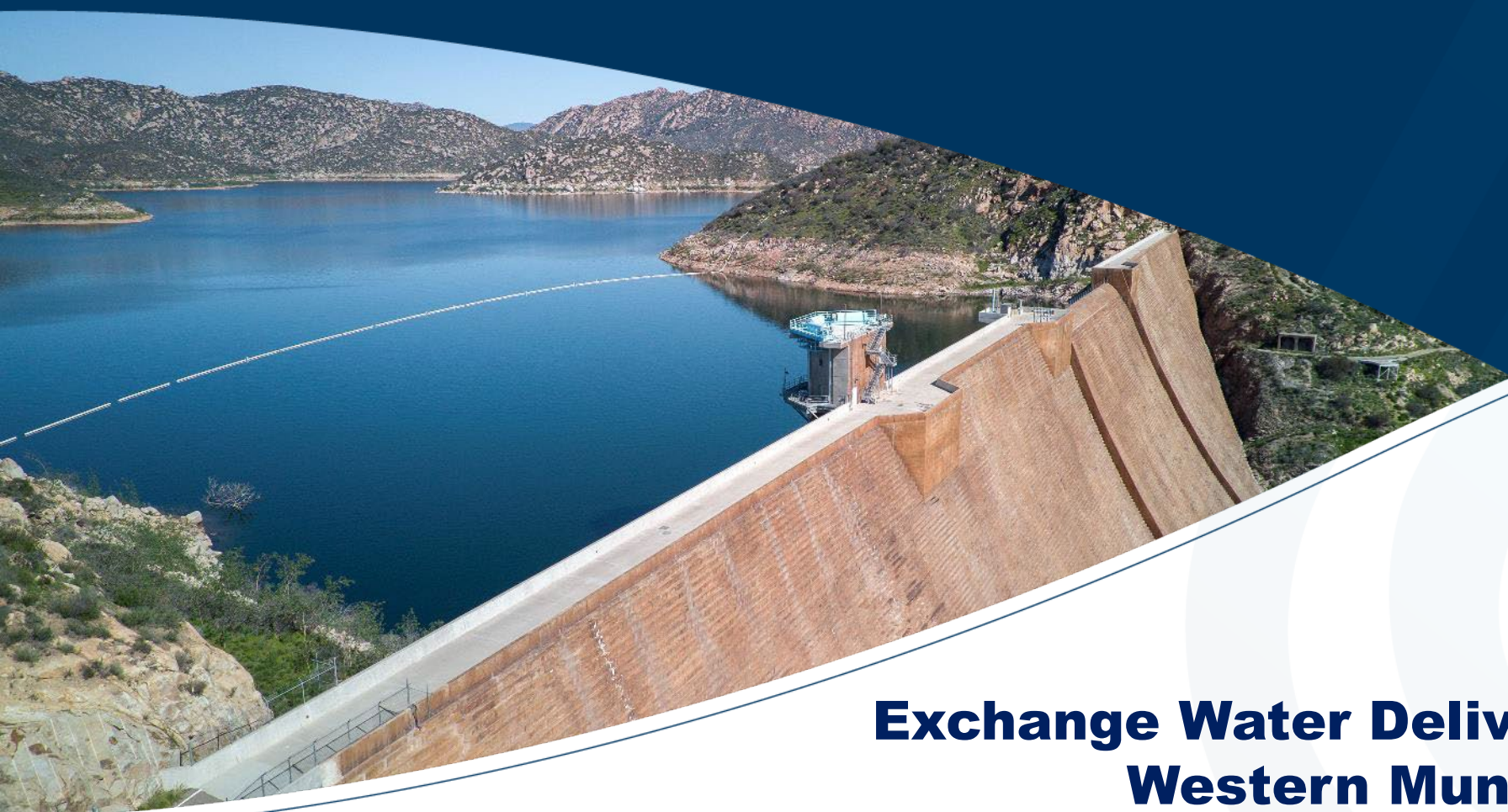




San Diego County
Water Authority



Exchange Water Delivery Agreement with Western Municipal Water District

**Dan Denham
General Manager**

March 19, 2026
Formal Board

Understanding the Road to Today's Decision

State to Shut Off Water Delivery to Southland

By VIRGINIA ELLIS and TED ROHRLICH
TIMES STAFF WRITERS

SACRAMENTO — Gov. Pete Wilson on Monday announced new and unprecedented cutbacks of state water deliveries so that Southern California



Water - Use Efficiency



Local Supply Investment

Major Drought

2003

2015

2025

1990s

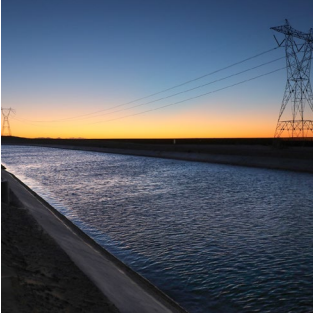
2010s

2020s

QSA Investment

Carlsbad Desalination

MWD & SDCWA Amended Exchange



Process & Partners

- September 30 letter started exchange discussions
- Between October through March staff has been meeting with MWD member agencies
- Majority of negotiations are center on:
 - Aligning Water Authority priorities with partner priorities
 - Creative solutions for short-term & long-term challenges
 - Quantity and term
- Actively working on an agreement with Western Municipal Water District since October

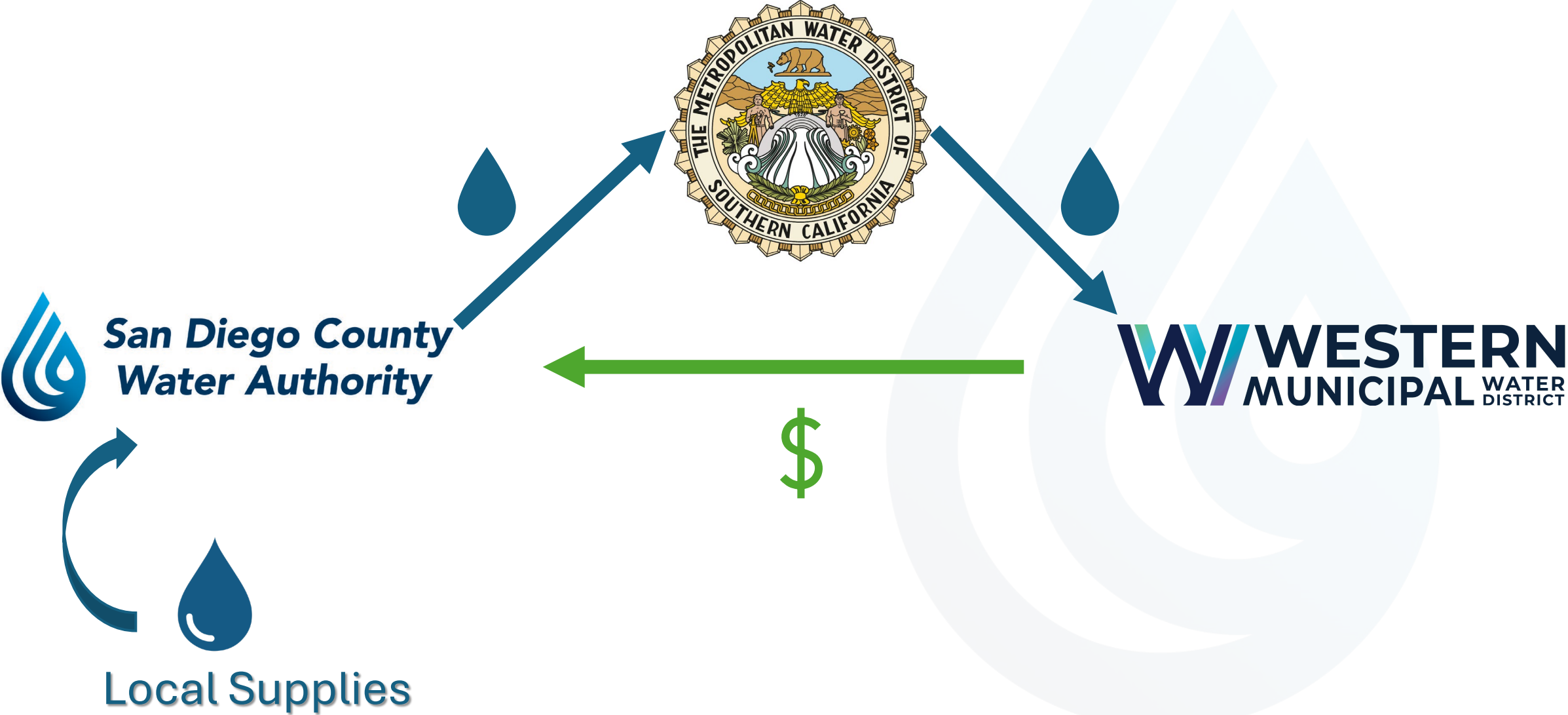


Western Municipal Water District

- Municipal Water District located in Riverside County
 - Provides service to nearly 1 million residents
 - Retail Water, Sewer & Recycled Water service
 - Metropolitan Member Agency
 - Wholesales water to 14 agencies
- Looking to diversify water resources portfolio
- Interested in cost-effective solutions and dry year opportunities
- Participates in other innovative supply development projects and programs



Basic Exchange Framework



Water Authority Priorities

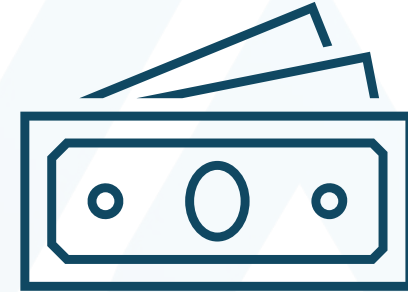
Priorities for negotiating exchange water delivery agreements



Long-Term
Resilience and
Durability



Supply/Demand
Rebalancing



Rate Payer
Impacts

Western Delivery Agreement Key Terms

- 10,000 AF per year for 21 years (2047)
- Melded QSA Cost + MWD Exchange
 - Year 1 Price - \$1,350*
 - Present Value Revenue of \$13.5M/yr
 - \$39 million upfront payment for 30,000 acre-feet of deferred deliveries
- Ability to increase contract amount at later point
- Automatic extension post-2047
- Assurance to buy remaining water if offered by Water Authority subject to terms

* Historical amortized costs incurred in year one through six are recovered starting in 2032



Benefits to the Water Authority

- Significant financial benefits
 - Present Value Revenue of \$13.5M/yr
 - \$100 million first five years
 - Net Present Value of over \$330 million
- Builds flexibility into existing supply agreements
- Provides certainty and long-term durability
- Guarantee of purchase of the Water Authority's supplies if no other off-takers
- Marks a significant step in a new business model



Regional Benefits

- Water Authority
 - Maximizes investments in existing assets
 - Secures a long-term partnership with a similarly situated agency
- Western Water
 - Secures a reliable long-term water supply
 - Secured opportunity for partner agencies to participate and share in benefits
- Metropolitan
 - Maximizes the value of existing investments in water resources
 - Continue to receive full funding for the cost to transport water
 - Supports long-term regional planning and drought resilience across Riverside and San Diego counties





Western Municipal Water District Comments



Metropolitan Water District Comments

Staff Recommendation

Ratify an Exchange Water Delivery Agreement between the San Diego County Water Authority and Western Municipal Water District.





San Diego County
Water Authority



Amend Agreement for Consulting Services with M Strategic Communications

March 19, 2026
Imported Water Committee

Dan Denham
General Manager

Background

- Since May 2014, M Strategic Communications has provided highly specialized consulting services
- Supported the Water Authority in educating civic leaders and key stakeholder groups in Southern California
- Focus on sharing Water Authority Board objectives and positions
- Provided support that helped lead to a successful end to long-standing litigation with Metropolitan

Looking Ahead

M Strategic would continue to serve as a key partner to the Water Authority on external communications

Provide support as Metropolitan moves forward with long-term planning efforts such as the Climate Adaption Master Plan for Water (CAMP4W)

Educate key stakeholders about San Diego's priorities

Amended Contract

Reductions in Cost

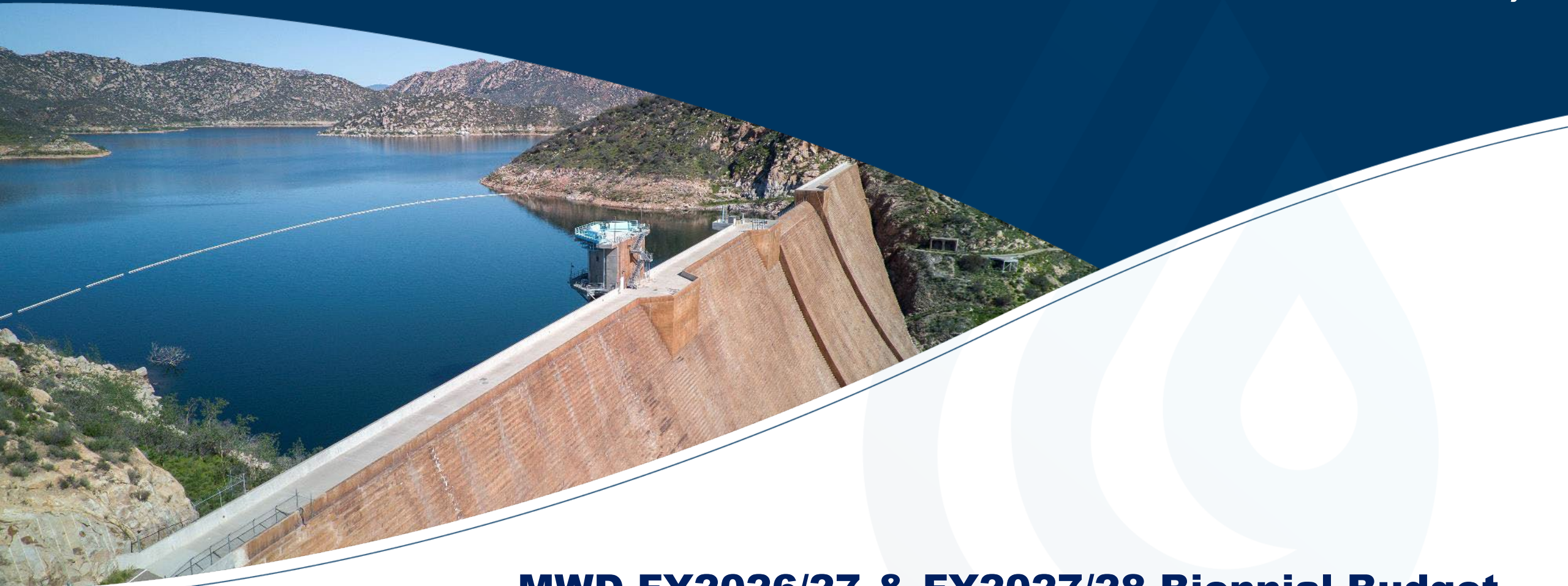
- Level of support needed expected to be less due to improved relations with Metropolitan
- Amount of contract previously approved by Board has been reduced from \$15,000 per month to \$8,000 per month
- Results in \$168,000 in savings over the next two years
- The recommended reduction demonstrates responsible fiscal management while preserving ability to respond effectively to emerging issues

Staff Recommendation

- Amend the agreement with M Strategic Communications for continued consulting services for the Water Authority through February 29, 2028, by \$192,000 for a period of 24 additional months with total contract funding not to exceed \$2,562,000



San Diego County
Water Authority



MWD FY2026/27 & FY2027/28 Biennial Budget

March 19, 2026

Imported Water Committee

Alex Heide

Principal Water Resources Specialist

MWD Budget Background

Integration of operating, capital, financial and policy planning assumptions

- MWD Adopts a two-year budget
- Process started in September with informational workshops on staffing and CIP
 - Includes four finance committee Board workshops
- MWD has a \$2.5 billion budget with approximately 1.21 million acre-feet of sales
- The organization has approximately 1,950 FTEs
- Rate increases in the February proposed budget were 19% over the biennium



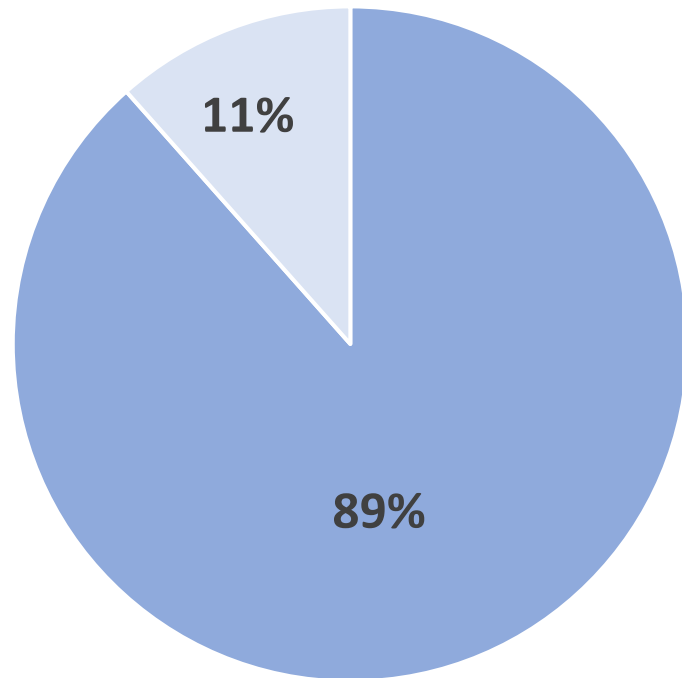
Baseline & Incremental Rate Drivers

Rate Drivers	Biennial Impact
Departmental O&M	7.00%
SWP Costs	5.00%
DCP Planning	3.00%
Increased Base CIP	1.50%
Proposed Staffing	1.10%
45 MGD Pure Water	1.00%
Increased Operating Equipment	0.40%
Total	19.00%

Discretionary Versus Non-Discretionary Expenditures

Limited ability to modify rate increases

FY 2027 & 2028 Proposed
Budget Breakdown



■ Non- Discretionary ■ Discretionary

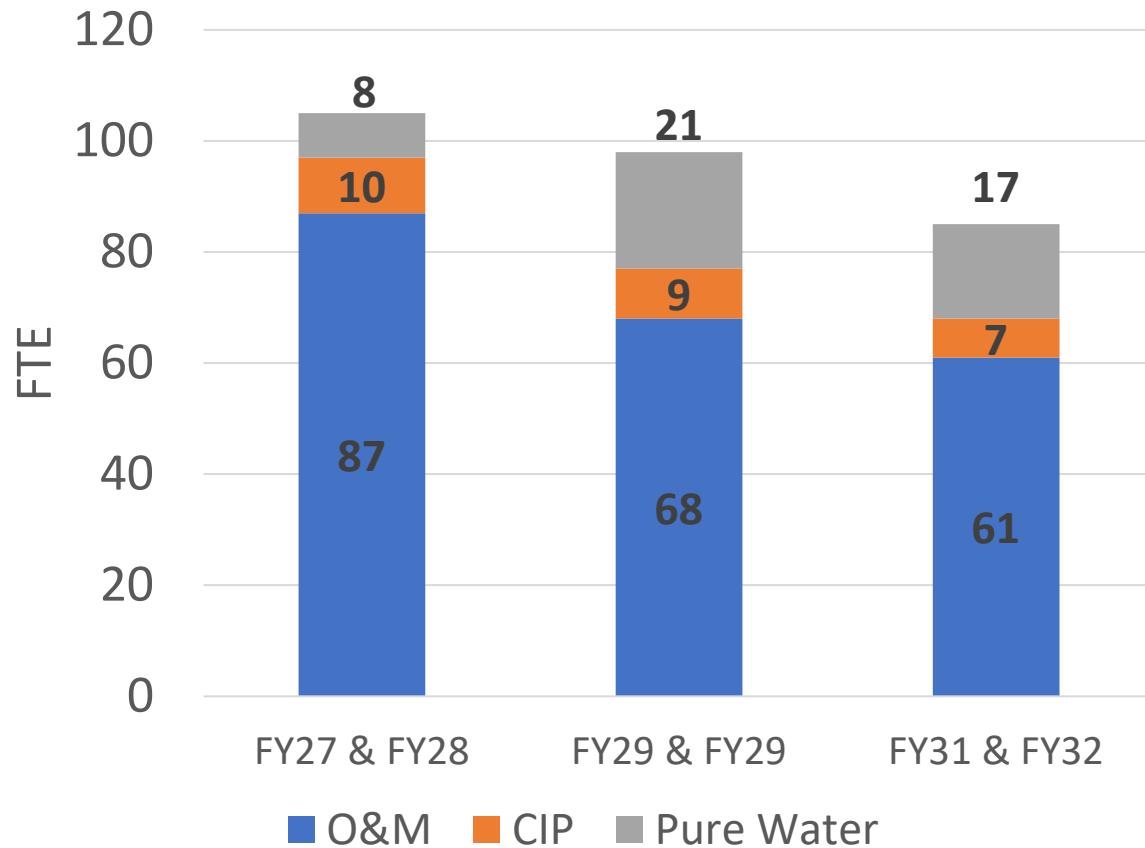
Discretionary (~\$270 Million)

- PAYGo Funding
- Delta Conveyance Project Planning Funding
- Local Supply Research and Pilot Projects
 - Future Supply Actions & Stormwater Pilot
 - Conservation (Funding Not Committed to Grant Obligations)
 - New Local Resources Program Projects

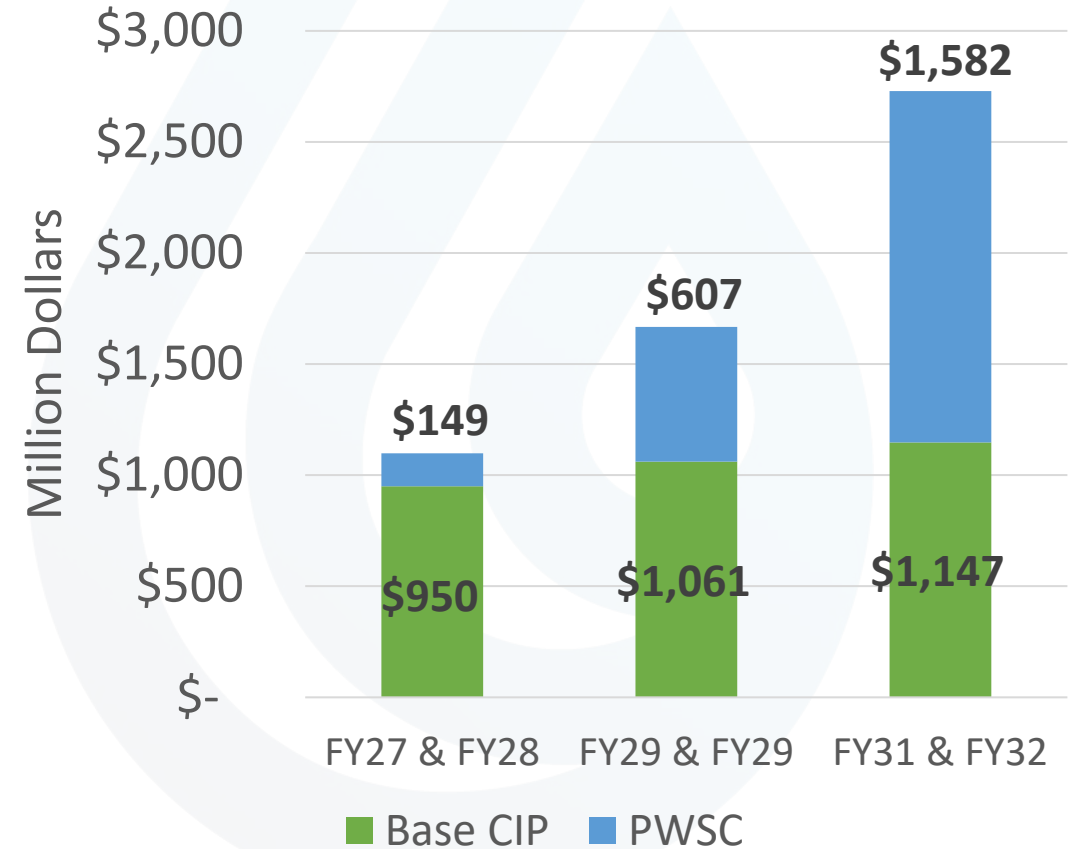
Capital Investment Plan & Staffing

Related expenses for the current and future biennia

Multi-Biennium Staffing Plan



CIP Expenditures



Ad Valorem Property Tax

A revenue mechanism for State Water Project costs

- AV property tax pays for State Water Project costs
- AV property tax rate doubled during the last biennium from 0.0035% to 0.0070%
- Possibility of significant investment for subsidence costs
- AV currently collects \$425M/year
- State Water Project fixed costs are approximately \$570 M/year

Property Tax Rate	Levy \$ per \$1M AV	Corresponding Rate Increases
0.0070%	\$70/yr	9.5%/yr
0.0090%	\$90/yr	7.5%/yr
0.0095%	\$95/yr	6.5%/yr
0.0105%	\$105/yr	5.5%/yr

Alternatives Under Board Consideration

Budget Driver	Options
AV Property Tax	.007% .008% .009% .00105%
Conservation Funding	Current levels vs. minimum to meet grants
Staffing Levels & CIP	As proposed or reduced
45 MGD Pure Water Southern California	Included, only grant funded, removed
Delta Conveyance Project Funding	Maintain \$116 million vs. remove

Thank You!



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SanDiegoCountyWaterAuthority



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San Diego County
Water Authority



San Diego County
Water Authority



CY 2027 Rates & Charges Process Overview

March 19, 2026

Administrative & Finance Committee

Pierce Rossum
Financial Planning Manager

Rate-Setting Priorities & Framework

Financial Goal

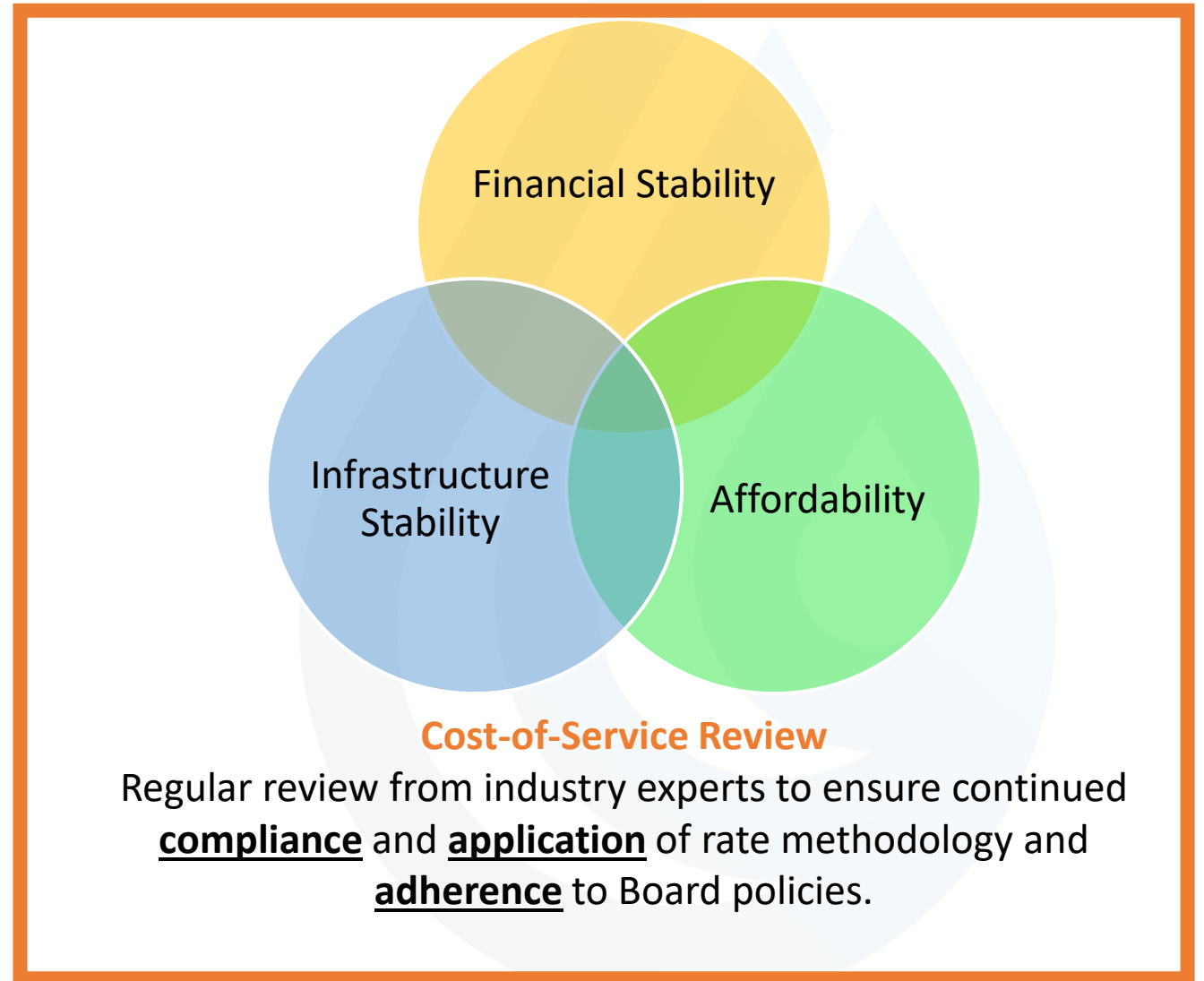
Maintain strong credit ratings to achieve greatest interest savings and lowest cost of capital.

Rate Framework

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

Operational Goal

Maintain financial flexibility to sustain system and supply reliability for the region.



SDCWA Rate Development Process

Aside from water sales and external cost inputs, much of annual rate process is stable and predictable

Revenue Requirement (RR) Analysis

- Determines total revenues required to fund operations, capital, debt service, coverage, and other policy requirements

Changes annually based on inflation, debt changes, sales & purchases, cost inputs.

Functional Allocation by Rate Category

- Objective and reasonable division of RR to core services (Supply, Treatment, Storage, Transportation, Customer Service)

Stable year-to-year, unless structural changes to CWA operations or services

Water Rates & Charges

- Calculation of rates designed to recover net revenue requirements based on key metrics (e.g., sales)

Stable Rate design. Rates may change annually based on rate review and anticipated sales

Member Agency Allocation

- Distribution fixed charges to each member agency based on historical usage patterns and other key metrics

Changes annually based on each member agencies' (7yr) historical use of the system.

Significant and Persistent Increase Forecasted by MWD

MWD to adopt CY'27 & CY'28 Rates in April following February kickoff.

Proposed Rates and Charges

Rates & Charges Effective January 1st	Current 2026	Proposed 2027	% Increase (Decrease)	Proposed 2028	% Increase (Decrease)
Supply Rate (\$/AF)	\$313	\$440	40.6%	\$488	10.9%
System Access Rate (\$/AF)	\$492	\$493	0.2%	\$560	13.6%
System Power Rate (\$/AF)	\$179	\$155	(13.4%)	\$154	(0.6%)
Treatment Surcharge (\$/AF)	\$544	\$382	(29.8%)	\$411	7.6%
Full Service Untreated Volumetric Cost (\$/AF)	\$984	\$1,088	10.6%	\$1,202	10.5%
Full Service Treated Volumetric Cost (\$/AF)	\$1,528	\$1,470	(3.8%)	\$1,613	9.7%
Treatment Peaking Capacity Charge (TPCC) (\$/CFS)		\$33,100	-	\$21,800	(34.1%)
Total TPCC for CY (\$M)		\$33	-	\$28	14.8%
Treatment Used Standby Capacity Charge (TUSCC) (\$/AF)		\$16	-	\$148	825.0%*
Total TUSCC for CY (\$M)		\$11.1	-	\$10.6	(4.8%)
Treatment Remaining Capacity Charge (TRCC) (\$/AF)		\$75	-	\$68	(9.3%)
Total TRCC for CY (\$M)		\$52	-	\$51	(1.7%)
RTS Charge (\$M)	\$188	\$237	26.1%	\$254	7.2%
Capacity Charge (\$/CFS)	\$14,500	\$17,900	23.4%	\$21,400	19.6%
Total Capacity Charge for CY (\$M)	\$48	\$51	4.9%	\$61	19.6%
Overall Rate Increase			9.5%		9.5%

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

*The percentage increase reflects changes in billing determinants associated with the phased implementation of new fixed charges, with the first year based on average demand and the second year transitioning to estimated standby usage.

February 10, 2026

Finance, Affordability, Asset Management, and Efficiency Committee

Item 9-1 Slide 33

2027 Key Insights

- **10.6% ↑ \$/AF Untreated**
- **New Treatment Rates (30% Fixed)**
- **26.1% ↑ RTS**
- **23.4% ↑ CC**
- **Fixed Exchange Rate 0%**

Rate Component Transformations & Considerations

- **PSAWR:** CY27 PSAWR will directly allocate non-rate property tax funds to provide rate discount beyond that available, solely from lower service level
- **Transportation:** CY27 Rates incorporate the final phase of the 3yr MAWR Recommendation, increasing transportation to 60% fixed recovery (from 50%)
- **MWD Treatment Pass Through:** CY27 Fixed Charge allocation to reflect MWD's 30% fixed treatment charge
- **3rd Party Water Deals:** Discussions ongoing with MWD Member Agencies with 50,000 AF available for exchange
- **Supply Reliability Charge:** MWD's significant 10.6% increase to exceed anticipated Desal and IID increases. Under existing methodology, the fixed SRC is anticipated to decline by millions (shifting to variable M&I Supply Rate)
 - '28 SRC methodology under review by Member Agency Managers

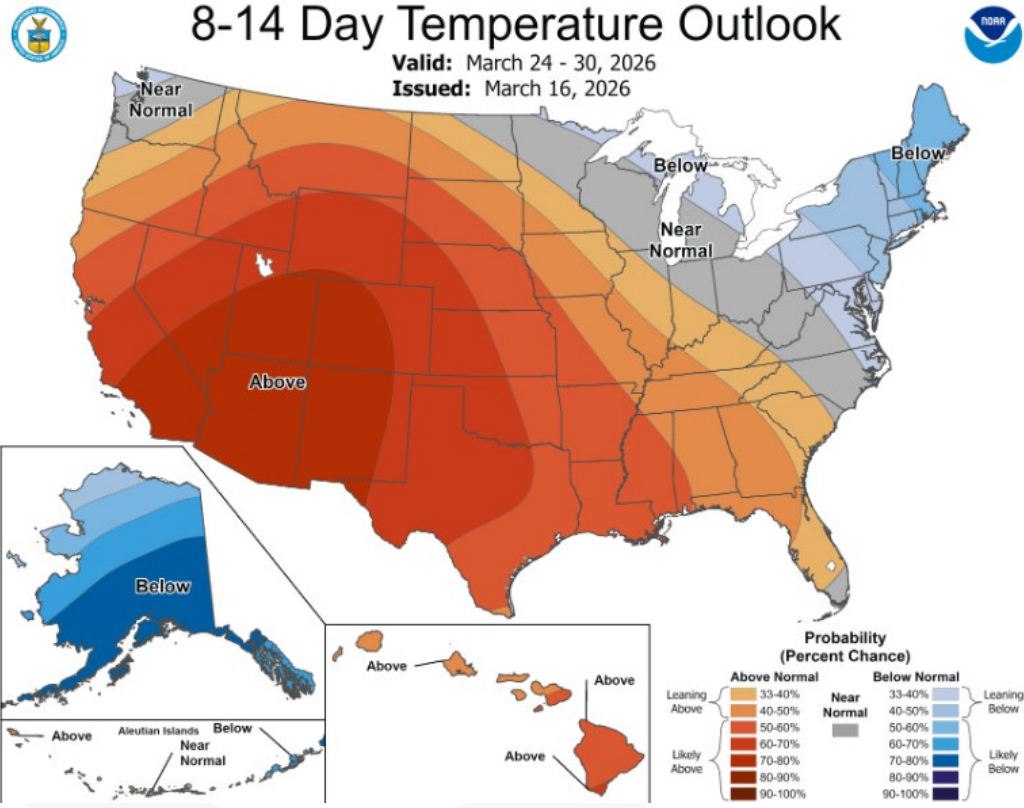
Capacity Charges Review

- One-time fee incurred on new or upsized meters:
 - System Capacity Charge
 - Treatment Capacity Charge
- Revenue ranged from \$18M-\$22M depending on development ('21-'25)
- Completion of the 2025 Facilities Master Plan provide full review opportunity
 - Between reviews, annual adjustments adopted to account for inflation
- 3rd party calculation and review to be finalized alongside 2027 Cost of Service Report



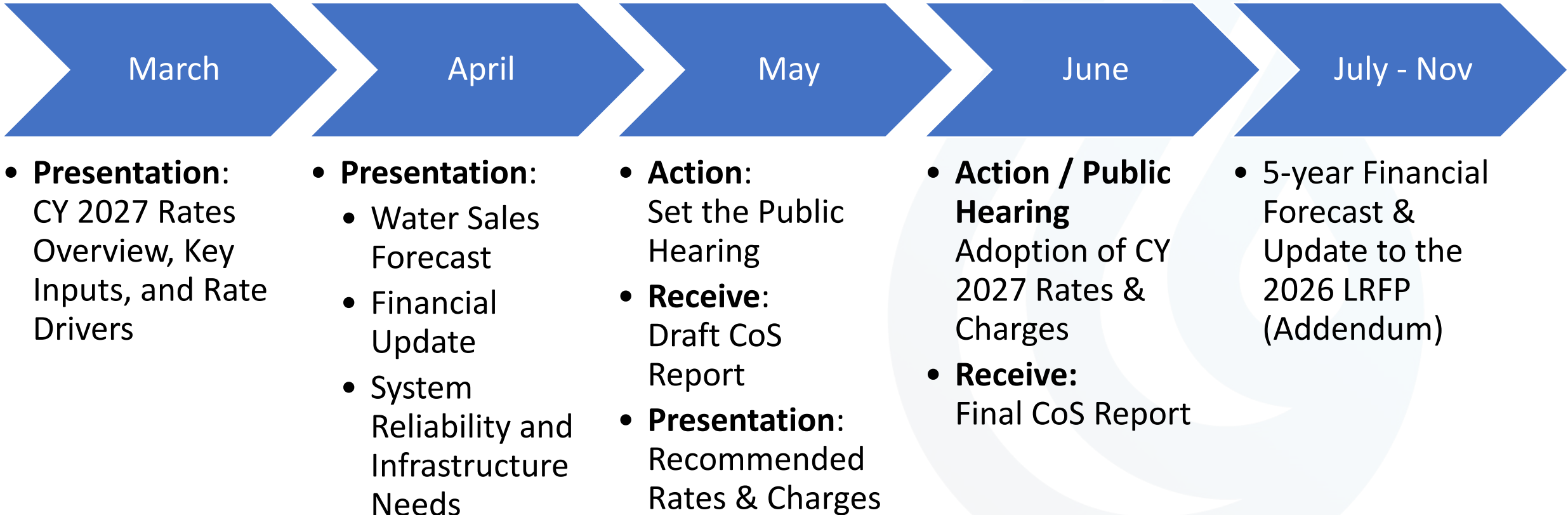
Demands, and by Proxy Rates, Conditional on Current and Future Conditions

Water Year 2026				
Station	Month To-Date March 1-9, 2026		Water Year To-Date Oct 1, 2025 – March 9, 2026	
	Actual	% Normal	Actual	% Normal
Lindbergh Field	0.0 in.	0%	9.62 in.	120%
Ramona Airport	0.0 in.	0%	10.55 in.	87%



CY 2027 Rates & Charges Timeline

Regular updates and recommendations to be informed based on water deals, sales, and hydrology



Thank You!



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San Diego County
Water Authority



San Diego County
Water Authority



Debt Management Activities

March 19, 2026

Administrative and Finance Committee

Lisa Marie Harris

Director of Finance/Treasurer

2026 Long-Range Financing Plan

Outlines Approach to Debt

- Best management practices that distinguishes the financial policies that guide the Water Authority's prudent management of financial risk
- Financial policies and targets are aimed at bolstering the financial standing, health, resilience of the organization and most importantly: **minimizing the cost of capital**
- 30-year deleveraging planned with forecasted **principal paydown (2026-2035)**
 - \$841M Long-Term Debt
 - \$102M Short-Term Debt



Prudent Management of Long-Term Liabilities

2026 Long-Range Financing Plan

- Funding long-term capital needs with a mix of **38%** PayGO and **62%** Long-Term Fixed Rate Debt
- Moderate risk CIP

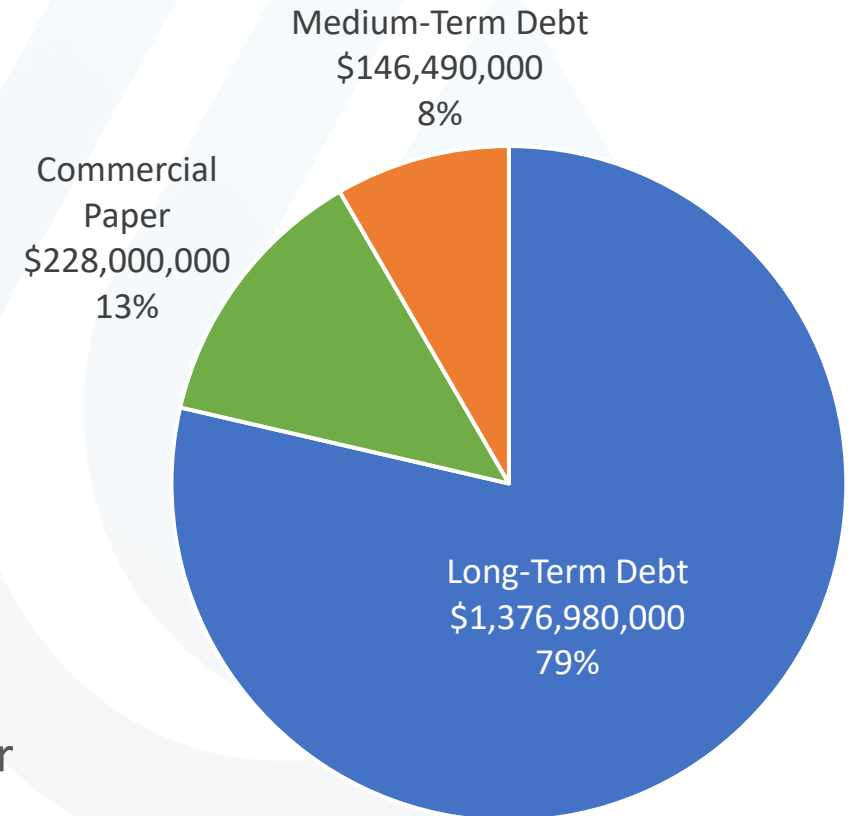
Outstanding debt is comprised of:

- Long-term fixed rate debt - 79%
- Medium-term fixed rate debt - 8%
- Tax-exempt commercial paper - 13%

Annual Debt Service Payment ~\$156 million

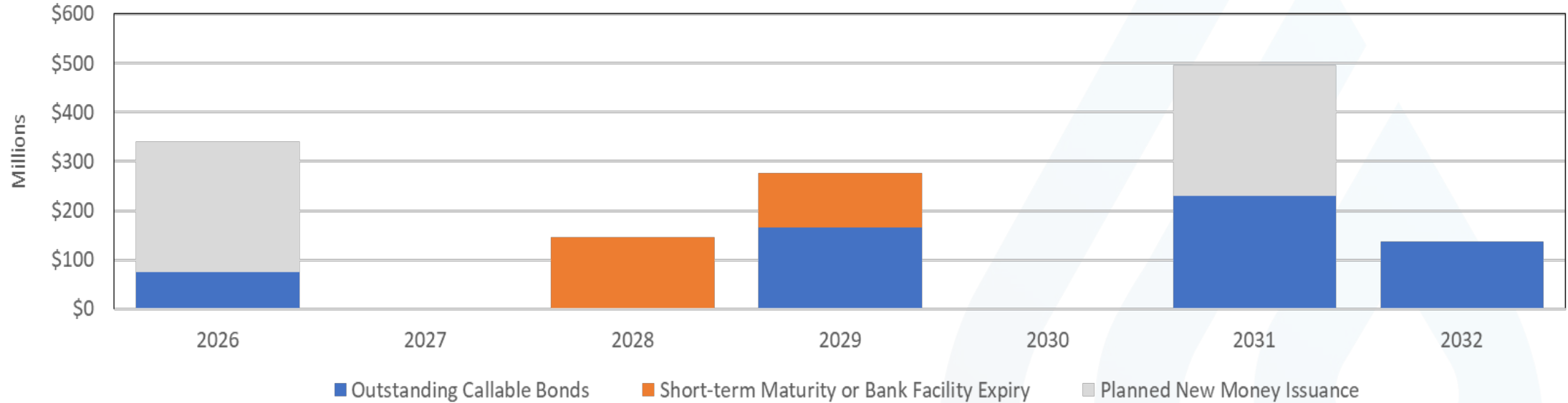
- Debt service represents approximately 16% of the total two-year budget, similar to other large water utilities

Par Amount Outstanding by Debt Type \$1.75 Billion (as of 3/1/2026)*



*Excludes the 2019 Pipeline Bonds

Significant Borrowing Needs and Debt Refinancing Opportunities in Near-term

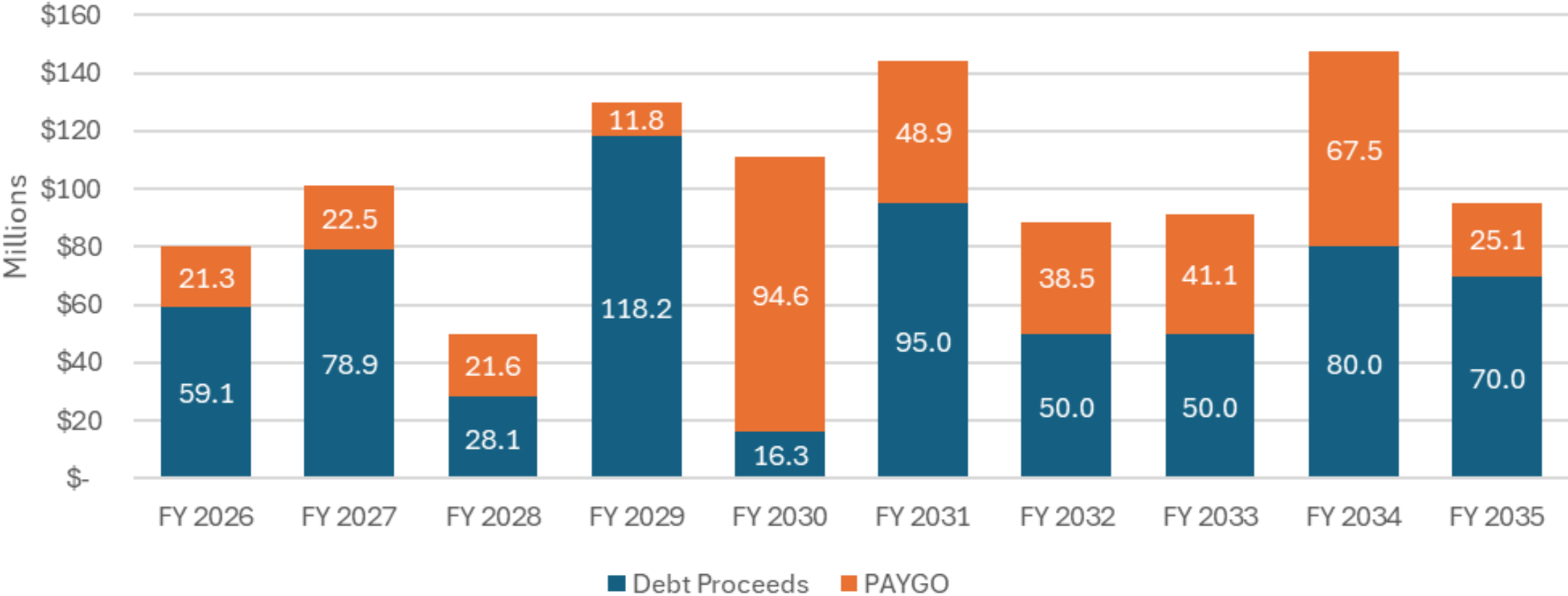


- 2026**
 - 2015A/2016B Current Refunding (Q12026)
 - Planned New Money issuance (Q12026)
 - Restructure CP
- 2028**
 - 2021S-1 Current Refunding
- 2029**
 - Series 9 CP liquidity facility expires (June)
 - 2019 Desalination Bonds Current Refunding
- 2031**
 - 2021B Current Refunding
 - Planned New Money issuance
- 2032**
 - 2022A Current Refunding

Moderate Risk CIP: Initial 10yr Forecast

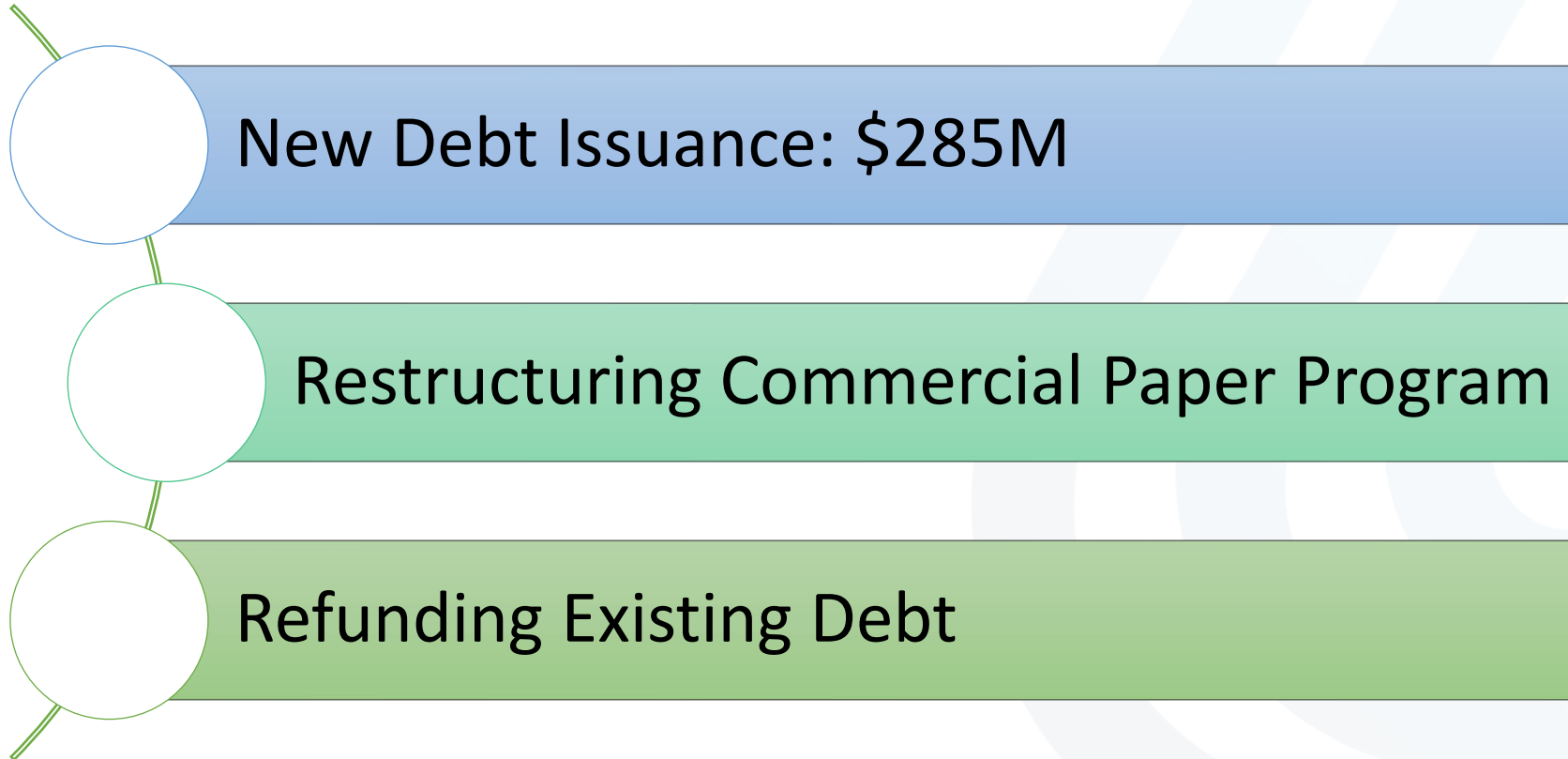
Average need of \$100 million per year

Forecasted Capital Needs Funding Mix



Upcoming Key Debt Management Activities

Staff will be returning to the Board in July 2026 for approval of these debt activities



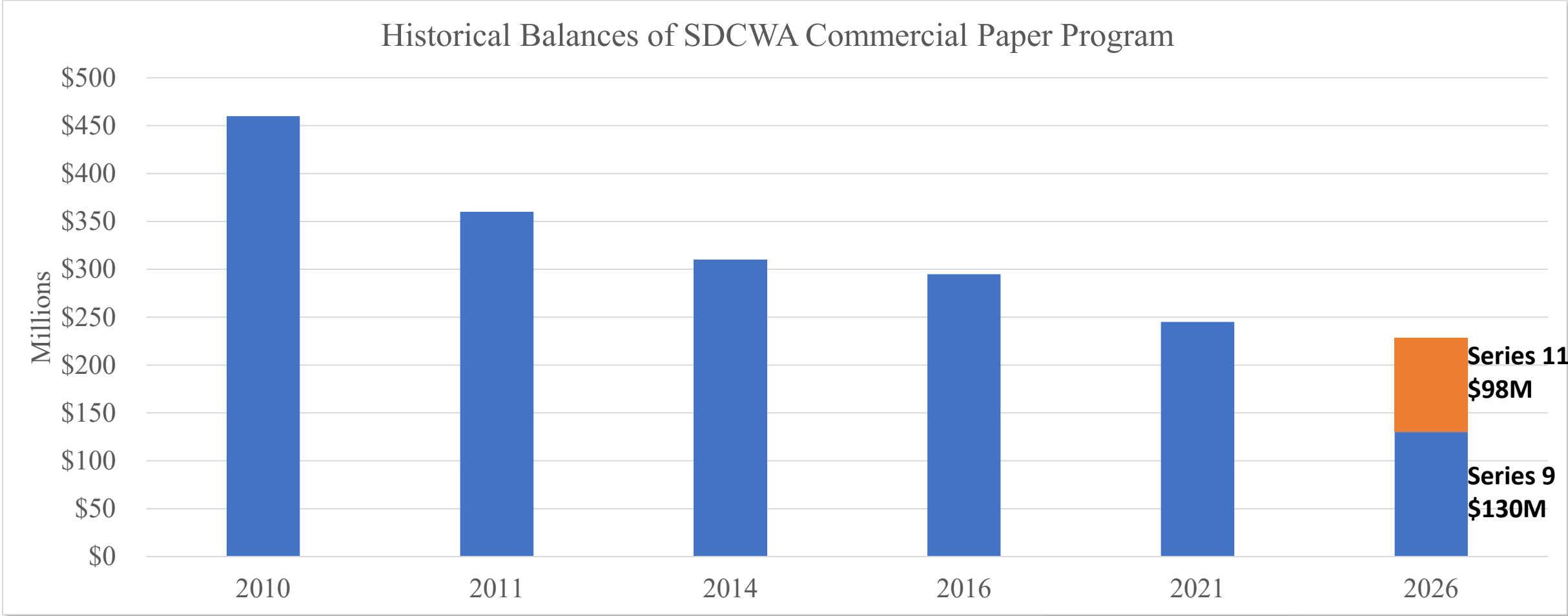
Proposed New Debt Issuance

Series 2026A Senior Lien Water Revenue Bond

- Not to exceed a par amount of \$285 million
- Anticipated debt service appropriated in Adopted FY 2026 & 2027 Budget
- Funds the moderate-risk CIP outlined in the FY 2026 & 2027 Adopted Budget and the 2026 Long-Range Financing Plan
- A portion of proceeds will be utilized to reimburse the Water Authority in 2025, as outlined in the Reimbursement Resolution No. 2025-08

CP Outstanding Balance Decreased from \$460M to \$228

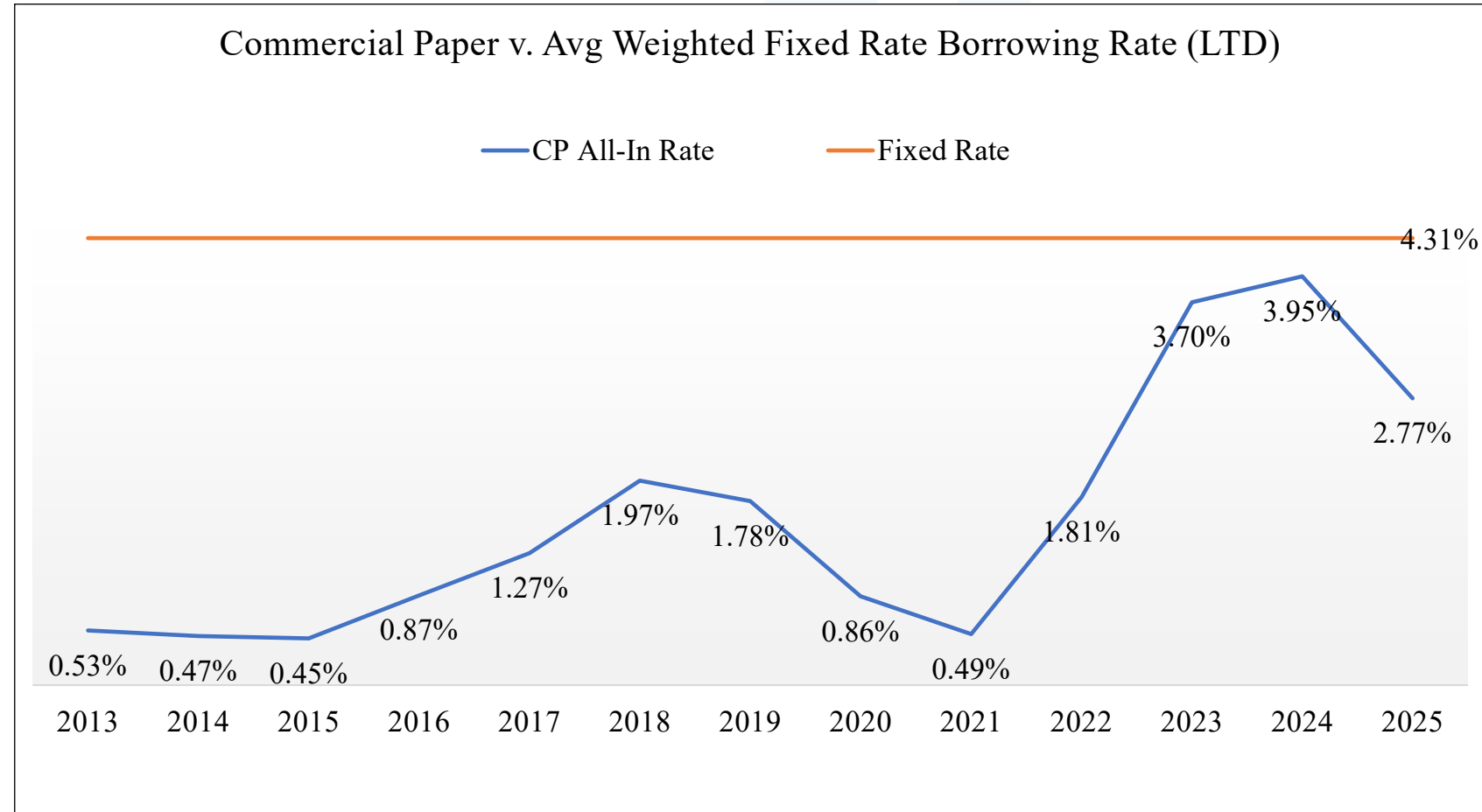
Reduction reflects changes in infrastructure needs, market volatility, risk appetite, and affordability



CP Program Has Saved Rate Payers Over \$100 Million

Use of the short-term variable rate market provides greater financial flexibility and realized savings

- Since 2013, the Water Authority has paid ~\$43.5M in interest.
- Equivalent fixed-rate interest costs of \$156.5M
- CP Net Savings of approximately **\$113M.**



Restructuring Commercial Paper Program

- Executed \$17M payment in February 2026
- Although interest rates are currently favorable, staff is working to restructure the Commercial Paper Program based on Board's desire to deleverage
 - Commercial Paper Notes, Series 11
 - \$98 million outstanding
- Restructuring of this debt will:
 - Limit fees and provides cost certainty
 - Ensure the debt does not exceed the life of the capital assets
- LRFPP forecasts a minimum of \$2M in principal payments annually

Debt Refunding

Per Debt Policy: Refundings must exceed 3% threshold savings

Series 2015A and 2016B Water Revenue Refunding Bonds

- Refunding a par amount of approximately \$64 million
- Present value savings of \$3.43 million or 5.39% of refunded par

2010B Water Revenue Build Americal Bonds

- Tax-exempt basis
- Refunding a par amount of approximately \$250 million
- Forecasted Present value savings of \$14.4 million or 5.61% of refunded par (based on current market conditions)

Credit Ratings

To ensure favorable pricing and execution – staff will meet with credit rating agencies

- The Water Authority will seek to affirm ratings for the upcoming transactions.
- Board adopted 2026 LRFPP has put the Water Authority in a favorable position with the rating agencies.
- Staff will actively work with the Financial Advisors to remove the negative outlook from S&P.

Current Water Authority Ratings

Rating Agency	Senior Lien Ratings	Subordinate Lien Ratings	Outlook
Standard & Poor's	AAA	AA+	Negative
Fitch	AA+	AA+	Stable
Moody's	Aa2	Aa3	Stable

Next Steps

Staff anticipates return to the Board in July 2026 for consideration and adoption of:

- Outstanding debt management activities
- Board Resolutions
- Preliminary Official Statements for the transactions

Staff Recommendation

1. Authorize staff to schedule Debt Management Activities including the issuance of a new Senior Lien Water Revenue Bond to fund the Capital Improvement Program, restructuring Series 11 of the Commercial Paper Program, and refunding of select Senior Lien bonds.
2. Authorize the selection of the Financing Parties for associated Debt Management Activities.

Thank You!



@sdcwa



SanDiegoCountyWaterAuthority



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San Diego County
Water Authority

News Coverage Across the Southwest



Los Angeles Times

CLIMATE & ENVIRONMENT

How a California desalination plant could ease water shortages on the Colorado River

Environment

New agreement could lead to lower water rates for local ratepayers



Could ocean water help fix Arizona's drought troubles? This agreement puts it one step closer

The San Diego Union-Tribune

NEWS > POLITICS

Michael Smolens: San Diego officials say they're close to selling off some water oversupply

Moves may help reduce future cost increases to customers



Treated seawater could help Arizonans as state faces potentially deeper Colorado River water cuts

San Diego water authority agreed to explore legality of what would be a historic water transfer



San Diego County
Water Authority



Update on Preparation of the 2025 Urban Water Management Plan and Water Shortage Contingency Plan

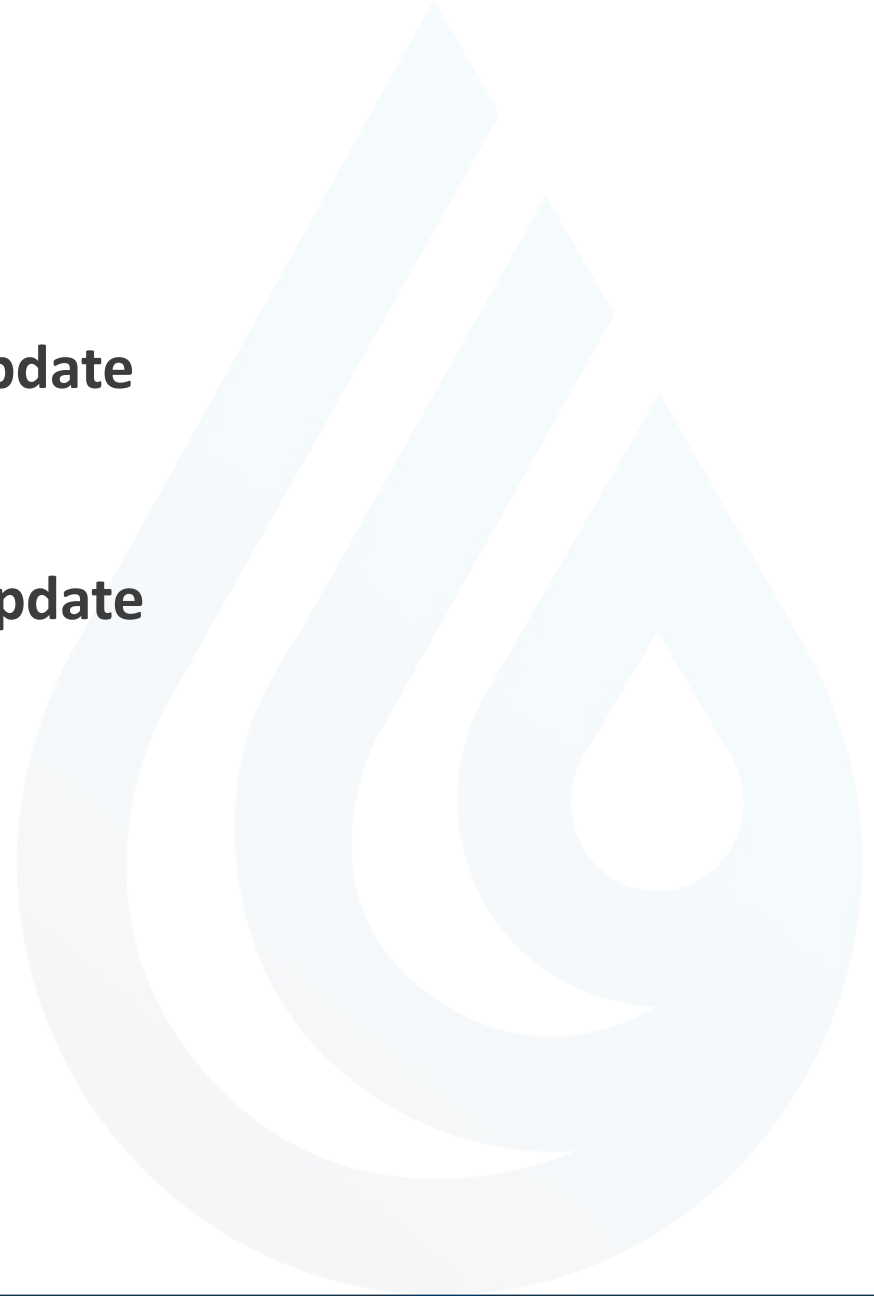
March 19, 2026

Water Planning and Environmental Committee

Efren Lopez, Senior Water Resources Specialist
Ryan Jensen, Senior Water Resources Specialist

Presentation Outline

- 1 Urban Water Management Plan (UWMP) Update
- 2 Water Shortage Contingency Plan (WSCP) Update
- 3 Public Review Draft Overview
- 4 Next Steps



Update on Preparation of 2025 UWMP

2025 UWMP Overview & Regulatory Context

Required statewide planning framework for long-term water supply reliability



State Requirement

- Updated every five years
- Required for urban suppliers statewide



Regional Water Planning

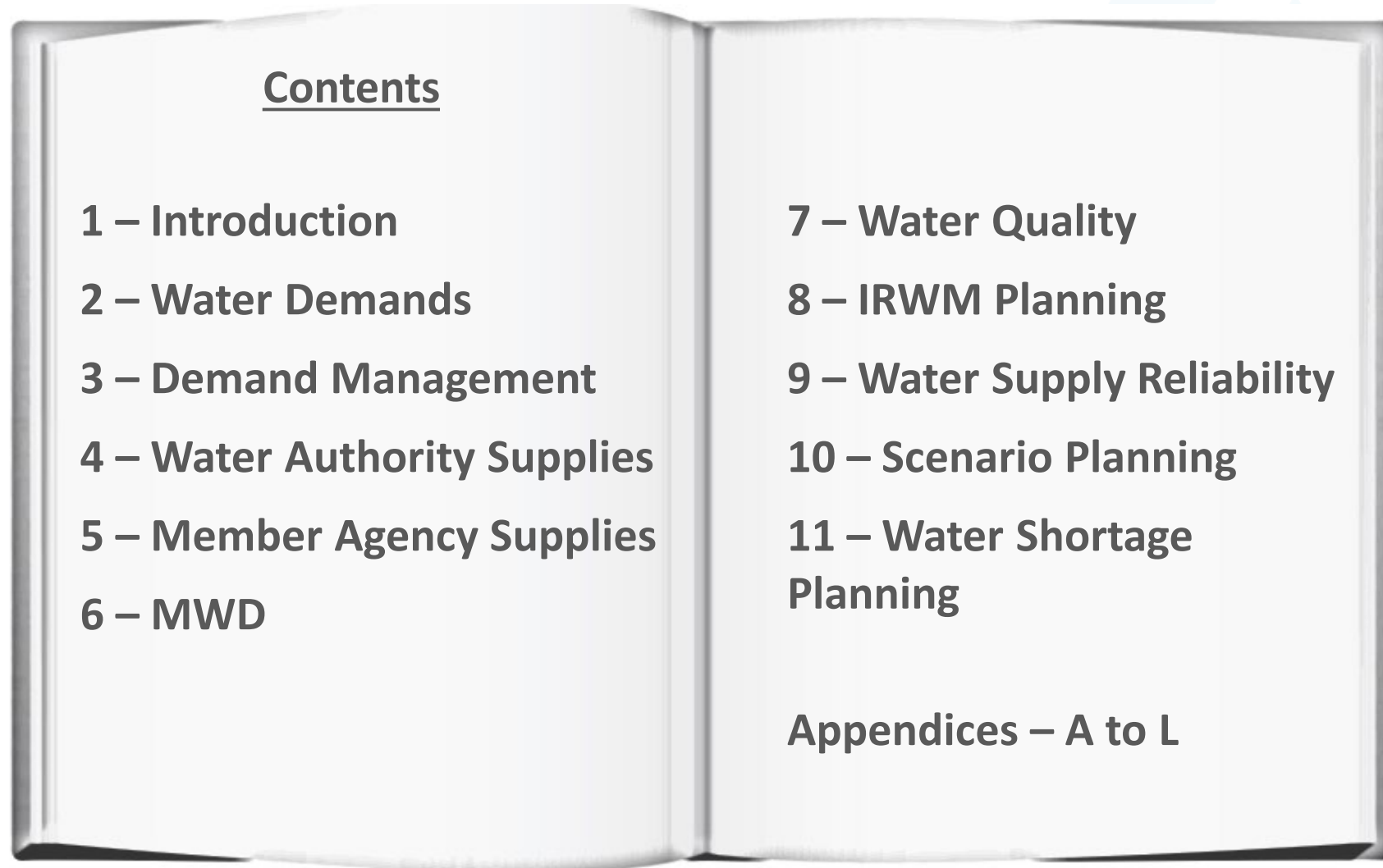
- Defines long-term water supply portfolio
- Supports regional reliability planning



State Policy Framework

- Includes Water Shortage Contingency Plan
- Aligns with new urban water-use efficiency standards

Draft 2025 UWMP Chapters



<u>Contents</u>	
1 – Introduction	7 – Water Quality
2 – Water Demands	8 – IRWM Planning
3 – Demand Management	9 – Water Supply Reliability
4 – Water Authority Supplies	10 – Scenario Planning
5 – Member Agency Supplies	11 – Water Shortage Planning
6 – MWD	
	Appendices – A to L

Previous UWMP Activities

Extensive coordination with 22 member agencies and regional partners



Technical Review Draft of 2025 UWMP

Member agency review and key comment themes

**Distributed to Member Agencies on
Jan. 7, 2026**

**Comments Due on
Feb. 6, 2026**

- Comments received from 13 agencies
- Primary comment topics:
 - Local water supply projections
 - Long-range demand forecast
 - Model drought ordinance
 - Conservation savings estimate
 - Maps and tables

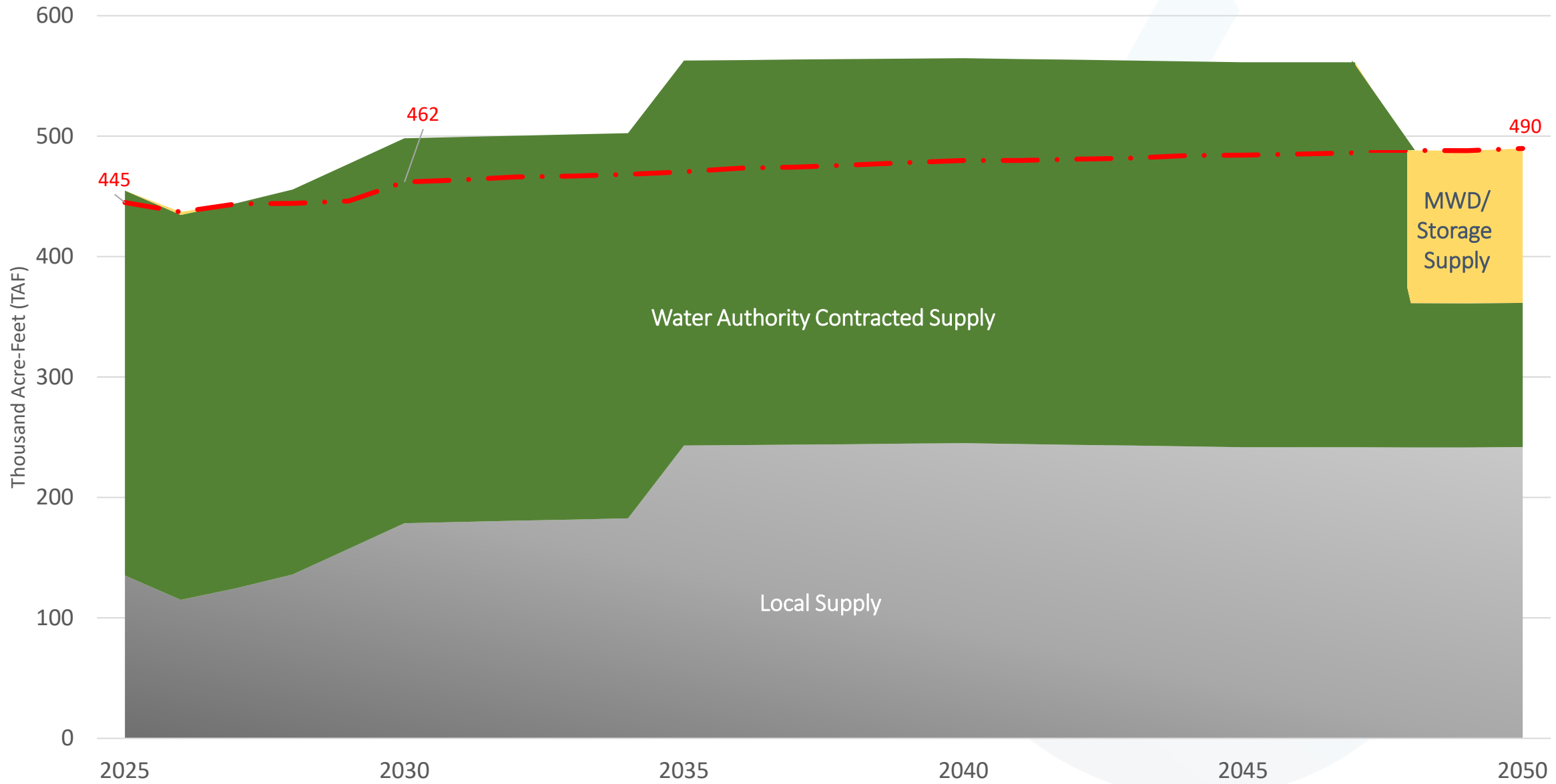
Revisions to Total Demand Forecast

Public Review forecast 0.4% to 1.2% lower than forecasts submitted by member agencies

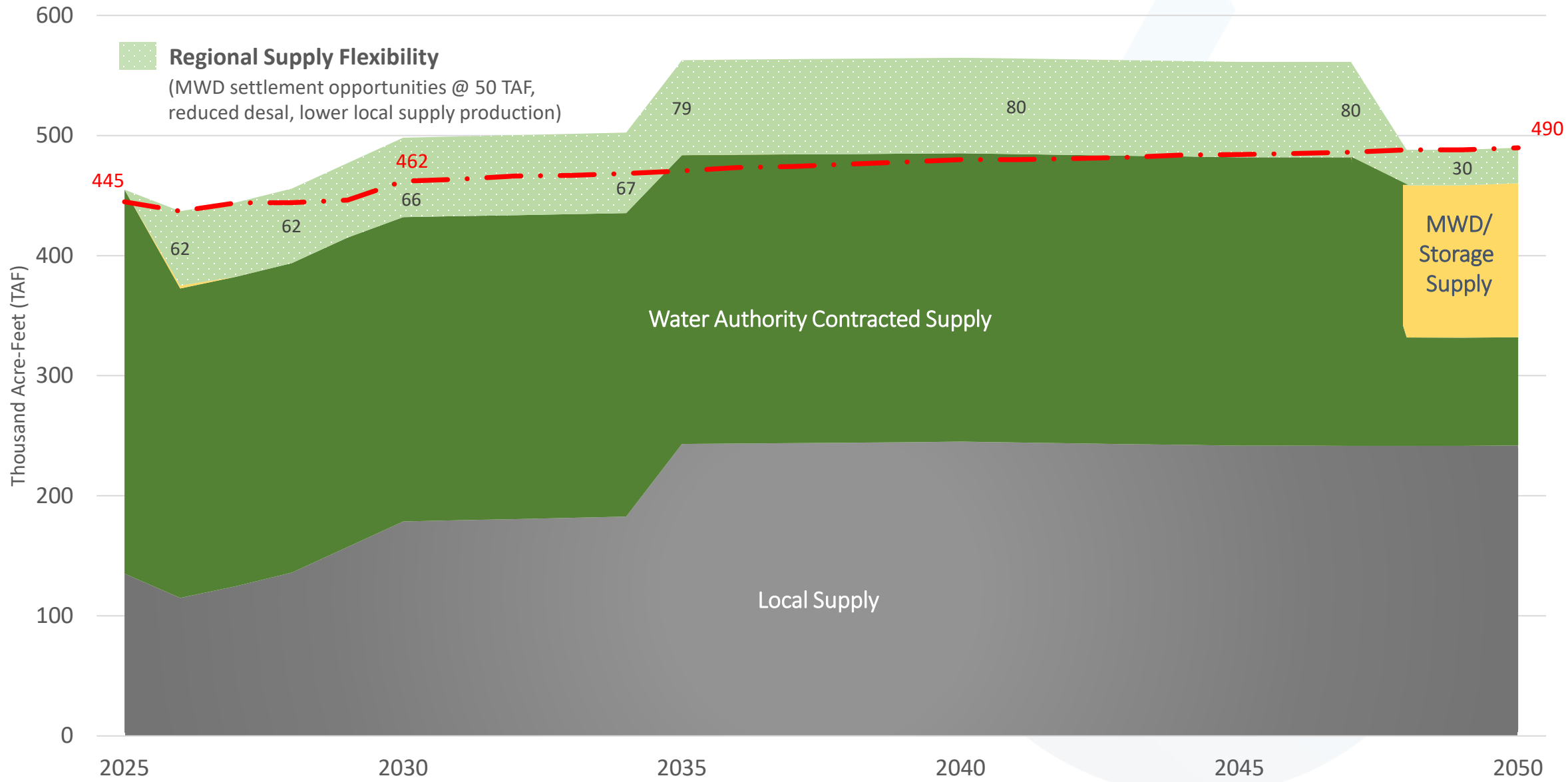
Water Authority Forecast	2030	2035	2040	2045	2050
Technical Review Draft (November 2025)	451,881	458,877	467,629	470,890	475,176
Public Review Draft (March 2026)	461,915	470,433	479,867	484,176	489,759
Public Review vs. Technical Review	+2.2%	+2.5%	+2.6%	+2.8%	+3.1%

Member Agency Forecast	467,427	475,770	482,524	487,521	491,634
Public Review vs. Member Agency	-1.2%	-1.1%	-0.6%	-0.7%	-0.4%

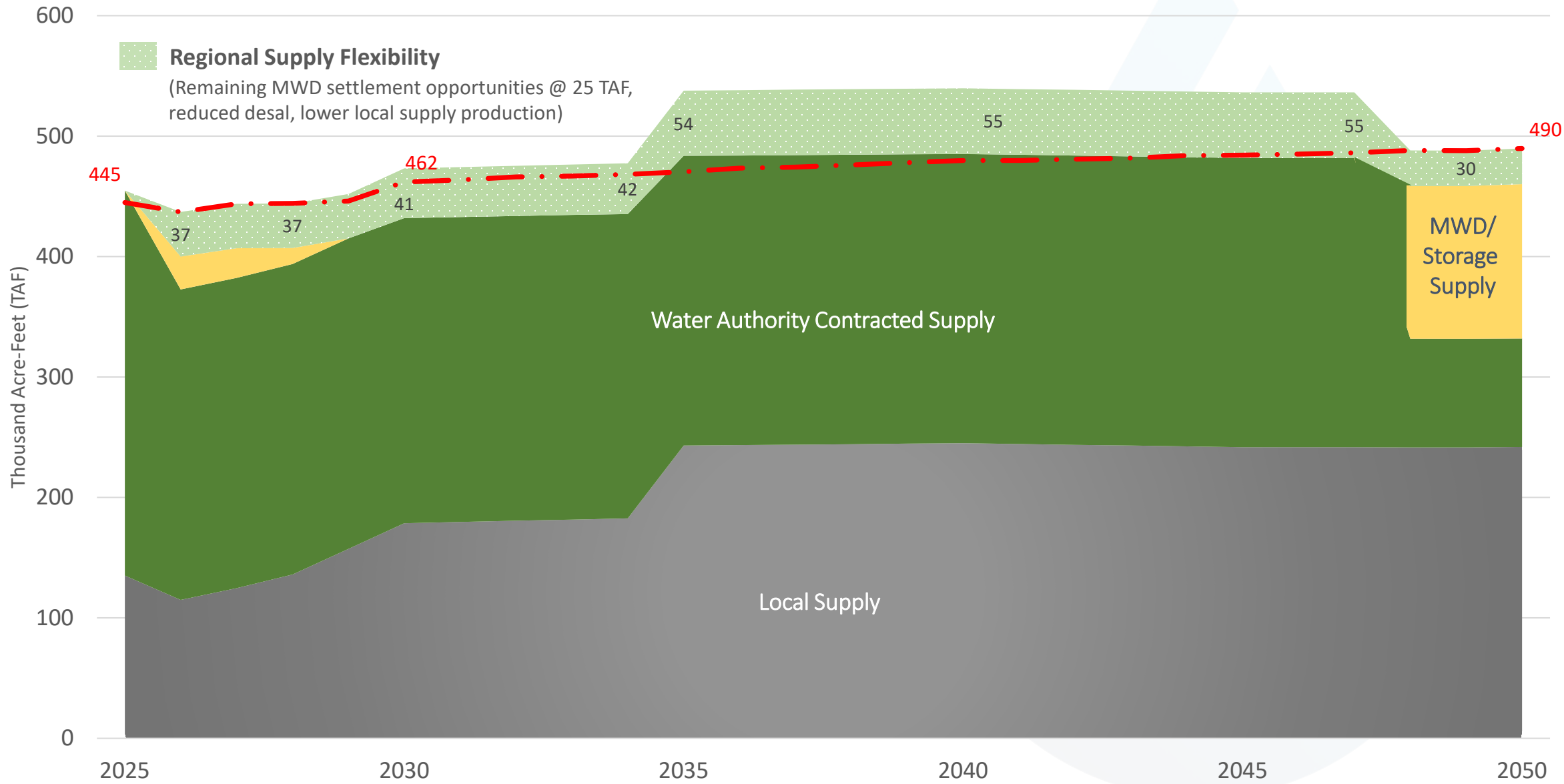
Resource Mix



Resource Mix Flexibility – Pre Exchanges/Transfers



Resource Mix Flexibility – Post 25 TAF Exchanges/Transfers



Update on Preparation of 2025 WSCP

What is the WSCP?

San Diego County Water Authority
2025 Urban Water Management Plan

Appendix E
March 2026



DRAFT

2025 Water Shortage Contingency Plan



San Diego County Water Authority

MARCH 2026



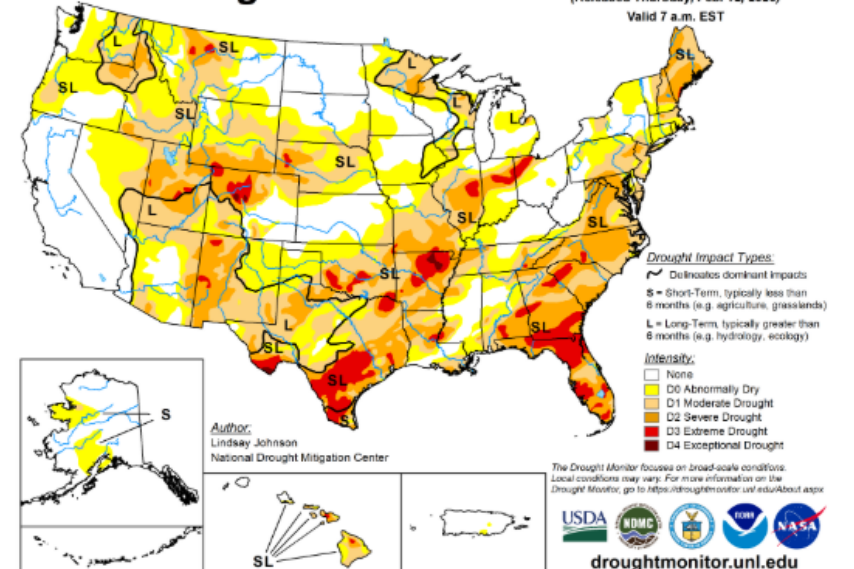
Water Shortage Contingency Plan

August 2017



U.S. Drought Monitor

February 10, 2026
(Released Thursday, Feb. 12, 2026)
Valid 7 a.m. EST



Background: Water Authority Shortage Response Plans

Document Name	Board Adoption	Key Revisions	Activation Periods	Supply Allocations?
Drought Management Plan (DMP)	2006	Supply allocation procedure developed	2007 – 2011	Yes
Water Shortage and Drought Response Plan (WSDRP)	2012	Supply allocation methodology updated	2014 – 2016	Yes
Water Shortage Contingency Plan (WSCP)	2017	Aligned with long-term conservation framework in 2017, minor updates in 2020 & 2025	2021 – 2023	No

Notable Updates for 2025 WSCP

- Addition of historical drought information from 2021 – 2023 drought (Section 3)
- Revisions to Shortage Supply Matrix (Section 5)
 - Added flexibility in the selection of shortage response levels
 - Removed “voluntary” and “mandatory” response actions at each shortage level
 - Allow drought response actions to be tailored to local conditions rather than statewide mandates

Regional Water Shortage Levels ^{2, 3}	Potential Water Authority M&I Drought Response Actions ¹							
	Ongoing Water-Use Efficiency	Communication Plan	Supply Augmentation			Demand Reduction Measures		Member Agency M&I Supply Allocation
			Storage Withdrawals		Spot Transfers , Other	Additional	Extraordinary	
			CSP	ESP ⁴				
Normal Conditions	✓							
Level 1 Up to 10%	✓	✓	✓					
Level 2 Up to 20%	✓	✓	✓		✓	✓		✓
Level 3 Up to 30%	✓	✓	✓	✓	✓	✓		✓
Level 4 Up to 40%	✓	✓	✓	✓	✓	✓	✓	✓
Level 5 Up to 50%	✓	✓	✓	✓	✓	✓	✓	✓
Level 6 Above 50%	✓	✓	✓	✓	✓	✓	✓	✓

UWMP & WSCP – Public Review and Hearing Process

Public engagement and Board review prior to adoption of the 2025 UWMP and WSCP



Public Review Draft

- Draft UWMP and WSCP released **March 12, 2026**
- Available on Water Authority website
- **45-day** public comment period closes **April 25, 2026**



Public Hearing

- **April 23, 2026**
- Water Planning & Environmental Committee meeting
- Opportunity for public testimony and written comments



Next Steps

- Staff review and respond to public comments
- Incorporate revisions if necessary
- Board consider final UWMP and WSCP on **May 28, 2026**

Thank You!



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Water Authority