



NOTICE TO THE PUBLIC

BOARD OF DIRECTORS' AND STANDING COMMITTEES' MEETING

9:00 A.M. MAY 28, 2026

BOARD ROOM

WATER AUTHORITY HEADQUARTERS BUILDING

4677 OVERLAND AVENUE, SAN DIEGO, CALIFORNIA

All meetings are open to the public and accessible electronically at SDCWA.org under the link titled "LIVE STREAM" on the right hand side of the page, or via the link information under section 8 below.

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 & 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 meeting of the full Board will commence at 9:00 a.m. Committee meetings will begin as early as 9:50 a.m., following a recess of the Formal Board meeting. Any afternoon session of the Committees may commence at the conclusion of the morning session and earlier than 12:00 p.m. Please see the meeting schedule. The meeting of the full Board will reconvene as early as 2:00 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.
6. **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.

7. **PUBLIC HEARINGS:** It is not necessary to notify the Chair if a member of the public wishes to speak on items listed on the agenda as public hearings. Public hearings will begin at the time stated in the notice, or as soon thereafter as the matter can be heard. When the Chair opens the hearing, upon calling for public speakers, raise your hand to provide public comment and begin by providing your name for the record. Each speaker has three minutes to address the Board.
8. **PUBLIC COMMENTS:** Public comments may be provided before the meeting by submitting written comment to: publiccomments@sdewa.org. Written correspondence will be read as time allows and will be dispersed to the Board of Directors via email.

Speaker request forms will be available to the public attending in person.

The meeting can be viewed and public comments can also be made by joining via zoom here: [ZOOM LINK](#).
or joining by phone at 1-669-444-9171. Enter the meeting id 838 8344 4061# when prompted. Use the raise hand feature in Zoom to be recognized by the Clerk to speak. If joining by phone dial *9 to raise your hand.

Members of the public are given an opportunity to address each Standing Committee on any item listed on their respective agenda or under the jurisdiction of the Committee, during the Public Comment period as stated on the agenda.

Each speaker is allotted up to three minutes to provide public comment. The Presiding Officer shall, however, exercise discretion to determine if time should be reduced or extended based upon such factors as length and substance of agenda, the number of public comment speakers, the need for the Board to conclude business as expeditiously as is practicable, and whether the Board is at risk of losing a quorum, among other factors.

During the Formal Board of Directors Meeting, at the Public Comment period stated on the agenda, members of the public are given an opportunity to address the Board on items of interest within the subject matter of the Board, or on any item on the Formal Board Agenda that was not previously addressed by a Standing Committee. No public comment will be taken on items previously considered by the Standing Committee unless the Board Chair determines that an item has changed substantially.

9. **TRANSLATION SERVICES:** Translation services are available to any member of the public who needs help giving public comments. You may bring your own translator to assist you. If you need a translator provided for you, please request this at least three working days before the meeting by emailing kwalker@sdewa.org or calling (858) 522-6614. Be sure to tell us which language you need help with when you submit your request.

ZOOM Captioning and Language Selection: Members of the public observing on the zoom platform can utilize captioning from a selection of offered languages.

10. **DISRUPTIVE CONDUCT:** The Presiding Officer holds authority to remove or limit participation of any member of the public for disruptive behavior, extending to participants attending remotely.
11. **ASSISTANCE FOR THE DISABLED:** If you are disabled in any way and need accommodation to participate in the Board meeting, please call the Clerk of the Board at (858) 522-6614 for assistance at least three (3) working days prior to the meeting so the necessary arrangements can be made.
12. **RULES GOVERNING MEETINGS:** The Water Authority's Administrative Code Chapter 2.00 governs the conduct of meetings of the Board and the Committees. The Administrative Code is available online at www.sdewa.org.



MEETING SCHEDULE *

MAY 28, 2026

FORMAL BOARD MEETING 9 AM

START TIME FOR COMMITTEES 9:50 AM

- **Administrative & Finance Committee**
- **Water Planning & Environmental Committee**
- **Engineering & Operations Committee**

LUNCH BREAK (Estimated 12 to 12:45 PM)

- **Legislation & Public Outreach Committee**
- **Imported Water Committee**

RECONVENED FORMAL BOARD MEETING 2 PM

*** The regular Board meeting will begin at 9:00 am. The Committees are listed above in the order in which they will proceed. The Committee meetings will begin at 9:50 am. The regular Board meeting will reconvene no earlier than 2:00 pm and will follow the conclusion of the last committee meeting.**



AGENDA
FORMAL BOARD OF DIRECTORS' MEETING

May 28, 2026
9:00 am

1. Call to Order.
2. Salute to the flag.
3. Report on Remote Attendance.
4. Roll call, determination of quorum.
4-A Report on proxies received.
5. Public Comment: Opportunity for members of the public who wish to address the Board on matters within the Board's jurisdiction.
6. Additions to Agenda. (Government code Sec. 54954.2(b)).

7. **CLOSED SESSION(S)**

- 7-A Conference with the Labor Negotiator David Edwards
Government Code §54957.6
Agency Designated Representatives: Jaymie Bradford, Catherine Love, Jeff Stephenson, Cristina Lever-Santos, Mark Wilson, Tim Davis
Employee Organizations: Teamsters Local 986
- Conference with the Labor Negotiator
Government Code §54957.6
Agency Designated Representatives: Dan Denham, Catherine Love
Employee Organizations: Unrepresented Employees

8. **ACTION FOLLOWING CLOSED SESSION**

9. **OTHER COMMUNICATIONS**

10. **RECESS**

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.

Kelly Cole-Walker, CMC, CPMC
Clerk of the Board



May 20, 2026

Attention: Board of Directors

CLOSED SESSIONS:

Conference with the Labor Negotiator

Government Code §54957.6

**Agency Designated Representatives: Jaymie Bradford, Catherine Love,
Jeff Stephenson, Cristina Lever-Santos, Mark Wilson, Tim Davis**

Employee Organizations: Teamsters Local 986

Conference with the Labor Negotiator

Government Code §54957.6

Agency Designated Representatives: Dan Denham, Catherine Love

Employee Organizations: Unrepresented Employees

Purpose

The General Manager has asked that the closed sessions be scheduled, pursuant to Government Code §54957.6, to discuss the above-referenced matters at the May 28, 2026 meeting.

Prepared by: David J. Edwards, General Counsel

ADMINISTRATIVE AND FINANCE COMMITTEE

**AGENDA FOR
May 28, 2026**

Ismahan Abdullahi, Chair	Ron Morrison
Gary Arant, Vice Chair	Princess Norman
Jennifer Kerschbaum, Vice Chair	Rocky Qualin
Teresa Acosta	Mark Robak
Jimmy Ayala	Esther Sanchez
Tim Douglass	Nick Serrano
Frank Hilliker	Burt Williams

1. Report on Remote Attendance.
2. Roll call – determination of quorum.
3. Additions to agenda (Government Code Section 54954.2(b)).
4. Public comment – opportunities for members of the public to address the Committee on items contained within this agenda.
5. Chair’s Report.
5-A Directors’ comments.

I. CONSENT CALENDAR

- | | |
|---|-------------------|
| 1. <u>Monthly Treasurer’s Report on Investments and Cash Flow.</u>
<u>Staff recommendation:</u> Note and file the monthly Treasurer’s Report. (Action) | Lisa Marie Harris |
|---|-------------------|

II. ACTION/DISCUSSION/PRESENTATION

- | | |
|--|---------------|
| 1. General Manager’s Mid-term Budget for Fiscal Years 2026 and 2027. (Presentation) | Liana Whyte |
| 2. <u>Resolution setting a Public Hearing date and time for Proposed Calendar Year 2027 Rates and Charges.</u>
<u>Staff recommendations:</u>
2-A Adopt Resolution No. 2026-03 setting the time and place for a public hearing on June 25, 2026, 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 the recommended rates and charges. (Action) | Pierce Rossum |
| 2-B Preliminary Assessment of Calendar Year 2027 Rates and Charges. (Presentation) | |



III. INFORMATION

1. Controller's Report on Monthly Financial Activity.
2. Quarterly Budget Monitoring Report.
3. Board Calendar.

Chris Woidzik
Liana Whyte

IV. CLOSED SESSION

V. ADJOURNMENT

Kelly Cole-Walker
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.



May 20, 2026

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, Corporate notes, and other securities totaling approximately 47% of the Pooled portfolio, Money Market Mutual Funds totaling 14%, and liquidity vehicles such as LAIF and CAMP comprising about 39%. The overall portfolio of \$338.4 million maintained an average Market Yield of 3.93%*, leading the Intercontinental Exchange Bank of America (ICE BofA) benchmark.

Information as of 04/30/26	ICE BofA 1-3 Year US Treasury & Agency Index	SDCWA Consolidated Portfolio
Purchase Yield	n/a	3.42%*
Market Yield	3.87%	3.93%*
Book Value	n/a	\$338,437,028
Weighted Average Maturity	1.84	0.94*

**Estimated Values. Actual Values are available during 3rd week of the month.*

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.

Portfolio Summary: A snapshot of the Water Authority’s holdings including its characteristics, account summary, top issuers, sector allocation, maturity distribution and credit quality. *This report is available during the 3rd week of the month and has been excluded this month due to timing.*

Portfolio Details: The Water Authority’s investments and cash details.

The Water Authority’s portfolio is diversified among investment types with a concentration toward short-term maturities to meet anticipated cash flow needs. Market value information provided by ICE BofA and reflects values as of the report date.

Bond yields and oil prices continued to rise in April on oil supply disruptions and the resulting inflationary impacts. WTI crude oil prices soared over \$110 per barrel in April as blockades restricted traffic through the Strait of Hormuz. The Consumer Price Index (CPI) rose 0.9% in March, largely driven by a 21% jump in gasoline prices, and 3.3% year-over-year. The spike in gas prices also fueled a 1.7% increase in retail sales for March, up 4.0% versus March of last year.

The US employment report was better than expected with 115,000 jobs added to the US economy in April. The healthcare sector has been responsible for much of the recent job growth. The unemployment rate was unchanged at 4.3%, while average hourly earnings cooled to 3.5% year-over-year.

The Federal Open Market Committee (FOMC) weighed a resilient labor market and concerns about inflation at their April 28-29 meeting. Although the FOMC left the federal funds target rate unchanged at 3.50 – 3.75% for the third time this year, there were four dissents, the most in a single meeting since 1992. Stephen Miran dissented in favor of a rate cut, while three other voting members opposed inclusion of an easing bias.

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 20, 2025. The reports are completed in accordance with California Government Code Section 53607.

Lisa Marie Harris, Director of Finance/Treasurer

PORTFOLIO MASTER SUMMARY
as of April 30, 2026

PORTFOLIO PERCENTAGES

Investment Type	Permitted By Board Policy	Portfolio Percentage	Book Value
Local Agency Investment Fund (LAIF)	\$75 Million	23.16%	\$ 74,315,745
Banker's Acceptances	40%	0.00%	-
Treasury Securities*	100%	30.61%	98,214,848
Agency Securities*	100%	1.97%	6,312,146
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations	20%	4.05%	12,982,723
Supranational Securities*	15%	0.60%	1,940,200
Repurchase Agreements	20%	0.00%	-
Reverse Repurchase Agreements	20%	0.00%	-
Certificates of Deposit (Placement, Negotiable & Time Deposits)	30%	0.00%	-
Commercial Paper	30%	0.00%	-
Medium Term Notes/Corporates*	30%	9.59%	30,782,148
Municipal Securities	30%	0.42%	1,342,125
JPA Pools (CAMP, CalFIT)	25%	15.83%	50,798,844
Mutual Funds and Money Market Mutual Funds*	20%	13.77%	44,185,245
		100.00%	\$ 320,874,024
Accrued Interest (unavailable for investing)			117,313
Checking/Petty Cash/Available Funds (unavailable for investing)			5,204,916
Subtotal for Pooled Funds:			<u>\$ 326,196,253</u>
<u>Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:</u>			
Mass Mutual - Reserve (GIC) - Series 1998A COPs			12,240,775
Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):			<u>\$ 12,240,775</u>
Total Cash and Investments			<u>\$ 338,437,028</u>

PORTFOLIO INFORMATION

	Pooled Funds **	Debt Service Reserve	Total
Portfolio Yield to Maturity - 365 Days	3.58%	5.55%	3.66%
Average Term	835	1	800
Average Days to Maturity	455	1	436

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

** Pooled Funds include Operating, Pay Go, RSF, Equipment and Stored Water funds.

SDCWA - Fiscal Year 2026
Portfolio Management
Portfolio Summary
April 30, 2026

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
California Asset Management Program	10,299,510.08	10,299,510.08	10,299,510.08	3.48	1	1	3.728	3.780
Local Agency Investment Funds	74,315,745.08	74,315,745.08	74,315,745.08	25.13	1	1	3.758	3.810
Money Market	6,677,368.46	6,677,368.46	6,677,368.46	2.26	1	1	3.477	3.525
Held Money Market	12,240,775.00	12,240,775.00	12,240,775.00	4.14	1	1	5.474	5.550
California Fixed Income Trust	40,499,334.22	40,499,334.22	40,499,334.22	13.70	1	1	3.718	3.770
Medium Term Notes	31,200,000.00	30,891,819.60	30,848,933.60	10.43	1,573	1,029	3.989	4.045
Federal Agency - Coupon	6,200,000.00	6,245,766.00	6,312,146.00	2.13	1,387	653	3.785	3.838
Treasury Securities - Discount	7,300,000.00	7,248,285.00	7,187,020.44	2.43	159	41	3.622	3.672
Treasury Securities - Coupon	92,525,000.00	91,237,267.87	91,075,090.75	30.80	1,617	808	2.986	3.028
Supranationals	2,000,000.00	1,986,140.00	1,940,200.00	0.66	1,612	803	4.191	4.249
Municipal Bonds	1,500,000.00	1,422,330.00	1,342,125.00	0.45	2,312	884	3.576	3.626
Mortgage Backed Securities	13,835,000.00	13,055,047.41	12,985,987.28	4.39	1,886	1,267	3.925	3.980
Investments	298,592,732.84	296,119,388.72	295,724,235.91	100.00%	800	436	3.609	3.659

Cash								
Passbook/Checking (not included in yield calculations)	42,712,791.88	42,712,791.88	42,712,791.88		1	1	3.545	3.594
Total Cash and Investments	341,305,524.72	338,832,180.60	338,437,027.79		800	436	3.609	3.659

Total Earnings	April 30 Month Ending	Fiscal Year To Date
Current Year	1,201,419.16	11,914,828.14
Average Daily Balance	417,977,684.50	385,128,884.24
Effective Rate of Return	3.50%	3.71%

SDCWA,

**SDCWA - Fiscal Year 2026
Portfolio Management
Portfolio Details - Investments
April 30, 2026**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
California Asset Management Program												
CASH35	1103	CAMP - OPERATING/POOLED			10,299,510.08	10,299,510.08	10,299,510.08	3.780	AAA	3.780	1	
CASH41	9001	CAMP - 2022A BONDS			0.00	0.00	0.00	4.420	AAA	4.420	1	
Subtotal and Average			46,559,615.51		10,299,510.08	10,299,510.08	10,299,510.08			3.780	1	
Local Agency Investment Funds												
CASH42	9002	LAIF - 2022A BONDS			0.00	0.00	0.00	4.280	AAA	4.280	1	
CASH13	1102	LAIF - OPERATING			74,315,745.08	74,315,745.08	74,315,745.08	3.810		3.810	1	
Subtotal and Average			73,953,867.18		74,315,745.08	74,315,745.08	74,315,745.08			3.810	1	
Money Market												
CASH21	2000	Bank of New York Mellon Corp			3,358,804.78	3,358,804.78	3,358,804.78	3.540	A	3.540	1	
CASH40	9100	Bank of New York Mellon Corp			0.00	0.00	0.00	4.210	A	4.210	1	
CASH15	1104	BlackRock Mischler Financial			1,658,191.38	1,658,191.38	1,658,191.38	3.499	AA-	3.499	1	
CASH15	1105	BlackRock Mischler Financial			1,660,372.30	1,660,372.30	1,660,372.30	3.522	AA-	3.522	1	
CASH11	1100	GOLDMAN - OPERATING/POOLED			0.00	0.00	0.00	3.620	AAA	3.620	1	
Subtotal and Average			94,747,764.28		6,677,368.46	6,677,368.46	6,677,368.46			3.525	1	
Held Money Market												
CASH17	1101	TRINITY PLUS - 1998A			12,240,775.00	12,240,775.00	12,240,775.00	5.550		5.550	1	
Subtotal and Average			12,240,775.00		12,240,775.00	12,240,775.00	12,240,775.00			5.550	1	
California Fixed Income Trust												
CASH36	1106	California Fixed Income Trust		12/12/2025	40,499,334.22	40,499,334.22	40,499,334.22	3.770	AAA	3.770	1	
Subtotal and Average			40,378,436.78		40,499,334.22	40,499,334.22	40,499,334.22			3.770	1	
Medium Term Notes												
002824BS8	22634	Abbott Laboratories		04/23/2026	2,000,000.00	1,985,877.78	1,985,877.78	4.000	A+	4.272	1,779	03/15/2031
023135DC7	22631	Amazon.com Inc 4% 03/13/29		03/24/2026	2,000,000.00	1,991,664.44	1,990,864.44	4.000	AA	4.209	1,047	03/13/2029
09247XAR2	22635	BlackRock Inc		04/23/2026	2,000,000.00	1,805,012.22	1,805,012.22	1.900	AA-	4.289	1,733	01/28/2031
06406RBA4	21102	Bank of New York Mellon Corp		01/26/2022	1,000,000.00	983,490.00	1,003,220.00	2.050	A	1.981	270	01/26/2027
06051GHM4	22528	Bank of New York Mellon Corp		02/06/2025	1,500,000.00	1,492,440.00	1,471,095.00	4.271	A-	4.882	1,179	07/23/2029
14913R3A3	20003	CATERPILLAR FIN SERV CRP		08/22/2022	2,000,000.00	1,988,620.00	1,999,360.00	3.600	A-1	3.607	468	08/12/2027
17275RBQ4	22532	Cisco Systems Inc		03/19/2025	1,450,000.00	1,458,743.50	1,463,050.00	4.800	AA-	4.290	301	02/26/2027
02079KBK2	22625	Alphabet Inc		02/19/2026	1,500,000.00	1,480,805.00	1,505,540.00	4.100	AA+	4.032	1,751	02/15/2031
24422EYL7	22637	JOHN DEERE CAPITAL CORP		04/23/2026	2,000,000.00	2,004,893.33	2,004,893.33	4.200	A	4.258	1,774	03/10/2031
57636QAP9	22540	MASTERCARD INC		04/25/2025	1,500,000.00	1,450,530.00	1,429,125.00	3.350	A+	4.429	1,425	03/26/2030
30303MAB8	22615	Meta Platforms Inc		12/23/2025	500,000.00	497,846.67	504,241.67	4.200	AA-	4.138	1,659	11/15/2030
30303MAB8	22617	Meta Platforms Inc		01/02/2026	1,000,000.00	996,743.33	1,011,153.33	4.200	AA-	4.100	1,659	11/15/2030

**SDCWA - Fiscal Year 2026
Portfolio Management
Portfolio Details - Investments
April 30, 2026**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Medium Term Notes												
63743HFM9	22412	National Rural Util Coop		02/12/2024	1,500,000.00	1,506,435.00	1,496,940.00	4.800	A-	4.874	280	02/05/2027
665859AW4	20006	NORTHERN TRUST CORP		08/22/2022	2,000,000.00	1,997,840.00	2,029,540.00	4.000	A+	3.650	374	05/10/2027
74456QBU9	22410	PUBLIC SERVICE ELECTRIC		02/02/2024	500,000.00	493,970.00	485,420.00	3.700	A	4.460	731	05/01/2028
74456QCX2	22636	PUBLIC SERVICE ELECTRIC		04/23/2026	2,000,000.00	2,013,293.33	2,013,293.33	4.200	A	4.335	1,706	01/01/2031
713448FL7	20021	PepsiCo Inc		03/20/2023	1,000,000.00	992,310.00	965,880.00	3.600	A+	4.379	658	02/18/2028
857449AE2	22517	STATE STREET BANK		12/31/2024	750,000.00	762,045.00	748,417.50	4.782	AA-	4.830	1,302	11/23/2029
87612EBM7	21103	TARGET CORP		01/26/2022	1,000,000.00	984,190.00	1,003,350.00	1.950	A	1.950	259	01/15/2027
89115A3C4	22527	TORONTO DOMINION BANK		02/06/2025	1,500,000.00	1,516,710.00	1,488,750.00	4.783	A-	4.957	1,326	12/17/2029
89236TJK2	21097	Toyota Auto Receivables		09/24/2021	1,000,000.00	994,030.00	998,990.00	1.125	A+	1.147	48	06/18/2026
91324PEC2	22531	UnitedHealth Group Inc		03/19/2025	1,500,000.00	1,494,330.00	1,444,920.00	1.150	A+	4.444	14	05/15/2026
Subtotal and Average			25,189,302.72		31,200,000.00	30,891,819.60	30,848,933.60			4.045	1,029	
Commercial Paper - Discount												
Subtotal and Average			387,545.00									
Federal Agency - Coupon												
3130ATS57	20023	FEDERAL HOME LOAN BANK		04/14/2023	3,000,000.00	3,036,300.00	3,113,160.00	4.500	AA+	3.652	679	03/10/2028
3130B5K64	22533	FEDERAL HOME LOAN BANK		03/19/2025	1,000,000.00	1,001,810.00	998,590.00	4.000	AA+	4.075	313	03/10/2027
3130AWC24	22543	FEDERAL HOME LOAN BANK		05/19/2025	2,200,000.00	2,207,656.00	2,200,396.00	4.000	AA+	3.993	770	06/09/2028
Subtotal and Average			6,312,146.00		6,200,000.00	6,245,766.00	6,312,146.00			3.838	653	
Treasury Securities - Discount												
912797TD9	22614	UNITED STATES TREASURY		12/23/2025	5,000,000.00	4,961,050.00	4,914,204.17	3.490	A-1	3.650	48	06/18/2026
912797TT4	22619	UNITED STATES TREASURY		01/27/2026	2,300,000.00	2,287,235.00	2,272,816.27	3.576	A-1	3.720	25	05/26/2026
Subtotal and Average			7,263,191.96		7,300,000.00	7,248,285.00	7,187,020.44			3.672	41	
Treasury Securities - Coupon												
91282CBS9	20004	UNITED STATES TREASURY		08/19/2022	3,500,000.00	3,328,150.00	3,182,402.34	1.250	AA+	3.019	700	03/31/2028
91282CDL2	20005	UNITED STATES TREASURY		08/19/2022	3,500,000.00	3,295,460.00	3,201,542.97	1.500	AA+	2.999	944	11/30/2028
9128283F5	20007	UNITED STATES TREASURY		08/19/2022	3,500,000.00	3,412,780.00	3,371,621.09	2.250	AA+	3.012	563	11/15/2027
9128284N7	20008	UNITED STATES TREASURY		08/19/2022	3,500,000.00	3,433,150.00	3,474,843.75	2.875	AA+	3.012	745	05/15/2028
91282CEM9	20009	UNITED STATES TREASURY		08/31/2022	2,000,000.00	1,944,220.00	1,952,343.75	2.875	AA+	3.275	1,095	04/30/2029
91282CCF6	21091	UNITED STATES TREASURY		06/30/2021	2,500,000.00	2,487,400.00	2,484,472.66	0.750	AA+	0.879	30	05/31/2026
91282CCP4	21093	UNITED STATES TREASURY		08/10/2021	3,000,000.00	2,969,070.00	2,974,921.88	0.625	AA+	0.796	91	07/31/2026
91282CCW9	21094	UNITED STATES TREASURY		08/31/2021	3,750,000.00	3,703,950.00	3,731,835.94	0.750	AA+	0.849	122	08/31/2026
91282CCZ2	21096	UNITED STATES TREASURY		11/02/2021	3,500,000.00	3,450,440.00	3,451,464.84	0.875	AA+	1.166	152	09/30/2026
91282CCJ8	21098	UNITED STATES TREASURY		09/24/2021	3,000,000.00	2,978,850.00	2,996,484.38	0.875	AA+	0.900	60	06/30/2026
91282CDG3	21101	UNITED STATES TREASURY		12/29/2021	2,500,000.00	2,461,875.00	2,484,179.69	1.125	AA+	1.260	183	10/31/2026

SDCWA - Fiscal Year 2026
Portfolio Management
Portfolio Details - Investments
April 30, 2026

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Treasury Securities - Coupon												
91282CDK4	21104	UNITED STATES TREASURY		01/25/2022	2,800,000.00	2,754,192.00	2,764,671.88	1.250	AA+	1.521	213	11/30/2026
9128284V9	21105	UNITED STATES TREASURY		05/18/2022	3,000,000.00	2,936,490.00	2,982,656.25	2.875	AA+	2.977	837	08/15/2028
9128283W8	21107	UNITED STATES TREASURY		08/08/2022	2,000,000.00	1,961,480.00	1,974,375.00	2.750	AA+	3.004	655	02/15/2028
91282CFM8	22409	UNITED STATES TREASURY		12/01/2023	2,500,000.00	2,510,150.00	2,475,292.97	4.125	AA+	4.407	517	09/30/2027
91282CFT3	22507	UNITED STATES TREASURY		11/21/2024	2,750,000.00	2,761,165.00	2,718,632.81	4.000	AA+	4.258	1,279	10/31/2029
91282CLC3	22508	UNITED STATES TREASURY		11/26/2024	2,000,000.00	2,008,980.00	1,984,921.88	4.000	AA+	4.178	1,187	07/31/2029
91282CFJ5	22509	UNITED STATES TREASURY		11/26/2024	2,000,000.00	1,952,960.00	1,908,593.75	3.125	AA+	4.193	1,218	08/31/2029
91282CGJ4	22526	UNITED STATES TREASURY		02/06/2025	2,000,000.00	1,972,180.00	1,932,265.63	3.500	AA+	4.261	1,371	01/31/2030
91282CLQ2	22536	UNITED STATES TREASURY		04/25/2025	3,000,000.00	3,001,650.00	3,004,570.31	3.875	AA+	3.809	532	10/15/2027
91282CMT5	22537	UNITED STATES TREASURY		04/25/2025	1,000,000.00	1,003,870.00	999,648.44	4.125	AA+	4.130	2,161	03/31/2032
91282CLM1	22538	UNITED STATES TREASURY		04/25/2025	1,000,000.00	981,330.00	972,968.75	3.625	AA+	4.107	1,978	09/30/2031
91282CGQ8	22544	UNITED STATES TREASURY		05/29/2025	1,000,000.00	1,003,830.00	997,578.13	4.000	AA+	4.055	1,399	02/28/2030
91282CEN7	22602	UNITED STATES TREASURY		07/21/2025	725,000.00	717,220.75	710,811.52	2.750	AA+	3.899	364	04/30/2027
91282CLP4	22612	UNITED STATES TREASURY		12/23/2025	5,000,000.00	4,993,250.00	4,997,265.63	3.500	AA+	3.568	152	09/30/2026
912828U24	22613	UNITED STATES TREASURY		12/23/2025	5,000,000.00	4,956,447.24	4,942,919.12	2.000	AA+	3.546	198	11/15/2026
91282CPD7	22616	UNITED STATES TREASURY		12/23/2025	2,000,000.00	1,974,380.00	1,992,500.00	3.625	AA+	3.709	1,644	10/31/2030
91282CPA3	22618	UNITED STATES TREASURY		01/02/2026	1,000,000.00	987,700.00	997,773.44	3.625	AA+	3.676	1,613	09/30/2030
91282CGZ8	22622	UNITED STATES TREASURY		02/19/2026	2,500,000.00	2,462,025.00	2,490,625.00	3.500	AA+	3.596	1,460	04/30/2030
91282CPR6	22623	UNITED STATES TREASURY		02/19/2026	2,500,000.00	2,478,817.27	2,510,173.52	3.625	AA+	3.645	1,705	12/31/2030
91282CPA3	22624	UNITED STATES TREASURY		02/19/2026	1,500,000.00	1,481,550.00	1,500,000.00	3.625	AA+	3.624	1,613	09/30/2030
91282CPW5	22626	UNITED STATES TREASURY		03/03/2026	1,000,000.00	994,851.33	1,008,680.08	3.750	AA+	3.627	1,736	01/31/2031
91282CQD6	22627	UNITED STATES TREASURY		03/10/2026	3,000,000.00	2,944,953.26	2,971,329.82	3.500	AA+	3.733	1,764	02/28/2031
91282CGT2	22629	UNITED STATES TREASURY		03/24/2026	3,000,000.00	2,988,990.00	2,988,046.88	3.625	AA+	3.832	700	03/31/2028
91282CPC9	22630	UNITED STATES TREASURY		03/24/2026	2,000,000.00	1,984,300.00	1,983,515.63	3.500	AA+	3.840	898	10/15/2028
91282CNZ0	22632	UNITED STATES TREASURY		04/23/2026	3,000,000.00	2,978,828.77	2,978,828.77	3.875	AA+	4.044	2,344	09/30/2032
91282CES6	22633	UNITED STATES TREASURY		04/23/2026	1,000,000.00	980,332.25	980,332.25	2.750	AA+	3.802	1,126	05/31/2029
Subtotal and Average			90,145,550.64		92,525,000.00	91,237,267.87	91,075,090.75			3.028	808	
Supranationals												
459058KT9	22411	Intl Bank Recon & Develop		02/12/2024	2,000,000.00	1,986,140.00	1,940,200.00	3.500	AAA	4.249	803	07/12/2028
Subtotal and Average			3,839,098.00		2,000,000.00	1,986,140.00	1,940,200.00			4.249	803	
Municipal Bonds												
13063DL22	21106	California St Refunding Taxabl		06/03/2022	1,500,000.00	1,422,330.00	1,342,125.00	1.750	AA-	3.626	884	10/01/2028
Subtotal and Average			1,342,125.00		1,500,000.00	1,422,330.00	1,342,125.00			3.626	884	

**SDCWA - Fiscal Year 2026
Portfolio Management
Portfolio Details - Investments
April 30, 2026**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Mortgage Backed Securities												
3137FNX54	20002	FHMS K097		08/23/2022	2,500,000.00	2,375,574.00	2,367,773.44	2.508	AAA	3.365	1,181	07/25/2029
3137FKZZ2	20025	FHMS K097		04/17/2023	3,000,000.00	2,964,319.50	2,953,828.13	3.690	AAA	3.977	1,000	01/25/2029
3137FLN91	22506	FHMS K097		10/29/2024	1,000,000.00	982,733.20	967,382.81	3.505	AAA	4.318	1,059	03/25/2029
3137H9D71	22510	FHMS K097		11/29/2024	1,000,000.00	966,136.10	938,476.56	3.000	AAA	4.531	1,243	09/25/2029
3137FNAE0	22539	FHMS K097		04/29/2025	1,320,000.00	1,268,122.81	1,246,523.44	2.785	AAA	4.273	1,151	06/25/2029
3137FUZC1	22628	FHMS K097		03/12/2026	2,000,000.00	1,791,471.40	1,805,312.50	1.350	AAA	3.936	1,485	05/25/2030
3137FWHT0	22638	FHMS K097		04/27/2026	1,515,000.00	1,359,563.23	1,359,563.23	1.378	AAA	4.092	1,546	07/25/2030
3137F8ZV8	22639	FHMS K097		04/27/2026	1,500,000.00	1,347,127.17	1,347,127.17	1.621	AAA	4.113	1,699	12/25/2030
Subtotal and Average			10,640,848.93		13,835,000.00	13,055,047.41	12,985,987.28			3.980	1,267	
Total and Average			417,977,684.50		298,592,732.84	296,119,388.72	295,724,235.91			3.659	436	

SDCWA - Fiscal Year 2026
Portfolio Management
Portfolio Details - Cash
April 30, 2026

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Passbook/Checking Accounts											
CASH01	1004	PETTY CASH		07/01/2025	2,500.00	2,500.00	2,500.00			0.000	1
CASH02	1000	WELLS FARGO - OPERATING/POOLED			5,146,677.00	5,146,677.00	5,146,677.00	4.030		4.030	1
CASH05	1003	WELLS FARGO - MED/FSA		07/01/2025	55,738.53	55,738.53	55,738.53			0.000	1
CASH03	1001	WELLS FARGO - PAYROLL ZBA		07/01/2025	0.00	0.00	0.00			0.000	1
CASH39	9000	WELLS FARGO - 2022A BOND		07/01/2025	0.00	0.00	0.00			0.000	1
Money Market											
CASH04	1002	WELLS FARGO - OPER/SWEEP			37,507,876.35	37,507,876.35	37,507,876.35	3.540		3.540	1
		Average Balance	0.00								1
Total Cash and Investments			417,977,684.50		341,305,524.72	338,832,180.60	338,437,027.79			3.659	436



May 20, 2026

Attention: Administrative and Finance Committee

General Manager's Mid-term Budget for Fiscal Years 2026 and 2027. (Presentation)

Purpose

To provide the Administrative and Finance Committee with the Recommended Fiscal Years 2026 and 2027 Mid-Term Budget to be considered for adoption at the June 25, 2026, Board meeting.

Background

In November 2024, staff presented a Five-Year Financial Forecast in accordance with the Board Budget Policy to use as a foundation for the development of the Fiscal Years 2026 and 2027 budget. In January 2025, the Water Authority began the budget development for Fiscal Years 2026 and 2027. In addition to presentations and discussions at the Administrative and Finance Committee meetings (March, April, and May 2025), two Public Budget Workshops were held to discuss and review the budget for Fiscal Years 2026 and 2027. On June 26, 2025, the Board of Directors formally adopted the Fiscal Years 2026 and 2027 Budget. The adopted two-year budget is \$1,897,352,674 and was a 2% change from the Fiscal Years 2024 and 2025 budget.

The Water Authority develops the budget and appropriation on a two-year basis. Funding for the two-year budget is set through the rates and charges process each calendar year. Funding may be a combination of revenue from rates and debt. The Water Authority's Fiscal Years 2026 and 2027 Capital Improvement Program has to date been funded by PAYGO and will be supplemented with a bond issuance anticipated in Fall of 2026, consistent with the cash to debt mix in the recently adopted 2026 Long-Range Financing Plan.

The mid-term budget provides a comprehensive mid-year status update, identifies and incorporates any material changes that have occurred, and amends the biennial budget where needed.

Previous Board Actions:

On June 26, 2025, the Board adopted Resolution No. 2025-14, approving the General Manager's Recommended Budget for Fiscal Years 2026 and 2027, for operations and capital improvements and appropriating \$1,897,352,674.

On January 22, 2026, the Board adopted the 2026 Long-Range Financing Plan with the schedule for debt issuance to fund the CIP.

Discussion

The two-year budget incorporates priority projects and programs supporting the Water Authority's core mission, vision and values. The budget focuses on balancing affordability with reliability of both our finances and critical infrastructure. Accomplishments achieved in the first three quarters of the budget period include: secured two historic, long-term regional water transfer agreements with Western Municipal Water District and Eastern Municipal Water District; developed a first-of-its-kind, multi-party interstate Memorandum of Understanding to establish interstate water exchanges and transfers; completed the 2025 Urban Water Management Plan and Water

Shortage Contingency Plan; completed the Permanent Special Agricultural Water Rate (PSAWR) five-year review and the biennial verification process; awarded \$3 Million grant from Bureau of Reclamation in November 2025 for the San Luis Rey River Wetland Habitat Restoration Project; and completed the updated 2026 Long-Range Financing Plan.

For the mid-term budget, staff anticipate changes to the following categories: Water Sales, Water Purchases and Treatment, Grant Revenue and Expenditures, Debt Service, and Operating Departments.

Water Sales

Water Sales is forecasted to increase as a result of additional water sales in Fiscal Years 2026 and 2027 compared to forecasts in the adopted budget. The current projection incorporates staff recommended Water Authority rates and charges for Calendar Year 2027 and the adopted Metropolitan Water District (MWD) rates for Calendar Year 2027.

Water Purchases and Treatment

Water Purchases and Treatment is forecasted to increase as a result of an additional water purchase and treatment costs primarily driven by higher forecasted demands, required additional MWD purchases, increased treated water volumes, and the addition of new MWD fixed treatment charges. In addition, higher projected demands require the operation of the Carlsbad Desalination Plant at its full contracted production level rather than a reduced production rate.

Grant Revenue and Expenditures

The Grant Revenue and Grant Expenditure forecasts are projected to increase primarily due to changes to the Integrated Regional Water Management (IRWM) project schedule, and pass-through funding for the post budget-adoption award of \$3 million for the San Luis Rey (SLR) Wetland Habitat Restoration CIP project from the United States Bureau of Reclamation (USBR) and the receipt of \$19 million for permanent upgrades to the seawater intake at the Claude “Bud” Lewis Carlsbad Desalination Plant from USBR.

Debt Service

Debt Service is projected to increase as a result of the \$17.0 million paydown to the Commercial Paper (CP) program completed in February 2026. The increase in Debt Service is partially offset by savings from the timing of the Series 2026 bond issuance, reduced CP interest costs and associated debt fees. The Water Authority continually reviews the debt portfolio for additional opportunities to defease debt.

Operating Departments

The Operating Departments are expected to increase in the Labor and Benefits categories for Fiscal Year 2027. The Water Authority and Teamsters 986 are in negotiations for a successor Memorandum of Understanding (MOU), which expires on June 30, 2026. The Operating Departments projections shown in the Quarterly Budget Monitoring memo do not include any associated impacts that may occur as a result of a successor MOU. Updates to the Operating Departments for MOU impacts will be made when the new MOU is finalized and approved by the Board of Directors.

Administrative and Finance Committee

May 20, 2026

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There is no action on the budget at this time, staff will return to the Board in June for the midterm budget to be considered for adoption.

Prepared by: Toni Marie Kahre, Senior Management Analyst
Rebecca Melillo, Supervising Management Analyst
Liana M. Whyte, Budget & Treasury Manager

Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer

Approved by: Tish Berge, Deputy General Manager/Chief Operating Officer

May 20, 2026

Attention: Administrative and Finance Committee

Resolution setting a Public Hearing date and time for proposed Calendar Year 2027 Rates and Charges. (Action)

Purpose

The purpose of this report is to adopt a resolution setting a time and place for a public hearing for the consideration and adoption of recommended rates and charges for water, services, and facilities for calendar year (CY) 2027.

Staff recommendation

Adopt Resolution Number 2026-03 setting the time and place for a public hearing on June 25, 2026, 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 the recommended rates and charges. (Action)

Fiscal Impact

No fiscal impact associated with the scheduling of the public hearing.

Executive Summary

- Staff recommended rates and charges for CY 2027 result in an overall 3% effective increase. Recommendation encompasses the implementation of the final phased transition with the transportation charge, representing 60% of the transportation revenue requirement.
- Recommended rates reflect both executed water deals and new member agency sales survey.
- Completed comprehensive System and Treatment Capacity Charges Study provides recommended updates to the charges (Attachment 3).
- A public hearing for the recommended CY 2027 rates and charges on June 25, 2026, allows the Governing Board to receive comments.

Background

The Board adopted the 2026 Long Range Financing Plan (LRFP) in January that included forecasted rate increases over the next decade with an estimated rate increase of 5.8 percent for calendar year (CY) 2027 and continued 10-year rate ramp through 2035. The LRFP's ten-year projection of forecasted rate increases was developed to give member agencies a long-term view of potential future rates, helping them plan their own budgets and anticipate any necessary rate adjustments. Over the last several months, staff have presented factors influencing the development of the rates and charges and refinements to the CY 2027 rates and charges. Several elements shaping the rate development include updated water demand projections from the member agencies, budgetary and financial requirements, Metropolitan Water District's rate increases, and two landmark 21-year third-party water deals. The Water Authority's priorities continue to be affordability, fiscal sustainability, and effective asset management.

Discussion

Water Authority staff develop recommended water rates and charges and present them to the Board of Directors for review and adoption. These rates and charges include the Merged Supply, Merged Treatment and Transportation rate; the Customer Service, Storage, Supply Reliability, and Fixed Transportation Charges; and updated Capacity Charges. The recommended CY 2027 rates and charges outlined in this report are based on current assumptions, information provided by member agencies, and financial conditions. In addition to meeting the Water Authority's revenue needs, the rate development framework maintains Board-adopted financial policies, provides funding for the moderate-risk Capital Improvement Program, and enables continued, meaningful debt reduction. While the Board will act only on the CY 2027 rates and charges in June, staff will present an interim update on forecasted rate increases to the previously developed forecast within the 2026 LRFP.

Third-Party Water Deals

The recommended rates and charges reflect the recently executed third-party water sale agreements with Eastern Municipal Water District and Western Municipal Water District, which secure approximately 17,500 acre-feet of additional sales in CY 2027 with fixed annual deliveries of 20,000 acre-feet continuing through the contractual agreements' time horizon. While the Water Authority continues to pursue additional deals, only the two executed deals are built into the rate calculations. Additionally, both signed agreements have commitments for the pre-purchase of water.

While the Authority has received funds for the pre-purchase of water, the acknowledgement of this revenue is only recognized upon the future delivery of water; until that time, the funds will be encumbered and not available. Staff worked with the Water Authority's financial advisors and auditors who advised that the most prudent and appropriate approach is to hold the pre-purchase payment until the contracted water is delivered. This timing alignment provides financial transparency, ensures accurate matching of revenues and expenses, and prevents premature recognition of funds that must support future cost obligations. Retaining these funds until delivery also supports long-term affordability by allowing the Water Authority to strategically invest the funds and apply the revenues to mitigate future rate impacts and maintain stability within the multi-year financial plan.

Water Sales Projections

Water sales projections are based on data collected from the member agencies. A Member Agency Sales Survey completed earlier this year indicates notable increases in forecasted Water Authority demand, even as overall regional demand remains relatively flat. Based on current projected demands, the forecasted water demands from member agencies, and projected weather-related impacts of a strong El Nino event, staff incorporated these factors into the CY 2027 rate model for a total projected member agency demand of 323,350 acre-feet. When combined with third-party water sales, total sales for CY 2027 will be nearly 341,000 acre-feet, or 7 percent above contractual obligations.

Debt Management

Recommended rates and charges allow for meaningful debt reduction. In June 2025, the Board directed staff to deleverage its debt, if possible, by allocating any funds resulting from a debt service

coverage of greater than 1.5x. toward debt reduction. Consistent with that direction, staff applied \$17 million to pay down outstanding commercial paper, lowering short-term obligations.

In March 2026, the Board authorized staff to proceed with a series of planned debt management activities. These activities include:

- Issuing a new Senior Lien Water Revenue Bond to support the Capital Improvement Program (CIP);
- Restructuring the outstanding Series 11 Commercial Paper; and
- Refunding select Senior Lien bonds to generate interest-cost savings, where market conditions allow.

In preparation for these transactions and to lower the overall cost of debt, staff have been working with the Water Authority's municipal advisors to determine the most cost-effective and strategic approach to both near-term and long-term debt management. This work includes evaluating refunding opportunities, optimizing the maturity structure of upcoming issuances, and aligning future debt service obligations with projected revenues and updated CIP funding requirements.

As a routine part of the Water Authority's ongoing financial stewardship, staff are conducting a comprehensive review of all outstanding debt obligations and evaluating opportunities for early retirement or restructuring, e financially advantageous. These efforts support the Board-adopted goals outlined in the 2026 LRFP. Specifically, maintaining affordability, strengthening fiscal sustainability, and reducing debt service obligations over time. Strategic deleveraging and targeted refundings are expected to generate measurable savings, reduce financial risk, and enhance flexibility as the Water Authority navigates evolving sales forecasts, capital needs, and external cost pressures. Overall, the debt management strategy is designed to stabilize future rate impacts by lowering annual debt service wherever cost-effective, ensuring the Water Authority remains well-positioned to support its capital program, uphold its credit ratings, continue meeting its financial obligations prudently, and focus on affordability.

Metropolitan Water District (MWD) Rates and Charges

In April 2026, the Metropolitan Water District (MWD) adopted its two-year budget, which includes annual rate increases of 6.2 percent for calendar years 2027 and 2028. As part of these adjustments, MWD approved a 22 percent increase to its ad valorem property tax rate from 0.007 percent to 0.0085 percent which equates to approximately \$12 per year for a median-valued home in Southern California. MWD's full-service untreated water rate will increase by 4.7 percent in CY 2027 and 7.4 percent in CY 2028. Although these increases are above inflationary levels, the Water Authority anticipates minimal untreated supply purchases from MWD during this period (fewer than 7,500 acre-feet). CY 2027 also marks the first year of the Water Authority's fixed Exchange Pricing, which remains unaffected by MWD's budget or rate decisions.

More notably, the treatment cost from MWD is increasing by 17 percent for the Water Authority. This will impact approximately 40 percent of our forecasted treated demands since they will be served by MWD. In July 2025, the MWD Board approved a structural revision to its Treatment Surcharge to improve alignment between cost recovery and capacity-related service demands. Under the previous model, treatment costs were recovered solely through volumetric charges. The new hybrid structure distributes up to 30 percent of treatment revenue requirements through fixed

charges, with the remaining 70 percent retained as volumetric. Fixed charges are allocated based on each member agency's usage characteristics and include three components:

- **Treatment Peaking Capacity Charge** – based on each agency's three-year trailing maximum annual peak-day demand (cfs).
- **Treatment Used Standby Capacity Charge** – based on the difference between maximum and average annual use, using a ten-year trailing dataset (AF).
- **Treatment Remaining Standby Capacity Charge** – based on a five-year trailing maximum annual use (AF).

The updated methodology begins with member agencies' 2025 treatment demands and will incorporate three-, five-, and ten-year datasets on a rolling basis going forward.

Water Authority's Increase to Treatment Rate Based on MWD's New Fixed Treated Charges

Under MWD's newly implemented rate framework, the CY 2027 MWD treatment costs are projected to increase 17%. Much of which is a result of the Water Authority allocated apportionment of fixed charges. Water Authority staff initially anticipated treating these new charges as a direct pass through, similar to MWD's RTS and Capacity Charges; however, given the use of only a single-years' worth of data (not 3, 5, or 10) – the immediate rate shift amongst Water Authority member agencies was disproportionate and lead to significant rate volatility and unpredictability.

To avoid this rate volatility and maintain more stable, predictable, and equitable charges for member agencies, staff recommends incorporating MWD's fixed treated-water charges into the melded treatment rate for CY 2027. This approach spreads the cost impact more evenly and minimizes abrupt changes to member agencies fixed-charge allocations. The Water Authority will be taking on a level of risk by incorporating fixed charges from MWD and collecting the revenue by the volumetric rates. Following this rate-setting cycle, staff plan to work with the Member Agency Managers to evaluate and determine an appropriate long-term solution for equitably addressing MWD's new fixed treatment charges.

Transportation Rate Adjustments

Recommended rates and charges for CY 2027 reflect the final phase-in of Board direction for Transportation Rate Adjustments. In February 2024, the Board authorized the creation of a Fixed Transportation Charge and accepted the Member Agency Managers' recommendation for a 3-year phase-in. The fixed charge was designed to reflect new forecasted demands and financial conditions along with direction to increase the Water Authority's fixed cost recovery. A fixed rate provides greater financial resilience and helps keep rates low and predictable without fear of under collection. CY 2027 will be the third- and final-year phase-in with the recommendation of 60 percent of the transportation revenue requirement allocated on a fixed basis, while the remaining 40 percent is allocated to the volumetric Transportation rate.

Permanent Special Agriculture Water Rate (PSAWR)

Last year, the Board directed staff to strengthen the program designed to support local agriculture by implementing a new PSAWR alternative methodology beginning with CY 2027 rates and charges. The alternative methodology was based on work with the member agencies and stakeholders, including the San Diego County Farm Bureau, to determine a reasonable cost-of-service rate methodology for the PSAWR program. To ensure that PSAWR continued to provide valuable assistance, this updated methodology would no longer be based on the previous methodology of

MWD's full-service supply rate, but rather a weighted melded rate of MWD and Quantification Settlement Agreement (QSA) water supplies. If no MWD supplies are forecasted for purchase, the price would reflect the QSA melded rate. Additionally, the alternative rate methodology would add supplemental funding through a direct allocation of existing property tax revenues. In accordance with board direction, for CY 2027, approximately \$3.45 million in property tax revenue will be allocated to the PSAWR program. With this supplemental non-rate revenue funding, the recommended supply rate for PSAWR will not increase, and instead will remain at \$984/acre-foot. It is worth noting for comparison that the CY 2027 MWD full service untreated supply rate, which the PSAWR methodology was previously tied to, will be \$1,030 per acre-foot, which is greater than the staff recommended PSAWR rate of \$984/acre-foot.

While PSAWR customers have access to and use of the Water Authority's operational storage, they will continue to not have access to storage related to carryover or emergency storage levels. Currently, operational capacity reflects 59 percent of the total available storage – and thus PSAWR use will be weighted at 59/100 of M&I storage use. PSAWR participants would continue to receive no benefit (supply reliability or emergency storage) nor associated costs of the Carlsbad Desalination Plant.

2027 Capacity Fee Study and Findings

A thorough review of System and Treatment Capacity Charges brings those charges in line with current costs. The Water Authority assesses one-time System Capacity and Treatment Capacity Charges on customers who obtain a new or upsized water meter. These charges recover a proportionate share of the capital costs required to provide system capacity for connections within the Water Authority's service area. The charges ensure that growth-related costs are allocated fairly and equitably to new users. The last comprehensive review of the System and Treatment Capacity Charges was completed in 2014 following the completion of the prior Facilities Master Plan.

Based on the completion of the 2024 Facilities Master Plan in April 2025, and the Board-directed adjustment of the CIP from a low-risk to a moderate-risk plan, the Water Authority engaged its rate consultant to perform a comprehensive evaluation of capacity charges. The consultant's analysis considered several factors, including the Water Authority's substantial debt reduction, system assets depreciation, and a long-term decline in future CIP needs as priorities shift from new infrastructure to maintaining existing assets. With these considerations and several others, the consultant recommended an adjustment to the fees.

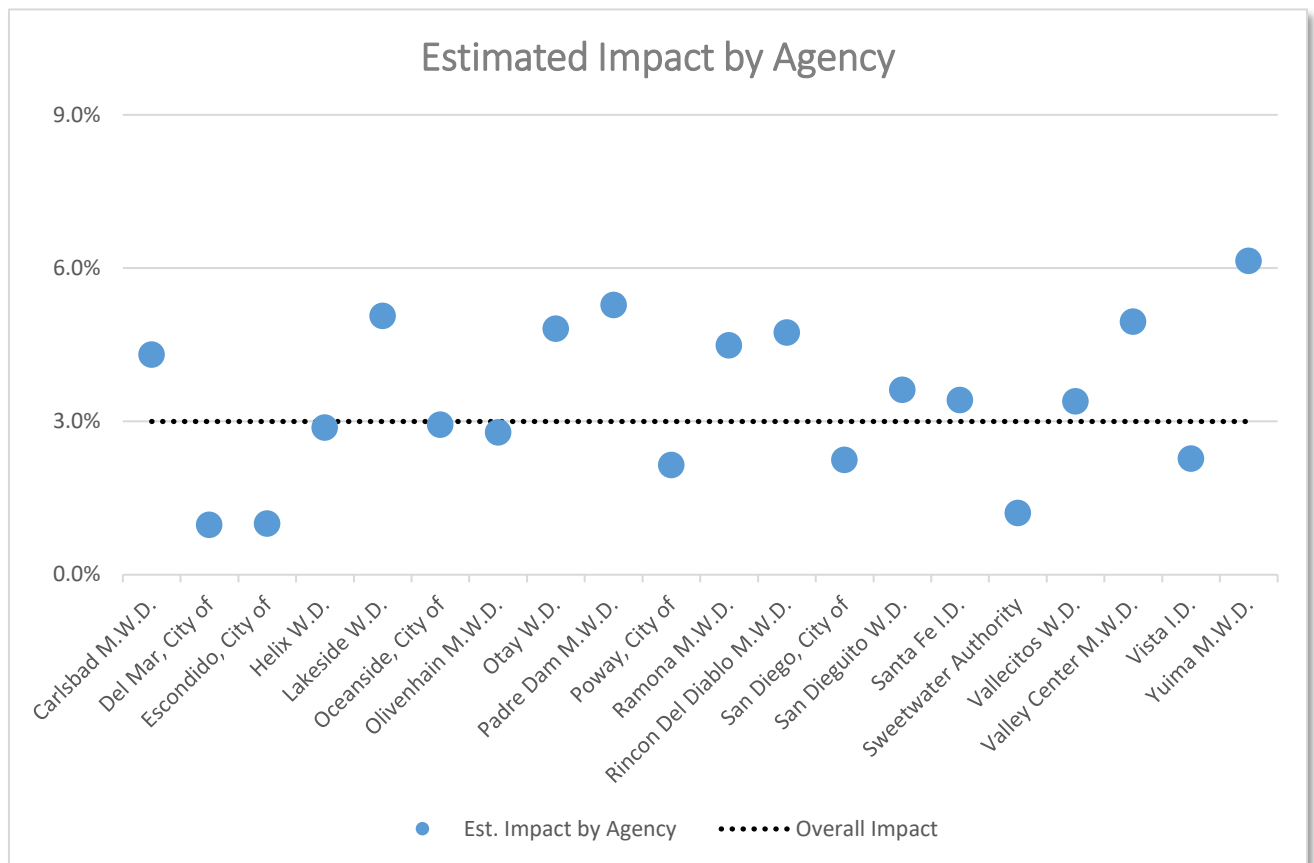
The recommendation contains a System Capacity Charge decrease to \$5,373 per meter equivalent unit (MEU), primarily due to a reduction of future CIP, and a recommendation to increase the Treatment Capacity Charge to \$244 per MEU primarily due to a decrease in total MEUs, primarily due to detachment and lower SANDAG projections.

Member Agency Effective Rate Increase

Given the specific use of the system by each member agency and the design of the Water Authority’s rate structure, actual rate impacts vary by agency. The graphic below illustrates the estimated 3% average impact as well as each agencies individual impacts based on the recommended CY 2027 rates and charges and each member agency’s forecasted CY 2027 demands from their water survey conducted earlier this year.

Member agencies showing impacts that diverge from the overall average generally do so for the following reasons:

- 1) Treatment Rate Increase - Changes in treatment-related costs, specifically the introduction of the new fixed MWD Treatment Charges allocated to the volumetric treatment rate, will impact most member agencies.
- 2) Member agency fixed cost allocations – Occurring annually, are natural volatilities tied the use of historical usage data (seven-year averages). Member agencies will notice a change in their allocation as fiscal year 2018 data, a high-water demand year, is replaced with fiscal year 2025 data, a lower-water demand year. Based on the member agencies usage characteristics, several agencies will see either a rise or decline in their percentage of allocations.



Setting Water Rates and Charges

The Water Authority undertakes the following cost of service analysis process 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, Transportation and SRC) to member agencies based on specified allocation methodologies.

The rates are set and designed to fully recover the Authority’s costs. If rates are set lower than defined levels, use of reserves or significant reactionary cuts would have to be made to avoid default of legal debt covenants. The Water Authority has no shareholders or private interests and must set rates at the “cost of service.”

The Water Authority’s cost of service process provides transparency through several updates. Staff provide the Board with highlights and pertinent information typically in the January/February timeframe. Updates on rate assumptions and refinements of data are provided in the March/April timeframe, with the draft recommended rates imparted in May. Any additional Board direction provided throughout this process is captured and shared as an alternative or incorporated into the final rates and charges for the public hearing held in June.

Description of Recommended Rates and Charges

The primary factors influencing the CY 2027 rates affect each rate component differently. The M&I supply rate is projected to remain unchanged from the prior year, largely due to the financial benefits associated with the third-party water agreements. In contrast, the Melded Treatment Rate is expected to increase by 15.1 percent, reflecting higher treatment-related operating costs along with MWDs increase to its treatment costs. Transportation’s revenue requirement increases due to continued pipeline repair and replacement. Consistent with the Board-approved phase-in, 60 percent of the Transportation revenue requirement will be recovered through the fixed charge, with the remaining 40 percent allocated to the volumetric rate. Transportation’s total revenue requirement increase is 9.6 percent. The PSAWR volumetric rate will remain unchanged as costs are offset by the allocation of \$3.45 million in non-rate revenues to support the program.

Customer service increases by 4.6 percent given higher revenue requirements associated with the annual debt service associated with the CIP. Storage increases by 3.5 percent with the continued and forecasted debt activities. Supply reliability increases modestly by 2.8 percent, consistent with the Board adopted rate differential formula. Finally, the IAC increases by 7 percent based on projected increases in debt service obligations, especially related to proactive, discretionary paydown of short-term liabilities.

The Water Authority passes through charges from MWD. The MWD charges are the Readiness-to-Serve (RTS), Capacity Reservation Charge, and the three new Treatment Capacity Charges (Peaking, Used Standby, and Remaining Standby) to be implemented in CY 2027. Despite a 27.1 percent increase to the MWD RTS rate, the Water Authority’s allocation of this rate increases by only 5 percent based on our decreasing reliance on MWD (RTS is apportioned on a 10-year rolling usage basis). Additionally, despite a 20.7 percent increase in capacity charges, the Water Authority’s allocation decreases by 17 percent.

A summary of recommended rates and charges are below.

<i>Summary of Draft Recommended CY 2027 Water Authority Rates and Charges</i>			
Water Authority Rates and Charges	CY26 Adopted	CY27 Staff Recommendation	% Δ
Melded Supply Rate, Untreated (\$/AF)	\$1,490	\$1,490	0.0%
Agricultural Supply Rate (PSAWR), Untreated (\$/AF)	\$984	\$984	0.0%
Melded Treatment Rate (\$/AF)	\$530	\$610	15.1%
Transportation Rate (\$/AF)	\$128	\$113	-11.7%
Transportation Fixed Charge	\$41,500,000	\$54,600,000	31.6%
Infrastructure Access Charge ²	\$4.55/ME	\$4.87/ME	7.0%
Storage Charge ³	\$72,000,000	\$74,500,000	3.5%
Customer Service Charge	\$32,500,000	\$34,000,000	4.6%
Supply Reliability Charge	\$49,900,000	\$51,320,000	2.8%
Standby Availability Charge per parcel or acre, whichever is greater ¹	\$10	\$10	0.0%
Annexation Application Fee (Per Application)	\$11,805	\$11,910	0.9%
¹ Fiscal Year Charge ² ME (meter equivalent) as defined in the resolution establishing the IAC ³ PSAWR use apportioned partial Storage Charge based on Operational Capacity			

<i>Summary of Water Authority Pass Through Rates and Charges</i>		
MWD Rates and Charges	CY 2026	CY 2027
MWD Capacity Charge	\$12,201,750	\$10,097,500
Readiness-to-Serve Charge ¹	\$10,486,452	\$11,022,654
¹ Fiscal Year Charge. Net of Stand-by-Charge and Administrative Fee		

<i>Summary of Draft Recommended Water Authority Capacity Charges</i>			
Water Authority Capacity Charges	CY26 Adopted	CY27 Staff Recommendation	\$ Δ
System Capacity Charge ¹	\$6,501/ME	\$5,373/ME	-\$1,128
Treatment Capacity Charge ¹	\$182/ME	\$244/ME	\$62
¹ ME (meter equivalent) as defined in the resolution establishing the IAC			

As part of the Water Authority’s rate setting process, a consultant provides an independent review and analysis of the Water Authority’s rates and charges. The third-party review ensures that rates are developed consistently, within Board defined policies, industry standards, and applicable legal standards. A draft cost of service report is provided as Attachment 2. A final cost of service report will be provided ahead of the June public hearing following additional feedback from the Board. The report mirrors past reports and finds that rates are reasonable, appropriate, and provide a clear cost nexus.

Next Steps

Based on Board feedback, final water rates and charges will be published with the June 2026 Board of Directors agenda for consideration of adoption at the public hearing on June 25, 2026. The rates and charges presented in this report are a draft recommendation and remain subject to adjustment pending any revisions to the Water Authority’s budget, updates to current financial projections, or Board direction. Following adoption of the CY 2027 rates and charges, and approval of the FY 2026 and FY 2027 mid-year budget, staff will incorporate all updates into the 2026 LRFPA addendum and the Five-Year Financial Forecast scheduled to be provided to the Board at the end of 2026.

Prepared by: Jessica Parks, Financial Resources Analyst
 Reviewed by: Pierce Rossum, Financial Planning Manager
 Lisa Marie Harris, Director of Finance/Treasurer
 Approved by: Tish Berge, Deputy General Manager/Chief Operating Officer

Attachments:

Attachment 1 – Resolution of the Board of Directors of the San Diego County Water Authority setting 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 – Draft CY 2027 Cost of Service Report – Carollo Engineers

Attachment 3 – Draft 2027 Capacity Fee Study Report – Carollo Engineers

RESOLUTION NO. 2026-03

A 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, AND (2) CONTINUING THE EXISTING STANDBY AVAILABILITY CHARGE (3) CHANGES TO THE SYSTEM AND TREATMENT CAPACITY CHARGES.

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted resolutions and ordinances setting rates and charges for delivery and supply of water, use of facilities and provision of other services; and

WHEREAS, the Board of Directors desires to set a public hearing to consider comments regarding recommended rates and charges for calendar year 2027.

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

1. The foregoing recitations are true and correct.
2. A public hearing will be held by the Board of Directors of the San Diego County Water Authority Administrative and Finance Committee on June 25, 2026, at 9:00 a.m., or as soon thereafter as the matter may be heard, in the Board Room of the Water Authority at 4677 Overland Avenue, San Diego, California 92123, to consider changes to the rates and charges for delivery and supply of water, use of facilities, and provision of other services as determined necessary by the Director of Finance
3. The Clerk of the Board is directed to cause the following notice to be published pursuant to Government Code Section 6066 in the newspapers of general circulation stated in paragraph 4, below:

Legal Notice

Notice is hereby given that the San Diego County Water Authority Board of Directors Administrative and Finance Committee will hold a public hearing on June 25, 2026, at 9:00 a.m. or as soon thereafter as may practicably be heard, at its offices located at 4677 Overland Avenue, San Diego, CA 92123. The purpose of the hearing is to hear objections, protests, or comments from the public about proposed and recommended water rates and charges as specified below. The Water Authority also intends to continue the water standby availability charge at its existing level, and to levy property taxes as authorized by law. For further details see the memorandum dated May 20, 2026, on file with the Clerk of the Board.

The following rates and charges will be considered for adjustment effective July 1, 2026:

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 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 2026-2027. The Standby Availability Charge rate is effective July 1, 2026. The amount of this charge has not changed since the adoption of Proposition 218 in 1996. The justification for imposition of this charge is the same as for when the charge was initially levied and as it was imposed before November 6, 1996.

Annexation Application Fee. The Annexation Application Fee recovers the full administrative cost of service associated with an application for annexation, to recover the costs incurred throughout the annexation process. The Annexation Application Fee is proposed to change to \$11,910.

The following rates and charges are being considered for adjustment effective on January 1, 2027:

Melded Untreated Supply Rate. The Melded Untreated Supply Rate will be set to recover the costs of purchasing water from Metropolitan Water District of Southern California (MWD), water purchases from Imperial Irrigation District (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, and may include other costs specifically associated with the acquisition of the IID supply source, cost recovery for supply costs previously incurred but not charged, costs for acquisition of desalinated water pursuant to a water purchase agreement, and other supply costs.

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, and the Levy and Olivenhain treatment plants and may recover certain other costs associated with the delivery of treated water, including certain costs of desalinated water.

Transportation Rate. The Transportation Rate is a uniform rate set to recover 40 percent of 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. The Transportation Rate is charged to each acre-foot of water delivered by the Water Authority as it occurs.

Permanent Special Agricultural Water Rates (PSAWR). The PSAWR program rates correspond to a lower level of water supply reliability for its participants and are currently set based on a weighted melded rate of MWD and Quantification Settlement Agreement (QSA) supplies, along with supplemental funding through property tax revenues.

Transportation Charge. The Transportation Charge is set to recover 60 percent of 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. The Transportation Charge will be

allocated among the member agencies on the basis of each agency's seven-year rolling average of purchases from the Water Authority (excludes member agency wheeled water).

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 retail water meters within each agency.

Customer Service Charge. The Customer Service Charge is set to recover costs that are necessary to support the functioning of the Water Authority, to develop policies and implement programs that benefit the region as a whole. The Customer Service Charge will be allocated among the member agencies on the basis of each agency's seven-year rolling average of member agency purchases from the Water Authority (excludes member agency wheeled water).

Storage Charge. The Storage Charge is set to recover costs associated with the Emergency Storage Program. The Storage Charge is based on all non-agricultural water deliveries and will be allocated among the member agencies using a pro rata share of each agency's seven-year rolling average deliveries (including all users, member agencies and third-party wheeling throughput).

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 water and IID transfer water. The charge is allocated to member agencies based upon their pro rata share of the Water Authority's seven-year rolling M&I deliveries (agricultural deliveries are not included).

System Capacity Charge. This charge recovers a portion of the capital costs for the conveyance and storage facilities necessary to operate the delivery system.

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 Escondido, City of Del Mar, and City of Poway.

The following MWD rates and charges are passed on directly or allocated to the member agencies as follows;

MWD Capacity Charge. For CY 2027, the Capacity Charge is \$17,500 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 Water Authority is expected to reserve its full available capacity. The Water 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 \$188 million to \$239 million. The Water Authority’s share will be set at \$22,956,110 for Fiscal Year 2026-2027. After credits from the MWD Standby Charge, and administrative costs, the net will be \$11,022,654. 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 based on 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 Water Authority’s Readiness-to-Serve Charge will be passed through proportionally to member agencies based on each agency’s ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity).

The Water Authority also intends to continue the Water Standby Availability Charge at the existing level, and to levy property taxes as authorized by law.

By Order of the Board of Directors
of the San Diego County Water Authority

Kelly Walker,
Clerk of the Board

4. The newspaper in which said notice is to be published:

San Diego Union-Tribune North County Times
350 Camino de la Reina
San Diego, CA 92108

PASSED, APPROVED, and ADOPTED this 28th day of May 2026 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Nick Serrano, Chair

ATTEST:

Teresa Acosta, Secretary

I, Kelly Walker, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2026-03 was duly adopted at the meeting of the Board of Directors on the date stated above.

Kelly Walker, Clerk of the Board



**San Diego County
Water Authority**

San Diego County Water Authority
Cost of Service Study

DRAFT
CY 2027 RATES AND CHARGES

DRAFT | May 2026



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Section 1

EXECUTIVE SUMMARY

The San Diego County Water Authority (Water Authority or SDCWA) serves as the regional water wholesaler for San Diego County, working in partnership with 22 member agencies to ensure a safe, reliable, and sustainable water supply for the region. The public organization manages large-scale infrastructure, long-term water supply planning, emergency preparedness, financial stewardship, and collaborative programs that support drought resilience, local supply development, and efficient water use. The Water Authority maintains a diversified, drought-resilient water supply portfolio, built intentionally over several decades with the majority of it obtained through 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. The Authority can also purchase supplemental water from Metropolitan Water District of Southern California (MWD).

Carollo Engineers, Inc. (Carollo) has performed regular independent third-party Cost of Service studies that review, calculate, and validate the Water Authority's annual water rates and charges process. Additionally, this year Carollo performed a comprehensive analysis of the Authority's one-time System and Treatment Capacity Charges.

Carollo's review of the cost-of-service methodology and financial review focuses on whether the Water Authority's rates are sufficient to meet revenue requirements and whether they meet cost of service principles including:

- The appropriateness of rates to cover revenue requirements while not exceeding the reasonable cost of service.
- Proper allocation of costs and other revenue requirements to functional categories that relate to why each cost is incurred.
- The equity of the rate structures used to recover allocated revenue requirements from each of the member agencies.

Carollo reviewed and updated the existing CY 2027 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 third-party review, Carollo has determined that the amount of money anticipated to be generated through the Water Authority's recommended CY 2027 water rates and charges, when combined with other Water Authority revenues and reserves, is reasonable to recover the costs of the Water Authority's activities.

Consistent with the findings of Carollo's previous Cost of Service Reports, 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. This report does not opine the actions or potential actions of credit ratings agencies based on the adopted rates and associated financial projections. Such opinions are outside of the intended scope and are generally under the purview of the Water Authority's financial advisors.

This CY 2027 update maintains the same familiar rates and charges structure as the previous study, with targeted updates as necessary to reflect the recommendations developed by past Water Authority work groups and later adopted by the Board. Specifically, the CY 2027 rates will continue to implement updates to the collection of the transportation revenue requirement to include both a fixed component and variable rate component. CY 2027 will complete the phase-in of the transportation fixed charge. Based on the Board approved schedule, 60-percent of the transportation revenue requirement will be recovered through the fixed charge and 40-percent will be recovered through the variable rate. All rate and charge calculations are updated to reflect the most recent MWD rates, expense projections, demand forecasts, innovative exchange and water banking agreements as of the writing of 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 7-year rolling average of water purchases from the Water Authority. This methodology captures the member agencies' use of the system, accounts for hydrological variability in water demands, and provides for a more smooth and predictable rate for the member agencies. 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 for all customers 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.¹

In addition to these water rates and charges, the Water Authority has an adopted policy to recover at least 25 percent of fixed annual expenditures through a combination of ad valorem property taxes and 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 one-time System Capacity and Treatment Capacity Charges on users that obtain new or upsized water meters. A comprehensive review and update of the Capacity Charges was completed alongside the development of the CY 2027 rates and charges. These charges fairly and reasonably recover the costs associated with providing system capacity for new users.

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.

¹ The Customer Service Charge allocation excludes member agency wheeled water.

- **Storage:** The Storage charge is a commodity-based fixed charge set to recover costs associated with the Emergency Storage Program (ESP), Carryover Storage Program (CSP) and Operational Storage. The last major increase in San Diego regional water storage capacity occurred in 2014 when the San Vicente Dam Raise was completed, adding 157,000 acre-feet of capacity. Each of the Authority's reservoirs has unique characteristics that define its role in meeting the region's water supply needs. Some reservoirs are important from a regional water reliability standpoint, while others are primarily used for operational flexibility.
- **Supply Reliability Charge:** Set by a Board defined methodology/calculation, the Supply Reliability Charge (SRC) is a commodity-based fixed charge established to recover a portion of the Carlsbad Desalination Plant and the Imperial Irrigation District (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 Supply Rate multiplied by 25 percent and is to be apportioned according to a seven-year rolling average of M&I water purchases.
- **M&I 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. The Water Authority initiated sales to third party water agencies in calendar year 2026 through QSA water transfers. This program leverages available supplies to generate additional revenue, helping offset overall supply costs for member agencies.
- **Transportation:** The Transportation charge includes a volumetric rate and a fixed 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.² For CY 2027, 40-percent of Transportation charges will be collected through the volumetric rate and 60-percent through the fixed charge.
- **Treatment:** The Treatment rate is a volumetric charge designed to recover the cost of treating water. The Melded 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, and the operating and capital costs associated with the Twin Oaks Valley Treatment Plant.
- **Agriculture Water Rate:** The Permanent Special Agriculture Water Rate (PSAWR) program was updated in November 2025 and is defined as a weighted melded rate of MWD and QSA water supplies. If no MWD supplies are forecasted for purchase, the price would reflect the QSA melded rate. Additionally, supplemental funding through direct allocation of existing property tax revenues is utilized to provide additional rate relief. As part of the program, PSAWR customers do not incur costs associated with the SRC or Emergency and Carryover storage costs. The CY 2027 rates will continue the phase in of storage costs for PSAWR customers and include support from non-rate revenues to maintain affordability for PSAWR customers in alignment with Board directed levels.

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.

Along with its internal rates the Water Authority passes certain charges from MWD directly through to the member agencies. Historically, the Water Authority paid two charges to MWD that were assessed to the member agencies as direct pass-throughs, the MWD Capacity Charge and the MWD Readiness to Serve Charge. For CY 2027, MWD has added 3 additional fixed treatment charges. While the Authority considered direct pass-throughs for CY 2027, the added cost burden from MWD (17 percent increase in treatment costs) coupled with partial data (only single-year allocation basis) yielded results that are not commensurate with the level of service being provided. As such, for CY 2027, these new fixed charges from MWD be incorporated into the Melded Treatment Rate for 2027 and later assessed for future impacts as additional usage data may lessen unnecessary volatility and equity shifts.

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 consideration and adoption, typically in June. 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 Third-Party Review Process

The purpose of this cost-of-service review 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.

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 Midterm update to Fiscal Years (FY) 2026 and 2027 Budget cost projections provided by the Water Authority's Finance Department, the 2025 Annual Comprehensive Financial Report (ACFR), debt service schedules and bond official statements, Board policy documents, and 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.

Carollo's Cost of Service reviews have included interviews with select Water Authority divisions to discuss the functional allocation approach and the metrics used to assign 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 2026 and 2027 budget mid-year update 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 CY 2027 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 Recommended CY 2027 cost of service water rates and charges are illustrated in Table 1 below.

Table 1 Summary of Recommended CY 2027 Water Rates and Charges

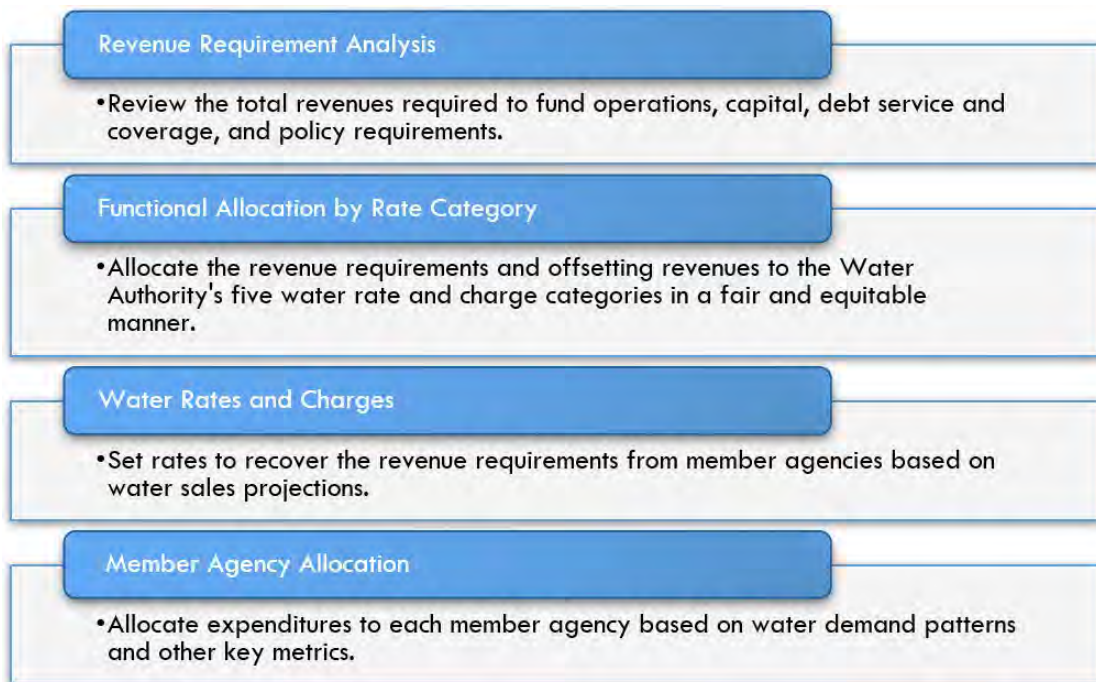
Recommended CY 2027 Water Rates and Charges	
Melded M&I Supply Rate, Untreated	\$1,490/AF
Agriculture Water Rate, Untreated	\$984/AF
Melded Treatment Rate	\$610/AF
Transportation Rate	\$113/AF
Transportation Fixed Charge	\$54.60M
Customer Service Charge	\$34.00M
Storage Charge	\$74.50M
Supply Reliability Charge	\$51.32M
Infrastructure Access Charge	\$4.87/MEU, Monthly

Section 2

INTRODUCTION

Carollo conducted a third-party review of the Water Authority's CY 2027 water rates and charges. The purpose of this Cost-of-Service Study is to calculate and affirm the proposed CY 2027 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:



Based on this study review and in Carollo's professional opinion, the Water Authority's CY 2027 rates and charges appropriately recover costs from member agencies as described herein and are consistent with AWWA cost of service principles, Board policies, and legal requirements.

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. In September 2020, the Board established a Permanent Special Agricultural Water Rate (PSAWR), offering participants the choice of a lower cost of water and corresponding lower level of water supply reliability.

In 2024, the Water Authority and the member agencies undertook an extensive effort to explore options for potential rate and charge structure changes through the Member Agency Rate Workgroup (MARW). That effort resulted in two main updates for the rates and charges; 1) Modify the Transportation Charge to include a fixed component, and 2) assess all fixed charges using a seven-year rolling average of deliveries to each member agency. The recommended rates for CY 2027 would complete the Board adopted phase-in of the fixed Transportation charge component with 60-percent of transportation costs to be collected through the fixed charge. All fixed charges will continue to be assessed using the seven-year rolling average of deliveries, with the evaluation period updated to include FY 2019 through FY 2025.

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, does it meet Board policies, and does it 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 on the Water Authority's website at: <https://www.sdcwa.org/about-us/budgets-financial-reports/>

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.

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, Mended Treatment, and Mended M&I Supply rates. This transition further aligned the Authority's expenditure and cost recovery nexus.

2.3.3 Financial Management Amendment (2026)

The Water Authority's Rate Stabilization Fund (RSF) was established in 1990 to proactively smooth rate fluctuations and to reactively maintain debt service coverage ratios (DSCR). The RSF policy is reviewed and amended periodically and significant changes to the policy were developed for the 2026 Long-Range Financing Plan (LRFP).

In the 2026 LRFP, the RSF policy was updated to fork the fund into two sub-parts: one for debt coverage protection and another for proactive rate smoothing. The coverage portion is set at 50 percent of the average three-year forecasted senior lien debt service (currently about \$76 million), while the proactive portion is capped at \$50 million for Board-directed rate relief. It is important for the Board to consider the Days of Cash impact of using available proactive funds. Additionally, if the coverage portion drops below its defined threshold, it must be replenished within three years. These changes provide clearer guidelines and more flexibility for managing rate volatility. The new policy will take effect in Fiscal Year 2027 and has been incorporated into the analysis of CY 2027 rates and charges.

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.”

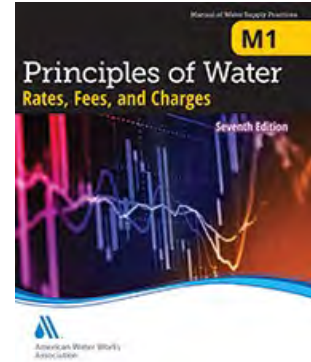
2.4.4 County Water Authority Act Section 5 (13)

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 2027 Rate Drivers and Mitigation Strategies

Rate increase drivers for CY 2027 vary across the Water Authority’s rates and charges based on the specific costs and programs that each rate or charge supports. No increase is recommended for the Melded M&I Supply or Special Agriculture Supply rates, but increases will be necessary for the Melded Treatment Rate and each of the fixed charges.

Several positive factors have combined for CY 2027 allowing for the Melded M&I supply rate to remain flat at \$1,490 per acre-foot despite supply costs cost pressures from outside cost pressures from MWD and inflationary increases to local reliable supplies. First, the introduction of third-party water sales provides new revenue to offset increases that would have otherwise been borne by member agencies. Second, last year’s settlement with MWD resulted in the exchange rate being held flat for CY 2027. Lastly, water demand is projected to be higher than previously projected, allowing stored water to be utilized and allowing fixed supply costs to be spread over a larger rate base.

The Melded Treatment rate will increase as the Authority has seen higher cost pressures from both supplemental treatment provides (MWD and Helix). First, costs from MWD increase not only due to recently approved adjustments but also driven by their restructuring of treatment rate (introduction of fixed rates). The Authority’s costs for using MWD treatment, which produces roughly 40 percent of overall treated needs, are increasing 17 percent. Second, Helix notified the Authority of necessary multi-year capital improvements required at their plant that are passed on to the Authority through cost-share agreements. Finally, the Authority’s treatment costs related to Twin Oaks are increasing given general inflationary pressures to mitigate the significant increase in treatment costs, the Water Authority will use approximately \$8.7 million in reserves for rate smoothing. Despite these efforts, the recommended Melded Treatment rate will increase by 15 percent to \$610 per acre-foot. Increases in fixed charges are largely driven by debt service costs and to a lesser extent by inflationary pressure on the Water Authority’s operating costs. Debt service costs will increase as the Water Authority continues to make capital investments in the system to maintain efficient and reliable supply and delivery of water. The analysis includes an anticipated \$285 million revenue bond issuance in 2026, with proceeds to be used over the next several years to fund a bulk of the CIP. Projected debt service for the anticipated 2026 bonds totals \$18.8 million per year, bringing total long-term debt service to \$158 million for CY 2027.

The Water Authority is currently in a strong financial position, projections for FY 2026 indicate that all year end reserve targets will be met and debt coverage will exceed the 1.50x policy target. The targeted increases for CY 2027 have been developed to adequately recover costs such that this strong financial position can be maintained. This follows several years of recovery from a more stressed financial state, resulting from low water demand and increasing costs, which led S&P Global to revise the Water Authority's outlook from Stable to Negative in June 2024. S&P Global has not provided an updated analysis since that time and the negative outlook remains as of the writing of this report, though the Water Authority is seeking a reevaluation of the rating to reflect its now more favorable finances and execution of long-term water deals.

2.6.1 Reserves & Active Financial Management

The Water Authority uses reserve and other strategies to actively manage its finances and rates to promote its own financial stability and by extension stability in the rates and charges assessed to the member agencies. Annual cost of service and rate and fee setting efforts are undertaken with the goal to maintain "smooth and predictable rates." This goal is generally achieved through prescribed use or replenishment reserves to smooth revenue requirements. During the annual cost of service process, reserves may be used, as appropriate, to support specific rate or fee components or be replenished with revenues from specific rate components. This practice benefits the member agencies by reducing rate volatility while maintaining financial sustainability for the Water Authority.

The Water Authority projects that reserves will be fully funded at the end of FY 2026 (June 30, 2026) with the RSF slightly above the target and the combined total fund balance meeting the overall goal prudent cash balance goal. Note, having "fully funded" reserves is not a sign of excess or abundance. With the exception of the RSF, the Authority does not define funding limits, ceilings, or caps on its reserves – rather these funds are open ended to provide necessary financial flexibility, whether that is building PayGo balances during times of new debt activity or to provide an opportunity to favorably pay-down existing debt or other obligations. The recommended CY 2027 rates and charges take advantage of the current reserve levels to smooth internal revenue requirements for Customer Service, Storage, Transportation, and Treatment. As always, the Water Authority's projections balance any short-term rate mitigation alongside from foreseen long-term rate pressures.

2.6.2 Innovative Exchange & Banking Agreements

Along with controlling costs, the Water Authority also works to identify opportunities to generate additional revenues to offset costs for member agencies. Recent signing and execution of supply agreements with Eastern Municipal Water District and Western Municipal Water District leverage historical investment in supply reliability and maximizing regional flexibility. These agreements were made possible by the 2025 settlement with MWD and resulting restated exchange agreement.

The 2027 Cost of Service analysis reflects these new agreements, as well as April's semitropic assignment of banking capacity resulting in meaningfully lower revenue requirements (costs) being defined. For CY 2027, third party water sales will generate gross revenue of \$23.4 million to offset revenue requirements for the Melded M&I Supply Rate. Additional discussion of third-party water sales is included in Section 5.2.1. As the new agreements are long-term deals and not purely accretive (the cost of water and exchange are still borne), the net effect, while meaningful, is most notable over multiple years and under scenarios where demands would otherwise drop below contractual obligations.

The Authority is continuing to market additional supplies having agreements for 20,000 AF of the originally marketed 50,000 AF volume. However, no additional sales or exchanges are assumed in the modeling of CY2027 Rates and Charges.

Following the adoption of CY2027 Rates and Charges and the execution of the 2026 debt activity, Water Authority staff will be preparing an addendum to the 2026 LRF that is expected to demonstrate the material long-term rate benefits of these new agreements.

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 2027 revenue requirements. Please note that column and row totals throughout the report may not foot due to rounding.

Table 2 Revenue Requirements Summary (in \$ millions)

Revenue Component	CY 2027 Total	Description	Report Section
Operating Costs	\$82.22	The Operating Department's Budget funds the day-to-day operations of the Water Authority.	3.1
Equipment & Replacement	3.03	Funds the replacement of equipment such as vehicles or software.	3.2
Debt Service (LTD + STD)	249.00	The Water Authority uses debt to fund capital and refund previous debt. Excludes planned cash defeasance	3.4.1
Offsetting Revenues	(116.81)	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.	3.5
Operating Rev. Req. Before Coverage	\$217.45	Revenue requirements associated with the Water Authority's operating costs, debt service, and offsetting revenues.	
Misc. Cost Recovery	\$15.32	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.	3.3
Rev. Req. Before Coverage	\$232.77	Revenue requirements including miscellaneous cost recovery.	
Remaining Coverage and Reserve Driven Needs	\$3.26	Revenue requirements associated with meeting the Water Authority's Financial Management Policies.	3.8
Water Sales Revenue Requirement	\$236.03	Total required revenues including coverage and reserve needs.	

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, Engineering, Finance, General Counsel, General Manager, Human Resources, Imported Water, Operations and Maintenance, Public Affairs, and Water Resources. For CY 2027, the Water Authority's operating costs are projected to be \$82.22 million.

Table 3 Determination of Operating Cost

Operating Costs	FY 2027 and 2028 Expenditures ⁽¹⁾
FY 2027 Operating Budget	\$80.52
FY 2028 Operating Budget	\$83.93
Total FY 2027 and 2028 Operating Costs Used for Rates and Charges	\$164.45
Calculated CY 2027 Operating Costs ⁽²⁾	\$82.22

Notes:

(1) Presented in million dollars, calculations in tables may not sum due to rounding.

(2) CY 2027 Operating Costs are calculated by averaging the Total FYs 2027 and 2028 Operating Costs used for rates and charges, as the calendar year rates will collect half of each fiscal year costs.

3.2 Equipment and Replacement

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). Water Authority staff performed an Equipment Replacement Fund (ERF) study (in 2019) which 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 2027, an Equipment Replacement budget of \$3.03 million is forecasted and includes updates to the Supervisory Control and Data Acquisition system, computers and servers, and critical vehicle and equipment replacements.

3.3 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 \$15.32 million in CY 2027, which is allocated to rate categories based on the nature of the cost that was incurred. Miscellaneous Cost Recovery includes the following:

- **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 \$11.28 million cost has been allocated to the storage rate component and will be recovered through the CY 2027 rates.
- **Local Water Supply Development:** This is the cost of implementing local water supply projects within the Water Authority's service area to provide a long-term reliable and sustainable supply. The

cost is recovered through the Customer Service charge. A total of \$0.17 million will be recovered through the CY 2027 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 the 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 2027 rates.
- **Pumping Costs (SVPS, VCPPS):** This cost is for operational and maintenance costs for the San Vicente and Valley Center Pipeline pump stations. It is recovered through the Transportation rate. A total of \$3.12 million will be recovered through the CY 2027 rates.

3.4 Capital Costs

The Adopted FYs 2026 & 2027 CIP Budget is built upon the Water Authority's 2024 Facilities Master Plan (adopted April 2025), which shifted primary emphasis of the CIP to repair, replacement, or rehabilitation of the existing system through the Asset Management Program and modification of the Water Authority's infrastructure to optimize system operation.

To take advantage of historically low interest rates in 2022 and maintain cash for financial flexibility, the Water Authority issued new debt (2022A) to fund a majority of the near-term projects planned at that time. Proceeds from that issuance were exhausted in FY 2025. The Water Authority anticipates a new \$285 million bond issuance in CY 2026. That issuance is expected to provide a majority of project funding through FY 2030.

3.4.1 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 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 benefiting 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), Helix apportioned debt and planned defeasance, the net FY 2027 and FY 2028 long-term debt service expenditure for allocation are \$126.5 million and \$133.42 million respectively, resulting in expected long-term debt payments of \$129.96 million for CY 2027. The increases in FY 2027 and FY 2028 reflect the anticipated \$285 million 2026 bond issuance necessary to fund critical asset management. The FY 2026 and FY 2027 BABs debt service, net of subsidies, is \$27.78 million and \$27.78 million respectively, resulting in expected net payments of \$27.78 million for CY 2027. Lastly, for modelling and rate setting purposes, short-term debt service expenditures are projected to increase; however, the Authority is currently working with its financial advisors to determine the most advantageous options for debt repayment (long-term, short-term, or a mix). Following the issuance of the 2026 debt and completion

of the Addendum to the LRFP, staff plans on bringing specific options to the board to consideration and authorization.

The sum of these debt obligations does not reflect any additional commercial paper payments, future debt restructuring, or the Water Authority's ability to take advantage of optimal market conditions to reduce its debt burden. This is done to ensure proper allocation and appropriation of expenses – these actions are reflected in the results and planned use of reserves. Currently, the Water Authority plans to pay down \$2 million in FY 2027 and \$2 million in FY 2028.

3.4.2 Non-Debt Capital Expenditures

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 Fund. Funding a portion of the CIP with cash has several advantages. Cash funding a portion of the CIP provides for a more equitable distribution of capital costs between current and future customers as compared strategy wholly reliant on debt, which would push more costs to future users. Additionally, cash funding is appropriate for renewal and replacement projects to provide balance against the expense of depreciation that is required under Generally Accepted Accounting Principles. Revenues generated for PAYGO expenditures have the added benefit of supporting the Water Authority's DSCR as they are included in the calculation of Net Water Revenue while PAYGO costs are not.

The 2026 LRFP set forth a long-term target capital financing mix of 38 percent PAYGO and 62 percent debt. While this target provides a general roadmap for capital funding, the Water Authority will continue to review capital funding needs along with financial capacity to determine the most appropriate financing mix going forward.

3.4.3 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. 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.

3.5 Offsetting Revenues to Reduce Revenue Requirements

Beyond water rates and charges, the Water Authority collects revenues through other 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, on the next page, details the offsetting revenues and provides a brief description of the source of revenue.

Table 4 Offsetting Revenues (in \$ millions)

Revenue Component	CY 2027 Revenues	Description
Capital Offsets		
System Capacity Charge	\$10.41	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.
Treatment Capacity Charge	0.42	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.
Standby Availability Charge	10.73	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.
PAYGO Earnings	1.50	Interest earnings on the Water Authority's PAYGO Fund.
Operating Offsets		
Property Tax	\$21.55	The Water Authority receives a portion of the 1% property tax pursuant to the Revenue and Taxation Code.
IAC	52.60	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.
Interest Earnings	15.85	Interest earnings on operating funds.
Specific Revenues	3.14	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.
Misc. Revenue	0.61	Includes other nominal revenues.
Total Offsets	\$116.81	

3.6 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 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 number 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 adopted 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.

The forecasted four-year average of the Water Authority's Standby Availability Charge and property tax revenues are credited to recognize other fixed revenues. Staff proposes, which Carollo continues to find reasonable, for \$6.0 million in "additional funds" to be allocated (credited) to the CY 2027 IAC calculation. These additional funds were collected through the IAC in prior years so that rates could be smoothed despite volatility in the costs that constitute the IAC. As detailed below, the CY 2027 IAC provides \$53.42 million in revenue offsets against the required water rate and charge revenues. The IAC is allocated to each member agency based upon the previous calendar year's total meter equivalents (as reported by the member agencies). A meter equivalent is based on a meter size less than one inch. For CY 2027, the monthly IAC is recommended to increase to \$4.87 per household meter equivalent as shown in Table 5.

Table 5 Infrastructure Access Charge Calculation (in \$ millions)

	4-Year Average FY 2027 – FY 2030
Long-Term Debt Service	\$151.55
Fixed Capital Cost (PAYGO)	37.88
Total Short-Term Debt Service and Costs	57.28
Administration and Maintenance times 80%	67.97
Equipment Replacement Funding * 80% (Previously in O&M)	1.76
Total Local Supply Development Costs times 80%	0.11
Evaporation and System Losses times 80%	9.36
Desalination FY Pipeline Cost	11.63
Total Fixed Costs	\$337.54
Total Fixed Costs Times 110% Times 25%	\$92.82
<i>Less:</i>	
Other Tax Receipts	(\$22.66)
Standby Availability Charge Revenue	(\$10.74)
Additional Funds for Smoothing IAC (1-year)	(\$6.00)
Remaining Fixed Cost Need (IAC Revenue)	\$53.42
Average Number of Meter Equivalents Used in Calculation	914,270
Recommended CY 2027 Monthly IAC Per Meter Equivalent (in dollars)	\$4.87/MEU

3.7 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 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 driven by either “cash flow” or “coverage” based on the test that requires a greater adjustment.

The driver of the CY 2027 rate increase is generating sufficient cash flows to recover operating and capital costs while maintaining the Water Authority’s strong financial position. The recommended increases are targeted, reflecting the increase in revenue requirements for each rate or fee.

Increases in external water treatment costs from MWD and Helix Water District, coupled with inflationary increases for treatment costs at the Twin Oaks Plant and for other internal revenue requirements will necessitate adjusting the Melded Treatment Rate. Increases for the Storage Charge and Transportation Charge are driven primarily by increased debt service costs. As discussed previously, no increase is required for the Melded M&I Supply rate as the rate pressure from modest inflationary increase in costs will be offset by increased demands and revenue from third party water sales.

The Water Authority’s current projections indicate the DSCR at 1.85x for the end of FY 2026. With the recommended rates for CY 2027 set based on cash flow requirements, as described above, the DSCR is projected at 1.69x for FY 2027, above the 1.50x policy target. As such, meeting the DSCR is not a driver of the recommended CY 2027 rate increases.

3.8 Financial Policies

The Water Authority has adopted several financial policies that are aimed at bolstering and maintaining the financial health and resiliency of the organization. Adherence to the policies guides rate setting towards predictable and reasonable rates as the policies naturally require that rate setting is not considered as single year process nor in a vacuum. While this study, and Carollo’s review, only concern the CY 2027 rates and charges the Water Authority’s other financial planning efforts, which inform the rate setting process, account for long-term projections and trends.

3.8.1 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

³ This requirement is established by the Water Authority General Resolution as amended. This resolution and amendments are available on the Water Authority’s website.

transfers, and 1.00x excluding capacity charge revenues. This policy was most recently affirmed in the 2026 LRFP.

The Water Authority has a strong history of meeting the Board policy target of 1.50x. When necessary, year-end transfers from the RSF have been used reactively to meet the 1.5x target. Prior to a transfer if the coverage is more than 1.5x – deposits maybe made into the fund (lowering coverage). In years where coverage is below 1.5x, a withdrawal can be made to support 1.5x.

3.8.2 Rate Stabilization Fund (RSF)

The RSF is in place to serve two primary purposes: 1. to provide a source of funds for reactive protection of the DSCR and 2. to provide a source of funds for proactive rate smoothing. The RSF was initially established in 1990 and has been periodically reviewed and updated since that time. The latest update to the RSF policy was completed for the 2026 LRFP.

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.

The 2026 LRFP established a new set of governing policies and targets for the RSF. The RSF is now bifurcated into two distinct portions.

- The reactive portion is dedicated to coverage protection for debt service with a target set at 50 percent of the average three-year forecasted senior lien debt service. The threshold target for this portion is \$76.2 million for FY 2027. If the coverage protection portion is drawn below this threshold, the funds must be restored within three years.
- The proactive portion, capped at \$50 million, can be used by the Board for rate smoothing and mitigation (while still considering the 150 days of cash target).

This new structure is designed to provide greater clarity and transparency regarding the use of RSF funds. The updated policy was developed collaboratively with Member Agency Finance Officers and Managers to ensure consensus and transparency. These changes aim to enhance financial stability, support ratepayer affordability, and provide the Board with more flexibility to manage rate volatility. As the new RSF policy took effect with the adoption of the 2026 LRFP it is used in the CY 2027 rates and charges process.

3.8.3 Days of Cash

Along with the Board approved policies discussed above, the Water Authority's practices include maintaining prudent reserve levels to support cashflow needs. Specifically, rate setting efforts target cash on hand equal to 150 days of O&M expenses. This level of reserves allows the Water Authority to manage seasonal revenue volatility, debt service payments, and to cover unforeseen changes in operating costs or to fund emergency projects in the event of infrastructure failures or natural disasters. Furthermore, credit rating agencies typically consider cash on hand when evaluating the creditworthiness of water utilities. Thus, planning for and maintaining a prudent cash on hand balance is necessary to receive high credit ratings and ultimately lower borrowing costs. Maintaining a minimum of 150 days of cash supports the Board's policy of maintaining an AA+ credit rating, bolsters critical metrics, and reduces leverage.

3.8.4 Recommended Rates Policy Results

Several years prior to CY 2025, the Water Authority worked to moderate rate increases using the rate stabilization reserve, which was drawn down to \$78.5 million (FY 2024 ending balance). Based on the

updated RSF policy, the reactive coverage threshold for FY 2026 is \$73.4 million and \$76.2 million for FY 2027. The Water Authority has been able to fully replenish the RSF over the past two years. As projected, the RSF balance will be just above the maximum target at the end of FY 2026 (June 30, 2026).

The PAYGO and Construction Fund has been drawn down in recent years. The CY 2027 rate and charges have been developed to continue the recovery of the Water Authority's finances. The FY 2025 year-end reserve balance equated to 158 days of cash, just above the 150-day prudent balance target for rate setting. With the current (CY 2026) rates and the recommended (CY 2027) rates, projected reserves would continue to rebound due to increased revenues from third party sales. Should the fund balances continue to stabilize and grow, staff will work with their financial advisors to seek opportunities for future debt or cost savings to improve affordability.

As noted, for CY 2027, the Water Authority's revenue requirements are cash flow driven. The recommended increases to specific rates and charges are necessary so that they can sufficiently recover their associated share of revenue requirements. Revenues provided by the cash flow driven rates will be sufficient to meet the 1.50x policy target for the DSCR.

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, to minimize the immediate impact on 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, CSP, and Operational Storage. 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. PSAWR customers do not benefit from the ESP and CSP 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 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, 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. For CY 2027, MWD's three new fixed treatment charges will be included in the Melded Treatment Rate. Additional discussion of the new MWD charges is included in Section 5.2.2.

As treated water is a result of the desalination process, the treatment rate is also used as 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 the total direct budget allocation to customer service, storage, supply, transportation, and treatment.

4.2 Allocation Summary

In 2013, Carollo held interviews with select departments and divisions to confirm the methodology and the appropriateness of application of cost-of-service principles during the annual budget process. This interview process was completed by staff in parallel with the 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 2026 and FY 2027 budget process, the allocations were updated consistently 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. Storage allocations increased after the recent benefits of refunding and cash defeasance of debt series largely apportioned to Storage. These adjustments are reflected in each revenue requirement.

4.2.1 Allocation of Operating Costs

Table 6 illustrates the allocation of CY 2027 operating costs to each rate category based upon the total weighted average FY 2027 and FY 2028 expenditure allocation.

Table 6 Allocation of CY 2027 Operating Budget (in \$ millions)

CY 2027 Allocation	CY 2027 Expenditures	Customer Service	Storage	Supply	Transportation	Treatment
Operating and Maintenance						
Percent Allocation	100.00%	34.48%	12.81%	16.06%	34.30%	2.35%
Cost Allocation	\$82.22	\$28.35	\$10.54	\$13.21	\$28.20	\$1.93
Equipment Replacement Fund						
Percent Allocation	100.00%	34.48%	12.81%	16.06%	34.30%	2.35%
Cost Allocation	\$3.03	\$1.05	\$0.39	\$0.49	\$1.04	\$0.07
Total Operating Costs	\$85.25	\$29.40	\$10.92	\$13.69	\$29.24	\$2.00

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 2027 debt service by functional rate category.

Table 7 Debt Service Allocation Summary (in \$ millions)

Revenue Requirement ⁽¹⁾	CY 2027 Total	Customer Service	Storage	Supply	Transportation ⁽²⁾	Treatment
LTD Service	\$129.96	\$11.76	\$44.89	\$9.27	\$56.92	\$7.13
STD Service	91.26	7.79	28.32	5.74	44.99	4.43
Build America Bonds ⁽³⁾	27.78	2.51	9.59	1.98	12.17	1.52
Total Debt Service	\$249.00	\$22.06	\$82.79	\$16.99	\$114.08	\$13.08

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 \$10.6M 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 2027 Allocation Factors for Offsetting Revenues

Methodology ⁽¹⁾	Applicable Offsetting Revenues	Customer Service	Storage	Supply	Transportation	Treatment
Capital, Excluding Treatment	System Capacity Charges	9.02%	32.42%	6.62%	51.94%	0.00%
Total Capital	Water Standby Charges PAYGO Earning	8.59%	30.86%	6.30%	49.43%	4.83%
Treatment Only	Treatment Capacity Charge	0.00%	0.00%	0.00%	0.00%	100.00%
Total Expenditures without alloc.to Supply	Property Taxes Excluding Amount for PSARW	17.15%	32.19%	0.00%	45.53%	5.13%
Supply Only	Property Taxes for PSAWR	0.00%	0.00%	100.00%	0.00%	0.00%
Specific Misc. Revenues	Twin Oaks Reimbursement, Desal Reimbursement, SLR Transportation Revenues, Semi-Tropic Revenue	23.70%	0.00%	32.06%	43.67%	0.58%
Total Expenditures	IAC Property Taxes and In-Lieu Charges Investment Income General Misc. Revenue	15.56%	29.21%	9.26%	41.32%	4.66%

Notes:

(1) These allocation factors do not cover all off-setting revenues, notably those that are allocated to specific functions.

Operating revenue offsets include property taxes, IAC revenue, interest earnings, and miscellaneous revenues. The Water Authority also accounts for system capacity charge revenue, water standby availability charges, and interest earning on PAYGO reserves. These capital-related offsets are allocated to the Water Authority's customer service, storage, supply, transportation, and treatment rate components based on its respective share of the total capital expenditures for the two-year budget period. System capacity charge revenue continues to exclude treatment as no treatment costs are recovered in this charge.

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. Given the conversion of fiscal year to calendar year and vice-versa, some numbers detailed may not flow exactly through to the corresponding rate tables, but does not impact the cost of service or recommended rate calculations.

Table 9 CY 2027 Offsetting Revenues (in \$ millions)

	Total Revenue Offsets	Customer Service	Storage	Supply	Transportation	Treatment
Capital Offset						
System Capacity Charge	\$10.41	\$0.94	\$3.37	\$0.69	\$5.41	\$0.00
Standby Availability Charge	10.73	0.92	3.31	0.68	5.30	0.52
Treatment Capacity Charge	0.42	0.00	0.00	0.00	0.00	0.42
PAYGO Earnings	1.50	0.13	0.46	0.09	0.74	0.07
Operating Offsets						
Property Tax	\$18.32	\$3.14	\$5.89	\$0.00	\$8.34	\$0.94
Property Tax Applied to PSAWR	3.24	0.00	0.00	3.24	0.00	0.00
IAC	52.60	8.19	15.36	4.87	21.73	2.45
Interest Earnings	15.85	2.47	4.63	1.47	6.55	0.74
Specific Revenues	3.14	0.74	0.00	1.01	1.37	0.02
General Misc. Revenue	0.61	0.10	0.18	0.06	0.25	0.03
Total Offsets	\$116.81	\$16.62	\$33.21	\$12.10	\$49.69	\$5.19

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 2027 Additional Expenses (in \$ millions)

	CY 2027 Total	Customer Service	Storage	Supply	Transportation	Treatment
Twin Oak Reimbursement	\$0.74	\$0.00	\$0.00	\$0.00	\$0.00	\$0.74
Local Water Supply Development	0.17	0.17	0.00	0.00	0.00	0.00
Evaporation and Losses	7.87	0.00	7.87	0.00	0.00	0.00
System Losses	3.41	0.00	3.41	0.00	0.00	0.00
Pumping Costs	3.12	0.00	0.00	0.00	3.12	0.00
Total Expense	\$15.32	\$0.17	\$11.28	\$0.00	\$3.12	\$0.74

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.

As noted, the CY 2027 rates are cash flow driven, rather than coverage driven, therefore, no direct revenue requirements are needed for coverage. Based on the revenue requirements defined above, the Water Authority must generate an additional \$3.26 million through rates to meet rate smoothing objectives appropriately fund reserves. This is illustrated in Table 11.

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

Revenue Requirement	CY 2027 Total	Customer Service	Storage	Supply	Transportation	Treatment
Remaining Smoothing and Reserve Driven Needs	\$3.26	(\$1.01)	\$2.71	\$4.09	(\$5.75)	\$3.21

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)

Revenue Requirement	CY 2027 Total	Customer Service	Storage	Supply	Transportation	Treatment
Operating Costs	\$82.22	\$28.35	\$10.54	\$13.21	\$28.20	\$1.93
Equipment Purchase	3.03	1.05	0.39	0.49	1.04	0.07
Debt Service (LTD + STD)	249.00	22.06	82.79	16.99	114.08	13.08
Offsetting Revenues	(116.81)	(16.62)	(33.21)	(12.10)	(49.69)	(5.19)
Operating Rev Req Before Coverage	\$217.45	\$34.83	\$60.51	\$18.58	\$93.63	\$9.90
Additional Expenses	15.32	0.17	11.28	0.00	3.12	0.74
O&M Rev Req Before Coverage	\$232.77	\$35.01	\$71.79	\$18.58	\$96.75	\$10.64
Remaining Coverage and Reserve Driven Needs ⁽¹⁾	3.26	(1.01)	2.71	4.09	(5.75)	3.21
Water Sales Rev Req	\$236.03	\$34.00	\$74.50	\$22.68	\$91.00	\$13.85

Notes:

(1) Excludes use of reserves related to smoothing of melded supply or treatment rates (water supply or treatment purchases). These amounts are defined separately in Tables 17 (melded supply rate) and 19 (melded treatment rate).

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 Permanent Special Agricultural Water Rate (PSAWR) customers. The PSAWR program is reviewed and refined periodically to reflect demand and supply conditions and to maintain its adherence to cost of service principles. A review was completed in 2025 and updates to the PSAWR calculation are included for the CY 2027 rates presented herein. Carollo's review reaffirms the continued nexus between lower supply reliability and a lower cost of service – with the changes to reflect current and anticipated system uses included.

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 contrasts with 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 recommended CY 2027 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 seven-year rolling average of water purchases (FY 2019-FY 2025).

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, \$34.0 million must be recovered through the customer service water rate in CY 2027. These costs are recovered as an annual charge, as these costs do not vary based on the current year's water demand. Specifically, the costs are allocated among the member agencies based on each agency's seven-year rolling average of all purchases (FY 2019-FY 2025), excluding member agency wheeled water.

Table 13 CY 2027 Customer Service Revenue Requirement (in \$ millions)

CUSTOMER SERVICE REVENUE REQUIREMENT	
Capital Expenditures (LTD and STD)	\$22.06
Equipment Purchase	1.05
O&M + Share of Agency Operating Expenditures	28.35
Additional Expenses	0.17
Gross Revenue Requirements	\$51.63
Less: Offsetting Revenues	
Capital Related	(1.99)
Operating Related	(14.63)
RR before Coverage and RSF Support	\$35.01
Coverage + Reserves	(\$1.01)
Total Revenue Requirement	\$34.00

5.1.2 Storage

Based on the cost-of-service analysis, \$74.50 million is to be recovered through the storage charge in CY 2027, representing an increase from previous years. The storage charge is an annual charge historically allocated using each agency's seven-year rolling average. However, during last year's review of the PSAWR program, PSAWR customers were deemed to have received benefit from some aspects of the storage system. Starting in CY2026, the methodology was refined to reflect the Water Authority's increasing reliance on storage facilities. Impacts of forecasted decreasing dependence on MWD supplies was flagged for discussion that occurred following adoption of CY2026 rate in June.

Under the Water Authority's updated storage calculation, the total \$74.50 million storage charge is to be divided by storage type. Based on current defined capacity allocations levels, operational storage currently comprises 59 percent of total storage capacity. This benefit will be allocated to all usages (M&I and PSAWR). ESP and carryover components make up the remaining 41 percent of total storage capacity and are to be allocated to member agencies based on M&I usage.

Operational storage is used regularly throughout the year, with regular inflow and outflow, all customers benefit from access. Conversely, 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 interrupt service during times of water emergencies, they would not receive benefits 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 ESP and CSP storage components.

Member agencies, including those serving PSAWR customers, will be allocated their portion of the Operational Storage charge (59 percent of \$74.50 million) based on the seven-year rolling average methodology. Fiscal year 2024 marked the first year PSAWR demand data is incorporated into the seven-year rolling average calculation, with only one year of PSAWR demand included in the 2026 calculation. For CY 2027 two years of PSAWR demand (FY 2024 and FY 2025) are included. This gradual transition will continue with one additional year will be included annually until the full seven-year rolling average is met in CY 2032.

This refined methodology ensures member agencies serving PSAWR customers pay proportionately for the operational storage benefits they receive, while maintaining their exemption from emergency and carry-over storage costs.

Table 14 CY 2027 Storage Revenue Requirement (in \$ millions)

STORAGE REVENUE REQUIREMENT	
Capital Expenditures (LTD and STD)	\$82.79
Equipment Purchase	0.39
O&M + Share of Agency Operating Expenditures	10.54
Additional Expenses	11.28
Gross Revenue Requirements	\$105.00
Less: Offsetting Revenues	
Capital Related	(7.15)
Operating Related	(26.06)
RR before Coverage and RSF Support	\$71.79
Coverage + Reserves	\$2.71
Total Revenue Requirement	\$74.50

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 seven-year rolling average of M&I deliveries (FY 2019-FY 2025). Access to reliable supply benefits all member agencies regardless of whether the agency purchases water every day or intermittently.

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

$$\begin{aligned} &\text{Supply Reliability Charge} \\ &= [(\text{Desal Water Cost} + \text{IID Water Transfer Cost}) - \text{MWD Supply Rate Equivalent Cost}] * 25\% \end{aligned}$$

The original Supply Reliability Charge Report prepared by A&N Technical Services, Inc. is available on the Water Authority's website. Following this methodology, Table 15, on the next page, details calculation of the recommended CY 2027 Supply Reliability Charge.

Table 15 Recommended CY 2027 Supply Reliability Charge

SUPPLY RELIABILITY CHARGE	
Desal Deliveries (TAF)	42.00
Desal Supply Rate (\$/AF)	\$3,493/AF
Desal – Reliable Water Cost (\$M)	\$146.71
IID Transfer Deliveries (TAF)	200.00
IID Transfer Cost (\$/AF)	\$1,539/AF
IID – Reliable Water Cost (\$M)	\$307.80
Desal + IID Total Deliveries (TAF)	242.00
MWD Untreated Rate (\$/AF)	\$1,030/AF
MWD Comparison Cost (\$M)	\$249.26
Differential [Desal + IID – MWD] (\$M)	\$205.24
SRC Defined Share of Differential	25%
Supply Reliability Charge (\$M)	\$51.32

As used in the above formula, contracted desalination deliveries are 42,000 AF/Y and IID Water Transfer Deliveries are 200,000 AF/Y in CY 2027.

The revenue generated from this charge will only be applied to offset the supply revenue requirement prior to determining the volumetric Melded Supply Rate. This charge will be allocated to member agencies based on a seven-year rolling average of applicable historical water deliveries. The calculated Supply Reliability Charge for CY 2027 is \$51.32 million. This represents a 2.8 percent increase from the CY 2026 rate. Should MWD's Supply Rate escalate beyond the escalation of reliable water, as anticipated in 2028, the SRC will decrease. This charge will be zero when MWD's Supply Rate is equal to or greater than the melded 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 approved, the Water Authority spreads the Supply Reliability cost to member agencies based upon their share of the rolling seven-year average of 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 monthly 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 \$22.68 million and is detailed in Table 16.

Table 16 CY 2027 Melded Supply Revenue Requirement (in \$ millions)

MELED SUPPLY REVENUE REQUIREMENT	
Capital Expenditures (LTD and STD)	\$16.99
Equipment Purchase	0.49
O&M + Share of Agency Operating Expenditures	13.21
Additional Expenses	0.00
Gross Revenue Requirements	\$30.68
Less: Offsetting Revenues	
Capital Related	(1.46)
Operating Related	(10.64)
RR before Coverage and RSF Support	\$18.58
Additional Coverage	\$4.09
Total Revenue Requirement	\$22.68

For CY 2027, M&I supply costs are projected to total \$482.09 million. In addition to the cost of water, \$22.68 million must be recovered through rates to fund the supply revenue requirements. The Supply Reliability Charge provides a revenue (cost of water) offset of \$51.32 million. Finally, an additional \$11.96 million in reserve contributions is included to replenish reserves and smooth long-term rates. By dividing the total supply cost of \$465.40 million by total water sales, a per acre-foot cost of \$1,490 is calculated.

The Water Authority continues to identify strategies to promote affordability for its member agencies and for CY 2027 onward, third-party water sales agreements will be used to offset costs recovered by the Melded M&I Supply rate. The CY 2027 rates reflect two new third party water sales agreements with the Eastern Municipal Water District (EMWD) and the Western Municipal Water District (WMWD). The third-party sales will be conducted as QSA exchanges rather than physical delivery of water from the Water Authority to the third parties.

Historically, the Water Authority has only sold water to member agencies, who bore the full burden of the Water Authority's costs. These third-party sales will benefit member agencies by taking advantage of available Water Authority supplies to generate revenue from outside agencies to mitigate rate increases. For CY 2027, the Water Authority expects a total of 17,200 acre-feet of sales to EMWD and WMWD generating \$23.4 million in revenues to offset the Supply rate. Prepaid water sales will total 17,500 acre-ft and generate \$16.1 million that will be held in a specific interest earning reserve to be used when the parties take delivery of prepaid volumes.

- EMWD is expected to purchase 7,200 acre-feet in CY 2027 at \$1,384 per acre-foot, resulting in \$10.0 million in revenue for the Water Authority for QSA water exchanges. EMWD will also pay \$644 per acre-foot for 10,000 acre-feet through the prepaid water program for an additional \$6.3 million in revenue.
- WMWD is expected to purchase 10,000 acre-feet in CY 2027 at \$1,344 per acre-foot, resulting in \$13.4 million in revenue for the Water Authority. EMWD will also pay \$1,304 per acre-foot for 7,500 acre-feet through the prepaid water program for an additional \$9.8 million in revenue.

Table 17 Recommended CY 2027 M&I Melded Supply Rate

M&I MELDED SUPPLY RATE	
Acre-Foot Supplies (AF 000's)	
MWD Tier I Deliveries for M&I (including PSAWR)	7.42
Carlsbad Desalination Water Production	42.00
IID Deliveries	200.00
Canal Water Deliveries	77.70
Operational Storage	13.43
3rd Party Water Sales	(17.20)
Total Supplies (M&I + PSAWR)	323.35
Water Purchase Costs (\$ Millions)	
MWD Supply Rate Purchases for M&I (exc. PSAWR)	\$7.65
Carlsbad Desalination Water Supply Cost	\$146.71
IID Water Purchases	\$307.80
Canal Water Purchases	\$54.17
Less SAWR Expenditures	(\$10.82)
Less 3rd Party Water Sales	(\$23.41)
Subtotal Water Purchase Costs	\$482.09
Additional Costs (\$ Millions)	
Supply Revenue Requirement	\$22.68
Total Additional Costs	\$22.68
Offsetting Revenues (\$ Millions)	
Supply Reliability Credit	(\$51.32)
Cash and Reserves ⁽¹⁾	11.96
Total Supply Cost (millions)	\$465.40
M&I Forecasted (AF 000's)	312.35
Recommended Melded Supply Rate	\$1,490/AF

Notes:

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

5.2.2 Treatment (Melded 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 revenue requirement related to Treatment is \$13.85 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 treatment plant, 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 2027 Melded Treatment Revenue Requirement (in \$ millions)

MELED TREATMENT REVENUE REQUIREMENT	
Capital Expenditures (LTD and STD)	\$13.08
Equipment Purchase	0.07
O&M + Share of Agency Operating Expenditures	1.93
Additional Expenses	0.74
Gross Revenue Requirements	\$15.82
Less: Offsetting Revenues	
Capital Related	(1.01)
Operating Related	(4.18)
RR before Coverage and RSF Support	\$10.64
Additional Coverage	\$3.21
Total Revenue Requirement	\$13.85

Table 19 outlines the Water Authority's forecasted treated acre-foot demand, incurred treatment costs, and corresponding melded treatment rate. Like the melded supply rate, the costs associated with the operation of the Twin Oaks Water Treatment Plant (\$12.36 million) will be recovered through the CY 2027 rates outside the revenue requirements outlined in Table 18.

The Water Authority spreads the Melded Treatment costs over the forecasted acre-feet demands. The recommended CY 2027 Melded Treatment rate is \$610 per acre-foot, an increase of 15 percent. For CY 2027, approximately \$8.71 million in reserves will be used to smooth rates by offsetting Treatment revenue requirements.

MWD's Board approved a hybrid structure for treatment cost recovery in July 2025 that would allow up to 30-percent of treatment revenue requirements to be recovered through fixed charges. Previously, MWD recovered all its treatment related costs through volumetric charges. Based on that approved structure, MWD has introduced three new fixed treatment capacity charges for CY 2027.

1. **The Treatment Peaking Capacity Charge⁴** (TPCC) will be assessed on a three-year trailing maximum annual peak day demand measured in cubic feet per second (CFS). The Water Authority's total TPCC for CY 2027 will be \$3.64 million.
2. **The Treatment Used Standby Capacity Charge⁵** (TUSCC) will be assessed on its ten-year trailing annual standby use, calculated as the difference between maximum annual use and average use in acre-feet. The Water Authority's total TUSCC for CY 2027 will be \$1.18 million.
3. **The Treatment Remaining Standby Capacity Charge⁶** (TRSCC) will be assessed on a five-year trailing maximum annual treated water use. The Water Authority's total TRSCC for CY 2027 will be \$5.64 million.

⁴ CY 2027 transitional determinant: allocated using each member agency's FY 2025 average daily treated water demand in cfs. CY 2028 transition: moves to the first year of the rolling peak methodology using FY 2026 peak day demand in cfs.

⁵ CY 2027 transitional determinant: allocated based on the FY 2025 treated firm demands in AF. CY 2028 transition: moves to the first year of the rolling calculation based on the maximum annual treated demand of FY 2025 and FY 2026 minus the average of those two years.

⁶ CY 2027 transitional determinant: allocated based on FY 2025 treated firm demands in AF. CY 2028 transition: moves to the first year of the rolling calculation based on the maximum annual treated demand of FY 2025 and FY 2026.

Initially, the Water Authority intended to pass these new fixed charges through directly to the member agencies. By doing so, the Water Authority reduces the risk of under-collection of the charges from MWD. While shifts are expected during rate redesigns, the resulting changes were too extreme and outside anticipated and rationalized levels for several agencies – notably given MWD’s use “transitional determinants.” After additional consideration, the Water Authority integrated MWD’s new fixed treatment into the volumetric treated charges. For CY 2027, the full \$10.46 million will be included in the Melded Treatment Rate calculation. After the approval of the 2027 rates and after MWD is done using “transitional determinants,” Water Authority staff will work with the Member Agency Managers to review and consider alternative methods for allocating MWD’s new treatment charges among the Water Authority’s member agencies. Those recommendations will come to the Board for consideration at a later date.

Table 19 Recommended CY 2027 Melded Treatment Rate

MELED TREATMENT RATE	
Treatment Demands - (AF 000's)	
MWD	53.51
Carlsbad Desalination Production	42.00
CWA (Twin Oaks)	21.32
Helix	17.46
Total Treatment Demands	134.29
Treatment Costs (\$ Millions)	
MWD Volumetric	\$20.87
MWD Fixed Treatment Charges	10.46
Desalination Water	25.62
Treatment Revenue Requirement	13.85
CWA Contract Treatment Cost	12.36
Helix	7.46
Treatment Cost	\$90.63
Cash and Reserves	(\$8.71)
Total Revenue Requirement	\$81.92
Treated Forecast (AF 000's)	134.29
Recommended Melded Treatment Rate	\$610.00/AF

5.2.3 Transportation

The Transportation charge recovers 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. Historically, the Transportation revenue requirements were recovered using a uniform volumetric rate per acre-foot. During the MARW process, representatives from the member agencies and the Water Authority reviewed the rate structure and worked to identify modifications aimed at appropriately recovering a greater share of revenues through fixed charges. Such modifications are necessary given the fixed nature of many of the Water Authority’s costs and the increasing volatility of demand in recent years. One of the opportunities identified, and subsequently adopted, is the inclusion of a fixed component to recover a share of transportation costs.

The rates incorporate the changes recommended by the MARW, and adopted by the Board, by allocating the Transportation revenue requirements to be recovered through a volumetric charge and a fixed charge. For CY 2027, the fixed charge is set to recover 60-percent of Transportation revenue requirements with the remaining 40-percent to be recovered using a uniform volumetric rate per acre-foot. The recommended CY 2027 rates are the culmination of a three-year phase-in of the fixed Transportation component.

For CY 2027, the total Transportation revenue requirements are \$91.0 million. The Water Authority spreads the variable component of Transportation costs, \$36.40 million, over all forecasted acre-feet demands to generate the Transportation rate. The recommended CY 2027 Transportation rate is \$113 per acre-foot. The fixed component, \$54.6 million, will be recovered from the member agencies based on their proportionate share of the seven-year rolling average demands as agreed to by the MARW. Table 20 outlines the calculation of the Transportation fixed charge and volumetric rate for CY 2027.

Table 20 Recommended CY 2027 Transportation Rate (in \$ millions)

TRANSPORTATION RATE	
Capital Expenditures (LTD and STD)	\$114.08
Equipment Purchase	1.04
O&M + Share of Agency Operating Expenditures	28.20
Additional Expenses	3.12
Gross Revenue Requirements	\$146.44
Less: Offsetting Revenues	
Capital Related	(11.45)
Operating Related	(38.24)
RR before Coverage	\$96.75
Coverage + Reserves	(\$5.75)
Total Revenue Requirement	\$91.00
Transportation Rate, Fixed (60%)	\$54.60
Variable Component (40%)	\$36.40
Deliveries Subject to Transportation Rate (AF 000's)	323.35
Recommended Transportation Rate	\$113.00/AF

5.3 Permanent Special Agricultural Water Rate Program

Since CY 2021, the Water Authority's rate structure has included the Permanent Special Agricultural Water Rate to provide a rate structure for agricultural use. Agricultural users can opt into the PSAWR program and receive a lower rate if they agree to be subject to cutbacks when deemed necessary due to drought or other supply constraints faced by the Water Authority. The reduced rate reflects the lower level of service, relative to M&I customers, who are not subject to the same cutbacks.

The adopted 2021 PSAWR program includes a provision that it be reviewed after 5 years to determine whether it can be continued. Following a rate review for CY2026, changes were made to the PSAWR rate to ensure that the existing lower rate reflected the service being provided. However, upon review that PSAWR users were benefiting from the Storage function, a modification to the rate elements was completed. Staff and Carollo have also recommended that as purchases from MWD fall below PSAWR demands, that further

discussion was necessary. In June 2025, the Board asked for staff to review the program and bring back potential proposals for consideration prior to CY2027. That review was completed in November 2025 with a recommendation for the PSAWR rate calculation to include both MWD and QSA water volumes, as both are made available to PSAWR users. The result of melding the supplies would mean higher PSAWR rates.

Working with member agencies and key stakeholders, the Water Authority identified non-rate revenues, namely property taxes, that can be applied to directly offset costs and support the PSAWR program. For CY 2027, approximately \$3.45 million in property tax revenue will be applied to the PSAWR rates – essentially buying down the rate to below cost. Actual non-rate revenue will vary based on actual sales. Agricultural users receiving untreated water will be charged \$984 per acre-foot in CY 2027. Those receiving treated water will continue to incur both the agricultural rate as well as the Water Authority's Melded Treatment Charge, which is recommended at \$610 per acre-foot in CY 2027, as shown above.

Table 21 summarizes the projected PSAWR sales, volumetric supply and treatment rates, and revenues for CY 2027. Excluded from the table are revenues associated with Storage, Transportation (fixed and volumetric), Customer Service, and IAC. As shown, total PSAWR sales are projected at 10,998 acre-feet, generating \$16.79 million in supply and treated revenue.

Based on being a lower, interruptible level of service PSAWR participants save roughly \$560/AF equivalent on rates and charges relative to M&I customers. The additional allocation of \$3.45 million provides an additional discount of \$313/AF to the volumetric supply rate. When combined, the average discount is roughly \$870/AF – though actual discount received is dependent on appropriate pass-throughs by each participating agency. The level of this discount is consistent with Board's commitment (and policy) to PSAWR participants and prior Farm Bureau endorsement that was provided in November 2025.

Table 21 Recommended CY 2027 PSAWR Projected Revenue

PSAWR Sales and Revenues	CY 2027 Total
PSAWR Sales (AF 000's)	
Untreated	1.21
Treated	9.79
Total PSAWR Sales	11.00
Melded MWD + QSA Rate	\$1,297 /AF
Non-rate Revenue applied to PSAWR	(\$3.45)
PSAWR Rates (\$ per acre-foot)	
Untreated PSAWR	\$984
Treated PSAWR	\$1,594
PSAWR Revenues (Millions)	
Untreated	\$1.19
Treated	\$15.60
Total PSAWR Revenues	\$16.79

5.4 Capacity Charge Update

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.

Carollo worked with the Water Authority to complete the comprehensive CY 2027 Capacity Charge Study concurrently with the CY 2027 Cost of Service Study. The Capacity Charge Study follows the recent approval of a new 2024 Water Facilities Master Plan and marks a shift away from increasing system capacity, and towards maintaining the performance of the existing system. The Capacity Charge Study included a full valuation of the Water Authority's physical infrastructure, other soft assets and liabilities, and CIP, as well as a review of the charge calculation methodology and structure, and updates to the current and projected customer base using the most recently available data.

The Water Authority last completed a comprehensive capacity charge study in 2014, corresponding with the completion of the prior Facilities Master Plan. Since that time, the charges were updated periodically using the Engineering New Record Construction Cost Index for the City of Los Angeles. This practice is reasonable and commonplace among agencies in California and throughout the US during periods between comprehensive updates.

Table 22 shows the recommended capacity charges based on the 2027 Capacity Charge Study.

Table 22 Recommended System and Treatment Capacity Charge Update

Calendar Year	System Capacity Charge (\$/new MEU)	Treatment Capacity Charge (\$/new MEU)
Existing	\$6,501	\$182
CY 2027	\$5,373	\$244
<i>Increase</i>	<i>(\$1,128)</i>	<i>\$62</i>

The Capacity Charge Study recommends System Capacity Charges that are lower than the current charges. The proposed decrease is driven by the continued depreciation of the system and a relatively lower amount of CIP spending as compared to the 2014 analysis.

The recommended Treatment Capacity Charge increase of \$62 per MEU as compared to the current charge is driven by several factors. The net value of the Water Authority's treatment facilities has increased relative to that of the 2014 study due to inflationary increases in the replacement value of the assets, coupled with a decrease in outstanding debt service attributable to treatment. Further, the current growth projections result in a lower MEU forecast through the planning period. As a result, the value of the treatment assets and CIP are spread over a smaller number of users. These conditions all contribute to the need for higher charges per MEU.

The methodology, data sources, calculations, and recommended capacity charges are detailed in the CY 2027 Capacity Charge Study Report (June 2026).

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 recommended CY 2027 rates are reasonable and consistent with the AWWA cost of service principles, Board policies, and California legal requirements. Carollo's findings for this study are as follows:

- Beyond the financial measures identified by the Water Authority, revenue adjustments are necessary.
- Despite improved metrics and successful marketing of water supplies, inflationary increases are still necessary to recover forecasted costs.
- Revenue adjustments are necessary to cover the Water Authority's identified budget requirements and existing Board policies.
- Executed Water Exchange agreements provide meaningful financial benefits to the Merged Supply Rate in the immediate and long-term, partially dampening and offsetting the effects of Detachment.
- The Water Authority has significant budgetary, operational, and financial details providing a sound basis for existing and recommended 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 rates are structured effectively and appropriately recover the allocated costs from each member agency.
- The increased fixed allocation for Transportation to 60 percent is fair and reasonable.
- 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 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.
- The direct allocation of roughly \$3.45 million of non-rate revenues to support the Board's commitment to the continuation of the PSAWR program is reasonable. The program continues to define a lower level of service for interruptible service and thus only requires a partial non-rate revenue allocation to achieve desired discount levels.
- The System and Treatment Capacity Charges should be updated to reflect the results of the CY 2027 Capacity Charges Study, which provides a comprehensive analysis of the fees' methodology and calculations.



**San Diego County
Water Authority**

CY 2027 Capacity Charge Study



CY 2027 Capacity Charge Study Report

May 2026 / DRAFT



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Abbreviations

AWWA	American Water Works Association
Carollo	Carollo Engineers
CIP	Capital Improvement Plan
gpm	gallons per minute
FY	fiscal year
M1 Manual	M1 Manual: Principles of Water Rates, Fees, and Charges
MEU	Meter Equivalent Unit
mgd	million gallons per day
R&R	repair and replacement
RCNLD	replacement cost new less depreciation
SANDAG	San Diego County Association of Governments
Water Authority	San Diego County Water Authority

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 22 member agencies.

One of the funding mechanisms the Water Authority uses to recover its investments in infrastructure and other assets are capacity charges assessed to new customers when they connect to the system or to existing customers in the event that they upsize their connection (water meter).

The Water Authority retained Carollo Engineers, inc. (Carollo) in 2025 to conduct a comprehensive capacity charge study as a component of a greater multi-year contract which also entails annual cost of service and rate studies. Carollo has assisted the Water Authority's in several rate and fee setting efforts since 2013. This report summarizes the analysis performed to update the capacity charges for calendar year (CY) 2027.

Capacity Charges

Capacity fees, sometimes referred to as connection or impact fees, are one-time fees assessed on new or upsized system connections for water and/or sewer service. The Water Authority imposes capacity fees to recover an appropriate share of the cost of existing infrastructure and future capital needs from users within its service area. The capacity fee equates the reservation of system capacity to serve each new or upsized connection with the infrastructure and system costs to provide that capacity.

SDCWA's capacity charge includes two components. The System Capacity Charge is assessed on new or upsized connections in the entire service as they are based on SDCWA's water supply, transmission, and delivery infrastructure which benefits all customers. The Treatment Capacity charge is assessed to new or upsized connections in member agencies that can receive treated water from SDCWA and is based specifically on SDCWA's treatment infrastructure and assets.

The analysis completed for this Study quantifies the costs incurred by the Water Authority to create system capacity and translates that to a fee per capacity unit to serve each new or modified connection. The specific elements included in the study are a valuation of physical assets, growth projections, the projected capital improvement plan (CIP), outstanding debt obligations, and other factors to determine the appropriate charge methodologies and calculations.

Recommendations and Proposed Charges

The Water Authority last completed a comprehensive capacity charge study in 2014, corresponding with the completion of the prior Facilities Master Plan. Since that time, the charges have been updated periodically using the Engineering New Record Construction Cost Index for the City of Los Angeles. This practice is reasonable and commonplace among agencies in California and throughout the US during periods between comprehensive updates.

A new Facilities Master Plan was recently approved and marks a shift away from increasing system capacity, and towards maintaining the performance of the existing system. This document includes a full valuation of the Water Authority's physical infrastructure, other soft assets and liabilities, and CIP, as well

as a review of the charge calculation methodology and structure, and updates to the current and projected customer base using the most recently available data.

Based on the findings of this study, Carollo recommends:

- Update the charges to reflect the results of this study starting in CY 2027.
 - **System Capacity Charge: \$5,373 per MEU.**
 - **Treatment Capacity Charge: \$244 per MEU.**
- Calculate charge using the existing hybrid charge approach.
 - The hybrid approach accounts for both existing assets and capital projects that are necessary to provide capacity for new customers. Using the hybrid approach establishes a nexus between the value of the existing and future system and the benefits of capital investments to existing and future customers.
 - The updated analysis performed for this study results in recommended System Capacity Charges that are lower than the current charges. The proposed decrease is driven by the continued depreciation of the system and a relatively lower amount of CIP spending as compared to the 2014 analysis.
 - The recommended Treatment Capacity Charge increase of \$62 per MEU as compared to the current charge is driven by several factors. The net value of the Water Authority's treatment facilities has increased relative to that of the 2014 study due to inflationary increases in the replacement value of the assets, coupled with a decrease in outstanding debt service attributable to treatment. Further, the current growth projections result in a lower MEU forecast though the planning period. As a result, the value of the treatment assets and CIP are spread over a smaller number of users. These conditions all contribute to the need for higher charges per MEU.

The specificities of the calculation approach are discussed further later in this report. Additional discussion of the System Capacity Charge decrease and the Treatment Capacity Charge Increase is included in Section 5.

- Retain the current charge structure.
 - The recommended charges retain the current structure, with charges based on MEUs, and the current MEU ratios for each meter size. The current ratios are reasonable and in line with those generally recommended by the American Water Works Association (AWWA) and provides consistency with the Water Authority's MEU based Infrastructure Access Charge.

Table 1, on the next page, summarizes the capacity charge calculations. Table 2 and Table 3, also on the next page, show the recommended CY 2027 System Capacity Charges and Treatment Capacity Charges, respectively.

Table 1 CY 2027 Capacity Charge Calculation

	System Capacity Charge	Treatment Capacity Charge
Value of Water Infrastructure in Service <i>Replacement Cost New Less Depreciation</i>	\$4,840	\$303
Sub-Total of Adjustments (\$M)	\$132	\$0
Total Value of Capital Assets (\$M)	\$4,972	\$303
Total Liability and Asset-Related Adjustments (\$M)	(\$582)	(\$74)
Total Value of Existing Assets Net of Liabilities (\$M)	\$4,390	\$229
Future CIP Costs (\$M)	\$971	\$0
Total Value of Existing and Future Assets (\$M)	\$5,361	\$229
Total Number of Meter Equivalents	997,732	936,458
Calculated System Capacity Charge (\$/MEU)	\$5,373	\$244

Table 2 Recommended System Capacity Charges

Meter Size (in)	Ratio	Current Charge	CY 2027	Change
5/8 - 3/4	1	\$6,501	\$5,373	(\$1,128)
1"	1.6	\$10,402	\$8,597	(\$1,805)
1.5"	3	\$19,503	\$16,119	(\$3,384)
2"	5.2	\$33,805	\$27,940	(\$5,865)
3"	9.6	\$62,410	\$51,581	(\$10,829)
4"	16.4	\$106,616	\$88,117	(\$18,499)
6"	30	\$195,030	\$161,190	(\$33,840)
8"	52	\$338,052	\$279,396	(\$58,656)
10"	78	\$507,078	\$419,094	(\$87,984)
12"	132	\$858,132	\$709,236	(\$148,896)

Table 3 Recommended Treatment Capacity Charges

Meter Size (in)	Ratio	Current Charge	CY 2027	Change
5/8 - 3/4	1	\$182	\$244	\$62
1"	1.6	\$291	\$390	\$99
1.5"	3	\$546	\$732	\$186
2"	5.2	\$946	\$1,269	\$323
3"	9.6	\$1,747	\$2,342	\$595
4"	16.4	\$2,985	\$4,002	\$1,017
6"	30	\$5,460	\$7,320	\$1,860
8"	52	\$9,464	\$12,688	\$3,224
10"	78	\$14,196	\$19,032	\$4,836
12"	132	\$24,024	\$32,208	\$8,184

SECTION 1 INTRODUCTION

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 22 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.

One of the funding mechanisms the Water Authority uses to recover its investments in infrastructure and other assets are capacity charges assessed to new customers when they connect to the system or to existing customers in the event that they upsize their connection (water meter). The Water Authority retained Carollo Engineers, inc. (Carollo) in 2025 to conduct a comprehensive capacity charge study as a component of a greater multi-year contract which also entails annual cost of service and rate studies. Carollo has assisted the Water Authority's in several rate and fee setting efforts since 2013. This report summarizes the analysis performed to update the capacity charges for calendar year (CY) 2027.

1.1 Capacity Charges

Capacity charges, sometimes referred to as connection or impact fees, are one-time fees assessed on new system connections for water and/or sewer service. The Water Authority imposes a specific capacity charge for connections within each service area to reflect each area's specific infrastructure, capital needs, current capacity, and expected growth.

As a utility builds its water system, it needs to estimate a certain level of capacity required to serve water and wastewater demands. The capacity charge equates the reservation of system capacity to serve each new connection with the infrastructure and system costs to provide that capacity. These charges are also assessed on upsized connections, typically when a water connection requires greater capacity and upsizes its meter. The analysis completed for this Study quantifies the costs incurred by the Water Authority to create system capacity and translates that to a charge per capacity unit to serve each new or modified connection.

To serve the member agencies, the Water Authority has constructed an extensive water supply, treatment, and transmission system over a service area totaling 1,325 square miles. The major assets and facilities of the system include:

- An aqueduct system consisting of 5 primary large diameter pipelines totaling 308 miles, more than 1,600 aqueduct related structures, approximately 100 flow control facilities, and 7 pump stations occupying 1,400 acres of right-of-way.
- The Olivenhain Dam and reservoir completed in 2003 with a total storage capacity of 24,000 acre-ft.
- The San Vicente Facilities in which the Water Authority undertook investments including raising the San Vicente Dam (owned and operated by the City of San Diego) to provide an additional 157,000 acre-ft of storage, the San Vicente Pipeline which connects the dam to the Water Authority's infrastructure, and the San Vicente Pump Station and connecting facilities capable of moving up to 200 million gallons per day of water.

- The Twin Oaks treatment plant completed in 2008 capable of producing 100 million gallons of treated water per day.
- Capacity rights in the Levy Treatment Plant and associated facilities affording 36 million gallons per day of treatment capacity to the Water Authority.

Figure 1 shows a map of the service area, member agencies, and major pipelines for reference.

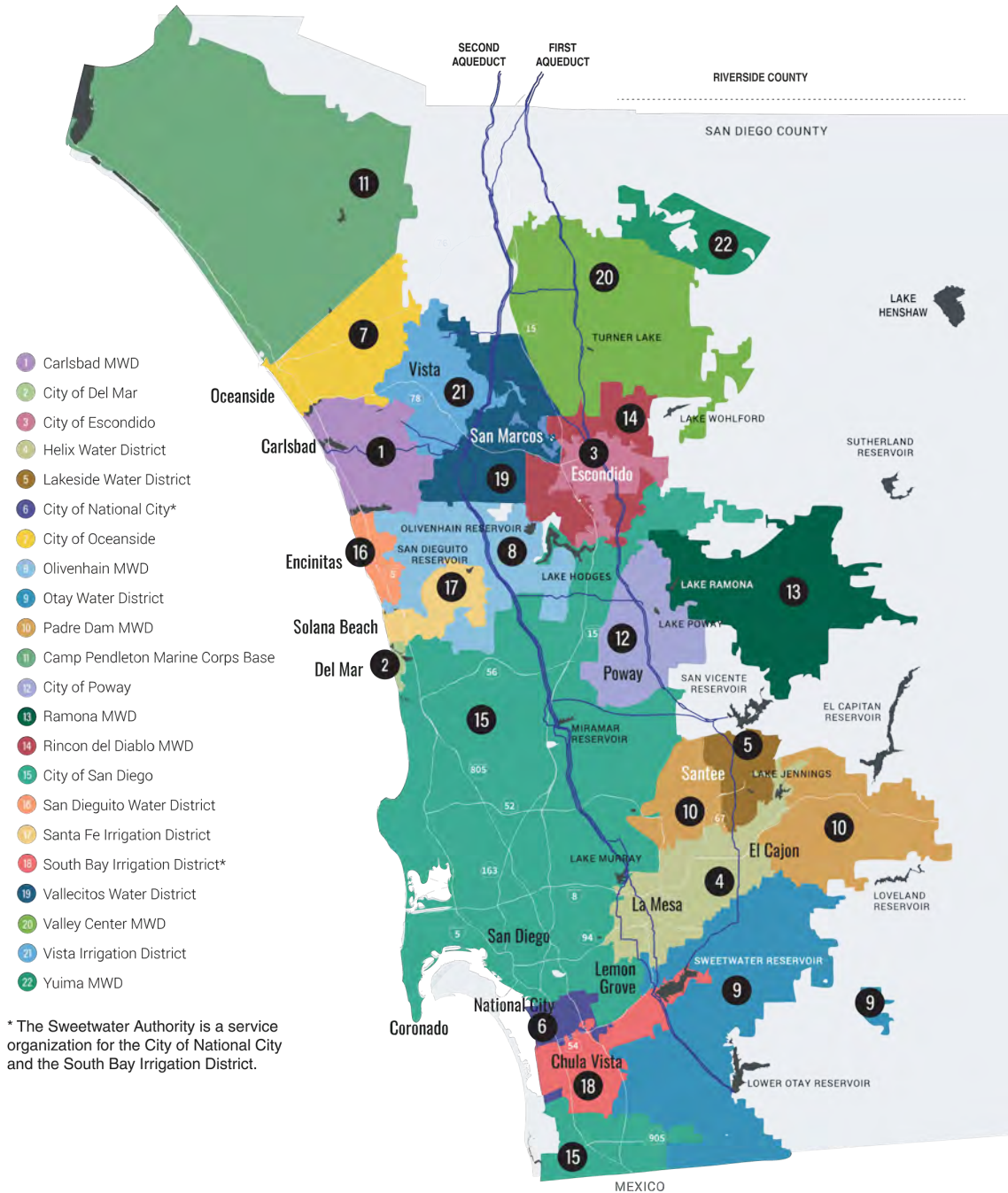


Figure 1: System Service Area Map

1.2 Guiding Principles and Statutory Requirements

Carollo relied on the Water Authority's policies, industry best practice, and California statutory guidance when developing the analysis in the Study. The following criteria were considered in the analysis to evaluate the validity of the capacity charge methodology:

- Do the capacity charges reflect a future connection's proportional share of the cost of capacity in the respective Division's system?
- Is the capacity charge methodology consistent with standards established in the American Water Works Association's (AWWA) *M1 Manual: Principles of Water Rates, Fees, and Charges* (M1 Manual).
- Do the methodology and the resulting recommendations meet Board policies and adhere to applicable legal requirements?
- Are the charges equitable for current and future ratepayers and do they reflect system investment contributions?

In California, capacity charges are subject to the requirements of Government Code Sections §54999.7 and §66013. Capacity charges are "charges for facilities in existence at the time the charge is imposed or charges for new facilities to be constructed in the future which are of benefit to the person or property being charged." Section §66013 provides that capacity charges "shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed." Section §54999.7 establishes a similar cost of service requirement for serving public agencies, including schools.

This analysis should not be considered a legal opinion or guidance, but rather, a documentation of costs and assumptions that support the Water Authority's capacity charges as a reasonable recovery of costs from new or upsized connections for providing water service.

1.3 Basis of Calculations

The capacity charge analysis relied on several sources of data to determine the value of the existing system, the future CIP, and the current and future customer base.

The valuation of the existing physical system used specific sources of information that reflected the best available data for each group of assets. The value of assets constructed prior to 2008 was calculated based on the physical attributes of each asset, i.e., the length and diameter of pipeline, and unit costs. This method is consistent with that used in the 2014 study and all records were reviewed to confirm the quantity and sizing of assets. The value of newer infrastructure assets, those constructed in 2008 and later, is based on information from the accounting system tracking of actual construction project costs. The value of all assets was adjusted to reflect the current value using the ENRCCI as discussed later in this report.

The value of other assets including fund balances capacity rights, stored water, etc. reflect the Water Authority's published FY 2024/25 Annual Comprehensive Financial Report (ACFR). Outstanding liabilities and other adjustments to the overall system valuation are based on the FY 2024/25 ACFR or other detailed records provided by the Water Authority. The current number of customers reflects the official MEU counts used by the Water Authority to assess the IAC and future customer projections reflect San Diego County Association of Governments (SANDAG) projections.

SECTION 2 METHODOLOGY

Capacity charges are designed to recover a proportionate share of system capacity costs from future users. The Water Authority’s system currently has unused capacity that is available to serve future users. The Water Authority will also continue to maintain, improve, and expand the system with future capital improvements. The capacity charge methodology implemented by the Water Authority in 2005 accounts for the benefit that future users will receive from both the existing system and future improvements.

There are two basic components to the Water Authority’s capacity charge – the “buy-in component” (or existing cost basis); and the “future component” (or future cost basis). For the purposes of this study, the term “buy-in component” shall refer to the value of existing system assets (i.e., facilities already in service) that may be recovered through the capacity charge. The term “future component” shall refer to future facilities (i.e., facilities in the Capital Improvement Program, CIP) that may be recovered through the capacity charge.

The buy-in component of the capacity charge is based on replacement cost new less depreciation. Outstanding debt principal and monetary reserves are also accounted for in this cost basis as described in the report sections that follow. The future component incorporates the present value (in 2026 dollars) of the Water Authority’s capital improvement program. Costs are fairly and reasonably spread over both existing and future users by dividing the total system value by the total number of equivalent household meters that are projected to receive water service through 2040. The methodology for calculating both the system and treatment capacity charges is illustrated in the equation below.

Equation 1 [Overview of Capacity Charge Calculation](#)

$$\text{Capacity Charge} = \frac{\text{Value of Existing Total Capacity} + \text{Present Value of Future CIP}}{\text{Existing} + \text{Future Customers (MEUs)}}$$

2.1 Buy-In Component

Utilities often construct excess infrastructure capacity to meet projected future demands. The purpose of the buy-in component of the Water Authority’s capacity charges is to recover costs that have already been incurred by the Water Authority. Existing customers have paid for this system over time through their user rates (through direct capital financing or retired debt). The buy-in component of a capacity charge provides a mechanism to reimburse existing system users for the carrying costs of constructing system capacity that is available to be used by future users.

Determining existing system value begins with a valuation of all assets currently owned by the utility. This is then adjusted by several factors, resulting in an estimate of system value that represents the total net equity held in the system by the utility’s existing customers. The AWWA does not dictate a specific valuation methodology to be used in capacity charge analyses, instead, they outline four possible valuation approaches:

Table 4 System Valuation Approaches from the AWWA M1 Manual

Approach	Asset Valuation Basis
Original Cost	Nominal value paid at the time of construction
Net Book Value (NBV) or Original Cost Less Depreciation (OCLD)	Original value, less accumulated depreciation
Replacement Cost New (RCN)	Original cost, adjusted to represent cost of replacement in current dollars
Replacement Cost New Less Depreciation (RCNLD)	Original cost less accumulated depreciation, adjusted to represent cost of replacement in current dollars

There are further considerations when calculating the buy-in component of the capacity charge. Given that the existing system was constructed over time, the original cost of constructing the system does not accurately reflect its current value nor the cost to construct the facilities today. Consequently, original costs were escalated to 2026 dollars using Engineering News Records Construction Cost Index (ENR CCI). The Water Authority’s fixed asset records were used as the basis for this analysis, which included original costs, acquisition dates, and estimated useful lives.

Replacement costs are often not the most accurate estimate of system value for the purpose of calculating capacity charges, because system assets have a finite lifespan and must be replaced and/or rehabilitated in time. The Water Authority adjusts the existing cost basis by deducting straight-line depreciation. Accumulated depreciation is determined by dividing the age of each asset by the projected useful life and reducing the asset value by that percentage. By accounting for accumulated depreciation in the buy-in cost basis, the Water Authority may recover a proportionate value of capital improvements that will replace depreciated assets or will be undertaken to extend the useful lives of these assets through the future cost component of the capacity charge.

The Water Authority’s capacity charge methodology assigns a value to the system using the Replacement Cost New Less Depreciation (RCNLD) approach. By accounting for accumulated depreciation, the RCNLD charges new or upsized connections only for the remaining value in the system based on the expected life of the existing assets. Adjusting costs to current dollars lets the charges reflect a more reasonable estimate of the cost of the system’s assets were they to be constructed today.

Further adjustments are applied to the existing cost basis to account for assets that were funded with outside sources of revenue and to reflect the Water Authority’s outstanding liabilities. The existing cost basis should not include costs of assets that were grant-funded or donated assets and should only include those costs incurred by the Water Authorities ratepayers for the development of the existing system. For this reason, contributed assets are removed from the existing cost basis.

Finally, the buy-in component is reduced by outstanding debt principal on existing assets net of available reserves. While there is no statutory requirement to do so, the Water Authority recognizes that customers connecting to the system will pay for these assets through the debt service component of their utility rates and therefore deducts outstanding debt principal from the existing cost basis. However, because the Water Authority maintains reserves that are essentially assets in the form of cash that could also be used to retire outstanding debt service, reserves are accounted for as a credit against the outstanding debt principal.

2.2 Future Cost Component

In addition to the value of the existing system, the Water Authority recovers a proportionate share of future capital improvements that will benefit future customers. The Water Authority's capital improvement program is now focused on maintaining the reliability of existing infrastructure; which has available capacity to serve future demands. As such, existing and future users will benefit generally in the same manner and to the same extent from these projects. As noted above, accumulated depreciation is deducted from the buy-in component of the capacity charge. This allows for the inclusion of future rehabilitative and upgrade projects in the capacity charge calculations; the charges equitably recover system value from future users and prevent a double counting of assets through the buy-in and future components of the capacity charges.

The future cost basis accounts for capital improvements that will be constructed through 2040.

2.3 Calculation Steps

The Study followed the calculation steps described below, and further detailed later in the report, to determine the recommended capacity.

1. Determine the existing system capacity served based on connected MEUs and project to 2040 capacity based on growth projections.
2. Calculate the value of the existing systems, including infrastructure and adjustments based on asset and financial records provided by the Water Authority.
3. Future system costs in the CIP.
4. Divide the sum of existing system value and future system value by the projected 2040 system capacity.

SECTION 3 CUSTOMER BASE

3.1 Current Customer Base

The denominator of the capacity charge equation is the capacity of the infrastructure built and/or planned that can serve new and/or modified connections. Defining system capacity can be a challenging step for the Capacity Charge process. While it is simple to say, for instance, that a system has 50 million gallons per day (mgd) of capacity, that needs to be converted into some unit of measure that can be assessed to each new connection. Common practice for water capacity charges, and consistent with the Water Authority’s existing charge structure, is to assess charges to new or upsized connections based on MEUs.

Table 5 shows the current number of MEUs for each member agency as of December 31, 2025, as provided by the Water Authority. These MEUs match those that will be used to calculate and assess the CY 2027 Infrastructure Access Charge.

Table 5 Current Customer Base (MEUs)

Member Agency	December 31, 2025 MEUs	
Carlsbad M.W.D.	35,971	
Del Mar, City of	2,508	No Treatment
Escondido, City of	36,065	No Treatment
Helix W.D.	65,258	
Lakeside W.D.	8,371	
Oceanside, City of	59,413	
Olivenhain M.W.D.	28,428	
Otay W.D.	60,769	
Padre Dam M.W.D.	27,865	
Poway, City of	17,575	No Treatment
Ramona M.W.D.	10,132	
Rincon Del Diablo M.W.D.	10,895	
San Diego, City of	402,119	
San Dieguito W.D.	15,445	
Santa Fe I.D.	10,341	
Sweetwater Authority	42,621	
Vallecitos W.D.	28,522	
Valley Center M.W.D.	15,487	
Vista I.D.	35,910	
Yuima M.W.D.	575	
Total MEUs	914,270	Subject to System Capacity Charge
Treated MEUs	858,122	Subject to Treatment Capacity Charge

Based on the infrastructure by which they are served, the Cities of Del Mar, Escondido, and Poway are only able to purchase raw water from the Water Authority. Therefore, new or upsized connections in those

cities are not subject to the Treatment Capacity Charge. The MEUs from those cities are not included in the calculation of the Treatment Capacity Charge.

3.2 Future Customer Base

The analysis relies on SANDAG’s Series 15 Forecast (April 2024) to estimate future MEUs served by the Water Authority. Notably, Series 15 reflects substantially lower growth than the projections used in the previous Capacity Charge Study, resulting in a more moderate outlook for future demand. For this study, MEUs are projected through 2040 to align with the timeframe of the budgeted CIP, assuming that projects listed as “Beyond FY 2030/31” are completed by 2040.

SANDAG forecasts both the countywide population as well as the number of housing units. Based on Series 15, the number of housing units is projected to rise more quickly than the population, indicated by a decrease in the number of persons per household. This study uses the expected increase in the number of as a proxy for the total growth in MEUs.

Table 6 shows the projected housing unit growth from SANDAG as well as the projected MEUs for the System and Treatment Capacity Charges.

Table 6 Growth Projections

	2025	2040
Housing Units	(CADOF and ACFR)	(SANDAG)
County Total	1,280,893	1,410,615
Growth From 2025		129,722
Growth Adjusted to Remove Fallbrook and Rainbow Growth		116,931
Percentage Growth		9.13%
MEUs		
Total MEUs	914,270	997,732
New Through 2040		83,462
MEUs for Treatment Charge	858,122	936,458
New Through 2040		78,336

The projected housing unit growth in the SANDAG forecast is a county wide projection that includes the Fallbrook Public Utilities District and the Rainbow Municipal Water District who detached from the Water Authority on December 31, 2023 and October 30, 2024, respectively. The projected housing unit growth was adjusted to remove expected growth from Fallbrook and Rainbow as users there will no longer be subject to the Water Authority’s charges.

From 2013 to 2022, Fallbrook and Rainbow constituted 9.9% of the Water Authority’s total MEU growth. As such, the projected number of housing units shown in Table 6 was decreased by 9.9% under the assumption that the relative amount of growth across the county would remain consistent with the latest 10 years of data available (2013 to 2022).

SECTION 4 SYSTEM VALUATION

The Water Authority uses the System and Treatment capacity charges to recover a fair share of the cost of the capacity reserved by new customers when they connect to the system or by existing users who upsize their water meter. Determining the cost of that capacity begins with understanding the value of the Water Authority's existing systems, that have been funded by existing customers, as well as the share of the future system costs that are required for new users.

Calculating the existing system value requires a comprehensive evaluation of the systems including the physical assets the Water Authority uses to provide water service as well as other assets such as reserves and capacity rights that are necessary for the Water Authority to function and provide reliable service. The future system value is based on the projected CIP, which benefits new users by maintaining the available capacity of the systems. The system value also needs to reflect adjustments and liabilities, such as outstanding debt principal, that affect the value of the capacity that new users purchase.

This section summarizes system valuation.

4.1 Existing Physical System Value

The Water Authority has constructed an extensive physical system to provide service to the member agencies that includes infrastructure and facilities for water supply, treatment, transportation, delivery, and other necessary ancillary facilities. The total value of the Water Authority's existing system represents the current value of the physical water systems and other capital assets funded by existing ratepayers, less accumulated depreciation (RCNLD) and adjusted based on other non-physical assets, contributed assets, and outstanding debt principal.

The value of the existing infrastructure in service (physical assets) is based on the Water Authority's accounting and records including the asset registry, records of completed projects, and infrastructure size and quantity information (for assets constructed prior to 2008). The steps for determining the RCNLD of each asset are described below.

1. **Original Cost** – Also referred to as acquisition cost, this is the original cost paid at the time of construction or capitalization for each asset or system. For each asset or project included in the documentation the original cost of each asset or project based on accounting records or by estimating it based on physical attributes, or by a combination thereof.
2. **Depreciation** – The loss in value of each asset or system as the useful life of that asset is exhausted. Depreciation is calculated for each asset or project based on its expected useful life and its age.
 - For example, if asset has a useful life of 50 years and was acquired 25 years ago, that asset would be 50-percent depreciated.
3. **Net Book Value** – The remaining value of each asset or system in original dollars calculated by subtracting Depreciation from Acquisition Cost.
 - Continuing the example from above, if the asset had an original cost of \$1 million and is 50-percent depreciated, the net book value would be:
$$\$1,000,000 \text{ (original cost)} - \$500,000 \text{ (depreciation)} = \$500,000 \text{ (net book value)}$$
4. **Replacement Cost New** – The current value of the existing assets or projects. Replacement Cost New can be determined by escalating the original acquisition cost for each asset to current

dollars. For purposes of The Study, original costs are escalated to current dollars using the January 2026 ENR CCI for the City of Los Angeles.

- Continuing the example from above, an asset that is 25 years old in 2026 would have been constructed in 2001. The Los Angeles ENR CCI was 7,068 in January 2001 and 15,652 for January 2026. The replacement cost new of the example \$1,000,000 asset would be:
 $\$1,000,000$ (original cost) \times $[15,652/7,068] = \$2,214,488$ (replacement cost new)
- 5. **Trended Depreciation** – The current value of the depreciation on assets or projects. Trended Depreciation can be determined by escalating the depreciation of each asset to current dollars using the ENR CCI.
 - Continuing the example from above, the trended depreciation would be:
 $\$500,000$ (depreciation) \times $[15,652/7,068] = \$1,107,244$ (trended depreciation)
- 6. **Replacement Cost New Less Depreciation (RCNLD)** – The remaining value of each asset or system in current dollars. RCNLD is determined by subtracting Depreciation (adjusted to current dollars using ENR CCI) from Replacement Cost New.
 - Continuing the example from above, the RCNLD would be:
 $\$2,214,488$ (replacement cost new) $-$ $\$1,107,244$ (trended depreciation) $= \$1,107,244$ (RCNLD)

Alternatively, RCNLD can be calculated by escalating the Net Book Value to current dollars using the ENR CCI.

Table 7, on the next page, summarizes the RCNLD of the non-treatment assets. Assets are grouped by function and type the main groups are:

- Pipelines
- Pipelines – Aqueduct Projection Program (APP)
- Canal
- Flow Control Facilities
- Tunnels
- Pump Stations and Hydro Turbine Facilities
- Flow Regulating Structures
- Miscellaneous
- Olivenhain Dam
- Emergency Storage Program and San Vicente Facilities
- Lake Hodges Facilities
- Rancho Penasquitos

The total replacement value of the system in 2026 dollars is approximately \$7.90 billion. With the assets' ages and associated depreciation subtracted, the RCNLD of the system is \$4.84 billion. Based on the records provided, the system has 61-percent of its useful life remaining on average.

Table 7 Existing System Assets Summary (\$ millions)

Component	Replacement Cost New	Trended Depreciation	RCNLD	Percent Depreciated	Useful Life Remaining
Pipelines	\$2,621.6	(\$1,091.5)	\$1,530.1	42%	58%
Pipelines - APP	\$1,785.8	(\$869.2)	\$916.7	49%	51%
Canal	\$426.8	(\$61.7)	\$365.1	14%	86%
Flow Control Facilities	\$446.5	(\$280.8)	\$165.7	63%	37%
Tunnels	\$490.2	(\$200.8)	\$289.4	41%	59%
Pump Stations & Hydro Turbine Facilities	\$275.4	(\$103.8)	\$171.6	38%	62%
Flow Regulating Structures	\$149.0	(\$41.9)	\$107.1	28%	72%
Miscellaneous	\$186.8	(\$98.9)	\$87.9	53%	47%
Olivenhain Dam	\$698.5	(\$164.4)	\$534.1	24%	76%
Emergency Storage Program and San Vicente Facilities	\$645.6	(\$103.0)	\$542.6	16%	84%
Lake Hodges Facilities	\$92.6	(\$12.8)	\$79.8	14%	86%
Rancho Penasquitos	\$76.4	(\$26.3)	\$50.1	34%	66%
Total for System Capacity Charge	\$7,895.1	(\$3,055.1)	\$4,840.0	39%	61%

Table 8 summarizes the RCNLD of the treatment assets which include the Water Authority’s capacity at the Levy Water Treatment Plant (WTP), owned and operated by Helix Water District and the Water Authority’s own Twin Oaks WTP. The total replacement value of the treatment assets in 2026 dollars is approximately \$441 million. With the assets’ ages and associated depreciation subtracted, the RCNLD of the system is \$303 million. Based on the records provided, the treatment plants have 69-percent of their useful life remaining on average.

Table 8 Existing Treatment Assets Summary (\$ millions)

Component	Replacement Cost New	Trended Depreciation	RCNLD	Percent Depreciated	Useful Life Remaining
Levy WTP Capacity	\$96.7	(\$35.3)	\$61.4	37%	63%
Twin Oaks WTP	\$344.0	(\$102.7)	\$241.3	30%	70%
Treatment Capacity Charge	\$440.7	(\$138.1)	\$302.7	31%	69%

Table 9 shows the combined replacement cost, depreciation, and RCNLD for the System and Treatment Assets. The total replacement value of the system in 2026 dollars is approximately \$8.34 billion. With the assets’ ages and associated depreciation subtracted, the RCNLD of the system is \$5.14 billion. Based on the records provided, the system has 62-percent of its useful life remaining on average.

Table 9 Existing Combined Physical Assets Summary (\$ millions)

	System	Treatment	Total
Replacement Cost New	\$7,895.1	\$440.7	\$8,335.8
Trended Depreciation	(\$3,055.1)	(\$138.1)	(\$3,193.2)
RCNLD	\$4,840.0	\$302.7	\$5,142.6

4.2 Adjustments to Infrastructure in Service

Along with the infrastructure in service described in the previous section, the Water Authority holds land assets and construction work in progress for projects that are not yet completed and capitalized. The value of the physical system also needs to be adjusted to account for contributed capital which was paid for with outside sources of funding. Table 10 summarizes the adjustments to infrastructure in service. The land value and construction work in progress included in the analysis are from the Water Authority’s FY 2024/25 ACFR. The Adjustment for contributed capital includes the amount determined as of the 2014 study as well as the cumulative “Contributions in Aid of Capital” for FY 2012/13 through FY 2024/25 as presented in the FY 2021/22 and FY 2024/25 ACFR’s. All adjustments in this category are allocated entirely to the System Capacity Charge and result in an additional \$132.2 million in existing system value.

Table 10 Adjustments to Infrastructure in Service (\$ millions)

	System	Treatment	Total
Land Value	\$59.1	-	\$59.1
Construction Work in Progress	\$106.7	-	\$106.7
Contributed Capital	(\$33.5)	-	(\$33.5)
Total Infrastructure Adjustments	\$132.2	\$0.0	\$132.2

4.3 Liability and Asset Related Adjustments

The buy in component of the System and Treatment Capacity charges should reflect the value of the system that has been paid for by existing customers so that new or upsized customers pay for their capacity “on par” with those existing users. As such, the valuation of the existing system includes adjustments including the subtraction of outstanding debt principal, addition of other tangible and intangible assets, and the addition of reserve balances.

Outstanding Debt

Outstanding debt principal represents amortized capital project costs not yet funded by existing ratepayers. As debt is retired using rate revenues, the retired debt principal becomes part of the system value. The offsets include fiscal year ending 2027 through the scheduled end of payments for each bond. Each outstanding bond or certificate of participation (COP) has a specific allocation to System and Treatment based on the use of its proceeds. Outstanding Commercial Paper obligations (short term debt) are allocated to the System and Treatment Capacity Charges in proportion to the allocated Bonds and COPs.

Table 11, on the next page, shows the outstanding principal balances for each bond as well as the outstanding balance of commercial paper. Accounting for outstanding debt principal results in a reduction in the System value of \$1.77 billion and a reduction of the Treatment value of \$73.3 million.

Table 11 Outstanding Water Divisions Debt (\$ thousands)

Outstanding Principal	System	Treatment	Total
1998A COP	(\$11.3)	(\$0.4)	(\$11.7)
2010B Water Revenue Bonds	(\$519.4)	(\$5.0)	(\$524.4)
2015A Water Revenue Refunding Bonds	(\$62.2)	(\$3.7)	(\$65.9)
2016B Water Revenue Refunding Bonds	(\$16.6)	(\$1.2)	(\$17.9)
2019 Water Furnishing Revenue Refunding Bonds	(\$177.4)	-	(\$177.4)
2020A Water Revenue Refunding Bonds	(\$191.8)	(\$48.6)	(\$240.4)
2021A Water Revenue Refunding Bonds	(\$79.4)	(\$4.1)	(\$83.6)
2021S-1 Subordinate Lien Water Revenue Refunding Bonds	(\$146.5)	-	(\$146.5)
2021B Water Revenue Refunding Bonds	(\$271.5)	-	(\$271.5)
2022A Water Revenue Bonds	(\$161.7)	-	(\$161.7)
Subtotal: Bonds and COPs	(\$1,637.8)	(\$63.0)	(\$1,700.8)
Commercial Paper	(\$226.0)	(\$19.0)	(\$245.0)
Total Outstanding Debt	(\$1,863.8)	(\$82.1)	(\$1,945.8)

Other Tangible and Intangible Assets

The value of other assets including intangible assets capacity rights, stored water, etc. reflect the Water Authority's published FY 2024/25 Annual Comprehensive Financial Report (ACFR). As shown in Table 12, these items total \$918.4 million for the System Capacity Charge and \$8.0 million for the Treatment Capacity charge.

Table 12 Outstanding Water Divisions Debt (\$ thousands)

	System	Treatment	Total
Intangible Software and Mitigation Improvements	\$7.2	-	\$7.2
Less Depreciation on Intangible Software and Mitigation Improvements	(\$3.3)	-	(\$3.3)
Participation and Capacity Rights	\$368.7	\$8.0	\$376.6
Storage Rights	\$485.1	-	\$485.1
Less Depreciation on Storage Rights	(\$53.3)	-	(\$53.3)
Stored Water	\$114.1	-	\$114.1
Total Outstanding Debt	\$918.4	\$8.0	\$926.3

Cash Reserves

Existing users have funded the Water Authority's cash reserve balances are supported through their ongoing rates and charges. When new users connect to the system, or when existing users increase their capacity by upsizing their meter, they gain immediate access to the reserves which are necessary for the prudent financial management of the Water Authority. As such, the cash value of existing reserves, in current dollars, is included in the System and Treatment Capacity Charge calculations.

Table 13 shows the reserve balances included in the charge calculations. All values reflect actual year-end balances from the FY 2024/25 ACFR. A portion of the debt service reserve component for the 1998A COP is allocated to the Treatment Capacity Charges as part of that obligation was used for treatment. The debt service reserve includes \$12.2 million for the 1998A COP, 3.3-percent of which was used for treatment, resulting in \$0.4 million allocated to the Treatment Capacity charge. All other reserves are attributable entirely to the System Capacity charge.

Table 13 Outstanding Water Divisions Debt (\$ thousands)

	System	Treatment	Total
Debt Service Reserve Fund	\$22.8	\$0.4	\$23.2
PAYGO Fund (System Capacity Portion)	\$71.4	-	\$71.4
Operating Fund (System Capacity Portion)	\$142.2	-	\$142.2
Rate Stabilization Fund	\$126.1	-	\$126.1
Equipment Replacement Fund	\$0.1	-	\$0.1
Canal Maintenance Fund	\$1.0	-	\$1.0
Total Reserve Funds	\$363.6	\$0.4	\$364.0

Summary of Liability and Asset Related Adjustments

Table 14 summarizes the liability and asset related adjustments from Tables 11, 12, and 13, above. The adjustments result in a decrease in the buy-in value of \$581.8 million for the System and \$73.7 million for Treatment.

Table 14 Liability and Asset Related Adjustments (\$ thousands)

	System	Treatment	Total
Outstanding Debt Principal	(\$1,863.8)	(\$82.1)	(\$1,945.8)
Other Assets and Liabilities	\$918.4	\$8.0	\$926.3
Reserve Funds	\$363.6	\$0.4	\$364.0
Total Liability and Asset Related Adjustments	(\$581.8)	(\$73.7)	(\$655.5)

4.4 Future System Value

The future system cost basis of the System and Treatment Capacity Charges is based on the Water Authority’s Board adopted Capital Improvement Program (CIP), as presented in the FY 2025/26 and FY 2026/27 biennial budget.

The Water Authority performs long-term planning efforts along with reviews and reprioritizations every two years as part of the budgeting process. The last capital planning effort completed was the 2024 Facilities Master Plan. Previous CIP efforts have expanded and created the infrastructure necessary to treat, store, and deliver water to ensure safe and reliable supplies for the region. As that infrastructure has been completed, the Water Authority has transitioned from the large-scale capital intensive program to a focus on asset management. The projects included in the current CIP will maintain the existing assets, which have capacity available to serve future users, in a reliable condition.

The projects listed in the CIP were compared to the recently acquired assets and projects in the asset list and where necessary, CIP costs from the budget were reduced by the amounts already capitalized to avoid double counting the value of those project components. The projected CIP costs were also reduced by the construction work in progress discussed in the previous section. The project costs, adjusted based on work in progress, included in the System Capacity Charge calculation total \$970.6 million.

No treatment CIP costs are expected within the planning horizon of this study.

Table 15 summarizes the future system value component.

Table 15 Future Water System Value Summary (\$ thousands)

	System	Treatment	Total
Asset Management	\$952.9	-	\$952.9
Emergency Storage Program	\$35.7	-	\$35.7
Environmental Mitigation	\$52.7	-	\$52.7
Planning and Studies	\$5.2	-	\$5.2
Regional Resiliency	\$30.7	-	\$30.7
Less: Construction Work in Progress	(\$106.7)	-	(\$106.7)
Total	\$970.6	\$0.0	\$970.6

SECTION 5 RECOMMENDED CAPACITY CHARGES

To calculate the System and Treatment Capacity Charges, the total value (existing plus future) is divided by the total user base benefiting from the system, in this case the 2040 projected capacity in MEUs. Table 16 shows the calculations for the System and Treatment Capacity Charges. The proposed System Capacity Charge is \$5,373 per MEU and the proposed Treatment Capacity Charge is \$244 per MEU.

Table 16 CY 2027 Capacity Charge Calculation

	System Capacity Charge	Treatment Capacity Charge
Value of Water Infrastructure in Service <i>Replacement Cost New Less Depreciation</i>	\$4,840	\$303
Sub-Total of Adjustments (\$M)	\$132	-
Total Value of Capital Assets (\$M)	\$4,972	\$303
Total Liability and Asset-Related Adjustments (\$M)	(\$582)	(\$74)
Total Value of Existing Assets Net of Liabilities (\$M)	\$4,390	\$229
Future CIP Costs (\$M)	\$971	-
Total Value of Existing and Future Assets (\$M)	\$5,361	\$229
Total Number of Meter Equivalents	997,732	936,458
Calculated System Capacity Charge (\$/MEU)	\$5,373	\$244

The charge calculation methodologies and updated capacity charges presented in this report provide a clear nexus between the investments (both past and future) necessary to provide capacity for new users and the costs charged to those new users when they connect to the system.

System Capacity Charges

The recommended System Capacity Charge of \$5,373 per MEU represents a reduction from the current charge of \$6,501 per MEU. The proposed decrease reflects a shift away from expanding system capacity, leading to a notably smaller CIP program than was envisioned in the 2014 analysis. As the system continues to depreciate and fewer new capacity increasing projects are needed, the portion of capital costs attributed to future users has declined, resulting in the lower recommended charge.

After the last comprehensive analysis in 2014, the Water Authority periodically updated the System Capacity Charge using the ENR CCI, as is commonly accepted practice. Those adjustments have resulted in the charge increasing approximately 39-percent from the 2014 charge of \$4,681 to the current \$6,501 per MEU. Over that same time frame, the value of the existing system (including adjustments) has increased by a smaller amount, approximately 32-percent. This is reflective of the continued depreciation of the systems exiting assets since that time and that the combined increase in RCNLD of assets constructed though 2012 coupled with the level of capital investment over the intervening years through 2025, has not kept pace with construction cost inflation.

Table 17, on the next page, shows the recommended CY 2027 System Capacity Charges by meter size.

Table 17 Recommended System Capacity Charges

Meter Size (in)	Ratio	Current Charge	CY 2027	Change
5/8 - 3/4	1	\$6,501	\$5,373	(\$1,128)
1"	1.6	\$10,402	\$8,597	(\$1,805)
1.5"	3	\$19,503	\$16,119	(\$3,384)
2"	5.2	\$33,805	\$27,940	(\$5,865)
3"	9.6	\$62,410	\$51,581	(\$10,829)
4"	16.4	\$106,616	\$88,117	(\$18,499)
6"	30	\$195,030	\$161,190	(\$33,840)
8"	52	\$338,052	\$279,396	(\$58,656)
10"	78	\$507,078	\$419,094	(\$87,984)
12"	132	\$858,132	\$709,236	(\$148,896)

Treatment Capacity Charges

The recommended Treatment Capacity Charge of \$244 per MEU is an increase of \$62 per MEU as compared to the current charge of \$182 per MEU. The proposed increase is driven by several factors.

- The estimated replacement value of the exiting treatment assets including the Twin Oaks WTP and the Water Authority’s capacity at the Levy WTP has increased significantly since the previous study. Based on the records reviewed for this analysis, the original cost of the Twin Oaks WTP was approximately \$216 million. Adjusted for inflation using the ENRCCI, the replacement cost of the Twin Oaks WTP is \$344 million in 2025 dollars. Accounting for depreciation, the RCNLD is \$241. In the 2014 study, the RCNLD of Twin Oaks was evaluated at \$230 million.
- Similarly, the RCNLD of the Water Authority’s share of the Levy WTP has increased from \$43 million in the previous study to \$61 million as of 2025.
- Much of the outstanding debt related to treatment has been paid off or otherwise defeased, resulting in a higher net value of treatment assets for new users. At the time of the previous study in 2014, \$173 million of outstanding debt principal was attributable to treatment. As of 2025, the outstanding debt attributable to treatment is \$82 million.
- The updated SANDAG projections (Series 15) indicate less growth than what was anticipated at the time of the previous study. The projections in the previous study indicated existing and future MEUs connected to the treated system of 1,026,624 for 2035. The updated projections for this study indicate existing and future MEUs connected to the treated system of 936,458 for 2040. As a result, the value of the treatment assets and CIP are spread over a smaller number of users, leading to higher charges per MEU.

Table 18, on the next page, shows the recommended CY 2027 System Capacity Charges and Treatment Capacity Charges, by meter size, respectively.

Table 18 Recommended Treatment Capacity Charges

Meter Size (in)	Ratio	Current Charge	CY 2027	Change
5/8 - 3/4	1	\$182	\$244	\$62
1"	1.6	\$291	\$390	\$99
1.5"	3	\$546	\$732	\$186
2"	5.2	\$946	\$1,269	\$323
3"	9.6	\$1,747	\$2,342	\$595
4"	16.4	\$2,985	\$4,002	\$1,017
6"	30	\$5,460	\$7,320	\$1,860
8"	52	\$9,464	\$12,688	\$3,224
10"	78	\$14,196	\$19,032	\$4,836
12"	132	\$24,024	\$32,208	\$8,184

End of report.

APPENDIX A

ASSET VALUATION SUMMARY



May 20, 2026

Attention: Administrative and Finance Committee

Controller’s Report on Monthly Financial Activity. (Information)

<p>Water Sales Volume (in acre-feet) for the month of April 2026</p>		<p>This chart (left) shows water sales in acre-feet for the month of April 2026, while other sections of the Controller's Report pertain to the 9-month period ending March 31, 2026. The chart shows the most current water sales volume information available as of the date this report was prepared.</p>
Budget	23,263	
Actual	25,796	

Purpose

To provide a summary of key financial information to the Board of Directors.

Financial Information

Attached are the following graphs and financial reports comprising the Controller’s Report:

1. Water Sales Volumes Budget and Actual and YOY Comparisons
2. Water Sales Revenues Budget and Actual Comparison
3. Water Purchases and Treatment Costs Budget and Actual Comparison
4. Budget Status Report
5. Schedule of Cash and Investments

The Budget Status Report compares actual revenues and expenses on a budgetary basis to the period-to-date adopted budget. Below is a summary of the financial activities for the period July 1, 2025 through March 31, 2026, in millions:

	<u>FY 2026</u>	<u>For the 9 months ended March 31, 2026</u>			
	<u>Adopted Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance Positive/ (Negative)</u>	<u>% Budget Above/ (Below)</u>
Water Sales	\$ 782.3	\$ 565.0	\$ 576.7	\$ 11.7	2%
Water Purchases & Treatment	595.0	431.5	421.6	9.9	-2%
Net Water Sales Revenue	187.3	133.5	155.1	21.6	16%
Revenues & Other Income	122.0	83.7	114.4	30.7	37%
Total Revenues	309.3	217.2	269.5	52.3	24%
Total Expenses	243.7	127.9	157.9	(30.0)	23%
Net Revenues Before CIP	65.6	89.3	111.6	22.3	25%
CIP Expenses	80.4	61.8	34.9	26.9	-44%
Net Fund Withdraws	\$ (14.8)	\$ 27.5	\$ 76.7	\$ 49.2	179%

Summary

For the nine months ending March 31, 2026, the Water Authority’s actual net revenues after CIP was a positive \$49.3 million and therefore not requiring a draw from fund balance (reserves) thus

far. However, the \$14.8 million draw as budgeted is expected to be reduced by approximately \$10.5 million.

The favorable variance is primarily due to higher than budget net water sales revenue (\$21.6 million) and capacity charges revenue (\$9.2 million) coupled with lower than budgeted CIP expenses (\$27.0 million) and operating department expenses (\$6.8 million). Higher March water sales due to a drier spring contributed to overall higher revenues and while most of the budgeted CIP expenses are still expected to occur by June 30 and are due to delayed project starts and contractor invoices submission. Also favorable to note in March is that the Water Authority received the Carlsbad Desalination Intake and Discharge Facilities grant proceeds (\$19.0 million). These grant monies have no effect on results as they represent a pass-through to Channelside Water Resources LP for our share of project costs.

Net Water Sales Revenue

Net water sales revenue is the difference between the receipts from the sale of water and the cost of that water, providing the Water Authority's principal source of revenue. Sales include revenues from three variable and five fixed charge components:

Variable Commodity Charges for supply, treatment, and transportation

Fixed Charges for customer service, storage, supply reliability, transportation, and infrastructure access

For the nine-month period ended March 31, 2026, total acre-feet (AF) of water sold was 241,998 AF, which was 9,090 AF or 4 percent higher than budgeted sales volumes of 232,908 AF (Attachment 1). Water sales revenue was higher than the budget by \$11.7 million, while water purchases and treatment costs were lower by \$9.9 million (Attachments 2 and 3), resulting in overall net water sales revenues of \$155.1 million or \$21.7 million higher than the budgeted amount of \$133.5 million (Attachment 4). On a year over year basis, FY 2026 actual water sales volumes through March 2026 were 736 AF or 0.3 percent lower compared to March 2025 water sales volumes of 242,734 AF (Attachment 1).

Inclusive of the cost of water added to inventory, \$36.8 million was paid to MWD for 5,740 AF of treated and untreated water plus treatment costs for 25,653 AF of IID Transfer water; \$139.4 million for 156,538 AF of IID Transfer water; and \$109.8 million for 34,833 AF of treated desalinated water from Channelside. 58,275 AF of Canal Lining water was also received but no costs have been paid yet (Canal Lining water costs represent operations and maintenance costs for maintaining the All-American and Coachella canals as the Water Authority previously incurred significant costs to line the canals with cement panels and now has ongoing maintenance responsibilities). The Water Authority also incurred an additional cost of \$136.3 million for exchange and wheeling costs on 214,813 AF paid to MWD (comprised of IID Transfer and Canal Lining water).

Revenues and Other Income

Total revenues and other income were budgeted at \$83.7 million for the nine-month period ended March 31, 2026. Actual revenues were \$114.4 million or \$30.7 million higher than the budget (Attachment 4). Revenue categories materially higher than the budget include the following:

- **Capacity Charges:** \$9.2 million more than the budget due to larger payments received from the cities of San Diego and Oceanside earlier in the year, as well as a one-time revenue accrual adjustment into FY 2026 as a result of higher capacity charges being received than estimated in the prior year.
- **Grant Reimbursements:** \$19.8 million more than the budget is primarily due to the \$19.0 million federal grant received related to the Carlsbad Desalination Plant Intake and Discharge facilities project. *(The \$19.0 million is a pass-thru amount with the Water Authority both receiving and then paying the same amount to the contractor. A variance will show because the grant was budgeted in the net water sales revenue category but for reporting of Actual results the amounts are shown individually as grant revenues and expenses.)*

Expenses

Total expenses were budgeted at \$127.9 million for the nine-month period ended March 31, 2026. Actual expenses were \$157.9 million or \$30.0 million higher than the budget (Attachment 4). Expense categories materially higher or lower than the budget include the following:

- **Debt Service:** \$15.3 million higher due to the paydown of outstanding commercial paper (\$12 million Series 11 and \$5 million Series 9) offset by reduced interest cost and associated fees within the program.
- **Operating Departments:** \$6.8 million lower in expenses due to the periodic nature of incurring such general expenses. The variance is expected to be absorbed in future months. See individual Operating Department results on Attachment 4.
- **Grant Expenses:** \$22.2 million higher in expenses primarily due to the \$19.0 million federal grant received related to the Carlsbad Desalination Plant Intake and Discharge facilities project. *(The \$19.0 million is a pass-thru amount with the Water Authority both receiving and then paying the same amount to the contractor. A variance will show because the grant was budgeted in the net water sales revenue category but for reporting of Actual results the amounts are shown individually as grant revenues and expenses.) The remaining \$2.2 million variance is due to timing and will offset against grant revenues by year end.*

CIP Expenses

Capital Improvement Program expenses were budgeted at \$61.8 million for the nine-month period ended March 31, 2026, and actual expenses amounted to \$34.9 million or \$27.0 million lower than the budget (Attachment 4). It should be noted the actual expenses do not include invoices received but not yet paid, as they are going through the invoice review and payment approval process. This variance is primarily due to some projects experiencing delays due to unforeseen conditions encountered during design (e.g., utility conflicts); however, most of the variance is expected to be made up by the end of the appropriation period. The Pay-As-You-Go (PayGo) fund now assumes full responsibility for CIP expenditures until the next debt issuance.

Cash and Investments

As of March 31, 2026, cash and investments totaled \$417.9 million. Approximately 94 percent is pooled funds available to meet Water Authority needs and Board set reserve requirements, and the remaining 6 percent represents amounts restricted for debt service (Attachment 5). The Water

Authority Treasurer pools the cash of the PayGo fund with total unrestricted funds to maximize investment returns. The PayGo Fund will continue to pay for the CIP until bond proceeds become available in the summer. Additionally, the Water Authority's pooled cash and investments balance is in excess of the 150-day target balance, but this is subject to change based on future financial conditions. Certain of this excess is being evaluated for potential defeasance opportunities during the anticipated 2026 debt issuance.

Prepared by: Marilen Santos, CPA, Senior Accountant

Reviewed by: Geena Xiaoqing Balistreri, CPA, Accounting Supervisor

Approved by: Christopher Woidzik, CPA, Controller

Attachments:

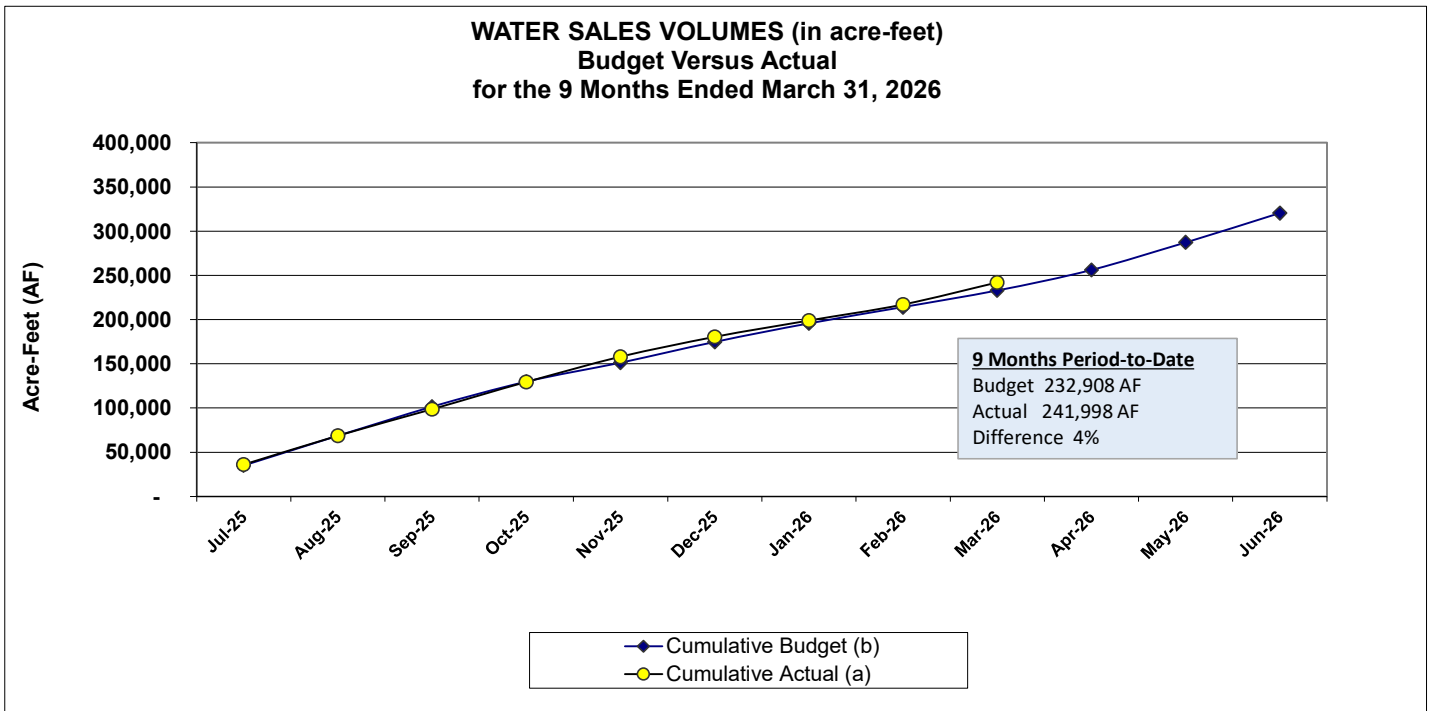
Attachment 1 – Water Sales Volumes Budget and Actual and YOY Comparisons

Attachment 2 – Water Sales Revenues Budget and Actual Comparison

Attachment 3 – Water Purchases and Treatment Costs Budget and Actual Comparison

Attachment 4 – Budget Status Report

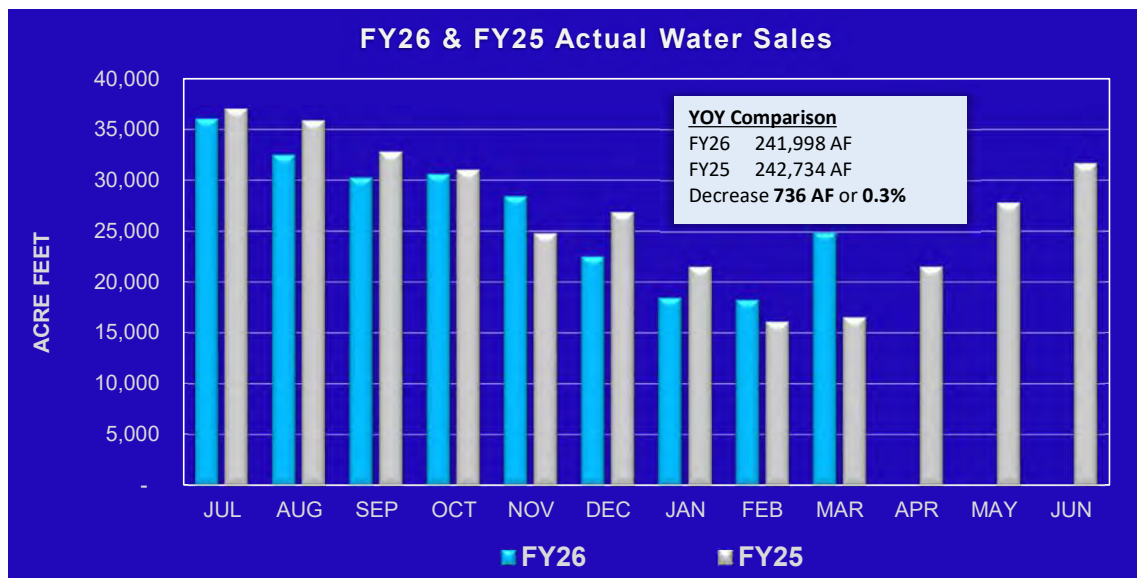
Attachment 5 – Schedule of Cash and Investments

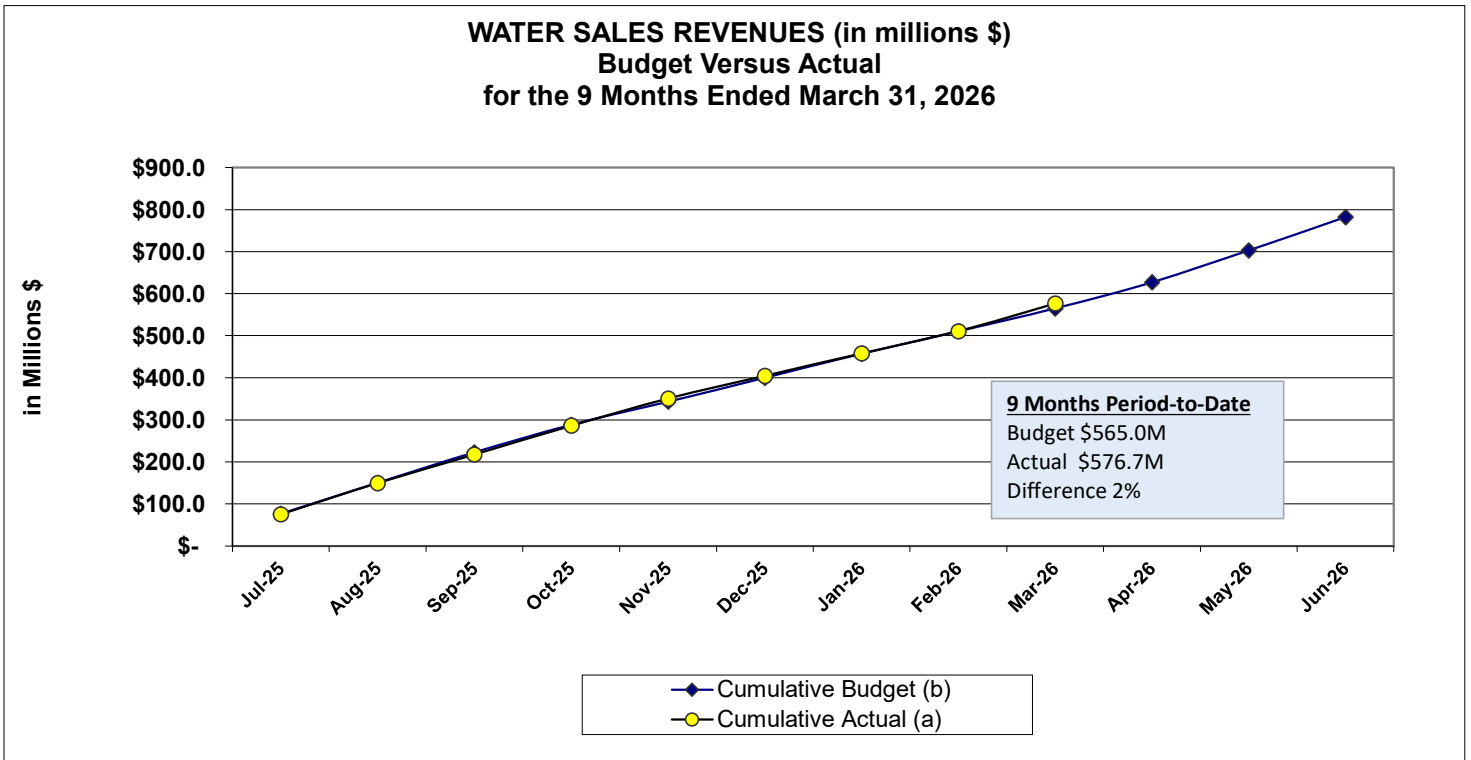


Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2026 and 2027.

Fiscal Year 2026 Cumulative Water Sales (AF)

Months	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Monthly Actual	36,056	32,483	30,265	30,618	28,418	22,505	18,453	18,253	24,947	-	-	-
Cumulative Actual (a)	36,056	68,539	98,804	129,422	157,840	180,345	198,798	217,051	241,998	241,998	241,998	241,998
Monthly Budget	35,167	33,417	32,868	28,430	21,355	23,566	20,786	18,430	18,889	23,263	31,042	33,197
Cumulative Budget (b)	35,167	68,584	101,452	129,882	151,237	174,803	195,589	214,019	232,908	256,171	287,213	320,410
AF Difference (c) (a-b)	889	(45)	(2,648)	(460)	6,603	5,542	3,209	3,032	9,090			
% Difference (c/b)	3%	0%	-3%	0%	4%	3%	2%	1%	4%			

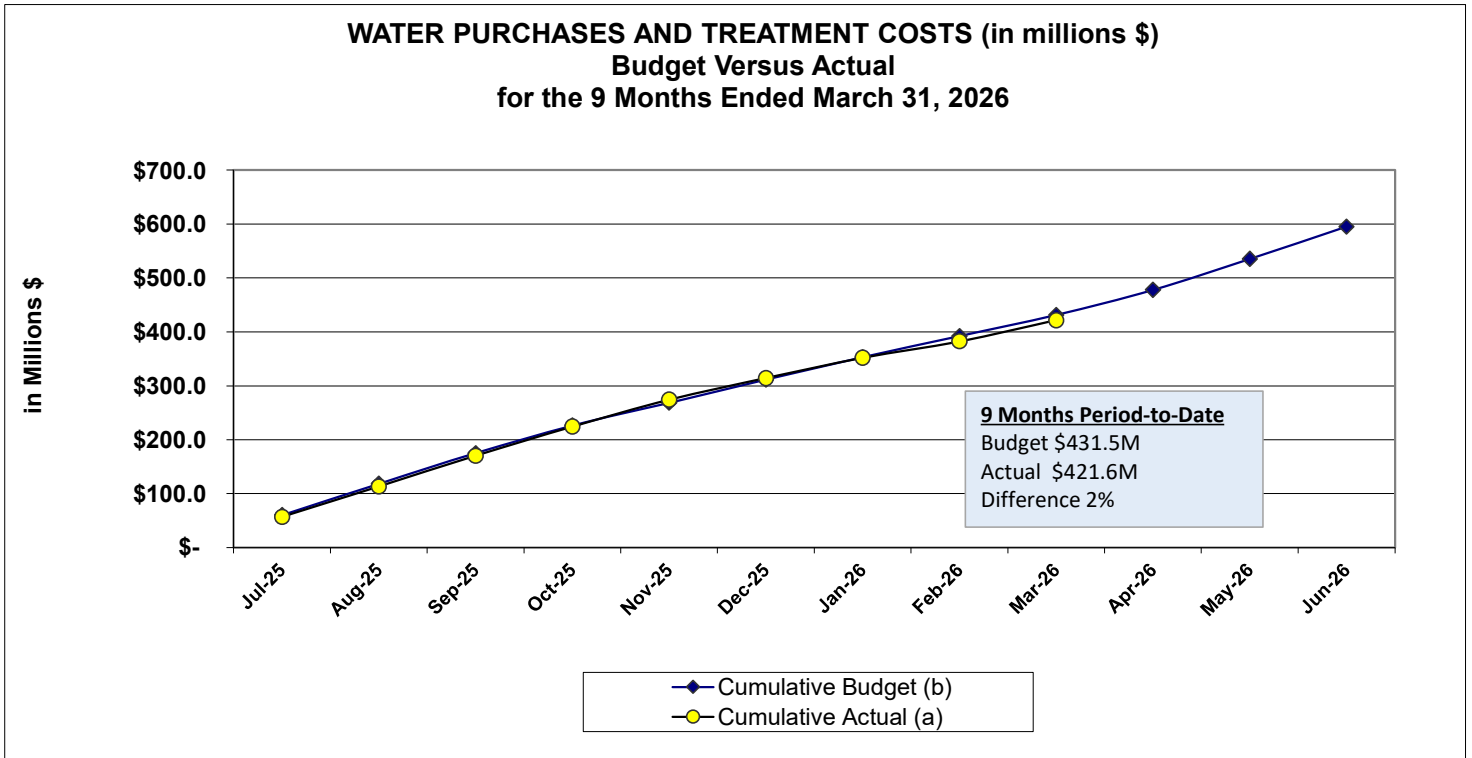




Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2026 and 2027.

Fiscal Year 2026 Cumulative Water Sales (in millions \$)

Months	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Monthly Actual	\$ 75.3	\$ 74.4	\$ 68.0	\$ 68.6	\$ 64.1	\$ 54.4	\$ 53.2	\$ 52.9	\$ 65.8	\$ -	\$ -	\$ -
Cumulative Actual (a)	\$ 75.3	\$ 149.7	\$ 217.7	\$ 286.3	\$ 350.4	\$ 404.8	\$ 458.0	\$ 510.9	\$ 576.7	\$ -	\$ -	\$ -
Monthly Budget	\$ 76.7	\$ 73.9	\$ 72.4	\$ 65.5	\$ 54.6	\$ 56.8	\$ 57.4	\$ 53.5	\$ 54.2	\$ 62.3	\$ 75.6	\$ 79.4
Cumulative Budget (b)	\$ 76.7	\$ 150.6	\$ 223.0	\$ 288.5	\$ 343.1	\$ 399.9	\$ 457.3	\$ 510.8	\$ 565.0	\$ 627.3	\$ 702.9	\$ 782.3
Difference (c) (a-b)	\$ (1.4)	\$ (0.9)	\$ (5.3)	\$ (2.2)	\$ 7.3	\$ 4.9	\$ 0.7	\$ 0.1	\$ 11.7			
% Difference (c/b)	-2%	-1%	-2%	-1%	2%	1%	0%	0%	2%			



Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2026 and 2027.

Fiscal Year 2026 Cumulative Cost of Water Purchases and Treatment (in millions \$)

Months	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Monthly Actual	\$ 56.9	\$ 56.5	\$ 56.8	\$ 54.1	\$ 49.7	\$ 40.2	\$ 37.7	\$ 30.4	\$ 39.3	\$ -	\$ -	\$ -
<i>Cumulative Actual (a)</i>	\$ 56.9	\$ 113.4	\$ 170.2	\$ 224.3	\$ 274.0	\$ 314.2	\$ 351.9	\$ 382.3	\$ 421.6	\$ -	\$ -	\$ -
Monthly Budget	\$ 59.9	\$ 58.3	\$ 56.7	\$ 51.3	\$ 42.2	\$ 42.8	\$ 41.9	\$ 38.9	\$ 39.5	\$ 46.4	\$ 57.3	\$ 59.8
<i>Cumulative Budget (b)</i>	\$ 59.9	\$ 118.2	\$ 174.9	\$ 226.2	\$ 268.4	\$ 311.2	\$ 353.1	\$ 392.0	\$ 431.5	\$ 477.9	\$ 535.2	\$ 595.0
Difference (c) (a-b)	\$ (3.0)	\$ (4.8)	\$ (4.7)	\$ (1.9)	\$ 5.6	\$ 3.0	\$ (1.2)	\$ (9.7)	\$ (9.9)			
% Difference (c/b)	-5%	-4%	-3%	-1%	2%	1%	0%	-2%	-2%			

San Diego County Water Authority
Fiscal Year 2026 Budget Status Report
For the 9 Months Ended March 31, 2026
Unaudited

[A]	[B]	[C]	Revenues = [-B + C] Expenses = [B - C]	[C / A]
	FY 2026 (9 Months - 75%)			
	9 Months Period-to-Date Adopted Budget (n)	9 Months Period-to-Date Actual	Variance Positive (Negative)	Actual to FY 2026 Adopted Budget
	FY 2026 Adopted Budget			
Net Water Sales Revenue				
Water Sales (a)	\$ 782,337,287	\$ 564,972,077	\$ 576,721,547	74%
Water Purchases & Treatment (a)(b)	595,013,972	431,488,037	421,572,140	71%
Total Net Water Sales Revenue	187,323,315	133,484,040	155,149,407	83%
Revenues and Other Income				
Infrastructure Access Charges	49,641,688	37,239,939	37,100,179	(139,760) 75%
Property Taxes & In-lieu Charges (c)	20,026,000	12,513,653	12,482,349	(31,304) 62%
Investment Income (d)	9,249,689	8,244,529	10,049,477	1,804,948 109%
Hydroelectric Revenue (e)	-	-	-	- 0%
Grant Reimbursements	9,904,854	5,361,218	25,145,713	19,784,495 254%
Build America Bonds Subsidy (f)	10,623,541	7,967,656	7,967,656	-
Other Income	885,390	396,206	1,186,729	790,523 134%
Capital Contributions:				
Capacity Charges (a)	11,155,355	5,354,570	14,556,999	9,202,429 130%
Water Standby Availability Charges (h)	10,531,935	6,606,074	5,940,080	(665,994) 56%
Contributions in Aid of Capital Improvement Program (CIP) (i)	-	-	-	- 0%
Total Revenues and Other Income	122,018,452	83,683,845	114,429,182	30,745,337 94%
Total Revenues	309,341,767	217,167,885	269,578,589	52,410,704 87%
Expenses				
Debt Service (i)	158,951,100	69,412,880	84,670,923	(15,258,043) 53%
QSA Mitigation (k)	266,548	266,548	146,152	120,396 55%
Equipment Replacement	2,559,914	1,602,372	631,128	971,244 25%
Grant Expenses	9,149,199	2,733,607	24,976,877	(22,243,270) 273%
Other Expenses	944,422	708,317	1,146,563	(438,246) 121%
Operating Departments (l)	71,849,217	53,134,317	46,314,873	6,819,444 64%
Total Expenses	243,720,400	127,858,041	157,886,516	(30,028,475) 65%
Net Revenues Before CIP	\$ 65,621,367	\$ 89,309,844	\$ 111,692,073	\$ 22,382,229 170%
CIP Expenses	\$ 80,385,589	\$ 61,830,658	\$ 34,877,287	\$ 26,953,371 43%
Net Fund Withdraws (m)	\$ (14,764,222)	\$ 27,479,186	\$ 76,814,786	\$ 49,335,600 -520%
CIP Expenses by Funding Source				
Pay-As-You-Go Fund			\$ 34,877,287	100%
			Operating Departments Detail	
Administrative Services	\$ 9,227,392	\$ 6,345,697	\$ 6,521,364	\$ (175,667) 71%
Engineering	4,927,560	3,679,009	3,145,355	533,654 64%
Finance	5,504,507	4,076,808	4,021,851	54,957 73%
General Counsel	2,684,857	2,009,456	890,195	1,119,261 33%
General Manager & Board of Directors	4,785,363	3,564,149	2,735,295	828,854 57%
Human Resources	1,387,553	980,189	921,958	58,231 66%
Imported Water *	4,049,551	3,030,644	2,179,426	851,218 54%
Operations & Maintenance	29,094,243	21,794,691	19,319,302	2,475,389 66%
Public Affairs	3,344,709	2,493,283	2,015,593	477,690 60%
Water Resources	6,843,482	5,160,391	4,564,534	595,857 67%
Total Operating Departments	\$ 71,849,217	\$ 53,134,317	\$ 46,314,873	\$ 6,819,444 64%

* Colorado River Program, MWD Program, and Imperial Valley Outreach Program are included in Imported Water.

**San Diego County Water Authority
Fiscal Year 2026 Budget Status Report
For the 9 Months Ended March 31, 2026**

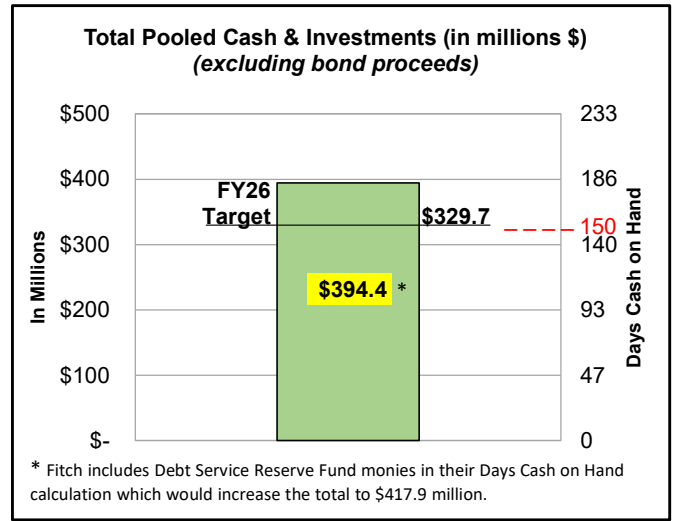
Notes to the Budget Status Report:

- a) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet activity calculated per month.
- b) Water purchases and treatment costs are comprised of water (treated and untreated) that has been both purchased and sold. Other purchased water may be added into inventory and sold in future months. The cost of the water added to inventory is not recorded as an expense until it is withdrawn from storage and sold. Water may be added to inventory as a result of take or pay contracts or to meet future needs from scheduled pipeline maintenance shut down projects.
- c) Property taxes are primarily received in December and April. The City of San Diego alternatively pays In-lieu charges each year in quarterly installments. In-lieu charges for Fiscal Year 2026 total \$3,341,928.
- d) Investment income excludes unrealized gains/losses, which are non-cash transactions.
- e) Hydroelectric revenues have not been budgeted for Fiscal Year 2026.
- f) The 2010B Water Revenue Bonds were issued under the American Recovery and Reinvestment Act which allowed for taxable Build America Bonds (BABs) to be issued at a lower cost, effectively subsidized by the federal government. Semi-annual subsidy payments from the United States Treasury equal to 33.5 percent of the interest payments are received as a reimbursement. (The original subsidy was 35% but has been lowered due to Congressionally-mandated sequestration reductions and this subsidy amount will remain unchanged until 2030.)
- g) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue is recorded for the quarter ending June.
- h) Water standby availability charges are primarily received each November to January and April to May periods.
- i) Contributions in aid of capital improvement program revenues have not been budgeted for Fiscal Year 2026. Any such revenues received may include payments or reimbursements from state or other local agencies for miscellaneous projects in the form of cash payments or contribution of physical assets.
- j) Bonds and Certificates of Participation debt service payments are due semi-annually on November 1 (interest) and May 1 (principal and interest). Pipeline Bonds, Series 2019 debt service payments are due semi-annually on July 1 (principal and interest) and January 1 (interest). 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 refundings are excluded because they are non-cash transactions. Short-term debt expenses (commercial paper) are paid monthly.
- k) QSA Mitigation includes the annual Lower Colorado River Multi-Species Conservation Program (LCR MSCP) payment in the amount of \$194,870 (paid in quarterly installments) for Fiscal Year 2026.
- l) Amounts may include capital equipment purchases used for CIP projects as well as in operations.
- m) Represents budgeted withdraws from fund balance.
- n) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.

**San Diego County Water Authority
Schedule of Cash and Investments
As of March 31, 2026
Unaudited**

Attachment 5

	March 2026	March 2025
Operating Fund	\$ 207,311,699	\$ 321,170,497
Rate Stabilization Fund	126,140,740	78,540,740
Pay-As-You-Go Fund	57,886,910	25,090,701
Equipment Replacement Fund	1,932,584	545,127
Canal Maintenance Fund	1,146,658	891,543
Total Pooled Funds	94% 394,418,591	426,238,608
CIP/Bond Construction Fund	-	4,025,446
Debt Service Reserve Fund	23,459,616	23,196,067
Total Bond Funds	6% 23,459,616	27,221,513
Total Cash and Investments	\$ 417,878,207	\$ 453,460,121



Notes:

The Total Pooled Cash & Investments graph depicts the Water Authority's available monies measured against the 150 Days Cash on Hand requirement as set in the 2021 Rate Model. For FY26, days cash on hand equates to a \$329.7 million target balance. It's important to note that cash and investments balances will increase and decrease during the year, especially in May and November, when debt service payments are made, but the target is fixed for the fiscal year. Amounts above the target balance are being evaluated for potential defeasance opportunities. Other reserves may also have specific maximums, minimums or targets, and these are noted in the reserve definitions below.

Ratings Impact: Overall cash and investments position and days cash on hand metrics are crucial to the Water Authority maintaining its current ratings of AAA, AA+ and Aa2 from Standard & Poor's, Fitch and Moody's, respectively. A balance below the 150 days cash on hand metric of \$329.7 million target places risk on the Water Authority for a downgrade, which will affect investors interests in owning Water Authority bonds and achieving favorable interest rates on subsequent debt issuances.

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 and include \$5 million held for emergency repairs. The Operating Fund has a minimum cash balance for FY26 of \$97.6 million.

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. For FY26, the RSF has a fixed maximum balance of \$126.2 million and a fixed Target balance of \$87.0 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.

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.

CIP/Bond Construction Fund: This fund most recently contained bond proceeds from the Series 2022A debt issuance to finance approved capital projects. As of June 30, 2025, all bond proceeds had been spent, resulting in a cash and investments balance of zero.

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.

Stored Water Fund (SWF): This fund provides working capital to purchase water inventory necessary to fully utilize the Water Authority's storage facilities. In April 2025, a 40,000 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.



May 20, 2026

Attention: Administrative and Finance Committee

Quarterly Budget Monitoring Report. (Information)

Purpose

To review updated financial performances pertaining to the third quarter of Fiscal Year (FY) 2026, water sales, and forecasted FY 2026 financials.

Executive Summary

- The Board directed staff in June 2025 to provide quarterly updates on the budget and water sales.
- Projecting a 6 percent overall budget variance from the adopted Fiscal Years 2026 and 2027 Budget primarily driven by the increase in projected Water Sales and Water Purchases and Treatment.
- Any changes identified will be recommended for adoption at the June Board meeting.

Discussion

In June 2025, the Board directed staff to return with quarterly updates on budget, water sales, and any material changes regarding the adopted budget. Staff provided the Board with an update in February 2026 with no recommended updates. In May and June, staff will provide the Board with information on the midterm budget for Fiscal Years 2026 and 2027 and Calendar Year 2027 rates and changes, with consideration for adoption in June.

Forecasted Fiscal Years 2026 & 2027 Budget Financials

On June 26, 2025, the Board formally adopted the Fiscal Years 2026 and 2027 Budget. The adopted two-year budget is \$1.897 billion. As part of the adopted budget, the Board directed staff to provide quarterly budget monitoring reports. Overall, the Water Authority is currently forecasting a \$109.6 million, or 6 percent variance, over the adopted budget. Attachment 1 provides the breakdown of the adopted and forecasted sources and uses of funds for Fiscal Years 2026 and 2027.

The largest single source of revenue for the Water Authority is Water Sales. The Water Authority budgeted \$1.626 billion and is now projecting approximately \$1.691 billion, or 4%, more than anticipated. This increase is a result of increased water sales in Fiscal Years 2026 and 2027 compared to forecasts in the adopted budget. The current projection incorporates staff recommended Water Authority rates and charges for Calendar Year 2027 and the adopted Metropolitan Water District (MWD) rates for Calendar Year 2027.

The largest expenditures for the Water Authority are Water Purchases and Treatment. The Water Authority budgeted \$1.203 billion for this category in Fiscal Years 2026 and 2027. Current projections for Water Purchases and Treatment are \$1.288 billion, or 7% more than budgeted. The projection reflects an increase in water purchase and treatment costs primarily driven by higher forecasted demands, required additional MWD purchases, increased treated water volumes, and the addition of new MWD fixed treatment charges. In addition, higher projected demands require

the operation of the Carlsbad Desalination Plant at its full contracted production level rather than a reduced production rate.

The Capital Improvement Program (CIP) budget for Fiscal Years 2026 and 2027 totals \$181.8 million. Current projections estimate expenditures of \$178.4 million, resulting in a 2% variance.

The Grant Revenue and Grant Expenditure forecasts are projected to exceed the adopted budget, resulting in a projected grant revenue variance of 142%, and a grant expenditure variance of 124%. The forecasted increase is primarily driven by changes to the Integrated Regional Water Management (IRWM) project schedule, and pass-through funding for the post budget-adoption award of \$3 million for the San Luis Rey (SLR) Wetland Habitat Restoration CIP project from the United States Bureau of Reclamation (USBR) and the receipt of \$19 million for permanent upgrades to the seawater intake at the Claude “Bud” Lewis Carlsbad Desalination Plant from USBR.

Debt Service for Fiscal Years 2026 and 2027 was budgeted at \$340.1 million and is projecting a variance of 2%. The projected increase is primarily attributed to the \$17.0 million paydown to the Commercial Paper (CP) program completed in February 2026. Per Board direction, the Water Authority paid down \$17.0 million to the CP program, based on debt service coverage and available funds calculated at the close of Fiscal Year 2025. A total of \$5.0 million was paid toward the CP Series 9 and \$12.0 million was paid toward the CP Series 11 based on performance. The increase in Debt Service is partially offset by savings from the timing of the Series 2026 bond issuance, reduced CP interest costs and associated debt fees. The Water Authority continually reviews the debt portfolio for additional opportunities to defease debt.

The Operating Departments budget for Fiscal Years 2026 and 2027 is \$145.4 million. Departments are currently projecting \$1.2 million in savings, or 1% variance, due to savings in non-personnel. Labor and benefits costs are projected to be over budget and will be amended in June. During budget development, the Water Authority factored in a 3% vacancy factor, reducing the Operating Departments labor and benefits budget by \$3.4 million. The Water Authority and Teamsters 986 are in negotiations for a successor Memorandum of Understanding (MOU), which expires on June 30, 2026. The Operating Departments projections shown in Attachment 1 do not include any associated impacts that may occur as a result of a successor MOU. Updates to the Operating Departments for MOU impacts will be made when the new MOU is finalized and approved by the Board of Directors.

Staff will return to the Board in June for the midterm budget to be considered for adoption.

Prepared by: Toni-Marie Kahre, Senior Management Analyst
Liana M. Whyte, Budget and Treasury Manager
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Tish Berge, Deputy General Manager/Chief Operating Office

Attachment:

Attachment 1 – Sources and Uses of Funds



Attachment 1 – Sources and Uses of Funds

*In Millions	FYs 26&27 Amended	FYs 26&27 Projections	Variance Budget to Projections	
Revenues and Other Income				
Water sales	\$1,625,916	\$1,690,967	\$65,051	4%
Infrastructure access charges	100,392	101,221	829	1%
Property taxes and in-lieu charges	41,053	41,525	472	1%
Investment income	20,870	25,561	4,691	22%
Hydroelectric revenue	-	-	-	0%
Grant Reimbursement	18,741	45,346	26,605	142%
Build America Bond Subsidy (BABS)	21,121	21,121	-	0%
Other income	1,773	2,761	989	56%
Capital Contributions:				
Capacity charges	22,669	28,140	5,470	24%
Water standby availability charges	21,169	21,169	-	0%
Contributions in aid of CIP	-	-	-	0%
Total Revenues and Other Income	\$1,873,704	\$1,977,811	\$104,107	6%
Net Fund Withdraws	23,649	29,150	5,501	23%
TOTAL SOURCES OF FUNDS	\$1,897,353	\$2,006,961	\$109,608	6%
Expenditures				
Water purchases & treatment ¹	1,203,319	1,287,774	\$84,425	7%
Stored water purchases	-	-	-	0%
CIP Expenditures	181,774	178,390	(3,384)	(2%)
Debt service	340,874	349,088	8,215	2%
QSA mitigation ¹	469	395	(74)	(16%)
Operating departments	145,416	144,196	(1,220)	(1%)
Equipment replacement	5,656	4,682	(975)	(17%)
Grant expenditures	17,921	40,148	22,227	124%
Other expenditures	1,923	2,318	395	21%
TOTAL USES OF FUNDS	\$1,897,353	\$2,006,961	\$109,608	6%

¹QSA Mitigation includes payments to the QSA Joint Powers Authority and Lower Colorado River Multi-Species Conservation Program.

Board Calendar

JUNE 2026

June 2

1pm MWD Delegates Briefing

June 11

1:30pm Tentative Special Board Meeting

June 25

Board Meeting

9am Committees begin

2pm Formal Board meeting

JULY 2026

July 7

1pm MWD Delegates Briefing

July 9

1:30pm Tentative Special Board Meeting

July 23

Board Meeting

9am Committees begin

2pm Formal Board meeting

AUGUST 2026

August 4

1pm MWD Delegates Briefing

August 13

1:30pm Tentative Special Board Meeting

August 27

Board Meeting

9am Committees begin

2pm Formal Board meeting



WATER PLANNING AND ENVIRONMENTAL COMMITTEE

AGENDA FOR MAY 28, 2026

Marty Miller, Chair
Dana Frieauf, Vice Chair
Joel Scalzitti, Vice Chair
Steve Castaneda
Kathleen Coates-Hedberg
Jim Desmond
Tim Douglass

Joy Lyndes
Valentine Macedo, Jr.
Neal Meyers
Venus Molina
Rick Paul
Mark Robak
Evan Wahl

1. Report on Remote Attendance.
2. Roll call – determination of quorum.
3. Additions to agenda (Government Code Section 54954.2(b)).
4. Public comment – opportunities for members of the public to address the Committee on items contained within this agenda.
5. Chair’s report.
5-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION/PRESENTATION

1. Annual Storage Assessment. (Presentation)

Nathan Faber

III. INFORMATION

IV. CLOSED SESSION

V. ADJOURNMENT

Kelly Cole-Walker
Clerk of the Board

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.



May 20, 2026

Attention: Water Planning and Environmental Committee

Annual Storage Assessment. (Presentation)

Purpose

To provide an annual evaluation of operational storage, carryover storage, and emergency storage reserves.

Executive Summary

- The Water Authority’s carryover storage policy guidelines require staff to conduct an annual review of its operational, carryover, and emergency storage reserves, and recommend changes, if warranted, based on changed conditions.
- Under the policy guidelines, the use of operational storage is prioritized throughout the year, while carryover and emergency storage are managed to maintain minimum target levels.
- As of March 2026, operational storage in the San Vicente Reservoir (SVR) totaled 57,588 acre-feet (AF) and carryover storage in SVR totaled 40,379 AF.
- Emergency storage in SVR and Olivenhain Reservoir totaled 37,657 AF.
- The evaluation found the storage reserves to be within policy guidelines, and no changes are recommended at this time.
- Operational storage reserves may be reduced if conditions allow – such as changes in member agency demands or the operational ability to withdraw water from storage.

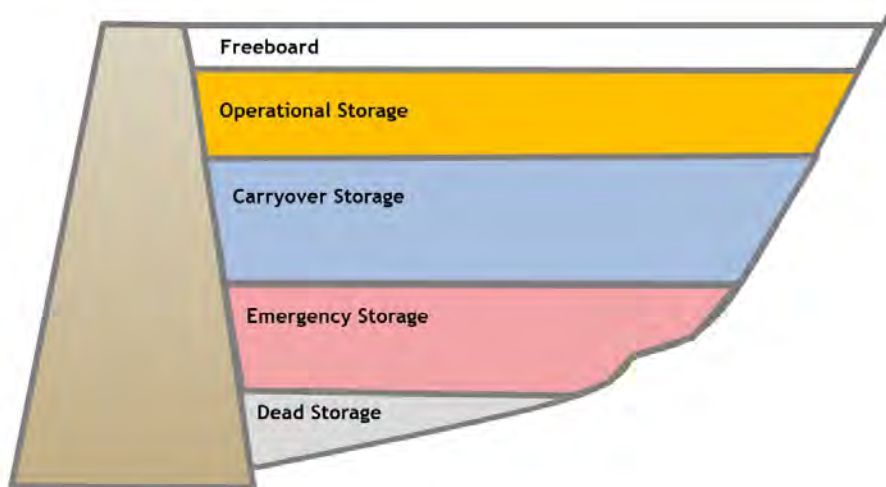
Background

The San Diego region lacks groundwater storage primarily due to the nature of the soil in the region. A key foundation supporting water supply reliability for the region are the member agency and Water Authority surface storage resources, which include 21 major surface reservoirs. The Water Authority owns storage capacity in the City of San Diego’s SVR and the Water Authority-owned Olivenhain Reservoir. Storage pools in both reservoirs are used for emergency, carryover, and operational storage purposes.

In April 2025, the Water Authority Board of Directors (Board) approved updated policy guidelines for managing carryover storage supplies. These guidelines assist staff in managing carryover reserves to help minimize or avoid potential supply cutbacks to member agencies during droughts or other supply shortage events. The policy includes a target carryover storage level of 40,000 AF in SVR. It also requires staff to report annually to the Board on the status of the Water Authority’s operational, carryover, and emergency storage reserves.

Figure 1 illustrates the layering of storage pools in SVR, with *freeboard* representing the remaining available capacity in the reservoir and *dead storage* representing the volume of water below the outlet works that cannot be withdrawn. The storage pool designation in Olivenhain is similar to SVR with the exception of Carryover Storage.

Figure 1: San Vicente Reservoir Storage Pools



Discussion

Numerous variables influence the management of operational, carryover, and emergency storage. Those variables include hydrologic conditions, availability of Water Authority and member agency supplies, water demand trends, water system operations, and current surface water storage levels. An assessment of these variables is used to guide management of the Water Authority’s storage reserves, as described below.

Statewide Hydrologic Conditions

Water Year (WY) 2026 reflects a dry snowpack year despite near-average precipitation in some regions. In the Colorado River Basin, conditions remain below average, with snowpack at approximately 23% of normal and ongoing long-term drought impacts. In the northern Sierra Nevada, snowpack peaked well below average, at approximately 65-75% of normal. While statewide precipitation totals were closer to average, reduced snowpack limits run-off and water supply reliability. The San Diego region experienced near-average precipitation overall, though conditions were variable in timing and intensity.

Imported Water Supply

As of March 2026, the Metropolitan Water District of Southern California (Metropolitan) projected Calendar Year (CY) 2026 full-service and replenishment water demands from its member agencies would be approximately 1.2 million AF. This amount excludes the Water Authority’s conserved Quantification Settlement Agreement (QSA) water and the San Luis Rey water transfers. The State Water Project Table A allocation is currently 45%, and

Metropolitan anticipates having an approximate 38,000 AF supply gap to potentially fill with various water management actions such as withdrawing water from storage.

In CY 2026, the Water Authority is scheduled to receive 200,000 AF of water from the conserved water transfer agreement with the Imperial Irrigation District (IID) and 77,700 AF of water from the All-American and Coachella canal lining projects. Pursuant to the 2025 Second Amended and Restated Exchange Agreement (Settlement) with Metropolitan, the Water Authority established the ability to make exchange water deliveries to Metropolitan and its member agencies. Subsequent to the Settlement, the Water Authority entered into long-term agreements with the Western Municipal Water District and the Eastern Municipal Water District, under which 16,240 AF of the Water Authority's QSA supplies will be redirected to in CY 2026.

Local Water Supply

The use of local water supplies, which includes groundwater, recycled water, surface water, and desalinated seawater, decreased from 151,592 AF in CY 2024, and to 135,175 AF in CY 2025. This decrease was primarily driven by reduced use of member agency surface water supplies. Over the past 12 months, local surface water storage among member agencies decreased by approximately 62,000 AF. As of March 2026, total surface water storage held by member agencies is approximately 165,000 AF. Anticipated supplies from the Claude "Bud" Lewis Carlsbad Desalination Plant (CDP) are estimated at 48,000 AF for Fiscal Year (FY) 2026.

Water Demand

In CY 2025, water use in the Water Authority's service area totaled 444,871 AF, which is similar to water use in CY 2024. Between January 2026 and March 2026, water use in CY 2026 is tracking approximately 2% greater than that of the same period (January – March) in CY 2025.

The variables listed above influence the management and operations of the Water Authority's three types of storage accounts. A summary of each type of storage account, including capacity and current storage levels, is listed below.

Operational Storage

Operational storage is utilized to meet normal supply and demand via deposits and withdrawals during annual water system operations. It is used to balance seasonal changes and ensure reliable service during planned aqueduct shutdowns. As of March 2026, the Water Authority's operational storage consists of 57,588 AF in SVR and 1,249 AF in Olivenhain Reservoir. To date in FY 2026, the Water Authority has sold approximately 4,136 AF of operational storage to meet regional demands. The sale of operational storage will continue to be prioritized throughout the year, though full utilization of remaining operational supplies is not anticipated.

Carryover Storage

The Water Authority's in-region carryover storage capacity consists of 100,000 AF in SVR. In 2025, the Water Authority Board approved Carryover Storage Policy Guidelines that established a

carryover storage target level of 40,000 AF. As of March 2026, available carryover storage in SVR is 40,379 AF. Following a review of current supply and demand conditions, no supply shortages are reasonably anticipated over the next two-year period, and the current storage level is sufficient.

In terms of out-of-region storage, in 2026, the Board approved the long-term lease of the Water Authority's Central Valley groundwater assets that were acquired in 2008. Included in the transaction was the sale of 7,717 AF of stored water, which brings the Water Authority's balance in the account to zero.

Emergency Storage

Two emergency scenarios were analyzed during the development of the Emergency Storage Project (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 emergency storage water required 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 desalinated seawater. Table 1 shows the capacity and stored volume by reservoir for Water Authority emergency storage.

Table 1: Water Authority Emergency Storage Summary (AF)

	San Vicente Reservoir	Olivenhain Reservoir	Total
Emergency Storage Dedicated Capacity	52,100	18,000	70,100
Current Emergency Storage Volume	18,408	18,000	36,408

With current water demands below the projected demands used to originally size ESP storage capacity, the availability of CDP supplies, and current local reservoir storage levels, forecasted storage requirements to meet ESP delivery obligations are reduced. Staff recently conducted an updated emergency storage requirement modeling analysis for a 75% Level of Service to the region and concluded that the current emergency storage volume held in SVR and Olivenhain Reservoir is sufficient for the region.

In summary, the operational, carryover, and emergency storage management strategies listed above result in no deposits to current carryover or emergency storage reserves. Emergency and operational reserves may be reduced if conditions allow, such as changes in member agency demands or the operational ability to withdraw water from storage. These strategies are consistent with the updated carryover storage policy guidelines. Staff will continue to monitor supply and demand conditions

and will conduct the next scheduled assessment of carryover and emergency storage reserves in May 2027.

Prepared by: Sami Sweis, Engineer P.E.

Nathan Faber, Principal Engineer

Reviewed by: Jeremy Crutchfield, Water Resources Manager

Jeff Stephenson, Director of Water Resources

Approved by: Tish Berge, Deputy General Manager/Chief Operating Officer

ENGINEERING AND OPERATIONS COMMITTEE

**AGENDA FOR
MAY 28, 2026**

Amy Reeh, Chair	Jim Desmond
Lois Fong-Sakai, Vice Chair	Amanda Flesse
Eric Heidemann, Vice Chair	Dana Frieauf
Ismahan Abdullahi	Francisco X. Rivera
Gary Arant	Esther Sanchez
Jerry Butkiewicz	Evan Wahl
Kathleen Coates-Hedberg	Stephen Whitburn

1. Report on Remote Attendance.
2. Roll call – Determination of quorum.
3. Additions to Agenda (Government Code Section 54954.2(b)).
4. Public Comment – opportunities for members of the public to address the Committee on items contained within this agenda.
5. Chair’s Report.
5-A Directors’ comments.

I. CONSENT CALENDAR

1. Amendment with OneSource Distributors, LLC, for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment services. Luke Holbrook
Staff recommendation: Approve Amendment 2, as attached, with such non-material modifications as approved by the General Manager, or General Counsel, to the contract with OneSource Distributors, LLC, (OneSource) for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment for a not-to-exceed amount of \$139,346.70, increasing the authorized cumulative amount from \$123,235.50, to \$262,582.20, extending the termination date through June 30, 2028, and authorize the General Manager, or designee, to execute the amendment. (Action)

II. ACTION/DISCUSSION/PRESENTATION

1. Notice of Completion for the Helix 9 Flow Control Facility project. Valerie Airey
Staff recommendation: Authorize the General Manager, or designee, to accept the Helix 9 Flow Control Facility project as complete, record the Notice of Completion, and release funds held in retention to Kiewit Infrastructure West Co. in accordance with the contract and applicable law. (Action)



2. Advertisement for bids for the Operations and Maintenance Center tenant improvements. (Presentation) Eva Plajzer

III. INFORMATION

IV. CLOSED SESSION(S)

V. ADJOURNMENT

Kelly Cole-Walker
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.



May 20, 2026

Attention: Engineering and Operations Committee

Amendment with OneSource Distributors, LLC, for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment services. (Action)

Staff recommendation

Approve Amendment 2, as attached, with such non-material modifications as approved by the General Manager, or General Counsel, to the contract with OneSource Distributors, LLC, (OneSource) for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment for a not-to-exceed amount of \$139,346.70, increasing the authorized cumulative amount from \$123,235.50, to \$262,582.20, extending the termination date through June 30, 2028, and authorize the General Manager, or designee, to execute the amendment.

Alternative

Do not authorize execution of Amendment 2 and direct staff to amend agreement with OneSource for continued technical support services to the Water Authority through June 30, 2027 for a period of 1 year and increase total funding to an amount not to exceed \$192,908.85.

Fiscal Impact

Funds in the amount of \$71,372.70 are available for this contract amendment in the fiscal year 2027 operating budget. Funds in the amount of \$67,974 for the remaining contract term will be requested in the fiscal years 2028 and 2029 Operating Budget and are contingent upon Board approval. The rate category for this contract is Transportation.

Executive Summary

- This contract extends the term of 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment.
- The General Manager authorized a \$123,235.50 contract with OneSource Distributors, LLC to perform integrated support services in March 2024, with an original contract completion date in June 2025.
- The First Amendment extended the completion date by one year, from June 2025 to June 2026.
- This amendment will add \$139,346.70 and two years to the existing contract, increasing the contract maximum amount to a new, not-to-exceed a total contract amount of \$262,582.20, with a new contract completion date in June 2028.

Discussion

OneSource and the Water Authority have negotiated a technical support maintenance plan provided by Rockwell Automation, which is a consolidated support program that bundles technical support, repair services, field engineering, and lifecycle management into a single contract. The agreement is designed to improve system uptime, reduce maintenance costs, and simplify vendor management for facilities running Rockwell Automation equipment, including programmable logic controllers and variable frequency drives used in the Aqueduct Control System. The technical maintenance plan agreement combines several critical support elements into one contract, including 24/7 remote technical assistance, comprehensive repair and remanufacturing coverage, access to onsite field engineering support, and lifecycle services such as installed base evaluations and performance analytics. It can also include optional training and workforce support, giving organizations a unified and proactive approach to maintaining the reliability and longevity of their Rockwell Automation systems. The Water Authority does not currently have the specialized equipment, staffing resources, or proper training to perform the work in-house.

On March 14, 2024, the Water Authority entered a one-year contract for \$123,235.50 with OneSource Distributors, LLC, (OneSource), for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment, with an initial expiration date of June 30, 2025. The contract was subsequently amended to extend the term by another year, which will expire on June 30, 2026.

Competition for this contract was waived, in accordance with the Administrative Code Section 4.04.060 (b)(8) because OneSource is the exclusive distributor and the only factory authorized provider of parts and services for Rockwell Automation equipment used by the Water Authority.

In order to minimize disruption of water delivery to member agencies, staff recommends approval of the contract amendment with OneSource, as attached, with such non-material modifications as approved by the General Manager, or General Counsel, to the contract with OneSource Distributors, LLC, (OneSource) for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment for a not-to-exceed amount of \$139,346.70, increasing the authorized cumulative amount from \$123,235.50, to \$262,582.20, extending the termination date through June 30, 2028, and authorize the General Manager, or designee, to execute the amendment.

Due to the special circumstances for this type of service, SCOOP outreach requirements were not applicable.

Prepared by: Luke Holbrook, Operations and Maintenance Manager
Reviewed by: Eva Plajzer, Director of Operations and Maintenance
Approved by: Tish Berge, Deputy General Manager/Chief Operating Officer

Attachments:

Attachment 1 – Appendix: E&O-1, p. 204
Public Works Contract with OneSource Distributors, LLC
Attachment 2 – Contract Amendment 2

Contract Amendment No. 2

The contract between OneSource Distributors, LLC, a Delaware limited liability company (Contractor), and the San Diego County Water Authority, a county water authority (Water Authority), for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment, which was executed by the parties on March 14, 2024, and amended on April 28, 2025, is amended as follows:

1. The total maximum amount payable is increased by \$139,346.70, from \$123,235.50 (former maximum) to \$262,582.20 (new maximum). Section 2(b) is amended to reflect this change.
2. The term of the contract is extended for two years, and the Completion Date is changed from June 30, 2026 to June 30, 2028. Section 5(a) is amended to reflect this change.
3. Attachment B, Payment and Fee Schedule, is replaced in its entirety, as provided in Attachment B-2.
4. All other terms, covenants, and conditions in the original contract as amended shall remain in full force and effect and shall be applicable to this amendment.

The individuals executing this amendment to the contract represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

IN WITNESS WHEREOF, the parties have executed this Contract Amendment No. 2 on the following date.

DATED: _____, 2026

San Diego County Water Authority

OneSource Distributors, LLC

By _____
Luke Holbrook
Operations & Maintenance Manager

By _____
Chris Ruperto
Director of Sales – San Diego

Approved as to form:

By _____
Michael J. McDonnell
Assistant General Counsel

ATTACHMENT B-2
Payment and Fee Schedule

Prices below reflect the services outlined in the Scope of Work.

ITEM	DESCRIPTION	COST/ YEAR	NO. OF YEARS	TOTAL COST
1.	24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment as more particularly provided in Attachment A.			
a.	Year 1 and Year 2	\$60,114.88	2	\$120,229.76
b.	Year 3 and Year 4	\$67,974.00	2	\$135,948.00
SUBTOTAL				\$256,177.76
ITEM	DESCRIPTION			TOTAL COST
2.	Total reimbursement for payment and performance bond required by Contract, not to exceed 2.5% of total contract cost.			
a.	Year 1 and Year 2			\$3,005.74
b.	Year 3 and Year 4			\$3,398.70
SUBTOTAL				\$6,404.44
CONTRACT MAXIMUM				\$262,582.20

1. Prices shall remain firm during the contract term.
2. Prevailing wages apply.

May 20, 2026

Attention: Engineering and Operations Committee

Notice of Completion for the Helix 9 Flow Control Facility project. (Action)

Staff recommendation

Authorize the General Manager, or designee, to accept the Helix 9 Flow Control Facility project as complete, record the Notice of Completion, and release funds held in retention to Kiewit Infrastructure West Co. in accordance with the contract and applicable law.

Alternative

Do not approve staff recommendation and provide direction to staff relative to issues requiring resolution.

Fiscal Impact

There are sufficient funds to support this recommendation within the project budget and the fiscal years 2026 and 2027 Capital Improvement Program appropriation. The rate category for this project is transportation.

Executive Summary

- Helix 9 Flow Control Facility replaced the existing Helix 1 Flow Control Facility based on Asset Management Program condition assessments.
- Work included demolishing the existing facility and constructing a new flow control facility building, pipelines, and associated equipment.
- The final construction contract price, including change orders, is \$9,178,430; an increase of 1.78% from the original contract value.
- The facility began operations on April 7, 2026.

Background

The Helix 1 Flow Control Facility, located in the community of Lakeside as shown in Figure 1, was built in 1947. The facility enabled the Water Authority to deliver untreated water from the La Mesa Sweetwater Extension Pipeline to Helix Water District. The Water Authority's Asset Management Program identified this facility for replacement due to its structural condition, inadequate access within the facility, and undersized mechanical components.

The project demolished the existing Helix 1 Flow Control Facility and constructed an above grade structure to house new isolation valves, flow control valve, flow meter, and associated equipment capable of delivering up to 35 cubic feet per second of untreated water. The new Helix 9 Flow Control Facility incorporated improved access and safety measures. It is also the first new flow control facility equipped with a solar/battery energy system to provide backup power in the event of power outages. Two aqueduct shutdowns were required for this project;

one isolating the facility for construction and another to bring the facility back into service. The Water Authority coordinated with the member agencies affected by the shutdown.

Previous Board action: On October 26, 2023, the Board authorized the General Manager, or designee, to award a construction contract to Kiewit Infrastructure West Co. in the amount of \$9,017,500 for the Helix 9 Flow Control Facility project.

Discussion

During construction, staff executed eight change orders under staff's authority for a total cost of \$160,930. The change order items are summarized below and detailed in Attachment 1.

Design Modifications: Staff executed three change order items for a total cost of \$67,091. Items included modifications to the manways, photovoltaic system and water sample station.

Differing Site Conditions: Staff executed four change order items for a total cost of \$59,081. Items included additional isolation bulkhead gussets; hazardous material removal; and updates to existing pipeline connections.

Design Errors: Staff executed four change order items for a total cost of \$39,873. Items included modifications to fence alignment and roof hatch mounts; additional roof anchors; and the addition of a photovoltaic system rapid shutdown.

Administrative Changes: Staff executed 10 change order items for a total credit of \$16,591. Items included credits for in-plant fabrication inspection costs and unused contract unit and allowance price bid items.

Outside Agency Requirements: Staff executed one change order item for a total cost of \$11,476. This change order accommodated a request by Helix Water District to modify pipeline isolation for safe operation of their system while the project was constructed.

The final construction contract price, including change orders is \$9,178,430; an increase of 1.78% from the original contract value. The small business participation for this project was 4.4%. The minority and women-owned business participation for this project was 1.2%. This information is provided for statistical purposes.

During construction, staff retained 5% of the total contract amount in accordance with the contract terms. After the General Manager's acceptance, recordation of the Notice of Completion, and receipt of a signed Conditional Waiver and Release of Liens and Claims from the contractor, Staff will release retention in accordance with the contract and applicable law. Kiewit Infrastructure West Co. provided a bond for faithful performance, which is required to remain in full force and effect for the contract's two-year post-construction warranty period.

Engineering and Operations Committee

May 20, 2026

Page 3 of 3

Prepared by: Valerie Airey, Principal Construction Manager

Reviewed by: Neena Kuzmich, Director of Engineering

Approved by: Tish Berge, Deputy General Manager/Chief Operating Officer

Attachments:

Figure 1 – Vicinity Map

Attachment 1 – Summary of Construction Change Orders



LA MESA
SWEETWATER
EXTENSION PIPELINE

HELIX 9 FLOW
CONTROL FACILITY
PROJECT SITE

Lakeside

Santee

El Cajon

FIGURE 1
VICINITY MAP

**HELIX 9 FLOW CONTROL
FACILITY PROJECT**



**SUMMARY OF CONSTRUCTION CHANGE ORDERS
HELIX 9 FLOW CONTROL FACILITY
SPECIFICATION 665**

Change Order	Item No.	Classification	Description	Amount	Contract Time Extension
1	1	Differing Site Condition	Isolation Bulkhead Gussets	\$ 2,739	0
1	2	Differing Site Condition	Safety Stand Down	\$ 2,212	0
2	1	Differing Site Condition	Hazardous Materials	\$ 38,131	0
3	1	Differing Site Condition	Existing Tie-In Discrepancies	\$ 15,999	0
3	2	Design Modification	Manway Modifications	\$ 7,633	0
4	1	Outside Agency Request	Downstream Pipeline Isolation	\$ 11,476	0
4	2	Administrative Change	Reimbursement for Inspection of Off-Site Fabrication 2/11/24-4/20/24	\$ (55,664)	0
5	1	Design Error	Fence Alignment Modifications	\$ 12,086	0
5	2	Design Error	Roof Hatch Mounting Detail Modifications	\$ 4,433	0
5	3	Administrative Change	Reimbursement for Inspection of Off-Site Fabrication 4/21/24-8/23/24	\$ (9,268)	0
6	1	Administrative Change	Owner Furnished Valves	\$ 136,110	239
6	2	Design Modification	Photovoltaic System Modifications	\$ 56,233	0
6	3	Design Modification	Sample Station Modifications	\$ 3,225	0
6	4	Administrative Change	Reconcile Bid Item 10 - Temporary Stabilized Construction Entrance	\$ (20,000)	0
6	5	Administrative Change	Reconcile Bid Item 11 - Temporary Gravel Filled Bags	\$ (11,250)	0
6	6	Administrative Change	Reconcile Bid Item 12 - Temporary Fiber Roll	\$ (7,500)	0
6	7	Administrative Change	Reconcile Bid Item 14 - Relocation of and Restoration of Unidentified Utilities and Pipeline Conditions	\$ (2,036)	0
6	8	Administrative Change	Reconcile Bid Item 15 - San Diego Gas & Electric Connection Fees	\$ (18,590)	0
6	9	Design Error	Additional Roof Anchors	\$ 8,686	0
7	1	Design Error	Solar Array Rapid Shutdown System	\$ 14,668	0
8	1	Administrative Change	Delete Owner Furnished Cone Valve Installation	\$ (14,393)	0
8	2	Administrative Change	Reconcile Bid Item 13: Construction Site Maintenance	\$ (14,000)	0
Total Amount of Change Orders 1-8:				\$ 160,930	
Total time extension:					239 Days
Original Board authorized contract amount:				\$ 9,017,500	
Current executed contract amount:				\$ 9,178,430	

May 20, 2026

Attention: Engineering and Operations Committee

**Advertisement for bids for the Operations and Maintenance Center tenant improvements.
(Presentation)**

Purpose

This memorandum provides background on the Operations and Maintenance Center (OMC) and information on upcoming project activities.

Executive Summary

- The tenant improvement (TI) project for the new OMC will prepare the site for occupancy and the move of operations and maintenance staff to the new location.
- The existing Operations & Maintenance Facility at 610 West 5th Avenue, Escondido, can no longer support essential services.
- The purchase of real property at 1960 Citracado Parkway, Escondido, was executed November 2024 and included land, shell building, and site improvements for the new OMC.
- A professional services contract for architectural design, engineering, and construction management services was executed in February 2025 for tenant improvements at the new OMC.
- A 10-ton bridge crane contract for the new OMC was awarded January 2026.
- The advertisement for bids is scheduled to be released by August 2026.

Background

The existing Operations and Maintenance Facility is located at 610 West 5th Avenue in Escondido. The site is approximately 2.7 acres and is comprised of four separate structures. The administrative office was constructed in 1967 and is approximately 7,850 square feet. Throughout the years, the campus has undergone renovations to meet expanding needs. Despite these efforts, the West 5th Avenue location has reached capacity and is not able to meet operational needs.

The real property of the new OMC is located at 1960 Citracado Parkway, Escondido. The property was purchased in November 2024. The development includes an 84,229-square-foot building with a 4,161 square foot mezzanine level, presented in cold shell condition. The building has been constructed to meet the requirements of Occupancy Risk Category IV as required for an essential facility per the California Building Code.

In January 2025, Ferguson Pape Baldwin Architects Inc. (FPBA) was awarded a contract to prepare plans and contract documents for tenant improvements at the new OMC. FPBA has completed the design which includes a data center/server room, an emergency operations center, and a regional water conveyance control room, along with two levels of general-purpose office facilities, fleet servicing areas, warehouse, safety training area, and hazardous materials storage.

Exterior site improvements include incorporation of emergency generators, mechanical yard space, additional fleet parking spaces on existing concrete slabs, roof-mounted regional radio communications, site security enhancements such as automated perimeter security gates, access control system, and video surveillance system.

The design for the OMC TI project has been presented to the City of Escondido for approval. Once approval is obtained, staff will issue the contract documents for public bidding.

This project is exempt from the California Environmental Quality Act (CEQA) pursuant to California Code of Regulations (CCR) Article 19, Section 15301, and a Notice of Exemption was prepared in conformance with California Code of Regulations Title 14, Chapter 3, Article 5, Section 15062.

Previous Board action: On January 22, 2026, the Board awarded a public works contract, with non-material modifications as approved by the General Manager or General Counsel, to Level Crane Systems, in the amount of \$269,086, to furnish and install a 10-ton bridge crane system at the OMC in Escondido, and authorized the General Manager, or designee, to execute the contract.

On January 23, 2025, the Board awarded a design professional services contract, with non-material modifications as approved by the General Manager or General Counsel, to Ferguson Pape Baldwin Architects Inc., for a not-to-exceed amount of \$2,466,894 for architectural design, engineering, and construction management services, and authorize the General Manager, or designee, to execute the contract.

On October 26, 2023, The Board adopted Resolution No. 2023-31, that: a. Resolved that the Final Environmental Impact Report (EIR) adopted by the City of Escondido as Lead Agency complies with the California Environmental Quality Act (CEQA) and the State CEQA Guidelines; that no further environmental analysis is required for the action of the San Diego County Water Authority (Water Authority), and approved the project and authorized the filing of a Notice of Determination (NOD); and, b. Authorized the General Manager to execute a purchase and sale agreement, in the form provided, with such minor modifications as subsequently approved by the General Manager and General Counsel, to purchase the real property and improvements located at, or to be located at, 1960 Citracado Parkway, Escondido, for an amount not-to-exceed \$38,760,360, plus customary closing costs and fees.

Discussion

Staff will advertise the construction contract for public bid by August 2026. The construction cost estimate is between \$30.9 and \$33.4 million. Staff anticipates returning to the Board in September 2026 with a recommendation to award a construction contract, which is expected to be completed in the spring of 2028.

Prepared by: Luke Holbrook, Operations & Maintenance Manager

Reviewed by: Eva Plajzer, Director of Operations and Maintenance

Approved by: Tish Berge, Deputy General Manager/Chief Operating Officer



LEGISLATION AND PUBLIC OUTREACH COMMITTEE

**AGENDA FOR
MAY 28, 2026**

Valentine Macedo, Jr., Chair	Jim Madaffer
Teresa Acosta, Vice Chair	Venus Molina
Amy Reeh, Vice Chair	Ron Morrison
Jerry Butkiewicz	Princess Norman
Frank Hilliker	Rocky Qualin
Mel Katz	Stephen Whitburn
Joy Lyndes	Burt Williams

1. Report on Remote Attendance.
2. Roll call – determination of quorum.
3. Additions to agenda (Government Code Section 54954.2(b)).
4. Public comment – opportunities for members of the public to address the Committee on items contained within this agenda.
5. Chair’s report.
5-A Directors’ comments.

I. CONSENT CALENDAR

1. Resolution supporting the Association of California Water Agencies Vision for Our Water Future. Meggan Quarles
Staff recommendation: Adopt Resolution No. 2026-04, a resolution of the Board of Directors of the San Diego County Water Authority, supporting ACWA’s Vision for Our Water Future.

II. ACTION/DISCUSSION/PRESENTATION

1. Government Relations Update. Meggan Quarles
1-A Washington Report.

1-B Sacramento Report. (Discussion)
2. Adopt position on Senate Bill 1125. Meggan Quarles
Staff recommendation: Adopt a position of Support on SB 1125 (Menjivar), Water Rate Assistance Program. (Action)
3. 2026 San Diego County Fair Water Authority Display. Kimberlyn Velazquez
(Presentation)

III. INFORMATION

IV. CLOSED SESSION



V. ADJOURNMENT

Kelly Cole-Walker
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.



May 20, 2026

Attention: Legislation and Public Outreach Committee

Resolution supporting the Association of California Water Agencies Vision for Our Water Future. (Action)

Staff recommendation

Adopt Resolution No. 2026-04 a resolution of the Board of Directors of the San Diego County Water Authority, supporting the Association of California Water Agencies Vision for Our Water Future.

Alternatives

1. Do not adopt the recommended resolution.

Fiscal Impact

There is no direct fiscal impact associated with the consideration of adopting a resolution supporting the Association of California Water Agencies (ACWA) Vision for Our Water Future.

Executive Summary

- This proposed action is to allow the Board to consider adopting a resolution supporting the Association of California Water Agencies Vision for Our Water Future.
- The Vision for Our Water Future policy document defines statewide water priorities to inform engagement with California’s next Administration.
- This member-driven initiative positions ACWA to elevate water with gubernatorial candidates and advance a unified policy agenda for safe, reliable, and affordable water.

Discussion

ACWA launched a new policy initiative to actively elevate water-related priorities with California’s gubernatorial candidates, legislative leadership and administration officials in advance of a new governor taking office in 2027.

The Vision for Our Water Future initiative focuses on integrating members’ unified priorities into campaign platforms and further establishing the association as a leading voice in shaping California’s water future. These priorities are an alignment of ACWA strategic priorities and region and committee workplans.

In support of the initiative, ACWA’s Board of Directors approved funding for an outside consultant to support staff’s efforts at its January Board Meeting. ACWA created a small committee of General Managers and senior staff to work with the consultant on developing the vision document. Meggan Quarles participated on that committee. At its March Board Meeting, the ACWA Board of Directors approved the policy document.

On March 20, ACWA's Board of Directors unanimously approved the Vision for Our Water Future policy recommendations and backed it with resources necessary to support its success. The Vision for Our Water Future outlines key priorities, including elevating water as a statewide leadership priority, protecting affordability, delivering critical infrastructure, and modernizing water management. These actions are intended to provide a framework to support a more integrated and resilient water system that can meet the evolving needs of communities and the economy.

This Vision for Our Water Future document and fact sheet are attached for your information.

Staff recommends supporting a resolution that supports the Association of California Water Agencies Vision for Our Water Future.

Attachments:

Attachment 1 – ACWA Vision for Our Water Future.

Attachment 2 – ACWA Vision for Our Water Future Fact Sheet.

Resolution 2026-__ supporting the Association of California Water Agencies Vision for Our Water Future.

Prepared by: Meggan Quarles, Government Relations Manager

Approved by: Jaymie Bradford, Assistant General Manager

VISION

FOR OUR WATER FUTURE



Setting the Vision

The Association of California Water Agencies (ACWA) represents approximately 470 public water agencies that collectively deliver approximately 90 percent of the water used by Californians — in their homes, on their farms, and for their businesses.

Water agencies are being proactive and are on the front lines of the state’s most pressing challenges — from droughts, floods, and wildfires to aging infrastructure and the need for more housing. Meaningful progress requires state partnership with local water suppliers to achieve common goals. Bold leadership from the governor is critical to setting a unified direction, accelerating action, and delivering results to prepare California for the future. Action is needed now.

Why Water Matters

Water is the foundation upon which California is built. This State is the world’s fourth-largest economy, the nation’s breadbasket, a global technology leader, and home to extraordinary ecosystems. None of it functions without water.

Water is not a single-sector issue. It is the backbone every other sector depends on. It determines where homes can be built, whether farms can produce, how businesses operate and grow, and whether species can survive a changing climate. A safe, reliable, and affordable water supply is one of the most important investments California can make.

ACTION IS NEEDED NOW



Lead on Water



Protect Affordability



Deliver Critical Infrastructure



Modernize Water Management

California Thrives With Water

- › **Housing:** California must plan for 2.5 million new homes in the next decade. Every unit requires a reliable water supply.
- › **Agriculture:** California agriculture is 12% of the state's economy, contributing \$60 billion; employing over 400,000 people; and producing more than half of the nation's fruits, nuts, and vegetables. Both surface and groundwater are fundamental to California's agriculture sector.
- › **Economy:** California's \$4 trillion economy spans technology, innovation, manufacturing, trade, and tourism. Every dollar of it depends on a reliable water supply.
- › **Environment:** California's extraordinary ecosystems — its rivers, wetlands, and floodplains — depend on the same water system managed by local water suppliers. A thriving California requires managing water to sustain both communities and ecosystems.
- › **Public Health:** Water suppliers are California's first line of public health defense, delivering safe, clean drinking water to every community in the state.
- › **Climate Resilience:** Climate whiplash — the swing between extreme droughts and extreme floods — is increasing, snowpack is diminishing, and wildfires are growing more severe. Water suppliers are modernizing, but they cannot do it alone.

Building A Modern System

Securing California's water future requires more than incremental fixes. It demands a fundamental shift in how the State leads, invests, and operates. The Vision for Our Water Future provides an essential framework for ensuring a resilient and reliable water system.

Funded, built, and managed for extreme conditions, our modern water system is resilient, coordinated, and flexible — meeting the needs of California's communities, economy, and environment.

- › **Anchored by Backbone Infrastructure:** The State Water Project and Central Valley Project form the foundation of the statewide water system. These assets capture and manage California's highly variable hydrology and move water where and when it is needed.
- › **Strengthened by Regional Resiliency:** Regional and watershed-based partnerships strengthen local water reliability under changing hydrologic conditions and during emergencies through coordinated planning, interconnected infrastructure, diversified supplies, and shared responsibility.
- › **Delivered Locally:** Water is delivered by local suppliers, even when conveyed through or interconnected with statewide or regional systems. Local agencies set rates and policies — ratepayers fund approximately 85% of California's water system costs — while navigating structural constraints from Proposition 218, regulatory mandates, and permitting complexity.

Key Elements of A Modern Water System

- › Designed and upgraded for the future
- › Flexible and responsive to changing climate conditions
- › Supported by aligned state permitting, regulatory, and investment frameworks
- › Informed by technology, data, and science
- › Grounded in long-term affordability

A modern water system must be resilient, coordinated, and flexible to meet California's evolving needs.



LEAD ON WATER

Recognize water as an essential resource and the infrastructure that underpins California's economy, housing growth, food production, environmental health, and community resilience. Sustained executive leadership is needed to improve water supply reliability, accelerate climate resilience, and ensure coordinated action across state government.

- › **Set a Bold Water Agenda (First 100 Days):** Establish a focused statewide water agenda aligned with this Vision for Our Water Future.

- › **Appoint Leaders to Deliver Results:** Appoint and empower leaders to deliver measurable outcomes.
- › **Unify State Agencies:** Direct state agencies to align under unified statewide water priorities and jointly advance implementation in partnership with local, regional, and federal water managers. Designate a cabinet-level water policy executive, reporting directly to the Governor, to align agencies and organize state resources to implement California's water priorities.



PROTECT AFFORDABILITY

Ensure safe and reliable water remains affordable by strengthening sustained state investment and funding partnerships with local, regional, and federal agencies to address rising infrastructure, climate, and regulatory costs. California's ratepayers fund more than 85% of the system. Without predictable investment, these costs will increasingly fall on households, businesses, and farmers.

- › **Secure Sustainable Water Funding:** Create a reliable sustainable state funding source for water infrastructure that provides predictable, long-term investment. This funding should support critical water infrastructure projects, environmental needs, and California's Human Right to Water while leveraging federal, regional, and local investment.

- › **Accelerate Funding:** Improve funding programs and coordination so investments reach projects faster — reducing administrative delays, lowering project costs, and accelerating infrastructure delivery.
- › **Integrate Investments Across Sectors:** Align state investments and integrate water infrastructure funding across energy, housing, and climate and hazard mitigation to advance multi-benefit projects and maximize federal, state, and regional investment.



3

DELIVER CRITICAL INFRASTRUCTURE

Future-proof California’s critical water infrastructure to ensure reliable supplies in the face of climate change, growing economic and community demands, and escalating emergency risks. This requires strengthening the statewide water system, including both built and natural infrastructure, while advancing regional resilience to maximize systemwide reliability.

- › **Strengthen the State’s Water Backbone:** Upgrade, repair, and optimize California’s essential backbone infrastructure — the California State Water Project and Central Valley Project.
 - ◆ **Modernize and Protect Infrastructure:** Advance a durable Delta conveyance solution, strengthen Delta levees, safeguard critical infrastructure from subsidence and seismic risk, and upgrade system technologies — including Forecast Informed Reservoir Operations, snowpack measurement, and remote monitoring control.

- ◆ **Improve Coordinated Operations:** Integrate operations of the California State Water Project and Central Valley Project to increase system flexibility, expand the storage and movement of water, and enhance water supply reliability.
- › **Safeguard Colorado River Water Supplies:** Protect California’s Colorado River allocation, consistent with the State’s legal entitlements and the efforts of the Colorado River Board of California.
- › **Empower Regional Water Solutions:** Champion regional and watershed-based solutions. State policy should empower regions with the tools, flexibility, and investment needed to advance regional planning, partnerships, and projects that diversify water supplies, strengthen system connectivity and operational efficiency, and restore ecosystem functions to ensure reliable water supplies.

4

MODERNIZE WATER MANAGEMENT

Improve California’s regulatory and operational systems so water projects can move forward reliably and efficiently, infrastructure can be operated more flexibly, and agencies can respond more rapidly to changing conditions. California’s regulatory framework should deliver clear, coordinated decisions grounded in the best available science, while maintaining environmental protections, public transparency, and California’s existing water rights priority system.

- › **Improve Permitting Performance:** Enhance the clarity, coordination, and efficiency of state permitting processes to accelerate infrastructure and operational improvements; eliminate avoidable costs; and ensure state and local agencies deliver timely, accountable results.
 - ◆ **Integrate Permit Requirements:** Integrate requirements and processes across regulatory agencies to eliminate redundancy and inconsistency.
 - ◆ **Enhance Regulatory Certainty:** Establish transparent procedures, clear criteria for permit approval, and accountable timelines for agency decisions — developed in direct partnership with water suppliers.

- ◆ **Streamline Pathways:** Create efficient pathways to advance multi-benefit, climate-resilient water supply projects.
- › **Modernize Water Operations:** Advance operational approaches that reflect changing climate realities to improve water supply reliability across environmental, agricultural, and urban sectors. This may include coordinated reservoir management, flexible diversion rules tied to real-time hydrology, accelerated groundwater recharge and conjunctive use, expanded water transfers, and other adaptive strategies.
- › **Strengthen Water Data and Science:** Invest in integrated, science-based statewide data systems and technology that improve transparency, inform real-time decisions, and strengthen regulatory and operational performance to increase efficiency and better manage water resources.

VISION
FOR OUR WATER FUTURE



Vision for Our Water Future is an initiative of the Association of California Water Agencies, representing approximately 470 public water agencies in California.

VISION

FOR OUR WATER FUTURE

CALIFORNIA THRIVES WITH WATER

Water is the foundation upon which California is built. As the world’s fourth-largest economy, the nation’s breadbasket, a global technology leader, and home to extraordinary ecosystems, the prosperity of the Golden State depends on safe, resilient, and affordable water supply — now and into the future.

WATER IS AN ESSENTIAL RESOURCE

Catastrophic wildfires, prolonged droughts, more intense storms, land subsidence, and aging infrastructure are reshaping California’s risk landscape. Meeting these challenges demands that we acknowledge the seriousness of the threat, act with urgency and intention, and work together to advance our shared priorities.

IT STARTS WITH A VISION

The Association of California Water Agencies’ (ACWA) Vision for Our Water Future seeks to elevate water as a top priority for California’s next governor, legislative leadership, and state officials. It provides a clear, focused framework to secure a reliable, affordable, and modern water system that supports California’s economy, communities, and environment.



BOLD LEADERSHIP IS NEEDED NOW

State and local water suppliers are on the front lines of California’s water management to sustain communities, agricultural land and economy.

Water managers across the state are already pursuing local, practical and innovative solutions, but long term, meaningful progress requires a strong state partnership to achieve these shared goals. Bold leadership is needed to set a unified direction, accelerate action and deliver results that prepare California for an increasingly uncertain future.



VISION FOR OUR WATER FUTURE

Securing California’s water future requires more than incremental fixes — it demands a fundamental shift in how the state leads, invests, and operates. The Vision for Our Water Future provides an essential framework for our next administration to:

1. LEAD ON WATER

Recognize water as an essential resource and the infrastructure that underpins California’s economy, housing growth, food production, environmental health, and community resilience. Sustained executive leadership is needed to improve water supply reliability, accelerate climate resilience, and ensure coordinated action across state government.

2. PROTECT AFFORDABILITY

Ensure safe and reliable water remains affordable by strengthening sustained state investment and funding partnerships with local, regional, and federal agencies to address rising infrastructure, climate, and regulatory costs. California’s ratepayers fund more than 85 percent of the system. Without predictable investment, these costs will increasingly fall on households, businesses, and farmers.

3. DELIVER CRITICAL INFRASTRUCTURE

Future-proof California’s critical water infrastructure to ensure reliable supplies in the face of climate change, growing economic and community demands, and escalating emergency risks. This requires strengthening the statewide water system, including both built and natural infrastructure, while advancing regional resilience to maximize systemwide reliability.

4. MODERNIZE WATER MANAGEMENT

Improve California’s regulatory and operational systems so water projects can move forward reliability and efficiently, infrastructure can be operated more flexibly, and agencies can respond more rapidly to changing conditions. California’s regulatory framework should deliver clear, coordinated decisions grounded in the best available science, while maintaining environmental protections, public transparency, and California’s existing water rights priority system.

KEY ELEMENTS OF A MODERN WATER SYSTEM



Designed and upgraded for the future



Flexible and responsive to changing climate conditions



Supported by aligned state permitting, regulatory, & investment frameworks



Informed by technology, data, & science



Grounded in long-term affordability-term



RESOLUTION NO. 2026-_____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SUPPORTING THE ASSOCIATION OF CALIFORNIA WATER AGENCIES VISION FOR OUR WATER FUTURE

WHEREAS, in April 2026, the Association of California Water Agencies (ACWA) launched Vision for Our Water Future, a member-driven initiative to identify statewide water priorities to inform engagement with California's next Administration; and

WHEREAS, the Vision for Our Water Future priorities are a set of recommendations for the next governor, emphasizing the importance of strong leadership, sustainable investment and coordinated action across all levels of government to secure California's water future; and

WHEREAS, the first priority is to lead on water and elevate water as foundational to California's economy, agriculture, communities, environment and climate resilience through sustained leadership and coordinated state action; and

WHEREAS, the second priority is to ensure safe and reliable water remains affordable through sustained and predictable funding partnerships and streamlined investment delivery; and

WHEREAS, the third priority is to strengthen and modernize California's water infrastructure, including both built and natural systems, to improve reliability and resilience; and

WHEREAS, the fourth priority is to improve regulatory, operational and scientific frameworks to enable efficient project delivery and adaptive water management; and

WHEREAS, local water agencies play a critical role in delivering safe and reliable water supplies and are essential partners in implementing statewide solutions; and

WHEREAS, supporting the Vision recommendations demonstrates a unified commitment to collaborative, science-based and practical policies that advance a secure and resilient water future for California's communities, farms, economy and environment.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves the following: support for ACWA's Vision for Our Water Future recommendations and affirms its commitment to working collaboratively to advance reliable, affordable and resilient water supplies.

PASSED, APPROVED, and ADOPTED this 28th day of May 2026 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Nick Serrano, Chair

ATTEST:

Teresa Acosta, Secretary

I, Kelly Walker, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2026- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Kelly Walker, Clerk of the Board



May 20, 2026

Attention: Legislation and Public Outreach Committee

Government Relations Update (Discussion)

Purpose

This report is an update of the Water Authority's Government Relations program. Meggan Quarles, Government Relations Manager is available to answer any questions.

Discussion

During April and May, the Government Relations team along with the General Managers Office and Chair Serrano held meetings in both DC and Sacramento to give updates on the Water Authority's recent transfers. The meetings coincided with the San Diego Regional Chamber of Commerce DC meetings, the National Water Resources Association DC meeting and the Association of California Water Agencies Sacramento Conference. Discussions occurred about additional future transfers, including interstate transfers, and how the Water Authority is continuing to look at collaboration to help other regions. Meetings took place with the following offices:

Washington DC

- Senator Alex Padilla
- Congressman Levin
- Congressman Vargas
- Congressman Peters
- Congressman Calvert

Sacramento

- Assembly Member Sharp-Collins
- Keith Cialino, Consultant for Speaker Rivas
- Senator Blakespear
- Assembly Member DeMaio
- Assembly Member Boerner
- Genevieve Wong, Consultant for Senate Natural Resources Committee
- Assembly Member Alvarez
- Assembly Member Ward
- Assembly Member Davies
- Assembly Member Papan, Chair of Assembly Water Parks and Wildlife Committee
- Senator Becker, Chair of Senate Energy Utilities and Communications Committee

Legislation and Public Outreach Committee

May 20, 2026

Page 2 of 2

Attached is the What's Hot Report providing a legislative update. Verbal updates will be provided at the meeting to highlight any updates that have occurred since the writing of the report.

Lobbyist Activities

Presentations from our state advocate, Resolute and federal advocate, Pace Government Relations will occur.

Prepared by: Meggan Quarles, Government Relations Manager

Approved by: Jaymie Bradford, Assistant General Manager

Attachment 1: What's Hot Report – May 2026

WHAT'S HOT REPORT

**Government Relations Department
San Diego County Water Authority**

Meggan Quarles
MQarles@SDCWA.org

Daniel Gaytan
DGaytan@SDCWA.org



**San Diego County
Water Authority**

What's Hot?

State Legislative Activity

Policy committees are churning through bills in order to meet statutory deadlines. Many bills (112 to be exact) have already met their futile fate this session while many others continue their march to the Governor's desk. In addition to shepherding their bills, lawmakers in Sacramento will have the rare opportunity to decide how they want to spend (or not spend) a historic cash position that California currently holds. Democrats in both chambers have set their guiding principles, and it remains to be seen how these will differ from the Governor's priorities. In the Governor's race Xavier Becerra has become the new democratic frontrunner in the crowded field of gubernatorial contenders, following Representative Eric Swalwell's departure from the race. In the past few weeks, Becerra and Republican Steve Hilton have been consistently polling as the top two candidates. We will find out on June 2 if the two will square off in the November general election or if any surprises emerge.

Federal Legislative Activity

After 75 agonizing days, the Department of Homeland Security (DHS) government shutdown is finally over (mostly). Leadership in the House of Representatives ultimately accepted the Senate's proposal to fund DHS, excluding allocations for Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP). Those two agencies have been largely insulated from the shutdown due to the funding boost they received last year from the One Big Beautiful Bill Act. Meanwhile, the conflict in Iran continues to wreak havoc on energy prices at home. Congressional leaders are scrambling to find affordability measures they can enact to help ease the burden on everyday Americans. Water affordability is a topic that can be included in this discussion since existing proposals are already in print.

State Update

What's Happening Around Sacramento

Salton Sea Conservancy

Governor Newsom launched the Salton Sea Conservancy which seeks to address longstanding environmental and public-health challenges at the Salton Sea. This conservancy is the state's first new conservancy in more than 15 years. Established through SB 583 (Padilla), the Conservancy will serve as the central entity guiding long-term restoration and stabilization of the Salton Sea—California's largest inland water body, which has suffered from declining water levels, increasing salinity, and worsening dust emissions. State leaders emphasized that the Conservancy strengthens stewardship, investment, and public access, helping ensure that years of fragmented restoration efforts are now aligned under a unified structure.

The new Conservancy will oversee the operation, maintenance, and expansion of large-scale habitat and dust-suppression projects, many of which are already underway. Recent efforts have included building out thousands of acres of habitat to support fish and millions of migratory birds along the Pacific Flyway, as well as implementing dust-control measures to reduce respiratory hazards for Imperial Valley residents. With the Conservancy in place, state agencies can accelerate implementation, ensure continuity in long-term project delivery, and direct resources more efficiently to the areas of greatest environmental and community need. Officials, including Natural Resources Secretary Wade Crowfoot, noted that long-planned projects are finally being built and that this new governance structure will keep momentum moving forward.

Community engagement is another core pillar of the Conservancy's mission. Local leaders highlighted the importance of bringing long-impacted residents directly into decision-making, ensuring that future project priorities reflect the needs of communities facing the most significant air-quality and public-health impacts. The Conservancy will play a key role in coordinating with residents, local governments, tribal nations, and regional organizations—strengthening accountability and ensuring that state investments deliver durable, equitable outcomes. As the first new conservancy in more than a decade, this initiative signals a renewed long-term commitment to reversing the Salton Sea's decline and building resilience for the region's environment, economy, and public health.

Low Income Rate Assistance (LIRA)

SB 1125 (Menjivar) continues to progress through the legislature. As previously discussed, this bill would formally create a new Water Rate Assistance Program and set up a Water Rate Assistance Fund in the State Treasury, which would provide financial help to make residential water services more affordable for low-income ratepayers, but only after the Legislature appropriates funds. The state board would have to manage the fund separately, develop implementation guidelines (after

consultation with other agencies and a public hearing), and publish an annual report showing how the fund performed. The guidelines would require minimum standards for which water systems can participate, including a self-certification process for eligibility made under penalty of perjury. The bill has broad support from a wide coalition of advocates including environmental justice groups, public water agencies, and elected officials. As of this writing, there is no formal opposition to this bill.

The bill is now pending a suspense hearing in the Senate Appropriations Committee, where it will likely face its toughest legislative scrutiny yet.

Historic Cash Position and Budget Timelines

California closed April with one of the strongest cash positions in its history, totaling \$117 billion in available and usable cash. This reflects:

- \$29.6B General Fund cash balance
- \$4.5B Special Fund for Economic Uncertainties
- \$11.2B in the Budget Stabilization Account (rainy-day fund)
- \$1.3B in the Proposition 98 reserve
- \$71.7B in other special fund balances available for internal borrowing

This is an extraordinary turnaround from the \$34B level in 2018 and the near-insolvency days of the 2009 recession, when cash dipped to \$2B. The state's encumbrance reserve has also risen significantly to \$28B in the Governor's proposed 2026–27 budget, signaling both substantial outstanding obligations and strong short-term fiscal flexibility.

Assembly Democrats have unveiled their high-level 2026 budget framework, outlining early fiscal priorities ahead of negotiations. The update comes alongside the Senate's "Foundation for the Future" plan released April 16, signaling alignment among Democratic caucuses as the state awaits the Governor's May Revision, due May 14—his final budget submission. The three values Democrats intend to guide their budget priorities include:

- **Responsibility** — controlling new spending, preparing for future deficits, strengthening and increasing reserves
- **Compassion** — protecting health care access, food assistance and core safety net programs
- **Fairness** — taking a close look at closing loopholes to make sure billionaires and massive corporations pay their fair share

Although California currently enjoys a temporary cash surplus, legislators and the Legislative Analyst's Office continue to project long-term budget deficits. Below you will find a table with anticipated budget actions over the next few weeks:

Date	Action
May 14	Governor presents May Revision
May 18-28 (approximate)	Assembly Budget Committee and Budget Subcommittee hearings on the May Revision and the 2026-27 state budget package
June 1-5 (approximate)	Deadline for Assembly and Senate to submit proposed 2026-27 legislative budget bill to Legislative Counsel. Discussions with legislators on anticipated Senate-Assembly budget plan, and with administration to advance possible budget agreement.
June 8-15 (approximate)	Additional Budget Committee hearing or hearings on anticipated Senate-Assembly budget plan or budget agreement with the administration
June 15	Expected Floor vote on legislative budget bill (which must be in print on or before June 12)
June 22-29 (approximate)	Additional Budget Committee hearing or hearings, and expected Floor votes on budget bill amendments and trailer bills to facilitate a final budget agreement with the administration
June 29	Expected deadline for Governor to sign or veto the June 15 budget bill
July 1	2026-27 state fiscal year begins

Legislative Calendar

May 14: Governor presents his May revise.

May 15: Last day for fiscal committees to hear and report to the Floor bills in their house.

May 29: Last day for each house to pass bills introduced in that house.



Federal Update

What’s Happening Around DC

Presidents proposed FY27 Budget

In April, President Trump released his FY27 budget request to Congress. Below you will find a high-level comparison of the Bureau of Reclamation FY27 budget request including programs relevant to water agencies. The request is very similar to the FY26 request, with key differences including a proposed reduction in Colorado River Activities of just under \$1 million, Lower Colorado River Operations of \$3.5 million, and Colorado River Salinity Control of \$3 million. The request again proposes to zero out WaterSMART funding, a proposal Congress rejected in the FY2026 process.

Program/Account	FY 2024 enacted	FY 2025 CR	FY 2026 Request	FY 2026 Enacted	FY 2027 Request
Water Related Resources	1,587,000	—	1,112,000 (-353,630)	1,465,630	1,112,000 (-353,630)
Policy and Administration	64,000	—	64,000 (0)	64,000 (0)	64,000 (0)
California Bay-Delta Restoration	32,000	—	32,000 (0)	32,000	32,000 (0)
CVP Restoration Fund	65,000	65,370	65,370 (0)	65,370	66,951 (+1,581)
Total Net Discretionary	1,520,000	—	1,208,000 (-353,630)	1,561,630	1,208,000 (-353,630)
Colorado River Activities	26,000	26,120	22,717 (0)	22,717	21,799 (-918)
Upper Colorado Ops	8,200	8,260	8,260 (0)	8,260	7,508 (-758)
Lower Colorado Ops	75,000	77,240	43,999 (0)	43,999	40,461 (-3,538)
CR Salinity Control Title I	19,000	19,489	19,489 (0)	19,489	16,448 (-3,041)
CR Salinity Control Title II	6,000	6,000	4,500 (0)	4,500	4,500 (0)
CRSP Section 5	17,000	16,995	17,339 (-4,000)	21,339	16,575 (-4,764)
CRSP Section 8	3,500	3,536	2,944	2,944	3,073

			(0)		(+129)
Central Arizona Project	19,000	18,993	13,993 (0)	13,993	9,107 (-4,886)
Yuma Area Projects	24,000	23,788	23,788 (0)	23,788	21,659 (-2,129)
Desalination Program	7,000	7,018	6,763 (0)	6,763	6,763 (0)
WaterSMART	170,000	90,628	0 (-41,452)	41,452	0 (-41,452)

Permitting Reform and ESA changes Advance

The House advanced a series of permitting reform bills intended to streamline environmental reviews and reduce regulatory delays. On a parallel but separate track, reforms to the Endangered Species Act (ESA) also continue to move forward. The three measures advanced by the House are:

- FENCES Act (H.R. 6409): would allow states to exclude cross-border pollution from their air quality compliance calculations
- FIRE Act (H.R. 6387): would exempt prescribed burn emissions from air quality standards
- RED Tape Act (H.R. 6398): would eliminate a requirement for EPA to comment on federal construction projects already undergoing separate environmental reviews.

Republicans framed the measures as tools to "unleash American energy," while Democrats sharply criticized them as giveaways to polluters.

At the same time, congressional efforts to amend the ESA are gaining momentum. The ESA Amendments Act of 2025 (H.R. 1897), led by Natural Resources Committee Chair Bruce Westerman, proposes narrowing species protections, revising permitting requirements, and altering the federal consultation process. Although the bill was expected to reach the House floor a couple of weeks ago, it has been postponed. The debate reflects a sharp divide: Republicans contend the ESA has fallen short in recovering species, while Democrats and conservation organizations argue the proposed changes would significantly undermine biodiversity and potentially push vulnerable species toward extinction.

In addition to the legislative activity, the Trump Administration is moving ahead with administrative ESA rollbacks. The Fish and Wildlife Service and NOAA Fisheries have sent a proposal to the White House that would curtail regulatory safeguards against habitat destruction by narrowing the definition of "harm" under the ESA. Another rule related to grizzly bear protections is also under review, following prior signals from FWS Director Brian Nesvik supportive of delisting. These regulatory initiatives underscore a broader, multi-front effort to reshape federal wildlife protections through both statutory changes and administrative action.

EPA-Clean Water Affordability Guidance

The Environmental Protection Agency (EPA) is seeking public comment through May 26 on potential revisions to its 2023 guidance for assessing communities' ability to pay for Clean Water Act (CWA) compliance. The guidance is intended to shape how regulators negotiate implementation timelines with utilities facing costly water quality mandates.

The agency is considering changes in four key areas: how poverty is measured within a community, whether cost-of-living factors are adequately reflected, what constitutes a reasonable compliance timeline, and how water quality standard costs factor into affordability assessments.

The review follows strong criticism of the 2023 guidance, much of it from municipal water utilities. The National Association of Clean Water Agencies (NACWA), which represents publicly owned wastewater and stormwater utilities, praised the decision to revisit the policy, noting it has long advocated for improvements to the framework. The organization previously argued that the Biden-era guidance placed an excessive burden on smaller utilities and failed to fully consider how water rate increases affect low-income households — impacts that NACWA said fall disproportionately on environmental justice communities.

Meanwhile, in Congress, the Low-Income Household Water Assistance Program Establishment Act (HR 4733), has not been heard yet in the Subcommittee on Water Resources and Environment in which it was referred. The bipartisan bill does now have 31 co-sponsors listed, but it is unclear if this bill will gain any traction in the remainder of this Congress.

Legislative Calendar

May 22-June 1: House in district work period

May 25- 29: Senate not in session





May 20, 2026

Attention: Legislation and Public Outreach Committee

Adopt position on Senate Bill 1125 (Action)

Staff recommendation

Adopt a position of Support on SB 1125 (Menjivar), Water Rate Assistance Program.

Alternatives

1. Do not adopt the recommended position.
2. Modify the recommended position.

Fiscal Impact

SB 1125 (Menjivar) would have no direct fiscal impact for the Water Authority, however, would have some administrative costs for our member agencies that could be reimbursed according to the bill.

Executive Summary

- This proposed action is to take a support position on SB 1125 (Menjivar).
- 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 in legislation are based on an analysis of the bill and meet our Board adopted legislative policy guidelines.
- Water Authority staff and legislative advocates will advance the Board's policy positions during the current legislative session.

Discussion

SB 1125 (Menjivar) Water Rate Assistance Program.

This bill would establish the Water Rate Assistance Program (Program) and, as part of the Program, would establish the Water Rate Assistance Fund (Fund) in the State Treasury. The purpose of the Program and Fund would be for the State Water Board, in consultation with relevant agencies, to provide direct water bill assistance to low-income residential ratepayers served by eligible water systems.

This bill would require the State Water Board, upon appropriation by the Legislature, to expend moneys from the Fund for reasonable administration costs. This bill would require the Program to be entirely funded by the Fund or other available state or federal funding.

This bill would require, within 270 days of the effective date, the State Water Board, in consultation with relevant agencies and after a public hearing, to adopt program implementation

guidelines. This bill would require the State Water Board to hold at least three public workshops throughout the state and provide at least 45 days for public comment on the draft guidelines. Eligible systems would be directed to automatically enroll households enrolled in CARE and enrolled in, or a recipient of, CalWORKs, CalFresh, general assistance, Medi-Cal, SSI/SSP, or WIC, and to develop eligibility criteria for customers not automatically enrolled.

Minimum requirements for eligible systems would include the following:

1. Participation in the statewide program,
2. A process for enrollment of eligible households,
3. The ability to confirm eligibility for enrollment through a request for self-certification of eligibility under penalty of perjury,
4. A process for eligible systems to elect whether and to what extent to rely on third-party providers, or instead elect to perform services themselves, and
5. A process for eligible systems to share information with third-party providers, should they elect to contract with them.

The guidelines would also be required to include the following:

1. A process for the State Water Board to distribute funding to eligible systems (annually, at minimum),
2. Guidance to eligible systems regarding payment of reasonable administration costs, including but not limited to staff costs, changes to billing systems, and communication materials.
3. A provision to audit eligible systems receiving funds,
4. Parameters and options for providing funding to eligible systems that bill exclusively or partially on the property tax roll,
5. A process for exempting eligible systems from providing assistance if the State Water Board determines that the system does not have eligible ratepayers,
6. A process for eligible systems to return funds to the state, and
7. A process for determining how implementation will be prioritized among eligible systems if full funding is not immediately available.

This bill would require eligible systems to provide qualifying low-income ratepayers with a minimum flat bill credit of \$20 per month, adjusted annually for inflation using the Consumer Price Index. Alternatively, a system could provide a 20% discount on charges for a standard volume of water if that amount would exceed the flat credit.

This bill would require the State Water Board to contract with at least one third-party provider to support enrollment, eligibility verification, call center services, document intake and processing, and provision of notices to eligible customers of enrollment into and an opportunity to opt out of the program. This bill would require the State Water Board to establish a process for third-party providers, or other entities responsible for enrollment, to regularly confirm eligibility of recipients, based on income eligibility.

This bill would require the State Water Board, to the extent permissible, to make advance payments to eligible systems for direct residential water bill assistance and related administrative

costs, and to implement the Program. Before distribution of an advance payment, eligible systems would be required to provide the State Water Board with an estimate of the number of enrolled households and expected bill credits. The terms and conditions that apply to advance payments would be up to the State Water Board's discretion. An eligible system would be required to provide a full accounting of its expenditures annually and as requested by the State Water Board.

This bill would not prohibit an eligible system from operating its own local water rate assistance program that is in addition to or different from the state program and administered independently without State Water Board oversight. A system that offers supplemental local assistance would still receive state program funds for the eligible portion of its spending. Alternatively, a system could request— through a memorandum of understanding (MOU) with the State Water Board — that state program funds be directed into its existing local program. The MOU would be required to describe the parameters, eligibility criteria, and enrollment of the program. An eligible system could customize its local program through an MOU as long as comparable benefits are offered to its low-income ratepayers.

SB 1125 represents significant progress in both achieving the goals of proponents and addressing the major issues raised by the water provider community. Paired with AB 2739 (which the Water Authority took a support position on in April), SB 1125 proposes a viable, reasonable path forward for LIRA that protects existing programs and limits the administrative burden on water agencies. The California Municipal Utilities Association has a support position on the bill and the Association of California Water Agencies (ACWA) has a support if amended position on the bill. The amendments that ACWA are seeking are included as an attachment. The sponsors have agreed to accept the amendments and are just waiting for the author to include them. There is currently wide support from environmental justice advocates and within the water sector (including Metropolitan Water District of Southern California). There is no registered opposition.

Staff recommends a Support position on SB 1125.

Attachment: ACWA letter on SB 1125 and suggested amendments

Prepared by: Meggan Quarles, Government Relations Manager

Approved by: Jaymie Bradford, Assistant General Manager

May 1, 2026

The Honorable Sabrina Cervantes
Chair, Senate Appropriations Committee
State Capitol, Room 412
Sacramento, CA 95814

RE: SB 1125 (Menjivar) – SUPPORT IF AMENDED

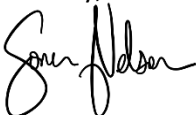
Dear Chair Cervantes:

On behalf of the Association of California Water Agencies (ACWA), I am writing to express our “Support if Amended” position on SB 1125, relating to the establishment of a statewide low-income rate assistance (LIRA) program. ACWA supports State action that protects water affordability and has consistently advocated for a LIRA program that is workable and efficient for the public water agencies that will play a key role in administering it.

SB 1125 addresses many of the concerns that ACWA identified with previously proposed LIRA programs and we are grateful to Senator Menjivar and the bill’s sponsors for the many conversations and hard work that have gotten us to this point. However, amendments are needed to prevent unintended financial impacts on local agencies and improve implementation of the program. These changes can be made without detracting from the author’s and sponsors’ goals. To ensure that eligible water systems have time to comply with the LIRA program’s implementation requirements, ACWA requests that the bill is amended to require the State Water Resources Control Board, the agency responsible for implementing the program, to provide systems with sufficient notice (at least 180 days) before implementation begins. In addition, ACWA requests an amendment that clarifies that eligible systems would *not* be required to a) “front” funding for the administration or benefits of the program if state funding is not available and has not been awarded to the system, and b) maintain the administrative infrastructure to administer the program during times when the program is not funded. ACWA has provided the attached mockup of our requested amendments to the author.

ACWA recognizes the long history of work and collaboration put into getting to this point and remains committed to working with the author and sponsors to amend SB 1125 in a way that accomplishes their goals and meets the needs of public water agencies. For these reasons, ACWA supports SB 1125 if it is amended to address these concerns and requests your support for these changes when the bill is heard in the Senate Appropriations Committee. If you have any questions about our position, please do not hesitate to contact me at SorenN@acwa.com.

Sincerely,



Soren Nelson
Senior Policy Advocate
Association of California Water Agencies

ACWA Proposed Amendments to SB 1125 (Menjivar)

April 2026

SECTION 1.

Chapter 6.2 (commencing with Section 116930) is added to Part 12 of Division 104 of the Health and Safety Code, to read:

CHAPTER 6.2 Water Rate Assistance Program

116934.

(a) Within 270 days of the effective date, the state board, in consultation with relevant agencies and after a public hearing, shall adopt guidelines for implementation of the program.

(b) The guidelines shall include, at minimum, all of the following:

(1) (A) Direction to eligible systems to automatically enroll households in the program if the residential ratepayer's household is a utility customer enrolled in the California Alternate Rates for Energy (CARE) program established pursuant to Section 739.1 of the Public Utilities Code.

(B) A process to enroll other households if available information shows that any member of the residential ratepayer's household is a current enrollee in, or recipient of, CalWORKs, CalFresh, general assistance, Medi-Cal, Supplemental Security Income or the State Supplementary Payment Program, or the California Special Supplemental Nutrition Program for Women, Infants, and Children.

(2) Eligibility criteria for enrollment into the program for customers not automatically enrolled shall ensure customers satisfy the definition of low-income.

(3) Minimum requirements for eligible systems, including all of the following:

(A) Participation in the statewide program.

(B) A process for enrollment into the program for households that meet the eligibility criteria pursuant to paragraph (2).

(C) The ability to confirm eligibility for enrollment through a request for self-certification of eligibility under penalty of perjury.

(D) A process for eligible systems, at their sole discretion, to elect whether and the extent to which they will rely on third-party providers for the services within the scope of work set forth in paragraph (3) of subdivision (d) of Section 116933, or instead elect to perform one or more of these services itself.

(E) A process for eligible systems to share information with third-party providers, to the extent necessary for third-party providers to provide the services elected by the eligible system pursuant to subparagraph (D).

(4) A process for the state board to provide funding to eligible systems for application to eligible low-income residential ratepayer accounts. Funding shall be provided to eligible systems on, at minimum, an annual basis.

(5) Consistent with Article XIII D of the California Constitution, guidance to eligible systems regarding payment of reasonable costs for administration of the program. Reasonable costs for administration shall include, but are not limited to, the following:

(A) Staff costs to implement the program.

(B) Changes to billing systems needed to provide bill credits.

(C) Communication materials to customers about the program.

(6) (A) A process for eligible systems to provide a flat bill credit to low-income residential ratepayers of no less than twenty dollars (\$20.00) per month. The state board shall update the flat bill credit annually to reflect changes in the Consumer Price Index.

(B) A process for eligible systems to opt to instead provide a bill credit to low-income residential ratepayers of 20 percent of the total water charges for a volume of water similar to that identified in Section 10609.4 of the Water Code, if this bill credit would be higher than the flat bill credit developed by the state board pursuant to subparagraph (A).

(7) A provision to audit eligible systems receiving funds under this chapter regarding the receipt and distribution of those funds.

(8) Parameters and options for providing funding to eligible systems that bill exclusively or partially on the property tax roll.

(9) A process for exemption of eligible systems from providing low-income rate assistance upon determination by the state board that the system does not have eligible residential ratepayers. Exemptions shall be reviewed periodically to determine whether any residential ratepayers of the eligible system have become eligible for assistance.

(10) A process for eligible systems to return funds to the state if needed.

(11) (A) In the event that full funding is not immediately available, a process for determining how implementation will be prioritized among eligible systems.

(B) If an eligible system does not receive funding as part of the prioritization process, the eligible system shall not be required to comply with this chapter. The state board shall provide notice to eligible systems if they are not required to comply with this chapter.

(12) A requirement that the state board provide an eligible system with no less than 180 days' notice before the first day that that system is required to provide water rate assistance.

(c) The state board shall hold at least three public workshops throughout the state on the draft guidelines, and shall provide at least 45 days for public comment on the draft.

116937.

(a) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any guidelines developed by the state board pursuant to this chapter.

(b) (1) Notwithstanding Section 11019 of the Government Code, the state board shall, to the extent permissible, make advance payments to eligible systems for direct residential water bill assistance, for related administrative costs, and to implement the purposes of this chapter.

(2) Before distribution of an advance payment, eligible systems shall provide to the state board an estimate of the anticipated administrative costs, the number of households enrolled in the program, and their expected bill credits.

(3) The state board shall have discretion regarding the terms and conditions that apply to advance payment, but shall at no point require an eligible system to provide a bill credit in advance of the board providing the system the funds to cover the portion of the water bill that the credit is designed to cover for the customer. Eligible systems are not required by any provision of this chapter to advance funds or extend credit to cover the cost of the direct bill credits.

(c) An eligible system shall provide a full accounting of its expenditures on an annual basis and as requested by the state board.

(d) An eligible system shall not be required to establish or maintain the administrative infrastructure, including staff, changes to billing systems, or other reasonable actions necessary to comply with this chapter, unless the Water Rate Assistance Fund has sufficient funds therein to comply with subdivision (b)(1) of this Section, and a fund award for reasonable administrative costs has been provided to the system.

(e) The state board, in consultation with the Public Utilities Commission, may authorize up to 5 percent of program funding to establish pilot projects that include expenditures that improve residential water or wastewater affordability for low-income residential households through installation of water efficiency measures or assistance programs that otherwise improve residential water or wastewater affordability in mobilehome parks, multifamily housing, or other households that do not directly pay a residential water or wastewater bill.



May 20, 2026

Attention: Legislation and Public Outreach Committee

2026 San Diego County Fair Water Authority Display (Presentation)

Purpose

To provide an overview of the upcoming Water Authority display at the 2026 San Diego County Fair.

Discussion

As part of the San Diego County Water Authority's ongoing efforts to communicate the agency's vision and mission to stakeholders, the Public Affairs Department is partnering with the San Diego County Fair to build an informational display for the 2026 fair. The theme is "Built to Deliver – Built for the Region," and the plan is to deploy it at the fairgrounds each summer for many years. The display includes a six-foot section of large-diameter pipe that fair attendees can walk through; a 40-foot-long timeline with the history of the Water Authority as it relates to agriculture in the region; a selfie station; an enlarged display of the Nifty 50 plant list; and a sampling of plants from the list in an onsite garden. The display space and graphic printing costs were covered by the fair at no cost to the Water Authority. The San Diego County Fair attracts more than 800,000 guests each year. This year, it will run from June 10 to July 5. The Water Authority display will be available for viewing during regular fair hours and Water Authority staff will periodically be on-hand to answer questions and distribute Nifty 50 guides.

Prepared by: Kimberlyn Velasquez, Senior Public Affairs Representative

Reviewed by: Mike Lee, Director of Public Affairs

Approved by: Jaymie Bradford, Assistant General Manager

IMPORTED WATER COMMITTEE

**AGENDA FOR
MAY 28, 2026**

Neal Meyers, Chair	Eric Heidemann
Mel Katz, Vice Chair	Jennifer Kerschbaum
Jim Madaffer, Vice Chair	Marty Miller
Jimmy Ayala	Rick Paul
Steve Castaneda	Francisco X. Rivera
Amanda Flesse	Joel Scalzitti
Lois Fong-Sakai	Nick Serrano

1. Report on Remote Attendance.
2. Roll call – determination of quorum.
3. Additions to agenda (Government Code Section 54954.2(b)).
4. Public comment – opportunities for members of the public to address the Committee on items contained within this agenda.
5. Chair’s report.
5-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION/PRESENTATION

1. MWD Issues and Activities Update.

1-A Metropolitan Water District Delegates Report. (Discussion) (Supplemental Materials)	MWD Delegates
1-B Delta Conveyance Project Update. (Presentation)	Alex Heide

2. Amendment 1 to professional services contract with Michael Connor for Policy and Technical Analyses and Advice to Market Available Water Supplies. Meena Westford
Staff recommendation: Amend the agreement with Michael Connor for continued consulting services for the Water Authority through June 30, 2028, by \$244,400 for a period of 24 additional months with total contract funding not to exceed \$394,400. (Action)

3. Colorado River Basin Post-2026 Operational Guidelines Update. (Presentation) Alexi Schnell



4. Colorado River Board Representative's Report (Discussion) Jim Madaffer
(Supplemental Materials)

III. INFORMATION

IV. CLOSED SESSION

V. ADJOURNMENT

Kelly Cole-Walker
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.

May 20, 2026

Attention: Imported Water Committee

Delta Conveyance Project Update. (Presentation)

Purpose

This memo provides an update on the Delta Conveyance Project (DCP) as part of the State Water Project (SWP) in the Sacramento-San Joaquin Bay-Delta (Bay-Delta).

Executive Summary

- The Bay-Delta—the hub of the SWP and the federal Central Valley Project (CVP)—has faced decades of ecological decline, driving regulatory limits on water exports and higher costs, underscoring the need for a long-term solution.
- In 2019, the Water Authority supported a proposed Bay-Delta Fix, which included the twin tunnels, on condition that Metropolitan Water District of Southern California (Metropolitan) allocate the project costs to its supply rates.
- Consistent with 2009 state policy, the San Diego region has significantly reduced its reliance on Bay-Delta supplies over the past 20 years as documented in the Water Authority and its member agencies Urban Water Management Plans.
- California Department of Water Resources (DWR) has proposed a \$20 billion Delta Conveyance Project (DCP) as a climate adaptation strategy intended to protect against future water supply losses caused by climate change, sea level rise, and earthquakes.
- Metropolitan’s anticipated share of the DCP is approximately \$10 billion.
- In December 2024, Metropolitan’s board approved spending \$142 million to support the DCP’s planning and pre-construction costs through calendar year 2027, subject to certain off-ramps.
- The DCP is one of several large supply programs Metropolitan is considering within its long-term planning process, Climate Adaptation Master Plan for Water (CAMP4W).

Background

Over the past four decades, the state has advanced a series of efforts to stabilize the Bay-Delta and modernize its conveyance system, reflecting changing regulatory requirements, environmental conditions, and water-supply needs. The earliest of these efforts, the proposed Peripheral Canal in the early 1980s, sought to convey water around the Delta to improve reliability and reduce conflict with ecosystem protections. Although ultimately rejected by voters, it established the foundational concept of an isolated conveyance facility.

In the mid-2000s, the state pursued the Bay Delta Conservation Plan (BDCP), a comprehensive habitat conservation and conveyance strategy intended to secure long-term regulatory stability. BDCP paired a dual-tunnel conveyance facility with large-scale restoration under a long-term permitting framework. After nearly a decade of development, federal agencies determined the plan could not meet necessary permitting standards, leading the state to restructure its approach.

This effort evolved into California WaterFix, a revised twin-tunnel project focused on protecting SWP and CVP exports from seismic risk, climate change, and regulatory constraints. To complement WaterFix, the state launched EcoRestore, an initiative designed to coordinate and accelerate habitat restoration projects across the Bay-Delta, separating restoration commitments from the conveyance approvals process. Although WaterFix advanced through environmental review, the state shifted direction again in 2019, ultimately leading to the development of the current single-tunnel DCP.

These conveyance and restoration efforts have occurred alongside significant statutory and policy developments. In 2009, the Legislature adopted the Delta Reform Act, establishing the Delta Plan's co-equal goals of improving water supply reliability and protecting and restoring the Bay-Delta ecosystem, and adopting a policy of reducing reliance on the Delta. State water code requires water exporters to pay for a Bay-Delta Fix, and many state and federal agencies continue working to balance the need to export water with the need to protect the environment, including managing the impacts of climate change.

DCP: Proposed Climate Adaptation Measure

In 2019, Governor Newsom directed the development of a water resilience portfolio approach to water resource management that included a single tunnel Bay-Delta project. The Department of Water Resources (DWR) advanced the DCP, a single tunnel with an export capacity of 6,000 cubic feet per second, two intakes on the Sacramento River, and a tunnel alignment to the east of the Bay-Delta connecting to the existing Bethany Reservoir on the California Aqueduct. It is proposed as one way to mitigate climate change impacts to SWP operations and challenges to exports. DWR produced a cost estimate in early 2024 of \$20 billion (2023\$), Metropolitan's share of the project is approximately \$10 billion. The DCP is proposed to be used about 20% of the time with the other 80% of exports going through existing Bay-Delta waterways. DWR expects exporters to approve their project participation by 2027 with early construction beginning in 2029 and the DCP operational in 2045.

Discussion

Importance of a Bay-Delta Fix to Metropolitan and the Water Authority

A long-term solution for the Bay-Delta is an important consideration for Metropolitan because the SWP remains a core component of its supply portfolio. On average, the SWP provides roughly 30% of Metropolitan's annual water supplies, making its reliability central to both current operations and long-term planning. Metropolitan also holds a contract right of up to 1.9 million acre-feet per year, which allows it to take advantage of high-flow periods and fill storage during above average hydrologic years. This flexibility supports regional storage management, drought preparedness, and Metropolitan's ability to stabilize supplies for its member agencies. SWP supplies, which are typically lower in salinity and of higher blending value, play a critical role in managing systemwide water quality objectives.

For the Water Authority, a more reliable SWP is equally important because San Diego receives its Colorado River water through an exchange with Metropolitan, reflecting the integrated nature of Metropolitan's operations and deliveries. Improvements to SWP conveyance and operational

reliability therefore provide systemwide benefits, strengthening the foundation that supports San Diego's Quantification Settlement Agreement (QSA) transfers and conserved water supplies. A stable and resilient SWP helps ensure that San Diego's long-term investments, particularly in Colorado River water, remain reliable and resilient within Metropolitan's broader supply framework

Benefits of the DCP

Metropolitan and its member agencies have made a substantial, long-term investment in the SWP. Since the SWP's inception, Metropolitan has received over 44 million acre-feet of water from the project. The SWP currently supplies about 30% of Metropolitan's imported water needs. Over the history of the project, the average delivered cost of SWP water to Southern California has been approximately \$674 per acre-foot, which is significantly less than other water supply alternatives. This cost-effectiveness, combined with the SWP's high water quality, has been vital for blending, groundwater recharge, and meeting regional water quality goals.

The DCP is a tool for maintaining and protecting Metropolitan's historic investment in the SWP. Without modernization, the SWP's ability to deliver water is projected to decline sharply due to climate change, regulatory constraints, and seismic risks. Modeling indicates that, absent the DCP, long-term average SWP deliveries could decrease by up to 22% by 2043. The DCP is designed to offset a substantial portion of this loss, preserving water deliveries for Southern California and ensuring that Metropolitan's historic and ongoing financial commitments continue to yield value.

In 2024, the DWRs' benefit-cost analysis found that the DCP would generate more than double the value of its costs, with a benefit-cost ratio of 2.2:1. This means that for every dollar invested in the project, over two dollars in benefits are expected to be realized for the region. These quantified benefits include improved water supply reliability, reduced risk of costly shortages, enhanced operational flexibility, and broad economic and community gains.

Challenges Facing the DCP

The DCP faces several permitting, planning, financial, and legal hurdles. Its water rights hearing to change the point of diversion is ongoing. DWR submitted a Consistency Certification with the Delta Stewardship Council's (DSC) Delta Plan in 2025. In April 2026, after appeal, the DSC determined that the project is consistent with the Delta Plan but also sent two issues back to DWR to demonstrate consistency with a Golden Mussel mitigation strategy and the siting of planned DCP facilities in relation to farmland designated for use for recharging recycled water.

In 2020, DWR filed a validation action seeking the court's confirmation of its authority to issue revenue bonds to finance a Bay-Delta tunnel. In January 2024, the court ruled against DWR, which appealed. The appellate court unanimously affirmed the trial court decision, and, in April 2026, the California Supreme Court denied review, letting stand the original court ruling. DWR issued a second, parallel validation action in January 2025 that is pending trial. If DWR cannot issue bonds under existing authority, it would need to evaluate alternative methods to finance the project.

In 2020, participating contractors funded \$340.7 million of DCP planning activity, of which Metropolitan paid 47.2%, or \$160.8 million. DWR covered a roughly 12% to 13% gap in this funding resulting from SWP contractors that opted out of the first round of planning funding. This funding gap remains and is growing, as several other agencies have reduced their planning funding. No agencies have committed to funding construction.

Other SWP Supply Considerations

There are also other regulatory updates, costs and project processes ongoing that will affect the SWP, the DCP, and their potential operations and supply. In May 2025, DWR published a report finding that subsidence is affecting the operating capacity of the California Aqueduct through which SWP supply flows south of the Bay-Delta. Without improvements, SWP capacity could be reduced by 18% to 87% by 2043. DWR preliminarily estimates these improvements to cost \$3 billion, if the SWP contractors end up paying for these costs, about half would be Metropolitan's responsibility.

The SWP has other maintenance needs. Given that even with the DCP, 80% of SWP supplies would still flow through the Bay-Delta, levees along the freshwater pathway need to be maintained. Metropolitan has reported collaborating with other Bay-Delta stakeholders to update levee standards to protect the through-Delta freshwater export pathway against seismic and climate change impacts comparably to the DCP's benefits. Metropolitan has reported a 2023 cost estimate of \$400 million to \$700 million to bring the levees along the freshwater pathway up to this modernized standard and \$3 billion to \$5 billion to bring all primary Bay-Delta levees up to it. Also, because levees have multiple benefits such as flood control, modernizing them could attract additional state, federal, or other funding, as seen this year with Senate Bill 872 (McNerney-D).

The State Water Board is updating its Water Quality Control Plan to establish water quality objectives for designated beneficial uses of water in the Bay-Delta watershed, along with an implementation program to meet those objectives. It is considering options that include incorporating negotiated voluntary agreements, also known as the Healthy Rivers and Landscapes (HRL) Program, which intend to achieve the plan's objectives without relying only on unimpaired flows, and quantified and descriptive flow-related requirements for inflows, cold water habitat, and Bay-Delta outflows for parties not participating in the HRL Program. The State Water Board continues to hold public workshops with adoption and implementation possibly this year. Any update could impact exports or, in the case of the HRL Program, require additional efforts and funds for water purchases, habitat restoration, a new governance structure, a science program, and monitoring.

Next Steps

Metropolitan's CAMP4W analysis of the DCP is pending. The state expects to issue an updated cost estimate for the DCP in 2027. Related to Metropolitan's investments in climate adaptation and water supply reliability, the Water Authority has encouraged a data-based and data-driven CAMP4W process to evaluate projects and programs holistically and urged Metropolitan to conduct analyses assessing its need and the supply, water quality, and other benefits of the DCP. The Water Authority remains actively engaged and focused on ensuring that Metropolitan

Imported Water Committee

May 20, 2026

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remains financially sustainable while meeting its reliability goals. Staff will continue to provide updates on the DCP as warranted.

Prepared by: Emily Novak, Water Resources Specialist
Alex Heide, Principal Water Resources Specialist

Reviewed by: Meena Westford, Director of Imported Water

Approved by: Dan Denham, General Manager



May 20, 2026

Attention: Imported Water Committee

Amendment 1 to professional services contract with Michael Connor for Policy and Technical Analyses and Advice to Market Available Water Supplies. (Action)

Staff recommendation

Amend the agreement with Michael Connor for continued consulting services for the Water Authority through June 30, 2028, by \$244,400 for a period of 24 additional months with total contract funding not to exceed \$394,400.

Alternative

Do not amend the contract with Michael Connor. The current contract will expire on June 30, 2026.

Fiscal Impact

If staff's recommendation is approved, the contract would be amended to increase the not-to-exceed contract amount by \$244,400 to allow for 24 additional months of service at \$9,000 per month, plus reimbursable expenses over the two-year period. If approved, the total not-to-exceed amount of the contract would be \$394,400 for the term that commenced in May 2025. Funds are available in the adopted Imported Water operating budget for fiscal year (FY) 2027 and funds for FY 2028 will be requested as part of the next two-year budget subject to Board approval.

Executive Summary

- A professional services contract with Michael Connor to provide consulting services for developing a framework for interstate water transfers was initially executed by the Water Authority on May 28, 2025.
- Mr. Connor's extensive experience with Colorado River issues uniquely positions him to serve effectively in this advisory capacity.
- His support was instrumental in moving forward the multi-party memorandum of understanding approved by the Board in February to guide development of a pilot interstate transfer program.
- To further advance development of the framework for interstate transfers, staff is presenting the attached contract amendment that would extend the existing contract by 24 months.

Discussion

The Water Authority first contracted with Mr. Connor on May 28, 2025, to assist in the evaluation and creation of opportunities to market water supplies in the Colorado River Basin.

His consulting services are an important component of the Water Authority's comprehensive water management strategy to develop interstate water transfers to optimize existing investments in reliability.

Mr. Connor's extensive background in Colorado River issues makes him uniquely qualified in this advising role. He served as the U.S. Bureau of Reclamation (Reclamation) Commissioner from 2009-2014, leading Reclamation's mission to manage, develop and protect water and related resources in an environmentally and economically sound manner. In his service as Commissioner, he oversaw management of the Colorado River, including the coordinated operation for Lake Powell and Lake Mead.

Prior to Reclamation, Mr. Connor served as counsel to the U.S. Senate and Energy and Natural Resources Committee and also led Interior's Indian Water Rights Office.

Following his tenure as Commissioner, Mr. Connor served as deputy secretary of the Department of Interior, leading Interior's strategies to protect and manage the nation's natural resources, managing over 2 billion acres of public lands and waters. He also oversaw the civilian side of the U.S. Army Corps of Engineers (Corps) from 2021-2025 as assistant secretary of the Army for Civil Works where he was the top civilian policymaker for the Corps' water resources mission.

In the first year of his professional services contract with the Water Authority, his support played a central role in advancing the multi-party memorandum of understanding (MOU) approved by the Board in February to explore interstate water transfers. The objective is to optimize the Water Authority's investment in supply reliability, specifically marketing supplies from the Claude "Bud" Lewis Carlsbad Desalination Plant. The MOU is intended to facilitate exploring the development of a framework under which mutually beneficial interstate transfers could be implemented initially as a pilot program.

The renewal of this contract will provide the Water Authority with Mr. Connor's continued expertise in policy and technical analyses for developing the framework for interstate transfers, and the anticipated implementation of a pilot transfer program under the MOU with interested Basin parties.

Prepared by: Sofia Almeida, Management Analyst

Reviewed by: Meena Westford, Director of Imported Water

Approved by: Dan Denham, General Manager

Attachments:

Attachment 1 – Appendix: IW-2, P. 282

Professional Services Agreement with Michael Connor

Attachment 2 – Draft Contract Amendment No. 1

Contract Amendment No.1

The contract between Michael Connor, a sole proprietor (Contractor), and the San Diego County Water Authority, a county water authority (Water Authority), to provide policy and technical analyses and advice for the Water Authority related to its objective to fully evaluate and create opportunities to market available water supplies, which was executed by the parties on May 28, 2025, is amended as follows:

1. The total maximum amount payable is increased by \$244,400, from \$150,000 (former maximum) to \$394,400 (new maximum). Section 3(c) is amended to reflect this change.
2. The term of the contract is extended for 24 months and the termination date is changed from June 30, 2026 to June 30, 2028. Section 4(a) is amended to reflect this change.
3. Attachment B, Payment and Fee schedule, is replaced in its entirety, as provided in Attachment B-1.
4. All other terms, covenants, and conditions in the original contract as amended shall remain in full force and effect and shall be applicable to this amendment.

The individuals executing this amendment to the contract represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

IN WITNESS WHEREOF, the parties have executed this Contract Amendment No. 1 on the following date.

DATED: _____, 2026

San Diego County Water Authority

Michael Connor

By: _____
Meena Westford
Director of Imported Water

By: _____
Michael Connor

Approved as to form:

By: _____
David J. Edwards
General Counsel

ATTACHMENT B-1
PAYMENT AND FEE SCHEDULE

Contractor will be paid a flat monthly retainer fee of \$9,000, representing a level of effort of between 12 to 18 hours per month, and inclusive of expenses, except for authorized travel outside of Denver, CO. Authorized travel outside of Denver, CO will be reimbursed according to the Water Authority's standard travel expense reimbursement policy, outlined in Attachment B-1, Reimbursements below.

Contractor will provide the number of hours worked and a brief description of services provided with monthly invoices. If the actual hours required to complete the scope of work exceeds 18 hours per month, and only with prior written authorization by the Water Authority, the additional hours may be billed at an hourly rate of \$700 per hour.

REIMBURSEMENTS

Travel costs, including transportation and meals, will be reimbursed at actual cost subject to the Water Authority's policy for reimbursement of travel and meal expenses for Water Authority employees. Any travel with an estimated expense of \$1,000 or more requires advance approval of the Contract Manager. Travel expenses incurred for services within the city of the home office of the Contractor or the Contractor's employee or subcontractor incurring the travel expense is not reimbursable. Meals are not billable to the Water Authority, except for meals necessarily incurred in connection with approved travel. The Water Authority does not reimburse for cost of alcoholic beverages.



May 20, 2026

Attention: Imported Water Committee

Colorado River Basin Post-2026 Operational Guidelines Update. (Presentation)

Purpose

This report provides an update on a proposal advanced by the Lower Basin states to contribute up to 3.2 million acre-feet of water through 2028 to support near-term Colorado River operations and reduce operational risks at Lakes Powell and Mead while long-term post-2026 operating guidelines continue to be negotiated.

Executive Summary

- On May 1, the Lower Basin states of California, Arizona and Nevada jointly submitted a proposal to the U.S. Bureau of Reclamation that builds upon the Lower Basin Plan previously submitted in the post-2026 process.
- The proposal would provide up to 3.2 million acre-feet (MAF) to support the Colorado River system operations through 2028.
- The proposal builds on ongoing Lower Basin conservation efforts, modeled after the federally funded system conservation agreements implemented since 2023.
- The proposal also includes expanded releases from Upper Basin Initial Unit reservoirs into Lake Powell, continuation of the Intentionally Created Surplus program and actions intended to improve operational flexibility at Glen Canyon Dam.
- The proposal is intended to provide near-term operational stability and reduce risks to critical reservoir elevations while Basin states continue negotiations on long-term post-2026 operating guidelines.
- Reclamation is currently reviewing the proposal as part of its broader post-2026 planning process.

Background

Extremely low snowpack conditions this year have increased concerns regarding Lake Powell elevations and the potential risk of the reservoir approaching the minimum power pool elevation of 3,490 feet. In April, Reclamation adopted two operational actions intended to protect Lake Powell reservoir elevations in 2026 pursuant to Section 6(E) of the 2024 Supplemental Environmental Impact Statement for Near-Term Colorado River Operations and its associated Record of Decision. Those actions include:

- Increasing releases from Upper Basin Initial Unit reservoirs into Lake Powell from approximately 660,000 AF to as much as 1 MAF; and
- Reducing releases from Lake Powell to Lake Mead from 7.48 MAF to 6 MAF in 2026.

Following Reclamation's actions, the Lower Basin states submitted a May 1 proposal intended to provide additional near-term operational stability for the Colorado River system while long-term post-2026 operational guidelines remain under negotiation.

Discussion

The Lower Basin proposal represents an integrated and non-severable package of actions that includes, among other steps, a commitment from the Lower Basin to deliver up to 3.2 MAF in support of the river through 2028. The proposal, which seeks federal funding support for the conservation efforts, includes the following key components:

- Implementing 1.25 MAF per year in Lower Basin conservation consistent with the earlier Lower Basin plan. This includes reductions of 760,000 AF per year in Arizona, 440,000 AF per year in California, and 50,000 AF per year in Nevada.
- Providing an additional 700,000 AF in Lower Basin conservation through 2028, including 300,000 AF from Arizona, 300,000 AF from California, and 100,000 AF from Nevada.
- Establishing a new conservation pool of up to 280,000 AF in Lake Mead intended to help ensure the federal government can meet trust commitments to Arizona tribes.
- Extending the existing Intentionally Created Surplus program through 2028 and increasing storage limits for Arizona by 500,000 AF; and for California and Nevada, 300,000 AF for each state.
- Releasing as close to 1 MAF per year as possible from the Upper Basin Initial Unit reservoirs into Lake Powell to support that reservoir elevations.
- Maintaining the reduced release of 6 MAF from Lake Powell to Lake Mead in 2026, while increasing releases in future years depending on Lake Powell elevations:
 - 8 MAF in 2027 if Lake Powell reaches an elevation of 3540 feet by October 1, 2026; or 7 MAF if elevations in Lake Powell do not reach that mark.
 - 8.23 MAF in 2028 if Lake Powell reaches an elevation of 3,565 feet by October 1, 2027.
- Developing a federal plan by the end of 2027 to address long-term operational and structural risks at Glen Canyon Dam, including improving the ability to release water at lower elevations while maintaining compliance with the Law of the River.

Current Status of Plan:

The Lower Basin's May 1 proposal is currently under review by Reclamation. At the time of this Board report, Reclamation has not indicated how the proposal may affect the post-2026 planning process or implementation of the previously adopted near-term operational actions intended to protect Lake Powell elevations.

Reclamation has continued to indicate that it is still working toward releasing a final draft environmental impact statement and record of decision (ROD) for the post-2026 guidelines later this summer. The intention of the Lower Basin's proposal is to provide a near-term bridge to reduce immediate system risks while the long-term operating guidelines continue to be negotiated.

Water Authority Perspective:

The Lower Basin proposal does not appear to adversely impact the San Diego region's water supplies. The proposal relies primarily on voluntary, conservation measures similar to the federally funded system conservation implementation agreements California agencies have implemented since 2023, rather than mandatory reductions. The proposal also represents a balanced approach to support the river, including a Lower Basin commitment to conservation. It represents a consensus among the Lower Basin states to protect operations in both Lakes Powell and Mead, providing a path forward while giving the Basin states more time to reach consensus on long-term operations.

Details regarding how the California agencies would divide the proposed contributions have not been stated, and federal funding for conservation activities remains unresolved.

The Water Authority continues to support development of a sustainable and legally durable path forward. The solution must protect California's senior water rights and include flexible water management strategies, including opportunities for interstate and intrastate water transfers.

Staff will continue coordinating with California agencies, Basin states, Reclamation, tribes and Mexico as the post-2026 process evolves and will keep the Board informed of significant developments.

Prepared by: Darren Simon, QSA Outreach Coordinator

Reviewed by: Alexi Schnell, Colorado River Program Manager
Meena Westford, Director of Imported Water

Approved by: Dan Denham, General Manager



AGENDA
FORMAL BOARD OF DIRECTORS' MEETING

May 28, 2026
2:00 pm

1. Reconvene the Formal Board meeting.
2. Report on Remote Attendance.
3. Roll call, determination of quorum.
4-A Report on proxies received.
4. Public Comment: Opportunity for members of the public who wish to address the Board on matters within the Board's jurisdiction.
5. Additions to Agenda. (Government code Sec. 54954.2(b)).
6. Approve the minutes of the Formal Board of Directors' meeting of April 23, 2026.
7. **PRESENTATIONS AND PUBLIC HEARINGS**
7-A Recognition of Jennifer Nguyen, Management Analyst, Employee of the 3rd Quarter. (Presentation)
8. **REPORT BY CHAIRS**
8-A Chair's Report: Nick Serrano

8-B **Report of Committee Actions**
Administrative and Finance Committee
Water Planning and Environmental Committee
Engineering and Operations Committee
Legislation and Public Outreach Committee
Imported Water Committee
9. **CONSENT CALENDAR**
9.1 **Monthly Treasurer's Report on Investments and Cash Flow.**
Note and file the monthly Treasurer's Report.

9.2 **Resolution setting a Public Hearing date and time for Proposed Calendar Year 2027 Rates and Charges.**
Adopt Resolution No. 2026-03 setting the time and place for a public hearing on June 25, 2026, 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 the recommended rates and charges.



9.3 Amendment with OneSource Distributors, LLC, for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment services.

Approve Amendment 2, with such non-material modifications as approved by the General Manager, or General Counsel, to the contract with OneSource Distributors, LLC, (OneSource) for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment for a not-to-exceed amount of \$139,346.70, increasing the authorized cumulative amount from \$123,235.50, to \$262,582.20, extending the termination date through June 30, 2028, and authorize the General Manager, or designee, to execute the amendment.

9.4 Notice of Completion for the Helix 9 Flow Control Facility project.

Authorize the General Manager, or designee, to accept the Helix 9 Flow Control Facility project as complete, record the Notice of Completion, and release funds held in retention to Kiewit Infrastructure West Co. in accordance with the contract and applicable law.

9.5 Resolution supporting the Association of California Water Agencies Vision for Our Water Future.

Adopt Resolution No. 2026-04, a resolution of the Board of Directors of the San Diego County Water Authority, supporting ACWA’s Vision for Our Water Future.

9.6 Adopt position on Senate Bill 1125.

Adopt a position of Support on SB 1125 (Menjivar), Water Rate Assistance Program.

10. ACTION/DISCUSSION/INFORMATION

10-1 Board of Director’s Reappointment.
Director Evan Wahl, Rincon Del Diablo Municipal Water District.
 Reappointment of Director Evan Wahl, representing Rincon Del Diablo Municipal Water District. Term ending June 20, 2032. (Information)

Nick Serrano

11. SPECIAL REPORTS

- 11-A GENERAL MANAGER’S REPORT – Mr. Denham
- 11-B GENERAL COUNSEL’S REPORT – Mr. Edwards
- 11-C SANDAG REPORT – Director Lyndes
 SANDAG Subcommittees: Borders Committee – Director Castaneda
 Regional Planning Committee –
- 11-D AB 1234 Compliance Reports – Directors

12. CLOSED SESSION(S)



13. ACTION FOLLOWING CLOSED SESSION
14. OTHER COMMUNICATIONS
15. 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.

Kelly Cole-Walker, CMC, CPMC
Clerk of the Board

**MINUTES OF THE FORMAL BOARD OF DIRECTORS' MEETING
April 23, 2026**

ADMINISTRATIVE AND FINANCE COMMITTEE

CALL TO ORDER / ROLL CALL

Vice Chair Arant called the Administrative and Finance Committee meeting to order at 9:02 a.m. Committee members present were Chair Abdullahi (remote), Vice Chairs Arant and Kerschbaum, and Directors Ayala, Douglass, Norman, Qualin, Robak*, Sanchez*, and Williams. Committee members absent were Directors Acosta, Hilliker, Morrison, and Serrano. Also present were Directors Ayala, Castaneda, Flesse, Fong-Sakai, Frieauf (remote), Heidemann, Katz, Madaffer, Macedo, Meyers, Molina, Paul, Reeh, Rivera, Scalzitti, and Wahl. 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 Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Director of Finance/Treasurer Harris, Director of Administrative Services Bartolome, Controller Woidzik, Budget and Treasury Manager Whyte, and Financial Planning Manager Rossum.

General Counsel Edwards announced Chair Abdullahi would participate remotely per Government Code 54953: Just Cause Exception.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no public comments.

CHAIR'S REPORT

Vice Chair Arant announced that for the 26th consecutive year, the Government Finance Officers Association (GFOA) awarded the Finance department a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR). The most recent award recognizes the Water Authority's ACFR for the fiscal year ended June 30, 2025. An impartial panel reviewed the ACFR and determined that it meets the program's high standards, including demonstrating a strong "spirit of full disclosure" to clearly communicate the agency's financial story and encourage users to engage with the report. He congratulated the Finance Department and noted that The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and earning it represents a significant accomplishment for any government and its leadership.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

1. Monthly Treasurer's Report on Investments and Cash Flow.
Staff recommendation: Note and file the monthly Treasurer's Report.

Director Ayala moved, Director Norman seconded, and the motion to approve the Consent Calendar passed unanimously.

II. ACTION/DISCUSSION/PRESENTATION

1. Calendar Year (CY) 2027 Rates and Charges Development Update.

Ms. Rossum provided an update on the development of calendar year 2027 rates and charges. He outlined rate impacts, cost-sharing, and flexibility provided by water deals. Mr. Woidzik reviewed accounting considerations related to water delivery agreement payments.

*Director Robak arrived at 9:11 a.m.

Directors made comments and asked questions, and staff responded.

Mr. Rossum concluded the presentation with an overview of the new demand survey, preliminary budget updates, debt paydown and forecasting, a review of MWD's rate design, the staff recommendation expected in May 2026, and the timeline.

*Director Sanchez arrived at 9:25 a.m.

Directors made comments and asked questions, and staff responded.

III. INFORMATION

The following Information items were received and filed:

1. Controller's Report on Monthly Financial Activity.
2. Small Contractor Outreach and Opportunities Program (SCOOP) Semi-Annual Report.
3. Board Calendar.

IV. CLOSED SESSION

There were no Closed Session items.

V. ADJOURNMENT

There being no further business to come before the Administrative and Finance Committee, Vice Chair Arant adjourned the meeting at 9:52 a.m.

IMPORTED WATER COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Meyers called the Imported Water Committee meeting to order at 9:59 a.m. Committee members present were Chair Meyers, Vice Chairs Katz and Madaffer, and Directors Ayala, Castaneda, Flesse, Fong-Sakai, Heidemann, Kerschbaum, Miller (remote), Paul, Rivera, and Scalzitti. Director Serrano was absent. Also present were Directors Arant, Butkiewicz, Douglass, Frieauf, Hilliker, Lyndes, Macedo, Molina, Morrison, Norman, Reeh, Robak, Sanchez, Williams, and Wahl. 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 Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Director of Imported Water Westford, Colorado River Program Manager Schnell, and Principal Water Resource Specialist Heide.

General Counsel Edwards announced Director Miller would participate remotely per Government Code 54953: Just Cause Exception.

ADDITIONS TO THE AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

Ms. Brown, member of the public, provided comments.

CHAIR'S REPORT

Chair Meyers reported Metropolitan Water District (MWD) signed the memorandum of understanding to explore an interstate transfer program. He also announced the Salton Sea Conservancy was established by Governor Newsom and the MWD budget was passed.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

There were no items on the Consent Calendar.

II. ACTION/DICUSSION/PRESENTATIONS

1. MWD Issues and Activities Update.
1-A Metropolitan Water District Delegates Report.

MWD Delegates Fong-Sakai, Denham, and Miller reported on discussions and actions taken at the MWD Board meetings.

Directors made comments and asked questions, and staff responded.

1-B Metropolitan Water District Adopted Budget and Rates

Ms. Westford provided background information and a brief overview of the presentation.

Mr. Heide presented Metropolitan Water District's adopted budget and rates including expenditures, the capital investment plan, and alternatives under board considerations.

1-C Pure Water Southern California Update

Ms. Westford provided background information and a brief overview of the presentation.

Mr. Heide provided an update on the Pure Water Southern California project, including project benefits, cost and criteria evaluation.

2. Colorado River Hydrology & Basin States Update.

Ms. Westford provided background information and a brief overview of the presentation.

Mr. Davis presented the Colorado River Hydrology & Basin States Update including risks, impacts and negotiations.

3. Approve Assignment of San Diego County Water Authority's Semitropic Groundwater Banking Rights and Sale of 7,717 acre-feet of banked water.
Staff recommendation: Authorize the General Manager to execute agreements establishing the right for Westside Agriculture, LLC (Westside) to receive assignment of 100% of the Water Authority's recharge, recovery, and storage capacity in the Semitropic Water Bank (SWB) and for the sale of 7,717 acre-feet of banked water.

Ms. Westford provided background information and reviewed the purpose, benefits, and limitations of the assignment of San Diego County Water Authority's Semitropic Groundwater Banking Rights.

Directors made comments and asked questions, and staff responded.

Director Fong-Sakai moved, Director Ayala seconded, and the motion to approve staff's recommendation passed unanimously.

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 Imported Water Committee, Chair Meyers adjourned the meeting at 11:48 a.m.

WATER PLANNING AND ENVIRONMENTAL COMMITTEE

CALL TO ORDER/ROLL CALL

Vice Chair Scalzitti called the Water Planning and Environmental Committee meeting to order at 11:52 a.m. Committee members present were Chair Miller (remote), Vice Chairs Frieauf (remote) and Scalzitti, and Directors Castaneda, Douglass*, Lyndes, Macedo, Meyers, Molina*, Paul, Robak, and Wahl. Director Coates Hedberg and Supervisor Desmond were absent. Also present were Directors Arant, Ayala, Butkiewicz, Fong-Sakai, Heidemann, Hilliker, Katz, Kerschbaum, Madaffer, Morrison, Norman, Qualin, Reeh, Rivera, Sanchez, and Williams. 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 Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Director of Water Resources Stephenson, Water Resources Manager Crutchfield, and Senior Water Resources Specialist Lopez.

General Counsel Edwards announced Chair Miller and Vice Chair Frieauf would participate remotely per Government Code 54953: Just Cause Exception.

ADDITIONS TO THE AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no public comments.

CHAIR'S REPORT

There was no Chair's report.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

There were no items on the Consent Calendar.

II. ACTION/DICUSSION/PRESENTATIONS

4. Public hearing on the Water Authority's draft 2025 Urban Water Management Plan and draft Water Shortage Contingency Plan.

* Director Molina arrived at 12:00 p.m.

Vice Chair Scalzitti opened the public hearing at 12:01 p.m. and outlined its purpose.

Mr. Lopez summarized the item, highlighting development milestones, resources supply mix, the public review and comment process, and next steps.

Ms. Courtney Brown of San Diego Coastkeeper provided public comment.

Directors Lyndes and Robak asked questions and made comments and staff responded.

* Director Douglass arrived at 12:07 p.m.

Hearing no further requests to speak, Vice Chair Scalzitti closed the public hearing at 12:10 p.m. and announced that written comments would be accepted through April 25, 2026.

5. Water Supply Conditions Update.

Mr. Lopez reviewed Northern Sierra snowpack extremes, Water Year 2026 snow surveys and atmospheric rivers, Northern Sierra Precipitation 8-Station Index, California reservoir storage levels, Lake Oroville storage volume, Colorado River Basin conditions, local precipitation, NOAA outlook, and precipitation and temperature outlooks.

III. INFORMATION

The were no Information items.

IV. CLOSED SESSION

There were no Closed Session items.

V. ADJOURNMENT

There being no further business to come before the Water Planning and Environmental Committee, Vice Chair Scalzitti adjourned the meeting at 12:14 p.m.

LEGISLATION & PUBLIC OUTREACH COMMITTEE **CALL TO ORDER/ROLL CALL**

Chair Macedo called the Legislation and Public Outreach Committee meeting to order at 1:03 p.m. Committee members present were Chair Macedo, Vice Chair Reeh, and Directors Butkiewicz, Hilliker, Katz, Lyndes, Molina, Morrison, Norman, and Williams. Vice Chair Acosta and Directors Madaffer, Qualin, and Whitburn were absent. Also present were Directors Arant, Ayala, Castaneda, Douglass, Flesse, Fong-Sakai, Frieauf (remote), Heidemann,

Kerschbaum, Meyers, Miller (remote), Paul, Rivera, Robak, Sanchez, Scalzitti, and Wahl. 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 Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Public Affairs Director Lee, Government Relations Manager Quarles, and Public Affairs Representative Heckman. Also, present were legislative representatives Kevin Eastman and David Quintana.

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 Macedo thanked the Public Affairs team for the recent outreach efforts surrounding climate variability and water affordability. He also highlighted the launch of a new podcast and newsletter from the General Manager.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

1. Adopt positions on various bills.

Staff recommendation:

- Adopt a position of Support on S. 3737, the GROW SMART Act (Padilla); and
- Adopt a position of Support on S. 3738, the MORE WATER Act (Padilla); and
- Adopt a position of Support on AB 1893, Wildfire prevention: local assistance grant program: eligible activities (Gallagher); and
- Adopt a position of Support on AB 2739, Community Water Affordability and System Stabilization Act of 2026 (Soria); and
- Adopt a position of Support on SB 1313, Public water systems: grants and loans: perfluoroalkyl and polyfluoroalkyl substances (McNerney).

Director Katz moved, Director Molina seconded, and the motion to approve the consent calendar passed unanimously.

Director Molina asked a question and staff responded.

II. ACTION/DISCUSSION/PRESENTATION

1. Government Relations update.

Ms. Quarles provided updates of current legislation including SB 1125 the water rate assistance program.

Directors made comments and asked questions; and staff responded.

1-A Washington report.

Mr. Eastman spoke regarding the recent MOU and its positive impact on the current delegation. He also reported on the President of the United States' budget request and its effect on water policy.

1-B Sacramento report.

Mr. Quintana provided an update on the policy legislative year and its deadlines.

Directors made comments and asked questions; and staff responded.

2. Adopt a position on Senate Bill 872.

Staff recommendation: Adopt a position of Support on SB 872 (McNerney), Delta Levees and Canal Subsidence Fund.

Ms. Quarles provided a summary of Senate Bill 872.

Director Molina moved, Director Katz seconded, and the motion to approve staff's recommendation passed unanimously.

3. Adopt position on Assembly Bill 2215.

Staff recommendation: Adopt a position of Support on AB 2215 (Calderon), Water rights: permits: State Water Project.

Ms. Quarles provided a summary of Assembly Bill 2215.

Director Molina moved, Director Katz seconded, and the motion to approve staff's recommendation passed unanimously.

4. Quarterly report on Public Affairs activities.

Mr. Lee introduced Mr. Heckman who then provided an updated on the Water Authority's Water Workforce Development program and education outreach efforts.

Directors made comments and asked questions; and staff responded.

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 Legislation and Public Outreach Committee, Chair Macedo adjourned the meeting at 1:50 p.m.

ENGINEERING AND OPERATIONS COMMITTEE

CALL TO ORDER / ROLL CALL

Chair Reeh called the Engineering and Operations Committee meeting to order at 1:55 p.m. Committee members present were Chair Reeh, Vice Chair Fong-Sakai, and Directors Abdullahi (remote), Arant, Butkiewicz, Coates-Hedberg, Flesse, Frieauf (remote), Rivera, Sanchez, and Supervisor Desmond. Committee members absent were Vice Chair Heidemann, and Directors Coates-Hedberg, Wahl, and Whitburn. Also present were Directors Ayala, Castaneda, Douglass, Hilliker, Katz, Kerschbaum, Lyndes, Macedo, Meyers, Miller, Molina, Morrison, Norman, Paul, Qualin, Robak, Scalzitti, Serrano, and Williams. 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 Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Director of Engineering Kuzmich, Director of Operations and Maintenance Plajzer, and Senior Engineer Heu.

General Counsel Edwards announced Directors Abdullahi and Frieauf would participate remotely per Government Code 54953: Just Cause Exception.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

Mr. Eric Christen emailed a written public comment regarding the Project Labor Agreement annual update. The comment was distributed to the Board and posted online.

The following members of the public provided comments:

- 1) Chine Osioma
- 2) Eric Christen
- 3) Dave Everett

CHAIR'S REPORT

Chair Reeh welcomed Director Whitburn and Supervisor Desmond to the Engineering and Operations Committee and announced an Engineering and Operations Facility Tour was scheduled for May 14, 2026.

DIRECTORS' COMMENTS

Director Rivera and Supervisor Desmond asked questions and made comments about the Pipeline 5 Relining Oceanside 5 Flow Control Facility to Huckleberry Lane project, and staff responded.

I. CONSENT CALENDAR

There were no items on the Consent Calendar.

II. ACTION/DISCUSSION/PRESENTATION

1. Construction contract with James W. Fowler Co. for the Pipeline 5 Relining Oceanside 5 Flow Control Facility to Huckleberry Lane project.

Staff recommendations:

- A. Reject J.F. Shea Construction bid protest; and
- B. Award a construction contract to James W. Fowler Co. in the amount of \$30,472,539.85 for the Pipeline 5 Relining Oceanside 5 Flow Control Facility to Huckleberry Lane project.

Mr. Heu provided an overview of the project, including the bid summary and staff's recommendation.

Directors asked questions and made comments and staff responded.

Director Arant moved to approve staff's recommendation for Item 1-A, Director Flesse seconded, and the motion passed unanimously.

Director Flesse moved to approve staff's recommendation for Item 1-B, Director Arant seconded, and the motion passed unanimously.

III. INFORMATION

The following Information items were received and filed:

1. Project Labor Agreement annual update.
2. Advertisement for bids for the Ramona Pipeline Improvements – Phase 1 project.

Directors asked questions and made comments and staff responded.

Director Arant requested more detailed analysis in the Project Labor Agreement (PLA) annual update, including comparisons between engineer's estimates and awarded contract amounts, as well as for projects completed prior to the PLA. He asked for an explanation for the

gap between the 60% local worker goal and the 29.4% actual, as well as the contractor outreach results including contractor perceptions of the Water Authority and bidding process.

Director Miller requested data on how many non-union contractors have submitted bids on PLA projects.

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 Reeh adjourned the meeting at 2:24 p.m.

FORMAL BOARD OF DIRECTORS' MEETING OF APRIL 23, 2026

1. CALL TO ORDER

Chair Serrano called the Formal Board of Directors' meeting to order at 2:33 p.m.

General Counsel Edwards announced Directors Abdullahi, Frieauf, and Miller would participate remotely per Government Code 54953: Just Cause Exception.

2. SALUTE TO THE FLAG

Director Hilliker led the salute to the flag.

3. ROLL CALL, DETERMINATION OF QUORUM

Deputy Clerk of the Board Reifschneider called the roll. Directors present were Chair Serrano, Vice Chair Hilliker, and Directors Abdullahi (remote), Arant, Ayala, Butkiewicz, Castaneda, Douglass, Flesse, Fong-Sakai, Frieauf (remote), Heidemann, Katz, Kerschbaum, Lyndes, Macedo, Madaffer, Meyers, Miller (remote), Molina, Morrison, Norman, Paul, Qualin, Reeh, Rivera, Robak, Sanchez, Scalzitti, Wahl, Whitburn, Williams, and Supervisor Desmond. Absent were Secretary Acosta (p) and Director Coates-Hedberg (p).

Staff present included General Manager Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Acting Director of Administrative Services Bartolome, Director of Engineering Kuzmich, Director of Finance Harris, Director of Human Resources Love, Director of Imported Water Westford, Director of Operations & Maintenance Plajzer, Director of Public Affairs Lee, Director of Water Resources Stephenson, and Deputy Clerk of the Board Reifschneider.

3-A Report on proxies received.

Director Flesse was the proxy for Secretary Acosta, and Director Scalzitti was the proxy for Director Coates-Hedberg.

4. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD'S JURISDICTION.**

Mr. Dave Everett, Western Electrical Contractors Association, commented on the Project Labor Agreement annual update provided during the Engineering and Operations Committee meeting.

5. **ADDITIONS TO AGENDA**

There were no additions to the agenda.

6. **APPROVAL OF MINUTES**

Director Scalzitti moved, Director Ayala seconded, and the motion passed at 87.114% to approve the minutes of the Formal Board of Directors' meeting of March 19, 2026, and Special Board of Directors' meeting of April 9, 2026. Directors Fong-Sakai and Reeh abstained.

7. **PRESENTATIONS AND PUBLIC HEARINGS**

7-A Presentation of Science Fair Award Winners.

Mr. Lee commented briefly on the Science Fair and shared a video of the award winners and projects. He congratulated the winners and thanked the judges who participated in the contest.

8. **REPORT BY CHAIRS**

8-A Chair's Report: Chair Serrano

Chair Serrano stated he attended the funeral of San Diego Police Officer, Lt. Brian Avera, earlier that morning and requested a moment of silence in his honor.

He reported he would be attending a special Albondigas meeting, along with Vice Chair Hilliker and Director Rivera, to discuss the future of water. He also recognized administrative staff in honor of Administrative Professionals Day.

8-B Report of Committee Actions

Administrative and Finance Committee

Imported Water Committee

Water Planning and Environmental Committee

Legislation and Public Outreach Committee

Engineering and Operations Committee

Ms. Reifschneider reported on all committee actions.

9. **CONSENT CALENDAR**

Director Molina moved, Director Katz seconded, and the motion carried at 92.712% to approve Consent Calendar items 9.1 through 9.6. Directors voting no or abstaining on individual items are listed under the item.

9.1 **Monthly Treasurer's Report on Investments and Cash Flow.**

Note and file the monthly Treasurer's Report.

9.2 **Approve Assignment of San Diego County Water Authority's Semitropic Groundwater Banking Rights and Sale of 7,717 acre-feet of banked water.**

Authorize the General Manager to execute agreements establishing the right for Westside Agriculture, LLC (Westside) to receive assignment of 100% of the Water Authority's recharge, recovery, and storage capacity in the Semitropic Water Bank (SWB) and for the sale of 7,717 acre-feet of banked water.

9.3 **Adopt positions on various bills.**

- Adopt a position of Support on S. 3737, the GROW SMART Act (Padilla).
- Adopt a position of Support on S. 3738, the MORE WATER Act (Padilla).
- Adopt a position of Support on AB 1893, Wildfire prevention: local assistance grant program: eligible activities (Gallagher).
- Adopt a position of Support on AB 2739, Community Water Affordability and System Stabilization Act of 2026 (Soria).
- Adopt a position of Support on SB 1313, Public water systems: grants and loans: perfluoroalkyl and polyfluoroalkyl substances (McNerney).

9.4 **Adopt position on Senate Bill 872.**

Adopt a position of Support on SB 872 (McNerney), Delta Levees and Canal Subsidence Fund.

9.5 **Adopt position on Assembly Bill 2215.**

Adopt a position of Support on AB 2215 (Calderon), Water rights: permits: State Water Project.

9.6 **Construction contract with James W. Fowler Co. for the Pipeline 5 Relining Oceanside 5 Flow Control Facility to Huckleberry Lane project.**

A. Reject J.F. Shea Construction bid protest; and
Award a construction contract to James W. Fowler Co. in the amount of \$30,472,539.85 for the Pipeline 5 Relining Oceanside 5 Flow Control Facility to Huckleberry Lane project.

10. **ACTION/DISCUSSION/INFORMATION**

There were none.

11. **SPECIAL REPORTS**

- 11-A GENERAL MANAGER’S REPORT – No report was provided.
- 11-B GENERAL COUNSEL’S REPORT – No verbal report was provided. A written report was provided in the Board packet.
- 11-C SANDAG REPORT – No report was provided.
SANDAG Subcommittees:
Borders Committee – No report was provided.
Regional Planning Committee – No report was provided.
- 11-D AB 1234 Compliance Reports – Director Hilliker reported on his attendance at Metropolitan Water District’s Hoover Dam tour.

12. **CLOSED SESSION(S)**

Mr. Edwards took the Board into Closed Session at 2:51 p.m.

- 12-A Conference with the Labor Negotiator
Government Code §54957.6
Agency Designated Representatives: Jaymie Bradford,
Catherine Love, Jeff Stephenson, Cristina Lever-Santos
Employee Organizations: Teamsters Local 986

Mr. Edwards brought the Board out of Closed Session at 4:22 p.m. with no reportable action.

13. **ACTION FOLLOWING CLOSED SESSION**

There was none.

14. **OTHER COMMUNICATION**

There was none.

15. **ADJOURNMENT**

There being no further business to come before the Board, Chair Serrano adjourned the meeting at 4:23 p.m.

Nick Serrano, Chair

Frank Hilliker, Vice Chair

Kelly Cole-Walker, Clerk of the Board



DATE: May 20, 2026
TO: Board of Directors
FROM: David Edwards, General Counsel
RE: Rincon Del Diablo Municipal Water District Reappointment of Board Member.

Transmitted herewith is notification submitted by Rincon Del Diablo Municipal Water District reappointing Board Member Evan Wahl. Director Wahls revised term end date is June 20, 2032.

The credentials furnished are sufficient for the appointment and reappointment of representatives on the Water Authority Board of Directors.

David Edwards
General Counsel

Attachment – Rincon Del Diablo Municipal Water District Resolution No. 2026-07

RESOLUTION NO. 2026-07

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE RINCON DEL DIABLO MUNICIPAL WATER DISTRICT
APPOINTING A REPRESENTATIVE TO THE BOARD OF DIRECTORS OF
THE SAN DIEGO COUNTY WATER AUTHORITY

WHEREAS, the Board of Directors of the Rincon del Diablo Municipal Water District has designated and appointed Director Evan Wahl to serve as its Representative on the Board of Directors of the San Diego County Water Authority (SDCWA) for a six-year term commencing on June 21, 2026 and ending on June 20, 2032; and

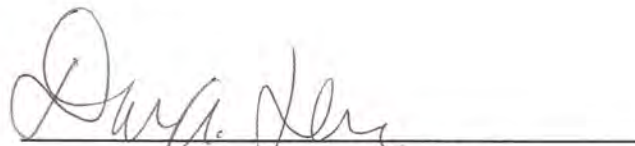
WHEREAS, this Board of Directors desires to consent and approve said designation and appointment;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Rincon del Diablo Municipal Water District that the designation and appointment of Evan Wahl as a Representative on the Board of Directors of the San Diego County Water Authority (SDCWA) for the term of six years commencing of June 21, 2026 and ending on June 20, 2032, is hereby consented to and approved.

PASSED, APPROVED, AND ADOPTED this 28th day of April, 2026 by the following roll call vote:


DRAKE: Aye
HOVING: Aye
KENNEDY: Aye
WAHL: Aye
WELCH: Aye

APPROVED:



David A. Drake, President

ATTEST:



Wanda Cassidy, Board Secretary



May 20, 2026

Attention: Board of Directors

General Counsel's Report – April/May 2026

Purpose

This report discusses certain meaningful legal matters receiving attention during the months of April/May 2026.

Significant Developments in Pending Litigation

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 should soon be set for trial. Legal costs are split by the Water Authority and the City of San Diego.

Following our most recent settlement meeting, the SWRCB billed the SDCWA for its 2023-2024 regulatory fees in the amount of \$359,500. In response, the GC's office contacted in-house counsel at the SWRCB and procured an agreement to forgo collection of fees while the parties continued to negotiate. On December 12, 2023, the SDCWA along with the City, filed a timely Petition for Reconsideration, which stopped the clock on fee collection.

The City of San Diego presented the proposed settlement terms to SD City Council on May 11, 2026. The City has accepted the proposed settlement terms and the parties are drafting a formal agreement.

Jacqueline Carmona v. San Diego County Water Authority – San Diego Superior Court Case No. 25CU028901C

This action, filed on June 25, 2025, involves employment claims by Jacqueline Carmona, who had been employed by SDCWA for over twenty years. She currently holds the position of Administrative Services Manager, but has been on an extended leave of absence. In her lawsuit, she claims (1) harassment on the basis of gender in violation of the Fair Employment and Housing Act ("FEHA"), (2) discrimination on the basis of gender in violation of the FEHA, (3) failure to prevent discrimination and harassment in violation of the FEHA, and (4) retaliation in violation of the FEHA. The parties are currently scheduling a mediation session through the San Diego Superior Court panel mediation program, and it is anticipated that such mediation will be completed by the end of July 2026. Trial is currently set for February 5, 2027.

Amicus Issues

None.

Requests Pursuant to the Public Records Act (April 4, 2026 – May 5, 2026)

<u>Requestor</u>	<u>Documents Requested</u>
James Stoker	Email correspondence between certain individuals from 3/30/25 to 3/30/26
Bits & Bytes Technology Solutions	Awarded contracts for Temporary Administrative Support Staffing Services
Costin Public Outreach Group	Regional Communications and Outreach Services Proposals
Stout Research Center	2020 Black & Veatch Draft Conveyance Study Report

Contracts reviewed this period: 21

Prepared by: David J. Edwards, General Counsel
Attachment: Special Counsel Expenditure Report

**General Counsel's Office
Special Counsel Expenditure Report
(April/May 2026)**

On-going Litigation

Special Counsel	Project	Total \$ Expended for April/May 2026 (Fees & Costs)
Eanet PC	Confidential Matter	Privileged ¹
Meyers Nave	Confidential Matter	Privileged
Somach Simmons & Dunn	Dispute with SWRCB	Privileged

Non-Litigation

Special Counsel	Project	Total \$ Expended for April/May 2026 (Fees & Costs)
Cameron-Daniel P.C.	Poseidon Electric Service Review	\$5,236.00 (OP)
Liebert Cassidy Whitmore	Personnel Issues	\$4,570.00 (OP)

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.



BOARD PACKET APPENDICES

Page 204 Appendix: E&O-1: E&O Consent I-1, attachment 1, Public Works Contract with OneSource Distributors, LLC

Page 282 Appendix: IW-2: IW Action II-2, attachment 1, Professional Services Agreement with Michael Connor

CONTRACT

Parties:

THIS CONTRACT (Contract) is made and entered into by and between the San Diego County Water Authority, a county water authority (Water Authority), and OneSource Distributors, LLC, a Delaware Limited Liability Company, having its principal place of business at 3951 Oceanic Drive, Oceanside, CA 92056 (Contractor).

The Parties Agree:

1. SCOPE OF WORK. Contractor shall provide 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment. The scope of work is more particularly described in Attachment A, attached, and made a part of this contract.

2. PAYMENT.

(a) Payment for services. The Water Authority shall pay for services satisfactorily performed in accordance with this contract according to the payment schedule contained in Attachment B.

In accordance with Labor Code Section 1773.3, the Water Authority shall withhold final payment if Contractor does not provide proof that all contractors and subcontractors, if any, of every tier have been registered with the Department of Industrial Relations for the work performed pursuant to this Contract.

(b) Maximum payment. The maximum payment under this contract and, if authorized, reimbursement of expenses, shall not exceed \$123,235.50.

(c) Water Authority shall pay for Work in annual payments at the start of each contract year:

San Diego County Water Authority
610 W. 5th Avenue
Escondido, CA. 92025
Attention: Al Garza

The Water Authority generally will process and pay bills within 30 days from receipt.

(d) Payments are subject to a final audit upon completion of services or other termination of this contract.

(e) Audit of Records. Contractor shall maintain complete and accurate records of all payrolls, expenditures, disbursements, and other cost items charged to the Water Authority or establishing the basis for an invoice, for a minimum of four years from the date of final payment to Contractor. All such records shall be clearly identifiable.

Contractor shall allow Water Authority representative to inspect, examine, copy and audit such records during regular business hours upon 24 hours' notice.

3. CONTRACT DOCUMENTS. The contract documents include this contract, including all attachments to and referenced documents within this Contract, Certificates of Insurance, Bond for Faithful Performance, Payment Bond, and Workers' Compensation Certificate.

4. BONDS AND SURETY QUALIFICATIONS.

(a) Contractor shall, within 15 days of contract award and before execution of the contract, furnish a Bond for Faithful Performance and a Payment Bond on forms provided by the Water Authority, each in the amount of 100 percent of the contract price. The Bond for Faithful Performance shall remain in effect during the performance of the work, and for 365 days after recordation of a Notice of Completion, or after completion of the work, whichever is later. The Payment Bond shall remain in effect until 180 days after recordation of the Notice of Completion, or after completion of the work, whichever is later.

(b) All Bonds shall be furnished by Contractor at its own expense, but will be reimbursed by Water Authority at cost with receipt, not to exceed 2.5% of total contract cost. All bonds shall be executed by sureties admitted to transact surety insurance in the State of California in accordance with California Code of Civil Procedure Section 995.660.

5. TIME FOR COMPLETION.

(a) The Contractor shall complete the Work by the Completion Date. The Completion Date shall be June 30, 2025, subject to earlier termination as provided in paragraphs 39 and 40 in this contract or at law. Prices quoted shall remain firm for the entire contract period. Adjustment to the Completion Date and extension of Contract Time may be allowed subject to terms provided elsewhere in the Contract. The Contractor shall at all times employ such labor, force, equipment, plant, materials, apparatus, transportation, and tools as will be sufficient, in the opinion of the Water Authority Project Manager, to perform required work and services at a pace sufficient to complete the Project by the Completion date. If in the opinion of the Water Authority Project Manager, the Contractor has failed or is failing to employ sufficient labor, force, equipment, plant, materials, apparatus, transportation, or tools, or, to maintain adequate progress, the Water Authority Project Manager may, at no additional cost to the Water Authority, require the Contractor to increase progress of work. The Contractor shall implement action required to increase progress and report the action or actions to be taken to the Water Authority Project Manager within two work days following the Water Authority Project Manager's order to increase progress.

(b) The time in which the various portions and the whole of the work to be performed under this Contract, and the work is to be completed, is of the essence

6. INDEPENDENT CONTRACTOR. Contractor's relationship to the Water Authority shall be that of an Independent Contractor. Contractor shall have no authority, expressed or implied, to act on behalf of the Water Authority as an agent, or to bind the Water Authority to any obligation whatsoever, unless specifically authorized in writing by the Water Authority. Contractor shall be solely responsible for the performance of any of its employees, agents, and subcontractors under this contract. Contractor shall report to the Water Authority any and all employees, agents, and contractors performing work in connection with this Contract, and all shall be subject to the approval of the Water Authority. The Water Authority shall not make any federal or state tax withholdings on behalf of Contractor. The Water Authority shall not be required to pay any workers' compensation insurance on behalf of Contractor. Contractor agrees to indemnify the Water Authority for any tax, retirement contribution including any contribution to the Public Employees Retirement System (PERS), social security, overtime payment, or workers' compensation payment which the Water Authority may be required to make on behalf of Contractor or any employee of Contractor or any employee, agent, or subcontractor of Contractor construed to be an employee of Water Authority, for work done under this contract.

Contractor shall comply with the requirements of the Immigration Reform and Control Act of 1986 including, but not limited to verifying the eligibility for employment of all agents, employees, and subcontractors that perform work under this contract.

7. CONTRACTOR QUALIFICATIONS AND STANDARD OF WORK. Contractor warrants that it is fully qualified to perform the work, and holds all applicable licenses, permits, and other necessary qualifications. Contractor shall perform and complete in a good and workmanlike manner all the work pertaining thereto described in the Scope of Work and plans and specifications hereto attached, to furnish at its cost and expense all tools, equipment, labor and materials necessary therefor, except such materials as are specifically stipulated in the contract documents to be furnished by Water Authority, and to do everything required by this Contract and other contract documents.

8. COMPLIANCE WITH PROVISIONS OF LAW.

(a) The Water Authority is subject to laws relating to public agencies which are part of this contract as though fully set forth herein.

(b) Contractor shall comply with laws relating to the work.

9. LAWS AND VENUE. The interpretation, validity, and enforcement of this contract shall be governed by and construed under the laws of the State of California. If any action is brought to interpret or enforce any term of this contract, the action shall be brought in a state or federal court situated in the County of San Diego, State of California.

The Contractor shall be responsible for complying with all applicable local, state, and federal laws and regulations whether or not expressly stated or referred to herein.

10. NOTICES. Any notice or instrument required to be given or delivered by this contract may be given by depositing the same in any United States Post Office, registered or certified, postage prepaid, addressed to:

TO: OneSource Distributor, Inc.
3951 Oceanic Drive
Oceanside, CA 92056
Attn: Chris Ruperto, Director of Sales – San Diego

TO: San Diego County Water Authority
610 West 5th Avenue
Escondido, CA 92025
Attn: Al Garza, O&M Manager

11. ASSIGNMENT. Contractor shall not assign this contract or payments under this contract. Contractor and each subcontractor hereby assign to Water Authority rights, title, and interest in and to causes of action under Section 4 of the Clayton Act (15 U.S.C.A. Sec. 15) or under the Cartwright Act (Chapter 2 commencing with Section 16700 of Part 2 of Division 7 of the California Business and Professions Code), arising from purchases of goods, services, or materials for this contract or any subcontract. This assignment shall be made and become effective without further acknowledgement by the parties at the time Water Authority tenders final payment to Contractor.

12. SECTION HEADINGS. Section headings are for the convenience of the parties and shall not affect the interpretation of this contract.

13. WATER AUTHORITY REPRESENTATIVE. The Water Authority's representative shall decide questions about the quality of materials furnished and work performed, manner of performance and rate of progress of the work, the interpretation of the plans and specifications and the fulfillment of the contract by the Contractor.

14. CONTRACTOR AND SUBCONTRACTOR REGISTRATION. In accordance with California Labor Code Section 1725.5 all contractors and subcontractors performing public works, including maintenance work must be registered with the California Department of Industrial Relations. In accordance with Labor Code Section 1773.3, the Water Authority shall withhold final payment if Contractor does not provide proof that all contractors and subcontractors, of every tier, who performed work under the contract are registered with the DIR.

15. PREVAILING WAGES.

(a) A determination of the general prevailing rates of per diem wages and holiday and overtime work where the work is to be performed is available for review upon request at the Water Authority's office located at 4677 Overland Avenue, San Diego, CA 92123. Contractor and subcontractors will not pay less than the prevailing rates of wages. Contractor will post one copy of the prevailing rates of wages at the job site.

- (b) The Contractor and any subcontractor under the Contractor shall, as a penalty to the Water Authority, forfeit not more than two hundred dollars (\$200) for each calendar day, or portion thereof, for each worker paid less than the prevailing wage rates as determined by the director for the work or craft in which the worker is employed for any public work done under the contract by the Contractor or, except as provided in the subdivision (b) of Labor Code Section 1775, by any subcontractor under the Contractor.
16. TRAVEL AND SUBSISTENCE PAYMENTS. Travel and subsistence payments shall be paid to each worker as defined in the applicable collective bargaining agreements filed with the Department of Industrial Relations for the particular craft, classification or type of work.
17. HOURS OF WORK.
- (a) Eight hours labor constitutes a legal day's work. Workers shall be paid at a rate of one and one-half times the basic rate of pay for work in excess of eight hours during a calendar day or forty hours during a calendar week of the foregoing hours.
- (b) Contractor shall keep and make available an accurate record showing the name of each worker and hours worked each day and each week by each worker.
- (c) As a penalty to the Water Authority, Contractor shall forfeit twenty-five dollars (\$25.00) for each worker, including subcontractors' workers, for each calendar day during which the worker is required or permitted to work more than eight hours in any one calendar day and 40 hours in any one calendar week in violation of Labor Code Sections 1810 through 1815.
18. EMPLOYMENT OF APPRENTICES. The Contractor shall comply with all applicable Labor Code requirements, including but not limited to California Labor Code Sections 1777.5, 1777.6 and 1777.7 concerning the employment of apprentices by the Contractor or any subcontractor.
19. PAYROLL RECORDS.
- (a) Pursuant to California Labor Code Section 1776, Contractor and each subcontractor shall keep accurate records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by him or her in connection with the work. Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating both of the following:
- (1) The information contained in the payroll record is true and correct.
- (2) The employer has complied with the requirements of Labor Code Sections 1771, 1811, and 1815 for any work performed by his or her employees on the public work project.

- (b) The payroll records enumerated under paragraph (a) shall be certified and shall be available for inspection at all reasonable hours at the principal office of the Contractor on the following basis:
- (1) A certified copy of an employee's payroll record shall be made available for inspection or furnished to the employee or his or her authorized representative on request.
 - (2) A certified copy of all payroll records enumerated on paragraph (a) shall be made available for inspection or furnished upon request to the Water Authority, the Division of Labor Standards Enforcement, and the Division of Apprenticeship Standards of the Department of Industrial Relations.
 - (3) A certified copy of all payroll records enumerated in paragraph (a) shall be made available upon request by the public for inspection or for copies thereof. However, a request by the public shall be made through either the Water Authority, the Division of Apprenticeship Standards, or the Division of Labor Standards Enforcement. If the requested payroll records have not been provided pursuant to paragraph (b)(2), the requesting party shall, prior to being provided the records, reimburse the costs of preparation by the Contractor, subcontractors, and the entity through which the request was made. The public shall not be given access to the records at the principal office of the Contractor.
- (c) The certified payroll records shall be on forms provided by the Division of Labor Standards Enforcement or shall contain the same information as provided by the division.
- (d) The Contractor or subcontractor shall file a certified copy of the records enumerated in paragraph (a) with the entity that requested the records within ten days after receipt of a written request.
- (e) Any copy of records made available for inspection as copies and furnished upon request to the public or any public agency by the Water Authority, the Division of Apprenticeship Standards, or the Division of Labor Standards Enforcement shall be marked or obliterated in such a manner as to prevent disclosure of an individual's name, address, and social security number. The name and address of the Contractor awarded the contract or the subcontractor performing the contract shall not be marked or obliterated. Any copy of records made available for inspection by, or furnished to, a joint labor-management committee established pursuant to the federal Labor Management Cooperation Act of 1978 (29 U.S.C. Sec. 175a) shall be marked or obliterated only to prevent disclosure of an individual's name and social security number.
- (f) Agencies that are included in the Joint Enforcement Strike Force on the Underground Economy established pursuant to Section 329 of the Unemployment Insurance Code and other law enforcement agencies investigating violations of law shall, upon request, be provided nonredacted copies of certified payroll records. Any copies of records or certified payroll made available for inspection and furnished upon request to the public

by an agency included in the Joint Enforcement Strike Force on the Underground Economy or to a law enforcement agency investigating a violation of law shall be marked or redacted to prevent disclosure of an individual's name, address, and social security number.

- (g) The Contractor shall inform the Water Authority of the location of the records enumerated under paragraph (a), including the street address, city and county, and shall, within five working days, provide a notice of change of location and address.
- (h) The Contractor or subcontractor has ten days in which to comply subsequent to receipt of written notice requesting the records enumerated in paragraph (a). In the event that the Contractor or subcontractor fails to comply within the 10-day period, he or she shall, as a penalty to the Water Authority, forfeit one hundred dollars (\$100) for each calendar day, or portion thereof, for each worker until strict compliance is effectuated. Upon the request of the Division of Labor Standards Enforcement, these penalties shall be withheld from progress payments then due. The Contractor is not subject to a penalty assessment pursuant to this section due to a failure of a subcontractor to comply with this section.
- (i) The Contractor shall furnish monthly a copy of each certified payroll records to the Project Manager. The Contractor shall be responsible for the submission of copies of payroll records of all subcontractors. Such payroll records shall include the written declarations made under penalty of perjury required by paragraph (a), and shall also be accompanied by a statement signed by the Contractor, or the subcontractor in the case of subcontractor payroll records, indicating that the payroll is complete, that the wage rates contained therein are not less than those required to be paid, and that the classifications set forth for laborers and mechanics, including apprentices and trainees, truly reflect the work performed in each case. After the Contractor or subcontractor starts work and submits a monthly payroll record, payroll records shall continue to be required until all work by the Contractor or subcontractor is complete. If no work was performed during any month, the payroll records shall indicate that fact.
- (j) The Contractor and subcontractors shall submit all certified payroll records to the Department of Industrial Relations electronically in accordance with Labor Code 1771.4 and as otherwise required by the Department of Industrial Relations. For more information on this requirement, refer to Department of Industrial Relations' website or upload at:

<https://efiling.dir.ca.gov/eCPR/pages/home.jsp>.

- (k) The work under this Contract is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

20. SMALL CONTRACTOR OUTREACH AND OPPORTUNITIES PROGRAM (SCOOP). Contractor will perform the work personally or through Contractor's employees. Contractor may subcontract work only upon prior approval of the Water Authority and in compliance with provisions of the Water Authority's Small Contractor Outreach and

Opportunities Program, if the Water Authority determines that the program provisions are applicable.

21. NONDISCRIMINATION. The Contractor shall ensure equal employment opportunity for all persons, regardless of race, color, religion, sex, creed, national origin, ancestry, age, medical condition, physical or mental disability, Vietnam-era veteran or special disabled veteran status, marital status or citizenship, within the limits imposed by law. These principles are to be applied by Contractor in all employment practices including recruiting, hiring, transfers, promotions, training, compensation, benefits, layoffs, and terminations. The Contractor agrees to comply with Title VII of the Civil Rights Act of 1964, as amended, the California Fair Employment Practices Act, the Americans With Disabilities Act of 1990, and any other applicable federal and state laws and regulations pertaining to nondiscrimination.

22. SAFETY. In the performance of this contract the Contractor shall comply with all applicable federal, state and local statutory and regulatory requirements including, but not limited to California Department of Industrial Relations regulations; and the U.S. Department of Transportation Omnibus Transportation Employee Testing Act, related to their scope of work and operations. In case of conflict in regulations, the most stringent shall apply. The Contractor shall provide all safeguards, safety devices and protective equipment and take any other needed actions necessary to protect the life and health of employees on the job and the safety of the public and to protect property in connection with the performance of the work covered by the contract. Safety precautions shall include but shall not be limited to: adequate life protection and life saving equipment; adequate illumination; instructions in accident prevention for all employees, such as the use of machinery guards, safe walkways, scaffolds, ladders, bridges, gang planks, confined space procedures, trenching and shoring, fall protection, and other safety devices; equipment and wearing apparel as are necessary or lawfully required to prevent accidents, injuries, or illnesses; adequate facilities for the proper inspection and maintenance of all safety measures

Contractor must obtain all applicable Division of Occupational Safety and Health (CAL-OSHA) permit(s) and others required by California Labor Code and California Government Code, prior to the initiation of any practices, work, method, operation, or process related to the work covered in the contract. Permits required by governmental authorities will be obtained at Contractor's expense.

It is a condition of this contract, and shall be made a condition of each subcontract which the Contractor enters into pursuant to this contract, that the Contractor and any subcontractor shall not permit any employee, in performance of the contract, to work in surroundings or under conditions which are unsanitary, hazardous or dangerous to his/her health or safety, as determined under Cal/OSHA safety and health standards.

The Contractor shall be responsible for the safeguarding of all utilities. The Contractor shall immediately notify the Water Authority and the utility owner if he/she disturbs, disconnects, or damages any utility.

23. CHARACTER OF WORKERS. Only competent workers shall be employed on the work. Workers who are incompetent, intemperate, troublesome, disorderly or otherwise objectionable, or who fail to perform work properly and acceptably, shall be immediately removed from the work by the Contractor and not re-employed.

24. INSURANCE.

(a) Requirement. Contractor shall procure and maintain during the period of performance of this contract and for 12 months following completion, insurance from insurance companies authorized to do business in the State of California, as set forth in this section. These policies shall be primary insurance as to the Water Authority so that any other coverage held by the Water Authority shall not contribute to any loss under Contractor's insurance.

General liability: (with coverage at least as broad as ISO form CG 00 01 10 01) coverage in an amount not less than \$2,000,000 general aggregate and \$1,000,000 per occurrence for general liability, bodily injury, personal injury, and property damage.

Automobile liability: (with coverage at least as broad as ISO form CA 00 01 10 01, for "any auto") coverage in an amount not less than \$1,000,000 per accident for personal injury, including death, and property damage.

Professional liability: (errors and omissions) for damage alleged to be as a result of errors, omissions or negligent acts of Contractor coverage in an amount not less than \$1,000,000 per claim.

Workers' compensation and employer's liability: coverage shall comply with the laws of the State of California, but not less than an employer's liability limit of \$1,000,000.

A deductible or retention may be utilized, subject to approval by the Water Authority. All policies that include a self-insured retention shall include a provision that payments of defense costs and damages (for bodily injury, property damage, personal injury or any other coverages included in the policy) by any party including additional insureds or insurers, shall satisfy the self-insured retention limits.

(b) Endorsements. The insurance policies shall be endorsed as follows:

For the commercial general liability insurance, the Water Authority (including its directors, officers, employees, and agents) shall be named as additional insured, and the policy shall be endorsed with a form equivalent to ISO form CG 20 10 10 93, that contain the provisions required by this contract.

Contractor's insurance is primary to any other insurance available to the Water Authority with respect to any claim arising out of this Contract. Any insurance maintained by the Water Authority shall be excess of the Contractor's insurance and shall not contribute with it. The Contractor's endorsement of insurance shall include a waiver of any rights of subrogation against the Water Authority, and its directors, officers, employees and agents.

Contractor's insurance will not be canceled, limited, amended, reduced in coverage amount, or allowed to expire without renewal until after 30 days' written notice has been given to the Water Authority, or after 10 days' written notice in the case of cancellation for non-payment of premium.

- (c) **Qualifications of Insurer.** The insurance shall be provided by an acceptable insurance provider, as determined by the Water Authority, which satisfies the following minimum requirements: An insurance carrier admitted to do business in California and maintaining an agent for process within the state. Such insurance carrier shall maintain a current A.M. Best rating classification of "A-" or better and a financial size of "\$10 million to \$24 million (Class V) or better", or A Lloyds of London program provided by syndicates of Lloyds of London and other London insurance carriers, providing all participants are qualified to do business in California and the policy provides for an agent for process in the state. Workers' Compensation and Employer's Liability shall be provided by an A-V rated carrier or by the California State Compensation Fund. If provided by a carrier other than California State Compensation Fund, Contractor shall provide proof of the carrier's A-V rating to Water Authority.
- (d) **Provision of Insurance Prior to Commencement of Services.** Before commencing any services, Contractor shall furnish certificates of insurance and endorsements affecting coverage on forms provided by Water Authority, or on equivalent ISO forms that contain provisions required by this contract.

25. INDEMNIFICATION – HOLD HARMLESS.

- (a) To the fullest extent permitted by law, the Contractor shall (1) immediately defend and (2) indemnify the Water Authority, and its directors, officers, and employees from and against all liabilities regardless of nature, type, or cause, arising out of or resulting from or in connection with the performance of the Contract. Liabilities subject to the duties to defend and indemnify include, without limitation, all claims, losses, damages, penalties, fines, and judgments; associated investigation and administrative expenses; defense costs, including but not limited to reasonable attorneys' fees; court costs; and costs of alternative dispute resolution. The Contractor's obligation to indemnify applies regardless of whether a liability is a result of the negligence of any other person, unless it is adjudicated that the liability is caused by the sole negligence, active negligence, or willful misconduct of an indemnified party.
- (b) The duty to defend is a separate and distinct obligation from the Contractor's duty to indemnify. The Contractor shall be obligated to defend, in all legal, equitable, administrative, or special proceedings, with counsel approved by the Water Authority, the Water Authority and its directors, officers, and employees, immediately upon submittal to the Contractor of the claim in any form or at any stage of an action or proceeding, whether or not liability is established. A determination of comparative active negligence or willful misconduct by an indemnified party does not relieve the Contractor from its separate and distinct obligation to defend Water Authority. The obligation to defend extends through final judgment, including exhaustion of any appeals. The defense obligation includes an obligation to provide independent defense

counsel if Contractor asserts that liability is caused in whole or in part by the negligence or willful misconduct of the indemnified party. If it is finally adjudicated that liability was caused by the sole negligence, active negligence, or willful misconduct of an indemnified party, Contractor may submit a claim to the Water Authority for reimbursement of reasonable attorneys' fees and defense costs.

- (c) The review, acceptance or approval of the Contractor's work or work product by any indemnified party shall not affect, relieve or reduce the Contractor's indemnification or defense obligations. This Section survives completion of the services or the termination of this contract. The provisions of this Section are not limited by and do not affect the provisions of this contract relating to insurance.
- (d) Liabilities subject to this Section include any claim of discrimination or harassment, including but not limited to sexual harassment, arising from the conduct of the Contractor or any of the Contractor's officers, employees, agents, licensees, or subcontractors. In the event of a discrimination or harassment complaint against any employee, agent, licensee or subcontractor of the Contractor or its subcontractors, the Contractor shall take immediate and appropriate action in response to such complaint, including, but not limited to termination or appropriate discipline of any responsible employee, agent, licensee or subcontractor.

26. UNCONTROLLABLE CIRCUMSTANCES.

- (a) Upon Contractor's written request and submission of substantiating documentation of a delay resulting from an Uncontrollable Circumstance, the Water Authority Project Manager may give the Contractor a non-compensable extension of time. The Contractor shall submit a written request within seven days of the commencement of the uncontrolled circumstance.
- (b) Prior to completion and acceptance of the Work, the Contractor is responsible for damage or loss to any portion of the Work resulting from an uncontrollable circumstance, except that Contractor may request an extension of the Completion Date as provided in paragraph (a).
- (c) "Uncontrollable circumstance" means any act, event or condition that (1) is beyond the reasonable control of the Contractor that justifies the Contractor not timely performing an obligation or complying with any condition required under the contract documents, and (2) materially expands the scope of, interferes with, or delays the Contractor's performance of obligations under the contract documents, but only if such act, event or condition is not the result of the willful or negligent act, error or omission, failure to exercise reasonable diligence, or breach of the contract documents on the part of the Contractor. Examples of acts, events or conditions that typically qualify as uncontrollable circumstances include: naturally occurring events (except inclement weather conditions normal for the area where the Work is being performed) such as landslides, underground movement, earthquakes, fires, tornadoes, hurricanes, floods, lightning, epidemics and other acts of God; explosions, terrorism, sabotage, or similar acts of a declared public enemy; extortion; war; blockade; insurrection, riot or civil disturbance; labor disputes, except labor disputes involving employees of the

Contractor, its affiliates, or subcontractors, vendors and suppliers; the failure of any subcontractor to furnish services, materials, chemicals or equipment on the dates agreed to, but only if such failure is the result of an event that would constitute an uncontrollable circumstance if it affected the Contractor directly, and the Contractor is not able after exercising all reasonable efforts to timely obtain substitutes; the preemption, confiscation, diversion, destruction or other interference in possession or performance of materials or services by a government agency in connection with a public emergency or any condemnation or other taking by eminent domain of any material portion of the Work. By example, and without limitation, none of the following acts, events or condition shall constitute an uncontrollable circumstance: any delay that would not have occurred but for the Contractor's failure to comply with its obligations under the contract documents; Contractor's inability to obtain timely materials or equipment; any work related injuries, accidents or safety violations; any changes in interest rates, inflation rates, wage rates, insurance premiums, commodity prices, currency values, exchange rates or other general economic conditions that significantly increase Contractor's cost of performing the Work; any change in the financial condition of the Contractor or any subcontractor affecting their ability to perform timely their respective obligations; the consequences of error, neglect or omissions by the Contractor, any subcontractor, or any other person in the performance of the Work; any change of union or labor work rules, requirements or demands which have the effect of increasing the number of employees employed on the Work or otherwise increasing the cost to the Contractor of performing the Work; inclement weather conditions normal for the area where the Work is being performed; any mechanical failure of equipment; or any electric utility power outages except as a direct result of an independent uncontrollable circumstance.

27. EXTRA WORK.

- (a) The Water Authority may require changes in, additions to, or deductions from the work to be performed or to the materials to be furnished under this contract. No extra work shall be performed or change made except pursuant to a written order from the Water Authority stating the extra work or change is authorized, and setting forth the basis upon which payment is to be made. No claim for additional compensation shall be valid unless pursuant to such a change order. Nothing in this section shall excuse the Contractor from proceeding with the prosecution of the changed work. When required by the Water Authority, the Contractor shall furnish an itemized breakdown of the quantities and prices used in computing the value of any ordered change.
- (b) Adjustments in the amounts to be paid to the Contractor by reason of any such change, addition or deduction shall be determined by one or more of the following methods:
 - (1) By an acceptable lump sum proposal from the Contractor.
 - (2) By unit prices contained in the Contractor's original bid, if applicable, and incorporated in the contract documents or fixed by subsequent agreement between the Water Authority and the Contractor.

- (3) By ordering the Contractor to proceed with the work and to furnish daily reports of extra work. The reports shall itemize all costs for labor, material, and equipment rental. The reports for workers shall include hours worked, rates of pay, names and classification; and for equipment shall include size, type, identification number and hours of operation. Records and reports shall be made immediately available to the Water Authority Project Manager upon his request.
 - (c) When the Water Authority orders extra work and there is an agreement between the Water Authority and the Contractor to perform the work, the Water Authority may approve the method used by the Contractor to accomplish the work. At the request of the Water Authority, the method to be used shall be memorialized in writing prior to work being performed.
- 28. CLEANUP. On completion of the work, Contractor shall remove debris and surplus materials from the work site.
- 29. MATERIALS.
 - (a) Unless otherwise specified, shown, or permitted by the Water Authority, materials and equipment incorporated in the work shall be new and current manufacture. The Water Authority may request the Contractor to furnish manufacturer's certificates to this effect.
 - (b) Materials furnished and work performed shall be subject to inspection and testing by Water Authority's authorized agents at Water Authority's expense. If such inspection and testing reveals non-compliance with the requirements of this contract, the Contractor shall bear the cost of necessary corrective measures and the cost of subsequent inspecting and testing.
 - (c) The inspection of the work shall not relieve the Contractor of the obligations under the contract. Even though equipment, materials, or work required under the contract have been inspected, accepted, and estimated for payment, the Contractor shall replace or repair such equipment, materials, or work found to be defective or otherwise not to comply with the requirements of the contract up to the end of the maintenance and guarantee period.
- 30. PERMITS AND LICENSES.
 - (a) Contractor shall give notices necessary and incidental to the due and lawful prosecution of the work and shall comply duly with the terms and conditions of permits and licenses.
 - (b) Contractor shall pay charges and fees in connection with permits and licenses.
- 31. SUPERVISION BY THE CONTRACTOR. Before starting the work, the Contractor shall designate, in writing, a representative having authority to act for the Contractor. An alternate representative may be designated. The representative or alternate shall be present at the work site when work is in progress. Orders or communications given to this

representative shall be deemed delivered to the Contractor. In the absence of the Contractor or designated representative, directions or instructions may be given by the Water Authority's representative to the superintendent or foreman having charge of the specific work to which the order applies. Such order shall be complied with promptly and referred to the Contractor or the representative.

32. INSPECTION.

- (a) The Water Authority's representative shall have access to the work during construction and shall be furnished with reasonable facility for gaining knowledge of the progress, workmanship and character of materials used and employed in the work.
- (b) When the Contractor varies the period during which work is carried on each day, Contractor shall give notice to the Water Authority's representative so proper inspection may be provided. Work done in the absence of the Water Authority's representative is subject to rejection.
- (c) No materials shall be installed until approved by the Water Authority's representative. Installations to be backfilled shall be inspected and approved by the Water Authority's representative prior to backfilling. The Contractor shall give notice in advance of backfilling to the Water Authority's representative so proper inspection may be provided.
- (d) The inspection of the work shall not relieve the Contractor of obligations to fulfill the contract. Defective work shall be made good, and unsuitable materials may be rejected notwithstanding the fact such defective work and unsuitable materials have been previously overlooked by the Water Authority's representative and accepted.

33. REMOVAL OF DEFECTIVE AND UNAUTHORIZED WORK.

- (a) If work is rejected by the Water Authority, the Contractor shall remove and replace such work in an acceptable manner and no compensation will be allowed for such removal or replacement. Work done beyond the lines and grades shown on the plans or established by the Water Authority's representative, or work done without written authority will be considered as unauthorized and not be paid for by the Water Authority. Such work may be ordered removed at the Contractor's expense.
- (b) Upon failure on the part of the Contractor to comply promptly with an order of the Water Authority's representative under this section, the Water Authority's representative shall have authority to cause defective work to be removed and replaced, and unauthorized work to be removed, and to deduct the costs from monies due the Contractor.

34. ERRORS OR DISCREPANCIES NOTED BY CONTRACTOR.

- (a) If the Contractor finds discrepancy between the specifications and the drawings, and the physical conditions at the site of the work, or finds errors or omissions in the drawings or in any survey, Contractor shall promptly notify the Water Authority in

writing of such discrepancy, error or omission. If the Contractor observes drawings or specifications at variance with applicable law, ordinance, regulation, order or decree, Contractor shall promptly notify the Water Authority in writing of such conflict.

- (b) On receipt of any such notice, the Water Authority shall promptly investigate the circumstances and give appropriate instructions to the Contractor. Until such instructions are given, work done by the Contractor, after Contractor's discovery of such error, discrepancy or conflict, will be at Contractor's own risk and Contractor shall bear costs arising therefrom.
35. EQUIPMENT. The Contractor must furnish adequate equipment and facilities to perform properly the work in a workmanlike manner in accordance with these specifications. Such equipment and facilities must be in a good state of repair and maintained in such state during the progress of the work and shall meet requirements of applicable ordinances and laws. No worn or obsolete equipment shall be used, and in no case shall the manufacturer's rating of capacity for equipment be exceeded.
36. STORAGE OF MATERIALS. Materials for use in the work shall be stored by the Contractor to prevent damage from exposure to the elements, admixture of foreign materials or from any other cause. Contractor shall store materials, supplies, and equipment offsite unless, prior to the start of work, the Water Authority Project Manager has approved a written request from Contractor to store materials, supplies and equipment onsite. Contractor is responsible for damage to or loss of materials by weather or other causes.
37. GUARANTEES. Contractor guarantees work from defect in materials and workmanship for the period of one year from the date of completion and shall repair and replace such work, together with other displaced work, without expense to the Water Authority, ordinary wear and tear, usual abuse or neglect excepted. For warranty work performed at the end of the final contract year, parts are guaranteed for twelve months and labor is guaranteed for 30 days after completion of the warranty work, once the contract expires.
38. RISK OF LOSS PRIOR TO FINAL ACCEPTANCE. Except as set forth above relating to Uncontrollable Circumstances, risk of loss from total or partial destruction of the work, prior to final acceptance, shall be borne by Contractor regardless of the cause, except if caused by the active or sole negligence or willful misconduct of the Water Authority. Contractor shall repair or replace such damages or destroyed work, to its prior undamaged condition before being entitled to additional progress payments or final payment. Total or partial destruction or damage shall not excuse Contractor from completion of the work.
39. TERMINATION: CONTRACTOR AT FAULT.
- (a) The Water Authority shall have the right to terminate the Contractor for cause under any one or more of the following circumstances:
- (1) Contractor's persistent failure to perform the Work in accordance with the contract documents (including, but not limited to, failure to supply sufficient skilled workers or suitable materials or equipment, failure to adhere to the progress schedule as

approved from time-to-time by the Water Authority Project Manager, failure to adhere to the schedule of values as approved from time-to-time by the Water Authority Project Manager;

- (2) Contractor's disregard of applicable laws and regulations;
 - (3) Contractor's repeated disregard of the authority or orders of the Water Authority;
 - (4) Contractor's repeated or persistent default of any of the provisions of the contract documents;
 - (5) Contractor's material breach of any provision of the contract documents;
 - (6) Contractor's failure to perform work for a period of five consecutive work days unless such failure is excused because of inclement weather or uncontrollable circumstance.
- (b) If one or more of the grounds for termination exist, the Water Authority, after giving the Contractor five days written notice and Contractor's failure to commence with a cure and thereafter diligently pursue such cure to completion, may at its sole discretion, without liability for trespass or conversion, take any of the following actions: terminate the service of the Contractor; exclude the Contractor from the site; take possession of the site and Work; take possession of all of Contractor's tools, appliances, construction equipment, and machinery at the site; take possession of all materials and component parts, equipment, or machinery stored at the site or for which the Contractor has paid but which are stored elsewhere; use the site, tools, appliances, construction equipment, machinery, parts, and materials to the full extent they could be used by Contractor; finish the Work as the Water Authority may deem expedient; or make demand on the performance bond surety to complete the Work. When the Water Authority terminates the Contractor's services under this Section, the Contractor shall not be entitled to receive further payments until the Work is completed. If the unpaid balance of the contract price is greater than all claims, costs, losses, offsets and damages (including without limitation all fees and charges of engineers, architects, land surveyors, contractors and other providers of professional services) sustained by the Water Authority arising out of or relating to completing the Work or exercising its rights under this Section, the excess will be paid to the Contractor. If the unpaid balance of the contract price is less than all claims, costs, losses, offsets and damages (including without limitation all fees and charges of engineers, architects, land surveyors, contractors and other providers of professional services) sustained by the Water Authority arising out of or relating to completing the Work or exercising its rights under this Section, the Contractor will pay the difference to the Water Authority. When exercising any rights or remedies under this Section, the Water Authority shall not be required to obtain the lowest price for the Work performed.
- (c) The termination of the Contractor's services under this paragraph will not affect any rights or remedies the Water Authority may have against the Contractor existing at the time of termination or which may later accrue. Any release of retention or payment by the Water Authority will not release the Contractor from liability.

40. TERMINATION: CONTRACTOR NOT AT FAULT.

- (a) Upon five days' written notice to the Contractor, the Water Authority may, without cause and without prejudice to any other of the Water Authority's rights or remedies, terminate the Contract for convenience.
- (b) Upon the service of a notice of contract termination, the Contractor shall discontinue the Work in the manner, sequence, and at such times as directed by the Water Authority. The Contractor shall remain responsible for the quality and fitness of the work performed by Contractor before termination of the Contract. All requirements of the Contract pertaining to work completed or to be completed as directed by the Water Authority as of the time of termination shall survive the termination, including without limitation, all indemnities, warranties, requirements for preparation of record drawings and completion of any "punch-list" items directed by the Water Authority. Contractor shall cooperate with Water Authority with respect to providing information about the work in progress at the time of termination, as requested by the Water Authority.
- (c) Upon termination of the Contract, Water Authority shall use reasonable efforts to determine and pay to the Contractor within 30 days, without duplication, for the following items:
 - (1) For completed and acceptable Work executed in accordance with the contract documents before the effective date of termination less any prior payments for the Work. The determined value of the Work shall be consistent with the contract documents, including any schedule of payments or schedule of values.
 - (2) For documented direct expenses sustained before the effective date of termination in performing services or furnishing labor, materials, or equipments as required by the contract documents necessary for the execution of the uncompleted Work. The determined value of the documented direct expenses shall be consistent with the contract documents, including any schedule of payments or schedule of values.
 - (3) For reasonable and documented direct expenses, including damages, incurred in settlement or as a consequence of terminated subcontracts.
 - (4) For other actual expenses reasonably incurred as a direct consequence of the termination.
- (d) Notwithstanding the foregoing, the Contractor shall not be entitled to recover any loss of anticipated profit or revenue or other economic loss arising out of or resulting from the termination, including without limitation any claim for anticipated profits on the Work not performed or lost business opportunity.
- (e) If the Contractor is terminated under this Section, the Water Authority may purchase from the Contractor all consumable supplies of the Contractor on hand, or in transit, or on definite commitment, including materials not incorporated in the Work which, in the opinion of the Water Authority Project Manager, are suitable and required to

complete the Work; and the Water Authority shall pay to the Contractor for such consumable supplies the prices paid therefore by the Contractor.

- (f) If the Contractor is terminated under this Section, upon request by the Water Authority Project Manager, the Contractor shall provide the Water Authority Project Manager with an itemized inventory and cost account of all plant, tools, equipment, labor, and consumable supplies that have been used, are then in use, and were planned to be used on the Work. Further, upon request, the Water Authority shall have the right to audit all of the Contractor's records relating to costs incurred or planned to be incurred in performing the Work.

41. RESOLUTION OF CERTAIN CLAIMS.

- (a) If any of the terms of this Section conflict with the terms of Public Contract Code Section 9204, it is understood that the terms of Public Contract Code Section 9204 shall take precedence.
- (b) For the purposes of this Section, "claim" means a separate demand by the Contractor sent by registered mail or certified mail with return receipt requested for one or more of the following:
 - (1) a time extension including, without limitation, for relief from damages or penalties for delay assessed by the Water Authority,
 - (2) for payment of money or damages arising for work done by, or on behalf of the Contractor pursuant to the contract documents, and payment of which is not expressly provided for or the claimant is not otherwise entitled to; or
 - (3) for an amount the payment of which is disputed by the Water Authority.
- (c) Upon receipt of a claim the Water Authority shall conduct a reasonable review of the claim and, within a period not to exceed 45 days, shall provide Contractor with a written statement identifying what portion of the claim is disputed and what portion undisputed.

Upon receipt of the claim, the Water Authority and a Contractor may, by mutual agreement confirmed in writing, extend the time period provided in this subdivision.

- (d) If the Water Authority needs approval from its Board of Directors to provide the Contractor a written statement identifying the disputed portion and the undisputed portion of the claim, and the Board body does not meet within the 45 days or within the mutually agreed to extension of time following receipt of a claim sent by registered mail or certified mail, return receipt requested, the Water Authority shall have up to three days following the next duly publicly noticed meeting of the Board after the 45-day period, or extension, expires to provide the Contractor a written statement identifying the disputed portion and the undisputed portion.

- (e) Failure of the Water Authority to respond to a claim from the Contractor within the time periods described in the subdivisions above or to otherwise meet the time requirements of this Section shall result in the claim being deemed rejected in its entirety.
 - (f) If the Contractor disputes the Water Authority's written response, or if the Water Authority fails to respond to a claim issued pursuant to this Section within the time prescribed, the Contractor may within 15 days of the same demand in writing an informal conference to meet and confer for settlement of the issues in dispute. Upon receipt of a demand in writing sent by registered mail or certified mail, return receipt requested, the Water Authority shall schedule a meet and confer conference within 30 days for settlement of the dispute. If the Contractor chooses not to request an informal conference to meet and confer but wishes to pursue disputed portions of the claim, it shall within the above-mentioned 15 day period identify in writing the dispute portions and submit the matter to nonbinding mediation as provided by subsection (i) below.
 - (g) Within 10 business days following the conclusion of the meet and confer conference, if the claim or any portion of the claim remains in dispute, the Water Authority shall provide the Contractor a written statement identifying the portion of the claim that remains in dispute and the portion that is undisputed.
 - (h) Any payment due on an undisputed portion of the claim shall be processed and made within 60 days after the Water Authority issues its written statement regarding disputed/undisputed items.
 - (i) Any remaining disputed portion of the claim, as identified by the Contractor in writing within 10 business days following receipt of Water Authority's statement provided by subsection (g) above, shall be submitted to nonbinding mediation, with the Water Authority and the Contractor sharing the associated costs equally. The Water Authority and Contractor shall mutually agree to a mediator within 10 business days after the disputed portion of the claim has been identified in writing. If the parties cannot agree upon a mediator, each party shall select a mediator and those mediators shall select a qualified neutral third party to mediate with regard to the disputed portion of the claim. Each party shall bear the fees and costs charged by its respective mediator in connection with the selection of the neutral mediator. The Water Authority and a Contractor may, by mutual agreement confirmed in writing, extend the time periods provided in this subdivision.
 - (j) If after following the procedures described above the claim or any portion remains in dispute and the Contractor wants to pursue the claim further, the Contractor shall file a claim as provided in Chapter 1 (commencing with Section 900) and Chapter 2 (commencing with Section 910) of Part 3 of Division 3.6 of Title 1 of The Government Code.
42. **SEVERABILITY.** Should any provisions be found or deemed to be invalid, the contract shall be construed as not containing such provision, and all other provisions which are otherwise lawful shall remain in full force and effect, and to this end the provisions of this contract are severable.

43. SIGNATURES. The individuals executing this contract represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities. This contract may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which shall be deemed to be an original when executed, and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this contract, or caused it to be executed as of the day, month, and year below.

Dated: March 14, 2024

SAN DIEGO COUNTY WATER AUTHORITY

By: Dan Denham
Di
General Manager

ONESOURCE DISTRIBUTORS, LLC

By: Chris Ruperto
Ch
Director of Sales – San Diego

Approved as to form:
San Diego County Water Authority

By: Michael J. McDonnell
Mi
Assistant General Counsel

ATTACHMENT A
Scope of Work

A. GENERAL

The scope of work includes two years of 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment.

B. CONTRACTOR OBLIGATIONS

Provide 24x7x365 Allen Bradley Integrated System Support Services including but not limited to support of application, automation, human machine interface (HMI) communication, and low and medium voltage drives. Contractor's obligations include up to \$6,000 of Rockwell Automation repair credit and up to 100 hours of Rockwell Field Service Engineer support services.

ATTACHMENT B
Payment and Fee Schedule

Prices below reflect the services outlined in the Scope of Work.

ITEM	DESCRIPTION	COST/ YEAR	TOTAL COST
1.	24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment as more particularly provided in Attachment A.	\$60,114.88	\$120,229.76
2.	Total reimbursement for payment and performance bonds required by Contract, not to exceed 2.5% of total contract cost		\$3,005.74
CONTRACT MAXIMUM			\$123,235.50

1. Prices shall remain firm during the contract term.
2. Prevailing wages apply.

GENERAL LIABILITY SPECIAL ENDORSEMENT

ENDORSEMENT NO.

ISSUE DATE (MM/DD/YY)

FOR THE SAN DIEGO COUNTY WATER AUTHORITY

PRODUCER

Telephone _____

NAMED INSURED

POLICY INFORMATION

Insurance Company: _____

Policy No.: _____

Policy Period: (from) _____ (to) _____

Deductible OR Self-Insured Retention of \$ _____

Each Occurrence Per Claim

APPLICABILITY. This insurance pertains to the operations, products and/or activities of the Named Insured under all written agreements and permits in force with the Water Authority unless checked here in which case only the following specific agreements and permits with the City are covered:

AGREEMENTS/PERMITS _____

TYPE OF INSURANCE

COMMERCIAL GENERAL LIABILITY Claims Made Retroactive Date _____

COMPREHENSIVE GENERAL LIABILITY Occurrence

OWNERS & CONTRACTORS PROTECTIVE

OTHER PROVISIONS

COVERAGES

LIABILITY LIMITS IN THOUSANDS \$

EACH OCCURRENCE

AGGREGATE

GENERAL LIABILITY

PRODUCTS-COMPLETED OPERATIONS

PERSONAL & ADVERTISING INJURY

FIRE LEGAL LIABILITY

EXPLOSION, COLLAPSE, UNDERGROUND HAZARD

CONTRACTUAL LIABILITY

CLAIMS: Underwriter's Representative for claims pursuant to this insurance

Name: _____

Address: _____

Telephone: () _____

In consideration of the premium charged and notwithstanding any inconsistent statement in the policy to which this endorsement is attached or any endorsement now or hereafter attached thereto, it is agreed as follows:

- 1. ADDITIONAL INSURED.** The Water Authority, its directors, officers, employees, and agents, are included as additional insureds with regard to liability and defense of suits or claims arising from the operations, products and activities performed by or on behalf of the Named Insured.
- 2. CONTRIBUTION NOT REQUIRED.** This insurance shall be primary. Any other insurance or self-insurance available to the insureds added by this endorsement shall be in excess of and shall not contribute with this insurance.
- 3. SEVERABILITY OF INTEREST.** This insurance applies separately to each insured against whom claim is made or suit is brought except with respect to the company's limits of liability. The inclusion of any person or organization as an insured shall not affect any right which such person or organization would have as a claimant if not so included.
- 4. CANCELLATION NOTICE.** With respect to the interests of the Water Authority, this insurance shall not be canceled or materially reduced in coverage except after thirty (30) days prior written notice by receipted delivery has been given to the Water Authority at address indicated below. (Except 10 days shall be allowed for non-payment of premium.)
- 5. PROVISIONS REGARDING THE INSURED'S DUTIES.** Any failure by the Named Insured to comply with reporting provisions of the policy or breaches or violations of warranties shall not affect coverage provided to the insureds added by this endorsement.
- 6. SCOPE OF COVERAGE.** This endorsement shall afford coverage at least as broad as Insurance Services Office Commercial General Liability Coverage, "occurrence" form CG 0001; or claims made form CG 0002

Except as stated above, nothing herein shall be held to waive, alter or extend any of the limits, conditions, agreements or exclusions of the policy to which this endorsement is attached.

ENDORSEMENT HOLDER / ADDITIONAL INSURED

SAN DIEGO COUNTY WATER AUTHORITY

4677 OVERLAND AVENUE

SAN DIEGO, CA 92123

PROJECT:

ATTENTION: _____

TELEPHONE: _____

AUTHORIZED REPRESENTATIVE

I _____ (print/type name), warrant that I have authority to bind the above-mentioned insurance company and by my signature hereon do so bind this company to this endorsement.

Signature _____

Title _____

Employer of Signatory _____

Telephone: () _____ Date Signed _____

AUTOMOBILE LIABILITY SPECIAL ENDORSEMENT

ENDORSEMENT NO.

ISSUE DATE (MM/DD/YY)

FOR THE SAN DIEGO COUNTY WATER AUTHORITY

<p>PRODUCER</p> <p>Telephone _____</p>	<p>POLICY INFORMATION</p> <p>Insurance Company: _____</p> <p>Policy No.: _____</p> <p>Policy Period: (from) _____ (to) _____</p> <p><input type="checkbox"/> Deductible OR <input type="checkbox"/> Self-Insured Retention \$ _____</p>
--	--

<p>NAMED INSURED</p>	<p>APPLICABILITY. This insurance pertains to the operations, and/or activities of the Named Insured under all written contracts and agreements in force with the Water Authority unless checked here <input type="checkbox"/> in which case only the following specific permits and agreements with the Water Authority are covered:</p> <p>AGREEMENTS/PERMITS: _____</p>
-----------------------------	--

<p>TYPE OF INSURANCE</p> <p><input type="checkbox"/> BUSINESS AUTO POLICY</p> <p><input type="checkbox"/> TRUCKERS AND MOTOR CARRIER LIABILITY POLICY</p> <p><input type="checkbox"/> GARAGEKEEPERS LIABILITY</p> <p><input type="checkbox"/> NON-OWNED - - HIRED VEHICLES</p> <p><input type="checkbox"/> OTHER _____</p>	<p>OTHER PROVISIONS</p>
---	--------------------------------

<p>LIABILITY LIMIT IN THOUSANDS \$</p> <p>\$ _____ per accident, for bodily injury and property damage liability</p>	<p>CLAIMS: Underwriter's Representative for claims pursuant to this insurance.</p> <p>Name: _____</p> <p>Address: _____</p> <p>Telephone: () _____</p>
---	--

In consideration of the premium charged and notwithstanding any inconsistent statement in the policy to which this endorsement is attached or any endorsement now or hereafter attached thereto, it is agreed as follows:

1. **ADDITIONAL INSURED.** The Water Authority, its directors, officers, employees, and agents, are included as additional insureds with regard to liability and defense of suits or claims arising from the operations, products and activities performed by or on behalf of the Named Insured.
2. **CONTRIBUTION NOT REQUIRED.** This insurance shall be primary. Any other insurance or self-insurance available to the insureds added by this endorsement shall be in excess of and shall not contribute with this insurance.
3. **SEVERABILITY OF INTEREST.** This insurance applies separately to each insured against whom claim is made or suit is brought except with respect to the company's limits of liability. The inclusion of any person or organization as an insured shall not affect any right which such person or organization would have as a claimant if not so included.
4. **CANCELLATION NOTICE.** With respect to the interests of the Water Authority, this insurance shall not be canceled or materially reduced in coverage except after thirty (30) days prior written notice by receipted delivery has been given to the Water Authority at address indicated below. (Except 10 days shall be allowed for non-payment of premium.)
5. **PROVISIONS REGARDING THE INSURED'S DUTIES.** Any failure by the Named Insured to comply with reporting provisions of the policy or breaches or violations of warranties shall not affect coverage provided to the insureds added by this endorsement.
6. **SCOPE OF COVERAGE.** This endorsement shall afford coverage at least as broad as Insurance Services Office form number CA0001, Code 1 ("any auto").

Except as stated above, nothing herein shall be held to waive, alter or extend any of the limits, conditions, agreements or exclusions of the policy to which this endorsement is attached.

ENDORSEMENT HOLDER / ADDITIONAL INSURED

<p>SAN DIEGO COUNTY WATER AUTHORITY 4677 OVERLAND AVENUE SAN DIEGO, CA 92123 Project: _____</p> <p>ATTENTION: _____</p> <p>TELEPHONE: _____</p>	<p>AUTHORIZED REPRESENTATIVE</p> <p>I _____ (print/type name), warrant that I have authority to bind the above-mentioned insurance company and by my signature hereon do so bind this company to this endorsement.</p> <p>Signature _____</p> <p>Title _____</p> <p>Employer of Signatory _____</p> <p>Telephone: () _____ Date Signed _____</p>
--	---

WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY SPECIAL ENDORSEMENT
 FOR THE SAN DIEGO COUNTY WATER AUTHORITY

ENDORSEMENT NO.

ISSUE DATE (MM/DD/YY)

PRODUCER

Telephone _____

NAMED INSURED

POLICY INFORMATION

Insurance Company: _____

Policy No.: _____

Policy Period: (from) _____ (to) _____

Deductible OR Self-Insured Retention \$ _____
 Each Occurrence Per Claim

APPLICABILITY. This insurance pertains to the operations, products and/or activities of the Named Insured under all written contracts and permits in force with the Water Authority unless checked here in which case only the following specific contracts and permits with the Water Authority are covered:

CONTRACTS/PERMITS _____

COVERAGES (check as applicable)

Statutory Workers' Compensation

Employer's Liability _____ Bodily Injury (each accident)

_____ Bodily Injury by Disease (each employee)

_____ Bodily Injury by Disease (policy limit)

OTHER PROVISIONS

CLAIMS: Underwriter's Representative for claims pursuant to this insurance

Name: _____

Address: _____

Telephone: () _____

In consideration of the premium charged and notwithstanding any inconsistent statement in the policy to which this endorsement is attached or any endorsement now or hereafter attached thereto, it is agreed as follows:

- 1. WAIVER OF SUBROGATION.** The Insurance Company agrees to waive all rights of subrogation against the Water Authority, its directors, officers, employees, and agents for losses paid under the terms of this policy which arise from the work performed by the Named Insured for the Water Authority.
- 2. CANCELLATION NOTICE.** With respect to the interests of the Water Authority, this insurance shall not be canceled or materially reduced in coverage except after thirty (30) days prior written notice by receipted delivery has been given to the Water Authority at address indicated below. (Except 10 days shall be allowed for non-payment of premium.)

Except as stated above, nothing herein shall be held to waive, alter or extend any of the limits, conditions, agreements or exclusions of the policy to which this endorsement is attached.

ENDORSEMENT HOLDER

SAN DIEGO COUNTY WATER AUTHORITY
 4677 OVERLAND AVENUE
 SAN DIEGO, CA 92123

Project:

ATTENTION: _____

TELEPHONE: _____

AUTHORIZED REPRESENTATIVE

I _____ (print/type name), warrant that I have authority to bind the above-mentioned insurance company and by my signature hereon do so bind this company to this endorsement.

Signature _____

Title _____

Employer of Signatory _____

Telephone: () _____ Date Signed _____

BOND FOR FAITHFUL PERFORMANCE

KNOW ALL MEN BY THESE PRESENTS:

That we, _____

hereinafter referred to as "Contractor," as principal, and _____

as surety, are held and firmly bound unto the San Diego County Water Authority, in the sum of _____ Dollars (\$ _____) lawful money of the United States of America, for the payment of which sum, well and truly to be made, we bind ourselves, heirs, executors, administrators, successors, and assigns jointly and severally, firmly by these presents.

The condition of the foregoing obligation is such that,

WHEREAS, said Contractor has been awarded and is about to enter into the annexed contract with the San Diego County Water Authority for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment and is required by said Water Authority to give this bond in connection with the execution of said contract;

NOW, THEREFORE, if the said Contractor, his heirs, executors, administrators, successors, and assigns shall well and truly do and perform all of the covenants and obligations of said contract and any alteration thereof made as therein provided, on his part to be done and performed at the times and in the manner specified therein, then this obligation shall be null and void, otherwise it shall be and remain in full force and effect inclusive of the entire contract warranty period.

Any alterations in the work to be done, or the material to be furnished, which may be made pursuant to the terms of said contract, shall not in any way release either the Contractor or the surety thereunder, nor shall any extensions of time granted under the provisions of said contract release either the Contractor or the surety, and notice of such alterations or extensions of the contract is hereby waived by the surety.

WITNESS our hands this _____ day of _____.

(Seal)

Contractor

By _____

Title

(Surety's Corporate Seal)

Surety

By _____

Title

Address of Surety

Approved:

Director of Operations and Maintenance
San Diego County Water Authority

Approved as to form and execution:

General Counsel of
San Diego County Water Authority

Notice: No substitution or revision to this bond form will be accepted.

PAYMENT BOND FOR MATERIALS AND LABOR

KNOW ALL MEN BY THESE PRESENTS:

That we, _____

_____ hereinafter referred to as "Contractor," as principal, and _____

as surety, are held and firmly bound unto the San Diego County Water Authority, in the sum of

_____ Dollars (\$ _____) lawful

money of the United States of America, for the payment of which sum, well and truly to be made,

we bind ourselves, heirs, executors, administrators, successors, and assigns jointly and severally,

firmly by these presents.

The condition of the foregoing obligation is such that,

WHEREAS, said Contractor has been awarded and is about to enter into the annexed contract with the San Diego County Water Authority for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment and is required by said Water Authority to give this bond in connection with the execution of said contract;

NOW, THEREFORE, if said Contractor, or his subcontractors, fails to pay any of the persons referred to in Section 9100 of the Civil Code of the State of California for any materials, provisions, provender, equipment or other supplies, used in, upon, for or about the performance of the work contracted to be done, or for any work or labor thereon of any kind, or for amounts due under the Unemployment Insurance Code or for any amounts required to be deducted, withheld and paid over to the Unemployment Development Department from the wages of employees of the principal and his subcontractors pursuant to Section 13020 of the Unemployment Insurance Code with respect to such work and labor, said surety will pay for the same, in an amount not exceeding the sum specified above, and also, in case suit is brought upon this bond, a reasonable attorney's fee, to be fixed by the court. This bond shall inure to the benefit of any and all persons entitled to file claims under Section 9100 of the Civil Code of the State of California so as to give a right of action to them or their assigns in any suit brought upon this bond.

Any alterations in the work to be done, or the materials to be furnished, which may be made pursuant to the terms of said contract, shall not in any way release either the Contractor or the surety thereunder, nor shall any extensions of time granted under the provisions of said contract release either Contractor or the surety, and notice of such alterations or extensions of the contract is hereby waived by the surety.

WITNESS our hands this ____ day of _____, _____.

(Seal)

Contractor

By

Title

(Surety's Corporate Seal)

Surety

By

Title

Address of Surety

Approved:

Director of Operations and Maintenance
San Diego County Water Authority

Approved as to form and execution:

General Counsel of
San Diego County Water Authority

Notice: No substitution or revision to this bond form will be accepted.

Competitive Acquisition Waiver Goods & Services

Date: January 30, 2024

Contract Manager: Jim Truett, Rotating Equipment Supervisor

Department/Project #: Dept 4343, Rotating Equipment

Contractor: OneSource Distributors, LLC

Amount: \$123,235.50

Project Description: Contract for 24x7x365 Allen Bradley Integrated Support Services for Water Authority owned Rockwell Automation equipment

Type of Waiver: (Check one only)

- Sole Source** – Requirements so critical or expertise so specialized that only one vendor possesses the unique and singularly available capability to meet the requirements; e.g., technical expertise, matching currently owned equipment or supplies, ability to deliver at certain time, etc. (Administrative Code 4.04.140)
- Special Circumstances** – Use of acquisition process infeasible, impractical or otherwise not in best interest of the Water Authority as determined by the General Manager in consultation with the General Counsel. (Administrative Code 4.04.060 (b)).
- Specialized & Professional Services** – Such as, but not limited to appraisers, attorneys, accountants, auditors, economists, financial advisors, lobbyists whenever the General Manager or General Counsel determines the contract is in best interest of the Water Authority (Administrative Code 4.04.069 (c))
- Emergency** – (Administrative Code 2.04.050(e), 4.04.020(c), 4.04.030, 4.08.040(c), and (d))

Justification:

OneSource Distributors, LLC (OneSource) is the exclusive distributor and the only factory authorized provider of parts and service for Rockwell Automation equipment. OneSource and the Water Authority have negotiated a technical support maintenance plan provided by Rockwell Automation which includes remote priority technical support for the Water Authority’s Rockwell Automation equipment, including Programmable Logic Controllers and Variable Frequency Drives used in the Aqueduct Control System.

Approval Signatures (all required):		
Contract Manager:	<i>Jim Truett</i>	Date: 2/1/2024
Department Head:	<i>Eva Plajzer</i>	Date: 3/4/2024
General Counsel:	<i>Ards</i>	Date: 3/7/2024
General Manager:	<i>Dan Denham</i>	Date: 3/11/2024



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Entity Registration

Exclusions

Active Exclusions

Responsibility / Qualification

Entity Information

ONESOURCE DISTRIBUTORS, LLC

● Active Registration

Unique Entity ID

CAGE/NCAGE

Expiration Date

HHV6VQEWZMW8

1F8B6

Apr 4, 2024

Physical Address

3951 Oceanic DR

Oceanside, California

92056-5846, United States

Mailing Address

3951 Oceanic DR

Oceanside, California

92056-5846, United States

Purpose of Registration

All Awards

Version

Current Record

■ EXCLUSIONS



There may be instances when an individual or firm has the same or similar name as your search criteria, but is actually a different party. Therefore, it is important that you verify a potential match with the excluding agency identified in the exclusion's details. To confirm or obtain additional information, contact the federal agency that took the action against the listed party. Agency points of contact, including name and telephone number, may be found by navigating to the Agency Exclusion POCs page within Help.

Active Exclusions

There are no active exclusion records associated to this entity by its Unique Entity ID.



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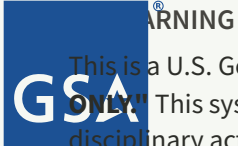
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DLSE Debarments





The following is a list of contractors barred from bidding on, accepting, or performing any public works contracts, either as a contractor or subcontractor. Please refer to the “Period of Debarment” for status of debarment period as noted below:






As part of your due diligence, we suggest that you also check:

- [Contractor status at the Contractors State License Board \(CSLB\) !\[\]\(62e805726272eee9edc58613909ecab7_img.jpg\)](#)
- [The Federal debarment list at the Excluded Parties List System !\[\]\(8c3484f85c312be75761c11d9e2fb731_img.jpg\)](#)

Name of contractor	Period of debarment
<p>MICHAEL FLOORING, INC.; BENNY MICHAEL</p> <p>CSLB License Number: 874947</p>	<p>5/30/2023 through 5/30/2026</p> <p>Decision SC 7278 </p> <p>The debarment order is currently stayed by order of the Kern County Superior Court</p>
<p>TOBO CONSTRUCTION, INC.; JIMI WAN CHAE; MONICA SHIUN OH; KYUNG JIN YOON,</p> <p>CSLB License Number: 758012</p>	<p>5/10/2023 through 5/10/2026</p> <p>Decision SC 7250 </p>
<p>G M Climate Control, Inc.</p> <p>CSLB License Number: 967267</p>	<p>3/2/2023 through 9/2/2024</p> <p>Decision 40-71536-603 </p>
<p>MINAKO AMERICA CORPORATION DBA MINCO CONSTRUCTION; AND REFAAT HILMAY MINA,</p>	<p>9/27/2021 through 9/26/2022</p> <p>Decision LB 6333 </p>

CSLB License Number: 612429	
GRFCO, INC. DBA ONSITE KRUSHING; GARCIA JUAREZ CONSTRUCTION, INC.; GEORGE ROBERT FROST; AND JAMES CRAIG JACKSON	5/21/2021 through 5/20/2024 Decision LB 6629 
CSLB License Number: 291013 and 84801	
ECS CONTRACTORS, INC. dba ECS ELECTRIC, INC.; UMAR KHALID RANA, an individual and CEO/RMO of ECS CONTRACTORS, INC.; and KANWAL SAJJAD RANA, an individual and RMO of ECS CONTRACTORS, INC.	3/1/2020 through 3/1/2023 Decision LB 5590 
CSLB License Number: 975222	
Avi Shechter, Individually DBA Avi Shechter	5/6/2019 through 5/5/2022 Decision LB 6328 
CSLB Number: 908891 and 1018353	
Patrick Kim, Individually DBA Ritecon Plumbing	8/21/2018 through 8/20/2019 Decision LB 6762 
CSLB Number: 991018	
Bighorn Construction, Inc.	5/5/2018 through 5/4/2021 Decision LB 6658 
CSLB Number: 597866	

<p>Doug Parks, Individually dba Doug Parks and Son Plumbing</p> <p>CSLB Number: 411825</p>	<p>10/11/2017 through 10/10/2019</p> <p><u>Decision SC 5807</u> </p>
<p>Worthington Construction, Inc.; Dale Worthington, an individual and CEO/RMO of Worthington Construction, Inc.; and, Holi Jeanne Worthington, an individual and Officer of Worthington Construction</p> <p>CSLB Number: 714836</p>	<p>6/15/2018 through 9/16/2019</p> <p><u>Decision LB 5267</u> </p>
<p>RMV Construction, Inc., A California Corporation; and Robert Michael Vasil II a.k.a. Robert Michael Vasil a.k.a. Mike Vasil, an Individual and CEO/RMO President of RMV Construction, Inc.</p> <p>CSLB Number: 892389</p>	<p>4/1/2017 through 8/18/2018</p> <p><u>Decision LB 5266</u> </p>
<p>Gewargis Youkhanis Narso, an individual dba GEHVAC and Technologies, a sole proprietorship, And GEHVAC Co., a sole proprietorship</p> <p>CSLB Number: 899312 and 1013848</p>	<p>2/1/2017 through 1/31/2020</p> <p><u>Decision 40-48480-516</u> </p>

<p>Joseph Brothers Enterprise, Inc.; Ken Joseph Individually and as CEO</p> <p>CSLB Number: 849169</p>	<p>4/3/2018 through 10/3/2019</p> <p>Decision SC 6390 </p>
<p>Dave Cook Concrete Construction, Inc., and David William Cook</p> <p>34231 Camino Capistrano #102 Capistrano Beach, CA 92624-1189</p> <p>CSLB Number: 461897</p>	<p>3/1/2017 through 2/29/2020</p> <p>Decision LB 6207 </p>
<p>Bannaoun Engineers Constructors Corporation; Omar Maloof, An Individual</p> <p>P.O. Box 16599 Beverly Hills, CA 90209-2599</p> <p>CSLB Number: 827829</p>	<p>05/12/17 through 05/11/20</p> <p>Decision SC 5517 </p>
<p>Evans Roofing Co., Inc.</p> <p>2020 South Yale Street Santa Ana, CA 92706</p> <p>CSLB Number: 610549</p>	<p>10/31/16 through 10/30/19</p> <p>Decision LB 6270 </p>
<p>Guillermo Ibaibarriaga dba Sierra Nevada Stucco and 2K Roofing</p> <p>Sierra Nevada Stucco P.O. Box 8472 Reno, NV 89502</p> <p>CSLB Number: 915812</p> <p>2K Roofing 820 Kuenzli Street Reno, NV 89502</p> <p>CSLB Number: 954551</p>	<p>05/14/17 through 05/13/20</p> <p>Decision SC 6037 </p>

**Del Norte Construction, And Trinidad
Manuel Canales, an Individual**
PO Box 5101
Oxnard, CA 93030

6/01/16 through 5/31/17

[Decision LB 5533](#) 

5020 Wooley Rd.
Oxnard, CA 93030

CSLB Number: #945723

**Diversified Building & Electric Company,
Inc.**
409 Tennant Station
Morgan Hill, CA 95037

2/15/16 through 8/15/17

[Decision SC 5714](#) 

**Denis Andrew Maris, Individually and Doing
Business as Diversified Electric Company**

CSLB Number: #765312

Fast Demolition, Inc.
601-C East Palomar Street #123
Chula Vista, CA 91911
CSLB Number: #792729

4/1/44 through 3/31/47

[Decision LB5742](#) 

4/1/41 through 3/31/44

[Decision LB5665](#) 

**Rogelio Medina Vazquez., an individual and
in his capacity as Responsible Managing
Officer of FAST DEMOLITION, INC.**

4/1/36 through 3/31/39

[Decision LB5740](#) 

4/1/33 through 3/31/37

[Decision LB5651](#) 

4/1/33 through 3/31/37










[Decision LB5739](#) 





4/1/24 through 3/31/27







[Decision LB5741](#) 

4/1/30 through 3/31/33

[Decision LB5743](#) 

	<p>4/1/27 through 3/31/30 Decision LB5666 </p> <p>4/1/21 through 3/31/24 Decision LB5667 </p> <p>4/1/18 through 3/31/21 Decision LB5668 </p> <p>4/01/15 through 3/31/18 Decision LB5345 </p>
<p>Amerivet Plumbing, Inc.; Walter Edward Jacob Kuhlmann III, Individually And dba Amerivet Plumbing Services CSLB Number: #969048 and #919761</p>	<p>8/6/15 through 8/5/18 Decision SC 5756 </p>
<p>Ultimate Inc., And, Enrique Vera, an Individual PO Box 571117 Tarzana, CA 91356-1117 CSLB Number: #949229</p>	<p>12/1/15 through 11/30/18 Decision LB 5655 & LBS659 </p>
<p>Travioli Construction, Inc. PO Box 231 Visalia, CA 93274 CSLB Number: #936832</p>	<p>9/11/15 through 3/10/17 Decision SC 5800 </p>
<p>Integrity Sheet Metal, Inc. 319 McArthur Way Upland, CA 91786 CSLB #726770</p> <p>William Ben Hicks, an individual; Margaret Mary Hicks, an individual</p>	<p>2/01/15 through 1/31/18 Decision LB 5596 </p>
<p>L A Builders, Inc., a California Corporation 15635 Saticoy Street, #H Van Nuys, CA 91406</p>	<p>2/01/15 through 1/31/18 Decision LB5 171 </p>

CSLB #748591	
Alon Gamliel, an individual	
USA Wall Systems, Inc. 8309 Sunshine Lane Riverside, CA 92508 CSLB #929610	4/01/15 through 3/31/18 Decision LB 5323 
Edward Eugene Brammer, an individual and in his capacity as President/CEO/RMO	
Daughter Construction formerly dba Hy Carpentry Construction 15407 Thornlake Avenue Norwalk, CA 90650 CSLB #979297	4/01/15 through 3/31/18 Decision LB 5466, LB5467, LB5468 & LB5520 
Sharon Jin Yoo, an individual; Dae Hyun Yoo, an individual and in his capacity as manager/supervisor for Sharon Jin Yoo and in his capacity as General Partner for HY Construction, a General Partnership.	
RDA Construction, Inc. 1692 W. Bullard Ave., Fresno, CA 93711 CSLB# 383306	12/15/14 through 12/14/16 Decision 40-40508-522 & 44-40509-522 
Titan Electrical Construction, Inc. Lucas Oliver Stickney, an individual Jamie Noel Furr, an individual 630 Natoma Street San Francisco, CA 94103 CSLB# 919516	11/3/14 through 11/2/17 Decision SC 5539 

<p>Ramos Painting Carlos Ray Ramos, an individual P.O. Box 3871 Paso Robles, CA 93447 CSLB# 753575</p>	<p>11/3/14 through 11/2/15 Decision SC 5518 </p>
<p>Dick Emard Electric. dba Emard Electric Luke Richard Emard, an individual and RMO 5930 Key Court, Suite A Loomis, CA 95650 CSLB# 794007</p>	<p>11/3/14 thorough 11/2/17 Decision SC 5521 </p>
<p>Nixon Electric Gordon Fulton Nixon, an individual 5624 Faust Ave. Woodland Hills, CA 91367 CSLB# 796802</p>	<p>8/1/14 through 7/31/17 Decision LB 4495 </p>
<p>Neris General Contractors, a California Corporation Efren Neri, an individual Servando Neri, an individual Rebeca Neri, an individual Luis Abelardo Castro, an individual 6087 California Ave. Long Beach, CA 90805 CSLB# 797967</p>	<p>2/28/14 through 2/27/17 Decision LB 4511, LB4512 & LB4521 </p>
<p>Southland Construction Reza Mohammadi, an individual 3943 Irvine Blvd., #405, Irvine, CA 92602 CSLB# 663784 (expired)</p>	<p>10/14/14 through 10/13/17 Decision SAC 5492 </p>
<p>National Drywall Corporation, A Dissolved California Corporation 603 S. Milliken Avenue, Suite F</p>	<p>8/4/14 through 8/3/17 Decision SAC 5506 </p>


Ontario, CA 91761
CSLB #834335

**Miguel Contreras, an Individual and
Responsible Managing
Officer/CEO/President**

**Dora Maria Contreras, an Individual and
Agent/Officer of the Corporation**


**Tadros & Youssef Construction, Inc.
Kamel Shaker Tadros & Makram Youssef
Youssef, Individually**
1221 E 8th Street, Unit A, Upland, CA 91786

CSLB# 698182 (expired)


5/10/14 through 5/9/17
[Decision SAC 5308](#) 

Serenity Fire Protection
417 S. Associated Road, Brea, CA 92821

CSLB# 902927

5/1/14 through 4/30/17
[Decision LB 4202](#) 

**Don Kelly Construction , Inc.
Don Kelly, Individual and Lisa Kelly,
Individual**
171 Northview Ridge Lane, P.O. Box 10760,
Bozeman, MT 59719


3/25/14 through 3/24/17
[Decision LB 4484](#) 

Aldan, Inc.
P.O. Box 9428, Brea, CA 92822

CSLB #949229

2/28/14 through 2/27/17
[Decision LB5175](#) 

**Russell/Thompson, Inc.
James Jean Russell & Valery Alena
Thompson, Individually**
4684 Oak Glen Dr., Redding, CA 96001

10/31/13 through 10/31/16
[Decision SC 5309](#) 

CSLB# 915036 (revoked)	
Ayodejia A. Ogundare, Individual Db a Pacific Engineering Company 6310 Stewart Way, Bakersfield, CA 93308 CLSB#710322	5/15/2013 through 5/15/2014 Decision SAC 1039 
Wallcrete Industries, Inc.; Garit David Wallace and Amber Anderson, Individuals 400 Kansas, Redlands, CA 92373 CSLB#834220	7/29/12 through 7/28/15 Decision SAC 5175 
FEI Enterprises, Inc Gabriel Fedida, Individual 5749 Venice Blvd., Los Angeles, CA 90019 CSLB#659252	6/14/12 through 6/13/15 Decision SC 5198 
Jeffrey Alan Mott and Michelle Mott, individuals Dda Integrity Landscape 3756 Independence Avenue Sanger, CA 93637 CSLB#774222	3/29/12 through 3/28/15 Decision SC 5160 
Jensen Drywall & Stucco Jeffrey E. Jensen 3714 Lynda Place National City, CA 91950-8121 CSB # 664168 Exp. 2/18/11 (expired)	3/31/11 through 3/30/13 Decision SC 5095 
All West Construction, Inc. Donald Kent Russell 495 N. Marks Ave.	3/31/11 through 3/30/13 Decision se 5013 

Fresno, CA 93706
CSB # 592321 Exp. 4/3/12 (suspended)

Country Builders, Inc.
Weldon Offill, individually
5915 Graham Ct.
Livermore, CA 94550
CSB # 699574 Exp. 11/30/12 (active)

3/1/11 through 2/28/14

[Decision SC 5053](#) 
[Addendum SC 5053](#) 

Sutter Foam & Coating, Inc.
909 A. George Washington
Yuba City, CA 95993
CSB # 732014 Exp. 1/31/09 (inactive)

7/1/10 through 6/30/13

[Decision SAC 5012](#) 

David Alvin Trexler, an individual
909 A. George Washington
Yuba City, CA 95993

Kenneth A. Trexler, an individual
2603 Lago Lane
Marysville, CA 95901

**Soo Dong Kim, an individual,
dba Soo Kim Electric Company**
16224 Ridgeview Lane
La Mirada, CA 90638
CSB # 568103 Exp. 8/1/09 (inactive)

4/19/10 through 4/18/13

[Decision SAC 1064](#) 

**Hyo Nam Jung, an individual,
dba Lucid Electric**
18621 Well Street
Rowland Heights, CA 91748
CSB # 914692 Exp. 4/3/10

**Southwest Grading,
dba Southwest Grading Services, Inc.,**
22031 Waite Street
Wildomar, CA 92595

3/18/10 through 3/17/13

[Decision SAC 1058](#) 

David Walter Cholewinski, an individual

22031 Waite Street
Wildomar, A 92595
29970 Technology Drive, Ste. 205
Murrieta, CA 92563
CSB #840416 Exp. 6/30/10

S.J. Cimino Electric, Inc., a California corporation,
3267 Dutton Ave.
Santa Rosa, CA 95404
Salvatore Joseph Cimino, RMO, CEO and President of S.J. Cimino Electric, Inc. and sole owner of S.J. Cimino

Electric, an individual
5825 Heights Rd.
Santa Rosa, CA 95401
CSB #343802 Exp. 2/28/10
CSB #294141 Exp. 9/30/13 (inactive)

10/15/09 through 10/14/12

[Decision SAC 1052](#) 

Cedar Development Corporation
Serghon Gabriel Afram, individually

12477 Feather Dr
Mira Loma, CA 91752
CSB # 839898 Exp. 6/30/10 (suspended)

8/5/09 through 8/4/12

[Decision SAC 1042](#) 

All Floors Commercial and Residential Flooring, Inc.

Salvador Elias Perea, individually
750 E. McGlincy Lane, #103
Campbell, CA 95008
CSB #430969 Exp. 7/31/09

5/14/09 through 5/13/12

[Decision SAC 1040](#) 

1-AMD Construction, Inc.
Alberto Mordoki, individually
Mirella Mordoki, individually
5300 Beach Blvd., Suite 110-416

3/16/09 through 3/15/12

[Decision SAC1037](#) 

Buena Park, CA 90621
CSB #787533, revoked

Updated: August 2023

Project Information

FORM

Form Type: PWC-100 **Project Award Date:** 1/30/2024

AWARDING BODY INFORMATION

Name: San Diego County Water Authority Purchasing **Primary Contact:** Jackie Carmona
Address: San Diego County Water Authority Purchasing **Primary Email:** jcarmona@sdcwa.org
 4677 Overland Avenue **Work Phone:** 8585226651
 San Diego, CA 92123

PROJECT INFORMATION

Project Name: 24x7x365 Allen Bradley Integrated System Support Services **Project #:** 062564
Brief Description: 24x7x365 Allen Bradley Integrated System Support Services **Contract #:** 062564
Contract Amount: \$123235.50 **Number of Prime Contractors:** 1
Total Project Cost: \$123235.50
Alternative Model: None Apply
Description of Location: Various locations **County:** ALAMEDA

Project Information 2

PWC-100

Project Name: 24x7x365 Allen Bradley Integrated System Support Services **Project #:** 062564 **Contract #:** 062564 **Status:** New Submission

PROJECT INFORMATION

Project Dates

First Advertised Bid: 1/30/2024 **Estimated or Actual Start:** 1/30/2024
Estimated or Actual Completion: 6/30/2025

Propositions

Will this project receive (or has it received) any funding from Proposition 84 (The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006)? No
 Will this project receive (or has it received) any funding from Proposition 39 (California Clean Energy Jobs Act of 2012)? No
 Is this a development proponent housing project subject to the requirements of Government Code sections 65852.24, 65912.130, or 65913.4? No

Compliance and Agreements:

Is language included in the Contract Award to effectuate the requirements of Section 1771, 1774 - 1776, 1777.5, 1813 and 1815 of the Labor Code? Yes
 Will you operate a DIR-Approved Labor Compliance Program(LCP) for this project? No
 Is there a Project Labor Agreement (PLA) associated with this project? No

Contractor Information

Project Manager

Email Address	Name	Title	Work Phone
agarza@sdcwa.org	Al Garza	O&M Manager	760-233-3220

General Contractor1

CSLB/Certificate Number	NAME	Address	Email	Classification
1000022478	ONESOURCE DISTRIBUTORS	3951 OCEANIC DRIVE OCEANSIDE, CA 92056	DMARSHALL@1SOURCEDIST.COM	LABORERS



SCOOP SCHEDULE A-1: DESIGNATION OF ALL SUBCONTRACTORS (NEW CONTRACT)

INSTRUCTIONS: Enter the information requested below for each subcontractor, vendor, supplier, trucker, or service provider who will perform work or labor or render service to the Contractor, or who will furnish materials, products or equipment to the Contractor. Use additional pages of this form if needed.

Contractor Name: OneSource Distributors LLC
Contractor Representative: Chris Ruperto

Project: 24x7x365 Allen Bradley Integrated System Support
Phone: 858-597-3694

Date Completed: 2/1/2024
Email: cruperto@1sourcedist.com

Subcontractors on this contract? YES NO If YES, complete table below.

		Specific Work to be Done	Check "YES" to all applicable.		Total Amount Committed	% of Total Contract	List any certifications
Subcontractor Name			Address listed is HQ?	<input type="checkbox"/>			
Street Address			Second-tier sub?	<input type="checkbox"/>			
City, State, Zip			Small Business?	<input type="checkbox"/>			
Contact Person			Minority-Owned?	<input type="checkbox"/>			
Phone			Woman-Owned?	<input type="checkbox"/>			
Email			Veteran-Owned?	<input type="checkbox"/>			
Subcontractor Name			Address listed is HQ?	<input type="checkbox"/>			
Street Address			Second-tier sub?	<input type="checkbox"/>			
City, State, Zip			Small Business?	<input type="checkbox"/>			
Contact Person			Minority-Owned?	<input type="checkbox"/>			
Phone			Woman-Owned?	<input type="checkbox"/>			
Email			Veteran-Owned?	<input type="checkbox"/>			
Subcontractor Name			Address listed is HQ?	<input type="checkbox"/>			
Street Address			Second-tier sub?	<input type="checkbox"/>			
City, State, Zip			Small Business?	<input type="checkbox"/>			
Contact Person			Minority-Owned?	<input type="checkbox"/>			
Phone			Woman-Owned?	<input type="checkbox"/>			
Email			Veteran-Owned?	<input type="checkbox"/>			
Subcontractor Name			Address listed is HQ?	<input type="checkbox"/>			
Street Address			Second-tier sub?	<input type="checkbox"/>			
City, State, Zip			Small Business?	<input type="checkbox"/>			
Contact Person			Minority-Owned?	<input type="checkbox"/>			
Phone			Woman-Owned?	<input type="checkbox"/>			
Email			Veteran-Owned?	<input type="checkbox"/>			
TOTAL DOLLAR AMOUNT COMMITTED TO SMALL CONTRACTORS:							
TOTAL DOLLAR AMOUNT COMMITTED TO ALL SUBCONTRACTORS:							



CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY)
02/06/2024

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Aon Risk Services Northeast, Inc. Stamford CT Office 1600 Summer Street Stamford CT 06907-4907 USA	CONTACT NAME: PHONE (A/C. No. Ext): (866) 283-7122 FAX (A/C. No.): (800) 363-0105		
	E-MAIL ADDRESS:		
INSURER(S) AFFORDING COVERAGE		NAIC #	
INSURED OneSource Distributors, LLC 3951 Oceanic Drive Oceanside CA 92056 USA	INSURER A: Allied World National Assurance Company		10690
	INSURER B: Hartford Fire Insurance Co.		19682
	INSURER C: ACE Property & Casualty Insurance Co.		20699
	INSURER D: Federal Insurance Company		20281
	INSURER E:		
	INSURER F:		

COVERAGES CERTIFICATE NUMBER: 570103865455 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS. **Limits shown are as requested**

INSR LTR	TYPE OF INSURANCE	ADDD INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
B	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC OTHER:	Y	Y	10CSES60208	01/01/2024	01/01/2025	EACH OCCURRENCE \$2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$1,000,000 MED EXP (Any one person) \$100,000 PERSONAL & ADV INJURY \$2,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COMP/OP AGG \$2,000,000
B	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input checked="" type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY	Y		10 CSE S60203 AOS	01/01/2024	01/01/2025	COMBINED SINGLE LIMIT (Ea accident) \$2,000,000 BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)
C	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$25,000			XOOG46663044	01/01/2024	01/01/2025	EACH OCCURRENCE \$5,000,000 AGGREGATE \$5,000,000
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N N	10WNS60200 AOS 10WBRS60201 WI & MA	01/01/2024 01/01/2024	01/01/2025 01/01/2025	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE-EA EMPLOYEE \$1,000,000 E.L. DISEASE-POLICY LIMIT \$1,000,000
D	E&O - Miscellaneous Professional-Primary			99508230 Professional Claims Made	01/01/2024	01/01/2025	Each Claim \$5,000,000 Deductible \$100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 Separation of Insureds is included per policy terms and conditions with respect to General Liability. San Diego County Water Authority, its affiliates and their respective directors, officers, employees and agents are included as Additional Insured in accordance with the policy provisions of the General Liability and Automobile Liability policies. General Liability evidenced herein is Primary and Non-Contributory to other insurance available to an Additional Insured, but only in accordance with the policy's provisions. A waiver of Subrogation is granted in favor of San Diego County Water Authority, its affiliates and their respective directors, officers, employees and agents in accordance with the policy provisions of the General Liability and Workers' Compensation policies.

CERTIFICATE HOLDER San Diego County Water Authority 4677 Overland Avenue San Diego CA 92123 USA	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE
---	--

Holder Identifier : 24569A

Certificate No : 570103865455



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

PRIMARY AND NONCONTRIBUTORY - OTHER INSURANCE CONDITION

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
LIQUOR LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

The following is added to the Other Insurance Condition and supersedes any provision to the contrary:

Primary And Noncontributory Insurance

This insurance is primary to and will not seek contribution from any other insurance available to an additional insured under your policy provided that:

- (1) The additional insured is a Named Insured under such other insurance; and

- (2) You have agreed in writing in a contract or agreement that this insurance would be primary and would not seek contribution from any other insurance available to the additional insured.

POLICY NUMBER: 10 CSE S60208

COMMERCIAL GENERAL LIABILITY
CG 20 10 04 13**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****ADDITIONAL INSURED - OWNERS, LESSEES OR
CONTRACTORS - SCHEDULED PERSON OR
ORGANIZATION**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s)	Location(s) Of Covered Operations
AS REQUIRED BY CONTRACT	ALL LOCATIONS
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by:

1. Your acts or omissions; or
2. The acts or omissions of those acting on your behalf;

in the performance of your ongoing operations for the additional insured(s) at the location(s) designated above.

However:

1. The insurance afforded to such additional insured only applies to the extent permitted by law; and
2. If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.

B. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to "bodily injury" or "property damage" occurring after:

1. All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or
2. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

- C.** With respect to the insurance afforded to these additional insureds, the following is added to **Section III – Limits Of Insurance:**

If coverage provided to the additional insured is required by a contract or agreement, the most we will pay on behalf of the additional insured is the amount of insurance:

1. Required by the contract or agreement; or

2. Available under the applicable Limits of Insurance shown in the Declarations;
whichever is less.

This endorsement shall not increase the applicable Limits of Insurance shown in the Declarations.

Sonepar Holdings USA, Inc.

Policy Number: 10 CSE S60203

Policy Period: 01/01/2024 - 01/01/2025



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED AND RIGHTS OF RECOVERY AGAINST OTHERS

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM

- A. Any person or organization whom you are required by contract to name as additional insured is an "insured" for LIABILITY COVERAGE but only to the extent that person or organization qualifies as an "insured" under the WHO IS AN INSURED provision of Section II - LIABILITY COVERAGE.
- B. For any person or organization for whom you are required by contract to provide a waiver of subrogation, the Loss Condition - TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US is applicable.

POLICY NUMBER: 10 CSE S60208

COMMERCIAL GENERAL LIABILITY
CG 24 04 12 19

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**WAIVER OF TRANSFER OF RIGHTS OF RECOVERY
AGAINST OTHERS TO US (WAIVER OF SUBROGATION)**

This endorsement modifies insurance provided under the following:

- COMMERCIAL GENERAL LIABILITY COVERAGE PART
- ELECTRONIC DATA LIABILITY COVERAGE PART
- LIQUOR LIABILITY COVERAGE PART
- POLLUTION LIABILITY COVERAGE PART DESIGNATED SITES
- POLLUTION LIABILITY LIMITED COVERAGE PART DESIGNATED SITES
- PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART
- RAILROAD PROTECTIVE LIABILITY COVERAGE PART
- UNDERGROUND STORAGE TANK POLICY DESIGNATED TANKS

SCHEDULE

Name Of Person(s) Or Organization(s):

BLANKET AS REQUIRED BY WRITTEN CONTRACT

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

The following is added to Paragraph 8. Transfer Of Rights Of Recovery Against Others To Us of Section IV – Conditions:

We waive any right of recovery against the person(s) or organization(s) shown in the Schedule above because of payments we make under this Coverage Part. Such waiver by us applies only to the extent that the insured has waived its right of recovery against such person(s) or organization(s) prior to loss. This endorsement applies only to the person(s) or organization(s) shown in the Schedule above.

POLICY NUMBER: 10 CSE S60208

COMMERCIAL GENERAL LIABILITY
CG 20 37 04 13**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****ADDITIONAL INSURED - OWNERS, LESSEES OR
CONTRACTORS - COMPLETED OPERATIONS**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART**SCHEDULE**

Name Of Additional Insured Person(s) Or Organization(s)	Location And Description Of Completed Operations
Any person or organization whom you become obligated to include as an additional insured as a result of any contract or agreement you have entered	All locations.
into.	
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury" or "property damage" caused, in whole or in part, by "your work" at the location designated and described in the Schedule of this endorsement performed for that additional insured and included in the "products-completed operations hazard".

However:

1. The insurance afforded to such additional insured only applies to the extent permitted by law; and
2. If coverage provided to the additional insured is required by a contract or agreement, the insurance afforded to such additional insured will not be broader than that which you are required by the contract or agreement to provide for such additional insured.

B. With respect to the insurance afforded to these additional insureds, the following is added to **Section III – Limits Of Insurance:**

If coverage provided to the additional insured is required by a contract or agreement, the most we will pay on behalf of the additional insured is the amount of insurance:

1. Required by the contract or agreement; or
2. Available under the applicable Limits of Insurance shown in the Declarations;

whichever is less.

This endorsement shall not increase the applicable Limits of Insurance shown in the Declarations.

BOND FOR FAITHFUL PERFORMANCE

KNOW ALL MEN BY THESE PRESENTS:

That we, OneSource Distributors, LLC
3951 Oceanic Drive, Oceanside, CA 92056

hereinafter referred to as "Contractor," as principal, and Argonaut Insurance Company
P.O. Box 469011, San Antonio, TX 78246

as surety, are held and firmly bound unto the San Diego County Water Authority, in the sum of One Hundred Twenty-Three Thousand Two Hundred Thirty-Five and 50/100 Dollars (\$ 123,235.50) lawful money of the United States of America, for the payment of which sum, well and truly to be made, we bind ourselves, heirs, executors, administrators, successors, and assigns jointly and severally, firmly by these presents.

The condition of the foregoing obligation is such that,

WHEREAS, said Contractor has been awarded and is about to enter into the annexed contract with the San Diego County Water Authority for 24x7x365 Allen Bradley Integrated System Support Services for Water Authority owned Rockwell Automation equipment and is required by said Water Authority to give this bond in connection with the execution of said contract;

NOW, THEREFORE, if the said Contractor, his heirs, executors, administrators, successors, and assigns shall well and truly do and perform all of the covenants and obligations of said contract and any alteration thereof made as therein provided, on his part to be done and performed at the times and in the manner specified therein, then this obligation shall be null and void, otherwise it shall be and remain in full force and effect inclusive of the entire contract warranty period.

Any alterations in the work to be done, or the material to be furnished, which may be made pursuant to the terms of said contract, shall not in any way release either the Contractor or the surety thereunder, nor shall any extensions of time granted under the provisions of said contract release either the Contractor or the surety, and notice of such alterations or extensions of the contract is hereby waived by the surety.

WITNESS our hands this 19th day of February, 2024.



OneSource Distributors, LLC

Contractor

By Alison Lowery
Vice President, Finance
 Title

(Surety's Corporate Seal)



Surety Argonaut Insurance Company

By Sandra Diaz
 Sandra Diaz

Attorney-in-Fact

Title

P.O. Box 469011

Address of Surety

San Antonio, TX 78246

Approved:

[Signature]
 Director of Operations and Maintenance
 San Diego County Water Authority

Approved as to form and execution:

[Signature]
 Asst General Counsel of
 San Diego County Water Authority

Notice: No substitution or revision to this bond form will be accepted.

ACKNOWLEDGMENT OF BOND FOR FAITHFUL PERFORMANCE

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of San Diego } ss.

On 2/22/24, before me, Mary Lyman, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

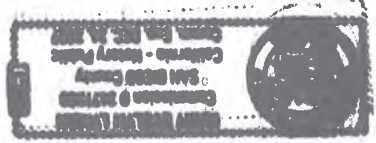
personally appeared Alison Lowery,
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Mary Lyman
Signature of Notary Public



Place Notary Seal Above

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of New York

County of New York

On this 19th day of February in the year 2024 before me Anne L. Potter, Notary Public, personally appeared Sandra Diaz who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instruments the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of New York that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Anne L. Potter

Signature of Notary Public

Anne L. Potter
NOTARY PUBLIC, STATE OF NEW YORK
Registration No. 01P06283845
Qualified in Queens County
Commission Expires 06-17-2025

Argonaut Insurance Company
Deliveries Only: 225 W. Washington, 24th Floor
Chicago, IL 60606

United States Postal Service: P.O. Box 469011, San Antonio, TX 78246

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the Argonaut Insurance Company, a Corporation duly organized and existing under the laws of the State of Illinois and having its principal office in the County of Cook, Illinois does hereby nominate, constitute and appoint:

Sandra Diaz, Debra A Deming, Anne Potter, Beverly A Woolford, Valorie Spates, Jennifer L Jakaitis, Susan A Welsh, Peter Healy, Aklima Noorhassan, Frances Rodriguez, Francesca Kazmierczak, Kemal Brkanovic

Their true and lawful agent(s) and attorney(s)-in-fact, each in their separate capacity if more than one is named above, to make, execute, seal and deliver for and on its behalf as surety, and as its act and deed any and all bonds, contracts, agreements of indemnity and other undertakings in suretyship provided, however, that the penal sum of any one such instrument executed hereunder shall not exceed the sum of:

\$107,116,000.00

This Power of Attorney is granted and is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of Argonaut Insurance Company:

"RESOLVED. That the President, Senior Vice President, Vice President, Assistant Vice President, Secretary, Treasurer and each of them hereby is authorized to execute powers of attorney, and such authority can be executed by use of facsimile signature, which may be attested or acknowledged by any officer or attorney, of the Company, qualifying the attorney or attorneys named in the given power of attorney, to execute in behalf of, and acknowledge as the act and deed of the Argonaut Insurance Company, all bond undertakings and contracts of suretyship, and to affix the corporate seal thereto."

IN WITNESS WHEREOF, Argonaut Insurance Company has caused its official seal to be hereunto affixed and these presents to be signed by its duly authorized officer on the 19th day of November, 2021.



by: *Gary E. Grose*

Gary E. Grose, President

STATE OF TEXAS
COUNTY OF HARRIS SS:

On this 19th day of November, 2021 A.D., before me, a Notary Public of the State of Texas, in and for the County of Harris, duly commissioned and qualified, came THE ABOVE OFFICER OF THE COMPANY, to me personally known to be the individual and officer described in, and who executed the preceding instrument, and he acknowledged the execution of same, and being by me duly sworn, deposed and said that he is the officer of the said Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and the said Corporate Seal and his signature as officer were duly affixed and subscribed to the said instrument by the authority and direction of the said corporation, and that Resolution adopted by the Board of Directors of said Company, referred to in the preceding instrument is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my Official Seal at the County of Harris, the day and year first above written.



Kathleen M. MEEKS

(Notary Public)

I, the undersigned Officer of the Argonaut Insurance Company, Illinois Corporation, do hereby certify that the original POWER OF ATTORNEY of which the foregoing is a full, true and correct copy is still in full force and effect and has not been revoked.

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the Seal of said Company, on the 19th day of February, 2024.



Austin W. King

Austin W. King, Secretary

IF YOU HAVE QUESTIONS ON AUTHENTICITY OF THIS DOCUMENT CALL (833) 820 - 9137.

FINANCIAL STATEMENT
 ARGONAUT INSURANCE COMPANY
 STATUTORY BASIS as of 12/31/2022

<u>ASSETS</u>	
CASH & INVESTED ASSETS	\$227,231,097
BONDS	\$732,702,565
STOCKS	\$855,376,776
INVESTMENT INCOME DUE AND ACCRUED	\$4,707,260
PREMIUM BALANCES	\$107,993,795
NET DEFERRED TAX ASSET	\$19,714,370
REINSURANCE RECOVERABLE	\$99,997,110
OTHER ASSETS	\$237,289,054
TOTAL ASSETS	\$2,285,012,027

<u>LIABILITIES AND SURPLUS</u>	
UNEARNED PREMIUMS	\$313,606,662
LOSSES	\$973,396,115
LOSS ADJUSTMENT EXPENSES	\$361,650,311
COMMISSIONS	-\$583,427
TAXES, LICENSES, AND FEES	\$8,347,367
OTHER EXPENSES	\$9,904,262
FUNDS HELD UNDER REINSURANCE TREATIES	\$20,684,722
CURRENT FEDERAL AND FOREIGN INCOME TAXES	\$0
REMITTANCES AND ITEMS NOT ALLOCATED	\$1,161,062
AMOUNTS WITHHELD/RETAINED BY COMPANY FOR OTHERS	\$10,644,134
PAYABLES TO PARENT, SUBSIDIARIES, & AFFILIATES	\$52,581,241
PAYABLE FOR SECURITIES	\$0
PROVISION FOR REINSURANCE	\$16,168,200
CEDED REINSURANCE PREMIUMS PAYABLE	\$57,001,032
OTHER ACCRUED EXPENSES AND LIABILITIES	-\$533,979,142
TOTAL LIABILITIES	\$1,290,582,539
COMMON CAPITAL STOCK	\$4,500,000
GROSS PAID IN AND CONTRIBUTED SURPLUS	\$525,520,936
UNASSIGNED SURPLUS	\$464,408,552
TOTAL SURPLUS TO POLICYHOLDERS	\$994,429,488
TOTAL LIABILITIES & SURPLUS	\$2,285,012,027



Jace Westbrook, being duly sworn, says that he is Head of US Segment Accounting of Argonaut Insurance Company and that to the best of his knowledge, and belief, the foregoing statement is a true and correct statement of the financial condition of said Company as of the 31st of December, 2022.

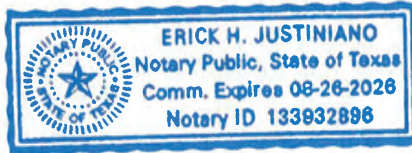
Subscribed and sworn to before me this 04 day of April 2023



 Notary Public



 Julian Candler Westbrook III, Head of US Segment Accounting



PAYMENT BOND FOR MATERIALS AND LABOR

KNOW ALL MEN BY THESE PRESENTS:

That we, OneSource Distributors, LLC
3951 Oceanic Drive, Oceanside, CA 92056

hereinafter referred to as "Contractor," as principal, and Argonaut Insurance Company
as surety, are held and firmly bound unto the San Diego County Water Authority, in the sum of
One Hundred Twenty-Three Thousand Two Hundred Thirty-Five and 50/100 -- Dollars (\$ 123,235.50) lawful
money of the United States of America, for the payment of which sum, well and truly to be made,
we bind ourselves, heirs, executors, administrators, successors, and assigns jointly and severally,
firmly by these presents.

The condition of the foregoing obligation is such that,

WHEREAS, said Contractor has been awarded and is about to enter into the annexed contract with
the San Diego County Water Authority for 24x7x365 Allen Bradley Integrated System Support
Services for Water Authority owned Rockwell Automation equipment and is required by said
Water Authority to give this bond in connection with the execution of said contract;

NOW, THEREFORE, if said Contractor, or his subcontractors, fails to pay any of the
persons referred to in Section 9100 of the Civil Code of the State of California for any materials,
provisions, provender, equipment or other supplies, used in, upon, for or about the performance of
the work contracted to be done, or for any work or labor thereon of any kind, or for amounts due
under the Unemployment Insurance Code or for any amounts required to be deducted, withheld
and paid over to the Unemployment Development Department from the wages of employees of
the principal and his subcontractors pursuant to Section 13020 of the Unemployment Insurance
Code with respect to such work and labor, said surety will pay for the same, in an amount not
exceeding the sum specified above, and also, in case suit is brought upon this bond, a reasonable
attorney's fee, to be fixed by the court. This bond shall inure to the benefit of any and all persons
entitled to file claims under Section 9100 of the Civil Code of the State of California so as to give
a right of action to them or their assigns in any suit brought upon this bond.

Any alterations in the work to be done, or the materials to be furnished, which may be
made pursuant to the terms of said contract, shall not in any way release either the Contractor or
the surety thereunder, nor shall any extensions of time granted under the provisions of said contract
release either Contractor or the surety, and notice of such alterations or extensions of the contract
is hereby waived by the surety.

WITNESS our hands this 19th day of February, 2024.

(Seal)

OneSource Distributors, LLC

Contractor

By

Alexis Lowery
Vice President, Finance
Title

(Surety's Corporate Seal)

Argonaut Insurance Company

Surety

By

Sandra Diaz
Sandra Diaz

Attorney-in-Fact

Title

P.O. Box 469011

Address of Surety

San Antonio, TX 78246

Approved:

[Signature]
Director of Operations and Maintenance
San Diego County Water Authority

Approved as to form and execution:

[Signature]
Asst General Counsel of
San Diego County Water Authority

Notice: No substitution or revision to this bond form will be accepted.

ACKNOWLEDGMENT OF PAYMENT BOND

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of San Diego } SS.

On 2/22/24 Date, before me, Mary Lyman, Notary Public Name and Title of Officer (e.g., "Jane Doe, Notary Public")

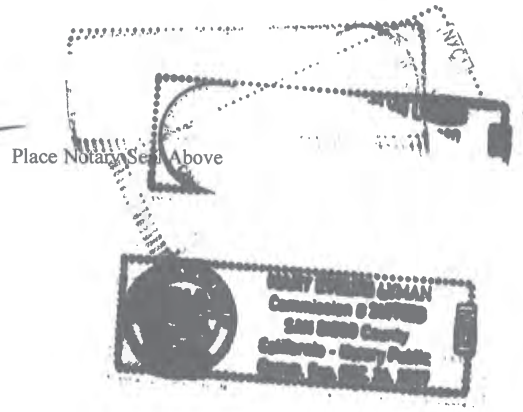
personally appeared Alison Lowery Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Mary Lyman
Signature of Notary Public



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of New York

County of New York

On this 19th day of February in the year 2024 before me Anne L. Potter, Notary Public, personally appeared Sandra Diaz who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instruments the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of New York that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Anne L. Potter
Signature of Notary Public

Anne L. Potter
NOTARY PUBLIC, STATE OF NEW YORK
Registration No. 01PO6283845
Qualified in Queens County
Commission Expires 06-17-2025

Argonaut Insurance Company
Deliveries Only: 225 W. Washington, 24th Floor
Chicago, IL 60606

United States Postal Service: P.O. Box 469011, San Antonio, TX 78246

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the Argonaut Insurance Company, a Corporation duly organized and existing under the laws of the State of Illinois and having its principal office in the County of Cook, Illinois does hereby nominate, constitute and appoint:

Sandra Diaz, Debra A Deming, Anne Potter, Beverly A Woolford, Valorie Spates, Jennifer L Jakaitis, Susan A Welsh, Peter Healy, Aklima Noorhassan, Frances Rodriguez, Francesca Kazmierczak, Kemal Brkanovic

Their true and lawful agent(s) and attorney(s)-in-fact, each in their separate capacity if more than one is named above, to make, execute, seal and deliver for and on its behalf as surety, and as its act and deed any and all bonds, contracts, agreements of indemnity and other undertakings in suretyship provided, however, that the penal sum of any one such instrument executed hereunder shall not exceed the sum of:

\$107,116,000.00

This Power of Attorney is granted and is signed and sealed under and by the authority of the following Resolution adopted by the Board of Directors of Argonaut Insurance Company:

"RESOLVED, That the President, Senior Vice President, Vice President, Assistant Vice President, Secretary, Treasurer and each of them hereby is authorized to execute powers of attorney, and such authority can be executed by use of facsimile signature, which may be attested or acknowledged by any officer or attorney, of the Company, qualifying the attorney or attorneys named in the given power of attorney, to execute in behalf of, and acknowledge as the act and deed of the Argonaut Insurance Company, all bond undertakings and contracts of suretyship, and to affix the corporate seal thereto."

IN WITNESS WHEREOF, Argonaut Insurance Company has caused its official seal to be hereunto affixed and these presents to be signed by its duly authorized officer on the 19th day of November, 2021.



by: *Gary E. Grose*

Gary E. Grose, President

STATE OF TEXAS
COUNTY OF HARRIS SS:

On this 19th day of November, 2021 A.D., before me, a Notary Public of the State of Texas, in and for the County of Harris, duly commissioned and qualified, came THE ABOVE OFFICER OF THE COMPANY, to me personally known to be the individual and officer described in, and who executed the preceding instrument, and he acknowledged the execution of same, and being by me duly sworn, deposed and said that he is the officer of the said Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of said Company, and the said Corporate Seal and his signature as officer were duly affixed and subscribed to the said instrument by the authority and direction of the said corporation, and that Resolution adopted by the Board of Directors of said Company, referred to in the preceding instrument is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my Official Seal at the County of Harris, the day and year first above written.



Kathleen M. Meeks

(Notary Public)

I, the undersigned Officer of the Argonaut Insurance Company, Illinois Corporation, do hereby certify that the original POWER OF ATTORNEY of which the foregoing is a full, true and correct copy is still in full force and effect and has not been revoked.

IN WITNESS WHEREOF, I have hereunto set my hand, and affixed the Seal of said Company, on the 19th day of February, 2024.



Austin W. King

Austin W. King, Secretary

IF YOU HAVE QUESTIONS ON AUTHENTICITY OF THIS DOCUMENT CALL (833) 820 - 9137.

FINANCIAL STATEMENT
 ARGONAUT INSURANCE COMPANY
 STATUTORY BASIS as of 12/31/2022

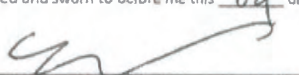
<u>ASSETS</u>	
CASH & INVESTED ASSETS	\$227,231,097
BONDS	\$732,702,565
STOCKS	\$855,376,776
INVESTMENT INCOME DUE AND ACCRUED	\$4,707,260
PREMIUM BALANCES	\$107,993,795
NET DEFERRED TAX ASSET	\$19,714,370
REINSURANCE RECOVERABLE	\$99,997,110
OTHER ASSETS	\$237,289,054
TOTAL ASSETS	\$2,285,012,027

<u>LIABILITIES AND SURPLUS</u>	
UNEARNED PREMIUMS	\$313,606,662
LOSSES	\$973,396,115
LOSS ADJUSTMENT EXPENSES	\$361,650,311
COMMISSIONS	-\$583,427
TAXES, LICENSES, AND FEES	\$8,347,367
OTHER EXPENSES	\$9,904,262
FUNDS HELD UNDER REINSURANCE TREATIES	\$20,684,722
CURRENT FEDERAL AND FOREIGN INCOME TAXES	\$0
REMITTANCES AND ITEMS NOT ALLOCATED	\$1,161,062
AMOUNTS WITHHELD/RETAINED BY COMPANY FOR OTHERS	\$10,644,134
PAYABLES TO PARENT, SUBSIDIARIES, & AFFILIATES	\$52,581,241
PAYABLE FOR SECURITIES	\$0
PROVISION FOR REINSURANCE	\$16,168,200
CEDED REINSURANCE PREMIUMS PAYABLE	\$57,001,032
OTHER ACCRUED EXPENSES AND LIABILITIES	-\$533,979,142
TOTAL LIABILITIES	\$1,290,582,539
COMMON CAPITAL STOCK	\$4,500,000
GROSS PAID IN AND CONTRIBUTED SURPLUS	\$525,520,936
UNASSIGNED SURPLUS	\$464,408,552
TOTAL SURPLUS TO POLICYHOLDERS	\$994,429,488
TOTAL LIABILITIES & SURPLUS	\$2,285,012,027

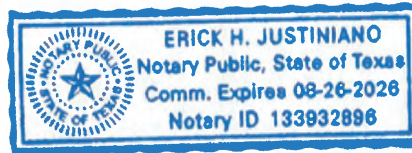


Jace Westbrook, being duly sworn, says that he is Head of US Segment Accounting of Argonaut Insurance Company and that to the best of his knowledge, and belief, the foregoing statement is a true and correct statement of the financial condition of said Company as of the 31st of December, 2022.

Subscribed and sworn to before me this 04 day of April 2023


 Notary Public


 Julian Cardler Westbrook III, Head of US Segment Accounting





February 27, 2024

San Diego County Water Authority
Attn: Vadim Livshits
4677 Overland Avenue
San Diego, CA 92123

RE: Bond Corporate Signature Authorization Letter

This letter is to confirm that Alison Lowery, Vice President of Finance is an authorized signer of Bonds related to OneSource Distributors.

Please let us know if you need anything further.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Weber", is written over a light gray rectangular background.

Matt Weber
President


Certificate Of Completion

Envelope Id: F6993D740701493CA05FD429EFD5BEE0	Status: Completed
Subject: New WA Contract for 24x7x365 Allen Bradley Integrated System Support - OneSource Distributors LLC	
Source Envelope:	
Document Pages: 72	Signatures: 14
Certificate Pages: 7	Initials: 0
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Jennifer Nguyen
Time Zone: (UTC-08:00) Pacific Time (US & Canada)	4677 Overland Ave.
	San Diego, CA 92123
	jnguyen@sdcw.org
	IP Address: 47.153.209.81

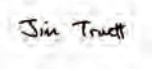
Record Tracking

Status: Original	Holder: Jennifer Nguyen	Location: DocuSign
1/30/2024 4:00:24 PM	jnguyen@sdcw.org	
Security Appliance Status: Connected	Pool: StateLocal_SLDemo	
Storage Appliance Status: Connected	Pool: San Diego County Water Authority	Location: DocuSign


Signer Events

Signer Events	Signature	Timestamp
Chris Ruperto cruperto@1sourcedist.com Security Level: Email, Account Authentication (None)		Sent: 1/30/2024 4:15:31 PM Viewed: 2/1/2024 8:49:19 AM Signed: 2/1/2024 8:51:59 AM
	Signature Adoption: Pre-selected Style Using IP Address: 208.87.235.180	

Electronic Record and Signature Disclosure:
Accepted: 1/28/2021 12:37:20 PM
ID: 7e5d902d-8e1f-4059-85df-70a359e4ad2b

Jim Truett jtruett@sdcw.org Security Level: Email, Account Authentication (None)		Sent: 2/1/2024 8:52:03 AM Viewed: 2/1/2024 8:56:18 AM Signed: 2/1/2024 8:59:11 AM
	Signature Adoption: Pre-selected Style Using IP Address: 12.232.23.2	

Electronic Record and Signature Disclosure:
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ID: 2905ac1e-0ce3-4bb9-a80d-4f68c42e8349

Al Garza AGarza@sdcw.org Security Level: Email, Account Authentication (None)		Sent: 2/1/2024 8:52:03 AM Viewed: 2/1/2024 8:53:23 AM Signed: 2/1/2024 8:54:11 AM
	Signature Adoption: Pre-selected Style Using IP Address: 12.232.23.2	

Electronic Record and Signature Disclosure:
Accepted: 2/1/2024 8:53:23 AM
ID: fe7dbb2b-3b87-4628-8edd-27e29ccc57af

Vadim Livshits vlivshits@sdcw.org Security Level: Email, Account Authentication (None)	Completed	Sent: 2/1/2024 8:52:04 AM Viewed: 2/1/2024 9:15:26 AM Signed: 2/28/2024 8:16:15 AM
	Using IP Address: 216.103.1.5	

Electronic Record and Signature Disclosure:
Accepted: 3/5/2019 2:04:40 PM
ID: d256b918-1a54-40ad-8fca-7369bab6d917

Signer Events	Signature	Timestamp
<p>Sabrina Brown sbrown@sdcw.org Management Analyst San Diego County Water Authority Security Level: Email, Account Authentication (None)</p>	 Signature Adoption: Pre-selected Style Using IP Address: 97.144.62.28	<p>Sent: 2/28/2024 8:16:20 AM Viewed: 2/29/2024 11:54:07 AM Signed: 2/29/2024 11:54:45 AM</p>
<p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>		
<p>David J. Edwards dedwards@sdcw.org Security Level: Email, Account Authentication (None)</p>	 Signature Adoption: Pre-selected Style Using IP Address: 47.144.161.6	<p>Sent: 2/29/2024 11:54:52 AM Resent: 3/6/2024 9:14:56 AM Viewed: 3/7/2024 11:02:25 AM Signed: 3/7/2024 11:02:36 AM</p>
<p>Electronic Record and Signature Disclosure: Accepted: 3/7/2024 11:02:25 AM ID: ef772d31-a23d-42ea-b155-d7aeabb5af76</p>		
<p>Eva Plajzer eplajzer@sdcw.org Security Level: Email, Account Authentication (None)</p>	 Signature Adoption: Pre-selected Style Using IP Address: 174.236.97.238 Signed using mobile	<p>Sent: 2/29/2024 11:54:51 AM Viewed: 3/4/2024 7:20:39 AM Signed: 3/4/2024 7:21:23 AM</p>
<p>Electronic Record and Signature Disclosure: Accepted: 3/4/2024 7:20:39 AM ID: d44791d4-1b1a-48fb-809a-3e92c81a0915</p>		
<p>Dan Denham ddenham@sdcw.org Security Level: Email, Account Authentication (None)</p>	 Signature Adoption: Pre-selected Style Using IP Address: 68.107.79.103 Signed using mobile	<p>Sent: 3/7/2024 11:02:41 AM Viewed: 3/11/2024 8:07:56 AM Signed: 3/11/2024 8:08:10 AM</p>
<p>Electronic Record and Signature Disclosure: Accepted: 3/11/2024 8:07:56 AM ID: 9877c70a-a292-4341-b4c9-0e21bffd2163</p>		
<p>Dan Denham ddenham@sdcw.org Security Level: Email, Account Authentication (None)</p>	 Signature Adoption: Pre-selected Style Using IP Address: 68.107.79.103 Signed using mobile	<p>Sent: 3/11/2024 8:53:20 AM Viewed: 3/11/2024 9:48:03 AM Signed: 3/11/2024 9:48:17 AM</p>
<p>Electronic Record and Signature Disclosure: Accepted: 3/11/2024 9:48:03 AM ID: ce546b9f-f986-43f1-928a-2d1476ec5af8</p>		
<p>Michael J. McDonnell mmcdonnell@sdcw.org Security Level: Email, Account Authentication (None)</p>	 Signature Adoption: Pre-selected Style Using IP Address: 216.103.1.5	<p>Sent: 2/29/2024 11:54:52 AM Resent: 3/11/2024 8:08:15 AM Resent: 3/11/2024 9:48:23 AM Resent: 3/12/2024 7:06:16 AM Viewed: 3/14/2024 9:49:39 AM Signed: 3/14/2024 9:51:14 AM</p>
<p>Electronic Record and Signature Disclosure:</p>		

Signer Events	Signature	Timestamp
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<p>Accepted: 3/11/2024 8:46:27 AM ID: 3bc3b4e1-80e2-4b1b-8232-23df110496ea</p> <p>Jackie Carmona jcarmona@sdcwa.org Carahsoft OBO San Diego County Water Authority Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	 <p>Signature Adoption: Uploaded Signature Image Using IP Address: 70.134.214.43</p>	<p>Sent: 3/11/2024 8:08:14 AM Resent: 3/11/2024 9:48:23 AM Viewed: 3/11/2024 4:23:18 PM Signed: 3/11/2024 4:23:29 PM</p>
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<p>Jennifer Nguyen jnguyen@sdcwa.org Assistant Management Analyst San Diego County Water Authority Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<p>Completed</p> <p>Using IP Address: 216.103.1.5</p>	<p>Sent: 3/14/2024 9:51:22 AM Viewed: 3/14/2024 10:29:03 AM Signed: 3/14/2024 10:30:10 AM</p>
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In Person Signer Events	Signature	Timestamp
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Editor Delivery Events	Status	Timestamp
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Agent Delivery Events	Status	Timestamp
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Intermediary Delivery Events	Status	Timestamp
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Certified Delivery Events	Status	Timestamp
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Carbon Copy Events	Status	Timestamp
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<p>Rachael Loring rloring@sdcwa.org Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 1px solid blue; padding: 5px; text-align: center; font-weight: bold; color: blue;">COPIED</div>	<p>Sent: 1/30/2024 4:15:32 PM Viewed: 1/31/2024 7:25:09 AM</p>
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<p>Vadim Livshits vliivshits@sdcwa.org Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Accepted: 3/5/2019 2:04:40 PM ID: d256b918-1a54-40ad-8fca-7369bab6d917</p>	<div style="border: 1px solid blue; padding: 5px; text-align: center; font-weight: bold; color: blue;">COPIED</div>	<p>Sent: 1/30/2024 4:15:32 PM Viewed: 1/30/2024 4:23:46 PM</p>
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<p>Frances Thompson fthompson@sdcwa.org Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 1px solid blue; padding: 5px; text-align: center; font-weight: bold; color: blue;">COPIED</div>	<p>Sent: 3/14/2024 9:51:21 AM</p>
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<p>Jennifer Catacutan jcatacutan@sdcwa.org Security Level: Email, Account Authentication (None)</p> <p>Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	<div style="border: 1px solid blue; padding: 5px; text-align: center; font-weight: bold; color: blue;">COPIED</div>	<p>Sent: 3/14/2024 9:51:21 AM Viewed: 3/14/2024 10:30:54 AM</p>
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Carbon Copy Events	Status	Timestamp
Jillian Cardenas jcardenas@sdewa.org Supervising Management Analyst San Diego County Water Authority Security Level: Email, Account Authentication (None)	COPIED	Sent: 3/14/2024 10:30:16 AM
Electronic Record and Signature Disclosure: Not Offered via DocuSign		

Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	1/30/2024 4:15:32 PM
Envelope Updated	Security Checked	3/5/2024 10:37:43 AM
Envelope Updated	Security Checked	3/5/2024 10:37:43 AM
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Envelope Updated	Security Checked	3/11/2024 8:57:30 AM
Certified Delivered	Security Checked	3/14/2024 10:29:03 AM
Signing Complete	Security Checked	3/14/2024 10:30:10 AM
Completed	Security Checked	3/14/2024 10:30:16 AM

Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, San Diego County Water Authority (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

Getting paper copies

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact San Diego County Water Authority:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: jcarmona@sdcwa.org

To advise San Diego County Water Authority of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at jcarmona@sdcwa.org and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

To request paper copies from San Diego County Water Authority

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to jcarmona@sdcwa.org and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with San Diego County Water Authority

To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an email to jcarmona@sdewa.org and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: <https://support.docusign.com/guides/signer-guide-signing-system-requirements>.

Acknowledging your access and consent to receive and sign documents electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to ‘I agree to use electronic records and signatures’ before clicking ‘CONTINUE’ within the DocuSign system.

By selecting the check-box next to ‘I agree to use electronic records and signatures’, you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify San Diego County Water Authority as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by San Diego County Water Authority during the course of your relationship with San Diego County Water Authority.

PROFESSIONAL SERVICES CONTRACT

1. PARTIES:

The parties to this contract are the San Diego County Water Authority, a county water authority, (Water Authority) and Michael Connor, a sole proprietor (Contractor).

2. SCOPE OF SERVICES:

Contractor shall provide policy and technical analyses and advice for the Water Authority related to its objective to fully evaluate and create opportunities to market available water supplies, as more fully described in Attachment A.

3. PAYMENT:

(a) Payment for services. The Water Authority shall pay for services satisfactorily performed in accordance with this contract according to the payment and fee schedule contained in Attachment B.

(b) Reimbursement of expenses. Contractor will be reimbursed for actual, reasonable and necessary expenses incurred in the performance of services in accordance with the expense reimbursement schedule included in Attachment B.

(c) Maximum payment. The maximum payment under this contract for services and, if authorized, reimbursement of expenses, shall not exceed \$150,000.

(d) Invoices. Contractor shall submit invoices for services on a monthly basis to the Contract Manager, Meena Westford at MWestford@sdewa.org. The Water Authority generally will process and pay invoices within thirty (30) days from receipt. Each invoice shall show the amount of services rendered during the billing period and the fee for such services. If reimbursement of expenses is authorized, Contractor shall submit monthly invoices for such expenses, including full documentation of each expense incurred. Payments are subject to a final audit upon completion of services or other termination of this contract.

(e) Audit of Records. Contractor shall maintain complete and accurate records of all payrolls, expenditures, disbursements and other cost items charged to the Water Authority for establishing the basis of an invoice, for a minimum of four (4) years from the date of final payment to Contractor. All such records shall be clearly identifiable. Contractor shall allow Water Authority representative to inspect, examine, copy and audit such records during regular business hours upon 24 hours' notice.

4. TIME FOR PERFORMANCE:

(a) Contractor will complete all services by June 30, 2026.

(b) Extension of time for unforeseen circumstances. In the event that the Contractor is unable to meet the completion date or schedule of services, if any, due to circumstances beyond Contractor's reasonable control, such as war, riots, strikes, lockouts, work slow down or stoppage, except strikes, lockouts, or work slow down or stoppage of Contractor's employees or subcontractors, acts of God, such as floods or earthquakes, and electrical blackouts or brownouts, Contractor shall inform the Contract Manager of the additional time required to perform the work and the Contract Manager may adjust the schedule. Contractor agrees that no additional compensation will be allowed for any such extensions of time.

5. COMPLIANCE WITH APPLICABLE LAWS AND STANDARD OF PERFORMANCE:

Contractor's services shall be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of Contractor's profession currently practicing under similar conditions. Contractor shall comply with all applicable federal, state, and local laws relating to the scope of work or services under this contract. Whenever the scope of work requires or permits approval by the Water Authority, it is understood to be approval solely for the purposes of conforming to the requirements of the scope of work and not acceptance of any professional or other responsibility for the work. Such approval does not relieve the Contractor of responsibility for complying with the standard of performance or laws, regulations, industry standards, or from liability for damages caused by negligent acts, errors, omissions, noncompliance with industry standards, or the willful misconduct of Contractor or its officers, employees, agents, or subcontractors. By delivery of completed work or services, Contractor certifies that the work or services conform to the requirements of this contract and all applicable federal, state and local laws. If Contractor is retained to perform work or services requiring a license, certification, registration or other similar requirement under California law, Contractor shall maintain that license, certification, registration or other similar requirement throughout the term of this contract.

6. INDEPENDENT CONTRACTOR:

Contractor is an independent contractor. Neither Contractor nor any of Contractor's officers, employees, agents or subcontractors, if any, is an employee of the Water Authority by virtue of this contract or performance of any work under this contract. Contractor retains the right to pay and supervise its officers, employees, agents, and subcontractors as it sees fit. The Water Authority has no right to supervise Contractor's officers, employees, agents, or subcontractors, and if any issues arise with Contractor's employees or subcontractors as to their performance, the Water Authority may contact the Contractor directly so that Contractor may address any issues. If for any reason Contractor, or any of Contractor's officers, employees, agents or subcontractors, believes that any actions of the Water Authority are inconsistent with Contractor's role as an independent contractor they shall provide written notice to the Water Authority of such action(s) within 30 days of their occurrence or they are waived to the extent permitted by law. If such written notice is not timely provided and then any claims are later made against the Water Authority related to such action(s), Contractor agrees that such claims qualify under Section 18 below as being subject to defense and indemnity by Contractor for the

benefit of the Water Authority. Contractor agrees that any officer, employee, agent, or subcontractor whom Contractor engages to do work under the scope of this contract shall be made aware of this contract and shall agree in writing to abide by the provisions of this section.

7. ASSIGNMENT:

Contractor shall not assign or transfer voluntarily or involuntarily any of its rights, duties, or obligations under this contract without the express written consent of the Water Authority in each instance.

8. SUBCONTRACTORS AND CONTRACTOR EMPLOYEES:

Contractor will perform the work personally or through Contractor's employees. Contractor may subcontract work only upon prior written approval of the Water Authority and in compliance with provisions of the Water Authority's Small Contractor Outreach and Opportunities Program, if the Water Authority determines that the program provisions are applicable. Contractor is responsible to the Water Authority for the acts and omissions of Contractor's officers, employees, agents, and its subcontractors, and of the subcontractor's officers, employees, and agents in performance of this contract. Nothing contained in this contract shall create any contractual relationship between any officer, employee, agent, or subcontractor of Contractor and the Water Authority.

9. CONTRACTOR'S EMPLOYEES:

(a) Immigration Reform and Control Act of 1986. Contractor is aware of the requirements of the Immigration Reform and Control Act of 1986 and shall comply with those requirements, including, but not limited to, verifying the eligibility for employment of all of Contractor's officers, agents, employees, subcontractors and Contractors that are included in this contract.

(b) Limitation of Water Authority Liability. The payment made to Contractor pursuant to this contract shall be the full and complete compensation to which Contractor and Contractor's officers, employees, agents and subcontractors are entitled for performance of any work under this contract. Contractor and Contractor's officers, employees, and agents are not entitled to any salary or wages, or retirement, health, leave or other fringe benefits applicable to employees of the Water Authority. The Water Authority will not make any federal or state tax withholdings on behalf of Contractor. The Water Authority shall not be required to pay any workers' compensation insurance on behalf of Contractor.

(c) Indemnification for Employee Payments. To the extent permitted by law, Contractor agrees to defend and indemnify the Water Authority for any obligation, claim, suit or demand for tax, retirement contribution including any contribution to the California Public Employees Retirement System (CalPERS), social security, salary or wages, overtime payment, or workers' compensation payment which the Water Authority may be required to make on behalf of Contractor or any officer, employee, agent, or subcontractor of Contractor, or any employee of Contractor construed to be an employee of the Water Authority, for work or services done under

this contract. This is a continuing obligation that survives the Contractor's completion of services and termination of this contract.

10. FAIR EMPLOYMENT PRACTICES:

(a) Administrative Code Provisions. Contractor acknowledges and agrees to abide by the following provision of the Water Authority Administrative Code Section 2.24.010 that states:

“(a) It is the policy of the Authority to protect and safeguard the right and opportunity of all persons to seek, obtain, and hold employment without discrimination or abridgment on account of race, color, ethnicity, national origin, ancestry, religion, creed, veteran status, physical disability, mental disability, medical condition, marital status, sex, sexual orientation, age, gender, gender identity, gender expression or other status protected from workplace discrimination by state or federal law. Authority officers, employees and Contractors shall not knowingly deny an Authority opportunity or benefit, discriminate against or harass, any Authority employee, applicant for employment, contractor, vendor, or recipient of Authority services on account of the person's race, color, ethnicity, national origin, ancestry, religion, creed, veteran status, physical disability, mental disability, medical condition, marital status, sex, sexual orientation, age, gender, gender identity, gender expression or other status protected from workplace discrimination by state or federal law. Authority officers, employees and Contractors shall not knowingly give preferential treatment to any applicant for employment, bidder, contractor, vendor, or recipient of Authority services on the basis of race, color, ethnicity, national origin, ancestry, religion, creed, physical disability, mental disability, medical condition, marital status, sex, or sexual orientation.

“(b) This section shall be interpreted in a manner that is consistent with the California and United States Constitutions and applicable state and federal statutes governing workplace discrimination. The terms used in this section shall have the same meaning as defined in state statutes governing the same subject matter.

“(c) Nothing in this section shall be interpreted as prohibiting bona fide occupational qualifications consistent with applicable state and federal law and reasonably necessary to the normal operation of Authority employment or contracting. Nothing in this section shall be interpreted as prohibiting regulations and policies to prevent nepotism or conflicts of interest.

“(d) Nothing in this section shall be interpreted as prohibiting action taken to establish or maintain eligibility for any federal program, where ineligibility would result in a loss of federal funds to the Authority.”

(b) Employment Related Laws and Programs. Contractor agrees to comply with Title VII of the Civil Rights Act of 1964, as amended, the California Fair Employment Practices Act, the Americans with Disabilities Act of 1990, any other applicable federal and state laws and regulations hereinafter enacted, and the Water Authority's Small Contractor Outreach and Opportunities Program.

(c) Water Authority Discrimination/Harassment Policy. Contractor and its officers, employees, agents and subcontractors shall comply with the Water Authority's Discrimination/Harassment Prohibition Policy in performance of this contract.

(d) Indemnification. To the fullest extent permitted by law and without limitation of the provisions of Section 19 relating to insurance, the Contractor shall also indemnify, defend and hold harmless the Water Authority, and its directors, officers, employees and agents from and against all liability (including without limitation all claims, damages, penalties, fines, and judgments, associated investigation and administrative expenses, and defense costs, including but not limited to reasonable attorneys' fees, court costs, and costs of alternative dispute resolution) resulting from any claim of discrimination or harassment, including but not limited to sexual harassment, arising from the conduct of the Contractor or any of the Contractor's officers, employees, agents, licensees, or subcontractors. In the event of a discrimination or harassment complaint against any employee, agent, licensee or subcontractor of the Contractor or its subcontractors, the Contractor shall take immediate and appropriate action in response to such complaint, including, but not limited to termination or appropriate discipline of any responsible employee, agent, licensee or subcontractor. The provisions of this Section survive Contractor's completion of the services and termination of this contract.

11. CONDUCT AND BEHAVIOR AT WATER AUTHORITY PROPERTY:

If Contractor and Contractor's officers, employees, agents and subcontractors are on Water Authority property they shall comply with the Water Authority's Substance-Free Work Place Policy, Information and Communications Systems Policy, and all other rules and regulations governing work place safety, conduct, and behavior, for any portion of the work or services performed on the premises of the Water Authority or using Water Authority facilities or equipment.

12. OWNERSHIP OF WORK PRODUCT:

Upon delivery, the work product, including without limitation, all original reports, writings, recordings, drawings, files, and detailed calculations developed under this contract are the property of the Water Authority. Contractor agrees that all copyrights which arise from creation of the work pursuant to this contract shall be vested in the Water Authority and waives and relinquishes all claims to copyright or other intellectual property rights in favor of the Water Authority. Water Authority acknowledges that its use of the work product is limited to the purposes contemplated by the scope of work and that the Contractor makes no representation of the suitability of the work product for use in or application to circumstances not contemplated by the scope of work.

13. FORMAT OF DOCUMENTS:

Documents submitted to the Water Authority in electronic format shall be formatted according to specifications provided by the Water Authority, or if not otherwise specified, in Microsoft Word, Excel, PowerPoint or other Microsoft Office format as appropriate for the particular work product or, if directed by the Contract Manager, in Adobe Acrobat pdf format.

14. CHANGES IN WORK:

No payment for changed or additional work shall be made unless the changed or additional work has first been approved in writing by the Contract Manager and the parties have agreed upon the appropriate adjustment, if any, to the payment schedule and maximum payment amount for the changed or additional work. The Contract Manager may order changes or additions to the scope of work. Whether a change or addition to the scope of work is proposed by the Contractor or ordered by the Contract Manager, the parties shall in good faith negotiate an appropriate adjustment, if any, to the payment schedule and maximum payment for the changed or additional work. An approved change or addition, along with the payment adjustment, if any, will be effective upon an amendment to this contract executed by both parties. The amendment shall not render ineffective or invalidate unaffected portions of this contract. All changes in work that increase the amount of payment shall be subject to Section 4.04.040 of the Water Authority Administrative Code.

15. CONFIDENTIALITY:

(a) Confidential Nature of Information. Contractor shall treat all information obtained from the Water Authority in the performance of this contract as confidential and proprietary to the Water Authority. Contractor shall treat all records and work product prepared or maintained by Contractor in the performance of this contract as confidential. Contractor warrants that it has systems in place to assure its compliance with applicable state and federal laws relating to the collection and management of personal and confidential information.

(b) Limitation on use and disclosure. Contractor agrees that it will not use any information obtained as a consequence of the performance of work for any purpose other than fulfillment of Contractor's scope of work. Contractor will not disclose any information prepared for the Water Authority, or obtained from the Water Authority or obtained as a consequence of the performance of work to any person other than the Water Authority, or its own employees, agents or subcontractors who have a need for the information for the performance of work under this contract unless such disclosure is specifically authorized in writing by the Water Authority.

(c) Security plan. Contractor shall prepare a security plan to assure that information obtained from the Water Authority or as a consequence of the performance of work is not used for any unauthorized purpose or disclosed to unauthorized persons. Contractor shall establish, implement, and maintain safeguards reasonably designed to ensure the security of personal and confidential information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of the information. Contractor shall provide to its employees, subcontractors, and any personnel working with Water Authority data, reasonable information security awareness training. Contractor shall immediately advise the Water Authority of any request for disclosure of information or of any actual or potential unauthorized disclosure of confidential or personal information. Contractor is responsible for taking reasonable responsive security and identity protection measures should an unauthorized disclosure occur at the sole cost to the Contractor.

(d) Survival. Contractor's obligations under this paragraph shall survive the termination of this contract.

16. PROHIBITED INTEREST:

No official or employee of the Water Authority who is authorized in such capacity on behalf of the Water Authority to negotiate, make, accept, or approve, or take part in negotiating, making, accepting, or approving this contract, shall become directly or indirectly interested in this contract or in any part thereof. No officer or employee of the Water Authority who is authorized in such capacity and on behalf of the Water Authority to exercise any executive, supervisory, or similar functions in connection with the performance of this contract shall become directly or indirectly interested personally in this contract or any part thereof.

17. CONFLICT OF INTEREST:

(a) Local Conflict of Interest Code Compliance. The Water Authority has determined, based on the scope of the services to be provided by Contractor under this contract, that this contract does not confer on Contractor or any of Contractor's employees the status of a "designated employee" or "Consultant" of the Water Authority for the purposes of the Water Authority's Local Conflict of Interest Code and the California Political Reform Act. This contract does not require or permit Contractor to make a governmental decision as specified in 2 Cal. Code of Regs. § 18700.3, subdiv. (a)(1), or serve in a staff capacity as specified in 2 Cal. Code of Regs. § 18700.3, subdiv. (a)(2).

(b) Disqualification. Contractor shall not make or participate in making or in any way attempt to use Contractor's position to influence a governmental decision in which Contractor knows or has reason to know Contractor has a direct or indirect financial interest other than the compensation promised by this contract. Contractor will not have such interest during the term of this contract. Contractor will immediately advise the General Counsel of the Water Authority if Contractor learns of a financial interest of Contractor's during the term of this contract. If Contractor's participation in another Water Authority project would create an actual or potential conflict of interest, in the opinion of the Water Authority, the Water Authority may disqualify Contractor from participation in such other project during the term of this Contract.

18. INDEMNIFICATION:

(a) To the fullest extent permitted by law, the Contractor shall (1) immediately defend, and (2) indemnify the Water Authority, and its directors, officers, and employees from and against all liabilities regardless of nature or type arising out of or resulting from Contractor's performance of services under this contract, or any negligent or wrongful act or omission of the Contractor or Contractor's officers, employees, agents, or subcontractors. Liabilities subject to the duties to defend and indemnify include, without limitation all claims, losses, damages, penalties, fines, and judgments; associated investigation and administrative expenses; defense costs, including but not limited to reasonable attorneys' fees; court costs; and costs of alternative dispute resolution. The Contractor's obligation to indemnify applies regardless of whether a liability is a result of the negligence of an indemnified party or any other person, unless it is adjudicated that

its liability was caused by the sole active negligence or sole willful misconduct of an indemnified party. If it is finally adjudicated that liability is caused by the comparative active negligence or willful misconduct of an indemnified party, the Contractor's indemnification obligation shall be reduced in proportion to the established comparative liability of the indemnified party.

(b) The duty to defend is a separate and distinct obligation from the Contractor's duty to indemnify. The Contractor shall be obligated to defend, in all legal, equitable, administrative, or special proceedings, with counsel approved by the Water Authority, the Water Authority and its directors, officers, and employees, immediately upon tender to the Contractor of the claim in any form or at any stage of an action or proceeding, whether or not liability is established. An allegation or determination of comparative active negligence or willful misconduct by an indemnified party does not relieve the Contractor from its separate and distinct obligation to defend Water Authority. The obligation to defend extends through final judgment, including exhaustion of any appeals. The defense obligation includes an obligation to provide independent defense counsel if the Contractor asserts that liability is caused in whole or in part by the negligence or willful misconduct of the indemnified party. If it is finally adjudicated that liability was caused by the sole active negligence or sole willful misconduct of an indemnified party, Contractor may submit a claim to the Water Authority for reimbursement of reasonable attorneys' fees and defense costs.

(c) The review, acceptance or approval of the Contractor's work or work product by any indemnified party shall not affect, relieve or reduce the Contractor's indemnification or defense obligations. This Section survives completion of the services or the termination of this contract. The provisions of this Section are not limited by and do not affect the provisions of this contract relating to insurance.

19. INSURANCE:

(a) Requirement. Contractor shall procure and maintain during the period of performance of this contract insurance from insurance companies authorized to do business in the State of California, as set forth in this section. Professional Liability insurance shall be maintained for 60 months following completion of the work. These policies shall be primary insurance as to the Water Authority so that any other coverage held by the Water Authority shall not contribute to any loss under Contractor's insurance.

General liability: (with coverage at least as broad as ISO form CG 00 01 10 01) coverage in an amount not less than \$4,000,000 general aggregate and \$2,000,000 per occurrence for general liability, bodily injury, personal injury, and property damage.

Automobile liability: (with coverage at least as broad as ISO form CA 00 01 10 01, for "any auto") coverage in an amount not less than \$1,000,000 per accident for personal injury, including death, and property damage.

Professional liability: (errors and omissions) for damage alleged to be as a result of errors, omissions or negligent acts of Contractor coverage in an amount not less than \$2,000,000 per claim.

Workers' compensation and employer's liability: coverage shall comply with the laws of the State of California, but not less than an employer's liability limit of \$1,000,000.

A deductible or retention may be utilized, subject to approval by the Water Authority. All policies that include a self-insured retention shall include a provision that payments of defense costs and damages (for bodily injury, property damage, personal injury or any other coverages included in the policy) by any party including additional insureds or insurers, shall satisfy the self-insured retention limits.

(b) Endorsements. The insurance policies shall be endorsed as follows:

For the commercial general liability insurance, the Water Authority (including its directors, officers, employees, and agents) shall be named as additional insured, and the policy shall be endorsed with a form equivalent to ISO form CG 20 10 10 93, that contains the provisions required by this contract.

Contractor's insurance is primary to any other insurance available to the Water Authority with respect to any claim arising out of this Agreement. Any insurance maintained by the Water Authority shall be excess of the Contractor's insurance and shall not contribute with it. The Contractor's endorsement of insurance shall include a waiver of any rights of subrogation against the Water Authority, and its directors, officers, employees and agents.

Contractor's insurance will not be canceled, limited, amended, reduced in coverage amount, or allowed to expire without renewal until after thirty (30) days' written notice has been given to the Water Authority, or after ten (10) days' written notice in the case of cancellation for non-payment of premium.

(c) Qualifications of Insurer. The insurance shall be provided by an acceptable insurance provider, as determined by the Water Authority, which satisfies the following minimum requirements: An insurance carrier admitted to do business in California and maintaining an agent for process within the state. Such insurance carrier shall maintain a current A.M. Best rating classification of "A-" or better and a financial size of "\$10 million to \$24 million (Class V) or better", or a Lloyds of London program provided by syndicates of Lloyds of London and other London insurance carriers, providing all participants are qualified to do business in California and the policy provides for an agent for process in the state. Workers' Compensation and Employer's Liability shall be provided by an A-V rated carrier or by the California State Compensation Fund. If provided by a carrier other than California State Compensation Fund, Contractor shall provide proof of the carrier's A-V rating to Water Authority.

(d) Provision of Insurance Prior to Commencement of Services. Before commencing any services, Contractor shall furnish certificates of insurance and endorsements affecting coverage on forms provided by Water Authority, or on equivalent ISO forms that contain provisions required by this contract.

20. ACCIDENT REPORTS:

Contractor shall immediately report (as soon as feasible, but not more than 24 hours) to the Water Authority any accident or other occurrence causing injury to persons or property during the performance of this Contract. If required by the Water Authority's Risk Manager, the report shall be made in writing and shall include, at a minimum: (a) the names, addresses, and telephone numbers of the persons involved, (b) the names, addresses and telephone numbers of any known witnesses, (c) the date, time and description of the accident or other occurrence.

21. COVENANT AGAINST CONTINGENT FEES:

Contractor agrees that its firm has not employed or retained any company or person, other than a bona fide employee working for Contractor, to solicit or secure this contract, and that Contractor has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift, or any other consideration contingent upon, or resulting from, the award or making of this contract. For breach or violation of this provision, the Water Authority shall have the right to terminate this contract without liability, or, in its discretion, to deduct from the contract price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fees, gift, or contingent fee.

22. TERMINATION OR ABANDONMENT:

(a) Water Authority's Rights. The Water Authority has the right to terminate or abandon any portion or all of the work by giving ten (10) days' written notice. Upon receipt of a notice of termination, Contractor shall perform no further work except as specified in the notice. Before the date of termination, Contractor shall deliver to Water Authority all work product, whether completed or not, as of the date of termination and not otherwise previously delivered. The Water Authority shall pay Contractor for services performed in accordance with this contract before the date of termination. If this contract provides for payment of a lump sum for all services or by task and termination occurs before completion of the work or any defined task which according to the performance schedule was commenced before the notice of termination, the fee for services performed shall be based on an amount mutually agreed to by the Water Authority and Contractor for the portion of work completed in conformance with this contract before the date of termination. In addition, the Water Authority will reimburse Contractor for authorized expenses incurred and not previously reimbursed. The Water Authority shall not be liable for any fees or costs associated for the termination or abandonment except for the fees, and reimbursement of authorized expenses, payable pursuant to this section.

(b) Contractor's Rights. Contractor, if Contractor is not in default or breach, may terminate Contractor's obligation to provide further services under this contract upon thirty (30) days' written notice only in the event of a material default by the Water Authority, which default has not been cured within thirty (30) days following the written notice.

23. SUCCESSORS OR ASSIGNS:

All terms, conditions, and provisions of this contract shall apply to and bind the respective heirs, executors, administrators, successors, and assigns of the parties. Nothing in this paragraph is intended to affect the limitation on assignment.

24. DAMAGE OR LOSS OF EQUIPMENT OR FACILITIES:

General Obligation. Contractor shall pay to the Water Authority the replacement cost of any equipment or repair cost of any facilities provided by the Water Authority for Contractor's use in performance of services that is lost or damaged by Contractor or Contractor's officers, employees, agents or subcontractors.

25. ELECTRONIC COMMUNICATIONS:

During the course of this contract, communications may occur through sending, receiving or exchanging electronic versions of documents and e-mails using commercially available computer software and Internet access. Contractor and the Water Authority acknowledge that the Internet is occasionally victimized by the creation and dissemination of so-called viruses, or similar destructive electronic programs. Contractor and the Water Authority view the issues raised by these viruses seriously and have invested in document and e-mail scanning software that identify and reject files containing known viruses. Contractor agrees to update its system with the software vendor's most current releases at regular intervals. Because of the virus scanning software, the respective computer systems of the parties may occasionally reject a communication. The parties acknowledge that this occurrence is to be expected as part of the ordinary course of business. Because the virus protection industry is generally one or two steps behind new viruses, neither party can guarantee that its respective communications and documents will be virus free. Occasionally, a virus will escape and go undetected as it is passed from system to system. Although each party will use all reasonable efforts to assure that its communications are virus free, neither party warrants that its documents will be virus free. Each party agrees to advise the other if it discovers a virus in its respective system that may have been communicated to the other party.

Contractor shall identify reasonably foreseeable internal and external risks to the privacy and security of personal information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of the information. Contractor shall regularly assess the sufficiency of any safeguards and information security awareness training in place to control reasonably foreseeable internal and external risks, and evaluate and adjust those safeguards in light of the assessment.

Contractor shall maintain its own e-mail system. Neither Contractor, its employees, its subcontractors, or subcontractor's employees shall be given a Water Authority e-mail address.

26. LAWS AND VENUE:

This contract and disputes arising out of or relating to the contract or the parties' relationship are governed by the laws of the State of California. Any action or proceeding arising out of or relating to the contract or the parties' relationship shall be brought in a state or federal court in the County of San Diego, State of California.

27. ADMINISTRATION:

- (a) Contractor's principal place of business and agent for service of process. Contractor's principal place of business is 10266 E. 59th Place, Denver, CO 80238.
- (b) Water Authority's Representative. The Water Authority's representative for administration of this contract is Meena Westford, who is the designated Contract Manager. The Water Authority may change the Contract Manager at any time upon notice to the Contractor.
- (c) Contractor's Representative. The Contractor's representative for administration of this contract is Michael Connor, who is designated as the Project Manager. The Contractor may change the Project Manager upon written notice to and approval by the Contract Manager.
- (d) Notices. Any notice or instrument required to be given or delivered by law or this contract shall be effective upon receipt thereof and shall be by personal service or delivered by depositing the same in any United States Post Office, registered or certified, postage prepaid, addressed to:

San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123-1233
Attn: Meena Westford (Contract Manager)

Michael Connor
10266 E. 59th Place
Denver, CO 80238

Either party may change the address or identity of the person for notices under this paragraph by written notice to the other delivered in accordance with this paragraph.

- (e) Routine Administrative Communications. Routine administrative communication required to be in writing may be by personal delivery, mail, facsimile transmission or electronic mail as agreed between the Contractor and Contract Manager.

28. INTEGRATION AND MODIFICATION:

This contract represents the entire understanding of the Water Authority and Contractor as to those matters contained herein. No prior oral or written understanding shall be of any force or

effect with respect to those matters covered hereunder. This contract may not be modified, amended, or altered except in writing signed by the Water Authority and Contractor.

29. ADVICE OF COUNSEL:

The parties agree that they are aware that they have the right to be advised by counsel with respect to the negotiations, terms, and conditions of this contract, and that the decision of whether or not to seek the advice of counsel with respect to this contract is a decision which is the sole responsibility of each of the parties hereto. This contract shall not be construed in favor or against either party by reason of the extent to which each party participated in the drafting of the contract.

30. INDEPENDENT REVIEW:

Each party hereto declares and represents that in entering this contract it has relied and is relying solely upon its own judgment, belief and knowledge of the nature, extent, effect and consequence relating thereto. Each party further declares and represents that this contract is being made without reliance upon any statement or representation not contained herein of any other party, or any representative, agent, or attorney of any other party.

31. TIME:

Time is of the essence in this contract. Any reference to days means calendar days unless otherwise specifically stated.

32. ASSIGNMENT OF ANTI-TRUST CLAIMS:

The Contractor offers and agrees to assign to the Water Authority all rights, title and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act [Chapter 2 (commencing with § 16700) of Part 2 of Division 7 of the Business and Professions Code], arising from purchases of goods, services, or materials pursuant to the contract. This assignment shall become effective at the time the Water Authority tenders final payment to Contractor, without further acknowledgment by the parties. The Contractor shall have the rights set forth in Sections 4553 and 4554 of the Government Code.

33. TAXES:

The Contractor shall pay all applicable federal, state, and local excise, sales, consumer use, and other similar taxes required by law for the execution of the work.

34. SIGNATURES:

The individuals executing this contract represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities. This contract may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which shall be deemed to be an original when executed, and all of which taken together shall continue one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this contract on the following date.

DATED: May 28, 2025

San Diego County Water Authority

By: Dan Denham
Dan Denham
General Manager

Michael Connor

By: Michael Connor
Michael Connor

Approved as to form:
San Diego County Water Authority

By: Michael J. McDonnell
Michael J. McDonnell
Assistant General Counsel

ATTACHMENT A
SCOPE OF WORK

Contractor shall provide policy and technical analyses and advice for the Water Authority related to its objective to fully evaluate and create opportunities to market available water supplies to interested water users in the Colorado River Basin, specifically to other water users located in non-California states in the Lower Basin. The work shall include research on existing policies, statutes, and regulations; research and analysis on related precedents in the Basin; development of new policy, regulatory or statutory proposals as necessary; and participation in discussions and meetings as requested by the Water Authority.

**ATTACHMENT B
PAYMENT AND FEE SCHEDULE**

Contractor will be paid a flat monthly retainer fee of \$8,000, representing a level of effort of between 10-15 hours per month, and inclusive of expenses, except for authorized travel outside of Denver, CO. Authorized travel outside of Denver, CO will be reimbursed according to the Water Authority's standard travel expense reimbursement policy, outlined in Attachment B, Reimbursements below.

Contractor will provide the number of hours worked and a brief description of services provided with monthly invoices. If the actual hours required to complete the scope of work exceeds 15 hours per month, and only with prior written authorization by the Water Authority, the additional hours may be billed at an hourly rate of \$700 per hour.

REIMBURSEMENTS

Travel costs, including transportation and meals, will be reimbursed at actual cost subject to the Water Authority's policy for reimbursement of travel and meal expenses for Water Authority employees. Any travel with an estimated expense of \$1,000 or more requires advance approval of the Contract Manager. Travel expenses incurred for services within the city of the home office of the Contractor or the Contractor's employee or subcontractor incurring the travel expense is not reimbursable. Meals are not billable to the Water Authority, except for meals necessarily incurred in connection with approved travel. The Water Authority does not reimburse for cost of alcoholic beverages.