusion into the above-described clearinghouse.

**SB 33**  
(Cortese D) Apprenticeship: annual report: task force.  
Current Text: Amended: 4/7/2021  
Introduced: 12/7/2020
Last Amend: 4/7/2021
Status: 5/13/2021-Referred to Com. on L. & E.

**Summary:** Would require the Director of Industrial Relations, on or before September 1, 2022, to convene a task force to promote apprenticeship for all populations throughout the state, to be known as the Construction Apprenticeship Advancement Task Force, with membership as prescribed. The bill would require the task force, in consultation with specified entities, to study the recruitment, retention, and barriers to entry of women and other minority, underrepresented, and disadvantaged populations in the State of California for purposes of ensuring apprenticeship opportunities are more inclusive of those populations.

**SB 45**  
Current Text: Amended: 4/8/2021  
Introduced: 12/7/2020
Last Amend: 4/8/2021
Status: 6/1/2021-Ordered to inactive file on request of Senator Portantino.

**Summary:** Would enact the Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2022, which, if approved by the voters, would authorize the issuance of bonds in the amount of $5,595,000,000 pursuant to the State General Obligation Bond Law to finance projects for a wildfire prevention, safe drinking water, drought preparation, and flood protection program.

**SB 52**  
(Dodd D) State of emergency: local emergency: planned power outage. 
Current Text: Amended: 4/12/2021  
Introduced: 12/7/2020
Last Amend: 4/12/2021
Status: 5/13/2021-Referred to Com. on E.M.

**Summary:** Would define ‘deenergization event’ as a planned power outage, as specified, and would make a deenergization event one of those conditions constituting a local emergency, with prescribed limitations.

**SB 54**  
Current Text: Amended: 2/25/2021  
Introduced: 12/7/2020
Last Amend: 2/25/2021
Status: 6/4/2021-Failed Deadline pursuant to Rule 61(a)(8). (Last location was INACTIVE FILE on 5/20/2021)(May be acted upon Jan 2022)

**Summary:** Would establish the Plastic Pollution Producer Responsibility Act, which would prohibit producers of single-use, disposable packaging or single-use, disposable food service ware products from offering for sale, selling, distributing, or importing in or into the state such packaging or products that are manufactured on or after January 1, 2032, unless they are recyclable or compostable.

**SB 63**  
Current Text: Amended: 5/3/2021  
Introduced: 12/7/2020
Last Amend: 5/3/2021
Status: 6/3/2021-Referred to Coms. on NAT. RES. and H. & C.D.

**Summary:** Would, among other things, require the Director of Forestry and Fire Protection to identify areas of the state as moderate and high fire hazard severity zones and would require a local agency to make this information available for public review and comment, as provided. By expanding the responsibility of a local agency, the bill would impose a state-mandated local program. This bill would also make conforming changes.
Current Text: Amended: 4/12/2021  html, pdf
Introduced: 12/28/2020
Last Amend: 4/12/2021
Status: 5/28/2021-Referred to Com. on U. & E.
Summary: This bill, the Community Energy Resilience Act of 2021, would require the commission to
develop and implement a grant program for local governments to develop community energy resilience
plans and expedite permit review of distributed energy resources. The bill would authorize a
community choice aggregator or other regional energy collaborative to apply for funding and prepare a
community energy resilience plan on behalf of one or more of the local governments it serves upon
request of that local government. The bill would set forth guiding principles for plan development,
including equitable access to reliable energy, as provided. The bill would require plans to be consistent
with the city, county, or city and county general plan and other local government planning documents.

SB 222  (Dodd D)  Water Rate Assistance Program.
Current Text: Amended: 5/20/2021  html, pdf
Introduced: 1/14/2021
Last Amend: 5/20/2021
Summary: This bill would establish the Water Rate Assistance Fund in the State Treasury to help
provide water affordability assistance, for both drinking water and wastewater services, to low-income
ratepayers and ratepayers experiencing economic hardship in California. The bill would require the
Department of Community Services and Development to develop and administer the Water Rate
Assistance Program established by the bill.

SB 223  (Dodd D)  Discontinuation of residential water service.
Introduced: 1/14/2021
Last Amend: 5/3/2021
Status: 5/25/2021-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE
on 5/17/2021)(May be acted upon Jan 2022)
Summary: Current law requires an urban and community water system to have a written policy on
discontinuation of residential service for nonpayment, including, among other things, specified options
for addressing the nonpayment. Current law requires an urban and community water system to
provide notice of that policy to customers, as provided. This bill would apply those provisions, on and
after July 1, 2022, to a very small community water system, defined as a public water system that
supplies water to 200 or fewer service connections used by year long residents.

SB 230  (Portantino D)  State Water Resources Control Board: Constituents of Emerging Concern
Program.
Current Text: Introduced: 1/19/2021  html, pdf
Introduced: 1/19/2021
Status: 5/25/2021-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. on 3/15/2021)
(May be acted upon Jan 2022)
Summary: Would require the State Water Resources Control Board to establish, maintain, and direct
an ongoing, dedicated program called the Constituents of Emerging Concern Program to assess the
state of information and recommend areas for further study on, among other things, the occurrence of
constituents of emerging concern (CEC) in drinking water sources and treated drinking water. The bill
would require the state board to convene, by an unspecified date, the Science Advisory Panel to
review and provide recommendations to the state board on CEC for further action, among other
duties. The bill would require the state board to provide an annual report to the Legislature on the
ongoing work conducted by the panel.

SB 259  (Wilk R)  Public Utilities Commission: oversight of electrical corporations.
Current Text: Introduced: 1/26/2021  html, pdf
Introduced: 1/26/2021
Status: 2/22/2021-Art. IV. Sec. 8(a) of the Constitution dispensed with. (Ayes 32. Noes 4.) Joint Rule
55 suspended. (Ayes 32. Noes 4.)
Summary: Would state the intent of the Legislature to enact legislation to strengthen the Public
Utilities Commission’s oversight of electrical corporations’ efforts to reduce their fire risk and use of
deeberization events.

SB 260  (Wiener D)  Climate Corporate Accountability Act.
Current Text: Amended: 4/19/2021  html, pdf
Introduced: 1/26/2021
Last Amend: 4/19/2021
SB 274  
(Wieckowski D) Local government meetings: agenda and documents.

Introduced: 1/29/2021
Last Amend: 4/5/2021
Status: 5/13/2021-Referred to Com. on L. GOV.
Summary: The Ralph M. Brown Act requires meetings of the legislative body of a local agency to be open and public and also requires regular and special meetings of the legislative body to be held within the boundaries of the territory over which the local agency exercises jurisdiction, with specified exceptions. Current law authorizes a person to request that a copy of an agenda, or a copy of all the documents constituting the agenda packet, of any meeting of a legislative body be mailed to that person. This bill would require a local agency with an internet website, or its designee, to email a copy of, or website link to, the agenda or a copy of all the documents constituting the agenda packet if the person requests that the items be delivered by email. If a local agency determines it to be technologically infeasible to send a copy of the documents or a link to a website that contains the documents by email or by other electronic means, the bill would require the legislative body or its designee to send by mail a copy of the agenda or a website link to the agenda and to mail a copy of all other documents constituting the agenda packet, as specified.

SB 297  
(Durazo D) Subsurface installations: penalties.

Introduced: 2/3/2021
Last Amend: 3/25/2021
Status: 5/13/2021-Referred to Com. on JUD.
Summary: Would enact the Wade Kilpatrick Gas Safety and Workforce Adequacy Act of 2021. The bill would prescribe a civil penalty of up to $100,000 to be imposed on an operator or excavator, as described, who knowingly and willfully violates provisions relating excavations and subsurface installations and subsequently damages a gas or hazardous liquid pipeline subsurface installation and the damage results in the escape of any flammable, toxic, or corrosive gas or liquid.

SB 323  
(Caballero D) Local government: water or sewer service: legal actions.

Current Text: Amended: 3/17/2021  html  pdf
Introduced: 2/5/2021
Last Amend: 3/17/2021
Status: 5/13/2021-Referred to Coms. on L. GOV. and JUD.
Summary: Current law prohibits a local agency from imposing fees for specified purposes, including fees for water or sewer connections, as defined, that exceed the estimated reasonable cost of providing the service for which the fee is charged, unless voter approval is obtained. Current law provides that a local agency levying a new a water or sewer connection fee or increasing a fee must do so by ordinance or resolution. Current law requires, for specified fees, including water or sewer connection fees, any judicial action or proceeding to attack, review, set aside, void, or annul an ordinance, resolution, or motion adopting a new fee or service charge or modifying an existing fee or service charge to be commenced within 120 days of the effective date of the ordinance, resolution, or motion according to specified procedures for validation proceedings. This bill would apply the same judicial action procedure and timelines, as stated above, to ordinances, resolutions, or motions adopting, modifying, or amending water or sewer service fees or charges adopted after January 1, 2022, except as provided.

SB 351  

Current Text: Amended: 4/20/2021  html  pdf
Introduced: 2/9/2021
Last Amend: 4/20/2021
Status: 5/25/2021-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/10/2021)(May be acted upon Jan 2022)
Summary: Current law establishes the State Water Resources Control Board for the purposes of providing for the orderly and efficient administration of the water resources of the state. This bill, the Water Innovation Act of 2021, would create the Office of Water Innovation at the California Water Commission for the furtherance of new technologies and other innovative approaches in the water sector. The bill would require the office, by December 31, 2023, to take specified measures to advance innovation in the water sector. The bill would make findings and declarations regarding the need for
water innovation.

**SB 482 (Hueso D)** Salton Sea: long-term strategy.
- **Current Text:** Introduced: 2/17/2021  [html](#)  [pdf](#)
- **Introduced:** 2/17/2021
- **Last Amend:** 4/7/2021
- **Status:** 4/30/2021-Failed Deadline pursuant to Rule 61(a)(2). (Last location was N.R. & W. on 3/18/2021)(May be acted upon Jan 2022)
- **Summary:** Current law, including the Salton Sea Restoration Act , specifies various sources of funding for Salton Sea restoration and mitigation projects, and provides for the allocation of various responsibilities among state agencies and regional water agencies for implementation and administration of those projects. This bill would require the secretary to work with local stakeholders to develop a long-term strategy for the Salton Sea. The bill would require the long-term strategy to, among other things, assess the environmental impacts and economic viability of the Salton Sea, identify challenges to enacting a long-term strategy, and provide recommendations for addressing the identified challenges.

**SB 526 (Min D)** Community water systems: lead user service lines.
- **Current Text:** Introduced: 2/17/2021  [html](#)  [pdf](#)
- **Introduced:** 2/17/2021
- **Status:** 4/30/2021-Failed Deadline pursuant to Rule 61(a)(2). (Last location was E.Q. on 2/25/2021) (May be acted upon Jan 2022)
- **Summary:** Current law requires, by July 1, 2020, a community water system with known lead user service lines in use in its distribution system to provide a timeline for replacement of those lines to the State Water Resources Control Board. Current law requires the state board to review and approve an established timeline, and requires, if the state board fails to act within 30 days of the submission of the timeline, the timeline to be deemed approved. Current law authorizes the state board to enforce these requirements, as specified, and a violation is considered a violation of the California Safe Drinking Water Act, subjecting the violator to specified civil and criminal penalties. This bill would, until January 1, 2025, require a community water system to remove or replace the full lead user service line, if the community water system disturbs, removes, or replaces a portion thereof. The bill would apply the above-described enforcement provisions to a violation of the requirements of the bill, thereby creating a state-mandated local program by expanding the scope of crimes under the California Safe Drinking Water Act.

- **Current Text:** Introduced: 2/17/2021  [html](#)  [pdf](#)
- **Introduced:** 2/17/2021
- **Status:** 4/30/2021-Failed Deadline pursuant to Rule 61(a)(2). (Last location was E.Q. on 2/25/2021) (May be acted upon Jan 2022)
- **Summary:** Would eliminate the continuous appropriation of 25% of the annual proceeds of Greenhouse Gas Reduction Fund to the High-Speed Rail Authority on June 30, 2022. The bill, beginning with the 2022–23 fiscal year, would annually transfer 25% of the annual proceeds of the Greenhouse Gas Reduction Fund to the Salton Sea Restoration Fund. This bill contains other existing laws.

**SB 559 (Hurtado D)** Department of Water Resources: water conveyance systems: Canal Conveyance Capacity Restoration Fund.
- **Current Text:** Amended: 5/20/2021  [html](#)  [pdf](#)
- **Introduced:** 2/18/2021
- **Last Amend:** 5/3/2021
- **Status:** 6/3/2021-Referred to Com. on W.,P., & W.
- **Summary:** Would establish the Canal Conveyance Capacity Restoration Fund in the State Treasury to be administered by the Department of Water Resources. The bill would require all moneys deposited in the fund to be expended, upon appropriation by the Legislature, in support of subsidence repair costs, including environmental planning, permitting, design, and construction and necessary road and bridge upgrades required to accommodate capacity improvements. The bill would require the department to expend from the fund, upon appropriation by the Legislature, specified monetary amounts to restore the capacity of 4 specified water conveyance systems, as prescribed, with 2 of those 4 expenditures being in the form of a grant to the Friant Water Authority and to the San Luis and Delta-Mendota Water Authority. The bill would make operation of these provisions contingent on specified conditions being met. The bill would make these provisions inoperative on January 1, 2030, and would repeal the provisions as of January 1, 2031.

**SB 594 (Glazer D)** Elections: local redistricting.
- **Current Text:** Amended: 5/3/2021  [html](#)  [pdf](#)
- **Introduced:** 2/18/2021
- **Last Amend:** 5/3/2021
- **Status:** 5/20/2021-Referred to Coms. on ELECTIONS and L. GOV.
Summary: Current law requires counties, general law cities, and charter cities that elect members of their legislative bodies using district-based elections to adopt boundaries for those supervisorial or council districts following each federal decennial census, as specified. Current law expressly authorizes a city council to adopt district boundaries by resolution or ordinance. If a legislative body does not adopt district boundaries by a specified deadline, existing law requires the legislative body, and authorizes a resident of the county or city, to petition the superior court for an order adopting boundaries. Current law provides that the superior court's order is immediately effective in the same manner as an enacted ordinance or resolution of the legislative body. This bill would clarify that “adopting” district boundaries for these purposes means the passage of an ordinance or resolution specifying those boundaries.

SB 646  (Hertzberg D)  Electricity: integrated resource planning.
Current Text: Amended: 3/10/2021  html  pdf
Introduced: 2/19/2021
Last Amend: 3/10/2021
Status: 5/20/2021-Referred to Com. on U. & E.
Summary: The Public Utilities Act requires the Public Utilities Commission to review and accept, modify, or reject a procurement plan for each electrical corporation and requires the procurement plan to include specified elements, among them a showing that it will achieve certain objectives. Current law requires the commission to identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner. Current law requires the commission to ensure the net costs of any incremental renewable energy integration resources procured by an electrical corporation are allocated on a nonbypassable basis, as specified. This bill would instead require the commission to ensure the net costs of any incremental renewable energy integration resources procured by any load-serving entity designated by the commission to serve as a central procurement entity are allocated on that basis.

Current Text: Amended: 4/22/2021  html  pdf
Introduced: 2/19/2021
Last Amend: 4/22/2021
Status: 5/13/2021-Referred to Coms. on L. & E. and JUD.
Summary: Current law regulates the wages, hours, and working conditions of any worker employed in any occupation, trade, or industry, whether compensation is measured by time, piece, or otherwise, except as specified. This bill would provide that, in any instance in which an employer is required to physically post information, an employer may also distribute that information to employees by email with the document or documents attached. The bill would specify that this does not alter the employer's obligation to physically display the required posting.

SB 698  (Grove R)  Water rights: reasonable and beneficial use of water.
Current Text: Introduced: 2/19/2021  html  pdf
Introduced: 2/19/2021
Status: 3/3/2021-Referred to Com. on RLS.
Summary: Current law declares that the right to water is limited to that water that is reasonably required for the beneficial use to be served, and does not extend to the waste or unreasonable use, unreasonable method of use, or unreasonable method of diversion of water. This bill would make nonsubstantive changes to that provision.

SB 708  (Melendez R)  Water shortage emergencies: declarations: deenergization events.
Current Text: Amended: 4/19/2021  html  pdf
Introduced: 2/19/2021
Last Amend: 4/19/2021
Status: 5/13/2021-Referred to Com. on W.,P., & W.
Summary: Would authorize a public water supplier to declare a water shortage emergency condition without holding a public hearing in the event of a deenergization event, as defined.

SB 719  (Min D)  Surplus land: exempt surplus land: eligible military base land.
Current Text: Amended: 5/20/2021  html  pdf
Introduced: 2/19/2021
Last Amend: 5/20/2021
Summary: Current law authorizes the adoption of a redevelopment plan for the Tustin Marine Corps Air Station Redevelopment Project, which includes specified areas comprising of the Tustin Marine Corps Air Station and land contiguous with the Tustin Marine Corps Air Station. This bill would deem certain land comprising of the Tustin Marine Corps Air Station to be exempt surplus land if specified requirements are met. In this regard, the bill would require at least 20% of the residential units that
are permitted after January 1, 2022, to be restricted to persons and families of low or moderate income, and at least 15% of those units to be restricted to lower income households, as specified. The bill would require a local agency that disposes of exempt surplus land under these provisions to comply with certain requirements, including, adopting an initial finding of exemption and report certain information regarding the development of residential units on the property in a specified annual report.

**SB 776** (Gonzalez D)  **Safe drinking water and water quality.**

**Current Text:** Amended: 4/29/2021  html  pdf
**Introduced:** 2/19/2021  **Last Amend:** 4/29/2021

**Status:** 6/2/2021-In Assembly. Read first time. Held at Desk.

**Summary:** The California Safe Drinking Water Act requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. Current law provides that the California Safe Drinking Water Act does not apply to small state water systems, except as specified. This bill would expand the application of the act to small state water systems, as specified.

**SB 780** (Cortese D)  **Local finance: public investment authorities.**

**Current Text:** Amended: 5/3/2021  html  pdf
**Introduced:** 2/19/2021  **Last Amend:** 5/3/2021

**Status:** 5/20/2021-Referred to Coms. on L. GOV. and H. & C.D.

**Summary:** Would authorize the legislative bodies to appoint an alternate member to the public financing authority who may serve and vote in place of a member who is absent or disqualifies themselves from participating in a meeting of the authority. If a district has more than 3 participating affected taxing entities, the bill would authorize the legislative bodies of the taxing entities to, upon agreement, appoint only one member of their respective legislative bodies, and one alternate member, in addition to the public members.

**SB 786** (Becker D)  **Santa Clara Valley Water District.**

**Current Text:** Amended: 5/11/2021  html  pdf
**Introduced:** 2/19/2021  **Last Amend:** 5/11/2021

**Status:** 5/28/2021-Referred to Com. on L. GOV.

**Summary:** The Santa Clara Valley Water District Act authorizes the Clara Valley Water District to levy ad valorem taxes or assessments in the district to pay the general administrative costs and expenses of the district, to carry out the act’s objects or purposes, and to pay the costs and expenses of constructing or extending works within the district. The act additionally authorizes the district to levy taxes or assessments upon all property or all real property within a portion of the district for specified purposes. The act authorizes the district to issue bonds for specified purposes, and requires that the bonds be paid by revenue derived from those tax levies and assessments, except the ad valorem taxes or assessments. This bill would additionally authorize the district to use the revenues from the ad valorem taxes or assessments to pay for the bonds.

**Total Measures:** 80
**Total Tracking Forms:** 39

PUBLIC COMMENT MAY BE SUBMITTED BY EITHER OF THESE TWO METHODS:

1. BEFORE THE MEETING SUBMIT YOUR TELEPHONE NUMBER BY E-MAIL TO THE CLERK AT MNELSON@SDCWA.ORG AND THE CLERK WILL CALL YOU WHEN THE BOARD IS READY TO HEAR YOUR PUBLIC COMMENT (THREE MINUTES OR LESS); OR

2. BEFORE THE MEETING E-MAIL YOUR COMMENT TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG, AND TIME ALLOWING IT MAY BE READ ALOUD AT THE PUBLIC COMMENT PERIOD (THREE-MINUTE LIMIT).

IF MODIFICATIONS OR ACCOMMODATIONS FROM INDIVIDUALS WITH DISABILITIES ARE REQUIRED, SUCH PERSONS SHOULD PROVIDE A REQUEST AT LEAST 24 HOURS IN ADVANCE OF THE MEETING BY E-MAIL TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG

WATER PLANNING AND ENVIRONMENTAL COMMITTEE

AGENDA FOR

JUNE 24, 2021

Jose Preciado, Chair
Keith Lewinger, Vice Chair
Elsa Saxod, Vice Chair
Jack Bebee
Brian Boyle
Craig Elitharp
Lois Fong-Sakai
Tom Kennedy

Valentine Macedo Jr.
Dan McMillan
Amy Reeh
Mona Rios
Joel Scalzitti
Nick Serrano
Doug Wilson

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
4-A Directors’ comments.
I. CONSENT CALENDAR

II. ACTION/DISCUSSION/PRESENTATION

1. Annual Storage Assessment. (Presentation) Nathan Faber
2. Update on Water Use Efficiency Standards. (Presentation) Elizabeth Lovsted

III. INFORMATION

1. Water Resources Report. Jeff Stephenson

IV. CLOSED SESSION

V. ADJOURNMENT

NOTE: This meeting is called as a Water Planning and Environmental Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
June 16, 2021

Attention: Water Planning and Environmental Committee

Annual Storage Assessment. (Presentation)

Purpose
Annual evaluation of operational storage, carryover storage, and emergency storage reserves.

Executive Summary
- Each year, staff provides an annual update to the Board regarding the status of Water Authority operational, carryover, and emergency storage reserves.
- Operational storage, totaling approximately 35,000 acre-feet, is currently held in San Vicente, Lower Otay, Hodges, and Olivenhain Reservoirs.
- Carryover storage reserves are currently held in San Vicente Reservoir (approximately 79,000 acre-feet) and in Central Valley groundwater storage (approximately 16,000 acre-feet).
- Emergency storage reserves, totaling approximately 41,000 acre-feet, are currently held in San Vicente Reservoir, Olivenhain Reservoir, and Hodges Reservoir.
- Reservoir withdrawals totaling 10,000 to 20,000 acre-feet are planned from operational storage in Fiscal Year (FY) 2022 with an additional 10,000 acre-feet made available from emergency reserve volumes to better align with projected need.

Background
On December 8, 2016, the Water Authority Board approved policy guidelines for managing Water Authority carryover storage supplies and adopted a new Stored Water Fund Policy. The supporting memo for these policies is provided as Attachment 1 for reference. The carryover storage policy is intended to provide guidance to staff on management of carryover supplies to minimize or avoid potential supply cutbacks to member agencies during periods of drought or other supply shortage events. The guidelines identify a carryover storage target volume of 70,000 acre-feet (AF) and a maximum volume of 100,000 AF in San Vicente Reservoir. The primary purpose of the Stored Water Fund Policy is to support the Water Authority’s ability to execute the carryover storage policy guidelines and manage the emergency storage inventory. The policy guidelines also call for staff to report to the Board annually with a review of the Water Authority’s operational storage, carryover storage, and Emergency Storage Project (ESP) storage reserves. Figure 1 depicts the various storage pools in a reservoir, with freeboard representing the remaining available capacity in the reservoir and dead storage representing the volume of water beneath the outlet works that cannot be withdrawn.
Figure 1 - Typical Reservoir Storage Pools

Discussion
In evaluating the adequacy of operational storage, carryover storage, and ESP storage reserves, there are numerous factors that influence management of these storage reserves. Variables for consideration include current hydrologic conditions and their uncertainty, availability of Water Authority and member agency local and imported supplies, water demand trends, water system operations, and current surface water storage levels. The following is an assessment of current conditions used to guide staff’s planned management of the Water Authority’s storage reserves.

Hydrologic Conditions
The winter months of Water Year 2021 were largely dry for the southwestern United States. The low levels of precipitation in California are attributed to the lack of atmospheric rivers (ARs) making landfall; only two ARs occurred in the state and both were categorized as weak. Current year-to-date precipitation is well below normal across much of California with the Northern Sierra 8-Station Precipitation index registering 22 inches of rain, or 47% of normal, as of May 18, 2021. Additionally, the last 18 months were the second driest on record for California. In the greater Sierra Nevada mountain range, sub-regions recorded 2% or less of normal snow water equivalent as of May 18, 2021. The Colorado River Basin is facing yet another dry water year with adverse water supply implications likely.

Imported and Local Water Supply
Due to ongoing dry conditions and forecasted low runoff, the State Water Project Table A Allocation is set at 5%. The current allocation ties for the lowest on record. Dry conditions persisted in the Colorado River Basin and the snow water equivalent in the Upper Colorado Basin was 53% of average, while precipitation was 72% of average as of May 17, 2021. Shortages on the Colorado
River are also predicted in 2022 and 2023. Under the first level shortage expected next year, over 600,000 acre-feet of water will be required from Arizona, Nevada and Mexico. California is protected from shortage cuts at this level. The Water Authority’s Quantification Settlement Agreement (QSA) conserved water supplies are highly reliable and largely insulated from cutbacks because they are tied to California’s high priority water rights among the lower Basin States, and Imperial Irrigation District’s (IID) priority water rights ahead of MWD’s. In its June 8, 2021, Water Surplus and Drought Management Update, MWD reported projected Calendar Year (CY) 2021 demands at 1.4 million AF, including system and storage losses and excluding the Water Authority’s QSA supplies. As such, MWD anticipates a supply gap of 605,000 AF, to be satisfied through storage withdrawals.

Consistent with the QSA delivery schedule, the Water Authority will receive 205,000 AF of conserved agricultural water transfers from the IID in CY 2021, an increase of 12,500 AF over last year’s transfer. Water Authority imported supplies also include approximately 80,000 AF per year of water conserved from the lining of the All-American Canal and Coachella Canal. On the local supply side, anticipated supplies from the Claude “Bud” Lewis Carlsbad Desalination Plant (CDP) are estimated at 48,000 AF per year – pursuant to the Water Purchase Agreement contractual obligation.

Member agency local surface water storage decreased over the past 12 months from 243,560 AF (March 2020) to 162,543 AF (March 2021), a difference of 81,017 AF.

**Water Demand**

Cumulative precipitation across San Diego County remains below average for Water Year 2021. Lindbergh Field and Ramona weather stations have recorded around half of normal year precipitation and cumulative precipitation at Lindbergh Field is 4.5 inches through May 18, 2021, or roughly 55% of annual average.

In CY 2020, water use in the Water Authority’s service area totaled approximately 482,602 AF, an increase of roughly 31,000 AF or 7% from CY 2019. Water use continues to increase due to the continued local dry conditions, and current total water demands are approximately 15% higher than the same period (January to April) last year. For the long-term, water use is forecasted to gradually increase over the Water Authority’s current 2045 planning horizon as documented in the 2020 Urban Water Management Plan.

**Climate Change**

Climate change can have a significant impact on water supplies and adds uncertainty to the future water supply/demand environment. Dr. Alex Hall, a professor in the Department of Atmospheric and Oceanic Sciences and Institute of the Environment and Sustainability and Director of the Center for Climate Science at UCLA, noted that in the future there will likely be a loss of snow, larger rainfall and flooding events, and increased dry years due to climate change. He emphasized the importance of water storage as an effective tool to mitigate and manage these anticipated changes. In addition, the Water Authority is participating in the Center for Western Weather and Water

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1 Hall, A. (2021, May 6). *Implications of Climate Change for Sierra Water Resources* [PowerPoint slides]. Center for Climate Science, UCLA.
Extremes Water Affiliates Group and will actively utilize the new Atmospheric River Scale forecasting tool. This tool will help the region better prepare for forecasted rainfall and flooding events and aid rainwater capture in reservoirs throughout the region.

**Operational Storage**
Operational storage represents the frequent deposits and withdrawals to meet normal supply/demand needs during annual water system operations. It is used to balance seasonal changes, ensure reliable service during aqueduct shutdowns, and support pumped storage operations. As of April 30, 2021, the Water Authority’s operational storage consists of 32,830 AF of water stored in San Vicente Reservoir (23,490 AF), Hodges Reservoir (8,985 AF), Olivenhain Reservoir (216 AF), and Lower Otay Reservoir through an agreement with the City of San Diego (139 AF).

**Management of Operational Storage through May 2022**
To manage the seasonal variations in demand and continue to provide operational flexibility, staff plans to withdraw 10,000 to 20,000 AF from operational storage for sale through FY 2022.

**Carryover Storage**
Water Authority carryover storage consists of surface water storage in San Vicente Reservoir and out-of-region groundwater storage in the Central Valley. The San Vicente Dam raise was completed in 2014 at a final crest elevation of 776 feet, which officially created 105,563 AF of in-region carryover storage capacity. Central Valley groundwater agreements were executed in 2008 and provide 70,000 AF of groundwater carryover storage capacity. Table 1 summarizes the characteristics of the two carryover storage pools.

<table>
<thead>
<tr>
<th></th>
<th>Water Authority Carryover Storage Program Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>San Vicente Reservoir</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity (AF)</td>
<td>105,563</td>
</tr>
<tr>
<td>Losses (evaporation and seepage)</td>
<td>Approx. 6% per year</td>
</tr>
<tr>
<td>Annual Put Capacity (AFY)</td>
<td>NA</td>
</tr>
<tr>
<td>Annual Take Capacity (AFY)</td>
<td>NA</td>
</tr>
<tr>
<td>Current Storage (AF) (as of April 30, 2021)</td>
<td>79,084</td>
</tr>
</tbody>
</table>

Carryover storage fill operations were completed in June 2016, with the Water Authority storing approximately 100,000 AF of conserved supplies in San Vicente Reservoir. Over the last three years, the carryover storage volume has decreased due to planned sales, evaporation, and seepage losses. Carryover storage reserves in San Vicente Reservoir as of April 30, 2021, totaled 79,084 AF, and stored water in the Semitropic Groundwater Storage Bank remains at 16,117 AF.
Management of Carryover Storage through May 2022

After a thorough review of supply and demand conditions, no supply shortages are reasonably foreseen over the next two-year period. Staff does not intend to replace water lost through evaporation and seepage expected in San Vicente Reservoir. This strategy will likely result in an ending carryover storage pool in San Vicente Reservoir in May 2022 of approximately 77,800 AF, which is 7,800 AF above the target volume. For the out-of-region storage, the Board authorized the General Manager to seek opportunities to sell, lease, or swap the Water Authority’s 16,117 acre-feet stored in the Central Valley in April 2021. As highlighted in this evaluation and in the 2020 Urban Water Management Plan, the Water Authority does not anticipate this stored water will be needed in the near future. Due to the dry conditions in the state, it is an opportune time to seek partnerships with agencies who need these supplies. However, due to limitations imposed by the Department of Water Resources, no transactions will occur in CY 2021 although staff continues to look for partnership opportunities for future years.

Emergency Storage

Two emergency scenarios were analyzed in the development of required ESP facilities and delivery guidelines: a six-month partial imported supply outage and a two-month total imported supply outage. The constructed ESP capacity was sized to meet peak demand projections for May through October for the six-month scenario, and July through August for the two-month scenario. The established policy objective for both scenarios is to provide a 75% Level of Service to the region. The evaluation performed as part of the 1996 ESP Final Environmental Impact Report/Environmental Impact Statement concluded that the required ESP capacity was 90,100 AF in planning year 2030.

The volume of water required in ESP storage at any given time is based on projected demand, seasonal fluctuations in demand, delivery system constraints, and supplies that would be available during an emergency, including local surface storage, recycled water, groundwater, and seawater desalination. Table 2 shows the capacity and stored volume by reservoir for Water Authority emergency storage.

<table>
<thead>
<tr>
<th></th>
<th>San Vicente Reservoir</th>
<th>Olivenhain Reservoir</th>
<th>Lake Hodges¹</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Storage</td>
<td>52,100</td>
<td>18,000</td>
<td>20,000</td>
<td>90,100</td>
</tr>
<tr>
<td>Dedicated Capacity (AF)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Emergency</td>
<td>25,211</td>
<td>18,000</td>
<td>0</td>
<td>43,211</td>
</tr>
<tr>
<td>Storage Volume (AF)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹Storage in Lake Hodges is currently restricted to 13,401 AF until proposed improvements have been completed.

With current water demands well below the projected demands used to originally size ESP storage capacity, and implementation of the CDP, forecasted storage requirements to meet ESP delivery obligations are significantly reduced. Staff recently conducted an updated ESP storage requirement modeling analysis to provide a 75% Level of Service to the region and concluded that the current emergency storage volume held in San Vicente Reservoir, Olivenhain Reservoir, and Lake Hodges exceeds the calculated ESP storage requirement by approximately 12,000 AF.
Management of ESP Storage through May 2022
After consideration of current emergency storage needs, projected water demands, and the need to be conservative when considering the appropriate amount of emergency storage, staff plans to make up to 10,000 AF of emergency storage reserves available to offset imported water purchases and does not intend to replace water lost through evaporation and seepage.

Planned Storage Withdrawal Actions
The operational, carryover, and emergency storage management strategies listed above result in a potential withdrawal of current storage reserves in San Vicente Reservoir of approximately 10,000 to 20,000 AF in FY 2022 with an additional 10,000 AF made available from emergency reserve volumes to better align with projected need. These withdrawals align with assumptions used in determining the proposed 2022 rates and charges to be considered by the Board in June 2021.

Finally, consistent with carryover storage policy guidelines, staff will conduct the next regularly scheduled carryover storage and ESP storage assessment in May 2022. This evaluation will focus on the appropriateness of carryover and emergency storage levels, potential revisions to the Carryover Storage Policy guidelines based on the 2020 Urban Water Management Plan, and further analysis of storage in the 2023 Water Facilities Master Plan.

Prepared by: Nathan Faber, Principal Engineer
Reviewed by: Jeremy Crutchfield, Water Resources Manager
Kelley Gage, Director of Water Resources
Approved by: Dan Denham, Deputy General Manager

Attachment 1: Policy Guidelines for Managing Carryover Storage Supplies and Revisions to the Stored Water Fund Policy (November 30, 2016)
November 30, 2016

Attention:   Water Planning Committee
Administrative and Finance Committee

Policy Guidelines for Managing Carryover Storage Supplies and Revisions to the Stored Water Fund Policy (Action)

**Staff recommendation**

Water Planning Committee Recommendation:
Approve policy guidelines for managing the Water Authority’s carryover storage supplies.
(Attachment 3)

Administrative and Finance Committee Recommendation:
Adopt the recommended Stored Water Fund Policy.

**Alternative**

Do not approve the policy guidelines or the recommended Stored Water Fund Policy and direct staff to make modifications and bring them back to the Board for consideration.

**Fiscal Impact**

The recommended Stored Water Fund policy results in the transfer of $9.7 million from the Stored Water Fund to the Operating Fund for beneficial use. Staff recommends that the transferred funds be used to fund existing capital projects. This provides future rate relief by delaying future debt issuance and the incidence of the associated debt service.

**Background**

At the October 2016 Water Planning Committee, the action item on the proposed carryover storage policy guidelines was tabled. Board members requested that the item be brought back in December, together with the recommended stored water fund policy. Board members also requested that the associated report also address the other types of Water Authority storage including emergency and operational storage. As such, in an integrated fashion, this report addresses Water Authority operational, emergency and carryover storage in addition to addressing the proposed carryover storage policy guidelines and the recommended stored water fund policy.

Member agency and Water Authority storage capacity represents key part of the water reliability infrastructure for the region. The region has 746,385 acre-feet (AF) storage capacity in 24 reservoirs, as shown in Figure 1. Eight of these reservoirs provide the capability to store imported untreated water delivered from the First or Second Aqueduct and include San Vicente, Lower Otay, Sweetwater, Olivenhain and Miramar Reservoirs as well as Lake Murray, Lake Poway and Lake Dixon.

In total, the Water Authority owns 196,889 AF of regional storage capacity. The Water Authority utilizes its regional storage capacity for different purposes including operational storage, emergency storage and now, with the completion of the San Vicente Dam Raise, carryover storage. In total, the Water Authority has currently available 168,019 AF in its local operational, emergency and carryover storage pools. As an example, Figure 2 depicts the various storage pools in a reservoir.
Figure 1 – Reservoirs of San Diego County
Operational Storage
Operational storage has three primary functions including: 1) pre-planned, temporary storage for use during aqueduct shutdowns linked with inspection/maintenance activities or in support of large CIP projects (such as pipeline relining); 2) support for pump-storage operations at Lake Hodges; and 3) terminal reservoir deliveries that are required to safely operate the Water Authority’s treated and untreated pipelines on the Second Aqueduct. Specific uses for each reservoir are noted below:

- San Vicente Reservoir - Operational storage is used to deliver water to member agencies when segments of the first or second aqueduct are temporarily removed from service. It can also be used to raise or lower emergency and carryover levels based on calculated storage requirements.

- Lake Hodges/Olivenhain Reservoir – Operational storage is used to maintain minimum reservoir levels in support of pumped-storage operations. Similar to San Vicente Reservoir, this storage can be used to raise or lower emergency storage levels based on calculated requirements.

- Member Agency Agreements – Agreements with member agencies such as the Sweetwater Authority and the City of San Diego are established on an as-needed basis in anticipation of upcoming inspection/maintenance activities and CIP projects that impact the Water Authority’s ability to deliver untreated water for a period of time. Terminal reservoir agreements are also established in order to address minor amounts of water delivered into terminal reservoir storage, resulting from the safe operation of the aqueduct.

Emergency Storage
The Water Authority’s Emergency Storage Program (ESP) consists of a system of reservoirs, pipelines, pump stations, and other conveyance facilities that provide regional water storage capacity and allow delivery of stored emergency water to member agencies during a prolonged regional supply interruption.
An informational Board report from April 2016, (Attachment 1) describes in detail ESP facilities, emergency scenarios and sizing as well as emergency water delivery policies. In summary, two emergency scenarios were analyzed in the development of required ESP facilities and delivery guidelines: a six-month partial imported supply outage and a two-month total imported supply outage. The constructed ESP capacity was sized to meet peak demand projections – May through October for the six-month scenario and July through August for the two-month scenario.

The established policy objective for both scenarios is to provide a 75 percent Level of Service to the region. The evaluation performed as part of the 1996 ESP Final EIR/EIS environmental document concluded that the required ESP capacity was 90,100 AF in the planning year 2030.

An informational Board report from August 2016 (Attachment 2), explains how ESP storage requirements are developed and shows the projected, required ESP storage volumes, based on the 2015 Urban Water Management Plan. As such, the volume of water held in ESP storage, at any given time, accounts for projected demand, seasonal fluctuations in demand, delivery system constraints and member agency supplies that would be available during an emergency including local surface storage, recycled water and groundwater supplies.

Given that current and projected regional water demands are lower than the projections used to size the ESP, and with the Lewis Carlsbad Desalination Plant now in commercial operation, the Water Authority has ample storage capacity to meet ESP delivery requirements well beyond 2040. Consistent with the Water Authority’s Emergency Water Delivery Plan, staff continues to monitor demands and ESP storage levels to ensure that sufficient ESP storage is held, while also considering average storage pool loss due to evaporation and seepage and system delivery capabilities. Current emergency storage levels are sufficient to meet projected demands are are shown below:

San Vicente Reservoir: 38,150 acre-feet
Olivenhain Reservoir: 18,000 acre-feet
Lake Hodges: 8,024 acre-feet

Carryover Storage
To more effectively manage supplies and increase reliability during shortage periods, the Water Authority invested in carryover storage. With this storage capacity, the Water Authority can store water when it is available for use during times of drought, to avoid or minimize the impact of supply shortages. The Water Authority’s carryover storage consists of surface water storage in San Vicente Reservoir and out-of-region groundwater storage in the Central Valley.

Construction of the San Vicente Dam raise was completed in 2014 and provides 100,000 AF of dedicated carryover storage capacity. Since May 2015, the Water Authority has stored approximately 100,000 AF of conserved water. The Central Valley out-of-region groundwater agreements were executed in 2008 and provide 70,000 AF of storage capacity. Currently, 16,117 AF is stored in the Semitropic Groundwater Storage Bank.

For the October 2016 Water Planning Committee meeting, staff provided a written report and a presentation on the proposed carryover storage policy guidelines. The report provided a detailed accounting of the Water Authority’s carryover storage reserves, discussed the development of the
policy guidelines and provided an example of how the proposed policy guidelines would be used. A summary of the proposed policy guidelines and analysis of the current carryover storage levels in San Vicente Reservoir is presented below.

Proposed Carryover Storage Policy Guidelines
The purpose of the proposed guidelines is to provide policy guidance to staff on how the Water Authority’s carryover storage supplies should be managed during supply shortage events and normal (non-shortage) periods to help minimize or avoid potential cutbacks to member agencies during drought.

Below is a list of the proposed policy guidelines. Attachment 3 contains a detailed description of each policy.

1. The trigger to evaluate utilization of carryover supplies during shortage events is when any of the Water Authority’s supplies are cutback and supplies are insufficient to meet projected demand.
2. Any evaluation will initially plan for carryover storage surface supplies to be utilized over five consecutive dry-years.
3. The amount of carryover surface supplies used annually over the five-year period will be handled on a case-by-case basis, with a general guideline of withdrawing surface storage supplies evenly over the five-year period.
4. Supplies taken from carryover storage will be considered a regional supply to be combined with other Water Authority’s supplies for delivery to the member agencies’ municipal and industrial customers.
5. Carryover storage supplies will not be available to TSAWR customers.
6. The necessary carryover storage levels maintained during normal periods will be evaluated following a shortage event when carryover supplies have been withdrawn. During normal periods, the evaluation will be conducted once a year by May when hydrologic conditions are more certain. As part of this annual evaluation, staff will also conduct a review of emergency storage and provide the Board with an informational report that includes a discussion on both carryover and emergency storage reserves.
7. Maintain a target volume of 70,000AF and maximum volume of 100,000AF in San Vicente carryover storage reserves during normal (non-shortage) periods to ensure the region is prepared for extended shortages due to drought.

As previously discussed with the Board, staff discussed the proposed policy guidelines at the Member Agency Managers’ Meeting on September 13, 2016. The Member Agency Managers supported Board consideration of the guidelines.

Analysis of Current Carryover Storage Levels in San Vicente Reservoir
Until there is more clarity and certainty regarding implementation of the Governor’s May 2016 Executive Order and potential new regulations, staff does not plan to alter current San Vicente carryover storage levels (approximately 100,000 AF) and storage puts will not be made into San Vicente Reservoir to cover evaporation and seepage losses. The Water Authority will also maintain the 16,000 AF in the Central Valley Semitropic Groundwater Storage Bank.
Consistent with the proposed policy guidelines, the carryover storage levels will be evaluated again by May 2017, to determine if reserves are at an appropriate level. By May 2017, hydrologic conditions will be more certain and the State Water Resources Control Board would have taken action regarding emergency conservation regulation in 2017. The state’s framework regarding updating the requirements of the Water Shortage Contingency Plans will also be completed and potentially on its way to being implemented.

**Stored Water Fund Policy**

On January 28, 2016, the Board adopted the Water Authority’s 2015 Long-Range Financing Plan (LRFP). The 2015 LRFP highlights the Water Authority’s transition to an operations and asset management focused agency from a construction-oriented agency. In addition, the 2015 LRFP provides a summary of key financial policies and objectives as well as important financial and operational information. When the 2015 LRFP was adopted, the Water Authority’s Board of Directors instructed staff to return with an operations and financial management plan for carryover storage in San Vincente Reservoir.

The San Vincente Dam Raise Project was completed in the Fall of 2014 and the initial fill was completed in June 2016. With the initial fill completed, the Stored Water Fund is set to sunset. However, as was discussed during the Fiscal Sustainability and Long Range Financing Plan processes, the financial resources or working capital that are required to manage the carryover storage facilities are significant and need to be carefully administered.

Staff is recommending that the Stored Water Fund continue as a Board designated fund thereby capturing and isolating the Water Authority storage inventory activities. This would also serve to eliminate large potential swings in the Operating Fund due to inventory rebalancing requirements. Such volatility would occur when stored water is purchased, causing drops in available Operating Fund monies, or, conversely, increasing Operating Fund monies when sales of stored water inventory occurs. These large fluctuations would make it difficult to manage the Operating Fund’s target balance of 45-days of operating expenditures as well as track the monies required to maintain Stored Water Fund balances.

In addition, by maintaining the Stored Water Fund, the financial management of storage water is transparent and minimizes the potential for cross rate subsidization. The transferred revenues collected from the sale of stored water and the recording of Other Deposits for seepage, evaporation and inventory cost escalation into the Stored Water Fund will only be used for stored water purchases. Without the Stored Water Fund, the amounts would be comingled with general operating funds that could be used for other purposes which could benefit other customer classes (i.e., used to fund a transportation-related activity).

The SWF’s primary purpose is to support the Water Authority’s ability to execute the proposed carryover storage policy guidelines. However, the Stored Water Fund will also be used to manage the Emergency Storage inventory and account for sales and purchases of emergency storage inventory. While the Stored Water Fund will support both carryover and emergency storage, the fund management parameters for carryover and emergency storage will be different.
Under the recommended new policy, the flow of funds dedicated to carryover storage in the Stored Water Fund are described below.

1. **Purchase of Stored Water** – Water purchases for carryover storage will be paid out of the Stored Water Fund.

2. **Sale of Stored Water** – Water revenues from the sale of water in the amount of the cost of the inventory sold will be deposited into the Stored Water Fund and the remainder of the revenues left in the Operating Fund.

3. **Other Deposits** – Required deposits to the fund would be made for seepage, evaporation and inventory cost escalation, which many Board members have pointed out that maintaining the purchasing power of the Stored Water Fund requires some level of inventory cost escalation. Staff is recommending that planned deposits for cost escalation over time be made.

Similar to the Rate Stabilization Fund, staff is recommending that the Stored Water Fund have a Target and Maximums for funds dedicated to carryover storage.

- **Stored Water Fund Target** – The target sets the optimal amount of water to be held in storage in an average year. Based upon the proposed carryover storage policy guidelines, the target carryover storage volume is 70,000 acre feet.

- **Stored Water Fund Maximum Balance Maintenance** – At least annually a rebalancing of the value of inventory and cash to equal the cost of 70,000 acre feet plus escalation, seepage and evaporation costs will be performed.

In addition, if Emergency Storage inventory is sold, the cost of replacement water will be transferred into the Stored Water Fund and the cost and inventory will be tracked separately from the carryover storage inventory.

The expected cost to purchase 70,000 acre feet of water including inventory cost escalation, seepage and evaporation is approximately $49 million. The updated value of carryover storage inventory is approximately $59 million. Based upon the recommended Stored Water Fund Policy, no additional monies are required in the Stored Water Fund for carryover storage. Once the October and November 2016 accounting transactions are recorded, a balance of approximately $9.7 million held in the Stored Water Fund for carryover storage will be excess and available for other uses. Staff recommends using the excess monies to pay for existing capital projects and reduce the amount of future debt issued. This will provide an estimated annual savings of $159,000.

The recommendations for the Stored Water Fund Policy are:

1. Continue the Stored Water Fund as a separate Board designated fund.

2. Establish a maximum calendar year-end balance threshold based on a target carryover storage volume of 70,000 acre-feet.

3. Utilize the excess Stored Water Fund monies to pay for existing capital projects or reduce debt costs.
Finally, the recommended Stored Water Fund Policy methodology has been reviewed by an independent consultant to ensure compliance with cost of service principles and California law.

Next Steps
Staff plans to update the Water Authority’s Water Shortage Drought Response Plan (Plan) for Board consideration in 2017, based on lessons learned during the last drought and potentially new statutory requirements. Should the Board approve the staff recommendations, applicable revisions will be incorporated into the updated Plan.

Prepared by: Dana L. Friehauf, Water Resources Manager
Prepared by: David Shank, Financial Planning Manager
Prepared by: Robert R. Yamada, Director of Water Resources
Prepared by: Lisa Marie Harris, Director of Finance
Approved by: Sandra L. Kerl, Deputy General Manager

Attachment 1: April 2016 Board memo on Emergency Storage and Carryover Storage
Attachment 2: August 2016 Board memo on ESP Storage Requirements
Attachment 3: Proposed Policy Guidelines for Managing Carryover Storage Supplies
April 20, 2016

Attention: Water Planning Committee

Report on Water Authority Emergency and Carryover Storage (Presentation)

Purpose
This information item provides an accounting and status of water storage related to the Emergency Storage Project (ESP) and carryover storage.

Background
Beginning in 1965, the Water Authority entered into the first of several agreements with a member agency (City of San Diego) to store water and supplement regional supplies during periods of potential shortage caused by either drought or significant pipeline service outages. As the San Diego region experienced rapid growth into the 1980s, the Water Authority advocated that more regional storage was necessary to enhance the reliability of supplies during emergencies and droughts. In the 1980s, new regional storage focused on the Pamo Valley near Ramona. That effort ultimately did not move forward due to permitting concerns related to endangered species located in the valley.

In 1989, the Water Authority began a major effort through the Optimal Storage Study to investigate the need and potential locations for new regional storage in San Diego County. The drought of 1987-1992 only reinforced that additional regional storage was required to buffer the effects from future imported water shortages. After experiencing significant supply cutbacks in 1991-1992, it became clear that there was insufficient storage capacity in the county to maintain water reliability.

Completion of the Claude “Bud” Lewis Carlsbad Desalination Plant (CDP) provides additional local, drought-proof supply capacity available for both emergency and supply shortage events. Total CDP capacity is 50 million gallons per day (56,000-acre feet annually). Vallecitos Water District has executed, and Carlsbad will execute a contract with the Water Authority acquiring 3,500-acre feet (AF) and 2,500 AF, respectively, of desalinated water from CDP annually as a local supply, leaving 50,000 AF annually of local, drought proof supply for the region. This drought-proof supply reduces the need for emergency and carryover storage programs discussed below.

Discussion

*Emergency Storage Project (ESP)*

The analysis performed as part of the aforementioned Optimal Storage Study determined that the most pressing need for storage in the region was for emergency purposes.

In 1996, the Water Authority Board of Directors (Board) certified the ESP Final EIR/EIS and in 1998 added ESP to the Capital Improvement Program at a cost of $1.2 billion. The ESP consists of a system of reservoirs, pipelines, pump stations, and other conveyance facilities intended to improve regional water storage capacity and allow delivery of stored emergency
water to member agencies during a prolonged regional supply interruption. Figure 1 shows the location of key ESP components. In total, there are 17 distinct projects as listed below:

- San Vicente Dam Raise
- San Vicente Pump Station
- San Vicente Pipeline & Aqueduct Interconnect
- San Vicente/Moreno-Lakeside Interconnect Pipeline
- San Vicente 3rd Pump Drive & Power
- Olivenhain Dam and Reservoir
- Olivenhain Pump Station
- Olivenhain Pipeline & Interconnect
- Lake Hodges Pump Station and Inlet/Outlet
- Lake Hodges to Olivenhain Pipeline
- North County ESP Pump Stations
- Operations Center Upgrade
- Diversion Structure Modifications
- Modifications to Valley Center Pump Station
- Pump Station at Twin Oaks Valley Water Treatment Plant
- Planning & Support Services
- Post Construction Activities

Two emergency scenarios were analyzed in the development of required ESP facilities and delivery guidelines: a two-month total imported supply outage and a six-month partial imported supply outage. The two-month scenario considers a maximum credible earthquake on the Elsinore Fault severing all five imported water conveyance pipelines serving the Water Authority from Metropolitan and the repair time to restore aqueduct deliveries. The six-month scenario considers a maximum credible earthquake on either the San Andreas Fault or San Jacinto Fault damaging the California State Water Project and/or Colorado River aqueducts serving Metropolitan, resulting in partial reductions of imported deliveries to the Water Authority over the six-month period while repairs are completed. The established objective for both scenarios was to provide a 75 percent Level of Service to the region.

The required ESP capacity was sized to meet peak demand projections (May through October for the six-month scenario and July through August for the two-month scenario) at the 75 percent Level of Service minus available local supplies. The evaluation performed as part of the ESP Final EIR/EIS concluded the required ESP capacity was 90,100 AF in the planning year 2030.

The following reservoirs provide the approved ESP capacity:

<table>
<thead>
<tr>
<th>Storage Location</th>
<th>Storage Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Vicente Reservoir</td>
<td>52,000 AF</td>
</tr>
<tr>
<td>Olivenhain Reservoir</td>
<td>18,100 AF</td>
</tr>
<tr>
<td>Lake Hodges</td>
<td>20,000 AF</td>
</tr>
<tr>
<td><strong>90,100 AF</strong></td>
<td></td>
</tr>
</tbody>
</table>

Based on the 2015 Draft Urban Water Management Plan demand analysis, ESP demands through the 2040 planning horizon are projected to be well below ESP capacity. As such, the total ESP capacity of 90,100 AF is sufficient to serve the region through 2040 and beyond.
With the completion of the San Vicente Dam Raise in July 2014, all ESP capacity has been established along with delivery capability to a significant portion of the region. The final project to be completed, the ESP-North County Pump Stations, will allow ESP delivery of treated water to the northernmost member agency service connections and is anticipated to be complete by 2019.

The actual amount of ESP water to be delivered to a particular member agency during an emergency event depends on many factors, including: member agency demands, local supplies, condition of Water Authority and member agency infrastructure, availability of supplies from Metropolitan, estimated duration of the emergency, and participation in the Transitional Special Agricultural Water Rate (TSAWR). The TSAWR established a class of service differential for ESP supplies, where participating agricultural customers do not pay the Water Authority Storage Charge and therefore receive a reduced level of service compared to Municipal and Industrial (M&I) customers during an emergency event. TSAWR customers also do not receive any benefit from carryover storage supplies. TSAWR customers, do however, pay for a portion of ESP costs through the Water Authority’s Infrastructure Access Charge. During an emergency event, reductions for TSAWR customers are twice that of M&I customers, with the difference allocated back to Commercial and Industrial customers.

To help clarify the Water Authority’s ESP delivery obligations to each member agency, Water Authority Operations and Maintenance Department generated the Emergency Water Delivery Plans. These plans are updated periodically to provide guidance on required ESP deliveries to member agencies based on type and timing of the emergency event.

The Water Authority’s current storage portfolio for emergency storage is as follows:

Table 1. Current Water Authority Emergency Storage Pools (as of April 4, 2016)

<table>
<thead>
<tr>
<th>Location</th>
<th>Capacity – Total (AF)</th>
<th>Volume Stored (AF)</th>
<th>Capacity – Remaining (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Vicente Reservoir</td>
<td>52,100</td>
<td>33,595</td>
<td>18,505</td>
</tr>
<tr>
<td>Lake Hodges</td>
<td>20,000</td>
<td>7,936</td>
<td>12,064</td>
</tr>
<tr>
<td>Olivenhain Reservoir(^1)</td>
<td>18,000</td>
<td>18,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>90,100</strong></td>
<td><strong>59,531</strong></td>
<td><strong>30,569</strong></td>
</tr>
</tbody>
</table>

\(^1\) Actual Olivenhain Reservoir capacity is 24,000 AF, but includes 6,000 AF of operational storage obtained from Olivenhain Municipal Water District under a separate agreement

During an ESP event, the level of service is calculated at 75 percent of the estimated rolling demand at the time of the event, with further reductions for agricultural customers. At current levels, the current ESP storage is approximately 66 percent of total capacity and is sufficient to meet ESP delivery obligations. Staff will continue to monitor demands and ESP storage levels to ensure that sufficient ESP storage is held, while also considering average storage pool loss due to evaporation and seepage.
**Carryover Storage**

Unlike emergency storage that is intended to sustain the region for a defined period of time, in the event of a catastrophic event such as an earthquake, carryover storage is intended to supplement regional water supplies during potential extended periods of drought and water supply shortages.

There are three primary benefits for carryover storage: 1) enhanced reliability with a readily available source of water, 2) increased system efficiency with the flexibility to serve from locally stored water rather than by the over-sizing of the Water Authority’s imported water transmission facilities, and 3) improved management of water supplies allowing the Water Authority to accept additional deliveries during wet periods to increase water availability during periods of shortage.

The concept of carryover storage was first approved in 2003, when the Board certified the Final Programmatic Environmental Impact Report for the *Regional Water Facilities Master Plan* (Master Plan), which included an additional 100,000 acre-foot carryover storage component as part of the San Vicente Dam Raise.

In 2008, the Final EIR/EIS for the Carryover Storage and San Vicente Dam Raise Project was certified by the Board and was added to the Capital Improvement Program at a cost of $300 million. In addition, the Water Authority also established agreements for groundwater storage in the Central Valley. These accounts with the Semitropic-Rosalind Water Bank Authority and the Semitropic Original Water Bank, allow for up to 70,000 AF of additional carryover storage capacity. Withdrawals from these water banks are limited to 14,000 AF per year. The funds for acquiring this groundwater storage were provided by the State as part of the Quantification Settlement Agreement in 2003.

The Water Authority’s current storage portfolio for carryover storage is as follows:

<table>
<thead>
<tr>
<th>Location</th>
<th>Capacity – Total (AF)</th>
<th>Volume Stored (AF)</th>
<th>Capacity – Remaining (AF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Vicente Reservoir</td>
<td>100,000</td>
<td>83,304</td>
<td>16,696</td>
</tr>
<tr>
<td>Semitropic-Rosalind Water Bank Authority</td>
<td>40,000</td>
<td>0</td>
<td>40,000</td>
</tr>
<tr>
<td>Semitropic Original Water Bank</td>
<td>30,000</td>
<td>16,117</td>
<td>13,883</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>170,000</strong></td>
<td><strong>99,421</strong></td>
<td><strong>70,579</strong></td>
</tr>
</tbody>
</table>

In the Board approved 2010 *Urban Water Management Plan* and 2013 *Regional Water Facilities Optimization and Master Plan Update* (Master Plan Update), the basic planning assumption was that, when needed to offset an identified shortage, carryover storage would be withdrawn over a three-year period in equal increments.
As the Water Authority looks ahead to the long-term management and potential use of its carryover storage reserves, staff plans to develop, for Board consideration, a policy regarding carryover storage. Such a policy involves two central issues:

1. **The number of consecutive dry years over which carryover storage would be used.** The Water Authority’s current planning assumption is that carryover storage would be withdrawn over a three-year period in equal increments. However, given the recurring length of recent drought cycles as well as anticipated hydrologic changes due to climate change, it may be appropriate to extend the number of years that carryover storage should be available. For example, the last three dry cycles, using Sacramento River runoff, a key measurement in categorizing annual hydrology within the state, have lasted 6 years (1987-92), 4 years (2007-2010) and 4 years running for the current drought (2012-2015). In addition, this issue also encompasses the level of supply cutback that would even trigger access to regional carryover storage supplies. This level will be impacted by gains in water use efficiency over time that will “harden” demand and make it more challenging to reduce demand in response to a call for mandatory conservation.

2. **The appropriate target volume of carryover storage.** With the approval of the 2015 Urban Water Management Plan, planned for June 2016, new supply and demand forecasts will be adopted for the region. These updated forecasts, including projected dry-year demands and supplies, the impact of planned member agency drought-resilient local supplies coupled with need for flexibility to respond to expected highly variable hydrologic conditions to store water when it is available, and stored water loss due to evaporation and seepage will all impact the volume of carryover storage that should be maintained.

Staff plans to conduct an evaluation of carryover storage, considering these two policy issues, and return to the Board in the fall with a recommendation for a carryover storage policy. The policy recommendation will also address any impacts to the current carryover storage program as well as any financial implications for the Water Authority’s Stored Water Fund.

Prepared by: Jeremy Crutchfield, Senior Engineer
Eric Rubalcava, Senior Water Resource Specialist

Reviewed by: Robert R. Yamada, Director of Water Resources

Approved by: Sandra L. Kerl, Deputy General Manager

Attachment: Figure 1 - Emergency Storage Project Components
Emergency Storage Project Highlights

- Provides up to six months of emergency water storage in the San Diego region (90,100 acre-feet)
- Establishes emergency water storage at Hodges, Olivenhain, and San Vicente Reservoirs
- Expands the aqueduct system to allow emergency water distribution throughout the county

LEGEND

- Emergency Storage Project Pump Station
- Emergency Storage Project Pipeline
- Water Authority Aqueducts

FIGURE 1 - EMERGENCY STORAGE PROJECT COMPONENTS
August 17, 2016

Attention: Water Planning Committee

Emergency Storage Project Storage Requirements (Information)

Purpose
This information item expands upon the Report on Water Authority Emergency and Carryover Storage provided at the April 2016 Water Planning Committee Meeting, focusing on local storage and updated emergency storage requirements for the region based on the Water Authority’s adopted 2015 Urban Water Management Plan (UWMP).

Background
Each month, staff provides the Water Planning Committee with the Water Resources Report. This report provides monthly information on rainfall, water deliveries, water use and storage. The report includes updated storage amounts in each reservoir within the Water Authority’s service area. The region has 746,385 acre-feet (AF) storage capacity in 24 reservoirs shown in Figure 1. Eight of these reservoirs provide the capability to store imported untreated water delivered from the First or Second Aqueduct and include San Vicente, Lower Otay, Sweetwater, Olivenhain and Miramar Reservoirs as well as Lake Murray, Lake Poway and Lake Dixon. Despite continued drought conditions and higher temperatures, storage is nearly twenty percent higher than it was at this time last year (328,820 AF). Reductions in water use driven by on-going drought and emergency water conservation regulations imposed by the state, combined with supply development efforts including the commencement of commercial operations of the Claude “Bud” Lewis Carlsbad Desalination Plant, allowed the Water Authority to store available imported water supplies in the newly expanded San Vicente Reservoir, thus increasing available regional storage.

In total, the Water Authority owns 196,889 AF of regional storage capacity and currently has available 167,682 AF in its local carryover, emergency and operational storage pools. An informational report on the Water Authority’s emergency and carryover storage programs was provided for the April 2016 Water Planning Committee Meeting, and is included as an attachment to this update. In particular, the report described the Water Authority’s emergency storage facilities and service objectives. The Emergency Storage Project (ESP) consists of a system of reservoirs, pipelines, pump stations, and other conveyance facilities that increase regional water storage capacity and allow delivery of stored emergency water to member agencies during a prolonged regional supply interruption. The objective of the ESP is to maintain a 75 percent level of service following an emergency event that severs, either partially or completely, the Water Authority’s imported water delivery pipelines.

Discussion
In June 2016, the Board adopted the 2015 Urban Water Management Plan (UWMP) that projects regional supplies and demands through planning year 2040. These updated forecasts were used to update the Water Authority’s ESP Model developed as part of the Emergency Water Delivery
Plans. The model evaluates net demands and member agency local supplies (i.e.: groundwater, recycling, seawater desalination and conservation) to determine the required Water Authority deliveries out of ESP storage should an emergency event occur. Table 2 below compares the required ESP storage volumes based on forecasts made during the 1996 ESP Final Environmental Impact Report/Environmental Impact Statement (ESP Final EIR/EIS) and those resulting from the 2010 and 2015 UMWP.

<table>
<thead>
<tr>
<th>Original (based on 1996 ESP Final EIR/EIS)</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous (based on 2010 UMWP)</td>
<td>39,571</td>
<td>44,953</td>
<td>49,551</td>
<td>53,474</td>
<td>-</td>
</tr>
<tr>
<td>Current (based on 2015 UWMP)</td>
<td>30,778</td>
<td>35,139</td>
<td>38,115</td>
<td>40,376</td>
<td>43,124</td>
</tr>
</tbody>
</table>

As shown in the table, the amount of forecasted ESP storage required has significantly decreased from the time the guiding analysis was performed as part of the ESP Final EIR/EIS to the most recent forecast in the 2015 UWMP. In fact, demands for planning year 2030 were 56 percent higher in the 1996 forecast (993,400 AF) as compared to 636,900 AF in the 2015 UWMP. The result is that the Water Authority has ample storage capacity to meet ESP delivery requirements well beyond 2040. Staff will continue to monitor demands and ESP storage levels to ensure that sufficient ESP storage is held.

Finally, staff plans to return to the Board in October with a recommendation for a carryover storage policy that will address two central issues:

1. The number of consecutive dry years over which carryover storage would be used.
2. The appropriate target volume of carryover storage.

The policy recommendation will also address any impacts to the current carryover storage program as well as any financial implications for the Water Authority’s Stored Water Fund.

Prepared by: Jeremy Crutchfield, Senior Engineer
Reviewed by: Toby Roy, Water Resources Manager
Robert R. Yamada, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments: Figure 1 – San Diego County Reservoirs
Attachment 1 - April 20, 2016, Report on Water Authority Emergency and Carryover Storage
San Diego County Water Authority  
Proposed Policy Guidelines for Managing Carryover Storage Supplies  
November 30, 2016

Water Authority carryover storage capacity includes 100,000 acre-feet (AF) of in-region surface storage at San Vicente Reservoir and also an out-of-region groundwater banking program at 70,000 acre-feet (AF) capacity in the Central Valley. Through these efforts, the Water Authority can store water available during wet periods for use during dry-year shortages to minimize or avoid cutbacks to its member agencies.

The following proposed guidelines provide policy direction to staff on how the Water Authority’s carryover storage supplies should be managed during supply shortage events and normal (non-shortage) periods to help minimize or avoid potential cutbacks to its member agencies during drought.

A. Withdrawal of Carryover Supplies during Dry-Year Shortage Events

1. The trigger to evaluate utilization of carryover supplies during shortage events is when any of the Water Authority’s supplies are cutback and supply is insufficient to meet projected demand  
Should any of the Water Authority’s supplies experience a cutback or reduction in deliveries, staff will evaluate the need to withdrawal supplies from carryover storage. This includes potential supply allocations from Metropolitan, reduction in Colorado River transfers or decrease in deliveries from the Claude “Bud” Lewis Carlsbad Desalination Project.

2. Any evaluation will initially plan for carryover storage surface supplies to be utilized over five consecutive dry-years  
Under the Urban Water Management Planning Act, agencies are currently required to evaluate supply reliability over three consecutive dry years. The basic planning assumption in the Water Authority’s 2015 Urban Water Management Plan (UWMP) is that carryover storage be withdrawn over a three-year period in equal increments. As stated in the Department of Water Resources (DWR) 2013 California Water Plan Update: “Climate change could extend California’s drought periods and make them worse. Warming temperatures and changes in rainfall and runoff patterns may exacerbate the frequency and intensity of droughts.” Using the Sacramento River runoff index to measure annual hydrology within the state, the last three dry cycles have lasted six years (1987-1992), four years (2007-2010) and five years running for the current drought (2012-2016). Without above average runoff in year 2011, the state would have experienced a dry cycle lasting nine years. In identifying ways to improve shortage contingency planning throughout the state, Governor Brown’s May 2016 Executive Order requires DWR to update plan requirements to include planning for at least a five-year drought. To ensure that the Water Authority and its member agencies are adequately planning for and responding to future droughts, withdrawal of carryover supplies will be evaluated under five consecutive dry-years of shortage.
3. **The amount of carryover surface supplies used annually over the five-year period will be handled on a case-by-case basis, with a general guideline of withdrawing surface storage supplies evenly over the five-year period.**

As stated in the Water Authority’s 2015 UWMP there are a number of factors to consider when determining the utilization of carryover supplies to reduce or eliminate shortages. The plan states that the storage take amount should be handled on a case-by-case basis, considering such items as, current demand trends, regional and local supply availability, hydrologic conditions, and storage supply available for withdrawal. There are other political issues that could also impact the operation of carryover storage supplies during a shortage event, such as state drought response regulations and activities. For these reasons, the carryover storage policy guidelines should be flexible to allow for the uncertainties and complexities associated managing supplies during a drought.

As a starting point in the detailed analysis, the general rule will be that surface storage supplies be withdrawn evenly throughout the five year period. This is a conservative and reliable drought management approach that helps avoid depletion of storage reserves in the early years and lessen severe cutbacks in subsequent years of the shortage event. It is important to note that this is just a general guideline to begin the analysis and actual withdrawals may differ from this rule, providing the Board with flexibility in responding to specific shortage situations.

At the end of five years, if carryover surface water supplies from San Vicente Reservoir are no longer available, deliveries could be made from the Central Valley Groundwater Bank and Emergency Storage Program storage reserves. Deliveries from the Groundwater Bank are made after carryover surface water supplies, because the costs associated with withdrawing supplies from groundwater bank are higher and there are no losses due to evaporation.

4. **Supplies taken from carryover storage will be considered a regional supply to be combined with the Water Authority’s supplies for delivery to the member agencies’ municipal and industrial customers.**

Carryover storage supplies are combined with long-term Colorado River transfers and seawater desalination supplies in the Water Authority’s system to provide additional regional reliability to each of the Water Authority’s member agencies. When determining member agencies’ M&I allocations during a shortage, the supplies available to allocate will total both the Water Authority’s core supplies and dry-year supplies, such as carryover storage and potential dry-year transfers.

5. **Carryover storage supplies will not be available to TSAWR customers**

In March 2015, the Water Authority Board approved extending the TSAWR program until December 31, 2020. As part of the program, TSAWR deliveries to the member agencies are exempt from the Storage Charge calculation. In return, agricultural customers receive half the municipal and industrial (M&I) level of service under the Emergency Storage Program and no delivery under the Carryover Storage Program.
(CSP). The cutback to TSAWR deliveries during a shortage is equivalent to the cutback level from Metropolitan. In April 2012, the Board approved modifications to the Water Authority’s Water Shortage and Drought Response Plan allocation methodology. This included a methodology to ensure that during shortages, CSP deliveries go just to M&I customers.

B. Evaluation of Carryover Storage Levels during Normal Periods

6. The necessary carryover storage levels maintained during normal periods will be evaluated following a shortage event when carryover supplies have been withdrawn and at least annually by May of each year.
   It is important to often conduct an evaluation of carryover storage levels using updated information to ensure adequate reserves for potential dry-year shortages. If a prolonged shortage situation could be reasonably foreseen within the next two years, staff would work to ensure that carryover storage reserves are full going into a potential drought period. The analysis would be conducted consistent with these policy guidelines and be conducted at the following times:
   • After a shortage event to determine how much water, if any, should be put into storage to replenish reserve levels.
   • During normal periods, the evaluation will be conducted once a year by May when hydrologic conditions are more certain. As part of this annual evaluation, staff will also conduct a review of emergency storage reserves and provide the Board with an informational report that includes a discussion on both carryover and emergency storage reserves.
   • More frequently, if conditions warrant the evaluation.

7. Maintain a target volume of 70,000AF and maximum volume of 100,000AF in San Vicente carryover storage reserves during normal (non-shortage) periods to ensure the region is prepared for extended shortages due to drought.

For financial and supply planning purposes, a target volume is being proposed to ensure the region has stored water, or the ability to purchase additional water for storage, to manage shortage events. The target volume will be re-evaluated on a periodic basis to determine if the amount is appropriate taking into account current water demand trends and supply availability. The initial 70,000AF target is based on a number of factors, including current regional water demand trends, available local, regional and imported water supplies and the recent shortage evaluation conducted for the region under the State Water Resources Control Board May 2016 Emergency Regulation.
June 16, 2021

Attention: Water Planning and Environmental Committee

Update on Water Use Efficiency Standards. (Presentation)

Purpose
To provide the Water Planning and Environmental (WP&E) Committee with a presentation on the state’s progress in developing the water use efficiency standards according to the provisions of Senate Bill 606 (Hertzberg) and Assembly Bill 1668 (Friedman).

Executive Summary
- Senate Bill 606 and Assembly Bill 1668 were signed by Governor Brown in 2018 to provide a long-term framework for water conservation and drought planning in California.
- The California Department of Water Resources and other state agencies are utilizing stakeholder workgroups to provide input during the development of water use efficiency standards.
- Recommendations on long-term water use efficiency standards are due to the State Water Resource Control Board in October of 2021.

Background
The California Department of Water Resources (DWR), State Water Resources Control Board (SWRCB), and other state agencies jointly released a report in 2017 entitled, Making Water Conservation a California Way of Life, Implementing Executive Order B-37-16. The report included a framework to establish a new foundation for long-term improvements in water conservation and drought planning. Senate Bill (SB) 606 and Assembly Bill (AB) 1668 were signed into law in 2018 to implement the provisions of the report.

In April 2019, staff provided the WP&E Committee with an update on the state’s progress in implementing the provisions of SB 606 and AB 1668. The update included a discussion on the initial actions taken to implement the three primary urban water use goals supported by SB 606 and AB 1668. At the July 2019 WP&E Committee meeting, staff provided an update on the state’s formation of stakeholder workgroups to provide input to DWR, SWRCB, and other state agencies during the process to develop standards and recommendations and adopt regulations. In September 2019, staff provided the WP&E Committee with an update on the newly formed stakeholder workgroups. In January 2020, staff updated the WP&E Committee. In March, July, and September 2020, and January 2021, staff updated the full Board on the activities of active state agency workgroups.

Discussion
As time has progressed, several of the workgroups have completed tasks and no longer meet.

These workgroups include:

*Urban Water Management Plan Guidebook Workgroup:* The Urban Water Management Plan (UWMP) Guidebook is complete and UWMPs are due in July, 2021.
Landscape Area Measurement Workgroup: The residential landscape area measurements have been provided to the retail agencies and there are no plans for this workgroup to meet again.

Wholesale Water Loss Workgroup: The final recommendations for urban wholesale water-loss audit reporting were released in June 2020 and incorporated many issues raised by stakeholders. The next steps will be determined by the Legislature.

Two other workgroups have become dormant as DWR focuses on other time-sensitive pieces of the legislation. These groups are:

- Annual Water Supply and Demand Assessment Workgroup
- Data Streamlining Workgroup

The final two workgroups are focused on the development of indoor and outdoor standards, variances, and commercial, industrial, and institutional (CII) best practices. They are:

Water Use Studies Workgroup: The workgroup is currently focused on the indoor standards. The last workgroup meeting was held on May 21, 2021, and focused on providing feedback on the Public Review Draft Report to the Legislature on the Results of the Indoor Residential Water Use Study. Comments on the draft report were due June 4, 2021, and the Water Authority and its member agencies submitted a letter listing several concerns about the limited analysis completed by the state.

Standards, Methodologies, and Performance Measures Workgroup: The Workgroup is currently meeting twice monthly on CII performance measures and variances. On May 24, 2021, the CII performance measures meeting covered classifications of CII. The most recent variance meeting was held June 10, 2021, and covered:

- Seasonal population
- Dust control
- Emergency water use
- Bonus incentives

As the work on developing the Water Use Efficiency Standards continues, Water Authority staff will continue to provide updates to the Water Authority Board, member agency managers, and their staff. In addition, Water Authority staff will continue to coordinate with various entities, including the Association of California Water Agencies, California Urban Water Agencies, and California Municipal Utilities Association, to provide comments and offer technical assistance to DWR and SWRCB during the implementation process.

Prepared by:  Elizabeth Lovsted, Water Resources Manager
Reviewed by:  Kelley Gage, Director of Water Resources
Approved by:  Dan Denham, Deputy General Manager
June 16, 2021

Attention: Water Planning and Environmental Committee

Water Resources Report

Purpose
This report includes the following:

- Water Year 2021 Rainfall Totals for October 2020 through May 2021
- Fiscal Year 2021 Monthly Water Authority Sales to Member Agencies
- Monthly Member Agency Water Use for May 2021 (Exhibit A)
- Monthly Reservoir Storage Levels for May 2021 (Exhibit B)

**Water Year 2021 Rainfall Totals* (Inches)
October 2020 – May 2021**

<table>
<thead>
<tr>
<th>Location</th>
<th>Actual</th>
<th>Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ramona</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Henshaw</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cuyamaca</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lindbergh Field</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**Fiscal Year 2021 Monthly Water Authority Sales to Member Agencies (Acre-Feet)**

![Bar chart showing monthly sales for Fiscal Year 2021]

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## Estimated Member Agency Water Use (AF)
### May 2021

<table>
<thead>
<tr>
<th>Water Authority Source</th>
<th>Member Agency Local Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>QSA/Seawater Desal/MWD</td>
</tr>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,194</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>82</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>427</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>790</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>2,586</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>276</td>
</tr>
<tr>
<td>National City, City of</td>
<td>80</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>2,035</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,794</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,755</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>904</td>
</tr>
<tr>
<td>Pendleton M.R.</td>
<td>14</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>857</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>1,631</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>384</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>472</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>11,225</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>309</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>606</td>
</tr>
<tr>
<td>South Bay I.D.</td>
<td>292</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,091</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>1,690</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>81</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>486</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32,061</strong></td>
</tr>
</tbody>
</table>

1 SLR water transfers were added as local supply sources beginning in December 2017, for Escondido and Vista I.D. only; Valley Center began in September 2019.
2 DeLuz figures included in Fallbrook P.U.D. totals.
3 Brackish groundwater figures are included in groundwater figures.
4 Pendleton M.C.B. imported use includes South Coast Water District deliveries.
5 Poway’s recycled use is reported quarterly.
6 N/R = Not Reported
## Reservoir Storage (AF)
### May 2021

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Reservoir</th>
<th>Capacity</th>
<th>Storage</th>
<th>% of Capacity</th>
<th>Change From Previous Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>Maerkle</td>
<td>600</td>
<td>58</td>
<td>10%</td>
<td>5</td>
</tr>
<tr>
<td>Escondido, City of 1,2</td>
<td>Dixon</td>
<td>2,606</td>
<td>2,365</td>
<td>91%</td>
<td>(130)</td>
</tr>
<tr>
<td></td>
<td>Wohlford</td>
<td>2,783</td>
<td>2,432</td>
<td>87%</td>
<td>534</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>5,389</strong></td>
<td><strong>4,797</strong></td>
<td><strong>89%</strong></td>
<td><strong>404</strong></td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>Red Mountain</td>
<td>1,335</td>
<td>419</td>
<td>31%</td>
<td>(267)</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>Cuyamaca</td>
<td>8,195</td>
<td>811</td>
<td>10%</td>
<td>(45)</td>
</tr>
<tr>
<td></td>
<td>Jennings</td>
<td>9,790</td>
<td>8,545</td>
<td>87%</td>
<td>(47)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>17,985</strong></td>
<td><strong>13,556</strong></td>
<td><strong>75%</strong></td>
<td><strong>534</strong></td>
</tr>
<tr>
<td>Poway, City of</td>
<td>Poway</td>
<td>3,432</td>
<td>2,894</td>
<td>84%</td>
<td>(402)</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>Morro Hill</td>
<td>465</td>
<td>284</td>
<td>61%</td>
<td>112</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td></td>
<td>12,000</td>
<td>1,310</td>
<td>11%</td>
<td>0</td>
</tr>
<tr>
<td>San Diego, City of 1,2</td>
<td>Barrett</td>
<td>34,806</td>
<td>20,306</td>
<td>58%</td>
<td>(194)</td>
</tr>
<tr>
<td></td>
<td>El Capitan</td>
<td>112,807</td>
<td>30,289</td>
<td>27%</td>
<td>(322)</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>4,652</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>47,067</td>
<td>35,273</td>
<td>75%</td>
<td>(933)</td>
</tr>
<tr>
<td></td>
<td>Miramar</td>
<td>6,682</td>
<td>5,465</td>
<td>82%</td>
<td>(98)</td>
</tr>
<tr>
<td></td>
<td>Morena</td>
<td>50,694</td>
<td>5,417</td>
<td>11%</td>
<td>(153)</td>
</tr>
<tr>
<td></td>
<td>Murray</td>
<td>4,684</td>
<td>4,106</td>
<td>88%</td>
<td>(31)</td>
</tr>
<tr>
<td></td>
<td>San Vicente</td>
<td>249,358</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
</tr>
<tr>
<td></td>
<td>Sutherland</td>
<td>29,508</td>
<td>10,924</td>
<td>37%</td>
<td>(63)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>540,258</strong></td>
<td><strong>111,780</strong></td>
<td><strong>21%</strong></td>
<td>(1,794)</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>San Dieguito</td>
<td>883</td>
<td>686</td>
<td>78%</td>
<td>122</td>
</tr>
<tr>
<td></td>
<td>Loveland</td>
<td>25,400</td>
<td>8,011</td>
<td>32%</td>
<td>(44)</td>
</tr>
<tr>
<td></td>
<td>Sweetwater</td>
<td>28,079</td>
<td>11,566</td>
<td>41%</td>
<td>(830)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>53,479</strong></td>
<td><strong>19,577</strong></td>
<td><strong>37%</strong></td>
<td><strong>(874)</strong></td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>Turner</td>
<td>1,612</td>
<td>1,475</td>
<td>92%</td>
<td>(32)</td>
</tr>
<tr>
<td>Vista I.D. 5</td>
<td>Henshaw</td>
<td>51,774</td>
<td>5,181</td>
<td>10%</td>
<td>(863)</td>
</tr>
<tr>
<td><strong>Member Agency Totals</strong></td>
<td></td>
<td><strong>689,212</strong></td>
<td><strong>157,817</strong></td>
<td><strong>23%</strong></td>
<td><strong>(3,573)</strong></td>
</tr>
<tr>
<td>Water Authority 1,2,7</td>
<td>Olivenhain</td>
<td>24,774</td>
<td>18,462</td>
<td></td>
<td>(66)</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>8,749</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
</tr>
<tr>
<td></td>
<td>San Vicente - Comprised of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>San Vicente Emergency</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
</tr>
<tr>
<td></td>
<td>San Vicente Carryover</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
</tr>
<tr>
<td></td>
<td>San Vicente Operating</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>191,186</strong></td>
<td><strong>18,462</strong></td>
<td><strong>10%</strong></td>
<td><strong>(66)</strong></td>
</tr>
<tr>
<td>Water Authority Storage Accounts 1,2,8</td>
<td>El Capitan</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>0</td>
<td>N/R</td>
<td>N/R</td>
<td>N/R</td>
</tr>
<tr>
<td></td>
<td>Sweetwater (Temporary)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td><strong>Water Authority Totals</strong></td>
<td></td>
<td><strong>191,186</strong></td>
<td><strong>18,462</strong></td>
<td><strong>10%</strong></td>
<td><strong>(66)</strong></td>
</tr>
<tr>
<td><strong>Total Water in Storage</strong></td>
<td></td>
<td><strong>880,398</strong></td>
<td><strong>176,279</strong></td>
<td><strong>20%</strong></td>
<td><strong>(3,639)</strong></td>
</tr>
<tr>
<td>Metropolitan Water District</td>
<td>Skinner</td>
<td>44,264</td>
<td>37,354</td>
<td>84%</td>
<td>(1,695)</td>
</tr>
<tr>
<td></td>
<td>Diamond Valley</td>
<td>810,000</td>
<td>664,411</td>
<td>82%</td>
<td>(7,068)</td>
</tr>
<tr>
<td>State Water Project</td>
<td>Oroville</td>
<td>3,537,577</td>
<td>1,341,472</td>
<td>38%</td>
<td>(144,914)</td>
</tr>
<tr>
<td><strong>Total Other Water in Storage</strong></td>
<td></td>
<td><strong>4,391,841</strong></td>
<td><strong>2,043,237</strong></td>
<td><strong>47%</strong></td>
<td><strong>(153,677)</strong></td>
</tr>
</tbody>
</table>

1 Excludes storage allocated to Escondido Mutual Water Co. or its rights to a portion of the unallocated water in Lake Henshaw.
2 Revised capacity volume accounts for lowered reservoir level at Lake Wohlford due to DWR Division of Safety of Dams safety issues.
3 Revised capacity volume accounts for lowered reservoir level at Lake Hodges due to DWR Division of Safety of Dams safety issues and are in accordance with the 1998 Emergency Storage Project Agreement for the Joint Use of Lake Hodges Dam and Reservoir.
4 Includes City of San Diego’s supply and storage obligations to California American Mutual (Cal-Am) Water Company and San Dieguito W.D./Santa Fe I.D.
5 Includes allocated and unallocated water in Lake Henshaw.
6 Water Authority carryover, emergency, and operating pools in San Vicente Reservoir were established in June 2015. City of San Diego presently states total capacity in San Vicente Vicente at 249,358 AF, with the Water Authority portion being 157,663 AF and the remaining capacity, 91,695 AF, allocable to the City of San Diego.
7 N/R= Not Reported; values being reconciled by the City of San Diego.
8 No defined capacities for storage accounts in El Capitan, Lower Otay and Sweetwater Authority reservoirs.

PUBLIC COMMENT MAY BE SUBMITTED BY EITHER OF THESE TWO METHODS:

(1) BEFORE THE MEETING SUBMIT YOUR TELEPHONE NUMBER BY E-MAIL TO THE CLERK AT MNELSON@SDCWA.ORG AND THE CLERK WILL CALL YOU WHEN THE BOARD IS READY TO HEAR YOUR PUBLIC COMMENT (THREE MINUTES OR LESS); OR

(2) BEFORE THE MEETING E-MAIL YOUR COMMENT TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG, AND TIME ALLOWING IT MAY BE READ ALOUD AT THE PUBLIC COMMENT PERIOD (THREE-MINUTE LIMIT).

IF MODIFICATIONS OR ACCOMMODATIONS FROM INDIVIDUALS WITH DISABILITIES ARE REQUIRED, SUCH PERSONS SHOULD PROVIDE A REQUEST AT LEAST 24 HOURS IN ADVANCE OF THE MEETING BY E-MAIL TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG.

AGENDA
FORMAL BOARD OF DIRECTORS’ MEETING

The mission of the San Diego County Water Authority is to provide a safe and reliable supply of water to its member agencies serving the San Diego region.

JUNE 24, 2021
1:00 p.m.

1. Call to Order.

2. Roll call, determination of quorum.
   2-A Report on proxies received.

3. Additions to Agenda. (Government code Sec. 54954.2(b)).

4. Approve the minutes the Formal Board of Directors’ meeting of May 27, 2021.

5. Opportunity for members of the public who wish to address the Board on matters within the Board’s jurisdiction.
6. PRESENTATIONS AND PUBLIC HEARINGS

7. REPORT BY CHAIRS

7-A Chair’s Report: Chair Croucher

7-B Report of Committee Actions
   Administrative and Finance Committee
   Engineering and Operations Committee
   Imported Water Committee
   Legislation and Public Outreach Committee
   Water Planning and Environmental Committee

8. CONSENT CALENDAR

   Note and file the Treasurer’s report.

8.2 Purchase of Water Authority Business Insurance for Fiscal Year 2022.
   Authorize the General Manager to purchase property insurance from Swiss Reinsurance
   Company Ltd in the amount of $222,060, liability insurance from Allied World Assurance
   Company – CalMutuals JPRIMA in the amount of $409,888, and workers’ compensation
   insurance from Zenith Insurance Company – CalMutuals JPRIMA in the amount of $271,836,
   for a total amount of $903,784.

8.3 Permanent Special Agricultural Water Rate (PSAWR) Program Temporary Access Period
   Extension.
   Approve the Financial Strategy Work Group recommendation of a two-month extension to the
   existing six-month temporary eligibility period granted by the Board to previous Transitional
   Special Agricultural Water Rate (TSAWR) Program customers for access to the PSAWR
   Program.

8.4 General Manager’s Recommended Budget for Fiscal Years 2022 and 2023.
   Staff recommends that the Board formally adopt the General Manager’s Recommended Budget for
   Fiscal Years 2022 and 2023. Approve adoption of Resolution No. 2021-___, a Resolution of the
   Board of Directors of the San Diego County Water Authority approving the General Manager’s
   Recommended Budget for Fiscal Years 2022 and 2023, for operations and capital improvements
   and appropriating $1,692,690,100 consistent with the approved budget.

8.5 Adopt the Water Authority’s Rates and Charges for Calendar Year 2022.
   A. Conduct the Public Hearing;
   B. Adopt Ordinance No. 2021-___ an ordinance of the Board of Directors of the San Diego
      County Water Authority setting rates and charges for the delivery and supply of water,
      use of facilities, and provision of services;
C. Adopt Resolution No. 2021-__ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge;

D. Adopt Ordinance No. 2021-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act;

E. Find the actions exempt from CEQA pursuant to Public Resources Code §21080(b)(8) and authorize the General Manager to file a notice of exemption. (Action)

8.6 Adopt positions on various bills.

A. Adopt a position of Support and Seek Amendments on AB 897 (Mullin), relating to climate adaptation action plans.

B. Adopt a position of Support on H.R. 3404 (Huffman), relating to the FUTURE Western Water Infrastructure and Drought Resiliency Act.

8.7 Approval of Federal Advocacy Services Contract with Foley & Lardner.
Authorize the General Manager to execute an 18-month contract (from July 1, 2021 through December 31, 2022) for federal advocacy services with Foley & Lardner under a retainer of $12,000/month for a total compensable contract amount of $227,250 (inclusive of reimbursable expense allowance) over the contract term.

9. SPECIAL REPORTS
9-A GENERAL MANAGER’S REPORT – Ms. Kerl
9-B GENERAL COUNSEL’S REPORT – Mr. Hattam
9-C SANDAG REPORT – Director Katz
SANDAG Subcommittees: Borders Committee – Director Saxod
 Regional Planning Committee – Director Boyle
9-D AB 1234 Compliance Reports – Directors

10. ACTION / DISCUSSION / INFORMATION

1. Welcome New Metropolitan Water District General Manager Adel Hagekhalil.
(Discussion)

11. CLOSED SESSION(S)

11-A Public Employee Performance Evaluation
Government Code §54957 - Title: General Manager

Conference with Labor Negotiators, Government Code §54957.6
Designated Board Representatives: Chair, Vice-Chair, Secretary
Unrepresented Employee: General Manager
11-B Public Employee Performance Evaluation
Government Code §54957 - Title: General Counsel

Conference with Labor Negotiators, Government Code §54957.6
Designated Board Representatives: Chair, Vice-Chair, Secretary
Unrepresented Employee: General Counsel

11-C Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
SDCWA v. Metropolitan Water District of Southern California; San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350; CPF-18-516389; California Court of Appeal (1st District) Case Nos. A146901; A148266; A154325; A161144; California Supreme Court Case Nos. S243500; and S251025

12. ACTION FOLLOWING CLOSED SESSION

13. OTHER COMMUNICATIONS

14. ADJOURNMENT

NOTE: The agendas for the Formal Board meeting and the meetings of the Standing Committees held on the day of the regular Board meeting are considered a single agenda. All information or possible action items on the agenda of committees or the Board may be deliberated by and become subject to consideration and action by the Board.

Melinda Nelson
Clerk of the Board
MINUTES OF THE FORMAL BOARD OF DIRECTORS’ MEETING
MAY 27, 2021

IMPORTED WATER COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Heidemann called the Imported Water Committee meeting to order at 9:00 a.m. Committee members present were Chair Heidemann, Vice Chairs Madaffer and Martinez*, and Directors Butkiewicz, Hall, Hurst, Macedo, Murtland, Preciado, Scalzitti*, Serrano, Smith, and Steiner. Committee members absent were Director Hogan and Supervisor Lawson-Remer. Also, present was MWD Delegate Goldberg. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Kerl, General Counsel Hattam, Deputy General Manager Denham, Assistant General Manager Berge, MWD Program Director Chen, Colorado River Program Director Rodgers, and Clerk of the Board Nelson.

ADDITIONS TO AGENDA
There were no additions to the agenda. Chair Heidemann introduced himself as the new Chair of the committee and welcomed Vice Chair Madaffer, and Director Serrano to the Imported Water Committee.

PUBLIC COMMENT
There were no public speakers.

CHAIR’S REPORT
Chair Heidemann briefed the board on Colorado River Hydrology. He stated the Bureau of Reclamation had released updated 5-year shortage projections for the Colorado River and it showed the first formal shortage declaration was expected in 2022 and would likely continue through 2026. He explained under the first level shortage expected next year, over 600,000 acre-feet of water would be required from Arizona, Nevada, and Mexico, but California was protected from shortage cuts at this level. He noted the Water Authority’s Quantification Settlement Agreement (QSA) conserved water supplies were highly reliable and largely insulated from cutbacks because they are tied to California’s high priority water rights among the lower Basin States, and also Imperial Irrigation District’s high priority water rights, ahead of MWD’s.

Chair Heidemann announced that Governor Newsom proposed $220 million for the Salton Sea, as part of his California Comeback Plan to help bolster the state’s Salton Sea Management Program’s Phase 1, ten-year plan which called for addressing 30,000 acres of habitat and dust suppression projects by 2028. He added the new funding could enable an additional 8,000 acres of restoration projects, on top of the 4,000 acres of habitat projects currently underway, and 750 acres of dust suppression projects already completed.
DIRECTORS’ COMMENTS
Director Kennedy inquired about the Brown Act rule on a Closed Session item and Mr. Hattam replied.

I. CONSENT CALENDAR
There were no Consent Calendar items.

II. ACTION/DISCUSION/PRESENTATION
1. MWD Issues and Activities Update,
   1-A Metropolitan Water District Delegates Report.

   MWD Delegates Goldberg, Smith, and Butkiewicz reported on discussion and action taken at the recent MWD Board meetings.

   *Director Scalzitti arrived at 9:10 a.m.

   Board members made comments and asked questions, and the delegates and staff responded.

   *Vice Chair Martinez arrived at 9:23 a.m.

2. Colorado River Work Group update.

   Director Hall, Chair of the Colorado River Work Group, introduced the item before turning it over to Ms. Rodgers.

   Ms. Rodgers reported the new Colorado River Work Group had a kickoff meeting on February 23, 2021, and a second meeting on May 7, 2021, where Regional Conveyance System Study (RCSS) Phase B progress and Basin States issues were discussed. In regard to the RCSS, she reported Phase A was complete and focused on engineering and cost, and Phase B was underway and would focus on technical and cost refinements, economic analysis, stakeholder outreach and partnership dialogue, and was expected to be complete in June of 2022. She also reviewed Phase B’s completed, ongoing, and upcoming work and timeline for RCSS discussions.

   Ms. Rodgers concluded the presentation with an update on Basin States issues. She discussed Federal, State and California stakeholders, Water Authority’s objectives regarding QSA supplies, and near-term and long-term strategies under development to support the objectives.

   Board members made comments and asked questions, and staff responded.
III. INFORMATION
The following Information item was received and filed:


IV. CLOSED SESSION
Mr. Hattam took the Committee into Closed Session at 9:56 a.m.

1. Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   SDCWA v. Metropolitan Water District of Southern California;
   San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350; CPF-18-516389; California Court of Appeal (1st District) Case Nos. A146901; A148266; A154325; A161144; California Supreme Court Nos. S243500; and S251025

2. Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Jane Doe v. Richard Roes; San Diego Superior Court
   Case No. 37-2018-00028140-CO-PO-CTL

3. Conference with Real Property Negotiator
   Government Code §54956.8
   Property: QSA Portion of Colorado River Water
   Agency Negotiators: Sandra Kerl, Dan Denham, Scott Slater
   Negotiating Parties: San Diego County Water Authority,
   Colorado River water uses
   Under Negotiations: Terms and Price

   Mr. Hattam brought the committee out of Closed Session at 11:23 a.m. and stated there was no reportable action.

V. ADJOURNMENT
There being no further business to come before the Imported Water Committee, Chair Heidemann adjourned the meeting at 11:24 a.m.

ADMINISTRATIVE AND FINANCE COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Miller called the Administrative and Finance Committee meeting to order at 11:30 a.m. Committee members present were Chair Miller, Vice Chairs Ayala and Wilson, and Directors Abdullahi, Arant, Boyle, Cate, Croucher, Hall, Hilliker, Hurst, Katz, Kennedy, Madaffer, and Wilson. No committee members were absent. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.
Staff present was General Manager Kerl, Deputy General Manager Denham, Assistant General Manager Berge, General Counsel Hattam, Director of Finance/Treasurer Harris, Director of Administrative Services Foster, Rate and Debt Manager Rossum, Budget and Treasury Manager Whyte, Controller Woidzik, Human Resources Director Kite, and Clerk of the Board Nelson.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
There was no Chair’s Report.

DIRECTORS’ COMMENTS
Director Kennedy expressed his intent to make a motion to remove action item #3. Chair Miller stated the item would be the first addressed action item.

I. CONSENT CALENDAR
   Staff recommendation: Note and file the Treasurer’s report.

2. Approve amendments to the compensation plan for unrepresented employees.
   Staff recommendation: Adopt Resolution No. 2021-12, approving compensation plan adjustments for Executive and Senior management and Confidential employees for the period from July 1, 2021, through June 30, 2021.

3. Designations for Emergency Assistance and Relief.
   Staff recommendation: Adopt Resolution No. 2021-13, a Resolution of the Board of Directors of the San Diego County Water Authority to designate officers and employees authorized to execute certain disaster relief or emergency assistance documents.

   Director Madaffer moved, Vice Chair Ayala seconded, and the motion to approve staffs’ recommendations passed unanimously.

II. ACTION/DISCUSSION/PRESENTATION
1. Resolution setting a Public Hearing date and Preliminary Assessment for Rates and Charges.
   Staff recommendation:
   3-A Adopt Resolution No. 2021-14 setting the time and place for a public hearing on June 24, 2021, at or after 9:00 a.m., or as soon thereafter as may practically be heard, during the Administrative and Finance
Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2022.

3-B Preliminary Assessment of Calendar Year 2022 Rates and Charges.

Director Kennedy made a motion, and Director Thorner seconded, to postpone the Action item II-3. Director Hall called for the question, seconded by Director Hilliker. Following brief discussion Director Kennedy pulled his motion to postpone, and Director Thorner withdrew her second.

Ms. Harris and Mr. Rossum provided a presentation on the Preliminary Assessment of Calendar Year 2022 Rates and Charges. Ms. Harris reviewed the rate setting review process, covering the financial goal, rate framework, and cost of service review. Mr. Rossum reviewed the calendar year 2022 rate and charge drivers, current and proposed MWD rates & charges, calendar year 2022 rate recommendation and financial outlook.

Directors asked questions and Staff responded.

Director Katz moved, Vice Chair Ayala seconded, and the motion to approve staff’s recommendation passed. Directors Cate and Kennedy voted no.


Chair Hilliker provided a summary of topics covered during the Financial Strategy Work Group meeting held May 3, 2021, including Water Sales Forecast and Rates, FY 2022 and 2023 Budget Development and schedule, and next steps. Chair Hilliker announced that the next Financial Strategy Work Group meeting was scheduled for June 4, 2021.

2. General Manager’s Recommended Budget for Fiscal Years 2022 and 2023.

Ms. Kerl presented the General Manager’s Recommended Budget for Fiscal Years 2022 and 2023. She highlighted accomplishments from fiscal years 2020 and 2021 including COVID-19 response safety measures, system and asset management completions, maintenance and upgrades of electrical and mechanical systems, Colorado River initiatives, cyber & facility security improvements, legislative & regulatory advocacy partnership, cost control measures and savings, and workforce planning collaborations.

Ms. Kerl reviewed factors impacting the budget. She provided an overview of the budget, including themes noted in the recommended budget for fiscal years 2022 and 2023, and initiatives and projects for the next two years. She concluded with a review of the budget schedule, and stated Special Budget Workshops were scheduled for June 8 and 10, 2021, and an action item to consider adoption of the Budget was scheduled for the June 24, 2021, Administrative and Finance Committee meeting.
Directors asked questions and Ms. Kerl and Ms. Harris responded.

Directors thanked staff for the hard work that resulted in significant savings to the Water Authority.

4. **Update of the Water Authority’s Statement of Debt Management and Disclosure Policy.**
   
   **Staff recommendation:** Adopt the updated Statement of Debt Management and Disclosure Policy.

   Ms. Whyte provided an overview of the Water Authority’s Statement of Debt Management and Disclosure Policy. She reviewed background, roles and responsibilities, core elements that were unchanged, policy change drivers, and policy updates.

   Directors asked questions and Ms. Whyte and Ms. Harris responded.

   Director Arant moved, Director Hilliker seconded, and the motion to approve staff’s recommendation, with the additional language of “all costs related to the debt issuance” included, passed unanimously.

**III. INFORMATION**

The following information items were received and filed:

2. Board Calendar.

**IV. CLOSED SESSION**

There was no Closed session required.

**V. ADJOURNMENT**

There being no further business to come before the Administrative and Finance Committee, Chair Miller adjourned the meeting at 2:01 p.m.

**ENGINEERING AND OPERATIONS COMMITTEE CALL TO ORDER/ROLL CALL**

Chair Fong-Sakai called the Engineering and Operations Committee meeting to order at 2:07 p.m. Committee members present were Chair Fong-Sakai, Vice Chairs Mosca and Smith, and Directors Abdullahi, Arant, Ayala, Heidemann, Lewinger, McMillan, Miller, Murtland, and Thorner. Committee members absent were Directors Bebee, Hogan, and Simpson. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.
Staff present were General Manager Kerl, General Counsel Hattam, Deputy General Manager Denham, Assistant General Manager Berge, Director of Engineering Reed, Director of Operations and Maintenance Fisher, Deputy Director of Engineering Bousquet, Engineering Manager Kuzmich, and Clerk of the Board Nelson

ADDITIONS TO AGENDA
  There were no additions to the agenda.

PUBLIC COMMENT
  There were no members of the public who wished to speak.

CHAIR’S REPORT
  Chair Fong-Sakai congratulated staff on four CIP project awards received. The awards included one from the American Society of Civil Engineers, San Diego section, for the Pipeline 5 Emergency Repair in Moosa Canyon. Three awards were received from the American Public Works Association, San Diego section, for the Vallecitos Water District 11/Vista Irrigation District 12 Flow Control Facility, San Diego 28 Flow Control Facility, and the Northern First Aqueduct Structures and Lining Rehabilitation.

  She informed the committee that the Water Authority, working with Tesla Corporation, had conditionally secured $2 million in grant incentives from the California Public Utilities Commission for Tesla battery projects at the Lake Hodges Pumped Storage facility, and Olivenhain Pump Station.

DIRECTORS’ COMMENTS
  There were no Directors’ comments.

I. CONSENT CALENDAR
  There were no Consent Calendar items

II. ACTION/DISCUSSION/PRESENTATION
     Staff Recommendation: Authorize the General Manager to join San Diego Community Power for non-exempted meters at the PowerOn rate schedule.

     Ms. Kuzmich provided a presentation that included an overview of Water Authority electric meters in San Diego County, the analysis process, launch schedules, and facility exemptions. She concluded with staff’s recommendations.

     Director Mosca recused himself from Action item II-1.

     Director Arant moved, Director Ayala seconded, and the motion to approve staffs’ recommendation passed unanimously. Ms. Nelson took a roll call vote of the committee.

Item II-2. was deferred.

III. INFORMATION
There were no Information items.

IV. CLOSED SESSION
There were no Closed Session items.

V. ADJOURNMENT
There being no further business to come before the Engineering and Operations Committee, Chair Fong-Sakai adjourned the meeting at 2:28 p.m.
I. CONSENT CALENDAR
   1. Adopt positions on various bills.
      Staff recommendation:
      - a. Adopt a position of Support on AB 64 (Quirk), relating to long-term backup electricity supply strategy.
      - b. Adopt a position of Oppose Unless Amended on AB 836 (Gabriel), relating to onsite water reuse systems.
      - c. Adopt a position of Support on AB 1458 (Frazier), relating to lake and streambed alteration agreements.
      - d. Adopt a position of Support and Seek Amendments on SB 482 (Hueso), relating to long-term restoration strategies at the Salton Sea.
      - e. Adopt a position of Support on SB 559 (Hurtado), relating to canal conveyance capacity restoration.

      Vice Chair Steiner moved, Director Hilliker seconded, and the motion to approve staffs’ recommendation passed. Director Mosca abstained on item 1-A, AB64 Position.

II. ACTION/DISCUSSION/PRESENTATION
   1. Legislative issues.
      1-B. Sacramento report by Kristin Olsen and Joe Lang.

      Mr. Lang provided a Sacramento report which included information on the Governor’s drought response and May revised budget.

   2. Dry Year Outreach.

      Ms. Vedder and Mr. Lee presented on planned dry-year outreach activities including educating local area stakeholders and residents, website updates, advertising, social media content, and updated fact sheets.

III. INFORMATION
    The following Information item was received and filed:
    1. Government Relations Update.

IV. CLOSED SESSION
    There were no Closed Session items.
V. ADJOURNMENT

There being no further business to come before the Legislation and Public Outreach Committee, Chair Katz adjourned the meeting at 2:52 p.m.

WATER PLANNING AND ENVIRONMENTAL COMMITTEE
CALL TO ORDER/ROLL CALL

Chair Preciado called the Water Planning and Environmental Committee meeting to order at 2:58 p.m. Committee members present were Chair Preciado, Vice Chair Lewinger, and Directors Boyle, Elitharp, Fong-Sakai, Macedo, McMillan, Reeh, Rios, Serrano, and Wilson. Committee members absent were Vice Chair Saxod, and Directors Bebee, Kennedy, and Scalzitti. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Kerl, General Counsel Hattam, Deputy General Manager Denham, Director of Water Resources Gage, Water Resources Managers Lovsted and Stephenson, Senior Water Resources Specialist Herbon, and Clerk of the Board Nelson.

ADDITIONS TO THE AGENDA

There were no additions to the agenda.

PUBLIC COMMENT


CHAIR’S REPORT

Chair Preciado announced the Carlsbad Desal Plant’s Intake Screen Demonstration Project was recommended to receive $562,500 of state funding through the Department of Water Resources Water Desalination Grant Program. He also announced a third online workshop on the Water Use Water Use Efficiency standards being developed by the state agencies, would be hosted by the Water Authority on June 29, 2021.

DIRECTORS’ COMMENTS

There were no Directors’ Comments.

I. CONSENT CALENDAR

1. Agreement with the County of San Diego for Supplemental Water Use Efficiency Incentive Funding.

   Staff Recommendation: Authorize the General Manager to execute an annually-renewing, five-year agreement with the County of San Diego in a total amount not to exceed $4,181,035 to provide supplemental incentive funding to customers located in the jurisdiction of the County.
Director Lewinger moved, Director Fong-Sakai seconded, and the motion to approve staffs’ recommendation passed unanimously.

II. ACTION/DICUSSION/PRESENTATIONS

   Mr. Stephenson provided a presentation that addressed public comments received, revisions to public review drafts, normal year water resources mix, and projected demand.

   Director Lewinger moved, Director Wilson seconded, and the motion to approve staffs’ recommendation passed unanimously.

   Mr. Denham responded to a question from Director Thorner.


   Item II-2. was continued to July.

3. Update on water supply conditions.

   No presentation was provided.

III. INFORMATION
The following Information item was received and filed:

IV. ADJOURNMENT
There being no further business to come before the Water Planning and Environmental Committee, Chair Preciado adjourned the meeting at 3:19 p.m.

FORMAL BOARD OF DIRECTORS’ MEETING OF MAY 27, 2021
1. CALL TO ORDER Vice Chair Rios called the Formal Board of Directors’ meeting to order at 3:24 p.m.

2. ROLL CALL, DETERMINATION OF QUORUM
   Clerk of the Board Nelson called the roll. Directors present virtually were Chair Croucher, Vice Chair Rios, Secretary Butkiewicz, and Directors Abdullahi, Arant,
Ayala, Boyle, Cate, Elitharp, Fong-Sakai, Hall, Heidemann, Hilliker, Hurst, Katz, Lewinger, Macedo, Madaffer, Martinez, McMillan, Miller, Murtland, Mosca, Preciado, Reeh, Serrano, Smith, Steiner, Thorner, and Wilson.

Directors absent were Bebee(p), Hogan(p), Kennedy, Saxod, Scalzitti(p), Simpson, and Supervisor Lawson-Remer.

Staff present included General Manager Kerl, General Counsel Hattam, Deputy General Manager Denham, Assistant General Manager Berge, Director of Administrative Services Foster, Director of Colorado River Program Rodgers, Director of Engineering Reed, Director of Finance Harris, Director of Government Relations Farrell, Director of Human Resources Kite, Director of MWD Program Chen, Director of Operations & Maintenance Fisher, Director of Public Affairs Vedder, Director of Water Resources Gage, Deputy Director of Engineering Bousquet, Information Systems Manager Bartolome, and Clerk of the Board Nelson.

2-A **Report on proxies received.** Director McMillan was the proxy for Director Scalzitti, Director Mosca was the proxy for Director Hogan, and Director Arant was the proxy for Director Bebee.

3. **ADDITIONS TO AGENDA**
There were no additions to the agenda.

4. **APPROVAL OF MINUTES**
Director Fong-Sakai moved, Director Preciado seconded, and the motion carried at 94.524% of the vote to approve the minutes of the Formal Board of Directors’ meeting of April 22, 2021. Directors Hurst and Serrano abstained.

5. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD’S JURISDICTION.**
There were two requests to speak. Ms. Laura Walsh, Policy Coordinator with Surfrider Foundation, and Mr. Patrick McDonough, San Diego Coastkeeper, provided comments opposing approving the UWMP Resolution.

6. **PRESENTATIONS AND PUBLIC HEARINGS**
6.1 Recognition of Debbie Hodgins, Accounting Assistant II, Employee of the 3rd Quarter.

Ms. Kerl introduced Ms. Hodgins and congratulated her on being named employee of the 3rd quarter. Ms. Hodgins briefly addressed the Board.
6.2 Retirement of Director.
   A. Adopt Resolution No. 2021-16 honoring David Cherashore upon his retirement from the Board of Directors.

Vice Chair Rios and Chair Croucher congratulated Mr. Cherashore on his retirement from the SDCWA Board of Directors and reviewed his service to the Board.

Directors Madaffer, Serrano, and Secretary Butkiewicz thanked Mr. Cherashore for his service.

Mr. Cherashore addressed the Board briefly and thanked management and staff for the opportunity to serve.

Director Madaffer moved, Director Abdullahi seconded, and the motion carried at 94.1445% of the vote to Adopt Resolution No. 2021-16.

6.3 Appointment of Directors.
   A. Appointment of Nick Serrano, representing the City of San Diego. Term ending May 2, 2027.

   B. Appointment of Gary Hurst, representing Ramona Municipal Water District. Term ending August 9, 2022.

Vice Chair Rios announced the appointment of Directors Serrano and Hurst and welcomed them to the Board. Director Serrano briefly addressed the Board.

7. REPORTS BY CHAIRS
   7-A Chairs report: Chair Croucher announced the formation of a new work group on Project Labor Agreements. The work group would be Chaired by Director Wilson, and members would include Directors Serrano, Katz, Rios, McMillan, Mosca, Thorner, and Bebee.

He addressed ongoing correspondence between SDCWA and member agencies and stated that as a result of discussions there had been a significant reduction in letters, with issues and concerns rather being addressed at Board Meetings.

Chair Croucher reported that at the April 22, 2021, Formal Board Meeting the Board directed staff to seek opportunities to make stored water supplies from the Central Valley available to other water agencies during the drought. He reported that due to limitations imposed by DWR that was not looking possible, but that staff would continue to work on the issue and would keep the Board updated.
He concluded with a reminder that performance evaluation forms for the General Manager and General Counsel were due to Ms. Nelson by the end of the day and he encouraged all Board members to respond.

7-B Report of Committee Actions

Imported Water Committee
Administrative and Finance Committee
Engineering and Operations
Legislation and Public Outreach Committee
Water Planning and Environmental Committee

Ms. Nelson reported on all action taken during the committee meetings.

8. **CONSENT CALENDAR**

Director Preciado moved, Director Katz seconded, and the motion carried at 92.6755% of the vote to approve the Consent Calendar. Directors voting no, or abstaining are listed under the item.


The Board noted and filed the Treasurer’s report.

8.2 Approve amendments to the compensation plan for unrepresented employees.

The Board adopted Resolution No. 2021-12, approving compensation plan adjustments for Executive and Senior Management, and Confidential employees for the period from July 1, 2021, through June 30, 2023.

8.3 Designations for Emergency Assistance and Relief.

The Board adopted Resolution No. 2021-13, a Resolution of the Board of Directors of the San Diego County Water Authority to designate officers and employees authorized to execute certain disaster relief or emergency assistance documents.

Secretary Butkiewicz recused on 8.3. The motion passed at 92.6755%

8.4 Resolution setting a Public Hearing date and Preliminary Assessment for Rates and Charges.

The Board adopted Resolution No. 2021-14 setting the time and place for a public hearing on June 24, 2021, at or after 9:00 a.m., or as soon thereafter as may practically be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2022.

Director Cate voted No on 8.4. The motion carried at 92.6755%
8.5  **Update of the Water Authority’s Statement of Debt Management and Disclosure Policy.**
The Board adopted the updated Statement of Debt Management and Disclosure Policy with the additional language of “all costs related to the debt issuance” included.

8.6  **Energy Procurement.**
The Board authorized the General Manager to join San Diego Community Power for non exempted meters at the PowerOn rate schedule.

Secretary Butkiewicz and Director Mosca recused from 8.6. The motion carried at 91.6035%.

8.7  **Adopt positions on various bills.**
The Board adopted a position of Support on AB 64 (Quirk), relating to long-term backup electricity supply strategy; a position of Oppose Unless Amended on AB 836 (Gabriel), relating to onsite water reuse systems; a position of Support on AB 1458 (Frazier), relating to lake and streambed alteration agreements; a position of Support and Seek Amendments on SB 482 (Hueso), relating to long-term restoration strategies at the Salton Sea; and a position of Support on SB 559 (Hurtado), relating to canal conveyance capacity restoration.

Secretary Butkiewicz recused from 8.7 Director Mosca recused from 8.7A, AB64 position. The motion carried at 92.6755%

8.8  **Agreement with the County of San Diego for Supplemental Water Use Efficiency Incentive Funding.**
The Board authorized the General Manager to execute an annually-renewing, five-year agreement with the County of San Diego in a total amount not to exceed $4,181,035 to provide supplemental incentive funding to customers located in the jurisdiction of the County.

8.9  **Adoption of Resolution No. 2021-15 to approve Water Authority’s 2020 Urban Water Management Plan, Water Shortage Contingency Plan, and Appendix M Addendum to 2015 Urban Water Management Plan.**

9.  **ACTION/DISCUSSION/INFORMATION**
There were no items.
10. **SPECIAL REPORTS**
   10-A GENERAL MANAGER’S REPORT – Ms. Kerl reported on the passing of employee Bruce Butler. She recognized his service to the Water Authority and shared condolences to his family and friends.
   10-B GENERAL COUNSEL’S REPORT – Ms. Hattam had nothing further to report.
   10-B SANDAG REPORT – Director Katz reported on action and discussion from the SANDAG Board meeting.
   SANDAG Subcommittees:
   - Borders Committee – Director Saxod was absent. No report was provided.
   - Regional Planning Committee – Director Boyle. No report was provided.
   10-C AB 1234 Compliance Reports – No reports were provided.

11. **CLOSED SESSION(S)**
Mr. Hattam took the Board into Closed Session at 4:05 p.m. on item 11-E. Mr. Hattam recused.
   11-A Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   SDCWA v. Metropolitan Water District of Southern California; San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350; CPF-18-516389; California Court of Appeal (1st District) Case Nos. A146901; A148266; A154325; A161144; California Supreme Court Case Nos. S243500; and S251025
   11-B Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Jane Doe v. Richard Roes; San Diego County Superior Court Case No. 37-2018-00028140-CO-PO-CTL
   11-C Conference with Real Property Negotiator
   Government Code §54956.8
   Property: QSA Portion of Colorado River Water Agency Negotiators: Sandra Kerl, Dan Denham, Scott Slater
   Negotiating Parties: San Diego County Water Authority, Colorado River water users Under Negotiations: Terms and Price
   11-D Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Bonnie Kessner et al v. City of Santa Clara et al; Santa Clara Superior Court Case No. 20CV364054
11-E Public Employee Performance Evaluation
   Government Code §54957 - Title: General Counsel
   Conference with Labor Negotiators, Government Code §54957.6
   Designated Board Representatives: Chair, Vice-Chair, Secretary
   Unrepresented Employee: General Counsel

Mr. Hattam brought the Board out of Closed Session at 4:05 p.m. and Ms. Kerl stated there was no reportable action.

12. **ACTION FOLLOWING CLOSED SESSION**
Ms. Kerl announced the upcoming retirement of Mr. Hattam and made a recommendation to approve the General Counsel contract to be amended so that at any time after September 30 Water Authority can give 30 day’s notice, or GC can give 90 days notice, and GC will retire at that time; there will not be a pay increase; and there will not be severance pay.

Director Madaffer moved, Director Wilson seconded, and the motion carried at 94.1445% of the vote to approve the recommendation.

14. **OTHER COMMUNICATIONS**
   There were no further communications.

15. **ADJOURNMENT**
   There being no further business to come before the Board, Vice Chair Rios adjourned the meeting at 4:39 p.m.

__________________________________________________________
Gary Croucher, Chair                                           Jerry Butkiewicz, Secretary

__________________________________________________________
Melinda Nelson, Clerk of the Board
June 16, 2021

Attention: Board of Directors

General Counsel’s Report – May/June 2021

Purpose
This report discusses certain meaningful legal matters receiving attention during the months of May/June 2021.

Significant Developments in Pending Litigation

MWD Rate Cases

2010/2012 Rate Cases: On October 24, 2017, the Court of Appeal remanded these consolidated cases to the trial court in San Francisco.

On August 12, 2020, the Court (Hon. Anne-Christine Massullo) issued the final judgment and writ of mandate. The judgment awarded breach of contract damages and interest in favor of the Water Authority of $44,373,872.29. The issued writ of mandate bars MWD from setting unlawful rates, and from including demand management costs in the price charged for delivery of water pursuant to the Exchange Agreement.

On September 11, 2020, MWD filed a notice of appeal in the 2010/2012 Cases, appealing from the judgment and writ of mandate. MWD filed its opening brief on February 5. MWD’s opening brief on appeal challenges aspects of the form of judgment and the issuance of a writ, but does not challenge the $44 million damages and interest award. The Water Authority filed its responsive appellate brief on May 7, 2021. By agreement of the parties, MWD’s reply brief will be due on June 28.

After the filing of MWD’s opening brief on appeal, the Water Authority requested payment of the $44 million judgment in the 2010/2012 Cases. On February 16, 2021, MWD paid the judgment owed to the Water Authority without reservation of rights, which payment the Water Authority accepted.

On January 13, 2021, the Court issued an order determining that the Water Authority is the prevailing party under the Exchange Agreement for purposes of recovering its attorneys’ fees. On February 10, 2021, the Court issued a separate order awarding the Water Authority $326,918.34 in litigation costs—the full amount sought by the Water Authority. On April 6, 2021, the Court entered an order by which the Water Authority and MWD stipulated that, unless the prevailing party order is reversed, remanded or vacated on appeal, MWD will pay the Water Authority $13,397,575.66 in attorneys’ fees, plus post-judgment interest of 7 percent per annum. On February 25, 2021, MWD filed a second notice of appeal in the 2010/2012 cases, appealing from the Court’s orders determining that the Water Authority is the prevailing party and awarding the Water Authority its fees and costs. No date has yet been set for the briefing on that appeal.
2014 Rate Case: The case filed on May 30, 2014 challenging MWD’s rates adopted in 2014 for 2015 and 2016, and alleging breach of contract, was transferred to San Francisco Superior Court and is presently assigned to Judge Massullo. The case was stayed until August 27, 2020. On August 28, 2020, the Water Authority filed its First Amended Complaint. MWD filed a demurrer and motion to strike challenging the Water Authority’s offsetting benefits claim and certain other claims. On February 16, 2021, the Court issued an order overruling MWD’s demurrer in its entirety and denying MWD’s motion to strike, rejecting each of the arguments advanced by MWD. On March 22, 2021, MWD answered the First Amended Complaint, asserting 32 affirmative defenses (most of which were previously rejected by the trial court in the 2010/2012 Rate Cases). MWD separately filed a Cross-Complaint against the Water Authority, seeking declaratory relief on nine causes of action, a judicial reformation of the Exchange Agreement price, and a judicial reformation of the Exchange Agreement. The Water Authority answered the cross-complaint on April 23, 2021.

A case management conference was held on May 17, 2021, and the trial date has been set for May 16, 2022. The parties have agreed upon a schedule for discovery and other deadlines and will be filing a stipulation with the court. The next case management conference is scheduled for August 2, 2021.

2016 Rate Case: The case filed on April 13, 2016 challenging MWD’s rates adopted in 2016 for 2017 and 2018, and alleging breach of contract, was transferred to San Francisco Superior Court and has also been reassigned to Judge Massullo. The case had been stayed for most of the last four years, until the Court lifted the stay on August 27, 2020. On August 28, 2020, the Water Authority filed its Second Amended Complaint. MWD filed a demurrer and motion to strike challenging the Water Authority’s offsetting benefits claim and the Water Authority’s cause of action seeking a declaration that MWD may not charge the Water Authority for any contract damages, interest, attorneys’ fees or costs assessed against MWD pursuant to the Exchange Agreement. On February 16, 2021, the Court issued an order overruling MWD’s demurrer in its entirety and denying MWD’s motion to strike, rejecting each of the arguments advanced by MWD. On March 22, 2021, MWD answered the Second Amended Complaint, asserting 32 affirmative defenses (most of which were previously rejected by the trial court in the 2010/2012 Rate Cases). MWD separately filed a Cross-Complaint against the Water Authority, seeking declaratory relief on nine causes of action, a judicial reformation of the Exchange Agreement price, and a judicial reformation of the Exchange Agreement. The Water Authority answered the cross-complaint on April 23, 2021.

A case management conference was held on May 17, 2021, and the trial date has been set for May 16, 2022. The parties have agreed upon a schedule for discovery and other deadlines, and will be filing a stipulation with the court. The next case management conference is scheduled for August 2, 2021.

2018 Rate Case: This case was filed in Los Angeles Superior Court on June 8, 2018, following MWD’s April 2018 approval of its rates and charges for 2019 and 2020. The case was transferred to San Francisco Superior Court on November 2, 2018, stayed by agreement, and assigned to Judge Massullo. On April 16, 2021, the Court entered a stipulated order lifting the stay. On April 21, the Water Authority filed a Second Amended Complaint. On May 25, 2021,
MWD moved to strike the Water Authority’s allegations regarding Metropolitan’s wheeling rate and inclusion of the Water Stewardship Rate as part of the Exchange Agreement price. The Water Authority’s opposition to MWD’s motion is due on June 30, 2021, and the Court is scheduled to hold a hearing on the motion on July 14, 2021.

A case management conference was held on May 17, 2021, and the trial date has been set for May 16, 2022. The parties have agreed upon a schedule for discovery and other deadlines, and will be filing a stipulation with the court. The next case management conference is scheduled for August 2, 2021.

**Deposition of Linda Waade.** In connection with the above rate cases, the Water Authority noticed the deposition of former MWD executive Linda Waade, who may have information as to alleged issues regarding attorney-client privileged and confidential deliberative materials that may have been improperly sought by MWD management, and potential violations of the MWD Act’s prohibitions on conducting opposition research as related to the rate litigation. On May 13, MWD filed a motion to quash the subpoena, and on May 14, MWD filed a separate motion asking the Court to issue a protective order prohibiting anyone other than attorneys (including even the MWD and Water Authority boards) from reviewing Ms. Waade’s testimony or documents. The Water Authority opposed both motions but proposed an alternative protective order that would preclude public disclosure, while allowing the Water Authority and MWD boards to review her testimony and documents. The Court held a hearing on the two motions on June 3, and issued an order on June 4, denying MWD’s motion to quash and adopting the Water Authority’s protective order. The Waade deposition is proceeding, with a second day scheduled for June 21.

**City of San Diego and SDCWA v. CA State Water Resources Control Board**

This is a longstanding dispute over annual regulatory fees paid to the SWRCB for our pending potential San Vicente pumped storage project, which fees are split by the Water Authority and the City of San Diego. All fees have been paid under protest by the agencies. The case is in Sacramento Superior Court and is in the discovery phase. Legal costs are split by the Water Authority and the City of San Diego.

**Bonnie Kessner et al v. City of Santa Clara et al**

This Proposition 218 case was filed as a class action against numerous public agencies, including the Water Authority and some of its member agencies. The assertion against the Water Authority pertains to the lower water rate the Water Authority provides to certain agricultural customers for a lower level of water service.

Plaintiffs filed a motion to coordinate this case with certain other Proposition 218 cases, which the Water Authority and the other agency parties opposed. The case was assigned to Santa Cruz County Superior Court to have an assigned judge hear the coordination petition. That Court then denied the petition for coordination. The case was set for case management organization, and the parties are now briefing challenges to venue and the claims made by Plaintiffs. The Water Authority and other San Diego County agencies are seeking dismissal or transfer to San Diego
County. The Court issued an order but allowing Plaintiffs to amend the complaint. Further challenges will then ensue.

**Amicus Issues**

No new issues to report.

**Requests Pursuant to the Public Records Act (Between May 11– June 10)**

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<tr>
<th>Requestor</th>
<th>Documents Requested</th>
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<tr>
<td>Donahoo &amp; Associates</td>
<td>Project documents related to Twin Oaks Valley Water Treatment Expanded Service Area performed by NEWest Construction</td>
</tr>
<tr>
<td>Internet Law Center</td>
<td>Requests as to various meetings, contacts and contracts from January 2016 to May 24, 2021</td>
</tr>
<tr>
<td>Arman Arbab</td>
<td>Information about single family residences where water has been turned off</td>
</tr>
<tr>
<td>Woodard &amp; Curran</td>
<td>Bid documents for Climate Change Risk Assessment</td>
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<tr>
<td>Brown and Caldwell</td>
<td>Bid documents for Climate Change Risk Assessment</td>
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<tr>
<td>Special Districts</td>
<td>SDCWA Employee Compensation Report for 2020</td>
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<td>Transparent California</td>
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Prepared by: Mark J. Hattam, General Counsel

Attachment: Special Counsel Expenditure Report
### On-going Litigation

<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended for May/June 2021 (Fees &amp; Costs)</th>
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<tr>
<td>Brownstein Hyatt Farber Schreck</td>
<td>MWD Rate Litigation</td>
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<td></td>
<td>QSA Implementation</td>
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<td>Dean Gazzo Roistacher LLP</td>
<td>Chula Vista v. Bosler</td>
<td>Privileged</td>
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<td>Kessner</td>
<td>Privileged</td>
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<td></td>
<td>San Diego Office of Education Matter</td>
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<td>Vallecitos</td>
<td>Privileged</td>
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<tr>
<td>Keker Van Nest &amp; Peters</td>
<td>Metropolitan Rates</td>
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<tr>
<td>Procopio Cory Hargreaves &amp; Savitch</td>
<td>DWR Validation Matter</td>
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### Non-Litigation

<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended for May/June 2021 (Fees &amp; Costs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allen Matkins</td>
<td>General Legal Services</td>
<td>$211.05 (OP)</td>
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<tr>
<td>Dean Gazzo Roistacher LLP</td>
<td>Eminent Domain Matter</td>
<td>$1,237.50 (CIP)</td>
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<td>Encroachments</td>
<td>$1,350.10 (OP)</td>
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<td>Duncan &amp; Allen</td>
<td>Power Issues</td>
<td>$4,657.50 (OP)</td>
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<td>Hanson Bridgett LLP</td>
<td>Construction Contract Issues</td>
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<td>LAFCO Issues</td>
<td>$10,491.50 (OP)</td>
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<td>Liebert Cassidy Whitmore</td>
<td>Labor Negotiations</td>
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<td>Orrick Herrington &amp; Sutcliffe LLP</td>
<td>Bond Counsel Services</td>
<td>$8,171.39 (OP)</td>
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<td>Van Ness Feldman</td>
<td>San Vicente Water Storage Facility Project</td>
<td>$962.50 (CIP)</td>
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</table>

1 The California Supreme Court has held that the amounts of monthly legal bills for ongoing litigation have privileged status, as they may disclose litigation strategy. *Los Angeles County Bd. of Supervisors v. Superior Court*, (2016) 2 Cal. 5th 282, 286.
June 16, 2021

Attention: Board of Directors

CLOSED SESSION:

Public Employee Performance Evaluation
Government Code §54957 - Title: General Manager

Conference with Labor Negotiators, Government Code §54957.6
Designated Board Representatives: Chair, Vice-Chair, Secretary
Unrepresented Employee: General Manager

Purpose
This memorandum is to recommend a closed session, pursuant to Government Codes §54957 and §54957.6, to discuss the above-referenced matter at the June 24, 2021 meeting.

Prepared by: Mark J. Hattam, General Counsel
June 16, 2021

Attention: Board of Directors

CLOSED SESSION:

Public Employee Performance Evaluation
Government Code §54957 - Title: General Counsel

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