NOTICE OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
OLIVENHAIN MUNICIPAL WATER DISTRICT
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-5640
VIA TELECONFERENCE AND IN PERSON

Pursuant to AB3035, effective January 1, 2003, any person who requires a disability related modification or accommodation in order to participate in a public meeting shall make such a request in writing to Stephanie Kaufmann, Executive Secretary, for immediate consideration.

DATE: WEDNESDAY, OCTOBER 14, 2026

TIME: 4:00 P.M.

PLACE: HYBRID REGULAR MEETING VIA ZOOM AND IN-PERSON

The meeting is being held virtually as a convenience to the public. The meeting will not stop or suspend its in-person meeting should a technological interruption occur with respect to the Zoom or call-on options listed on the agenda.

For Zoom Participation:	**For Zoom Call-in Only:**
www.zoom.us/join	Call: (669) 900-9128
Meeting ID: 818 2468 2938	Meeting ID: 818 2468 2938
Passcode: 848160	Passcode: 848160

Public Participation/Comment: Members of the public can participate in the meeting by emailing your comments on an agenda item to the Board Secretary at skaufmann@olivenhain.com or address the board directly in real-time under either of the public comment sections. If you do not receive a confirmation email that your comment has been received, please call (760) 632-4648 or address the board under either of the public comment sections to ensure that your comments are heard in real-time. The subject line of your email should clearly state the item number you are commenting on and should include your name and phone number. All comments will be emailed to the Board of Directors.

NOTE: ITEMS ON THE AGENDA MAY BE TAKEN OUT OF SEQUENTIAL ORDER AS THEIR PRIORITY IS DETERMINED BY THE BOARD OF DIRECTORS

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

4. DETERMINATION OF A QUORUM

5. ADOPTION OF AGENDA

6. PERSONAL APPEARANCES AND PUBLIC COMMENTS

7. PRESENTATION OF AWARDS AND HONORABLE MENTIONS

Service Awards, Promotions and Honorable Mentions
* Paul Martinez – Engineering Technician II – Grow Your Own Promotion
* Brandon Hebron – Inspector I – New Hire
* Evelyn Martinez – Customer Service Representative I – New Hire
* Hector Ramirez – Systems Administrator – New Hire

8. CONSIDER APPROVAL OF THE MINUTES OF THE SEPTEMBER 16, 2026, REGULAR BOARD OF DIRECTORS MEETING

9. CONSENT CALENDAR

NOTE: ANY ITEM MAY BE REMOVED FROM THE CONSENT CALENDAR FOR DISCUSSION

C-a	CONSIDER ADOPTION OF A MOTION APPROVING THE PAYMENT OF LISTED WARRANTS FROM THE DISTRICT'S REVOLVING AND REGULAR ACCOUNTS; LISTED TRANSFERS OF FUNDS; REIMBURSEMENT OF EXPENSES TO BOARD MEMBERS AND STAFF
C-b	CONSIDER A RESOLUTION IN SUPPORT OF A LEGISLATIVE PROPOSAL TO AMEND GOVERNMENT CODE TO CLARIFY CAPACITY FEE RECOVERY
C-c	CONSIDER A RESOLUTION IN SUPPORT OF A LEGISLATIVE PROPOSAL TO AMEND CALIFORNIA VEHICLE CODE 165 TO DESIGNATE WATER/WASTEWATER VEHICLES AS EMERGENCY VEHICLES
C-d	CONSIDER ACCEPTANCE OF THE 8080 HIGH TIME RIDGE WATER SERVICE INSTALLATION (WILLIAM B. ROBERTS) INTO OMWD'S SYSTEM AND ORDER A NOTICE OF COMPLETION FILED
C-e	CONSIDER APPROVAL OF PRIVATE ENCROACHMENT PERMIT NO. 436 FOR RANCHO SANTA FE LENDERS LLC, TO CONSTRUCT PRIVATE SEWER FORCE MAINS THROUGH OMWD EASEMENT 1345 LOCATED AT 18531 ALISO CANYON RD, AND ORDER THE PERMIT TO BE RECORDED
C-f	CONSIDER ANNUAL OBJECTIVES AND TIGER TEAM STATUS REPORT
C-g	CONSIDER VOTE ON AMENDMENTS TO THE ASSOCIATION OF CALIFORNIA WATER AGENCIES' BYLAWS AND DESIGNATE THE GENERAL MANAGER TO ELECTRONICALLY VOTE ON BEHALF OF OLIVENHAIN MUNICIPAL WATER DISTRICT

10. CONSIDER APPROVAL OF THE AMENDMENT TO EXTEND THE MEMORANDUM OF UNDERSTANDING BETWEEN THE OLIVENHAIN MUNICIPAL WATER DISTRICT EMPLOYEES ASSOCIATION AND BARGAINING UNIT MEMBERS ASSOCIATION

11. CONSIDER ADOPTION OF AN ORDINANCE AMENDING SECTIONS 8.1, 8.2, AND 8.3 OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT'S ADMINISTRATIVE AND ETHICS CODE (Article 8 – Water Rates and Charges) TO TAKE EFFECT ON JANUARY 1, 2027

12. CONSIDER ADOPTION OF A RESOLUTION MAKING CEQA EXEMPTION FINDINGS FOR THE WATER RATE AND CHARGE INCREASES AND ORDERING A NOTICE OF EXEMPTION BE FILED WITH THE COUNTY CLERK OF THE COUNTY OF SAN DIEGO AND THE STATE CLEARINGHOUSE

13. CONSIDER APPROVAL OF A RESOLUTION AUTHORIZING THE EXECUTION OF AN INSTALLMENT SALE AGREEMENT WITH THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AND AUTHORIZING OMWD STAFF TO NEGOTIATE AND MAKE NECESSARY CHANGES TO SUCH AGREEMENT PRIOR TO EXECUTION

14. CONSIDER THE CALENDAR FOR THE 2027 OLIVENHAIN MUNICIPAL WATER DISTRICT'S BOARD MEETINGS

15. CONSIDER INFORMATIONAL REPORT ON WATER SUPPLY CONDITIONS AND LONG-TERM WATER USE EFFICIENCY LEGISLATION

16. INFORMATIONAL UPDATE OF THE GENERAL MANAGER'S EMERGENCY DECLARATION OF THE CALLE BARCELONA LEAK REPAIR PROJECT

17. CONSIDER APPROVAL OF A PROFESSIONAL SERVICES AGREEMENT WITH VALLEY CONSTRUCTION MANAGEMENT, INC. IN THE AMOUNT OF $1,011,990, FOR CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES FOR THE DAVID C. MCCOLLOM WATER TREATMENT PLANT BASIN REHABILITATION PROJECT; AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT ON BEHALF OF OMWD; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE FUTURE AGREEMENT AMENDMENTS BASED ON NEGOTIATED PRICING WITHIN APPROVED BOARD BUDGET

18. CONSIDER APPROVAL OF A PROFESSIONAL SERVICES AGREEMENT WITH CAROLLO ENGINEERS, INC. IN THE AMOUNT OF $262,977, FOR ENGINEERING SERVICES DURING CONSTRUCTION FOR THE DAVID C. MCCOLLOM WATER TREATMENT PLANT BASIN REHABILITATION PROJECT; AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT ON BEHALF OF OMWD; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE AGREEMENT AMENDMENTS BASED ON NEGOTIATED PRICING WITHIN APPROVED BOARD BUDGET

19. CONSIDER REQUEST BY TWO BOARD MEMBERS FOR THE BOARD PRESIDENT TO APPOINT AN AD HOC COMMITTEE FOR THE SAN DIEGUITO VALLEY BRACKISH GROUNDWATER PROJECT TO MEET SEMI-REGULARLY WITH STAFF TO HELP ADVANCE THE EVALUATION OF THE PROJECT

20. INFORMATIONAL REPORTS
    - A. PRESIDENT
    - B. GENERAL MANAGER
    - C. CONSULTING ENGINEER
    - D. GENERAL COUNSEL
    - E. SAN DIEGO COUNTY WATER AUTHORITY REPRESENTATIVE
    - F. LEGISLATIVE
    - G. TWELVE MONTH CALENDAR / OTHER MEETINGS / REPORTS BY BOARD MEMBERS PER AB 1234
    - H. BOARD COMMENTS

21. CORRESPONDENCE

22. AUTHORIZATION TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS

23. FUTURE AGENDA ITEMS

24. CONSIDER PUBLIC COMMENTS

25. CLOSED SESSION

    A) CONSIDER POTENTIAL LITIGATION – ONE CASE [PURSUANT TO GOVERNMENT CODE SECTION 54956.9]

    B) CONSIDER GENERAL MANAGER PERFORMANCE EVALUATION [PURSUANT TO GOVERNMENT CODE SECTION 54957] • Additional Facts: Receive packet; full review and compensation discussion to be held on November 18, 2026.

26. OPEN SESSION

27. ADJOURNMENT

OLIVENHAIN
Municipal Water District

Memo

To: Board of Directors

From: Stephanie Kaufmann, Executive Secretary

Via: Kimberly A. Thorner, General Manager

Subject: BOARD MEETING MINUTES

Draft minutes of the most recently held Board of Directors meeting will be provided separately. Following board approval, the minutes will be posted on OMWD's website.

OLIVENHAIN
Municipal Water District

Agenda Item C-a

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Leo Mendez, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **CONSIDER ADOPTION OF A MOTION APPROVING THE PAYMENT OF LISTED WARRANTS FROM THE DISTRICT'S REVOLVING AND REGULAR ACCOUNTS; LISTED TRANSFERS OF FUNDS; REIMBURSEMENT OF EXPENSES TO BOARD MEMBERS AND STAFF**

The following monthly financial reports are enclosed for review and approval by the Board of Directors:

- September 2026 Summary of payment of listed warrants from the District's checking account and listed transfer of funds.

- September 2026 Monthly Summary of Reimbursement Expenses to Board Members and Staff.

The District's June, July, and August Financial Statements (typically item C-b) and Monthly Investment Reports will be available for review and approval by the Board after the fiscal year 2026 financial audit is completed in November 2026. As of the writing of this memo, Finance Staff is currently working on closing fiscal year 2026.

Prepared by: Lisa Maxwell, Accountant I
Jared Graffam, Accounting Supervisor
Reviewed by: Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Olivenhain Municipal Water District
Proposed Motions for October 14, 2026 Board of Directors Meeting
September 2026 Activities
Consent Calendar Item # C-a

Proposed Motions:

I. That the following warrants and transfers be approved:

Regular Account	Warrants - by check	038744	to	038848	$	633,222.99
	Warrants - by EFT	EFT000000004341	to	EFT000000004465		1,264,810.60
						1,898,033.59
	ACH Payments - Payroll					246,975.48
	Wire - SDCWA - Monthly Purchased Water Payment					4,673,205.20
	ACH Payments - Payroll					262,552.35
					$	7,080,766.62

Major Category of Disbursements

Total warrants from the District's checking account:

$ 1,898,033.59

Following is a breakdown of this total by major categories:

Category		
Outside services	$	654,593.19
Inventory and supplies		498,522.20
Utilities		466,788.88
Insurance		182,057.62
Repairs and maintanence		37,903.68
Water Refunds		12,376.16
Other		10,858.64
Permit Fees		34,933.22
Total	$	1,898,033.59

Sincerely,

Leo Mendez/Finance Manager

Olivenhain Municipal Water District
Proposed Motions for October 14, 2026 Board of Directors Meeting
September 2026 Activities

California Bank and Trust

Regular Account

Warrants - by check	038744	to	038848	$	633,222.99
Warrants - by EFT	EFT000000004341	to	EFT000000004465		1,264,810.60
					1,898,033.59

9/10/2026	ACH Payments - Payroll	246,975.48
9/14/2026	Wire - SDCWA - Monthly Purchased Water Payment	4,673,205.20
9/24/2026	ACH Payments - Payroll	262,552.35
	Total	$ 7,080,766.62

ACH Payments - Payroll

For Board Consideration and Approval

Olivenhain Municipal Water District
September 2026 Warrant List - Check & EFT

Number	Date	Name	Amount	Inv Reference
038744	9/2/2026	Anna Ton	27.05	REF:1092555_159900
038745	9/2/2026	AT & T	1,384.75	Utilities - Phone
038746	9/2/2026	City Of Encinitas	34,261.22	INTERCONNECTS
038747	9/2/2026	City Treasurer	24,734.30	Recycled water purchases
038748	9/2/2026	Federal Express Corp	351.10	SHIPPING
038749	9/2/2026	Intergraph Corporation	53,748.96	HEXAGON EAM 26-27 HOSTED SERVICES
038750	9/2/2026	Jared Graffam	558.20	CPA LICENSE & CE CLASS REIMB
038751	9/2/2026	Julia Gardocki	74.76	REF:1094655_212740
038752	9/2/2026	Kaufmann, Stephanie	179.36	CSDA CONFERENCE EXP REIMB
038753	9/2/2026	Pacific Pipeline Supply	3,080.24	SUPPLIES
038754	9/2/2026	Richard Koike	739.80	REF:1096589_304725
038755	9/2/2026	Ruri Hirsch	139.03	REF:1097776_162120
038756	9/2/2026	Ryan Devenish	113.95	REF:1097448_147250
038757	9/2/2026	San Diego Gas & Electric	1,656.85	Utilities
038758	9/2/2026	TASC	592.90	8/26 CLAIMS PROCESSING
038759	9/2/2026	U.S. Bank	2,160.00	TRUSTEE FEES 2015A
038760	9/2/2026	US Bank	2,733.10	Copiers & Printers
038761	9/9/2026	AT & T	26.98	Utilities - Phone
038762	9/9/2026	Badger Meter Inc	268.00	WWTP SERVICES
038763	9/9/2026	California State Disbursement Unit	123.23	Garnishment
038764	9/9/2026	Canyon Industries	502.57	WTP SUPPLIES
038765	9/9/2026	Coast Waste Mgnt Inc	751.46	WASTE DISPOSAL SERVICES
038766	9/9/2026	Edco Waste & Recycling	734.42	Utilities - Waste Hauling
038767	9/9/2026	Encinitas Ford	1,596.01	PU81 SUPPLIES
038768	9/9/2026	Lomeli, George	50.00	5 YEAR SERVICE AWARD
038769	9/9/2026	Napa Auto Parts	1,165.34	8/26 SUPPLIES
038770	9/9/2026	Pacific Pipeline Supply	3,154.53	WWTP SUPPLIES
038771	9/9/2026	Republic Services	3,868.97	WASTE DISPOSAL SERVICES
038772	9/9/2026	Republic Services #661	1,028.23	WASTE DISPOSAL SERVICES
038773	9/9/2026	San Diego Gas & Electric	115,946.27	Utilities
038774	9/9/2026	Sonsray Machinery LLC	1,258.40	BA09 SUPPLIES
038775	9/9/2026	Kim Thorner	237.76	CSDA DINNER EXPENSE REIMB.
038776	9/9/2026	TX Child Support SDU	463.88	Garnishment
038777	9/9/2026	Vanessa Rivera	137.93	MILEAGE REIMBURSEMENT
038778	9/9/2026	Verizon Connect Fleet USA, LLC	1,220.21	Vehicle Tracking
038779	9/16/2026	4S Ranch Gasoline & Car Wash	2,500.52	WWTP GASOLINE/CAR WASH
038780	9/16/2026	Ara Toub	171.82	REF:1095926_159640
038781	9/16/2026	Bryce Kreiser	114.58	REF:1098368_237235
038782	9/16/2026	Clayton Cornell	98.51	REF:1094238_200960
038783	9/16/2026	Corodata	271.24	OFFSITE RECORDS STORAGE
038784	9/16/2026	Corodata Shredding, Inc	84.56	PAPER DESTRUCTION
038785	9/16/2026	Dana Layman	1,213.81	REF:1018918_230210
038786	9/16/2026	DIR - Electrician Certification Fund	100.00	CA ELECTRICAL CERTIFICATION
038787	9/16/2026	Eric Keane	452.03	REF:1058585_205790
038788	9/16/2026	Esc Creek Conservancy	500.00	ANNUAL CONTRIBUTION
038789	9/16/2026	Home Depot/Gecf	4,975.34	8/26 SUPPLIES
038790	9/16/2026	Kyle Dalton	50.00	CONGRATULATIONS FROM THE ERC
038791	9/16/2026	Laura Krey	111.67	REF:1095530_188070
038792	9/16/2026	Munsch Homes	1,250.00	FIRE FLOW DEPOSIT REFUND
038793	9/16/2026	Pacific Pipeline Supply	6,154.42	Inventory and supplies
038794	9/16/2026	RCP Block & Brick Inc	101.34	SAND BAGS
038795	9/16/2026	Republic Services #661	11,790.53	WASTE DISPOSAL SERVICES
038796	9/16/2026	Robert Potter	189.42	REF:1026773_116875
038797	9/16/2026	Santa Fe Irrigation Dist	317.46	008128-005
038798	9/16/2026	Scott Cramer	61.53	REF:1097363_101925
038799	9/16/2026	Shobha Saini	113.99	REF:1089781_145640
038800	9/16/2026	State Water Resources	112.00	D3 RENEWAL - D.BRUNOZZI
038801	9/16/2026	Streakwave Wireless Inc	1,658.45	SUPPLIES
038802	9/16/2026	Taira Golding	46.64	REF:1054374_143645
038803	9/16/2026	Xiaowei Du	1,056.26	REF:1061941_112950
038804	9/16/2026	Xylem Water Solutions USA, Inc.	1,179.04	SUPPLIES
038805	9/23/2026	2122 Encinitas Blvd LLC	550.17	REF:1000005_115390
038806	9/23/2026	AT & T	1,315.85	Utilities - Phone
038807	9/23/2026	CA-NV AWWA	1,300.00	10/21/26 GOLD SPONSOR
038808	9/23/2026	California State Disbursement Unit	123.23	Garnishment
038809	9/23/2026	City Treasurer	45,349.36	Recycled water purchases
038810	9/23/2026	City Treasurer	69,326.73	8/26 44.77 AF RECYCLED WATER
038811	9/23/2026	County Of San Diego	622.00	7813 CAMINO SIN PUENTE
038812	9/23/2026	County Of San Diego	50.00	2026 CAPACITY FEE NOE FILING
038813	9/23/2026	Ebin Lanfried	207.31	MILEAGE & PARKING REIMB.
038814	9/23/2026	Encinitas Houses 3 LLC	1,065.29	REF:1097040_304360
038815	9/23/2026	Encinitas Houses 3 LLC	1,986.05	REF:1097044_304545
038816	9/23/2026	Georgeanna Clark	1,891.28	CPA EXAM & LICENSE FEE REIMB
038817	9/23/2026	Vince Dixon Ford dba	927.54	PU113 SERVICE
038818	9/23/2026	Marjan Loghman	198.31	REF:1097754_116985
038819	9/23/2026	Matthew Hahn	24.78	MILEAGE REIMBURSEMENT
038820	9/23/2026	Miguel Rivera	61.46	REF:1082098_107630
038821	9/23/2026	Neal Meyers	285.15	MILEAGE REIMBURSEMENT

Olivenhain Municipal Water District
September 2026 Warrant List - Check & EFT

Number	Date	Name	Amount	Inv Reference
038822	9/23/2026	Pacific Star Chemical, LLC	11,063.52	WTP CHEMICALS
038823	9/23/2026	Pacific Pipeline Supply	2,514.13	Inventory and supplies
038824	9/23/2026	Quality Lock & Security Services	152.50	WWTP SERVICES
038825	9/23/2026	RCP Block & Brick Inc	544.03	SUPPLIES
038826	9/23/2026	Republic Services	3,474.76	WASTE DISPOSAL SERVICES
038827	9/23/2026	S D G & E	264.85	Utilities
038828	9/23/2026	San Diego Gas & Electric	168,074.01	Utilities
038829	9/23/2026	Scott Maloni	139.10	MILEAGE & PARKING REIMB.
038830	9/23/2026	TASC	592.90	9/26 CLAIMS PROCESSING
038831	9/23/2026	TX Child Support SDU	463.88	Garnishment
038832	9/23/2026	West Yost & Associates, Inc	15,260.50	RW INSPECTION & TESTING SVCS
038833	9/30/2026	Applied Ind. Tech.	442.34	WTP SUPPLIES
038834	9/30/2026	Diego Zaragoza	349.99	TUITION REIMBURSEMENT
038835	9/30/2026	Doggie Walk Bags Company	324.49	PARKS SUPPLIES
038836	9/30/2026	Encinitas Houses 3 LLC	481.58	REF:1097044_304560
038837	9/30/2026	Hemlock Industries Inc. dba	48.70	SUPPLIES IT
038838	9/30/2026	Ignacio Tool Supply Inc.	711.15	KNEELING PADS (QTY 12)
038839	9/30/2026	Leonardo Fitness	640.00	WORKOUT CLASS REIMB W/GRANT
038840	9/30/2026	Mark Haskins	81.41	REF:1081278_212850
038841	9/30/2026	Pacific Star Chemical, LLC	2,789.65	WTP CHEMICALS
038842	9/30/2026	Olivia Doyne	92.56	REF:1096101_237240
038843	9/30/2026	Peterson, Sean	1,146.77	WATEREUSE CONFERENCE REIMBURSE
038844	9/30/2026	Robert Zakoor	1,884.48	REF:1053986_167240
038845	9/30/2026	Safe Hearing America Inc	1,478.85	HEARING TESTS
038846	9/30/2026	Sonsray Machinery LLC	352.42	BA08 SUPPLIES
038847	9/30/2026	University Communications, Inc.	475.00	EDUCATION AWARENESS CAMPAIGN
038848	9/30/2026	Vanessa Rivera	349.99	EDUCATION REIMBURSEMENT
EFT000000004341	9/2/2026	Farwest Corrosion	25,372.23	Inventory and supplies
EFT000000004342	9/2/2026	TS Industrial Supply	24.75	SUPPLIES
EFT000000004343	9/2/2026	DLM Engineering Inc	12,522.25	ENGINEER CONSULTING SERVICES
EFT000000004344	9/2/2026	Ryan Herco	654.79	WTP SUPPLIES
EFT000000004345	9/2/2026	McMaster-Carr Supply Co.	1,285.66	SUPPLIES
EFT000000004346	9/2/2026	Fallbrook Printing Corp	7,319.63	8/26 WATCHING WATER
EFT000000004347	9/2/2026	Cecilia's Safety Service	5,311.25	2215 CALLE BARCELONA
EFT000000004348	9/2/2026	PTS Communications	75.00	760-489-9971
EFT000000004349	9/2/2026	Hi-Line Electric Company, Inc.	473.03	SHOP SUPPLIES
EFT000000004350	9/2/2026	Martin Marietta Materials Inc	480.00	DUMP ASPHALT
EFT000000004351	9/2/2026	SoCal Saltworks LLC	6,956.30	WTP CHEMICALS
EFT000000004352	9/2/2026	West Coast Sand & Gravel	873.18	YARD MATERIALS
EFT000000004353	9/2/2026	Nossaman LLP	8,000.00	LOBBYING SERVICES
EFT000000004354	9/2/2026	Infrastructure Engineering Corporation	2,261.00	ZONA GALE DEVELOPMENT
EFT000000004355	9/2/2026	Harrington Industrial Plastics Inc	77.29	SUPPLIES
EFT000000004356	9/9/2026	TS Industrial Supply	329.09	SHOP TOOLS
EFT000000004357	9/9/2026	Boot World Inc	994.64	Safety Boots
EFT000000004358	9/9/2026	Airgas	368.92	WTP SUPPLIES
EFT000000004359	9/9/2026	First Choice Technology	141.56	13001474
EFT000000004360	9/9/2026	Asbury Environmental Services	639.66	ELECTRONIC WASTE DISPOSAL
EFT000000004361	9/9/2026	Traffic Supply Inc	586.73	TRAFFIC CONES
EFT000000004362	9/9/2026	Hasa	12,313.23	WWTP CHEMICALS
EFT000000004363	9/9/2026	McMaster-Carr Supply Co.	501.70	SUPPLIES
EFT000000004364	9/9/2026	Sloan Electric	5,185.56	WTP SUPPLIES
EFT000000004365	9/9/2026	CyberlinkASP Technology	10,892.64	HOSTING SERVICES
EFT000000004366	9/9/2026	Computer & Peripherals Group, Inc.	1,895.00	SERVICE PACKAGE
EFT000000004367	9/9/2026	Alpha Analytical Labs, Inc.	10,081.00	WWTP LAB SERVICES
EFT000000004368	9/9/2026	Alpha Mechanical, Inc	330.00	HQ SYSTEM 1 ISSUE SERVICE
EFT000000004369	9/9/2026	Ferguson Enterprises Inc. #1083	731.09	SUPPLIES
EFT000000004370	9/9/2026	Martin Marietta Materials Inc	395.96	YARD MATERIALS
EFT000000004371	9/9/2026	Rusty Wallis Inc.	6,600.00	WTP CHEMICALS
EFT000000004372	9/9/2026	McGrath RentCorp dba	748.86	PARKS TRAILER RENTAL
EFT000000004373	9/9/2026	Euna Solutions, Inc	4,300.00	GRANTS MGMT SUBSCRIPTION
EFT000000004374	9/9/2026	Nobel Systems	2,500.00	GEOVIEWER LEAD & COPPER MODULE
EFT000000004375	9/9/2026	Gallade Chemical	1,817.83	WTP CHEMICALS
EFT000000004376	9/9/2026	West Coast Sand & Gravel	1,426.07	YARD MATERIALS
EFT000000004377	9/9/2026	Global Power Group Inc	3,929.41	WWTP PREVENT MAINT SERVICES
EFT000000004378	9/9/2026	Infosend	5,042.21	7/26 MAINTENANCE FEE
EFT000000004379	9/9/2026	Rockwell Construction Services LLC	1,710.00	Construction Mgmt Services PLC Replacement Project
EFT000000004380	9/9/2026	Infrastructure Engineering Corporation	1,842.50	FIRE FLOW ANALYSIS
EFT000000004381	9/9/2026	Integrity Municipal Systems	1,303.00	WWTP ODOR CNTL SCRUBBER SVC
EFT000000004382	9/9/2026	Water for People	63.00	WTRPL 9/10/2026
EFT000000004383	9/16/2026	ACWA - JPIA	164,188.85	10/26 GROUP INSURANCE PREM
EFT000000004384	9/16/2026	Boot World Inc	994.72	Safety Boots
EFT000000004385	9/16/2026	Standard Insurance Co.	6,671.70	9/26 LIFE INS & LTD PREMIUM
EFT000000004386	9/16/2026	Airgas	665.70	WTP SUPPLIES
EFT000000004387	9/16/2026	Hill Brothers Chemical Company	3,748.10	WWTP CHEMICALS
EFT000000004388	9/16/2026	Peterson Structural Engineers, Inc.	1,300.00	Reservoirs Safety Improvements Project
EFT000000004389	9/16/2026	Southern Counties Lubricants, LLC.	9,774.97	FUEL SUPPLIES
EFT000000004390	9/16/2026	AG Tech Llc	2,384.50	BIOSOLIDS WASTE DISPOSAL
EFT000000004391	9/16/2026	Asbury Environmental Services	334.73	WASTE DISPOSAL SERVICE

Olivenhain Municipal Water District
September 2026 Warrant List - Check & EFT

Number	Date	Name	Amount	Inv Reference
EFT000000004392	9/16/2026	Traffic Supply Inc	273.58	SUPPLIES
EFT000000004393	9/16/2026	Grangetto's Ag. Supply	88.48	WTP SUPPLIES
EFT000000004394	9/16/2026	B Weber Consulting LLC	9,357.12	CONSULTING SERVICES
EFT000000004395	9/16/2026	Hasa	11,803.53	WWTP CHEMICALS
EFT000000004396	9/16/2026	Wageworks	278.00	8/26 FSA ADMIN FEES
EFT000000004397	9/16/2026	Evoqua Water Technologies	4,853.55	WWTP SERVICES
EFT000000004398	9/16/2026	San Elijo Joint Powers Auth.	94,550.78	8/26 43.3 AC/FT RECYCLED WATER
EFT000000004399	9/16/2026	McMaster-Carr Supply Co.	3,663.67	SUPPLIES
EFT000000004400	9/16/2026	Brightview Landscape Services	17,532.00	LANDSCAPE MAINTENANCE
EFT000000004401	9/16/2026	Fallbrook Printing Corp	189.32	WATER USE EVALUATION FORMS
EFT000000004402	9/16/2026	Calif. Surveying & Drafting Supply	177.07	SUPPLIES
EFT000000004403	9/16/2026	Bee Rescue LLC	950.00	GATY 2 RESERVOIR
EFT000000004404	9/16/2026	Cecilia's Safety Service	2,981.25	2215 CALLE BARCELONA
EFT000000004405	9/16/2026	G. Briest Consulting, Inc.	16,816.52	ENGINEERING CONSULTING SVCS
EFT000000004406	9/16/2026	Mission Electric Supply, Inc.	1,885.63	HQ LED LIGHT REPLACEMENTS
EFT000000004407	9/16/2026	Alpha Analytical Labs, Inc.	3,134.80	WTP LAB SERVICES
EFT000000004408	9/16/2026	Transnet Investigative Group Inc.	415.00	PRE-EMPLOYMENT BACKGROUND
EFT000000004409	9/16/2026	Alpha Mechanical, Inc	425.00	WTP AC SERVICES
EFT000000004410	9/16/2026	White Cap Construction Supply	530.69	SUPPLIES
EFT000000004411	9/16/2026	Ferguson Enterprises Inc. #1083	5,599.18	Inventory
EFT000000004412	9/16/2026	Parsons	29,001.24	EFRR Parking Lot Design Services
EFT000000004413	9/16/2026	Martin Marietta Materials Inc	2,390.49	YARD MATERIALS
EFT000000004414	9/16/2026	SoCal Saltworks LLC	13,962.96	WTP CHEMICALS
EFT000000004415	9/16/2026	California Office Cleaning, Inc.	7,005.00	CLEANING SERVICES
EFT000000004416	9/16/2026	Eurofins Drinking Water adn Wastewater West,LLC	1,432.95	WTP LAB SERVICES
EFT000000004417	9/16/2026	RDO Equipment Co.	150,545.91	Purchase of Backhoe (FY '27 Equipment Purchases)
EFT000000004418	9/16/2026	Usalco, LLC	26,519.60	WTP CHEMICALS
EFT000000004419	9/16/2026	Aqua Metric	67,294.19	Inventory - Meters
EFT000000004420	9/16/2026	Gallade Chemical	1,780.12	WTP CHEMICALS
EFT000000004421	9/16/2026	USA Blue Book	138.65	SUPPLIES
EFT000000004422	9/16/2026	West Coast Sand & Gravel	2,455.45	YARD MATERIALS
EFT000000004423	9/16/2026	Patriot Environmental	575.00	WWTP WASTE DISPOSAL SERVICES
EFT000000004424	9/16/2026	Global Power Group Inc	2,212.97	MIDPOINT SPS PM SERVICES
EFT000000004425	9/16/2026	Samba Holdings Inc	188.48	DRIVER RECORD MONITORING
EFT000000004426	9/16/2026	CDW Government Inc	828.34	SUPPLIES
EFT000000004427	9/16/2026	Nossaman LLP	40,598.68	LEGAL SERVICES
EFT000000004428	9/16/2026	Valley Construction Management	4,294.00	Construction Management Services for the Headworks Project
EFT000000004429	9/16/2026	County of San Diego, RCS	192.00	8/26 RADIO SERVICES
EFT000000004430	9/16/2026	Integrity Municipal Systems	3,537.00	ODOR CNTL SCRUBBER SYS SVC
EFT000000004431	9/25/2026	Guardian	10,195.77	8/26 DENTAL CLAIMS
EFT000000004432	9/23/2026	TS Industrial Supply	797.04	SUPPLIES
EFT000000004433	9/23/2026	Boot World Inc	200.00	Safety Boots
EFT000000004434	9/23/2026	Cyber Marketing Network Inc	252.12	Safety Boots
EFT000000004435	9/23/2026	Vallecitos Water District	39,051.49	RECLAIMED WATER SALES
EFT000000004436	9/23/2026	Traffic Supply Inc	173.80	REFLECTIVE ROAD WORK SIGNS
EFT000000004437	9/23/2026	Controlled Entry Specialists	210.00	NBHD #3 SPS
EFT000000004438	9/23/2026	Evoqua Water Technologies	240.00	7/26 VAPORLOCK RECURRING
EFT000000004439	9/23/2026	McMaster-Carr Supply Co.	297.09	SUPPLIES
EFT000000004440	9/23/2026	Geoscience Support Svcs, Inc.	31,152.50	EPA Grant Workplan for the San Dieguito Groundwater Project
EFT000000004441	9/23/2026	Sunbelt Rentals, Inc.	338.49	TOWABLE CONCRETE MIXER RENTAL
EFT000000004442	9/23/2026	Volt Management Corp DBA	1,952.50	INTERNS W/E 090426
EFT000000004443	9/23/2026	NexusTek Phoenix	5,804.58	CLOUD STORAGE SERVICES
EFT000000004444	9/23/2026	WREGIS	126.62	RENEW ENERGY SERVICES
EFT000000004445	9/23/2026	Ferguson Enterprises Inc. #1083	5,382.00	Inventory and supplies
EFT000000004446	9/23/2026	Martin Marietta Materials Inc	1,235.59	YARD MATERIALS
EFT000000004447	9/23/2026	BreakAway Promo	3,587.71	UNIFORM SHIRTS
EFT000000004448	9/23/2026	KDC Inc. dba	97,969.00	RETENTION - PLC Replacement Project
EFT000000004449	9/23/2026	Armanino Advisory LLC	15,750.00	IT REMEDIATION IMPLEMENTATION
EFT000000004450	9/23/2026	Pamer & Pamer LLC	16,652.00	WTP WASTE HAULING SERVICES
EFT000000004451	9/23/2026	Applied Services, Inc	3,560.20	WTP CHEMICALS
EFT000000004452	9/23/2026	West Coast Sand & Gravel	2,704.31	YARD MATERIALS
EFT000000004453	9/23/2026	Patriot Environmental	1,109.75	WWTP WASTE DISPOSAL SVCS
EFT000000004454	9/23/2026	Express Services Inc	10,379.76	TEMP LABOR PPE 081626
EFT000000004455	9/23/2026	Global Power Group Inc	3,073.75	8/26 NBHD #3 PREVENT MAINT SVC
EFT000000004456	9/23/2026	Infosend	13,123.34	WATER BILL STATEMENTS
EFT000000004457	9/23/2026	Carollo Engineers	31,572.00	Design Engineer Services DCMWTP Membrane Train Rehabilitation Program
EFT000000004458	9/23/2026	Rancho Santa Fe Community Svs	24,445.00	8/26 23.88 AC/FT RECYCLED WTR
EFT000000004459	9/23/2026	Water for People	63.00	WTRPL 9/24/2026
EFT000000004460	9/30/2026	Ryan Herco	195.70	WTP SUPPLIES
EFT000000004461	9/30/2026	Fallbrook Printing Corp	7,339.13	Printing Services FY 2027
EFT000000004462	9/30/2026	Sloan Electric	9,882.57	Overhaul of 4S WRF Reclaimed Pump and Motor
EFT000000004463	9/30/2026	Michael Baker International Inc	48,115.00	Siting Studies and Preliminary Design Golem PS and 4GEE Res
EFT000000004464	9/30/2026	Guardian	1,001.30	10/26 ADMIN FEES
EFT000000004465	9/30/2026	Nossaman LLP	8,000.00	8/26 LOBBYING SERVICES
			1,898,033.59	

Olivenhain Municipal Water District
Monthly Directors Fee and Reimbursed Expenses for Directors and Staff
September 2026

Name	Payment Date	Check#/ Credit Card	Meals & Lodging	Travel & Transport	Other	Total Reimbursed Expenses	Directors Fee*
Director Guerin			0.00	0.00	0.00	0.00	1,250.00
			0.00	0.00	0.00	0.00	1,250.00
Director Hahn	9/23/2026	38819	0.00	24.78	0.00	24.78	1,000.00
			0.00	24.78	0.00	24.78	1,000.00
Director Lanfried	9/23/2026	38813	0.00	207.31	0.00	207.31	1,000.00
			0.00	207.31	0.00	207.31	1,000.00
Director Maloni	9/23/2026	38829	0.00	139.10	0.00	139.10	1,750.00
			0.00	139.10	0.00	139.10	1,750.00
Director Meyers	9/23/2026	38821	0.00	285.15	0.00	285.15	1,500.00
			0.00	285.15	0.00	285.15	1,500.00
General Manager Thorner	9/9/2026	38775	237.76	0.00	0.00	237.76	
			237.76	0.00	0.00	237.76	
Human Resources Manager Joslin			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Finance Manager Mendez			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Operations Manager Bartlett-May			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Engineering Manager Del Bosque			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Assistant General Manager Randall			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Customer Service Manager Carnegie			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	

*August and September per diems paid in September

Notes:
(1) Reviewed and discussed with the Finance Committee (02/05/18):
- Reimbursement of expenses are in compliance with Article 19 of the District's Administrative and Ethics Code
- Travel and other expenses charged to District's credit cards and paid by the District are recorded and maintained separately

Agenda Item C-b

OLIVENHAIN
Municipal Water District

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Melody Colombo, Administrative Analyst

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER A RESOLUTION IN SUPPORT OF A LEGISLATIVE PROPOSAL TO AMEND GOVERNMENT CODE TO CLARIFY CAPACITY FEE RECOVERY**

Purpose

The purpose of this agenda item is to consider a resolution in support of a legislative proposal to amend the Government Code to clarify capacity fee recovery. Association of California Water Agencies is accepting legislative proposals from member agencies for the 2027 legislative session. ACWA requires a board-adopted resolution in support of each submitted legislative proposal. OMWD staff seeks a board resolution in support of a legislative proposal to amend Government Code to clarify capacity fee recovery.

Recommendation

Staff recommends the board adopt this resolution in support of OMWD's legislative proposal to amend Government Code to clarify capacity fee recovery.

Alternative(s)

The board may choose the following alternatives:
1) not to adopt a resolution in support of the legislative proposal amending Government Code to clarify capacity fee recovery; or
2) take other action.

Either of these alternatives, if selected by the board, disqualify OMWD's legislative proposal from ACWA's consideration.

Background

Senate Bill 330, or the Housing Crisis Act of 2019, changed Government Code by freezing local zoning rules upon submission of a preliminary application, banning downzoning and housing moratoriums, and limiting public hearings.

SB 330 has impacted OMWD negatively and will likely continue to do so. The legislation poses challenges for water districts because housing projects might not require water infrastructure until years after the land use application, delaying and ultimately reducing capacity fee collection. Since OMWD is not the receiving or processing agency of the land use application, OMWD has no control over when that application is submitted or considered complete. Additionally, the timing of the commencement of grading by the developer can change the date of SB 330 applicability. As a result, capacity fees may be frozen before OMWD is involved in the development process or has an opportunity to assess the infrastructure and capacity needs associated with the project. This means OMWD would lose capacity fee revenue if it can only recover the previously frozen fees from developers, rather than current cost-of-service fees.

Capacity fees are intended to reflect the current, reasonable cost of infrastructure needed to serve new development, rather than costs set years before a project connects to the water system. These fees are intended to recover a development's proportionate share of infrastructure costs.

In December 2025, OMWD's board approved legislative guidelines that support this legislative proposal.

<u>OMWD Legislative Guidelines, page 8</u>

V. Water Affordability – It shall be OMWD's policy to support legislation that:

1. Is consistent with, and does not conflict in any way with, the standard of Proposition 218 and Proposition 26 in the California Constitution regarding proportionality of water rates and cost-of-service provisions.

Fiscal Impact

There are no costs associated with this item outside of normal operations.

Discussion

Each year, ACWA encourages its member agencies to submit ideas for legislative solutions to help shape the association's advocacy for the following legislative year.

In a typical year, ACWA staff monitor and advocate on approximately 100 bills affecting California water. Member agency proposals help guide these advocacy priorities.

In August, ACWA notified agencies that it was accepting applications to sponsor or support bills for the 2027 legislative session, due September 25. ACWA's application rules require a board resolution in support of each proposal.

ACWA's State Legislative Committee evaluates submitted legislative proposal applications each November to determine its position on the proposals received.

For ACWA's consideration, OMWD developed a legislative proposal to amend California Government Code to clarify capacity fee recovery.

The main concern for OMWD with the law is that, once a developer has submitted a preliminary application for a housing project to the applicable land use agency, the water capacity fee for that project is essentially locked in ("a housing development project shall be subject only to the ordinances, policies, and standards adopted and in effect when a preliminary application…was submitted," Gov. Code § 65589.5, subd. (o)(1)), which the water agency may not even be aware has taken place.

This presents significant challenges for water districts and their wholesalers, as housing projects may not require water meters until several years after the preliminary application was initially submitted to the land use agency, meaning that water agencies and wholesalers could experience a significant loss of capacity fee revenue if required to recover from the developer the frozen fees from prior years as opposed to current fees. If OMWD is not able to recover the increased capacity fees (including those that are

collected on a water wholesaler's behalf), then passing the additional infrastructure expenses to existing and future ratepayers would be required.

OMWD's proposal aims to address the issues outlined below.

- Capacity fees can become outdated. Water districts periodically update capacity fees to reflect the actual cost of acquiring new water supplies, treatment capacity, storage, and transmission infrastructure. If a developer files a preliminary application before a fee update takes effect, the project locks in the lower fee even if construction begins years later. The water agency must then serve the project using infrastructure that has potentially become more expensive than reflected in the original fee.
- Existing and future customers will absorb more of the cost. Capacity fees are intended to ensure that growth pays for growth and to fund the repair and replacement projects that keep water flowing. If fees are frozen below the actual cost of new capacity, the shortfall will have to be recovered from existing ratepayers or through delayed capital improvements. The costs effectively shift from new development to existing customers.
- Long-term capital planning becomes more difficult. Water districts prepare capacity fee studies based on projected infrastructure costs. Under SB 330, a large number of preliminary applications can result in multiple projects paying at older fee levels, while infrastructure costs continue to rise due to inflation, rising construction costs, or the need for additional water supplies.

This proposal would amend California Government Code to create a limited exception: capacity fees imposed under the Mitigation Fee Act by special districts may be adjusted to reflect updated, adopted cost-of-service or capacity studies completed after a preliminary application, provided the adjustment reflects actual increases in infrastructure costs.

Proposed Amendment Language

> *California Government Code, Title 7. Planning and Zoning, Chapter 4.5 Review and Approval of Development Projects, Article 3. Applications for Development Projects, Section 65941.1(b)(3):*
> *Nothing in this subdivision shall prohibit a public water district or special district that provides water service from charging updated capacity, connection, or development impact fees adopted pursuant to the Mitigation Fee Act (Chapter 5, Section 66000) of Division 1 of Title 7), provided that the fee adjustment:*

(A) Is supported by an adopted capacity fee or cost-of-service study demonstrating the reasonable cost of providing new water service or infrastructure;
(B) Reflects only documented increases in the cost of acquiring, treating, storing, transmitting, or distributing water necessary to serve the proposed development; and
(C) Does not alter any other ordinance, policy, or development standard vested pursuant to this subdivision.

<u>Amend California Government Code Section 65589.5(o)(2)(A) to include:</u>
A housing development project may also be subject to updated water capacity fees adopted pursuant to the Mitigation Fee Act when the fee is supported by an adopted capacity fee or cost-of-service study demonstrating the current reasonable cost of providing new water infrastructure.

OMWD's state lobbyist, Nossaman LLP, reviewed this proposal, and their feedback was incorporated into OMWD's proposal.

On November 20, the ACWA State Legislative Committee will meet to plan and prepare for the 2027 legislative session. The committee will consider legislative proposals submitted by ACWA member agencies that have a resolution adopted by their legislative body for proposed introduction next year.

OMWD has also engaged with California Special Districts Association and San Diego County Water Authority by submitting similar legislative proposals.

Prepared by:	Melody Colombo, Administrative Analyst
Reviewed by:	Brian Sodeman, Customer Service and Public Affairs Supervisor
	John Carnegie, Customer Services Manager
	Joey Randall, Assistant General Manager
	Nossaman LLP (Lobbyist)
Approved by:	Kimberly A. Thorner, General Manager

Attachments:
- *Resolution No. 2026-xx*

RESOLUTION NO. 2026-xx

RESOLUTION OF THE BOARD OF DIRECTORS OF OLIVENHAIN MUNICIPAL WATER DISTRICT IN SUPPORT OF A LEGISLATIVE PROPOSAL TO AMEND CALIFORNIA GOVERNMENT CODE TO CLARIFY CAPACITY FEE RECOVERY

WHEREAS, SB 330, California's Housing Crisis Act of 2019, established protections for housing development projects, including provisions that generally vest applicable ordinances, policies, standards, and specified fees upon submission of a preliminary application; and

WHEREAS, Government Code section 65589.5 provides that certain fees, including capacity and connection fees or charges, are generally subject to the ordinances, policies, and standards in effect when a preliminary application is submitted, subject to specified exceptions; and

WHEREAS, housing development projects may not require connection to a public water system until several years after submission of a preliminary application to the City, during which time the costs of constructing, replacing, and expanding water infrastructure necessary to provide capacity for new development may increase substantially; and

WHEREAS, applying a capacity fee established years before a development connects to the water system may prevent a water agency from recovering the development's proportionate share of the current reasonable costs of providing the facilities and capacity necessary to serve that development, potentially shifting those costs to existing customers; and

WHEREAS, the Board of Directors supports a clarification allowing capacity fees to reflect updated, duly adopted cost-of-service, capacity fee, or other legally required supporting studies completed after submission of a preliminary application, provided that any adjustment is based on documented changes in the reasonable cost of providing facilities and capacity attributable to new development and otherwise complies with applicable law; and

WHEREAS, such a clarification would preserve SB 330's housing development protections while allowing public water agencies to appropriately recover growth-related infrastructure costs, maintain equitable cost allocation between existing customers and new development, and improve predictability in long-term capital planning.

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of Olivenhain Municipal Water District does hereby support the legislative proposal to amend California Government Code to clarify capacity fee recovery.

PASSED, ADOPTED, AND APPROVED, at a regular meeting of the Board of Directors of Olivenhain Municipal Water District held on Wednesday, October 14, 2026.

_____

Matthew R. Hahn, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____

Christy Guerin, Secretary
Board of Directors
Olivenhain Municipal Water District

Agenda Item C-c

OLIVENHAIN
Municipal Water District

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Melody Colombo, Administrative Analyst

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER A RESOLUTION IN SUPPORT OF A LEGISLATIVE PROPOSAL TO AMEND CALIFORNIA VEHICLE CODE 165 TO DESIGNATE WATER/WASTEWATER VEHICLES AS EMERGENCY VEHICLES**

Purpose

The purpose of this agenda item is to consider a resolution in support of a legislative proposal to amend the California Vehicle Code 165 to designate water/wastewater vehicles as emergency vehicles. Association of California Water Agencies is accepting legislative proposals from member agencies for the 2027 legislative session. ACWA requires a board-adopted resolution in support of each submitted legislative proposal. OMWD staff seeks a board resolution in support of a legislative proposal to amend California Vehicle Code 165 to designate water/wastewater vehicles as emergency vehicles.

Recommendation

Staff recommends the board adopt this resolution in support of OMWD's legislative proposal to amend California Vehicle Code 165 to designate water/wastewater vehicles as emergency vehicles.

Alternative(s)

The board may choose the following alternatives:
1) not to adopt a resolution in support of the legislative proposal amending California Vehicle Code 165 to designate water/wastewater vehicles as emergency vehicles; or
2) take other action.

Either of these alternatives, if selected by the board, disqualify OMWD's legislative proposal from ACWA's consideration.

Background

In December 2025, OMWD's board approved legislative guidelines that support this proposal with two specific guidelines.

OMWD Legislative Guidelines, page 24

XXVII. Safety and Security – It shall be OMWD's policy to support legislation that:

4. Recognizes water agencies as emergency responders in the event of a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate essential public services due to natural disasters (e.g., wildfires, earthquakes), power outages, and terrorist or other criminal activities.

6. Allows OMWD to manage its vehicle fleet in a manner that prioritizes public safety and effective emergency response.

Fiscal Impact

There are no known costs associated with this item outside of normal operations, at this time.

Discussion

Each year, ACWA encourages its member agencies to submit ideas for legislative solutions to help shape the association's advocacy for the following legislative year.

In a typical year, ACWA staff monitor and advocate on approximately 100 bills affecting California water. Member agency proposals help guide these advocacy priorities.

In August, ACWA notified agencies that it was accepting applications to sponsor or support bills for the 2027 legislative session, due September 25. ACWA's application rules require a board resolution in support of each proposal.

ACWA's State Legislative Committee evaluates submitted legislative proposal applications each November to determine its position on the proposals received.

For ACWA's consideration, OMWD developed a legislative proposal to amend California Vehicle Code 165 to designate water/wastewater vehicles as emergency vehicles.

The Vehicle Code has traditionally been interpreted by public safety officers, fire departments, and law enforcement to permit public water/wastewater agencies to offer their support services, even though these agencies are not explicitly mentioned in the Code. This creates legal and operational uncertainty for public water/wastewater agencies during emergencies, potentially delaying access and response when agencies need to protect critical infrastructure, restore essential services, or support firefighting and other public safety operations. As wildfires become more severe and widespread, it is now necessary to include public water/wastewater agencies within this definition, enabling them to continue delivering 24/7 emergency response support for disasters and public health and safety, similar to the support already provided to law enforcement, fire departments, and other agencies.

Employees of public water/wastewater agencies are classified as emergency response workers under Government Code Section 3100 as disaster service workers. The proposed amendment does not create new staff responsibilities or additional training requirements. As an emergency response agency, OMWD already complies with state emergency planning guidelines and requirements, including training and the use of the Standardized Emergency Management System and Incident Command System (California's framework for coordinating multiple public agencies during an emergency or disaster). The proposed change to Vehicle Code Section 165 would recognize and align the Vehicle Code with the existing emergency response worker duties of water/wastewater agencies, already codified in state law.

OMWD has extensive experience responding to major wildfires, including fires in 1996, 2003, 2004, 2007, 2014, and 2015. During the 2007 fires alone, approximately 20 percent of OMWD's service area burned, and district infrastructure was damaged. During wildfire emergencies, OMWD employees deploy throughout the agency's 48-square-mile service area to shut off meters at damaged properties, maintain system pressure for firefighting, manually operate valves, adjust water flows, switch water

sources, and fuel standby generators to keep pump stations operating. Approximately 70 percent of OMWD's service area is identified as being at high or very high fire risk, making emergency response capability a continuing operational necessity. These functions require vehicles that can travel throughout the service area, remain immediately available, and operate continuously during extended emergencies and power outages. The issue extends beyond OMWD to public water/wastewater agencies that rely on medium- and heavy-duty vehicles to maintain essential infrastructure during emergencies.

Currently, since public water/wastewater agencies are not expressly classified as emergency vehicles under California Vehicle Code, this limitation does not accurately reflect the realities faced by these agencies, which must maintain emergency response capabilities to:

- Restore potable water during wildfires, earthquakes, and power outages
- Prevent or mitigate sewage spills and public health hazards
- Support fire suppression through hydrant systems and water delivery
- Provide mutual aid to other jurisdictions during disasters
- Protect critical infrastructure under extreme conditions

This proposal creates legal equality between public water/wastewater emergency response vehicles and police and fire vehicles by amending the California Vehicle Code. These changes will enable public water/wastewater agencies to access and maintain the infrastructure needed for their disaster response roles and to support police and fire departments during emergencies as authorized by state law.

Proposed Amendment Language

> *<u>Amend California Vehicle Code Section 165 (Authorized Emergency Vehicle) to include;</u>*
> *(g) Vehicles owned or operated by public water and wastewater agencies, when used for emergency response, disaster recovery, infrastructure protection, or mutual aid, or to maintain or restore potable water or wastewater services during emergencies.*

OMWD's state lobbyist, Nossaman LLP, reviewed this proposal, and their feedback was incorporated into OMWD's proposal.

On November 20, the ACWA State Legislative Committee will meet to plan and prepare for the 2027 legislative session. The committee will consider legislative proposals

submitted by ACWA member agencies that have a resolution adopted by their legislative body for proposed introduction next year.

OMWD has also engaged with California Special Districts Association and San Diego County Water Authority by submitting similar legislative proposals.

Prepared by:	Melody Colombo, Administrative Analyst
Reviewed by:	Brian Sodeman, Customer Service and Public Affairs Supervisor
	John Carnegie, Customer Services Manager
	Joey Randall, Assistant General Manager
	Nossaman LLP (Lobbyist)
Approved by:	Kimberly A. Thorner, General Manager

Attachments:

- *Resolution No. 2026-xx*

RESOLUTION NO. 2026-xx

RESOLUTION OF THE BOARD OF DIRECTORS OF OLIVENHAIN MUNICIPAL WATER DISTRICT IN SUPPORT OF A LEGISLATIVE PROPOSAL TO AMEND CALIFORNIA VEHICLE CODE SECTION 165 TO INCLUDE PUBLIC WATER /WASTEWATER AGENCIES

WHEREAS, public water/wastewater agencies provide essential services necessary to protect public health, safety, and welfare and are required to maintain reliable operations during wildfires, earthquakes, power outages, infrastructure failures, and other emergencies; and

WHEREAS, during emergencies, public water/wastewater agency personnel may be required to respond rapidly throughout their service areas to restore potable water service, prevent or mitigate sewage spills and other public health hazards, maintain adequate water supplies and pressure for fire suppression, protect critical infrastructure, and provide mutual aid to other public agencies; and

WHEREAS, OMWD has extensive experience responding to major wildfires and other emergencies and maintains personnel, vehicles, equipment, backup power, and other resources necessary to support continuous operation of critical water infrastructure; and

WHEREAS, during the 2007 wildfires, approximately 20 percent of OMWD's service area burned, and OMWD infrastructure was damaged, requiring OMWD employees to respond throughout OMWD's 48-square-mile service area to shut off meters at damaged properties, maintain system pressure for firefighting operations, manually operate valves, adjust water flows, switch water sources, and maintain backup generators to keep critical facilities operational; and

WHEREAS, approximately 70 percent of OMWD's service area is identified as being at high or very high risk for wildfires, making reliable and timely emergency response capabilities a continuing operational necessity; and

WHEREAS, California Vehicle Code Section 165 defines an "authorized emergency vehicle" but does not expressly include vehicles owned or operated by public water/wastewater agencies when those vehicles are used for emergency response, disaster recovery, infrastructure protection, mutual aid, or the restoration of essential water/wastewater services; and

WHEREAS, the absence of express California Vehicle Code recognition may constrain the ability of public water/wastewater agencies to respond efficiently during emergencies and does not fully recognize the essential role these agencies perform in supporting public safety, emergency response, and disaster recovery; and

WHEREAS, expressly recognizing public water/wastewater agency vehicles as emergency response vehicles would provide greater clarity and facilitate timely response to emergencies affecting critical water/wastewater infrastructure; and

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of Olivenhain Municipal Water District does hereby support the legislative proposal to amend California Vehicle Code 165 to designate water/wastewater vehicles as emergency vehicles.

PASSED, ADOPTED, AND APPROVED, at a regular meeting of the Board of Directors of Olivenhain Municipal Water District held on Wednesday, October 14, 2026.

_____

Matthew R. Hahn, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____

Christy Guerin, Secretary
Board of Directors
Olivenhain Municipal Water District

OLIVENHAIN
Municipal Water District

Agenda Item C-d

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Paul Martinez, Engineering Technician II

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER ACCEPTANCE OF THE 8080 HIGH TIME RIDGE WATER SERVICE INSTALLATION (WILLIAM B. ROBERTS) INTO OMWD'S SYSTEM AND ORDER A NOTICE OF COMPLETION FILED**

Purpose

The purpose of this agenda item is to consider acceptance of the transfer of the facilities constructed by William B. Roberts (Developer) into OMWD's system and authorize the filing of a Notice of Completion with the San Diego County Recorder.

Recommendation

Staff recommends acceptance of the potable water facilities into OMWD's system.

Alternative(s)

None; the Project is complete, and facilities were constructed according to the approved plans and OMWD's Standard Specifications and Drawings per the Development Construction Agreement.

Background

The 8080 High Time Ridge Water Service Installation Project (Project) is located on High Time Ridge, east of Bing Crosby Blvd. in Director Division 1 (Lanfried). The project consisted of the installation of one 2-inch water service.

OMWD entered into an agreement with the Developer in August 2026 to construct the facilities and dedicate said facilities to OMWD. The facilities are now complete and have been built in accordance with the approved plans and OMWD Standard Specifications and Drawings. The warranty period will terminate one (1) year following the acceptance of the facilities by OMWD's Board.

Fiscal Impact

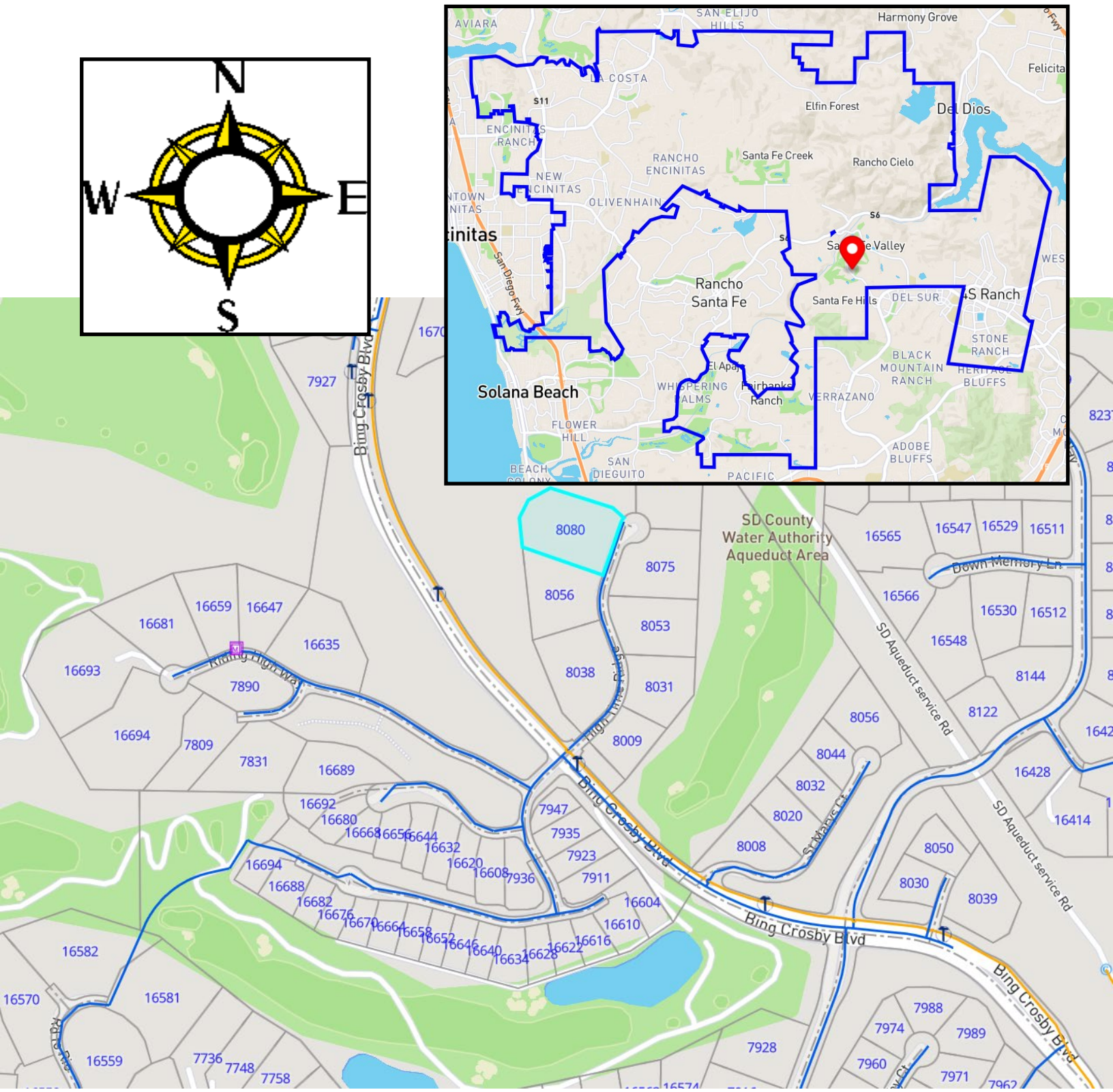
There is no fiscal impact to accepting the facilities into OMWD's system. The new assets will be reported to Finance for capitalization.

Discussion

Staff is available to answer questions.

Prepared by: Paul Martinez, Engineering Technician II
Reviewed by: Steven Weddle, Engineering Services Supervisor
Erick Del Bosque, Engineering Manager
Joey Randall, Assistant General Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments:
Location Map
Notice of Completion



8080 HIGH TIME RIDGE

WATER SERVICE INSTALLATION

DISTRICT PROJECT NO. W590384

RECORDING REQUESTED BY &
WHEN RECORDED RETURN TO:

Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, California, 92024-5699

(This space for recorder's use)

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN that the facilities shown on improvement plans for Parcel 267-201-03-00 of Map No. 14199, recorded on April 26th, 2001, located in the County of San Diego, State of California for which William B. Roberts, ("Developer") contracted with the OLIVENHAIN MUNICIPAL WATER DISTRICT ("Owner," in fee, of the facilities), headquartered at 1966 Olivenhain Road, Encinitas, CA 92024, have been completed in accordance with the approved plans and standard specifications and drawings as of September 21, 2026. The facilities have been accepted by the Board of Directors of the OLIVENHAIN MUNICIPAL WATER DISTRICT on this 14 day of October 2026.

In witness whereof this Notice of Completion has been executed under authority from the Board of Directors of said OLIVENHAIN MUNICIPAL WATER DISTRICT by Kimberly A. Thorner, General Manager.

KIMBERLY A. THORNER, being first duly sworn, deposes and says that she is General Manager of the OLIVENHAIN MUNICIPAL WATER DISTRICT and is familiar with the facts stated in the foregoing Notice of Completion executed for and on behalf of said Agency, that she has read the foregoing Notice of Completion and knows the contents thereof and that the same are true.

OLIVENHAIN MUNICIPAL WATER DISTRICT

Date: _____ , 20__ By:_____
Kimberly A. Thorner
General Manager

District Project No. W590384 – 8080 High Time Ridge WS Installation

OLIVENHAIN
Municipal Water District

Agenda Item C-e

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Paul Martinez, Engineering Technician II

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER APPROVAL OF PRIVATE ENCROACHMENT PERMIT NO. 436 FOR RANCHO SANTA FE LENDERS LLC, TO CONSTRUCT PRIVATE SEWER FORCE MAINS THROUGH OMWD EASEMENT 1345 LOCATED AT 18531 ALISO CANYON RD, AND ORDER THE PERMIT TO BE RECORDED**

Purpose

The purpose of this agenda item is to consider approval to enter into an Encroachment Permit Agreement with Rancho Santa Fe Lenders, LLC. The proposed sewer force mains fall within the property at APN 265-270-84-00 and encroach upon OMWD's Easement No. 1345. Approval of this item would additionally authorize the General Manager to sign the Encroachment Permit on behalf of OMWD for recording by the County of San Diego Recorder's Office.

Recommendation

Staff recommends approval of Encroachment Permit No. 436 and authorization for the General Manager to sign the permit on behalf of OMWD.

Alternative(s)

The Board could direct Staff to not allow the proposed encroachments or proceed in a manner as otherwise directed.

Background

The proposed encroachments consist of the parcel owner constructing four private 2-inch PVC sewer force mains through Easement No. 1345 located on Assessor Parcel 265-270-84-00 and owned by Rancho Santa Fe Lenders, LLC. The parcel is currently proposing an 8-lot project within the County of San Diego. The proposed encroaching facilities are needed to reach and connect to the existing County of San Diego Sewer collection pipelines located within Pacifica Ranch Drive, falling within Director Division 1 (Lanfried).

Fiscal Impact

There is no fiscal impact to OMWD in approving Encroachment Permit No. 436, and the applicant has already paid the encroachment permit application fee. The Encroachment Permit Agreement stipulates that the permittee is responsible for all costs incurred to remove and rebuild any encroaching facilities should OMWD need access to its facilities within the easement for any reason whatsoever.

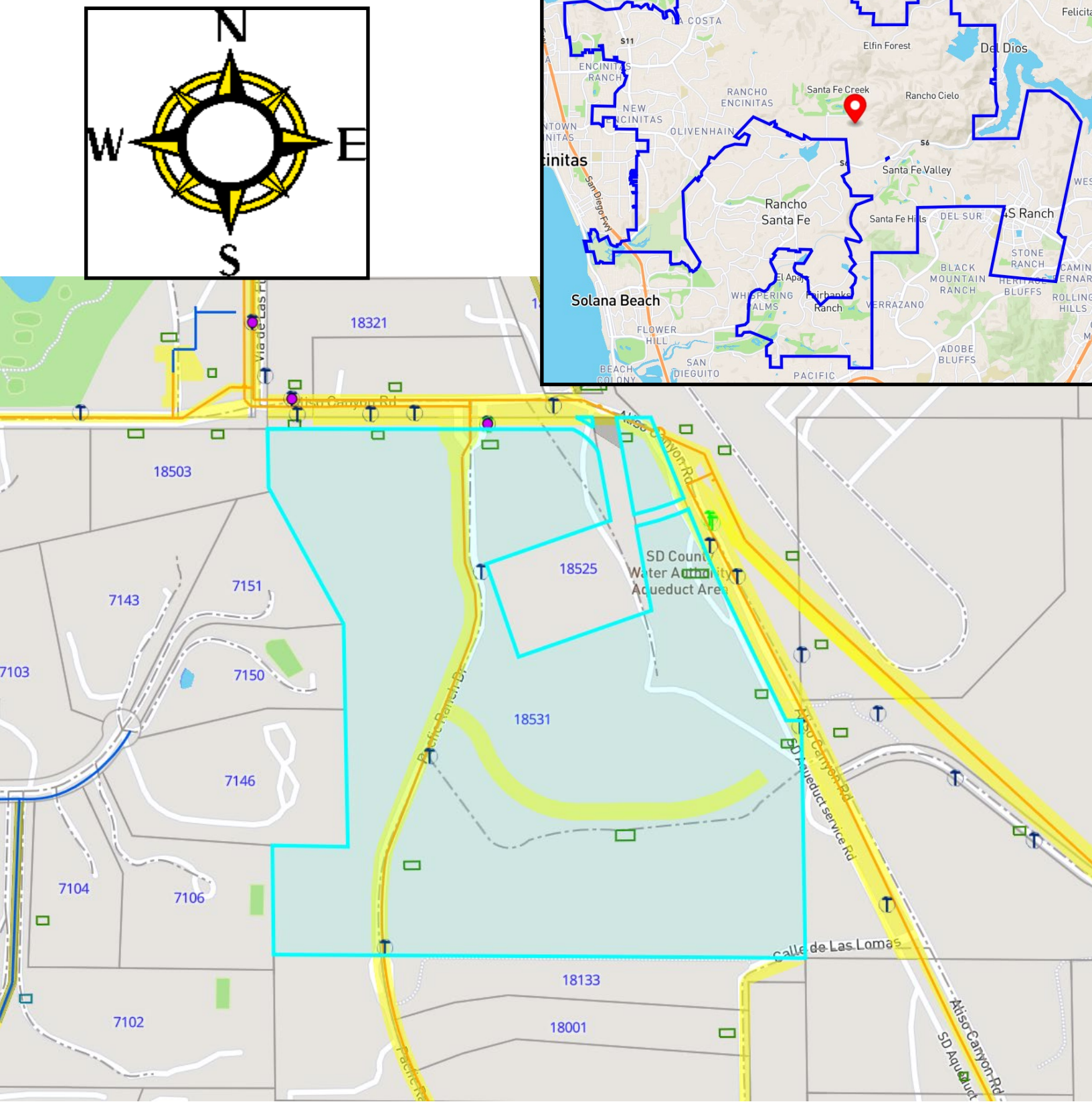
Discussion

The proposed sewer force mains will be constructed in a manner that will not unduly affect OMWD's daily operations or maintenance of existing facilities located within the easement. A copy of the Encroachment Permit is attached for review, and staff recommends approval given that the proposed encroachments do not interfere with OMWD business and are of benefit to the properties within the surrounding community.

Staff is available to answer any questions.

Prepared by: Paul Martinez, Engineering Technician II
Reviewed by: Steven Weddle, Engineering Services Supervisor
Erick Del Bosque, Engineering Manager
Joey Randall, Assistant General Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments:
Location map
Encroachment Permit Agreement No. 436



ENCROACHMENT PERMIT 436

18531 ALISO CANYON RD

DISTRICT PROJECT NO. W560012

RECORDING REQUESTED BY &

WHEN RECORDED RETURN TO:

Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, California, 92024-5699

(This space for recorder's use)
A.P.N. No. 265-270-84-00

OLIVENHAIN MUNICIPAL WATER DISTRICT

PRIVATE ENCROACHMENT PERMIT AGREEMENT NO. 436

THIS ENCROACHMENT PERMIT No. 436 (hereinafter "Agreement") entered into by and between the OLIVENHAIN MUNICIPAL WATER DISTRICT organized and existing pursuant to the Municipal Water District Act of 1911, California Water Code §71000, et seq. (hereinafter "DISTRICT"), and RANCHO SANTA FE LENDERS, LLC., (hereinafter "PERMITTEE").

R-E-C-I-T-A-L-S

1. The DISTRICT presently holds title to an easement as more particularly described in the DISTRICT's document no. 1345, recorded February 25th, 2005, as File/Page 05-0156194, Official Records, San Diego County, not attached hereto, but incorporated herein by reference.

2. PERMITTEE desires to encroach upon this easement.

3. PERMITTEE is the owner of property described in Exhibit "A" attached hereto.

4. The parties agree that PERMITTEE shall be entitled to encroach upon this easement only to the extent and in the manner specified in this Agreement. No other encroachments shall be allowed without the express prior written consent of the DISTRICT.

C-O-V-E-N-A-N-T-S

1. **Permission to Encroach on Easement**: PERMITTEE is hereby granted permission to encroach upon the easement referred to above in the manner specified in Exhibit "B" subject to all conditions specified in Exhibit "B" and subject to all terms of this Agreement.

2. **Limitations of Rights Granted to PERMITTEE**: Rights being granted to PERMITTEE in accordance with this Agreement shall extend only to such rights as the DISTRICT may grant to PERMITTEE in accordance with the terms of the easement presently held by DISTRICT. PERMITTEE shall be solely responsible for verifying that the rights being granted by DISTRICT may be granted to PERMITTEE in accordance with the terms of the DISTRICT's easement.

3. **Construction of Encroachment**: PERMITTEE shall be solely responsible for all fees, costs, and expenses of whatever type or nature associated with construction of the encroachment. The DISTRICT shall be notified at least forty-eight (48) hours prior to commencement of construction of the encroachment and shall be permitted to inspect and approve all encroachment construction. All encroachment construction shall be carried out as specified by the DISTRICT, in its sole discretion.

3.1. PERMITTEE shall pay all costs of the DISTRICT's, including, but not limited to, the costs of inspection, administration, legal fees, and engineering relating to the construction and exercise of permission granted to PERMITTEE by this Agreement.

4. **Maintenance of Encroachment Facilities and Area**: PERMITTEE shall maintain the encroachment facilities and encroachment area at all times in a safe, sanitary, and good condition at PERMITTEE's sole cost and expense. PERMITTEE shall promptly perform all maintenance and repair of the facilities and encroachment area requested by the DISTRICT from time to time, in its sole discretion.

5. **Protection of DISTRICT Facilities in Encroachment Area**: All facilities of the DISTRICT in the encroachment area shall be protected by PERMITTEE as directed by the DISTRICT from time to time, in its sole discretion.

6. **Payment for all Damages and Expenses Caused by Encroachment**: PERMITTEE shall pay for all damages, of whatever type or nature, which may occur to the DISTRICT'S easement or

facilities within the easement as a result of construction, maintenance, use, repair, removal, or relocation of PERMITTEE's facilities.

6.1. PERMITTEE shall also pay for all fees and costs incurred by the DISTRICT to remove, demolish, or relocate PERMITTEE's facilities in order to repair, maintain, replace, relocate, or remove DISTRICT's facilities in the easement or to install new facilities in the easement as the DISTRICT may determine in its sole discretion.

6.2. Should the DISTRICT determine that PERMITTEE's facilities must be relocated, as the DISTRICT may determine in its sole discretion, PERMITTEE shall pay all fees and costs to remove and relocate these facilities.

6.3. All such payments shall be made within thirty (30) consecutive days following receipt of a written demand from the DISTRICT. The written demand shall specify the amount due and the type of losses or expenses incurred. Any amounts not received by the DISTRICT within this thirty (30) consecutive day period shall earn interest at the maximum rate authorized by California law.

7. **Indemnity**: PERMITTEE hereby agrees to hold harmless, defend and indemnify the DISTRICT and its agents, servants, employees, consultants, and officers from any and all claims, actions, liability, losses, costs, damage, or expense of whatever type or nature to any persons, entities, or property caused by, or claimed to be caused, in whole or in part, by the construction, maintenance, repair, replacement or use of the encroachment facilities or encroachment areas except claims caused by the sole active negligence or intentional misconduct of the DISTRICT or its agents or employees. This indemnity shall include all DISTRICT's attorney's fees, expert fees and costs, and court costs if the DISTRICT is named as a party in any litigation related to the encroachment.

8. **DISTRICT not Liable for Damage to Encroachment or Encroachment Area**: The DISTRICT shall not be liable for any damages whatsoever to the encroachment facilities or encroachment area related in any way to the DISTRICT's continued use of the easement or as a result of the DISTRICT's construction, use, repair, replacement, or relocation of any DISTRICT facilities within the easement.

9. **Other Uses Forbidden**: PERMITTEE is limited to the specific encroachment area and facilities granted by this Agreement. No other encroachment is permitted without the express prior written consent of the DISTRICT.

10. **Prior Rights**: This Agreement shall not alter, modify, or terminate, in any way, any of the prior rights of DISTRICT to use of the easement in accordance with its terms. PERMITTEE shall not be considered as acquiring any permanent interest of any kind or nature in the easement which is inconsistent with the rights of the DISTRICT.

11. **General Conditions**: The encroachment shall be subject to each of the following general conditions (where applicable):

11.1. The existing ground level over the DISTIRCT's underground facilities shall not be changed without the prior written consent of the DISTRICT.

11.2. A horizontal clearance of five (10) feet and a vertical clearance of one (1) foot shall be maintained between the DISTRICT's underground facilities and the approved underground encroachment facilities.

11.3. No blasting shall be permitted without the prior inspection and approval of the DISTRICT.

11.4. Heavy equipment is not permitted on the easement without DISTRICT notification and approval.

12. **Termination**: Violation of any of the terms of this Agreement by PERMITTEE shall constitute a material breach of this Agreement entitling the DISTRICT to unilaterally terminate this Agreement by written notice to PERMITTEE, in addition to all other relief afforded by applicable law. Upon receipt of notice of termination from the DISTRICT, PERMITTEE shall promptly remove all encroachment facilities and restore the encroachment area in the manner directed by the DISTRICT, in its sole discretion. All fees, costs, and expenses of removal and restoration shall be paid solely by PERMITTEE.

13. **Agreement as Covenant Running with Land and Binding on Successors**: The parties expressly agree that this Agreement shall be construed as a valid and binding equitable servitude and covenant running with the land which shall be binding upon the heirs, personal representatives, successors, assigns, or transferees of the parties hereto. The parties expressly waive the right to challenge

the enforceability of this Agreement as a legal and binding equitable servitude and covenant running with the land in any subsequent arbitration or litigation between the parties or their successors.

14. **Attorney's Fees:** In the event of any legal or equitable proceeding to enforce or interpret the terms or conditions of this Agreement, the prevailing party shall be entitled to all reasonable attorney fees and court costs in addition to such other relief as may be afforded by applicable law.

15. **Law Applied**: The validity, interpretation, construction, and performance of this Agreement shall be construed under the laws of the State of California and the applicable rules and regulations of the DISTRICT.

16. **Venue**: In the event of any arbitration or litigation to interpret or enforce the terms of this Agreement, venue shall lie only in the state or federal courts in or nearest to the North County Judicial District, County of San Diego, State of California.

17. **No Warranties**: There are no warranties or representations of any kind being made.

18. **Modification**: This Agreement shall not be altered in whole or in part except by a modification in writing executed by both parties to this Agreement.

19. **Meaning of "PERMITTEE":** The word PERMITTEE as used in this Agreement shall mean the PERMITTEE or any person or entity deriving any interest in this encroachment permit from PERMITTEE or its successors-in-interest.

20. **Attorney Representation**: The PERMITTEE acknowledges that this Agreement has been prepared by the Law Offices of Nossaman LLP, who represents only the DISTRICT. The PERMITTEE is hereby notified to seek the advice of independent counsel concerning this Agreement and its terms. PERMITTEE acknowledges that PERMITTEE has had the opportunity to do so prior to executing this Agreement.

21. **Effective Date**: The effective date of this permit is _____, 20 _____.

22. **Board of Director's Approval**: This Agreement is executed by the DISTRICT pursuant to Board action of _____, 20____.

"**DISTRICT**"

OLIVENHAIN MUNICIPAL WATER DISTRICT

Dated: _____, 20_____ By: _____
Kimberly A. Thorner
General Manager

"**PERMITTEE"***

RANCHO SANTA FE LENDERS, LLC

Dated: _____, 20_____ By: _____
Kenan C. Thayer
Manager

*PERMITTEE'S SIGNATURE MUST BE NOTARIZED WITH NOTARY SEAL.

Agenda Item C-f

OLIVENHAIN
Municipal Water District

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Teresa L. Chase, Administrative Analyst

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER ANNUAL OBJECTIVES AND TIGER TEAM STATUS REPORT**

Purpose

The purpose of this agenda item is to provide the Board of Directors with a status update on the 2026 annual objectives, stretch objectives, and Tiger Team cost-saving efforts for the calendar year beginning January 1, 2026. The annual objectives tie back to OMWD's adopted Strategic Plan.

Recommendation

This is an informational item; no action is required.

Alternative(s)

Not applicable.

Background

The annual objectives for 2026 were approved at the January 21, 2026 board meeting. Full status updates on the 2026 annual objectives, stretch objectives, and Tiger Team cost-saving efforts were presented to the board at the April 15 and August 19 board meetings.

Fiscal Impact

There are no costs associated with this item.

Discussion

This item is presented to the Board of Directors to provide an update on staff's progress toward completion of the 2026 annual objectives and stretch objectives. A report on Tiger Team efforts is also included to update the board on funds saved or produced through grant funding, cost savings, and alternative revenue generation.

The objectives featured herein are on track to be completed by December 31, 2026, with the exception of the following objectives:

20. Complete design of grant-funded parking lot expansion project
Status: N/A - Sixty percent design was completed, but a significant increase in project cost has paused this project until additional funding becomes available. This project was also listed as a delayed project at the September 16 board meeting.

61. Commence construction of Palms Reservoirs Replacement Project
Status: 80% - Original project design is complete with fabrication of three pressure reducing stations underway. Delivery of the stations is anticipated during the first quarter CY 2027. After discovering critical valves in need of replacement, the project scope was expanded to include a Santa Fe Irrigation District emergency interconnect in August, and OMWD General Manager met with SFID General Manager and his staff to get their concurrence. Staff is awaiting interconnect design to be incorporated into the original project plans so the entire project can be bid for construction, which is anticipated in December.

While assessing the valves needing replacement, staff determined that a shutdown in the project area could leave hundreds of customers without water. Staff identified an emergency interconnect to SFID's system as a measure that would mitigate such an outage. Although the project is delayed, the expanded project will increase water supply reliability for customers.

63. If grant funding is available from the federal government, secure Community Partner Funding agreement for $959,752 and complete pilot test well installation and pump test; report progress and findings to board
Status: 50% - After receiving approval from EPA to proceed with a contract amendment with Geoscience Support Services, Inc. to facilitate the grant-funded project outputs, OMWD executed an amendment on June 5. Staff has continued

working with La Valle Coastal Club for easement acquisition and a joint use agreement. Staff submitted the Quality Assurance Project Plan to EPA for its review and approval, and continued working on the test well work plan and permitting tasks. Staff will provide a report to the board at its November 18 meeting.

64. Develop plan with SDCWA Voting and Governance Structure Committee to address SDCWA governance issues at the legislative level; if the committee recommends action in the 2026 legislative session, bring plan for approval to the full board
Status: 75% - OMWD's Ad Hoc SDCWA Voting and Governance Structure Committee met in February, July, and October. A white paper is currently being drafted and has been sent to the committee. A presentation to the full board will happen if the committee recommends pursuit of legislation in 2027 session. Staff is awaiting SDCWA business model recommendations.

65. Review findings of LAFCO's SDCWA Municipal Service Review with board
Status: N/A - On May 4, LAFCO voted 5-3 to suspend its SDCWA Municipal Service Review for four years, so completion of this objective is no longer possible because LAFCO terminated the MSR.

67. Complete negotiations on three-party recycled water agreement with Vallecitos WD and the City of Carlsbad
Status: 75% - Negotiations are ongoing. Disagreement between other parties may not be resolved.

Annual objective highlights over the course of the year include:

- Conducted large diameter flow meter calibrations at David C. McCollom Water Treatment Plant, improving efficiencies and reducing costs in chemical application
- Updated the 10-year Capital Improvement Plan to support Fiscal Years 2027 and 2028 budget
- Maintained year-to-year operations and maintenance controllable cost increases below 3.8% CPI
- Completed construction of FY 26 Cathodic Protection Improvements Project, protecting OMWD infrastructure
- Completed five new connections to date to the recycled water system
- Completed the replacement of 1,178 underperforming meters to date, improving revenue recapture and reducing apparent water loss

- Developed policy to protect OMWD assets from private third-party fire prevention services and created a webpage to share information with the public
- Achieved Special District Leadership Foundation's Transparency Certificate of Excellence and District of Distinction re-accreditation
- Won several awards:
    - California Water Environment Association San Diego Section's 2025 Collection System of the Year award for 4S Ranch Water Reclamation Facility
    - California Water Environment Association's 2026 Community Engagement and Outreach Program of the Year award at local and state levels for 2025 Water Career Day with partners San Elijo Joint Powers Authority and Leucadia Wastewater District
    - California Association of Sanitation Agencies' 2026 Excellence in Public Outreach and Education award for 2025 Water Career Day partnership event
    - American Public Works Association's San Diego and Imperial County Chapter Project of the Year award for Unit A Rancho Santa Fe Road Potable Water Pipeline Replacement Project
    - California Society of Municipal Finance Officers' operating budget excellence award
    - Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the thirty-first consecutive year
    - The Coast News Group's 2026 Best of North County contest's "Best Place to Volunteer" award for Elfin Forest Recreational Reserve

Staff anticipates that this is the final status update presented to the board in calendar year 2026. However, should there be significant changes to the status of any objective impacting its completion, a final status report on objectives as of December 31, 2026 will be included on the consent calendar of the January 2027 board meeting.

Prepared by:	Teresa Chase, Administrative Analyst
Reviewed by:	Brian Sodeman, Customer Service and Public Affairs Supervisor
	John Carnegie, Customer Services Manager
	Joey Randall, Assistant General Manager
Approved by:	Kimberly A. Thorner, General Manager

Attachment:

- *Annual Objectives and Tiger Team PowerPoint Presentation*

2026 Annual Objectives

October 14, 2026

OLIVENHAIN

Municipal Water District

2026 Annual Objectives

- A total of 70 objectives and nine stretch objectives were approved for calendar year 2026

Potable Water

1. Providing safe, reliable, high-quality drinking water to each customer in a cost-effective manner.

Objective	Progress Toward Completion
1. Conduct large diameter flow meter calibrations at David C. McCollom Water Treatment Plant	1. 100% - Completed calibration of all large diameter flow meters (3" and above) at DCMWTP
2. Enhance experience of in-house staff by completing the replacement of 15 valves in support of the Valve Replacement Project	2. 100% - In-house staff has replaced 15 valves
3. Commence refurbishment of the raw water equalization tanks at DCMWTP	3. 100% - There have been several site visits to finalize the plans for construction; contractor is procuring valves and other parts for the project; work is scheduled to begin October 25 during the planned SDCWA raw water shutdown

Potable Water

1. Providing safe, reliable, high-quality drinking water to each customer in a cost-effective manner.

Objective	Progress Toward Completion
4. Complete construction of FY 26 Cathodic Protection Improvements Project	4. 100% - Project is complete and NOC was approved by board
5. Outside of bird breeding season, complete maintenance of five impacted easements	5. 100% - Completed maintenance of five impacted easements
6. Progress DCMWTP basin rehabilitation program; commence procurement to pre-qualify contractors	6. 100% - Pre-qualification of four contractors complete; four bids received; board approved award of contract at its September 16 meeting
7. Develop policy for third-party fire protection services and present to Safety Committee	7. 100% - Policy was presented to the Safety Committee on July 22 and to the full board on August 19; a "Protecting My Property From Fire" webpage has been created to share this information with the public

Potable Water

1. Providing safe, reliable, high-quality drinking water to each customer in a cost-effective manner.

Objective	Progress Towards Completion
Stretch:	
• Complete maintenance of three additional impacted easements beyond Objective 5	• 100% - Completed maintenance of three additional impacted easements
• Complete replacement of five additional valves beyond Objective 2	• 100% - In-house staff has replaced an additional five valves beyond Objective 2

Recycled Water

2. Providing wastewater collection and treatment services in an environmentally responsible manner, and producing and supplying high-quality recycled water to irrigation customers in support of regional water conservation efforts.

Objective	Progress Toward Completion
8. Commence next phase of Programmable Logic Controller Upgrades at 4S Ranch Water Reclamation Facility	8. 100% - Completed upgrades at 4S Ranch Water Reclamation Facility
9. Replace scum boxes at the 4S WRF clarifiers	9. 100% - Procurement process in place; equipment expected to be delivered in November; installation to be completed by December 31
10. Complete three new connections to recycled water distribution system	10. 100% - Three new connections were completed for La Cresta HOA

Recycled Water

2. Providing wastewater collection and treatment services in an environmentally responsible manner, and producing and supplying high-quality recycled water to irrigation customers in support of regional water conservation efforts.

Objective	Progress Toward Completion
11. Complete Del Dios Sewer Pump Station Surge Analysis Study	11. 100% - Study completed in February; the recommended surge equipment is onsite and will be activated by end of year
12. Progress construction of headworks rehabilitation at 4S WRF to install new equipment	12. 100% - Construction in progress; bypass is currently being constructed by contractor
Stretch:	
• Complete two additional connections to the recycled water distribution beyond Objective 10	• 100% - Two connections to the recycled system beyond Objective 10 are on track for completion by December 31 (Bernardo Point HOA and Mira Costa College)

Park

3. Operating Elfin Forest Recreational Reserve in the most cost-effective, safe, environmentally responsive, and service-oriented manner.

Objective	Progress Toward Completion
13. Continue education program for elementary schools in partnership with the Escondido Creek Conservancy, providing at least 2,000 students with in-person field trips to EFRR	13. 100% - Expecting to reach 2,000 students on formal field trips in mid-October
14. Utilize volunteer groups such as San Diego Mountain Biking Association and EFRR trail patrol for two trail maintenance/repair projects	14. 100% - Volunteer trail maintenance projects took place on April 8 and 14
15. Utilize volunteer groups to conduct two non-native plant removal projects	15. 100% - Non-native plant removal projects took place on April 3 and July 24

Park

3. Operating Elfin Forest Recreational Reserve in the most cost-effective, safe, environmentally responsive, and service-oriented manner.

Objective	Progress Toward Completion
16. Participate in I Love a Clean San Diego Creek to Bay Cleanup event	16. 100% - Creek to Bay Cleanup event took place April 25
17. Complete 19th annual photo contest and launch 20th annual photo contest	17. 100% - 20th annual photo contest commences on November 21
18. Utilize past Gold Spotted Oak Borer monitoring data to identify and treat problem areas, focusing on "high value" trees for treatment (e.g., 12"+ diameter, in aesthetically valuable area, etc.); target treatment of at least 150 trees	18. 100% - Approximately 230 trees were treated for GSOB on May 8

Park

3. Operating Elfin Forest Recreational Reserve in the most cost-effective, safe, environmentally responsive, and service-oriented manner.

Objective	Progress Toward Completion
19. Replace all end-of-life carsonite trail markers throughout EFRR's trail system	19. 100% - All end-of-life trail markers replaced within EFRR
20. Complete design of grant-funded parking lot expansion project	20. N/A- Sixty percent design was completed, but a significant increase in project cost has paused this project until additional funding becomes available; board approved delaying this project at its September 16 meeting
Stretch:	
• Utilize volunteer groups for two additional maintenance or cleanup events at EFRR	• 100% - Botanical Trail and Way Up Trail volunteer maintenance projects took place May 22 and June 26

Sustainable Energy

4. Pursuing alternative and renewable energy sources as a means of offsetting costs and energy charges, providing sustainability.

Objective	Progress Toward Completion
21. Evaluate new energy management programs to identify new savings opportunities (Solar Shadow or similar); provide update to Facilities Committee	21. 100% - Staff worked with Utility Cost Management, Terra Verde, Electric Power Research Institute, and Alliance Building on new energy savings opportunities and programs; presented to Facilities Committee on March 17 and will provide an update to Facilities Committee at its next 2026 meeting
22. Continue working with CARB to secure exemptions for emergency response vehicles; provide update to Facilities Committee	22. 100% - After legislative efforts to reduce the impact to OMWD from CARB ACF regulations, there were slight improvements, such as the date for meeting regulatory requirements being pushed out to 2030; staff presented an update on ACF regulations to the Facilities Committee on March 17; staff presented two more exemption requests to CARB in September

Employee Relations

5. Providing a safe, healthful, and rewarding work environment which encourages communication as well as values employee participation and personal achievement.

Objective	Progress Toward Completion
23. Provide sexual harassment prevention training for employees and supervisors as required by state law	23. 100% - Sexual harassment prevention training sessions scheduled in October for employees and supervisors
24. Negotiate a new Memorandum of Understanding with the employee bargaining unit representatives; present to board for approval	24. 100% - MOU contract extension verbally approved by board at its August 19 meeting; staff will present amendment to board at its October 14 meeting
25. Conduct salary survey as negotiated in the MOU; present to Personnel Committee, then to full board	25. 100% - Presented to Personnel Committee in March and to full board at its April 15 meeting

Employee Relations

5. Providing a safe, healthful, and rewarding work environment which encourages communication as well as values employee participation and personal achievement.

Objective	Progress Toward Completion
26. Prepare the five-year staffing analysis succession planning document; present to Personnel Committee, then to full board	26. 100% - Presented to Personnel Committee in March and to full board at its April 15 meeting
27. Conduct defensive driving safety training for district drivers	27. 100% - All employees completed initial training; further training scheduled in November for district drivers; on track for completion by December 1
28. Create an artificial intelligence policy for employees, consultants, and contractors; present to board for consideration and approval	28. 100% - Policy approved by board at its August 19 meeting

Regulatory Requirements

6. Exceeding all federal, state, and local regulatory requirements for providing potable water, wastewater treatment, and recycled water.

Objective	Progress Toward Completion
29. Submit 2025 Urban Water Management Plan to DWR by the July 1, 2026 deadline	29. 100% - 2025 UWMP was submitted to DWR prior to July 1, 2026
30. Monitor customer demands and implement conservation measures, if needed, to ensure compliance with water use objective established in AB 1668/SB 606 (2018) by the January 1, 2027 deadline; report to board on progress	30. 100% - Customer usage tracked below water use objective; no additional conservation measures required this reporting period; progress report provided to board at its April meeting

Regulatory Requirements

6. Exceeding all federal, state, and local regulatory requirements for providing potable water, wastewater treatment, and recycled water.

Objective	Progress Toward Completion
31. Begin the Commercial, Industrial, and Institutional classification process per water use efficiency requirements in advance of the June 2027 deadline	31. 100% - All CII accounts have been classified, and new codes have been entered into CIS Infinity, meeting SWRCB's deadline
32. Begin CII large landscape identification process (.5-acre or more without a dedicated irrigation meter) per SWRCB WUE requirements in advance of the June 2027 deadline	32. 100% - All CII accounts without a dedicated irrigation meter have been identified and landscape area has been measured
33. Begin collecting data on Geoviewer's new leak module to comply with the SWRCB new leak registry regulations	33. 100% - Leak module has been reconfigured to capture all SWRCB required information

Regulatory Requirements

6. Exceeding all federal, state, and local regulatory requirements for providing potable water, wastewater treatment, and recycled water.

Objective	Progress Toward Completion
34. Complete installation of a backup disinfection compliance analyzer at DCMWTP	34. 100% - New backup disinfection compliance analyzer is now in use, providing the Ammonia Feed Injection Facility with added redundancy
35. Continue lead service line inventory per regulatory requirement and record results in Geoviewer	35. 100% - The lead service line inventory has continued to progress as crews perform cathodic anode installations at meters
36. Complete 4S WRF Title 22 Engineering Report update	36. 100% - Draft completed; met with DDW in September; report on track to be completed by November 30

Regulatory Requirements

6. Exceeding all federal, state, and local regulatory requirements for providing potable water, wastewater treatment, and recycled water.

Objective	Progress Toward Completion
37. Submit Notice of Non-Applicability to declassify OMWD headquarters from the State Industrial General Permit for stormwater	37. 100% - Submitted NONA to declassify OMWD headquarters from the State Industrial General Permit for stormwater
38. Continue interdepartmental Stormwater Pollution Prevention Plan committee to provide greater oversight for stormwater issues at headquarters; conduct four quarterly meetings	38. 100% - NONA approved and OMWD headquarters declassified; Stormwater Pollution Prevention Plan committee for oversight of the State Industrial General Permit is no longer needed
Stretch:	
• Receive approval of Notice of Non-Applicability to declassify headquarters from State Industrial General Permit for stormwater	• 100% - State Water Resources Control Board approved NONA

Cost Efficiency / Customer Service

7. Minimizing all of OMWD's operational costs while maintaining a high level of customer service.

Objective	Progress Toward Completion
39. Continue to pursue local, state, federal, and private grant funding to offset costs	39. 100% - Submitted separate WRDA and CPF applications for up to $11.2 million to Congressmen Peters and Levin, and Senators Padilla and Schiff, for DCMWTP rehabilitation project; Director Maloni met with DC offices of each to advocate for funding; in July, Congressman Levin's office included an $11.5 million increase to the San Diego County 2026 WRDA Environmental Infrastructure Request for DCMWTP rehabilitation project; now working to include the additional $11.5 million in Senate WRDA request
40. Conduct review of customer leak adjustment policy; share results with board	40. 100% - Report presented at the September 16 board meeting

Cost Efficiency / Customer Service

7. Minimizing all of OMWD's operational costs while maintaining a high level of customer service.

Objective	Progress Toward Completion
41. Identify and replace at least 1,000 underperforming meters to improve revenue capture and reduce apparent water loss	41. 100% - As of September 23, replaced 1,178 underperforming meters
42. Increase customer use of online billing services, targeting 500 accounts newly enrolled in online payments	42. 100% - 1,843 accounts have newly enrolled in autopay as of September 22
43. Explore alternatives for recycled water in the Southeast Quadrant; report findings to Facilities Committee	43. 100% - Staff is exploring an option using new technology at Whispering Palms CSD, and is continuing efforts to restore a raw water connection with SDCWA at Olivenhain 4, meeting with SDCWA in September to discuss what both parties require to make the reconnection successful; staff will report findings to Facilities Committee at its next 2026 meeting

Cost Efficiency / Customer Service

7. Minimizing all of OMWD's operational costs while maintaining a high level of customer service.

Objective	Progress Toward Completion
Stretch:	
• Achieve one or more new grant awards	• 100% - Awarded $25,000 from San Diego County's Neighborhood Reinvestment Program for emergency response radios; received $3,000 from MWD's Community Partnering Program for Native Plants and Waterwise Landscaping workshop, and $2,000 from ACWA JPIA for OMWD's safety and wellness program
• Add 500 new subscribers to the My Water Use dashboard	• 100% - As of September 22, 961 new users have subscribed

Community Relations

8. Maintaining open communication and participation with the public through active conservation and educational programs as well as continually seeking customer input for informed decision-making.

Objective	Progress Toward Completion
44. Partner with local businesses, vendors, and community organizations on water conservation-related workshop	44. 100% - Held rain barrel workshop in partnership with SDWD, SFID, and California Landscape Technologies; held Fire-Resistant Landscape Workshop, featuring native and low-water-use plants, in partnership with SDWD, SFID, and California's Own Native Landscape Design
45. Launch outreach campaign to raise awareness of private-side water related household maintenance, including pressure regulators, water heaters, and irrigation efficiency	45. 100% - "Maintaining a Water Smart Home" campaign launched in April newsletter; top 10 maintenance tasks checklist featured in June newsletter; dedicated webpage created and featured in social media

Community Relations

8. Maintaining open communication and participation with the public through active conservation and educational programs as well as continually seeking customer input for informed decision-making.

Objective	Progress Toward Completion
46. Achieve Special District Leadership Foundation's District of Distinction re-accreditation at Platinum level	46. 100% - Platinum level re-accreditation achieved in March
47. Partner with local conservancy group to host a native plant workshop to advance water conservation	47. 100% - Held Native Plants and Waterwise Landscaping Workshop in partnership with SDWD, SFID, Escondido Creek Conservancy, and California Landscape Technologies

Community Relations

8. Maintaining open communication and participation with the public through active conservation and educational programs as well as continually seeking customer input for informed decision-making.

Objective	Progress Toward Completion
Stretch:	
• Win award from California Special Districts Association, Association of California Water Agencies, California Water Environment Association, or other industry group	• 100% - Won CWEA Collection System of the Year (SD section), CWEA Community Engagement & Outreach Program of the Year (SD section and state competition), APWA Project of the Year (SD/Imperial Chapter), and CASA Award of Excellence in Public Outreach/Education

Financial Planning

9. Ensuring that financial plans, policies, and practices maintain the ability of OMWD to construct, operate, and maintain all approved facilities including replacement funds for future needs.

Objective	Progress Toward Completion
48. Complete biennial Operating and Capital Budget for Fiscal Years 2027 and 2028	48. 100% - Operating and Capital Budget for Fiscal Years 2027 and 2028 adopted by board at its June 17 meeting
49. Complete Annual Comprehensive Financial Report, audit, and single audit for Fiscal Year 2026	49. 100% - Year-end closing and audit fieldwork has been completed; Annual Comprehensive Financial Report, audit, and single audit for Fiscal Year 2026 will be presented to board at its December 16 meeting

Financial Planning

9. Ensuring that financial plans, policies, and practices maintain the ability of OMWD to construct, operate, and maintain all approved facilities including replacement funds for future needs.

Objective	Progress Toward Completion
50. Issue a request for proposals for year-end financial audit services starting with Fiscal Year 2027	50. 100% - RFP for audit services has been issued, sent to qualified audit/CPA firms, and posted to the California Society of Municipal Finance Officers website
51. Complete debt issuance to finance Wastewater capital projects as recommended in Cost of Service Study	51. 100% - Ibank completed review of OMWD's application, including review of audited financial statements and projections, and invited OMWD to continue with financing process; staff will bring loan terms to board at its October 14 meeting, with closing on track by December 31
52. Develop a plan to address any findings identified in third-party cybersecurity audit and bring to board for consideration, approval, and funding in Fiscal Year 2028 budget	52. 100% - Remediation plan and professional services agreement presented to board at its March 18 meeting; implementation of remediation plan with Armanino and IT is underway

Financial Planning

9. Ensuring that financial plans, policies, and practices maintain the ability of OMWD to construct, operate, and maintain all approved facilities including replacement funds for future needs.

Objective	Progress Toward Completion
53. Review the recent rate case results of City of San Diego and LADWP with the General Counsel and rate consultants; brief the board based on this comprehensive review, incorporating all issues at hand in California, including current ACWA efforts and other regional member agency efforts	53. 100% - General Manager conducted comprehensive review of rate case results at August 19 board meeting
54. Complete annual review of water rates and charges for 2027	54. 100% - Pass-through adjustments were presented to board at its August 19 meeting for consideration; board approved moving forward with customer notification via Watching Water newsletter; staff will bring the pass-through adjustments to board at its October 14 meeting for final consideration and approval

Financial Planning

9. Ensuring that financial plans, policies, and practices maintain the ability of OMWD to construct, operate, and maintain all approved facilities including replacement funds for future needs.

Objective	Progress Toward Completion
55. Implement wastewater, capacity fee, and water-related fee increases for 2026	55. 100% - Wastewater fees have been updated and billing has been completed; capacity fee increases and water-related service fee increases were approved by board at its September 16 meeting
56. Continue insurance captive investigation for the next cost-of-service study, including consultations with specialized brokers and attorneys, and report findings to the Insurance Committee; if action is recommended by the committee, bring to full board for consideration	56. 100% - Captive insurance investigation findings were presented to the Insurance Committee at its September 14 meeting; anticipate presentation to full board in January 2027, per committee direction

Financial Planning

9. Ensuring that financial plans, policies, and practices maintain the ability of OMWD to construct, operate, and maintain all approved facilities including replacement funds for future needs.

Objective	Progress Toward Completion
57. Review the safety, liquidity, and returns of the OMWD portfolio compared to current legal requirements for public agency investments with the Finance Committee, evaluating any adjustments to strategy that could increase market return without jeopardizing the safety or liquidity of OMWD investments; bring any adjustments to strategy or financial policies recommended by the committee to the full board for consideration	57. 100% - Recommendations were presented to Finance Committee on August 11 and to full board at its August 19 meeting; staff in process of issuing request for proposal for investment management services following board direction
Stretch:	
• Maintain year-to-year operations & maintenance controllable cost increases not to exceed CPI	• 100% - Adopted budget maintained controllable cost increases under CPI (3.8%)

Water Master Plan

10. Planning and constructing the Master Plan of Facilities to meet the long-term water storage, treatment, transmission, and distribution needs of OMWD.

Objective	Progress Toward Completion
58. Review and update the 10-year Capital Improvement Plan to support Fiscal Years 2027 and 2028 budget; present to Facilities Committee	58. 100% - 10-year Capital Improvement Plan to support Fiscal Years 2027 and 2028 budget was presented to Facilities Committee in March
59. Complete Train 9 membrane replacements at DCMWTP	59. 100% - New membranes have been flushed, disinfected, and placed into operation; basin was refurbished in early 2026 and train is now fully operational
60. Finish construction on the Tank Safety Project	60. 100% - Work complete at two of three sites, with Santa Fe Valley Reservoir currently under construction; contractor performing under significant delays; General Manager met with contractor to negotiate liquidated damages, and contract will be completed by October 30

10. Planning and constructing the Master Plan of Facilities to meet the long-term water storage, treatment, transmission, and distribution needs of OMWD.

Objective	Progress Toward Completion
61. Commence construction of Palms Reservoirs Replacement Project	61. 80% - Original project design is complete with fabrication of three pressure reducing stations underway; delivery of the stations is anticipated during first quarter CY 2027; after discovering critical valves in need of replacement, the project scope was expanded to include a Santa Fe Irrigation District emergency interconnect in August; staff is awaiting interconnect design to be incorporated into the original project plans so the entire project can be bid for construction, which is anticipated in December
62. Complete design of Dusty Trail Pipeline Replacement Project	62. 100% - Final design is complete

Water Reliability

11. Establishing programs and policies to develop alternative water supplies to serve existing and future customers.

Objective	Progress Toward Completion
63. If grant funding is available from the federal government, secure Community Partner Funding agreement for $959,752 and complete pilot test well installation and pump test; report progress and findings to board	63. 50% - After receiving approval from EPA to proceed with a contract amendment with Geoscience Support Services, Inc. to facilitate the grant-funded project outputs, OMWD executed an amendment on June 5; staff has continued working with La Valle Coastal Club for easement acquisition and joint use agreement; submitted the Quality Assurance Project Plan to EPA for its review and approval; continued working on the test well work plan and permitting tasks; staff will provide a report to the board at its November 18 meeting

Government Relations

12. Cultivating supportive and positive relationships with the federal, state, and local agencies which may impact OMWD's operations.

Objective	Progress Toward Completion
64. Develop plan with SDCWA Voting and Governance Structure Committee to address SDCWA governance issues at the legislative level; if the committee recommends action in the 2026 legislative session, bring plan for approval to the full board	64. 75% - OMWD's Ad Hoc SDCWA Voting and Governance Structure Committee met in February, July, and October; white paper currently being drafted and has been sent to the committee; presentation to full board will happen if committee recommends pursuit of legislation in 2027 session; staff is awaiting SDCWA business model recommendations
65. Review findings of LAFCO's SDCWA Municipal Service Review with board	65. N/A - On May 4, LAFCO voted 5-3 to suspend its SDCWA Municipal Service Review for four years

Government Relations

12. Cultivating supportive and positive relationships with the federal, state, and local agencies which may impact OMWD's operations.

Objective	Progress Toward Completion
66. Review findings of LAFCO's OMWD Municipal Service Review with board	66. 90% - Provided comments to LAFCO on OMWD's Technical Draft in March; based on SDCWA MSR being delayed due to data timing, OMWD's MSR was redone by LAFCO staff in August to include FY 2025 data; staff provided new comments to LAFCO on revised draft in October; staff will present findings to full board at its November 18 meeting if MSR is released by LAFCO in November

Government Relations

12. Cultivating supportive and positive relationships with the federal, state, and local agencies which may impact OMWD's operations.

Objective	Progress Toward Completion
67. Complete negotiations on three-party recycled water agreement with Vallecitos WD and the City of Carlsbad	67. 75% - Negotiations ongoing; disagreement between other parties may not be resolved
68. Coordinate with County of San Diego Registrar of Voters on board filings for the 2026 election	68. 100% - All paperwork required has been filed with Registrar of Voters; both OMWD directors unopposed
69. Continue to engage and influence legislators and policy groups to oppose the development of a low-income water rate assistance program that lacks a state or federal funding source and that is administratively burdensome to OMWD	69. 100% - SB 1125 was introduced with companion bill AB 2739 as a vessel for a funding source; OMWD participated in ACWA's LIRA workgroup, and provided input on proposed amendments; amendments were accepted; the bills call for funding from the State Treasury, and include administrative costs

Government Relations

12. Cultivating supportive and positive relationships with the federal, state, and local agencies which may impact OMWD's operations.

Objective	Progress Toward Completion
70. Continue to engage and influence legislators and policy groups to advocate for exemptions to zero-emission vehicle requirements for emergency response vehicles	70. 100% - General Manager presented to ACWA's Energy Committee on OMWD's position on the Advanced Clean Fleets regulation and allowing emergency response water and wastewater vehicles to be exempt; ACF is the Energy Committee's number one issue for 2026; General Manager met with CARB staff and CSDA to advocate for emergency response vehicle exemption; sent a letter of support for AB 1436, which provides regulatory clarity on private fleet (e.g., contractors) regulations; working on potential legislation with statewide associations

Tiger Team Report

Grants and Alternative Funding

Under Pursuit

- $11,500,000–Submitted separate WRDA applications to Congressmen Peters and Levin, and Senators Padilla and Schiff, for DCMWTP rehabilitation project
  - Congressman Levin's office included an $11,500,000 increase to the San Diego County 2026 WRDA Environmental Infrastructure Request for DCMWTP rehabilitation project; currently working to include the additional $11.5 million in the Senate WRDA request

Total Under Pursuit
$11,500,000

Tiger Team Report



Grants and Alternative Funding

- No funding awarded

Total Awarded this Reporting Period
$0

Cost Savings

- Savings of $700–Shared expenses on Fire-Resistant Landscape Workshop with SDWD and SFID
- Savings of $2,284–First-year savings from 419 customers converting from hardcopy billing statements to eBills

Total Cost Savings this Reporting Period
$2,984

Tiger Team Report

Alternative Revenue

OLIVENHAIN MUNICIPAL WATER DISTRICT
SCHEDULE OF OTHER BUSINESS (NON-WATER RELATED) REVENUES
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2026 (UNAUDITED)

	ACTUAL	THREE MONTH BUDGET
REVENUES:		
CELL SITE LEASES + RENTAL	166,299	174,250
MISCELLANEOUS INCOME	12,102	
ROGER MILLER HYDROELECTRIC REVENUES	29,541	30,000
CB&T VISA CASH INCENTIVE*	2,919	N/A
ESTIMATED DCMWTP ENERGY OFFSETS**	190,981	N/A
	401,842	204,250
TOTAL REVENUE FOR THREE MONTHS ENDED SEPTEMBER 30, 2026	401,842 ***	

Notes:
*This amount is neither recorded nor budgeted until fully realized.
** This is an unrealized revenue. This amount is calculated for internal reporting only.
***September figures included in calculation above are based on estimates as of 9.17.2026

Total alternative revenue in the first quarter of FY 2027: $401,842

Tiger Team Report

Summary

Total grant and alternative funding, alternative revenue, and cost savings (since August 2026 report):	$404,826
Total grant funding and potential alternative funding sources under pursuit:	*$11,500,000*

Since Inception of the Program (2005)

Total grant funding and cost savings to date:	$52,958,627
Total alternative revenue generated to date:	$22,794,907

OLIVENHAIN
Municipal Water District

Agenda Item C-g

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Kimberly A. Thorner, General Manager

Subject: **CONSIDER VOTE ON AMENDMENTS TO THE ASSOCIATION OF CALIFORNIA WATER AGENCIES' BYLAWS AND DESIGNATE THE GENERAL MANAGER TO ELECTRONICALLY VOTE ON BEHALF OF OLIVENHAIN MUNICIPAL WATER DISTRICT**

Purpose

This item is to vote on amendments to Association of California Water Agencies' (ACWA) bylaws and to select a delegate to cast OMWD's electronic vote.

Recommendation

Staff recommends appointing General Manager Thorner as OMWD's delegate to electronically vote in favor of the proposed amendments to ACWA's bylaws. No voting will be done in person at the ACWA conference, as has been done in previous years.

Alternative(s)

- The board may choose to vote against the proposed changes to ACWA's bylaws.
- The board may choose against participation in this vote.

Background

ACWA has proposed amendments to its bylaws addressing the following six issues:

1. Amendment to add the president's ultimate authority to schedule a special meeting if deemed necessary.
2. Amendment to allow the flexibility to take action by written consent.
3. Amendment to clarify the quorum for region board elections is five members.
4. Amendment to limit attendance during closed session discussions involving personnel matters to preserve the confidentiality of sensitive employment information, protect the privacy rights of employees and applicants, and promote candid discussion by those with responsibility for making personnel decisions. Importantly, the Board of Directors could conduct its own closed session prior to any final action. This amendment ensures flexibility for the Executive Committee's internal deliberation and consideration while preserving ultimate Board decision-making authority.
5. Amendment to clarify that the Council of Past Presidents may attend Board of Directors and Executive Committee meetings, with the exception of Executive Committee closed sessions as designated by the Executive Committee.
6. Amendment to clarify that the quorum for the region board elections is five, consistent with the quorum needed to conduct business at a region meeting, as established in Section 5.04, and with newly amended quorum language to elect region boards in Section 5.02.

Fiscal Impact

There are no costs associated with voting on the bylaws.

Discussion

ACWA will conduct a vote of the members by electronic ballot on the proposed Amended and Restated Bylaws, as recommended by the Board of Directors on September 25, 2026. Conducting the vote electronically provides all members an opportunity to participate, rather than limiting voting to members attending an ACWA conference. Each member agency is entitled to one vote that will be cast by its authorized voting representative. OMWD must designate a voting representative by submitting the attached Voting Representative Form by Friday, October 30. If no designee is selected, the voting representative is automatically the General Manager.

Staff is amenable to these amendments and recommends a favorable vote. To be approved, the amendments require a two-thirds vote of the member agencies. The

voting will be conducted by electronic ballot and the designated voter will receive an email directly from Simply Voting on November 9. Ballots must be submitted by December 18.

Prepared by: Stephanie Kaufmann, Executive Secretary
Reviewed by: Kimberly Thorner, General Manager
Approved by: Kimberly Thorner, General Manager

Attachments:

- ACWA's Proposed Amended and Restated Bylaw
- Voting Representative Form

Proposed Amendments to the ACWA's Bylaws

Amendment 1: ARTICLE 4, Section 4.05, Special Meeting

Current Bylaw	Proposed Bylaw	Rationale
Section 4.05. Special Meetings. Special meetings may be called by the president upon the president's own volition or shall be called by the president when requested in writing by five directors. Prior to conducting such a special meeting, the president shall consult with the Executive Committee to ensure that adequate information is available to the Board of Directors for any necessary decisions; and where such meeting is called upon the president's own volition, the president shall also consult with the Executive Committee as to the necessity of the special meeting. Notice for special meetings shall be provided in the following manner: (1) upon 10 days' written notice sent by mail to each director and addressed to each at the address as shown upon the records of the Association; or (2) upon 48 hours' notice with notice provided by electronic means. When the meeting is called upon the president's own volition, the president shall choose the form of notice; when the meeting is called by a request of five directors, the five directors shall choose the form of notice and the president shall promptly call the meeting. No business except those items described in the notice shall be transacted at any special meeting, except by consent of three-fourths of the members of the Board of Directors present.	**Section 4.05. Special Meetings.** Special meetings may be called by the president upon the president's own volition or shall be called by the president when requested in writing by five directors. Prior to conducting such a special meeting, the president shall consult with the Executive Committee to ensure that adequate information is available to the Board of Directors for any necessary decisions; and where such meeting is called upon the president's own volition, the president shall also consult with the Executive Committee as to the necessity of the special meeting. However, the president's determination of necessity shall control. Notice for special meetings shall be provided in the following manner: (1) upon 10 days' written notice sent by mail to each director and addressed to each at the address as shown upon the records of the Association; or (2) upon 48 hours' notice with notice provided by electronic means. When the meeting is called upon the president's own volition, the president shall choose the form of notice; when the meeting is called by a request of five directors, the five directors shall choose the form of notice and the president shall promptly call the meeting. No business except those items described in the notice shall be transacted at any special meeting, except by consent of three-fourths of the members of the Board of Directors present.	Amendment to add the president's ultimate authority to schedule a special meeting if deemed necessary.

Note: Green text throughout this document reflects edits recommended by the Legal Affairs Bylaws and Procedures Subcommittee in response to its review and analysis of the proposed amendments to the Bylaws, consistent with Section 9.09 of ACWA's Bylaws. The ACWA Board included the LAC Workgroup's recommended edits as part of its recommendation to the members.

Amendment 2: ARTICLE 4, Section 4.06 Meetings by Electronic Communication

Current Bylaw	Proposed Bylaw	Rationale
Section 4.06. Meetings by Electronic Communication. Any meeting of the Board of Directors, region boards, or any committee may be conducted, in whole or in part, by telephone, electronic transmission, or by electronic video screen communication. A member of the Board of Directors, a region board, or any committee shall be deemed present in person at the meeting if the following apply: **(a)** Each director, region board, or committee member participating in the meeting can communicate concurrently with all other directors, region board, or committee members. **(b)** Each director, region board or, committee member is provided the means of participating in all matters before the board, region board, or committee, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the Association.	**Section 4.06. ~~Meetings by Electronic Communication.~~ Alternatives to Traditional Meetings.** **(a)** Any meeting of the Board of Directors, region boards, or any committee may be conducted, in whole or in part, by telephone, electronic transmission, or by electronic video screen communication. A member of the Board of Directors, a region board, or any committee shall be deemed present in person at the meeting if the following apply: 1) Each director, region board, or committee member participating in the meeting can communicate concurrently with all other directors, region board, or committee members. 2) Each director, region board or, committee member is provided the means of participating in all matters before the board, region board, or committee, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the Association. **(b)** To the extent permitted by applicable law and subject to all applicable requirements, any action that may be taken at a regular or special Board of Directors, a region board, or any committee may be approved by unanimous written consent of the members of that body.	Amendment to allow the flexibility to take action by written consent. LAC recommended this language be added to Article 4 instead of Article 9.

Amendment 3: ARTICLE 5, Regions

Current Bylaw	Proposed Bylaw	Rationale
Section 5.02. Officers (a) The officers of each region shall be a chair and vice chair and three to five region board members who shall be elected by the region in each odd-numbered year. A region may maintain a board of fewer than five but not less than three members as provided in the region's rules and regulations. The officers of the region board shall take office on January 1 of the calendar year following election and shall hold office for two years, or until their successors take office. Regions shall hold elections by electronic ballot. Association staff shall verify the legitimacy of the ballots**.**	**Section 5.02. Officers** (a) The officers of each region shall be a chair and vice chair and three to five region board members who shall be elected by the region in each odd-numbered year. A region may maintain a board of fewer than five but not less than three members as provided in the region's rules and regulations. The officers of the region board shall take office on January 1 of the calendar year following election and shall hold office for two years, or until their successors take office. Regions shall hold elections by electronic ballot. Five or more members of the Association from the region shall constitut~~ing~~ a quorum for the purposes of regional board elections. Association staff shall verify the legitimacy of the ballots**.**	Amendment to clarify the quorum for region board elections is five members.

Amendment 4: ARTICLE 6, Section 6.04, Meetings

Current Bylaw	Proposed Bylaw	Rationale
Section 6.04. Meetings. The Executive Committee shall hold regularly scheduled meetings as set by the president. Special meetings of the Executive Committee may be called by the president upon notice to the members of that committee or upon written request of three Executive Committee members. Notice for special Executive Committee meetings shall be provided to the entire Board: (1) upon five days' written notice sent by mail, or (2) upon 24 hours' notice with notice provided by electronic means; and all such meetings shall be open to the Board of Directors. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission, as set forth in Section 4.06. All members of the Board of Directors may attend any meeting of the Executive Committee. Meetings of the Executive Committee may be closed to others at the discretion of the president or committee. Only members of the Executive Committee are allowed to vote on matters at a meeting of the committee.	**Section 6.04. Meetings.** The Executive Committee shall hold regularly scheduled meetings as set by the president. Special meetings of the Executive Committee may be called by the president upon notice to the members of that committee or upon written request of three Executive Committee members. Notice for special Executive Committee meetings shall be provided to the entire Board: (1) upon five days' written notice sent by mail, or (2) upon 24 hours' notice with notice provided by electronic means; and all such meetings shall be open to the Board of Directors. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission, as set forth in Section 4.06. With the exception of closed sessions as designated by the Executive Committee, all members of the Board of Directors and Council of Past Presidents may attend any meeting of the Executive Committee. However, ~~Meetings of~~ the Executive Committee may ~~be~~ close~~d~~ its meetings to select or all non-members of the Committee ~~to others~~ at the discretion of the president or by a majority vote of the Executive C~~e~~ommittee. Any decision to close an Executive Committee meeting to others shall be final and not reversible except with the consent of party that decided to close the meeting.Only members of the Executive Committee are allowed to vote on Executive Committee matters. ~~at a meeting of the committee.~~	Amendment to limit attendance during closed session discussions involving personnel matters to preserve the confidentiality of sensitive employment information, protect the privacy rights of employees and applicants, and promote candid discussion by those with responsibility for making personnel decisions. Importantly, the Board of Directors could conduct its own closed session prior to any final action. This amendment ensures flexibility for the Executive Committee's internal deliberation and consideration while preserving ultimate Board decision-making authority.

Amendment 5, ARTICLE 8, Section 8.01, Council of Past Presidents

Current Bylaw	Proposed Bylaw	Rationale
Section 8.01. Council of Past Presidents. There shall be a Council of Past Presidents composed of all past presidents of the Association who serve on the council until each is no longer able to or wishes to serve. The council shall provide a mechanism for past presidents to continue to make valuable contributions to the Association. With approval of the Board of Directors, the president and/or executive director/secretary may assign specific responsibilities to the council from time to time. Members of the Council of Past Presidents are invited to attend and participate in the Association's Board and Executive Committee meetings, including attending closed sessions. With the exception of the immediate past president, members of the Council of Past Presidents are non-voting.	**Section 8.01. Council of Past Presidents.** There shall be a Council of Past Presidents composed of all past presidents of the Association who serve on the council until each is no longer able to or wishes to serve. The council shall provide a mechanism for past presidents to continue to make valuable contributions to the Association. With approval of the Board of Directors, the president and/or executive director/secretary may assign specific responsibilities to the council from time to time. Members of the Council of Past Presidents are invited to attend and participate in the Association's Board and Executive Committee meetings, including attending closed sessions of the Board. Members of the Council of Past Presidents may also attend ~~closed session~~ meetings the Executive Committee except as designated by the Executive Committee as further described in Section 6.04. With the exception of the immediate past president, members of the Council of Past Presidents are non-voting.	Amendment to clarify that the Council of Past Presidents may attend Board of Directors and Executive Committee meetings, with the exception of Executive Committee closed sessions as designated by the Executive Committee.

Amendment 6, Article 9, Section 9.08, Quorum

Current Bylaw	Proposed Bylaw	Rationale
Section 9.08. Quorum. The presence of the authorized representatives of at least 50 members of the Association at any meeting of the members shall constitute a quorum for transacting business. Actions taken by written ballot shall require the timely receipt of the written ballot from the authorized representatives of at least 50 members to constitute a quorum.	**Section 9.08. Quorum.** The presence of the authorized representatives of at least 50 members of the Association at any meeting of the members shall constitute a quorum for transacting business. Actions of the members of the Association taken by written ballot shall require the timely receipt of the written ballot from the authorized representatives of at least 50 members to constitute a quorum.	Amendment to clarify that the quorum for the region board elections is five, consistent with the quorum needed to conduct business at a region meeting, as established in Section 5.04, and with newly amended quorum language to elect region boards in Section 5.02.

PROPOSED AMENDED AND RESTATED BYLAWS of the Association of California Water Agencies

REDLINE

Amended and restated by the ACWA Members: December 4, 2024

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BYLAWS OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES

(As amended and restated by the Members on December 4, 2024)

ARTICLE 1 - General

Section 1.01. Name. The name of this California nonprofit corporation shall be the Association of California Water Agencies (hereinafter referred to as the Association).

Section 1.02. Principal Office. The principal office for the transaction of business of the Association shall be located in Sacramento, California.

Section 1.03. Purposes. The purposes of the Association shall be to work together with its members and others for the best interests of California and its citizens and landowners who use, need and depend upon water; to encourage the orderly development of the waters of the state; to seek means of obtaining and making available to all of California a dependable water supply of the best possible quality at the lowest possible cost, giving due consideration to environmental factors involved therein; to provide inspiration and leadership in meeting and solving the water supply problems of this state; to propose and advocate such policies and measures—local, state and federal—that serve the best interests of the Association, opposing those of contrary nature; to assist in promoting the health, safety and welfare of the employees of its members; and to do all other things that are in the best interests of its members.

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ARTICLE 2 – Membership and Dues

Section 2.01. Membership.

(a) Members. Only a public district, public agency, or public organization created and operated for the purpose of controlling, treating, developing, acquiring, using or supplying water for any purpose for inhabitants or lands within the state of California, or for the protection, drainage or reclamation of lands within the state of California, may become a member of the Association. Such an entity will become a member upon written application, approval by the Board of Directors, and the payment of the required dues. Acceptance to membership shall authorize full participation in Association activities. Except as otherwise provided in Section 2.01(b) below, in no case may an organization other than a state, a political subdivision (as defined in § 1.103-1(b) of the Income Tax Regulations) of a state or an entity the income of which is excluded from gross income under § 115 of the Internal Revenue Code be a member of the Association. A member of the Association shall be in good standing if in compliance with all bylaws and requirements of membership, including timely payment of annual dues and emergency assessments.

(b) Honorary Life Members. Any person who has rendered conspicuous service in furthering the purposes of the Association may, by vote of the Board of Directors, be granted an honorary life membership in the Association without payment of dues or assessments. All past presidents of the Association shall automatically be honorary life members without vote of the Board of Directors. Honorary life members shall not be entitled to a vote or to hold office automatically because of their status as honorary life members.

(c) Termination of Members. Membership shall cease upon the failure of any member to pay the dues provided for in Section 2.02 of this Article. The membership of any member may be terminated at any time by such member sending written notification of its intention to withdraw to the Association's principal office. The Board of Directors may terminate the membership of any member upon 30 days' written notice by first-class mail when it is determined at any regular Board meeting or at any special Board meeting called for that purpose that continuance of such membership would not be in the best interests of the Association. Withdrawal or termination of membership ends any participation in Association activities and shall terminate a member's interest in the Association's assets.

Section 2.02. Dues. The annual dues of each member of the Association shall be established by the Board of Directors; provided, however, that any member may apply for a change in its dues because of conditions that differentiate such applicant from other members.

Section 2.03. Liability of Members. No member shall be liable for any obligation incurred by the Association with the following exception: (1) the payment of the annual dues while it remains a member;

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and (2) the payment of emergency assessments, which shall not exceed 10 percent of current annual dues for each member in any calendar year while it remains a member. No emergency assessment may be levied against any member during its first two years of membership in the Association.

ARTICLE 3 - Officers

Section 3.01. President and Vice President.

(a) **General.** The president and vice president of the Association shall be the elected officers of the Association. At the time of their election the president and vice president shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association. The president and vice president shall be elected by the members of the Association by written ballot in each odd-numbered year before the Association's annual meeting, shall be announced at the Association's annual meeting, shall take office on January 1 of the calendar year following election, and shall hold office until such time as their successors take office or are appointed. An elected president shall not be permitted to succeed himself/herself to that office. Except as provided in this Article, should vacancies occur in either office of the president or vice president, the Board of Directors shall appoint persons to fill such offices for the unexpired terms thereof.

(b) **President.** The president shall preside at all meetings of the Board of Directors, the Executive Committee, and the general membership; shall appoint members of all committees, including the chair and vice chair of each, upon recommendation from members and regions (as communicated by the region chairs), with each such committee chair and vice chair ratified by the Board of Directors; and shall perform all other duties necessary to carry out the functions of the office. The president shall be a non-voting, *ex officio* member of each committee, but shall not be an *ex officio* member of the Election Committee or the region boards.

The president may be expelled from office with or without cause, upon the satisfaction of the following two events: (1) a two-thirds vote of the Board of Directors; and (2) a subsequent simple majority vote of the members of the Association during a meeting of the membership.

(c) **Vice President.** The vice president shall, in the absence of the president, assume all of the duties of that office and, if a vacancy occurs, succeed thereto for the unexpired term. The vice president shall sit as a member of the Executive Committee of the ACWA Joint Powers Insurance Authority and shall perform such other duties as assigned by the president. The vice president shall be a non-voting, *ex officio* member of each committee, but shall not be an *ex officio* member of the Election Committee or the region boards.

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The vice president may be expelled from office with or without cause, upon the satisfaction of the following two events: (1) a two-thirds vote of the Board of Directors; and (2) a subsequent simple majority vote of the members of the Association during a meeting of the membership.

Section 3.02. Executive Director/Secretary and Controller/Treasurer.

(a) **General.** The executive director/secretary and controller/treasurer of the Association shall also be officers of the Association. The executive director/secretary shall be appointed by and hold office at the pleasure of the Board of Directors of the Association.

(b) **Executive Director/Secretary.** The executive director/secretary shall: (1) advise and assist the Board of Directors, all committees, the boards of each region, and the workgroups of each region; (2) be responsible for administering the total operations of the Association; (3) employ, direct, and release all employed staff in accordance with the policies adopted by the Board of Directors and consistent with the budget adopted by the Board of Directors; (4) provide relevant information to the Board of Directors needed by the Board to take actions; (5) give members notice and record minutes of all meetings of the membership, Board of Directors, and Executive Committee; and (6) have such other powers and perform such other duties as may be provided and assigned by the Board of Directors directly or through the president of the Board or the Executive Committee. The executive director/secretary, with the assistance of the controller/treasurer, shall render a report to the Board of Directors at the first meeting following the close of each calendar year showing the membership of the Association, the receipts and expenditures during the year, and the work accomplished during the previous year.

(c) **Controller/Treasurer.** The controller/treasurer shall report to and act under the direction of the executive director/secretary. The controller/treasurer shall be a signatory on all accounts held by the Association and shall act as a fiduciary for all assets of the Association.

ARTICLE 4 – Board of Directors

Section 4.01. **Membership.** The Board of Directors shall consist of:

(a) The Association president and vice president.

(b) The chair and vice chair of each region.

(c) The chair of each standing committee.

(d) The most immediate active past president.

(e) The vice president of the ACWA/Joint Powers Insurance Authority.

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Section 4.02. Term of Office. The term of office of all members of the Board of Directors shall commence on January 1 of the calendar year following election of the president and vice president, except for those persons who serve on the Board of Directors by nature of their position as chairs of standing committees, whose terms shall instead commence upon their ratification by the Board of Directors. Except as provided in Article 4, Section 4.11, the term of office for all members of the Board of Directors shall terminate on December 31 of the following odd-numbered year two years later, or until their successors take office.

Section 4.03. Attendance Requirement. Any member of the Board of Directors who misses two consecutive regular Board meetings without being excused by the Board will no longer be a member of the Board of Directors.

Section 4.04. Regular Meetings. Regular meetings of the Board of Directors shall be held bimonthly at such times and places as the Board may determine.

Section 4.05. Special Meetings. Special meetings may be called by the president upon the president's own volition or shall be called by the president when requested in writing by five directors. Prior to conducting such a special meeting, the president shall consult with the Executive Committee to ensure that adequate information is available to the Board of Directors for any necessary decisions; and where such meeting is called upon the president's own volition, the president shall also consult with the Executive Committee as to the necessity of the special meeting. However, the president's determination of necessity shall control. Notice for special meetings shall be provided in the following manner: (1) upon 10 days' written notice sent by mail to each director and addressed to each at the address as shown upon the records of the Association; or (2) upon 48 hours' notice with notice provided by electronic means. When the meeting is called upon the president's own volition, the president shall choose the form of notice; when the meeting is called by a request of five directors, the five directors shall choose the form of notice and the president shall promptly call the meeting. No business except those items described in the notice shall be transacted at any special meeting, except by consent of three-fourths of the members of the Board of Directors present.

Section 4.06. ~~Meetings by Electronic Communication.~~ Alternatives to Traditional Meetings.

(a) Any meeting of the Board of Directors, region boards, or any committee may be conducted, in whole or in part, by telephone, electronic transmission, or by electronic video screen communication. A member of the Board of Directors, a region board, or any committee shall be deemed present in person at the meeting if the following apply:

~~(a)~~(1) Each director, region board, or committee member participating in the meeting can communicate concurrently with all other directors, region board, or committee members.

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~~(1)~~ (2) Each director, region board or, committee member is provided the means of participating in all matters before the board, region board, or committee, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the Association.

(b) To the extent permitted by applicable law and subject to all applicable requirements, any action that may be taken at a regular or special Board of Directors, a region board, or any committee may be approved by unanimous written consent of the members of that body.

~~Section 4.06.~~Section 4.07. **Quorum**. At any meeting of the Board of Directors, the attendance of 50 percent of the voting members of the Board of Directors, or their permitted alternates as specified in these bylaws, shall constitute a quorum for the transaction of any business. The Board may hold a closed session for discussion of personnel matters; enforcement of violations of the code of conduct; pending or anticipated litigation or other legal matters, including, but not limited to, considering whether to file or join in an amicus brief; real property negotiations and discussions; and other confidential matters as determined by the Board to the extent permitted by applicable law. (See Board Policy 2.1.8.3.)

~~Section 4.07.~~Section 4.08. **Alternates.** Each region shall designate an alternate for each chair and vice chair, who shall meet the qualification requirements for chair and vice chair, to act at meetings of the Board of Directors when the chair or vice chair is unable to attend. The vice chair of each standing committee will be the alternate to act at meetings of the Board of Directors when the standing committee chair is unable to attend. An alternate may not act or vote on behalf of more than one member of the Board of Directors. A member of the Board of Directors may not act as an alternate for any other member.

~~Section 4.08.~~Section 4.09. **Vacancies for Standing Committee Chairs and Vice Chairs.** Should a vacancy occur in the office of any standing committee chair or vice chair before the end of the term, the president shall appoint a new committee chair or vice chair to fulfill the unexpired term of such committee chair or vice chair subject to ratification by the Board of Directors. A vacancy in the office of any such standing committee chair or vice chair as described in the previous sentence shall be deemed to exist when the chair or vice chair: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

~~Section 4.09.~~Section 4.10. **Duties, Authorities, and Delegation.** Subject to the provisions and limitations of California Nonprofit Corporation Law, other applicable laws, and the provisions of these bylaws, the Association's activities and affairs are to be exercised by or under the direction of the Association's Board of Directors. The Board of Directors is responsible for the overall supervision, control, and direction of the Association. The Board of Directors shall: (1) employ and release the executive director/secretary; (2) set performance expectations for the executive director/secretary; (3) receive, review, and consider approval of executive director/secretary recommended compensation, other terms and conditions of employment, and annual evaluations as prepared by the Executive Committee; (4)

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annually adopt a budget; and (5) set the level of dues for the Association. Except as to the duties listed in the previous sentence, and subject to Article 3, Section 2, the Board of Directors may delegate the supervision, control, and direction of the Association's affairs to any person or group, including a committee, provided the Association Board retains ultimate responsibility for the actions of such person or group. Where such powers are delegated, the delegation shall be documented in writing.

~~Section 4.10.~~Section 4.11. **Immediate Past President.** The immediate past president automatically assumes this position after serving as the Association's elected president and is a voting member of the Board of Directors and Executive Committee. The term of office for the immediate past president shall commence on January 1 of the calendar year following election of the president and vice president and shall terminate on December 31 of the following odd-numbered year two years later. In the event the most immediate active past president is unavailable to serve, the most recent and available active past president in succession shall serve in this capacity.

~~Section 4.11.~~Section 4.12. **Code of Conduct of Board Members.**

(a) The Board of Directors shall establish, and update as appropriate, a code of conduct for its Directors that recognizes the Association's commitment of integrity, respect, and fair representation to its members and the public they serve and establishes minimum ethical standards for the performance of the duties of office. (See Code of Conduct Policy, Board Policy Manual, Policy No. GO-2.1A.) The code shall be consistent with the procedural processes contained in the Code of Conduct Policy. (See sections 2.1.3A and 2.1.4A of Policy GO-2.1A of the Board Policy Manual.) The code shall be distributed to all new Directors and shall be distributed annually to all members of the Association.

ARTICLE 5– Regions

Section 5.01. Boundaries of Each Region.

(a) There shall be a maximum of 10 regions within the state. The Board of Directors shall determine the regional boundaries. Insofar as is practicable, the regions shall have a numerical balance in members of the Association; make geographic sense; and promote regional problem solving.

(b) A member of the Association may file a written petition to the Board of Directors requesting a change in regions. Such petition shall set forth the reasons for such requested change. The Board shall, within a reasonable time, act upon such petition and set forth the reasons for its action. Such action by the Board shall be based on factors in Section 5.01(a) above, as well as others deemed by the Board of Directors to be relevant to the decision.

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Section 5.02. Officers.

(a) The officers of each region shall be a chair and vice chair and three to five region board members who shall be elected by the region in each odd-numbered year. A region may maintain a board of fewer than five but not less than three members as provided in the region's rules and regulations. The officers of the region board shall take office on January 1 of the calendar year following election and shall hold office for two years, or until their successors take office. Regions shall hold elections by electronic ballot. Five or more members of the Association from the region shall constitute~~ing~~ a quorum for purposes of regional board elections. Association staff shall verify the legitimacy of the ballots.

(b) The officers of each region shall: (1) exercise the powers and perform duties of the region during the interim between region meetings; and (2) make recommendations to the president regarding appointments to committees. The chair and vice chair shall be the region's representatives to the Board of Directors.

(c) Each officer of a region shall be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the office, the individual may not serve during the remaining term of that office unless that individual can again meet the criteria for the office and is appointed to complete the term. The region board may adopt more stringent criteria for board member qualifications as part of the region's rules and regulations.

(d) Should a vacancy occur in any of the region board positions before the end of the term, the remaining members of the region board shall appoint a new member. A vacancy in the office of any region board position shall be deemed to exist when a region board member: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

Section 5.03. Nominating Committees. There shall be a nominating committee for each region consisting of three or more designees, each representing a member of the Association located within the region, appointed by the chair of the region and approved by the region board. Nominating committees shall be formed by February 28 of each odd-numbered year.

Section 5.04. Meetings. The meetings of each region shall be held at both the spring and fall conferences and at such other times and places as may be determined by the region chair. Representatives of five or more members of the Association from the region present at any region meeting shall constitute a quorum for purposes of conducting the business of the region. Any meeting,

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regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission, as set forth in Section 4.06.

Section 5.05. Workgroups. Workgroups may be appointed by the region chair as needed.

Section 5.06. Rules. Each region shall organize and adopt rules and regulations for the conduct of its meetings and affairs not inconsistent with the Articles of Incorporation or bylaws of the Association. Each region shall abide by the code of conduct adopted by the Board of Directors of the Association.

ARTICLE 6 – Executive Committee

Section 6.01. Membership. There shall be an Executive Committee consisting of the following: the president of the Association, who shall be the chair thereof; the vice president; the most immediate active past president; the chair of the Finance Committee; and three at-large representatives selected from and by the members of the Board of Directors. The election of the three at-large representatives to the Executive Committee shall occur at the first Board of Directors meeting held in each even-numbered year and the elected representatives shall serve immediately following their election and until such time as their successors take office. To the extent practical, the Executive Committee should be constituted so as to reflect the geographic extent of the Association and the functions of the members of the Association.

Section 6.02. Powers. The Executive Committee shall have the following authority:

(a) Personnel. Subject to the budget adopted by the Board of Directors, the Executive Committee shall perform the following personnel actions: (1) recommend compensation for the executive director/secretary to the Board of Directors for approval; (2) perform annual reviews of the executive director/secretary and submit that review to the Board of Directors; (3) review the classification and compensation plan and publicly posted salary schedule for Association employees submitted by the executive director/secretary, which shall be approved by the Board of Directors; (4) establish personnel policies for the conduct and behavior of employees, which shall be reviewable by the Board of Directors; and (5) undertake such other personnel actions as may be requested by the executive director/secretary in support of his or her oversight of all other personnel matters, which shall be reviewable by the Board of Directors, in closed session, upon request of the Board of Directors.

(b) Delegation. The Executive Committee may act pursuant to any authority specifically delegated to it by the Board of Directors. The delegation shall indicate whether the authority is still subject to the ultimate authority of the Board.

(c) Authority to Act Between Meetings. The Executive Committee may act for the Board of Directors between Board meetings when calling a special meeting of the Board of Directors is impracticable, provided that no such action of the Executive Committee shall be binding on the Board of Directors until authorized or approved by the Board. The

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Executive Committee has the authority to authorize actions recommended by the Legal Affairs Committee (such as the filing of letter briefs and amicus curiae briefs) by electronic means without the need for an in-person or telephonic meeting, but such actions shall be ratified by the Board of Directors at its next meeting.

Section 6.03. Reporting. The president, or any person designated by the president, shall report to the Board of Directors, at each regular Board meeting, any action taken by the Executive Committee since the last preceding regular Board meeting. The minutes of Executive Committee meetings, which at that time may still be in draft form, shall be mailed (using the U.S. Postal Service, express delivery, electronic means, or otherwise) to each member of the Board of Directors at least five days prior to Board meetings, except in cases in which the Executive Committee meets during or immediately prior to a conference of the Association or immediately prior to a Board meeting, in which case the minutes, which may still be in draft form, shall be mailed to each director promptly thereafter.

Section 6.04. Meetings. The Executive Committee shall hold regularly scheduled meetings as set by the president. Special meetings of the Executive Committee may be called by the president upon notice to the members of that committee or upon written request of three Executive Committee members. Notice for special Executive Committee meetings shall be provided to the entire Board: (1) upon five days' written notice sent by mail, or (2) upon 24 hours' notice with notice provided by electronic means; and all such meetings shall be open to the Board of Directors. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission, as set forth in Section 4.06. With the exception of closed sessions as designated by the Executive Committee, all members of the Board of Directors and Council of Past Presidents may attend any meeting of the Executive Committee. However, ~~Meetings of~~ the Executive Committee may ~~be~~ close~~d~~ its meetings to select or all non-members of the Committee ~~to others~~ at the discretion of the president or by a majority vote of the Executive C~~c~~ommittee. Any decision to close an Executive Committee meeting to others shall be final and not reversible except with the consent of party that decided to close the meeting. Only members of the Executive Committee are allowed to vote on Executive Committee matters ~~at a meeting of the committee~~.

Section 6.05. Minutes. The minutes of the Executive Committee meetings shall be kept by the executive director/secretary at the Association's principal office. Actions of the Executive Committee shall be reported to the Board of Directors as provided in Section 3 of this Article and shall be available to any member of the Board of Directors upon request to the executive director/secretary.

ARTICLE 7 – Standing Committees

Section 7.01. Qualification. In order to serve on any Association standing committee, an individual must be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the

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appointment, the individual may not serve during the remaining term of that appointment unless that individual can again meet the criteria for appointment and is appointed to complete the term.

Section 7.02. Term of Office. The term of office of standing committee members shall be two years commencing on January 1 of each even-numbered year. The term of office of standing committee chairs and vice chairs shall be approximately two years and shall commence as soon after January 1 of the even-numbered year as they may be appointed by the president and ratified by the then-seated Board of Directors, and shall terminate on December 31 of the odd-numbered year approximately two years later or until their successors are appointed and ratified.

Section 7.03. Meetings. Meetings of standing committees may be called at such times and places designated by the respective chair thereof except where provided otherwise by these bylaws. Any meetings of standing committees may be conducted, in whole or in part, by electronic transmission or by electronic video screen communication, as set forth in Section 4.06. Subject to the provisions of these bylaws and any actions that may be taken by the Board of Directors, the chairs of each standing committee may establish their own rules for the efficient operation of the committee they each chair. The chairs of each standing committee are authorized to create subcommittees and workgroups in order to complete the work of the committee.

Section 7.04. Committee Composition. Each limited standing committee shall have a membership composition that is comprised of members in the quantity and with qualifications as defined by the provisions of these bylaws. The committee chair position shall not be included in the maximum count for determining the committee composition total of any given limited committee. The committee chair shall, however, be a voting member of their respective committees subject to the rules and procedures of each committee. If the chair is absent, the vice chair shall fill the role of the chair during such absence.

Section 7.05. Agriculture Committee. There shall be an Agriculture Committee whose duty it shall be to recommend Association policy, positions and programs to the Board of Directors, State Legislative Committee, Federal Affairs Committee or other committees, as appropriate, regarding agricultural issues affecting the interests of the Association and its members. The committee shall consist of at least one member from each region.

Section 7.06. Business Development Committee. There shall be a Business Development Committee whose duty it is to develop and recommend to the Board of Directors programs and activities to be provided or administered by the Association that generate non-dues revenue and provide a service or benefit to member agencies. The committee shall consist of at least one member from each region and may include members from any of the other standing committees.

Section 7.07. Communications Committee. There shall be a Communications Committee whose duty it shall be to develop and make recommendations to the Board of Directors regarding a comprehensive internal and external communications program for the Association and to promote development of sound public information and education programs and practices among member agencies. The committee shall

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consist of no more than 40 members. The committee shall consist of at least one member from each region.

Section 7.08. Energy Committee. There shall be an Energy Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one member from each region.

Section 7.09. Federal Affairs Committee. There shall be a Federal Affairs Committee whose duty it shall be to review all federal legislative proposals and regulatory proposals affecting member agencies, after consulting with other appropriate committees, and to develop Association positions consistent with existing policy, where it has been established; recommend sponsorship of bills that will resolve problems or improve conditions for member agencies; and assist in the establishment of the Association's federal legislative program. The committee shall consist of at least one, but no more than five members from each region.

Section 7.10. Finance Committee. There shall be a Finance Committee whose duty it shall be to make recommendations to the Board of Directors regarding annual budgets, dues formula and schedules and other revenue-producing income, annual audit and selection of an auditor, and investment strategies. The committee shall consist of the president and vice president of the Association as *ex officio* members, either the chair or vice chair from each of the Association's 10 region boards, and one additional member from each region with experience in financial matters.

Section 7.11. Groundwater Committee. There shall be a Groundwater Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one member from each region.

Section 7.12. Legal Affairs Committee. There shall be a Legal Affairs Committee whose duty it shall be to support the mission of the Association, and more particularly to deal with requests for assistance involving legal matters of significance to member agencies, including but not limited to state and federal court litigation, water rights matters, selected regulatory and resources agency matters, proposed bylaw revisions, review of legislation as requested by the State Legislative Committee, etc. The committee shall consider matters and issues submitted to it in order to determine which ones are of major significance to the member agencies and, assuming a finding of major significance, recommend to the Board of Directors the position(s) which the committee believes the Association should take with respect thereto. The committee shall be composed of between 34 and 44 attorneys, each of whom shall be a member of the California Bar and shall be, or act as, counsel for a member agency, representing diverse interests within the Association, including but not limited to, different geographical areas throughout the state, large and small agencies, agricultural and urban agencies, agencies created under the various enabling statutes, etc. The committee shall consist of at least one member from each region.

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Section 7.13. Local Government Committee. There shall be a Local Government Committee whose duty it shall be to recommend policies to the State Legislative Committee, as appropriate, and Board of Directors on matters affecting water agencies as a segment of local government in California. The committee shall consist of at least one, but no more than three members from each region.

Section 7.14. Membership Committee. There shall be a Membership Committee whose duty it shall be to assist staff in developing membership recruitment and retention programs, make recommendations to the Board of Directors regarding membership policies, eligibility, and applications for membership and review and make recommendations to the Finance Committee regarding an equitable dues structure. The committee shall consist of at least one member from each region.

Section 7.15. State Legislative Committee. There shall be a State Legislative Committee whose duty it shall be to review all state legislative proposals affecting member agencies and to establish Association positions, consistent with existing policy, where it has been established; sponsor bills that will resolve problems or improve conditions for member agencies; and assist in the establishment of the Association's legislative program. The committee shall consist of members representing a variety of types of member agencies and at least one, but no more than four members from each region.

Section 7.16. Water Management Committee. There shall be a Water Management Committee whose duty it shall be to recommend policy and programs to the Board of Directors on any area of concern in water management. The committee shall consist of at least one, but no more than four members from each region.

Section 7.17. Water Quality Committee. There shall be a Water Quality Committee whose duty it shall be to develop and recommend Association policy, positions, and programs to the Board of Directors, to promote cost-effective state and federal water quality regulations that protect the public health, to enable interested member agencies to join together to develop and coordinate with other organizations, and to present unified comments regarding agricultural and domestic water quality regulations. The committee shall consist of at least one member from each region.

ARTICLE 8 – Special Councils, Committees, and Task Forces

Section 8.01. Council of Past Presidents. There shall be a Council of Past Presidents composed of all past presidents of the Association who serve on the council until each is no longer able to or wishes to serve. The council shall provide a mechanism for past presidents to continue to make valuable contributions to the Association. With approval of the Board of Directors, the president and/or executive director/secretary may assign specific responsibilities to the council from time to time. Members of the Council of Past Presidents are invited to attend and participate in the Association's Board and Executive Committee meetings, including attending closed sessions of the Board. Members of the Council of Past Presidents may also attend ~~closed sessions~~ meetings of the Executive Committee except as designated by the Executive Committee as further described in Section 6.04. With the exception of the immediate past president, members of the Council of Past Presidents are non-voting.

Section 8.02. Election Committee. There shall be an Election Committee consisting of eleven representatives established by February 28 of each odd-numbered year, whose purpose shall be to present qualified individuals for the offices of president and vice president of the Association. The Election Committee shall vet all candidates to determine if the eligibility criteria have been met. The Election Committee will endorse a preferred candidate for president and vice president before presenting an open ballot with all qualifying candidates to the members for a vote in the manner set forth in Section 9.10 and Section 9.11.

(a) Selection. The Election Committee shall be selected in the following manner:

(1) Each of the 10 currently seated Region Boards in the odd-numbered year shall appoint a representative from their respective regions to serve on the Election Committee.

(2) One representative appointed by the president in the odd-numbered year shall also serve on the Election Committee. Neither the president nor the vice president qualifies to be appointed to this position.

(b) Qualification. In order to serve on the Election Committee, an individual must be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Past presidents, who are Honorary Life Members of the Association, may also serve on the Election Committee without meeting stated qualifications unless otherwise disqualified. Where an individual ceases to meet these criteria during the election cycle, the individual may not continue to serve. When the disqualified member represented a Region Board, the affected Region Board shall select a replacement representative. When the disqualified member represented the President, the President shall select an alternate representative.

Section 8.03. Other Committees and Task Forces. Other committees and task forces may be appointed by the president from time to time as needed, consistent with and supportive of the mission of the Association.

ARTICLE 9 – Meetings of Members

Section 9.01. Meetings. Meetings of the members of the Association shall be held at the Association's conferences to provide a report to the members on the Association's activities during the past year, provide an overview of the Association's finances, announce the newly elected president and vice president of the Association in each odd-numbered year, and to transact such other proper business as may come before the meeting.

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Section 9.02. Special Meetings. Special meetings of the members of the Association may be called by the Board of Directors, the president of the Board of Directors, or by 5 percent or more of the members of the Association. Except when called by the Board, a request for a special meeting must be in writing and must be delivered in person or mailed by first-class mail addressed to the president of the Board at the principal office of the Association, with a copy to the executive director/secretary. The request must state the general nature of the business proposed to be transacted at the meeting.

A special meeting that has been called by written request of 5 percent of the member agencies of the Association to the Board of Directors shall be set by the Board of Directors on a date that is not less than 35 or more than 90 days after receipt of the request.

Section 9.03. Meetings by Remote Communication. Any meeting of the members may be conducted, in whole or in part, by electronic transmission by and to the Association or by electronic video screen communication. The member shall be deemed present in person at the meeting if the following apply:

(a) The Association implements reasonable measures to provide the member a reasonable opportunity to participate in the meeting and to vote on matters submitted to the members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with those proceedings.

(b) If any member votes or takes other action at the meeting by means of electronic transmission to the Association or electronic video screen communication, a record of that vote or action is maintained by the Association.

(c) The Association verifies that each person participating remotely is an authorized representative of a voting member.

Section 9.04. Notice Requirements for Membership Meetings. Written notice of any membership meeting shall be given to each voting member of the Association. The notice shall state the date, time, and place of the meeting; the means by which members may participate; and the general nature of the business to be transacted. The member notification information shall also be posted on the Association's website.

Except as otherwise provided in these bylaws or California law, a written notice of regular membership meetings shall be given not less than 10 or more than 90 days before the date of the meeting to each member who, on the record date for notice of the meeting, is entitled to vote; provided, however, that if notice is given by mail, and the notice is not mailed by first-class, registered, or certified mail, that notice shall be given not less than 20 days before the meeting.

Section 9.05. Notice Requirements for Special Meetings. The executive director/secretary shall cause notice to be given to all members of the Association of the date, time, and place of the meeting and the general nature of the business to be transacted at the meeting. No business except that specified in the request and notice may be transacted at said special meeting. If notice of the requested special meeting

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is not given within 20 days after receipt of the request, the person or persons requesting the meeting may give the notice.

Section 9.06. Voting. Each member of the Association in good standing at the time of the annual or special meeting shall be entitled to one vote that shall be cast by its authorized representative. Each member must designate its authorized representative prior to the annual or special meeting. It is the member's responsibility to designate or update its authorized representative as needed. The Association may confirm with any member the identity of that member's authorized representative for the purpose of casting ballots in any election of president and vice president, amendments to these Bylaws, or other Association business that requires a vote. All questions, except amendments or revisions of these bylaws, shall be determined by a majority of the members present and voting. A roll call may be requested by any authorized representative.

Section 9.07. Amendment of Bylaws. These bylaws may be amended or revised by two-thirds of the member agencies of the Association present and voting at any meeting.

Section 9.08. Quorum. The presence of the authorized representatives of at least 50 members of the Association at any meeting of the members shall constitute a quorum for transacting business. Actions of the members of the Association taken by written ballot shall require the timely receipt of the written ballot from the authorized representatives of at least 50 members to constitute a quorum.

Section 9.09. Amendments, Revisions, and Resolutions. Before any amendments or revisions to the bylaws, or resolutions, may be considered at any meeting of the Association, any such amendment, revision, or resolution shall be submitted to the executive director/secretary at least 90 days prior to the first day of such meeting. The executive director/secretary shall promptly distribute any proposed amendments or revisions to the Legal Affairs Committee for the Legal Affairs Committee to develop an unbiased analysis of the amendments or revisions. Following development of an analysis for the proposed amendments or revisions, the executive director/secretary shall distribute copies of any resolutions, amendments or revisions, including any applicable analyses, to all members of the Association not less than 10 days or more than 90 days prior to presentation at such meeting. The written notice of the membership meeting shall be given to each voting member of the Association consistent with the provisions defined in Section 9.04. The 90-day rule may be suspended at any meeting of the Association by consent of three-fourths of the members present. Voting on resolutions, amendments, or revisions shall proceed as provided by Sections 9.06 and 9.07.

Section 9.10. Nomination of President and Vice President.

(a) **Qualification.** At the time of their election, the president and vice president of the Association shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association.

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(b) **Nominating Resolutions.** All nominations for the positions of president and vice president shall be accompanied by an official resolution from the Association member agency on whose board the nominee serves. Said resolution shall be signed by an authorized signatory of the member agency's Board of Directors.

Section 9.11. Election of President and Vice President. Each member of the Association in good standing at the time a vote is cast is entitled to one vote for election of the president and vice president that shall be cast by its authorized representative by written ballot. The ballot and any related material may be sent by first class, registered, or certified mail or electronic transmission by the Corporation that meets the requirements of Corporations Code section 20, and responses may be returned to the Corporation by mail or electronic transmission. On any written ballot for the election of president or vice president, an authorized representative acting on behalf of the member may write in a qualified candidate for election. Nominating resolutions for write-in candidates must be received by the deadline for the return of ballots.

Section 9.12. Write-In Candidates. If a write-in candidate prevails in any election for president or vice president, such individual shall not be officially elected into such position until the Election Committee confirms that the individual meets the eligibility criteria and qualifications requirements.

Section 9.13. Run-off Election for President and Vice President. In the event a nominee does not receive a majority of the votes for president or vice president, a run-off election shall be held for the office or offices for which a majority of the votes have not been received. The run-off election shall only involve the nominees who received the two highest amounts of votes. The run-off election shall be conducted in the same manner as the initial election.

Section 9.14. Additional Procedures for Election of President and Vice President. The Board shall have the authority to adopt policies for elections ("Election Policy") of president and vice president setting forth the details for the election of such positions when not otherwise contrary to or covered by these bylaws.

Section 9.15. Action by Written Ballot. To the extent permitted by applicable law and subject to all applicable requirements, any action that may be taken at a regular or special member meeting of the members may be approved by written ballot if a ballot is sent to each member entitled to vote on the matter. If approved by the Board, ballots may be sent and returned by electronic transmission as permitted in the Corporations Code. Ballot format, solicitation and voting thresholds shall meet the requirements of the Corporations Code and be consistent with applicable provisions of these Bylaws.

ARTICLE 10–Indemnification of Directors, Officers, and Other Agents

Section 10.01. Right of Indemnity. To the fullest extent permitted by law, this Corporation shall indemnify its Directors, Officers, employees, and other persons described in Section 7237(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in

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connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 7237(a) of the California Corporations Code.

Section 10.02. Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California Corporations Code, the Board shall promptly determine under Section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the Board shall authorize indemnification.

Section 10.03. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these bylaws in defending any proceeding covered by those Sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 10.04. Insurance. The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its Officers, Directors, employees, and other agents, against any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's or agent's status as such.

ARTICLE 11 - Miscellaneous

Section 11.01. Conduct of Meetings. All meetings of the Association shall be conducted in accord with the code of conduct and in substantial accordance with the latest edition of Robert's Rules of Order Newly Revised unless the Board adopts alternate rules of conduct for itself and/or its committees, region boards, and region workgroups.

Section 11.02. Funds. The funds of the Association shall be used to further the aims and purposes of this Association. They shall be kept by the controller/treasurer and paid out by checks or other electronic means, which shall only be valid with two authorized signatures. The Board of Directors shall designate by resolution which persons, other than the controller/treasurer, may sign for expenditures. The Finance Committee shall implement procedures to ensure necessary internal controls over the receipt and expenditures of Association funds and arrange for an external audit. Audit reports shall be presented to the Board of Directors.

Section 11.03. Disposition of Assets upon Dissolution. The Association's properties and assets are irrevocably dedicated to the fulfillment of the Association's purposes as described in Article 2 of the Articles of Incorporation. No part of the Association's net earnings, properties and assets, on dissolution or otherwise, may inure to the benefit of any private person. Upon the dissolution of the Association, all

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debts thereof shall be paid and its affairs settled, and all remaining assets shall be distributed to the Association's member political subdivisions for a public purpose, consistent with the provisions of the California Nonprofit Corporation Law relating to mutual benefit corporations then in effect and with the Articles of Incorporation.

Section 11.04. Definitions. As used in these Bylaws, the terms "electronic transmission" and "notice provided by electronic means" shall refer to notice and other communications given by fax or e-mail.

Section 11.05. Conflicts Between Bylaws and Other Association Policies. To the extent permitted by applicable law, these Bylaws shall govern in the event there is a conflict between these Bylaws and another Association policy, rule, or procedure.

Amended comprehensively December 1, 2010
Amended May 9, 2012
Amended May 7, 2014
Amended December 2, 2015
Amended November 29, 2017
Amended & Restated November 30, 2022
Amended & Restated December 4, 2024

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ACWA
Association of California Water Agencies

2026 PROPOSED BYLAWS AMENDMENTS

AUTHORIZED VOTING REPRESENTATIVE FORM

ACWA members will vote by electronic ballot on proposed Amended and Restated Bylaws.

Key Details:

- **Electronic Voting:** Voting will be conducted electronically by each member agency's designated voter.
- **Designated Voter:** Each agency must **designate one voting representative by October 30.** To designate your agency's voter, please submit this **Authorized Voting Representative Form** by the deadline.
  Note: ACWA will also use the person designated below as the voting representative in next year's election for ACWA's Board Officers and region boards for the 2028–'29 term. You will have an opportunity to change the designation prior to the deadline for nominating candidates, if desired.
- **Default Voter:** If no representative is designated by the deadline, your agency's **General Manager** will be the authorized voter by default.
- **Ballot Distribution:** Authorized voters will receive an electronic ballot on November 9.

For more information about ACWA's elections, visit: **www.acwa.com/elections**.

The person designated below will cast our agency's vote for the proposed Amended and Restated Bylaws process in 2026 and the election of ACWA's President, Vice President and Region Board for the 2028–'29 term.		
Member Agency's Name		Agency's Phone No.
Authorized Voting Representative's **Name**	Authorized Voting Representative's **Email**	Authorized Voting Representative's **Phone No.**

Print Name of Member Agency's Authorized Signatory

X

Authorized Signatory Signature

Date

SUBMIT YOUR FORM

To: Donna Pangborn, Senior Clerk of the Board
Email: donnap@acwa.com
Mail: 980 9th Street, Suite 1000, Sacramento, CA 95814

SUBMISSION DEADLINE

OCT. 30, 2026

Agenda Item 10

OLIVENHAIN
Municipal Water District

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Jennifer Joslin, Human Resources Manager

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER APPROVAL OF THE AMENDMENT TO EXTEND THE MEMORANDUM OF UNDERSTANDING BETWEEN THE OLIVENHAIN MUNICIPAL WATER DISTRICT EMPLOYEES ASSOCIATION AND BARGAINING UNIT MEMBERS ASSOCIATION**

Purpose

The purpose of this item is to consider approval of an amendment to the joint Memorandum of Understanding (MOU) with the Olivenhain Municipal Water District Employees Association (OMWDEA) and the Bargaining Unit Members Association (BUMA). The amendment would extend the terms of the current MOU by three years. The MOU extension was written based on the recommendation received from the Board of Directors in closed session at the August 19, 2026 Board meeting.

Recommendation

Staff recommend approval of the amendment to extend the current MOU.

Alternatives

The Board could choose not to adopt the recommendation and direct staff to continue to negotiate some or all the terms of the MOU.

Background

The District has two employee associations, BUMA, representing the field employees, and OMWDEA, representing the administrative employees. The current joint MOU with both bargaining units will expire on December 31, 2026. The Human Resources Manager received written requests from both bargaining units to extend the MOU by three additional years rather than negotiating a new MOU. All parties have reviewed and tentatively agreed to the terms contained in the attached amendment.

Fiscal Impact

The financial terms of the MOU have already been included in the current Board-approved biennial budget and the District's long-term financial plan. The three-year extension allows for further predictability for budgeting purposes. The MOU extension keeps costs contained as no additional benefits are being added. There is a very minor cost increase (approximately $2,000 annually) related to covering the cost for required safety boots.

Discussion

The current MOU is seen as fair and equitable by the bargaining units as well as management. The extension amendment reflects updated effective dates, aligns the MOU language with the current Board-approved Administrative and Ethics Code Section 5.52 providing for a $1,000 annual District VEBA contribution, clarifies that the next salary survey will be conducted in the spring of 2028, and maintains that the General Manager retains discretion over the remote work and 4/10 work schedules. In addition, the safety footwear annual allowance will be $250 maximum rather than $200 in order for the District to cover the increased cost for safety boots, so the employees don't have to pay the cost difference out of pocket. The District mandates that field staff wear steel toe safety boots with a voucher program administered by the Safety/Risk Compliance Administrator.

If approved, the MOU extension will help promote the established trust between the bargaining groups and management and will subsequently go into effect on January 1, 2027, then expires on December 31, 2029. Staff will be available to answer any questions.

Prepared by: Jennifer Joslin, Human Resources Manager
Reviewed by: Kimberly A. Thorner, General Manager
Approved by: Kimberly A. Thorner, General Manager

Attachment:
First Amendment to the Memorandum of Understanding

FIRST AMENDMENT TO THE

MEMORANDUM OF UNDERSTANDING BETWEEN

THE OLIVENHAIN MUNICIPAL WATER DISTRICT

AND

OLIVENHAIN MUNICIPAL WATER DISTRICT EMPLOYEES ASSOCIATION

AND

THE BARGAINING UNIT MEMBERS ASSOCIATION

This FIRST AMENDMENT to the January 1, 2022 Memorandum of Understanding between the Olivenhain Municipal Water District (FIRST AMENDMENT), is entered into this _____ day of _____2026 by and between authorized management representatives of Olivenhain Municipal Water District (hereinafter the "DISTRICT") and the Olivenhain Municipal Water District Employees Association and the Bargaining Unit Members Association (hereinafter the "ASSOCIATIONS"). This FIRST AMENDMENT shall become effective upon execution of the parties. The DISTRICT and ASSOCIATIONS are entering this FIRST AMENDMENT based on the following:

A. The DISTRICT and ASSOCIATIONS entered into a Memorandum of Understanding (MOU) on January 1, 2022 which provided for terms of understanding between the parties until December 31, 2026. §2 of the MOU provided that the DISTRICT and ASSOCIATIONS may extend the term by mutual written agreement on or before December 31, 2026.

B. The DISTRICT and ASSOCIATIONS wish to extend the term of the MOU for an additional 3 years by way of this FIRST AMENDMENT.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. All terms of the January 1, 2022 MOU between the DISTRICT and the ASSOCIATIONS remain in full force and effect except as explicitly provided below.

2. §2 of the January 1, 2022 MOU is hereby modified and replaced in its entirety as follows: TERM: The term of this agreement shall commence on January 1, 2027 and shall

expire and otherwise fully terminate at 11:59 PM on December 31, 2029. The parties may extend the term by mutual written agreement on or before December 31, 2029.

3. §3 of the January 1, 2022 MOU is hereby modified and replaced in its entirety as follows: FUTURE MOUS: In the event the ASSOCIATIONS desire to meet and confer in good faith on the provisions of a successor MOU, they shall serve upon the District General Manager, not later than June 30, 2029, their written request to commence meeting and conferring in good faith. Upon receipt of such written notice, meet and confer shall begin not later than September 1, 2029 unless agreed upon by both parties to extend the time for a written proposal to be presented.

4. §9 of the January 1, 2022 MOU is hereby modified as follows: INCREASED CONTRIBUTIONS TO VOLUNTARY EMPLOYEE BENEFITS ASSOCIATION (VEBA): The District contributions to VEBA shall be as follows:

a) Up to 1 year of service = no funding

b) More than 1 year of (combined) service = $1,000 per participating employee per year

5. §11 of the January 1, 2022 MOU is hereby modified as follows: GRADE RANGE CHANGES: A salary survey will be conducted in spring of 2028 by an outside party to ensure adherence to the compensation policy of the District. The District will continue the practice of annual SD CPI-U range adjustments in June in non-survey years through end of the MOU.

6. §14 of the January 1, 2022 MOU is hereby modified as follows: REMOTE WORK: Remote work up to 20 total days per calendar year will continue for DEA employees at the discretion of the General Manager.

7. §15 of the January 1, 2022 MOU is hereby modified as follows: 4/10 WORK SCHEDULE: The 4/10 work schedule will continue for specified BUMA employees at the discretion of the General Manager.

8. §24 of the January 1, 2022 MOU is hereby modified as follows: Effective dates of future pay raises shall be as follows for the duration of the agreement.

a) June 26, 2027

b) June 24, 2028

c) June 23, 2029

9. SAFETY FOOTWEAR: The Administrative Code §5.27 (b) will be updated to reflect that the District will pay an approved vendor up to $250 per employee per fiscal year for one pair of approved safety boots including one pair of insoles.

Signed this _____ day of _____ 2026 by:

ASSOCIATIONS	DISTRICT
_____	_____
Lisa Maxwell, OMWDEA President	Christy Guerin, Board Secretary Board Personnel Committee
_____	_____
Tim Sheppard, BUMA President	Neal Meyers, Vice President Board Personnel Committee
_____	_____
Teresa Chase, OMWDEA	Kimberly Thorner, Lead District Negotiator General Manager
_____	_____
Jeff Fuchs, BUMA	Jennifer Joslin, Lead District Negotiator Human Resources Manager

Agenda Item 11

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Leo Mendez, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **CONSIDER ADOPTION OF AN ORDINANCE AMENDING SECTIONS 8.1, 8.2, AND 8.3 OF THE OLIVENHAIN MUNICPAL WATER DISTRICT'S ADMINISTRATIVE AND ETHICS CODE (Article 8 – Water Rates and Charges) TO TAKE EFFECT ON JANUARY 1, 2027**

Purpose

The purpose of this item is to consider and adopt adjustments to water rates and charges, which would be effective on January 1, 2027. These adjustments are included in the attached amendments to Article 8 of the District's Administrative and Ethics Code.

The proposed adjustments to OMWD's water rates and charges for 2027 are composed of: pass-through increases on purchased water wholesale costs, pass-through increases on the San Diego County Water Authority Infrastructure Access Charge (SDCWA-IAC), and pass-through increases on OMWD's costs of operations and capital facilities based on the San Diego County Consumer Price Index for All Urban Consumer Price Index (SD-CPI).

The proposed pass-through increases and adjustments to OMWD water rates and charges for 2027 equate to a **7.27% revenue adjustment**, which is less than the 12% per year threshold set by the Board in the 2024 cost of service study and Proposition 218 notification sent to customers. The proposed pass-through increases are in compliance

with the Proposition 218 notice, the District's pass-through ordinance, and they do not exceed OMWD's cost of providing water service to customers.

The proposed pass-through increases and adjustments were presented to the Finance Committee and Board for discussion and consideration at the August 11, 2026 and August 19, 2026 meetings, respectively.

As of the writing of this memo, the District has not received any verbal or written comments from water customers on the proposed changes to OMWD water rates and charges for 2027.

Recommendation

Staff is recommending the Board consider and adopt an ordinance amending article 8 of the District's Administrative and Ethics Code (attached). The attached ordinance and amendments to Article 8 account for the following:

- A 9.5% increase in OMWD's cost to purchase water from SDCWA comprised of: a 0.9% combined decrease in the SDCWA Supply and Transportation (Variable Costs) rates, A 15.1% increase in SDCWA Melded Treatment rate, and a 9.2% increase in SDCWA Fixed Costs, effective January 1, 2027; A contributing factor to the 9.5% increase is the need for OMWD to purchase additional treated water during March–June 2027 for the Water Treatment Plant rehabilitation projects.

- A 7.2% increase in SDCWA Infrastructure Access Charge effective January 1, 2027;

- Recycled Water Rate: based on anticipated increases in recycled water costs from various recycled water suppliers;

- A 3.77% inflationary adjustment based on the change in San Diego Consumer Price Index (SDCPI) for All-Urban Consumers (May 2026 over May 2025); and

- Demand Reduction Rate Adjustments, which are the proposed maximum increases that could be added to OMWD Potable Commodity Rates and may be implemented by the District during various levels of mandatory reductions in water usage, per the 2024 rate ordinance.

If the recommended pass-through increases and adjustments for 2027 are approved and adopted by the Board, OMWD potable customers will continue to pay less than the average monthly water bill in San Diego County for the same water usage based on

OMWD's water bill survey (included in the attached presentation).

Alternative

The Board could decide to delay the adoption of the attached ordinance. A one-month delay in adoption of the ordinance, however, would result in a revenue loss of approximately $428,000. The increases to the SDCWA water rates will be effective January 1, 2027.

Background

At the November 6, 2024 Board meeting, the Board adopted an ordinance authorizing OMWD, starting January 1, 2025, and at any time through and including December 31, 2029, to automatically pass through to customers certain cost increases experienced by OMWD to avoid operational deficits, depletion of reserves, and inability to address water capital infrastructure needs for the next five years ("Pass-Through Increases").

The Pass-Through Increases include: (1) increases in purchased water wholesale charges from SDCWA, and any other purchased water wholesale water charges imposed on OMWD, including by Recycled Water Wholesalers (collectively referred to as "Purchased Water Wholesale Pass-Through"); (2) increases imposed by SDCWA to the SDCWA Infrastructure Access Charge; (3) inflationary cost increases based on annual percentage change in CPI (Inflation Pass-Through). All pass-through increases shall not exceed 12% per year and shall not result in rates exceeding OMWD's cost of providing water services to its customers.

Per the ordinance, If approved by the Board, Pass-Through Increases will be automatically implemented annually after giving notice to customers at least 30 days prior to the effective date of the Pass-Through Increases (January 1, 2027).

Pass-Through Increases and Adjustments that are included in OMWD's proposed water rates and charges for 2027 are summarized as follows:

<u>San Diego County Water Authority (SDCWA) Water Rate Increases</u>

At its June 2026 meeting, SDCWA's Board of Directors adopted an approximate 3% effective rate increase across all member agencies for calendar year 2027 rates and charges. This is made up of an increase in the SDCWA Melded Treatment Rate of 15.1%, a decrease in the SDCWA Supply and Transportation (Variable Costs) rate of 0.9% and an

increase of 9.2% in SDCWA Fixed Costs. The impact to OMWD equates to a **9.5% increase in OMWD's cost to purchase water from SDCWA**. A contributing factor of this increase is the need for OMWD to purchase more treated water during March – June of 2027 for Water Treatment Plant rehabilitation projects.

Starting January 1, 2027, SDCWA will begin increasing SDCWA's fixed cost recovery to collect more in monthly fixed charges from its member agencies, including OMWD. SDCWA adjusted the collection of Transportation charges to 60% from fixed charges and 40% from variable charges (previously 50% fixed and 50% variable) to provide greater revenue certainty for SDCWA in the upcoming years. The cost shift has resulted in a significant increase in SDCWA's monthly fixed charges to OMWD starting in 2027.

SDCWA Infrastructure Access Charge

SDCWA collects a fixed monthly meter charge (SDCWA-IAC) on all County water meters to pay for regional water infrastructure. OMWD collects this charge on behalf of SDCWA, and the SDCWA-IAC appears as a separate meter fee on each customer's monthly bill. For the upcoming calendar year, OMWD's share of SDCWA-IAC charges increased by 7.2%. As a result, staff is proposing a corresponding 7.2% adjustment to the IAC meter fee for 2027 to pass through SDCWA's increase.

Recycled Water Suppliers' Water Rate Increases

In addition to producing recycled water at its 4S Water Reclamation Facility, OMWD buys recycled water from Vallecitos Water District, San Elijo Joint Powers Association, Rancho Santa Fe Community Services District in addition to meet recycled water demand. The proposed recycled water rates and charges are expected to raise sufficient revenues to pay for anticipated increases in operating, maintenance, and recycled water wholesale costs for 2027.

Inflationary Pass-Through Increase

To avoid operational deficits, depletion of reserves, and inability to address water capital infrastructure needs, the Board is authorized to pass through increases to OMWD's water operations and maintenance costs based on over-the-year percent change San Diego County Consumer Price Index-Urban (SDCPI-U.) **The inflationary pass-through for 2027 is a 3.77% increase** based on the change in the May 2026 index over May 2025 index.

OMWD Fire Meter Charge

Staff is proposing a 6.0% increase to the current OMWD Fire Meter Charge as shown on the attached Proposition 218 Notice for January 1, 2027. Fire Meter Charge is a monthly fixed charge that is assessed per meter and varies by meter size on certain properties as a condition of extending or initiating water service by (1) the installation of a fire suppression system, and (2) upon the request of the property owner for the delivery of water to the property for the purpose of fire service protection. The proposed fire meter charge increases for a typical ¾" meter is $0.39.

Rate Reimbursement Credit

To minimize rate impacts on customers due to large increases in water purchase costs from SDCWA, a rate reimbursement credit (RRC) was approved by the Board to offset volumetric rates directly. SDCWA sent rebate payments to its member agencies for settlements received from litigation with MWD. SDCWA's refund is given back to OMWD rate payers in the form of a credit per unit of water used. The current refund is $0.11 per unit and will remain in place until the SDCWA rebate amount is fully depleted, which is anticipated by October 2026. The attached Ordinance and Exhibit include housekeeping updates to the Administrative and Ethics Code to reflect the conclusion of the RRC.

Demand Reduction Rate Adjustments

State-mandated water use cutbacks negatively impact OMWD revenues. The Demand Reduction Rate Adjustments approved and adopted by the Board in 2024 help to mitigate future loss in revenue from reduced sales to ensure OMWD can continue providing water services due to water-use restrictions mandated by the State of California.

The Demand Reduction Rate Adjustments would take effect only during declared water shortage stages or state-mandated reductions in the level of potable water usage under the terms of the District Water Supply Shortage Condition Ordinance.

Fiscal Impact

The required revenue adjustment to OMWD's water rates and charges starting January 1, 2027, to pass through the above increases and adjustments is **7.27%, or approximately $5.14 million.**

The impact of these increases on customer bills is as follows:

- 6 units of water use with a 3/4" meter (low user) = $6.96 increase per month
- 13 units of water use with a 3/4" meter (median user) = $10.53 increase per month
- 23 units of water with a 3/4" meter (average user) = $15.63 increase per month

Discussion

The proposed pass-through increases and adjustments, were presented to the Finance Committee and Board for discussion and consideration at the August 11, 2026 and August 19, 2026 meetings, respectively.

The proposed pass-through increases and adjustments were also reviewed by the District's Rate Consultant, Raftelis Financial Consultants. Since the proposed increases and adjustments for 2027 are consistent with OMWD's Proposition 218 Notice and the rate ordinance, a public hearing is not required.

The proposed changes to OMWD water rates and charges for 2027 were published in the September 2026 Watching Water newsletter (attached) and mailed out to water customers with the September monthly water bills to save mailing and postage costs. Electronic Bill water customers have also been notified and referred to the September 2026 Watching Water for information on the proposed changes to water rates and charges for 2027.

As of the writing of this memo, the District has not received any public comments on the water rate increases.

Prepared by: August Trees, Financial Analyst I
Jared Graffam, Accounting Supervisor
Reviewed by: Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments: Attachment 1 - Ordinance and Exhibit
Attachment 2 - September 2026 Watching Water
Attachment 3 - PowerPoint on Proposed 2027 Pass-Through Increases and Adjustments

Attachment 1

ORDINANCE NO. 5xx

AN ORDINANCE OF THE BOARD OF DIRECTORS OF
THE OLIVENHAIN MUNICIPAL WATER DISTRICT
AMENDING THE DISTRICT'S ADMINISTRATIVE AND ETHICS CODE
(Article 8 – Water Rates and Charges)

BE IT ORDAINED by the Board of Directors of Olivenhain Municipal Water District as follows:

SECTION 1: Sections 8.1, 8.2, and 8.3 of Article 8 of OMWD's Administrative and Ethics Code, Policy for District's Facilities, are hereby revised to read as shown on Exhibit A (attached).

PASSED, APPROVED AND ADOPTED at a special meeting of Olivenhain Municipal Water District's Board of Directors held this 14th day of October 2026.

_____
Matthew R. Hahn, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____
Christy Guerin, Secretary
Board of Directors
Olivenhain Municipal Water District

ARTICLE 8 WATER RATES & CHARGES

Sec. 8.1.A. revised by Ordinance No. 535 / December 17, 2025
Sec. 8.1.A. revised by Ordinance No. 534/ October 15, 2025
Sec. 8.1.A. revised by Ordinance No. 522/ November 6, 2024
Sec. 8.1.A. revised by Ordinance No. 514 / January 17, 2024
Sec. 8.1.A. revised by Ordinance No. 507 / February 15, 2023
Sec. 8.1. revised by Ordinance No. 499 / February 16, 2022
Sec. 8.1. revised by Ordinance No. 485 / March 17, 2021
Sec. 8.1. revised by Ordinance No. 469 / December 11, 2019
Sec. 8.1. revised by Ordinance No. 464 / March 6, 2019
Sec. 8.1. revised by Ordinance No. 458 / July 25, 2018
Sec. 8.1. revised by Ordinance No. 456 / March 7, 2018
Sec. 8.1. revised by Ordinance No. 449 / May 17, 2017
Sec. 8.1. revised by Ordinance No. 448 / March 8, 2017
Sec. 8.1. revised by Ordinance No. 442 / July 20, 2016
Sec. 8.1. revised by Ordinance No. 436 / March 9, 2016
Sec. 8.1. revised by Ordinance No. 432 / November 4, 2015
Sec. 8.1. revised by Ordinance No. 425 / March 18, 2015
Sec. 8.1. revised by Ordinance No. 414 / March 26, 2014
Sec. 8.1 revised by Ordinance No. 406 / March 27, 2013
Sec. 8.1 revised by Ordinance No. 402 / December 12, 2012
Sec. 8.1 revised by Ordinance No. 395 / March 28, 2012
Sec. 8.1 revised by Ordinance No. 386 / March 9, 2011
Sec. 8.1 revised by Ordinance No. 377 / April 21, 2010

Sec. 8.1. Treated Water Rates.

A. Domestic Rates.

The rates to be charged and collected for water supplied to Domestic users, as defined in Section 9.1.1 shall be charged using a four-step increasing block rate structure as follows:

Base Rates effective January 1, 2027~~6~~:

Number of Units	Rate
0-6 units	$~~4.71~~5.20
7-23 units	$~~6.76~~7.27
24-80 units	$~~7.57~~8.10
Over 80 units	$~~8.55~~9.12

Demand Reduction Rates:
Adjustments to the Base Rates then in effect during declared stages or state mandated reduction in the level of potable water usage during any stage of implementation of the District's Water Shortage Contingency Plan, Ordinance No. 489.

The District's Board of Directors is authorized to implement the Demand Reduction Rates under a Proposition 218 process in order to effectuate an appropriate and desired level of potable water use cutback required by the District's customers.

10% Demand Reduction Rates effective January 1, 2027~~6~~:

Number of Units	Rate
0-6 units	$~~5.01~~5.50
7-23 units	$~~7.06~~7.57
24-80 units	$~~7.87~~8.40
Over 80 units	$~~8.85~~9.42

20% Demand Reduction Rates effective January 1, 2027~~6~~:

Number of Units	Rate
0-6 units	$~~5.39~~5.88
7-23 units	$~~7.44~~7.95
24-80 units	$~~8.25~~8.78
Over 80 units	$~~9.23~~9.80

30% Demand Reduction Rates effective January 1, 2027~~6~~:

Number of Units	Rate
0-6 units	$~~5.83~~6.32
7-23 units	$~~7.88~~8.39
24-80 units	$~~8.69~~9.22
Over 80 units	$~~9.67~~10.24

1 unit = 748 gallons = 100 cubic feet

Each individual dwelling unit in a multifamily residential account receives the tier allotments identified above.

Sec. 8.1.B. revised by Ordinance No. 534 / October 15, 2025
Sec. 8.1.B. revised by Ordinance No. 522 / November 6, 2024
Sec. 8.1.B. revised by Ordinance No. 514 / January 17, 2024
Sec. 8.1.B. revised by Ordinance No. 507 / February 15, 2023
Sec. 8.1.B. revised by Ordinance No. 499 / February 16, 2022
Sec. 8.1.B. revised by Ordinance No. 485 / March 17, 2021
Sec. 8.1.B. revised by Ordinance No. 477 / October 14, 2020
Sec. 8.1.B. revised by Ordinance No. 469 / December 11, 2019

Sec. 8.1.B. revised by Ordinance No. 464 / March 6, 2019
Sec. 8.1.B. revised by Ordinance No. 458 / July 25, 2018
Sec. 8.1.B. revised by Ordinance No. 456 / March 7, 2018
Sec. 8.1.B. revised by Ordinance No. 448 / March 8, 2017
Sec. 8.1.B. revised by Ordinance No. 442 / July 20, 2016
Sec. 8.1.B. revised by Ordinance No. 436 / March 9, 2016
Sec. 8.1.B. revised by Ordinance No. 425 / March 18, 2015
Sec. 8.1.B. revised by Ordinance No. 414 / March 26, 2014
Sec. 8.1.B. revised by Ordinance No. 406 / March 27, 2013
Sec. 8.1.B. revised by Ordinance No. 402 / December 12, 2012
Sec. 8.1.B. revised by Ordinance No. 395 / March 28, 2012
Sec. 8.1.B. revised by Ordinance No. 386 / March 9, 2011
Sec. 8.1.B. revised by Ordinance No. 377 / April 21, 2010
Sec. 8.1.B. revised by Ordinance No. 372 / October 28, 2009
Sec. 8.1.B revised by Ordinance No. 369 / January 28, 2009
Sec. 8.1.B revised by Ordinance No. 358 / February 13, 2008
Sec. 8.1.B revised by Ordinance No. 357 / January 23, 2008

B. Agricultural Treated Water Rate.

Agricultural service shall be defined as water delivered through a single meter for use upon tracts or parcels of land within the boundaries of the District, utilized for agricultural purposes as defined by its wholesaler, San Diego County Water Authority's (SDCWA) Permanent Special Agricultural Water Rate (PSAWR) program. Water received by the user for agricultural purposes shall be charged as follows:

Base Rate effective January 1, 2027~~6~~:

$~~7.22~~ 7.76per unit

10% Demand Reduction Rate effective January 1, 2027~~6~~: $~~7.52~~ 8.06 per unit

20% Demand Reduction Rate effective January 1, 2027~~6~~: $~~7.90~~8.44 per unit

30% Demand Reduction Rate effective January 1, 2027~~6~~: $~~8.34~~8.88 per unit

SDCWA offers a Permanent Special Agricultural Water Rate (PSAWR) program. A contract must be signed between the District and the property owner providing that the owner will participate in the PSAWR and voluntarily agree to a mandatory water supply reduction in the event of a water supply shortage. When such a contract is approved by the District, a credit of $~~1.98~~2.02 per unit of agricultural water used shall be applied to each qualified customer's bill. Customers participating in this program are subject to unannounced inspections by the District to ensure they continue to meet the

requirements of the program. Any accounts determined to be ineligible for the PSAWR program will be reclassified to a residential, commercial, or irrigation rate and charged accordingly. SDCWA reserves the right to cancel the PSAWR program at any time.

In the event of a water supply shortage, SDCWA may develop an allocation and penalty rate system for PSAWR accounts. A PSAWR penalty rate is a pass-through penalty for customers who participate in the PSAWR and use over a contractual allocation during a water supply shortage. The PSAWR penalty rate is subject to change by SDCWA.

Sec. 8.1.C. revised by Ordinance No. 469 / December 11, 2019

C. Combination Agricultural/Domestic Accounts Water Rate.

The rates to be charged and collected for water supplied to accounts where a portion of water is used for agricultural purposes and a portion of water is used for domestic purposes shall be as follows:

RATES PER UNIT

a. Same rates as Domestic for first 23 units of water consumed.
b. Same rates as Agricultural for consumption greater than 23 units.

Sec. 8.1.D. revised by Ordinance No. 535 / December 17, 2025
Sec. 8.1.D. revised by Ordinance No. 534 / October 15, 2025
Sec. 8.1.D. revised by Ordinance No. 522 / November 6, 2024
Sec. 8.1.D. revised by Ordinance No. 514 / January 17, 2024
Sec. 8.1.D. revised by Ordinance No. 507 / February 15, 2023
Sec. 8.1.D. revised by Ordinance No. 499 / February 16, 2022
Sec. 8.1.D. revised by Ordinance No. 485 / March 17, 2021
Sec. 8.1.D. revised by Ordinance No. 469 / December 11, 2019
Sec. 8.1.D. revised by Ordinance No.464/ March 6, 2019
Sec. 8.1. D revised by Ordinance No. 456 / March 7, 2018
Sec. 8.1.D. revised by Ordinance No. 448 / March 8, 2017
Sec. 8.1.D. revised by Ordinance No. 436 / March 9, 2016
Sec. 8.1.D. revised by Ordinance No. 425 / March 18, 2015
Sec. 8.1.D. revised by Ordinance No. 414 / March 26, 2014
Sec. 8.1.D. revised by Ordinance No. 406 / March 27, 2013
Sec. 8.1.D. revised by Ordinance No. 402 / December 12, 2012
Sec. 8.1.D. revised by Ordinance No. 395 / March 28, 2012
Sec. 8.1.D. revised by Ordinance No. 386 / March 9, 2011
Sec. 8.1.D. revised by Ordinance No. 377 / April 21, 2010
Sec. 8.1.D. revised by Ordinance No. 372 / October 28, 2009

Sec. 8.1.D. revised by Ordinance No. 369 / January 28, 2009

D. Commercial and Industrial Water Rates.

The rates to be charged and collected for water supplied to commercial and industrial users, as defined in Section 9.1.2, shall be as follows:

Base Rate effective January 1, 2027~~6~~: $~~6.43~~ 6.93 per unit

10% Demand Reduction Rate effective January 1, 2027~~6~~: $~~6.73~~7.23 per unit

20% Demand Reduction Rate effective January 1, 2027~~6~~: $~~7.11~~7.61 per unit

30% Demand Reduction Rate effective January 1, 2027~~6~~: $~~7.55~~8.05 per unit

Sec. 8.1.E. revised by Ordinance No. 535 / December 17, 2025
Sec. 8.1.E. revised by Ordinance No. 534 / October 15, 2025
Sec. 8.1.E. revised by Ordinance No. 522 / November 6, 2024
Sec. 8.1.E. revised by Ordinance No. 514 / January 17, 2024
Sec. 8.1.E. revised by Ordinance No. 507/ February 15, 2023
Sec. 8.1.E. revised by Ordinance No. 499 / February 16, 2022
Sec. 8.1.E. revised by Ordinance No. 469 / December 11, 2019
Sec. 8.1.E. revised by Ordinance No. 464 / March 6, 2019
Sec. 8.1.E. revised by Ordinance No. 456 / March 7, 2018
Sec. 8.1.E. revised by Ordinance No. 448 / March 8, 2017
Sec. 8.1.E. revised by Ordinance No. 436 / March 9, 2016
Sec. 8.1.E. revised by Ordinance No. 425 / March 18, 2015
Sec. 8.1.E. revised by Ordinance No. 414 / March 26, 2014
Sec. 8.1.E. revised by Ordinance No. 406 / March 27, 2013
Sec.8.1E. revised by Ordinance No. 468 / October 16, 2019
Sec. 8.1.E. revised by Ordinance No. 402 / December 12, 2012
Sec. 8.1.E. revised by Ordinance No. 395 / March 28, 2012
Sec. 8.1.E. revised by Ordinance No. 386 / March 9, 2011
Sec. 8.1.E. revised by Ordinance No. 485 / March 17, 2021
Sec. 8.1.E. revised by Ordinance No. 377 / April 21, 2010
Sec. 8.1.E. revised by Ordinance No. 372 / October 28, 2009
Sec. 8.1.E. revised by Ordinance No. 369 / January 28, 2009

E. Irrigation Water Rates.

The rates to be charged and collected for water supplied to potable water irrigation users, as defined in Section and 9.1.3, shall be as follows:

Base Rates effective January 1, 2027~~6~~:

ARTICLE 8 WATER RATES & CHARGES

Tier 1	Tier 2	Meter Size	Winter Unit Allotment (Nov 1 – Apr 30)	Summer Unit Allotment (May 1 – Oct 31)
$~~7.23~~7.77	$~~8.16~~8.74	5/8"	10	15
Per unit	Per unit	3/4"	20	30
		1"	35	50
		1-1/2"	50	110
		2"	100	200
		3"	200	500
		4"	600	3,500
		6"	3,100	11,800
		8"	5,600	21,300

10% Demand Reduction Rates effective January 1, 202~~5~~6:

Tier 1	$~~7.53~~8.07
Tier 2	$~~8.46~~9.04

20% Demand Reduction Rates effective January 1, 202~~5~~6:

Tier 1	$~~7.91~~8.45
Tier 2	$~~8.84~~9.42

30% Demand Reduction Rates effective January 1, 202~~5~~6:

Tier 1	$~~8.35~~8.89
Tier 2	$~~9.28~~9.86

Sec. 8.1.F. revised by Ordinance No. 535 / December 17, 2025
Sec. 8.1.F. revised by Ordinance No. 534 / October 15, 2025
Sec. 8.1.F. revised by Ordinance No. 512/ November 6, 2024
Sec. 8.1.F. revised by Ordinance No. 514 / January 17, 2024
Sec. 8.1.F. revised by Ordinance No. 507 / February 15, 2023
Sec. 8.1.F. revised by Ordinance No. 499 / February 16, 2022
Sec. 8.1.F. revised by Ordinance No. 485 / March 17, 2021
Sec. 8.1.F. revised by Ordinance No. 469 / December 11, 2019
Sec. 8.1.F. revised by Ordinance No. 464 / March 6, 2019
Sec. 8.1.F. revised by Ordinance No. 456 / March 7, 2018
Sec. 8.1.F. revised by Ordinance No. 448 / March 8, 2017
Sec. 8.1.F. revised by Ordinance No. 436 / March 9, 2016
Sec. 8.1.F. revised by Ordinance No. 425 / March 18, 2015
Sec. 8.1.F. revised by Ordinance No. 414 / March 26, 2014

ARTICLE 8 WATER RATES & CHARGES

Sec. 8.1.F. revised by Ordinance No. 406 / March 27, 2013
Sec. 8.1.F. revised by Ordinance No. 402 / December 12, 2012
Sec. 8.1.F. revised by Ordinance No. 395 / March 28, 2012
Sec. 8.1.F. revised by Ordinance No. 386 / March 9, 2011
Sec. 8.1.F. revised by Ordinance No. 377 / April 21, 2010
Sec. 8.1.F. revised by Ordinance No. 372 / October 28, 2009
Sec. 8.1.F. revised by Ordinance No. 369 / January 28, 2009

F. Construction Water Rates.

The rates to be charged and collected for water supplied to construction users, as defined in Section 9.1.5, shall be charged as follows:

Base Rate effective January 1, 2027~~6~~:

$~~8.97~~9.56 per unit

10% Demand Reduction Rate effective January 1, 2027~~6~~: $~~9.27~~9.86 per unit

20% Demand Reduction Rate effective January 1, 2027~~6~~: $~~9.65~~10.24 per unit

30% Demand Reduction Rate effective January 1, 2027~~6~~: $~~10.09~~10.68 per unit

Sec. 8.1.G. revised by Ordinance No. 535 / December 17, 2025
Sec. 8.1.G. revised by Ordinance No. 534/ October 15, 2025
Sec. 8.1.G. added by Ordinance No. 522 / November 6, 2024
Sec. 8.1.G. added by Ordinance No. 499 / February 16, 2022

~~G. Rate Reimbursement Credit.~~

~~An 11 cent credit per unit of potable water billed will be applied to customer accounts beginning with January 1, 2026 water consumption to reimburse OMWD's potable water customers for settlement amounts received by the District from San Diego County Water Authority for overcharges on potable water wholesale costs from 2011 to 2017.~~

~~The Rate Reimbursement Credit is applied to potable water consumption and subject to change as determined solely by the Board of Directors. The Rate Reimbursement Credit does not apply to construction or recycled water usage.~~

Sec. 8.1.1. revised by Ordinance No. 535 / December 17, 2025
Sec. 8.1.1. revised by Ordinance No. 534/ October 15, 2025

ARTICLE 8 WATER RATES & CHARGES

Sec. 8.1.1. revised by Ordinance No. 522 / November 6, 2024
Sec. 8.1.1. revised by Ordinance No. 514 / January 17, 2024
Sec. 8.1.1. revised by Ordinance No. 507 / February 15, 2023
Sec. 8.1.1. revised by Ordinance No. 499 / February 16, 2022
Sec. 8.1.1. revised by Ordinance No. 492 / September 8, 2021
Sec. 8.1.1. revised by Ordinance No. 485 / March 17, 2021
Sec. 8.1.1. revised by Ordinance No. 469 / December 11, 2019
Sec. 8.1.1. revised by Ordinance No. 464 / March 6, 2019
Sec. 8.1.1. (Unfiltered Water Rates) removed by Ordinance No. 456 / March 7, 2018
Sec. 8.1.1. revised by Ordinance No. 402 / December 12, 2012
Sec. 8.1.1. revised by Ordinance No. 386 / March 9, 2011
Sec. 8.1.1. revised by Ordinance No. 377 / April 21, 2010
Sec. 8.1.1. revised by Ordinance No. 369 /January 28, 2009
Sec. 8.1.1. revised by Ordinance No. 358 / February 13, 2008
Sec. 8.1.1. revised by Ordinance No. 345 / February 9, 2007
Sec. 8.1.1. revised by Ordinance No. 326 / January 13, 2006
Sec. 8.1.1. revised by Ordinance No. 316 / February 23, 2005
Sec. 8.1.1. revised by Ordinance No. 297 / August 21, 2002

Sec. 8.1.1. Recycled and Non-imported Water Rates.

The water rates to be charged and collected for recycled water or non-imported sources supplied for agricultural, commercial, construction, industrial, and irrigation purposes:

Base Rate effective January 1, 2027~~6~~:
$~~4.70~~4.88 per unit

Wet Weather Incentive Program may be offered in accordance with Section 25.7.

Sec. 8.2. revised by Ordinance No. 534 / October 15, 2025
Sec. 8.2. revised by Ordinance No. 522 / November 6, 2024
Sec. 8.2. revised by Ordinance No. 514 / January 17, 2024
Sec. 8.2. revised by Ordinance No. 507/ February 15, 2023
Sec. 8.2. revised by Ordinance No. 499/ February 16, 2022
Sec. 8.2. revised by Ordinance No. 485/ March 17, 2021
Sec. 8.2. revised by Ordinance No. 469 / December 11, 2019
Sec. 8.2. revised by Ordinance No. 464 / March 6, 2019
Sec. 8.2. revised by Ordinance No. 456 / March 7, 2018
Sec. 8.2. revised by Ordinance No. 448 / March 8, 2017
Sec. 8.2. revised by Ordinance No. 436 / March 9, 2016
Sec. 8.2. revised by Ordinance No. 425 / March 18, 2015

ARTICLE 8 WATER RATES & CHARGES

Sec. 8.2. revised by Ordinance No. 414 / March 26, 2014
Sec. 8.2. revised by Ordinance No. 406 / March 27, 2013
Sec. 8.2. revised by Ordinance No. 395 / March 28, 2012
Sec. 8.2. revised by Ordinance No. 386 / March 9, 2011
Sec. 8.2. revised by Ordinance No. 377 / April 21, 2010
Sec. 8.2. revised by Ordinance No. 372 / October 28, 2009
Sec. 8.2. revised by Ordinance No. 369 /January 28, 2009
Sec. 8.2. revised by Ordinance No. 358 / February 13, 2008
Sec. 8.2. revised by Ordinance No. 345 / February 9, 2007
Sec. 8.2. revised by Ordinance No. 326 / January 13, 2006
Sec. 8.2. revised by Ordinance No. 316 / February 23, 2005
Sec. 8.2. revised by Ordinance No. 297 / August 21, 2002

Sec. 8.2. System Access Charges.

A. The minimum monthly System Access Charge for each meter shall be as follows, and shall apply to all meters regardless of use:

Rates effective January 1, 2027~~6~~:

5/8”	$~~40.72~~43.55	**2 ½”**	$~~397.94~~425.75
3/4”	$~~53.19~~56.89	**3”**	$~~435.33~~465.74
1”	$~~90.58~~96.90	**4”**	$~~721.93~~772.37
1 ½”	$~~140.41~~150.21	**6”**	$~~1,506.96~~1,612.27
2”	$~~219.33~~234.65	**8”**	$~~2,711.51~~2,900.99

B. Meters installed solely for automatic fire sprinkler service shall be charged a monthly System Access Charge as follows:

Rates effective January 1, 2027~~6~~:

5/8”	$~~6.50~~6.89	**2 ½”**	$~~13.67~~ 14.50
3/4”	$~~6.50~~6.89	**3”**	$~~14.44~~15.31
1”	$~~7.29~~7.73	**4”**	$~~20.40~~21.63

ARTICLE 8 WATER RATES & CHARGES

1 ½"	$~~8.32~~8.82	**6"**	$~~36.71~~38.92
2"	$~~9.96~~10.56	**8"**	$~~61.73~~65.44

Sec. 8.3.. revised by Ordinance No. 534/ October 15, 2025
Sec. 8.3. revised by Ordinance No. 522 / November 6, 2024
Sec. 8.3. revised by Ordinance No. 514 / January 17, 2024
Sec. 8.3. revised by Ordinance No. 507 / February 15, 2023
Sec. 8.3. revised by Ordinance No. 499 / February 16, 2022
Sec. 8.3. revised by Ordinance No. 485 / March 17, 2021
Sec. 8.3. revised by Ordinance No. 469 / December 11, 2019
Sec. 8.3. revised by Ordinance No. 464 / March 6, 2019
Sec. 8.3. revised by Ordinance No. 456 / March 7, 2018
Sec. 8.3. revised by Ordinance No. 448 / March 8, 2017
Sec. 8.3. revised by Ordinance No. 436 / March 9, 2016
Sec. 8.3. revised by Ordinance No. 425 / March 18, 2015
Sec. 8.3. revised by Ordinance No. 414 / March 26, 2014
Sec. 8.3. revised by Ordinance No. 406 / March 27, 2013
Sec. 8.3. revised by Ordinance No. 395 / March 28, 2012
Sec. 8.3. revised by Ordinance No. 386 / March 9, 2011
Sec. 8.3. revised by Ordinance No. 377 / April 21, 2010
Sec. 8.3. revised by Ordinance No. 369 /January 28, 2009
Sec. 8.3. revised by Ordinance No. 358 / February 13, 2008
Sec. 8.3. revised by Ordinance No. 345 / February 9, 2007
Sec. 8.3. revised by Ordinance No. 326 / January 13, 2006
Sec. 8.3. revised via Ordinance No. 316 / February 23, 2005
Sec. 8.3. revised via Ordinance No. 297 / August 21, 2002

Sec. 8.3. San Diego County Water Authority Infrastructure Access Charge.

The minimum monthly SDCWA Infrastructure Access Charge shall be as follows and shall apply to active retail water meters certain exclusions apply:

Rates effective January 1, 2027~~6~~:

5/8"	$~~4.55~~4.87	**2 ½"**	$~~42.32~~45.29
3/4	$~~4.55~~4.87	**3"**	$~~46.41~~49.67
1"	$~~8.65~~9.25	**4"**	$~~77.81~~83.28
1 ½"	$~~14.11~~15.10	**6"**	$~~163.80~~175.32

2”	$~~22.75~~24.35	**8”**	$~~295.75~~316.55

Attachment 2

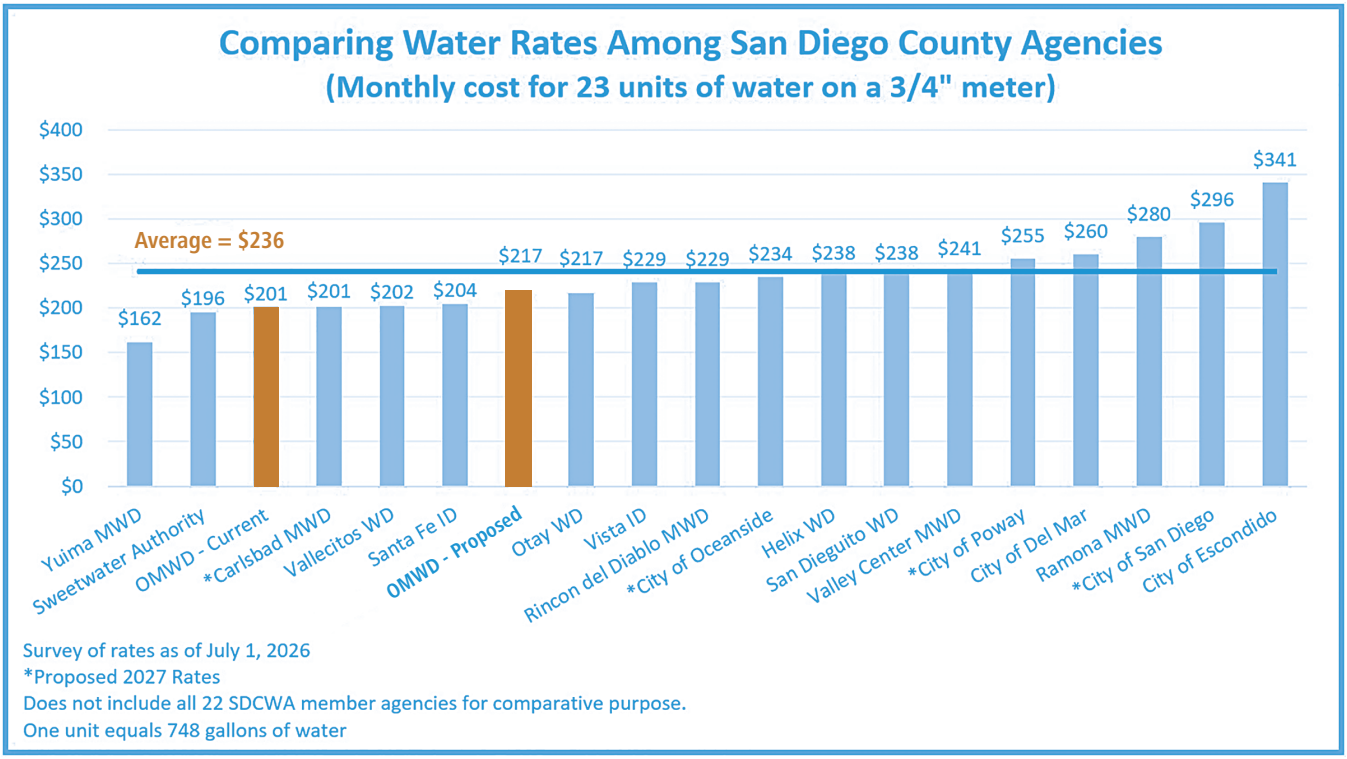
OLIVENHAIN
Municipal Water District
A Public Agency
SEPTEMBER 2026

Watching Water
YOUR DISTRICT NEWS

OMWD Board to Consider a 7.27% Revenue Adjustment for 2027

Water rates would remain in the lower half among San Diego County water agencies

OMWD purchases all of our drinking water supply from the regional water wholesaler, San Diego County Water Authority. Effective January 1, 2027, OMWD's cost to purchase water will increase by approximately 9.5%.



Due to this increase and other operational cost increases, OMWD's Board of Directors will consider a 7.27% revenue adjustment at its October 14, 2026 meeting.

If approved, the average monthly water bill for an OMWD customer would be lower than average among San Diego County water agencies. OMWD water will still cost about a penny a gallon.

What is the Reason for a 7.27% Revenue Adjustment?

Our water rates cover the actual costs of providing customers with safe and reliable water. OMWD does not make a profit. We invest every dollar paid by customers into operations, maintenance, and infrastructure needs.

When our expenses increase, it is necessary to pass these increases on to customers through a revenue adjustment. This allows OMWD to continue providing high-quality water service and maintaining our infrastructure.

Continued on page 2

OLIVENHAIN
Municipal Water District
A Public Agency
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www.olivenhain.com

Published by Olivenhain Municipal Water District in the interest of an informed public.

BOARD OF DIRECTORS
Matthew R. Hahn, President
Neal Meyers, Vice President
Christy Guerin, Secretary
Scott Maloni, Treasurer
Ebin Lanfried, Director

GENERAL MANAGER
Kimberly A. Thorner, Esq.

GENERAL COUNSEL
Alfred Smith, Esq.

BOARD MEETING DATES
Please visit our website at **www.olivenhain.com** for dates.

MISSION STATEMENT

Olivenhain Municipal Water District is a multi-functioning public agency that is dedicated and committed to serving present and future customers in a service-oriented manner by:

Water
Providing safe, reliable, high-quality drinking water while exceeding all regulatory requirements in a cost-effective and environmentally responsive manner.

Recycled Water
Providing recycled water and wastewater treatment in the most cost-effective and environmentally responsive method.

Parks
Safely operating Elfin Forest Recreational Reserve and providing all users with a unique recreational, educational, and environmental experience.

Emergency Management
Complying with policies and procedures that adhere to local, state, and federal guidelines for national security and disaster preparedness.

Sustainable Operations
Pursuing alternative and/or renewable resources with the most sustainable, efficient, and cost-effective approach.

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What is the Reaason... | Continued from page 1

There are two reasons for the proposed 7.27% revenue adjustment: higher wholesale water costs and inflation.

Higher Wholesale Water Costs

Buying water from our wholesaler, SDCWA, is OMWD's largest expense. This accounts for about half of our total operating costs.

In June, SDCWA approved its wholesale water rates for 2027. Its fixed charges will increase by 9.2%. While there will be no increase in the cost to buy raw water, the cost to buy treated water will increase by 15.1%. The projected overall increase in OMWD's cost to purchase water in 2027 is 9.5%.

OMWD typically purchases raw water and treats it at David C. McCollom Water Treatment Plant. However, when we are performing work at the treatment plant, OMWD must buy treated water from SDCWA, which is more expensive. In a typical year, less than 10% of the water that we serve is treated by SDCWA.

In 2027, OMWD will conduct improvements to our treatment plant that will require us to buy more treated water (about 33%) than usual. This work is scheduled for lower-usage months to minimize how much treated water OMWD will need to buy. If OMWD did not have to purchase extra treated water in 2027, the proposed revenue adjustment would have been approximately 3.14%, demonstrating how cost-effective it is for OMWD to treat raw water at our treatment plant. Once the work is completed, OMWD will resume buying raw water and treating it ourselves.

As a result of the work to upgrade our plant and the 15.1% increase to buy treated water, the projected overall increase in OMWD's cost to purchase water in 2027 is 9.5%.

OMWD also buys recycled water from four local providers to serve our irrigation customers. In 2027, OMWD's cost to buy recycled water from these providers will increase by 5.28%.

Inflation

Inflation is the other contributing factor. Based on changes in the San Diego/Carlsbad Consumer Price Index from May 2025 to May 2026, inflation increased by 3.77%, raising OMWD's operating costs.

The impact of the proposed 7.27% revenue adjustment to OMWD's water rates and charges is shown on pages 3 and 4 in the OMWD Commodity Rates, OMWD System Access Charge, OMWD Fire Meter Charge, and the SDCWA Infrastructure Access Charge tables.

Comments about the proposed revenue adjustment may be submitted via email to skaufmann@olivenhain.com. Please use "Rate Comment" as the subject line in any correspondence. Additionally, the board will consider all public comments made at the October 14 board meeting.

How Will the Revenue Adjustment Affect My Water Bill?

The impact of the proposed 7.27% revenue adjustment varies based on each customer's meter size, customer type, and usage tier. A residential customer's water bill includes a commodity rate for each unit of water used. The commodity rate is based on water consumption across tiers designed to recover the cost of providing water service in each tier. The water bill also has two fixed monthly access charges: OMWD's System Access Charge and SDCWA's Infrastructure Access Charge.

The average residential customer using 23 units (~17,200 gallons) a month will see an increase of approximately $15.63.

A residential customer who uses six units (~4,500 gallons) a month will see an estimated increase of $6.96.

If approved by the board, the proposed changes to OMWD's water rates and charges will take effect with water use beginning January 1, 2027.

WE ARE HERE

Current Commodity Charge Effective January 1, 2026 (1 unit = 748 gallons)[1]

CUSTOMER TYPE	NON-SHORTAGE (Base) Rates	WATER SUPPLY SHORTAGE RATES 10% Demand Reduction Rates[2]	20% Demand Reduction Rates[2]	30% Demand Reduction Rates[2]
Domestic				
0-6 Units	$4.71	$5.01	$5.39	$5.83
7-23 Units	$6.76	$7.06	$7.44	$7.88
24-80 Units	$7.57	$7.87	$8.25	$8.69
80+ Units	$8.55	$8.85	$9.23	$9.67
Agricultural[3]	$7.22	$7.52	$7.90	$8.34
Combined Agricultural/Domestic				
First 23 Units per month: Follow Domestic rate structure.				
Over 23 Units per month: Follow Agricultural rate structure.				
Commercial	$6.43	$6.73	$7.11	$7.55
Irrigation[4]				
Tier 1	$7.23	$7.53	$7.91	$8.35
Tier 2	$8.16	$8.46	$8.84	$9.28
Construction	$8.97	$9.27	$9.65	$10.09
Recycled	$4.70	Shortage rates do not apply		

Proposed Irrigation Unit Allotments [4]

(No changes are proposed)
Tier 1 Allotment / Based upon water use by meter size

Meter Size	Winter (Dec-May)	Summer (Jun-Nov)
5/8″	10	15
3/4″	20	30
1″	35	50
1-1/2″	50	110
2″	100	200
3″	200	500
4″	600	3,500
6″	3,100	11,800
8″	5,600	21,300

Proposed Commodity Charge Effective January 1, 2027 (1 unit = 748 gallons)

CUSTOMER TYPE	NON-SHORTAGE (Base) Rates	WATER SUPPLY SHORTAGE RATES 10% Demand Reduction Rates[2]	20% Demand Reduction Rates[2]	30% Demand Reduction Rates[2]
Domestic				
0-6 Units	$5.20	$5.50	$5.88	$6.32
7-23 Units	$7.27	$7.57	$7.95	$8.39
24-80 Units	$8.10	$8.40	$8.78	$9.22
80+ Units	$9.12	$9.42	$9.80	$10.24
Agricultural[3]	$7.76	$8.06	$8.44	$8.88
Combined Agricultural/Domestic				
First 23 Units per month: Follow Domestic rate structure.				
Over 23 Units per month: Follow Agricultural rate structure.				
Commercial	$6.93	$7.23	$7.61	$8.05
Irrigation[4]				
Tier 1	$7.77	$8.07	$8.45	$8.89
Tier 2	$8.74	$9.04	$9.42	$9.86
Construction	$9.56	$9.86	$10.24	$10.68
Recycled	$4.88	Shortage rates do not apply		

Current and Proposed OMWD System Access Charge (SAC)[1][5]

Meter Size	Current	Proposed Effective January 1, 2027
5/8″	$40.72	$43.55
3/4″ *	$53.19	$56.89
1″	$90.58	$96.90
1-1/2″	$140.41	$150.21
2″	$219.33	$234.65
2-1/2″	$397.94	$425.75
3″	$435.33	$465.74
4″	$721.93	$772.37
6″	$1,506.96	$1,612.27
8″	$2,711.51	$2,900.99

Notes to the tables

* Typical residential meter size

(1) OMWD's board approved current rates and charges at our October 15, 2025 meeting. These rates and charges are currently used to calculate monthly water bills.

(2) The General Manager or board would implement Demand Reduction Rates only under the terms of OMWD's Water Shortage Contingency Plan. Such action is generally triggered by SDCWA's and/or Metropolitan's declaration of a specific level of water shortage. Neither SDCWA nor Metropolitan anticipate water shortages in 2027.

(3) The Agricultural water rate is available only to those who meet the program criteria. Visit **www.olivenhain.com/ag** for details.

(4) For irrigation, all monthly water usage that is more than the Tier 1 allotment shown in the table will be charged at the Irrigation Tier 2 rate.

(5) OMWD designed the System Access Charge to cover a portion of the fixed costs of OMWD's operation. These costs include the maintenance of meters and water infrastructure, repayment of money borrowed, and expenses for meter reading and billing.

Current and Proposed OMWD Fire Meter Charge ($/Meter Size)[1]		
Meter Size	Current	Proposed Effective January 1, 2027
5/8″	$6.50	$6.89
3/4″	$6.50	$6.89
1″	$7.29	$7.73
1-1/2″	$8.32	$8.82
2″	$9.96	$10.56
2-1/2″	$13.67	$14.50
3″	$14.44	$15.31
4″	$20.40	$21.63
6″	$36.71	$38.92
8″	$61.73	$65.44

Current and Proposed SDCWA Infrastructure Access Charge (IAC)[2]		
Meter Size	Current	Proposed Effective January 1, 2027
5/8″	$4.55	$4.87
3/4″ *	$4.55	$4.87
1″	$8.65	$9.25
1-1/2″	$14.11	$15.10
2″	$22.75	$24.35
2-1/2″	$42.32	$45.29
3″	$46.41	$49.67
4″	$77.81	$83.28
6″	$163.80	$175.32
8″	$295.75	$316.55

* Typical residential meter size

(1) OMWD's Fire Meter Charge is a fixed monthly service fee collected on certain properties. These properties have private fire suppression systems and use OMWD water for fire protection.

(2) SDCWA's IAC is a pass-through monthly fixed charge imposed by SDCWA on all OMWD water meters. SDCWA designed it to cover a portion of SDCWA's costs over a 30-year period, ensuring that SDCWA meets the projected water supply needs for the region. OMWD collects the SDCWA IAC on OMWD's customers' monthly water bills on SDCWA's behalf.

What is OMWD Doing to Control Costs?

OMWD strives to keep controllable operating costs below the cost of inflation.

OMWD also pursues grant funding to help pay for capital projects to maintain infrastructure and develop local water supplies. OMWD is pursuing $11.5 million in state and federal funds for our treatment plant's maintenance and upgrade work. Additionally, US Environmental Protection Agency has awarded OMWD $960,000 for our San Dieguito Valley Brackish Groundwater Desalination Hydrogeologic Investigation Project.

OMWD challenges employees to reduce costs, finding new ways to accomplish existing practices. OMWD has also identified alternative revenue sources such as using hydroelectricity, selling treatment services to other nearby water agencies, and leasing property.

Altogether, these grant awards, alternative revenues, and cost-saving efforts save OMWD ratepayers an average of over $3.5 million per year.



OMWD received over $2 million in state and federal grant funds to complete the Manchester Avenue Recycled Water Pipeline Project.

Attachment 3

2027 Pass-through Increases and Adjustments (Potable and Recycled Water)

Board of Directors Meeting
October 14, 2026

OLIVENHAIN
Municipal Water District

Agenda

- Background & OMWD's 2024 pass-through Ordinance
- 2027 Pass-through increases
  - Customer bill impacts
  - Historical rate adjustments
  - 2028 pass-through adjustments preview (subject to change)
- Monthly Water Bill Surveys
- OMWD efforts to keep rates low
- Next steps

Background

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Municipal Water District

Background

- OMWD's water rates and charges are reviewed by the Board each year; staff presents proposed rates and charges to the Finance Committee and the Board for consideration and discussion
- 2027 Pass-through increases are in compliance with OMWD's 2024 Pass-through Ordinance
- 2027 Pass-Through Increases were reviewed by the District's Rate Consultant, Raftelis Financial Consultants
- 2027 Pass-Through Increases were presented to the Finance Committee (Meyers and Maloni) on August 11, 2026 and to the Board of Directors on August 19, 2026
- OMWD Customers were notified of the proposed changes as part of the September 2026 Watching Water Newsletter
- As of October 7, 2026, there have been no comments regarding the proposed increases

OMWD's 2024 Pass-through Ordinance

- The ordinance authorized the board to:
  - Pass through any increases in purchased water wholesale charges imposed on OMWD (**Purchased Water Wholesale Pass-Through**)
  - Pass-through increases to SDCWA fixed monthly meter fees collected on water meter (**SDCWA Infrastructure Access Charge**)
  - Pass-through increases to the District's Costs of Operations and Maintenance and Capital Facilities based on SDCPI-U (**Inflationary Pass-Through**)
- Any future increases in the SDCWA Infrastructure Access Charge will only impact the SDCWA Infrastructure Access Charge.
- Any Purchased Water Wholesale Pass-Through and any Inflationary Pass-Through will impact the OMWD Water Consumption Charges and System Access Charge.

OMWD's 2024 Pass-Through Ordinance cont'd

- If approved by the Board of Directors, Pass-Through Increases will be automatically implemented annually after giving notice to customers, and be effective for the five-year period commencing January 1, 2025, through December 31, 2029.
- All Pass-Through Increases **shall not exceed 12% per year**, and in no event shall any Pass-Through Increases result in rates exceeding OMWD's cost of providing water services to its customers.
- Prior to implementing any Pass-Through Increases, OMWD will provide written notice of proposed changes to customers not less than 30 days prior to the effective date of the Pass-Through Increases.

2027 Pass-through increases

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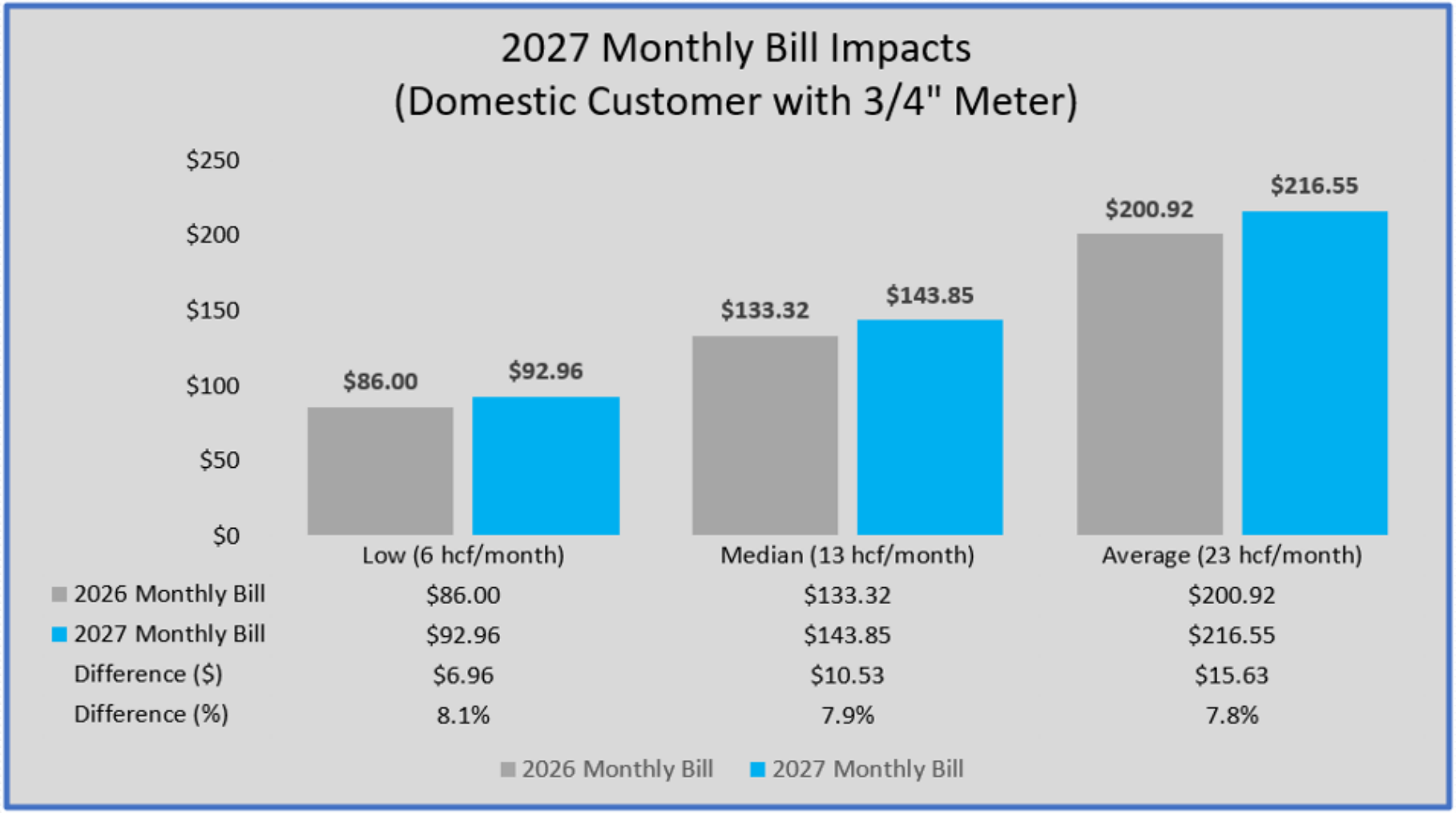
2027 Pass-Through Increases

- **7.27% revenue adjustment**
  - Less than the 12% threshold set by the Board via Prop 218 & Ordinance
  - Includes the following Purchased Water Wholesale Pass-Throughs:
    - **9.5% increase** in OMWD's cost to purchase water from SDCWA
      - **15.1%** increase in treated rate, **9.2%** increase in fixed charges, and increase in OMWD treated water purchases
    - Recycled Water Rate: based on anticipated increases in recycled water costs from various recycled water suppliers
  - **Revenue adjustment also includes Inflationary Pass-Through of 3.77%** (May 2026 over May 2025) for OMWD's water operations and maintenance costs
- All-Inclusive Untreated Rate from SDCWA of **$2,313/AF** based on OMWD's water sales projection for FY 2027.
- Fire Meter Charge Increase: $ 0.39/month, or a 6% increase, for a typical meter

OMWD's 2027 Treated Water Purchases

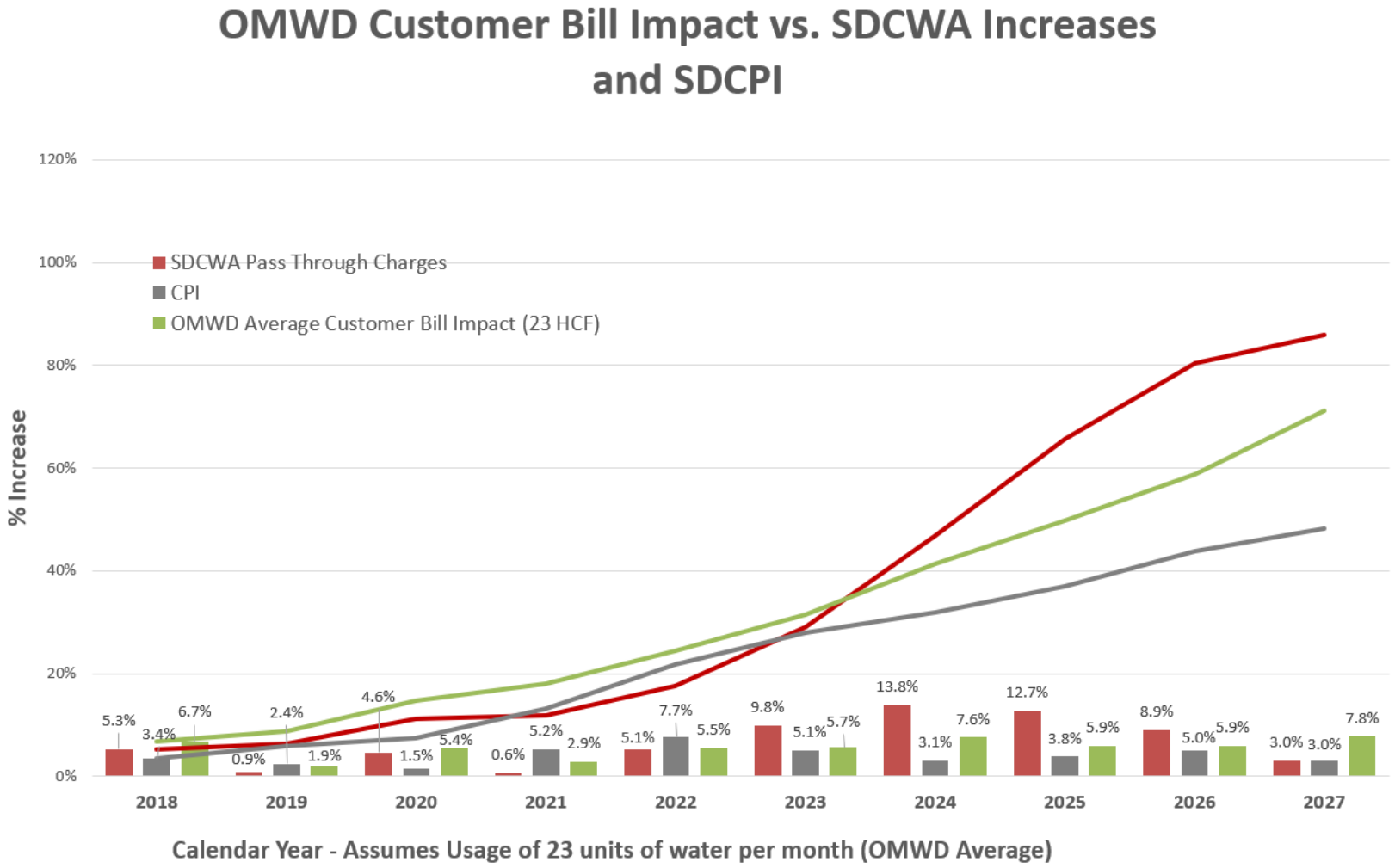
- Contributing factor of OMWD's 9.5% wholesale water cost increase and 7.27% revenue adjustment
- March – June 2027 Water Treatment Plant rehabilitation projects
- Resulting in OMWD purchasing about **33%** treated water in 2027 (anticipated and included in adopted Biennial budget)
  - OMWD typically purchases about **6%-10%** treated water
  - Anticipate reverting to typical levels of treated water purchases in 2028
  - What would OMWD's revenue adjustment be if we had a "normal" treated water purchase year?
    - **About 3.14% (vs. 7.27% proposed revenue adjustment)**

2027 Pass-Through Increases: Bill impacts



2027 rates effective 1/1/2027
RRC to end October of 2026

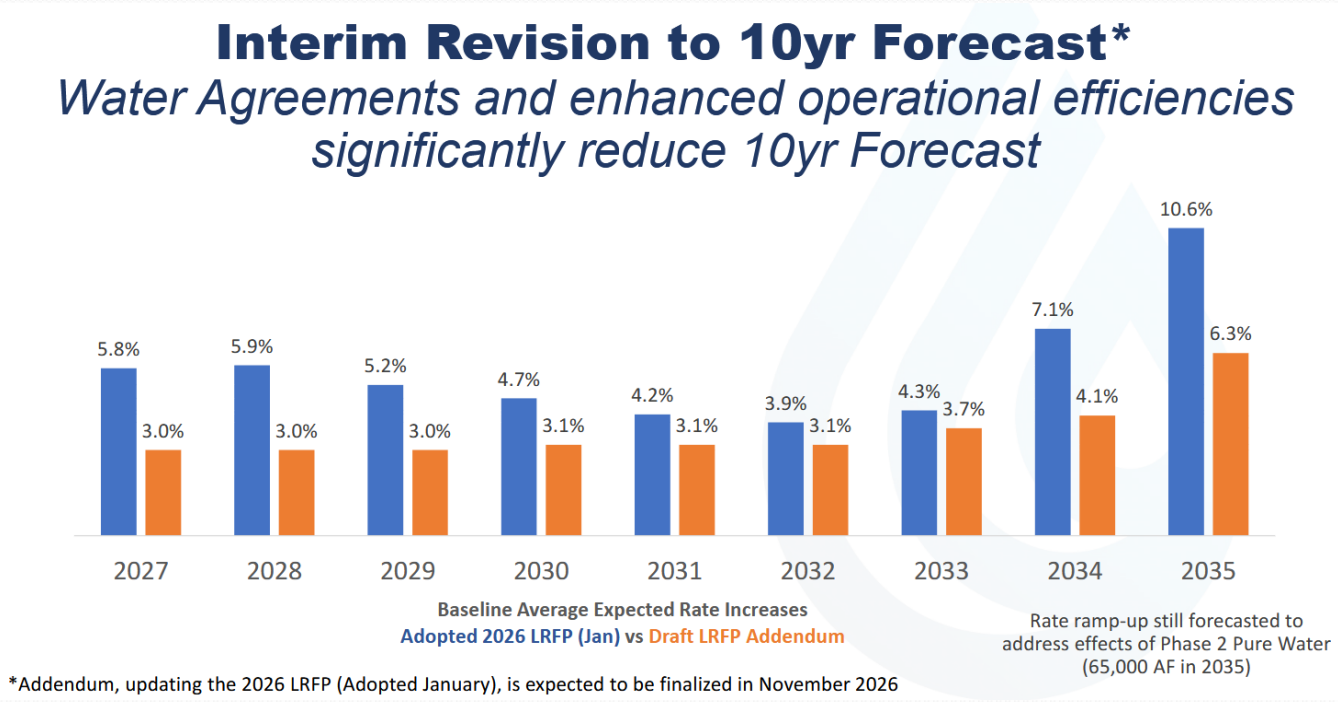
Historical Rate Adjustments



Source: Bureau of Labor Statistics (BLS), SDCWA and OMWD.
CPI not yet available for 2026 or 2027 so estimate used of 5%and 3% respectively.

2028 pass-through adjustments preview (subject to change)

- 2028 pass-through adjustments are anticipated to be lower than proposed 2027 adjustments because:
  - CWA is anticipating a 3% increase for 2028
  - OMWD would revert to lower treated water purchases
- CWA 10-year rate increase forecast:

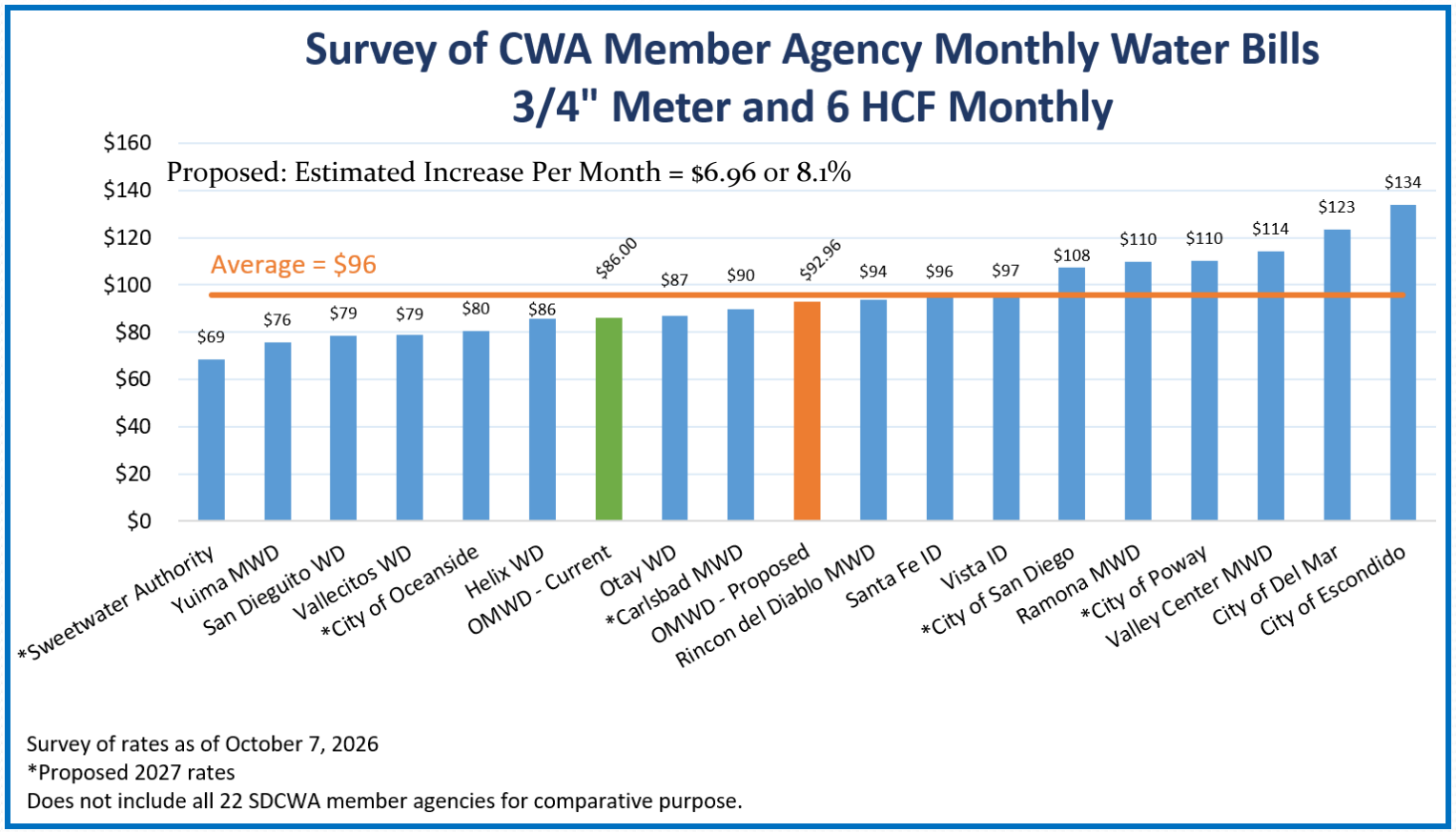


Monthly Water Bill Surveys

OLIVENHAIN
Municipal Water District

Monthly Water Bill Survey

Single Family Residential (6 units)

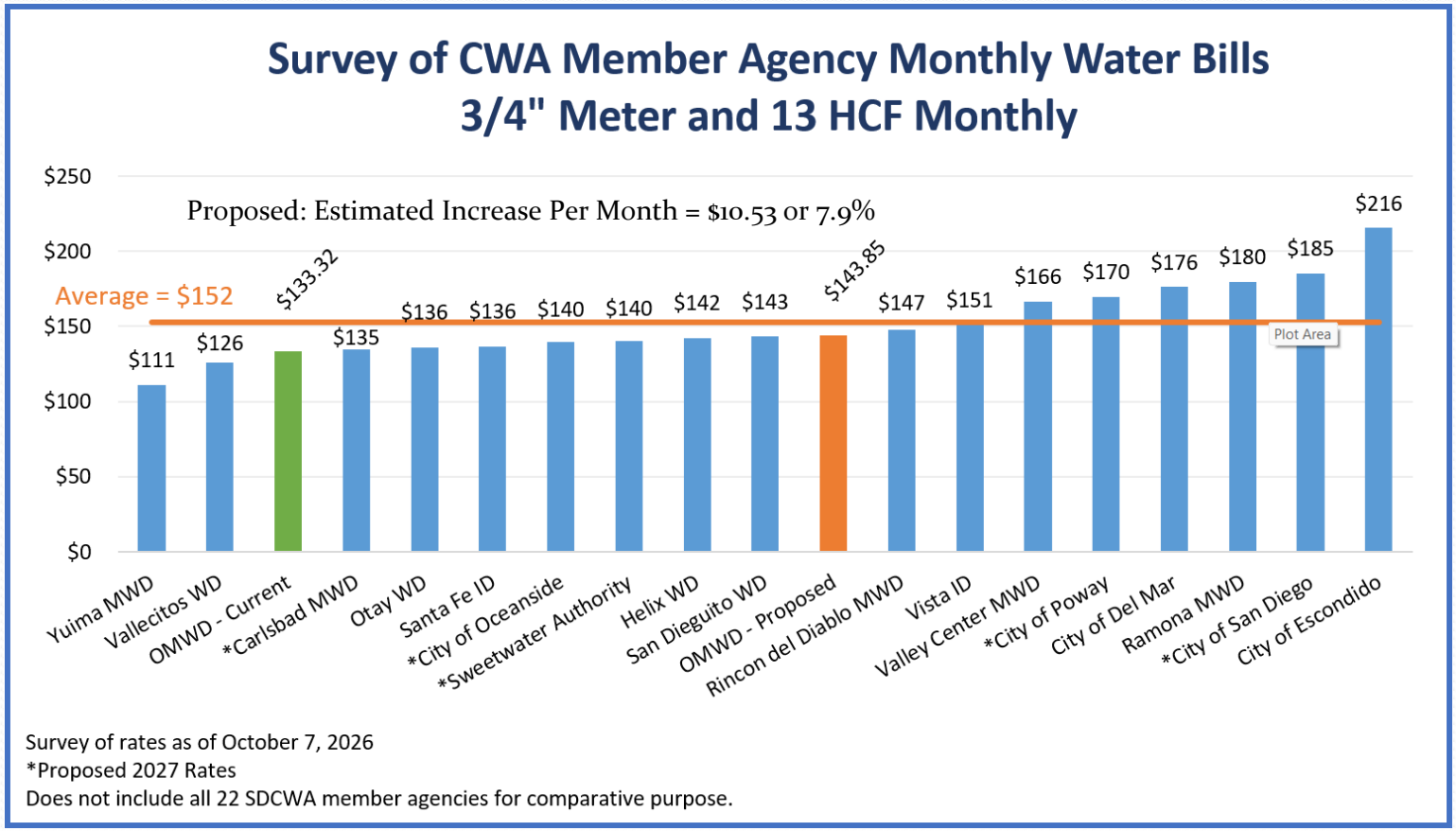


Survey of rates as of October 7, 2026
*Proposed 2027 rates
Does not include all 22 SDCWA member agencies for comparative purpose.

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Municipal Water District

Monthly Water Bill Survey

Single Family Residential (13 units)



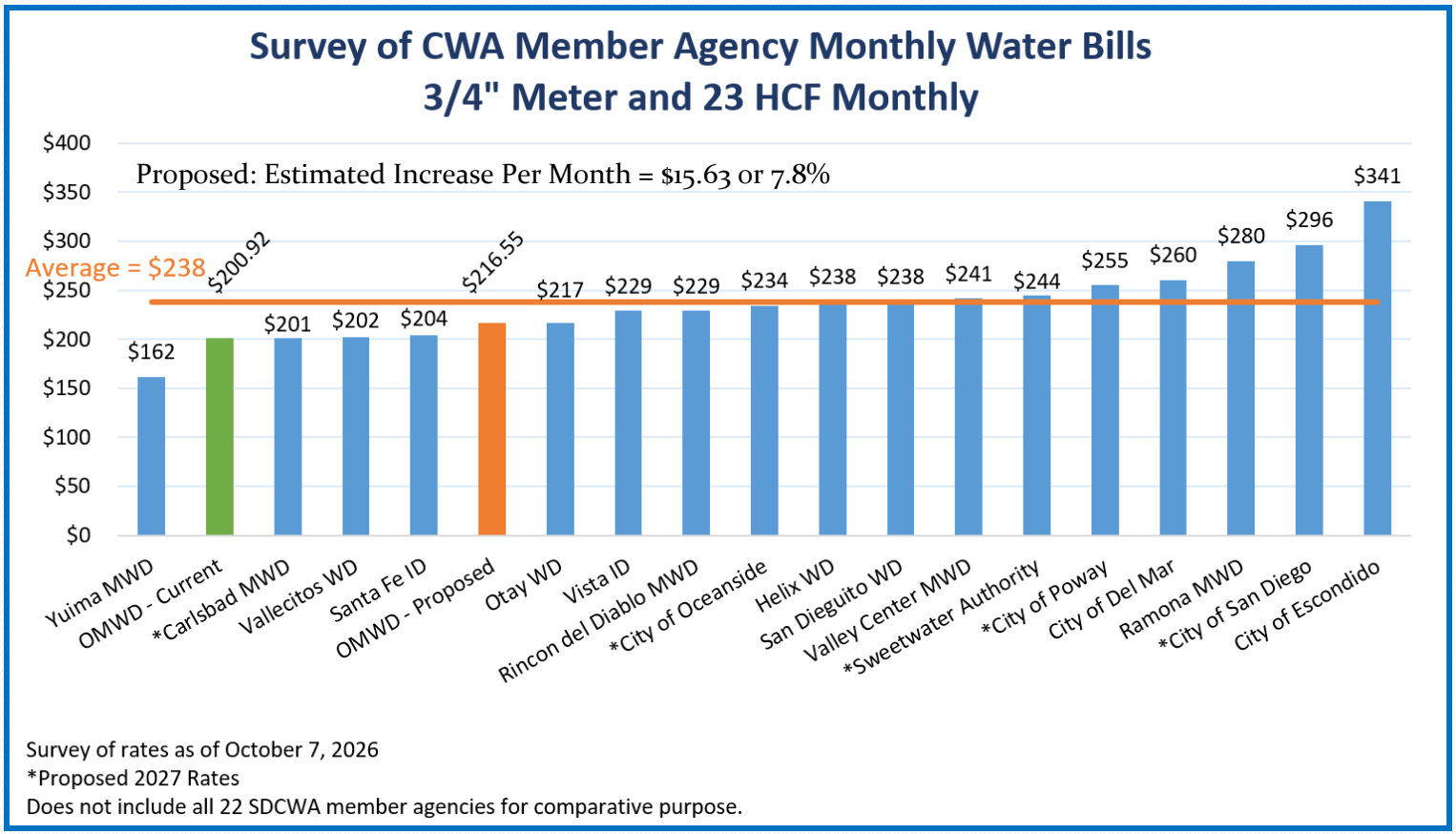
Survey of rates as of October 7, 2026
*Proposed 2027 Rates
Does not include all 22 SDCWA member agencies for comparative purpose.

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Monthly Water Bill Survey

Single Family Residential (23 units)

OMWD Average Monthly Domestic Water Usage

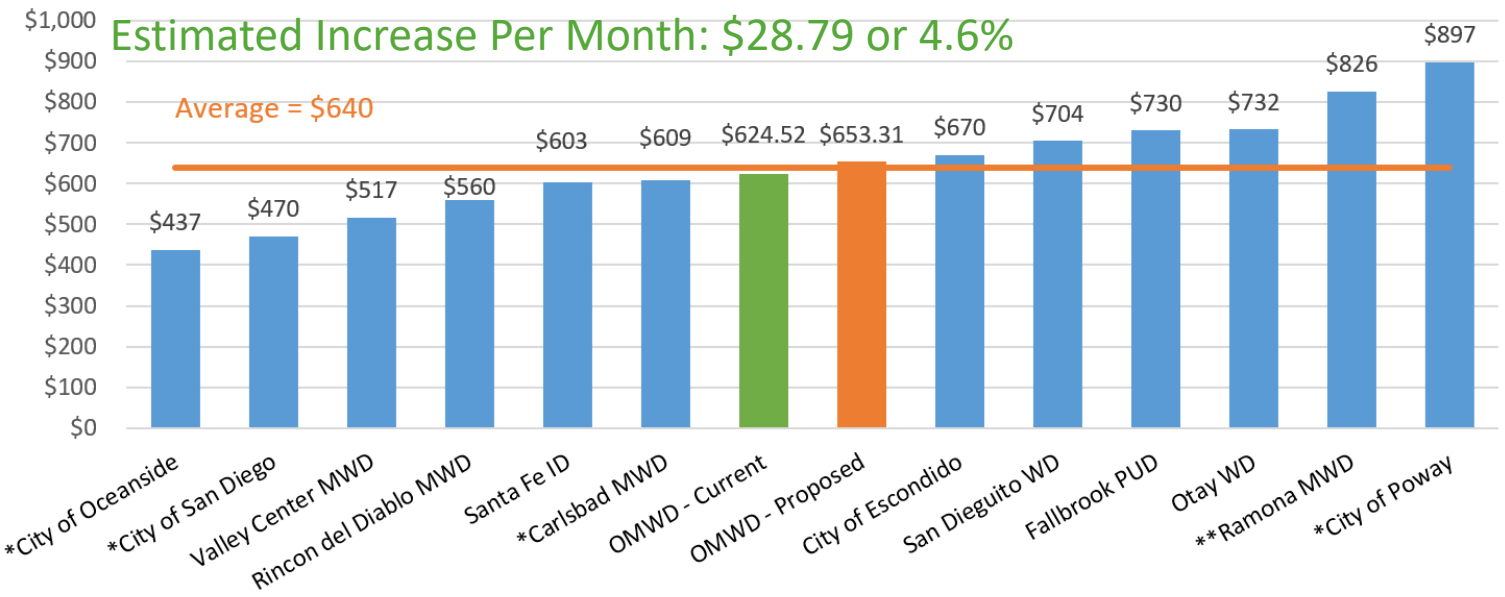


Survey of rates as of October 7, 2026
*Proposed 2027 Rates
Does not include all 22 SDCWA member agencies for comparative purpose.

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Monthly Water Bill Survey

Recycled Water (100 units)



Survey of posted rates as of October 7, 2026 All rates are CY 2026 or newer.
Does not include all 22 SDCWA member agencies for comparative purpose.
*Proposed 2027 rates
** Ramona provides an untreated melded supply of water to its agricultural customers

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OMWD efforts to keep rates low

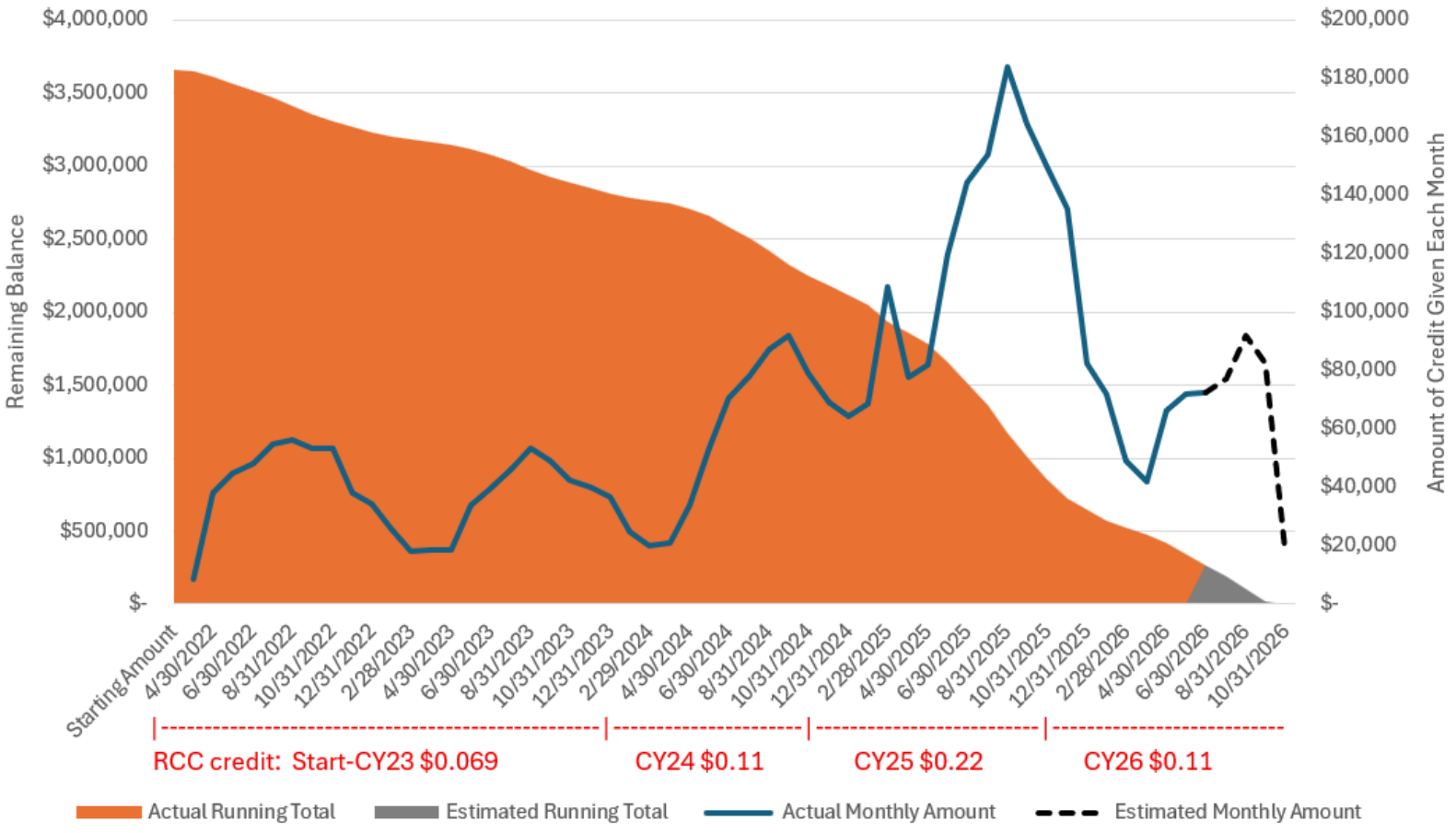
OLIVENHAIN
Municipal Water District

OMWD efforts to keep rates low

- Use of property tax revenues to help offset rates
- Use of non-operating revenue to offset capital costs
  - investment income, capacity fees, and grant funds to offset capital project costs
- Sale of excess treatment services from DCMWTP to Vallecitos
- Pre-purchased 3,499 AF of water last two years resulting in savings to OMWD of $700k
- Renegotiating existing recycled water purchased agreements
  - City of San Diego, Vallecitos Water District
- Adopted FY 27 and FY 28 Biennial Budget
  - Annual Objective - Controllable operating costs under CPI (3.8%)
    - Reduction of $255k in O&M expenses from departmental budgets
- Ongoing pursuit of grants:
  - $11.5 million in state and federal funds for OMWD's water treatment plant's maintenance and upgrade work
  - $960k awarded for San Dieguito Valley Brackish Groundwater Desalination Hydrogeologic Investigation Project

Rate Reimbursement Credit (RRC)

- Received $3.6 million in refund payments from SDCWA in 2021
- Board elected to pass-on full amount to ratepayers via the RRC



Next Steps

OLIVENHAIN
Municipal Water District

Next Steps

- Consider and adopt the proposed amendments to Article 8 – Water Rates and Charges
  - Commodity Charge Base Rates and Demand Reduction Rates
  - OMWD System Access Charge
  - SDCWA Infrastructure Access Charge
  - OMWD Fire Meter Charge
  - Rate Reimbursement Credit (RRC) – Ending October 2026
- Proposed rates and charges will take effect on January 1, 2027

Questions?

Appendix: Rate Tables

Current and Proposed Commodity Rates

Commodity Charge		
Customer Type	**Current**	**Proposed Effective January 1, 2027**
Domestic		
0-6 Units	$4.71	$5.20
7-23 Units	$6.76	$7.27
24-80 Units	$7.57	$8.10
80+ Units	$8.55	$9.12
Agricultural[3]	$7.22	$7.76
Combined Agricultural/ Domestic	First 23 units per month: Follow Domestic Rate Structure. Over 23 units per month: Follow Agricultural Rate Structure.	
Commercial	$6.43	$6.93
Irrigation[4]		
Tier 1	$7.23	$7.77
Tier 2	$8.16	$8.74
Construction	$8.97	$9.56
Recycled	$4.70	$4.88
RRC	$0.11	*N/A*

Current and Proposed Fire Meter Charges

Current and Proposed OMWD Fire Meter Charge Rates ($/Meter Size)		
Meter Size	Current	Proposed Effective January 1, 2027
5/8"	$6.50	$6.89
3/4"	$6.50	$6.89
1"	$7.29	$7.73
1-1/2"	$8.32	$8.82
2"	$9.96	$10.56
2-1/2"	$13.67	$14.50
3"	$14.44	$15.31
4"	$20.40	$21.63
6"	$36.71	$38.92
8"	$61.73	$65.44

Current and Proposed System Access Charge (SAC) and SDCWA Infrastructure Access Charge (IAC)

Current and Proposed OMWD System Access Charge (SAC)		
Meter Size	Current	Proposed Effective January 1, 2027
5/8"	$40.72	$43.55
3/4"	$53.19	$56.89
1"	$90.58	$96.90
1-1/2"	$140.41	$150.21
2"	$219.33	$234.65
2-1/2"	$397.94	$425.75
3"	$435.33	$465.74
4"	$721.93	$772.37
6"	$1,506.96	$1,612.27
8"	$2,711.51	$2,900.99

Current and Proposed SDCWA Infrastructure Access Charge (IAC)		
Meter Size	Current	Proposed Effective January 1, 2027
5/8"	$4.55	$4.87
3/4"	$4.55	$4.87
1"	$8.65	$9.25
1-1/2"	$14.11	$15.10
2"	$22.75	$24.35
2-1/2"	$42.32	$45.29
3"	$46.41	$49.67
4"	$77.81	$83.28
6"	$163.80	$175.32
8"	$295.75	$316.55

Agenda Item 12

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water OMWD Board of Directors

From: Leo Mendez, Finance Manager

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER ADOPTION OF A RESOLUTION MAKING CEQA EXEMPTION FINDINGS FOR THE WATER RATE AND CHARGE INCREASES AND ORDERING A NOTICE OF EXEMPTION BE FILED WITH THE COUNTY CLERK OF THE COUNTY OF SAN DIEGO AND THE STATE CLEARINGHOUSE**

Purpose

The purpose of this item is to consider and adopt a resolution making CEQA exemption findings for the water rate and charge increases adopted by the Board on October 14, 2026 pursuant to California Environmental Quality Act (CEQA), State of California CEQA guidelines, and order a Notice of Exemption (NOE) to be filed with the County Clerk of the County of San Diego and the State Clearinghouse.

Recommendation

Staff is recommending the Board consider and adopt the resolution making water rate and charge increases for 2027 exempt from California Environmental Quality Act (CEQA), State of California CEQA guidelines section 15273(a) (1)-(4) and order a notice of the exemption be filed with the County Clerk of the County of San Diego and the State Clearinghouse.

Alternative

Although CEQA does not require approval of rates by public agencies when the rates are for the purpose of meeting operating expenses and financial reserve needs and requirements, and necessary to maintain service within the existing service areas, the Board may decide to adopt the resolution and direct staff to not file the NOE, which would increase the Statute of Limitations for filing protests from 35 days to 180 days.

Background

At the August 19, 2026, Board meeting, staff made a presentation on proposed 2027 potable and recycled water rates and charges for consideration and approval by the Board. During the discussion, staff also informed the Board that these changes to OMWD's rates and charges will be brought back to the Board for approval and adoption at the October 14th meeting.

By adopting the attached resolution, the Board is making CEQA exemption findings that the water rates and charges will be used to meet anticipated operating expenses, financial reserve needs and requirements, and to fund necessary capital projects in order to maintain service within OMWD's existing service areas.

Fiscal Impact

There is a $50 fee to file the NOE with the County Clerk.

Discussion

By adopting the resolution and filing a notice of exemption, the Board is making CEQA exemption findings that water rates and charges are used to meet anticipated operating expenses, to meet financial reserve needs and requirements, and to fund necessary capital projects in order to maintain service within OMWD's existing service areas.

OMWD is required to send a rate change notice to customers at least 30 days prior to the effective date of the rate change. A written notice on the proposed changes to OMWD's 2027 water rates and charges was distributed to water customers with the September 2026 water bills. The new rates will be effective on January 1, 2027, if approved and adopted by the Board.

Prepared by: August Trees, Financial Analyst I
Jared Graffam, Accounting Supervisor
Reviewed by: Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments: Attachment 1 - Resolution
Attachment 2 - Water Rate Study Report (as Exhibit “A” of the Resolution)
Attachment 3 - Notice of Exemption (as Exhibit “B” of the Resolution)

Attachment 1

RESOLUTION NO. 2026-XX

RESOLUTION OF THE BOARD OF DIRECTORS OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT MAKING CEQA EXEMPTION FINDINGS FOR WATER RATE INCREASES AND ORDERING A NOTICE OF EXEMPTION BE FILED WITH THE COUNTY CLERK OF THE COUNTY OF SAN DIEGO AND THE STATE CLEARING HOUSE

WHEREAS, the Olivenhain Municipal Water District (District) Board of Directors intends, by ordinance, to modify and increase water rates and charges for 2027; and

WHEREAS, the project is to increase water rates and charges to customers and development within the area already served by the Olivenhain Municipal Water District. The purpose of the project is to raise essential funds to meet anticipated operating expenses, to meet financial reserve needs and requirements, and to maintain service within existing service areas; and

WHEREAS, pursuant to the California Environmental Quality Act (CEQA, Public Resources Code, Section 21000 et seq.) Guidelines (California Code of Regulations, Title 14, Division 6, Chapter 3, Section 15000 et seq.), the Olivenhain Municipal Board of Directors has caused to be prepared a Notice of Exemption according to the CEQA Guidelines section 15273(a) (1)-(4); and

WHEREAS, the 2024 Water Rate Study (Report) prepared by the District's rate consultant, Raftelis Financial Consultants, Inc., attached hereto and incorporated herein as Exhibit "A," recommended the needs for increasing water rates and charges; and

WHEREAS, the Report on the potential increase of water rates and charges was approved by the Olivenhain Municipal Water District Board of Directors; and

WHEREAS, following the review of the Report on the potential increase of water rates and charges, the Board of Directors held a public hearing in accordance with California Constitution article XIIID, Section 6 on Wednesday, October 16, 2024; and

WHEREAS, having heard, considered, and reviewed the Report, the water rates and charges are incorporated into Article 8 of the Olivenhain Municipal Water District's Administrative and Ethics Code, it is in the interest of the Olivenhain Municipal Water District and the people it serves to order a Notice of Exemption be filed with the County Clerk of the County of San Diego and the State Clearinghouse, and approve the appropriate water charge increases by ordinance.

NOW, THEREFORE, the Board of Directors of the Olivenhain Municipal Water District does hereby find, determine, resolve and order as follows:

SECTION 1: The foregoing facts are found and determined to be true and correct.

SECTION 2: The District's water rates and service charges shall be increased to raise essential funds for meeting anticipated operating expenses, meeting the reserve needs of the District, and to maintain service within existing service areas in order to provide and deliver water to the customers of the Olivenhain Municipal Water District.

SECTION 3: Pursuant to the CEQA Guidelines section 15273(a) (1)-(4), the Board of Directors finds and determines that increasing water rates and service charges is exempt from CEQA for each of the following reasons:

1) The increases of water rates and charges are not a "Project" as defined by the Guidelines, Section 15378 (b) (4).

2) The Project is exempt in accordance with the Guidelines, Section 15273 (a) (1)-(4).

3) The activity will not have any significant effect on the environment.

SECTION 4: The Board of Directors of the Olivenhain Municipal Water District finds and determines that increases of water rates and charges is exempt for the following reasons:

1) No Project. The project is a continuing administrative activity of the District which will not result in any physical change in the environment. The increase of water rates and charges is not being considered in conjunction with the approval of any specific project and will be used solely to meet anticipated operating expenses, to meet financial reserve needs and requirements, and to maintain service within existing service areas.

2) Exemption. The documents and materials that constitute the record of proceedings on which these findings have been based are located at the District, 1966 Olivenhain Road, Encinitas, California 92024. The custodian for these records is the Secretary of the District.

3) No Significant Effect. The activity will not have significant effect on the environment. The modifications of rates and charges have been set to maintain service within existing service areas and not to expand the system. The fees and charges are not being considered in conjunction with any specific development activity.

4) Justification and Reasons. The Board finds that the reasons and justification for the increased water rates and charges being exempt as set forth in the Notice of Exemption attached hereto and incorporated herein as Exhibit "B."

SECTION 5: The Olivenhain Municipal Water District Board of Directors orders and directs that the foregoing exemptions and reasons be made a part of the Notice of Exemption and that the Notice of Exemption be filed with the County Clerk of the County of San Diego and the State Clearing House.

PASSED, ADOPTED AND APPROVED at a regular meeting of the Board of Directors of the Olivenhain Municipal Water District held on Wednesday, October 14, 2026 by the following roll call vote:

_____

Matthew R. Hahn, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____

Christy Guerin, Secretary
Board of Directors
Olivenhain Municipal Water District

Attachment 2

OLIVENHAIN MUNICIPAL WATER DISTRICT

Water Rate Study

FINAL DRAFT / AUGUST 16, 2024

OLIVENHAIN
Municipal Water District

RAFTELIS

RAFTELIS

August 16, 2024

Ms. Kimberly A. Thorner
General Manager
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92029

Subject: 2025 Water Rate Study Report

Dear Ms. Thorner,

Raftelis is pleased to provide this 2025 Water Rate Study Report (Report) to the Olivenhain Municipal Water District (District). The overall goal of the study was to develop updated water rates for the District for FY 2025 that are fair and equitable and in compliance with Proposition 218 requirements.

The major objectives of the study include the following:

- Develop a five-year financial plan through FY 2029 that sufficiently funds the District's operating costs, debt obligations, and necessary capital expenditures
- Review and revise as necessary the current water rate structure
- Perform a cost-of-service analysis to equitably allocate costs across customer classes
- Propose equitable water rates for FY 2025 and rates for the subsequent four years subject to pass-through of water costs and inflation

This Report summarizes the key findings and recommendations related to the development of the financial plan and proposed water rates. It has been a pleasure working with you and we would like to thank Ms. Rainy Selamat, Mr. Jared Graffam, and Ms. Georgeanna Clark for the support provided to Raftelis during this study.

Sincerely,

Sudhir Pardiwala
Executive Vice President

Katelyn Milius
Senior Consultant

445 S Figueroa Street, Suite 2270, Los Angeles, CA 90071
www.raftelis.com

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1. Executive Summary

1.1. Study Overview

Olivenhain Municipal Water District (District) provides water service to a population of approximately 86,000 across a 48 square mile service area in northern San Diego County. The District's potable water supply is provided by the San Diego County Water Authority (SDCWA), of which the District has been a member since 1960. The District's potable water system consists of a water treatment plant with 34 MGD of capacity, 13 storage reservoirs, 7 pump stations, and over 400 miles of water pipelines. Additionally, the District operates a water reclamation facility that produces up to 2 MGD of recycled water. The District also purchases recycled water from the City of San Diego, Vallecitos Water District, San Elijo Joint Powers Authority, and Rancho Santa Fe Community Services District. The District's recycled water distribution system includes 5 storage reservoirs, 3 pump stations, and 46 miles of recycled water pipelines that are used to deliver recycled water to non-potable landscape/irrigation water users.

The District engaged Raftelis in 2024 to conduct a comprehensive cost of service water rate study to establish proposed water rates for fiscal years (FY) 2025 to 2029. The District's existing water rate structure consists of the following charges:

1. **OMWD System Access Charge:** This fixed monthly meter charge varies by water meter size and recovers a portion of the District's fixed costs.
2. **SDCWA Infrastructure Access Charge:** All water meters, excluding construction, fire, and recycled water meters, are subject to a monthly SDCWA Infrastructure Access Charge, which varies by water meter size. SDCWA assesses the Infrastructure Access Charge to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects. The SDCWA Infrastructure Access Charge is treated as a pass-through charge by the District, as charges paid by the District to SDCWA are directly recouped from the District's customers.
3. **Volumetric Rate:** The District assesses volumetric rates per unit (1 unit = 1 hundred cubic feet (HCF)) of water delivered each month. Volumetric water rates vary by customer class and by Water Demand Reduction level. Domestic customers, including single family and multi-family have a four-tier volumetric rate structure, while irrigation customers have a two-tier structure. Agricultural, commercial, construction, and recycled water customers have unique uniform rates.
4. **Fire Meter Charge:** Meters dedicated to automatic fire sprinkler service are not subject to the three charges listed above but are assessed a fixed monthly Fire Service Charge, which varies by meter size. Customers are only assessed this charge if they have a dedicated water meter for automatic fire sprinkler service.

The major objectives of the water rate study include the following:

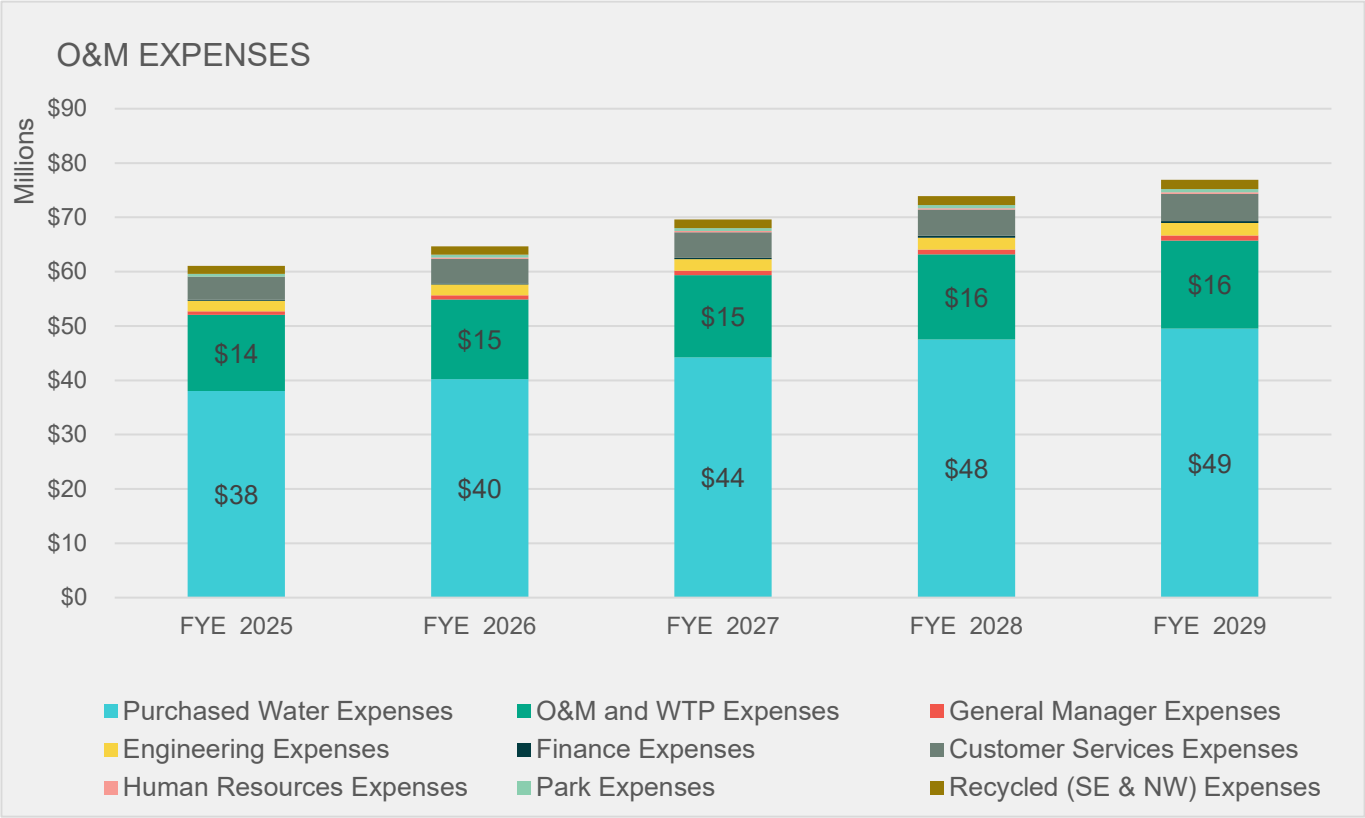
- Develop a five-year financial plan through FY 2029 that generates sufficient revenues to fund the District's operating costs, debt obligations, and necessary capital expenditures
- Review and revise as necessary the current water rate structure
- Perform a cost of service analysis to equitably allocate costs across customer classes in compliance with Proposition 218
- Propose equitable water rates for FY 2025 and for the subsequent four years subject to pass-through increases for water costs and inflation.

1.2. Financial Plan

Before beginning the rate design process, Raftelis first determined the revenue adjustments needed to adequately fund the District's various expenses and to provide fiscal stability over the five-year study period. Raftelis projected the revenue requirements, including operations and maintenance (O&M) expenses, capital improvement plan (CIP) expenditures, debt service costs, and reserve requirements over the study period.

O&M expenses include the cost of purchasing water, operating and maintaining facilities, staff-related costs, and other administrative costs. The O&M projections are based on the District's fiscal year (FY) 2025 budget and are escalated in subsequent years by corresponding inflation factors (except water supply costs which are calculated separately). Water supply costs, which constitute over 60 percent of total O&M expenses, are projected to increase based on anticipated increases in SDCWA rates. A summary of projected O&M expenses is shown below in **Figure 1-1**.

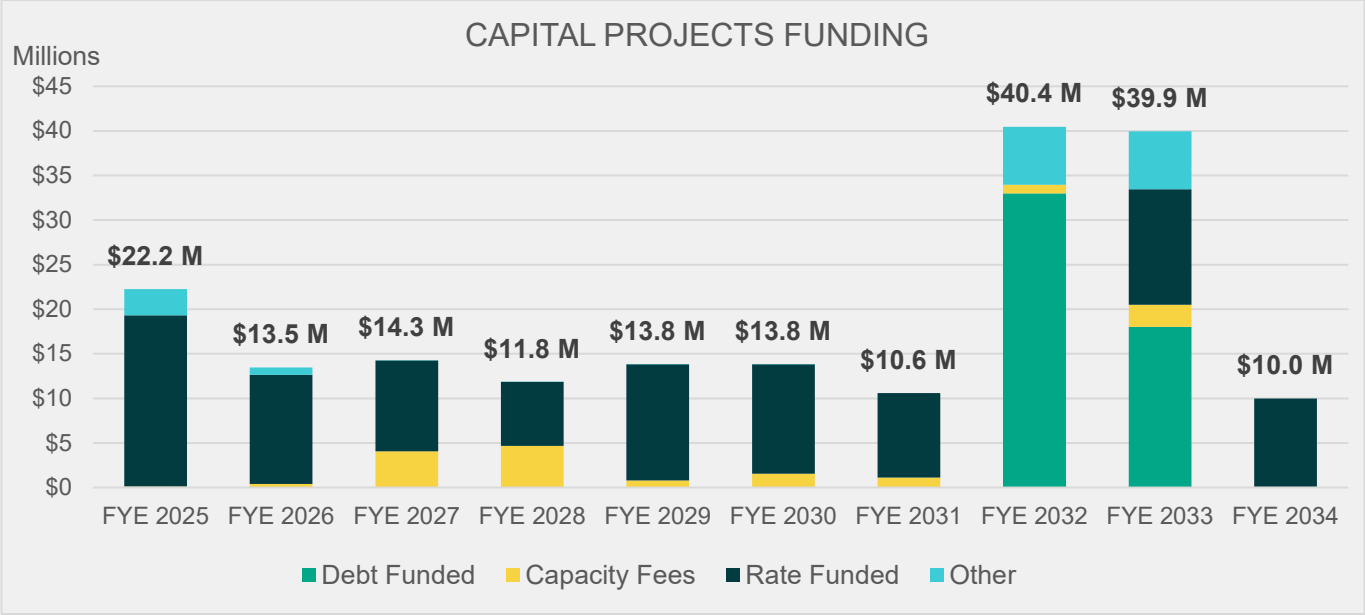
Figure 1-1: Projected O&M Expenses



The District has developed a comprehensive water Capital Improvement Program (CIP) to address current water system needs. The total estimated water CIP for the study period of FY 2025 to FY 2029 is $76.66 million. This study included a 10-year view of the debt and capital project funding, including a $51 million revenue bond issue projected in FY 2032 for the San Dieguito Valley Groundwater Desalination Plant. However, the five-year CIP plan is projected to be funded from rate revenues and capacity fees. The District's existing debt service payments are approximately $5 million annually and are projected to decrease to approximately $2 million in FY 2029. The 10-year CIP by funding source is shown in **Figure 1-2**. Other

revenues include anticipated grant funds, a portion of the property tax revenues, recycled water capacity fee revenues, and proceeds from the sale of the District's parcels.

Figure 1-2: 10-year CIP by Funding Source



The proposed financial plan assumes minimal growth throughout the study period of 50 domestic accounts per year (assumed to be 3/4-inch water meters) and a few larger meters corresponding with planned development in the service area. Per account, water usage is assumed to remain constant over the study period. Under such assumptions, Raftelis proposes the following revenue adjustments[1] over the study period in order to ensure that District exceeds required debt coverage and minimum reserve levels. The proposed revenue adjustment will be effective with water consumption beginning on January 1, 2025. Subsequent years of the study period are estimated revenue adjustments based on expected pass-through rate increases. Actual rate adjustments for FY 2026-2029 will be based on San Diego-Carlsbad Consumer Price Index for All Urban Consumers (CPI) and potable and recycled water supply cost pass-throughs.

[1] A revenue adjustment represents the percent increase in total water rate revenues resulting from a water rate increase.

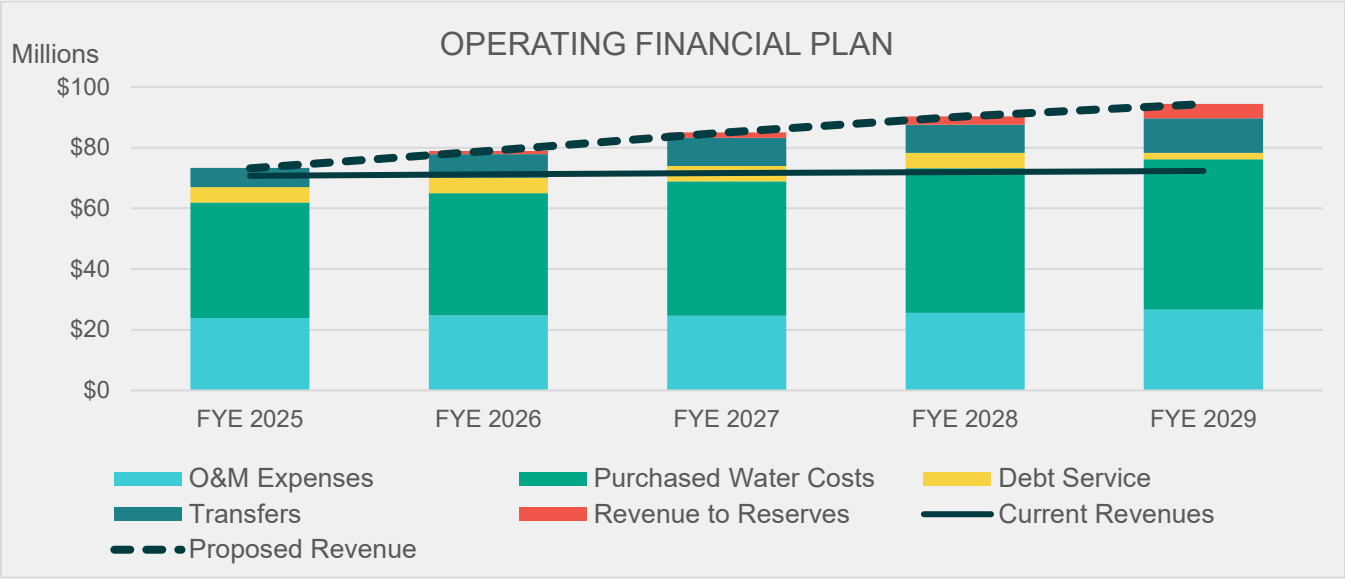
Table 1-1: 5-Year Revenue Adjustments

	FY 2025 Proposed	FY 2026 Estimated	FY 2027 Estimated	FY 2028 Estimated	FY 2029 Estimated
System Access Charges (Inflation/Wholesale Pass-Through)	8.0%	8.0%	8.0%	5.0%	4.0%
Fire Meter Charges	5.0%	6.0%	6.0%	5.0%	4.0%
Commodity Charges including Inflation/Wholesale Pass-Through	8.0%	8.0%	8.0%	5.0%	4.0%
Infrastructure Access Charges SDCWA IAC Pass-Through*	3.2%	8.5%	11.5%	4.0%	4.0%
TOTAL REVENUE ADJUSTMENT	**7.9%**	**8.0%**	**8.1%**	**5.0%**	**4.0%**

*Based on projected increases from SDCWA

Figure 1-3 shows the proposed financial plan that incorporates the proposed revenue adjustments above. Operating Fund revenue requirements are represented by stacked bars. Projected revenues in the absence of any rate increase are represented by the solid line, while projected revenues under the proposed revenue adjustments are represented by the dashed line. **Figure 1-3** demonstrates the need for revenue adjustments, as current rates will not generate sufficient revenues to cover the District's operating revenue requirements.

Figure 1-3: Proposed Financial Plan



1.3. Proposed Water Rates

To calculate fair and equitable rates so that customers pay in proportion to the cost of providing service, Raftelis performed a cost of service analysis in accordance with industry standard principles outlined by the American Water Works Association (AWWA) in its *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1 Sixth Edition* (M1 Manual). The cost of service analysis considers water usage characteristics of each customer class and tier in order to allocate costs in proportion to the burden each customer class places on the water system.

Raftelis recommends that the District maintains its existing water rate structure. Proposed and estimated system access charges, also called fixed charges, are shown below in **Table 1-2** and proposed volumetric rates are shown in **Table 1-3**. FY 2025 proposed rates were established based on the cost of service analysis. Estimated rates from FY 2026 to FY 2029 were established by increasing the prior fiscal year's proposed or estimated rates by the corresponding revenue adjustment from **Table 1-1**. FY 2026 through FY 2029 are not proposed but estimated because they will ultimately be based on potable and recycled water supply pass-through costs and pass-through costs based on CPI. Fire Meter charges are not dependent on pass-through rates; therefore, they are set from the proposed revenue adjustment. All rates are proposed to become effective with water consumption beginning on January 1 of each year.

Table 1-2: Proposed Monthly Fixed Charges

Effective Date/ Meter Size	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Monthly OMWD System Access Charge						
5/8"	$34.25	$37.16	$40.14	$43.36	$45.53	$47.36
3/4"	$44.79	$48.53	$52.42	$56.62	$59.46	$61.84
1"	$76.41	$82.64	$89.26	$96.41	$101.24	$105.29
1-1/2"	$118.54	$128.11	$138.36	$149.43	$156.91	$163.19
2"	$185.30	$200.11	$216.12	$233.41	$245.09	$254.90
2-1/2"	$336.33	$363.05	$392.10	$423.47	$444.65	$462.44
3"	$367.94	$397.16	$428.94	$463.26	$486.43	$505.89
4"	$610.30	$658.63	$711.33	$768.24	$806.66	$838.93
6"	$1,274.14	$1,374.83	$1,484.82	$1,603.61	$1,683.80	$1,751.16
8"	$2,292.73	$2,473.76	$2,671.67	$2,885.41	$3,029.69	$3,150.88
Monthly SDCWA Infrastructure Access Charge*						
5/8"	$4.41	$4.55	TBD	TBD	TBD	TBD
3/4"	$4.41	$4.55	TBD	TBD	TBD	TBD
1"	$8.39	$8.65	TBD	TBD	TBD	TBD
1-1/2"	$13.70	$14.11	TBD	TBD	TBD	TBD
2"	$22.09	$22.75	TBD	TBD	TBD	TBD
2-1/2"	$41.10	$42.32	TBD	TBD	TBD	TBD
3"	$45.08	$46.41	TBD	TBD	TBD	TBD
4"	$75.58	$77.81	TBD	TBD	TBD	TBD
6"	$159.10	$163.80	TBD	TBD	TBD	TBD
8"	$287.29	$295.75	TBD	TBD	TBD	TBD
***Note: A fixed charge imposed by SDCWA. Subject to change every year.**						

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Proposed	January 1, 2027 Proposed	January 1, 2028 Proposed	January 1, 2029 Proposed
Monthly Fire Meter Charges						
5/8"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
3/4"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
1"	$6.57	$6.87	$7.29	$7.73	$8.12	$8.45
1-1/2"	$7.54	$7.84	$8.32	$8.82	$9.27	$9.65
2"	$9.08	$9.39	$9.96	$10.56	$11.09	$11.54
2-1/2"	$12.55	$12.89	$13.67	$14.50	$15.23	$15.84
3"	$13.27	$13.62	$14.44	$15.31	$16.08	$16.73
4"	$18.85	$19.24	$20.40	$21.63	$22.72	$23.63
6"	$34.13	$34.63	$36.71	$38.92	$40.87	$42.51
8"	$57.56	$58.23	$61.73	$65.44	$68.72	$71.47

Table 1-3: Proposed Volumetric Rates per Unit

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Volumetric Rates ($/unit[1])						
Domestic[2]						
Tier 1 (0-6 units)	$4.24	$4.49	$4.85	$5.24	$5.51	$5.74
Tier 2 (7-23 units)	$6.14	$6.53	$7.06	$7.63	$8.02	$8.35
Tier 3 (24-80 units)	$6.85	$7.32	$7.91	$8.55	$8.98	$9.34
Tier 4 (80 + units)	$8.14	$8.27	$8.94	$9.66	$10.15	$10.56
Agriculture	$6.75	$6.97	$7.53	$8.14	$8.55	$8.90
Agriculture w/ Credit[3]	$5.41	$5.62	TBD	TBD	TBD	TBD
Commercial	$5.78	$6.20	$6.70	$7.24	$7.61	$7.92
Irrigation						
Tier 1: "B" Base	$6.50	$6.98	$7.54	$8.15	$8.56	$8.91
Tier 2: "C" Over Base	$6.94	$7.87	$8.50	$9.18	$9.64	$10.03
Construction	$8.21	$8.67	$9.37	$10.12	$10.63	$11.06
Recycled Water	$4.29	$4.68	$5.06	$5.47	$5.75	$5.98

[1] Customers are billed on a per unit of water basis, 1 unit = 1 HCF
[2] Domestic includes single-family and multi-family customers. Multi-family tiers apply per dwelling unit.
[3] Note: Agriculture w/ Credit rate is updated annually by District staff based on SDCWA charges

Combined Agricultural/Domestic customers
First 23 Units per month: Follow Domestic rate structure.
Over 23 Units per month: Follow Agricultural rate structure.

1.4. Water Demand Reduction Rates

Raftelis updated the District's water demand reduction rates as part of this study. Water demand reduction rates are intended to recover reductions in net water revenues resulting from decreased water sales during times of reduced water demand due to drought, water supply emergencies, or other reasons to ensure the District could still collect sufficient water revenues in order to sustain operations, including meeting its financial obligations. Raftelis developed water demand reduction rates for three distinct stages:

- **10 Percent Demand Reduction** below projected FY 2025 water usage
- **20 Percent Demand Reduction** below projected FY 2025 water usage
- **30 Percent Demand Reduction** below projected FY 2025 water usage

In the event that the District activates its Demand Reduction Rates, customers will be notified in advance of implementation. The District's Demand Reduction Rates would only be implemented by the District's Board of Directors' action under the terms of the District's Water Demand Reduction Condition Ordinance and Water Shortage Contingency Plan.

All customers, excluding Recycled Water customers, are subject to a uniform increase in volumetric rates during each of the demand reduction stages that effectively function as a surcharge. **Table 1-4** shows the proposed FY 2025 volumetric rates at each demand reduction stage.

Table 1-4: Proposed FY 2025 Water Demand Reduction Rates per Unit

CUSTOMER TYPE	BASE RATES 1/1/2025	10% DEMAND REDUCTION ($0.30 Surcharge)	20% DEMAND REDUCTION ($0.69 Surcharge)	30% DEMAND REDUCTION ($1.14 Surcharge)
Domestic				
0-6 Units	$4.49	$4.79	$5.18	$5.63
7-23 Units	$6.53	$6.83	$7.22	$7.67
24-80 Units	$7.32	$7.62	$8.01	$8.46
80 + Units	$8.27	$8.57	$8.96	$9.41
Agricultural	$6.97	$7.27	$7.66	$8.11
Agriculture w/ Credit	$5.62	$5.92	$6.31	$6.76
Commercial	$6.20	$6.50	$6.89	$7.34
Irrigation				
Tier 1	$6.98	$7.28	$7.67	$8.12
Tier 2	$7.87	$8.17	$8.56	$9.01
Construction	$8.67	$8.97	$9.36	$9.81
Recycled Water	$4.68	$4.68	$4.68	$4.68

1.5. Rate Reimbursement Credit

A Rate Reimbursement Credit (RRC) has been proposed to directly offset the volumetric rates. SDCWA's refund is given back to ratepayers in the form of a credit on the cost per unit of water used. The current refund is $0.11, but it is proposed to increase to $0.22 to help offset the rate increases proposed. The $0.22 increase would be applied for FY 2025 and decrease to $0.11 in FY 2026. The funding is proposed to be used over the next two fiscal years. The effect on the proposed rates due to the RRC based on the average residential customer using 23 units of water monthly with ¾" meter is shown in **Table 1-5**. The rates assume no changes in the IAC.

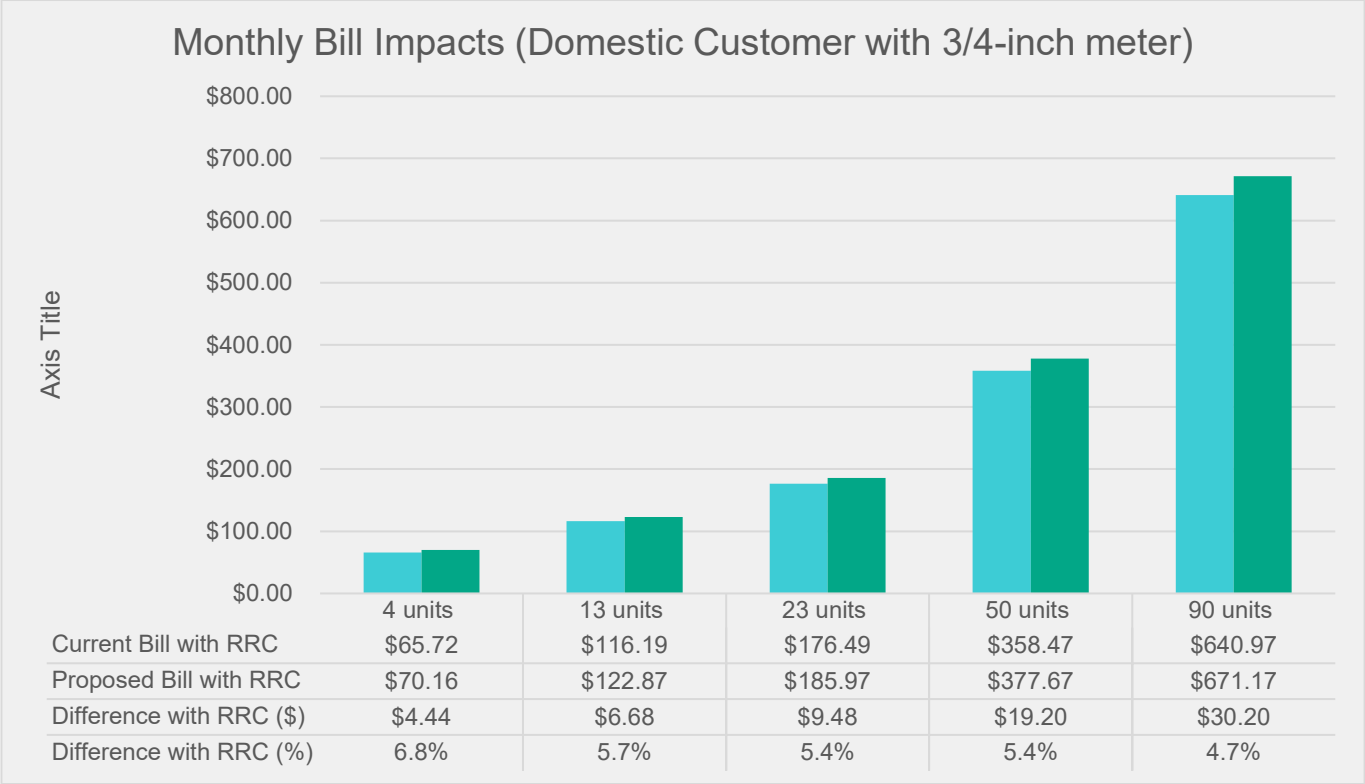
Table 1-5: Projected FY 2025- FY 2027 Average Domestic Bills with RRC

	Current Bill	2025	2026	2027
RRC ($/unit)	$0.11	$0.22	$0.11	$0.00
Average Domestic Bill with RRC	$176.49	$185.97	$203.93	$223.09
Year over Year Difference (%)		*5.4%*	*9.7%*	*9.4%*

1.6. Customer Impacts

Figure 1-4 shows the impacts on a Domestic customer at varying levels of usage, assuming a 3/4" meter. Note that 13 units per month represents the median Domestic monthly usage for FY 2022 and 23 units is the average usage for FY 2022. The bill calculations are shown with the RRC included. The differences listed in the table at the bottom of **Figure 1-4** are between the current and proposed rates.

Figure 1-4: Domestic Bill Impacts at Varying Levels of Usage



	4 units	13 units	23 units	50 units	90 units
Current Bill with RRC	$65.72	$116.19	$176.49	$358.47	$640.97
Proposed Bill with RRC	$70.16	$122.87	$185.97	$377.67	$671.17
Difference with RRC ($)	$4.44	$6.68	$9.48	$19.20	$30.20
Difference with RRC (%)	6.8%	5.7%	5.4%	5.4%	4.7%

2. Introduction

2.1. Water System Overview

Olivenhain Municipal Water District (OMWD or District) is a municipal water district organized and operating pursuant to Water Code Sections 71000 et seq., and was incorporated on April 9, 1959, to develop an adequate water supply for landowners and residents. On June 14, 1960, residents of the District voted to become a member of the San Diego County Water Authority (SDCWA), thus becoming eligible to purchase water transported into San Diego County via the massive aqueducts of SDCWA and its wholesaler, Metropolitan Water District of Southern California. With a service area of over 48 square miles, the District currently serves a population of approximately 86,000 residents in northern San Diego County.

The District treats up to 34 million gallons of water per day at its David C. McCollom Water Treatment Plant (DCMWTP), has a storage capacity of nearly 80 million gallons within 17 storage reservoirs, and maintains a water distribution system with over 400 miles of potable water pipelines. In addition, the District's 4S Ranch Water Reclamation Facility produces up to 2 million gallons per day of recycled water, which is distributed through 46 miles of recycled water pipelines throughout the District for non-potable uses such as irrigation.

The District's existing water rate structure consists of the following charges:

1. **OMWD System Access Charge**: This fixed monthly charge varies by water meter size and is assessed per meter to recover a portion of the District's fixed costs.
2. **SDCWA Infrastructure Access Charge**: All meters excluding construction, fire, and recycled water meters are subject to a monthly SDCWA Infrastructure Access Charge which varies by water meter size. SDCWA assesses the Infrastructure Access Charge to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects.
3. **Volumetric Rate**: The District assesses volumetric rates per unit (1 unit = one hundred cubic feet (hcf)) of water delivered each month. Volumetric water rates vary by customer class and by Water Demand Reduction level. Domestic customers are subject to a four-tier volumetric rate structure, while irrigation customers are subject to a two-tier volumetric rate structure. Agricultural, commercial, construction, and recycled water customers are subject to unique uniform rates.
4. **Fire Meter Charge:** Meters dedicated to automatic fire sprinkler service are not subject to the three charges listed above but are assessed a fixed monthly Fire Meter Charge, which varies by meter size. Customers are only assessed this charge if they have a dedicated water line for automatic fire sprinkler service.

2.2. Study Objectives

The District engaged Raftelis in 2024 to conduct a water rate study to establish proposed water rates that are compliant with Proposition 218 and consistent with Cost of Service principles. The major objectives of the study include the following:

- Develop a five-year financial plan through FY 2029 that sufficiently funds the District's operating costs, debt obligations, and necessary capital expenditures
- Review and revise as necessary the current water rate structure
- Perform a cost of service analysis to equitably allocate costs across customer classes
- Propose are fair and equitable water rates for FY 2025 that and in compliance with Proposition 218

This Report provides a detailed description of the financial plan development, the cost of service analysis, and the development of the proposed FY 2025 rate schedule and estimated rate schedule for FY 2026 through FY 2029. Assumptions, inputs, and calculations are clearly shown in order to provide a thorough and transparent description of how the proposed water rates were determined.

2.3. Legal Requirements and Rate-Setting Methodology

This water rate study was conducted using industry-standard principles outlined by the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1 Sixth Edition* (M1 Manual). The general principles of rate structure design and the objectives of the Study are described below.

According to the M1 Manual, the first step in the ratemaking process is to determine the adequate and appropriate level of funding for a given utility. This is referred to as determining the "revenue requirement." This analysis considers the short-term and long-term service objectives of the utility over a given planning horizon, including capital facilities, system operations and maintenance, and financial reserve policies, to determine the adequacy of a utility's existing rates to recover its costs. Several factors may affect these projections, including the number of customers served, water-use trends, extraordinary gains or expenses, weather, conservation, use restrictions, inflation, interest rates, capital finance needs, and other changes in operating and economic conditions.

After determining a utility's revenue requirements, the next step is determining the cost of service. Utilizing a public agency's approved budget, financial reports, operating data, and capital improvement plans, a cost of service study generally categorizes the operating system costs by function (e.g. supply, treatment, storage, pumping, distribution/collection, etc.). Asset costs are similarly functionalized to determine the cost of service of the CIP.

After the assets and the costs of operating those assets are properly categorized by function, these "functionalized costs" are allocated first to cost causation components, and then to the various customer classes (e.g., single-family residential, multi-family residential, and commercial) by determining the service characteristics of those classes and the contribution of each to incurred costs such as supply costs, base delivery costs, peaking costs.

Rate design is the final part of the rate-making procedure and uses the revenue requirement and cost of service analysis to determine appropriate rates for each customer class. Rates utilize "rate components" that build-up to rates for commodity charges, and fixed charges, for the various customer classes and meter sizes servicing customers. In the case of inclining tier water rates, the rate components define the cost of service *within* each class of customer, effectively treating each tier as a sub-class and determining the cost to serve each tier.

2.3.1. California Constitution - Article XIII D, Section 6 (Proposition 218)

Proposition 218, reflected in the California Constitution as Article XIII D, was enacted in 1996 to ensure that rates and fees are reasonable and proportional to the cost of providing service. The principal requirements, as they relate to public water service are as follows:

1. A property-related charge (such as water rates) imposed by a public agency on a parcel shall not exceed the costs required to provide the property related service.
2. Revenues derived by the charge shall not be used for any purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of property.
5. A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing when the agency considers all written protests against the charge.

As stated in AWWA's *M1 Manual*, "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Raftelis follows industry standard rate setting methodologies set forth by the AWWA *M1 Manual* to ensure this Study meets Proposition 218 requirements and creates rates that do not exceed the proportionate cost of providing water services on a parcel basis. The methodology in the M1 Manual is a nationally recognized industry ratemaking standard that courts have recognized is consistent with Proposition 218.

Tiered Rates – "Inclining" tier rate structures (which are synonymous with "increasing" tier rate structures and "tiered" rates) when properly designed and differentiated by customer class meet the requirements of Proposition 218 as long as the tiered rates reasonably reflect the proportionate cost of providing service in each tier.

3. Financial Plan

Section 3 details the development of the five-year financial plan for the District's water utility. This includes the determination of annual revenues required from water rates based on annual cash flow projections. Assumptions and inputs related to projected revenues, operating expenses, and capital expenditures are clearly outlined in the following subsections.

3.1. Existing Water Rates

Currently, District customers pay two types of monthly fixed charges: the OMWD System Access Charge and the SDCWA Infrastructure Access Charge. The OMWD System Access Charge is designed to recover a portion of fixed costs incurred by the District to provide water service. Based on SDCWA's IAC ordinance, the SDCWA Infrastructure Access Charge is assessed by SDCWA to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects, 80% of SDCWA's operations and maintenance expenses established by SDCWA's Board of Director in the annual budget, and payments to member agencies for generation of reclaimed water. Fixed monthly Fire Meter Charges are levied on water meters dedicated for automatic fire sprinkler service. **Table 3-1** below shows the District's existing monthly rates for each type of fixed charge discussed above.

Table 3-1: Existing Monthly Fixed Charges

Meter Size	OMWD System Access Charge	SDCWA Infrastructure Access Charge	Fire Meter Charge
5/8-inch	$34.25	$4.41	$5.85
3/4-inch	$44.79	$4.41	$5.85
1-inch	$76.41	$8.39	$6.57
1.5-inch	$118.54	$13.70	$7.54
2-inch	$185.30	$22.09	$9.08
2.5-inch	$336.33	$41.10	$12.55
3-inch	$367.94	$45.08	$13.27
4-inch	$610.30	$75.58	$18.85
6-inch	$1,274.14	$159.10	$34.13
8-inch	$2,292.73	$287.29	$57.56

The District recovers its variable costs as well as its remaining fixed costs through Volumetric Rates. Volumetric rates vary by customer class and declared Water Demand Reduction level, and are assessed per unit of water delivered. Domestic customers are charged according to a four-tiered inclining block rate structure, under which the volumetric rate increases as monthly water usage exceeds defined thresholds. Irrigation customers are subject to a two-tiered inclining block rate structure, in which Tier 1 allotments increase with meter size. Agricultural, Commercial, Construction and Recycled customers are subject to distinct uniform volumetric rates. Combined Agricultural/Domestic customers are charged based on the Domestic volumetric rate schedule for the first 23 units of water usage per month and the Agricultural rate

schedule for monthly usage above 23 units. **Table 3-2** below shows the District's existing volumetric rates under the five various Water Demand Reduction levels.

Table 3-2: Existing Volumetric Rates per Unit

Customer Class	Base Rates	Watch/ Level 1 Voluntary	Alert/ Level 2 Mandatory	Critical/ Level 3 Mandatory
Domestic				
Tier 1 (0-6 Units)	$4.24	$4.47	$4.74	$5.09
Tier 2 (7-23 Units)	$6.14	$6.37	$6.64	$6.99
Tier 3 (24-80 units)	$6.85	$7.08	$7.35	$7.70
Tier 4 (80 + units)	$8.14	$8.37	$8.64	$8.99
Agricultural	$6.75	$6.98	$7.25	$7.60
Commercial	$5.78	$6.01	$6.28	$6.63
Irrigation				
Tier 1 (See Table 3-3)	$6.50	$6.73	$7.00	$7.35
Tier 2 (See Table 3-3)	$6.94	$7.17	$7.44	$7.79
Construction	$8.21	$8.44	$8.71	$9.06
Recycled	$4.29	$4.29	$4.29	$4.29

Tier 1 monthly allotments vary by meter size for Irrigation customers and are shown below in **Table 3-3**. Any monthly usage by Irrigation customers above the Tier 1 allotment is billed at the Tier 2 Irrigation rate.

Table 3-3: Tier 1 Monthly Allotments for Irrigation Customers in Units

Meter Size	Winter (Nov 1-Apr 30)	Summer (May 1-Oct 31)
5/8-inch	10	15
3/4-inch	20	30
1-inch	35	50
1.5-inch	50	110
2-inch	100	200
3-inch	200	500
4-inch	600	3,500
6-inch	3,100	11,800
8-inch	5,600	21,300

3.2. Assumptions

Various assumptions are used to project future revenues and expenses. They can be divided into two major groups: (i) assumptions related to economic factors, such as inflation, capital cost, and interest rates and (ii) core business assumptions, such as water sale projections and capital replacement costs.

3.2.1. Inflationary Assumptions

The inflationary assumptions are summarized in **Table 3-4**. General inflation reflects longer-term CPI average inflation. The District provided inflated capital costs by year, so an additional inflation factor was not included.

Table 3-4: Expense and Revenue Escalation Assumptions

Inflation	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
O&M Expenses					
General	3.0%	3.0%	2.0%	2.0%	2.0%
Salary	6.0%	6.0%	4.5%	4.5%	4.5%
Benefits	5.0%	5.0%	4.0%	4.0%	4.0%
Chemicals	6.0%	6.0%	5.0%	5.0%	5.0%
Utilities	5.0%	5.0%	5.0%	5.0%	5.0%
Revenue					
Other Operating Revenues	2.0%	2.0%	2.0%	2.0%	2.0%
Property Tax	2.0%	2.0%	2.0%	2.0%	2.0%
Reserve Interest Rate	3.0%	2.0%	2.0%	1.5%	1.5%

3.2.2. Water Account and Usage Assumptions

District staff provided Raftelis with the number of existing water meters differentiated by customer class as of February of FY 2024 (shown below in **Table** 3-5). Over 93 percent of water meters (excluding Fire Meters) served by the District are classified as Domestic.

Table 3-5: Number of Water Meters by Customer Class (FY 2024)

Meter Size	Domestic	Agri-cultural	Combined Ag/ Domestic	Com-mercial	Irrigation	Con-struction	Recycled	Fire
5/8-inch	1,880	0	0	24	9	0	1	401
3/4-inch	16,280	0	7	76	26	0	1	18
1-inch	2,796	2	21	118	105	17	30	5,464
1.5-inch	497	4	11	140	244	1	116	67
2-inch	149	3	9	70	138	0	162	0
2.5-inch	0	0	0	0	0	38	1	1
3-inch	13	1	0	8	2	0	6	0
4-inch	9	0	1	7	1	0	5	0
6-inch	1	0	0	1	1	0	4	1
8-inch	0	0	0	1	0	0	0	0
Total	**21,625**	**10**	**49**	**445**	**526**	**56**	**326**	**5,952**

Over the five-year study period from FY 2025-FY 2029, the District projects 50 new 3/4-inch Domestic water meters per fiscal year to come online. Other growth accounted for in the model, based on the capacity fee schedule, includes one 1-1/2 inch, 2-inch, and 4-inch meter in FY 2027 and one 2-inch and three 6-inch meters in FY 2028. Based on FY 2024 meter counts and assumed growth, Raftelis projected the number of water meters by fixed charge type (shown below in **Table 3-6**). Note that the OMWD System Access Charge is assessed to all water meters excluding Fire lines, while the SDCWA Infrastructure Access Charge is assessed to all water meters except Construction meters, Recycled Water meters, and Fire lines.

Table 3-6: Number of Water Meters

Meter Size	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Meters subject to OMWD System Access Charge						
5/8-inch	1,914	1,914	1,914	1,914	1,914	1,914
3/4-inch	16,390	16,440	16,490	16,540	16,590	16,640
1-inch	3,089	3,089	3,089	3,089	3,089	3,089
1.5-inch	1,013	1,013	1,013	1,014	1,014	1,014
2-inch	531	531	531	532	533	533
2.5-inch	39	39	39	39	39	39
3-inch	30	30	30	30	30	30
4-inch	23	23	23	24	24	24
6-inch	7	7	7	7	10	10
8-inch	1	1	1	1	1	1
Total	**23,037**	**23,087**	**23,137**	**23,190**	**23,244**	**23,294**
Meters subject to SDCWA Infrastructure Access Charge						
5/8-inch	1,913	1,913	1,913	1,913	1,913	1,913
3/4-inch	16,389	16,439	16,489	16,539	16,589	16,639
1-inch	3,042	3,042	3,042	3,042	3,042	3,042
1.5-inch	896	896	896	897	897	897
2-inch	369	369	369	370	371	371

Meter Size	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
2.5-inch	0	0	0	0	0	0
3-inch	24	24	24	24	24	24
4-inch	18	18	18	19	19	19
6-inch	3	3	3	3	6	6
8-inch	1	1	1	1	1	1
Total	**22,655**	**22,705**	**22,755**	**22,808**	**22,862**	**22,912**
Meters subject to Fire Meter Charge						
5/8-inch	401	401	401	401	401	401
3/4-inch	18	18	18	18	18	18
1-inch	5,464	5,464	5,464	5,464	5,464	5,464
1.5-inch	67	67	67	67	67	67
2-inch	0	0	0	0	0	0
2.5-inch	1	1	1	1	1	1
3-inch	0	0	0	0	0	0
4-inch	0	0	0	0	0	0
6-inch	1	1	1	1	1	1
8-inch	0	0	0	0	0	0
Total	**5,952**	**5,952**	**5,952**	**5,952**	**5,952**	**5,952**

Water usage by customer class and tier was projected over the study period based on actual water usage data provided by District staff for FY 2022 and FY 2023. Since 2023 was an unusually wet year, water usage was low. Therefore FY 2025 water usage by customer class was estimated using an average of calendar year (CY) 2022 and CY 2023 consumption data. At the end of the study, FY 2024 actual water usage was available and recorded as a comparison. **Figure 3-1** shows a yearly comparison of water usage. For the purposes of the financial plan, no change in per account water consumption is assumed over the five-year study period. Annual increases in projected water usage shown below in **Table 3-7** are solely due to growth in 3/4-inch Domestic accounts (see **Table 3-6** above). The increase in Domestic water usage over the study period is directly proportional to the increase in total number of Domestic water meters, which is approximately 0.2 percent per fiscal year. Note that any reduction in water sales that might occur over the study period due to a water supply shortage will be accompanied by the activation of Water Demand Reduction rates. This will ensure that any loss in rate revenue resulting from reduced water sales will be offset by higher volumetric rates that increase with each Water Demand Reduction level. Therefore, the water usage projections shown below in **Table 3-7** represent an appropriate baseline scenario for the purposes of the five-year financial plan.

Figure 3-1: Actual and Projected Water Usage in AF

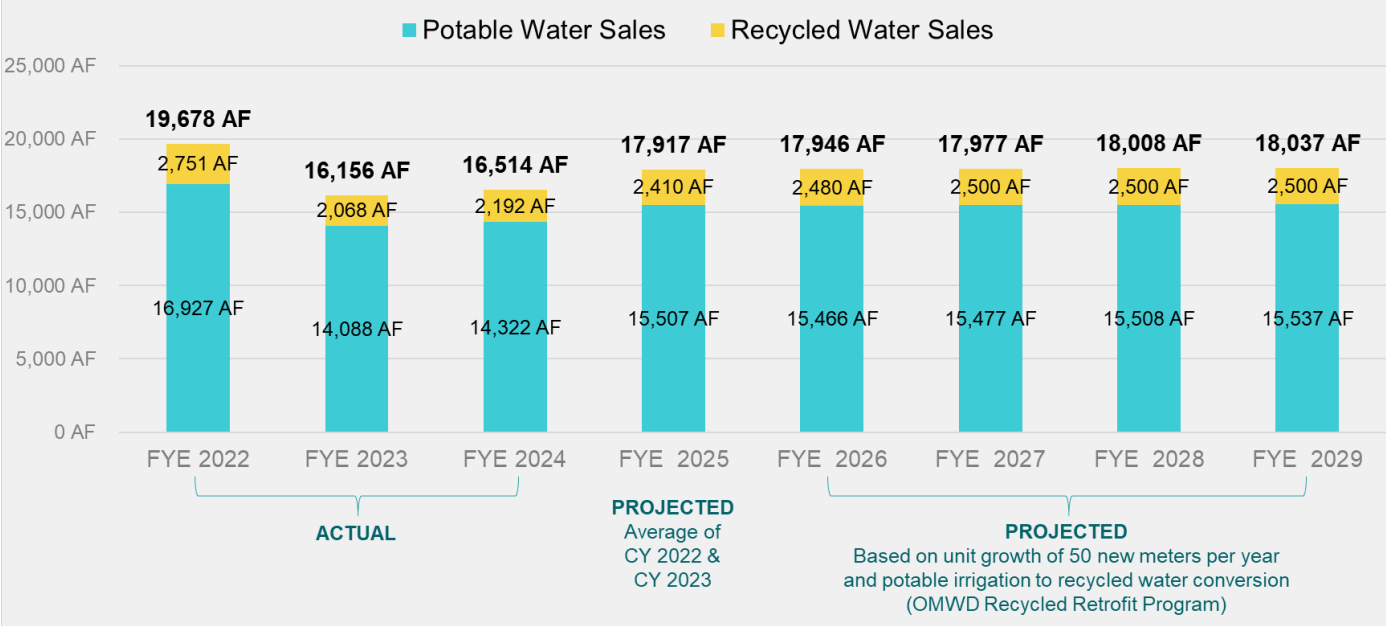


Table 3-7: Projected Water Usage in Units by Customer Class and Accounts[2]

Customer Class	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Domestic					
Tier 1 (0-6 units/month)	1,664,738	1,668,570	1,672,632	1,676,771	1,680,603
Tier 2 (7-25 units/month)	1,989,260	1,993,828	1,998,671	2,003,605	2,008,173
Tier 3 (26-80 units/month)	1,344,352	1,347,453	1,350,740	1,354,089	1,357,190
Tier 4 (Over 80 units/month)	489,308	490,436	491,633	492,852	493,980
Agricultural	59,071	59,071	59,071	59,071	59,071
Agricultural with Credit	23,332	23,332	23,332	23,332	23,332
Commercial	296,027	296,027	296,027	296,027	296,027
Irrigation					
Tier 1 (See Table 3-3)	456,070	440,824	436,468	436,468	436,468
Tier 2 (See Table 3-3)	391,191	375,945	371,589	371,589	371,589
Construction	41,669	41,669	41,669	41,669	41,669
Recycled	1,049,621	1,080,113	1,088,825	1,088,825	1,088,825
Total	**7,804,637**	**7,817,267**	**7,830,655**	**7,844,296**	**7,856,927**

3.3. Revenues

The District's water revenues consist of operating revenues (i.e. water rate revenues), other operating revenues, non-operating revenues, and capital revenues (from capacity fees assessed to new water connections). Projected water rate revenues under existing rates are calculated for the years FY 2025-FY 2029 by multiplying current rates (from **Table 3-1** and **Table 3-2**) by the corresponding units of service (from **Table 3-6** and **Table 3-7**).[3] Projecting water rate revenues under existing rates is necessary to evaluate the District's projected baseline financial position in the absence of any proposed rate increases. Note that for FY 2024, operating revenues were calculated based on FY 2023 rates for nine months and FY 2024 rates for three months. This is because FY 2024 rates were implemented in March 2024.[4] Revenues under current rates are shown in Table 3-8 and exclude SDCWA Infrastructure Access Charges.

Table 3-8: Projected Operating Revenues Under Existing Water Rates

Operating Revenues	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Fixed Charges:						
OMWD System Access Charge (Potable)	$14,326,302	$14,987,748	$15,014,622	$15,052,465	$15,127,432	$15,154,306
OMWD System Access Charge (Recycled)	$653,069	$681,991	$681,991	$681,991	$681,991	$681,991
Fire Meter Charges	$452,181	$467,006	$467,006	$467,006	$467,006	$467,006
Volumetric Charges:						
Domestic	$32,447,706	$32,464,313	$32,539,043	$32,618,256	$32,698,964	$32,773,694
Agricultural	$387,924	$398,729	$398,729	$398,729	$398,729	$398,729
Agricultural w/ Credit	$129,963	$126,226	$126,226	$126,226	$126,226	$126,226
Commercial	$1,527,180	$1,711,033	$1,711,033	$1,711,033	$1,711,033	$1,711,033
Irrigation	$5,671,829	$5,679,317	$5,474,411	$5,415,866	$5,415,866	$5,415,866
Construction	$291,851	$342,102	$342,102	$342,102	$342,102	$342,102
Recycled Water	$3,937,754	$4,502,874	$4,633,685	$4,671,059	$4,671,059	$4,671,059
Total	**$59,825,759**	**$61,361,341**	**$61,388,849**	**$61,484,736**	**$61,640,410**	**$61,742,014**

Table 3-9 shows a summary of other operating, non-operating, and capital revenues. SDCWA Infrastructure Access Charges were calculated in the same manner as described previously for operating revenues. Revenues from selling excess treated water to Vallecitos were projected in FY 2025 assuming 2,750 acre-feet per year (AFY) in sales, which is the minimum due to the DCMWTP shutdown. In FY 2026 and after, 3,648 AFY is used, which is the average of FY 2020 and 2021. Investment income was calculated based on projected ending cash balances and an assumed 3 percent annual rate of return in FY 2025, 2 percent annual rate of return FYs 2026-2027 and 1.5 percent annual rate of return in FYs 2028-2029. The majority of other operating and non-operating expenses were projected beyond FY 2025 budgeted amounts by either holding

[2] Note that in all report tables, totals may not add up precisely due to rounding.

[3] Fixed charge revenues = [number of meters assessed] x [monthly rate] x [12 months].
Volumetric charge revenues = [annual usage in CCF] x [volumetric rate per CCF].

[4] The District's fiscal year is from July 1 through June 30. For example, fiscal year 2024 spanned from July 1, 2023 through June 30, 2024.

constant through FY 2029 or by escalating by 2 percent per year. District staff provided five-year estimates for all capital revenues over the study period.

Table 3-9: Projected Other Operating Revenues, Non-Operating Revenues, and Capital Revenues

Description	FY 2024 Estimated	FY 2025 Budget	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Other Operating Revenues						
SDCWA Infrastructure Access Charge	$1,467,000	$1,561,057	$1,563,703	$1,567,685	$1,576,324	$1,578,970
Selling Excess Treated Water to Vallecitos	$1,194,000	$918,300	$1,449,308	$1,602,357	$1,728,670	$1,800,671
Other	$510,000	$530,200	$530,404	$530,612	$530,824	$531,041
Subtotal	**$3,171,000**	**$3,009,557**	**$3,543,414**	**$3,700,654**	**$3,835,818**	**$3,910,682**
Non-Operating Revenues						
Property Tax Revenue	$4,800,000	$4,896,000	$4,993,920	$5,093,798	$5,195,674	$5,299,588
Rental Income	$775,200	$790,704	$806,518	$806,518	$806,518	$806,518
Investment Income	$0	$322,108	$225,238	$228,624	$171,035	$200,728
Other	$0	$320,892	$256,762	$316,376	$279,965	$350,272
Subtotal	**$5,575,200**	**$6,329,704**	**$6,283,438**	**$6,445,316**	**$6,453,192**	**$6,658,106**
Capital Revenues						
Potable Capacity Fee	$115,000	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grants	$3,404,000	$1,772,000	$817,000	$0	$0	$0
Recycled Capacity Fee	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Subtotal	**$3,524,000**	**$1,895,000**	**$1,234,000**	**$4,052,000**	**$4,692,000**	**$808,000**

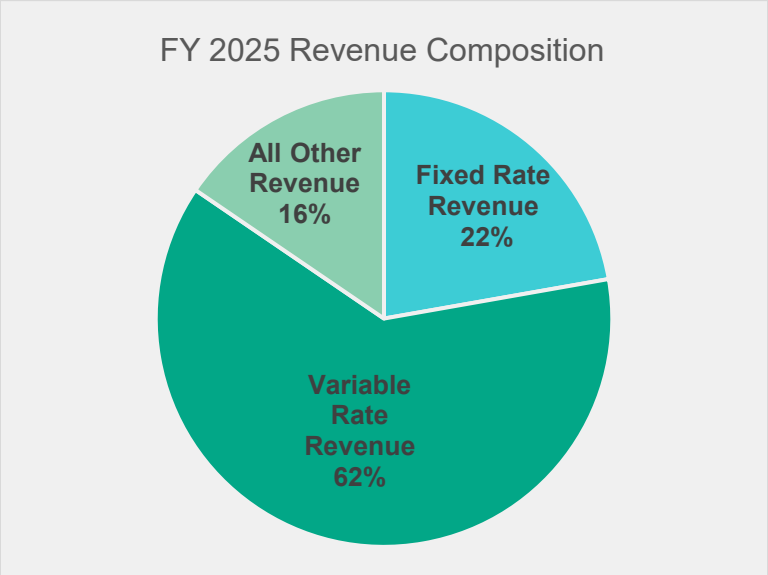
Table 3-10 shows a revenue summary for the study period based on revenues shown previously in **Table 3-8** and **Table 3-9**. Once again, operating revenues shown in this section reflect projected water rate revenues under existing rates in the absence of any rate increases over the study period.

Table 3-10: Revenue Summary

Revenues	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating	$59,825,759	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
Other Operating	$3,171,000	$3,009,557	$3,543,414	$3,700,654	$3,835,818	$3,910,682
Non-Operating	$5,575,200	$6,329,704	$6,283,438	$6,445,316	$6,453,192	$6,658,106
Capital	$3,524,000	$1,895,000	$1,234,000	$4,052,000	$4,692,000	$808,000
Total	**$72,095,959**	**$72,595,601**	**$72,449,701**	**$75,682,706**	**$76,621,420**	**$73,118,802**

Figure 3-2 shows FY 2025 revenues broken down into fixed rate revenue (from OMWD System Access Charges and Fire Meter Charges), variable rate revenues (from Volumetric Charges), and all other revenues (including the SDCWA Infrastructure Access Charge). Approximately two-thirds of total revenues are generated by the District's Volumetric Charges.

Figure 3-2: FY 2025 Revenue Composition



3.4. Operations and Maintenance Expenses

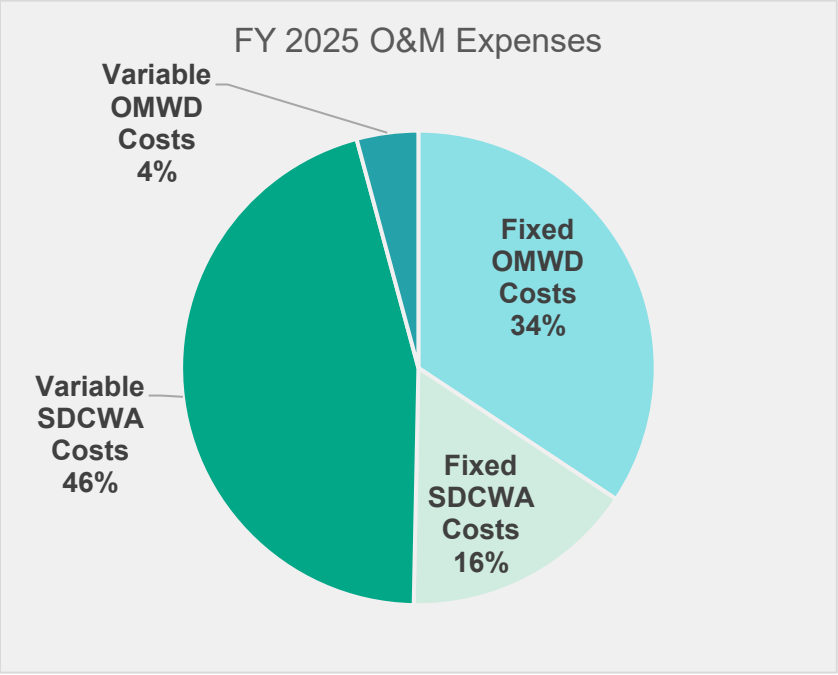
The District's operations and maintenance (O&M) expenses are based on the FY 2025 District budget and projected out through FY 2029. The District's projected purchased water and recycled water expenses were calculated over the study period based on the projected water supply mix and anticipated supply rates from SDCWA and MWD. See Appendix A for detailed calculations of water and recycled water purchase costs over the study period. All other O&M expenses were projected beyond FY 2025 by increasing FY 2025 budgeted expenses by the escalation factors shown in **Table 3-4**. The projected O&M expenses are shown in **Table 3-11**.

Table 3-11: Projected O&M Expenses

O&M Expenses	FY 2024 Estimated	FY 2025 Budget	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Purchased Water Expenses	$33,390,550	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
O&M and WTP Expenses	$13,035,000	$14,028,000	$14,616,000	$15,129,650	$15,663,513	$16,218,444
General Manager Expenses	$485,000	$672,000	$780,000	$828,970	$880,355	$934,265
Engineering Expenses	$2,133,000	$1,944,000	$2,019,000	$2,107,850	$2,200,590	$2,297,391
Finance Expenses	$53,000	$149,000	$190,000	$245,518	$304,316	$366,553
Customer Services Expenses	$4,363,000	$4,232,500	$4,531,000	$4,682,640	$4,839,932	$5,003,101
Human Resources Expenses	$81,300	$30,000	$225,000	$252,205	$280,934	$311,260
Park Expenses	$451,000	$538,000	$510,000	$532,035	$555,020	$578,997
Recycled (SE & NW) Expenses	$1,568,000	$1,490,500	$1,541,000	$1,595,405	$1,651,996	$1,710,867
Total O&M Expenses	**$55,559,850**	**$61,088,962**	**$64,670,159**	**$69,638,328**	**$73,979,333**	**$76,999,517**
Less Depreciation	$802,000	$815,000	$815,000	$831,300	$847,926	$864,885
Total O&M Excluding Depreciation	**$54,757,850**	**$60,273,962**	**$63,855,159**	**$68,807,028**	**$73,131,407**	**$76,134,632**

Figure 3-3 shows FY 2025 O&M expenses broken down as fixed versus variable and District-related (OMWD) versus SDCWA-related. Approximately 62 percent of FY 2025 O&M expenses are projected to be associated with water supply costs from SDCWA, some of which are fixed. Approximately 50 percent of FY 2025 O&M expenses are projected to be fixed in nature. This demonstrates a common challenge faced by municipal water suppliers, in which the majority of O&M expenses are fixed while a majority of revenues are variable (see **Figure 3-2**). This results in susceptibility to revenue instability during periods of reduced water supply/demand.

Figure 3-3: FY 2025 O&M Expenses Composition



3.5. Debt Service

Debt service requirements consist of principal and interest payments on existing and proposed debt. The District currently has debt service obligations associated with the outstanding 2015A Water Revenue Bonds, 2016A Water Revenue Bonds, 2013 State Revolving Fund Loan, and 2021B Wastewater (Sewer) Revenue Bonds. The debt service payments shown for the 2021B Wastewater (Sewer) Revenue Bonds represent the water system's allocated portion of the debt issue. Principal and interest payments associated with each existing debt issue for the water utility are shown below in **Table 3-12**.

Table 3-12: Existing Debt Service Payments

Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
2015A Water Revenue Bonds	$2,410,375	$2,413,625	$2,406,875	$2,405,375	$2,403,625	$0
2016A Water Revenue Bonds	$977,000	$978,000	$977,000	$975,000	$978,000	$974,000
2013 State Revolving Fund Loan	$1,070,000	$1,070,000	$1,070,000	$1,070,000	$1,070,000	$1,070,000
2021B Wastewater (Sewer) Revenue Bonds	$610,000	$609,000	$609,000	$609,000	$609,000	$0

The 2015A Water Revenue Bonds and the 2021B Wastewater (Sewer) Revenue Bonds will be paid off in FY 2028. There are no new proposed debt issues in the five-year plan period. Total existing and proposed debt service payments in each year throughout the study period (from **Table 3-12)** are summarized below in **Table 3-13**.

Table 3-13: Total Debt Service

Debt Service	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Existing Debt	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Proposed Debt	$0	$0	$0	$0	$0
Total Debt Service	**$5,070,625**	**$5,062,875**	**$5,059,375**	**$5,060,625**	**$2,044,000**

3.6. Capital Improvement Plan

The District has developed a capital improvement plan (CIP) to address ongoing water system needs in each year throughout the study period. Detailed CIP expenditures in each year are shown at the individual project level for the potable water system in **Table 3-14** and the recycled water system in **Table 3-15**. Inflated project costs in all years throughout the study period were provided by District Engineering staff from the results of the District's Condition Assessment and Pipeline Replacement Assessment studies.

Table 3-14: Potable Water CIP Projects

#	Potable Water CIP	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	San Dieguito Valley Groundwater Desalination Plant	$417,000	$344,000	$1,146,000	$1,921,000	$3,098,000
2	PW and RCW Master Plan Update	$117,000	$0	$0	$0	$0
3	EFRR Parking Lot Expansion	$381,000	$909,000	$0	$0	$0
4	Site Asphalt Improvements	$60,000	$50,000	$30,000	$30,000	$30,000
5	Advanced Metering Infrastructure (AMI)	$715,000	$0	$0	$0	$0
6	CIS Infinity System Upgrade	$213,000	$184,000	$0	$0	$0
7	District Wide Scada Upgrades	$127,000	$0	$0	$0	$0
8	District-Wide PLC Replacements (PW/RCW)	$1,237,000	$0	$0	$0	$0
9	District Wide Physical Security Improvements	$52,000	$0	$0	$0	$0
10	Fleet Electrification Project (PW/RCW)	$165,000	$750,000	$1,490,000	$0	$0
11	RSF Unit A North PL Repl	$1,428,000	$0	$0	$0	$0
12	Golem 14" Pipeline Inspection and Rehab	$133,000	$0	$0	$0	$0
13	Dusty Trail PL Replacement	$120,000	$710,000	$350,000	$0	$0
14	Rancho La Cima/Aliso Canyon PL Relocation	$102,000	$150,000	$0	$0	$0
15	Harris Ranch Right-of-Way Acquisition	$0	$150,000	$0	$0	$0
16	Unit B & K Rehab	$327,000	$1,000,000	$580,000	$0	$0
17	Unit B & K EM CCTV Inspect & Rehab Phase 2	$0	$0	$0	$412,000	$1,838,000
18	Encinitas Blvd Pipeline Inspection and Rehab	$271,000	$403,000	$0	$0	$0
19	RSF Rd Pipeline Inspection	$0	$164,000	$524,000	$0	$0
20	Access improvements to pipe below Gano to San Dieguito Road	$20,000	$55,000	$0	$0	$0
21	Tank Safety Improvements	$516,000	$0	$0	$0	$0
22	Palms I and II Reservoirs Replacemt	$194,000	$303,000	$1,212,000	$0	$0
23	Gaty I Reservoir Decommissioning	$0	$0	$0	$398,000	$0
24	Village Park PRS Replacement	$969,000	$0	$0	$0	$0
25	Gardendale PRS Replacement	$984,000	$0	$0	$0	$0
26	Del Lago PRS Replacement	$0	$123,000	$846,000	$0	$0
27	SE #1 PRS Replacement	$0	$0	$0	$0	$135,000
28	DCMWTP 4th Stage Centrifuge Addition	$2,956,000	$0	$0	$0	$0
29	DCMWTP Chlorine Gen Rm Lining Rehab	$123,000	$0	$0	$0	$0
30	DCMWTP 2nd Stage Membrane Train Overhaul	$126,000	$100,000	$100,000	$0	$0
31	DCMWTP 2nd Stage Basin Rehab and Beam Replacement	$577,000	$1,207,000	$0	$0	$0
32	DCMWTP 1st Stage Beam Replacement	$560,000	$980,000	$666,000	$0	$0
33	DCMWTP Inlet Strainer MOV Actuator Replacement	$63,000	$0	$0	$0	$0

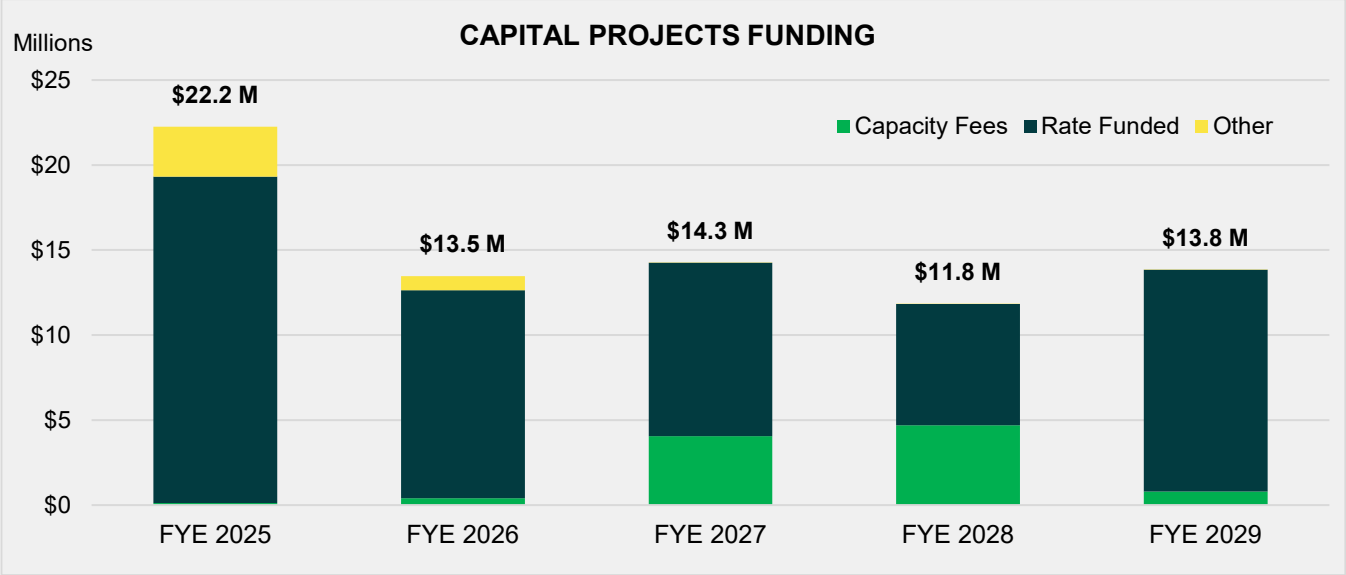
34	DCMWTP Combined Filter Influent & Backwash Pipe Replacement	$180,000	$528,000	$0	$0	$0
35	DCMWTP Raw Water Equal (RWEQ) Tanks Rehab	$668,000	$0	$0	$0	$0
36	DCMWTP Fluoride Room, Permeate Pump Stanchion, Bldg Rehab	$0	$142,000	$0	$0	$0
37	DCMWTP 1st Stage Basins Rehab	$0	$0	$1,295,000	$1,295,000	$1,295,000
38	DCMWTP FCV Actuators Replacement	$0	$0	$310,000	$0	$0
39	DCMWTP BWWEQ Tank Rehab	$0	$0	$596,000	$0	$0
40	DCMWTP Plate Settler Coating Rehab	$0	$0	$0	$123,000	$0
41	DCMWTP Brine Area Rehab	$0	$0	$0	$192,000	$0
42	DCMWTP Sodium Hypochlorite Room Rehab	$0	$0	$0	$0	$98,000
43	DCMWTP HVAC Replacement	$0	$0	$0	$0	$46,000
44	Bridge Crane Rehabilitation and Mods	$65,000	$0	$0	$0	$0
45	Network Security	$100,000	$104,000	$109,000	$114,000	$119,000
46	Replace Pumps and Motors	$175,000	$180,000	$185,000	$191,000	$197,000
47	Replace Potable Meters	$830,000	$927,000	$849,000	$874,000	$900,000
48	Replace Pipelines	$500,000	$515,000	$530,000	$546,000	$562,000
49	Replace Valves	$750,000	$773,000	$796,000	$820,000	$845,000
50	Steel Mains Protection	$304,000	$313,000	$322,000	$332,000	$342,000
51	Replace Meter Anodes	$158,000	$163,000	$168,000	$173,000	$178,000
52	Rehab Concrete Tanks	$25,000	$26,000	$27,000	$28,000	$29,000
53	Replace PRS Valves	$54,000	$56,000	$58,000	$60,000	$62,000
54	Replace DCM WTP Membranes	$936,000	$973,000	$1,012,000	$1,052,000	$1,094,000
55	WTP Misc Equipment and Instrumentation Replacement	$100,000	$106,000	$115,000	$124,000	$134,000
56	WTP Membrane Train Control Wiring Replacement	$35,000	$36,000	$37,000	$38,000	$39,000
57	Impressed current system protection	$0	$0	$74,000	$63,000	$50,000
	Total Potable Water CIP	**$17,833,000**	**$12,424,000**	**$13,427,000**	**$8,786,000**	**$11,091,000**

Table 3-15: Recycled Water CIP Projects

#	Recycled Water CIP	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Manchester Recycled Pipeline Ext.	$3,298,000	$0	$0	$0	$0
2	Calle Barcelona, VP, & Summerhill HOA Exten	$244,000	$0	$0	$0	$0
3	Wanket RW Reservoir Rehabilitation	$157,000	$0	$0	$0	$0
4	Santa Fe Valley RW Reservoir Improvements	$150,000	$0	$0	$0	$0
5	Off-Spec and High Flow Diversion Pipeline	$129,000	$0	$0	$0	$0
6	Upgrade Filter Electrical	$75,000	$439,000	$0	$0	$0
7	Upgrade Flow Equalization Basins	$22,000	$125,000	$0	$0	$0
8	Recycled Water Storage Pond Upgrades	$17,000	$101,000	$0	$0	$0
9	Replace Existing Recycled Water Pump Station VFDs	$0	$0	$37,000	$0	$0
10	Site Paving Improvements	$0	$0	$8,000	$0	$0
11	Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch	$0	$0	$382,000	$2,227,000	$0
12	Replace WRF Electrical Conduits, Enclosures, and Lighting	$0	$0	$0	$390,000	$2,278,000
13	Chemical Area Upgrades	$65,000	$80,000	$100,000	$73,000	$76,000
14	Replace Roll-up doors	$30,000	$41,000	$52,000	$54,000	$56,000
15	Recycled Conversions (formerly Retrofit Potable to Recycled)	$50,000	$52,000	$54,000	$56,000	$58,000
16	Replace Recycled Meters	$75,000	$77,000	$79,000	$81,000	$83,000
17	Replace Recycled Pipeline	$12,000	$12,000	$6,000	$6,000	$6,000
18	Replace Recycled Valves	$80,000	$85,000	$90,000	$96,000	$101,000
19	4S WRF Physical Security Upgrades	$12,000	$12,000	$14,000	$16,000	$18,000
20	Plant A Rehabilitation	$0	$10,000	$20,000	$30,000	$40,000
21	Valve and Gate Replacement Program	$0	$0	$0	$10,000	$16,000
22	Small Pump and Motor Replacement Program	$0	$0	$0	$16,000	$20,000
	Total Recycled Water CIP	**$4,416,000**	**$1,034,000**	**$842,000**	**$3,055,000**	**$2,752,000**

Total CIP expenditures over the study period are shown below in **Figure 3-4**. Potable water capacity fee revenues are anticipated to be available to fund the District's CIP and range from $118,000 in FY 2025 to over $4 million in FY 2028. "Other" funds include anticipated grant funds, recycled water capacity fee revenues, and land sale proceeds. All other CIP during the study period is projected to be funded by water rate revenues, there is no proposed debt funding.

Figure 3-4: CIP by Funding Source



3.7. Financial Policies

3.7.1. Debt Coverage

The District must meet its debt service coverage requirements on its outstanding bond issues. The District's required debt coverage is 125 percent, meaning that the District's net revenues must amount to at least 125 percent of annual debt service. The District is currently rated "AAA" by Fitch Ratings. To get a lower borrowing cost for any debt issuance in the future, it has been the District's goal to maintain at least 2.5 net water system revenue to debt service coverage ratio. The proposed financial plan, therefore, incorporates a debt coverage target of 250 percent. Net revenues include funds from water rates and charges, miscellaneous service charges, revenues received from contracts, and interest income. Annual debt service includes annual principal and interest payments on outstanding debt.

3.7.2. Reserve Policies

The District maintains four separate funds. The Operating Fund is designed to provide working capital and mitigate the impact of fluctuations in O&M expenditures. The Capital Improvement Fund is designed to ensure adequate construction funds are maintained to approve construction contracts. The Rate Stabilization Fund is designed to mitigate the impact of reduced water sales on the District's financial condition and, lastly, the Pension Stabilization Fund is designed to help stabilize pension costs by making additional contributions to its pension plan to minimize fluctuations in District's Unfunded Accrued Liability (UAL). Raftelis recommends that the District maintains its current reserve policies, which define the minimum and maximum reserve balances for each of the three funds. The existing reserve policies are appropriate given industry norms as well as the District's unique attributes. The current reserve targets are:

1. **Operating Fund**
    - Minimum Level: 60 days of annual O&M expenditures *($9.91 million in FY 2025)*
    - Maximum Level: 120 days of annual O&M expenditures *($19.82 million in FY 2025)*

2. **Capital Improvement Fund**
    - Minimum Level: average annual CIP expenditures over the next 10 years *($17.32 million in FY 2025)*
    - Maximum Level: five years of average annual 10-year CIP expenditures *($86.59 million in FY 2025)*
3. **Rate Stabilization Fund**
    - Minimum Level: 25 percent of estimated net water sales[5] in the current fiscal year *($6.84 million in FY 2025)*
    - Maximum Level: 50 percent of estimated net water sales for the next two fiscal years *($13.68 million in FY 2025)*
4. **Pension Stabilization Fund**
    - Minimum Level: 1 year of projected employee retirement (ER) contribution for unfunded accrued liability (UAL) over the next 5 years *($0.96 million in FY 2025)*
    - Maximum Level: 2 years of projected ER contribution for UAL over the next 5 years *($1.91 million in FY 2025)*

3.8. Status Quo Financial Plan

The status quo financial plan illustrates what would occur in the absence of any water rate increases over the study period. Current water rates in effect as of FY 2024 are assumed to remain unchanged over the study period under the status quo. Raftelis and District staff first evaluated the District's cash flow and fund balance over the study period under the status quo before considering any revenue adjustments.

Figure 3-5 shows the projected ending cash balance in each year over the study period under the status quo for all three funds combined (Operating, Capital Improvement, and Rate Stabilization). Under the status quo financial plan, the District's reserves are steadily drawn down over the five-year study period until the minimum reserve balance is no longer met in FY 2028. Furthermore, **Figure 3-6** shows that the District is projected to fail to meet minimum required debt coverage beginning in FY 2028 under the status quo. This clearly demonstrates the need for rate revenue increases over the study period to ensure that the District meets its debt coverage obligations and exceeds the minimum reserve balance as established by District policy. For detailed cash flow and fund balance projections under the status quo, please refer to **Appendix B**.

[5] Net water sales are defined as total annual revenues from rates and charges less annual water purchase expenses.

Figure 3-5: Total Fund Balance Under Status Quo Financial Plan

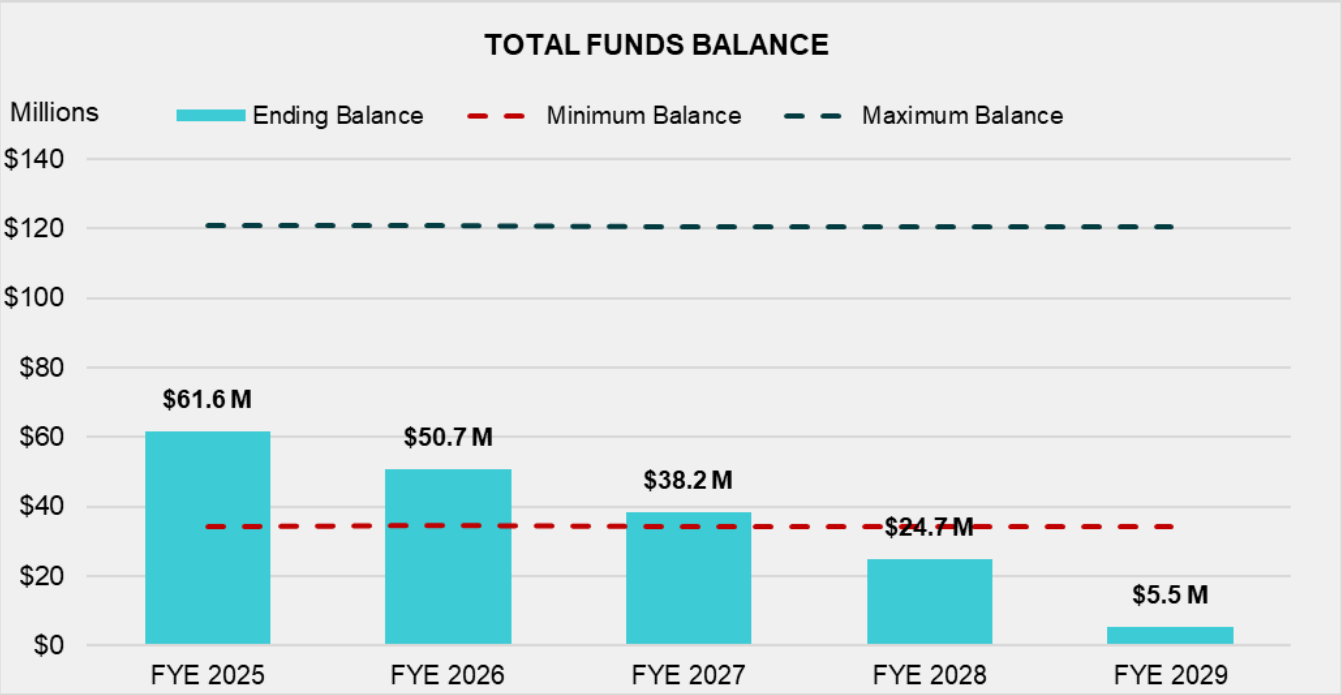
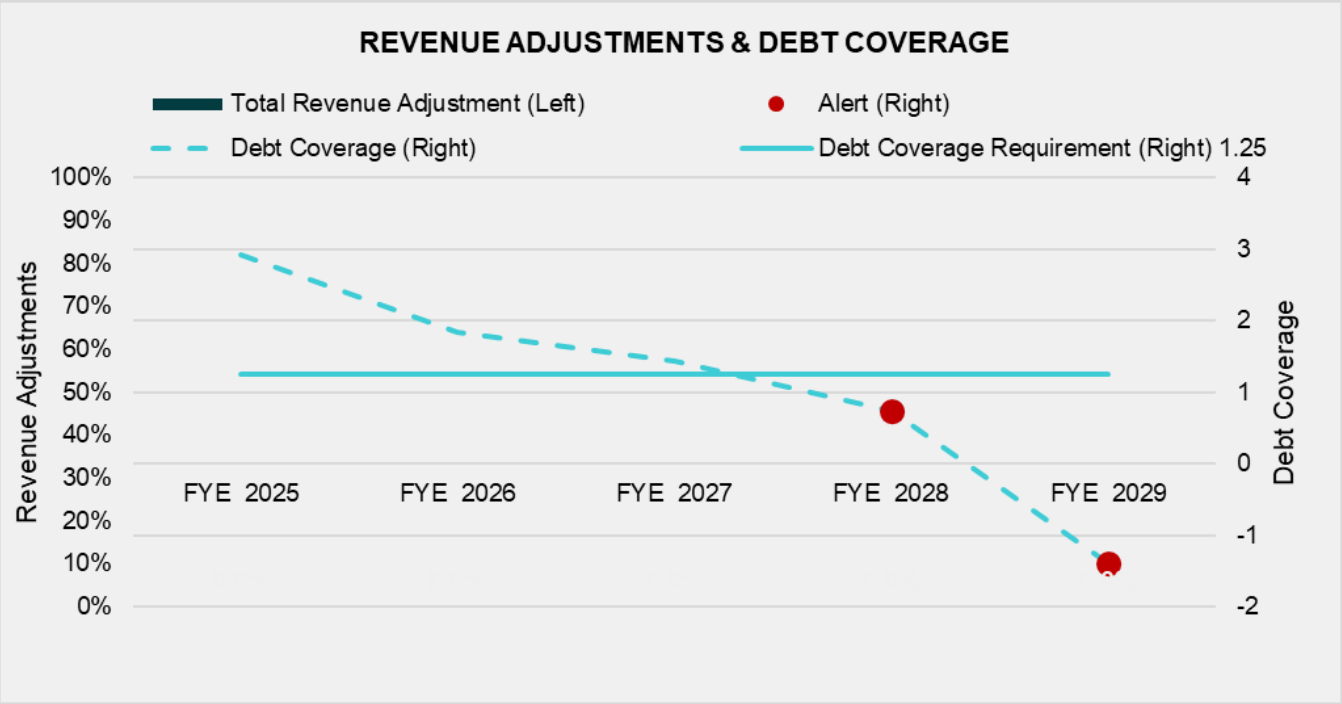


Figure 3-6: Projected Debt Coverage Under Status Quo Financial Plan



3.9. Proposed Financial Plan

The status quo financial plan demonstrates that the District must increase its revenues from water rates over the five-year study period in order to meet required debt coverage and minimum reserve levels. Raftelis therefore proposed annual revenue adjustments in each year through FY 2029 to ensure that the District meets its debt obligations and maintains healthy reserve levels in accordance with District policy. The term "revenue adjustment" specifically refers to a percent increase in water revenues (from Volumetric Charges, OMWD System Access Charges, and Fire Meter Charges) relative to the amount of water rate revenues that would be collected under the prior year's rates. Note that revenue adjustments are used only to project total water rate revenues. Allocation of the total water rate revenue requirement across the various water charges is included in the cost of service analysis in **Section 4**. District staff and the Board of Directors approved the recommendations of the proposed revenue adjustments each year developed by Raftelis. **Table 3-16** shows the proposed revenue adjustments over the study period.

Table 3-16: Proposed 5-Year Revenue Adjustments

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
System Access Charges including Inflation/Wholesale Pass-Through	8.0%	8.0%	8.0%	5.0%	4.0%
Fire Meter Charges	5.0%	6.0%	6.0%	5.0%	4.0%
Commodity Charges including Inflation/Wholesale Pass-Through	8.0%	8.0%	8.0%	5.0%	4.0%
Infrastructure Access Charges SDCWA IAC Pass-Through	3.2%	8.5%	11.5%	4.0%	4.0%
TOTAL REVENUE ADJUSTMENT	**7.9%**	**8.0%**	**8.1%**	**5.0%**	**4.0%**

Table 3-17 shows the proposed five-year financial plan in proforma format. Revenues and expenses were shown previously in **Section 3**. Rate revenue under existing rates is shown in Line 2, while Line 3 represents additional revenue resulting from the proposed revenue adjustments. Other operating revenues in Line 4 include the SDCWA Infrastructure Access Charge, excess treated water sales to Vallecitos, rental income, and other miscellaneous revenues. Non-operating revenue in Line 6 includes property tax and other miscellaneous revenues. Capital Revenues from **Table 3-9** are excluded from the operating cash flow in **Table 3-17** (which excludes capital expenditures and revenues), but are accounted for when projecting total ending balances (**Figure 3-9**). Transfers from the Operating Fund were initiated to ensure that each fund met at least the minimum required reserve level. Net annual cash balance (Line 28) is calculated by subtracting total expenses (Line 15) and total transfers (Line 26) from total revenues (Line 7). Calculated debt coverage is shown in Line 30 and is outlined in greater detail in Appendix C. More detailed cash flow and ending balance projections are also included in Appendix C. The net annual cash balance in FY 2025 is slightly negative, indicating that the District will draw from reserves to meet the Operating Fund revenue requirement. Beginning in FY 2026, the net annual cash balance becomes positive again through the end of the study period.

Table 3-17: Proposed Financial Plan

	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**REVENUES**					
2	Revenues from Current Rates (excludes IAC)	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
3	Revenue Adjustments (excludes IAC)	$2,449,784	$7,548,442	$13,073,657	$17,917,100	$21,522,961
4	Other Operating Revenue	$3,034,335	$3,661,623	$3,988,814	$4,266,381	$4,422,378
5	Investment & Interest Income	$643,000	$483,000	$545,000	$451,000	$552,000
6	Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
7	**TOTAL REVENUES**	**$73,175,164**	**$78,882,352**	**$84,992,523**	**$90,277,084**	**$94,345,459**
8						
9	**EXPENSES**					
10	O&M Expenses without Depreciation	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
11	Purchased Water (potable & recycled)	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
12	Other Operating Expenses (potable & recycled)	$50,000	$50,000	$50,000	$50,000	$50,000
13	Non-Operating Expenses (potable & recycled)	$1,570,927	$1,043,507	$12,000	$10,000	$10,000
14	Existing Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
15	**TOTAL EXPENSES**	**$66,965,515**	**$70,011,541**	**$73,928,403**	**$78,252,032**	**$78,238,632**
16						
17	**TRANSFERS**					
18	Transfer Potable Operating to Potable Capital - PAYGO	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
19	Transfer to Wastewater (Sewer) Fund - 2018/2021B Bonds	($121,800)	($121,800)	($121,800)	($121,800)	$0
20	Transfer to 2012 SRF Reserve	$107,000	$107,000	$0	$0	$0
21	Transfer to/(from) Rate Stabilization Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
22	Transfer to/(from) Pension Stabilization Fund	$220,000	$220,000	$220,000	$220,000	$220,000
23	Potable OMWD Option 2 (reduce to CPI)	$0	$0	$0	$0	$0
24	Transfer Recycled Oper. to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
25	Transfer Recycled Oper. to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
26	**TOTAL TRANSFERS**	**$6,344,273**	**$7,871,693**	**$9,296,200**	**$9,298,200**	**$11,420,000**
27						
28	**Net Annual Cash Balance**	**($134,624)**	**$999,118**	**$1,767,920**	**$2,726,852**	**$4,686,827**
29						
30	Calculated Debt Coverage	342%	338%	417%	445%	963%
31	Target Debt Coverage	125%	125%	125%	125%	125%

Figure 3-7 summarizes the tabular results from **Table 3-17** in graphical format. O&M expenses, purchased water costs, debt service, transfers, and revenues to (or from) reserves are represented by stacked bars. Revenues under current rates are represented by the solid line, while revenues inclusive of the proposed revenue adjustments are represented by the dashed line. **Figure 3-7** clearly demonstrates although current rates are sufficient to cover operating costs, the proposed revenue adjustments are necessary to provide sufficient funding for transfers from the Operating Fund to cover CIP expenditures and other needs.

Figure 3-7: Proposed Operating Financial Plan

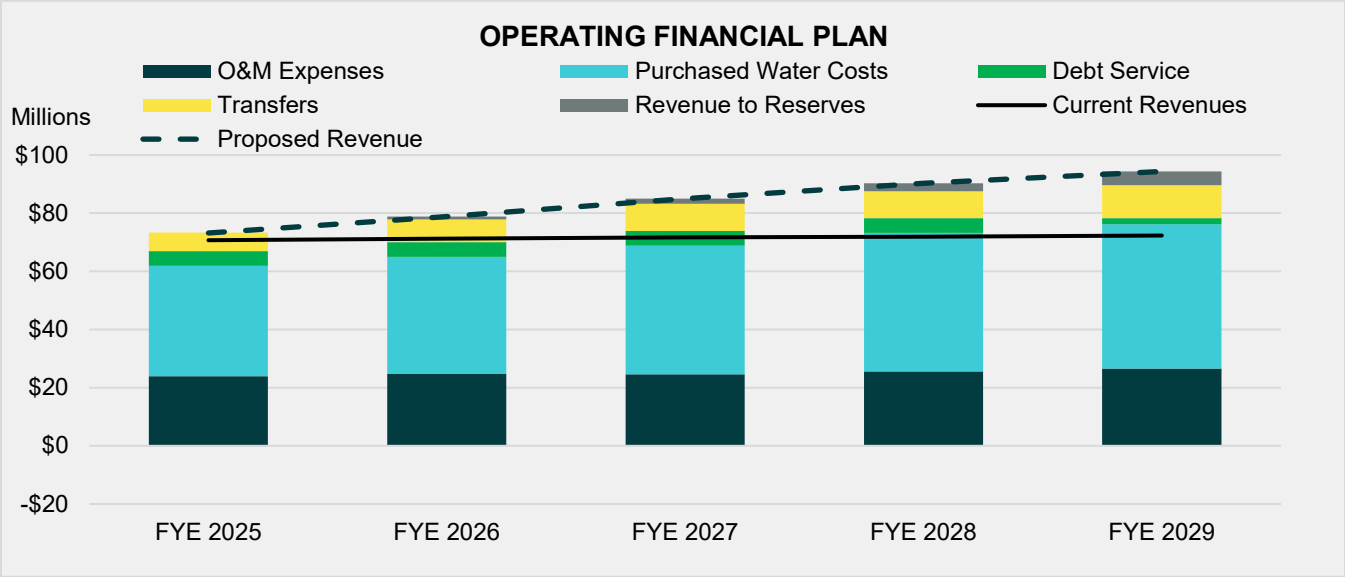


Figure 3-8 illustrates how the proposed revenue adjustments, represented by the bars (left axis), will ensure that the District's projected debt coverage (dashed line) (right axis) exceeds its 125% debt coverage requirement (solid blue line). The District targets robust debt coverage of at least 250 percent to help the District maintain its AAA credit rating by Fitch, which can minimize the costs associated with any future debt issues.

Figure 3-8: Projected Debt Coverage Ratios under Proposed Revenue Adjustments

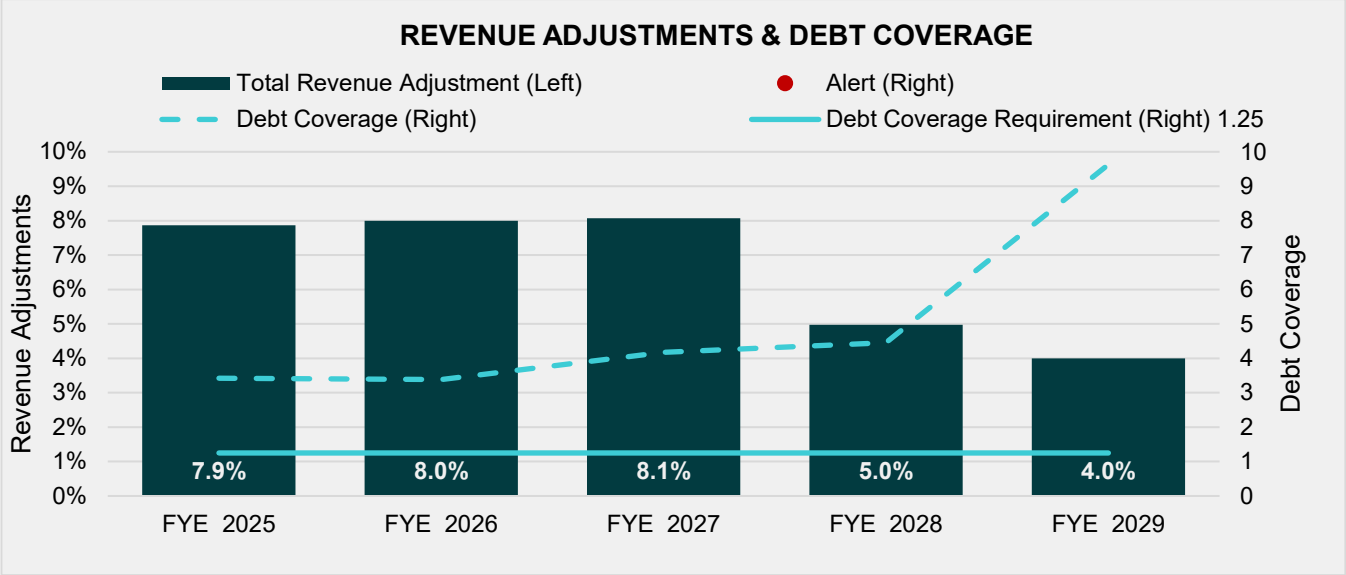
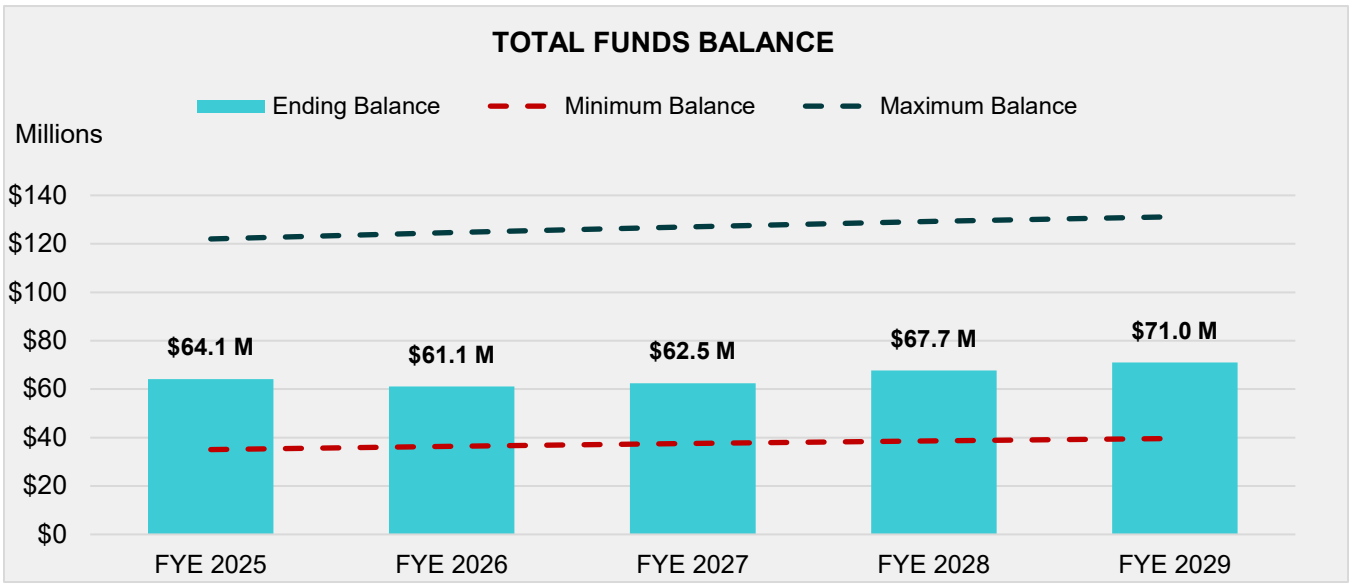


Figure 3-9 demonstrates that the District will exceed the minimum reserve target in all years under the proposed financial plan. Ending Balances and minimum/maximum targets shown below include all three funds combined (Operating, Capital Improvement, and Rate Stabilization). The projected total ending funds balance shown in **Figure 3-9** remain steady over the study period between minimum and maximum reserve targets.

Figure 3-9: Projected Ending Balances Under Proposed Financial Plan



4. Cost of Service

Section 4 of the report provides a detailed description of the cost-of-service (COS) analysis performed for the District's water system. The goal of a COS analysis is to allocate the overall rate revenue requirement to all customer classes and tiers based on their proportion of usage and burden on the system. The numbers shown in this section of the report are rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown in this report.

4.1. Process and Approach

The first step in the COS analysis process is to determine the revenue requirement, which is based on the results of the financial plan and the proposed revenue adjustments. The framework and methodology utilized to develop the COS analysis and to apportion the revenue requirement to each customer class and tier is informed by the processes outlined in the M1 Manual.

COS analyses are tailored specifically to meet the unique needs of each water system. However, there are four distinct steps in every analysis to recover costs from customer classes in an accurate, equitable, and defensible manner:

1. **Cost functionalization:** O&M expenses and capital assets are categorized by their system function. Functions include supply, treatment, storage, distribution, customer service, etc.
2. **Cost causation component allocation:** The functionalized costs are then allocated to cost causation components based on their burden on the system. The cost causation components include supply, base delivery, peaking, meter, customer, etc. The revenue requirement is allocated accordingly to the cost causation components, resulting in the total revenue requirement for each cost causation component.
3. **Unit cost development:** the revenue requirement for each cost causation component is divided by the appropriate units of service of each customer class and tier to determine the unit cost for each cost causation component.
4. **Revenue requirement distribution:** the unit cost is utilized to distribute the revenue requirement for each cost causation component to customer classes and tiers based on their individual service units. The District's customer classes include Domestic, Agricultural, Commercial, Irrigation, Construction, and Recycled.

4.2. Revenue Requirement

Table 4-1 shows the revenue requirement, which is equal to the total revenue required from rates for FY 2025 (also referred to as the test year or rate-setting year). The revenue requirement is divided into the Operating and Capital categories (Columns C and D), which are to be later allocated based on O&M expenses and capital assets respectively.

The revenue requirement is calculated using the FY 2025 expenses (Lines 2-6), which includes O&M expenses, purchased water costs, other operating expenses, non-operating expenses, and existing debt service. The revenue offsets (Lines 10-24) include the various miscellaneous, non-rate revenues that are applied as offsets to the revenue requirement. The cash balance adjustment (Line 28) is determined by calculating the negative sum of total transfers (**Table 3-17**, Line 24) and net annual cash balance (**Table 3-17**, Line 26). The final revenue requirement (Line 31) is calculated as follows:

Total revenue required from rates (Line 31) = Revenue requirements (Line 7) - Revenue offsets (Line 25) - Adjustments (Line 30)

Table 4-1: Proposed Revenue Requirement

A	B	C	D	E
Line	Revenue Requirement (FY 2025)	Operating Revenue Requirements	Capital Revenue Requirements	Total Revenue Requirements
1	**Revenue Requirements**			
2	O&M Expenses without Depreciation	$22,269,000	$0	$22,269,000
3	Purchased Water (potable & recycled)	$38,004,962	$0	$38,004,962
4	Other Operating Expenses (potable & recycled)	$0	$50,000	$50,000
5	Non-Operating Expenses (potable & recycled)	$0	$1,570,927	$1,570,927
6	Existing Debt Service	$0	$5,070,625	$5,070,625
7	**Total Revenue Requirements**	**$60,273,962**	**$6,691,552**	**$66,965,515**
8				
9	**Revenue Offsets**			
10	CWA Infrastructure Access Charge	$1,585,835		$1,585,835
11	Selling Excess Treated Water to Vallecitos	$918,300	$0	$918,300
12	Misc. Water Sales	$10,000	$0	$10,000
13	Meter Installations	$15,000	$0	$15,000
14	Hydro-electric Plant Revenues	$110,000	$0	$110,000
15	Turn Off/On Fees and NSF Charges	$20,000	$0	$20,000
16	Delinquency Charges	$120,000	$0	$120,000
17	Transfer Fee	$30,000	$0	$30,000
18	Cross Connection/Inspection	$205,000	$0	$205,000
19	Outside District Boundary Charges	$10,000	$0	$10,000
20	Other operating	$10,200	$0	$10,200
21	Investment Income (Potable)	$0	$322,108	$322,108
22	Property Tax Revenue	$3,056,000	$1,840,000	$4,896,000
23	Rental Income	$0	$790,704	$790,704
24	Investment Income (Recycled)	$0	$320,892	$320,892
25	**Total Revenue Offsets**	**$6,090,335**	**$3,273,704**	**$9,364,039**
26				
27	**Less Adjustments**			
28	Adjustment for Cash Balance	$0	($6,209,649)	($6,209,649)
29	Adjustment for Mid-year Increase	($2,449,784)	$0	($2,449,784)
30	**Total Less Adjustments**	**($2,449,784)**	**($6,209,649)**	**($8,659,432)**
31	**Cost of Service to be Recovered from Rates**	**$56,633,411**	**$9,627,497**	**$66,260,908**

4.3. Functionalization and Allocation of Expenses

After determining the revenue requirement, the next step of the COS analysis is to allocate the O&M expenses and capital assets to the following functions:

- **Supply** – represents costs of procuring water supplies from SDCWA
- **Treatment** – represents costs of water treatment
- **Reservoir** – represents costs of storing water
- **Distribution** – represents costs pertaining to the District's water distribution system
- **Pump Stations** – represents costs of pumping water to customers
- **Meters** – represents costs relating to maintenance and capital costs of water meters as well as a portion of costs related to water system capacity
- **Hydrants** – represents costs of providing capacity for public fire protection
- **Customer** – represents costs of meter reading, billing, and other customer services
- **Recycled Water** – represents costs related to the District's recycled water system
- **General -** represents costs for general operational expenses which cannot be categorized under any of the above

The functionalization of costs allows for the allocation of costs to the cost causation components, which include:

- **Supply** – costs associated with procuring water supplies from SDCWA
- **Base Delivery** – costs associated with providing water under average conditions
- **Peaking** (Max Day and Max Hour) – costs associated with providing water under peak demand conditions
- **Recycled Water** – costs associated with the District's recycled water system
- **Fire Protection** – costs associated with providing capacity for fire protection
- **Meters** – costs associated with purchasing, maintaining, and servicing water meters as well as some costs related to system capacity
- **Customer** – costs associated with customer service and billing
- **General** – costs that do not have any direct cost causation
- **Revenue Offsets** – non-rate revenues (such as property taxes and interest income) with no direct association with specific expenses or services

4.4. Peaking Factors

Peaking costs are divided into maximum day (Max Day) and maximum hour (Max Hour) demand. The Max Day demand is the maximum amount of water used in a single day in a year, and the Max Hour demand is the maximum usage in an hour on the Max Day. Different facilities, such as distribution and storage facilities, are designed to meet customers' peaking demands. Therefore, peaking costs, also known as extra capacity costs, are associated with meeting peak customer demand.

Table 4-2 shows the system-wide peaking factors used to derive the cost component allocation bases for Base Delivery, Max Day, and Max Hour costs. The Base Delivery, or Base use is considered average daily demand over one year, which has been normalized to a factor of 1.00 (Column C, Line 1). The Max Day peaking factor (Column C, Line 2) indicates that the Max Day demand is 1.88 times greater than the average daily demand based on average usage. Similarly, the Max Hour peaking factor (Column C, Line 3) shows that the Max Hour demand is 2.82 times greater than average demand.

The allocation bases (Columns D to F) are calculated using the equations outlined below. Columns are represented in these equations as letters, and rows are represented as numbers. For example, Column D, Line 2 is shown as D2.

The Max Day allocations are calculated as follows:

- Base Delivery: *C1 / C2 x 100% = D2*
- Max Day: *(C2 - C1) / C2 x 100% = E2*

The Max Hour allocations are calculated as follows:

- Base Delivery: *C1 / C3 x 100% = D3*
- Max Day: *(C2 - C1) / C3 x 100% = E3*
- Max Hour: *(C3 - C2) / C3 x 100% = F3*

Table 4-2: System Peaking Factor Allocations

A	B	C	D	E	F	G
Line	Allocation Factor	Peaking Factor	Base	Max Day	Max Hour	Total
1	**Base**	1.00	100.0%	0.0%	0.0%	100.0%
2	**Max Day**	1.88	53.1%	46.9%	0.0%	100.0%
3	**Max Hour**	2.82	35.4%	31.2%	33.3%	100.0%

Table 4-3 shows the peaking factors by customer class. Raftelis used the fiscal year (FY) 2022 water usage data to determine peaking factors, as 2023 was an unusually wet year, driving down usage. Each Max Month factor (Column E) is calculated by dividing FY 2022 maximum monthly usage by FY 2022 average monthly usage. Max Day factors (Column F) peaking factors are estimated by multiplying each tier-specific Max Month factor (Column C) by 1.42, which is the ratio of the system-wide Max Day factor to the system-wide Max Month factor. Max Hour factors (Column E) are calculated by multiplying each tier-specific Max Day factor (Column D) by 1.5, which represents the ratio of the system-wide Max Hour factor to the system-wide Max Day factor. It is noted that the peaking factors relative to each other are important and not the values themselves; therefore, the Max Month factors are a proxy for the Max day and Max Hour peaks. Note that recycled water volumetric rates do not incorporate peaking costs because the recycled water supply and distribution system is separate from the potable water system. Therefore, recycled water usage is excluded from **Table 4-3**.

Table 4-3: Peaking Factors by Customer Class

A Line	B Customer Class	C Max Month Factor	D Max Day Factor	E Max Hour Factor
1	**Domestic**			
2	Tier 1	1.03	1.46	2.19
3	Tier 2	1.26	1.77	2.66
4	Tier 3	1.54	2.17	3.26
5	Tier 4	1.94	2.75	4.13
6	**Agricultural**	1.60	2.27	3.40
7	**Commercial**	1.19	1.69	2.53
8	**Irrigation**			
9	Tier 1	1.60	2.27	3.40
10	Tier 2	2.02	2.87	4.30
11	**Construction**[6]	N/A	3.00	4.50

4.5. Allocation of Functional Categories to Cost Causation Components

Table 4-4 shows the allocation of functional categories to each cost causation component. The percentages shown for each functional category are to be used in the following subsections to allocate O&M expenses and capital assets to the various cost causation components.

Some functional categories are simply allocated 100 percent to the corresponding cost causation component or allocated evenly between two corresponding cost causation components. Others are based on the system peaking factor allocations shown previously in **Table 4-2**. Below is a verbal description of the allocation of functional categories shown in **Table 4-4**:

1. The **Supply** functional category is fully allocated to the **Supply** cost causation component, which is to be applied to the volumetric rates (excluding recycled water) to recover costs associated with procuring water from SDCWA.
2. The **Treatment** functional category is allocated to the cost causation components based on the Max Day allocation in Line 2 of **Table 4-2** (as treatment facilities are generally designed for Max Day demands).
3. The **Reservoir** is designed to meet max day demands plus fire flow, and 10 percent of the reservoir functional category is allocated to the **Fire Protection** cost causation component based on ISO standards with the remaining 90 percent allocated to the cost causation components based on the Max Day allocation in Line 2 of **Table 4-2**.
4. The **Distribution** system is designed to meet peak hour demands plus fire flow, and this functional category is allocated 10 percent to the **Fire Protection** cost causation component, with the remaining 90 percent allocated to the cost causation components based on the Max Hour allocation in Line 3 of **Table 4-2**.

[6] Due to the temporary and variable nature of Construction water usage, the Max Month factor is estimated at 3.00, which is consistent with the value used in the prior water COS study.

5. The **Pump Stations** functional category is allocated to the cost causation components based on the Max Hour allocation in Line 3 of **Table 4-2** (as pumping facilities are generally designed to withstand Max Hour demands).
6. The **Meters** functional category is fully allocated to the **Meters** cost causation component, which is to be recovered by the OMWD System Access Charge.
7. The **Hydrants** functional category is fully allocated to the **Fire Protection** cost causation component, which is to be recovered by the OMWD System Access.
8. The SDCWA **Customer** functional category is fully allocated to the **Customer** cost causation component, which is to be recovered by the OMWD System Access Charge.
9. The **Recycled Water** functional category is fully allocated to the **Recycled Water** cost causation component, which is to be recovered by the recycled water volumetric rate.
10. The District **Customer** functional category is allocated 45 percent to the **Customer** cost causation component and 55 percent to the **Meters** cost causation component to recognize the costs associated with meters and customer service.
11. The **General** functional category is fully allocated to the **General** cost causation component, which will later be distributed proportionally to the other cost causation components.

Table 4-4: Allocation of Functional Categories to Cost Causation Components

A	B	C	D	E	F	G	H	I	J	K	L
Line	Functional Category	Supply	Base	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	Customer	General	Total
1	**Supply**	100%									100%
2	**Treatment**		53%	47%							100%
3	**Transmission**		53%	47%							100%
4	**Reservoir**		48%	42%			10%				100%
5	**Distribution**		32%	28%	30%		10%				100%
6	**Pump Stations**		35%	31%	33%						100%
7	**Meters**							100%			100%
8	**Hydrants**						100%				100%
9	**Customer**								100%		100%
10	**Recycled Water**					100%					100%
11	**Customer/Meter**							55%	45%		100%
12	**General**									100%	100%

4.6. O&M Allocation

Table 4-5 shows the allocation of O&M expenses to each cost causation component. O&M expenses are used in subsequent steps of the COS analysis to allocate the Operating revenue requirement. The percentages in Columns D-L of **Table 4-5** are determined by the assigned functional category in Column C and associated allocations shown above in **Table 4-4**. FY 2025 O&M expenses are shown in Column M, Lines 1-20 in millions of dollars. Purchased water expenses are broken down in Lines 1-10 to provide for more precise functionalization in Column C. The remaining O&M expenses less depreciation in Lines 11-20 are based on totals shown for FY 2025 in **Table 3-11**. Note that total O&M expenses in Column M, Line 21 of **Table 4-5** equals total FY 2025 O&M expenses excluding depreciation from **Table 3-11.**

The percentages for each cost causation component (Columns D-L) are multiplied by the FY 2025 O&M costs in Column for each individual line and then summed in Columns D-L of Line 21 to determine the total allocation of O&M expenses to each cost causation component. The proportion of total FY 2025 O&M expenses allocated to each cost causation component in Line 21 is shown in percentages in Line 23. The percentages in Line 23 represent the O&M allocation basis to be used in subsequent steps of the COS analysis. Note that the total O&M cost is equal to the sum of O&M expenses (excluding depreciation) and purchased water expenses from the revenue requirement determination (**Table 4-1**, Column E, Lines 2-3).

Table 4-5: O&M Cost Allocation

A	B	C	D	E	F	G	H	I	J	K	L	M
	O&M Expenses	**Functional Category**	**Supply**	**Base Delivery**	**Max Day**	**Max Hour**	**Recycled Water**	**Fire Protection**	**Meters**	**Customer**	**General**	**Total ($M)**
1	Purchased Water - Potable	*Supply*	100%	0%	0%	0%	0%	0%	0%	0%	0%	**$21.4 M**
2	Treatment Rate	*Treatment*	0%	53%	47%	0%	0%	0%	0%	0%	0%	**$1.1 M**
3	Capacity Reservation Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$0.4 M**
4	Readiness to Serve Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$0.7 M**
5	Infrastructure Access Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$1.5 M**
6	Customer Service Charge	*Customer*	0%	0%	0%	0%	0%	0%	0%	100%	0%	**$1.4 M**
7	Transportation Volumetric Charge	*Trans-mission*	0%	53%	47%	0%	0%	0%	0%	0%	0%	**$2.7 M**
8	Transportation Fixed Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$0.7 M**
9	Storage Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$3.2 M**
10	Supply Reliability Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$2.4 M**
11	Purchased Water - Recycled	*Recycled Water*	0%	0%	0%	0%	100%	0%	0%	0%	0%	**$2.0 M**
12	Operations and Maintenance	*Distribution*	0%	32%	28%	30%	0%	10%	0%	0%	0%	**$13.7 M**
13	General Manager	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.6 M**
14	Engineering	*Capital*	0%	30%	26%	13%	12%	6%	2%	0%	11%	**$1.9 M**
15	Finance	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.0 M**
16	Customer Services	*Customer+Meter*	0%	0%	0%	0%	0%	0%	55%	45%	0%	**$4.1 M**
17	Human Resources	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.0 M**
18	Park	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.5 M**
19	Recycled	*Recycled Water*	0%	0%	0%	0%	100%	0%	0%	0%	0%	**$1.5 M**
20	Lost Revenue (Pass-through)	*Supply*	100%	0%	0%	0%	0%	0%	0%	0%	0%	**$0.4 M**
21	**Total O&M**		**$21.9 M**	**$7.0 M**	**$6.1 M**	**$4.4 M**	**$3.7 M**	**$1.5 M**	**$11.2 M**	**$3.2 M**	**$1.4 M**	**$60.3 M**
22												
23	**O&M Allocation**		***36.3%***	***11.6%***	***10.1%***	***7.2%***	***6.1%***	***2.4%***	***18.6%***	***5.3%***	***2.3%***	**100.0%**

4.7. Capital Allocation

Table 4-6 shows the allocation of capital assets to each cost component. Capital assets are utilized in COS analyses to allocate capital costs because annual capital project costs can fluctuate greatly from year to year. Capital assets remain relatively stable and are more representative of the District's investments in its water system. District staff provided Raftelis with a detailed asset listing that included the Original Cost of each individual fixed asset. Raftelis calculated the Replacement Cost Less Depreciation (RCLD) of each asset based on Original Cost, year purchased, and useful life using the Engineering News-Record's 20-City Average Cost Construction Index (CCI) to account for capital cost inflation. RCLD is often utilized in capital asset analyses because it takes into consideration inflation and depreciation when valuing assets. As part of the capital asset analysis, Raftelis also assigned each individual asset to a functional category. Total asset value (RCLD) by functional category is shown in Column J, Lines 2-15 of **Table 4-6**.

Table 4-6 shows the capital assets allocated to the various cost causation components in a similar manner to the O&M expenses: asset value by functional category (Column J) is allocated to each cost causation component (Columns C-I) based on percentages from **Table 4-4.** Allocation percentages for each cost causation component are multiplied by the capital asset value for each functional category and summed to determine the capital asset value allocated to each cost causation component (Columns C-I, Line 17). The capital allocation in Line 19 represents the proportion of total asset value within each cost causation component and is to be used subsequently in the COS analysis to allocate capital revenue requirements.

Table 4-6: Capital Cost Allocation

A	B	C	D	E	F	G	H	I	J
Line	Functional Category	Base Delivery	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	General	Total
1	**Potable Water Assets**								
2	Treatment	53%	47%	0%	0%	0%	0%	0%	**$85,831,940**
3	Reservoir	48%	42%	0%	0%	10%	0%	0%	**$62,400,509**
4	Distribution	32%	28%	30%	0%	10%	0%	0%	**$202,488,983**
5	Pump Stations	35%	31%	33%	0%	0%	0%	0%	**$11,394,004**
6	Meters	0%	0%	0%	0%	0%	100%	0%	**$7,901,335**
7	General	0%	0%	0%	0%	0%	0%	100%	**$51,606,503**
8									
9	**Recycled Water Assets**								
10	Treatment	0%	0%	0%	0%	100%	0%	0%	**$2,148,771**
11	Reservoir	0%	0%	0%	0%	100%	0%	0%	**$8,074,121**
12	Distribution	0%	0%	0%	0%	100%	0%	0%	**$36,851,765**
13	Pump Stations	0%	0%	0%	0%	100%	0%	0%	**$3,550,980**
14	Meters	0%	0%	0%	0%	100%	0%	0%	**$4,726,955**
15	General	0%	0%	0%	0%	100%	0%	0%	**$3,869,826**
16									
17	**Total Assets**	**$144,822,420**	**$126,259,371**	**$64,544,696**	**$59,222,418**	**$26,488,949**	**$7,901,335**	**$51,606,503**	**$480,845,693**
18									
19	**Capital Allocation**	***30.1%***	***26.3%***	***13.4%***	***12.3%***	***5.5%***	***1.6%***	***10.7%***	**100.0%**

4.8. Revenue Offset Allocation

Table 4-7 shows the revenue offset allocation to each cost causation component. Revenue offsets are miscellaneous, non-rate revenues that are used to offset the revenue requirement. Rather than assigning a functional category to each individual revenue offset, revenue offsets are allocated directly to cost causation components by either the O&M allocation (**Table 4-5**, Line 21), capital allocation (**Table 4-6**, Line 19), or full allocation to the most closely associated cost causation component. The methodology as described previously for the O&M and capital allocations was utilized to determine the amount of revenue offsets allocated to each cost causation component (**Table 4-7**, Line 27) and the final revenue offset allocation percentages to be utilized in the next step of the COS analysis (**Table 4-7**, Line 29).

Some revenues, including investment income and a portion of property taxes, are not directly linked to any service that the District provides to its water customers. These revenues can therefore be allocated to the Revenue Offsets cost causation component (Column M), which can be utilized at the District's discretion to provide offsets to specific customer classes and tiers. The Revenue Offsets cost causation component was not included in the O&M or capital allocations, as it only applies to revenues.

Table 4-7: Revenue Offset Allocation

A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Revenue Offsets	**Rationale**	**Supply**	**Base Delivery**	**Max Day**	**Max Hour**	**Recycle-d Water**	**Fire Protecti-on**	**Meters**	**Custom-er**	**General**	**Revenue Offsets**	**Total**
1	CWA Infrastructure Access Charge	100% Meters	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	$1,585,835
2	Selling Excess Treated Water to Vallecitos	100% Base	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	$918,300
3	Misc. Water Sales	100% Base	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	$10,000
4	Meter Installations	100% Meters	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	$15,000
5	Hydro-electric Plant Revenues	100% Base	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	$110,000
6	Turn Off/On Fees and NSF Charges	100% Customer	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	$20,000
7	Delinquency Charges	100% Customer	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	$120,000
8	Transfer Fee	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$30,000
9	Cross Connection/In spection	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$205,000
10	Outside District Boundary Charges	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$10,000
11	Rental Income	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$790,704
12	Other operating	O&M Allocation	36%	12%	10%	7%	6%	2%	19%	5%	2%	0%	$10,200
13	Investment Income (Potable)	100% Offsets	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	$322,108
14	Property Tax Revenue	Capital Allocation	0%	11%	10%	5%	5%	2%	1%	0%	4%	62%	$4,896,000

A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Revenue Offsets	**Rationale**	**Supply**	**Base Delivery**	**Max Day**	**Max Hour**	**Recycle-d Water**	**Fire Protecti-on**	**Meters**	**Custom-er**	**General**	**Revenue Offsets**	**Total**
15	Gain on Sale of Fixed Assets	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$0
16	Other Non-Operating	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$0
17	Investment Income (Recycled)	100% Recycled	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	$320,892
18	Interest income rec loans	100% Recycled	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	$0
19	Total Revenue Offsets		$3,703	$1,905,599	$756,130	$386,747	$675,694	$158,666	$1,649,984	$140,544	$308,864	$3,378,108	$9,364,039
20													
21	**Revenue Offset Allocation**		**30%**	**15%**	**13%**	**8%**	**7%**	**3%**	**16%**	**4%**	**4%**	**0%**	**100.00%**

4.9. Allocation of Revenue Requirements to Cost Causation Components

Table 4-8 shows the allocation of revenue requirements from **Table 4-1.** The total operating revenue requirement in Column M, Line 1 of **Table 4-8** is equal to the operating revenue requirement (Column C, Line 7) less adjustments (Column C, Line 33) from **Table 4-1**.

The total operating revenue requirement is allocated among the various cost causation components in Columns C-L, Line 1 of **Table 4-8** based on the O&M allocation percentages from Line 23 of **Table 4-5**. The total Capital revenue requirement in Column M, Line 2 of **Table 4-8** is equal to the capital revenue requirement (Column D, Line 7) less operating adjustments (Column D, Line 33) from **Table 4-1**. The total capital revenue requirement is allocated among the various cost causation components in Columns C-L, Line 2 of **Table 4-8** based on the capital allocation percentages from Line 19 of **Table 4-6**. Total revenue offsets in Column M, Line 3 of **Table 4-8** is equal to the revenue offsets in Column E, Line 28 of **Table 4-1**. Total revenue offsets are allocated among the various cost causation components in Columns C-L, Line 3 of **Table 4-8** based on the revenue offset allocation percentages from Line 21 of **Table 4-7**.

Lines 1-3 in **Table 4-8** are summed to determine the preliminary COS allocation to each cost causation component in Line 4. General costs are then proportionally reallocated to all other cost causation components (excluding Revenue Offsets) in Line 6. Line 7 shows the reallocation of 95 percent of Fire Protection costs (Column H, Line 7) to the Meters cost causation component (Column I, Line 7) to account for public fire protection capacity costs. The purpose is to equitably allocate fire protection capacity costs between private fire meters and public fire hydrants proportional to the capacity of each.

Line 10 in **Table 4-8** shows a final adjustment to the cost causation component allocations, in which 5 percent of Max Day costs (Column E, Line 10) and Max Hour costs (Column F, Line 10) are reallocated to the Meters cost causation component (Column I, Line 10). Peaking costs represent the additional costs incurred to provide capacity to meet peak demands and based on the meters therefore, the final adjustment is intended to allocate some of those costs to meter capacity and provide revenue stability for the District by ensuring that approximately 26 percent of rate revenues are from fixed charges (OMWD System Access charges and Fire Meter Charges). This retains the existing fixed versus variable revenue split under current water rates. Line 12 shows the final adjusted COS by cost causation component, which is to be used to develop unit costs in the following subsections.

Table 4-8: Allocation of Revenue Requirement to Cost Causation Components

A	B	C	D	E	F	G	H	I	J	K	L	M
	Description	Supply	Base Delivery	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	Customer	General	Revenue Offsets	Total
1	**Operating**	$22,773,669	$7,295,126	$6,357,996	$4,529,128	$3,820,239	$1,530,098	$11,650,250	$3,346,477	$1,420,763	$0	**$62.7M**
2	**Capital**	$0	$3,885,619	$3,387,568	$1,731,749	$1,588,951	$710,705	$211,995	$0	$1,384,614	$0	**$12.9M**
3	**Revenue Offsets**	($3,703)	($1,905,599)	($756,130)	($386,747)	($675,694)	($158,666)	($1,649,984)	($140,544)	($308,864)	($3,378,108)	**($9.4M)**
4	**Preliminary COS**	**$22,769,966**	**$9,275,147**	**$8,989,434**	**$5,874,130**	**$4,733,496**	**$2,082,136**	**$10,212,261**	**$3,205,933**	**$2,496,513**	**($3,378,108)**	**$66.3M**
5												
6	**Allocation of General Cost**	$846,640	$344,871	$334,248	$218,414	$176,002	$77,419	$379,715	$119,204	($2,496,513)	$0	**$0**
7	**Allocation of Public Fire Costs**	$0	$0	$0	$0	$0	($2,051,577)	$2,051,577	$0	$0	$0	**$0**
8	**Allocated COS**	**$23,616,605**	**$9,620,018**	**$9,323,682**	**$6,092,543**	**$4,909,499**	**$107,978**	**$12,643,553**	**$3,325,137**	**$0**	**($3,378,108)**	**$66.3M**
9												
10	**Final Adjustment – Peaking to Mtrs**	$0	$0	($932,368)	($609,254)	$0	$0	$1,372,717	$0	$0	$168,905	**$0**
11												
12	**Final Adjusted COS**	**$23,616,605**	**$9,620,018**	**$8,391,314**	**$5,483,289**	**$4,909,499**	**$107,978**	**$14,016,270**	**$3,325,137**	**$0**	**($3,209,202)**	**$66.3M**

4.10. Units of Service

This subsection describes the next step in the COS analysis, which is to determine the appropriate units of service to be used to calculate the unit costs for each cost causation component.

4.10.1. Equivalent Meters

Equivalent meter units are used to allocate meter and capacity-related costs appropriately and equitably. Larger meters impose larger demands, are more expensive to install, maintain, and replace than smaller meters, and require greater capacity in the water system.

Equivalent meter units are based on meter hydraulic capacity and are calculated to represent the potential demand on the water system compared to a base meter size. A ratio of hydraulic capacity is calculated by dividing larger meter capacities by the base meter capacity. The base meter in this study is the 3/4" meters.

Table 4-9 shows the equivalent potable and recycled water meters for the test year FY 2025. The number of meters (Column D) is equal to the projected number of meters subject to the OMWD System Access Charge from (**Table 3-6**). Meter capacity ratios (Column C) were provided by the District's Engineering Department and are consistent with ratios used in the prior water COS study conducted in 2019 and consistent with the demand of each meter size on the water system. The number of meters (Column D) is multiplied by the meter capacity ratios (Column C) to determine the number of equivalent meters (Column E).

Table 4-9: Equivalent Meter Units (FY 2025)

A Line	B Meter Size	C Meter Capacity Ratio	D Number of Water Meters	E = C X D Equivalent Meter Units
1	**5/8"**	0.7	1,914	1,340
2	**3/4"**	1	16,440	16,440
3	**1"**	1.9	3,089	5,869
4	**1-1/2"**	3.1	1,013	3,140
5	**2"**	5	531	2,655
6	**2-1/2"**	9.3	39	363
7	**3"**	10.2	30	306
8	**4"**	17.1	23	393
9	**6"**	36	7	252
10	**8"**	65	1	65
11	**Total**		**23,087**	**30,823**

Table 4-10 shows the determination of equivalent meter units in FY 2025 for fire meters. The number of projected fire meters in FY 2025 was determined previously in **Table 3-5**. Meter capacity ratios match the values used above in **Table 4-9** for potable and recycled water meters with the exception of the 5/8-inch fire meter, which is set equal to 1.00. The actual number of fire meters (Column D) is multiplied by the meter capacity ratios (Column C) to determine the number of equivalent fire meters (Column E).

Table 4-10: Equivalent Fire Meter Units (FY 2025)

A Line	B Meter Size	C Meter Capacity Ratio	D Number of Fire Meters	E = C X D Equivalent Fire Meter Units
1	**5/8"**	1	401	401
2	**3/4"**	1	18	18
3	**1"**	1.9	5,464	10,382
4	**1-1/2"**	3.1	67	208
5	**2"**	5	0	0
6	**2-1/2"**	9.3	1	9
7	**3"**	10.2	0	0
8	**4"**	17.1	0	0
9	**6"**	36	1	36
10	**8"**	65	0	0
11	**Total**		**5,952**	**11,054**

4.10.2. Customer Bills

The number of total projected customer bills in FY 2025 is used as the unit of service for the Customer cost causation component. The sum of total water meters (**Table 4-9**, Column D, Line 11) and total fire meters (**Table 4-10**, Column D, Line 11) is multiplied by twelve monthly billing periods per year to determine total bills in **Table 4-11** Column C, Line 7.

Table 4-11: Projected Annual Customer Bills (FY 2025)

A Line	B Description	C Value	D Notes
1	Number of Water Meters	23,087	
2	Number of Fire Meters	5,952	
3	**Total Meters**	**29,039**	
4			
5	Billing Periods per Year	12	
6			
7	**Total Bills**	**348,468**	= [Line 3] x [Line 5]

Peaking Units of Service

Peaking units of service in units per day are used to develop Max Day and Max Hour unit costs. **Table 4-12** shows the development of total Max Day units (Column G, Line 13). Projected usage by tier and customer class in Column C is divided by 365 days to determine average daily usage in Column D. Average daily usage in Column D is then multiplied by the Max Day factor in Column E (from **Table 4-3**, Column F) to determine Max Day units. Max Day requirements (Column G) in units per day, which is the unit of service for Max Day costs, is determined by subtracting average daily usage in Column D from Max Day units in Column F. Max Hour requirements are similarly calculated in **Table 4-13**. Please note, however, that Max Hour requirements (Column G) are calculated by subtracting Max Day units (**Table 4-12,** Column F) from Max Hour units (**Table 4-13**, Column F).

Table 4-12: Max Day Units of Service

A	B	C	D	E	F	G
	Customer Class	FY 2025 Projected Annual Usage (units)	FY 2025 Average Daily Usage (units)	Max Day Factor	Max Day Units (units/day)	Max Day Requirements (units/day)
1	**Domestic**					
2	Tier 1	1,511,998	4,142	1.46	6,031	1,888
3	Tier 2	1,986,076	5,441	1.79	9,719	4,277
4	Tier 3	1,433,314	3,927	2.19	8,589	4,662
5	Tier 4	556,269	1,524	2.76	4,201	2,677
7	**Agricultural**	82,403	226	2.27	512	286
8	**Commercial**	296,027	811	1.69	1,369	558
9	**Irrigation**					
10	Tier 1	411,926	1,129	2.27	2,561	1,433
11	Tier 2	435,335	1,193	2.87	3,418	2,225
12	**Construction**	41,669	114	3.00	342	228
13	**Total**	**6,755,016**	**18,507**			**18,235**

Table 4-13: Max Hour Units of Service

A	B	C	D	E	F	G
Line	Customer Class	FY 2025 Projected Usage (units)	FY 2025 Average Daily Usage (units)	Max Hour Factor	Max Hour Units (units/day)	Max Hour Requirements (units/day)
1	**Domestic**					
2	Tier 1	1,511,998	4,142	2.18	9,046	3,015
3	Tier 2	1,986,076	5,441	2.68	14,578	4,859
4	Tier 3	1,433,314	3,927	3.28	12,883	4,294
5	Tier 4	556,269	1,524	4.13	6,302	2,101
7	**Agricultural**	82,403	226	3.40	768	256
8	**Commercial**	296,027	811	2.53	2,054	685
9	**Irrigation**					
10	Tier 1	411,926	1,129	3.40	3,842	1,281
11	Tier 2	435,335	1,193	4.30	5,126	1,709
12	**Construction**	41,669	114	4.50	514	171
13	**Total**	**6,755,016**	**18,507**			**18,371**

Table 4-14 shows a summary of the relevant units of service for each cost causation component. Total revenue requirements by cost causation components are divided by the relevant units of service to determine a unit cost for each cost causation component in the following subsection. Fire Protection, Meters, and Customer unit costs are used to develop fixed monthly charges (OMWD System Access Charges and Fire Meter Charges), and are therefore based off number of equivalent meter units or customer bills from **Table 4-9** through **Table 4-11**. Supply, Base Delivery, Max Day, Max Hour, Recycled Water, and Revenue Offsets unit costs are used to develop proposed volumetric rates and, therefore, are based on projected annual water usage or peaking requirements in units per day from **Table 4-12** and **Table 4-13.**

Table 4-14: Summary of Units of Service by Cost Causation Component

A	B	C		D
Line	Cost Causation Component	Units of Service		Basis
1	**Supply**	6,755,016	units	Total projected FY 2025 usage excluding recycled water
2	**Base Delivery**	6,755,016	units	Total projected FY 2025 usage excluding recycled water
3	**Max Day**	18,235	units/day	Projected Max Day requirements in FY 2025
4	**Max Hour**	18,371	units/day	Projected Max Hour requirements in FY 2025
5	**Recycled Water**	1,049,621	units	Projected recycled water usage in FY 2025
7	**Fire Protection**	11,054	EMUs	Equivalent fire meter units
8	**Meters**	30,823	EMUs	Equivalent potable and recycled water meter units
9	**Customer**	312,756	bills	Total annual customer bills
10	**Revenue Offsets**	6,755,016	units	Total projected FY 2025 usage excluding recycled and construction water

4.11. Units Cost Development

Table 4-15 shows the calculation of unit costs for each cost causation component. Unit costs are used in **Section 5** to derive the proposed rates for FY 2025. The unit cost in Column E for each cost causation component is calculated by dividing the FY 2025 revenue requirement in Column C (from **Table 4-8,** Line 12) by the units of service in Column D (from **Table 4-14**, Column C).

Table 4-15: Calculation of Unit Costs by Cost Causation Component

A	B	C	D		E = C / D
Line	Cost Causation Component	FY 2025 Revenue Requirement	FY 2025 Units of Service		Unit Cost
1	**Supply**	$23,616,605	6,755,016	units	$3.50
2	**Base Delivery**	$9,620,018	6,755,016	units	$1.42
3	**Max Day**	$8,391,314	18,235	units/day	$460.18
4	**Max Hour**	$5,483,289	18,371	units/day	$298.48
5	**Recycled Water**	$4,909,499	1,049,621	units	$4.68
7	**Fire Protection**	$107,978	11,054	EMUs (Monthly)	$0.81
8	**Meters**	$14,016,270	30,823	EMUs (Monthly)	$37.89
9	**Customer**	$3,325,137	312,756	bills	$10.63
10	**Revenue Offsets**	($3,209,202)	6,755,016	units	($0.48)

4.12. Cost of Service by Customer Class

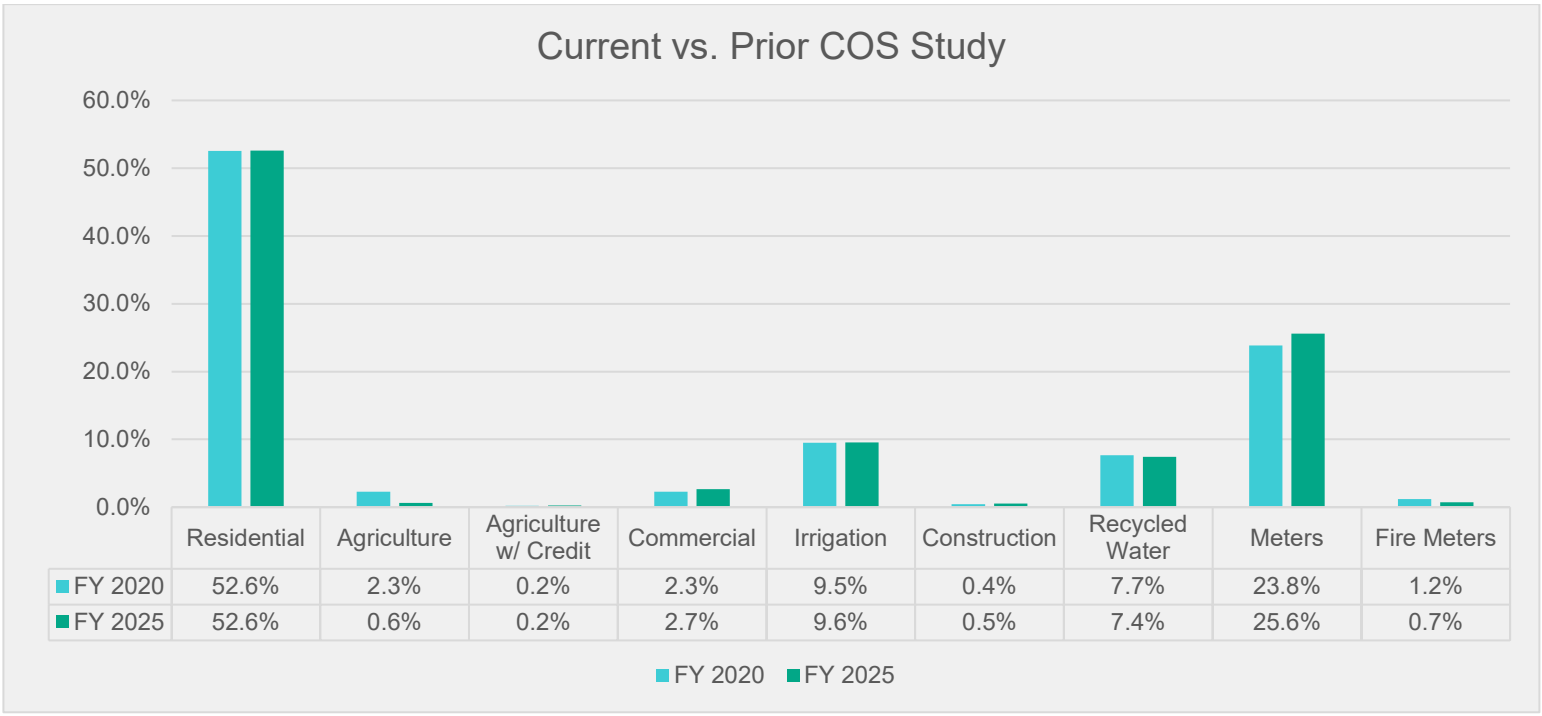
Table 4-16 shows the distribution of each cost causation component's revenue requirement to volumetric rates by customer class and to each fixed charge. The dollar amount attributed to each customer class for each cost causation component is determined by multiplying the unit costs (from **Table 4-15)** by the relevant units of service for each customer class (from **Table 4-9** through **Table 4-13**). **Figure 4-1** shows a comparison of the distribution of costs to each customer class from the current COS analysis presented in this study and the prior

COS analysis conducted in 2019. The changes shown are a result of changes in water usage patterns by customer class, O&M cost structure, capital needs, and other factors.

Table 4-16: Proposed Cost of Service by Customer Class

A	B	C	D	E	F	G	H	I	J	K	L
	Description	**Supply**	**Base**	**Max Day**	**Max Hour**	**Recycled Water**	**Fire Protect-ion**	**Meters**	**Customer**	**Revenue Offsets**	**Total**
1	Volumetric Rates										
2	Domestic	$19,185,717	$7,815,134	$6,214,564	$4,259,170	$0	$0	$0	$0	($2,623,282)	$34,851,304
3	Agriculture	$288,094	$117,353	$131,632	$76,381	$0	$0	$0	$0	($39,391)	$574,069
4	Commercial	$1,034,956	$421,580	$256,797	$204,318	$0	$0	$0	$0	($141,510)	$1,776,141
5	Irrigation	$2,962,157	$1,206,609	$1,683,249	$892,308	$0	$0	$0	$0	($405,019)	$6,339,304
6	Construction	$145,681	$59,342	$105,070	$51,112	$0	$0	$0	$0	$0	$361,206
7	Recycled Water	$0	$0	$0	$0	$4,909,499	$0	$0	$0	$0	$4,909,499
8											
9	Fixed Charges										
10	OMWD System Access Charges	$0	$0	$0	$0	$0	$0	$14,016,270	$2,945,457	$0	$16,961,727
11	Fire Meter Charges	$0	$0	$0	$0	$0	$107,978	$0	$379,680	$0	$487,658
12											
13	**Total**	**$23,616,605**	**$9,620,018**	**$8,391,314**	**$5,483,289**	**$4,909,499**	**$107,978**	**$14,016,270**	**$3,325,137**	**($3,209,202)**	**$66,260,908**

Figure 4-1: Cost of Service Comparison: Current and Prior Studies



	Residential	Agriculture	Agriculture w/ Credit	Commercial	Irrigation	Construction	Recycled Water	Meters	Fire Meters
FY 2020	52.6%	2.3%	0.2%	2.3%	9.5%	0.4%	7.7%	23.8%	1.2%
FY 2025	52.6%	0.6%	0.2%	2.7%	9.6%	0.5%	7.4%	25.6%	0.7%

5. Rate Design

This section of the report details the calculation of the proposed water rates for FY 2025. All rates shown in this section are rounded up to the nearest cent. Other numbers shown in the tables in this section of the report are also rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown. Note that the SDCWA Infrastructure Access Charge shown in this section was not developed by Raftelis but rather represents a direct pass-through of the CY 2025 rate established by SDCWA.

5.1. Rate Structure Overview

Based on discussions with District staff as well as evaluation of water usage characteristics by customer class, Raftelis recommends that the District maintain its existing water rate structure. Below is a summary of the District's existing rate structure by charge and customer class:

- **Monthly Fixed Charges:**
  - **OMWD System Access Charge** which varies by meter size
  - **Fire Meter Charge** which varies by fire meter size
  - **SDCWA Infrastructure Access Charge** which varies by meter size
- **Volumetric Rates** per unit of water delivered, which varies by the following customer classes/tiers
  - **Domestic**: four tier structure with defined monthly tier allotments
  - **Agricultural**: uniform rate per unit
  - **Combined Agricultural/Domestic:** follows the Domestic rate structure for monthly usage up to the Domestic Tier 2 limit and the Agricultural rate structure for monthly usage in excess of the Domestic Tier 2 limit.
  - **Commercial:** uniform rate per unit
  - **Irrigation:** two tier structure with defined monthly tier allotments that vary by both meter size and season (November 1-April 30 and May 1-October 31)
  - **Construction:** uniform rate per unit
  - **Recycled:** uniform rate per unit

Raftelis proposes to maintain the current Irrigation tier definitions, which vary by meter size and season. For Irrigation customers, all monthly water usage more than the Tier 1 allotment is charged at the Irrigation Tier 2 rate, as shown in **Table 5-1**.

Table 5-1: Irrigation Tier Definitions

Meter Size	Winter Tier 1 Allotment (Nov 1-Apr 30)	Summer Tier 1 Allotment (May 1-Oct 31)
5/8"	10 Units	15 Units
3/4"	20 Units	30 Units
1"	35 Units	50 Units
1-1/2"	50 Units	110 Units
2"	100 Units	200 Units
3"	200 Units	500 Units
4"	600 Units	3,500 Units
6"	3,100 Units	11,800 Units
8"	5,600 Units	21,300 Units

5.2. OMWD System Access Charge Calculation

Table 5-2 shows the calculation of proposed FY 2025 monthly OMWD System Access Charges, which are comprised of the Meters and Customer unit costs previously developed in **Table 4-15**. The Meter unit cost (**Table 4-15**, Column E, Line 8) is multiplied by the capacity ratio for each meter size (Column C) to determine the Meter component of the OMWD System Access Charge for each meter size (Column D). The Customer component of the charge is equal to the Customer unit cost (**Table 4-15**, Column E, Line 9) and is the same for all meter sizes, as customer service-related costs are not dependent on meter size. The proposed OMWD System Access Charge (Column F) is equal to the sum of the Meter and Customer components of the charge (Columns D and E) for each meter size.

Table 5-2: Monthly OMWD System Access Charge Calculation

A	B	C	D = C x $37.89	E	F = D + E	G	H = F - G
Line	Meter Size	Capacity Ratio	Meter	Customer	Proposed Charge	Current Charge	Difference
1	5/8"	0.7	$26.53	$10.63	**$37.16**	$34.25	$2.91
2	3/4"	1.0	$37.89	$10.63	**$48.53**	$44.79	$3.74
3	1"	1.9	$72.00	$10.63	**$82.64**	$76.41	$6.23
4	1-1/2"	3.1	$117.47	$10.63	**$128.11**	$118.54	$9.57
5	2"	5.0	$189.47	$10.63	**$200.11**	$185.30	$14.81
6	2-1/2"	9.3	$352.42	$10.63	**$363.05**	$336.33	$26.72
7	3"	10.2	$386.52	$10.63	**$397.16**	$367.94	$29.22
8	4"	17.1	$647.99	$10.63	**$658.63**	$610.30	$48.33
9	6"	36.0	$1,364.19	$10.63	**$1,374.83**	$1,274.14	$100.69
10	8"	65.0	$2,463.13	$10.63	**$2,473.76**	$2,292.73	$181.03

5.3. Fire Meter Charge Calculation

Table 5-3 shows the calculation of proposed FY 2025 Fire Meter Charges, which are comprised of the Fire Protection and Customer unit costs previously developed in **Table 4-15**. The Fire Protection unit cost (**Table 4-15**, Column E, Line 7) is multiplied by the capacity ratio for each meter size (Column C) to determine the

Fire Protection component for each meter size (Column D). The Customer component of the charge is equal to one-half of the Customer unit cost (**Table 4-15**, Column E, Line 9) and is the same for all meter sizes, as customer service-related costs are not dependent on meter size. Based on feedback from District staff, Raftelis recommends that Fire Meter Charges are subject to half of the Customer unit cost since these charges are billed on the same water bill and require significantly less customer service support than regular meters. The proposed Fire Meter Charge (Column F) is equal to the sum of the Fire Protection and Customer components (Columns D and E) for each meter size.

Table 5-3: Monthly Fire Meter Charge Calculation

A Line	B Meter Size	C Capacity Ratio	D = C x $0.81 Fire Protection	E Customer	F = D + E Proposed Charge	G Current Charge	H = F - G Difference
1	5/8"	1.0	$0.81	$5.32	**$6.13**	$5.85	$0.28
2	3/4"	1.0	$0.81	$5.32	**$6.13**	$5.85	$0.28
3	1"	1.9	$1.55	$5.32	**$6.87**	$6.57	$0.30
4	1-1/2"	3.1	$2.52	$5.32	**$7.84**	$7.54	$0.30
5	2"	5.0	$4.07	$5.32	**$9.39**	$9.08	$0.31
6	2-1/2"	9.3	$7.57	$5.32	**$12.89**	$12.55	$0.34
7	3"	10.2	$8.30	$5.32	**$13.62**	$13.27	$0.35
8	4"	17.1	$13.92	$5.32	**$19.24**	$18.85	$0.39
9	6"	36.0	$29.31	$5.32	**$34.63**	$34.13	$0.50
10	8"	65.0	$52.91	$5.32	**$58.23**	$57.56	$0.67

5.4. SDCWA Infrastructure Access Charges

Table 5-4 shows the SDCWA Infrastructure Access Charges that will go into effect on January 1, 2025. The SDCWA Infrastructure Access Charge per meter equivalent is developed by SDCWA and passed through by the District to its customers. SDCWA has proposed to increase the SDCWA Infrastructure Access Charge from $4.41 to $4.55 per meter equivalent for CY 2025. **Table 5-4** shows the calculation of CY 2025 SDCWA Infrastructure Access Charges, which are determined by multiplying the $4.55 rate per meter equivalent by the capacity ratio (Column C) for each meter size.

Table 5-4: Monthly SDCWA Infrastructure Access Charge

A Line	B Meter Size	C Capacity Ratio	D Charge per Meter Equivalent	E = C x D Proposed Charge	F Current Charge	G Difference
1	5/8"	1.0	$4.55	**$4.55**	$4.41	$0.14
2	3/4"	1.0	$4.55	**$4.55**	$4.41	$0.14
3	1"	1.9	$4.55	**$8.65**	$8.39	$0.26
4	1-1/2"	3.1	$4.55	**$14.11**	$13.70	$0.41
5	2"	5.0	$4.55	**$22.75**	$22.09	$0.66
6	2-1/2"	9.3	$4.55	**$42.32**	$41.10	$1.22
7	3"	10.2	$4.55	**$46.41**	$45.08	$1.33
8	4"	17.1	$4.55	**$77.81**	$75.58	$2.23
9	6"	36.0	$4.55	**$163.80**	$159.10	$4.70
10	8"	65.0	$4.55	**$295.75**	$287.29	$8.46

5.5. Volumetric Rate Calculations

Proposed volumetric rates are comprised of unit costs for the Supply, Base Delivery, Max Day, Max Hour, Recycled Water, and Revenue Offsets cost causation components. The Recycled volumetric rate is comprised solely of the Recycled Water unit cost, while all other volumetric rates are comprised of the other cost causation component unit costs listed above. Unit costs from **Table 4-15** are used to provide the basis for the calculation of volumetric rates. However, peaking unit rates and Revenue Offset unit rates must first be differentiated by customer class, as these unit costs are not applied uniformly to each customer class and tier.

5.5.1. Peaking Unit Rates

Peaking unit costs, which vary by customer class and tier, must first be converted from units per day peaking requirements into unit rates per unit. The Max Day unit rate calculations are shown in **Table 5-5**. Max Day requirements in Column C (from **Table 4-12,** Column G) are multiplied by the Max Day unit cost in units per day in Column D (from **Table 4-15**, Column E, Line 3) to determine the Max Day revenue requirement by customer class and tier. This result in Column E is then divided by projected FY 2025 usage by class and tier in Column F (from **Table 4-12,** Column C) to determine the Max Day unit rate by customer class in Column G.

The Max Day unit rates are utilized to differentiate volumetric rates for each customer class and tier based on specific water usage characteristics.

Table 5-5: Max Day Unit Rates by Customer Class

A Line	B Customer Class	C Max Day Requirements (Units/day)	D Max Day Unit Cost (Units/day)	E = C x D Max Day Revenue Requirement	F FY 2025 Projected Usage (Units)	G = E / F Max Day Unit Rate ($/unit)
1	Domestic					
2	Tier 1	1,888	$460.18	$868,934	1,511,998	$0.57
3	Tier 2	4,277	$460.18	$1,968,429	1,986,076	$0.99
4	Tier 3	4,662	$460.18	$2,145,204	1,433,314	$1.50
5	Tier 4	2,677	$460.18	$1,231,997	556,269	$2.21
7	Agricultural	286	$460.18	$131,632	82,403	$1.60
8	Commercial	558	$460.18	$256,797	296,027	$0.87
9	Irrigation					
10	Tier 1	1,433	$460.18	$659,388	411,926	$1.60
11	Tier 2	2,225	$460.18	$1,023,862	435,335	$2.35
12	Construction	228	$460.18	$105,070	41,669	$2.52
13	**Total**	**18,235**		**$8,391,314**	**6,755,016**	

Max Hour unit rates by customer class are calculated in **Table 5-6** in the same manner as described above for Max Day unit rates. Max Hour requirements in Column C (from **Table 4-13,** Column G) are multiplied by the Max Hour unit cost in units per day in Column D (from **Table 4-15**, Column E, Line 4) to determine the Max Hour revenue requirement by customer class and tier. This result in Column E is then divided by projected FY 2025 usage by class and tier in Column F (from **Table 4-13,** Column C) to determine the Max Hour unit rate by customer class in Column G.

Table 5-6: Max Hour Unit Rates by Customer Class

A Line	B Customer Class	C Max Hour Requirements (Units/day)	D Max Hour Unit Cost (Units/day)	E = C x D Max Hour Revenue Requirement	F FY 2025 Projected Usage (Units)	G = E / F Max Hour Unit Rate ($/unit)
1	Domestic					
2	Tier 1	3,015	$298.48	$900,016	1,511,998	$0.60
3	Tier 2	4,859	$298.48	$1,450,425	1,986,076	$0.73
4	Tier 3	4,294	$298.48	$1,281,744	1,433,314	$0.89
5	Tier 4	2,101	$298.48	$626,986	556,269	$1.13
7	Agricultural	256	$298.48	$76,381	82,403	$0.93
8	Commercial	685	$298.48	$204,318	296,027	$0.69
9	Irrigation					
10	Tier 1	1,281	$298.48	$382,268	411,926	$0.93
11	Tier 2	1,709	$298.48	$510,040	435,335	$1.17
12	Construction	171	$298.48	$51,112	41,669	$1.23
13	**Total**	**18,371**		**5,483,289**	**6,755,016**	

5.5.2. Revenue Offsets

Non-rate revenue sources that are not directly related to any specific District function or expense may be utilized at the District's discretion to offset various rates. These revenues are included within the Revenue Offsets cost causation component. **Table 4-15** shows the Revenue Offsets unit rate of $0.48 if applied evenly to each unit of water usage (excluding Construction and Recycled usage). To provide for affordability for essential water use by Domestic customers, Raftelis recommends that the majority ($1.60) of revenue offsets allocated to the Domestic customer class (**Table 4-16**, Column K, Line 2) be applied to Domestic Tier 1 water usage (**Table 4-12,** Column C, Line 2), and $0.11 of revenue offsets be allocated to Tier 2 to minimize customer impacts from the large increases in SDCWA water rates. All residential users will benefit from the Tier 1 rates since they all have to use water in Tier 1.

Table 5-7 shows a summary of Revenue Offset unit rates per unit by customer class and tier. In an effort to have equitable rate increases across classes, some of the revenue offset from classes with little increase were redirected to classes that had a disproportional increase. Irrigation Tier 2 had additional revenue offset applied and volumetric rates are still increasing by 13 percent, the most of any class. **Table 4-15** shows the revenue offsets applied by class and **Table 5-8** shows the resulting differences between the proposed and current rates.

Table 5-7: Revenue Offsets by Customer Class and Tier

A Line	B Customer Class	C Revenue Offset Unit Rate ($/unit)
1	Domestic	
2	Tier 1	($1.60)
3	Tier 2	($0.11)
4	Tier 3	$0.00
5	Tier 4	$0.00
7	Agricultural	($0.48)
8	Agricultural with Credit	($0.24)
9	Commercial	($0.28)
10	Irrigation	
11	Tier 1	($0.48)
12	Tier 2	($0.58)

5.5.3. Proposed FY 2025 Volumetric Rates

Table 5-8 shows the calculation of proposed FY 2025 volumetric rates per unit by customer class and tier. Supply (Column C), Base Delivery (Column D), and Recycled Water (Column G) unit rates are directly from **Table 4-15**. Max Day (Column E), Max Hour (Column F), and Revenue Offset (Column H) unit rates were established in **Table 5-5**, **Table 5-6,** and **Table 5-7** respectively. The Recycled Water volumetric rate consists solely of the Recycled Water unit rate in Column G. The difference between the proposed FY 2025 and current volumetric rates is shown in Column L.

Table 5-8: Calculation of Proposed FY 2025 Volumetric Rates per Unit

A	B	C	D	E	F	G	H	I	J	K	L
Line	Customer Class	Supply Unit Rate	Base Unit Rate	Max Day Unit Rate	Max Hour Unit Rate	Recycled Water Unit Rate	Revenue Offsets Unit Rate	Ag Credit Unit Rate	Proposed Base Rate	Current Base Rate	Difference ($)
1	Domestic										
2	Tier 1 (0-6 units)	$3.50	$1.42	$0.57	$0.60	N/A	($1.60)	N/A	**$4.49**	$4.24	$0.25
3	Tier 2 (7-23 units)	$3.50	$1.42	$0.99	$0.73	N/A	($0.11)	N/A	**$6.53**	$6.14	$0.39
4	Tier 3 (24-80 units)	$3.50	$1.42	$1.50	$0.89	N/A	$0.00	N/A	**$7.32**	$6.85	$0.47
5	Tier 4 (80 + units)	$3.50	$1.42	$2.21	$1.13	N/A	$0.00	N/A	**$8.27**	$8.14	$0.13
6											
7	Agriculture	$3.50	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.97**	$6.75	$0.22
8	Agriculture w/ Credit	$3.50	$1.42	$1.60	$0.93	N/A	($0.24)	($1.59)	**$5.62**	$5.41	$0.21
9	Commercial	$3.50	$1.42	$0.87	$0.69	N/A	($0.28)	N/A	**$6.20**	$5.78	$0.42
10	Irrigation										
11	Tier 1: “B” Base	$3.50	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.98**	$6.50	$0.48
12	Tier 2: “C” Over Base	$3.50	$1.42	$2.35	$1.17	N/A	($0.58)	N/A	**$7.87**	$6.94	$0.93
13											
14	Construction	$3.50	$1.42	$2.52	$1.23	N/A	N/A	N/A	**$8.67**	$8.21	$0.46
15	Recycled Water	N/A	N/A	N/A	N/A	$4.68	N/A	N/A	**$4.68**	$4.29	$0.39

5.6. Proposed Water Rates

Proposed monthly fixed charges and volumetric rates through FY 2029 are shown in **Table 5-9** and **Table 5-10** respectively. Proposed FY 2025 rates proposed to become effective on January 1, 2025, were developed previously in **Table 5-2, Table 5-3,** and **Table 5-8**. All rates and charges shown beyond FY 2025 are increased by the percentages of the estimated revenue adjustments shown in **Table 3-16,** and are rounded up to the nearest cent. The charges shown from January 1, 2026, through January 1, 2029, are estimated and will ultimately be determined by pass-through adjustments to the rates based on increases in, among other things, wholesale water supply costs and CPI.

Table 5-9: Proposed Monthly Fixed Charges

Effective Date/ Meter Size	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Monthly OMWD System Access Charge						
5/8"	$34.25	$37.16	$40.14	$43.36	$45.53	$47.36
3/4"	$44.79	$48.53	$52.42	$56.62	$59.46	$61.84
1"	$76.41	$82.64	$89.26	$96.41	$101.24	$105.29
1-1/2"	$118.54	$128.11	$138.36	$149.43	$156.91	$163.19
2"	$185.30	$200.11	$216.12	$233.41	$245.09	$254.90
2-1/2"	$336.33	$363.05	$392.10	$423.47	$444.65	$462.44
3"	$367.94	$397.16	$428.94	$463.26	$486.43	$505.89
4"	$610.30	$658.63	$711.33	$768.24	$806.66	$838.93
6"	$1,274.14	$1,374.83	$1,484.82	$1,603.61	$1,683.80	$1,751.16
8"	$2,292.73	$2,473.76	$2,671.67	$2,885.41	$3,029.69	$3,150.88
Monthly SDCWA Infrastructure Access Charge*						
5/8"	$4.41	$4.55	TBD	TBD	TBD	TBD
3/4"	$4.41	$4.55	TBD	TBD	TBD	TBD
1"	$8.39	$8.65	TBD	TBD	TBD	TBD
1-1/2"	$13.70	$14.11	TBD	TBD	TBD	TBD
2"	$22.09	$22.75	TBD	TBD	TBD	TBD
2-1/2"	$41.10	$42.32	TBD	TBD	TBD	TBD
3"	$45.08	$46.41	TBD	TBD	TBD	TBD
4"	$75.58	$77.81	TBD	TBD	TBD	TBD
6"	$159.10	$163.80	TBD	TBD	TBD	TBD
8"	$287.29	$295.75	TBD	TBD	TBD	TBD

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Proposed	January 1, 2027 Proposed	January 1, 2028 Proposed	January 1, 2029 Proposed
Monthly Fire Meter Charges						
5/8"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
3/4"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
1"	$6.57	$6.87	$7.29	$7.73	$8.12	$8.45
1-1/2"	$7.54	$7.84	$8.32	$8.82	$9.27	$9.65
2"	$9.08	$9.39	$9.96	$10.56	$11.09	$11.54
2-1/2"	$12.55	$12.89	$13.67	$14.50	$15.23	$15.84
3"	$13.27	$13.62	$14.44	$15.31	$16.08	$16.73
4"	$18.85	$19.24	$20.40	$21.63	$22.72	$23.63
6"	$34.13	$34.63	$36.71	$38.92	$40.87	$42.51
8"	$57.56	$58.23	$61.73	$65.44	$68.72	$71.47

***Note: A fixed charge imposed by SDCWA. Subject to change every year.**

Table 5-10: Proposed Volumetric Rates per Unit

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Volumetric Rates ($/unit[1])						
Domestic[2]						
Tier 1 (0-6 units)	$4.24	$4.49	$4.85	$5.24	$5.51	$5.74
Tier 2 (7-23 units)	$6.14	$6.53	$7.06	$7.63	$8.02	$8.35
Tier 3 (24-80 units)	$6.85	$7.32	$7.91	$8.55	$8.98	$9.34
Tier 4 (80 + units)	$8.14	$8.27	$8.94	$9.66	$10.15	$10.56
Agriculture	$6.75	$6.97	$7.53	$8.14	$8.55	$8.90
Agriculture w/ Credit[3]	$5.41	$5.62	TBD	TBD	TBD	TBD
Commercial	$5.78	$6.20	$6.70	$7.24	$7.61	$7.92
Irrigation						
Tier 1: "B" Base	$6.50	$6.98	$7.54	$8.15	$8.56	$8.91
Tier 2: "C" Over Base	$6.94	$7.87	$8.50	$9.18	$9.64	$10.03
Construction	$8.21	$8.67	$9.37	$10.12	$10.63	$11.06
Recycled Water	$4.29	$4.68	$5.06	$5.47	$5.75	$5.98

[1] Customers are billed on a per unit of water basis, 1 unit = 1 HCF
[2] Domestic includes single-family and multi-family customers. Multi-family tiers apply per dwelling unit.
[3] Note: Agriculture w/ Credit rate is updated annually by District staff based on SDCWA charges

Combined Agricultural/Domestic customers
First 23 Units per month: Follow Domestic rate structure.
Over 23 Units per month: Follow Agricultural rate structure.

5.7. Rate Reimbursement Credit

To minimize rate impacts on customers due to large increases in water purchase costs from SDCWA, a rate reimbursement credit (RRC) has been proposed to offset volumetric rates directly. SDCWA credited its member agencies for the funds it received from litigation with MWD. SDCWA's refund is given back to ratepayers in the form of a credit per unit of water used. The current refund is $0.11, but is proposed to increase to $0.22 to help offset the rate increases proposed by SDCWA. The $0.22 increase would be applied for FY 2025 and decrease to $0.11 in FY 2026. The funding is proposed to be used over the next two fiscal years. The effect on the proposed rates due to the RRC is shown in **Table 5-11** for an average customer with a ¾" meter using 23 units monthly.

Table 5-11: Projected FY 2025- FY 2027 Average Domestic Bills with RRC

	Current Bill	2025	2026	2027
RRC ($/unit)	$0.11	$0.22	$0.11	$0.00
Average Domestic Bill with RRC	$176.49	$185.97	$203.93	$223.09
Year over Year Difference (%)		*5.4%*	*9.7%*	*9.4%*

5.8. Water Rates for Largest Users

Recent regulatory changes detailed in AB 755 passed in 2023 and codified in Water Code, §§ 390 & 390.1 require us to identify the costs to serve the largest 10 percent of the users in the District. Proposition 218 requires rates that allocate costs of service proportionately, not special rates for the top 10% of consumers regardless of other factors.

The District currently has 22,761 accounts; the top 10% of users represent 2,276 accounts and 45% of total water use. These large users are primarily domestic and irrigation customers. The District sells water purchased from SDCWA. These large customers all have higher peaking factors, and their rates reflect the cost they impose on the system. Based on the preceding factors, it is our professional judgment that the rates proposed in **Table 5-10** are the most efficient and fairest way to allocate the District's costs among those who create those costs, consistent with Proposition 218.

5.9. Proposed Potable Water Demand Reduction Rates

Raftelis updated the District's water demand reduction rates as part of this study. Water demand reduction rates are intended to recover reductions in net revenues resulting from decreased water sales during times of reduced water demand due to drought or demand reduction emergencies, or other reasons. Raftelis developed water demand reduction rates for three distinct stages:

- **10 Percent Demand Reduction** below projected FY 2025 water usage
- **20 Percent Demand Reduction** below projected FY 2025 water usage
- **30 Percent Demand Reduction** below projected FY 2025 water usage

In the event that the District activates its water demand reduction rates, the District would notify customers before implementation. The District's water demand reduction rates would only be implemented by General Manager after District Board action under the terms of the District's Water Demand Reduction Condition Ordinance. Such action by the District is generally triggered by SDCWA and/or Metropolitan Water District of Southern California's (MWD) declaration of a specific level of water shortage.

Table 5-12 shows the estimated water usage (excluding Recycled customers) for each demand reduction stage. To estimate water usage at the customer class and tiered level, Raftelis assumed that not all customer classes reduce their usage equally. Typically, customers have greater flexibility to cut irrigation use, which is considered nonessential. Therefore, single family residential use and irrigation use bear higher burdens to cut back use during drought phases. For customer classes with uniform rates, this results in a percentage reduction equal to the overall reduction (i.e. 10%/20%/30%). For Domestic and Agricultural customers with

tiered rates however, a disproportional amount of the overall customer class water usage reduction typically occurs within the higher tiers. Raftelis analyzed FY 2022 account level water usage data by billing period to estimate the percent reduction by tier for Domestic (Lines 1-4) and Irrigation customers (Lines 8-9) if total customer class water usage was to decrease by 10 percent, 20 percent, and 30 percent.

Table 5-12: Percent Reduction in Water Usage by Customer Class and Tier

A Line	B Description	C 10% Demand Reduction	D 20% Demand Reduction	E 30% Demand Reduction
1	Domestic Tier 1	2.5%	2.7%	6.9%
2	Domestic Tier 2	10.0%	19.0%	29.7%
3	Domestic Tier 3	15.8%	29.9%	42.3%
4	Domestic Tier 4	26.3%	49.1%	63.4%
5	Agriculture	5.0%	8.0%	25.0%
6	Agriculture w/ Credit	4.0%	8.0%	25.0%
7	Commercial	3.5%	8.0%	15.0%
8	Irrigation Tier 1	2.0%	8.2%	10.1%
9	Irrigation Tier 2	9.7%	36.7%	57.8%
10	Construction	0.0%	10.0%	30.0%
11	**Total Reduction**	**10.0%**	**20.0%**	**30.0%**

Table 5-13 shows FY 2025 volumetric base rates (previously determined in **Table 5-10**) in Column C and assumed FY 2025 water usage at each demand reduction stage in Columns D-G. Projected usage by customer class and tier in Columns E-G, Lines 1-10 is determined by reducing the base demand in Column D by the percentage reduction at each stage from **Table 5-12**, Columns C-E, Lines 1-10.

Table 5-13: Projected Water Usage by Stage

Line	B Description	C FY 2025 Proposed Base Rates	D FY 2025 Base Demand	E 10% Demand Reduction	F 20% Demand Reduction	G 30% Demand Reduction
1	Domestic Tier 1	$4.49	1,511,998 hcf	1,474,707 hcf	1,471,692 hcf	1,407,297 hcf
2	Domestic Tier 2	$6.53	1,986,076 hcf	1,786,790 hcf	1,608,193 hcf	1,397,015 hcf
3	Domestic Tier 3	$7.32	1,433,314 hcf	1,206,372 hcf	1,004,124 hcf	827,420 hcf
4	Domestic Tier 4	$8.27	556,269 hcf	409,776 hcf	283,014 hcf	203,700 hcf
5	Agriculture	$6.97	59,071 hcf	56,117 hcf	54,345 hcf	44,303 hcf
6	Agriculture w/ Credit	$5.62	23,332 hcf	22,399 hcf	21,465 hcf	17,499 hcf
7	Commercial	$6.20	296,027 hcf	285,666 hcf	272,344 hcf	251,623 hcf
8	Irrigation Tier 1	$6.98	411,926 hcf	403,497 hcf	378,306 hcf	370,231 hcf
9	Irrigation Tier 2	$7.87	435,335 hcf	392,928 hcf	275,612 hcf	183,557 hcf
10	Construction	$8.67	41,669 hcf	41,668 hcf	37,502 hcf	29,168 hcf
11	**Total**		**6,755,016 hcf**	**6,079,920 hcf**	**5,406,599 hcf**	**4,731,813 hcf**

Table 5-14 shows the determination of the uniform surcharge to be added to all potable volumetric rates (excluding Recycled Water) during each demand reduction stage for FY 2025. Projected volumetric rate revenues at each demand reduction stage (Line 2) is determined by multiplying projected water usage for each customer class and tier (**Table 5-13**, Columns D-G, Lines 1-10) by the FY 2025 proposed base rates (**Table**

5-13, Column C, Lines 1-10), and then summing across all customer classes and tiers. Line 3 shows the reduction in rate revenues relative to baseline (Column C, Line 2). Avoided water supply costs at each demand reduction stage are then calculated in Lines 5-12. Projected water usage (excluding Recycled) at each stage in Line 6 was determined previously in **Table 5-13**, Columns D-G, Line 11. The required water supply in units is shown in Line 8, assuming a 6.5 percent water loss (Line 7). Required water supply is shown in Line 9 by converting Line 8 to AF[7]. Line 10 shows the reduction in required water purchases relative to baseline (Column C, Line 9), which is then multiplied by the FY 2025 Untreated M&I rate per AF (Line 11) to estimate avoided water supply costs (Line 12). Net revenue loss in Line 14 is calculated by subtracting avoided water supply costs (Line 12) from the total rate revenue reduction (Line 3). The net revenue loss is then divided by projected potable water demand at each demand reduction level (Line 6) to determine the uniform surcharges at each stage (Line 16).

Table 5-14: Calculation of Water Demand Reduction Rate Surcharges

A	B	C	D	E	F
	Description	**Base Demand**	**10% Demand Reduction**	**20% Demand Reduction**	**30% Demand Reduction**
1	**Reduction in Rate Revenues**				
2	Projected Volumetric Rate Revenue	$43,890,959	$39,066,822	$34,122,859	$29,431,477
3	**Total Rate Revenue Reduction**	**N/A**	**$4,824,136**	**$9,768,100**	**$14,459,482**
4					
5	**Avoided Water Supply Costs**				
6	Projected FY 2025 Water Usage	6,755,016	6,079,920	5,406,599	4,731,813
7	Assumed Water Loss	6.50%	6.50%	6.50%	6.50%
8	Required Water Purchases (units)	7,224,616	6,502,588	5,782,459	5,060,762
9	Required Water Purchases (AF)	16,585	14,928	13,275	11,618
10	Reduction in Required Water Purchases (AF)	N/A	1,658	3,311	4,968
11	FY 2025 Untreated M&I Rate ($/AF)	$1,834	$1,834	$1,834	$1,834
12	**Total Avoided Water Supply Costs**	**N/A**	**$3,040,423**	**$6,072,852**	**$9,111,881**
13					
14	**Net Revenue Loss**	**N/A**	**$1,783,713**	**$3,695,248**	**$5,347,601**
15					
16	**$/Unit Surcharge**	**N/A**	**$0.30**	**$0.69**	**$1.14**

Table 5-15 shows FY 2025 volumetric rates under each demand reduction stage. Base volumetric rates were determined previously in **Table 5-11**. The effective rate at each of the three demand reduction stages is determined by simply adding the corresponding surcharge (**Table 5-14**, Line 16) to the FY 2025 base rate for customer class and tier. Note that Recycled Water customers are not subject to any rate increases during the three demand reduction stages which are targeted to potable water and there is little impact on wastewater generated and recycled water production. Water demand reduction rates for reductions in usage that are in between those shown above may be prorated. For example, the demand reduction rate for a 14% reduction in use would be 0.30+ 0.4*(0.69-0.30) = $0.46 per unit.

[7] One AF = 435.6 Units.

Table 5-15: Proposed FY 2025 Water Demand Reduction Rates

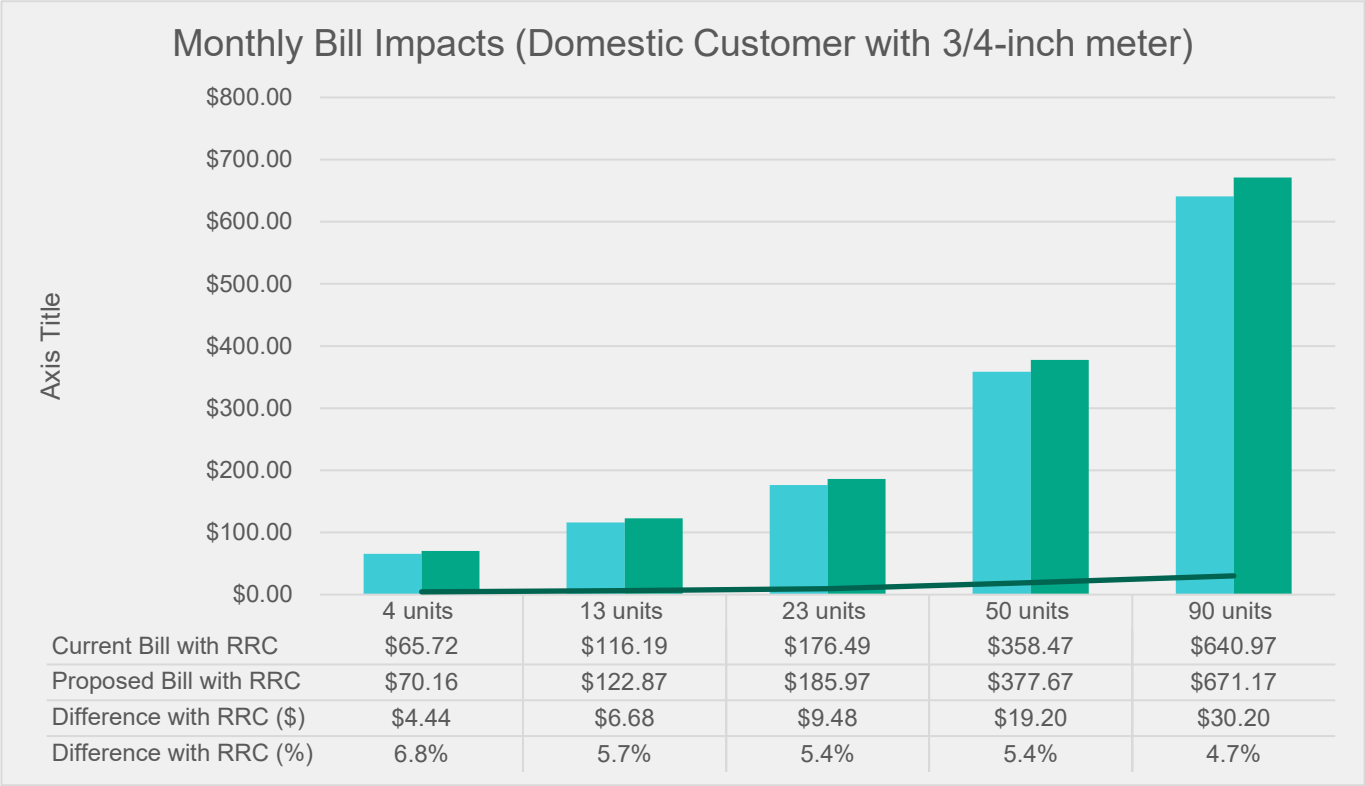
CUSTOMER TYPE	BASE RATES 1/1/2025	10% DEMAND REDUCTION ($0.30 Surcharge)	20% DEMAND REDUCTION ($0.69 Surcharge)	30% DEMAND REDUCTION ($1.14 Surcharge)
Domestic				
0-6 Units	$4.49	$4.79	$5.18	$5.63
7-23 Units	$6.53	$6.83	$7.22	$7.67
24-80 Units	$7.32	$7.62	$8.01	$8.46
80 + Units	$8.27	$8.57	$8.96	$9.41
Agricultural	$6.97	$7.27	$7.66	$8.11
Agriculture w/ Credit	$5.62	$5.92	$6.31	$6.76
Commercial	$6.20	$6.50	$6.89	$7.34
Irrigation				
Tier 1	$6.98	$7.28	$7.67	$8.12
Tier 2	$7.87	$8.17	$8.56	$9.01
Construction	$8.67	$8.97	$9.36	$9.81
Recycled Water	$4.68	$4.68	$4.68	$4.68

6. Customer Impacts

6.1. Monthly Bill Impacts

Figure 6-1 shows estimated monthly bills under current rates and proposed FY 2025 rates for Domestic customers with a ¾-inch water meter at varying levels of monthly water usage. **Table 6-1** shows the bill impacts both with and without the RRC included. The base rate comparison with no RRC applied is shown in Columns A-D. The current RRC of $0.11 is applied to the bills in Column E and the proposed RRC of $0.22 is applied in Column F. Note that 13 units and 23 units per month, respectively, represent the median and average Domestic monthly water usage in FY 2022. High-use customers see a smaller percentage increase in monthly bills under the proposed FY 2025 rates due to the decreased differentiation in peaking costs between lower and higher Domestic tiers relative to the prior water rate study in 2019. The monthly bill impacts **with the RRC** included are shown graphically in **Figure 6-1**.

Figure 6-1: Domestic Bill Impacts at Varying Levels of Usage



	4 units	13 units	23 units	50 units	90 units
Current Bill with RRC	$65.72	$116.19	$176.49	$358.47	$640.97
Proposed Bill with RRC	$70.16	$122.87	$185.97	$377.67	$671.17
Difference with RRC ($)	$4.44	$6.68	$9.48	$19.20	$30.20
Difference with RRC (%)	6.8%	5.7%	5.4%	5.4%	4.7%

Table 6-1: Domestic Monthly Bill Impacts at Varying Levels of Usage

Usage Level	Monthly Usage (Units)	A Current Bill: Base Rate	B Difference ($)	C Difference (%)	D Current Bill with RRC	E Proposed Bill with RRC	F Difference with RRC ($)	G Difference with RRC (%)
Very Low	4	$66.16	$4.88	7.4%	$65.72	$70.16	$4.44	6.8%
Low	13	$117.62	$8.11	6.9%	$116.19	$122.87	$6.68	5.7%
Average	23	$179.02	$12.01	6.7%	$176.49	$185.97	$9.48	5.4%
High	50	$363.97	$24.70	6.8%	$358.47	$377.67	$19.20	5.4%
Very High	90	$650.87	$40.10	6.2%	$640.97	$671.17	$30.20	4.7%

Table 6-2 This table shows estimated monthly bills under current rates and proposed FY 2025 rates for Commercial customers with a 1-inch water meter and varying monthly water usage. **Table 6-3** shows estimated monthly bills under current rates and proposed FY 2025 rates for Irrigation customers with a 1.5-inch water meter at varying levels of monthly water usage during the winter and summer (due to different tier allotment definitions and usage patterns during the winter and summer periods for Irrigation customers).

Table 6-2: Commercial Monthly Bill Impacts at Varying Levels of Usage (1" Meter Size)

Usage Level	Monthly Usage (Units)	Current Bill: with RRC	Proposed Bill: with RRC	Difference ($)	Difference (%)
Low	30	$254.90	$270.69	$15.79	6.2%
Average	60	$425.00	$450.09	$25.09	5.9%
High	90	$595.10	$629.49	$34.39	5.8%

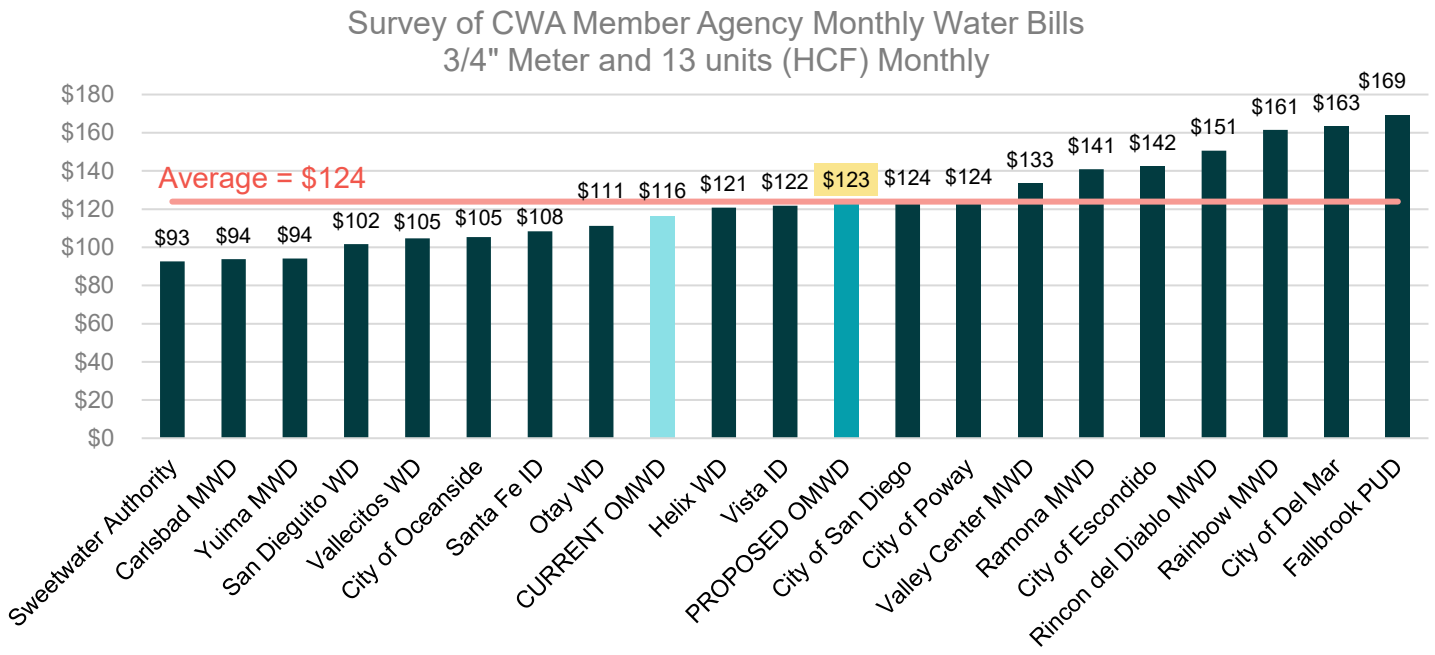
Table 6-3: Irrigation Monthly Bill Impacts at Varying Levels of Usage (1-1/2" Meter Size)

Usage Level	Monthly Usage (Units)	Current Bill: with RRC	Proposed Bill: with RRC	Difference ($)	Difference (%)
Low - Winter	51	$458.57	$487.87	$29.30	6.4%
Avg - Winter	102	$806.90	$878.02	$71.12	8.8%
High - Winter	153	$1,155.23	$1,268.17	$112.94	9.8%
Low - Summer	89	$700.95	$743.86	$42.91	6.1%
Avg - Summer	178	$1,299.58	$1,406.02	$106.44	8.2%
High - Summer	266	$1,907.45	$2,086.87	$179.42	9.4%

6.2. Monthly Bill Comparison

Figure 6-2 shows a comparison of the District's current and FY 2025 proposed Domestic bills to neighboring water utilities assuming a ¾-inch water meter and median Domestic monthly water usage (13 units). A District customer's bill under current rates is represented by the light blue bar and under proposed FY 2025 rates by the teal bar. The current and proposed bills include the RRC. The District's proposed FY 2025 rates result in a monthly bill that is approximately equal to the overall average across all agencies shown. While such comparisons can provide insights into a water utility's pricing policies, please also note that differences in water rates and bills are heavily influenced by factors such as geographic location, customer usage characteristics, source of water supply, water treatment, grant funding, and the age of system infrastructure.

Figure 6-2: Domestic Monthly Bill Comparison



Survey of posted rates as of May 2024
Does not include all 24 SDCWA member agencies for comparative purpose.

APPENDIX A:

Water Purchase Expenses

Table A-1: Recycled Water Purchase Expenses

Calculated Recycled Water Purchases Expenses	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Recycled Water from Vallecitos	$705,979	$557,100.00	$585,000	$614,250	$644,963	$677,211
Recycled Water from SEJPA	$291,690	$333,225	$354,825	$369,018	$383,779	$399,130
Recycled Water from City of SD	$337,089	$328,967	$342,126	$355,811	$370,043	$384,845
Recycled Water from RSFCSD	$192,107	$207,873	$225,481	$243,520	$259,208	$270,904
Recycled Water from SEJPA - Take or Pay	$0	$500,000	$0	$0	$0	$0
Total Calculated Recycled Water Purchases Expenses	**$1,526,865**	**$1,927,165**	**$1,507,432**	**$1,582,598**	**$1,657,992**	**$1,732,089**

Table A-2: Potable Water Purchase Expenses

Purchased Potable Water Expenses	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Tier 1 Melded Untreated M&I Supply Rate	$19,657,805	$21,436,675	$23,883,767	$26,304,995	$28,347,236	$29,536,245
Tier 2 Untreated Supply Rate Surcharge	$0	$0	$0	$0	$0	$0
Treatment Rate	$258,089	$1,119,517	$344,892	$379,856	$409,346	$426,516
Capacity Reservation Charge	$360,000	$441,000	$510,000	$561,000	$604,000	$628,000
Readiness to Serve Charge (FY Basis)	$617,000	$664,382	$720,854	$803,753	$835,903	$869,339
Infrastructure Access Charge	$1,475,000	$1,530,000	$1,647,161	$1,816,992	$1,958,693	$2,041,680
Customer Service Charge	$1,265,000	$1,380,000	$1,498,000	$1,648,000	$1,773,000	$1,843,000
Transportation Charge (Volume)	$3,114,278	$2,736,597	$2,431,488	$2,677,981	$2,885,892	$3,006,939
Transportation Charge (Fixed)	$0	$718,000	$1,498,000	$1,648,000	$1,773,000	$1,843,000
Storage Charge	$3,033,000	$3,176,000	$3,395,000	$3,736,000	$4,018,000	$4,179,000
Supply Reliability Charge	$2,050,000	$2,391,000	$2,777,000	$3,056,000	$3,287,000	$3,418,000
IAWP/SAWR Credit	$33,512	$37,098	$44,564	$48,881	$52,614	$54,830
Recycled Water	$1,526,865	$1,927,165	$1,507,432	$1,582,598	$1,657,992	$1,732,089
Recycled Credit	$0	$0	$0	$0	$0	$0
Lost Revenue From >9% Increase	$0	$447,530	$0	$0	$0	$0
Total Purchased Water Expenses	**$33,390,550**	**$38,004,962**	**$40,258,159**	**$44,264,056**	**$47,602,676**	**$49,578,639**

APPENDIX B:

Status Quo Financial Plan Cash Flow

Operating Cash Flow						
	Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
	REVENUE					
	Revenue Under Existing Rates					
	System Access Charge Revenue Under Existing Rates	$15,669,739	$15,696,613	$15,734,457	$15,809,423	$15,836,297
	Fire Meter Charge Under Existing Rates	$467,006	$467,006	$467,006	$467,006	$467,006
	Commodity Charge Revenue Under Existing Rates	$45,224,595	$45,225,230	$45,283,273	$45,363,981	$45,438,710
	Infrastructure Access Charge Revenue Under Existing Rates	$1,561,057	$1,563,703	$1,567,685	$1,576,324	$1,578,970
	Total Rate Revenue Under Existing Rates	$62,922,397	$62,952,551	$63,052,421	$63,216,734	$63,320,984
	Revenue Summary					
	Total Rate Revenue (incl. revenue adjustments)	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
	Other Operating Revenue	$3,009,557	$3,543,414	$3,700,654	$3,835,818	$3,910,682
	Investment & Interest Income	$569,000	$278,000	$70,000	$0	$0
	Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
	TOTAL REVENUE	**$70,626,601**	**$71,010,701**	**$71,155,706**	**$71,478,420**	**$71,758,802**
	EXPENSES					
	O&M Expenses without Depreciation	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
	Purchased Water (potable & recycled)	$38,004,962	$40,249,486	$44,237,344	$47,560,276	$49,524,543
	Other Operating Expenses (potable & recycled)	$50,000	$50,000	$50,000	$50,000	$50,000
	Non-Operating Expenses (potable & recycled)	$1,570,927	$1,043,507	$12,000	$10,000	$10,000
	Existing Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
	Proposed SRF Loan Payment	$0	$0	$0	$0	$0
	Proposed Debt Service	$0	$0	$0	$0	$0
	TOTAL EXPENSES	**$66,965,515**	**$70,002,867**	**$73,901,692**	**$78,209,632**	**$78,184,536**

TRANSFERS						
Transfer Potable Oper. to Potable Capital - PAYGO	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer for Equipment Replc.	$500,000	$500,000	$500,000	$500,000	$500,000
Transfer for Future Infrastructure Replc.	$5,500,000	$6,500,000	$7,000,000	$7,000,000	$9,000,000
Transfer from Wastewater (Sewer) Fund - 2018/2021B Bonds	($121,800)	($121,800)	($121,800)	($121,800)	$0
Transfer to 2012 SRF Reserve	$107,000	$107,000	$0	$0	$0
Transfer to/(from) Rate Stabilization Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
Transfer to/(from) Pension Stabilization Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Potable OMWD Option 2 (reduce to CPI)	$0	$0	$0	$0	$0
Transfer Recycled Oper. to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer Recycled Oper. to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
LESS TRANSFERS	**$6,344,273**	**$7,871,693**	**$9,296,200**	**$9,298,200**	**$11,420,000**
Net Annual Cash Balance	**($2,683,186)**	**($6,863,860)**	**($12,042,186)**	**($16,029,411)**	**($17,845,735)**
Calculated Debt Coverage	292.0%	183.1%	144.1%	74.5%	-139.3%
Required Debt Coverage	125.0%	125.0%	125.0%	125.0%	125.0%
Fund Balances					
Reserve Interest Rate	3.0%	2.0%	2.0%	1.5%	1.5%
Operating Fund (Potable & Recycled)	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Balance	$15,874,000	$13,190,814	$6,326,954	($5,715,232)	($21,744,643)
Net Annual Cash Balance	($2,683,186)	($6,863,860)	($12,042,186)	($16,029,411)	($17,845,735)
Ending Balance - Operating Fund (Potable & Recycled)	**$13,190,814**	**$6,326,954**	**($5,715,232)**	**($21,744,643)**	**($39,590,378)**
Minimum Target Balance	*$9,908,049*	*$10,495,313*	*$11,306,353*	*$12,014,631*	*$12,506,390*
Maximum Target Balance	*$19,816,097*	*$20,990,626*	*$22,612,707*	*$24,029,263*	*$25,012,779*
Interest Income	*$569,000*	*$278,000*	*$70,000*	*$0*	*$0*

Capital Improvement Fund (Potable & Recycled)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$47,736,000	$36,854,000	$33,434,000	$32,601,000	$34,710,000
Plus:					
Interest Income	$1,073,000	$656,000	$639,000	$513,000	$486,000
Transfer from Potable Operating Fund to Potable Capital	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer from Recycled Operating Fund to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer from Recycled Capital Fund to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
New Loan - State Revolving Fund (SRF) Proceeds	$0	$0	$0	$0	$0
New Bond Proceeds	$0	$0	$0	$0	$0
Less:					
Capital Item Purchases - Water Potable	$372,000	$473,000	$400,000	$400,000	$400,000
Capital Item Purchases - Water Recycled	$49,000	$49,000	$25,000	$25,000	$25,000
Capital Projects	$22,249,000	$13,458,000	$14,269,000	$11,841,000	$13,843,000
Other Expenditures - Water Potable	$25,000	$25,000	$25,000	$25,000	$25,000
Other Expenditures - Water Recycled	$5,000	$5,000	$5,000	$5,000	$5,000
Ending Balance - Capital Improvement Fund (Potable & Recycled)	**$36,854,000**	**$33,434,000**	**$32,601,000**	**$34,710,000**	**$32,906,000**
Minimum Target Balance	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*
Maximum Target Balance	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*
Net capital Expense	$10,882,000				

Rate Stabilization Fund (Potable)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$11,840,000	$10,587,073	$9,744,566	$9,937,418	$10,086,479
Interest Income	$308,000	$191,000	$194,851	$149,061	$151,297
Transfer (to)/from Operating Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
Ending Balance - Rate Stabilization Fund (Potable)	**$10,587,073**	**$9,744,566**	**$9,937,418**	**$10,086,479**	**$10,237,776**
Minimum Target Balance	*$6,229,359*	*$5,675,766*	*$4,703,769*	*$3,914,114*	*$3,449,110*
Maximum Target Balance	*$12,458,717*	*$11,351,533*	*$9,407,538*	*$7,828,229*	*$6,898,221*

Pension Stabilization Fund (Potable)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$676,055	$923,055	$1,166,055	$1,413,776	$1,658,283
Interest Income	$27,000	$23,000	$27,721	$24,507	$28,174
Transfer (to)/from Operating Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Ending Balance - Pension Stabilization Fund (Potable)	**$923,055**	**$1,166,055**	**$1,413,776**	**$1,658,283**	**$1,906,457**
Minimum Target Balance	*$956,562*	*$956,562*	*$956,562*	*$956,562*	*$956,562*
Maximum Target Balance	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*

Debt Coverage Calculation

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue Applicable for Debt Coverage Calculation					
Total Service Charge Revenue	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
Other Operating Revenue	$3,009,557	$3,543,414	$3,700,654	$3,835,818	$3,910,682
Interest Income	$1,977,000	$1,148,000	$931,572	$686,568	$665,471
Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
Total Revenue	**$75,079,601**	**$73,114,701**	**$76,069,278**	**$76,856,988**	**$73,232,273**
Expenses					
O&M Expenses	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
Purchased Water Expenses (potable & recycled)	$38,004,962	$40,249,486	$44,237,344	$47,560,276	$49,524,543
Total Expenses	**$60,273,962**	**$63,846,486**	**$68,780,317**	**$73,089,007**	**$76,080,536**
Total Funds Available for Debt Service	$14,805,639	$9,268,215	$7,288,962	$3,767,981	($2,848,263)
Total Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Revenue to Debt Service Coverage Ratio	292.0%	183.1%	144.1%	74.5%	-139.3%

Recycled Water Operating Cash Flow

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Recycled Water Revenue	$5,184,865	$5,315,676	$5,353,051	$5,353,051	$5,353,051
Recycled Water Additional Revenue	($128,633)	($132,038)	($133,094)	($133,480)	($133,483)
Recycled Water Interest Income	$283,962	$171,648	$70,000	$0	$0
Recycled Water Expenses	$3,417,665	$3,039,759	$3,151,292	$3,267,588	$3,388,861
Recycled Water Transfers	$1,700,000	$1,700,000	$1,700,000	$1,700,000	$1,700,000
Net Cash Flow	**$222,531**	**$615,528**	**$438,665**	**$251,983**	**$130,706**
Beginning Balance	$7,922,000	$8,144,531	$8,760,058	$9,198,723	$9,450,706
Net Cash Flow	$222,531	$615,528	$438,665	$251,983	$130,706
Ending Balance	**$8,144,531**	**$8,760,058**	**$9,198,723**	**$9,450,706**	**$9,581,412**
Interest Income	*$287,000*	*$205,768*	*$216,574*	*$167,261*	*$169,221*

Interest Allocation between Potable Water and Recycled Water operations					
Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Fund Balance					
Potable Water Operations	50.1%	38.3%	0.0%	261.0%	143.5%
Recycled Water Operations	49.9%	61.7%	100.0%	-161.0%	-43.5%
Total Beginning Fund Balance	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Interest Allocation					
Potable Water Operations	$285,038	$106,352	$0	$0	$0
Recycled Water Operations	$283,962	$171,648	$70,000	$0	$0
Total Interest Allocation	**$569,000**	**$278,000**	**$70,000**	**$0**	**$0**

APPENDIX C:

Proposed Financial Plan Cash Flow

Operating Cash Flow

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
REVENUE					
Revenue Under Existing Rates					
System Access Charge Revenue Under Existing Rates	$15,669,739	$15,696,613	$15,734,457	$15,809,423	$15,836,297
Fire Meter Charge Under Existing Rates	$467,006	$467,006	$467,006	$467,006	$467,006
Commodity Charge Revenue Under Existing Rates	$45,224,595	$45,225,230	$45,283,273	$45,363,981	$45,438,710
Infrastructure Access Charge Revenue Under Existing Rates	$1,561,057	$1,563,703	$1,567,685	$1,576,324	$1,578,970
Total Rate Revenue Under Existing Rates	$62,922,397	$62,952,551	$63,052,421	$63,216,734	$63,320,984
Revenue Adjustments					
System Access Charge Revenue Adjustment	$626,790	$1,933,823	$3,352,320	$4,603,780	$5,529,268
Fire Meter Charge Revenue Adjustments	$14,010	$42,871	$73,464	$103,111	$128,697
Commodity Charge Revenue Adjustments	$1,808,984	$5,571,748	$9,647,873	$13,210,209	$15,864,996
Infrastructure Access Charge Revenue Adjustments	$24,779	$118,208	$288,160	$430,564	$511,697
Total Revenue Adjustments	$2,474,562	$7,666,651	$13,361,817	$18,347,664	$22,034,657
Revenue Summary					
Total Rate Revenue (incl. revenue adjustments)	$63,811,124	$68,937,291	$74,558,393	$79,557,510	$83,264,975
Other Operating Revenue	$3,034,335	$3,661,623	$3,988,814	$4,266,381	$4,422,378
Investment & Interest Income	$643,000	$483,000	$545,000	$451,000	$552,000
Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
TOTAL REVENUE	**$73,175,164**	**$78,882,352**	**$84,992,523**	**$90,277,084**	**$94,345,459**
EXPENSES					
O&M Expenses without Depreciation	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
Purchased Water (potable & recycled)	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
Other Operating Expenses (potable & recycled)	$50,000	$50,000	$50,000	$50,000	$50,000
Non-Operating Expenses (potable & recycled)	$1,570,927	$1,043,507	$12,000	$10,000	$10,000
Existing Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Proposed SRF Loan Payment	$0	$0	$0	$0	$0
Proposed Debt Service	$0	$0	$0	$0	$0
TOTAL EXPENSES	**$66,965,515**	**$70,011,541**	**$73,928,403**	**$78,252,032**	**$78,238,632**

TRANSFERS						
Transfer Potable Oper. to Potable Capital - PAYGO	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer for Equipment Replc.	$500,000	$500,000	$500,000	$500,000	$500,000
Transfer for Future Infrastructure Replc.	$5,500,000	$6,500,000	$7,000,000	$7,000,000	$9,000,000
Transfer from Wastewater (Sewer) Fund - 2018/2021B Bonds	($121,800)	($121,800)	($121,800)	($121,800)	$0
Transfer to 2012 SRF Reserve	$107,000	$107,000	$0	$0	$0
Transfer to/(from) Rate Stabilization Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
Transfer to/(from) Pension Stabilization Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Potable OMWD Option 2 (reduce to CPI)	$0	$0	$0	$0	$0
Transfer Recycled Oper. to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer Recycled Oper. to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
LESS TRANSFERS	**$6,344,273**	**$7,871,693**	**$9,296,200**	**$9,298,200**	**$11,420,000**
Net Annual Cash Balance	**($134,624)**	**$999,118**	**$1,767,920**	**$2,726,852**	**$4,686,827**
Calculated Debt Coverage	342.2%	338.4%	417.0%	445.1%	963.0%
Required Debt Coverage	125.0%	125.0%	125.0%	125.0%	125.0%

Fund Balances					
Reserve Interest Rate	3.0%	2.0%	2.0%	1.5%	1.5%
Operating Fund (Potable & Recycled)	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Balance	$15,874,000	$15,739,376	$16,738,494	$18,506,414	$21,233,266
Net Annual Cash Balance	($134,624)	$999,118	$1,767,920	$2,726,852	$4,686,827
Ending Balance - Operating Fund (Potable & Recycled)	**$15,739,376**	**$16,738,494**	**$18,506,414**	**$21,233,266**	**$25,920,092**
Minimum Target Balance	*$9,908,049*	*$10,496,738*	*$11,310,744*	*$12,021,601*	*$12,515,282*
Maximum Target Balance	*$19,816,097*	*$20,993,477*	*$22,621,489*	*$24,043,202*	*$25,030,564*
Interest Income	*$643,000*	*$483,000*	*$545,000*	*$451,000*	*$552,000*
Capital Improvement Fund (Potable & Recycled)	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Balance	$47,736,000	$36,854,000	$33,434,000	$32,601,000	$34,710,000
Plus:					
Interest Income	$1,073,000	$656,000	$639,000	$513,000	$486,000
Transfer from Potable Operating Fund to Potable Capital	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer from Recycled Operating Fund to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer from Recycled Capital Fund to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
New Loan - State Revolving Fund (SRF) Proceeds	$0	$0	$0	$0	$0
New Bond Proceeds	$0	$0	$0	$0	$0
Less:					
Capital Item Purchases - Water Potable	$372,000	$473,000	$400,000	$400,000	$400,000
Capital Item Purchases - Water Recycled	$49,000	$49,000	$25,000	$25,000	$25,000
Capital Projects	$22,249,000	$13,458,000	$14,269,000	$11,841,000	$13,843,000
Other Expenditures - Water Potable	$25,000	$25,000	$25,000	$25,000	$25,000
Other Expenditures - Water Recycled	$5,000	$5,000	$5,000	$5,000	$5,000
Ending Balance - Capital Improvement Fund (Potable & Recycled)	**$36,854,000**	**$33,434,000**	**$32,601,000**	**$34,710,000**	**$32,906,000**
Minimum Target Balance	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*
Maximum Target Balance	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*

Pension Stabilization Fund (Potable)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$676,055	$923,055	$1,166,055	$1,413,776	$1,658,283
Interest Income	$27,000	$23,000	$27,721	$24,507	$28,174
Transfer (to)/from Operating Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Ending Balance - Pension Stabilization Fund (Potable)	**$923,055**	**$1,166,055**	**$1,413,776**	**$1,658,283**	**$1,906,457**
Minimum Target Balance	*$956,562*	*$956,562*	*$956,562*	*$956,562*	*$956,562*
Maximum Target Balance	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*

Debt Coverage Calculation

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue Applicable for Debt Coverage Calculation					
Total Service Charge Revenue	$63,811,124	$68,937,291	$74,558,393	$79,557,510	$83,264,975
Other Operating Revenue	$3,034,335	$3,661,623	$3,988,814	$4,266,381	$4,422,378
Interest Income	$2,051,000	$1,353,000	$1,406,572	$1,137,568	$1,217,471
Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
Total Revenue	**$77,628,164**	**$80,986,352**	**$89,906,096**	**$95,655,652**	**$95,818,931**
Expenses					
O&M Expenses	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
Purchased Water Expenses (potable & recycled)	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
Total Expenses	**$60,273,962**	**$63,855,159**	**$68,807,028**	**$73,131,407**	**$76,134,632**
Total Funds Available for Debt Service	$17,354,201	$17,131,193	$21,099,067	$22,524,245	$19,684,298
Total Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Revenue to Debt Service Coverage Ratio	342.2%	338.4%	417.0%	445.1%	963.0%

Recycled Water Operating Cash Flow						
	Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
	Recycled Water Revenue	$5,184,865	$5,315,676	$5,353,051	$5,353,051	$5,353,051
	Recycled Water Additional Revenue	$73,232	$505,348	$976,839	$1,383,700	$1,686,032
	Recycled Water Interest Income	$320,892	$257,262	$316,258	$279,799	$350,644
	Recycled Water Expenses	$3,417,665	$3,048,432	$3,178,003	$3,309,988	$3,442,957
	Recycled Water Transfers	$1,700,000	$1,700,000	$1,700,000	$1,700,000	$1,700,000
	Net Cash Flow	**$461,325**	**$1,329,854**	**$1,768,144**	**$2,006,562**	**$2,246,769**
	Beginning Balance	$7,922,000	$8,383,325	$9,713,180	$11,481,324	$13,487,885
	Net Cash Flow	$461,325	$1,329,854	$1,768,144	$2,006,562	$2,246,769
	Ending Balance	**$8,383,325**	**$9,713,180**	**$11,481,324**	**$13,487,885**	**$15,734,654**
	Interest Income	*$293,000*	*$223,118*	*$257,301*	*$223,621*	*$256,260*

Interest Allocation between Potable Water and Recycled Water operations						
	Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
	Beginning Fund Balance					
	Potable Water Operations	50.1%	46.7%	42.0%	38.0%	36.5%
	Recycled Water Operations	49.9%	53.3%	58.0%	62.0%	63.5%
	Total Beginning Fund Balance	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
	Interest Allocation					
	Potable Water Operations	$322,108	$225,738	$228,742	$171,201	$201,356
	Recycled Water Operations	$320,892	$257,262	$316,258	$279,799	$350,644
	Total Interest Allocation	**$643,000**	**$483,000**	**$545,000**	**$451,000**	**$552,000**

APPENDIX D:

Revised Water Consumption Charge with Adopted SDCWA Rates

Revised Water Consumption Charge

The water supply component has been updated to reflect the CY 2025 rates and charges adopted by SDCWA at their board meeting that occurred after completion of this Study.

The Melded Supply Rate in the model was set to the original rate of $1,385 per AF based on the best information available at the time. The SDCWA Board instead adopted a Melded Supply Rate of $1,355 per AF, which is $30 per AF less than what was modeled. To account for this decrease, the $30 per AF decrease was converted to units, and that discount was applied directly to the cost per unit of water for potable water customers. The full breakdown is shown in **Table D-1**. The reduction of $0.07 per unit of water is shown in Column C.

The revised rate table is shown in **Table D-2**.

With the change in supply cost, the drought rates also had to be adjusted to properly reflect costs and revenue loss during drought. **Table D-3** shows the calculation for the surcharge in commodity rates at each drought stage, and **Table D-4** shows the corresponding demand reduction shortage rates at each stage.

Table D-1. Breakdown of the Volumetric Charge Components

A	B	C	D	E	F	G	H	I	J	K	L
Customer Class	**Supply Unit Rate**	**Change in Supply based on Adopted SDCWA Rates**	**Base Unit Rate**	**Max Day Unit Rate**	**Max Hour Unit Rate**	**Recycled Water Unit Rate**	**Revenue Offsets Unit Rate**	**Ag Credit Unit Rate**	**Revised Proposed Base Rate**	**Current FY 2024 Base Rate**	**Difference ($)**
Domestic											
Tier 1 (0-6 units)	$3.50	($0.07)	$1.42	$0.57	$0.60	N/A	($1.60)	N/A	**$4.43**	$4.24	$0.19
Tier 2 (7-23 units)	$3.50	($0.07)	$1.42	$0.99	$0.73	N/A	($0.11)	N/A	**$6.47**	$6.14	$0.33
Tier 3 (24-80 units)	$3.50	($0.07)	$1.42	$1.50	$0.89	N/A	$0.00	N/A	**$7.25**	$6.85	$0.40
Tier 4 (80 + units)	$3.50	($0.07)	$1.42	$2.21	$1.13	N/A	$0.00	N/A	**$8.20**	$8.14	$0.06
Agriculture	$3.50	($0.07)	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.90**	$6.75	$0.15
Agriculture w/ Credit	$3.50	($0.07)	$1.42	$1.60	$0.93	N/A	($0.24)	($1.59)	**$5.55**	$5.41	$0.14
Commercial	$3.50	($0.07)	$1.42	$0.87	$0.69	N/A	($0.28)	N/A	**$6.14**	$5.78	$0.36
Irrigation											
Tier 1: “B” Base	$3.50	($0.07)	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.91**	$6.50	$0.41
Tier 2: “C” Over Base	$3.50	($0.07)	$1.42	$2.35	$1.17	N/A	($0.58)	N/A	**$7.80**	$6.94	$0.86
Construction	$3.50	($0.07)	$1.42	$2.52	$1.23	N/A	N/A	N/A	**$8.60**	$8.21	$0.39
Recycled Water	N/A	N/A	N/A	N/A	N/A	$4.68	N/A	N/A	**$4.68**	$4.29	$0.39

Table D-2: Revised Proposed Volumetric Rates

Effective Date	Current FY 2024	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Volumetric Rates ($/unit[1])						
Domestic[2]						
Tier 1 (0-6 units)	$4.24	$4.43	$4.79	$5.18	$5.44	$5.66
Tier 2 (7-23 units)	$6.14	$6.47	$6.99	$7.55	$7.93	$8.25
Tier 3 (24-80 units)	$6.85	$7.25	$7.83	$8.46	$8.89	$9.25
Tier 4 (80 + units)	$8.14	$8.20	$8.86	$9.57	$10.05	$10.46
Agriculture	$6.75	$6.90	$7.46	$8.06	$8.47	$8.81
Agriculture w/ Credit[3]	$5.41	$5.55	TBD	TBD	TBD	TBD
Commercial	$5.78	$6.14	$6.64	$7.18	$7.54	$7.85
Irrigation						
Tier 1: "B" Base	$6.50	$6.91	$7.47	$8.07	$8.48	$8.82
Tier 2: "C" Over Base	$6.94	$7.80	$8.43	$9.11	$9.57	$9.96
Construction	$8.21	$8.60	$9.29	$10.04	$10.55	$10.98
Recycled Water	$4.29	$4.68	$5.06	$5.47	$5.75	$5.98

[1] Customers are billed on a per unit of water basis, 1 unit = 1 HCF
[2] Domestic includes single-family and multi-family customers. Multi-family tiers apply per dwelling unit.
[3] Note: Agriculture w/ Credit rate is updated annually by District staff based on SDCWA charges

Combined Agricultural/Domestic customers
First 23 Units per month: Follow Domestic rate structure.
Over 23 Units per month: Follow Agricultural rate structure.

Table D-3: FY 2025 Water Demand Reduction Rates Calculation

A	B	C	D	E	F
Line	Description	Base Demand	10% Demand Reduction	20% Demand Reduction	30% Demand Reduction
1	**Reduction in Rate Revenues**				
2	Projected Volumetric Rate Revenue	$43,456,049	$38,676,700	$33,777,920	$29,130,810
3	**Total Rate Revenue Reduction**	**N/A**	**$4,779,349**	**$9,678,129**	**$14,325,239**
4	**Avoided Water Supply Costs**				
5	Projected FY 2025 Water Usage	6,755,016	6,079,920	5,406,599	4,731,813
6	Assumed Water Loss	6.50%	6.50%	6.50%	6.50%
7	Required Water Purchases (units)	7,224,616	6,502,588	5,782,459	5,060,762
8	Required Water Purchases (AF)	16,585	14,928	13,275	11,618
9	Reduction in Required Water Purchases (AF)	N/A	1,658	3,311	4,968
10	FY 2025 Untreated M&I Rate ($/AF)	$1,819	$1,819	$1,819	$1,819
11	**Total Avoided Water Supply Costs**	**N/A**	**$3,015,560**	**$6,023,191**	**$9,037,368**
12	**Net Revenue Loss**	**N/A**	**$1,763,789**	**$3,654,939**	**$5,287,872**
13	**$/Unit Surcharge**	**N/A**	**$0.30**	**$0.68**	**$1.12**

Table D-4: Revised Proposed FY 2025 Water Demand Reduction Rates

Volumetric Rates ($/Unit)	FY 2025 Proposed Base Rate	10% Demand Reduction ($0.30 Surcharge)	20% Demand Reduction ($0.68 Surcharge)	30% Demand Reduction ($1.12 Surcharge)
Domestic				
Tier 1 (0-6 units)	$4.43	$4.73	$5.11	$5.55
Tier 2 (7-23 units)	$6.47	$6.77	$7.15	$7.59
Tier 3 (24-80 units)	$7.25	$7.55	$7.93	$8.37
Tier 4 (80+ units)	$8.20	$8.50	$8.88	$9.32
Agriculture	$6.90	$7.20	$7.58	$8.02
Agriculture w/ Credit	$5.55	$5.85	$6.23	$6.67
Commercial	$6.14	$6.44	$6.82	$7.26
Irrigation				
Tier 1 ("B" Base)	$6.91	$7.21	$7.59	$8.03
Tier 2 ("C" Over Base)	$7.80	$8.10	$8.48	$8.92
Construction	$8.60	$8.90	$9.28	$9.72
Recycled Water	$4.68	$4.68	$4.68	$4.68

Attachment 3

Print Form

Notice of Exemption

Appendix E

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

County Clerk
County of: San Diego
1600 Pacific Highway, Room 260
San Diego, CA 92101

From: (Public Agency): Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024
(Address)

Project Title: The Olivenhain MWD intends, by ordinance, to increase water rates and charges, and implement drought rates for calendar year 2027

Project Applicant: Olivenhain Municipal Water District (OMWD)

Project Location - Specific:

OMWD service area which covers approximately 31,000 acres in NW San Diego

Project Location - City: _____ Project Location - County: San Diego

Description of Nature, Purpose and Beneficiaries of Project:

The Project is to increase water rates and charges within the area already served by the Olivenhain Municipal Water District. The purpose of the Project is to raise essential funds to meet anticipated operating expenses, to provide adequate reserve funds, and to maintain service within the existing service areas in compliance with the Government Code Section 66016. The increased fees and charges are not tied to any development project.

Name of Public Agency Approving Project: Olivenhain Municipal Water District

Name of Person or Agency Carrying Out Project: Olivenhain Municipal Water District

Exempt Status: **(check one):**

- ☐ Ministerial (Sec. 21080(b)(1); 15268);
- ☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));
- ☐ Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- ☐ Categorical Exemption. State type and section number: _____
- ☒ Statutory Exemptions. State code number: 15273(a)(1)-(4)

Reasons why project is exempt:

1) No Project per Section 15378(b)(4) - The Project is a continuing administrative activity of the District which will not result in any physical change in the environment. The increase of water rates and charges is not being considered in conjunction with the approval of any specific project and will be used solely to meet anticipated operating expenses, to provide adequate reserve funds, and to maintain service in existing service areas.
(2) Exemption - the new increase in water rates and charges are being set based on accounting evaluations of the District's operating expenses and capital costs necessary to maintain service in existing areas.
(3) No Significant Effect - the activity will not have any significant effect on the environment.

Lead Agency Contact Person: Kimberly Thorner, General Manager Area Code/Telephone/Extension: (760) 753-6466

If filed by applicant:

1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? ☐ Yes ☐ No

Signature: _____ Date: _____ Title: _____

☐ Signed by Lead Agency ☐ Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: _____

OLIVENHAIN
Municipal Water District

Agenda Item 13

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Leo Mendez, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **CONSIDER APPROVAL OF A RESOLUTION AUTHORIZING THE EXECUTION OF AN INSTALLMENT SALE AGREEMENT WITH THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AND AUTHORIZING OMWD STAFF TO NEGOTIATE AND MAKE NECESSARY CHANGES TO SUCH AGREEMENT PRIOR TO EXECUTION**

Purpose

The purpose of this item is to consider approval of a resolution authorizing the execution of an installment sale agreement with the California Infrastructure and Economic Development Bank and authorizing OMWD staff to negotiate and make necessary changes to such agreement prior to execution. Approval of the resolution will allow the District to prepare for closing on the IBank loan before the end of the calendar year, which is currently on track for November 2026.

This item has been reviewed by the District's Bond Counsel, Mr. Lawrence Chan of Stradling Yocca Carlson & Rauth.

Recommendation

Staff recommends that the Board approve the proposed resolution.

Alternative

The Board may elect not to adopt the resolution or not to issue debt. However, if the District does not issue debt for wastewater capital improvement projects, the 5.5 percent annual rate increase assumed in the 2024 Wastewater Rate Study will not be achievable as originally planned and would need to be higher, as it will not sufficiently fund the District's capital spending plan.

Alternatively, the Board could direct staff to pursue a private placement loan with a commercial bank or a public debt issuance. These options were presented to the Board in May as potential alternatives but were not recommended due to higher borrowing costs compared to the IBank program.

Background

The 2024 Wastewater Rate Study assumes issuance of $6.5 million in debt to support planned wastewater capital improvement projects while maintaining annual revenue adjustments of 5.5 percent. Completing this debt issuance is identified as one of the District's 2026 annual objectives (Annual Objective #51).

The District operates its water and wastewater systems as separate enterprise funds, each independently responsible for issuing and repaying debt from system revenues. The water system maintains a AAA credit rating, reflecting its strong financial position and long-term investment capacity. The wastewater system is currently unrated.

Funds from the proposed debt issuance would support improvements to the District's wastewater system, including rehabilitations, replacements, and modifications at the 4S Wastewater Treatment Plant, wastewater pump stations, the collection system, and the Headworks Screening Project.

Following Board approval of the financing team in February 2026, staff, along with Fieldman (Municipal Advisor) and Stradling Yocca Carlson & Rauth (Bond Counsel), evaluated available financing options. Although a private placement or public issuance was originally contemplated, Fieldman identified the IBank program as a more cost-effective option due to lower expected interest rates.

IBank is a state-managed lending program that provides fixed-rate financing to California public agencies and nonprofits for infrastructure development. It serves as an alternative to the municipal bond market, offering loans from $1 million to $65 million

with terms up to 30 years for public works projects, including water and wastewater systems.

At the May 2026 Board meeting, staff presented financing options along with a recommendation to submit a pre-application to IBank. The Board adopted a resolution authorizing staff to submit the pre-application, negotiate loan terms, and declare the District's intent to reimburse eligible project costs from future loan proceeds. That resolution also preserves the District's ability to reimburse costs incurred up to 60 days before adoption. The Finance Committee (Director Maloni and Director Meyers) reviewed and recommended the item in advance of the May meeting.

Staff notified the Board in May that it would return with final loan terms and a request for approval to proceed with IBank debt issuance if the financing proved favorable.

On September 9, 2026, IBank informed OMWD that it had completed its review of the District's audited financial statements and comprehensive application and formally invited OMWD to apply for the loan program, marking a significant milestone in securing financing via IBank. IBank also provided a tentative interest rate of 4.47 percent (represents a 4.75% estimated all-in borrowing cost). OMWD subsequently submitted its application, and formal approval of the loan and loan terms is expected at IBank's Board meeting on October 28, 2026.

In anticipation of IBank's Board approval, staff recommends adoption of the attached resolution authorizing execution of an installment sale agreement with IBank and allowing staff to negotiate and make necessary changes prior to execution. This action will position the District to close on the IBank loan by calendar year-end, with the closing currently anticipated in November 2026. The installment sale agreement presented at this meeting is a form agreement provided by the IBank. The attached resolution authorizes staff to negotiate the final terms of the agreement, including negotiations of provisions to ensure that the agreement does not conflict with OMWD's existing private placement loan documents for the wastewater system entered into in 2021.

Fiscal Impact

Based on Ibank's preliminary interest rate of 4.47%, the IBank loan is expected to provide lower borrowing costs and reduced total debt service compared to a private placement loan. At an estimated all-in cost of 4.75 percent, the IBank loan is approximately 101 basis points lower than the 5.76 percent private placement rate observed in September 2026. This difference is estimated to generate approximately $559,000 in present value savings and reduce gross debt service by $865,175.

Of note, IBank provided OMWD with the preliminary interest rate of 4.47% prior to the Federal Reserve's interest rate increase on September 16, 2026. As of the writing of this memo, financial markets are pricing a high probability of an additional rate increase at the Federal Reserve's October 27–28, 2026 meeting. IBank has indicated to OMWD that it will hold the 4.47 percent interest rate through formal approval of OMWD's loan by the IBank Board on October 28, 2026.

The District anticipates issuing approximately $6.5 million in tax-exempt obligations to support wastewater capital improvement projects. Over the next five years, the District expects to invest approximately $19.6 million in wastewater capital improvements, including the Headworks Screening Project. The proposed 20-year loan term aligns repayment with the useful life of the wastewater assets being financed, supporting intergenerational equity and rate stability consistent with the 2024 Wastewater Rate Study.

Since the Board approved a resolution on May 20, 2026 declaring the District's intent to reimburse eligible project costs from future loan proceeds, preserving the ability to reimburse costs incurred up to 60 days prior to adoption (back to March 20, 2026), OMWD stands ready to submit approximately $900,000 in eligible project costs incurred to date following closing of the IBank loan, which would immediately replenish the wastewater capital fund.

Discussion

Staff evaluated multiple financing options and determined that the IBank program currently offers the most favorable combination of cost, flexibility, and long-term financial benefit. The program is expected to provide lower interest rates and reduced total borrowing costs compared to private placement or public issuance, while avoiding the more extensive documentation requirements associated with a public bond issuance.

Staff and the District's Municipal Advisor, Lora Nichols (Fieldman), will present the attached PowerPoint to the Board summarizing the debt financing options and staff's recommendation. Ms. Nichols and the District's Bond Counsel, Mr. Lawrence Chan (Stradling Yocca Carlson & Rauth), will be available to answer any questions from the Board.

Prepared by: Leo Mendez, Finance Manager
Reviewed by: Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments:

Attachment 1 – Presentation regarding wastewater debt issuance with IBank
Attachment 2 – Resolution
"Exhibit A" to Attachment 2 – IBank Installment Sale Agreement

Attachment 1



OLIVENHAIN
Municipal Water District
A Public Agency

Olivenhain Water District

Board Meeting



October 14, 2026

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Disclaimer

Fieldman, Rolapp & Associates, Inc. is an SEC-registered Municipal Advisor, undertaking a fiduciary duty in providing financial advice to public agencies. Compensation contingent on the completion of a financing or project is customary for municipal financial advisors. To the extent that our compensation for a transaction is contingent on successful completion of the transaction, a potential conflict of interest exists as we would have a potential incentive to recommend the completion of a transaction that might not be optimal for the public agency. However, Fieldman, Rolapp & Associates, Inc. undertakes a fiduciary duty in advising public agencies regardless of compensation structure.

These materials include an assessment of current market conditions, and include assumptions about interest rates, execution costs, and other matters related to municipal securities issuance or municipal financial products. These assumptions may change at any time subsequent to the date these materials were provided. The scenarios presented herein are not intended to be inclusive of every feasible or suitable financing alternative.

Introduction

- Following evaluation of long-term financing options, IBank was determined to be financially advantageous
- The District wants to finance up to $7 million in wastewater capital projects through a loan from California Infrastructure and Economic Development Bank ("IBank")

PROJECT LIST	
Project Title	**Total Project Costs Budget**
Headworks Screening System Improvements	$4,869,000
Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch (WRF-12.1)	$1,476,000
Neighborhood #3 Liner Improvements (CS-6.1)	$594,750
Del Dios SPS Improvements (CS-10.2)	$3,775,000
Midpoint SPS Improvements (CS-9.1)	$2,179,000
PLC Replacement	$1,456,000
Total*	**$14,349,750**

** Reflects an estimated 15% contingency.*

Actions Completed to Date

Board Approved Reimbursement Resolution and authorized submission of Pre-Application Materials

Completed Due Diligence with IBank

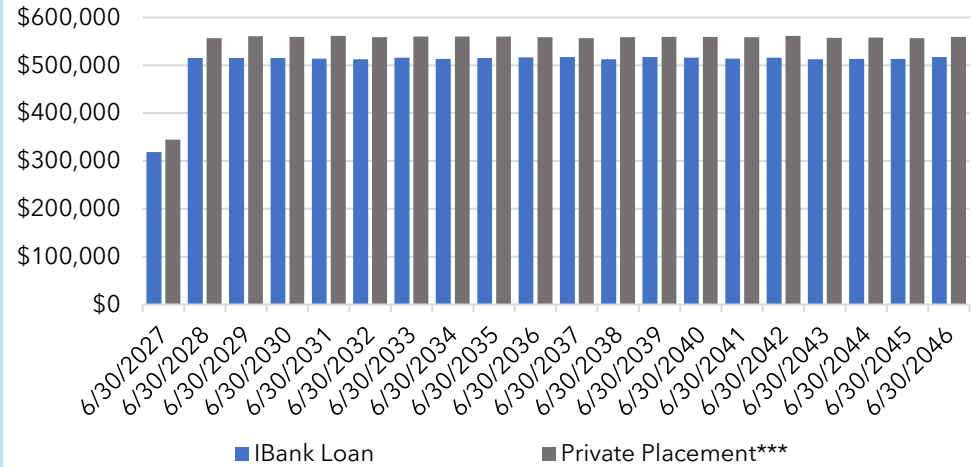
Received indicative interest rate and credit approval at IBank Credit Risk Committee Meeting

OMWD Invited to Apply to IBank Program and Received form of Installment Sale Agreement

Long-Term Debt Comparison*

OPTIONS COMPARISON			
Fiscal Year	20YR Debt Service Options		
	IBank Loan	Private Placement***	Difference
6/30/2027	$318,774	$344,773	-$25,999
6/30/2028	$515,550	$556,950	-$41,400
6/30/2029	$515,493	$560,950	-$45,458
6/30/2030	$514,988	$559,125	-$44,137
6/30/2031	$514,037	$561,750	-$47,714
6/30/2032	$512,638	$558,550	-$45,912
6/30/2033	$515,793	$559,800	-$44,008
6/30/2034	$513,277	$560,225	-$46,949
6/30/2035	$515,314	$559,825	-$44,512
6/30/2036	$516,680	$558,600	-$41,920
6/30/2037	$517,376	$556,550	-$39,174
6/30/2038	$512,402	$558,675	-$46,274
6/30/2039	$516,980	$559,700	-$42,720
6/30/2040	$515,665	$559,625	-$43,961
6/30/2041	$513,679	$558,450	-$44,772
6/30/2042	$516,022	$561,175	-$45,153
6/30/2043	$512,472	$557,525	-$45,054
6/30/2044	$513,251	$557,775	-$44,525
6/30/2045	$513,136	$556,650	-$43,515
6/30/2046	$517,127	$559,150	-$42,024
Total	**$10,100,648**	**$10,965,823**	**-$865,175**

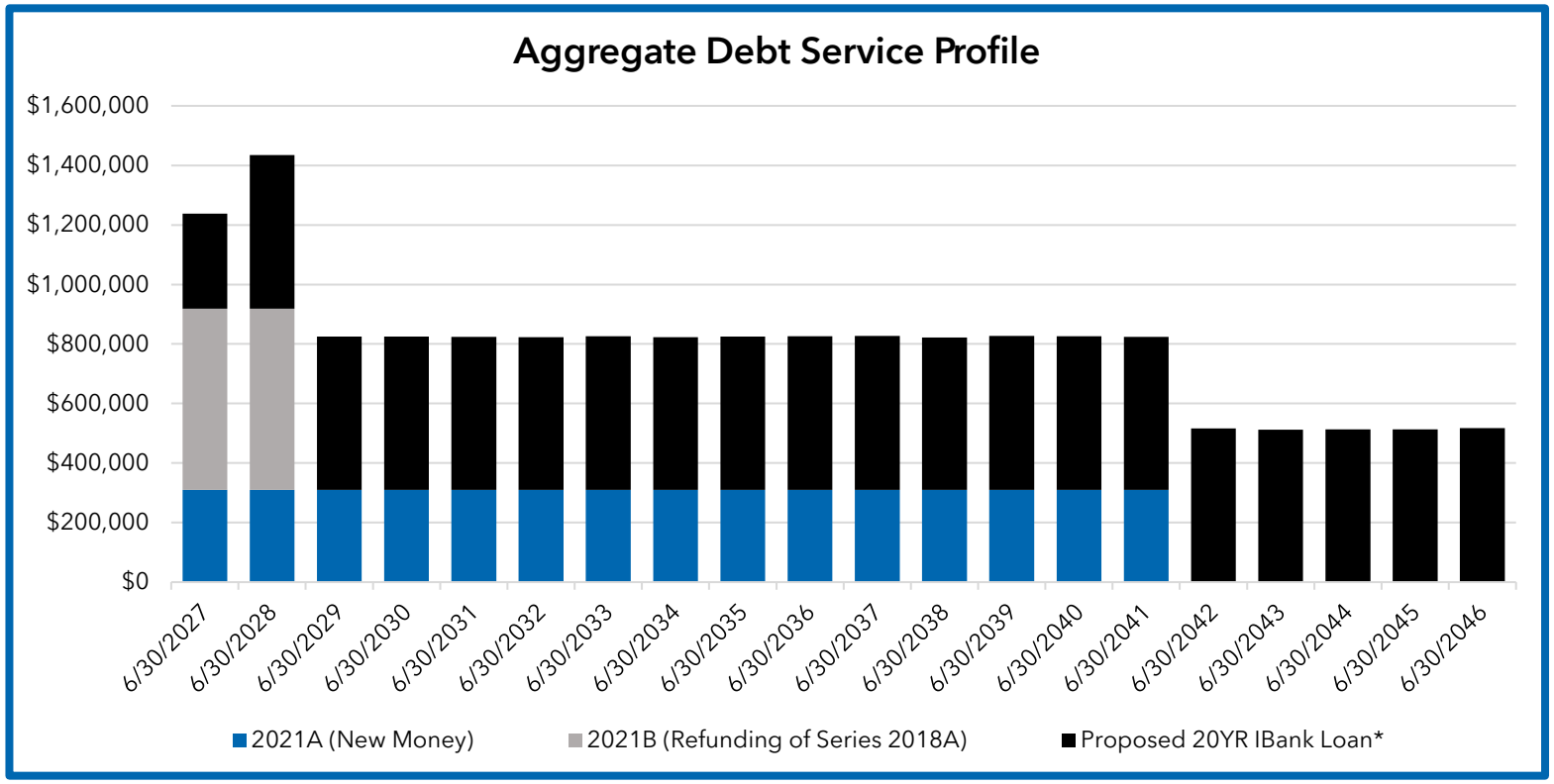
OPTIONS COMPARISON	20YR Debt Service Options	
	IBank Loan	Private Placement***
Gross Debt Service	$10,100,648	$10,965,823
PV Debt Service*	$6,527,017	$7,086,470
Financing Costs	$158,850	$139,750
Interest Rate	4.47%	5.50%
All-In TIC	4.75%	5.76%



* Preliminary, subject to change. Based on current market conditions as of October 7, 2026, and bank rate estimates.
** All options assume a project fund of $6.5 million.
*** PV Debt Service computed using discount rate of 4.47%.
**** Private Placement transaction assumes an estimated interest rate of 5.5% based on current market conditions. IBank assumes indicative rate of 4.47%. Actual interest rate and loan terms would be dependent on a competitive RFP process which may take up to two months.

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Aggregate Debt Service Profile



* Preliminary, subject to change. Based on current market conditions as of September 2026, and IBank indicative rate estimate.

Wastewater Installment Sale Agreement

IBank Terms	Comments / Discussion
No prepayment prior to 10-years	Requires a Prepayment Agreement to be signed by IBank
Additional Payments equal to Annual Fee of ~0.15% and other fees	Payable as Debt Service (affects Net Revenue and Future Parity Test) and due annually
Reporting Requirements* due [180 days after FYE]	Audited financial statements, number of users, coverage calculation, facility expansions, certifications, material events, employment and other public benefits
Standard Rate Covenant of 120% and 100% of all-in.	Parity Obligations have 125% test. If test is missed, allows for use of Rate Stabilization Fund
Burdensome Parity Test of 120% MADS; Refundings are exempt from test if it has lower debt service	Finance Team to request Annual Debt Service Requirement Allows for additional revenue to be included in calculation
Requirement to complete projects within three years	Standard to spend 85% of project costs within three years
Default Rate of 12%	Finance team to request a lower interest rate. Default Rate also charged on late payments of Additional fees
No Reserve Fund	If the District enters into future Parity Obligations with a reserve fund, IBank also requests a reserve fund, unless waived

** Requires liquidated damages of $1,000 monthly for Noncompliance with Reporting Compliance.*

Financing Schedule

	Date	Item
	Tuesday, September 8, 2026	IBank Credit Risk Committee Meeting – indicative interest rate and credit approval
	Tuesday, September 15, 2026	District submits one-page application to officially apply to the IBank loan program
	Wednesday, October 14, 2026	OMWD Board Meeting to consider approval of form of Installment Sale Agreement
	Wednesday, October 28, 2026	IBank Board Meeting to approve the loan
	November 2026	Negotiation final Installment Sale Agreement with IBank, Finalize Closing Documents and Financial Close

Recommendation

Recommend Approval Of A Resolution Authorizing The Execution Of An Installment Sale Agreement With The California Infrastructure And Economic Development Bank And Authorizing OMWD Staff To Negotiate And Make Necessary Changes To Such Agreement Prior To Execution

QUESTIONS & DISCUSSION

Attachment 2

RESOLUTION NO. _____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT AUTHORIZING THE EXECUTION OF AN INSTALLMENT SALE AGREEMENT WITH THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FOR THE PURPOSE OF FINANCING CAPITAL PROJECTS, AUTHORIZING STAFF TO NEGOTIATE AND MAKE NECESSARY CHANGES TO SUCH AGREEMENT PRIOR TO EXECUTION AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

WHEREAS, the Olivenhain Municipal Water District (the "District") is a municipal water district that is duly organized and existing under and pursuant to the California Water Code;

WHEREAS, the District desires to finance the costs of acquiring, constructing and installing certain public facilities and improvements for the District's wastewater system (collectively, the "Project").

WHEREAS, the District has determined that it is in the best interest of the District to enter into an Installment Sale Agreement (the "Installment Sale Agreement") with the California Infrastructure and Economic Development Bank (the "IBank") to finance the Project subject to certain limitations described herein, to approve certain other documents and to provide for the financing of the Project.

WHEREAS, the Installment Sale Agreement will be payable from net revenues of the District's wastewater system.

NOW, THEREFORE, the BOARD OF DIRECTORS OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

SECTION 1. The foregoing recitals are true and correct.

SECTION 2. The form of the Installment Sale Agreement, which is attached hereto as Exhibit A, is hereby approved. The General Manager and the Finance Manager are hereby authorized to negotiate such changes to the form of the Installment Sale Agreement presented at this meeting with the IBank, and to make such revisions, insertions and omissions based on such negotiations as such officers deem appropriate and to be in the best interest of the District, and as may be required or approved by the District's General Counsel or Stradling Yocca Carlson & Rauth LLP, as Special Counsel. The President of the Board, the Secretary and the General Manager (collectively, the "Authorized Officers") are authorized to execute and deliver the Installment Sale Agreement in the final form agreed to with the IBank; provided that: (i) the Installment Sale Agreement shall not have a term later than June 1, 2046; (ii) the total principal amount of the Installment Sale Agreement shall not exceed $7,000,000; and (iii) the interest rate with respect to the Installment Sale Agreement shall not exceed 5.25% (except in an event of default as set forth in the

Installment Sale Agreement), and which in no event shall exceed the maximum interest rate permitted by law.

SECTION 3. The proceeds of the Installment Sale Agreement shall be applied to finance the Project in accordance with the Installment Sale Agreement.

SECTION 4. The Authorized Officers or any other proper officer of the District, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Installment Sale Agreement and this resolution. In the event that the President of the Board is unavailable to sign any of the documents that are described herein, any other member of the Board may sign such document.

SECTION 5. The good faith estimates of costs related to the Installment Sale Agreement which are required by Section 5852.1 of the California Government Code are disclosed in Exhibit B hereto and are available to the public at the meeting at which this resolution is approved.

SECTION 6. This resolution shall take effect immediately.

PASSED, ADOPTED AND APPROVED at a regular Board meeting of the Board of Directors of the Olivenhain Municipal Water District held on October 14, 2026.

_____

Matthew R. Hahn, President
Board of Directors
Olivenhain Municipal Water District

Attest:

_____

Christy Guerin, Secretary
Board of Directors
Olivenhain Municipal Water District

EXHIBIT A

[FORM OF INSTALLMENT SALE AGREEMENT]

EXHIBIT B

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Installment Sale Agreement in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by Fieldman, Rolapp & Associates, Inc. (the District's "**Municipal Advisor**").

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan, its good faith estimate of the principal amount of the Installment Sale Agreement is **$6,660,000** (the "**Estimated Principal Amount**").

True Interest Cost. The Municipal Advisor has informed the District that, based on the Estimated Principal Amount, its good faith estimate of the true interest cost of the Installment Sale Agreement, which means the rate necessary to discount the amounts payable on the installment payments under Installment Sale Agreement, is **4.47%**.

Finance Charge. The Municipal Advisor has informed the District that its good faith estimate of the finance charge for the Installment Sale Agreement, which means the sum of all fees and charges paid to third parties (or costs associated therewith), is **$158,850**.

Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, based on the Estimated Principal Amount, its good faith estimate of the amount of proceeds expected to be received by the District, less such finance charge, as estimated above, and any reserves or capitalized interest paid or funded, is **$6,501,150**.

Total Payment Amount. The Municipal Advisor has informed the District that, based on the Estimated Principal Amount and the **4.47%** per annum interest rate for the Installment Sale Agreement provided by the IBank, its good faith estimate of the total payment amount, which means the sum total of all installment payments the District will make, plus such finance charge, as described above, not paid with the proceeds of the Installment Sale Agreement, calculated to the final payment of the Installment Sale Agreement, is **$10,100,648**.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Installment Sale Agreement, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual principal amount of Installment Sale Agreement being different from the Estimated Principal Amount; (b) the actual amortization of the Installment Sale Agreement being different than the amortization assumed for purposes of such estimates; (c) the actual interest rate at the time of execution and delivery of the Installment Sale Agreement being different than those estimated for purposes of such estimates; (d) other market conditions; or (e) alterations in the District's financing plan, delays in the financing, additional legal work or a combination of such factors and additional finance charges, if any, attributable thereto. The actual date of execution and delivery of the Installment Sale Agreement and the actual principal amount of Installment Sale Agreement will be determined by the District based on the timing of the need for proceeds of the Installment Sale Agreement and other factors.

INSTALLMENT SALE AGREEMENT

by and between the

THE BORROWER,
as Purchaser

and the

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK ("IBANK"),
as Seller

_____

Dated as of MONTH __, 20XX

Agreement No. 27-__

Loan Amount

INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, is dated as of MONTH __, 20XX (the "Agreement"), by and between the BORROWER, a municipal corporation, as purchaser (the "Purchaser" or the "City"), duly organized and validly existing under the laws of the State of California, and the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, as seller ("IBank"), duly organized and validly existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (the "Act"). IBank and the Purchaser are hereinafter at times collectively referred to as the "Parties" and individually as a "Party." Terms and words used herein with their initial letter, or letters, capitalized shall have the meanings set forth in Section 1.01 of this Agreement, or the meanings set forth in this paragraph, as applicable.

W I T N E S S E T H:

WHEREAS, DESCRIPTION OF PROJECT.

WHEREAS, the Purchaser sought financing for the aforementioned improvements payable from and secured by the net system revenues from the City's Enterprise Fund and all legally available amounts in the Enterprise Fund from IBank and IBank wishes to provide such financing;

WHEREAS, on DATE, the Purchaser adopted Resolution No XXX, a copy of which is attached hereto as Exhibit A, authorizing the purchase from IBank of the Facility, as evidenced by this Agreement;

WHEREAS, IBank has issued, or intends to issue, its tax-exempt Proceeds Bonds, the proceeds of which may be used to provide all or a portion of the Facility Funds;

WHEREAS, IBank may pledge its rights, including the rights to receive payments, under this Agreement to secure certain Secured Bonds that it has issued, or intends to issue, for the benefit of its programs, and the Purchaser acknowledges that the issuance or existence of both the Proceeds Bonds and the Secured Bonds impacts its rights and obligations as described herein; and

NOW, THEREFORE, in consideration of these premises and the mutual agreements herein contained, the parties do hereby agree as follows:

ARTICLE I

DEFINITIONS, RULES OF CONSTRUCTION, AND CONDITIONS PRECEDENT

SECTION 1.01. Definitions. Unless the context clearly otherwise requires, the capitalized terms in this Agreement shall have the respective meanings set forth below.

"Act" means the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing at section 63000 thereof) as now in effect and as it may from time to time hereafter be amended.

"Additional Payments" means the payments made pursuant to Section 2.06.

"Agreement" means this Installment Sale Agreement, between IBank and the Purchaser, as originally entered into and as amended from time to time pursuant to the provisions hereof.

"Amortization Schedule" means that certain amortization schedule attached hereto as Exhibit E.

"Amortization Terms" shall have the meaning set forth in Section 2.03(d).

"Authorized Prepayment Period" has the meaning set forth in Section 2.08(b).

"Business Day" means any day, Monday through Friday, which is not a legal holiday of the State or the Trustee.

"Certificate of the Purchaser" means a written request or certificate signed by a duly authorized representative of the Purchaser.

"Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

"Criteria" means the "Criteria, Priorities, and Guidelines for the Selection of Projects for Financing under the ISRF Program" dated November 16, 2022, as may thereafter be amended from time to time.

"Current Guidelines" has the meaning set forth in Section 5.07(g).

"Current Revenues" means revenues that are both received by the Purchaser and utilized for the payment of the Purchase Price under this Agreement within a six-month period.

"Debt Service" means, for any Fiscal Year, the sum of interest, and principal due and payable under this Agreement during such Fiscal Year, the IBank Annual Fee for such Fiscal Year, and any Parity Debt Service for such Fiscal Year.

"Effective Date" means the date on which this Agreement is last executed, as set forth on the signature page hereto, and is the date this Agreement becomes effective and binding on the Purchaser and IBank, subject to this Agreement's terms and conditions.

"Enterprise Fund" means the wastewater enterprise fund separate and apart from the Purchaser's general operating funds, established by the Purchaser into which all System Revenues are deposited and maintained by the Purchaser pursuant to Section 3.02 and in which IBank has a certain security interest pursuant to the terms of this Agreement. The Purchaser's Enterprise Fund is composed of the funds received from the collection, conveyance, and treatment of wastewater from Purchaser's customers.

"Event of Default" means any of the events described in Section 7.01.

"Facility" means those improvements financed with the Facility Funds provided by IBank and to be sold by IBank to the Purchaser pursuant to terms and conditions of this Agreement as more particularly described in Exhibit B, hereto.

"Facility Costs" means the costs of the activities set forth in Exhibit B hereto for the construction, acquisition and/or installation of the Facility, all as approved by IBank in its sole and absolute discretion.

"Facility Delivery" has the meaning set forth in Section 2.02.

"Facility Funds" means the money provided by IBank to the Purchaser, as agent for IBank, pursuant to this Agreement to purchase and/or construct the Facility as set forth in Section 2.05. The amount of Facility Funds equals the total principal component of the Purchase Price set forth in Section 2.03(b)(1).

"Facility Funds Reduction" means the reduction of the total Facility Funds amount by all or a portion of the Facility Funds not disbursed previously.

"Facility Funds Reduction Request" means a written request of the Purchaser to reduce the amount of total Facility funds by all or a portion of the Facility Funds not disbursed previously.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve month period selected and designated by the Purchaser as its official fiscal year period and approved by IBank.

"IBank Annual Fee" means the fee payable to IBank pursuant to Section 2.06 and calculated, including for any pro rata portion, pursuant to Section 2.03.

"IBank Fiscal Year" means any twelve month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive.

"Independent Accountant" means any certified public accountant or firm of certified public accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Purchaser who, or each of whom:

(a) Is in fact independent and not under the direct or indirect control of the Purchaser or IBank;

(b) Does not have any substantial interest, direct or indirect, in the Purchaser, IBank, or the Facility; and

(c) Is not connected with the Purchaser or IBank as a member, officer, or employee of the Purchaser or IBank, but who may be regularly retained to make reports to the Purchaser or IBank.

"Independent Consultant" means any consultant or firm of such consultants judged by the Purchaser to have experience in matters relating to the collection of System Revenues or other experience with respect to the financing of System projects, as appropriate, appointed and paid by the Purchaser who, or each of whom:

(a) Is in fact independent and not under the direct or indirect control of the Purchaser or IBank;

(b) Does not have any substantial interest, direct or indirect, in the Purchaser or IBank; and

(c) Is not connected with the Purchaser or IBank as a member, officer or employee of the Purchaser or IBank, but who may be regularly retained to make reports to the Purchaser or IBank.

"Installment Payments" means the principal and interest payments to be made by the Purchaser to IBank in payment of the Purchase Price hereunder.

"Interest Payment Date" means February 1 and August 1 of every year in which the Purchase Price remains unpaid.

"Investment Property" means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax Exempt Obligation unless such obligation is a "specified private activity bond" within the meaning of section 57(a)(5)(C) of the Code.

"IRS" has the meaning set forth in Section 5.07(g).

"Liquidated Damages Charge" has the meaning set forth in Section 2.06(a)(4).

"Liquidated Damages Period" has the meaning set forth in Section 5.03(f).

"Maximum Annual Debt Service" means as of the date of calculation, the greatest total Debt Service payable in any Fiscal Year during which this Agreement is in effect.

"Maximum Rate" has the meaning set forth in Section 8.23.

"Net System Revenues" means, for any Fiscal Year, all System Revenues received by the Purchaser for such Fiscal Year less the Operations and Maintenance Costs for such Fiscal Year.

"Nongovernmental Persons" means any person or entity other than any state, or political subdivision of a state, but excludes the United States and its agencies or instrumentalities.

"Operations and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the Purchaser for maintaining and operating the System, determined in accordance with generally accepted accounting principles, consistently applied, including all reasonable expenses of management, costs of repair, acquisition of material, equipment, electricity, fuel, or water, and all other expenses necessary to maintain and preserve the System in good repair and

working order, and including all administrative costs of the Purchaser that are charged directly or apportioned to the operation of the System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the System and insurance premiums, and including all other reasonable and necessary costs of the Purchaser or charges required to be paid by it to comply with the terms hereof; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Purchaser and approved by IBank, or appointed by IBank, and in all cases paid for by the Purchasers and acceptable to IBank in its sole and absolute discretion.

"Origination Fee" means a payment in the amount of (Calculated 1% of loan total) that shall be due and payable by the Purchaser on the Effective Date.

"Parity Debt" means to the extent outstanding, the obligation to pay money established or evidenced by any Parity Debt Instrument, including any loan, bond, note, advance, installment sale agreement, capital lease or other indebtedness or agreement to incur or pay indebtedness, payable from and/or secured by a lien on the Net System Revenues and/or legally available amounts in the Enterprise Fund, on parity with the lien established by this Agreement securing the Installment Payments and Additional Payments, issued or incurred pursuant to and in accordance with the provisions of Section 2.11.

"Parity Debt Instrument" means, collectively, any instrument establishing, evidencing, governing, or securing Parity Debt, including without limitation any indenture, lease, installment sale agreement, or loan agreement relating to such Parity Debt, as applicable.

"Parity Debt Service" means, for any Fiscal Year, the sum of: (1) the principal and interest due and payable during such Fiscal Year for all outstanding Parity Debt, and (2) annual fees, if any, under Parity Debt or established by a Parity Debt Instrument.

"Payment Account" means the funds or accounts (or any portions of any funds or accounts), established pursuant to Section 2.03(c) hereof, that will hold monies that the Purchaser expects to use to pay the Purchase Price under this Agreement.

"Phase I Environmental Site Assessment" means an investigation of the environmental condition of the Facility, including all improvements and real property as well as surrounding improvements and real property, to determine the possibility of contamination, based on visual observation, interviews with knowledgeable persons, and the review of records and databases, in a manner consistent with the current standards and practices employed typically by State Registered Environmental Assessors, or other professionals licensed in the State as engineers or geologists, performing environmental assessments in the same general geographic location as the Facility.

"Phase II Environmental Site Assessment" means the in-situ sampling and laboratory analysis of any contamination discovered in connection with a Phase I Environmental Site Assessment, in a manner consistent with the current standards and practices employed typically

by State Registered Environmental Assessors, or other professionals licensed in the State as engineers or geologists, performing environmental assessments in the same general geographic location as the Facility.

"Preliminary Costs" means architectural, engineering, surveying or soil testing costs, reports such as environmental impact reports, Phase I or Phase II Environmental Site Assessments, feasibility studies, rate studies and CEQA reports, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project, but not land acquisition, site preparation or similar costs incident to the commencement of construction.

"Prepayment Agreement" has the meaning set forth in Section 2.08(f).

"Prepayment Request" means any written request of the Purchaser to prepay all or a portion of the principal component of the Purchase Price.

"Prior Guidelines" has the meaning set forth in Section 5.07(g).

"Proceeds Bonds" means bonds issued, or to be issued, by IBank the proceeds of which may be used, in whole or part, to provide the Facility Funds.

"Prohibited Prepayment Period" has the meaning set forth in Section 2.08(a)(2).

"Prop 218 Law" means, collectively, the California Constitution article XIII D, the statutes implementing it, and the published California Appellate Court and Supreme Court decisions interpreting it in effect on the Effective Date and as such law may be amended or interpreted from time to time.

"Purchase Price" means the principal amount plus the interest thereon owed by the Purchaser to IBank under the conditions and terms hereof for the payment of the costs of the Facility, and the incidental costs and expenses related thereto paid by IBank.

"Purchaser Representative" shall have the meaning set forth in Section 8.10 hereto.

"Rate Challenge" shall have the meaning set forth in Section 5.26 hereto.

"Replacement Agreement Covenant" shall have the meaning set forth in Section 5.11.

"Report" means a written document signed by an Independent Consultant or an Independent Accountant, and including:

(a) A statement that the person or firm making or giving such Report has read the pertinent provisions of this Agreement to which such Report relates;

(b) A brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) A statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Reporting Covenants" shall have the meaning set forth in Section 5.03(f).

"Revised Amortization Schedule" shall have the meaning set forth in Section 2.03(f).

"Secured Bonds" means bonds of one or more series issued, or to be issued, by IBank to which certain rights of IBank under this Agreement, including the right to receive the Installment Payments, may be from time to time pledged or assigned directly or indirectly as security for such bonds.

"Senior Debt" means the obligation to pay money established or evidenced by any Senior Debt Instrument, including any loan, bond, note, advance, installment sale agreement, capital lease or other indebtedness or agreement to incur or pay indebtedness, payable from and/or secured by a lien on the Net System Revenues and/or legally available amounts in the Enterprise Fund, which is senior to the lien established by this Agreement securing the Installment Payments and Additional Payments. As of the date of this Agreement, the City has not issued any outstanding Senior Debt.

"Senior Debt Instruments" means, collectively, any instrument establishing, evidencing, governing, or securing Senior Debt, including without limitation any indenture, lease, installment sale agreement, or loan agreement relating to such Senior Debt, as applicable.

"Service Contract" has the meaning set forth in Section 5.07(g).

"State" means the State of California.

"Subordinate Debt" means the obligation to pay money established or evidenced by any Subordinate Debt Instrument, including any loan, bond, note, advance, installment sale agreement, capital lease or other indebtedness or agreement to incur or pay indebtedness, payable from and/or secured by a lien on Net System Revenues and/or legally available amounts in the Enterprise Fund, which is subordinate to the lien established by this Agreement securing the Installment Payments and Additional Payments.

"Subordinate Debt Instruments" means, collectively, any instrument establishing, evidencing, governing, or securing Subordinate Debt, including without limitation any indenture, lease, installment sale agreement, or loan agreement relating to such Subordinate Debt, as applicable.

"Subordinate Debt Service" means, for any Fiscal Year, the sum of: (1) the principal and interest due and payable during such Fiscal Year for all outstanding Subordinate Debt, and (2) annual fees, if any, under Subordinate Debt or established by a Subordinate Debt Instrument.

"System" means the entire wastewater collection, conveyance and treatment system owned or operated by the Purchaser, including but not limited to all facilities, real and personal property, works, improvements, rights, or entitlements at any time owned, operated or

determined to be part of the System by the Purchaser for the collection, conveyance, and treatment of wastewater within the service area of the Purchaser, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements or additions thereto hereafter acquired, constructed or installed by the Purchaser.

"System Revenues" means, for each Fiscal Year, all gross income and revenue received or receivable by the Purchaser from the ownership or operation of the System, determined in accordance with generally accepted accounting principles, consistently applied, including all rates, fees and charges (including connection fees and charges) received by the Purchaser for the services of the System, and all other income and revenue howsoever derived by the Purchaser from the ownership or operation of the System or arising from the System, and also including all legally available income from the deposit or investment of any money in the Enterprise Fund or any rate stabilization fund, and the proceeds of any taxes, but excluding in all cases any refundable deposits made to establish credit, and advances or contributions in aid of construction.

"Tax Exempt Obligation" means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to section 103 of the Code, and Title XIII of the Tax Reform Act of 1986, as amended, as well as stock in a regulated investment company to the extent at least ninety-five percent (95%) of income to the stockholder is treated as interest that is excludable from gross income under section 103 of the Code.

"Trustee" means the trustee acting in its capacity as such in connection with any Proceeds Bonds or Secured Bonds, or any successor or assignee as therein provided, including IBank.

SECTION 1.02. Rules of Construction.

Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa, and pronouns inferring the masculine gender shall include the feminine gender and vice versa. All references herein to particular articles or sections are references to articles or sections of this Agreement. The headings, subheadings and Table of Contents herein are solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meanings, construction or effect. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Agreement.

SECTION 1.03. Conditions Precedent.

IBank shall have no obligation under this Agreement until the following conditions precedent have, in IBank's reasonable discretion, been satisfied fully.

(a) IBank shall have received a copy of this Agreement bearing the Purchaser's original signature and IBank shall have counter-signed this Agreement and provided a copy of this Agreement bearing its signature to the Purchaser.

(b) IBank shall have received a copy of a resolution duly adopted by the Purchaser's governing body approving entry into this Agreement in form and content acceptable to IBank, a copy of which shall be attached hereto as Exhibit A.

(c) IBank shall have received an originally executed copy of an opinion of the Purchaser's legal counsel in form and content substantially similar to the Form of Opinion of Legal Counsel to the Purchaser attached hereto as Exhibit D, portions of which opinion may be provided by the City Attorney with respect to matters within the knowledge of the City Attorney and other portions of which may be provided by the City's bond counsel firm.

(d) The Purchaser shall have paid to IBank the Origination Fee.

(e) The Purchaser shall have provided satisfactory evidence that it has expended fully its funds, or has immediately available committed funds to expend, for each of the items in Exhibit H, Schedule of Sources and Uses of Facility Funds, denoted to be the responsibility of the Purchaser, if any.

ARTICLE II

TERMS OF SALE

SECTION 2.01. Purchase and Sale.

IBank hereby agrees to sell to the Purchaser, and the Purchaser hereby agrees to purchase from IBank, the Facility under and subject to the terms of this Agreement. This Agreement constitutes a continuing agreement between the Purchaser and IBank to secure the full and final payment of the Purchase Price, subject to the covenants, agreements, provisions and conditions herein contained.

SECTION 2.02. Design, Acquisition, Construction, and Sale of the Facility.

(a) IBank hereby agrees to perform all necessary acts, including but not limited to acquisition, entitlement, permitting, installation, design, remediation and improvement, to construct and deliver an operational Facility ("Facility Delivery") for the benefit of, and to sell the Facility to, the Purchaser. In order to implement this provision, IBank hereby appoints the Purchaser as its agent for the purpose of performing all necessary acts to achieve Facility Delivery; and the Purchaser hereby accepts such appointment and agrees to perform all acts necessary to achieve Facility Delivery, including, but not limited to, entry into such engineering, design and construction contracts and purchase orders as may be necessary, as agent for IBank, to achieve Facility Delivery. The Purchaser hereby agrees that as such agent it will cause the Facility Delivery to be diligently pursued and completed as soon as reasonably possible given the nature of, and inherent challenges in connection with, the construction of the Facility and prevailing market conditions. IBank hereby agrees to sell, and hereby sells, the Facility to the Purchaser. The Purchaser hereby agrees to purchase, and hereby purchases, the Facility from IBank. Notwithstanding the foregoing, it is hereby expressly understood and agreed that IBank shall have no obligations whatsoever for Facility Delivery and shall, except for providing the Facility Funds pursuant to the terms of this Agreement, be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the Purchaser

(whether as agent for IBank or otherwise) for any of the actions associated with the Facility Delivery and that all such costs and expenses shall be paid by the Purchaser, regardless of whether Facility Funds are sufficient to cover all such costs.

(b) The Purchaser represents and warrants that all construction contracts and subcontracts necessary for Facility construction have been or will be awarded pursuant to all public contracting requirements applicable to the Purchaser for similar construction contracts and subcontracts.

(c) The Purchaser agrees to achieve Facility Delivery on or before September 25, 2027.

(d) In the event IBank is served with a stop payment notice in connection with the Facility, the Purchaser shall within thirty (30) days cause such stop payment notice to be discharged or released, whether by payment of the sum requested in such stop payment notice, by procurement of a stop payment notice release bond, or by any other legally available means. IBank shall withhold from the Purchaser amounts sufficient to pay the claim stated in the stop payment notice, and to otherwise comply with applicable law, until such stop payment notice is released and/or discharged to IBank's satisfaction, in its sole and absolute discretion.

SECTION 2.03. Payment of Purchase Price; Term; Interest Rates.

(a) The Purchase Price to be paid by the Purchaser to IBank hereunder is the sum of the principal amount of the Purchaser's obligation hereunder plus interest, subject to prepayment as provided in Section 2.08. Interest shall accrue on the entire principal balance, whether or not disbursed, as set forth in the Amortization Schedule.

(b) For purposes of this Agreement:

(1) The total principal amount of the Purchase Price to be paid by the Purchaser to IBank hereunder is twenty-six million dollars (LOAN AMOUNT).

(2) The term of this Agreement commences on the Effective Date and ends on [***Insert specific final maturity/final payment date***], except as sooner terminated as set forth herein or otherwise extended.

(3) The interest rate is X.XX% per annum.

(c) For purposes of compliance with federal tax laws applicable to IBank's Proceeds Bonds and/or Secured Bonds, the Purchaser hereby establishes a "Payment Account" within the Enterprise Fund and agrees to deposit monies intended for paying such Installment Payments in the Payment Account until the time that such Installment Payments become due and payable whereupon the Purchaser would take steps to pay Installment Payments as provided herein.

(d) The Purchaser shall make Installment Payments of principal and interest as set forth in the Amortization Schedule. IBank shall calculate the Amortization Schedule based on (i) the initial principal amount of the Purchase Price as set forth in Section 2.03(b)(1) hereto, (ii) the term of this Agreement as set forth in Section 2.03(b)(2) hereto, and (iii) the interest rate as

set forth in Section 2.03(b)(3) hereto (collectively, the "Amortization Terms"), and shall attach the Amortization Schedule as Exhibit E hereto upon the Effective Date. Interest shall commence to accrue hereunder on ***[Insert Hard Date]***, as set forth in the Amortization Schedule. All payments of interest and the IBank Annual Fee shall be computed on the basis of a 360-day year of 12 30-day months. In the absence of manifest error, the Amortization Schedule shall be final, conclusive, and binding on the Purchaser.

(1) The first principal payment shall be due _____, as set forth in the Amortization Schedule.

(2) Interest only payments will be based upon the total outstanding principal component of the Purchase Price, including the amounts not disbursed, using an interest rate of three and ninety-five hundredths' percent (3.95%) per annum.

(3) Interest shall accrue on the entire outstanding principal balance of the Purchase Price, whether or not Facility Funds have been disbursed, all as set forth in the Amortization Schedule. Provided, however, as an offset against interest paid on undisbursed Facility Funds, the Purchaser shall receive payment following the end of each IBank Fiscal Year on any undisbursed portions of the Facility Funds (excepting any undisbursed Facility Funds subject to a Facility Funds Reduction, as set forth in this Agreement of the lesser of: (i) the actual interest earned by IBank during such IBank Fiscal Year on the undisbursed portions of the Facility Funds, or (ii) the interest that would have accrued during such IBank Fiscal Year on the undisbursed portions of the Facility Funds calculated using the interest rate of this Agreement. Said reimbursement shall be in the form of a check payable to the order of the Purchaser at the address set forth in Section 8.09 of this Agreement on or about the ninetieth (90th) calendar day following the end of the IBank Fiscal Year.

(e) Commencing on the day following the end of the interest only period (if any), the principal component of the Purchase Price shall be fully amortized over the remaining term of this Agreement.

(f) IBank may, in its sole and absolute discretion, revise the Amortization Schedule (a "Revised Amortization Schedule") subsequent to the Effective Date to (i) correct any computational error in the prior Amortization Schedule, (ii) account for any partial prepayment permitted under Section 2.08, or (iii) account for any Facility Funds Reduction permitted under Section 2.08. Any Revised Amortization Schedule shall be calculated (i) such that IBank will receive the aggregate sum of all principal and interest Installment Payments it would have received had the Amortization Schedule been calculated correctly based on the Amortization Terms and interest commenced to accrue on **[*Insert hard date*]**, (ii) to account for any partial prepayment, or (iii) to account for any Facility Funds Reduction, as applicable. The Revised Amortization Schedule shall be incorporated herein automatically upon its completion by IBank, and in the absence of manifest error, any such Revised Amortization Schedule will be final, conclusive, and binding on the Purchaser.

(g) The obligation of the Purchaser to pay the Purchase Price by paying the Installment Payments and Additional Payments is, subject to Section 5.10, absolute and unconditional; and until such time as the Purchase Price shall have been paid in full, the

Purchaser shall not discontinue or suspend any Installment Payments or Additional Payments required to be paid by it under this Agreement when due, whether or not the Facility or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part; and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

SECTION 2.04. Payment on Business Days.

Whenever in this Agreement any amount is required to be paid on a day that is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day.

SECTION 2.05. Disbursement of Facility Funds.

(a) IBank shall disburse Facility Funds solely for the purposes set forth in Exhibit F hereto. The aggregate sum of disbursements for each category set forth in Exhibit F shall not exceed the corresponding amounts set forth in Exhibit F. Upon compliance with disbursement conditions set forth herein and receipt of a written request for disbursement, IBank will disburse a portion of the Facility Funds to the Purchaser for Facility Costs in amounts of at least five thousand dollars ($5,000), up to a total aggregate amount not to exceed the Facility Funds. All requests for payment shall be accompanied by information and documentation as may be requested by IBank to determine the amount of Facility Funds to be disbursed.

(b) Each disbursement request shall specify one or more of the following for Facility Funds sought in the disbursement request:

(1) The Purchaser previously paid the Facility Costs and is requesting reimbursement; or

(2) The Purchaser will pay the Facility Costs directly upon receipt of funds from IBank.

(c) By submitting to IBank a disbursement request of the type set forth in subparagraph (b)(1), above, the Purchaser represents and warrants that it has previously paid the Facility Costs indicated in such disbursement request. By submitting to IBank a disbursement request of the type set forth in subparagraph (b)(2), above, the Purchaser represents and warrants that it will pay the Facility Costs indicated in such request directly upon receipt of funds from IBank.

(d) No Facility Funds shall be disbursed unless and until IBank receives documentation, satisfactory to IBank, demonstrating that the Purchaser has incurred costs that constitute both reasonable and necessary Facility Costs and which are consistent with the cost categories, amounts and requirements described in this Agreement.

(e) Unless otherwise consented to in writing by IBank, the Purchaser must: (1) begin Facility construction no later than six months after the Effective Date; (2) achieve Facility Delivery and commence occupation and use of the Facility by the date set forth in paragraph

2.02(c); and (3) submit final invoices to IBank for the entire amount of the Facility Funds no later than 35 months after the Effective Date. If the Purchaser fails to meet any of these conditions, IBank may, among other legally available remedies, elect to withhold any and all undisbursed Facility Funds pursuant to Section 2.14 herein.

(f) Notwithstanding any contrary provisions of this Agreement or any related documents, under no circumstances will IBank be obligated to make disbursements in excess of the lesser of (i) actual Facility Costs incurred or (ii) the amount of the Facility Funds.

(g) Not more than ninety-five percent (95%) of each invoice payable from Facility Funds designated for construction shall be disbursed until IBank receives a recorded notice of completion for the Facility or other evidence of completion satisfactory to IBank and the Purchaser has met all conditions precedent to final disbursement set forth herein.

SECTION 2.06. Additional Payments.

(a) The Purchaser shall pay Additional Payments to IBank as follows:

(1) A payment of the IBank Annual Fee on August 1st of each year during the term of this Agreement in an amount equal to fifteen hundredths' of one percent (0.15%) of the outstanding principal component of the remaining Installment Payments as set forth in the Amortization Schedule; and

(2) Amounts in each year as shall be required by IBank for the payment of extraordinary expenses of IBank in connection with any amendment or modification of this Agreement requested by the Purchaser, any Event of Default, or the enforcement of this Agreement or any amendments hereto, including all expenses, fees and costs of accountants, trustees, and attorneys, litigation costs, insurance premiums and all other extraordinary costs of IBank. Extraordinary expenses and extraordinary costs are those expenses and costs related to this Agreement that IBank determines in its reasonable discretion to be in excess of ordinary and customary expenses and costs incurred as part of the IBank Annual Fee pursuant to this Section 2.06. IBank shall from time-to-time submit invoices to the Purchaser for such Additional Payments, together with any appropriate supporting documents for such extraordinary costs or expenses. The Purchaser shall pay such invoices within 45 calendar days of receipt;

(3) The Purchaser shall deposit the IBank Annual Fee with IBank not later than August 1st of each year and the Purchaser shall pay to IBank the amount billed pursuant to subsection (2) within thirty (30) days from the date of the invoice. Any amounts not promptly paid shall accrue interest at the lesser of twelve percent (12%) per annum or the Maximum Rate; and

(4) Unless expressly waived by IBank in writing, in the event the Purchaser fails to cure any Reporting Covenants noncompliance as set forth in Section 5.03(f) or fails to cure any Replacement Agreement Covenant noncompliance within 30 days after receipt by the Purchaser of the replacement agreement from IBank as set forth in Section 5.11 of this Agreement, an amount equal to $1,000 shall automatically be imposed monthly as liquidated damages charged to the Purchaser and not as a penalty (the "Liquidated Damages Charge"), and shall continue to be imposed throughout the Liquidated Damages Period. The Purchaser shall be

obligated to pay the Liquidated Damages Charge as Additional Payments. Such Additional Payment shall be reflected in an IBank invoice to the Purchaser. The Purchaser agrees that, under the circumstances existing as of the date of this Agreement, such Liquidated Damages Charge represents a reasonable estimate of the costs and expenses IBank will incur as a result of the Purchaser's noncompliance with the Reporting Covenants and/or the Replacement Agreement Covenant. Nothing herein shall be construed as an express or implied agreement by IBank to forbear on its exercise of any other rights or remedies provided by this Agreement, as a waiver of such rights or remedies, or as a waiver of any default or Event of Default under this Agreement.

SECTION 2.07 Reserved.

SECTION 2.08. Limitations on Prepayment and Facility Funds Reductions.

(a) Limitation on Early Prepayment. The Purchaser is not permitted to prepay all or a portion of the outstanding principal component of the Purchase Price during the period commencing with the Effective Date and ending with the date that is ten (10) years after the Effective Date (the "Prohibited Prepayment Period").

(b) Authorized Prepayment Period. At any time, after ten (10) years from the Effective Date (the "Authorized Prepayment Period), the Purchaser, upon satisfaction of the conditions of this Section 2.08, may prepay all or a portion of the outstanding principal amount of the Purchase Price. The Purchaser shall pay to IBank all interest accrued and unpaid on the prepayment amount through the date of prepayment, plus any Additional Payments, plus the pro rata portion of the IBank Annual Fee.

(c) Facility Funds Reduction. During the Prohibited Prepayment Period the amount of undisbursed Facility Funds will not be reduced and will continue to accrue interest and other charges as set forth in this Agreement. During the Authorized Prepayment Period, upon satisfaction of the conditions of this Section 2.08, the Purchaser may obtain a Facility Funds Reduction. The Purchaser shall pay to IBank all interest accrued and unpaid on the Facility Funds Reduction amount through the date of the Facility Funds Reduction, plus any Additional Payments, plus the pro rata portion of the Annual Fee.

(d) Written Request Required. The Purchaser must provide IBank with its Prepayment Request or Facility Funds Reduction Request in writing and at least ninety (90) days prior to the requested prepayment or reduction date. IBank will not accept any prepayment funds from the Purchaser, or implement a Facility Funds Reduction, unless and until all applicable requirements of this Section 2.08 have been met.

(e) Amendment for Partial Prepayment or Facility Funds Reduction. If during the Authorized Prepayment Period the Purchaser prepays a portion of the outstanding principal component of the Purchase Price or makes a Facility Funds Reduction, then IBank and the Purchaser shall enter into an amendment to this Agreement reflecting the terms of the prepayment or Facility Funds Reduction, including a Revised Amortization Schedule, and the Purchaser shall pay to IBank all interest accrued and unpaid on the prepayment amount or Facility Funds Reduction amount through the date of prepayment or Facility Funds Reduction,

plus the portion of the outstanding principal component of the Installment Payments approved for prepayment, plus any Additional Payments, plus the pro rata portion of the Annual Fee. IBank will not accept any prepayment, and any Facility Funds Reduction will not take effect, until the Parties have executed such amendment to this Agreement.

(f) Prepayment Agreement for Full Prepayment. In the event the Purchaser elects to prepay the entire outstanding amount of the Purchase Price as set forth in paragraph 2.08(b), the Parties shall enter into a prepayment agreement (a "Prepayment Agreement") in form and content acceptable to IBank in its sole and absolute discretion. IBank will not accept a full prepayment, and the Purchaser's obligations under this Agreement will not terminate as set forth in Section 8.05 of this Agreement, until the Parties have executed a Prepayment Agreement.

SECTION 2.09. Validity of Pledge and First Lien.

The pledge of the Net System Revenues and all legally available amounts in the Enterprise Fund, pursuant to Section 3.01, constitutes a valid pledge of and first position lien on all of the Net System Revenues and all legally available amounts in the Enterprise Fund on parity with the lien(s) securing the Parity Debt if any.

SECTION 2.10. Limited Obligation.

The Purchaser's obligation to make Installment Payments is a special obligation of the Purchaser payable solely from Net System Revenues or other legally available amounts in the Enterprise Fund as provided herein and does not constitute a debt of the Purchaser or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction.

SECTION 2.11. Permitted Additional Parity Debt.

(a) The Purchaser may, after the Effective Date, issue or incur Parity Debt in such principal amount as shall be determined by the Purchaser subject to the requirements for additional obligations as set forth in all existing Parity Debt Instruments and the following specific conditions, which are hereby made conditions precedent to the Purchaser's issuance and delivery of such Parity Debt, provided that to the extent that an existing Parity Debt Instrument conflicts with any of the requirements set forth in this Section 2.11, the more restrictive provision shall prevail:

(1) No Event of Default hereunder or under any other instrument secured by System Revenues shall have occurred and be continuing, and the Purchaser shall otherwise be in compliance with all covenants set forth in this Agreement; and

(2) Net System Revenues calculated pursuant to generally accepted accounting principles, consistently applied, and excluding the proceeds of any taxes and also excluding any balances in any fund at the beginning of the period of the computation, as shown by the books of the Purchaser for the latest Fiscal Year, or any more recent twelve month period selected by the Purchaser ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Debt is issued or incurred, as shown by the

books of the Purchaser, plus, at the option of the Purchaser, either or both of the items below designated in subsections (b)(1) and (b)(2), shall have amounted to at least 1.20 times the Maximum Annual Debt Service taking into consideration the maximum annual debt service payable in any Fiscal Year on the proposed Parity Debt, as set forth in the Report of an Independent Accountant or Independent Consultant delivered to IBank; provided, however, that where the proposed Parity Debt is with IBank, no Report of an Independent Accountant or Independent Consultant shall be required.

(b) Either or both of the following allowances may be added to Net System Revenues for the purpose of meeting the condition contained in subsection (a)(2) above:

(1) An allowance for increased System Revenues from any additions to or improvements or extensions of the System to be made with the proceeds of such proposed Parity Debt, and also for System Revenues from any such additions, improvements, or extensions which have been made from moneys from any source but which, during all or any part of such Fiscal Year or any more recent twelve month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual System Revenues to be derived from such additions, improvements, and extensions for the first thirty six (36) month period following closing of the proposed Parity Debt, all as shown in the Report of an Independent Accountant or Independent Consultant delivered to IBank; provided however, that in those instances where the proposed Parity Debt is with IBank, no Report of an Independent Accountant or Independent Consultant shall be required; and/or

(2) An allowance for increased System Revenues arising from any increase in the charges made for service from the System which has become effective prior to the incurring of such proposed Parity Debt but which, during all or any part of such Fiscal Year or any more recent twelve (12) month period, was not in effect in an amount equal to one hundred percent (100%) of the amount by which System Revenues would have been increased if such increase to charges had been in effect during the whole of such time period and any period prior to the incurring of such proposed Parity Debt, as shown in the Report of an Independent Accountant or Independent Consultant delivered to IBank; provided however, that where the proposed Parity Debt is with IBank, no Report of an Independent Accountant or Independent Consultant shall be required.

(c) For purposes of making the calculations set forth in subsection (a)(2):

(1) If any Parity Debt includes capital appreciation bonds, then the accreted value payment thereof shall be deemed a principal payment and interest that is compounded and paid as accreted value shall be deemed due on the scheduled redemption or payment date of such capital appreciation bond;

(2) If any Parity Debt includes interest payable pursuant to a variable interest rate formula, the variable interest rate portion of such Parity Debt for periods when the actual interest rate cannot yet be determined, shall be assumed to be the maximum interest rate under the Parity Debt.

(d) The Purchaser shall deliver to IBank, prior to incurring or issuing such proposed Parity Debt, a copy of the proposed Parity Debt Instrument and Certificate of the Purchaser certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a) and (b) above have been satisfied and, as applicable, the Report required by subsections (a) and (b) above has been delivered; provided however, that where the proposed Parity Debt is with IBank, no copy of the proposed Debt Instrument nor Report shall be required and the certification required by this Section 2.11(d) may be made as part of the Parity Debt Instrument for the new IBank Parity Debt.

(e) Notwithstanding subsections (a)(2), (b), (c), and (d) above, proposed Parity Debt to be issued for the purpose of refunding outstanding Parity Debt may be issued without compliance with subsections (a)(2), (b), (c) and (d) above, so long as such refunding results in lower Parity Debt Service in each Fiscal Year after such refunding and the final maturity date of the refunding Parity Debt is no later than the final maturity date of the refunded Parity Debt. The Purchaser shall deliver to IBank the Parity Debt Instrument for such refunding within 30 days of such Parity Debt issuance.

SECTION 2.12. The Purchaser's Obligation for Other Facility Costs.

The Purchaser acknowledges and agrees that the amount of IBank's obligations under this Agreement is limited to the amount of the Facility Funds. As such, it is the Purchaser's obligation to pay all other costs associated with or needed for completion of the Facility in excess the Facility Funds amount.

SECTION 2.13. Facility Description.

For the purposes of this Agreement, the description of the Facility shall be as set forth in Exhibit B hereto.

SECTION 2.14. Withholding of Facility Funds.

(a) IBank may withhold all or any portion of the Facility Funds in the event that:

(1) The Purchaser has violated any of the material terms, provisions, conditions, commitments, representations, warranties, or covenants of this Agreement, as determined by IBank in its reasonable discretion, or if an Event of Default has occurred; or

(2) The Purchaser is unable to demonstrate, to the satisfaction of IBank in its reasonable discretion, the ability to complete the Facility or to maintain adequate progress toward completion thereof.

(b) In the event that Facility Funds are withheld from the Purchaser, IBank shall notify the Purchaser of the reasons, identify any conditions the Purchaser must satisfy in order to resume disbursements, and advise the Purchaser of the time in which to remedy the failure or violation or satisfy the applicable conditions.

(c) If Facility Funds are withheld pursuant to this section, the Purchaser remains obligated to repay the entire amount of the Purchase Price but to the extent applicable, the Purchaser may submit to IBank a Facility Funds Reduction Request pursuant to Section 2.08.

SECTION 2.15. Reserve Account.

There is no reserve account required under this Agreement except as further described in this Section 2.15. In the event that (i) the Purchaser incurs Parity Debt after the Effective Date in accordance with the requirements of Section 2.11; and (ii) such Parity Debt requires the Purchaser to establish a reserve fund or account, unless waived in writing by IBank, the Purchaser shall establish, fund, and maintain, so long as any obligations under this Agreement remain outstanding, a reserve account in favor of IBank in an amount equal to the reserve requirement of such Parity Debt multiplied by the proportion of the outstanding principal balance of the Purchase Price of this Agreement to the Parity Debt Amount, not to exceed the maximum annual debt service established under this Agreement. Said reserve account shall be established and funded immediately upon the closing of the Parity Debt transaction.

SECTION 2.16. Permitted Subordinate Debt.

The Purchaser may issue or incur Subordinate Debt following the Effective Date in such principal amount as shall be determined by the Purchaser subject to the following specific conditions precedent to the issuance or incurrence of such Subordinate Debt.

(a) No Event of Default hereunder, and no default under any other obligation or instrument secured by Net System Revenues, shall have occurred and be continuing, and the Purchaser shall be in compliance with all covenants of this Agreement and any other instrument securing, evidencing, governing, or relating to other obligations secured by, Net System Revenues.

(b) Net System Revenues calculated pursuant to generally accepted accounting principles, consistently applied, and excluding the proceeds of any taxes and also excluding any balances in any fund at the beginning of the period of the computation, as shown by the books of the Purchaser for the latest Fiscal Year, or any more recent twelve (12) month period selected by the Purchaser ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Debt is issued or incurred, as shown by the books of the Purchaser, shall have amounted to at least 1.0 times the aggregate sum of the Maximum Annual Debt Service of all debt secured by Net System Revenues and/or legally available amounts in the Enterprise Fund and the maximum annual debt service payable in any Fiscal Year on all Subordinate Debt, including the proposed Subordinate Debt, as set forth in the Report of an Independent Accountant or Independent Consultant delivered to IBank.

ARTICLE III

PLEDGE OF REVENUES; APPLICATION OF FUNDS

SECTION 3.01. Pledge of Net System Revenues.

The Installment Payments and Additional Payments and all Parity Debt shall be equally secured by a pledge of and first lien on all of the Net System Revenues and all legally available amounts in the Enterprise Fund, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Net System Revenues and all legally available amounts in the Enterprise Fund are hereby pledged in their entirety to the payment of Installment Payments and Additional Payments. The Net System Revenues and all legally available amounts in the Enterprise Fund shall be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Purchaser. Neither the Installment Payments, the Additional Payments nor this Agreement is a debt of IBank, the State or any of its political subdivisions (other than the Purchaser) and neither IBank, the State nor any of its political subdivisions (other than the Purchaser) is liable thereon. Pursuant to Section 5451 of the State Government Code of the State, the pledge of the Purchaser's Net System Revenues for the repayment of the principal of, premium, if any, and interest components of the Installment Payments constitutes a first lien and security interest which immediately attaches to such Net System Revenues, and is effective and binding against the Purchaser and its successors and creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

SECTION 3.02. System Revenues to be Deposited in the Enterprise Fund.

In order to carry out its obligation to pay the Installment Payments and Additional Payments, the Purchaser agrees and covenants that it shall maintain the Enterprise Fund as a distinct fund separate and apart from the Purchaser's other funds. All System Revenues received by it shall be deposited when and as received in trust in the Enterprise Fund and shall be applied and used only as and in the order provided herein: The Purchaser shall pay all Operations and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operations and Maintenance Costs the payment of which is not then immediately required) from the Enterprise Fund as they become due and payable, and all remaining money on deposit in the Enterprise Fund shall then be used to pay Section 3.03 amounts. After making all the set asides and payments hereinabove required to be made in each Fiscal Year, the Purchaser may expend in such Fiscal Year any remaining money in the Enterprise Fund for any lawful purpose of the Purchaser. The Purchaser agrees and covenants to maintain the Enterprise Fund so long as any portion of the Purchase Price remains unpaid.

SECTION 3.03. Priority of Payments Made from the Enterprise Fund.

The Purchaser shall promptly pay the following amounts in the following order and at the following times:

(a) Installment Payments and Additional Payments under this Agreement

(1) The Purchaser shall promptly pay to (A) IBank (i) the principal portion of the Installment Payments, together with the IBank Annual Fee hereunder which is due at IBank by August 1st of each year, as set forth on the Amortization Schedule attached and (ii) the interest portions of Installment Payments hereunder and which are due at IBank by each Interest Payment Date, as set forth in the Amortization Schedule; and (B) the trustee(s) or holder(s) of any Parity Debt, payment of Parity Debt Service as it becomes due and payable, all on a pro rata basis.

(2) The Purchaser shall promptly pay to (A) IBank Additional Payments due pursuant to Section 2.06 of this Agreement, and (B) the trustee(s) or holder(s) of any other Parity Debt, payment of any payments due under the applicable Parity Debt Instrument that are not Parity Debt Service, all on a pro rata basis.

(b) Reserve Accounts.

Any amounts needed to replenish reserve accounts, if any, established hereunder or for any Parity Debt, all on a pro rata basis

(c) Approved Subordinate Debt Payments.

Payment of Subordinate Debt Service as it becomes due and payable on Subordinate Debt pursuant to Subordinate Debt issued or incurred in accordance with Section 2.16 hereof.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

SECTION 4.01. Organization; Authority.

The Purchaser is duly organized and existing as a municipal corporation under the laws of the State and has all necessary power and authority to enter into and perform its duties (including, but not limited to, the authority to set rents, fees, rates and charges without the approval of any other governing body and to pledge the Net System Revenues or those certain amounts on deposit in the Enterprise Fund) under this Agreement.

SECTION 4.02. Agreement Valid and Binding.

This Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

SECTION 4.03. No Conflict in Execution of Agreement.

The execution and delivery by the Purchaser of this Agreement and compliance with the provisions hereof will not conflict with or constitute a breach of or default by the Purchaser under any law, administrative regulation, court decree, resolution, charter, by-law, or any agreement to which the Purchaser is subject or by which it is bound or by which its properties may be affected.

SECTION 4.04. No Litigation.

There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Purchaser to restrain or enjoin the execution or delivery of this Agreement, or in any way contesting or affecting the validity of this Agreement, or contesting the powers of the Purchaser to enter into or perform its obligations under this Agreement, or that would affect the Purchaser's ability to perform its obligations under this Agreement, including, but not limited to, the pledge of Net System Revenues and legally available amounts on deposit in the Enterprise Fund.

SECTION 4.05. No Breach or Default.

The Purchaser is not in breach of or in default under any applicable law or administrative regulation of the State or the United States, the Constitution of the State (including article XVI, section 18 thereof), any applicable judgment or decree, any agreement, indenture, bond, note, resolution, agreement or other instrument to which the Purchaser is a party or is otherwise subject which, if not resolved in favor of the Purchaser, would have a material adverse impact on the Purchaser's ability to perform its obligations under this Agreement and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

SECTION 4.06. No Consent, Approval, or Permission Necessary.

No consent or approval of any trustee or holder of any indebtedness of the Purchaser, and no consent, permission, authorization, order or licenses of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction contemplated herein, except as have been obtained or made and as are in full force and effect.

SECTION 4.07. Accuracy and Completeness of Information Submitted to IBank.The information relating to the Purchaser and its System submitted by the Purchaser to IBank, including, but not limited to, all information in the application for Facility Funds was true at the time submitted to IBank and, as of the Effective Date, remains true and correct in all material respects; and such information did not and does not contain any untrue or misleading statement

of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made.

SECTION 4.08. Financial Statements of the Purchaser.

The Purchaser's financial statements that have been furnished to IBank were prepared in conformity with generally accepted accounting principles, consistently applied, and fairly present in all material respects the financial condition of the Purchaser as of the date thereof and the results of its operations for the period covered thereby. There has been no material adverse change in the business, condition (financial or otherwise), or operations of the Purchaser since the date of such financial statements.

SECTION 4.09. Licenses, Permits, and Approvals for Completion of Facility.

The Purchaser has obtained, or has applied for and will obtain within a timeframe that will allow the Purchaser to achieve Facility Delivery and to operate the Facility by the date set forth in paragraph 2.02(c), all licenses, entitlements, certificates, authorizations, permits and approvals from any governmental agency or authority having jurisdiction over the Purchaser or the Facility required to commence construction of the Facility, for Facility Delivery, and to commence operations of the Facility.

SECTION 4.10. Authority to Operate the System.

The Purchaser has obtained all licenses, entitlements, certificates, authorizations, permits, and approvals from any governmental agency or authority having jurisdiction over the Purchaser or the System required for the operation of the System.

SECTION 4.11. Valid Title; No Conflict.

(a) The Purchaser, upon completion of the Facility, will have good and valid title to the Facility sufficient to carry out the purposes of this Agreement.

(b) To the best of the Purchaser's knowledge no officer, member of the Board of Directors, or official of IBank has any material interest in the Facility, the Purchaser, or in the transactions contemplated by this Agreement.

SECTION 4.12. Other Liens; No Lien Senior to IBank Lien.

Except as may otherwise be described herein, as of the Effective Date, there is no other debt or obligation that places a lien on or in any way encumbers the Purchaser's Net System Revenues and/or legally available amounts in the Enterprise Fund other than the first lien established by Section 3.01 of this Agreement and to the extent outstanding. Further, the Purchaser represents and warrants that the lien on Net System Revenues and legally available amounts on deposit in the Enterprise Fund established by Section 3.01 of this Agreement is not junior to any lien and is on parity with, to the extent outstanding, the lien on Net System Revenues.

SECTION 4.13. Purchaser's Compliance with Prop 218 Law.

The Purchaser hereby represents and warrants that, as of the Effective Date, the rates, fees and charges it imposes on its System customers are legal, valid, and comply with the Prop 218 Law. The Purchaser further specifically warrants and represents that (i) the rates, fees and charges it imposes on its System customers do not exceed, in the aggregate, the funds required to operate the System, and (ii) its method of allocating rates, fees and charges among users of the System complies with the proportionality requirements of the Prop 218 Law.

SECTION 4.14. No Challenge to Purchaser's Rates, Fees and Charges.

The Purchaser hereby represents and warrants that, as of the Effective Date, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened challenging Purchaser's compliance with the Prop 218 Law as it applies to Purchaser's rates, fees and charges.

SECTION 4.15. Purchaser's Compliance with Conditions Precedent to Parity Debt.

The Purchaser represents, warrants, and by the execution of this Agreement certifies as of the Effective Date the Purchaser has satisfied all conditions precedent to the lien on Net System Revenues and all legally available amounts in the Enterprise Fund imposed by this Agreement being on parity with the lien on Net System Revenues and all legally available amounts in the Enterprise Fund.

SECTION 4.16. Continuing Validity of Representations and Warranties.

Unless the representations and warranties set forth in this Article IV are limited by their express terms to a specific time period or a point in time, the foregoing representations and warranties are true, accurate, and correct as of the Effective Date and shall continue to be true, accurate, and correct throughout the term of this Agreement.

ARTICLE V

AFFIRMATIVE COVENANTS OF THE PURCHASER

SECTION 5.01. Punctual Payment.

The Purchaser hereby covenants to punctually pay, or cause to be paid, all payments required hereunder when due and in all other respects in strict conformity with the terms of this Agreement, and to faithfully observe and perform all of the conditions, covenants, and requirements of this Agreement.

SECTION 5.02. Payment of Claims.

The Purchaser hereby covenants that, from time to time, it will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies, which, if unpaid, might become liens or charges upon the System and all personal and real property related thereto, or upon the System Revenues or any part thereof, or upon any funds in the hands of IBank, or which might impair the security for the payment of the Installment Payments or Additional Payments. Provided, however, nothing herein contained shall require the Purchaser

to make any such payment so long as the Purchaser in good faith shall contest the validity of said claims and shall act promptly to remove any liens or charges arising from said claims, by, among other things, obtaining surety bonds to cause the release of such liens or charges.

SECTION 5.03. Books and Accounts; Financial Statements.

(a) The Purchaser hereby covenants that it will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the System Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of IBank or its designee.

To the extent that any continuing disclosure certificates entered into by the Purchaser in connection with other debt or obligations require the information required in subsections (b) through (e), the Purchaser may submit a copy of the information and materials required by such continuing disclosure certificate instead of providing separate statements setting forth the required information.

(b) The Purchaser shall prepare and file with IBank annually as soon as practicable, but in any event not later than one hundred eighty (180) days after the close of each Fiscal Year, so long as this Agreement has not been discharged by IBank, an audited financial statement of the Purchaser relating to the System Revenues and the Enterprise Fund for the preceding Fiscal Year, prepared by an Independent Accountant under generally accepted accounting procedures, consistently applied; provided, however, that in the event that such audited financial statement is not available by the above-referenced filing date, an unaudited financial statement may be substituted therefore. In the event an unaudited financial statement is submitted, the Purchaser shall file the audited financial statement with IBank as soon as it becomes available. The Purchaser will furnish to IBank such reasonable number of copies of such audited financial statements as may be required by IBank for distribution (at the expense of the Purchaser). Alternatively, the Purchaser may furnish electronic copies of such audited financial statements to IBank in portable document format, or other format acceptable to IBank in its sole and absolute discretion.

(c) Simultaneously with the delivery of the annual financial statements, or more frequently following forty-five (45) calendar days' written notice by IBank, as IBank shall determine in its sole and absolute discretion, the Purchaser shall deliver to IBank a Certificate of the Purchaser stating the following:

(1) The number of System users as of the end of the Fiscal Year, or as of any other date specified in writing by IBank in its reasonable discretion;

(2) Calculation of the coverage ratios described in Section 5.06 for the Fiscal Year most recently ended, or for any other 12-month period as specified in writing by IBank in its reasonable discretion, together with a certification that adopted rates and charges comply with the requirements of that section;

(3) Notification of the withdrawal of any System user generating four percent (4%) or more of System Revenues since the last reporting date;

(4) Any significant System facility retirements or expansions planned or undertaken since the last reporting date;

(5) Notification of any Parity Debt or Subordinate Debt incurred since the last reporting date and certification that there has been no default or noncompliance under any obligation secured by System Revenues;

(6) Certification that (i) no Event of Default has occurred or is continuing and no other event has occurred or is continuing, which, with the passing of time or the giving of notice or of both, would constitute an Event of Default, or (ii) describing in detail any Event of Default that has occurred and/or any event that has occurred which, with the passing of time or giving or giving of notice, would constitute an Event of Default;

(7) Certification that the Purchaser is in compliance with the terms of this Agreement, including without limitation the Tax Covenants set forth in Section 5.07 hereof, or if the Purchaser has breached any such covenant, a detailed description of such breach;

(8) Notification of any other event or circumstance that would materially affect completion of the Facility, or the payment of the Purchase Price;

(9) Such other information as IBank may request in its reasonable discretion.

(d) The Purchaser shall, upon request, furnish to IBank, in a format provided by IBank, information concerning employment and other public benefits connected to the Facility.

(e) The Purchaser agrees to notify IBank, immediately, by telephone, promptly confirmed in writing, if (i) any representation made in this Agreement or any representation made in the application for financing to IBank shall at any time so long as this Agreement is outstanding, prove untrue, or incorrect in any manner that could adversely affect the Purchaser's ability to perform its obligations under this Agreement, (ii) there is a stop payment notice, litigation or any other legal proceeding which may materially adversely impact the completion of the Facility, or (iii) the Purchaser breaches any covenant set forth in this Agreement.

(f) The Purchaser's covenants set forth in paragraphs 5.03(b) through (d) hereof are hereinafter referred to as the "Reporting Covenants." In the event the Purchaser fails to comply timely with the Reporting Covenants, starting on the date that is the first day (1st day) after the applicable due date of any Reporting Covenant and continuing until the date the Purchaser actually cures its noncompliance (the "Liquidated Damages Period"), the Purchaser shall be obligated to pay to IBank the Liquidated Damages Charge in accordance with Section 2.06(a)(4) hereof.

SECTION 5.04. Protection of IBank's Security and Rights.

The Purchaser will preserve and protect the security for payment of the Installment Payments, Additional Payments, and the rights of IBank. From and after the Effective Date, the Agreement shall be incontestable by the Purchaser.

SECTION 5.05. Payments of Taxes and Other Charges.

The Purchaser will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges, or charges in lieu thereof, which may hereafter be lawfully imposed upon the Purchaser, the System, or the System Revenue when the same shall become due. Nothing herein contained shall require the Purchaser to make any such payment so long as the Purchaser in good faith shall contest the validity of said taxes, assessments, or charges and shall have adequate funds for the payment thereof. The Purchaser will duly observe and conform to all valid requirements of any governmental authority relative to the System or any part thereof.

SECTION 5.06. Maintenance of System Revenues; Rate Covenant.

(a) The Purchaser hereby covenants that, to the fullest extent permitted by law, it will fix, prescribe, charge, and collect, or cause to be fixed, prescribed, charged, and collected, in each Fiscal Year, such rates, fees, and charges for the use of and for the service furnished by the System so that Net System Revenues realized, together with any amounts on deposit in a rate stabilization fund held by the Purchaser, are in an amount which will be sufficient to be at least equal to one hundred twenty percent (120%) of annual Debt Service, and at least equal to one hundred percent (100%) of the sum of annual Debt Service and annual Subordinate Debt Service for such Fiscal Year.

(b) The Purchaser further covenants that, to the fullest extent permitted by law, it will fix, prescribe, charge, and collect, or cause to be fixed, prescribed, charged, and collected, in each Fiscal Year, such rates, fees, and charges for the use of and for the service furnished by the System so that System Revenues realized are in an amount which will be sufficient to pay the following amounts in the following order or priority:

(1) All Operations and Maintenance Costs estimated by the Purchaser to become due and payable in such Fiscal Year;

(2) The Installment Payments due hereunder, the IBank Annual Fee, and the principal and interest on any outstanding Parity Debt as they become due and payable during such Fiscal Year, without preference or priority;

(3) All amounts, if any, required to restore the balance of any reserve fund required under this Agreement or any reserve fund or accounts required under any Parity Debt Instrument, for any outstanding Parity Debt, to the full amount of any such reserve requirement; and

(4) All payments required to meet any other obligations of the Purchaser which are charges, liens, or encumbrances upon, or with are otherwise payable from, the System Revenues or the Net System Revenues during such Fiscal Year, including any Additional Payments.

(c) If for any reason Net System Revenues, or System Revenues, as applicable, prove insufficient to comply with the requirements of subsections (a) and (b), the Purchaser first will engage an Independent Consultant to recommend revised rents, rates, fees, charges, savings, or

assessments, or any combination thereof, and the Purchaser will, subject to any applicable requirements and restrictions imposed by law, including, but not limited to, the Prop 218 Law, and subject to the good faith determination of the Purchaser that such recommendations, in whole or in part, are in the best interests of the Purchaser, take all actions necessary to increase System Revenues through any combination of increased rents, rates, fees, charges, savings, or assessments and that it will do so not later than one hundred eighty (180) days following the date on which Net System Revenues first fail to meet the requirements of this Section 5.06. The Purchaser may make adjustments from time to time in such rents, rates, fees, and charges and may make such classification thereof as it deems necessary, but shall not reduce the rents, rates, fees, and charges then in effect unless the Net System Revenues from such reduced rents, rates, fees, and charges will at all times be sufficient to meet the requirements of this section. Notwithstanding the foregoing, in lieu of taking the preceding actions with respect to the Purchaser's failure to comply with subsection (a), the Purchaser may within one hundred eighty (180) days following the date Net System Revenues first fail to meet the requirements of subsection (a) either establish and fund a rate stabilization fund, or increase monies held in an existing rate stabilization fund, in an amount sufficient to satisfy the requirements of subsection (a). If the Purchaser elects to proceed accordingly, it shall provide to IBank within such one hundred eighty (180) day period evidence satisfactory to IBank in its reasonable discretion that the amounts held in such rate stabilization fund are sufficient to satisfy the requirements of subsection (a)

SECTION 5.07. Tax Covenants.

The Purchaser recognizes that the Facility Funds may be derived from the proceeds of, or payments made hereunder may be pledged to secure, bonds issued or to be issued by IBank, the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code. In order to maintain the tax-exempt status of, and perform its obligations with respect to, the Proceeds Bonds and Secured Bonds, the Purchaser will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Proceeds Bonds or Secured Bonds under the Code, and the Purchaser specifically agrees to comply with all terms and conditions contained herein and to provide annual certification of its compliance with the tax covenants set forth in this Section 5.07. The Purchaser will not directly or indirectly use or make any use of the Facility Funds or any other funds of the Purchaser, or take or omit to take any action, if such use or action would cause the Proceeds Bonds or Secured Bonds to be "arbitrage bonds" subject to federal income taxation by reason of section 148 of the Code. In addition, the Purchaser covenants and agrees that it, and/or any party related to it, will not acquire Proceeds Bonds or Secured Bonds in an amount related to the amount of the Facility Funds. The provisions of this Section 5.07 shall survive the discharge of the Purchaser's obligations hereunder and shall apply to the Trustee or any other successor or assignee described in Section 8.02.

(a) Eligible Uses of Facility Funds. Unless otherwise agreed to by IBank, Facility Funds shall be used exclusively for the following purposes: (i) to pay or reimburse the Purchaser for capital expenditures paid with respect to the Facility that meet the requirements of subsection (b) of this Section 5.07; and (ii) initial operating expenses directly associated with the Facility (in aggregate amount not exceeding five percent (5%) of the amount of the Facility Funds).

(b) Allocation of Facility Funds to Expenditures. On MONTH 24, 2023, the Purchaser adopted a resolution stating its official intent to be reimbursed from the proceeds of a borrowing to finance costs of the Facility (the "Reimbursement Resolution"). Absent written agreement by IBank, all expenditures of Facility Funds will be used to pay or reimburse the Purchaser for capital expenditures with respect to the Facility that are either:

(1) costs that are Preliminary Costs incurred with respect to the Facility prior to the start of construction and in an aggregate amount not exceeding twenty percent 20% of the Facility Funds;

(2) costs paid by the Purchaser no earlier than the date which is sixty (60) days prior to the date of the adoption of the Reimbursement Resolution; or

(3) costs paid by the Purchaser on or after the Effective Date.

In addition, Facility Funds shall be allocated to paying or reimbursing the Purchaser for capital expenditures no later than eighteen months after the later of the date the expenditure was paid or the date the Facility is placed in service, but in the case of costs described in clause (2), above, such allocations must be made in all events no later than three years after the cost was paid.

(c) Prohibited Uses of Facility Funds. The Purchaser will not loan any of the Facility Funds to any other person or entity. The Purchaser will not use Facility Funds directly or indirectly to make principal, interest, or premium payments with respect to any bond, note, certificate of participation or other obligation of the Purchaser or any person or entity that is a related party to the Purchaser within the meaning of Treasury Regulation Section 1.150-1(b).

(d) Expectations Regarding Facility Funds and Facility; No Change in Use. The Purchaser reasonably expects and consistent with this Section 5.07 hereof to use all Facility Funds and all of the Facility for the entire stated term to maturity of this Agreement. The Purchaser does not expect that the Facility or any part thereof will be sold or otherwise disposed of so long as the Purchaser's obligations under this Agreement are not discharged. Absent written agreement by IBank, the Purchaser hereby agrees that it will use all Facility Funds and all of the Facility as set forth in this Section 5.07.

(e) Funds for Making Installment Payments. All amounts used to fund the Payment Account will be deemed to have been made from the Purchaser's funds by using a last-in, first-out accounting method, and amounts in the Payment Account will be treated as used to pay the Installment Payments by using a first-in, first-out accounting method. The Purchaser agrees that the amounts used to pay Installment Payments shall be both received by the Purchaser and utilized for the payment of Installment Payments within a ninety (90) day period. The Payment Account will be used primarily to achieve a proper matching of revenues and Installment Payments within each year; a matching of revenues means that revenue and Installment Payments come in and go out at approximately the same level and the Payment Account is cleared out to a very low balance at least one time during the year. Current Revenues in the Payment Account shall be invested without regard to yield so long as the Purchaser complies with this section.

(f) Nongovernmental Use of Facility Funds and Facility. The Purchaser understands that the Facility Funds and the Facility are subject to certain restrictions on the use of the Facility Funds or the Facility by any Nongovernmental Person, other than use as a member of the general public. For this purpose a Nongovernmental Person will be treated as "using" Facility Funds to the extent the Nongovernmental Person:

(1) borrows Facility Funds;

(2) acquires an ownership or lease interest with respect to any portion of the Facility;

(3) uses any portion of the Facility (e.g., as a service provider, operator, or manager), except pursuant to a contract that meets the requirements of subsection (g) of this Section 5.07; or

(4) in the case of a Facility that provides water, electricity, or natural gas, acquires such output from the Facility (except pursuant to generally applicable and uniformly applied rates that are available to the general public).

The Purchaser hereby represents and covenants that it will not allow more than five percent (5%) of the Facility Funds or more than five percent (5%) of the Facility to be used directly or indirectly by any Nongovernmental Person, other than as a member of the general public.

(g) Management Contracts. The Purchaser understands that an arrangement with any person or organization (other than a state or local governmental unit) which provides for such person or organization to manage, operate, maintain or provide services with respect to the Facility (a "Service Contract") can give rise to use by a Nongovernmental Person that is subject to the limitations of Section 5.07(f) of this Agreement. However, as of the Effective Date the Internal Revenue Service ("IRS") has issued two sets of guidelines that describe situations in which the IRS would rule that a Service Contract will not be treated as giving rise to a Nongovernmental Person's use of the Facility: (i) the guidelines set forth in Revenue Procedure 97-13, as amended by Revenue Procedure 2001-39, and as amplified by Notice 2014-67 (the "Prior Guidelines"); and (ii) the guidelines set forth in Revenue Procedure 2017-13 (the "Current Guidelines"). The Purchaser may apply the Prior Guidelines to any Service Contract entered into before August 18, 2017 that is not modified materially or extended on or after that date (other than pursuant to a renewal option as defined in Treasury Regulation Section 1.141-1(b)). The Purchaser may apply the Current Guidelines to Service Contracts entered into at any time.

Commencing with the Effective Date, at least thirty (30) days prior to the execution of any modification to, extension or renewal of, or new operations and maintenance agreement relating to the Facility, the Purchaser shall (i) ensure that any such instrument meets the requirements for qualified management contracts under the Code, and (ii) provide IBank a copy of any such instrument together with an explanation of the basis for its conclusion that such instrument meets the requirements for qualified management contracts under the Code. Provided, however, the Purchaser is not obligated to provide to IBank contracts for services that are solely incidental to the primary governmental function, or functions, of the Facility (e.g.,

contracts for janitorial services, landscaping services, office equipment repair, escalator repair, elevator repair, auditing services, legal services, or similar services).

(h) No Other Replacement Proceeds. The Purchaser is not using any Facility Funds and hereby agrees that it will not use any Facility Funds to replace funds of the Purchaser which are or will be used to acquire Investment Property reasonably expected to produce a yield that is materially higher than the yield on the Installment Payments under this Agreement.

(i) Federal Guarantee. The Purchaser will not directly or indirectly use or permit the use of any Facility Funds or take or omit to take any action that would cause the Proceeds Bonds or Secured Bonds to be obligations that are "federally guaranteed" within the meaning of section 149(b) of the Code. In furtherance of this covenant, the Purchaser will not allow the payment of principal or interest under this Agreement to be guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof.

(j) No Hedge Bonds. The Purchaser reasonably expects that more than eighty-five percent (85%) of the Facility Funds will be expended for the purposes of this Agreement within three years of the Effective Date.

SECTION 5.08. Maintenance and Operation of System.

The Purchaser hereby covenants that, so long as any portion of the Purchase Price is unpaid, it will at its own cost and expense maintain, preserve, keep, and operate the System, and every portion thereof, in good condition, repair and working order as necessary to operate the System for its intended purpose in compliance with all laws, rules, regulations, codes, and ordinances, subject only to normal wear and tear and that it will from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals necessary to maintain the System in such a condition. The Purchaser will maintain in full force and effect all licenses, permits, and approvals required by any governmental agency or authority having jurisdiction over the Purchaser or the System at any time required for the operation of the System, and will obtain any licenses, permits, or approvals that may be required in the future by any governmental agency or authority having jurisdiction over the Purchaser or the System, all in a timely manner so as to prevent any interruption in System activities. IBank will have no responsibility or obligation for any of these matters. The Purchaser further covenants that it will operate the System in an efficient and economical manner, and will pay all Operations and Maintenance Costs as they become due and payable.

SECTION 5.09. Assumption of Obligations.

The obligations of the Purchaser under this Agreement may not be assumed by another entity except in connection with a transfer of the entire System by the Purchaser and only upon prior written approval of IBank and receipt by IBank of:

(a) an Opinion of Counsel experienced in matters relating to the tax-exempt status of interest on any Proceeds Bonds or Secured Bonds, and approved by IBank, to the effect that such transfer would not cause interest on the Proceeds Bonds or Secured Bonds to be included in gross income of the holders thereof for federal income tax purposes;

(b) a Report signed by an Independent Consultant or Independent Accountant concluding that such transfer would not materially adversely affect the security for the Installment Payments, Additional Payments, or the rights of IBank; and

(c) evidence satisfactory to IBank that the entity assuming the Purchaser's obligation hereunder is eligible pursuant to the Act.

SECTION 5.10. Damage, Destruction, Title Defect, and Condemnation; Use of Net Proceeds.

(a) If prior to the termination of the term hereof (i) the System or any part thereof is damaged or destroyed (each of which is hereinafter called "Damaged Improvements") by a peril covered by a policy of insurance described in Section 5.22 hereof (an "Insured Peril"); or (ii) title to, or the right to possession, use, or occupancy, whether permanent or temporary, of, the System or any portion thereof or the estate of the Purchaser in the System or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the Purchaser will cause the net proceeds of any loss or claim paid by an insurer under an insurance policy, or condemnation award, resulting from any damage, destruction, loss of use, loss of possession, or impairment of title to the System or any part thereof, (the "Net Proceeds") to be transferred to IBank and applied as follows:

(1) Net Proceeds Exceeding Costs. Within one hundred twenty (120) days of the date of said Insured Peril, the Purchaser shall obtain written estimate(s) of the (i) cost of the repair, replacement, and reconstruction of the Damaged Improvements (collectively referred to herein as the "Reconstruction"), and (ii) Net Proceeds available to pay such costs. Copies of such estimate(s) shall be provided to IBank. If the one hundred twenty (120) day period is insufficient to obtain said estimates, the period may be reasonably extended by the Purchaser upon the approval of IBank, in its reasonable discretion. If the Net Proceeds exceed the estimated costs of Reconstruction, the Damaged Improvements shall be repaired, replaced, and reconstructed to the same or better quality as existed before the damage occurred. The Purchaser shall commence and manage the Reconstruction and shall complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any balance of Net Proceeds remaining after the Reconstruction has been completed shall be transferred to IBank for the payment of unpaid Purchase Price and Additional Payments. Net Proceeds remaining after payment of the amounts specified in the previous sentence shall be transferred to the Purchaser.

(2) Costs Exceeding Net Proceeds. If the estimated costs of Reconstruction exceed the Net Proceeds the Purchaser, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, and to manage the Reconstruction as set forth in Section 5.10(a)(5). The Purchaser shall exercise this election by written notice thereof delivered to IBank within thirty (30) days after the Purchaser obtains the written estimate(s).

(3) Net Proceeds Sufficient to Prepay All Unpaid Installment Payments. If the Purchaser does not exercise the election to reconstruct pursuant to the above subsection and Net Proceeds are at least sufficient to prepay all unpaid amounts of the Purchase Price and any due and owing Additional Payments, such Net Proceeds shall be transferred to IBank to prepay

such Purchase Price and any due and owing Additional Payments. If the Net Proceeds exceed the amount necessary to prepay the unpaid Purchase Price and any due and owing Additional Payments, the Purchaser shall be entitled to the amount of proceeds remaining after such prepayment.

(4) Net Proceeds Insufficient to Prepay All Unpaid Installment Payments. If the Purchaser does not exercise the election to reconstruct pursuant to Section 5.10(a)(2) and Net Proceeds are insufficient to prepay the unpaid Purchase Price hereunder, the Purchaser, in its sole discretion, may elect to budget and appropriate funds to cause the prepayment of the Purchase Price and due and owing Additional Payments and the Net Proceeds, together with such funds, shall be transferred to IBank with directions to apply the proceeds to the prepayment of the Purchase Price and due and owing Additional Payments; provided, that if the Purchaser elects not to appropriate funds for such prepayment, the Purchaser shall apply Net Proceeds to the Reconstruction. If the Purchaser, in its sole discretion, elects to budget or appropriate funds for the prepayment of the unpaid Purchase Price and due and owing Additional Payments, the Purchaser shall transfer such funds to IBank for the prepayment of Purchase Price and due and owing Additional Payments.

(5) Management of Reconstruction. If the System or any part thereof becomes Damaged Improvements, the Purchaser shall promptly cause, manage, and supervise the Reconstruction.

SECTION 5.11. Entry into Replacement Agreement.

The Purchaser acknowledges that IBank intends to issue, has issued, or may issue, Secured Bonds or Proceeds Bonds subsequent to the Effective Date of this Agreement, and that one requirement of the Secured Bonds and/or Proceeds Bonds will be the re-entry by the Purchaser into an agreement to replace this Agreement. So long as the terms of the replacement agreement are substantially identical to the terms of this Agreement, the Purchaser hereby covenants and agrees to execute the replacement agreement and any related documents and to provide required certifications in a timely manner. The Purchaser understands and acknowledges that time is of the essence with respect to entry into such replacement agreement as such timing is mandated by federal tax laws applicable to IBank's Proceeds Bonds and/or Secured Bonds. The Purchaser's covenant set forth in this Section 5.11 is hereinafter referred to as the "Replacement Agreement Covenant."

SECTION 5.12. Further Assurances.

The Purchaser will adopt, make, execute, and deliver any and all such further resolutions, instruments, and assurances as may be reasonably required by IBank as necessary or proper to carry out the intention or to facilitate the performance of this Agreement and for the better assuring and confirming unto IBank of the rights, remedies, and benefits provided in this Agreement.

SECTION 5.13. Agreement to Complete Facility Delivery.

(a) The Purchaser agrees that it will perform all acts necessary to complete Facility Delivery, and construct, acquire, improve or install other facilities and real and personal property

deemed by the Purchaser necessary for the operation of the Facility. The Purchaser may supplement or amend the Facility description with written approval from IBank from time to time, provided that no such supplement or amendment shall (1) cause the Facility or any portion thereof to fail to constitute an eligible project under the Act, or (2) in any way affect the tax-exempt status of any Proceeds Bonds or Secured Bonds.

(b) At any time, upon request of IBank, the Purchaser agrees to make available to IBank for review and copying all then current plans and specifications for the Facility. The Purchaser may identify any proprietary information in such plans and specifications and, to the extent legally permissible, IBank agrees to keep such information confidential. Provided, however, for the avoidance of doubt, and not by limitation of the foregoing, IBank may disclose any such confidential information in connection with any Proceeds Bonds or Secured Bonds or in the event IBank is served with a subpoena, a valid discovery request, a notice to appear and produce documents, or a valid California Public Records Act request, seeking, or that could be construed reasonably as seeking, such confidential information.

(c) As soon as the Facility is completed, the Purchaser shall evidence such completion by providing a certificate to IBank stating that (i) construction of the Facility has been completed substantially in accordance with the final plans and specifications therefor and all labor, services, materials, and supplies used in construction have been paid for, and (ii) all other facilities necessary in connection with the Facility have been constructed, acquired, and installed in accordance with the final plans and specifications therefor, and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Purchaser against third parties for the payment of any amount not then due and payable which exist at the date of such certificate or which may subsequently exist.

(d) The Purchaser shall notify IBank forthwith upon the filing of a stop payment notice in connection with the Facility, the tender of a claim against any payment or performance bond related to the Facility, the recordation of a mechanics lien against Facility, the filing of litigation in connection with the Facility, the issuance of a mandatory or prohibitory injunction related to the Facility, or any other legal proceeding which may impact the completion of the Facility.

SECTION 5.14. Collection of Rates, Fees and Charges.

The Purchaser will have in effect at all times rules and regulations requiring each user of the System to pay the rates, fees, and charges applicable to the services provided by the System to each user. The Purchaser will not permit any part of the System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm, or person, or by any public agency (including the United States of America, the State, and any city, county, district, political subdivision, public corporation, or agency of any thereof); provided, that the Purchaser may without charge use the services provided by the System.

SECTION 5.15. The Purchaser's General Responsibility.

The Purchaser is solely responsible for the Facility Delivery and the operation and maintenance of the Facility. Any review or approval of plans, specifications, bid documents, or other construction documents by IBank is solely for the purpose of proper administration of Facility Funds by IBank and shall not be deemed to relieve or restrict the Purchaser's responsibility or result in any duty, obligation, or responsibility on the part of IBank or the officers and agents thereof.

SECTION 5.16. The Purchaser's Assurances and Commitments.

(a) Compliance with Laws, Regulations and the Criteria.

The Purchaser shall at all times comply, and require its direct contractors, and their subcontractors, to comply with all State prevailing wage laws, all applicable federal and State laws, rules and regulations, the Criteria except to the extent the express provisions of this Agreement conflict with the Criteria, and all local ordinances applicable to the Facility. This specifically includes, but is not limited to environmental, procurement and safety laws, rules, regulations and ordinances. The Purchaser acknowledges and agrees that under no circumstances would its failure to act in accordance with the provisions of this subsection (a) result in any duty, obligation or responsibility on the part of IBank or the officers and agents thereof.

(b) Facility Construction Activities.

The Purchaser shall ensure that adequate supervision and inspection of Facility construction activities are maintained. IBank, either by itself or through its designee, reserves the right to conduct an audit of the Purchaser's construction expenditures during construction and for up to three years following receipt by IBank of notice of completion or other evidence of completion satisfactory to IBank. IBank, at its discretion, may require the Purchaser to conduct an interim and/or a final audit at the Purchaser's expense, such audit to be conducted by and a Report prepared by an Independent Accountant.

SECTION 5.17. Facility Access.

The Purchaser shall ensure that IBank or its designee have suitable access to the Facility site at all reasonable times so long as the Purchase Price remains unpaid, and at any time in the event of an IRS audit directly or indirectly related to the Facility, and shall include provisions ensuring such access in all contracts and subcontracts relating to the Facility.

SECTION 5.18. Operation and Maintenance of the Facility.

The Purchaser agrees to commence operation of the Facility upon the completion thereof. The Purchaser covenants and agrees that it will, at its own cost and expense, operate and maintain the Facility, and every portion thereof, in accordance with all governmental laws, ordinances, approvals, rules, codes, regulations, and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws, and such rules and regulations thereunder as may be binding upon the Purchaser. The Purchaser further covenants and agrees

that it will, at its own cost and expense, maintain, preserve, keep, and operate the Facility and will maintain, keep, preserve, and operate the same, now or hereafter at any time constituting part of the Facility, in good repair, working order and condition as necessary to operate the Facility for their intended purposes, subject only to normal wear and tear, and that it will from time to time make or cause to be made all needful and proper replacements, repairs, renewals, and improvements, in each case to the extent necessary so that the efficiency and value of the Facility shall not be impaired. IBank shall have no responsibility or obligation for any of these matters or for the making of additions or improvements to the Facility.

SECTION 5.19. Performance and Payment Bonds.

(a) The Purchaser shall require its direct contractor(s) for the Facility to certify under penalty of perjury, and provide the Purchaser with a copy of such certification, which shall be available for IBank's inspection, if requested, that, in connection with the construction of the Facility, it has obtained a bond or bonds by one or more authorized surety companies satisfactory to the Purchaser; such surety companies must be authorized to do business in California, be an admitted surety insurer, and have an agent for service of process in California.

(b) Said bonds shall be in the following amounts and for the following purposes: (i) a performance bond(s) in an amount not less than one hundred percent (100%) of the total amount of the construction agreement(s) for the Facility, guaranteeing the faithful performance of the terms of the Facility construction agreement(s), including the maintenance of the work required under the Facility construction agreement(s) for a period of one year from the date of the Purchaser's final acceptance, and the prompt correction of any defective work or labor done, or defective materials furnished, pursuant to the Facility construction agreement(s) and (ii) a payment bond(s) in an amount not less than one hundred percent (100%) of the total amount of the Facility construction agreement(s), securing payment to the subcontractors and to persons renting equipment or furnishing labor or materials to such subcontractors or to the Purchaser's direct contractors, or to any other claimant as defined in Civil Code Section 8004, under the Facility construction agreement(s).

SECTION 5.20. Continuing Disclosure.

If requested by IBank, the Purchaser hereby covenants and agrees to furnish certain financial and operating data pertaining to the Purchaser that may be required to either: (i) enable IBank to issue any, or perform its obligations under existing, Proceeds Bonds or Secured Bonds; or (ii) enable any underwriter of any Proceeds Bonds or Secured Bonds to comply with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

SECTION 5.21. Notice of Purchaser Event of Default.

The Purchaser covenants that it will deliver to IBank, immediately after the Purchaser shall have obtained knowledge of the occurrence of an Event of Default or a failure as described in Section 7.01, the written statement of an authorized officer of the Purchaser setting forth the details of such Event of Default or failure, and the action which the Purchaser proposes to take with respect thereto.

SECTION 5.22. Maintenance of Insurance.

(a) The Purchaser will procure and maintain or cause to be procured and maintained insurance on the System with responsible insurers, in such amounts and against such risks (including damage to or destruction of the System) as are usually covered in connection with systems similar to the System. Provided, however, such insurance shall be in an amount at least equal to the full replacement value of the Facility. Such insurance may be subject to a deductible clause of not to exceed one hundred thousand dollars ($100,000).

(b) The Purchaser shall procure and maintain, or cause to be procured and maintained a standard commercial general liability insurance policy in protection of the Purchaser, the IBank and their directors, officers and employees and, when requested by the IBank, the Trustee, indemnifying and defending such parties against direct or contingent loss or liability for damages for personal injury, death or property damage related to the possession, operation or use of the Facility, with a minimum combined single limit of one million dollars ($1,000,000) for personal injury or death of one or more persons, and for property damage, in each accident or event (subject to a deductible clause of not to exceed one hundred thousand dollars ($100,000) or such greater amount as may be covered by any self-insurance or self-funding method or plan permitted by this Section). IBank shall be named as an additional insured, and when requested by IBank the Trustee shall also be named as an additional insured.

(c) The Purchaser will cause to be procured and maintained a standard, commercially reasonable, commercial general liability policy of the direct contractor(s) for the Facility with a minimum combined single limit of one million dollars ($1,000,000) for personal injury or death of one or more persons, and for property damage, in each accident or event (subject to a deductible clause of not to exceed one hundred thousand dollars ($100,000). The Purchaser and IBank shall be named as an additional insured under such insurance policy. The Purchaser shall also cause to be procured and maintained a standard, commercially reasonable, worker's compensation insurance policy of the direct contractor(s) for the Facility in an amount equal to at least the required statutory minimum. The Purchaser and IBank shall be named as an additional insured under such insurance policy.

(d) The Purchaser will cause to be procured and maintained by its direct contractor(s) a builder's risk insurance policy in an amount equal to the lesser of the Facility Funds or the amount of the Purchaser's direct contract(s) for the construction of the Facility.

(e) The Purchaser shall on the Effective Date, and annually on each anniversary of the Effective Date thereafter, provide a Certificate of the Purchaser to IBank certifying that the insurance required under this Section 5.22 is in effect, together with copies of the declarations pages for each policy required hereunder and each additional insured endorsement required hereunder.

SECTION 5.23. Facility Construction.

(a) The Facility is described in Exhibit B and the Purchaser shall make no changes thereto or the operation thereof without the prior written consent of IBank, which consent shall be granted or denied in IBank's reasonable discretion. Further, IBank may condition any such

consent upon receipt of an Opinion of Counsel to the effect that any such changes will not affect the qualification of the Facility for tax exempt financing under the Code.

(b) The Purchaser shall not enter into a contract for the construction of the Facility unless it is in the form of a fixed price construction contract.

(c) Included within the Facility Funds are construction contingency funds in the amount of $2,401,295. Said construction contingency funds are included in Exhibit F. Absent IBank's express prior written consent, which consent shall be granted or denied in IBank's sole and absolute discretion, said construction contingency funds shall be utilized solely for the purpose of paying any reasonably unforeseen increased Facility Costs in connection with the construction of the Facility. It is expressly understood that the Purchaser shall have no obligation to replenish or otherwise restore the contingency funds to their original amount as they are used to cover reasonably unforeseen increased Facility Costs. All such increased Facility Costs shall be documented by a change order (or change orders) executed pursuant to the fixed price construction contract between the Purchaser and the direct contractor(s) for the Facility.

(d) The Purchase will pre-qualify all direct contractors bidding on the Facility by using its internally-required pre-qualification questionnaire, which substantially meets the intent of the model pre-qualification questionnaire approved by the State Department of Industrial Relations pursuant to Public Contract Code Section 20101.

SECTION 5.24. Compliance with Contracts.

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

SECTION 5.25. Maintenance of Lien Parity.

(a) To the extent parity debt continues to impose a lien on Net System Revenues and/or legally available amounts in the Enterprise Fund, the Purchaser will at all times comply with, keep, observe, and perform all requirements, conditions, covenants, duties, and terms for the lien on Net System Revenues and legally available amounts in the Enterprise Fund created by this Agreement to be on parity with the lien on Net System Revenues and legally available amounts in the Enterprise Fund, including, but not limited to, satisfying any debt service coverage and reserve requirements.

SECTION 5.26. Covenant to Comply with Prop 218 Law.

The Purchaser shall at all times ensure that the rates, fees and charges imposed on its System customers comply with the Prop 218 Law. In the event any party (or parties) institutes litigation or an administrative proceeding challenging the Purchaser's rates and charges or any other aspect of its compliance with Prop 218 Law (collectively, a "Rate Challenge"), the Purchaser shall as soon as practicable, but no later than 30 days after the Purchaser becomes aware of the Rate Challenge, provide IBank with written notice of such Rate Challenge. Further,

the Purchaser will expeditiously take steps to (i) diligently defend against the Rate Challenge; or (ii) conform its rates or other practices in a manner that fully addresses the deficiencies underlying the Rate Challenge. The Purchaser shall provide IBank with a second written notice indicating its chosen course of action as soon as practicable.

ARTICLE VI

NEGATIVE COVENANTS OF THE PURCHASER

SECTION 6.01. Limitation on Additional Obligations; No Senior Debt.

The Purchaser hereby covenants that, until the Purchase Price has been paid in full and this Agreement has been discharged pursuant to Section 8.05, the Purchaser shall not after the date of this Agreement issue any Senior Debt and shall not issue any bonds, notes, or other obligations, enter into any agreement or otherwise incur any loans, advances, or obligations, which are in any case secured by a lien on all or any part of Net System Revenues or on those legally available amounts on deposit in the Enterprise Fund that is on parity with the lien established hereunder for the security for the payment of the Installment Payments and Additional Payments, excepting only Parity Debt meeting the requirements of Section 2.11 herein. The Purchaser may issue or incur Subordinate Debt upon compliance with the requirements of Section 2.16 herein.

SECTION 6.02. Disposition of Property.

The Purchaser hereby covenants that it will not authorize or effect the disposition of real or personal property constituting more than ten percent (10%) of the value of the System unless the Purchaser first obtains and provides a copy to IBank, of: (i) a Report of an Independent Consultant concluding that such disposition will not substantially adversely affect the security for the payment of the Installment Payments and Additional Payments; and (ii) an Opinion of Counsel concluding that such disposition will not cause the interest on any Secured Bonds or Proceeds Bonds to no longer be excluded from federal gross income. The Purchaser hereby covenants that it will not dispose of any portion of the Facility while the Purchase Price is unpaid except for property that is not operating or is worn out, and for the dedication of public streets and public and private utility easements.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. Events of Default and Acceleration.

(a) Each of the following events shall constitute an Event of Default hereunder:

(1) Failure by the Purchaser to pay any Installment Payment, accrued interest, or any Additional Payment when and as the same shall become due and payable;

(2) Failure by the Purchaser to observe and perform any of the covenants, agreements or conditions on its part contained in this Agreement, other than as referred to in the

preceding subsection (1), or if any representation or warranty fails to be true and correct in all material respects, for a period of sixty (60) days after written notice has been given to the Purchaser by IBank, or to the Purchaser and IBank, specifying such failure and requesting that such failure be remedied; provided, however, that if the failure stated in such notice can be corrected, but not within such sixty (60) day period, IBank may consent to an extension of such time if corrective action is instituted by the Purchaser within such sixty (60) day period and diligently pursued until such failure is corrected;

(3) The filing by the Purchaser of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Purchaser, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Purchaser or of the whole or any substantial part of its property;

(4) Any representation or other written statement made by the Purchaser contained in this Agreement, the application for financing or in any instrument furnished in compliance with or in reference thereto shall prove to have been incorrect in any material respect;

(5) An unexcused failure by the Purchaser to pay amounts due under any bond, note, installment sale agreement, capital lease, or other agreement or instrument to which it is a party relating to the borrowing of money, if such unpaid amount shall exceed fifty thousand dollars ($50,000); or

(6) The occurrence of an event of default with respect to any Parity Debt or any Subordinate Debt which causes all principal of such Parity Debt or Subordinate Debt to become due and payable immediately;

(b) If an Event of Default has occurred and is continuing, IBank may (i) declare the principal of the Purchase Price, together with the accrued interest on all unpaid installments thereof, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Agreement to the contrary notwithstanding, and (ii) exercise any other remedies available to IBank in law or at equity. Immediately upon becoming aware of the occurrence of an Event of Default, IBank shall give notice of such Event of Default to the Purchaser by telephone, telecopier, facsimile or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the Purchase Price shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Purchaser shall deposit with IBank a sum sufficient to pay all installments of principal of the Purchase Price due prior to such declaration and all accrued interest thereon, with interest on such overdue Installment Payments at the rate of the lesser of twelve percent (12%) per annum or the maximum rate permitted by law, and the reasonable expenses of IBank (including but not limited to attorney's fees and costs), and any and all other defaults known to IBank (other than in the payment of principal of and interest on the Purchase Price due and payable solely by reason of such declaration), including the payment

of Additional Payments due and owing, shall have been made good or cured to the satisfaction of IBank or provision deemed by IBank to be adequate shall have been made therefor, then, and in every such case, IBank may, by written notice to the Purchaser, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.02. Remedies.

Upon the occurrence of an Event of Default IBank shall have the following rights, in addition to its rights under Section 7.01:

(a) By mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Purchaser or any member, officer, or employee thereof, and to compel the Purchaser or any such member, officer, or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein;

(b) By suit in equity to enjoin any acts or things which are unlawful or violate the rights of IBank; or

(c) By suit in equity to require the Purchasers and its members, officers, and employees to account as the trustee of an express trust.

SECTION 7.03. Application of Funds upon Default.

All amounts received by IBank pursuant to any right given or action taken by IBank under provisions of this Agreement, or otherwise held by IBank upon the occurrence of an Event of Default, shall be applied by IBank in the following order:

(a) First, to the payment of the costs and expenses of IBank, including reasonable compensation to their agents and attorneys, including IBank employees, as set forth in Section 2.06; and

(b) Second, to the payment of the whole amount of Installment Payments then due and unpaid, with interest on overdue Installment Payments at the rate of the lesser of twelve percent (12%) per annum or the Maximum Rate; provided, however, that in the event such amounts shall be insufficient to pay in full the amount of such Installment Payments, then such amounts shall be applied in the following order of priority:

(1) First, to the payment of all installments of interest on the Purchase Price then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full;

(2) Second, to the payment of principal of all installments of the Purchase Price then due and unpaid, other than principal having come due and payable solely by reason of acceleration pursuant to Section 7.01, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full;

(3) Third, to the payment of principal of the Purchase Price then due and unpaid and having come due and payable solely by reason of acceleration pursuant to Section 7.01, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full; and

(c) Third, to the payment to IBank of other Additional Payments as described in Section 2.06.

SECTION 7.04. No Waiver.

Nothing in this Article VII or in any other provision of this Agreement shall affect or impair the obligation of the Purchaser, which is absolute and unconditional, to pay from the Net System Revenues and other amounts pledged hereunder, all payments due hereunder, or affect or impair the right of action, which is also absolute and unconditional, of IBank to institute suit to enforce such payment by virtue of the contract embodied in this Agreement.

A waiver of any default by IBank shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of IBank to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default, or an acquiescence therein, and every power and remedy conferred upon IBank by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient by IBank.

If a suit, action, or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to IBank, the Purchaser and IBank shall be restored to their former positions, rights, and remedies as if such suit, action, or proceeding had not been brought or taken.

SECTION 7.05. Remedies Not Exclusive.

No remedy herein conferred upon or reserved to IBank is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. California Law; Venue.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State. Any action or proceeding arising out of this Agreement shall be filed and maintained in the Superior Court in and for the County of Sacramento, California, or in the United States District Court in and for the Eastern District of California, unless otherwise expressly agreed to by IBank in its sole and absolute discretion.

SECTION 8.02. Assignment of IBank's Rights.

The Purchaser hereby agrees and acknowledges that IBank's rights under this Agreement, collectively or severally, may in IBank's sole and absolute discretion be assigned by IBank, or by the State, to any party for any purpose, including to the Trustee for the purpose of securing the payment of any bonds, notes, or other obligations issued by IBank and secured by this Agreement and the Installment Payments and Additional Payments, without the need for consent by the Purchaser. Accordingly, the Purchaser agrees to make all payments due hereunder to the Trustee when so directed by IBank, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the Purchaser may have from time to time against IBank. The Purchaser agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which IBank or the Trustee may request, in their sole and absolute discretion, in connection with any such assignment by IBank.

SECTION 8.03. Third Party Beneficiaries.

The Trustee is hereby expressly designated as a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder assigned to said Trustee and for the purpose of said Trustee enforcing its own rights. Nothing in this Agreement, expressed or implied, is intended to give to any person other than IBank, the Purchaser, and the Trustee, any right, remedy, or claim under or by reason of this Agreement. All covenants, stipulations, promises, or agreements contained in this Agreement by and on behalf of the Purchaser shall be for the sole and exclusive benefit of IBank, the Trustee, and their permitted assigns.

SECTION 8.04. Successor Entities.

Whenever in this Agreement either the Purchaser or IBank is named or referred to, such reference shall be deemed to include the permitted successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the Purchaser or IBank shall bind and inure to the benefit of the respective permitted successors and assigns thereof, whether so expressed or not. The Trustee will be IBank's initial assignee.

SECTION 8.05. Discharge of Agreement.

Upon the Purchaser's payment of the outstanding principal of, and outstanding interest on on the Purchase Price, together with all Additional Payments, pursuant to this Agreement, then all obligations of IBank under this Agreement, all obligations of the Purchaser under this Agreement with respect to the Purchase Price, and, at the written election of the Purchaser, the pledge of and lien upon the Net System Revenues and all legally available amounts in the Enterprise Fund provided for in this Agreement, shall cease and terminate, excepting only the obligations of the Purchaser pursuant to the tax covenants herein, including but not limited to Section 5.07, indemnification obligations, including but not limited to Section 8.14, and the choice of law and venue provisions under Section 8.01. Notice of such election shall be filed with IBank.

SECTION 8.06. Amendment.

No term or provision of this Agreement may be waived or otherwise modified except by a written agreement signed by the Parties. The Parties acknowledge and agree that the previous sentence shall be interpreted, enforced, and adhered to strictly, notwithstanding any legal doctrine, rule, statute, or case law that may permit oral modification of this Agreement, or that may find under certain circumstances the portion of this Section 8.06 requiring all modifications to this Agreement be in writing is waived orally or by the Parties' conduct. To the greatest extent permissible under the law, the Parties hereby agree to waive any legal doctrine, rule, statute, or case law that permits, or could be construed to permit, modification of this Agreement by means other than a writing signed by both Parties.

SECTION 8.07. Waiver of Personal Liability.

No member, officer, agent, or employee of the Purchaser shall be individually or personally liable for the payment of the principal of, or the interest under this Agreement; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

SECTION 8.08. Arm's Length Transaction.

The Purchaser acknowledges and agrees that IBank is acting solely as seller under this Agreement and not an advisor to the Purchaser, including that: (i) the transaction contemplated by this Agreement is an arm's-length commercial transaction, (ii) in connection therewith and with the financing discussions, undertakings and procedures leading up to the consummation of such transaction, IBank is and has been acting solely as a principal and is not acting as the agent or fiduciary of or in any way advising the Purchaser, including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules, (iii) IBank has not provided any advice or assumed an advisory or fiduciary responsibility in favor of the Purchaser with respect to the financing contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether IBank, or any party related to IBank, has provided other services, or advised, or is currently providing other services, or advising, the Purchaser on other matters) and IBank has no obligation to the Purchaser with respect to the financing contemplated hereby except the obligations expressly set forth in this Agreement, (iv) IBank has financial and other interests that differ from those of the Purchaser , and (v) the Purchaser has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

SECTION 8.09. Notices.

All written notices to be given under this Agreement shall be given by first-class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time, except that notices from the Purchaser to IBank shall be given by registered mail, or by telecommunication confirmed in writing. Notice shall be effective forty-eight (48) hours after deposit in the United States mail, postage prepaid or, in the case of any notice to IBank, or in the case of personal delivery to any person, upon actual receipt at the address set forth below:

If to IBank:

California Infrastructure and Economic Development Bank
Attn: Loan Servicing Manager, Agreement Number **[*Insert Agreement No.*]**
1325 J Street, Suite 1300
Sacramento, CA 95814

If to the Purchaser: BORROWER

[*"Attn:" Insert Name*]

Or to such other address as may be designated in writing by the Purchaser.

SECTION 8.10. Contact Persons.

(a) The Executive Director of IBank or such other person as designated in writing by IBank shall manage this Agreement for IBank and shall have authority to make determinations and findings with respect to each controversy arising under or in connection with the interpretation, performance, or payment for work performed under this Agreement.

(b) The Purchaser's contact person shall be its Administrative Services Supervisor, or such other person as may be designated in writing by the Purchaser (the "Purchaser Representative"). The Purchaser's Administrative Services Supervisor shall be the Purchaser Representative for the administration of this Agreement and shall have full authority to act on behalf of the Purchaser and may designate in writing another person or persons authorized to request disbursement of Facility Funds. All communications given to the Purchaser's Administrative Services Supervisor shall be as binding as if given to the Purchaser.

SECTION 8.11. Partial Invalidity.

The illegality, unenforceability, or invalidity of any provision of this Agreement with regard to any Party or circumstance shall not render that provision illegal, unenforceable, or invalid with regard to any other Party or circumstance. All provisions of this Agreement, in all other respects, shall remain legal, enforceable, and valid to the fullest extent permitted by law. If any provision of this Agreement is held to be illegal, unenforceable, or invalid by a court of competent jurisdiction, then such provision shall be deemed severed from this Agreement and this Agreement shall be construed and enforced as if such illegal, unenforceable, or invalid provision had never been part hereof.

SECTION 8.12. Binding Effect.

This Agreement shall inure to the benefit of and shall be binding upon IBank and the Purchaser and their respective successors and assigns.

SECTION 8.13. Entire Agreement.

Except as expressly stated herein, this Agreement, together with the exhibits and attachments hereto, constitutes the entire agreement among the Parties. Except as expressly stated herein, there are no understandings, agreements, representations or warranties, express or implied, not specified herein or therein regarding this Agreement or the Facility financed hereunder. Any terms and conditions of any purchase order or other document submitted by the Purchaser in connection with this Agreement which are in addition to or inconsistent with the terms and conditions of this Agreement will not be binding on IBank and will not apply to this Agreement.

SECTION 8.14. Indemnification.

The Purchaser shall, to the fullest extent permitted by law, indemnify, protect, hold harmless, save and keep harmless IBank and its members, directors, officers, attorneys, advisors, employees, and agents (collectively, the "Indemnified Parties") from and against any and all liability, obligations, losses, claims, demands, damages, actions, causes of action, liens, stop payment notices, or costs whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses as incurred, penalties and interest (collectively, a "Claim"), arising out of, related to or as the result of entering into this Agreement, and the acquisition, construction, operation, use, condition, or possession of the Facility and any portion thereof, including without limitation:

(a) any accident in connection with the operation, use, condition, or possession of the Facility resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the Purchaser or IBank;

(b) patent, trademark or copyright infringement, or similar claims as a consequence of the operation, use, occupancy, or maintenance of the Facility;

(c) strict liability in tort as a consequence of the operation, use, occupancy, or maintenance of the Facility;

(d) any Claim based upon any environmental law or regulation relating to the Facility;

(e) any Claim of any nature directly arising from or related to the Facility, which Claim is based upon the operation of the Facility from and after the Effective Date;

(f) the existence, placement, delivery, storage, or release of hazardous materials on or from the Facility or contamination of property, arising therefrom;

(g) either (a) the application of the Facility Funds, or other amounts treated as "gross proceeds" of the Proceeds Bonds or Secured Bonds in such manner that any portion of the Proceeds Bonds or Secured Bonds becomes an "arbitrage bond" within the meaning of Code sections 103(b)(2) and 148, with the result that interest on the Proceeds Bonds or Secured Bonds is or becomes subject to federal income taxation of the holder of the Proceeds Bonds or Secured Bonds; or (b) if as a result of any act, failure to act, or use of the proceeds of any portion of the Facility Funds or the Facility, or any misrepresentation or inaccuracy in any of the representations, warranties, or covenants contained in this Agreement or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Agreement, all or any portion of the interest on any portion of the Proceeds Bonds or Secured Bonds becomes subject to federal income taxation;

(h) the consummation or carrying out of any of the transactions contemplated by this Agreement or any related document; and

(i) information provided by the Purchaser which is used in connection with the Proceeds Bonds or the Secured Bonds.

The indemnification arising under this Section 8.14 shall continue in full force and effect notwithstanding the full payment of all obligations hereunder and shall survive the termination of this Agreement for any reason. Any party seeking indemnity hereunder shall promptly give notice to the Purchaser of any Claim or liability hereby indemnified against upon learning of any circumstances giving rise to any such Claim or liability. The Purchaser's obligation to indemnify, defend, protect, hold harmless, save, and keep harmless the Indemnified Parties as provided in this Section 8.14 shall arise immediately upon any Claim covered under this Section 8.14 being asserted against an Indemnified Party, whether orally, in writing, or in any court or administrative action or proceeding.

SECTION 8.15. Expectations.

The undersigned is an authorized representative of the Purchaser acting for and on behalf of the Purchaser in executing this Agreement. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

SECTION 8.16. Section Headings.

All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

SECTION 8.17. Time of the Essence.

Subject to the remainder of this Section 8.17, time is of the essence with respect to this Agreement and the performance of each obligation contained in this Agreement. Whenever the time for performance of any obligation under this Agreement, or if under this Agreement a Party must act by a particular time or date, or if an act is effective only if done by a particular time or date, and the last date for performance of such obligation or the doing or effectiveness of such

act falls on a Saturday, Sunday, or legal holiday in the State, the time for performance of such obligation or the doing or effectiveness of such act shall be extended to the next day that is not a Saturday, Sunday, or a legal holiday in the State. The first day shall be excluded and the last day shall be included when computing the time in which an obligation is to be performed or an act is to be done under this Agreement. Unless otherwise provided herein all time periods shall end at 5:00 p.m. California time.

SECTION 8.18. Form of Documents.

The form and substance of all documents and instruments to be delivered to IBank under the terms of this Agreement, if any, shall be at all times subject to IBank's approval, in its reasonable discretion. No document or instrument delivered to IBank, or to be delivered to IBank, or which is subject to the approval of IBank, shall be amended, modified, superseded, or terminated in any respect whatsoever without IBank's prior written approval.

SECTION 8.19. Waiver of Consequential Damages.

To the fullest extent permitted by law, the Purchaser shall not assert, and hereby waives, any claim against IBank on any theory of liability for special, indirect, consequential, or punitive damages (as opposed to direct actual damages) arising from, or in connection with, this Agreement.

SECTION 8.20. Nondiscrimination.

(a) During the performance of this Agreement, the Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall not deny the contracts' benefits to any person on the basis of race, color, religion, ancestry, national origin, ethnic group identification, marital status, gender, sex, sexual orientation, age, medical condition, physical handicap or disability, mental disability, political affiliation, or position in a labor dispute, nor shall they discriminate unlawfully against any employee or applicant for employment because of race, color, religion, national origin, ethnic group identification, ancestry, physical handicap or disability, mental disability, medical condition, marital status, age, gender, sex, sexual orientation, political affiliation, or position in a labor dispute. The Purchaser shall ensure that any direct contractor and its subcontractor shall ensure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

(b) The Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall comply with the applicable provisions of the Fair Employment and Housing Act (Government Code section 12900 et seq.), the regulations promulgated thereunder (Title 2, California Code of Regulations, section 7285.0 et seq.) the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (sections 11135-11139.5) and any regulations promulgated thereunder.

(c) The Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall not knowingly give preferential treatment of any kind whatsoever in connection with any business transaction related to the construction or operation of the

Facility to any of its affiliates or to any business enterprise in which the Purchaser has any financial interest, but in such business transactions shall deal at all times with such affiliates and enterprises on the same basis as though dealing with any other parties.

(d) The Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall, with respect to the Facility, give written notice of their obligations under this section to labor organizations representing employees of the Purchaser and any contractor or subcontractor performing work on the Facility which have a collective bargaining or other contract with the Purchaser, such contractor or subcontractor.

(e) The Purchaser shall ensure that any direct contractor and its subcontractors constructing the Facility shall include the provisions of this section in all subcontracts to perform work with respect to the Facility.

SECTION 8.21. Execution in Counterparts.

This Agreement shall become enforceable upon its execution and delivery. This Agreement may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 8.22. Disclaimer of Warranties.

IBank makes no warranty or representation, either express of implied, as to the value, design, condition, merchantability, or fitness for any particular purpose or fitness for the use contemplated by the Purchaser for the Facility, or any item thereof, or any other representation or warranty with respect to the Facility or any item thereof.

SECTION 8.23. Usury Savings.

Nothing herein shall be construed as entitling IBank to charge, receive, or collect interest in a sum greater than the maximum interest rate permitted to be charged by IBank to the Purchaser under applicable law (the "Maximum Rate"). The Parties intend that this Agreement shall comply with applicable law and that the rate or rates of interest charged hereunder shall not exceed the Maximum Rate. If the occurrence of any circumstance, event or contingency should cause such interest to exceed interest at the Maximum Rate, any such excess amount shall be applied to the reduction of the unpaid principal component of the Installment Payments. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof; provided, however, that in the event there is a change in the law which results in a different permissible rate of interest, then this Agreement shall be governed by such new law as of its effective date.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed by their respective officers on the dates set forth below.

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK, as Seller

By_____
Executive Director

Date_____

BORROWER as Purchaser

By_____
[Signatory Name]
[Title]

Date_____

EXHIBIT A

APPROVING RESOLUTION OF THE PURCHASER

[*See Attached*]

EXHIBIT B

DESCRIPTION OF FACILITY

EXHIBIT C

CONDITIONS PRECEDENT TO DISBURSEMENT

A. Conditions Precedent to Initial Disbursement

No Facility Funds shall be disbursed pursuant to this Agreement until and unless the Purchaser has submitted the following to IBank:

(1) Insurance Certificate of the Purchaser required by Section 5.22; and

(2) Evidence satisfactory to IBank, in its reasonable discretion, that all conditions to the obligations of this Agreement being on parity with the existing debt and the obligations under such have been satisfied, to the effect that (a) no default shall have occurred and be continuing under the EXISTING DEBT OBLIGATION, and (b) Net System Revenues, as calculated by an independent certified public accountant, for the most recent Fiscal Year for which audited financial statements are available, or for any more recent twelve (12) month period, equal at least one hundred twenty percent (120%) of Maximum Annual Debt Service (including the Installment Payments and Additional Payments).

B. Conditions Precedent to Disbursement for Construction Costs

No Facility Funds shall be disbursed for construction costs for the Facility until and unless the Purchaser has submitted the following to IBank:

(1) A copy of the Purchaser's direct contractor(s)' builder's risk, commercial general liability, and worker's compensation insurance policies satisfying the requirements of Section 5.22, unless specifically waived by IBank;

(2) A copy of the Purchaser's direct contractor's payment and performance bonds satisfying the requirements set forth in Section 5.19 of this Agreement; and

(3) A copy of the executed direct contract(s) for the Facility between the Purchaser and its direct contractor(s), including any exhibits, attachments, or change orders, if and when applicable.

C. Conditions Precedent to Final Disbursement

The final disbursement of Facility Funds shall not be made until the Purchaser has provided the following to IBank:

(1) Recorded notice of completion for the Facility or other evidence of completion satisfactory to IBank;

(2) Lien waivers for the Facility, or evidence of the passage of the applicable statutory time periods for filing mechanics and other similar liens; and

(3) Certification by the Purchaser that the Facility has been completed according to its approved final plans and specifications, that the completed Facility is consistent with the definition of Facility in this Agreement and is acceptable to IBank.

.

EXHIBIT D

FORM OF OPINION OF LEGAL COUNSEL TO PURCHASER

Attorney letterhead

To be signed and dated as of the Effective Date

[*Insert Purchaser name and address*]

California Infrastructure and Economic Development Bank
1325 J St. Suite 1300
Sacramento, CA 95814

RE: Installment Sale Agreement, By and Among the **[*Insert Purchaser name*]** and the California Infrastructure and Economic Development Bank ("IBank"), dated as of _____, 20XX.

Ladies and Gentlemen:

In my capacity as legal counsel to the **[*Insert Purchaser name and shorthand name, i.e., (the "City")*]** and in connection with the above described financing agreement (the "Financing Agreement"), I have examined the laws pertaining to the **[*City*]**; **[*Reference Charter, if* any]**; copies of the Financing Agreement; **[*Identify Purchaser Resolution*]** (the "Resolution"); **[*Reference any Parity Debt Instruments*]**; **[*Reference any other agreements or instruments key to the financing, such as leases related to the Facility*]**; the rate and fee structure for the **[*City*]**'s **[*Identify Purchaser's System, i.e., "stormwater collection and conveyance system"*]** and such other information and documents as I considered necessary to render this opinion.

Based upon the foregoing, it is my opinion that:

(i) the **[*City*]** is a municipal corporation and a public instrumentality of the State of California duly organized and validly existing pursuant to the laws of the State of California;

(ii) the Resolution and other actions of the **[*City*]** approving and authorizing the execution and delivery of the Financing Agreement were duly adopted at a meeting of the governing body of the **[*City*]** which was called and held pursuant to law, in accordance with **[*Insert the following if a Charter: "the Charter and with"*]** all public notice required by law and at which a quorum was present and acting throughout and such approval and authority is continuing and in full force and effect as of the date hereof;

(iii) the **[*City*]** has the full right and lawful authority to execute and deliver the Financing Agreement and the Financing Agreement has been duly authorized and executed on behalf of the **[*City*]** and the Financing Agreement is the legal, valid and binding obligations of the **[*City*]** enforceable in

accordance with its terms **[*Insert the following if a Charter: "and under the Charter"*]**, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors' rights generally;

(iv) to the best of my knowledge, after due inquiry, the execution and delivery of the Financing Agreement and compliance with the provisions thereof, under the circumstances contemplated thereby, does not and will not, in any material respect, conflict with or constitute on the part of the **[*City*]** a breach of or default under any agreement or other instrument to which the **[*City*]** is a party**[*Reference any existing Parity Debt and any other agreements and instruments key to the financing, i.e., "including the lease of stormwater conveyance capacity in the County of XXX's stormwater collection system"*]**, or by which it is bound or any existing law, regulation, court order or consent decree to which the **[*City*]** is subject;

[*Insert the following if there is existing Parity Debt: "(v) the obligations of the[City] under the Financing Agreement constitutes permitted parity obligations under the [Reference Parity Debt and Parity Debt Instruments] and are on parity with the obligations of the City under the [Reference Parity Debt and Parity Debt Instruments];"*]

[Insert the following if appropriate: "(vi) the rates, fees and charges the [City] imposes on its [identify type of system, i.e., "stormwater conveyance system," but if single purpose entity such as a water district reference to "customers" alone is sufficient] customers are legal, valid and comply with California Constitution article XIIID, the statues implementing it, and the published California Appellate Court and Supreme Court decisions interpreting it;

(vii) to the best of my knowledge, after due inquiry, there is no action, suit, proceeding, inquiry or investigation before or by any court or public body pending or threatened against or affecting the **[*City*]**: (1) challenging or questioning the transactions contemplated by the Financing Agreement or any other agreement, document or certificate related to such transactions; (2) challenging or questioning the creation, organization, existence or powers of the **[*City*]**; (3) seeking to enjoin or restrain the execution of the Financing Agreement or the construction of the Facility (as defined in the Financing Agreement) or the collection of any of the revenues used for making payments under the Financing Agreement; (4) in any way questioning or affecting any authority for the execution of the Financing Agreement or the validity or enforceability of the Financing Agreement; or (6) in any way questioning or affecting any other agreement or instrument relating to the Financing Agreement to which the **[*City*]** is a party.

Sincerely,

_____

[*Insert attorney name*]
City Attorney, **[*Identity of Purchaser*]**

EXHIBIT E

AMORTIZATION SCHEDULE

[*To be Inserted*]

EXHIBIT F

SCHEDULE OF SOURCES AND USES OF FACILITY FUNDS

SOURCES and USES			
Uses	**Sources**		
	IBank	**City**	**Total**
Construction & Construction Contingency	LOAN AMOUNT	$0	**LOAN AMOUNT**
IBank Origination Fee	$0	$	$
Total	**LOAN AMOUNT**	**$**	**$**

EXHIBIT G

…..

WAIVER

This waiver ("Waiver") relates to that certain Installment Sale Agreement by and between the BORROWER (the "Purchaser") and the California Infrastructure and Economic Development Bank ("IBank") dated as of November 1, 2020 (the "EXISTING DEBT OBLIGATION").

All terms with their initial letter, or letters, capitalized that are used but not otherwise defined in this Waiver shall have the meanings given to them in the EXISTING DEBT OBLIGATION.

WHEREAS, Section 2.11 of the EXISTING DEBT OBLIGATION sets forth certain conditions precedent to the Purchaser's issuance or incurrence of Parity Debt, including a condition that the Purchaser to deliver to IBank a Report of an Independent Accountant or Independent Consultant with certain calculations that establish Net System Revenues amount to at least 1.20 times Maximum Annual Debt Service;

WHEREAS, IBank is considering entering into a new Installment Sale Agreement (the "Potential 20XX ISA") with the City on parity with the financing made pursuant to the EXISTING DEBT OBLIGATION;

WHEREAS, given that IBank is party to the EXISTING DEBT OBLIGATION, and as such has access to the data needed, IBank is able to make the calculations required under Section 2.11 of the EXISTING DEBT OBLIGATION;

NOW, THEREFORE, in order to avoid having the Purchaser incur the additional expenses associated with a Report prepared by an Independent Accountant or Independent Consultant for information that IBank already possesses, and solely for the purpose of the Potential 20XX ISA, IBank hereby waives the Independent Accountant/Independent Consultant Report requirements set forth in Sections 2.11(a)(2), 2.11(b)(1) and (2), and 2.11(d) of the EXISTING DEBT OBLIGATION.

CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

By_____

Executive Director

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Agenda Item 14

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Kimberly A. Thorner, General Manager

Subject: **CONSIDER THE CALENDAR FOR THE 2027 OLIVENHAIN MUNICIPAL WATER DISTRICT'S BOARD MEETINGS**

Purpose

The purpose of this item is to consider the board meeting dates for the 2027 calendar year. The proposed calendar complies with the District's Administrative and Ethics Code and takes into consideration various annual conferences as well as the San Diego County Water Authority's board meetings.

Recommendation

Staff recommends approving the attached calendar of dates that includes a total of 11 Board Meetings that are being proposed for 2027. The proposed Board Meeting dates have been scheduled around conferences and the San Diego County Water Authority Board Meetings per the Administrative and Ethics Code requirement. Having 11 Board Meetings in 2027 would allow for a summer recess during the month of July. The month of July was selected as the recess month since there are no deadlines, requirements, or legal/regulatory obligations that must occur during the month of July.

Alternative(s)

- The Board may wish to change the day of the week on which Board Meetings are held; however, the Administrative and Ethics Code would need to be changed via notice and an ordinance.

- The Board may wish to change the scheduled times of the District's Board Meetings; however, the Administrative and Ethics Code would need to be changed via notice and an ordinance.

- The Board may wish to hold 12 Board Meetings during 2027 and forgo a summer recess during the month of July. If so, the July board meeting would be July 21st.

Discussion

In 2026 the Board approved 11 board meetings with a recess in the month of July. A similar schedule is proposed for 2027 with the potential of several Special Meetings. Director Lanfried expressed to the General Manager a desire to hold Strategic Planning workshops in 2027. Director Lanfried is in the rotation to become board President in January. Staff recommends that Strategic Planning Workshops be discussed and added at that time as "Special Board Meetings" based on the collective board desire and schedules. Special Board Meetings may be called pursuant to Administrative and Ethics Code Section 2.5 as follows:

Sec. 2.5. Call for Special Meeting. A special meeting may be ordered at any time by the President of the Board of Directors, or by members of the Board of Directors constituting a majority of the Board by delivering personally or by mail, written notice to each Board Director and to each local newspaper of general circulation, radio or television station requesting notice in writing. The call and notice shall be posted at least 24 hours prior to a special meeting in a location that is freely accessible to members of the public.

Such notice must be delivered personally or by mail at least twenty-four hours before the time of such meeting as specified in the notice. The order shall specify the time and place of the special meeting and the business to be transacted. No other business shall be considered at such meetings by the Board of Directors.

Written notice need not be given to any Board Director who files a written waiver of notice at or before the meeting or for any Board member actually present at the meeting.

Staff is available to answer any questions.

Prepared by: Stephanie Kaufmann, Executive Secretary
Reviewed by: Kimberly Thorner, General Manager
Approved by: Kimberly Thorner, General Manager

Attachment: Proposed 2027 Board Meeting Calendar

OLIVENHAIN
Municipal Water District

2027 Board Meeting Calendar

(All meetings are at 4:00 p.m.)

January 2027

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	**28**	29	30
31						

February 2027

Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	**25**	26	27
28						

March 2027

Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	**25**	26	27
28	29	30	31			

April 2027

Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	**22**	23	24
25	26	27	28	29	30	

May 2027

Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	**27**	28	29
30	31					

June 2027

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	**24**	25	26
27	28	29	30			

July 2027

Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	**22**	23	24
25	26	27	28	29	30	31

August 2027

Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	**26**	27	28
29	30	31				

September 2027

Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	**23**	24	25
26	27	28	29	30		

October 2027

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	**28**	29	30
31						

November 2027

Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	**18**	19	20
21	22	23	24	25	26	27
28	29	30				

December 2027

Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

2027 Conferences

February 23-25	ACWA DC Conference
February 24-26	Urban Water Institute Spring Conference, Indian Wells
March 1-4	WateReuse Symposium, Las Vegas
May 11-13	ACWA Spring Conference, San Francisco
August 30-Sept 2	CSDA Annual Conference, San Diego
September	WateReuse Annual Conference
November 30-Dec 2	ACWA Fall Conference, Anaheim

The annual calendar is considered in compliance with the standing policy of the Board of Directors that the regular Board Meetings shall be scheduled so as not to conflict with ACWA/CSDA conferences or holidays. One regular monthly Board meeting shall be held prior to the monthly San Diego County Water Authority Board Meeting. All District-observed holidays (offices closed) are shown in red.

Agenda Item 15

OLIVENHAIN
Municipal Water District

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Joe Jansen, Administrative Analyst

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER INFORMATIONAL REPORT ON WATER SUPPLY CONDITIONS AND LONG-TERM WATER USE EFFICIENCY LEGISLATION**

Purpose

The purpose of this agenda item is to provide the board with updates on water supply conditions, OMWD's customer notification and enforcement activities, and water use legislation affecting OMWD customers.

Recommendation

This is an informational item; no action is required.

Alternative(s)

Not applicable; informational item only.

Background

Since June 2015, staff presents at the board's request a quarterly report on statewide water supply conditions, recent and near-term events pertaining to drought, and/or a summary of activity taken by staff.

Fiscal Impact

There are no costs directly associated with this informational report.

Discussion

Staff will review the attached presentation with the board at the October 14 meeting and further discuss water supply related developments.

Prepared by:	Joe Jansen, Administrative Analyst
Reviewed by:	Brian Sodeman, Customer Service and Public Affairs Supervisor
	John Carnegie, Customer Services Manager
	Joey Randall, Assistant General Manager
Approved by:	Kimberly A. Thorner, General Manager

Attachments: PowerPoint presentation

WATER SUPPLY AND LONG-TERM WATER USE EFFICIENCY LEGISLATION

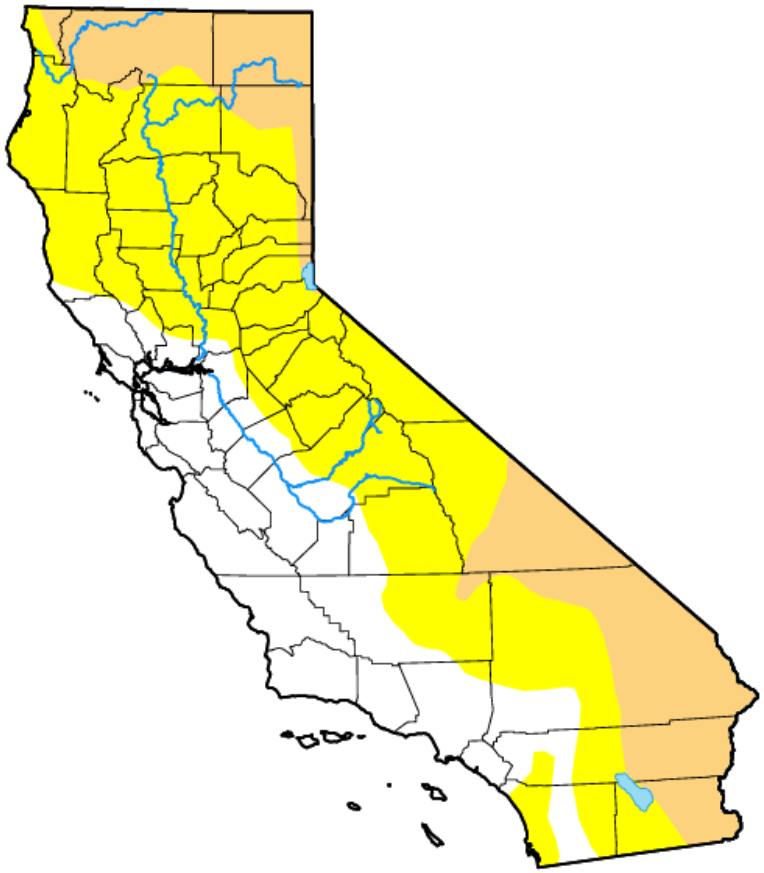
October 14, 2026

OLIVENHAIN
Municipal Water District

Water Supply Conditions

U.S. Drought Monitor

California



September 29, 2026

(Released Thursday, Oct. 1, 2026)

Valid 8 a.m. EDT

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	27.88	72.12	23.26	0.00	0.00	0.00
Last Week *09-22-2026*	30.24	69.76	23.26	0.00	0.00	0.00
3 Months Ago *06-30-2026*	39.59	60.41	5.01	0.00	0.00	0.00
Start of Calendar Year *01-06-2026*	100.00	0.00	0.00	0.00	0.00	0.00
Start of Water Year *09-30-2025*	26.78	73.22	38.52	18.61	1.25	0.00
One Year Ago *09-30-2025*	26.78	73.22	38.52	18.61	1.25	0.00

Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to https://droughtmonitor.unl.edu/About.aspx

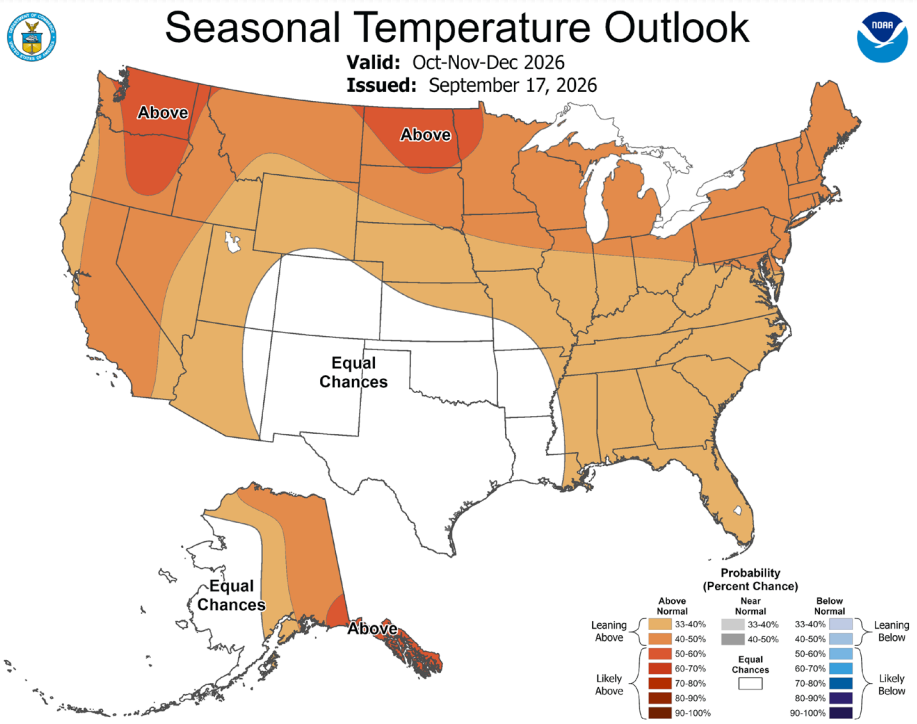
Author:

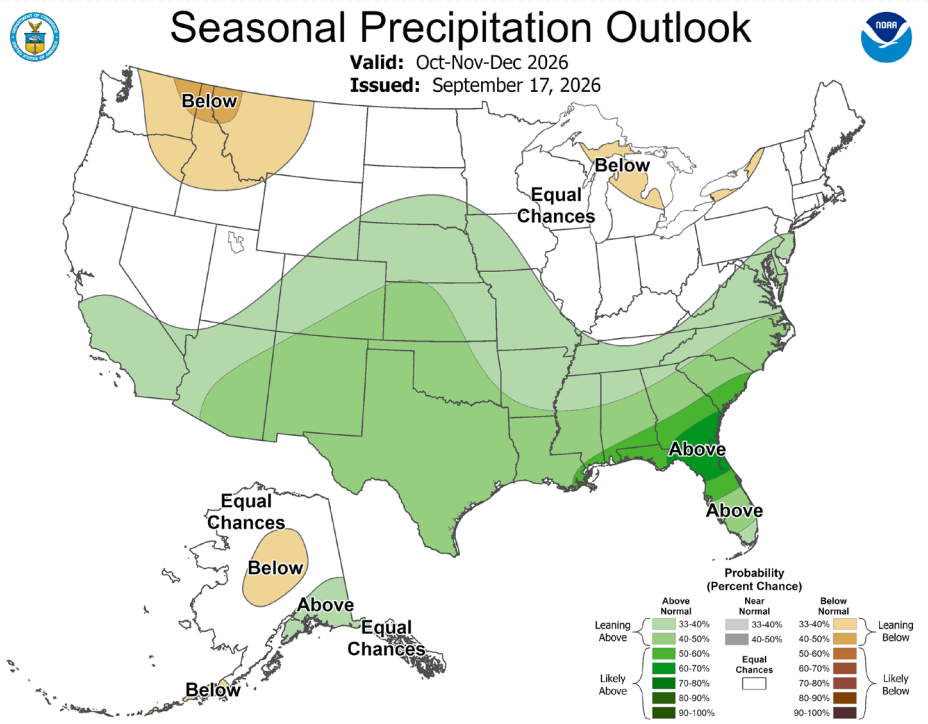
Jonathan Case
NASA/MSFC/UAH

droughtmonitor.unl.edu

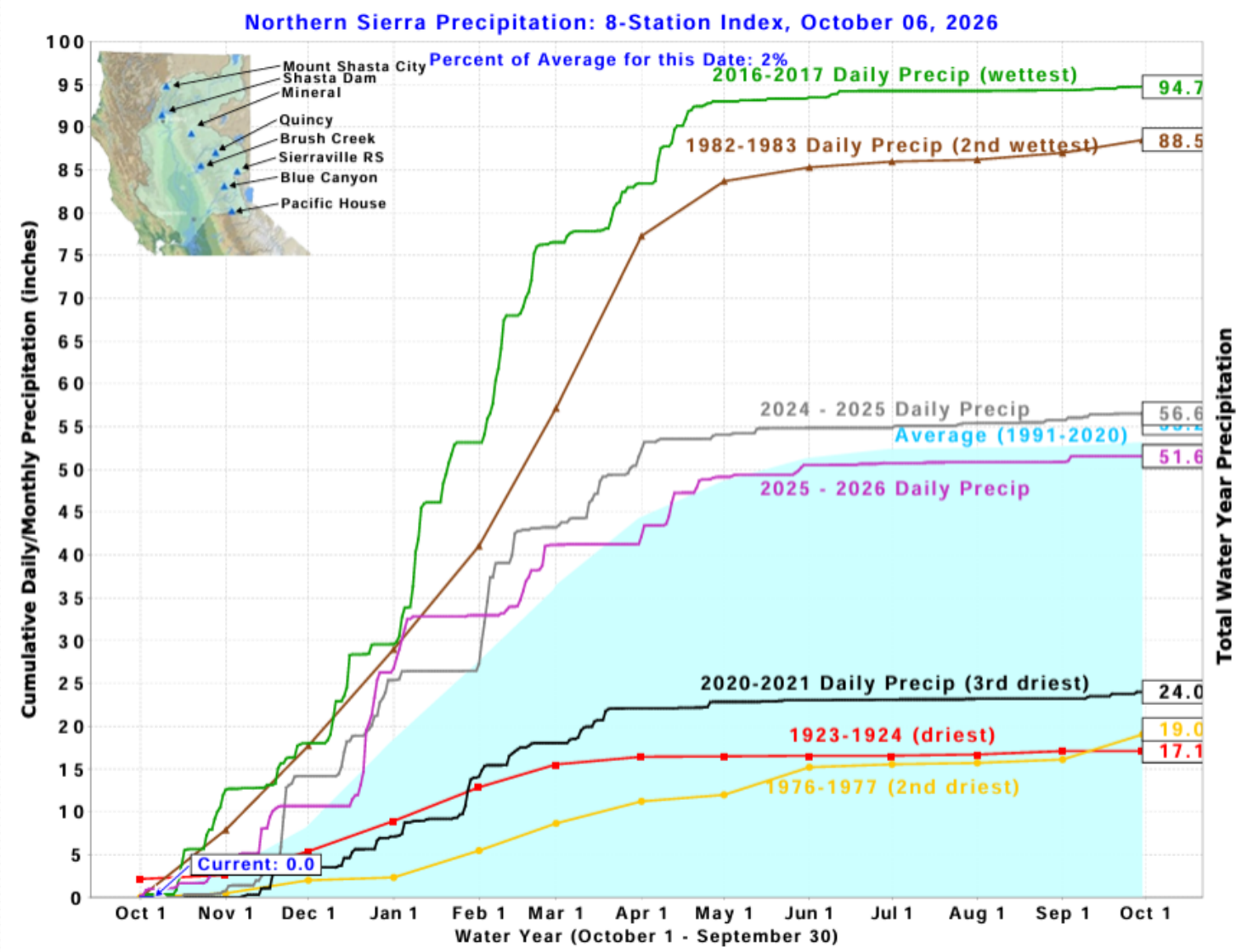
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National Weather Service Outlook
October 2026 – December 2026

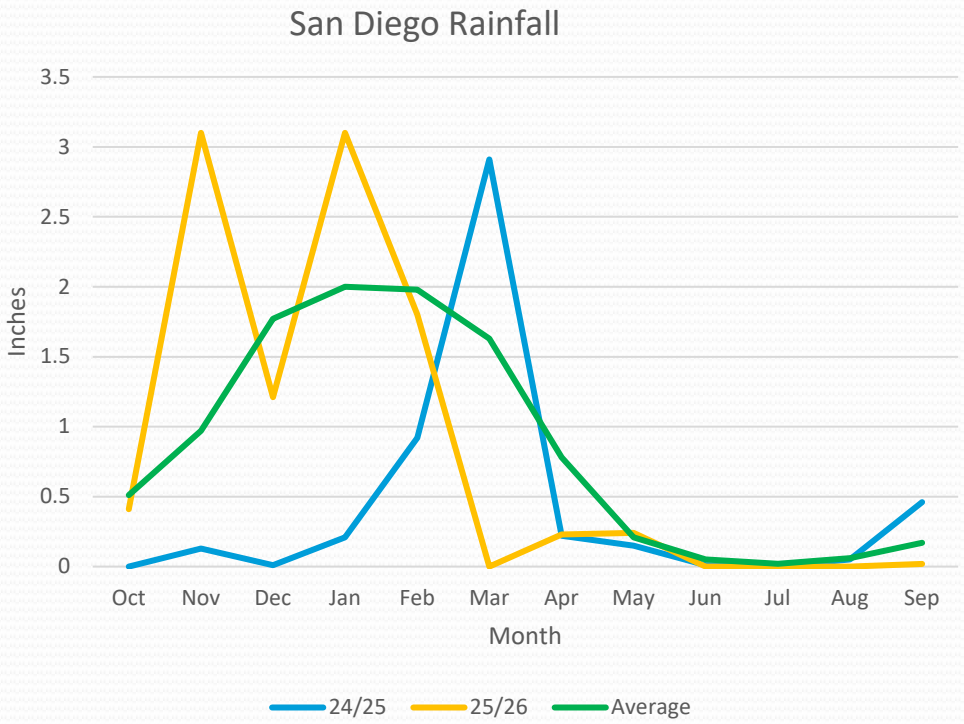


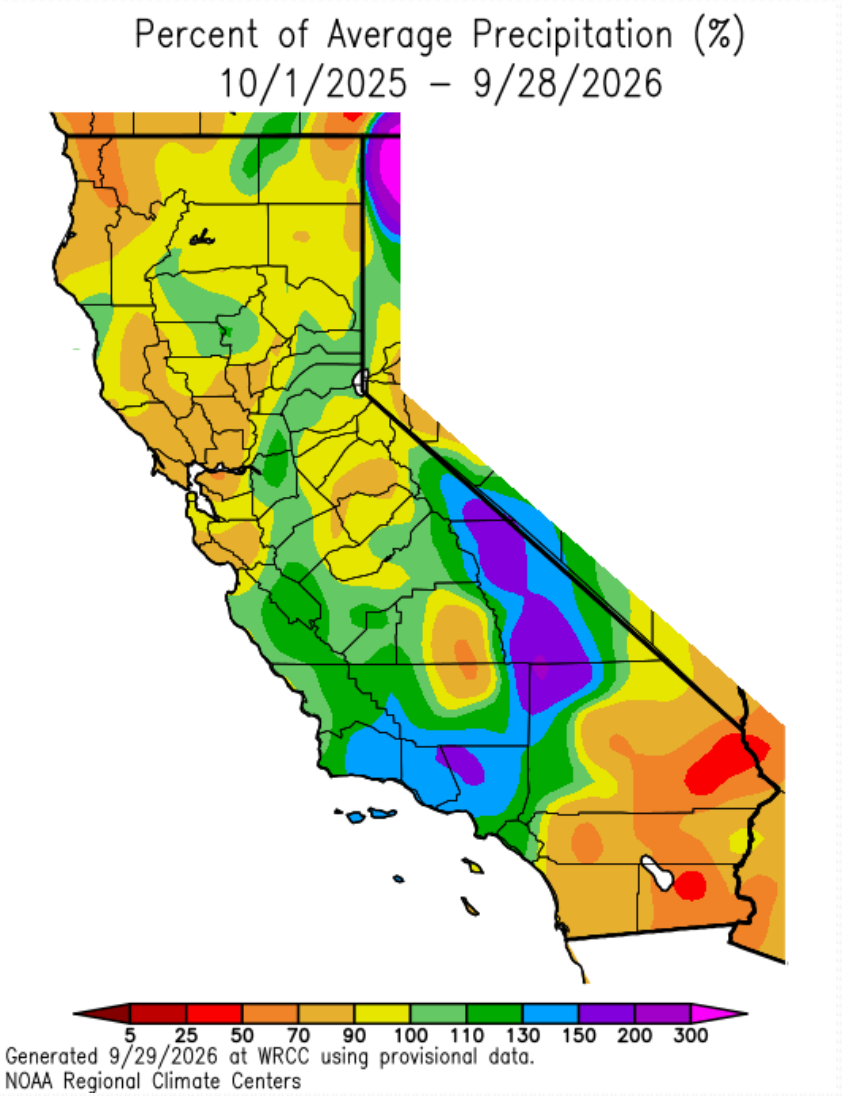


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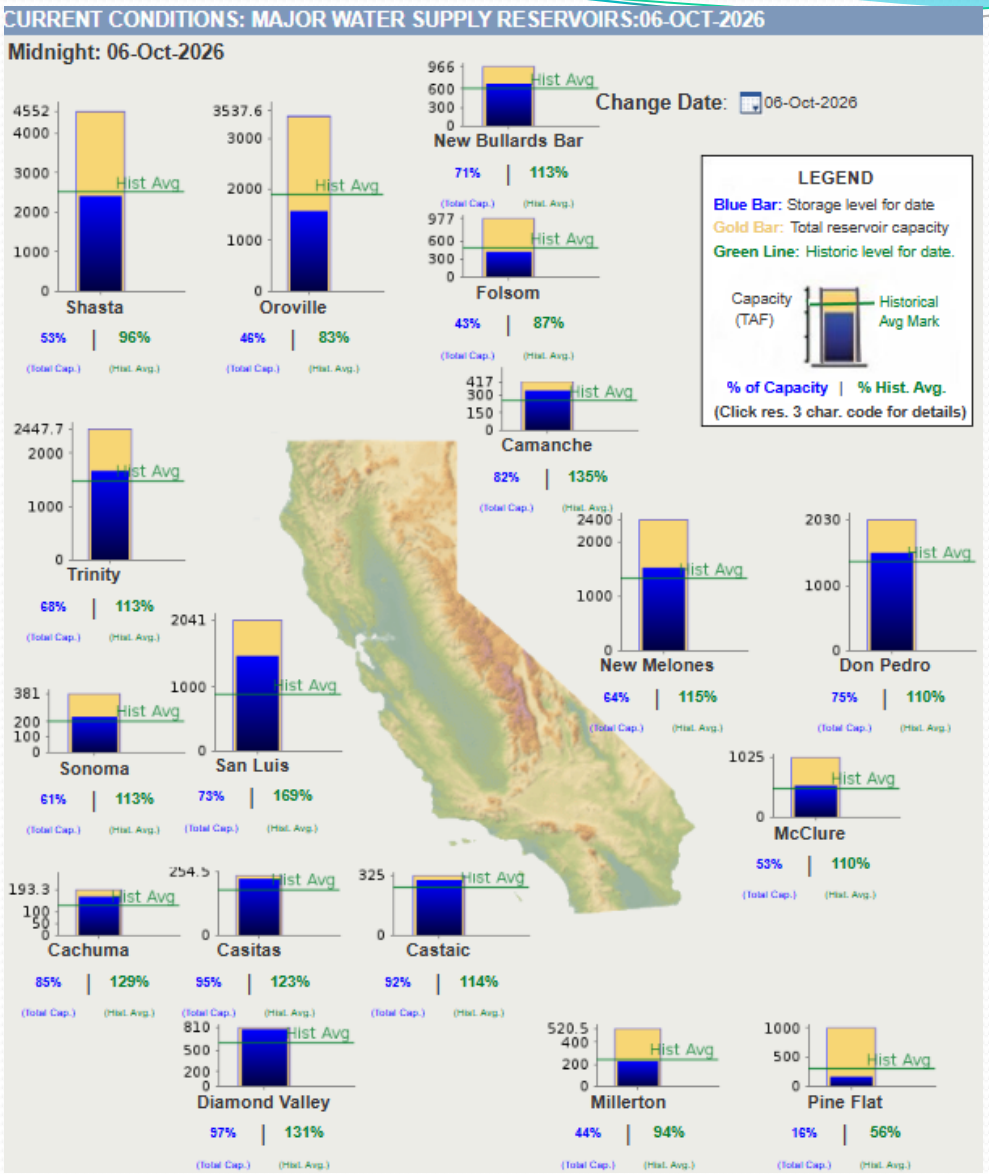


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**Oroville down from 67% in August*

OLIVENHAIN
Municipal Water District

The Metropolitan Water District of Southern California

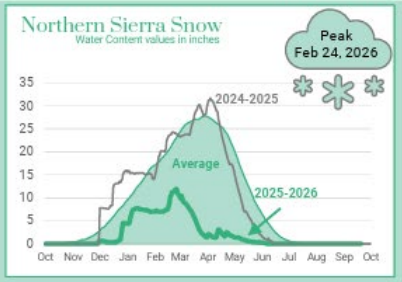
Water Supply Conditions Report - https://www.mwdh2o.com/WSCR

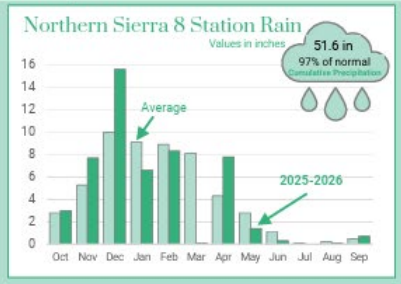
Questions? Reach out via the form: https://forms.office.com/g/Gj3aReAuCm

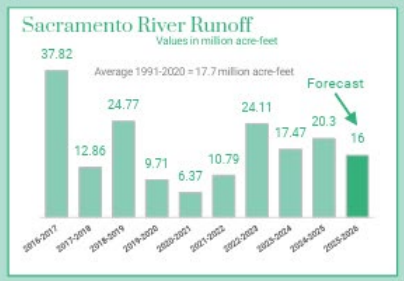
Water Year 2025-2026

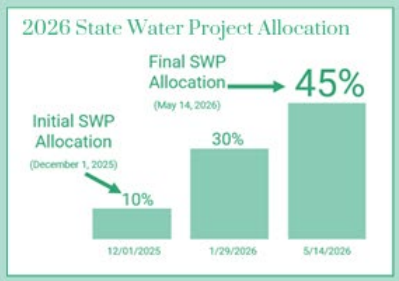
As of: 09/20/2026

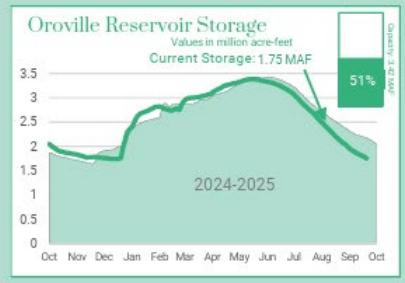
State Water Project





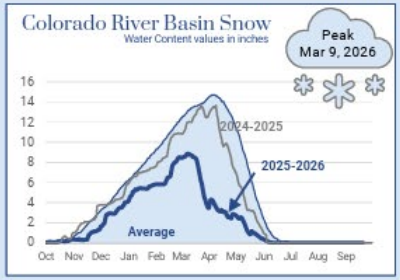


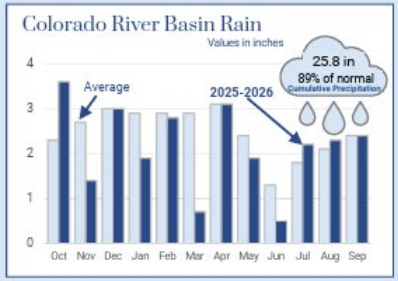


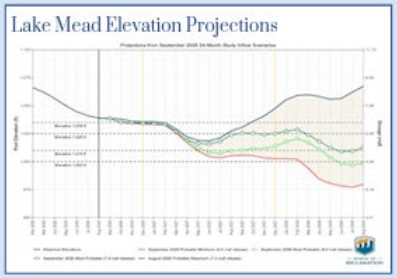


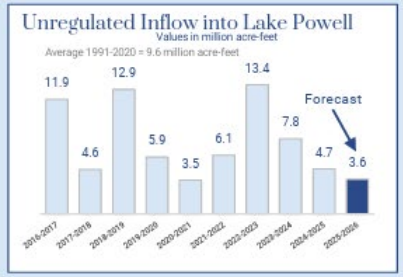


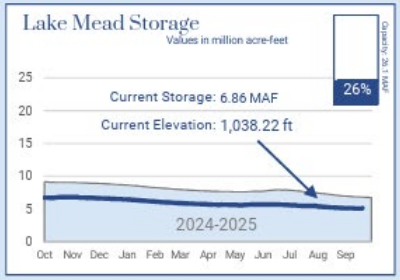
Colorado River

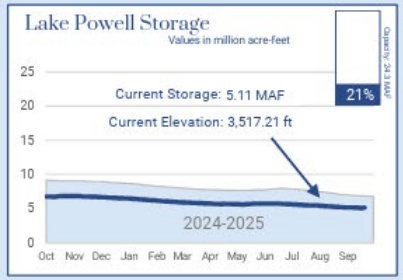












OLIVENHAIN
Municipal Water District

OMWD Activity

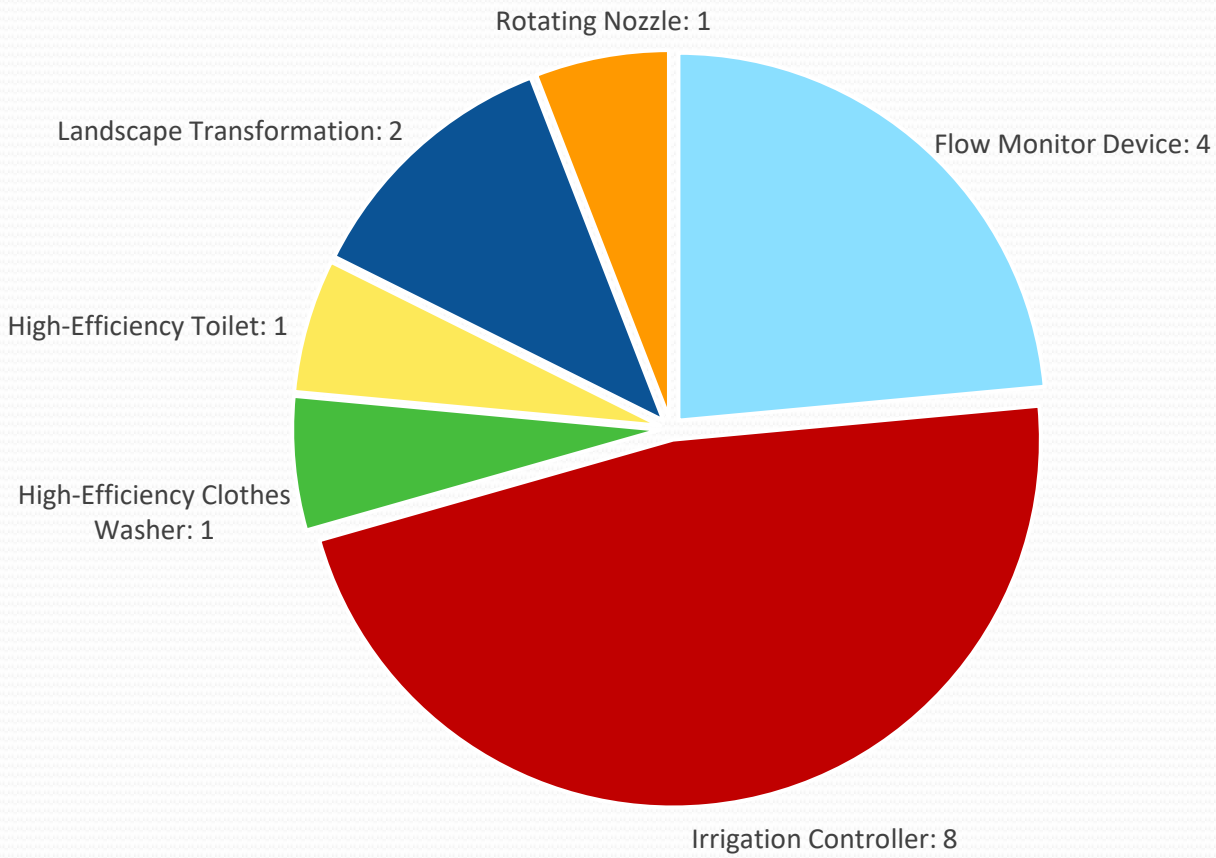
Water Waste Reports

Month/Year	Reports	Actions	Fines
October ’25	2	2	0
November ’25	1	1	0
December ‘25	1	1	0
January ‘26	0	0	0
February ‘26	0	0	0
March ‘26	0	0	0
April ’26	0	0	0
May ‘26	1	1	0
June ‘26	1	1	0
July ’26	4	4	0
August ‘26	3	3	0
September ’26	5	5	0
Totals	18	18	0



OLIVENHAIN
Municipal Water District

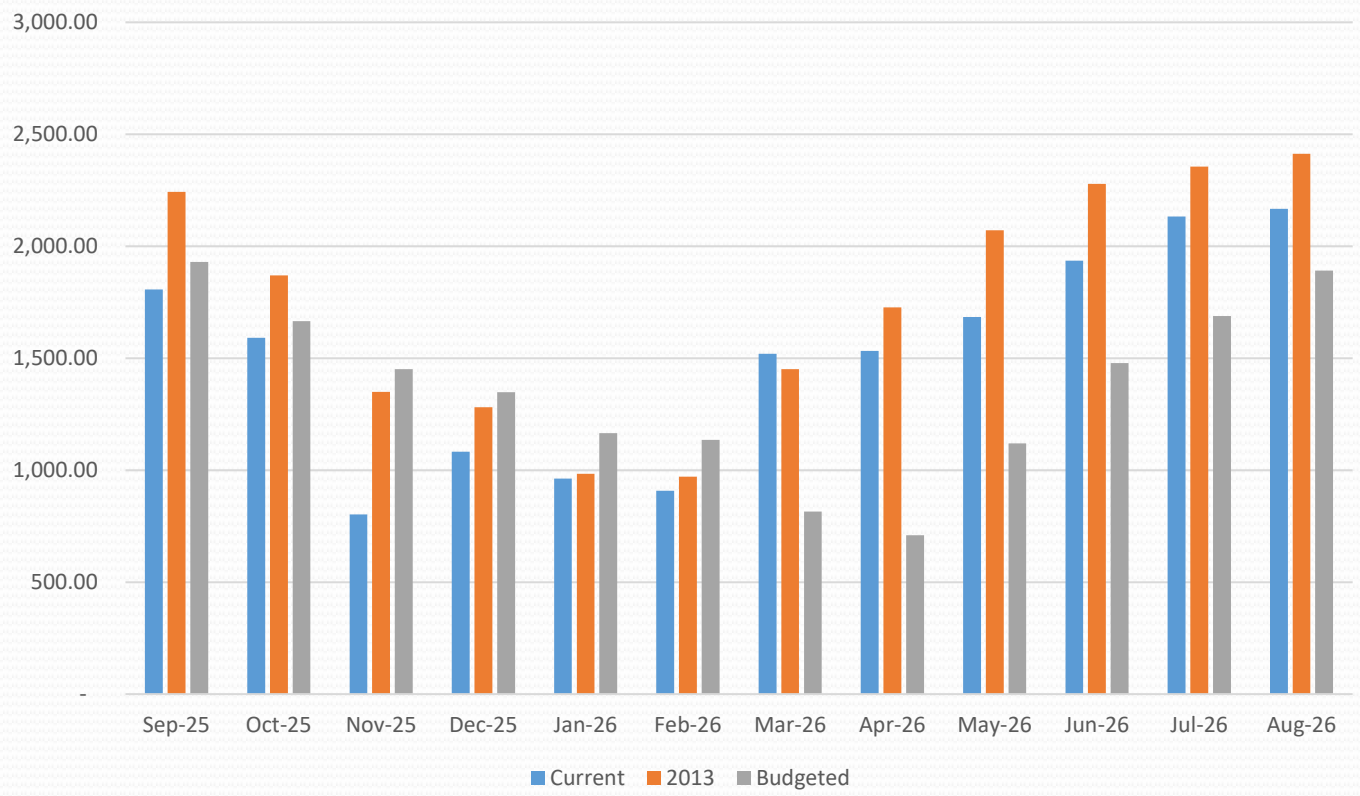
August - September Rebate Application Activity



Figures are based on applications received

OLIVENHAIN
Municipal Water District

Potable Monthly Demand



Water Consumption Compared to 2013	
Sep-25	-19%
Oct-25	-15%
Nov-25	-41%
Dec-25	-16%
Jan-26	-2%
Feb-26	-7%
Mar-26	5%
Apr-26	-11%
May-26	-19%
Jun-26	-15%
Jul-26	-9%
Aug-26	-10%

OLIVENHAIN
Municipal Water District

Legislation & Regulations

Water Supply Leg and Reg Update

- Colorado River update
  - Department of Interior issued Record of Decision
- Water supply legislation
  - SB 1085 (Durazo) – water supply planning; housing developments

OLIVENHAIN
Municipal Water District

Recent Updates









OLIVENHAIN
Municipal Water District

OLIVENHAIN
Municipal Water District

Agenda Item 16

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Jesse Bartlett-May, Operations Manager

Via: Kimberly A. Thorner, General Manager

Subject: **INFORMATIONAL UPDATE OF THE GENERAL MANAGER'S EMERGENCY DECLARATION OF THE CALLE BARCELONA LEAK REPAIR PROJECT**

Purpose

The purpose of this agenda item is to provide an update on the General Manager's emergency declaration for the Calle Barcelona Emergency Leak Repair Project (Project) in accordance with Administrative & Ethics Code Section 3.2.1. The General Manager declared an emergency on Saturday August 8, 2026 and, pursuant to Administrative and Ethics Code Section 3.2.1, the Board shall review the General Manager's emergency action at the next board meeting and per California Public Contracting Code §22050 at every regularly scheduled meeting thereafter until the Project is completed.

Recommendation

Staff recommends the Board take the following actions:

1. Review the update of the General Manager's emergency declaration.

Alternative(s)

No alternatives as this is an informational item.

Background

On the morning of Saturday, August 8, 2026, OMWD received a call of a possible water main break on Calle Barcelona between Paseo Aliso and Paseo Avellano in front of the Coastline Church. Police were on the scene when staff arrived due to the damaged roadway. The leak was quickly isolated, which left two meters out of service. Staff immediately contacted dig alert and marked out the affected area. Crews then began digging to find the source of the leak which staff believed was coming from a hydrant valve. Due to the extent of the undermining and damage to the road which presented a safety hazard to staff and civilians, the General Manager declared an emergency based on both the OMWD Administrative Code §3.2.1 and California Public Contract Code §1102 to prevent and mitigate the loss of property and essential services.

Staff made calls to contractors and Cass Arrieta (Cass) was the first contractor available to be on site with crews and equipment with the ability to assist with both the repair of the affected pipeline and the roadway. Staff also called traffic control and the City of Carlsbad as lanes needed to be closed and traffic redirected. Additional communication between OMWD General Manager, Kimberly A. Thorner, Carlsbad City Manager, and Carlsbad Public Utilities Department General Manager took place to keep all parties informed of the progress.

OMWD crews continued digging until Cass arrived on-site around 10am. With traffic control in place, one lane in each direction was set up to minimize the traffic impact and keep crews safe. With the excavation work performed by OMWD crews throughout the night Cass was able to begin immediately removing the concrete thrust block to gain access to the 12” x 6” tap in sleeve.

By 12:58pm repairs were made to the 12” C-900 pipeline and the hydrant, OMWD crews provided materials to backfill the trench and remove the damaged asphalt. System Operators and Field Services staff then began flushing and returning service to the affected customers.

Staff then worked with Cass and their paving subcontractor, Koch Engineering, and the City of Carlsbad to obtain quotes, finalize a contract, and schedule final paving work.

Staff provided an update to the board at the August 19, 2026 Board Meeting and the September 16, 2026 Board Meeting.

Fiscal Impact

At the September 16, 2026 Board Meeting the Board approved a not-to-exceed contract with Cass for an amount of $85,000. During a pre-con meeting held September 17, 2026 between the city and the contractor, additional lifting and undermining of the asphalt was observed. For this reason, a change order was approved under the General Manager's emergency authority in the amount of $85,151, in alignment with the Administrative and Ethics Code Sec. 3.2.1. The funds are currently available in the Replace Pipelines CIP Budget.

Is this a Multi Fiscal Year Project? Yes

In which FY did this capital project first appear in the CIP budget? 2013

Total Project Budget: $ 7,616,000

Current Fiscal Year Appropriation: $664,000

To Date Approved Appropriations: $664,000

Target Project Completion Date: 10/2/2026

Expenditures and Encumbrances as of (month-end date): $10,850.65

Is this change order within the appropriation of this fiscal year? N/A

Discussion

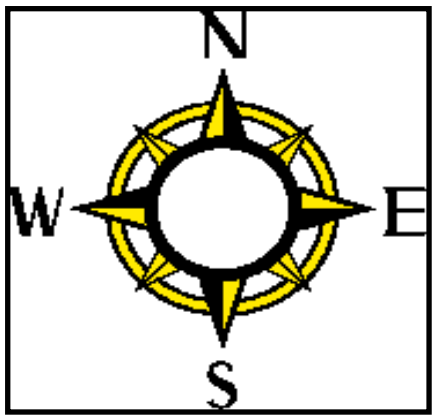
Due to the wash out of the subgrade materials, the asphalt continued to buckle and the repair to the roadway became rather expansive and during a pre-con meeting with the city and the contractor it was determined a full removal and replacement of 5" of asphalt in an 86' x 60' section would be required to bring the roadway back to specification. Staff worked with the contractor to acquire a new quote and to reduce costs OMWD staff performed a section of the work in-house. Staff received a new quote and executed a change order. Unfortunately, the work could not be completed ahead of this board meeting, but is tentatively scheduled for Thursday, October 15, 2026, depending on weather.

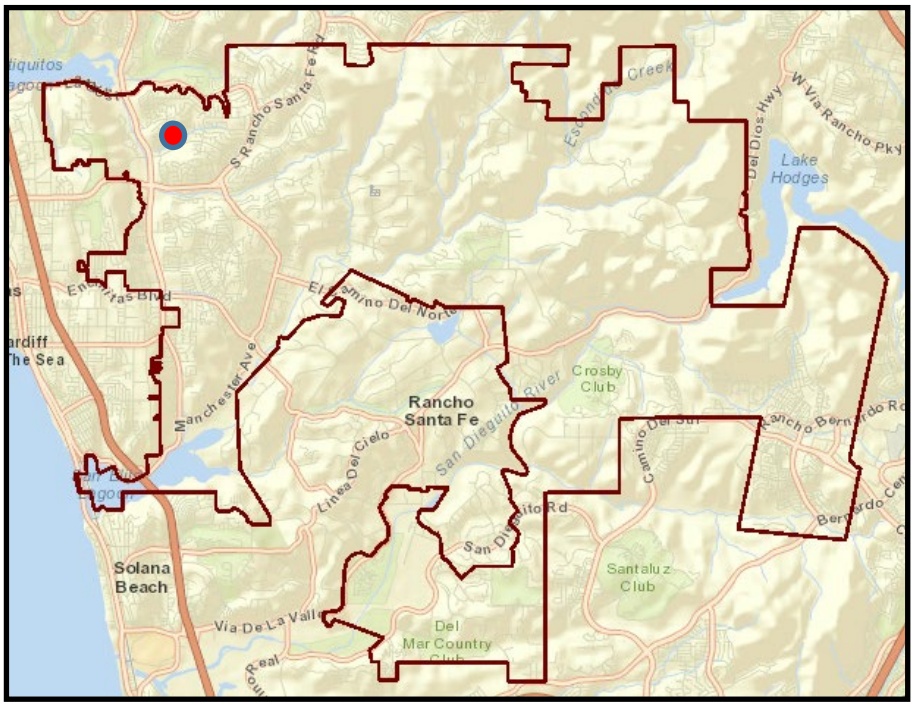
Staff is available to answer any questions.

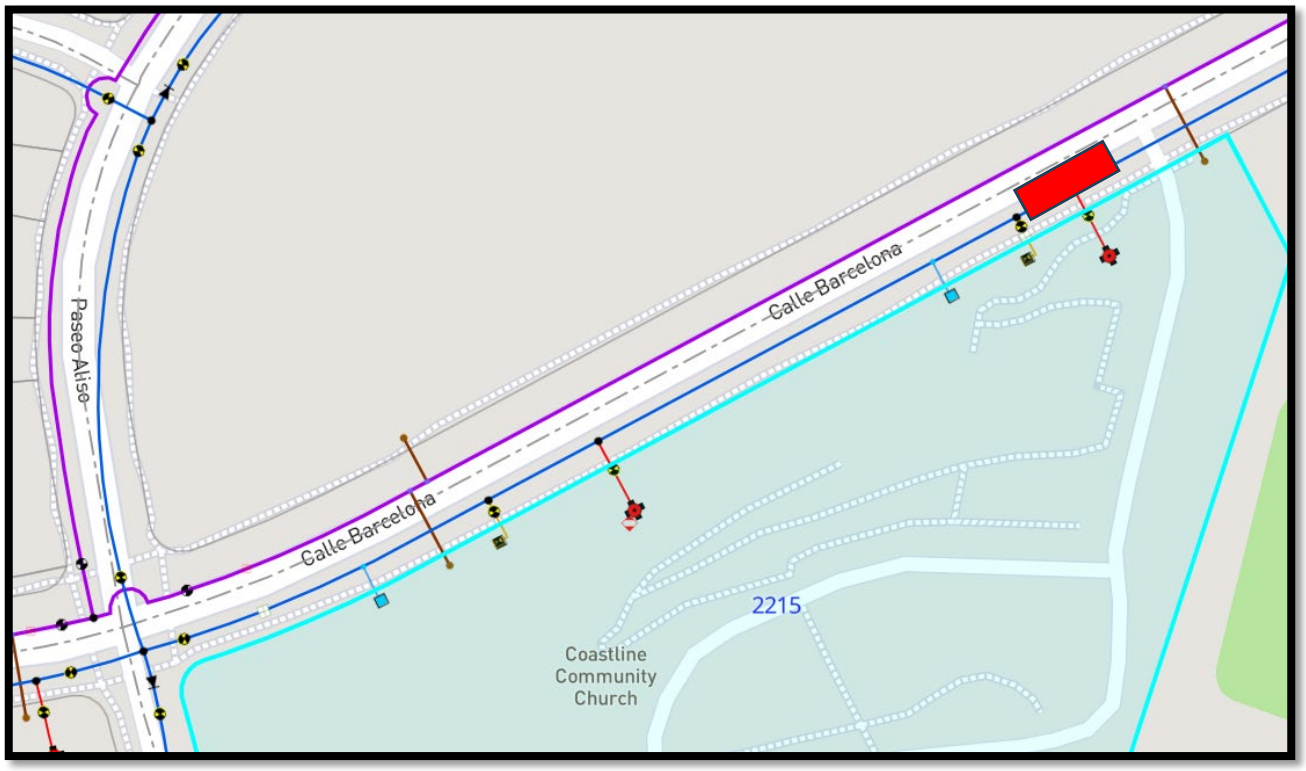
Prepared by: Jesse Bartlett-May, Operations Manager
Reviewed by: Joey Randall, Assistant General Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments

A. *Location Map*
B. *PowerPoint*







CALLE BARCELONA EMERGENCY LEAK REPAIR PROJECT

OMWD PROJECT NO. D120171D

Calle Barcelona Leak Repair Emergency Project

October 14, 2026

OLIVENHAIN
Municipal Water District

Sink Hole






CASE
COASTLINE CHURCH



Questions

Agenda Item 17

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Erick Del Bosque, Engineering Manager

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER APPROVAL OF A PROFESSIONAL SERVICES AGREEMENT WITH VALLEY CONSTRUCTION MANAGEMENT, INC. IN THE AMOUNT OF $1,011,990, FOR CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES FOR THE DAVID C. MCCOLLOM WATER TREATMENT PLANT BASIN REHABILITATION PROJECT; AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT ON BEHALF OF OMWD; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE FUTURE AGREEMENT AMENDMENTS BASED ON NEGOTIATED PRICING WITHIN APPROVED BOARD BUDGET**

Purpose

The purpose of this agenda item is to consider approval of a Professional Services Agreement (PSA) with Valley Construction Management, Inc. (Valley CM) in the amount of $1,011,990 for construction management and inspection services on the David C. McCollom Water Treatment Plant Membrane Basin Rehabilitation Project (Project), authorizing the General Manager to execute the agreement on behalf of OMWD, and authorizing the General Manager to execute agreement amendments based on negotiated pricing within approved Board budget. The requested PSA with Valley CM will cover construction management and inspection services for the first two years of the six-year Project. The PSA includes options to extend the services for subsequent phases of the Project, subject to consultant performance, funding availability, and authorization by

the General Manager. This item supports calendar year 2026 Annual Goal 1, Objective 6 to progress the DCMWTP basin rehabilitation program.

Recommendation

Staff recommends approval of a PSA with Valley CM in the amount of $1,011,990 for construction management and inspection services during the first two years of the six-year construction Project; authorize the General Manager to execute the agreement on behalf of OMWD; and authorize the General Manager to execute agreement amendments for subsequent project phases based on negotiated pricing within approved Board budget. This contract cost for construction management services is within the budget established and approved by the Board last month.

Alternative(s)

The Board could elect to:

1. Direct staff to negotiate a contract with PdM Consulting, or Kenny Consulting Services, who also submitted proposals for the construction management services.

2. Proceed in a manner as otherwise directed by the Board.

Background

At the September 16, 2026, Board meeting, the Board approved a multi-year construction contract to GSE in the amount of $15,465,600 for the construction of the Project, waived a minor irregularity related to the unnotarized non-collusion affidavit, and authorized the General Manager to sign on behalf of OMWD for the initial two-year phase in the amount of $9,438,306. The Board also authorized subsequent phases through contract amendments based on the contract pricing established at the time of award, subject to contractor performance, increased the General Manager's change order approval limit from $75,000 to $500,000, directed staff to notify the Board when approaching the $300,000 amount, increased the total project budget by $7,250,000, and to fund the initial two-year phase of the Project, deferred nine Capital Improvement Program (CIP) Projects from 2027 and 2028 to 2029, and appropriated an additional $1,250,000 from the Capital Reserve Fund.

Prior to the September 16, 2026, Board meeting and in anticipation of a construction contract award by the Board, staff advertised a Request for Proposals (RFP) for construction management and inspection services for the Project. The RFP was advertised

on PlanetBids and in the San Diego Union Tribune on August 20, 2026. Given the complexity of the Project, staff offered 30-minute virtual meetings to consultants interested in submitting a proposal, for them to gain a better understanding of the Project before proposals were due. Staff then met with two consultants to discuss the Project: PdM Consulting, Inc. (PdM) and Valley CM. Proposals in response to the RFP were due on September 22, 2026, and proposals were submitted by Valley CM, PdM, and Kenny Consulting Services, Inc.

Fiscal Impact

The approved FY 2027 and FY 2028 budgets include funding for construction management and inspection for Years 1 and 2, which represents the initial two-year contract phase. The PSA is structured to provide services for the initial two-year phase, with options to extend the services for subsequent years of the Project. The Project is included in the approved FY 2027 and FY 2028 budgets under the following CIP accounts:

- D120198 – DCMWTP 2nd Stage Basin Rehabilitation and Beam Replacement
- D120202 – DCMWTP Combined Filter Influent and Backwash Pipe Replacement
- D120201 – DCMWTP 1st Stage Beam Replacement
- D120218 – DCMWTP 1st Stage Basin Rehabilitation

The cumulative total project budgets for all four projects are presented in the following fiscal table. Appropriations for subsequent phases of the six-year Project are included in the District's 10-Year Capital Spending Plan and will be reviewed and updated annually as part of the budget process.

Is this a Multi Fiscal Year Project? **Yes**

In which FY did this capital project first appear in the CIP budget? **2024**

Total Project Budget: **$19,557,000**

Approved Appropriations through FY 2028: **$13,311,800**

Target Project Completion Date: **FY 2032**

Expenditures and Encumbrances as of (9/29/26): **$778,852**

Expenditures and Encumbrances as of 9/29/26 (including authorized 2-year construction award): **$10,217,158**

Available Funds within Fiscal Year Appropriation (following encumbrances on construction award): **$3,094,642**

Discussion

A cross-departmental selection panel consisting of Engineering and Operations staff reviewed and evaluated the proposals in accordance with Administrative & Ethics Code §6.9B:

"*Staff shall request proposals in writing to at least three firms. A detailed RFP shall be established for rating/interviewing and shall consist of at least one person from a different department than the one conducting the detailed RFP process. The in-house panel may conduct interviews at the discretion of the department manager for the department for the department conducting the detailed RFP process. Approval criteria shall include, but not limited to, experience, expertise, availability and qualifications of consultants/staff, completeness and responsiveness of proposal, and cost.*"

Per the Administrative & Ethics Code referenced above, staff evaluated the proposals based on the following criteria established in the RFP:

- Approach to work – 30%

- Qualifications of key personnel and relevant experience – 45%
- Level of effort – 25%

The following table presents the firms that submitted proposals and their proposed cost.

Firm	Proposed Cost
Valley CM, Inc.	$1,011,990
PdM Consulting, Inc.	$1,192,950
Kenny Consulting Services, Inc.	$1,489,079

Following review and evaluation of the proposals, staff recommends approval of a PSA with Valley CM. This consultant demonstrated strong experience providing construction management and inspection services for complex CIP projects at operating water treatment facilities and presented a well-developed approach to the phased work, including an understanding of the construction sequencing, required plant shutdown coordination work with contractor and OMWD, and maintaining treatment operations after the 4-month plant shutdown period. Valley CM also plans to provide specialty inspection services through their staff and sub-consultants for the following: welding, electrical, instrumentation and controls, coatings, and stainless-steel pipe fabrication. Valley CM's scope of work includes the following services:

- Project coordination
- Meeting facilitation
- Contract administration
- Monthly progress reports
- Tracking of contractor's submitted documents and deliverables
- Contractor's schedule review
- Management of contractor's change order requests
- Review of contractor's progress payments
- Risk management and claims resolution
- Daily field inspections
- Materials testing and specialty inspections
- Review of contractor's as-built drawings
- Permit compliance and site safety
- Project start-up and commissioning
- Project closeout

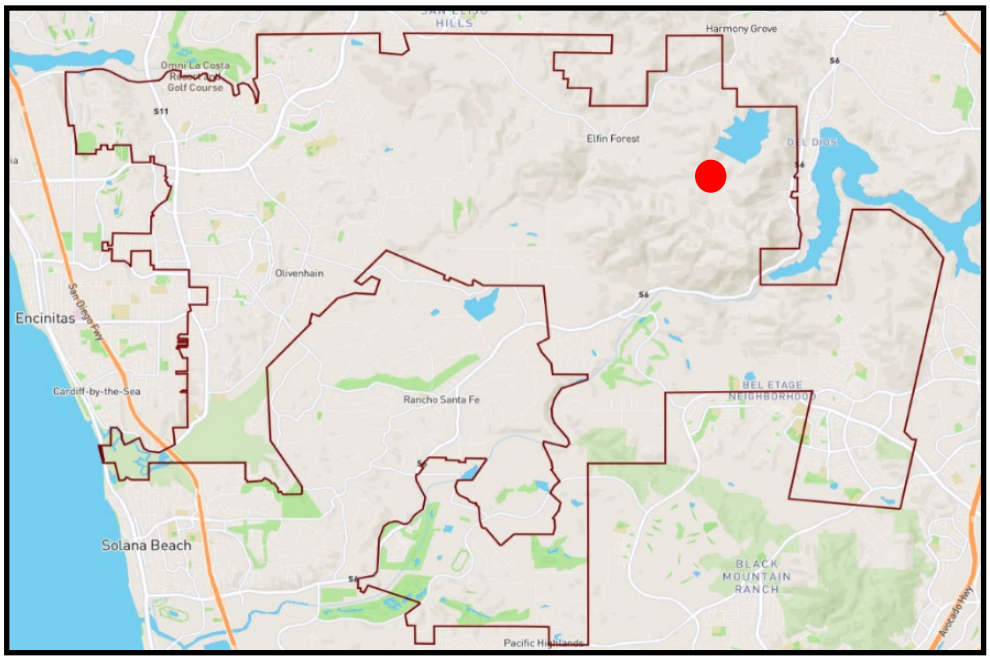
Following the Board's approval of the construction contract award to GSE, staff issued a Notice of Award to GSE on September 17, 2026. Staff anticipates issuing a Notice to Proceed in late October or early November 2026 to commence construction, following execution of the Contract Documents. Given the complex nature of this project, it is important to have a third-party construction management and inspection consultant that can use their expertise with similar projects to ensure the Project is constructed in accordance with the design plans and specifications, that can negotiate any potential change orders on behalf of OMWD, and that can coordinate with the contractor to ensure the Project advances according to schedule. OMWD does not have staff capacity to perform these services. Valley CM would perform these services on behalf of OMWD. Timely selection of a construction management and inspection consultant is important to ensure there are no delays to the start of construction.

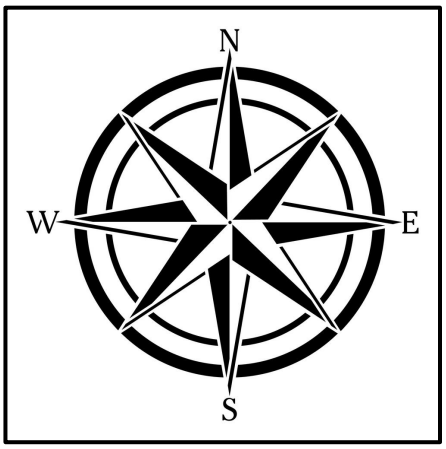
Engineering services during construction will be discussed under Board Agenda Item 18.

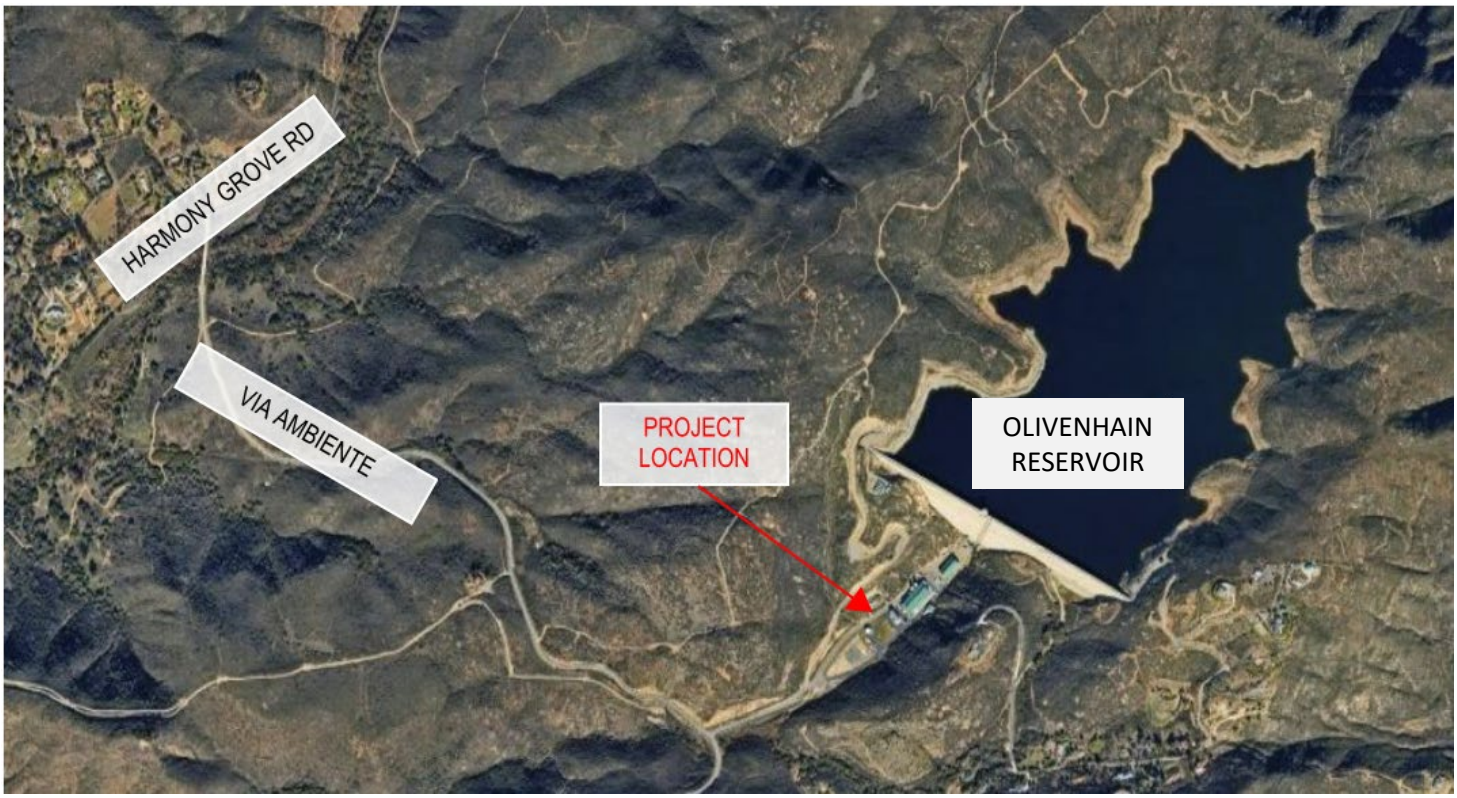
Staff is available to answer questions.

Prepared by: Erick Del Bosque, Engineering Manager
Reviewed by: Joey Randall, Assistant General Manager
Approved by: Kimberly A. Thorner, General Manager

Attachment(s):
Project Site Map
Draft Professional Services Agreement
Cost Proposal from Valley CM







LOCATION MAP

DCMWTP MEMBRANE BASIN REHABILITATION PROJECT

DISTRICT PROJECT NOs. D120198, D120201, D120218, D120202

PROFESSIONAL SERVICES AGREEMENT FOR CONSTRUCTION MANAGEMENT SERVICES FOR THE CONSTRUCTION OF THE DAVID C. MCCOLLOM WATER TREATMENT PLANT MEMBRANE TRAIN REHABILITATION PROJECT FOR THE OLIVENHAIN MUNICIPAL WATER DISTRICT

26AGR0XX
D120198

This Agreement is entered into by and between the Olivenhain Municipal Water District, a Municipal Water District organized and operating pursuant to Water Code Sections 71000 *et seq.* (hereinafter the District) and Valley Construction Management, Inc., a California corporation organized and operating in the State of California (hereinafter "CONSULTANT").

R-E-C-I-T-A-L-S

1. The District is a public agency organized and operating pursuant to Water Code Sections 71000 *et seq*., which provides water, recycled water, and sewer service within certain areas of Northern San Diego County.

2. The District requires the services of a construction management consultant to provide construction management and inspection services with in the District boundaries.

3. CONSULTANT is a construction management consultant licensed to do business in the State of California with expertise in construction management and inspection services.

4. The District desires to retain CONSULTANT to provide construction management and inspection services for the David C. McCollom Water Treatment Plant Membrane Basin Rehabilitation Project.

C-O-V-E-N-A-N-T-S

1. Services to Be Performed. CONSULTANT agrees to perform construction management and inspection services for the David C. McCollom Water Treatment Plant Basin Rehabilitation Project. The services to be provided by CONSULTANT are more particularly

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described in the Scope and Cost Proposal attached hereto as Exhibit "A" and incorporated herein by reference. All work performed by CONSULTANT shall be subject to review and approval by the District. The District shall have no obligation to approve any work found defective by the District, in its sole discretion.

2. Correction of Defective Work. CONSULTANT agrees to correct all labor or materials found defective by the District at its sole cost and expense. All work found defective by the District shall be corrected in the time specified by the District by written notice to CONSULTANT.

3. Price for Work. CONSULTANT agrees to perform all work described in Exhibit "A" for a total price not to exceed $1,011,990. No increase in this price shall be allowed without the express written consent of the District. The District shall have no obligation to grant this consent and may deny consent to any price increase, in its sole discretion.

4. Payment for Work. CONSULTANT shall bill the District monthly for all labor and materials provided during the previous month. All billings shall include a complete description of all work completed during the previous month, including hours and costs of each person performing the work and shall also include a detailed description of progress to date on each task of work described in Exhibit "A", including budget summary by task summarizing billed previously, current billings, billings to date, and percent complete. All bills shall be subject to review and approval by the District. Invoices approved by the District will be paid on a monthly basis thirty (30) days after the invoice has been approved by the District. The District shall have no obligation to pay for any work not expressly approved by the District. The District's approval shall not be unreasonably withheld. CONSULTANT shall provide the District with any additional information requested by the District from time to time to support any item contained on an invoice no later than seven (7) days after a written request for this information from the District. The District will not pay any markup for reproduction costs, sub-consultant costs, or other direct costs. Costs for IT, MIS, computer usage, overhead resource charges, and similar related costs should be included in each individual labor rate. Separate charges or multipliers will not be considered by the District.

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5. Extra Work. The District may request additional work or services from CONSULTANT from time to time, as the District shall determine, in its sole discretion. CONSULTANT shall not commence any extra work without a written change order expressly approved by the District, in writing. Work performed by CONSULTANT without an approved change order signed by the District will not be paid for by the District. In the event the District determines that additional work is justified, the parties shall agree on the additional work to be performed and the price to be paid for this additional work prior to commencement of any additional work by CONSULTANT. It is understood by the parties that CONSULTANT shall not be entitled to any payment for extra work unless the District determines that it desires extra work to be performed and a written change order has been executed by the parties. Attached as Exhibit "B" is the Request for Additional Work Form required by the District for all requests for additional work or task transfers.

6. Standard of Care. In performing all work and services required by this Agreement, CONSULTANT agrees to use the highest degree of skill and expertise ordinarily exercised, under similar circumstances, by a construction management consultant with expertise in construction management and inspection services and the other services described in the Scope and Cost Proposal attached as Exhibit "A". As a material term of this Agreement, CONSULTANT warrants and represents that it has secured all licenses required by federal or California law to perform all work and services required by this Agreement. CONSULTANT agrees to perform all work required by this Agreement at all times in strict accordance with all applicable federal, state, and local laws and regulations which apply to the labor or materials being provided.

7. Work Performance Standards. CONSULTANT agrees to perform all work and services required by this Agreement in a manner which complies with all federal and state health and safety standards and in a manner which avoids damage or injury to any real or personal property of any person or entity, including any real or personal property of the District. CONSULTANT agrees to perform the work at all times in a manner which avoids the creation of any trespass or private or public nuisance during conduct of the work.

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8. Liability for Work of Agents, Independent Contractors, and Subcontractors. CONSULTANT shall be solely liable and responsible for all labor and materials provided by any director, officer, agent, employee, subcontractor, supplier, or independent contractor hired or retained by CONSULTANT to perform any work or to provide any materials or supplies. The District shall have no liability whatsoever for any work or services performed or any materials or supplies provided by CONSULTANT or its directors, officers, agents, employees, subcontractors, suppliers, or independent contractors.

9. Time for Completion of Services. As a material term of this Agreement, CONSULTANT agrees to complete all work and services required by this agreement by no later than December 30, 2028, with the option of four (4) one-year contract renewals or two (2) two-year extension at the sole discretion of the District. The breach of this paragraph shall constitute a material breach of this Agreement.

10. District Termination Right. The District shall have the express right to terminate this Agreement at any time without cause by giving seven (7) consecutive days advance written notice to CONSULTANT. This Agreement shall be automatically terminated without further action of any party upon expiration of the seven (7) day period. Promptly upon receipt of any termination notice from the District, CONSULTANT shall cease all further work and services, except as otherwise expressly directed by the District in the written termination notice. In the event the District exercises its termination right, CONSLTANT shall be paid only for work and services performed and approved by the District to the date this Agreement terminates. The District shall have the express right to withhold any payment otherwise due CONSULTANT to correct any labor or materials determined to be defective by the District at the time of termination. All plans, maps, drawings, reports, designs, or other writings of any type or nature prepared by CONSULTANT as a result of this Agreement shall become and remain the sole property of the District. All such writings shall be provided to the District not later than seven (7) consecutive days after termination of this Agreement for any reason. All labor, supplies, work and materials provided by CONSULTANT in conjunction with this Agreement shall become and remain the sole property of the District.

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11. Hazardous and Toxic Waste. For purposes of this section, the term "hazardous or toxic waste" means any solid, liquid, or gaseous product classified as a hazardous or toxic waste under any federal, state, or local laws, rules, regulations, or ordinances, and all gas and oil products and by-products of every kind or nature. CONSULTANT shall be solely liable and responsible for the proper clean-up and removal of all hazardous or toxic waste used, handled, stored, or spilled by CONSULTANT or any director, officer, agent, employee, subcontractor, independent contractor or representative of CONSULTANT. CONSULTANT shall pay all fees, costs, expenses and fines necessary to clean-up or remediate any hazardous or toxic waste for which CONSULTANT is liable under this paragraph in strict accordance with all federal, state and local laws, rules and regulations at CONSULTANT's sole cost and expense. CONSULTANT shall not be liable for any hazardous or toxic waste used, handled, stored or spilled by the District or its directors, officers, employees or contractors.

In the event any third party, including any regulatory agency, brings any claim or cause of action against the District to clean-up or remediate any hazardous or toxic waste for which CONSULTANT is liable under this section, CONSULTANT shall also indemnify and hold harmless the District and its directors, officers, agents, and employees from all claims, actions, losses, costs, fees, expenses, fines, and penalties, of whatever type or nature, including all costs of defense and attorneys fees, upon written demand for indemnity from the District.

12. Independent Contractor. As a material term of this Agreement, it is expressly agreed between the parties that CONSULTANT is performing all work and services for the District pursuant to this Agreement as an independent contractor and not as an agent or employee of the District. The parties further agree and acknowledge that the District expects CONSULTANT to make its own independent determination of the means and methods to perform all work required by this Agreement, and will not be directed as to any of these means or methods by the District.

13. Conflicts of Interest Prohibited. As a material term of this Agreement, CONSULTANT shall not in any way attempt to use its position to influence any decision of the District in which it knows, or has reason to know, its has a financial interest other than the compensation provided in this agreement. As a material term of this Agreement,

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CONSULTANT warrants and represents that it does not, to the best of its knowledge, have any economic interests which would conflict with any of its duties under this Agreement. CONSULTANT agrees not to secure any economic interest during the performance of this Agreement which conflicts with its duties to the District under this Agreement.

14. Breach. The breach of any term or provision of this Agreement by CONSULTANT shall constitute a material breach of this Agreement.

15. District Remedies for Breach. In the event CONSULTANT breaches any term, covenant, or condition of this Agreement or fails to perform any work or services required by this Agreement, the District shall be entitled to elect all or any of the following remedies at the District's sole option:

15.1 Unilateral Termination. Unilaterally terminate this Agreement by written notice to CONSULTANT. Upon election of this remedy by the District, Paragraph 10 governing District Termination Right shall apply; or

15.2 Specific Enforcement. Enforce any provision of this Agreement by specific performance. If this remedy is elected by the District, CONSULTANT agrees that specific performance is appropriate and reasonable given the unique and special services being performed by CONSULTANT and expressly waives the right to contest the right of the District to seek specific performance in any subsequent action or proceeding between the parties; or

15.3 File suit against CONSULTANT for damages arising from breach of this Agreement. In the event the District elects this remedy, it shall be entitled to recover all damages authorized by law; and/or

15.4 The District shall be entitled to withhold such amounts as the District determines are appropriate, in its sole discretion, to complete the work or services required by this Agreement, or to correct any labor or materials resulting from CONSULTANT's negligence.

In the event the District is required to pay any sum or amount to complete any labor or materials services required by this Agreement, or to correct any labor or materials resulting from

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CONSULTANT's negligence, amounts paid by the District shall earn interest at the rate of one percent (1%) per month from the date of payment until the District is repaid in full.

16. Insurance. At all times during the term of this Agreement, CONSULTANT must maintain a commercial liability insurance policy, workers' compensation insurance, and professional liability insurance in strict accordance with all terms of this paragraph. The insurance required by this paragraph shall be provided as follows:

16.1 Liability Insurance. Following execution of this Agreement, and prior to commencement of any work, CONSULTANT shall provide the District with proof of liability insurance coverage with an insurance company licensed to do business in the State of California and acceptable to the District, providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate. The liability insurance coverage shall include each of the following types of insurance:

A. **General Liability:**

1. Comprehensive Form
2. Premises-Operations
3. Explosion and Collapse Hazard
4. Underground Hazard
5. Projects/Completed Operations Hazard
6. Contractual Insurance
7. Broad form Property Damage, Including Completed Operations
8. Independent Contractors
9. Personal Liability

B. Auto Liability

1. Comprehensive Form
2. Owned
3. Hired

The policy shall include contractual coverage sufficiently broad to insure the matters set forth in the section entitled "Indemnity" in this Agreement. The deductible amount shall not exceed $5,000.00. Also included in such insurance shall be a "cross-liability" or "severability of interest" clause.

16.2 Workers' Compensation Insurance. Following execution of this Agreement and prior to commencement of any work, CONSULTANT shall submit proof of insurance showing they have obtained, for the period of the agreement, full workers' compensation insurance coverage for no less than the statutory limits covering all persons whom CONSULTANT employs or may employ in carrying out the work under this agreement.

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16.3 Professional Liability Insurance. Following execution of this Agreement, and prior to commencement of any work, CONSULTANT shall provide the District with proof of professional liability insurance with an insurance provider licensed to do business in the State of California, providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate. This insurance shall have a deductible not to exceed $5,000.

16.4 ACORD Certificate of Liability Insurance and Additional Insured Endorsements. All insurance required by Paragraph 16.1, 16.2, and 16.3 of this agreement shall be submitted on an ACORD Certificate of Liability Insurance. Insurers must be authorized to do business and have an agent for service of process in the State of California and have an 'A' financial strength rating and a financial size rating of at least Class VI in accordance with the most current A.M. Best's Rating Guide. Additional Insured Endorsements must be provided for the Liability Insurance called out in Paragraph 16.1 with the **Olivenhain Municipal Water District (District), the District's Engineer/Architect, the District's Representatives, Consultants, and each of the District's Directors, Officers, Agents, and Employees** named as additional insureds. The insurance must include a Waiver of Subrogation and must be Primary and non-Contributory. The additional insured endorsements must be provided on Form CG 20 10 10 01. The insurance certificate and endorsements shall be cancelable with notice delivered to the District in accordance with the policy provisions.

17. Job Site Safety. CONSULTANT shall be solely liable and responsible for complying with all federal, state and local laws, rules and regulations pertaining to job safety for all agents, employees, subcontractors, suppliers, and independent contractors retained by CONSULTANT to perform any work or services or to provide any materials required by this Agreement. However, CONSULTANT shall not be liable or responsible for overall job site safety or the job site safety for any workers or agents employed by any construction contractor performing any work for the District on any construction project.

18. Indemnity. As a material term of this Agreement, CONSULTANT agrees to hold harmless, indemnify, and defend the District and its directors, officers, employees, agents, and representatives from and against any and all demands, liability, claims, suits, actions, damages, costs, fees, expenses, fines, and penalties, of whatever type or nature, including, but

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not limited to, reasonable attorney fees, to the extent arising out of, pertaining to, or relating to the willful misconduct, recklessness, or negligence of CONSULTANT, including its directors, officers, employees, agents, subcontractors, sub-consultants, suppliers, independent contractors, or other persons and entities employed or utilized by CONSULTANT in the performance of this Agreement. In the event that any administrative proceeding, litigation or arbitration is instituted naming the District or any other indemnified parties as a defendant, the District and such other indemnified parties shall be entitled to appoint their own independent counsel to represent them, and CONSULTANT agrees to pay all reasonable attorneys fees, expert fees and costs, and litigation costs associated with this defense within thirty (30) days of any billing; provided however, that the CONSULTANT's obligation shall be limited as provided by Civil Code Section 2782.8 to the extent that the CONSULTANT establishes its proportionate percentage of fault by stipulation of all the parties to the proceeding or a final adjudicatory determination.

19. Miscellaneous Provisions.

19.1 California Law Governs. This Agreement shall by governed by California law.

19.2 Jurisdiction and Venue. In the event of any legal or equitable proceeding to enforce or interpret the terms and conditions of this Agreement, the parties agree that jurisdiction and venue shall lie only in the federal or state courts in or nearest to the North County Judicial District, County of San Diego, State of California.

19.3 Modification. This Agreement may not be altered in whole or in part except by a written modification approved by the Board of Directors of the District and executed by all the parties to this Agreement.

19.4 Attorneys' Fees. In the event any arbitration, action or proceeding is initiated to challenge, invalidate, enforce or interpret any of the terms of this Agreement, the prevailing party shall be entitled to all attorneys' fees, all expert fees and costs, and all litigation fees, costs, and expenses in addition to any other relief granted by law. This provision shall apply to the entire Agreement.

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19.5 Entire Agreement. This Agreement, together with all exhibits attached hereto, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, or agreements, whether or not such correspondence, memoranda or agreements are in conflict with this Agreement, are intended to be replaced in total by this Agreement and its exhibits. CONSULTANT warrants and represents that no District representative has made any oral representations or oral agreements not contained in this Agreement. CONSULTANT further warrants and represents that CONSULTANT has not relied upon any oral statements or promises made by any District representative or agent in executing this Agreement. The parties mutually declare that this Agreement and its exhibits constitute a final, complete and integrated agreement between the parties.

19.6 Prohibition on Assignment. CONSULTANT shall not be entitled to assign or transfer all or any portion of its rights or obligations in this Agreement without obtaining the express prior written consent of the District. The District shall have no obligation to give its consent to any assignment and may deny any requested assignment, in its sole discretion.

19.7 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and on their respective purchasers, successors, heirs and assigns.

19.8 Unenforceable Provisions. The terms, conditions, and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

19.9 Representation of Capacity to Contract. Each party to this Agreement represents and warrants that he or she has the authority to execute this Agreement on behalf of the entity represented by that individual. This representation is a material term of this Agreement.

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19.10 Opportunity to be Represented by Independent Counsel. Each of the parties to this Agreement warrants and represents that it has been advised to consult independent counsel of its own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.

19.11 No Waiver. The failure of either party to enforce any term, covenant or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term, covenant, or condition of this Agreement at any later date or as a waiver of any term, covenant, or condition of this Agreement. No waiver shall occur unless the waiver is expressly stated in writing and signed by the person for the party having the authority to expressly waive the benefit or provision, in writing. No oral waivers shall be effective against either party.

19.12 No Joint Venture and No Third Party Beneficiaries. Nothing in this Agreement is intended to create a joint venture, partnership or common enterprise relationship of any kind between the District and CONSULTANT. No third parties shall be construed as beneficiaries of any term, covenant or provision of this Agreement.

19.13 Time of Essence. The parties agree that time is of the essence as to all matters specified in this Agreement. The parties mutually declare that this is a material term of this Agreement.

19.14 Notices. All letters, statements, or notices required pursuant to this Agreement shall be deemed effective upon receipt when personally served, transmitted by facsimile machine, or sent certified mail, return receipt requested, to the following addresses or facsimile numbers:

DRAFT

To: “CONSULTANT”
Valley Construction Management, Inc.
Attn: Paul Mochel
3525 Del Mar Heights Road, Ste 192
San Diego, CA 92130

To: “District”

Olivenhain Municipal Water District
Attn: General Manager
1966 Olivenhain Road
Encinitas, California 92024

DRAFT

19.15 Effective Date. The effective date of this Agreement executed in counterparts in Olivenhain, California, within the North County Judicial District, County of San Diego, State of California, is _____, 2026.

Dated: _____, 2026

Olivenhain Municipal Water District,
a public agency

By:_____
Kimberly A. Thorner
General Manager

Dated: _____, 2026

CONSULTANT

By:_____

Printed Name & Title:_____

_____

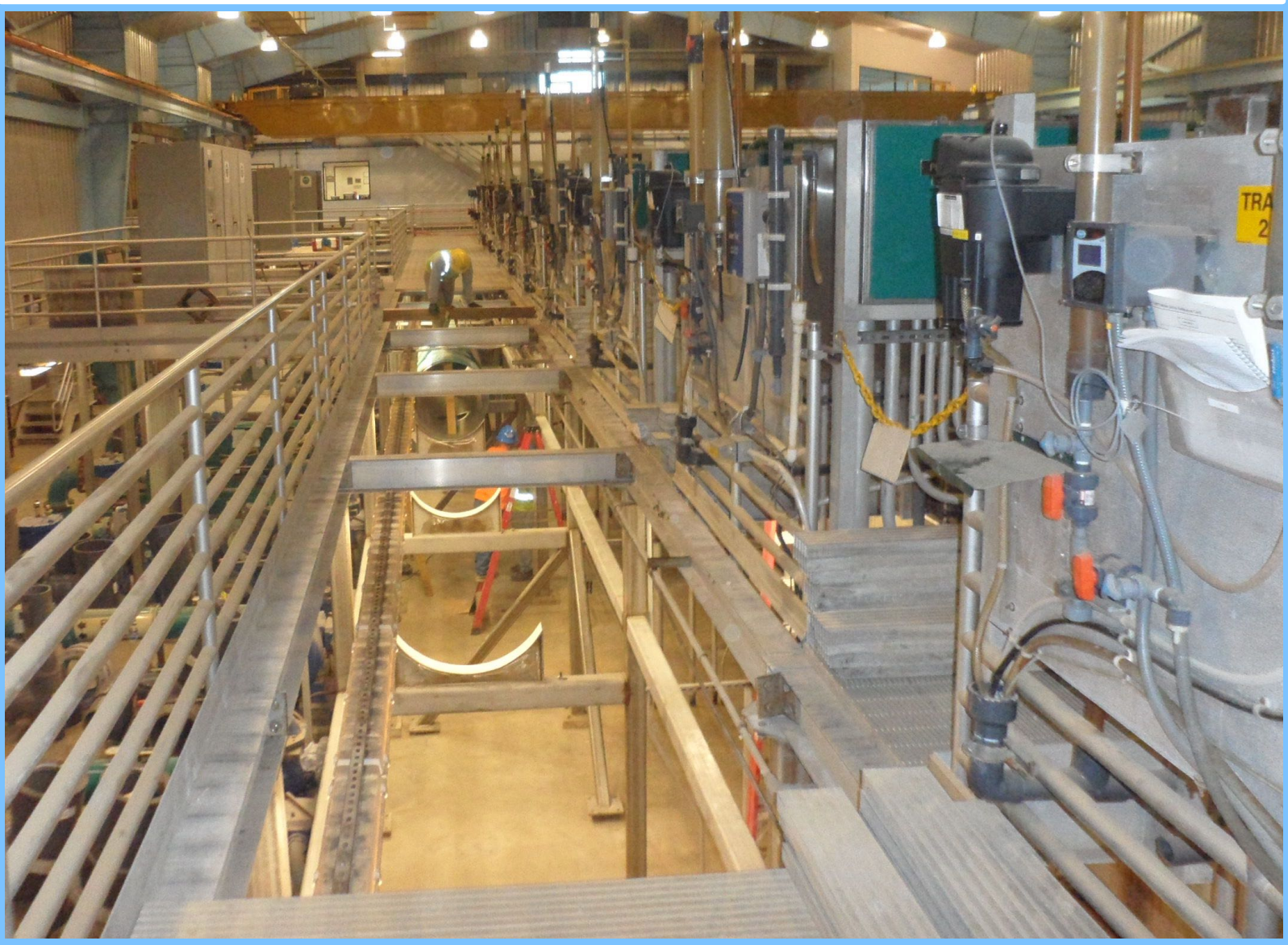
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OLIVENHAIN
Municipal Water District



Submission Date:
September 22, 2026

PROPOSAL for CM & Inspection Services for the DCMWTP Membrane Basin Rehabilitation Project



3525 Del Mar Heights Rd
Suite 192
San Diego, CA 92130
1 858 444 6804
www.ValleyCM.com

Presented By: VALLEY Construction Management

1. EXECUTIVE SUMMARY

Valley CM is pleased to present this proposal to provide Construction Management and Inspection services for the DCMWTP Membrane Basin Rehabilitation Project. Valley CM is the best choice to provide these services for the following reasons:

- **We Specialize in Construction Management and Inspection ONLY!**

Valley CM was founded solely to provide construction management and inspection of water and wastewater projects. Since our founding in 2007, Valley CM's depth of experience and focused specialty has been entrusted to perform construction management and inspection services on over $500,000,000 worth of public construction projects. Valley CM's narrow focus allows us to realize significant economic advantages while committing to maintaining a depth of specialized experience. This commitment is driven by Valley CM's founder's passion for the challenges of this type of work.

- **We Bring the Contractor's Perspective to the Owner's Side of the Table**

Valley CM's project team have significant experience as both a general contractor and an owner's representative in the water and wastewater industry. This contractor experience aids tremendously in seeing the big picture, anticipating problems, and keeping the project moving to successful completion. Valley CM is committed to the successful completion of the project and in the past has taken extraordinary steps to ensure this success including filling out contractor's T&M sheets, assisting them with key scheduling ideas that must be addressed for the project, providing direction on how to prepare submittals, and providing help with other required paperwork that contractor's often have trouble producing.

- **Experienced Team**

Valley CM has assembled a team that has DIRECT and RELEVANT experience at the DCMWTP and also with the contractor for this project, GSE Construction Company. Paul Mochel was the construction manager for the LT2 improvements at the DCMWTP which included work inside each of the basins and the installation of the stainless-steel pipe that is being replaced as part of this project. Paul has direct experience working at the plant, coordinating shutdowns with plant staff, basin work including membrane removal and replacement as well as the difficulties working in tight and restricted spaces. Paul successfully managed a 60-day plant shutdown during the LT2 project that required the contractor to work 24/7 to complete all the required work. Paul and his staff have also worked with GSE Construction Company on five (5) projects in the last 5 years including the DCMWTP Centrifuge Replacement Project and the 4S WRF Headworks Improvements project that is currently under construction.

  - **Paul Mochel, PE, CCM** will be the Construction Manager for the project. Paul is the founder of Valley CM and has over 25 years of experience with construction of water and wastewater facilities including past projects at DCMWTP.
  - **George Foote** will be the full-time shutdown inspector and has over 37 years' construction experience specifically in water and wastewater plant construction.
  - **Matt Kreplin, CWI**. Matt will provide full-time Certified Welding Inspector for the installation of the stainless-steel pipe during year 1. Matt has over 20 years as a certified welding inspector and has worked on major steel pipelines for SDCWA and Metropolitan Water District performed welding inspection.
  - **Desmond King, ICC, ACI**. Desmond will provide as-needed ACI inspection of structural concrete repair and other ICC inspections.
  - **CSI Services** CSI specializes in coating inspections and will provide full-time inspection for the coating of the basins.
  - **Onsite Inspection Services** Onsite will provide periodic shop inspection for the stainless-steel pipe fabrication to ensure the fabricator is following their approved QA/QC plan.
  - **Rockwell Construction Services (RCS)** RCS provides electrical and instrumentation support and will be available on an as-needed basis during start-up if assistance is required with any instruments or electrical items.

- **Efficient Technology**

Valley CM utilizes "Raken" daily report software that eliminate the old, time-consuming way of handwriting daily reports and allows for a more detailed and thorough daily report. We also utilize "Smartsheet", a cloud-based work management platform to log and track all documents for the project. We also use drones to capture project photographs that help provide unique perspectives to our clients.

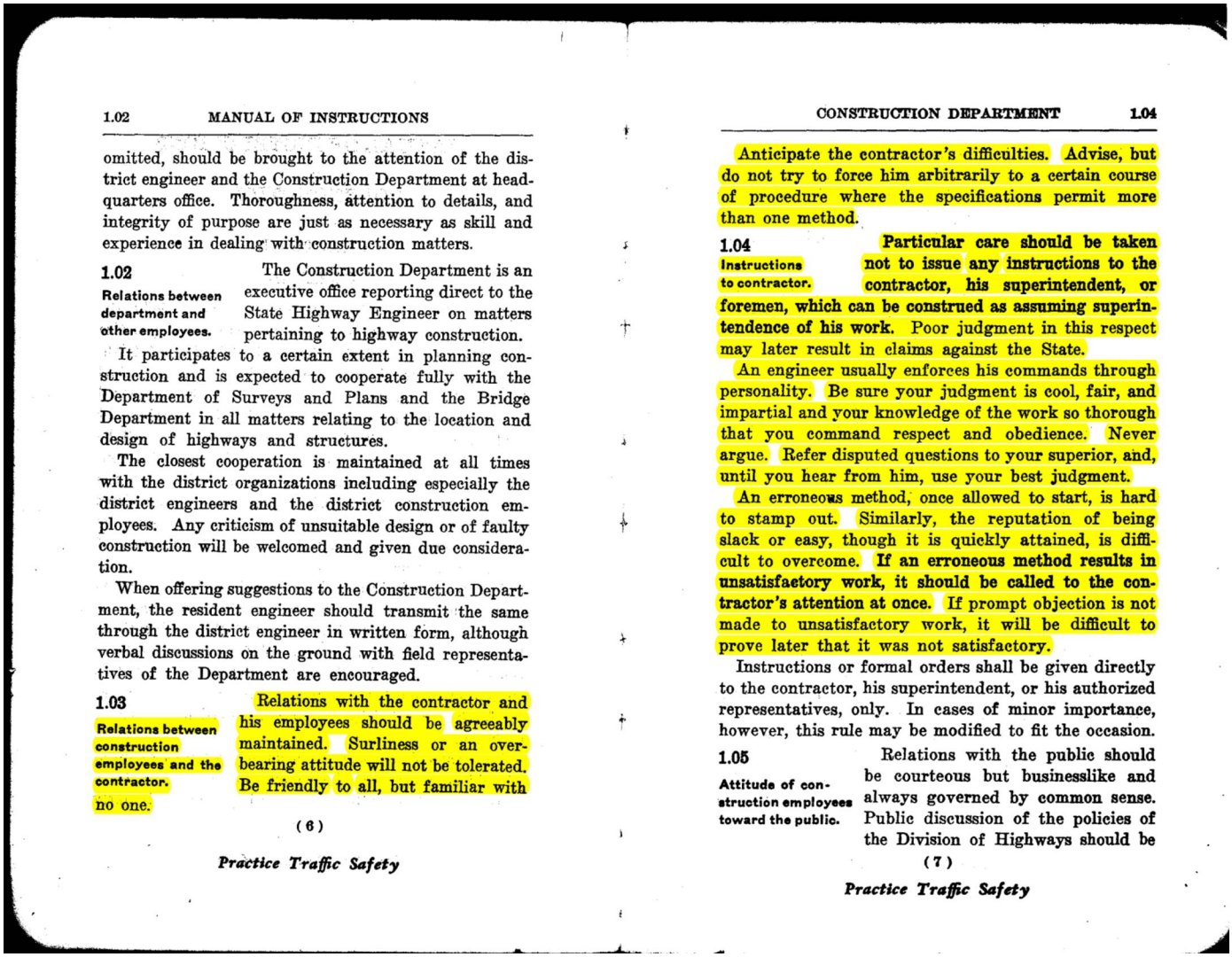
- **Statements**

Valley CM certifies that personal and organizational conflicts of interested prohibited by law do not exist, in conformance with the District's Standard Agreement for Professional Services. Valley CM certifies it is willing to execute the District's Professional Services Agreement with no modifications.

Respectfully Submitted,

Paul Mochel, PE, CCM
Principal Construction Manager
Authorized to execute legal documents on behalf of Valley CM

The excerpt below is from a Caltrans Field Engineer Manual from 1939 and the yellow highlighted sections succinctly summarizes Valley CM's philosophy and approach to construction management and inspection.



1.02 MANUAL OF INSTRUCTIONS

omitted, should be brought to the attention of the district engineer and the Construction Department at headquarters office. Thoroughness, attention to details, and integrity of purpose are just as necessary as skill and experience in dealing with construction matters.

1.02 Relations between department and other employees. The Construction Department is an executive office reporting direct to the State Highway Engineer on matters pertaining to highway construction.

It participates to a certain extent in planning construction and is expected to cooperate fully with the Department of Surveys and Plans and the Bridge Department in all matters relating to the location and design of highways and structures.

The closest cooperation is maintained at all times with the district organizations including especially the district engineers and the district construction employees. Any criticism of unsuitable design or of faulty construction will be welcomed and given due consideration.

When offering suggestions to the Construction Department, the resident engineer should transmit the same through the district engineer in written form, although verbal discussions on the ground with field representatives of the Department are encouraged.

1.03 Relations between construction employees and the contractor. Relations with the contractor and his employees should be agreeably maintained. Surliness or an overbearing attitude will not be tolerated. Be friendly to all, but familiar with no one.

(6)

Practice Traffic Safety

CONSTRUCTION DEPARTMENT 1.04

Anticipate the contractor's difficulties. Advise, but do not try to force him arbitrarily to a certain course of procedure where the specifications permit more than one method.

1.04 Instructions to contractor. **Particular care should be taken not to issue any instructions to the contractor, his superintendent, or foremen, which can be construed as assuming superintendence of his work.** Poor judgment in this respect may later result in claims against the State.

An engineer usually enforces his commands through personality. Be sure your judgment is cool, fair, and impartial and your knowledge of the work so thorough that you command respect and obedience. Never argue. Refer disputed questions to your superior, and, until you hear from him, use your best judgment.

An erroneous method, once allowed to start, is hard to stamp out. Similarly, the reputation of being slack or easy, though it is quickly attained, is difficult to overcome. **If an erroneous method results in unsatisfactory work, it should be called to the contractor's attention at once.** If prompt objection is not made to unsatisfactory work, it will be difficult to prove later that it was not satisfactory.

Instructions or formal orders shall be given directly to the contractor, his superintendent, or his authorized representatives, only. In cases of minor importance, however, this rule may be modified to fit the occasion.

1.05 Attitude of construction employees toward the public. Relations with the public should be courteous but businesslike and always governed by common sense. Public discussion of the policies of the Division of Highways should be

(7)

Practice Traffic Safety

2. IDENTIFICATION OF RESPONDER

a. Legal name and address of company
Valley CM, Inc.
3525 Del Mar Heights Road #192
San Diego, CA 92130

b. Legal form of company
California S-Corporation. State Corporation No. C2598602
Fed Tax ID: 20-8309093

c. Address of office from which project will be managed
3525 Del Mar Heights Road #192
San Diego, CA 92130

d. Number of years company has maintained this office
16 Years

e. Number of employees in the office
9 employees

f. Name, title, address and telephone number of contact person for proposal
Paul Mochel, Construction Manager
3525 Del Mar Heights Road #192
San Diego, CA 92130
858-444-6804

3. EXPERIENCE

The Valley CM staff assigned to this project have relevant and recent experience that makes Valley CM uniquely qualified to perform the Construction Management and Inspection and ensure a successful project.

DCMWTP LT2 Improvements Project

Client: Olivenhain Municipal Water District
Cost: $18.5 Million
Owner PM: Tom Kennedy (Retired) 760-445-0000

Valley CM proivde full construction management, inspection and material testing services for the modification of Olivenhain Water District's 34 MGD membrane water treatment plant which included new chemical storage tanks, backwash storage tank, new 2,800 CFM positive displacement blowers for membrane backwash system, conversion of 200 electric valves to pneumatic, 2 new hydroelectric turbine generators, new raw water strainers, stainless steel piping (36"-60" diameter), three (3) prefabricated metal buildings, new MCC, MSB, PLC's, OIT and new ignition software. A 60-day shutdown was required where the contractor had to work 24/7 to complete the required work or face $10,000/day LD's. Valley CM successfully prepared for this shutdown by holding weekly shutdown planning meetings with the contractor and operations department for several months prior to the shutdown.





























WRF UV Disinfection System Replacement Project

Client: Olivenhain Municipal Water District
Owner PM: George Briest (Retired Eng. Mgr) 619-851-5918
Cost: $3.8 Million

Valley CM provided Construction Management servcies (with District provided inspection) for the replacement of the existing Trojan UV disinfeciton system with Zylem equipment. Valley CM worked closely with OMWD plant staff and DDW to permit a temproary chlorine contact facility (10 Baker Tanks in parallell) to maintain plant operations during the construction.




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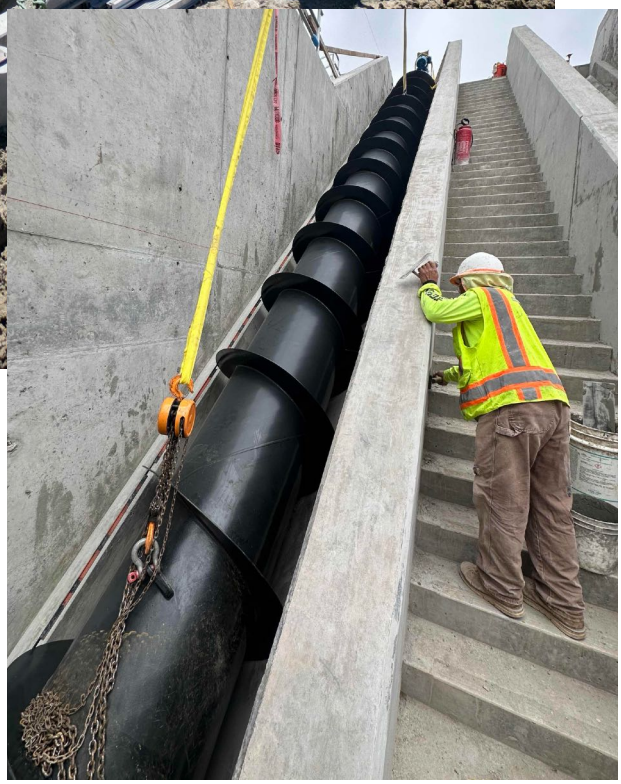


Santa Maria Water Reclamation Plant Headworks and Influent Pump Station

Client: Ramona Municipal Water District
Cost: $6.8 million
Owner PM: Mike Metts, Engineering Manager 619-471-6304

Valley CM provided Construction Management and Inspection for construction of a new headworks facility and new influent pump station for an existing 1 MGD wastewater treatment plant. The plant previously did not have a headworks facility. The project required close coordination with plant staff to maintain plant operations. Significant reinforced concrete structures were constructed along with the placement of 3 screw pumps, electrical and SCADA.









4. PROPOSED METHOD TO ACCOMPLISH WORK

CM Approach & Philosophy

Commitment

Valley CM was founded solely to provide Construction Management and Inspection for water and wastewater project. By narrowing the focus of what we do, we can provide the highest level of service and knowledge for our clients. Our narrow focus allows Valley CM to realize significant economic advantages while maintaining a depth of specialized experience. This commitment is driven by Valley CM's founder's passion for the challenges of this type of work.

Right Personnel

The right personnel are proactive, solutions oriented with significant and relevant project experience that can resolve issues at the lowest levels. Valley CM's core staff have significant contractor experience which aids tremendously in seeing the big picture, anticipating problems, and keeping the project moving to successful completion. Valley CM firmly believes that by bringing the contractor's perspective to the owner's side of the table, we can be a **PROACTIVE PARTICIPANT** in the project and anticipate and mitigate problems with the contractor. The right personnel are well managed by senior staff and sensitive to the need to have a seamless integration with the District's staff. It is also imperative that the field inspectors have the proper tools and support required to complete the project. All field personnel have smart phones and laptop computer for constant access to all of the project documents.

Project Advocate

Valley CM is an advocate for the project. We are spending the public's money and the CM needs to ensure it is spent properly. Being an adversarial or pushover CM doesn't benefit anybody. Valley CM's collaborative approach will treat each stakeholder in a professional and consistent manner. Once the contractors know our expectations, see that the documents are being interpreted in a consistent manner, and that all stakeholders are being treated in a fair and equitable manner, they will respond in a like manner. This approach will create fewer problems in administering the project and has worked well on past projects.

Setting the right tone at the beginning of the project can make or break the project. Valley CM has found that helping the contractor understand upfront exactly what the CM team expects of them pays dividends down the road. The contractor's superintendents and foreman typically do not review the plans and specifications until shortly before the project starts. We've found that by being proactive in assisting the contractor to understand the contract requirements up front, we develop a mutual respect with the contractor and a good working relationship.

Public Relations

Valley CM recognizes that community relationships can be as important as the technical side of this project. We pride ourselves in being "good neighbors" in the community for all projects. Proactive communication with the affected public before, during and after the project can go a long way to contributing to the success of the project. **It is Valley CM's policy to provide cell phone numbers (answered 24 hours/day) to the public** to allow direct access to the project personnel who can answer questions or solve their field/construction problems quickly.

Construction Management Techniques

Project Planning Meeting (Mini-Partnering)

Valley CM will also hold a Project Planning Meeting with the contractor prior to the pre-construction meeting. At this meeting, the CM and Contractor (including the foreman and estimator) review every page of the plans and specifications to flush out problems, discrepancies and also discuss the contractor's proposed plan to complete the project to foresee any problems. The contractor will be asked to bring their bid estimate to the meeting. Resolving issues at this time has saved other clients significant time and costs. This meeting also has the beneficial effect of becoming a meaningful partnering session without anybody realizing it. This is the first time all relevant parties are face to face to begin developing a collaborative working relationship. The contractor will see exactly how the CM interpret any issues they bring up. By responding in a fair and reasonable manner, the contractor will respond likewise and start the project with the correct tone and

build collaboration. These meetings have lasted from a few hours to an entire week. Contractors often state they wish all their projects had these meetings. One of these meetings resulted in the discovery that half of the instrumentation drawings for a water treatment plant were missing from the bid set. The costs to correct this problem were significantly cheaper prior to construction. Discovering and solving problems prior to mobilization is significantly easier and often at reduced or no costs.

Risk Management

Change order management begins at the project planning meeting to flush out any problems and address them quickly and typically at a lesser cost than if encountered during construction. The contractor is also instructed of the proper procedure that must be followed for claiming a change condition during construction. During construction Valley CM's inspectors are trained to follow the proper procedures for documenting changed conditions. Quick response to a change condition is essential. Valley CM's contractor experience allows a thorough preliminary evaluation of all requested changes for appropriateness, cost-effectiveness, confirmation of entitlement and time impact prior to issuing it to the contractor a request for quotation. Valley CM typically prepares an independent estimates and schedule impact analyses for larger proposed changes to be used as a baseline for negotiations. We maintain a fair and objective approach to negotiations and assure that appropriate changes are authorized in a timely manner. The money is the blood of this project and must be constantly monitored to ensure an efficient completion of the projects. RESOLVED DISPUTES DO NOT BECOME CLAIMS! Valley CM has litigation experience on both the owner's and contractor's side. This experience reinforces the key to successful claims management is to resolve them quickly and fairly. Valley CM settled a $1.1M delay claim due to significant design errors for $400K because it was settled quickly and reasonably.

Quality Assurance/Quality Control

An accurate description of the work is key to successful inspections. The inspectors daily report needs to tell a story to someone reading it years from know about how the project was built. Using Raken daily report software allows our inspector to provide incredibly detailed reports on multiple projects throughout the day due to the ease of use of the software. Raken saves our inspectors 2-3 hours per week that were previously spent on completing daily reports. These are 2-3 additional hours that can be spent in the field observing construction projects instead of processing paperwork. Additionally, the District has almost immediate access to the daily reports. If an inspector is sick and someone else must fill in, all they have to do is look up the previous days report to understand where the project is at and if there are any issues that need to be addressed that day. There is no confusion with the current job status because the inspector didn't finish their daily report that day or week. Valley CM inspectors typically make at least one entry per hour with a minimum of 4-6 photos for each entry.

Valley CM also utilizes Smart Sheet to keep a one-line daily inspection log. For every workday of the project, Valley CM keeps a simple description of the work performed that day (i.e. "8-inch pipe installed from Sta. 1+00 to 2+00"), attaches a PDF copy of the daily report and also attaches compaction reports, Geotech reports and other reports from that day. Therefore, if the District wants to know what happened on a certain date, they do not have to spend time reading countless daily reports to find what they are looking for. The summary of work allows easy access to the entire project.

Valley CM senior staff review daily reports on a weekly basis to ensure they are complete, accurate and contain the correct type of photographs and information.

Project Understanding & Issues

This project requires a tremendous amount of coordination between OMWD, Veolia and the contractor prior to the plant shutdown in year 1 and basin shutdowns in year 2. Then during the shutdowns, it is imperative that all the work is properly inspected and verified to ensure the long-term success of this project.

Valley CM provided CM and inspection service during the LT2 improvements project at the plant. We bring this direct experience of working at the plant, coordinating shutdowns with plant staff, basin work including membrane removal and replacement as well as the difficulties of working in tight and restricted spaces. Valley CM successfully managed a 60-day plant shutdown during the LT2 project that required the contractor to work 24/7 to complete all the required work. This shutdown experience will be critical to the success of the shutdowns required for this project. Valley CM has also worked with GSE Construction on five (5) projects in the last five (5) years and developed a professional relationship with their office and field staff. Valley CM is coordinating a full bypass. of the 4S WRF for over 3 months with GSE to complete the headworks improvements.

PRE-SHUTDOWN PLANNING

Schedule

The schedule will drive the success of this project and has specific requirements that must be strictly followed. These are:

- Section 1321-1.06. Within 5 days of award (award 9/16) designate the scheduler. This person will be the contractor's point person for everything schedule related.
- Specification section 1321-1.07 list the schedule submittals requirements:
    - The preliminary schedule is due within 14 days of NTP with comments back from OMWD in 7 days, and the contractor's response to these comments returned with 5 days. This is a quick turn-around and will be strictly enforced.
        - The preliminary schedule of submittals is due at the same time and held to the same turnaround deadlines.
    - The baseline schedule is due within 30 days of NTP
        - The baseline schedule of submittals is due within 30 days after baseline schedule approved.
    - The commissioning schedule, as outlined in 1321-1.17 is to be integral to the overall schedule and include all the activities and milestones specified in Section 1756.
    - 30-day written notice required to District and Veolia for membrane activities
    - 14-day notice required for membrane shutdowns
- There are several key items that must be incorporated into the baseline schedule for the year 1 shutdown that directly affect the amount of time to actually complete the work. These items reduce the year 1 shutdown allowable shutdown of 121 calendar days by 40+ calendar days which GSE will not have available to complete the required work. This may require GSE to work extended hours or weekends to complete the work.
    - Include time for Veolia to remove old 2nd stage membranes (18 days)
    - Include time for Veolia to install new 2nd stage membranes (5 days)
    - Include time for testing and startup of new 2nd stage membranes (5 days)
    - Include cure time for concrete repair and coating before immersion (must achieve NSF61 requirements prior to immersion)
        - Concrete repair (Sika Top 123+) has 3-day cure before coating. Do not use curing compounds as that will affect coating adhesion
        - Coating (Sherwin Willimas Poly-Cote 115) requires 72 hours cure time at 77F.
    - Include time for hydrostatic testing and potential repair (24 hours test). Completed after coating has been applied and cured to meet NSF61 requirements. GSE must provide 72 hours' notice to fill the basin for the water leakage test.
    - Include time for VOC testing of the basin coating (5 days)
    - Include time for disinfection and bacteriological testing (5 days+)

  - The plant must remain online the SDCWA treated water shutdown as the plant will be the only source of potable water for OMWD customers during this time. The currently scheduled treated water shutdowns are 12/6-12/21/26 and 2/22-3/3/27.
- The schedule should include a contingency recovery strategy if the work falls behind schedule.

Weekly Progress Meeting

Weekly progress meetings will start immediately after the NTP is issued and be held in person at the DCMWTP. Valley CM has found that in-person meeting helps push issues to resolution more quickly than virtual meetings and there is not much time before the proposed March 2027 shutdown. The contractor is required to provide a 6-week look ahead at the progress meetings which will be helpful to organize and spot potential delay issues prior to the shutdown, especially with long lead time procurement items. The specifications clearly require all materials to be on-site prior to the shutdown and this will be monitored weekly to prevent delay.

Each plan sheet has an incredible amount of detail and requirements that needs to be clearly communicated to the field personnel so they are not overlooked and missed. The office staff can plan in extreme detail, but if this information is not clearly communicated to the field staff, there will be serious problems and delays. Valley CM overcame this concern during the 60-day plant shutdown for the LT2 improvements by working with the contractor to develop a shutdown schedule showing each day of the shutdown and required work in the correct sequence. The schedule became a defacto checklist for the superintendent and foreman to ensure all the work is completed in the proper order and per the contract. The specifications require GSE to provide a detailed sequence of work for all work (Special Provisions 1.18). Valley CM will use this specification to require GSE to provide a daily schedule for the year 1 shutdown that lists all the work required to be completed as described above and will include all MOPOs. This schedule will be developed and discussed at the weekly progress meetings so by the time the shutdown starts, it has been thoroughly vetted by all parties. During the shutdown period, Valley CM will have daily scheduling meetings (in person and on site) so any delays can be mitigated quickly before having a detrimental effect on the overall schedule. Daily scheduling meetings worked extremely well during the 60-day shutdown for the LT2 project.

Veolia coordination and scope delineation will be important to clearly highlight on the schedule and understand the required notification and scheduling requirements for Veolia staff.

- Year 1: Veolia to remove old 2nd stage membranes and install new 2nd stage membranes.
- Year 2: Veolia to remove old 1st stage membranes and install new 1st stage membranes. GSE is responsible for transferring the existing 1st stage membranes to the rehabilitated basin under Veolia supervision

Stainless Steel Pipe Fabrication Shop Inspection

Discussions with GSE indicate the submittal for the stainless-steel piping will be critical path as the fabrication lead time is already very close to the start of the 4-month shutdown for Year 1 work and all material must be on site prior to the shutdown. Valley CM will work with GSE to expedite the stainless-steel submittal so fabrication can begin asap.

During the LT2 Project, the district encountered serious fabrication issues with the stainless-steel piping caused by the fabricator not following the approve QA/QC plan. All the initial loads of the stainless-steel piping were rejected and had to be repaired in the fabricators shop and third-party QA/QC reports submitted to the District for approval prior to shipping the piping back to the site. Given the critical timing of the year 1 shutdown, it is imperative that this issue not be repeated. Valley CM proposes to hire Onsite Technical Services, a firm that specializes in in providing fabrication QA to public agencies, to spot check the stainless-steel pipe fabrication to ensure compliance with the approved QA/QC plan from the supplier. Onsite Technical Services provides fabrication QA services worldwide for pipe, pumps and other equipment for public agencies. They've provided factory inspection for SDCWA and MET projects for many years.

SHUTDOWN WORK (Year 1)

Inspection

Proper inspection is required to ensure all the work is constructed correctly and per the contract. Valley CM will have several full-time, experienced, senior inspectors monitoring different aspects of the work and documenting the proper installation

through various daily reports and checklists. Valley CM proposes to have the following inspectors:

- A full-time civil inspector (Valley CM) who is responsible for GSE's overall compliance with the contract documents and will be ensuring the approved schedule is followed and troubleshooting any issue that arise that will be discussed and resolved at the daily scheduling meetings.
- A full-time coating inspection will be provided by Centerra that specialize in coating inspection. A NACE Level III inspector will be on site full-time to verify coating removal, concrete repair and substrate preparation and coating application and curing.
- A full-time AWS certified welding inspector (Valley CM) will be responsible for ensuring all welding is completed properly during the stainless-steel pipe installation. GSE is responsible for x-raying 25% of the welds which Valley CM will oversee and review the results.
- Additional special inspection (ACI, bolting, etc.) will be provided by Valley CM as needed during construction.

Specification Section 1460-Contractors Quality Control Plan requires the contractor submit a CQC plan for review and to designate a CQC plan manager who will be responsible for inspecting GSE's work for compliance with the contract. The contractor's daily quality control report is due within 1 day of completion of each inspection and the Daily Inspection Report is to be submitted at the end of each working day. Valley CM will ensure these are submitted as prescribed and reviewed in detail as soon as they are submitted to track any deficiencies. The CQC manager will be responsible for inspecting and accepting all material and equipment deliveries. Valley CM is currently working with GSE's CQC plan manager on the Otay Water District UV Replacement Project and has developed a professional working relationship that we bring to this project.

Start-Up/Commissioning

Veolia will be providing all the start-up and commissioning for the membranes and will need to be coordinated through GSE and OMWD. The level sensors will require recalibration upon reinstallation. Rockwell Construction Services (RCS) will be available through Valley CM to assist with any start-up issues. RCS provide start-up assistance during the LT2 project and is very familiar with plant operations.

Debrief (Year 1)

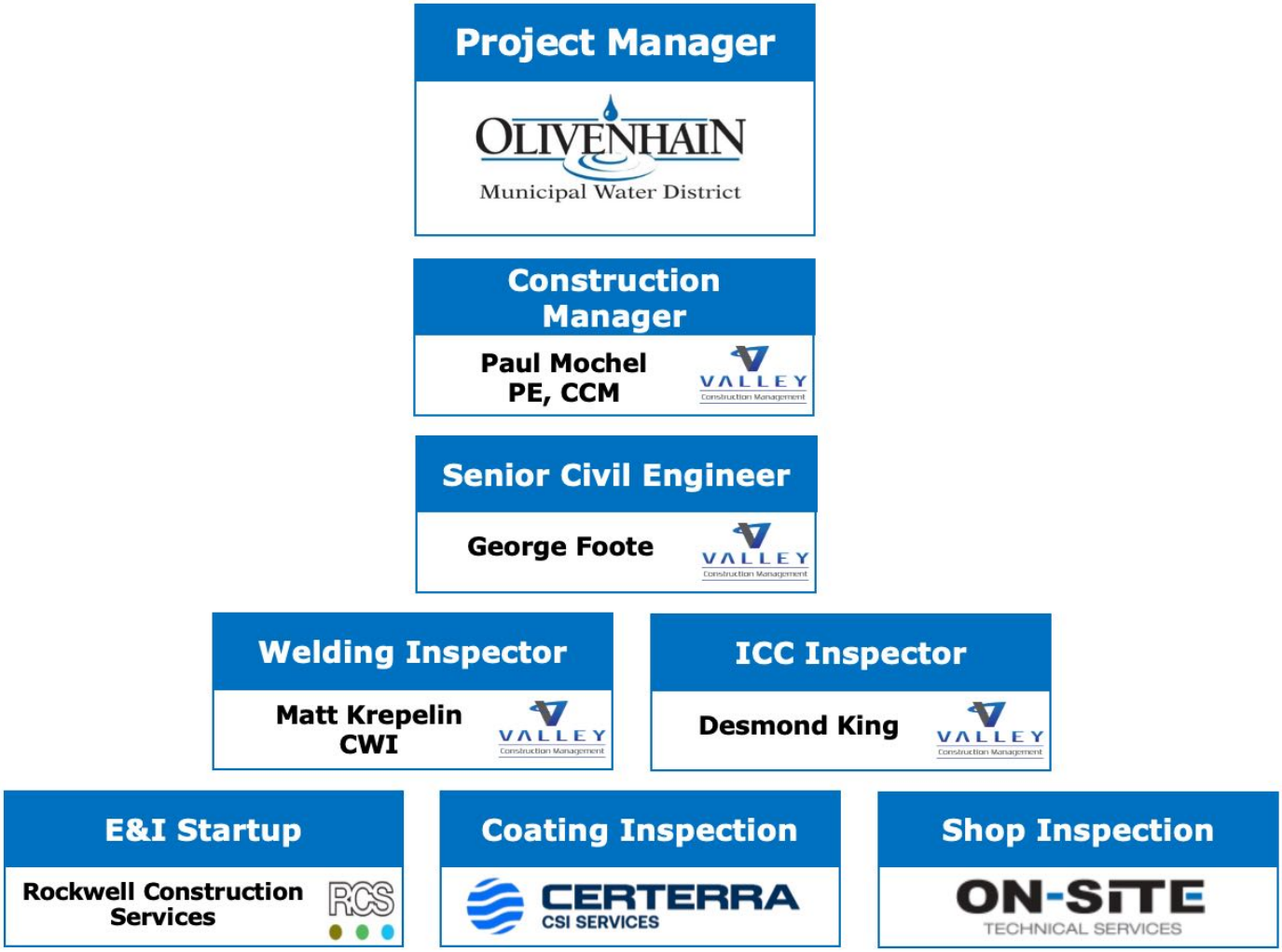
After the successful completion of the Year 1 shutdown work. Valley CM will host an in-person debrief with OMWD, Veolia and GSE to create a list of lessons learned that can be incorporated into the Year 2-6 shutdown work

YEAR 2 WORK

After the completion of the Year 1 work and debrief, weekly progress meeting will begin immediately to start planning for the work required in Year 2 which is anticipated to happen during a 3-month shutdown in January-March 2028. The work in Year 2 will be substantially less than Year 1 but will still require careful planning and scheduling utilizing lessons learned from Year 1. Train 7 is anticipated to be completed first as these membranes are scheduled for demolition and replaced by the existing membranes in Train 1. When the work in Basin 7 is completed, the membranes from Basin 1 will be moved (by GSE) from Basin 1 to Basin 7. Then work can commence on Base 1 and upon completion, Veolia will be scheduled to install the new membranes in Basin 1 and commission Basin 1. The plant must stay operational during the work in Years 2 through 6.

5. PROJECT TEAM AND KEY PERSONNEL

Valley CM's senior staff all have significant experience as both a general contractor and an owner's representative. This contractor experience aids tremendously in seeing the big picture, anticipating problems, and keeping the project moving to successful completion. The staff assigned to this project have over 50+ years of water and wastewater plant construction experience they are bringing to the District.



Team Members

Valley CM has assembled a premier team of experienced, solution oriented, results driven personnel who have **worked together successfully** on similar projects over the past several years. The team has direct contractor experience and relevant and recent experience with similar reservoir projects from preconstruction through start-up. All the key members are available to the extent proposed for the duration of the project. Resumes for all personnel can be found in the Appendix. A summary of key personnel experiences is included below.

Paul Mochel, PE, CCM will be the Construction Manager for the project for the complete duration of the contract for both projects. Paul is a proven leader whose career includes significant experience on all sides of the water and wastewater industry. He started his career as a water and wastewater CIP inspector for the City of San Diego, continued as a project manager for a local underground contractor specializing in open cut and microtunneling and then transitioned to a construction manager for various Cities and Special Districts in Southern California. This well-rounded experience allows Paul to see the big picture for projects as well as have an intimate knowledge of the small details that are required for a project to be successful. As

founder of Valley CM, Paul is personally committed to the success of the District's projects and to remaining the construction manager for the complete duration of this contract. Paul's commitment to construction management results in an ever-growing experience and knowledge base that can assist the District in maximizing the success of the project.

George Foote will be the shutdown civil inspector. George has over 37+ years of construction experience in the water and wastewater industry, specifically in plant work. Having worked his way up from contractor project manager to President of West Coast Operations of a large treatment plant contractor, George understands the complexity, nuances and synergy required for a successful construction project. George has been responsible for building over 200 municipal water, wastewater treatment plants, electrical upgrades, pump station and lift stations in California, Colorado and Texas. George certified in Primavera 6 scheduling software.

Matt Kreplin will provide welding inspection for the stainless-steel piping field welding. Matt is an AWS certified welding inspector and has over 25 years of water pipeline welding and welding inspection experience. Throughout his career in, Matt has experienced and seen all phases of pipe shop and field fabrication, installation of steel, stainless, aluminum structures, large diameter welded steel pipe ranging in size from 24" to 144" diameter, and small diameter high pressure pipe ranging in size from 2" to 24" diameter. Matt has a wide range of construction experience ranging from emergency pipeline repairs of large diameter pipe to complex flow control facilities, pump stations and desalinization plants. Mr. Krepelin has had hands on experience with all aspects of pipe fabrication, installation, NDE testing (VT, PT, MT, RT, UT, PAUT) NDE witnessing, weld repair, dimensional inspection, cement mortar lining operations, tape wrapping/shipping operations etc.

Desmond King, ICC will provide as-need special inspection**.** Desmond has 20+ years of special inspection experience as a quality control manager / San Diego deputy special inspector for military, commercial and residential projects. He has been involved with quality assurance for pre and post inspections, project troubleshooting and the implementation of code compliance while working directly with clients, project supervisors and city officials. He is very detailed oriented with an emphasis on safety, maintaining timely detailed project management and reporting.

Certerra will provide NACE Level III coating inspectors. Certerra is a California corporation that provides services as a consulting engineering firm specializing in protective paint and linings. Certerra is a SSPC-QP-5 certified Coating Inspection Firm and has more than 40 coating inspectors with the vast majority having NACE/SSPC (AMPP) coating inspection certifications. This staffing allows us to place specifically highly qualified personnel onto unique scopes, such as those anticipated under this contract. The foundation for Certerra's genesis was the desire of its many employees to maintain the detailed, quality-oriented service that is often difficult to achieve at some of the very large inspection firms.

Onsite Technical Services will provide shop QA inspection for stainless-steel pipe fabrication. ON-SITE TECHNICAL SERVICES, INC. is a Quality Assurance firm that provides Inspection Services to public agencies, construction companies and fabricators. Our field staff's applicable qualifications range from substantial QA experience, ICBO Certifications, NACE Certified coating specialists, ACI Certifications, coupled with formal Associate of Applied Science degrees, American Welding Society (AWS) certified inspectors, and Mechanical Engineers.

Rockwell Construction Services will be providing as-needed electrical, instrumentation and controls inspection for the project. Jim has over 35-year experience as both a contractor and inspector for electrical systems of water and wastewater projects. Jim spent several decades as an electrical contractor for the water and wastewater industry before becoming a consultant where he can utilize the hands-on construction experience to help projects be successfully completed. RCS has successfully worked with Valley CM on over $250 million in projects over the last 15 years.

OLIVENHAIN
Municipal Water District



Submission Date:
September 22, 2026

RESUMES



3525 Del Mar Heights Rd
Suite 192
San Diego, CA 92130
1 858 444 6804
www.ValleyCM.com

Presented By: VALLEY Construction Management

Paul Mochel, PE, CCM, CWI

Principal Construction Manager

Paul has over 30 years of experience in construction management as both an owner's representative and a general contractor. He has constructed over $150 million worth of projects and has extensive experience with water and wastewater projects including treatment facilities, pipelines, pump stations and reservoirs. Paul has supervised the construction of treatment facilities ranging from .5 MGD to 32 MGD and the installation of over 125,000 linear feet water and wastewater gravity and pressure pipelines through open cut construction, microtunneling, jack & bore, drill & blast tunnel, pipe bursting, CIPP lining and spiral wound PVC lining. Having been both an inspector and contractor, Paul understands the contractor's requirements to complete the job while maintaining the owner's best interest.

Pipelines

Village Park Recycled Water Project ($8.2 Million): Construction Manager for the installation of 7 miles of 4-inch through 12-inch C900 PVC recycled water main in the Village Park area of Encinitas. The project also includes the installation of an EFI pre-packaged pump station. Extensive coordination was required with the City of Encinitas and public as the project is located in a densely residential area. Night work was required in several locations. The owner provided an inspector while Valley CM provided Construction Management only services and occasional special inspection that could not be provided by the owner's personnel. Encinitas, California.

San Marcos Interceptor Phase 1 ($4.2 Million): Construction Manager for the installation of 3,000 LF of 36" Hobas (FRP) pipe via open trench up to depth s of 25' below grade immediately adjacent to the San Marcos Creek as well as through the parking lots of several high profile businesses. The project required extensive dewatering and sewer bypassing for this trunk sewer replacement. The project also includes microtunneling drives under several homes and under State Route 78, which required Caltrans coordination. San Marcos, California.

Sewer CIPP Rehabilitation ($5.5 Million): Construction Manager for the installation of over 20 miles of Cured In Place Pipe (CIPP) sewer main rehabilitation (8"-12" diameter). The project includes over 450 separate locations, each of which required proper notification, traffic control, sewer bypass and inspection. The work also included over 1,900 sewer lateral service connections via brim style "Top Hat's" and 270-degree full wrap SLB seal. Vista, CA

Sewer CIPP Rehabilitation-Phase 1 & 2 ($6.5 Million): Construction Manager for the installation of over 30 miles of Cured In Place Pipe (CIPP) sewer main rehabilitation (8"-18" diameter). The project includes over 650 separate locations, each of which required proper notification, traffic control, sewer bypass and inspection. The work also included over 3,000LF of open cut sewer replacement and over 200 manhole rehabilitations. South Pasadena, CA

Unit AA Phase 1 & Phase 2 ($12.1 Million-Phase 1, $4.2 Million-Phase 2): Construction Manager for these concurrent projects. **Phase 1** includes 16,000 LF of 48" steel pipe with polyurethane coating installed via open trench through heavily traveled 2-lane roads, environmentally sensitive land inside only a 20' wide easement and 300LF installed through a drill and blast rock tunnel underneath Escondido Creek. **Phase** 2 included the connection of the AA pipeline at each end to the San Diego County Water Authority Pipeline 5 and Flow Control Facility OV-8. The Pipeline 5 connection required the installation of a 108" x 48" tee that had to be installed during a 10-day shutdown window. This required the contractor to work 24/7 during this time to ensure completion within the 10-day window and utilized over 2,000 man-hours in 1 week. The Flow Control Facility OV-8 connection included the installation of 36" Plunger and Ball Valves as well as a venturi flow meter. Escondido, California.

Education

B.S., General Engineering, University of Illinois-Urbana 1990

Registrations/licenses

Professional Engineer
California C-68833

Certifications

Construction Management Association of America - Certified Construction Manager (CCM)

American Welding Society - Certified Welding Inspector (CWI) #09020901

Certified Public Infrastructure Inspector-CPII (APWA)

Certified Cured-In-Place Pipe (CIPP) Inspector-NASSCO

California Contractor's License-General Engineering A/B-99513

Backflow Tester (AWWA & ABPA)

Cross-Connection Specialist (AWWA & APWA)

Professional affiliations

American Society of Civil Engineers

Construction Management Association of America –Past President

America Public Works Association (APWA)-Subject Matter Expert for the Certified Public Infrastructure Inspector Exam (2013)

SDCE Pipeline ($4 Million): Construction Manager for the SDCE pipeline project which includes the installation of 15,000 LF of 16-inch CML&C pressure pipe along Old Julian Highway and connection to SDCE Tank #1. This project required extensive blasting and public relations due it location on a 2 lane road providing the main access to 4,000 rural homes – Ramona, California.

City of Pomona Sewer & Water Replacement ($8 Million): Construction Manager for the replacement of 10,000 LF of 8"-12" sewer mains and 5,000 LF of 10" water lines in heavily residential areas with 1 contractor working under 2 separate contracts operating concurrently. Pomona, California**San Marcos Blvd Transmission Main ($4 Million):** Construction Manager for the installation of 5,000 LF of 30-inch CML&C pressure pipe along San Marcos Blvd. at night. The connection required the close coordination of multiple water district and over 24 hours to successfully complete. The project including crossing one of the busiest intersection in North County San Diego via open cut. – San Marcos, California.

Treatment Facilities

Badger Treatment Plant Electrical Replacement ($4.3 Million). Construction Manager for installation of a new 12kV electrical distribution system to feed a 40 MGE water treatment plan as the existing system was almost 40 years old. The work included the construction of a new CMU electrical building, installation of new 12kV, 4kV and 480V switchgear, new MCC's, new transformers, new diesel generator with automatic transfer switch and permanent load bank. The new 12kV distribution system had to be installed and tested prior to switching over the existing plant equipment to the new MCC's. Rancho Santa Fe, CA

Group 3 Pressure Reducing Station Project ($3 Million). Construction Manager for the replacement of 4 existing pressure reducing stations with prefabricated EFI pressure reducing stations. The project requires keeping all PR stations in service while the new PR stations were constructed and tested. The project included 2,500 LF of 8-inch PVC pressure pipe installation as well as various mechanical piping, new electrical and instrumentation equipment and software. Rancho Santa Fe, CA

Group 2 Pressure Reducing Station Project ($3.5 Million). Construction Manager for the replacement of 8 existing pressure reducing stations with prefabricated EFI pressure reducing stations. The project required keeping all PR stations in service while the new PR stations were constructed and tested. The project included 1,500 LF of 8-inch PVC pressure pipe installation as well as various mechanical piping, new electrical and instrumentation equipment and software. Extensive coordination was required with the operations department to ensure during the start-up of the new PRS. Rancho Santa Fe, CA

Chlorine Dioxide Generation & PACL Feed Improvements ($1.3 Million). Construction of this work was on a working water treatment plant that required close coordination so as not to interrupt the treatment process. The projecting included the demolition of existing chemical feed and storage equipment, installation of new steel PACL tank, FRP NaCL tanks, new NaCL feed pumps, new chlorine dioxide generator, storage and feed building, new chlorine dioxide batch tank and feed pumps. new electrical and instrumentation equipment and software. – Rancho Santa Fe, CA

WRF2 Tertiary Filtration Project ($9 Million). Construction Manager for the City of Corona Department of Water & Power's Wastewater Reclamation Facility 2 upgrade to Tertiary Treatment. The project includes the installation of dual-media granular filtration system, 4MGD pump station, reinforced concrete structures including grating, air blowers for filtration backwash, backwash supply pump station, new chemical system, various mechanical piping, new electrical and instrumentation equipment and software. – Corona, CA

El Centro Water Treatment Plant Expansion ($24 Million). Construction Manager for 21 MGD expansion of the City of E Centro's 55-year-old water treatment project. The project consisted of two 82' diameter circular, solids contact clarifiers, two gravity filters, a waste wash water recovery basin, new raw water structure, Clear well and backwash water recovery pump stations, a new operations and chemical building, associated pipelines, grading, and paving, electrical, instrumentation, and controls, flow control facilities and interfacing with the existing operational treatment facility. The working also included the division of two 25 MG earthen storage reservoirs into four reservoirs to allow for maintenance – El Centro, CA

DCM Water Treatment Plant LT2 Project ($18 Million). Construction Manager for the modification of Olivenhain Water District's water treatment plant to comply with the new Long Term 2 water treatment requirements. The project consists the installation of 3-200,000 gallon bolted steel tanks, over 200 electric to pneumatic valve conversions, installation of two-turbine generators in a new generator building, raw water strainers and extensive stainless steel large diameter (36"-48") piping, new fluoride treatment system and 2 new metal buildings. – Escondido, CA

LaMesa Arsenic Treatment Plant ($1.9 Million). Construction Manager for the construction of an ionic exchange process arsenic removal plant. Construction of the plant was fast tracked to ensure compliance with the new EPA mandated arsenic levels and to comply with Department of Health Services requirements – Victorville, California.

George Foote

Construction Manager

Mr. Foote has over 37 years of industrial construction experience bringing a wealth of knowledge to every project he in which he participates. His comprehensive knowledge of all delivery methods including design-build, design-bid-build, CMAR, and construction management make him an invaluable member of any organization. George oversaw West Coast construction operations for 37 years relating to resource and fleet allocation, and fosters relationships with subcontractors, supplies and vendors. He has been responsible for building over 200 municipal water, wastewater treatment plants, pump stations, and lift stations in California, Colorado, and Texas.

Neighborhood 1 Sewer Lift Station ($7.2 M) Resident Engineer for the construction of a new 3 MGD sewer lift station immediately adjacent to an existing lift station that is at the end of its useful life. The project requires a 30-foot-deep excavation within 10' of the existing wet well and pump building to construct the new wet well. Responsible for all administrative work including RFI's, submittals, change orders, progress meeting minutes, progress payment processing, schedule review, etc. San Diego, CA.

Santa Maria Headworks Project ($6.8 M) Resident Engineer for the construction of a new screw pump headworks facility for a recycled water treatment plant. The project included new influent pump station and reinforced concrete headworks structure, 3 screw pumps, grit handling equipment, new influent and effluent piping, new electrical and instrumentation equipment. Responsible for all administrative work including RFI's, submittals, change orders, progress meeting minutes, progress payment processing, schedule review, etc.

Alvarado Water Treatment Plant Phase 3 Flocculation/Sedimentation Basins ($13M) Contractor project manager for the expansion of the plant capacity from 120 MGD to 200 MGD. The work included partial demolition of both flocculation basins and associated systems and structures, construction of new cast in place concrete structure totaling 4000 cy; influent, effluent and overflow channels; flocculation basins and flocculation systems, modification of the settled water conduit to accommodate conveyance of ozonated settled water. Sedimentation Basins 1 and 2 rehabilitations; removal and replacement of the chain and flight system, replacement of weir plates, upgrade sludge collection and conveyance system. Project included 135' of 54" steel underground pipe installation. Included approximately 2000 sf of beam and lag shoring system to support existing structures. Construction included a new chemical feed building of masonry and structural steel. Project required new electrical and instrumentation. Final Contract value $13 Million, San Diego, CA.

El Estero Wastewater Treatment Plant Secondary Treatment Process Improvements ($25M). Contractor project manager for aeration basin modifications including new inlet and outlet gates, baffle walls, aeration diffusers (disc type), mixers, aeration piping, drivers and controls, and structural strengthening of walls and floors, replacement of return activated sludge pumps and discharge piping, replacement of waste activated sludge pump drives, replacement of two aeration blowers, new air compressor , new concrete flume structure to distribute mixed liquor flow to the secondary clarifiers, return activate sludge withdrawal pipe modifications, secondary clarifier modifications including relocation of bottom end shaft, adding wiper on flights and replacement of mechanism drive, new mixed liquor pumps and associated piping, buried waste mix

Education

B.S., Industrial Construction Management

Colorado State University, 1982

Certifications/Licenses

Responsible Managing Officer for Class "A" California Contractors License.

Certified in Primavera 6 Scheduling Software

Certified Competent Person in 20 Safety Classes

Professional Affiliations

American Society of Civil Engineers

Certified by Design Build Institute of America (DBIA)

liquor piping and waste activated sludge piping from secondary facility to the existing dissolved air flotation thickener, chemical facilities including ammonium sulfate, ferric chloride, and polymer, including tanks, pumps and injection diffusers, secondary effluent recycle facility including diversion box and gate, meter and meter box, and discharge to the influent pumping station, electrical, instrumentation, SCADA, and bypass pumping.

Santa Marta Wastewater Treatment Plant Phase II ($16M). Contractor project manager for expanding the plant capacity from 9.5 MGD to 13.5 MGD. The work new cast in place concrete totaling approximately 5000 cy, structures including a primary clarifier, a primary trickling filter, a digester, a digester control building, and the structural components of a Percolation Pond Pump Station. Additional work included site piping, paving, and grading, pipe from the Percolation Pond Pump Station to the east side of Black Road, an emergency generator, new switchboard (SWBD-A), instrumentation and controls and instrumentation system upgrades. The permanent backup generator supplied and installed on this project is a 1.0-Megawatt generator. Project also included 750' of 30" Steel, 22' of 42" Steel, 350' of 30" RCP, 330' of 36" RCP, 262' of 42" RCP, 360' of 24" DIP and 108' of 36" DIP underground pipe installation., as well as approximately 5000 sf of beam & lag shoring system for jacking pit.

Sedimentation Basins Rehabilitations 1 to 12 at the Point Loma Wastewater Treatment Plant/Design-Build ($7M). Contractor project manager for the demolition of existing sludge equipment. Design and installation of new sludge collection equipment for the twelve existing basins; including 36 longitudinal and 12 cross collector mechanisms. Each basin consists of 3 bays that are 20 feet wide and 224 feet long. Additional work included design and construct a new 8-inch water main; standpipe at every two basins to allow for simultaneous connections of fire hoses; repair of existing coatings and concrete; installation of 54 stop logs; modification of the scum spray actuator system and repairs to the scum trough bearing system.

4S Ranch Water Reclamation Facility UV Disinfection System Replacement ($3M). Contractor project manager for the construction of the UV Disinfection System Replacement Project, including replacing the existing UV disinfection system with a new Xylem Wedeco Duron UV disinfection system, modifications to the existing UV electrical, instrumentation and controls, structural modifications to the existing UV channel, removal of chemical facilities and jib crane, constructing a temporary chlorine contactor with mobile tanks to meet disinfection requirements during construction of the new UV system, repair and reconstruction of existing improvements affected by the Work, and incidentals for complete and usable facility.

RP-1 Zone 1158 Recycled Water Pump Station Upgrades ($5M). Contractor project manager for the installation of the RP-1 1158 Zone Recycled Water Pump Station Upgrades including removal of the existing (4) 1158 Zone pumps and installation of new (4) 5,800-gpm capacity pumps and motors, variable frequency drives, and associated appurtenances, (1) 7,500-gallon surge tank and surge control systems, (1) 10-inch pressure relief & surge anticipator valve and auxiliary pipelines, and all associated valves and fittings. Project includes replacing the existing transformers with new 3000kVA transformers, upgrades in the existing Power Center Building, switchgear, and MCC panel(s), for accommodating new pump drives.

VALLEY
Construction Management

Matt Kreplin, CWI

Senior Inspector

Matt has over 20 years of construction field experience inspecting water and wastewater pipeline projects. Matt has specialized experience in welded steel pipe, slip lining, open cut gravity and pressure pipeline construction, jack & bore and drill & blast tunnels, microtunneling and CIPP sewer lining projects for public and private clients including the military.

Recycled Water Extension Project ($4 Million): Senior inspector for the the installation of 5,000 LF of 8-inch and 10-inch recycled water lines through the City of Encinitas and Carlsbad that required close coordination with the Cities of Encinitas and Carlsbad due to the dense residential area and working hour restrictions from schools and highly traveled streets

870-2 Reservoir & Pipeline ($21 Million): Senior welding inspector for the installation of approximately 2,000 LF of 24-inch to 36-inch CMLC potable water main to support the construction of a new 3MG DN tank.

Meadowlark Treatment Plant CCT Expansion ($16 Million): Senior inspector for the construction of 3 new chlorine contact tanks along with new process piping, chemical pump skids, rerouting of existing piping and channel coating for a recycled water plant.

Montiel Lift Station Force Main ($6 Million). Senior inspector for the construction 4,000 lf of 8-inch HDPE sewer force main through a Walmart Parking lot and highly traveled roads at night.

OMWD As-Need Developer Inspection: Inspector for new water services, fire hydrants and mainline extensions for various developer projects for Olivenhain Municipal Water District.

RMWD As-Need Developer Inspection: Inspector for new water services, fire hydrants and mainline extensions for various developer projects for Rainbow Municipal Water District.

E Reservoir and Pump Station ($9.5 Million): Inspector the demolition of a 100-year-old reservoir and construction of a 3-million-gallon cast-in-place concrete structure. Significant grading was required including the placement of 1,500 CY of slurry for subgrade preparation. The project also included the installation of 1,000 LF of 24-inch CMLC welded pipe which was self-inspected by Valley CM.

Certifications

Certified Welding Inspector (AWS)

Confined Space & Trenching Certified

OSHA 10 Hour Certification

CPR/First Aid Certified

Professional Affiliations

Construction Management Association of America

Desmond King, ICC

Senior Inspector

Desmond has 20+ years of special inspection experience as a quality control manager / San Diego deputy special inspector for military, commercial and residential projects. He has been involved with quality assurance for pre and post inspections, project troubleshooting and the implementation of code compliance while working directly with clients, project supervisors and city officials. He is very detailed oriented with an emphasis on safety, maintaining timely detailed project management and reporting.

E Reservoir Replacement, Vista, CA ($9 Million)
Senior inspector for the replacement of an existing 1-million-gallon potable water reservoir built in 1929 with a 3-million-gallon concrete reservoir and new 2 MGD potable water pump station. The work includes the demolition of the existing reservoir, site preparation, excavation, earthwork, piping, pump station and new pump station building. Desmond is performing all reinforced steel inspections for the project as well.

Quality Control Manager / San Diego Deputy Special Inspector for the following companies - MTGL, CJ Roberts Inc. Eagle, NV5, All City, Edge and NSI Inspection Services from 2010 to 2021.

Assistant Quality Control Manager for Swinerton Construction at San Diego International Airport Parking Structure Project May 2017 – May 2019.

Quality Control Manager for Pulice Construction. South Bay Bus Rapid Transit SEG-1B Project, March 2016 - May 2017.

Quality Control Manager for Pulice Construction. San Vicente Bypass Pipeline Project, January 2015 to March 2016.

Camp Pendleton's Recruit Barracks (P1069, P1086), Wounded Warrior Complex, Double Hanger replacement project (P114 MV-22), Water Treatment Plant, Parking Structures and Solar Field's project's.

32nd Street Naval Station / NAS North Island - Child Development Centers.

Westfield Malls - UTC, North County Fair, Horton Plaza, Plaza Bonita, Mission Valley, Parkway Plaza. El Camino Real Expansion Project in Carlsbad.

Mission Valley Fire Station#45, San Diego Pump Station#17, San Diego State Campus, Sempra HQ, Sheraton Ranch Resort Carlsbad, Marriott Coronado, Pacific Beach Lifeguard Tower, Living Spaces Mission Valley, Cheesecake Factory Chula Vista, Walgreens Hillcrest, La Mesa and El Cajon, CVS, Lowe's Poway, Bank of America, Jimbo's Market, Taco Bell Lakeside and Escondido, Smart and Final, Jack Powell Chrysler.

AT&T / Verizon Cell Phone Communications Towers. Located in San Diego, Ramona, Anaheim, Irvine, Idyllwild, Oceanside, Alpine, La Mesa and San Ysidro.

Penculbrook Building Contractors, Mirvac Group (Australia). CBI (Australia). Barrett Inc. Construction, General Construction 1992 to 2009.
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Certifications

• San Diego Special Inspector – Licensed in Reinforced Concrete, Structural Masonry, Structural Wood and Fireproofing ~ SD#1169

• ICC – Reinforced Concrete, Structural Masonry, Spray Applied Fireproofing, Structural Wood and Residential Building inspection ~ ICC#8132156\

• U.S. Army Corps of Engineers / NAVFAC – Construction Quality Control Manager

• ACI Field testing technician – Grade 1

• ACI Adhesive Anchor Installation Inspector (Epoxy)

• IFC / FireWise Firestop Special Inspector certificate ICC Course #10472

• OSHA 10 Hour Construction

• Government & Military Rapid Gate Pass

CERTERRA
CSI SERVICES

Materially Better™

Concrete Coating Inspection Services
Proposal No. 4633
Valley CM
David C. McCollom Water Treatment Plant (DCMWTP) Project
Encinitas, CA

Prepared for:
Paul Mochel
Construction Manager
Valley CM
3525 Del Mar Heights Road #192
San Diego, CA 92130



CERTERRA
CSI SERVICES

Materially Better™

September 21, 2026

Paul Mochel

Main: 858.444.6804

Email: Paul.Mochel@valleycm.com

Valley CM
3525 Del Mar Heights Road #192
San Diego, CA 92130

Subject: Proposal 4633 Concrete Coating Inspection Services

Re: David C. McCollom Water Treatment Plant (DCMWTP) Project - Encinitas, CA

Dear Paul,

Certerra Company (“Certerra”) is pleased to submit the attached proposal to provide concrete coating inspection services on the above referenced project. Our proposal is valid for a period of 150 days and can be extended upon request.

Thank you for this opportunity and should you have any questions or comments, I can also be reached through e-mail at ttendler@certerra.com or cell 818.216.1979.

Sincerely,
Certerra

Todd Tendler
Operations Manager
E : ttendler@certerra.com
T : 818.216.1979

CERTERRA
CSI SERVICES

Project Understanding and Approach

Certerra is pleased to propose concrete coating inspection services to support Valley CM with the David C. McCollom Water Treatment Plant (DCMWTP) Project located in Encinitas, CA

Qualifications of Firm



Certerra is a California corporation that provides services as a consulting engineering firm specializing in protective paint and linings with specific expertise in this type of project. The management team, with more than 100 years of combined coating expertise is committed to the timely and ethical delivery of its services. We have extensive experience with similar scopes throughout the country and overseas.

Certerra provides comprehensive coating consulting services including failure analysis, laboratory testing, expert witness, maintenance and corrosion surveys (dry and underwater), coating system evaluations, technical specifications, and in-process inspection of surface preparation and coating/lining applications. Certerra is a completely independent firm enabling the delivery of totally unbiased services to infrastructure owners and all members of the coating and corrosion prevention community.



Certerra has more than 40 coating inspectors with the vast majority having NACE/SSPC (AMPP) coating inspection certifications. This staffing allows us to place specifically highly qualified personnel onto unique scopes, such as those anticipated under this contract. The foundation for Certerra's genesis was the desire of its many employees to maintain the detailed, quality-oriented service that is often difficult to achieve at some of the very large inspection firms. We realize that it is the quality of our personnel and their desire to support clients that is important to our success. In order for us to meet our standards of quality, we realize it is important for our staff to look at their job at Certerra as a career, not a temporary project. It has been our experience that this employee outlook results in a better service product. After all, we realize that it is your project, but it is our reputation.

Further, Certerra is proud of its certification as an ***SSPC QP-5 Coating Inspection Firm***. Much like an ISO 9001 certification, the QP-5 certification recognizes firms for their high level of technical strength, internal quality control program, financial stability, safety record, and ability to provide quality services over a long period of time. The QP-5 has been adopted by many large owners such as the U.S Department of Defense, Army Corp of Engineers, and many state governments as a means of prequalifying firms on their coating projects. We offer this QP-5 recognition as a third-party means of verifying the quality and abilities of our firm. This program requires our staff to continually seek to improve on the services that we deliver. As an example, we developed and utilize an App called SpecCheck™ that is discussed more under Scope of Services.

Safety is always our top priority. In addition to the safety requirements of our SSPC-QP5 certification, we are also monitored by Avetta, ISNetwork and BROWZ. These independent safety compliance programs continually monitor the implementation of our extensive safety policies. This program is a requirement of many owners, notably those that have projects in refineries and underground. We are routinely audited by SSPC and ISNetwork both in the office and field.

Scope of Services

Certerra will provide third-party quality assurance concrete coating inspection services. This work will be accomplished by completing the following tasks, where applicable:

Coating Verifications

Certerra will provide quality assurance inspection services during the coating work on the project. Certerra will provide technical as-needed consulting assistance and qualified fully trained and equipped inspectors throughout the progress of

the work up to and including final acceptance. Certerra will provide an independent, professional, and thorough NACE (AMPP) inspection. Certerra will not take any responsibility for the safety of others.

Certerra has found that it can provide its clients the most versatile and technically competent quality assurance program through a team approach. This team of engineers, inspectors, and administrative support personnel allow us to provide an up-to-date, competent, and efficient service product. The duty of this team approach is segmented into two tasks, which frequently overlap. Either the field inspector or the support personnel will complete the various tasks that may be required on this project. These two general segments of the team have been detailed below under two categories: Project Support Activities and Direct Field Inspection Activities.

Project Support Activities

- Certerra will participate in project start-up meetings, weekly job meetings, and any special interest meetings as required to discuss procedures, progress, problems, or outstanding issues.
- Certerra staff will provide any support to the project required to assure that all technical issues and concerns are properly corrected and/or addressed.

Direct Field Concrete Inspection Activities

- The CSI inspector will ensure that the requirements of the Contract Specifications and manufacturer's technical data sheets for the various materials are strictly followed. PDCA P2-04, SSPC, NACE, and ASTM D3276 standard practices will be used a guideline for proper procedures, where not called out in the specification or manufacturer’s written PDS’s.
- The CSI inspector will ensure that the requirements of the contract specifications and manufacturer's technical data sheets for the various materials are strictly followed. It is not the intent of our cost proposal to provide a safety inspector to this project.
- Checking of the contractor’s compliance with the specifications will be accomplished by performing the following tasks as necessary, with the appropriate calibrated instruments for each:
    - ***Pre-Surface Preparation –*** The CSI inspector will inspect the surfaces to be prepared to assure that grease and oil have been removed, fins, and sharp edges are removed as specified, and that any concrete defects such as spalling and exposed/corroding rebar have been corrected.
    - ***Protective Coverings –*** The CSI inspector will examine the protective coverings to assure placement that will prevent contamination of motors, parts, and other surfaces not to be subjected to overblast or overspray.
    - ***Ambient Conditions –*** The CSI inspector will monitor the air and surface temperatures, relative humidity, and dew point periodically every day to assure that the work is done under proper weather conditions. Special attention will be made to determining when surface temperature is beginning to fall or rise.
    - ***Compressed Air Cleanliness –*** The CSI inspector will check all quality operations requiring compressed air such as for blast cleaning, substrate blowing down, or conventional applications to assure that the air supply is adequately free of moisture and oil contaminates.
    - ***Surface Preparation –*** The CSI inspector will examine the hyrdoblasting or abrasive blasting equipment used for surface preparation for adequacy to do the work, as specified. Water and air pressures will be monitored. The inspector will verify the proper storage and size of any abrasives, and that the proper degree of cleaning and surface profile (anchor pattern or roughness) has been achieved. The inspector will identify areas of insufficient or inadequate cleaning for repair and rework prior to the application of any resurfacing mortar or linings. Concrete substrates would be evaluated for efflorescence, laitance, crazing, cracks, crevices, bugholes, weeping, leaks, form release agents, and any other uncoatable conditions. The surfaces to be coated will be evaluated for pH, moisture content, and cleanliness prior to coating. The pH, moisture content, and cleanliness of the substrate will be verified to be in accordance with the Specifications and material manufacturer's written recommendations.

- ***Coating Mixing –*** The CSI inspector will observe the mixing of coatings to assure that all components are added and proportioned correctly and that equipment metering devices are functioning properly. The inspector will verify that any materials used are approved and that they are not used when the pot or shelf lives have been exceeded.
- ***Coating Application –*** The CSI inspector will examine the application equipment for cleanliness and adequacy to do the work. This will include a complete monitor of the contractor's plural component, or airless equipment including temperatures, metering, stroke cycles, and material drum temperatures. Any equipment maintenance or repair attribute will be monitored and recorded. The inspector will observe application techniques to assure proper coverage without detrimental runs, sags, pinholes, or other visually evident deficiencies. The inspector will make spot checks of the wet film thickness (WFT) so that corrections to the amount of material being applied can be made at the time of application to minimize the amount of rework after the coating has dried.
- ***Dry Film Thickness –*** The CSI inspector will determine the dry film thickness (DFT) of each coat to assure that it complies with the specification requirements and manufacturers' instructions. Film thicknesses will be estimated through a combination of visual, WFT, and/or theoretical coverage calculation techniques. If possible, CSI may use ultrasonic film thickness equipment to measure the DFT.
- ***Holiday Detection –*** CSI will high-voltage holiday detection equipment and 100 percent holiday detection in accordance with NACE International's "Recommended Practice for Discontinuity (Holiday) Testing of Protective Coatings," (SP 0188-99) and the specified requirements.
- ***Adhesion Testing –*** CSI will verify pull-off testing equipment and perform adhesion testing of the cured system in accordance with the applicable ASTM Standard (i.e. D4541-09 or D7234).
- ***Cure Evaluation –*** The CSI inspector will evaluate the final cure of the applied lining in accordance with the manufacturer's recommended procedures.

- Documentation - The Certerra inspector will use daily reports to clearly document the coating operations and occurrences to verify compliance with Contract documents. At a minimum, the verifications noted above will be recorded. Certerra will utilize our in-house App called SpecCheck™ that provides our inspector an automated means of assuring the electronic reporting, timely delivery, and archiving of our inspection reports. The App is unique to any other in that it not only provides a library of all project documents, but it also has an internal quality control mechanism that assures that field verifications are correct, in real time. It also gives management an excellent tool to better control all aspects of the inspection project. Reports can be delivered the next day, or earlier if required.

Certerra will provide third-party quality assurance coating inspection services. Our work product will include replicating the project specification and manufacturers testing procedures. This work will be accomplished by completing the following tasks, where applicable:

OLIVENHAIN
Municipal Water District



Submission Date:
September 22, 2026

FEE PROPOSAL for CM & Inspection Services for the DCMWTP Membrane Basin Rehabilitation Project



3525 Del Mar Heights Rd
Suite 192
San Diego, CA 92130
1 858 444 6804
www.ValleyCM.com

Presented By: VALLEY Construction Management

DETAILED SCOPE OF WORK

Task 1.1 – Coordination
Valley CM will act as the primary contact for the District and shall provide coordination between the District, Engineer/Project Manager, Contractor, Specialty Inspectors, Utilities and other jurisdictional agencies as appropriate. We will meet with the District prior to the preconstruction meeting to thoroughly review the project plans and specifications, coordination with City of Encinitas, and environmental constraints and conditions.

Task 1.2 Meeting Facilitation

- *Pre-construction Conference*

Valley CM will coordinate with the District, City of Encinitas, contractor and other agencies to hold the pre-construction conference. Valley CM will prepare the pre-construction meeting agenda and meeting minutes and meet with the District and contractor to reinforce procedural issues including change order and extra work notification.

- *Progress Meeting*

Valley CM will hold weekly progress meetings with the contractor and their appropriate subcontractors to review construction progress. We will keep minutes of the meetings, assigning action items, responsibilities, and documenting project trends. Minutes will be distributed within 2 days of the progress meeting. Meetings will include reviewing the contractor's three-week look ahead schedule (including shutdown and tie-in work), submittals and RFI/design clarification status, potential change orders and change orders, delays and potential claims, construction problem resolution and public outreach issues.

- *Other Meetings*

Valley CM will hold other meetings as necessary for the project. We will keep minutes of the meetings, assigning action items and responsibilities. Minutes will be distributed within 2 days of the progress meeting.

Task 2.1 – Contract Administration
Valley CM has extensive experience managing the inspection of these types of projects. We also have significant contractor experience which aid in seeing the big picture and ensuring a successful project as well as adherence to the contract requirements. Valley CM will monitor the work of the contractor for compliance with the contract documents and review testing and inspection reports. Valley CM has significant experience in coordinating between Owner's and contractors for tie-ins. Valley CM will resolve problems, provide redesigns if necessary and ensure a safe project site.

Valley CM utilizes **Smartsheet, a cloud-based project management software program**. All project documents (submittals, RFI's, meeting minutes, progress payments, etc.) are transmitted, logged and shared electronically utilizing this cloud-based system. Each user (District, Contractor and Valley CM) has separate login credentials that allows easy tracking of all use and restricted access to specific areas as needed. A dependable and simple document control system is the key to managing claims. At the end of the project, a thumb drive with all the electronic copies will be turned over to the District.

Task 2.2 – Monthly Progress Report
Valley CM will present a monthly progress report to the District to provide a summary of the project for use by the District in presenting the project to other departments or the board. The report will outline in text, with supporting photo documentation, the progress of the project including financial status of the construction and CM contract, schedule status change order status and copies of all project logs (RFI's, submittals, change orders, correspondence, etc.). Valley CM's monthly CM report was so well received by the City of Corona Department of Water and power that it was utilized for SRF Funding documentation. The report can be modified as required by the District.

Task 2.3 – Document & Deliverable Tracking
Valley CM will prepare a list of anticipated submittals, warranties, spare parts, and training for the Project to assist with tracking project requirements. Valley CM will maintain logs to document the status of anticipated submittals, warranties, spare parts, trainings, and RFIs and will verifying the Contractor is updating the Project Redlines at the weekly progress meeting. Additionally, the Project Redlines are to be current prior to release of monthly progress payments.

Task 3.1 – RFI's, Shop Drawings & Submittals
Valley CM will log in, track, process, and review submittals, including shop drawings, operations and maintenance (O&M) submittals, samples, warranties, certifications, schedules, testing and startup plans, and other items. The Construction Manager will review each submittal for completeness and approval. Valley CM will manage contractor requests for information (RFI's) during construction. The status of RFI's will be accounted for in the RFI log. Valley CM will respond to RFI's in typically less than 2 days.

Task 3.2 – Schedule Review
Valley CM's team will review the contractor's baseline Critical Path Method (CPM) schedule to ensure that the schedule is a true representation of the construction. We will check the logic network and the activity input durations and precedents for reasonableness of the sequence and duration of the activities. Specified construction sequencing and scheduling constraints, interfacing with adjacent contracts, as well as all submittals, procurement, construction, shutdowns, and tie-ins, testing and startup and closeout actives that are included for work will be confirmed. Valley CM will also perform detailed reviews of the contractor's monthly schedule update to ensure that actual work progress based upon their records is properly incorporated, including the impacts of any change order work. Valley CM will also maintain its own "As-Built" schedule for verifying the contractor's schedule. Valley CM will require the contractor to prepare a recovery schedule when any critical path falls significantly behind schedule and will monitor its effectiveness in restoring the schedule.

Task 3.3 - Change Orders
Valley CM will manage the change order process to help obtain a fair and reasonable price for legitimate extra work items. Valley CM will request and log change order (extra work) quotations as requested by the District and will coordinate the preparation of any revised specifications and/or sketches needed to define the scope of the extra work. In each case, until a potential extra work item is confirmed and executed as a change order (or is dropped), it will be assigned a potential change order number to facilitate tracking and filing. In this manner, several potential change orders can subsequently be incorporated into a single contract change order. Change order work performed on a time-and-materials basis will be verified daily. Valley CM will enter the change order work activities into the CPM schedule to verify requested time extensions impacts accompanying the change order. A detailed change order cost estimate with which to compare and negotiate the contractor's cost quotation will be prepared for larger change orders. Valley CM will then recommend acceptance or rejection of the terms of the change order to the District. If the change order is accepted, Valley CM will prepare the document for signature. If there is disputed extra work, Valley CM will work with the District and contractor until the item has been satisfactorily resolved. If it is not resolved, Valley CM will track the item as a potential claim. Change order status will be included in the monthly status report.

Task 3.4 – Progress Payment Review
Valley CM will review the contractor's Schedule of Values to ensure it represents an appropriate detailed cost breakdown for each lump sum item as required by the contract. The approved Schedule of Values shall be then incorporated in the cost loaded portion of the Schedule and used in the preparation and review of the monthly Progress Payment Request. Valley CM will review the monthly Progress Payment Request to ensure it represent the actual work completed that month.

Task 3.5 – Risk Management/Claims Resolution
Valley CM will take the lead in the resolution of any contract claims for this project during the construction contract period. We will keep current logs of Notice of Potential Claims and will prepare documents and supporting evidence regarding claims. Information on each individual Notice of Potential Claim will be kept separately in the project files. Valley CM will provide complete documentation, a claims response strategy, and cost analysis for the District's review.

Task 3.6 – Start-Up and Commissioning.
Valley CM will coordinate with the District, Veolia and the contractor to ensure a proper start-up for the membrane systems and plant. Valley CM has support available as need to help troubleshoot, if necessary, through Rockwell Construction Services.

Task 3.7 – Project Closeout
Valley CM will use the project closeout procedures required by the contract documents. A final walk through will be conducted which includes the District, Valley CM, and contractor, to develop a final punch list. When the work is completed

and all outstanding paperwork has been submitted (warranties, lien releases, equipment certifications, record drawings, interconnection diagrams, O&M manuals, etc.), Valley CM will prepare the final project status report and recommend for project acceptance by the District. Field office files, including submittals, correspondence, photographs, and other items, will be provided to the District. Electronic files will also be provided to the District on portable hard drive.

Task 4.1 – Daily Field Inspection
Valley CM will provide part-time inspection services (Full time as needed) to monitor the contractor's work for contract compliance during construction. Valley CM's inspector will document the contractor's daily work activities and compliance with all District and Agency standard specifications for utility materials and installation procedures through preparation of daily construction reports and logs. Hard copies of the daily construction reports and logs will also be maintained at Valley CM's office and converted to PDF format and uploaded to the document control site on a regular basis. Logs will include verbal, electronic and telephone conversations, material certification for compliance with the contract, compaction results, pipe testing result, reinforced concrete inspection, concrete strength testing and coordination and verification of all 3rd part quality control testing.

Deficient work will be identified, tracked, and corrected using advisory notices and non-conformance reporting systems. Any damage to private or public property will be tracked, resolved, and reported in a timely manner. Compliance with all agency encroachment and other permits will be monitored and reported. All materials will be verified and documented for compliance with plans, specifications, and approved submittals.

Valley CM will perform a final project walkthrough with the District and contractor to prepare the final punch list. Any items remaining from preliminary punch lists and logs of nonconforming work will be added. Items from the post-construction conditions survey will be added and both the contractor and Valley CM will sign off on the completion of each punch list item.

Valley CM utilized Raken Daily Reporting software for preparation of our daily reports. Raken is a software app that allows the inspector to speak his notes regarding the description of the current activities. Photographs can be tagged to each specific note entry. The voice notes are then transcribed, and the daily report is automatically generated daily. This application virtually eliminates the old, time-consuming way of handwriting daily reports and allows for a more detailed and thorough daily report. The daily report automatically pulls the current, local weather three times during the day and allows the easy input of labor and equipment used. **The daily inspection reports can be emailed to the District and any other personnel on a daily basis.**

Task 4.2 – Materials Testing & Special Inspections
Valley CM will coordinate with the District's third-party material testing firm and review all Contractor requests for materials testing or special inspection. Valley CM will schedule material testing and schedule and provide the special inspections and testing as necessary. A log shall be maintained of site visits by the project inspector and a file of all testing and special inspection results shall be maintained electronically in the project file.

Task 4.3 – As-Built Contract Drawings
Valley CM will maintain red-line markups of the contract drawings showing all change order items and RFIs/design clarifications, as well as other information regarding underground utilities and information useful to the District for future maintenance and construction. Valley CM will review the contractor's set of marked up drawings to verify completeness prior to processing the monthly pay estimate. Valley CM will reconcile our markups with the contractor's redline drawings at the end of the project and provide the as-built drawings to the designer for review, modification of the electronic drawings and signature.

Task 4.5 – Permit Compliance/Site Safety
Valley CM will review all the project permits prior to the start of construction and be familiar with all of the requirements. Permit issues can range from safety, sound levels, working hours, or working restrictions due to animal habitat or nesting. Valley CM will be familiar with each permit and meet regularly with the Contractor to ensure compliance. The goal of Valley CM's safety program is to maintain a safe working environment for our employees, consultants, contractors, and members of the public who may visit or travel through the work site.

LEVEL OF EFFORT (LOE)

Our Level of Effort (LOE) is based on the Scope of Work provided in the RFP for the work include in Year 1 and Year 2 of the project. Valley CM estimate the cost for the work in Years 3-6 to be similar to the LOE shown below for Year 2 for each year. While the hourly rates will increase, we expect to recognize some hourly savings due to lessons learned from Years 1 and 2. The cost proposal is based on prevailing wage and Valley CM's hourly rate includes all direct costs.

Olivenhain Municipal Water District
DCMWTP Basin Rehabilitation
ESTIMATED STAFF HOURS-YEAR 1

		2026				2027								
						Year 1 Plant Shutdown				Closeout				
DCMWTP Membrane Basin Rehabilitation		Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Hours	Rate	Total
Paul Mochel, PE, CCM	***Construction Manager***	80	80	80	80	120	120	120	120	60	40	900	$195	$175,500
George Foote	***Shutdown Inspector***	0	0	0	40	176	176	176	176	40	0	784	$180	$141,120
Matt Kreplin, CWI	***Welding Inspector***	0	0	0	0	176	0	0	0	0	0	176	$180	$31,680
Desmond King, ICC	***ICC Special Inspector***	0	0	0	0	40	0	0	0	0	0	40	$180	$7,200
Centerra (CSI Services)	***Coating Inspection***	Estimate: Full time inspection for entire shutdown period for surface prep, concrete repair and coating (Daily Rate)										120	$1,600	$192,000
Onsite Inspection	***Shop inspection***	Estimate: Part-time spot check at stainless steel pipe fabricators												$35,000
Rockwell Construction Services	***Electrical Inspection***	Estimate: As-need for commissioning of instruments												$10,000
		5% Subcontractor Markup											5%	$11,850
														$604,350

ESTIMATED STAFF HOUR-YEAR 2

		2027				2028								
						Year 2 Plant Shutdown			Closeout					
DCMWTP Membrane Basin Rehabilitation		Sept	Oct	Nov	Dec	Jan	Feb	Mar	June	July	Aug	Hours	Rate	Total
Paul Mochel, PE, CCM	***Construction Manager***	60	60	60	60	120	120	120	60	40	0	700	$195	$136,500
George Foote	***Shutdown Inspector***	0	0	0	0	176	176	176	40	0	0	568	$180	$102,240
Desmond King, ICC	***ICC Special Inspector***	0	0	0	0	40	0	0	0	0	0	40	$180	$7,200
Centerra (CSI Services)	***Coating Inspection***	Estimate: Full time inspection for entire shutdown period for surface prep, concrete repair and coating (Daily Rate)										90	$1,600	$144,000
Rockwell Construction Services	***Electrical Inspection***	Estimate: As-need for commissioning of instruments												$10,000
		5% Subcontractor Markup											5%	$7,700
														$407,640

All typical ODC costs are included in the hourly rate (auto, laptop, cell phone, etc.) and based on prevailing wage

		TOTAL	**$1,011,990**

DCMWTP Membrane Basin Rehabilitation					
Task	**Task Description**	**Valley CM**	**Valley CM**	**Valley CM**	**Valley CM**
		Mochel	Foote	Krepelin	King
		CM	Shutdown Inspector	Welding Inspector	ICC Inspector
1.1	Coordination	150			
1.2	Meeting Facilitation	120			
2.1	Contract Administration	400			
2.2	Monthly Progress Report	16			
2.3	Document & Deliverable Tracking	40			
3.1	RFI's, Shop Drawings & Submittals	120			
3.2	Baseline & Monthly Schedule Updates	120			
3.3	Change Orders	80			
3.4	Progress Payments	40			
3.5	Claims Avoidance	24			
3.6	Start-Up & Commissioning	120			
3.7	Project Closeout	200			
4.1	Daily Field Inspection	100	1352		
4.2	Materials Testing & Special Inspections	40		176	80
4.3	As-Built Drawings	16			
4.4	Permit Compliance/Site Safety	14			
	Total Hours	**1600**	**1352**	**176**	**80**

EXHIBIT "B"

Olivenhain Municipal Water District
Request for Additional Work
(Includes Authorization to Perform Additional Services and Inter-Task Transfers)

Consultant name _____ Request # _____

Project name _____ Date: _____

Project Task	Current Budget	Change	Revised Budget
Original Authorization			$0.00
			$0.00
			$0.00
Total Contract Change Amount		$0.00	$0.00

Original Project Budget	
Prior requests approved	
This request	
Revised Project Budget	$0.00

Reason for requested change(s), *please attach supporting documentation*

Signature of consultant representative Date

e-mail _____

Email the completed form to engineer@olivenhain.com or mail to 1966 Olivenhain Rd., Encinitas, CA. 92024

OMWD use only below this line

Approved by Date

Workorder number(s) to charge 26AGRXXX OMWD Record No.

Original to General Manager ☐

Copies to

Originating Dept. ☐ Consultant ☐ Project Acct ☐

Agenda Item 18

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Erick Del Bosque, Engineering Manager

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER APPROVAL OF A PROFESSIONAL SERVICES AGREEMENT WITH CAROLLO ENGINEERS, INC. IN THE AMOUNT OF $262,977, FOR ENGINEERING SERVICES DURING CONSTRUCTION FOR THE DAVID C. MCCOLLOM WATER TREATMENT PLANT BASIN REHABILITATION PROJECT; AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT ON BEHALF OF OMWD; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE FUTURE AGREEMENT AMENDMENTS BASED ON NEGOTIATED PRICING WITHIN APPROVED BOARD BUDGET**

Purpose

The purpose of this agenda item is to consider approval of a Professional Services Agreement (PSA) with Carollo Engineers, Inc. (Carollo) in the amount of $262,977 for engineering services during construction for the David C. McCollom Water Treatment Plant Membrane Basin Rehabilitation Project (Project), authorizing the General Manager to execute the agreement on behalf of OMWD, and authorizing the General Manager to execute agreement amendments based on negotiated pricing within approved Board budget. The requested PSA with Carollo will cover engineering services during construction for the first two years of the six-year Project. The PSA includes options to extend the services for subsequent phases of the Project, subject to consultant performance, funding availability, and authorization by the General Manager. This item supports calendar year 2026 Annual Goal 1, Objective 6 to progress the DCMWTP basin rehabilitation program.

Recommendation

Staff recommends approval of a PSA with Carollo in the amount of $262,977 for engineering services during construction for the first two years of the six-year construction Project; authorize the General Manager to execute the agreement on behalf of OMWD; and authorize the General Manager to execute agreement amendments for subsequent project phases based on negotiated pricing within approved Board budget.

Alternative(s)

The Board could elect to:

1. Reject Carollo's proposal and direct staff to issue a Request for Proposals (RFP) for engineering services during construction. However, issuing an RFP may delay construction work. Engineering services support will be critical throughout the Project, and especially important before the 4-month plant shutdown beginning in March 2027. Support from the Engineer of Record will be needed during the initial months of construction to answer any Requests for Information from the contractor where clarification on design plans and specifications may be needed, and for assistance with shop drawing submittal reviews and approvals, to allow contractor to purchase all materials for the initial phase of the Project. Selecting a different consultant for engineering services during construction may lead to challenges during construction because a different consultant would have to become familiar with design plans and specifications prepared by others, may have a steep learning curve with the design, would have to assume responsibility and liability for the design, and may misinterpret the intent of design potentially leading to issues during construction. It is standard practice that the design engineer is the engineer of record for engineering services during construction both for efficiency and accountability for their design work.

2. Proceed in a manner as otherwise directed by the Board.

Background

At the September 16, 2026, Board meeting, the Board approved a multi-year construction contract to GSE in the amount of $15,465,600 for the construction of the Project, waived a minor irregularity related to the unnotarized non-collusion affidavit, and authorized the General Manager to execute the contract for the initial two-year phase in the amount of $9,438,306. The Board also authorized subsequent phases through contract amendments

based on the contract pricing established at the time of award, subject to contractor performance, increased the General Manager's change order approval limit from $75,000 to $500,000, directed staff to notify the Board when approaching the $300,000 amount, increased the total project budget by $7,250,000, and to fund the initial two-year phase of the Project, deferred nine Capital Improvement Program (CIP) Projects from 2027 and 2028 to 2029, and appropriated an additional $1,250,000 from the Capital Reserve Fund.

Furthermore, on September 23, 2026, staff received the attached proposal from Carollo for engineering services during construction for the Project. It is standard industry practice for the designer to also provide engineering services during construction given their familiarity with the design and for accountability. Staff recommends allowing an RFP exception in accordance with Administrative & Ethics Code §6.9C and selecting Carollo as the consultant to provide engineering services during construction.

Fiscal Impact

The approved FY 2027 and FY 2028 budgets include funding for Years 1 and 2, which represents the initial two-year contract phase. The PSA is structured to provide services for the initial two-year phase, with options to extend the services for subsequent years of the Project. The Project is included in the approved FY 2027 and FY 2028 budgets under the following CIP accounts:

3. D120198 – DCMWTP 2nd Stage Basin Rehabilitation and Beam Replacement
4. D120202 – DCMWTP Combined Filter Influent and Backwash Pipe Replacement
5. D120201 – DCMWTP 1st Stage Beam Replacement
6. D120218 – DCMWTP 1st Stage Basin Rehabilitation

The cumulative total project budgets for all four projects are presented in the following fiscal table. Appropriations for subsequent phases of the six-year Project are included in the District's 10-Year Capital Spending Plan and will be reviewed and updated annually as part of the budget process.

Is this a Multi Fiscal Year Project? **Yes**

In which FY did this capital project first appear in the CIP budget? **2024**

Total Project Budget: **$19,557,000**

Approved Appropriations through FY 2028: **$13,311,800**

Target Project Completion Date: **FY 2032**

Expenditures and Encumbrances as of 9/29/26: **$778,852**

Expenditures and Encumbrances as of 9/29/26 (including authorized 2-year construction award): **$10,217,158**

Available Funds within Fiscal Year Appropriation (following encumbrances on construction award): **$3,094,642**

Discussion

Administrative & Ethics Code §6.9C states the following:

"Where it is apparent that an RFP process would be incongruous and would not result in any advantage to the District, an exception to the foregoing processes may be granted. Exceptions may include where the staff is looking for a particular skill or ability, or where a consultant is already providing current services for the District and there would be economies and efficiencies of scale by continuing with the consultant. Emergencies are also exempt from the RFP process. Staff shall consult with the General Manager and designee prior to commencing the selection process in order to review if the exception to the standard procedures is warranted."

Carollo is the designer and Engineer of Record for the Project. Since the designer is intimately familiar with the project, there is efficiency and accountability in their involvement during construction, and there is economy of scale by continuing with Carollo's services during construction. If the Board desires, staff could issue an RFP to

make a competitive consultant selection for engineering services during construction. However, this may lead to very few proposals submitted given the unconventional nature of the request. As previously stated, it is standard industry practice for the designer to also provide engineering services during construction given their familiarity with the design, and this could potentially lead to other consultants not wanting to submit a proposal. If an RFP is issued, proposals are submitted, and a different consultant were to be selected as a result of the competitive RFP process, this would most likely lead to a higher cost given the consultant's need to learn the Project and take on the responsibility and liability for someone else's design. This new consultant could potentially misinterpret the intent of the design and could lead to complications during construction, such as but not limited to inability to properly address Requests for Information from the contractor, to clarify intent of design.

In their cost proposal, Carollo offered a $50,000 credit, changing their total proposed cost from $312,977 to $262,977. In addition, as of August 31, 2026, there is an account balance of $52,992.27 on the design task with Carollo. After their expected invoice for September 2026, staff anticipates an account balance of approximately $40,000. Any unused funds from design would be repurposed to offset the costs of their engineering services during construction.

Selecting Carollo to perform engineering services during construction provides continuity from design to construction with a consultant that is already familiar with the Project. This action would be consistent with Administrative & Ethics Code §6.9C referenced above. Carollo's scope of work includes the following services:

- Project management
- Conformed construction documents
- Project meetings
- Respond to Requests for Information
- Site Visits
- Shop drawing and submittals reviews
- Preparation of record drawings

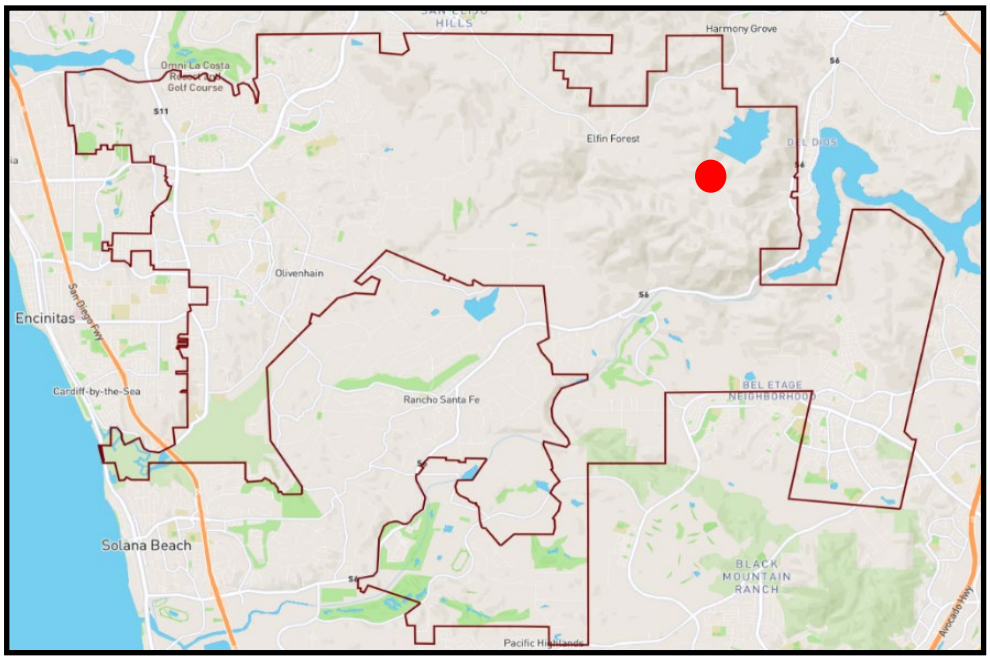
Following the Board's approval of the construction contract award to GSE, staff issued a Notice of Award to GSE on September 17, 2026, and anticipates issuing a Notice to Proceed in late October or early November 2026 to commence construction, following execution of the Contract Documents. Timely selection of a consultant to provide engineering services during construction is important to ensure there are no delays to the start of construction.

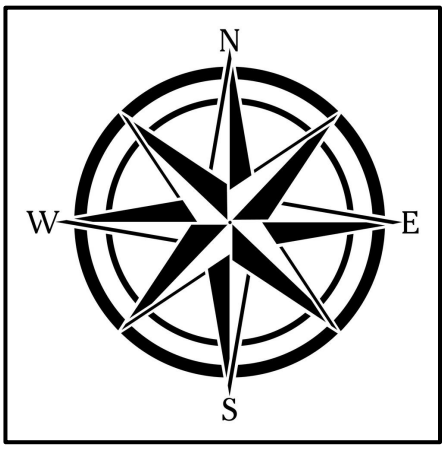
Construction management and inspection services will be discussed under Board Agenda Item 17.

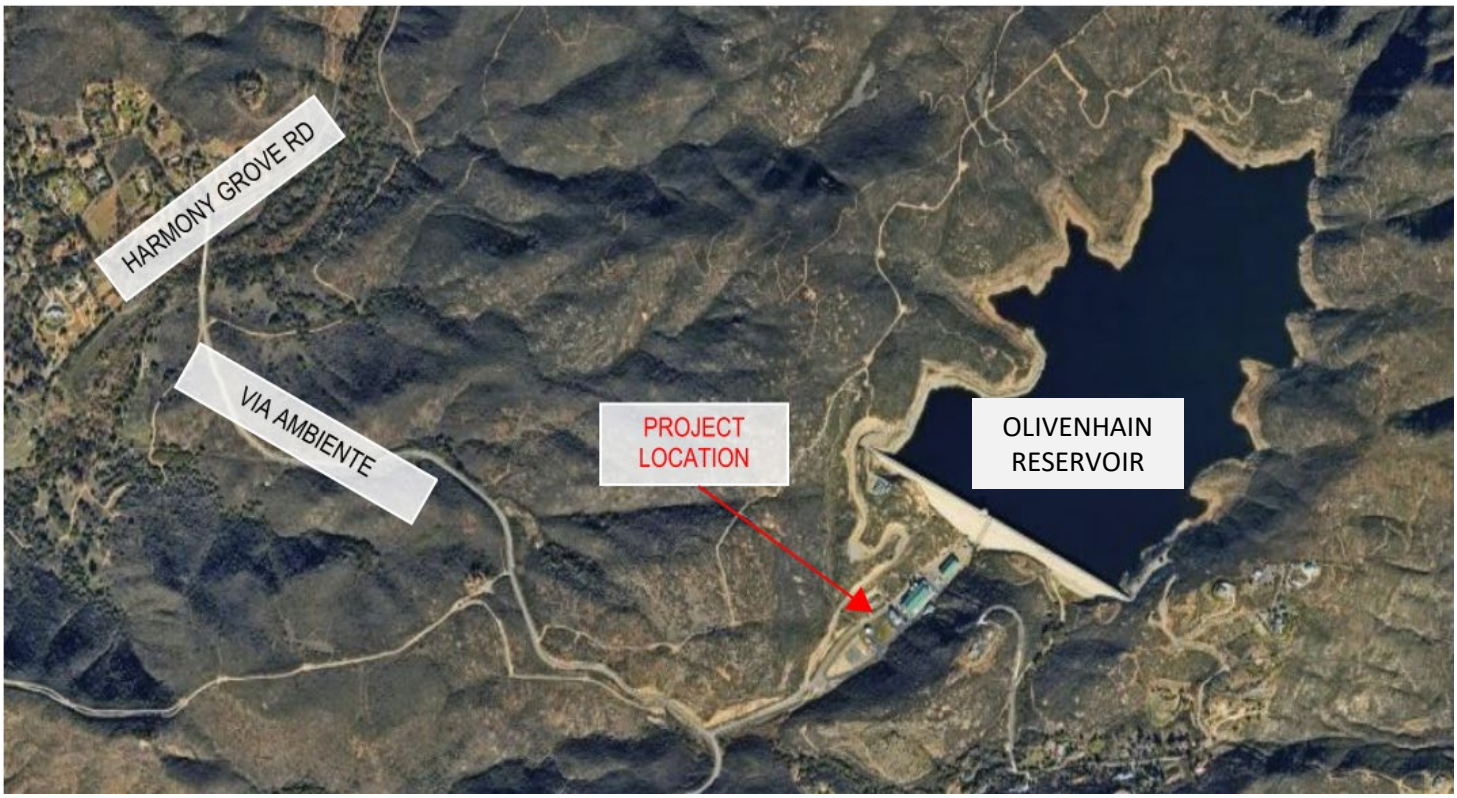
Staff is available to answer questions.

Prepared by: Erick Del Bosque, Engineering Manager
Reviewed by: Joey Randall, Assistant General Manager
Approved by: Kimberly A. Thorner, General Manager

Attachment(s):
Project Site Map
Draft Professional Services Agreement
Cost Proposal from Carollo Engineers







LOCATION MAP

DCMWTP MEMBRANE BASIN REHABILITATION PROJECT

DISTRICT PROJECT NOs. D120198, D120201, D120218, D120202

PROFESSIONAL SERVICES AGREEMENT FOR ENGINEERING SUPPORT SERVICES DURING THE CONSTRUCTION OF THE DAVID C. MCCOLLOM WATER TREATMENT PLANT MEMBRANE BASIN REHABILITATION PROJECT FOR THE OLIVENHAIN MUNICIPAL WATER DISTRICT

26AGRXXX
D120198

This Agreement is entered into by and between the Olivenhain Municipal Water District, a Municipal Water District organized and operating pursuant to Water Code Sections 71000 *et seq.* (hereinafter the District) and Carollo Engineers, Inc., a Delaware, corporation registered and licensed to operate in the State of California (hereinafter "CONSULTANT").

R-E-C-I-T-A-L-S

1. The District is a public agency organized and operating pursuant to Water Code Sections 71000 *et seq*., which provides water, recycled water, and sewer service within certain areas of Northern San Diego County.

2. The District requires the services of an engineering firm to support the Membrane Train Rehabilitation Program at the David C. McCollom Water Treatment Plant (DCMWTP) with in the District boundaries.

3. CONSULTANT is an engineering firm licensed to do business in the State of California with expertise in membrane basin rehabilitation.

4. The District desires to retain CONSULTANT to provide professional engineering services in support of the construction for the Membrane Basin Rehabilitation Project at DCMWTP.

C-O-V-E-N-A-N-T-S

1. Services to Be Performed. CONSULTANT agrees to perform engineering support services during the construction of the DCMWTP Membrane Basin Rehabilitation Project. The services to be provided by CONSULTANT are more particularly described in the

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Scope and Cost Proposal attached hereto as Exhibit "A" and incorporated herein by reference. All work performed by CONSULTANT shall be subject to review and approval by the District. The District shall have no obligation to approve any work found defective by the District, in its sole discretion.

2. Correction of Defective Work. CONSULTANT agrees to correct all labor or materials found defective by the District at its sole cost and expense. All work found defective by the District shall be corrected in the time specified by the District by written notice to CONSULTANT.

3. Price for Work. CONSULTANT agrees to perform all work described in Exhibit "A" for a total price not to exceed $262,977. No increase in this price shall be allowed without the express written consent of the District. The District shall have no obligation to grant this consent and may deny consent to any price increase, in its sole discretion.

4. Payment for Work. CONSULTANT shall bill the District monthly for all labor and materials provided during the previous month. All billings shall include a complete description of all work completed during the previous month, including hours and costs of each person performing the work and shall also include a detailed description of progress to date on each task of work described in Exhibit "A". All bills shall be subject to review and approval by the District. Invoices approved by the District will be paid on a monthly basis thirty (30) days after the invoice has been approved by the District. The District shall have no obligation to pay for any work not expressly approved by the District. The District's approval shall not be unreasonably withheld. CONSULTANT shall provide the District with any additional information requested by the District from time to time to support any item contained on an invoice no later than seven (7) days after a written request for this information from the District. The District will not pay any markup for reproduction costs, sub-consultant costs, or other direct costs.

5. Extra Work. The District may request additional work or services from CONSULTANT from time to time, as the District shall determine, in its sole discretion. CONSULTANT shall not commence any extra work without a written change order expressly approved by the District, in writing. Work performed by CONSULTANT without an approved

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change order signed by the District will not be paid for by the District. In the event the District determines that additional work is justified, the parties shall agree on the additional work to be performed and the price to be paid for this additional work prior to commencement of any additional work by CONSULTANT. It is understood by the parties that CONSULTANT shall not be entitled to any payment for extra work unless the District determines that it desires extra work to be performed and a written change order has been executed by the parties. Attached as Exhibit "B" is the Request for Additional Work Form required by the District for all requests for additional work or task transfers.

6. Standard of Care. In performing all work and services required by this Agreement, CONSULTANT agrees to use the degree of skill and expertise ordinarily exercised, under similar circumstances, by licensed design engineers with expertise in membrane train rehabilitation and the other services described in the Scope and Cost Proposal attached as Exhibit "A". As a material term of this Agreement, CONSULTANT warrants and represents that it has secured all licenses required by federal or California law to perform all work and services required by this Agreement. CONSULTANT agrees to perform all work required by this Agreement at all times in accordance with all applicable federal, state, and local laws and regulations which apply to the labor or materials being provided.

7. Work Performance Standards. CONSULTANT agrees to perform all work and services required by this Agreement in a manner which complies with all federal and state health and safety standards and in a manner which avoids damage or injury to any real or personal property of any person or entity, including any real or personal property of the District. CONSULTANT agrees to perform the work at all times in a manner which avoids the creation of any trespass or private or public nuisance during conduct of the work.

8. Liability for Work of Agents, Independent Contractors, and Subcontractors. CONSULTANT shall be solely liable and responsible for all labor and materials provided by any director, officer, agent, employee, subcontractor, supplier, or independent contractor hired or retained by CONSULTANT to perform any work or to provide any materials or supplies. The District shall have no liability whatsoever for any work or services performed or any materials or

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supplies provided by CONSULTANT or its directors, officers, agents, employees, subcontractors, suppliers, or independent contractors.

9. Time for Completion of Services. As a material term of this Agreement, CONSULTANT agrees to complete all work and services required by this agreement by no later than December 30, 2028, with the option of four (4) one-year contract renewals or two (2) two-year extensions at the sole discretion of the District. The breach of this paragraph shall constitute a material breach of this Agreement.

10. District Termination Right. The District shall have the express right to terminate this Agreement at any time without cause by giving seven (7) consecutive days advance written notice to CONSULTANT. This Agreement shall be automatically terminated without further action of any party upon expiration of the seven (7) day period. Promptly upon receipt of any termination notice from the District, CONSULTANT shall cease all further work and services, except as otherwise expressly directed by the District in the written termination notice. In the event the District exercises its termination right, CONSULTANT shall be paid only for work and services performed and approved by the District to the date this Agreement terminates. The District shall have the express right to withhold any payment otherwise due CONSULTANT to correct any labor or materials determined to be defective by the District at the time of termination. All plans, maps, drawings, reports, designs, or other writings of any type or nature prepared by CONSULTANT as a result of this Agreement shall become and remain the sole property of the District. All such writings shall be provided to the District not later than seven (7) consecutive days after termination of this Agreement for any reason. All labor, supplies, work and materials provided by CONSULTANT in conjunction with this Agreement shall become and remain the sole property of the District.

11. Hazardous and Toxic Waste. For purposes of this section, the term "hazardous or toxic waste" means any solid, liquid, or gaseous product classified as a hazardous or toxic waste under any federal, state, or local laws, rules, regulations, or ordinances, and all gas and oil products and by-products of every kind or nature. CONSULTANT shall be solely liable and responsible for the proper clean-up and removal of all hazardous or toxic waste used, handled, stored, or spilled by CONSULTANT or any director, officer, agent, employee, subcontractor,

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independent contractor or representative of CONSULTANT. CONSULTANT shall pay all fees, costs, expenses and fines necessary to clean-up or remediate any hazardous or toxic waste for which CONSULTANT is liable under this paragraph in strict accordance with all federal, state and local laws, rules and regulations at CONSULTANT's sole cost and expense. CONSULTANT shall not be liable for any hazardous or toxic waste used, handled, stored or spilled by the District or its directors, officers, employees or contractors.

In the event any third party, including any regulatory agency, brings any claim or cause of action against the District to clean-up or remediate any hazardous or toxic waste for which CONSULTANT is liable under this section, CONSULTANT shall also indemnify and hold harmless the District and its directors, officers, agents, and employees from all claims, actions, losses, costs, fees, expenses, fines, and penalties, of whatever type or nature, including all costs of defense and attorneys fees, upon written demand for indemnity from the District.

12. Independent Contractor. As a material term of this Agreement, it is expressly agreed between the parties that CONSULTANT is performing all work and services for the District pursuant to this Agreement as an independent contractor and not as an agent or employee of the District. The parties further agree and acknowledge that the District expects CONSULTANT to make its own independent determination of the means and methods to perform all work required by this Agreement, and will not be directed as to any of these means or methods by the District.

13. Conflicts of Interest Prohibited. As a material term of this Agreement, CONSULTANT shall not in any way attempt to use its position to influence any decision of the District in which it knows, or has reason to know, its has a financial interest other than the compensation provided in this agreement. As a material term of this Agreement, CONSULTANT warrants and represents that it does not, to the best of its knowledge, have any economic interests which would conflict with any of its duties under this Agreement. CONSULTANT agrees not to secure any economic interest during the performance of this Agreement which conflicts with its duties to the District under this Agreement.

14. Breach. The breach of any term or provision of this Agreement by CONSULTANT shall constitute a material breach of this Agreement.

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15. District Remedies for Breach. In the event CONSULTANT breaches any term, covenant, or condition of this Agreement or fails to perform any work or services required by this Agreement, the District shall be entitled to elect all or any of the following remedies at the District's sole option:

15.1 Unilateral Termination. Unilaterally terminate this Agreement by written notice to CONSULTANT. Upon election of this remedy by the District, Paragraph 10 governing District Termination Right shall apply; or

15.2 Specific Enforcement. Enforce any provision of this Agreement by specific performance. If this remedy is elected by the District, CONSULTANT agrees that specific performance is appropriate and reasonable given the unique and special services being performed by CONSULTANT and expressly waives the right to contest the right of the District to seek specific performance in any subsequent action or proceeding between the parties; or

15.3 File suit against CONSULTANT for damages arising from breach of this Agreement. In the event the District elects this remedy, it shall be entitled to recover all damages authorized by law; and/or

15.4 The District shall be entitled to withhold such amounts as the District determines are appropriate, in its sole discretion, to complete the work or services required by this Agreement, or to correct any labor or materials resulting from CONSULTANT's negligence.

In the event the District is required to pay any sum or amount to complete any labor or materials services required by this Agreement, or to correct any labor or materials resulting from CONSULTANT's negligence, amounts paid by the District shall earn interest at the rate of one percent (1%) per month from the date of payment until the District is repaid in full.

16. Insurance. At all times during the term of this Agreement, CONSULTANT must maintain a commercial liability insurance policy, workers' compensation insurance, and professional liability insurance in strict accordance with all terms of this paragraph. The insurance required by this paragraph shall be provided as follows:

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16.1 Liability Insurance. Following execution of this Agreement, and prior to commencement of any work, CONSULTANT shall provide the District with proof of liability insurance coverage with an insurance company licensed to do business in the State of California and acceptable to the District, providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate. The liability insurance coverage shall include each of the following types of insurance:

A. **General Liability:**

1. Comprehensive Form
2. Premises-Operations
3. Explosion and Collapse Hazard
4. Underground Hazard
5. Projects/Completed Operations Hazard
6. Contractual Insurance
7. Broad form Property Damage, Including Completed Operations
8. Independent Contractors
9. Personal Liability

B. Auto Liability

1. Comprehensive Form
2. Owned
3. Hired

The policy shall include contractual coverage sufficiently broad to insure the matters set forth in the section entitled "Indemnity" in this Agreement. The deductible amount shall not exceed $5,000.00. Also included in such insurance shall be a "cross-liability" or "severability of interest" clause.

16.2 Workers' Compensation Insurance. Following execution of this Agreement and prior to commencement of any work, CONSULTANT shall submit proof of insurance showing they have obtained, for the period of the agreement, full workers' compensation insurance coverage for no less than the statutory limits covering all persons whom CONSULTANT employs or may employ in carrying out the work under this agreement.

16.3 Professional Liability Insurance. Following execution of this Agreement, and prior to commencement of any work, CONSULTANT shall provide the District with proof of professional liability insurance with an insurance provider licensed to do business in the State of California, providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate. This insurance shall have a deductible not to exceed $5,000.

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16.4 ACORD Certificate of Liability Insurance and Additional Insured Endorsements. All insurance required by Paragraph 16.1, 16.2, and 16.3 of this agreement shall be submitted on an ACORD Certificate of Liability Insurance. Insurers must be authorized to do business and have an agent for service of process in the State of California and have an 'A' financial strength rating and a financial size rating of at least Class VI in accordance with the most current A.M. Best's Rating Guide. Additional Insured Endorsements must be provided for the Liability Insurance called out in Paragraph 16.1 with the **Olivenhain Municipal Water District (District), the District's Engineer/Architect, the District's Representatives, Consultants, and each of the District's Directors, Officers, Agents, and Employees** named as additional insureds. The insurance must include a Waiver of Subrogation and must be Primary and non-Contributory. The additional insured endorsements must be provided on Form CG 20 10 10 01. The insurance certificate and endorsements shall be cancelable with notice delivered to the District in accordance with the policy provisions.

17. Job Site Safety. CONSULTANT shall be solely liable and responsible for complying with all federal, state and local laws, rules and regulations pertaining to job safety for all agents, employees, subcontractors, suppliers, and independent contractors retained by CONSULTANT to perform any work or services or to provide any materials required by this Agreement. However, CONSULTANT shall not be liable or responsible for overall job site safety or the job site safety for any workers or agents employed by any construction contractor performing any work for the District on any construction project.

18. Indemnity. As a material term of this Agreement, CONSULTANT agrees to hold harmless, indemnify, and defend the District and its directors, officers, employees, agents, and representatives from and against any and all demands, liability, claims, suits, actions, damages, costs, fees, expenses, fines, and penalties, of whatever type or nature, including, but not limited to, reasonable attorney fees, to the extent arising out of, pertaining to, or relating to the willful misconduct, recklessness, or negligence of CONSULTANT, including its directors, officers, employees, agents, subcontractors, sub-consultants, suppliers, independent contractors, or other persons and entities employed or utilized by CONSULTANT in the performance of this Agreement. In the event that any administrative proceeding, litigation or arbitration is instituted

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naming the District or any other indemnified parties as a defendant, the District and such other indemnified parties shall be entitled to appoint their own independent counsel to represent them, and CONSULTANT agrees to pay all reasonable attorneys fees, expert fees and costs, and litigation costs associated with this defense within thirty (30) days of any billing; provided however, that the CONSULTANT's obligation shall be limited as provided by Civil Code Section 2782.8 to the extent that the CONSULTANT establishes its proportionate percentage of fault by stipulation of all the parties to the proceeding or a final adjudicatory determination.

CONSULTANT shall not be responsible for warranties, guarantees, fitness for a particular purpose breach of fiduciary duty, loss of anticipated profits or for economic, incidental or consequential damages to the District or any third party arising out of breach of contract, or termination. Additionally, CONSULTANT shall not be responsible for acts and decisions of third parties, including governmental agencies, other than CONSULTANT's subconsultants, that impact project completion and/or success.

19. Miscellaneous Provisions.

19.1 California Law Governs. This Agreement shall by governed by California law.

19.2 Jurisdiction and Venue. In the event of any legal or equitable proceeding to enforce or interpret the terms and conditions of this Agreement, the parties agree that jurisdiction and venue shall lie only in the federal or state courts in or nearest to the North County Judicial District, County of San Diego, State of California.

19.3 Modification. This Agreement may not be altered in whole or in part except by a written modification approved by the Board of Directors of the District and executed by all the parties to this Agreement.

19.4 Attorneys' Fees. In the event any arbitration, action or proceeding is initiated to challenge, invalidate, enforce or interpret any of the terms of this Agreement, the prevailing party shall be entitled to all attorneys' fees, all expert fees and costs, and all litigation fees, costs, and expenses in addition to any other relief granted by law. This provision shall apply to the entire Agreement.

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19.5 Entire Agreement. This Agreement, together with all exhibits attached hereto, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, or agreements, whether or not such correspondence, memoranda or agreements are in conflict with this Agreement, are intended to be replaced in total by this Agreement and its exhibits. CONSULTANT warrants and represents that no District representative has made any oral representations or oral agreements not contained in this Agreement. CONSULTANT further warrants and represents that CONSULTANT has not relied upon any oral statements or promises made by any District representative or agent in executing this Agreement. The parties mutually declare that this Agreement and its exhibits constitute a final, complete and integrated agreement between the parties.

19.6 Prohibition on Assignment. CONSULTANT shall not be entitled to assign or transfer all or any portion of its rights or obligations in this Agreement without obtaining the express prior written consent of the District. The District shall have no obligation to give its consent to any assignment and may deny any requested assignment, in its sole discretion.

19.7 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and on their respective purchasers, successors, heirs and assigns.

19.8 Unenforceable Provisions. The terms, conditions, and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

19.9 Representation of Capacity to Contract. Each party to this Agreement represents and warrants that he or she has the authority to execute this Agreement on behalf of the entity represented by that individual. This representation is a material term of this Agreement.

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19.10 Opportunity to be Represented by Independent Counsel. Each of the parties to this Agreement warrants and represents that it has been advised to consult independent counsel of its own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.

19.11 No Waiver. The failure of either party to enforce any term, covenant or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term, covenant, or condition of this Agreement at any later date or as a waiver of any term, covenant, or condition of this Agreement. No waiver shall occur unless the waiver is expressly stated in writing and signed by the person for the party having the authority to expressly waive the benefit or provision, in writing. No oral waivers shall be effective against either party.

19.12 No Joint Venture and No Third Party Beneficiaries. Nothing in this Agreement is intended to create a joint venture, partnership or common enterprise relationship of any kind between the District and CONSULTANT. No third parties shall be construed as beneficiaries of any term, covenant or provision of this Agreement. No person or entity not a signatory to this Agreement shall be entitled to rely on CONSULTANT's performance of its services hereunder, and no right to assert a claim against CONSULTANT by assignment of indemnity rights or otherwise shall accrue to a third party as a result of this Agreement or the performance of CONSULTANT's services hereunder.

19.13 Time of Essence. The parties agree that time is of the essence as to all matters specified in this Agreement. The parties mutually declare that this is a material term of this Agreement.

19.14 District-Provided Information and Services. The District shall furnish CONSULTANT available studies, reports and other data pertinent to CONSULTANT's services; obtain or authorize CONSULTANT to obtain or provide additional reports and data as required; furnish to CONSULTANT services of others required for the performance of CONSULTANT's services hereunder, and CONSULTANT shall be entitled to use and rely upon all such information and services provided by the District or others in performing CONSULTANT's services under this Agreement.

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19.15 Estimates and Projections. CONSULTANT has no control over the cost of labor, materials, equipment or services furnished by others, over the incoming water quality and/or quantity, or over the way District's plant and/or associated processes are operated and/or maintained. Data projections and estimates are based on CONSULTANT's opinion based on experience and judgment. CONSULTANT cannot and does not guarantee that actual costs and/or quantities realized will not vary from the data projections and estimates prepared by CONSULTANT and CONSULTANT does not and will be not liable to and/or indemnify District and/or any third party related to any inconsistencies between CONSULTANT's data projections and estimates and actual costs and/or quantities realized by District and/or any third party in the future

19.16 Notices. All letters, statements, or notices required pursuant to this Agreement shall be deemed effective upon receipt when personally served, transmitted by facsimile machine, or sent certified mail, return receipt requested, to the following addresses or facsimile numbers:

To: "CONSULTANT"
Carollo Engineers, Inc.
Attn:Jeff Weishaar PE
5355 Mira Sorrento Place, Suite 270
San Diego, California 92121

To: "District"

Olivenhain Municipal Water District
Attn: General Manager
1966 Olivenhain Road
Encinitas, California 92024

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19.16 Effective Date. The effective date of this Agreement executed in counterparts in Olivenhain, California, within the North County Judicial District, County of San Diego, State of California, is _____, 2026.

Dated: _____, 2026 Olivenhain Municipal Water District,
a public agency

By:_____
Kimberly A. Thorner
General Manager

Dated: _____, 2026 CONSULTANT

By:_____

Printed Name & Title:_____

_____

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MEMBRANE BASIN REHABILITATION AND COMBINED INFLUENT AND BACKPULSE PIPE REPLACEMENT PROJECT

ENGINEERING SERVICES DURING CONSTRUCTION

OLIVENHAIN MUNICIPAL WATER DISTRICT

SEPTEMBER 2026

BACKGROUND

The David C. McCollom Water Treatment Plant (DCMWTP) is owned and operated by the Olivenhain Municipal Water District (OMWD). Carollo provided program management and design services in 2026 for the membrane basin rehabilitation program which includes replacement of the combined influent and backpulse pipe. Bids open September 1, 2026, and OMWD intends to award the project and provide notice to proceed in November 2026.

Carollo is pleased to submit this proposed scope of work, which includes support related to engineering services during construction for years 1 and 2 of the program. The construction scope of work during this time includes the replacement of the combined influent and backpulse pipe, the rehabilitation of 2nd stage membrane basins and replacement of basin 10 pipe supports. Additional information on the construction scope of work can be found in the bid documents.

SCOPE OF WORK

Task 1 – Project Management

Project management includes the effort required for general project management and administration over the duration of construction and project close out. The project will run for approximately 24 months, although it is assumed there will be 22 active months of construction prior to final demobilization. Carollo will facilitate a kickoff meeting with OMWD to review scope, communications, and reporting requirements. During active construction we will provide monthly progress reports and invoicing, including recording of decision and action logs as appropriate, and attend monthly 30-minute coordination meetings with OMWD to review tasks and upcoming coordination needs.

Task 1 - Deliverables and Meetings

- Virtual Kickoff Meeting agenda and minutes.
- 22 project progress reports and invoices.
- 22 monthly updates to decision log and action log

Task 1 - Assumptions

- OMWD will review meetings minutes to validate actions and responsibilities.
- OMWD will coordinate attendance of staff at meetings as appropriate.
- See Project Assumptions section below.

Task 2 – Construction Phase Services

Carollo will provide support and consultation to the District throughout the construction period, as outlined in the following tasks

Task 2.1 – Conformed Documents

Carollo will provide one set of conformed documents (drawings and specifications) based on the bid documents and addenda released during the bid period. Conformed documents will be provided in electronic format (PDF). Conformed specifications will use track changes to highlight modifications made.

Task 2.2 – Project Meetings

Carollo will attend sixteen (16) construction meetings throughout the duration of construction period, as requested by OMWD. This may include regular construction progress meetings, on-site membrane pre-installation, pre-transfer meetings, pre-shutdown or outage meetings.

Task 2.3 – Requests for Information

Carollo will respond to seventy (70) Requests for Information (RFIs) from the construction contractor. Clarifications, details, additional calculations for clarification or modification to original design drawings will be provided as requested by the District to provide clear and concise responses. Carollo will return RFI within 7-10 calendar days of receipt, according to the Contract Documents. Carollo is budgeting four hours per RFI.

Task 2.4 – Site Visits

Carollo will attend and conduct twelve (12) site visits throughout the construction period to review construction progress and resolve technical issues. Site visits will occur as requested by OMWD.

Task 2.5 – Shop Drawing and Submittals Reviews

Carollo will review and approve for acceptance at least one hundred ten (110) submittals, including shop drawings, construction plans, and test reports. This task assumes four hours per submittal review. Submittal review transmittals and comments shall be completed and returned to OMWD within 21 calendar days of the date of submittal receipt, unless otherwise identified, according to the Contract Documents. Submittals for critical items, particularly items with long lead times, will be expedited in coordination with OMWD.

Task 2.6 – Record Drawings

Carollo will prepare record drawings at construction completion using Contractor's markups. Deliver final record drawings as a combined PDF electronic file, and AutoCAD electronic files.

Task 2 - Deliverables and Meetings

- Submittal review comments
- RFI responses
- Plan revisions, as required

- Record Drawings as PDF electronic, and AutoCAD electronic files

Task 2 - Assumptions

- See Project Assumptions section below.

PROJECT SCHEDULE

The estimated total project duration is approximately 22 months from notice to proceed for Year 1 to completion of Year 2. The Year 1 construction is currently assumed to finish in August 2027, with Year 2 initiation in October 2027 and completion in August 2028.

PROJECT ASSUMPTIONS

Below is a list of assumptions for completing the scope outlined herein:

- The services to be performed by Design Professional are intended solely for the benefit of OMWD. No person or entity not a signatory to this Task Order shall be entitled to rely on Design Professional's performance of its services hereunder, and no right to assert a claim against Design Professional by assignment of indemnity rights or otherwise shall accrue to a third party as a result of this Task Order or the performance of Design Professional's services hereunder.
- OMWD shall arrange for access to and make all provisions for Design Professional to enter upon public and private property as required for Design Professional to perform services hereunder.
- Design Professional's services hereunder do not include providing legal advice and/or a legal determination as to whether contractual agreements and/or procurement documents are written in accordance and/or compliance with any law and/or regulation related thereto.
- Work efforts for other items not specifically listed in this proposal will not be performed without the express agreement between OMWD and Consultant.
- The Consultant has no control over the cost of labor, materials, equipment or services furnished by others, or over Contractor's methods of determining prices, or other competitive bidding or market conditions, practices or bidding strategies. Cost estimates are based on Consultant's opinion based on experience and judgment. Consultant cannot and does not guarantee that proposals, bids or actual Project construction costs will not vary from cost estimates prepared by Consultant.
- The District will provide their own PPE for all field investigations involving District staff.
- Hard copy submittals will only be provided at the request of the District.
- The work will be billed on a time and material basis with an upset fee.
- Construction Management services during construction are not included in this scope of work.
- This fee schedule is subject to annual revisions due to labor adjustments, starting on January 1, 2027.

FEE ESTIMATE

OLIVENHAIN MUNICIPAL WATER DISTRICT
WTP COMBINED INFLUENT AND BACKPULSE PIPE REPLACEMENT DESIGN DEVELOPMENT

SEPTEMBER 2026

Task No.	Task Description	Principal In Charge Jeff Weishaar $ 348.00	Senior Professional James Doering $ 338.00	Senior Professional Rick Pepin $ 338.00	Project Professional Alec Beyers/Risa Guysi $ 236.00	Project Professional Brian Stuetzel $ 236.00	Aleksa Camino Professional $ 209.00	CAD Drafter $ 210.00	Document Processing $ 157.00	TOTAL LABOR HOURS	Total Labor Cost	Other Direct Costs	TOTAL PROJECT COST
TASK 1 -	**Project Management**	**31**	**0**	**0**	**43**	**1**	**1**	**0**	**0**	**76**	**$21,381**	**$1,216**	**$22,597**
1.1	Kickoff Meeting	1			1	1	1			4	$1,029	$64	$1,093
1.2	Monthly Progress Reports and Invoicing, Decision and Action log	12			24					36	$9,840	$576	$10,416
1.3	Monthly Team Meetings and Minutes (0.5 hrs)	18			18					36	$10,512	$576	$11,088
TASK 2 -	**Construction Phase Services**	**118**	**56**	**40**	**276**	**216**	**272**	**92**	**16**	**1086**	**$268,304.00**	**$17,376.00**	**$290,380.00**
2.1	Conformed Drawings	2	2		12	8		24	16	64	$13,644	$1,024	$14,668
2.2	Project Meetings (16)	16	4	4	16	8	16			64	$17,280	$1,024	$20,604
2.3	Requests for Information (70 Total)	54	36	16	96	60	72	20		354	$92,432	$5,664	$98,096
2.4	Site Visits (12 Total)	24	4	8	24	12	12			84	$23,412	$1,344	$27,156
2.5	Shop Drawing Review (110 Total)	20	8	12	120	116	164			440	$103,692	$7,040	$110,732
2.6	Record Drawings	2	2		8	12	8	48		80	$17,844	$1,280	$19,124
	TOTAL	**149**	**56**	**40**	**319**	**217**	**273**	**92**	**16**	**1,162**	**$289,685**	**$18,592**	**$312,977**
												Partnering Credit	**$50,000**
												Requested Contract Dollar	**$262,977**

	Construction Cost	% of Cost Before Credit	% of Cost After Credit
GSE Yr 1 & 2 Cost	$ 9,438,306	3.32%	2.79%
Engineer Yr 1 & 2 Cost	$ 4,689,000	6.67%	5.61%

EXHIBIT "B"

Olivenhain Municipal Water District
Request for Additional Work
(Includes Authorization to Perform Additional Services and Inter-Task Transfers)

Consultant name _____ Request # _____

Project name _____ Date: _____

Project Task	Current Budget	Change	Revised Budget
Original Authorization			$0.00
			$0.00
			$0.00
Total Contract Change Amount		$0.00	$0.00

Original Project Budget	
Prior requests approved	
This request	
Revised Project Budget	$0.00

Reason for requested change(s), *please attach supporting documentation*

Signature of consultant representative Date

e-mail _____

Email the completed form to engineer@olivenhain.com or mail to 1966 Olivenhain Rd., Encinitas, CA. 92024

OMWD use only below this line

Approved by Date

Workorder number(s) to charge 26AGRXXX OMWD Record No.

Original to General Manager ☐

Copies to

Originating Dept. ☐ Consultant ☐ Project Acct ☐

Agenda Item 19

Memo

Date: October 14, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Kimberly A. Thorner, General Manager

Subject: **CONSIDER REQUEST BY TWO BOARD MEMBERS FOR THE BOARD PRESIDENT TO APPOINT AN AD HOC COMMITTEE FOR THE SAN DIEGUITO VALLEY BRACKISH GROUNDWATER PROJECT TO MEET SEMI-REGULARLY WITH STAFF TO HELP ADVANCE THE EVALUATION OF THE PROJECT**

Purpose

The purpose of this item is to request that the Board President appoint an Ad Hoc Committee for the San Dieguito Valley Brackish Groundwater Project (SDVBGP) to meet bi-monthly/regularly with staff to help advance the evaluation of the project. Because there were two board members who expressed an interest in this item, it was added to the October agenda in accordance with the Administrative and Ethics Code Section 2.14.

Recommendation

This item was recommended by Directors Maloni and Lanfried and will be discussed at the Board Meeting.

Alternative(s)

N/A . This will be presented and discussed by the directors at the meeting

Discussion

Directors Maloni and Lanfried requested meetings with the Assistant General Manager on a semi-regular basis to support staff's effort to advance the evaluation of the SDVBGP and discuss updates and other project planning. Because there were two board members who expressed an interest in this item, it was added to the October agenda in accordance with the Administrative and Ethics Code.

Upon reviewing the original request, the General Manager advised that staff needs to be careful not to create the perception that certain directors are receiving special access to information or participating in project development outside the normal board process. The normal board process on this is to refer the project to a committee or review it at the full board. Historically, updates on the SDVBGP have been given to the Facilities Committee, followed by the full board. After review of the original request with General Counsel, the General Manager proposed two options for consideration on this request: (1) Continue to use the Facilities Committee for project oversight or (2) to formally establish a limited-purpose two-member ad hoc committee on the SDVBGP and ensure that information generated through that process is regularly communicated to the full Board per the Administrative and Ethics Code. Meetings and updates should not be conducted for both the Facilities Committee and a new Ad Hoc Committee, as these would be recurring separate forums outside of the board meeting on the same project involving more than two Board Members. The updates would need to either remain with the Facilities Committee or be moved into a new limited purpose Ad Hoc Committee specifically on the project.

Per Administrative and Ethics Code §2.2: "*There may be committees created from time to time to take care of matters which arise and require committee study and recommendation. Each committee shall have a chairperson and vice chairperson, to be appointed by the President of the Board. Each committee shall meet at stated times to be agreed upon by the committee chairperson and shall consider matters referred to it by the Board, or matters within the scope of its duties, which are presented to it by its members or by the General Manager. Each committee, having authority only to recommend to the Board, shall carry on its work if two or more of its members are present at the Meeting. A meeting of any committee may be called by the President of the Board at any time for consideration of matters requiring immediate attention. Each committee chairperson shall report to the Board of Directors at the next regularly scheduled Board of Directors' Meeting regarding matters considered at committee meetings.*"

Two Directors request the establishment of a limited-purpose-two-member ad hoc committee, per §2.2 above, on the SDVBGP by President Hahn. Of note, this committee will only be established for the duration of the President Hahn's presidency, and a new committee will need to be established by the new President in January of 2027. Director Lanfried is in the rotation to be the next Board President in January, so he can make committee appointments for this and other committees for his term at that time.

Written by: Kimberly Thorner, General Manager

Memo

A

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

PRESIDENT

Any report will be oral at the time of the Board meeting.

Memo

B

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

GENERAL MANAGER

Any written report will be attached; any oral report will be provided at the time of the Board Meeting.

October 14, 2026

Board of Directors
Olivenhain Municipal Water
District 1966 Olivenhain Road
Encinitas, CA 92024

The following are brief highlights of the District's departmental operations for the months of **September 2026:**

Operations & Maintenance	**September 2026**	**August 2026**
David C. McCollom Water Treatment Plant (DCMWTP)	738.3 million gallons	747.5 million gallons
DCMWTP Average Daily Production	24.6 million gallons	24.1 million gallons
DCMWTP Peak Day Production	29.7 million gallons	28.7 million gallons
Source Water Blend (% State Project Water)	45%	36%
Total Deliveries to Vallecitos Water District	347 acre feet 113.07 million gallons	349.34 acre feet 113.83 million gallons
4S and Rancho Cielo Sewer Systems Total Inflow	37.7 million gallons	40.5 million gallons
4S and Rancho Cielo Sewer Systems Average Daily Inflow	1,257,198 gallons	1,306,744 gallons
4S and Rancho Cielo Sewer Systems Peak Day Inflow	1,319,116 gallons	1,397,105 gallons
4S and Rancho Cielo Sewer Systems Low Day Inflow	1,101,075 gallons	1,241,408 gallons
4S Water Reclamation Facility (4SWRF) Average Daily Production	942,470 gallons	987,837 gallons
4SWRF Peak Day Production	1,256,964 gallons	1,309,582 gallons
4SWRF Total to Recycled Water Distribution System	28.27 million gallons	30.6 million gallons
4S Recycled Water Storage Pond Volume	0 acre feet	0 acre feet
Repaired Potable Water Main Leak(s)	0	1
Repaired Potable Water Service Lateral Assembly Leak(s)	3	4
Repaired Recycled Water Main Leak(s)	0	0
Repaired Recycled Water Service Lateral Leak(s)	0	0
Repaired Hit Fire Hydrant Lateral Assembly Leak(s)	1	0
Replaced Valve(s) Monthly Total	6	5
Replaced Valve(s) Calendar Year to Date	15	9
Recycled Water Use Site Inspections & Visits	16	17
Recycled Water Use Site Cross Connection Tests	1	6
Cross Connection Site Surveys	6	6
Backflow Inspections & Testing (New)	1	4
IT Help Requests	14	12
Customer Services	**September 2026**	**August 2026**
Customer Calls and Inquiries	1,464	1,856
Total Monthly Bills Issued	23,025	23,026
Service Orders	517	526
New Potable Meters	5	2
New Recycled Water Meters	0	0
Meter Read Troubleshooting Investigations	120	108
Stopped/Underperforming Meters Replaced	151	121

Meter Accuracy Tests Performed	0	0
Water Use Evaluations	14	0
Water Use Violation Reports	5	2
Workshops, Events, and Tours	2	0
High-Efficiency Clothes Washer Rebate Applications	4	1
Weather-Based Irrigation Controller Rebate Applications	4	7
Hose Irrigation Controller Rebate Applications	0	0
High-Efficiency Rotating Nozzle Rebate Applications	1	1
High-Efficiency Toilet Rebate Applications	1	0
Rain Barrel Rebate Applications	0	0
Flow Monitor Device Rebate Applications	1	4
Turf Removal Project Rebate Applications	4	0
Social Media Posts	16	20
News Releases/Media Advisories	1	5
EFRR	**September 2026**	**August 2026**
Special Use/Event Permits	5	1
Parking Notices	38	45
Incident Reports	11	13
Vehicle Count	3,117	2,432
Trail Use Count	4,848	4,346
Days Closed Due to Rain/Red Flag	0	0
Days Interpretive Center (IC) Open	20	23
Number of IC Visitors	301	288
Volunteer Trail Patrol Shifts	7	8
Volunteer Docent Hours	109	121
Total Number of Docents	52	51
Finance	**September 2026**	**August 2026**
Infosend Payments (ACH and Credit Card)	16,293	15,991
California Bank & Trust Lockbox Payments	1,815	1,639
Over the Counter Payments	338	367
Check-free, Metavante and Chase	3,867	3,513
Finance Calls and Walk-ins	28	50
Service Orders/New Meters Processed	3	8
Service Orders Closed Out	5	2
Purchase Orders	9	14
Inventory Items Received	425	603
Invoices Processed	463	492
Payroll Direct Deposits Processed	246	244
Payments to Vendors	262	247

ENGINEERING DEPARTMENT

Engineering Manager Erick Del Bosque Highlights for September 2026:

The 4S Ranch Water Reclamation Facility (4S WRF) Headworks Screening System, Off-Specification and Wet Weather Diversion, and Strainer Improvements Project has continued work on-site with initiating installation of a bypass system and new screen at the Headworks. Staff continued planning and design efforts on multiple CIP projects and are supporting developer projects; assisting other departments with engineering-related work; and managing OMWD's facilities, cathodic systems, cell sites, and right of ways.

HUMAN RESOURCES DEPARTMENT

Human Resources Manager Jennifer Joslin Highlights for September 2026:

Human Resources staff conducted new hire and safety orientations for the new Engineering Manager, Inspector I, and Customer Service Representative I. Conducted interviews for Customer Service Representative I, Water Treatment Plant Operator II, and Senior Risk Analyst. Coordinated the recruitment for the Engineering Technician II/III. Held a Human Resources/Employee Association (HEART) Committee meeting to discuss the extension of the Memorandum of Understanding (MOU) with the bargaining units. Hosted the monthly employee forum. Met with the District Aflac representative regarding the optional insurance plans. Participated in multiple planning meetings for the 3rd annual Water Career Day joint agency event.

Safety staff facilitated audiometric testing for employees in the hearing conservation program. Met with ACWA JPIA staff regarding the Cadencia insurance claim, Elfin Forest gate upgrades, and Defensive Driver training. Met with the Water Agency Emergency Collaborative group to discuss the transition to 800mHZ radios for the regional Member Agency Communication System. Met with the Verizon Connect Solutions account manager to discuss dashboard camera options for vehicles. Hosted the September Safety Committee meeting.

Requests Received Pursuant to the Public Records Act (September 1-30):

Requestor	Documents Requested
SmartProcure	Quarterly Purchasing Records
Mara Elliott	Agenda and minutes from OWMD's Board meeting on August 17, 2022
Mara Elliott	Back up materials for agenda items #14 and #16 from the August 17, 2022 Board meeting and the agenda and minutes from the September 14, 2022 Board meeting
Hanson Bridgett LLP	Copy of Ordinance No. 280

OPERATIONS & MAINTENANCE

Operations Manager Jesse Bartlett-May Highlights for September 2026:

DCMWTP staff are proactively preparing for the SDCWA shutdown at the end of October. The plant has successfully transitioned its monthly and annual sampling to a local Environmental Laboratory Accreditation Program (ELAP)-certified laboratory, improving alignment with operational needs and addressing prior logistical challenges. Operators successfully collected the annual Title 22 sampling and continue to support and coordinate efforts with the SDCWA operations team on RPH testing at the Rancho Peñasquitos Hydroelectric facility. After 9 years with OMWD and a total of 31 years of combined service in the water industry, WTP Operator III Shane Sullivan retired. Wastewater staff continue to support the Headworks Screening System, Off-Specification and Wet Weather Diversion, and Strainer Improvements Projects with the completion of the bypass system equipment setup. System Operations completed the Levante Street bridge pipeline re-coating work and continued to support Engineering with the Encinitas Blvd Pressure Reducing Station (PRS) Structural Repair and the Strategic Valve Replacement projects. System Operators performed a 1.5-inch leak repair at the Camino De Arriba PR Station and completed a bypass valve retrofitting from copper to stainless steel at the Calle Ambiente PR station with support from Construction, and supported Engineering with the Toyon Canyon Fire Hydrant installation project. Construction assisted Field Services technicians with two 4-inch meter replacements and four 4-inch valve replacements and performed asphalt repair work on the Calle Barcelona leak repair project.

CUSTOMER SERVICES DEPARTMENT

Customer Services Manager John Carnegie Highlights for September 2026:

Published the September issue of the Watching Water newsletter. Held a Fire-Resistant Landscape Workshop in partnership with SDWD and SFID. Completed the RFP process to secure a landscape water conservation consultant to conduct customer water use evaluations, executing a contract with Roesink Consulting. Participated in ACWA's "Vision for Our Water Future" Critical Infrastructure working group meeting. Submitted letters to Governor Newsom requesting his signature on SB 1085 and SB 1153, and a letter requesting that he veto AB 1383. Initiated two 2027 legislative proposals to ACWA for consideration (regarding capacity fees and designating water/wastewater vehicles as emergency vehicles). Updated OMWD's online leak adjustment request form to align with board-approved revisions to Article 9.

At EFRR, held a volunteer trail patrol training. Interviewed candidates for temporary park ranger support. Held 2026-2027 GSOB survey planning meeting. Upgraded the driveway gate security camera. Removed an oak tree that fell on the Way-Up Trail and a dead oak tree in the Staging Area.

FINANCE DEPARTMENT

Finance Manager Leo Mendez Highlights for September 2026:

Held meeting with Insurance Committee and District's Captive consultant, Strategic Risk Solutions, to present Captive Insurance Feasibility Study Results; held meetings with Municipal Advisor and Bond Counsel to review materials and advance District's IBank Wastewater debt issuance; issued Request for Proposal for Professional Auditing Services starting with Fiscal Year

2028, sent it to CWA member agency auditors and posted RFP to California Society of Municipal Finance Officers website; continued work with Armanino on IT audit remediation; provided feedback on fiscal impact of DCMWTP Basins Bid vs. Engineer's estimate; reviewed and provided comments on OMWD MSR draft; completed SDCWA Annual Reconciliation and PSAWR credit validation; worked with auditors to complete fiscal year 2026 audit fieldwork, draft Annual Comprehensive Financial Report, and implement GASB statement number 103; submitted FY 2027 and 2028 Biennial Budget for GFOA and CSMFO awards; met with staff to model Basins award impact on reserves; attended meeting regarding Basins award discussion; attended quarterly CIP meeting; held meeting with IT consultant regarding ongoing projects; attended capacity fee discussion meetings with Assistant General Manager.

ASSISTANT GENERAL MANAGER:

The Assistant General Manager reports the following for September 2026:

Attended Insurance Committee Meeting, Staff Leadership Meeting, Meeting with SDCWA at DCMWTP, Several 2026 Water Career Day Planning Meetings and Hosted OMWD VIP Tour. Participated in Interview Panels for Customer Services Representative I and Water Treatment Plant Operator II. Conducted Site Visit to San Elijo Joint Powers Authority Water Campus with Staff. Continued Project Management on San Dieguito Groundwater Desalination Project, Fluoride Safety Analysis at the David C. McCollom Water Treatment Plant and Worked with New Engineering Manager on Project Updates and onboarding. Dedicated Significant Time to Capacity Fee Discussions, NSDWRC Coordination and EPA Grant Management Requirements.

GENERAL MANAGER:

The General Manager reports the following for September 2026:

General Manager Thorner held an Employee Forum, served on the Senior Risk Analyst interview panel, held an Ad Hoc Insurance Committee meeting, attended the Member Agency Managers Meeting, attended the CARB California Special Districts Association webinar, met with employees on Memorandum of Understanding extension, met with SDCWA at the DCMWTP to discuss interagency coordination on multiple projects, held a Staff Leadership Meeting, responded to Grand Jury inquiry on cybersecurity, hosted a social media winners luncheon, met with Armanino regarding cybersecurity and IT policies, met with staff on Basins Project for DCMWTP to develop plan, held a GM Staff Meeting, met with DLM Engineering, met with staff and consultants on Valve Replacement Project, and dedicated significant time to reviewing records requests, legal matters, capacity fees, HR matters, preparing for the Water for People Luncheon, and board member briefings.

Memo

C

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

CONSULTING ENGINEER

Any written report will be attached; any oral report will be provided at the time of the Board Meeting.

Memo

D

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

GENERAL COUNSEL

Any written report will be attached; any oral report will be provided at the time of the Board Meeting.

NOSSAMAN LLP | Memorandum

TO: Olivenhain Municipal Water District

FROM: Alfred Smith

DATE: October 14, 2026

RE: Attorney Report: Government Claims Act
150152-0005

I. INTRODUCTION.

This attorney report provides an update on a recent appellate court decision involving the Government Claims Act. In *Weston v. Department of Transportation*, the Third District Court of Appeal ruled in favor of the public agency, finding that the government claim submitted by the plaintiff was defective because the liability facts alleged by the plaintiff were not fairly reflected in the written claim submitted to the agency. The court found that this defect failed to provide the agency with adequate notice of the facts underlying the claim, and such notice is necessary to allow a public agency to properly evaluate potential liability.

The appellate court also rejected the plaintiff's contentions that (1) at least one of her causes of action was not subject to the Government Claims Act; and (2) the agency waived or was "equitably estopped" from asserting a variance defense.

The appellate court's ruling is significant because it reinforces the strict rule that a lawsuit against a public entity will be dismissed if the facts stated in the actual lawsuit vary substantially from the original pre-lawsuit notice required by the California Government Claims Act.

II. THE GOVERNMENT CLAIMS ACT.

The California Government Claims Act (originally called the Tort Claims Act, codified at Government Code sections 810 -996.6) was enacted by the California Legislature in 1963. Historically, California followed the common-law doctrine of sovereign immunity, which stated that the state and local governments could generally not be sued for damages unless they explicitly consented to it. However, in 1961, the California Supreme Court radically changed the landscape in the landmark case *Muskopf v. Corning Hospital District. The Muskopf* case abolished the traditional rule of governmental immunity, ruling that public entities could be held liable for torts just like private corporations or individuals.

Fearing a flood of lawsuits and massive financial strain on public budgets, the California Legislature responded in 1963 by passing the California Government Claims Act. Instead of restoring absolute immunity, the California Legislature created what it called "a balanced framework." The new legislation officially allowed lawsuits against public entities and employees for negligence and wrongful conduct; however, it placed strict procedural rules, short filing deadlines, and specific immunities around those claims to protect public funds and give agencies early notice to investigate.

Core rules established by the Government Claims Act include:

- Mandatory Notice: Anyone wishing to sue a state, county, or local public entity for money or damages must first file a formal written claim with that agency.
- Short Deadlines: Claims for personal injury, property damage, or wrongful death must be presented within 6 months of the incident, compared to standard private personal injury timelines.
- Agency Review: The public entity has 45 days to review and accept or reject the claim. If the agency does nothing, the claim is legally deemed rejected, triggering a 6-month window to file a lawsuit in court.
- Immunities & Exceptions: The Act defines specific areas where public entities remain immune (such as discretionary policy-making), while carving out liability for operational negligence, dangerous conditions on public property, or failure to perform mandatory legal duties.

III. BACKGROUND.

The core facts and procedural history in *Weston* center on a traffic collision and a fatal variance between an initial government tort claim and a later court complaint. In May 2018, plaintiff Caryl Lynn Weston was driving her car on a state highway in Butte County, California. A California Department of Transportation ("Caltrans") truck, driven by an employee named Lawson, made a slow-speed left turn into a driveway. Weston attempted to pass the Caltrans truck, lost control of her car, collided with the work vehicle, and suffered a broken knee and other injuries.

Weston submitted an administrative claim to the California Department of General Services ("DGS") under California's Government Claims Act. As the sole factual explanation for why the state was allegedly responsible, Weston attached a California Highway Patrol ("CHP") traffic collision report. The CHP officer concluded that Weston was the *cause* of the accident because she tried to illegally pass the Caltrans truck while it was executing a slow, legal turn.

The DGS rejected Weston's claim, stating the public agency did not appear liable. Weston later filed a lawsuit (ultimately leading to a second-amended complaint in July 2024). In her court pleadings, Weston alleged that she was *lawfully* passing the

truck and that Lawson (the Caltrans driver) acted negligently by making an illegal left turn and driving under the influence of a prescription opioid.

IV. COURT'S ANALYSIS.

The trial court sustained the agency's demurrer without leave to amend, and the Court of Appeal affirmed the dismissal. The appellate court ruled that Weston's lawsuit suffered from an "impermissible material variance." Weston's initial government claim relied entirely on the CHP report stating *she* caused the crash by speeding and attempting to pass Lawson's vehicle illegally, whereas her lawsuit claimed *Lawson* caused the crash via an illegal turn and drug impairment from a prescription opioid. This inconsistency was a key factor in the court's decision. Because the government claim asserted no clear basis for agency liability and contradicted the lawsuit, the court concluded that Weston failed to comply with the Government Claims Act.

The court also ruled that Weston's causes of action were subject to the Government Claims Act presentation requirements. The Act requires that claims for damages against public entities must be presented in a timely manner and must contain sufficient information for the public entity to investigate the claim. The court found that Weston's complaint failed to provide adequate notice of the facts underlying her claims, which is necessary to allow a public agency to evaluate potential liability.

The Court of Appeal further rejected Weston's argument that claims brought under California Vehicle Code section 17001 are exempt from the mandatory claim presentation requirements of the California Government Claims Act. Section 17001 provides that a public entity is liable for death, injury, or property damage caused by a negligent or wrongful act or omission committed by an employee, provided the employee is operating the motor vehicle on official business within the scope of employment.

The appellate court held that section 17001 claims fall under the broad scope of Government Code § 905.2, requiring a timely written claim against a public agency before filing a lawsuit. The appellate court acknowledged that Vehicle Code section 17001 provides a distinct statutory basis for public entity vehicle liability separate from Government Code § 815.2. The court nonetheless concluded that this separate basis for liability does not bypass the mandatory procedural claim-filing prerequisites.

Finally, the appellate court rejected Weston's argument that the agency should be "equitably estopped" or legally prevented from asserting that she failed to properly comply with the pre-lawsuit claim requirements under the California Government Claims Act. Weston argued that the agency silently processed her government claim without warning her that the claim had procedural or substantive defects. Weston argued that this silence and the ongoing handling of the claim induced her to believe there was no defect or variance in her filing.

The Court of Appeal disagreed. The court ruled that a public entity's mere silence or routine processing of an administrative claim does not automatically create equitable estoppel to waive strict compliance with statutory claim-presentation rules. The appellate court affirmed the dismissal of the case with prejudice.

V. CONCLUSION.

The Court of Appeal decision in *Weston v. Department of Transportation* affirms that a lawsuit filed against a public agency in California will be dismissed if the facts in the complaint filed with the court substantially vary from the original notice submitted to the agency under the Government Claims Act.

In *Weston*, the Third District Court of Appeal affirmed the dismissal (without leave to amend) of a lawsuit against a public agency and its employee because the allegations made in the complaint did not match the factual basis provided in the initial government claim. The ruling highlights that courts will not allow plaintiffs to bypass or alter the core factual basis of their claim after the initial presentation window closes, even though claims are otherwise liberally construed for general notice.

In addition, because the demurrer was sustained without leave to amend, the court further held that the plaintiff cannot rewrite the complaint to fix the fatal mismatch between the government code claim and the actual lawsuit filed in court.

The appellate court’s ruling serves as a stern reminder that clarity, consistency, and precision between a pre-lawsuit government claim and a subsequent civil complaint are mandatory for surviving a public entity's demurrer.

AES

Memo

E

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

SAN DIEGO COUNTY WATER AUTHORITY REPRESENTATIVE

Any report will be oral at the time of the Board meeting.

San Diego County Water Authority

SUMMARY OF FORMAL BOARD OF DIRECTORS' MEETING
SEPTEMBER 17, 2026

1. Amendment to the Agreement with Valley Center Municipal Water District and Yuima Municipal Water District for the Emergency Water Storage Project Improvements in Valley Center and Yuima Municipal Water Districts.
   The Board authorized the General Manager, or designee, to execute the second amendment to the construction funding and operations agreement with Valley Center Municipal Water District and Yuima Municipal Water District for infrastructure improvements providing emergency water supplies to Valley Center and Yuima Municipal Water Districts to increase the not-to-exceed amount by $3,350,000, increasing the authorized cumulative contract amount from $11,760,000 to $15,110,000.

2. Monthly Treasurer's Report on Investments and Cash Flow.
   The Board noted and filed the monthly Treasurer's Report.

3. The Board approved the minutes of the Formal Board of Directors' meeting of August 27, 2026.

4. Election of Board Officer's for October 1, 2026 – September 30, 2028.
   The Board approved the appointments of Frank Hilliker to Chair of the Board, Teresa Acosta to Vice Chair of the Board, and Ismahan Abdullahi to Secretary of the Board.

Memo

F

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

LEGISLATIVE REPORT

Any written report will be attached; any oral report will be provided at the time of the Board Meeting.

NOSSAMAN LLP | Memorandum

TO:	Olivenhain Municipal Water District
FROM:	Ashley Walker, Senior Policy Advisor, Nossaman LLP Jack Wursten, Policy Advisor, Nossaman LLP Jennifer Capitolo, Jennifer M. Capitolo and Associates LLC
DATE:	September 30, 2026
RE:	October 2026 Public Policy Report

State Legislative Updates:

Status of the Legislature: The governor continues to work through the significant volume of legislation sent to his desk, with a September 30 deadline to act on all remaining bills. The legislature has adjourned, and members have returned to their districts. We continue to closely monitor developments on priority issues, including ongoing discussions regarding wildfire liability reform.

State Budget Update: On September 18, the governor signed the state budget and related trailer bills. These measures took effect immediately upon signature.

Legislation: Nossaman has outlined current positions on bills below.

- **AB 35 (Alvarez): Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024: Administrative Procedure Act: exemption: program guidelines and selection criteria:** This bill would exempt future fiscal year appropriations of Proposition 4 spending from the Administrative Procedure Act. Exempting Proposition 4 funding from the APA is consistent with long-standing precedent for natural resource bonds, including Proposition 84 and Proposition 68. Full exemption would enable funds to be deployed more quickly and efficiently, ensuring that protracted administrative processes do not hold up vital community projects. The bill is being sponsored by the County of San Diego and is supported by ACWA along with a broad coalition of other water industry organizations.
  Current Position: Support
  Bill Status: This bill has been signed into law.

- **AB 1383 (McKinnor): Public employee's retirement benefits:** The Public Employees' Retirement Law (PERL) establishes the Public Employees' Retirement System (PERS) to provide a defined benefit to members of the system based on final compensation, credited service, and age at retirement, subject to certain variations. Existing law

creates the Public Employees' Retirement Fund, which is continuously appropriated for purposes of PERS, including depositing employer and employee contributions. Under the California Constitution, assets of a public pension or retirement system are trust funds. The California Public Employees' Pension Reform Act of 2013 (PEPRA) establishes a variety of requirements and restrictions on public employers offering defined benefit pension plans. In this regard, PEPRA restricts the amount of compensation that may be applied for purposes of calculating a defined pension benefit for a new member, as defined, by restricting it to specified percentages of the contribution and benefit base under a specified federal law with respect to old age, survivors, and disability insurance benefits. Existing law, the Teachers' Retirement Law, establishes the State Teachers' Retirement System (STRS) and creates the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program, based on final compensation, creditable service, and age at retirement, subject to certain variations. This bill, for service performed on and after January 1, 2027, would prohibit the pensionable compensation for calendar year 2027 used to calculate the defined benefit paid to a new member of a retirement system subject to PEPRA who retires from the system from exceeding specified percentages of the contribution and benefit base under the specified federal law with respect to old age, survivors, and disability insurance benefits. (Based on 07/01/2026 text)
Current Position: *Oppose*
Bill Status: *This bill has been vetoed by the governor*.

- **AB 1881 (Ramos): California Indian Freedom Act of 2026:** Prohibits governmental agencies from substantially burdening Native American religious practices, sacred site access, or ceremonial activities unless the agency can demonstrate a compelling interest pursued through the least restrictive means, applying broadly to permitting, land use, and enforcement actions; and allows tribes or individuals to assert violations as claims or defenses in judicial or administrative proceedings. Before approving or funding projects that may affect sacred sites or cultural landscapes, agencies must engage in early, good-faith government-to-government consultation and seek free, prior, and informed consent from affected tribes; all information identifying sacred sites, cultural landscapes, or religious practices is deemed confidential and explicitly exempt from the California Public Records Act.
Current Position: *Watch*
Bill Status: *This bill has been sent to the governor*.

- **AB 2013 (Bennett): Fire risk areas: water suppliers: emergency preparedness plan:** Water suppliers serving more than 100 customers in moderate, high, or very high fire hazard severity zones must establish plans for responding to red flag warnings, extreme weather events, and major power outages that threaten water service continuity. The plans must include, among other elements, an assessment identifying the minimum number and type of water pumps needed to maintain customer water service while simultaneously ensuring adequate water supply for firefighting activities.

Current Position: *Oppose Unless Amended*
Bill Status: *This bill failed to pass out of Assembly Emergency Management Committee. It will not move forward this year.*

- **AB 2180 (Ward): Local government: Proposition 218 Omnibus Implementation Act: proportional cost of service:** This bill would clarify how water and sewer service providers comply with Proposition 218 when setting water rates. This clarification would provide much needed predictability for water rate-setting entities, support California's water-use conservation goals, and minimize unnecessary legal disputes over water rates.
  Current Position: *Support*
  Bill Status: *This bill has been signed by the governor.*

- **AB 2630 (Bennett): Water diversion and use: adoption of regulations:** This bill would require that all further regulations adopted by State Water Resources Control Board, pursuant to provisions in the bill, be adopted as emergency regulations and remain in effect until revised by SWRCB, and would exempt them from California Environmental Quality Act.
  Current Position: *Watch*
  Bill Status: *This bill failed to pass out of Assembly Natural Resources Committee. It will not move forward this year.*

- **AB 2739 (Soria) Water: Affordability and system stabilization**. This bill establishes the Water Affordability and System Stabilization Trust and Fund in the State Treasury, with the Treasurer as trustee, to provide a perpetual funding source for water affordability programs. Beginning 25 years after an initial legislative transfer, the trust would distribute income equally to the Water Rate Assistance Fund and the Community Water Affordability Assistance Fund, which supports grants to local water suppliers for infrastructure projects that reduce ratepayer costs.
  Current Position: *Watch*
  Bill Status: *This bill has been sent to the governor.*

- **SB 1001 (Archuleta): Water utility workers: identification card program:** This bill creates a statewide utility worker identification program, operated by CalOES. Given that this is an optional program, we have taken a "Watch" position.
  Current Position: *Watch*
  Bill Status: This bill was held on suspense in the Senate Appropriations Committee.

- **SB 1085 (Durazo): Water supply planning: California Environmental Quality Act determination:** This bill requires cities and counties to identify water suppliers and request water supply assessments for certain approved projects regardless of whether those projects are subject to CEQA review.
  Current Position: *Support*

Bill Status: This bill has been sent to the governor.

- **SB 1125 (Menjivar) Water Rate Assistance Program.** This bill would establish the Water Rate Assistance Program. As part of the program, the bill would establish the Water Rate Assistance Fund in the State Treasury, available upon appropriation by the legislature, to provide water affordability assistance for residential water services to low-income residential ratepayers, as specified. The bill would require State Water Resources Control Board, in consultation with relevant agencies and after a public hearing, to adopt guidelines for implementation of the program and to adopt an annual report to be posted on SWRCB's internet website identifying how the fund has performed, as specified.
  Current Position: Concerns
  Bill Status: The author of the bill has taken ACWA amendments, and ACWA is now in a support position on the bill. OMWD's concerns have been shared with the ACWA working group. This bill has been sent to the governor.

- **SB 1153 (Caballero): Disaster preparedness: urban retail water suppliers and public water systems: wildfire:** This bill is being sponsored by ACWA and would clarify the limited role of public water systems during wildfires while strengthening emergency preparedness in high-risk areas.
  Current Position: Support
  Bill Status: This bill has been sent to the governor.

Proposed Legislation: Nossaman has been engaging in the coordination and evaluation of legislative proposals among key stakeholder groups.

- **Clarifying Capacity Fee Recovery Proposal:** OMWD has submitted a legislative proposal to address an issue created by SB 330 (2019) in which capacity fees are frozen at the point that a developer submits a preliminary application for a housing project to the applicable land use agency.
  Status: ACWA's Local Government and Housing Subcommittee will consider this proposal at its October 8 meeting. If approved by the LGH Subcommittee, this bill will be presented to ACWA's State Legislative Committee at the end of October for approval. OMWD also engaged with California Special Districts Association and San Diego County Water Authority by submitting this legislative proposal, which is currently under review.

- **Vehicle Code Section 165 – Emergency Vehicles Designation Proposal**: OMWD has submitted a legislative proposal which seeks to amend California Vehicle Code Section 165 (Authorized Emergency Vehicle) to include vehicles owned or operated by public water and wastewater agencies, when used for emergency response, disaster recovery, infrastructure protection, or mutual aid, or to maintain or restore potable water or wastewater services during emergencies. *Status*: ACWA's Emergency Management Working Group will consider this proposal at its October 5 meeting. If approved by the

EMWG Subcommittee, this bill will be presented to ACWA's State Legislative Committee at the end of October for approval. OMWD also engaged with California Special Districts Association by submitting this legislative proposal, which is currently under review.

Other Legislative Initiatives: Nossaman has been engaged in on-going supplementary legislative items, as outlined below.

- **Proposition 4 – Climate Bond:** AB 113 included Proposition 4 funding allocations for climate-related grant programs. Nossaman will continue to monitor the release of those funds, which state agencies are administering. Now that the requirement to comply with the Administrative Procedure Act has been waived for these programs, Nossaman will alert Olivenhain Municipal Water District to grant solicitations as they are released.

Governor's Actions and Executive Orders: The following actions have been taken by the state since the last report. This list is compiled from California Office of Emergency Services, California Health and Human Services, California Department of Public Health, and Federal Emergency Management Agency.

- September 21 - Governor Newsom declared a State of Emergency to bolster statewide El Niño preparedness.
- September 18 - CDPH notified the public of measles exposure across multiple counties involving train and bus passengers.
- September 18 - Governor Newsom signed an executive order to accelerate independent oversight and advance the creation of an Artificial Intelligence kill switch.
- September 4 - CDPH issued immunization recommendations for 2026-27 respiratory virus season.

Regulatory Updates:

Urban Water Use Objective Reporting: State Water Resources Control Board is offering assistance to urban retail water suppliers seeking variances and temporary provisions for calculating their urban water use objectives. Suppliers must submit their annual urban water use objectives and actual water use data by January 1, 2027, to comply with the Making Conservation a California Way of Life Regulation.

California Water Plan 2028: The Advisory Committee held its second meeting on August 25–26 in Los Angeles. The first day focused on information sharing about water challenges, modeling, and Colorado River planning. The second day covered a review and discussion of the plan's components and the process for developing recommendations, including the role of the Regional Forums. Upcoming Regional Forums are scheduled

- October 1 - Groundwater Recharge Working Group will host its first meeting. The open session will introduce the GRWG, provide an overview of its work plan, and solicit initial input on groundwater recharge priorities and potential recommendations.
- October 6 - Regional Forums will kick off, where participants will learn about the CWP, how to contribute information and perspectives to the planning process, and what to expect at upcoming Regional Forums across the state.
- November 4 - CWP 2028 Advisory Committee Meeting #3 will workshop key areas such as CWP findings, policy goals, and recommendations, and share updates on Regional Forums and the Adaptation Strategies Test of Concept.

NOSSAMAN LLP

Olivenhain Legislative Report 2025-26
Report as of 9/30/2026

Concerns

SB 1125 **(Menjivar, D) Water Rate Assistance Program.**

Current Text: 08/31/2026 - Enrolled **HTML** **PDF**
Introduced: 02/17/2026
Last Amended: 08/19/2026
Status: 08/31/2026 - Enrolled and presented to the Governor at 6 p.m.
Location: 08/31/2026 - Senate ENROLLED
Summary: Existing law requires the State Water Resources Control Board to develop a plan for the funding and implementation of the Low-Income Water Rate Assistance Program. Existing law requires the plan to include, among other things, a description of the method for collecting moneys to support and implement the program and a description of the method for determining the amount of moneys that may need to be collected from water ratepayers to fund the program. This bill would establish the Water Rate Assistance Program. As part of the program, the bill would establish the Water Rate Assistance Fund in the State Treasury, available upon appropriation by the Legislature, to provide water affordability assistance for residential water services to low-income residential ratepayers, as specified. The bill would establish separate implementation procedures depending on whether the state board determines that the Legislature appropriated enough moneys from the fund for a partial implementation of the program or a statewide implementation of the program. The bill would require the state board to take various actions in administering the fund, including, among other things, tracking and managing revenue in the fund separately from all other revenue. The bill would require the state board, in consultation with relevant agencies and after a public hearing, to adopt guidelines for implementation of the program and to adopt and submit a report to the Legislature or post the report on its internet website, as specified. (Based on 08/28/2026 text)

Position: Concerns

Oppose

AB 339 **(Ortega, D) Local public employee organizations: notice requirements.**

Current Text: 10/13/2025 - Chaptered **HTML** **PDF**
Introduced: 01/28/2025
Last Amended: 08/29/2025
Status: 10/13/2025 - Approved by the Governor. Chaptered by Secretary of State - Chapter 687, Statutes of 2025.
Location: 10/13/2025 - Assembly CHAPTERED
Summary: The Meyers-Milias-Brown Act contains various provisions that govern collective bargaining of local represented employees and delegates jurisdiction to the Public Employment Relations Board to resolve disputes and enforce the statutory duties and rights of local public agency employers and employees. Current law requires the governing body of a public agency to meet and confer in good faith regarding wages, hours, and other terms and conditions of employment with representatives of recognized employee organizations. Current law requires the governing body of a public agency, and boards and commissions designated by law or by the governing body, to give reasonable written notice, except in cases of emergency, as specified, to each recognized employee organization affected of any ordinance, rule, resolution, or regulation directly relating to matters within the scope of representation proposed to be adopted by the governing body or the designated boards and commissions. This bill would require the governing body of a public agency, and boards and commissions designated by law or by the governing body of a public agency, to give the recognized employee organization no less than 45 days' written notice before issuing a request for proposals, request for quotes, or renewing or extending an existing contract to perform services that are within the scope of work of the job classifications represented by the recognized employee organization, subject to certain exceptions. The bill would require the notice to include specified information, including the anticipated duration of the contract. (Based on 10/13/2025 text)

Position: Oppose
Notes:
7/9/25 - Signed onto a coalition with CSDA

AB 1383 **(McKinnor, D) Public employees' retirement benefits.**

Current Text: 09/20/2026 - Vetoed **HTML** **PDF**
Introduced: 02/21/2025
Last Amended: 08/27/2026
Status: 09/20/2026 - Vetoed by Governor.
Location: 09/20/2026 - Assembly VETOED
Summary: The Public Employees' Retirement Law (PERL) establishes the Public Employees' Retirement System (PERS) to provide a defined benefit to members of the system based on final compensation, credited service, and age at retirement, subject to certain variations. Existing law creates the Public Employees' Retirement Fund, which is continuously appropriated for purposes of PERS, including depositing employer and employee contributions. Under the California Constitution, assets of a public pension or retirement system are trust funds. The California Public Employees' Pension Reform Act of 2013 (PEPRA) establishes a variety of requirements and restrictions on public employers offering defined benefit pension plans. In this regard, PEPRA restricts the amount of compensation that may be applied for purposes of calculating a defined pension benefit for a new member, as defined, by restricting it to specified percentages of the contribution and benefit base under a specified federal law with respect to old age, survivors, and disability insurance benefits. Existing law, the Teachers' Retirement Law, establishes the State Teachers' Retirement System (STRS) and creates the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program, based on final compensation, creditable service, and age at retirement, subject to certain variations. This bill, for service performed on and after January 1, 2027, would prohibit the pensionable compensation for calendar year 2027 used to calculate the defined benefit paid to a new member of a retirement system subject to PEPRA who retires from the system from exceeding specified percentages of the contribution and benefit base under the specified federal law with respect to old age, survivors, and disability insurance benefits. (Based on 09/03/2026 text)

Position: Oppose
Notes:
7/28/2026 Letter of Opposition submitted Senate Appropriations
9/11/2026 Letter of request for veto submitted

Support

AB 35 **(Alvarez, D) Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024: Administrative Procedure Act: exemption: program guidelines and selection criteria.**

Current Text: 07/16/2026 - Chaptered **HTML** **PDF**
Introduced: 12/02/2024
Last Amended: 06/11/2026
Status: 07/16/2026 - Approved by the Governor. Chaptered by Secretary of State - Chapter 89, Statutes of 2026.
Location: 07/16/2026 - Assembly CHAPTERED
Summary: The Administrative Procedure Act sets forth the requirements for the adoption, publication, review, and implementation of regulations by state agencies. The Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (act), approved by the voters as Proposition 4 at the November 5, 2024, statewide general election, authorized the issuance of bonds in the amount of $10,000,000,000 pursuant to the State General Obligation Bond Law to finance projects for safe drinking water, drought, flood, and water resilience, wildfire and forest resilience, coastal resilience, extreme heat mitigation, biodiversity and nature-based climate solutions, climate-smart, sustainable, and resilient farms, ranches, and working lands, park creation and outdoor access, and clean air programs. Existing law authorizes certain regulations needed to effectuate or implement programs of the act to be adopted as emergency regulations in accordance with the Administrative Procedure Act, as provided. Existing law requires the emergency regulations to be filed with the Office of Administrative Law and requires the emergency regulations to remain in effect until repealed or amended by the adopting state agency. This bill, notwithstanding the above, would exempt the adoption of regulations needed to effectuate or implement programs of the act from the requirements of the Administrative Procedure Act, as provided. The bill would require a state entity that receives funding to administer a competitive grant program established using the Administrative Procedure Act exemption to do certain things, including, among other things, to develop draft project solicitation and evaluation guidelines, to transmit copies of those guidelines to the fiscal committees and to the appropriate policy committees of the Legislature, to hold a noticed public meeting on those guidelines, and to submit those guidelines to the Secretary of the Natural Resources Agency, except as provided. (Based on 07/16/2026 text)

Position: Support
Notes:

1/27/2026 Letter of support submitted to Assemblymember Alvarez's Office
6/8/2026 Letter of Support submitted to Sen Nat Resources
6/16/2026 Letter of Support submitted to Sen Appropriations
7.7.2026 Request for signature submitted to Governor's office

AB 2180 **(Ward, D) Local government: Proposition 218 Omnibus Implementation Act: proportional cost of service.**

Current Text: 09/27/2026 - Chaptered **HTML** **PDF**
Introduced: 02/19/2026
Last Amended: 05/22/2026
Status: 09/27/2026 - Approved by the Governor. Chaptered by Secretary of State - Chapter 587, Statutes of 2026.
Location: 09/27/2026 - Assembly CHAPTERED
Summary: The California Constitution specifies various requirements with respect to the levying of assessments and property-related fees and charges by a local agency. As part of those requirements, the California Constitution mandates that such fees or charges that are extended, imposed, or increased satisfy certain requirements, including, but not limited to, that the amount of the fee or charge imposed upon any parcel or person as an incident of property ownership not exceed the proportional cost of the service attributable to the parcel. Existing law, known as the Proposition 218 Omnibus Implementation Act (act), prescribes specific procedures and parameters for local jurisdictions to comply with these requirements and, among other things, authorizes an agency providing water, wastewater, sewer, or refuse collection services to adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water, sewage treatment, or wastewater treatment or adjustments for inflation under certain circumstances. This bill would authorize a local government to demonstrate the proportional cost of the service attributable to the parcel by any method that reasonably allocates the ascertainable cost of providing service to all parcels, if substantiated as provided. The bill would, however, provide that for water or sewer service fee or charge impositions, a local government is not required to provide an exact measure of the cost of the service at each parcel and may instead impose uniform or tiered rates to parcel or customer classes that are defined based on common characteristics indicative of likely water or sewer use. (Based on 09/27/2026 text)

Position: Support
Notes:
3/23/2026 Joined ACWA Coalition Letter in Support
6/3/2026 Joined ACWA Coalition Letter in Support
8/25/2026 Request for Signature Letter submitted to Governor's office

SB 31 **(McNerney, D) Water quality: recycled water.**

Current Text: 10/13/2025 - Chaptered **HTML** **PDF**
Introduced: 12/02/2024
Last Amended: 06/09/2025
Status: 10/13/2025 - Approved by the Governor. Chaptered by Secretary of State. Chapter 736, Statutes of 2025.
Location: 10/13/2025 - Senate CHAPTERED
Summary: The Water Recycling Law generally provides for the use of recycled water. Current law requires any person who, without regard to intent or negligence, causes or permits an unauthorized discharge of 50,000 gallons or more of recycled water in or on any waters of the state to immediately notify the appropriate regional water board. This bill would, for the purposes of the above provision, redefine “recycled water” and provide that water discharged from a decorative body of water during storm events is not to be considered an unauthorized discharge if recycled water was used to restore levels due to evaporation. (Based on 10/13/2025 text)

Position: Support
Notes:
4.28.25 - Letter of Support filed.
6/20/2025 Letter of Support Filed Assembly WP and W, Appropriations, sent to cc's
7/24/2025 Letter of Support files - Assembly Appropriations
9/12/2025 Request for Signature sent to Governor

SB 72 **(Caballero, D) The California Water Plan: long-term supply targets.**

Current Text: 10/01/2025 - Chaptered **HTML** **PDF**
Introduced: 01/15/2025
Last Amended: 04/10/2025
Status: 10/01/2025 - Chaptered by Secretary of State - Chapter 210, Statutes of 2025
Location: 10/01/2025 - Senate CHAPTERED
Summary: Current law requires the Department of Water Resources to update every 5 years the plan for the orderly and coordinated control, protection, conservation, development, and use of the water resources of the

state, which is known as “The California Water Plan.” Current law requires the department to include a discussion of various strategies in the plan update, including, but not limited to, strategies relating to the development of new water storage facilities, water conservation, water recycling, desalination, conjunctive use, and water transfers, that may be pursued in order to meet the future needs of the state. Current law requires the department to establish an advisory committee to assist the department in updating the plan. This bill would revise and recast certain provisions regarding The California Water Plan to, among other things, require the department to expand the membership of the advisory committee to include, among others, tribes, labor, and environmental justice interests. The bill would require the department, as part of the 2033 update to the plan, to update the interim planning target for 2050, as provided. The bill would require the target to consider the identified and future water needs for all beneficial uses, including, but not limited to, urban uses, agricultural uses, tribal uses, and the environment, and ensure safe drinking water for all Californians, among other things. The bill would require the plan to include specified components, including a discussion of the estimated costs, benefits, and impacts of any project type or action that is recommended by the department within the plan that could help achieve the water supply targets. (Based on 10/01/2025 text)

Position: Support

Notes:
2/11/25 letter of support submitted to portal and shared with delegates.
4/23/25 letter of support submitted to Senate Appropriations Committee.
4/24/25 - CSAC is the sponsor of this bill and ACWA has a support position.
6/20/2025 Letter of Support Filed Assembly Water, Parks and Wildlife Committee, Appropriations, sent to cc's
7/24/2025 Letter of Support files - Assembly Appropriations
9/12/2025 Request for Signature sent to Governor

SB 224 **(Hurtado, D) Department of Water Resources: water supply forecasting.**

Current Text: 10/03/2025 - Vetoed **HTML** **PDF**
Introduced: 01/27/2025
Last Amended: 09/02/2025
Status: 03/02/2026 - Stricken from file. Veto sustained.
Location: 10/03/2025 - Senate VETOED
Summary: Current law requires the Department of Water Resources to gather and correlate information and data pertinent to an annual forecast of seasonal water crop. Current law also requires the department to update every 5 years the plan for the orderly and coordinated control, protection, conservation, development, and use of the water resources of the state, which is known as “The California Water Plan.”This bill would require the department, on or before January 1, 2027, to update its water supply forecasting models and procedures to address the effects of climate change and implement a formal policy and procedures for documenting the department’s operational plans and the department’s rationale for its operating procedures, including the department’s rationale for water releases from reservoirs. The bill would also require the department to establish, and publish on the department’s internet website, the specific criteria that it will employ to determine when its updated water supply forecasting model has demonstrated sufficient predictive capability to be ready for use in each of the watersheds. The bill would require the department, on or before January 1, 2028, and annually thereafter, to prepare and submit to the Legislature a report on its progress toward implementing the new forecasting model and to post the report on the department’s internet website. (Based on 09/13/2025 text)

Position: Support

Notes:
5/7/25 - Letter of Support filed.
7/1/2025 Letter of Support filed - Assembly Water, Parks & Wildlife
7/24/2025 Letter of Support files - Assembly Appropriations\
9/12/2025 Request for Signature sent to Governor

SB 454 **(McNerney, D) State Water Resources Control Board: PFAS Mitigation Program.**

Current Text: 10/01/2025 - Vetoed **HTML** **PDF**
Introduced: 02/19/2025
Last Amended: 09/02/2025
Status: 03/02/2026 - Stricken from file. Veto sustained.
Location: 10/01/2025 - Senate VETOED
Summary: Current law designates the State Water Resources Control Board as the agency responsible for administering specific programs related to drinking water, including, among others, the California Safe Drinking Water Act and the Emerging Contaminants for Small or Disadvantaged Communities Funding Program. This bill, which would become operative upon an appropriation by the Legislature, would enact a perfluoroalkyl and polyfluoroalkyl substances (PFAS) mitigation program. As part of that program, the bill would create the PFAS Mitigation Fund in the State Treasury and would authorize certain moneys in the fund to be expended by the state board, upon appropriation by the Legislature, for specified purposes. The bill would authorize the state board to

seek out nonstate, federal, and private funds designated for PFAS remediation and treatment and deposit the funds into the PFAS Mitigation Fund. The bill would continuously appropriate these funds to the state board for specified purposes. The bill would authorize the state board to establish accounts within the PFAS Mitigation Fund. The bill would authorize the state board to expend moneys from the fund in the form of a grant, loan, or contract, or to provide assistance services to water suppliers and sewer system providers, as those terms are defined, for multiple purposes, including, among other things, to cover or reduce the costs for water suppliers associated with treating drinking water to meet the applicable state and federal maximum PFAS contaminant levels. (Based on 09/12/2025 text)

Position: Support

Notes:
3/5/25 - signed on to ACWA coalition letter of support.
4/7/25 - Letter of Support from OMWD filed.
6/20/2025 Letter of Support filed Assembly Env Safety & Toxic Materials, Appropriations, sent to cc's
9/12/2025 Request for Signature sent to Governor

SB 682 **(Allen, D) Environmental health: product safety: perfluoroalkyl and polyfluoroalkyl substances.**

Current Text: 10/13/2025 - Vetoed **HTML** **PDF**

Introduced: 02/21/2025

Last Amended: 09/09/2025

Status: 03/02/2026 - Stricken from file. Veto sustained.

Location: 10/13/2025 - Senate VETOED

Summary: Would, on and after January 1, 2028, prohibit a person from distributing, selling, or offering for sale a cleaning product, dental floss, juvenile product, food packaging, or ski wax, as provided, that contains intentionally added perfluoroalkyl and polyfluoroalkyl substances (PFAS), as defined, except for previously used products and as otherwise preempted by federal law. The bill would, until January 1, 2031, exempt certain components of a cleaning product from this prohibition, as specified. The bill would clarify that, on and after January 1, 2028, a cleaning product is required to comply with certain regulations adopted by the California Air Resources Board regarding volatile organic compounds in consumer products and would prohibit the use of a regulatory variance to comply with those regulations, as specified. The bill would, on and after January 1, 2030, prohibit a person from distributing, selling, or offering for sale cookware that contains intentionally added PFAS, except for previously used products and as otherwise preempted by federal law. The bill would authorize the department, on or before January 1, 2029, to adopt regulations to carry out these provisions. (Based on 09/18/2025 text)

Position: Support

Notes:
5/14/25 - OMWD signed a CASA coalition letter in support.

SB 1085 **(Durazo, D) Water supply planning: housing developments.**

Current Text: 09/03/2026 - Enrolled **HTML** **PDF**

Introduced: 02/13/2026

Last Amended: 08/19/2026

Status: 09/03/2026 - Enrolled and presented to the Governor at 3 p.m.

Location: 09/03/2026 - Senate ENROLLED

Summary: The California Environmental Quality Act (CEQA) requires a lead agency, as defined, to be responsible for determining whether a project is exempt from CEQA and whether an environmental impact report, a negative declaration, or a mitigated negative declaration is required. Existing law requires a city or county that determines a certain type of project is subject to the requirements of CEQA to identify any public water system that may supply water for the project and to request those public water systems to prepare a specified water supply assessment, as provided. This bill, among other things, would instead require a city or county, upon receipt of a preliminary application for a housing development project that meets certain conditions, or upon a development application for certain projects being determined as complete or deemed complete, to make that identification of public water systems. The bill would require a city or county, within 15 days of receiving an application that meets either of the above-mentioned criteria, to request each identified public water system to determine whether the projected water demand associated with the proposed project was included in the most recently adopted urban water management plan. (Based on 08/30/2026 text)

Position: Support

Notes:
4/17/2026 Joined Coalition - Letter of Support to Senate Local Government Committee
4/21/2026 letter of support submitted Senate Natural Resources and Water
6/9/2026 Letter of Support submitted ASM WPW
7/30/2026 Letter of Support Submitted Assembly Appropriations
9/10/2026 Request for Signature letter submitted to Governor's Office

SB 1153 **(Caballero, D) Disaster preparedness: urban retail water suppliers and public water systems: wildfire.**

Current Text: 09/29/2026 - Chaptered **HTML** **PDF**
Introduced: 02/18/2026
Last Amended: 08/17/2026
Status: 09/29/2026 - Approved by the Governor. Chaptered by Secretary of State. Chapter 776, Statutes of 2026.
Location: 09/29/2026 - Senate CHAPTERED
Summary: The California Emergency Services Act requires all public water systems, as defined, with 10,000 or more service connections to review and revise their disaster preparedness plans in conjunction with related agencies, including, but not limited to, local fire departments and the Office of Emergency Services, to ensure that the plans are sufficient to address possible disaster scenarios. A person, as defined, who violates the provisions of this act is guilty of a misdemeanor. This bill, beginning January 1, 2028, would require all urban retail water suppliers, as defined, serving 3,300 or more persons and serving a high or very high fire hazard severity zone to include incident-specific response procedures for wildfires as part of their disaster preparedness plans, including any applicable emergency response plan as required by federal law. The bill would require these plans to include, among other things, mitigation actions, including actions, procedures, and equipment, that can obviate or significantly lessen the impact of a wildfire on the water system and the supply of drinking water provided by the water supplier. Because violation of these requirements by certain urban retail water suppliers would constitute a misdemeanor, the bill would expand the scope of a crime, thereby imposing a state-mandated local program. (Based on 09/01/2026 text)

Position: Support
Notes:
4/2/2026 Joined ACWA Coalition
9/10/2026 Request for Signature letter submitted to Governor's Office

Watch

AB 43 **(Schultz, D) Wild and scenic rivers.**

Current Text: 10/07/2025 - Chaptered **HTML** **PDF**
Introduced: 12/02/2024
Status: 10/07/2025 - Approved by the Governor. Chaptered by Secretary of State - Chapter 431, Statutes of 2025.
Location: 10/07/2025 - Assembly CHAPTERED
Summary: Current law requires the Secretary of the Natural Resources Agency to take specified actions relating to the addition of rivers or segments of rivers to the state's wild and scenic rivers system if, among other things, the federal government enacts a statute that, upon enactment, would require the removal or delisting of any river or segment of a river in the state that was included in the national wild and scenic rivers system and not in the state wild and scenic rivers system. Current law authorizes, only until December 31, 2025, the secretary to take action under these provisions to add a river or segment of a river to the state wild and scenic rivers system. Current law requires those actions to remain in effect until December 31, 2025, except as otherwise provided. This bill would indefinitely extend the date by which the secretary is authorized to take the specified actions relating to the addition of rivers or segments of rivers to the state's wild and scenic rivers system, as described above. (Based on 10/07/2025 text)

Position: Watch

AB 93 **(Papan, D) Water resources: data centers.**

Current Text: 10/11/2025 - Vetoed **HTML** **PDF**
Introduced: 01/07/2025
Last Amended: 09/05/2025
Status: 01/22/2026 - Consideration of Governor's veto stricken from file.
Location: 10/11/2025 - Assembly VETOED
Summary: Would require a person who owns or operates a data center, prior to applying to a city or a county for an initial business license, equivalent instrument, or permit, to provide its water supplier, under penalty of perjury, an estimate of the expected water use. When applying to a city or county for an initial business license, the bill would require a person who owns or operates a data center to self-certify, under penalty of perjury, on the application that the person has provided its water supplier an estimate of the expected water use. When applying to a city or county for a renewal of a business license, equivalent instrument, or permit, the bill would require a person who owns or operates a data center to self-certify, under penalty of perjury, on the application, that they have provided the data center's water supplier with a report of the annual water use. By expanding the crime of perjury, the bill would impose a state-mandated local program. The bill would authorize the Department of Water Resources, as part of any efficiency standard adopted under a specified provision of law, to identify different tiers

of data centers, based on factors affecting water consumption, and appropriate standards for each data tier. (Based on 09/15/2025 text)

Position: Watch

AB 293 **(Bennett, D) Groundwater sustainability agency: transparency.**

Current Text: 10/06/2025 - Chaptered **HTML** **PDF**
Introduced: 01/22/2025
Status: 10/06/2025 - Approved by the Governor. Chaptered by Secretary of State - Chapter 359, Statutes of 2025.
Location: 10/06/2025 - Assembly CHAPTERED
Summary: Current law requires a groundwater sustainability plan to be developed and implemented for each medium- or high-priority basin by a groundwater sustainability agency. Current law authorizes any local agency or combination of local agencies overlying a groundwater basin to decide to become a groundwater sustainability agency for that basin, as provided. Current law requires members of the board of directors and the executive, as defined, of a groundwater sustainability agency to file statements of economic interests with the Fair Political Practices Commission using the commission's online system for filing statements of economic interests. This bill would require each groundwater sustainability agency to publish the membership of its board of directors on its internet website, or on the local agency's internet website, as provided. The bill would also require each groundwater sustainability agency to publish a link on its internet website or its local agency's internet website to the location on the Fair Political Practices Commission's internet website where the statements of economic interests, filed by the members of the board and executives of the agency, can be viewed. (Based on 10/06/2025 text)

Position: Watch

AB 367 **(Bennett, D) Water: County of Ventura: fire suppression.**

Current Text: 10/13/2025 - Chaptered **HTML** **PDF**
Introduced: 02/03/2025
Last Amended: 09/03/2025
Status: 10/13/2025 - Approved by the Governor. Chaptered by Secretary of State - Chapter 690, Statutes of 2025.
Location: 10/13/2025 - Assembly CHAPTERED
Summary: Would, beginning July 1, 2030, require a water supplier, as defined, to have access to sufficient backup energy sources to operate critical fire suppression infrastructure, as defined, needed to supply water for at least 24 hours for the purpose of fire suppression in high or very high fire hazard severity zones in the County of Ventura, or to have access to alternative sources of water supplied by a different water supplier or agency that can serve this same purpose of supplying backup water to critical wells and water pumps for 24 hours, as provided. The bill would require the water supplier to take various actions, including annually inspecting critical fire suppression infrastructure and backup energy sources and notifying the Ventura County Office of Emergency Services within 3 business days of any reduction in its water delivery capacity that could substantially hinder firefighting operations or significantly delay the replenishment of reservoirs. The bill would require, if any fire damages and makes uninhabitable more than 10 residential dwellings within the service area of a water supplier, a report be made by the Ventura County Fire Department in cooperation with the water supplier, as specified. By levying new requirements on the Ventura County Fire Department, this bill would create a state-mandated local program. (Based on 10/13/2025 text)

Position: Watch

AB 428 **(Rubio, Blanca, D) Joint powers agreements: water corporations.**

Current Text: 10/01/2025 - Chaptered **HTML** **PDF**
Introduced: 02/05/2025
Last Amended: 03/28/2025
Status: 10/01/2025 - Approved by the Governor. Chaptered by Secretary of State - Chapter 151, Statutes of 2025.
Location: 10/01/2025 - Assembly CHAPTERED
Summary: The Joint Exercise of Powers Act authorizes 2 or more public agencies, if authorized by their governing bodies, by agreement to jointly exercise any power common to the contracting parties. Current law authorizes 2 or more local public entities, or a mutual water company, as defined, and a public agency, to provide insurance, as specified, by a joint powers agreement. Current law authorizes a mutual water company and a public agency to enter into a joint powers agreement for the purposes of risk pooling, as specified. This bill would authorize a water corporation, as defined, a mutual water company, and one or more public agencies to provide insurance, as specified, by a joint powers agreement. The bill would also authorize a water corporation, a mutual water company, and one or more public agencies to enter into a joint powers agreement for the purposes of risk pooling, as specified. The bill would prohibit the Public Utilities Commission from allowing a water corporation to

join a joint powers agency for insurance coverage if there are no greater benefits to the customers of the water corporation than are provided by the water corporation's current insurance policy. (Based on 10/01/2025 text)

Position: Watch

AB 620 (Jackson, D) Medium- and Heavy-Duty Zero-Emission Vehicle Fleet Purchasing Assistance Program: rental vehicles.

Current Text: 10/03/2025 - Vetoed **HTML PDF**
Introduced: 02/13/2025
Status: 01/22/2026 - Consideration of Governor's veto stricken from file.
Location: 10/03/2025 - Assembly VETOED
Summary: Current law establishes the Medium- and Heavy-Duty Zero-Emission Vehicle Fleet Purchasing Assistance Program (program) within the Air Quality Improvement Program to make financing tools and nonfinancial supports available to operators of medium- and heavy-duty vehicle fleets to enable those operators to transition their fleets to zero-emission vehicles. This bill, for any regulation adopted to develop or implement the program, or other regulations that are regarding the procurement or use of medium- and heavy-duty zero-emission vehicles by a public or private fleet, would require the state board to consider specified things, including, among other things, the environmental and supply chain benefits of renting medium- and heavy-duty zero-emission vehicles compared to procuring them. (Based on 09/08/2025 text)

Position: Watch

AB 915 (Petrie-Norris, D) Dam safety: state supervision: exceptions.

Current Text: 10/01/2025 - Vetoed **HTML PDF**
Introduced: 02/19/2025
Last Amended: 07/17/2025
Status: 01/22/2026 - Consideration of Governor's veto stricken from file.
Location: 10/01/2025 - Assembly VETOED
Summary: Current law regulates the construction and operation of dams and exempts certain structures for these purposes. Current law exempts certain wastewater treatment and storage ponds constructed as part of a wastewater control facility, as provided, from the requirements for state regulation and supervision of the safety of dams. This bill would additionally exempt from the requirements for state regulation and supervision of the safety of dams certain water storage facilities, structures, and activities associated with an energy storage system facility located in the County of Kern, as specified, that uses compressed air technology and meets certain criteria, including, among other things, a maximum water pool height of 25 feet or less from the final engineered grade, a maximum storage capacity of 1,500 acre-feet or less, and supervision of the design and construction by a registered civil engineer. (Based on 09/16/2025 text)

Position: Watch

AB 1096 (Connolly, D) Water: schoolsites: lead testing.

Current Text: 10/03/2025 - Chaptered **HTML PDF**
Introduced: 02/20/2025
Last Amended: 09/04/2025
Status: 10/03/2025 - Approved by the Governor. Chaptered by Secretary of State - Chapter 290, Statutes of 2025.
Location: 10/03/2025 - Assembly CHAPTERED
Summary: The California Safe Drinking Water Act requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. Current federal regulations require community water systems to contact all schools and childcare facilities, as defined, to provide information about the health risks from lead in drinking water and of eligibility to be sampled for lead by the water system. Current federal regulations require a community water system to report to the state annually on the notification of eligibility and sampling for lead, and information regarding the number and names of schools and childcare facilities served by the water system, those sampled in the previous year, the facilities that declined sampling, facilities that did not respond to outreach attempts for sampling, and information pertaining to those outreach attempts for sampling. This bill would require a community water system, when making outreach attempts to elementary schools and childcare facilities for the purposes of offering lead sampling in drinking water, to compile specified information and to provide elementary schools and childcare facilities that decline lead testing with an opportunity to provide information about their reasons for declining by allowing them to select from a list that includes specified options, unless the school or childcare facility is exempted from lead testing by federal waiver, as provided. The bill would authorize the state board to add additional reasons for declining lead testing to that list. The bill would require a community water system to submit all of the above-described information that it compiles or that is provided to it to the state board, as provided. The bill would require the state board, on or

before June 30, 2028, to make all of that information publicly available in a searchable format on its internet website, as specified. (Based on 10/03/2025 text)

Position: Watch

AB 1373 **(Soria, D) Water quality: state certification.**

Current Text: 10/11/2025 - Vetoed **HTML** **PDF**
Introduced: 02/21/2025
Last Amended: 08/29/2025
Status: 01/22/2026 - Consideration of Governor's veto stricken from file.
Location: 10/11/2025 - Assembly VETOED
Summary: Under existing law, the State Water Resources Control Board and the California regional water quality control boards prescribe waste discharge requirements in accordance with the Federal Water Pollution Control Act and the Porter-Cologne Water Quality Control Act. Under federal law, any applicant seeking a federal license or permit for an activity that may result in any discharge into the navigable waters of the United States is required to first seek a state water quality certification, as specified. The Porter-Cologne Water Quality Control Act authorizes the state board to certify or provide a statement to a federal agency, as required pursuant to federal law, that there is reasonable assurance that an activity of any person subject to the jurisdiction of the state board will not reduce water quality below applicable standards. The federal act provides that if a state fails or refuses to act on a request for this certification within a reasonable period of time, which shall not exceed one year after receipt of the request, then the state certification requirements are waived with respect to the federal application. This bill would require the state board, if requested by the applicant within 14 days of an initial draft certification being issued, to hold a public hearing at least 21 days before taking action on an application for certification for a license to operate a hydroelectric facility, as provided. The bill would, if a public hearing is requested on the draft certification, prohibit the authority to issue a certification for a license to operate a hydroelectric facility from being delegated. The bill would authorize the state board to include in its fee schedule for hydroelectric facility applicants an amount up to the reasonable costs incurred by the state board in implementing these provisions. (Based on 09/16/2025 text)

Position: Watch

AB 1445 **(Haney, D) Downtown revitalization and economic recovery financing districts.**

Current Text: 10/11/2025 - Chaptered **HTML** **PDF**
Introduced: 02/21/2025
Last Amended: 09/05/2025
Status: 10/11/2025 - Approved by the Governor. Chaptered by Secretary of State - Chapter 642, Statutes of 2025.
Location: 10/11/2025 - Assembly CHAPTERED
Summary: Existing law authorizes the legislative body of a city or a county to establish an enhanced infrastructure financing district to finance public capital facilities or other specified projects of communitywide significance, including the acquisition, construction, or rehabilitation of housing for persons of very low, low, and moderate income. This bill would additionally authorize any city, county, or city and county, except the City and County of San Francisco, to establish a downtown revitalization and economic recovery financing district for the purpose of financing specified commercial-to-residential conversion projects with incremental tax revenues generated by commercial-to-residential conversion projects within the district. The bill would require the district to meet the requirements imposed on the City and County of San Francisco when establishing a downtown revitalization and economic recovery financing district described above and would modify the required components of the district's proposed financing plan, as provided. The bill would make various conforming changes to the above-described provisions in this regard and would also make technical changes. This bill contains other related provisions and other existing laws. (Based on 10/11/2025 text)

Position: Watch

AB 1466 **(Hart, D) Groundwater adjudication.**

Current Text: 10/11/2025 - Chaptered **HTML** **PDF**
Introduced: 02/21/2025
Last Amended: 09/04/2025
Status: 10/11/2025 - Approved by the Governor. Chaptered by Secretary of State - Chapter 643, Statutes of 2025.
Location: 10/11/2025 - Assembly CHAPTERED
Summary: Current law establishes procedures for the comprehensive adjudication of groundwater rights in civil court. Under current law, if the court finds that claims of right to extract or divert only minor quantities of water, as defined, would not have a material effect on the groundwater rights of other parties, the court may exempt those claimants from the proceedings, except as specified. Current law further prescribes that a judgment in a comprehensive adjudication to determine rights to extract groundwater in a basin is not binding on, among others,

claimants whose claims have been exempted. This bill would authorize a court, in lieu of the exemption process described above, to treat persons with claims of right to extract or divert only minor quantities of water separately from other parties to the comprehensive adjudication. (Based on 10/11/2025 text)

Position: Watch

AB 1486 **(Soria, D) Climate resiliency: research farms: grant program.**

Current Text: 08/28/2026 - Enrolled **HTML** **PDF**
Introduced: 02/21/2025
Last Amended: 06/10/2026
Status: 08/28/2026 - Enrolled and presented to the Governor at 3:30 p.m.
Location: 08/28/2026 - Assembly ENROLLED
Summary: The Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, approved by the voters as Proposition 4 at the November 5, 2024, statewide general election, authorized the issuance of bonds in the amount of $10,000,000,000 pursuant to the State General Obligation Bond Law to finance projects for safe drinking water, drought, flood, and water resilience, wildfire and forest resilience, coastal resilience, extreme heat mitigation, biodiversity protection and nature-based climate solutions, climate-smart, sustainable, and resilient farms, ranches, and working lands, park creation and outdoor access, and clean air programs. Of these funds, the act makes $300,000,000 available, upon appropriation by the Legislature, for improving climate resilience and sustainability of agricultural lands, including, among other things, by making $15,000,000 available, upon appropriation by the Legislature, to the State Department of Education, in consultation with the Department of Food and Agriculture, for purposes of providing grants to public postsecondary educational institutions that are designated as Agricultural Experiment Stations or Agricultural Research Institutes, to develop research farms to improve climate resiliency, as specified. Existing law authorizes a state agency to furnish services, materials, or equipment to, or perform work for, any other state agency upon terms and conditions and for the consideration as they may determine, and to enter into agreements for that purpose, subject to approval of the Director of General Services. Existing law requires a state agency that furnishes the services, materials, or equipment to, or performs the work for, the other state agency to compute charges in a manner approved by the Director of Finance. Existing law authorizes a state agency to provide for the advancing of funds, as provided, to defray those charges. This bill would authorize the State Department of Education to advance a payment for a contract or agreement made with the Department of Food and Agriculture pursuant to the research farm provisions of Proposition 4, described above, in the 2026–27 and 2027–28 fiscal years. The bill would exempt those contracts and agreements from the above-described requirement of approval by the Director of General Services. (Based on 08/26/2026 text)

Position: Watch

AB 1603 **(Schultz, D) Perfluoroalkyl and polyfluoroalkyl substances (PFAS): Department of Pesticide Regulation.**

Current Text: 09/27/2026 - Chaptered **HTML** **PDF**
Introduced: 01/16/2026
Last Amended: 08/19/2026
Status: 09/27/2026 - Approved by the Governor. Chaptered by Secretary of State - Chapter 531, Statutes of 2026.
Location: 09/27/2026 - Assembly CHAPTERED
Summary: Existing law generally regulates the use of pesticides, and requires every manufacturer of, importer of, or dealer in any pesticide, except as specified, to obtain a certificate of registration from the Department of Pesticide Regulation before the pesticide is offered for sale. Existing law requires a pesticide use report to be submitted to a county agricultural commissioner or the Director of Pesticide Regulation, as provided. This bill would require the department, on or before January 1, 2028, or on or before the posting of the pesticide use reporting database containing 2026 data, whichever occurs first, and annually thereafter, to indicate if a pesticide contains perfluoroalkyl and polyfluoroalkyl substances (PFAS) pesticide ingredients, as defined, in the pesticide use reporting database on its internet website, include PFAS as a category of interest for purposes of that database, and include pesticide use trends of PFAS pesticide ingredients from the pesticide database in the pesticide use annual report and other relevant pesticide use reporting documents. (Based on 09/27/2026 text)

Position: Watch

AB 1873 **(Bennett, D) County of Ventura: fire suppression: backup energy source.**

Current Text: 08/31/2026 - Chaptered **HTML** **PDF**
Introduced: 02/12/2026
Last Amended: 05/27/2026
Status: 08/31/2026 - Approved by the Governor. Chaptered by Secretary of State - Chapter 168, Statutes of 2026.
Location: 08/31/2026 - Assembly CHAPTERED

Summary: Existing law requires, by July 1, 2030, a water supplier, as defined, to have access to sufficient backup energy sources to operate critical fire suppression infrastructure, as defined, needed to supply water for at least 24 hours for the purpose of fire suppression in high or very high fire hazard severity zones in the County of Ventura, or to have access to alternative sources of water supplied by a different water supplier or agency that can serve this same purpose of supplying backup water to critical wells and water pumps for 24 hours, as provided. Existing law authorizes a water supplier that uses a backup energy source that is not permanent and stationary to use mobile backup energy sources or procure an energy source via an established mutual aid agreement provided that the backup energy source can provide power within 12 hours of the National Weather Service alerting the County of Ventura of a red flag warning and provide power for at least 24 hours after a loss of power and within 60 minutes of a loss of power. Existing law requires, if any fire damages and makes uninhabitable more than 10 residential dwellings within the service area of a water supplier, a report be made by the Ventura County Fire Department in cooperation with the water supplier, as specified. This bill would authorize a water supplier to use a backup energy source that is not permanent or stationary, provided that the backup energy source can, among other things, provide power within 90 minutes of a loss of power, or as soon as practically possible after deenergization. The bill would require a water supplier that uses a backup energy source that is not permanent and stationary to notify the Ventura County Office of Emergency Services as soon as practically possible, but no later than 3 business days after a loss of power, if that backup energy source does not provide power within 90 minutes of a loss of power. (Based on 08/31/2026 text)

Position: Watch

AB 1881 **(Ramos, D) California Indian Freedom Act of 2026.**

Current Text: 09/10/2026 - Enrolled **HTML** **PDF**
Introduced: 02/12/2026
Last Amended: 08/27/2026
Status: 09/10/2026 - Enrolled and presented to the Governor at 3 p.m.
Location: 09/10/2026 - Assembly ENROLLED
Summary: Existing law establishes various protections for California Native American tribes, including prohibiting a public agency or private party using or occupying public property or operating on public property from interfering with the free expression or exercise of Native American religion as provided in the United States Constitution and the California Constitution. Existing law also requires a local government to provide formal notification to each California Native American tribe that is traditionally and culturally affiliated with the project site as an invitation to consult on the proposed project, as provided. Existing law requires the local government, during the consultation, to give deference to the tribal information, tribal knowledge and customs, and the significance of the resource to the California Native American tribe. Existing law prohibits any information, as described, that is submitted by a California Native American tribe during the environmental review process from being included in the environmental document or otherwise disclosed by the lead agency or any other public agency to the public, as specified, without the prior consent of the tribe that provided the information. Existing law, the California Public Records Act, requires each state and local agency, as defined, to make its records open to public inspection at all times during office hours, except as specifically exempted from disclosure by law. The act specifically exempts from disclosure records that are exempted or prohibited from disclosure by federal or state law and lists records subject to that exemption, specifying that the listed exemptions are not inclusive of all exemptions under the act. This bill, the California Indian Freedom Act of 2026, would, commencing January 1, 2028, prohibit a governmental agency from substantially burdening a California Indian or California Native American tribe's exercise of religious beliefs or spiritual practices on state lands, except as necessary to protect public safety and security, including their access to and use of sacred sites and objects, and their ability to perform religious ceremonies and rites, even if the burden results from a rule of general applicability, unless the governmental agency demonstrates that application of the burden is in furtherance of a compelling governmental interest and is in the least restrictive means of furthering that interest. (Based on 09/03/2026 text)

Position: Watch

AB 1894 **(Rubio, Blanca, D) Fish and wildlife: invasive mussels: imported water.**

Current Text: 09/18/2026 - Vetoed **HTML** **PDF**
Introduced: 02/12/2026
Last Amended: 05/28/2026
Status: 09/18/2026 - Vetoed by Governor.
Location: 09/18/2026 - Assembly VETOED
Summary: Existing law, until January 1, 2030, generally prohibits a person from possessing, importing, shipping, or transporting in the state, or from placing, planting, or causing to be placed or planted in any water within the state, invasive mussels, and authorizes the Director of Fish and Wildlife, or the director's designee, to engage in various enforcement activities with regard to invasive mussels. Existing law, until January 1, 2030, requires a public or private agency that operates a water supply system to cooperate with the Department of Fish and Wildlife to implement measures to avoid infestation by invasive mussels and to control or eradicate any infestation

that occurs in a water supply system. Existing law requires any person, or federal, state, or local agency, district, or authority that owns or manages a reservoir, where specified activities are permitted, except as specified, to develop and implement a program designed to prevent the introduction of invasive mussel species, as provided. Existing law requires any entity that discovers invasive mussels within the state to immediately report the discovery to the department. This bill would prohibit a public agency from prohibiting imported water deliveries for groundwater replenishment, as defined, due to invasive mussels if the importation complies with a specified invasive mussel control plan and unless there is substantial, documented evidence of a proven health and safety risk as a result of the invasive mussels. (Based on 08/24/2026 text)

Position: Watch

AB 2032 **(Ransom, D) Fish and wildlife: invasive mussels: golden mussels.**

Current Text: 09/29/2026 - Chaptered **HTML** **PDF**
Introduced: 02/17/2026
Last Amended: 08/13/2026
Status: 09/29/2026 - Approved by the Governor. Chaptered by Secretary of State - Chapter 817, Statutes of 2026.
Location: 09/29/2026 - Assembly CHAPTERED
Summary: Existing law, until January 1, 2030, generally prohibits a person from possessing, importing, shipping, or transporting in the state, or from placing, planting, or causing to be placed or planted in any water within the state, invasive mussels, as defined. Existing law requires a public or private agency that operates a water supply system to cooperate with the Department of Fish and Wildlife (department) to implement measures to avoid infestation by invasive mussels and to control or eradicate any infestation that may occur in a water supply system, and, if invasive mussels are detected, to prepare and implement a plan, as specified, to control or eradicate invasive mussels within the system (control plan). Existing law prohibits the importation, transportation, possession, or live release of specified wild animals, except under a revocable, nontransferable permit, known as a restricted species permit, issued by the department, in cooperation with the Department of Food and Agriculture, and only if certain requirements are met. This bill would exempt from the requirement to obtain a restricted species permit for invasive mussels a public or private agency that operates a water supply system and has submitted a control plan to the department for maintenance, operational, and research activities within the water supply system, as specified. (Based on 09/03/2026 text)

Position: Watch

AB 2125 **(Bennett, D) Groundwater basin adjudication: notice.**

Current Text: 08/27/2026 - Chaptered **HTML** **PDF**
Introduced: 02/18/2026
Last Amended: 03/25/2026
Status: 08/27/2026 - Approved by the Governor. Chaptered by Secretary of State - Chapter 138, Statutes of 2026.
Location: 08/27/2026 - Assembly CHAPTERED
Summary: Existing law requires a plaintiff who files an action to comprehensively determine rights to extract groundwater from a basin to provide the court a draft notice of commencement of groundwater basin adjudication and a draft form answer to adjudication complaint, as specified. Existing law also requires a plaintiff to file, within a specified timeframe, a motion for approval of the draft notice and draft form answer. Under existing law, once the court approves the draft notice, the plaintiff is required to serve the notice, as specified. Following a court order approving both the notice and draft form answer and authorizing service thereof, existing law requires the plaintiff to take additional steps to provide notice to defendants including, but not limited to, mailing, by registered mail or certified mail, return receipt requested, the notice, complaint, and form answer to all holders of fee title to real property in the basin. Under existing law, if a return receipt is not received for a parcel of real property, the plaintiff must post a copy of the notice, complaint, and form answer in a conspicuous place on the real property. After completing these notice procedures, existing law requires the plaintiff to file a notice of completion of the mailing with the court. Existing law permits a court to authorize any other procedures it finds appropriate and necessary to provide notice to persons who may hold groundwater rights in basin. This bill would impose additional requirements on a plaintiff when filing the notice of completion of mailing. The bill would require the plaintiff to include with the notice of completion an affidavit of the person who mailed the notice and the certified or registered mail delivery receipt for each parcel stating the date, time, and place of mailing. The bill would further require the notice to include as an attachment any certified or registered mail delivery receipts received as of the date of the filing. (Based on 08/27/2026 text)

Position: Watch

AB 2218 **(Kalra, D) Water policy: California Native American tribes.**

Current Text: 09/03/2026 - Enrolled **HTML** **PDF**
Introduced: 02/19/2026

Last Amended: 07/02/2026
Status: 09/03/2026 - Enrolled and presented to the Governor at 4 p.m.
Location: 09/03/2026 - Assembly ENROLLED
Summary: Would require the state government to support California Native Americans to maintain cultural and linguistic traditions, practice ecosystem stewardship, and engage in good faith government-to-government consultations with all California Native American tribes regarding policies that may affect tribal communities. (Based on 08/30/2026 text)

Position: Watch

AB 2469 **(Papan, D) Data centers: water use disclosures.**

Current Text: 09/21/2026 - Chaptered **HTML** **PDF**
Introduced: 02/20/2026
Last Amended: 08/27/2026
Status: 09/21/2026 - Approved by the Governor. Chaptered by Secretary of State - Chapter 436, Statutes of 2026.
Location: 09/21/2026 - Assembly CHAPTERED
Summary: The Planning and Zoning Law authorizes the legislative body of any county or city to adopt ordinances that, among other things, regulate the use of buildings, structures, and land as between industry, businesses, residences, and open space, as specified. This bill would prohibit a city, county, or city and county from approving a discretionary or ministerial permit or other entitlement that would result in the construction, or an expansion that increases the maximum peak water use, of a data center unless specified conditions are satisfied, including, among others, that the applicant provides the city, county, or city and a county prescribed information. The bill would include in this prescribed information a water scarcity plan and a water supply assessment, each as provided. The bill would also include in the specified conditions that the applicant assumes responsibility for the full cost of any required water conveyance, treatment or storage, or distribution infrastructure improvements necessary to serve the project, as determined by the applicable water supplier. The bill would provide that this provision is severable. (Based on 09/21/2026 text)

Position: Watch

AB 2728 **(Soria, D) Groundwater: de minimis extractors: fees: exemption.**

Current Text: 09/04/2026 - Enrolled **HTML** **PDF**
Introduced: 02/20/2026
Last Amended: 06/11/2026
Status: 09/04/2026 - Enrolled and presented to the Governor at 4 p.m.
Location: 09/04/2026 - Assembly ENROLLED
Summary: Existing law authorizes a groundwater sustainability agency to impose fees, including, but not limited to, permit fees and fees on groundwater extraction or other regulated activity, to fund the costs of a groundwater sustainability program, and investigations, inspections, compliance assistance, enforcement, and program administration, as provided. Existing law prohibits a groundwater sustainability agency from imposing those fees on a de minimis extractor, as defined, unless the agency has regulated the user, as provided. This bill would authorize a local government, including, but not limited to, a groundwater sustainability agency, that imposes a fee, levy, charge, or exaction for groundwater monitoring or management, upon making specified findings, to exempt de minimis extractors, including the above-described regulated users, from the payment of the fee, levy, charge, or exaction, as provided. (Based on 09/01/2026 text)

Position: Watch

AB 2739 **(Soria, D) Water: affordability and system stabilization.**

Current Text: 09/10/2026 - Enrolled **HTML** **PDF**
Introduced: 02/20/2026
Last Amended: 08/21/2026
Status: 09/10/2026 - Enrolled and presented to the Governor at 3 p.m.
Location: 09/10/2026 - Assembly ENROLLED
Summary: Existing law establishes in the Natural Resources Agency the Department of Water Resources. Existing law vests in the department powers, duties, purposes, responsibilities, and jurisdiction in matters pertaining to water or dams. Existing law declares the responsibility of the state to assist local governments in providing certain essential services and facilities where water resource construction projects financed, in whole or in part, by the state or by the state jointly with the federal government create an undue burden on a local area's ability to provide these services and facilities. This bill would establish in the State Treasury the Water Affordability and System Stabilization Fund for holding the principal and income of the Water Affordability and System Stabilization Trust, which the bill would create. The bill would designate the Treasurer as trustee of the trust, as specified, and would require the trustee, among other things, to hold, manage, and invest the principal of the trust

with the obligation of providing a growing perpetual source of annual funding to the Water Rate Assistance Fund, administered by the state board, and the Community Water Affordability Assistance Fund, administered by the department, beginning 25 years after the Legislature transfers funding from the General Fund to the Water Affordability and System Stabilization Fund. This bill contains other related provisions and other existing laws. (Based on 09/03/2026 text)

Position: Watch

SB 239 **(Arreguín, D) Crimes: criminal threats.**

Current Text: 09/20/2026 - Chaptered **HTML** **PDF**
Introduced: 01/30/2025
Last Amended: 07/02/2026
Status: 09/20/2026 - Approved by the Governor. Chaptered by Secretary of State. Chapter 412, Statutes of 2026.
Location: 09/20/2026 - Senate CHAPTERED
Summary: Existing law makes it a crime to willfully threaten to commit a crime that will result in death or great bodily injury to another person, as specified. Under existing law, this crime is punishable as a misdemeanor or by imprisonment in state prison as a felony. Existing law, for the purposes of sentencing for a felony violation of these provisions, authorizes the court to consider, as a factor in aggravation, that the defendant willfully threatened to commit a crime that would result in the death or great bodily injury of a state constitutional officer, a Member of the Legislature, or a judge or court commissioner, as specified. This bill would additionally authorize the court to consider, as a factor in aggravation, that the defendant willfully threatened to commit a crime that would result in the death or great bodily injury of an elections official of a city, county, city and county, or public district, or an elected local agency official, as specified. (Based on 09/20/2026 text)

Position: Watch

SB 317 **(Hurtado, D) Wastewater surveillance.**

Current Text: 10/06/2025 - Vetoed **HTML** **PDF**
Introduced: 02/11/2025
Last Amended: 09/02/2025
Status: 03/02/2026 - Stricken from file. Veto sustained.
Location: 10/06/2025 - Senate VETOED
Summary: Current law establishes the State Department of Public Health to implement various programs throughout the state relating to public health. The department administers the California Wastewater Surveillance Dashboard that provides an overview of data from testing wastewater for SARS-CoV-2 virus in California. The data in the dashboard is generated by those participating in the department's California Surveillance of Wastewaters (Cal-SuWers) network, including the Cal-SuWers program, WastewaterSCAN, the federal Centers for Disease Control and Prevention National Wastewater Surveillance System, wastewater utilities, and academic, laboratory, and other state and federal partners. This bill would require the department, in consultation with participating wastewater treatment facilities, local health departments, and other subject matter experts, to maintain the Cal-SuWers network to test, as appropriate for public health use, for pathogens, toxins, or other public health indicators in wastewater. The bill would require participation in the Cal-SuWers network from local health departments and wastewater treatment facilities to be voluntary. The bill would authorize the department to coordinate with health care providers, local health departments, and emergency response agencies to ensure wastewater surveillance data is used for early intervention, outbreak response, epidemiological investigations, and public health planning. (Based on 09/13/2025 text)

Position: Watch

SB 394 **(Allen, D) Water theft: fire hydrants.**

Current Text: 10/10/2025 - Chaptered **HTML** **PDF**
Introduced: 02/14/2025
Last Amended: 07/03/2025
Status: 10/10/2025 - Approved by the Governor. Chaptered by Secretary of State. Chapter 540, Statutes of 2025.
Location: 10/10/2025 - Senate CHAPTERED
Summary: Current law authorizes a utility to bring a civil action for damages against any person who commits, authorizes, solicits, aids, abets, or attempts certain acts, including, diverting or causing to be diverted, utility services by any means whatsoever. Current law creates a rebuttable presumption that there is violation of these provisions if, on premises controlled by the customer or by the person using or receiving the direct benefit of utility service, certain actions occur, including that there is an instrument, apparatus, or device primarily designed to be used to obtain utility service without paying the full lawful charge for the utility. This bill would add to the list of acts for which a utility may bring a civil cause of action under these circumstances to include tampering with a fire hydrant, fire hydrant meter, or fire detector check, or connecting to, diverting water from, or causing water to be

diverted from, a fire hydrant without authorization from the utility that owns the fire hydrant, except as provided. (Based on 10/10/2025 text)

Position: Watch

SB 466 **(Caballero, D) Drinking water: primary standard for hexavalent chromium: exemption.**

Current Text: 10/03/2025 - Chaptered **HTML** **PDF**
Introduced: 02/19/2025
Last Amended: 08/25/2025
Status: 10/03/2025 - Approved by the Governor. Chaptered by Secretary of State. Chapter 320, Statutes of 2025.
Location: 10/03/2025 - Senate CHAPTERED
Summary: The California Safe Drinking Water Act requires the State Water Resources Control Board to adopt primary drinking water standards for contaminants in drinking water based upon specified criteria and requires a primary drinking water standard to be established for hexavalent chromium. Current law authorizes the state board to grant a variance from primary drinking water standards to a public water system. This bill would prohibit a public water system that meets the total chromium maximum contaminant level (MCL) enforceable standard for drinking water in California from being determined, held, considered, or otherwise deemed in violation of the primary drinking water standard for hexavalent chromium while implementing a state board approved compliance plan or while state board action on the proposed and submitted compliance plan is pending, except as provided. (Based on 10/03/2025 text)

Position: Watch

SB 470 **(Laird, D) Bagley-Keene Open Meeting Act: teleconferencing.**

Current Text: 10/01/2025 - Chaptered **HTML** **PDF**
Introduced: 02/19/2025
Last Amended: 04/10/2025
Status: 10/01/2025 - Chaptered by Secretary of State - Chapter 222, Statutes of 2025
Location: 10/01/2025 - Senate CHAPTERED
Summary: Existing law, the Bagley-Keene Open Meeting Act, requires, with specified exceptions, that all meetings of a state body be open and public and all persons be permitted to attend any meeting of a state body. The act authorizes meetings through teleconference subject to specified requirements, including, among others, that the state body post agendas at all teleconference locations, that each teleconference location be identified in the notice and agenda of the meeting or proceeding, that each teleconference location be accessible to the public, that the agenda provide an opportunity for members of the public to address the state body directly at each teleconference location, and that at least one member of the state body be physically present at the location specified in the notice of the meeting. This bill would instead repeal these provisions on January 1, 2030. (Based on 10/01/2025 text)

Position: Watch

SB 594 **(Padilla, D) Short-Term Rental Facilitator Act of 2026.**

Current Text: 09/25/2026 - Chaptered **HTML** **PDF**
Introduced: 02/20/2025
Last Amended: 08/12/2026
Status: 09/25/2026 - Approved by the Governor. Chaptered by Secretary of State. Chapter 456, Statutes of 2026.
Location: 09/25/2026 - Senate CHAPTERED
Summary: Wwould enact the Short-Term Rental Facilitator Act of 2026. The bill would authorize an Indian tribe, as defined, to exercise the same powers a local agency has under the Short-Term Rental Facilitator Act of 2025. The bill would provide that an “ordinance” under the act refers to a tribal law of an Indian tribe imposing a transient occupancy tax. (Based on 09/25/2026 text)

Position: Watch

SB 599 **(Caballero, D) Atmospheric rivers: research: forecasting methods: experimental tools.**

Current Text: 09/27/2026 - Chaptered **HTML** **PDF**
Introduced: 02/20/2025
Last Amended: 04/24/2025
Status: 09/27/2026 - Approved by the Governor. Chaptered by Secretary of State. Chapter 650, Statutes of 2026.
Location: 09/27/2026 - Senate CHAPTERED
Summary: Current law establishes the Atmospheric Rivers Research and Forecast Improvement Program: Enabling Climate Adaptation Through Forecast-Informed Reservoir Operations and Hazard Resiliency (AR/FIRO)

Program in the Department of Water Resources. Current law requires the department to operate reservoirs in a manner that improves flood protection, and to reoperate flood control and water storage facilities to capture water generated by atmospheric rivers. This bill would, for novel forecasting methods researched, developed, and implemented by the department, require the department to include the use of experimental tools that produce seasonal and subseasonal atmospheric river forecasts, as defined. (Based on 09/27/2026 text)

Position: Watch

SB 697 **(Laird, D) Determination of water rights: stream system.**

Current Text: 10/06/2025 - Chaptered **HTML** **PDF**
Introduced: 02/21/2025
Last Amended: 07/03/2025
Status: 10/06/2025 - Approved by the Governor. Chaptered by Secretary of State. Chapter 422, Statutes of 2025.
Location: 10/06/2025 - Senate CHAPTERED
Summary: Current law authorizes the State Water Resources Control Board to hold proceedings to determine all rights to water of a stream system whether based upon appropriation, riparian right, or other basis of right. Current law provides various requirements for the board when determining adjudication of water rights, including, among other things, performing a detailed field investigation of a stream system, as defined, issuing an order of determination, providing notice and a hearing process, and filing a final order. This bill would revise the above-described provisions regarding the board's statutory adjudication of water rights during an investigation of a stream system to, among other things, require representatives of the board to investigate in detail the use of water with the authority, but no requirement, to conduct a field investigation, authorize the board, if the board determines that the information provided by the person, as specified, is inadequate, to issue information orders that require claimants to submit reports of water use from the stream system through a form provided by the board, and require claimants to respond to that order within 75 days of the date of issuance by the board. (Based on 10/06/2025 text)

Position: Watch

SB 707 **(Durazo, D) Open meetings: meeting and teleconference requirements.**

Current Text: 10/03/2025 - Chaptered **HTML** **PDF**
Introduced: 02/21/2025
Last Amended: 09/05/2025
Status: 10/03/2025 - Approved by the Governor. Chaptered by Secretary of State. Chapter 327, Statutes of 2025.
Location: 10/03/2025 - Senate CHAPTERED
Summary: Existing law, the Ralph M. Brown Act, requires, with specified exceptions, that all meetings of a legislative body, as defined, of a local agency be open and public and that all persons be permitted to attend and participate. This bill would, beginning July 1, 2026, and until January 1, 2030, require an eligible legislative body, as defined, to comply with additional meeting requirements, including that, except as specified, all open and public meetings include an opportunity for members of the public to attend via a 2-way telephonic service or a 2-way audiovisual platform, as defined, and that the eligible legislative body take specified actions to encourage residents to participate in public meetings, as specified. The bill would require an eligible legislative body, on or before July 1, 2026, to approve at a noticed public meeting in open session a policy regarding disruption of telephonic or internet services occurring during meetings subject to these provisions, as specified, and would require the eligible legislative body to comply with certain requirements relating to disruption, including for certain disruptions, recessing the open session for at least one hour and making a good faith attempt to restore the service, as specified. This bill contains other related provisions and other existing laws. (Based on 10/03/2025 text)

Position: Watch
Notes:
7/23/25 - Signed onto a coalition letter with CSDA
8/23/25 - CSDA removed opposition

SB 838 **(Durazo, D) Housing Accountability Act: housing development projects.**

Current Text: 10/13/2025 - Chaptered **HTML** **PDF**
Introduced: 02/21/2025
Last Amended: 09/05/2025
Status: 10/13/2025 - Approved by the Governor. Chaptered by Secretary of State. Chapter 789, Statutes of 2025.
Location: 10/13/2025 - Senate CHAPTERED
Summary: Existing law, the Housing Accountability Act, among other things, prohibits a local agency from disapproving, or conditioning approval in a manner that renders infeasible, a housing development project for very low, low-, or moderate-income households unless the local agency makes written findings as to one of certain sets

of conditions, as specified. Existing law defines, for its purposes, a housing development project as a use consisting of, among other things, mixed-use developments consisting of residential and nonresidential uses meeting one of several conditions, including that at least 2/3 of the new or converted square footage is designated for residential use. This bill would revise the definition of "housing development project" to, in the case of mixed-use developments with at least 2/3 of the new or converted square footage designated for residential use, require that no portion of the project be designated for use as a hotel, motel, bed and breakfast inn, or other transient lodging, except as specified. This bill contains other related provisions. (Based on 10/13/2025 text)

Position: Watch

SB 872 **(McNerney, D) Delta Levees and Canal Subsidence Fund.**

Current Text: 09/27/2026 - Vetoed **HTML** **PDF**
Introduced: 01/06/2026
Last Amended: 08/13/2026
Status: 09/27/2026 - Vetoed by the Governor. In Senate. Consideration of Governor's veto pending.
Location: 09/27/2026 - Senate VETOED
Summary: The Sacramento-San Joaquin Delta Reform Act of 2009, declares that the Sacramento-San Joaquin Delta (Delta) is a critically important natural resource for California and the nation and it serves as both the hub of the California water system and the most valuable estuary and wetland ecosystem on the west coast of North and South America. Existing law establishes in the Natural Resources Agency the Department of Water Resources (department). Existing law requires the department and the Department of Fish and Wildlife to determine the principal options for the Delta and requires the department to evaluate and comparatively rate each option for its ability to do specified things, including, among others, to maintain Delta water quality for Delta users, and to preserve, protect, and improve Delta levees. Existing law establishes in the agency the Sacramento-San Joaquin Delta Conservancy. Existing law requires the conservancy to act as a primary state agency to implement ecosystem restoration in the Delta and to support efforts that advance environmental protection and the economic well-being of Delta residents. Existing law provides for the preservation of specified management areas of the Suisun Marsh, pursuant to a protection plan prepared and adopted by the San Francisco Bay Conservation and Development Commission, as provided. Existing law establishes the Delta Stewardship Council, and requires the council to develop, adopt, and implement a comprehensive long-term management plan for the Delta, known as the Delta Plan, as provided. Existing law requires the department, upon appropriation, to reimburse an eligible local agency for costs incurred for the maintenance or improvement of specified levees, in an amount not to exceed 75% of costs incurred in excess of a set amount per mile, as provided. This bill would require the department to reimburse 100% of the excess costs if a local agency demonstrates economic hardship and the reimbursement is for a project that addresses a threat to life, property, water supply, or habitat. (Based on 08/24/2026 text)

Position: Watch

SB 952 **(Laird, D) State Water Project: renewable energy resources and zero-carbon resources.**

Current Text: 08/31/2026 - Chaptered **HTML** **PDF**
Introduced: 02/02/2026
Last Amended: 08/06/2026
Status: 08/31/2026 - Approved by the Governor. Chaptered by Secretary of State. Chapter 175, Statutes of 2026.
Location: 08/31/2026 - Senate CHAPTERED
Summary: Under existing law, it is the policy of the state that eligible renewable energy resources and zero-carbon resources supply 90% of all retail sales of electricity to California end-use customers by December 31, 2035, 95% of all retail sales of electricity to California end-use customers by December 31, 2040, 100% of all retail sales of electricity to California end-use customers by December 31, 2045, and 100% of electricity procured to serve all state agencies by December 31, 2035, as specified. Existing law requires the Department of Water Resources to procure eligible renewable energy resources and zero-carbon resources to satisfy those state agency obligations imposed on the State Water Resources Development System, commonly known as the State Water Project, pursuant to that policy. Existing law authorizes the department to defer, until no later than December 31, 2040, procuring zero-carbon electricity resource quantities equal to the amount of electricity provided under an existing contract to procure fossil generation entered into before January 1, 2010, if the department determines that the full achievement of the state agency obligations imposed on the State Water Project would require the early termination of the existing contract and that early termination of the existing contract would result in significant uneconomic costs. Existing law requires the department, in conducting procurement, to consider specified factors and requires that all resources procured be used first to meet the department's own electricity needs. This bill would require the department, in conducting that procurement, to also consider portfolio diversity, resource type, location, and hours of typical peak operation. The bill would expand the scope of the department's authorization to defer the procurement of those resource quantities to apply to an existing contract to procure fossil generation entered into before January 1, 2011, rather than January 1, 2010. (Based on 08/31/2026 text)

Position: Watch

SB 1036 **(Grayson, D) Mitigation Fee Act.**

Current Text: 06/30/2026 - Chaptered **HTML** **PDF**
Introduced: 02/11/2026
Last Amended: 04/16/2026
Status: 06/30/2026 - Approved by the Governor. Chaptered by Secretary of State. Chapter 54, Statutes of 2026.
Location: 06/30/2026 - Senate CHAPTERED
Summary: The Mitigation Fee Act imposes various requirements with respect to the establishment, increase, or imposition of a fee by a local agency as a condition of approval of a development project, including requiring the local agency to identify the use to which the fee is to be put and determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed. This bill would require the amount of a fee that is imposed on a development project that demolishes or changes an existing use to be offset to account for the demolition or change so that the amount of the fee is attributable only to the development project's incremental impact on public facilities or services, as provided. (Based on 06/30/2026 text)

Position: Watch

SB 1139 **(Laird, D) Monterey Peninsula Water Management District: nonfunctional turf: noncompliance and enforcement.**

Current Text: 07/13/2026 - Chaptered **HTML** **PDF**
Introduced: 02/18/2026
Last Amended: 03/23/2026
Status: 07/13/2026 - Approved by the Governor. Chaptered by Secretary of State. Chapter 88, Statutes of 2026.
Location: 07/13/2026 - Senate CHAPTERED
Summary: The Monterey Peninsula Water Management District Law establishes the Monterey Peninsula Water Management District. The act authorizes the district to, among other things, prohibit the use of district water during an emergency caused by drought, or other threatened or existing water shortage, for specific uses that the district finds to be nonessential. Existing law prohibits the use of potable water for the irrigation of nonfunctional turf located on commercial, industrial, and institutional properties, other than a cemetery, and on properties of homeowners' associations, common interest developments, and community service organizations or similar entities, as specified. Existing law requires a person or entity to be subject to civil liability or penalties by the State Water Resources Control Board, as prescribed, or to civil liability and penalties imposed by an urban water supplier, pursuant to a locally adopted ordinance or policy. Existing law authorizes a public water system, city, county, or city and county to enforce the provisions relating to the prohibition, as specified. This bill would require a person or entity to be subject to civil liability or penalties imposed by the Monterey Peninsula Water Management District pursuant to a locally adopted ordinance or policy. (Based on 07/13/2026 text)

Position: Watch

SCR 3 **(Laird, D) Safe Drinking Water Act: 50th anniversary.**

Current Text: 07/03/2025 - Chaptered **HTML** **PDF**
Introduced: 12/02/2024
Status: 07/03/2025 - Chaptered by Secretary of State - Chapter 111, Statutes of 2025
Location: 07/03/2025 - Senate CHAPTERED
Summary: Would commemorate the 50th anniversary of the Safe Drinking Water Act. (Based on 07/03/2025 text)

Position: Watch

Total Measures: 49
Total Tracking Forms: 49

Memo

G, H

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

TWELVE MONTH CALENDAR / OTHER MEETINGS /

REPORTS / BOARD COMMENTS

Any report will be oral at the time of the Board meeting. Please refer to the TWELVE MONTH Calendar (attached) for meetings attended.

TWELVE MONTH CALENDAR OF EVENTS (AS OF 10/6/26)

Date(s)	Event	Time	Location	Attending Board Member(s)	Additional Information (Speakers' Topic, Cohosts, etc.)
SEPTEMBER 2026					
18-Sep	Knowbe4 Cybersecurity Training			Lanfried	
19-Sep	Fire-Resistant Landscape Workshop	10:00 AM -11:30 AM	Boardroom	Lanfried	
23-Sep	Safety Committee Meeting	2:30 PM	Boardroom	Guerin, Hahn	
28-Sep	Conference Call with the General Manager RE: SDCWA Issues			Meyers	
OCTOBER 2026					
Oct 2-4	MWD Colorado River Inspection Tour			Lanfried	
7-Oct	Health and Wellness Expo	11:30 AM - 1:00 PM	Jack's Shack	Meyers	
8-Oct	Water Career Day		SEJPA Water Campus		
12-Oct	Conference Call RE: Board Meeting Pre-Breifing			Hahn	
14-Oct	ACWA Region 10 Event	9:00 AM- 1:00 PM	The Westin Carlsbad	Maloni, Meyers	

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

CORRESPONDENCE

Any correspondence is attached.

Board of Directors
Matthew R. Hahn, President
Neal Meyers, Vice President
Christy Guerin, Secretary
Scott Maloni, Treasurer
Ebin Lanfried, Director

OLIVENHAIN
Municipal Water District

General Manager
Kimberly A. Thorner, Esq.
General Counsel
Alfred Smith, Esq.

September 8, 2026

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: SB 1085 (Durazo) – Water Supply Planning – Housing Developments – REQUEST FOR SIGNATURE

Dear Governor Newsom,

On behalf of the Olivenhain Municipal Water District, I am writing to respectfully request your signature on SB 1085. SB 1085 restores an important safeguard on water availability for new large developments that was inadvertently circumvented through recent legislation. OMWD provides 87,000 customers in northern San Diego County with water, wastewater, recycled water, hydroelectric, and recreational services.

Water supply assessments (WSAs) have been required for development projects that meet certain requirements, including that the project is more than 500 residential units or a non-residential project that demands a similar or greater amount of water. The WSA process allows water suppliers to provide important information to developers regarding reliability during future droughts, information on necessary infrastructure upgrades and costs, water conservation measures in place, and potential availability of recycled water to serve projects. A WSA presents an opportunity for early coordination between a water supplier and a developer to help ensure a reliable, long-term water supply, and the construction of the necessary infrastructure, resulting in a more efficient project implementation process.

Recent laws that have eliminated CEQA analysis have inadvertently meant that WSAs are no longer triggered in certain circumstances, even though the project still meets the WSA criteria under state law. SB 1085 restores this important safeguard on new large

developments to retain their long-established benefits, improving the link between land use planning and water supply planning.
For these reasons, the Olivenhain Municipal Water District respectfully requests your signature on SB 1085.

Thank you for your consideration.

Sincerely,

Kimberly A. Thorner
General Manager
Olivenhain Municipal Water District

Board of Directors
Matthew R. Hahn, President
Neal Meyers, Vice President
Christy Guerin, Secretary
Scott Maloni, Treasurer
Ebin Lanfried, Director

OLIVENHAIN
Municipal Water District

General Manager
Kimberly A. Thorner, Esq.
General Counsel
Alfred Smith, Esq.

September 8, 2026

The Honorable Gavin Nwsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: SB 1153 (Caballero) – REQUEST FOR SIGNATURE

Dear Chair Governor Newsom:

On behalf of the Olivenhain Municipal Water District, I write to respectfully request your signature on SB 1153, which would require urban retail water suppliers serving high-risk areas to include wildfire response procedures within their emergency response plans to bolster wildfire planning efforts. The bill would also clarify the role of public water systems in wildfire response, including the limitations of water systems. OMWD provides 87,000 customers in northern San Diego County with water, wastewater, recycled water, hydroelectric, and recreational services.

Over the last decade, California has faced some of the largest and most destructive wildfires in history, placing extraordinary demands on public water systems and customers. Despite these demands, public water systems are investing and taking actions to prepare for future wildfire events through emergency preparedness and planning actions, which vary based on the needs of the system and area of the state.

Emergency preparedness and planning actions include infrastructure investments; drills and tabletop exercises with local government, fire departments, and other stakeholders to test communications and response systems ahead of wildfires; and emergency communication plans to notify customers about service impacts, water quality, advisories, and safety guidance during wildfire emergencies.

SB 1153 would build upon existing emergency planning requirements and strengthen wildfire preparedness by requiring all urban retail water suppliers serving a high or very high fire hazard severity zone to incorporate a specific planning element regarding wildfire preparedness and response into their disaster preparedness and emergency response plans. The bill would require these plans to include mitigation actions, procedures, and

equipment that can obviate or significantly lessen the impacts of wildfires on water infrastructure and the supply of drinking water. This bill would allow water suppliers, the experts on their systems, to develop preparedness strategies that reflect local conditions and operational needs. Water suppliers would have until January 1, 2028, to develop and incorporate wildfire response procedures within their plans, which would result in water agencies in high-risk areas developing their plans at the same time, therefore creating more opportunities for coordination and collaboration.

In January of this year, the University of California, Los Angeles (UCLA) Luskin Center for Innovation published a report which synthesizes insights from a workshop of 42 experts representing water agencies, fire services, regulators, researchers, and technical assistance providers. The report stated that, "Participants reached a strong consensus that water systems have a limited and inherently constrained role in wildfire suppression. Hydrants, storage, and pipe networks are neither required nor engineered to deliver the sustained flows and pressures required to stop fastmoving, multi-block fires. Yet public perception, misinformation, and fragmented communication have created unrealistic expectations and, at times, misplaced blame. Workshop discussions emphasized the need for clearer communication with policymakers and the public; improved coordination among water systems, fire agencies, and emergency response entities; and careful evaluation of trade-offs in proposed infrastructure or operational interventions."

As wildfires become more frequent and destructive across California, misunderstandings of public water systems have led to unrealistic public expectations and have resulted in the public perception that water systems may have underperformed during a wildfire event. Following major wildfire events, public water systems have increasingly faced claims and lawsuits for wildfire damages. The financial burden of litigation is ultimately borne by customers, impacting water rates and affordability.

In alignment with UCLA's findings, SB 1153 would include legislative findings and declarations which illustrate that while public water systems are designed to aid in firefighting, they are not intentionally designed or constructed for wildfire defense or suppression and that doing so would be physically impracticable, financially infeasible, and may compromise the quality and affordability of water. The bill would also establish that the inability of a public water system to maintain water supply or water pressure during a wildfire shall not be considered a substantial cause of the damages resulting from a wildfire and that the spread of wildfire is not an inherent risk presented by the deliberate design, construction, or maintenance of a public water system. The bill would further clarify that the bill's provisions shall not be construed to limit or affect liability regarding acts of negligence.

This bill would correct misconceptions about the capabilities of water systems during wildfire events, reducing exposure to costly litigation and providing greater financial certainty so public water systems can continue investing in water reliability and resilience projects.

SB 1153 improves wildfire preparedness while recognizing operational realities. California must acknowledge the limited role of our public water systems, support their efforts to adapt to climate change, and prepare for future long-term investments in disaster response.

For these reasons, OMWD respectfully requests your signature on SB 1153.

Thank you for your consideration.

Sincerely,

Kimberly A. Thorner
General Manager

Board of Directors
Matthew R. Hahn, President
Neal Meyers, Vice President
Christy Guerin, Secretary
Scott Maloni, Treasurer
Ebin Lanfried, Director

OLIVENHAIN
Municipal Water District

General Manager
Kimberly A. Thorner, Esq.
General Counsel
Alfred Smith, Esq.

September 9, 2026

The Honorable Gavin Newsom
Governor, State of California
1020 N Street, Suite 9000
Sacramento, CA 95814

Re: AB 1383 Public Employees' Retirement Benefits – REQUEST FOR VETO

Dear Governor Newsom:

On behalf of Olivenhain Municipal Water District, I am writing to respectfully request your veto of AB 1383, which would make several significant changes to public employees' retirement benefits that may result in higher pension liabilities for both state and local agencies. OMWD provides 87,000 customers in northern San Diego County with water, wastewater, recycled water, hydroelectric, and recreational services.

Public Employees' Pension Reform Act was passed in 2012, and most of its provisions took effect on January 1, 2013. PEPRA was designed to address a wide range of issues involving public employee pensions and was a major step toward helping public agencies better manage future pension costs and prevent California Public Employees Retirement System from sliding into insolvency. AB 1383 would upend many of the reforms put in place in 2013 by PEPRA.

If enacted, this bill would result in the following changes:

- Increase the pensionable compensation cap
- Reduce the public safety retirement age from 57 to 55 prospectively
- Add a fourth safety tier of 3% at age 55, prospective and subject to bargaining
- Allow local agencies to adjust their local formula prospectively

PEPRA has been in place since 2013, and we have had the opportunity to see its impact on pension funds and local agencies. According to a 2024 estimate, for the state, schools, and public agencies in CalPERS, PEPRA had already led to $5.8 billion in savings. As years go by and the public sector force skews towards new members, those savings will increase dramatically. Over the next ten years, PEPRA is expected to result in $26.5 billion in cost

savings for CalPERS members[1]. This data does not include the public agencies that maintain their own pension system, including twenty counties. The critical savings from PEPRA help support budgetary stability, which supports operational and workforce stability.

AB 1383 increases mandated costs without a way for public agencies to absorb them. The potential cost of this bill comes at a time of fiscal uncertainty. Much like the state, local agencies are facing budget challenges, as the costs of delivering services increase and new mandates are implemented. Some local agencies are currently considering significant budget cuts and new cost pressures, leading to serious cost increases for local government.

According to CalPERS, given the current discount rate of 6.8%, AB 1383 is expected to increase the required contributions of employers and PEPRA members and increase the present value of future benefits by $4.8 billion across state, school, and local agency plans. In addition to the change in present value of future benefits, CalPERS estimates that the change to the accrued liability will be $233 million across state, school, and local agency plans. AB 1383 further proposes that employers may increase their PEPRA formula to 3% at age 55 through individual agency collective bargaining. The benefit for this formula will be limited to 90 percent of final compensation. The increase in normal costs due to this change could lead to increased annual normal cost contributions of $353 million in the first year and increase the present value of future benefits by $3.4 billion.

The CalPERS analysis does not include estimates for non-CalPERS pension systems, including the twenty county-operated pension systems. Additionally, these costs are based on a snapshot of current compensation for public employees and could be heightened significantly if compensation increases rise and exceed the current compensation cap.

As of June 30, 2026, the Public Employees Retirement Fund was 85% funded. If CalPERS misses its investment return mark of 6.8%, local agencies in CalPERS and the state have to pay the difference. Again, this bill would compound costs for local governments and the state and do nothing to offset the costs.

While this bill may be prospective, agencies have already been authorizing salary increases since the passage of PEPRA under the assumption that the cost benefits would remain in line with current PEPRA law. The future costs would likely cause immediate financial strain on impacted agencies, especially those with a large number of PEPRA safety employees.

Local government decision makers and public agency department heads have been implementing innovative ways to try to boost recruitment and retention and would welcome additional state support and resources for these efforts. However, adding another unfunded mandate on public agencies will not solve the problem of retention and recruitment. It is critical that pension policy offers sustainable retirement benefits to public agency employees while also ensuring that public agencies have solid retirement benefits to attract and retain highly talented employees.

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[1] CalPERS 2024 Annual Review of Funding Levels and Risk (published November 2024)

Raising the cost of these benefits through AB 1383 would reduce the funds available for salary increases, potentially hindering future recruitment. The bill could also provoke labor unrest by exacerbating equity issues between safety and non-safety workers. Moreover, CalPERS states that AB 1383 would raise the total normal cost for affected plans, leading to higher PEPRA employee contribution rates to cover half of the increased cost. Consequently, some PEPRA employees earning below the pensionable compensation cap might have to contribute more to CalPERS without gaining benefits from the higher pensionable compensation cap.

Unfortunately, pension costs for many California public agencies continue to be a challenge, threatening the delivery of basic public services, compromising general fund budgets and indeed, posing a long-term fiscal challenge to the state itself. That is why it is increasingly important that any change to the system be sustainable, fair to taxpayers and employees, and provide long-term financial stability. Any change to PEPRA must protect the fiscal integrity of public agencies and the retirement security of public employees.

OMWD is dedicated to providing competitive benefits for public servants while safeguarding the fiscal health of essential local services. However, this bill risks undermining the financial stability of public agencies and could misguide public agencies and pension funds.

For these reasons, OMWD respectfully urges you to veto AB 1383. If you or your staff should need any additional information or have any questions, please do not hesitate to contact me at 760-753-6466 or kthorner@olivenhain.com.

Sincerely,

Kimberly A. Thorner
General Manager

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: AUTHORIZATION TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS

The Board may desire to attend a meeting that requires Board approval.

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: FUTURE AGENDA ITEMS

The Board may have items to be considered at a Future Board meeting.

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: CONSIDER PUBLIC COMMENTS

There may be public comments before the Board meeting is adjourned.

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: CLOSED SESSION

It may be necessary to go into Closed Session.

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: OPEN SESSION

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: ADJOURNMENT

We are adjourned.

Water and Wastewater Internships Program Provide Career Opportunities

waternewsnetwork.com/water-and-wastewater-internships-program-provide-career-opportunities

Gayle Falkenthal September 30, 2026



For 20 years, the San Diego Regional Water and Wastewater Internship Program and individual member agency internship programs have given students enrolled in water technology courses the opportunity to gain paid, on-the-job training and exposure to a variety of career opportunities in the water and wastewater industry.

With increased demand for trained, qualified professionals, this career field has exceptional potential. Water professionals enjoy good salaries and the satisfaction of serving their local community and the environment.

Students selected work at a San Diego County member water agency. They rotate through four different eight-week career experience modules: System Maintenance, System Operations, Water Treatment, and Wastewater Treatment. Students get the opportunity to learn more about the water career field while showcasing their skills, talents, and knowledge to potential employers.

Completing the program gives students the knowledge and training needed to apply for state water and wastewater certification exams.

Meet interns at three water agencies who have found career success through our region's internship programs.

Vallecitos Water District Intern Charles Zhao

Palomar College student **Charles Zhao** was accepted and assigned as the spring 2026 intern at the Vallecitos Water District.

Zhao says rotating through different departments helped him learn how the water system works from source to customer delivery.



Watch on YouTube

"One of the most meaningful and rewarding experiences I've had is interning at Meadowlark Water Reclamation Plant," said Zhao. "I was able to shadow the operators there, but also help in preventive maintenance, taking samples and doing lab tests," which help determine daily adjustments at the treatment plant.

Zhao says he was surprised how much he enjoyed his experience working in the water quality field. "Looking into the future, that has led me to decide to look more into getting a water analysis certification.

“My advice to anybody else who ends up interning at Vallecitos or any other district would be not being afraid of observing at first to see how things are done by other operators and the team, and then trying out whatever task they’re working on,” said Zhou, thanking the program and the Vallecitos Water District for his hands-on experience.

Olivenhain Municipal Water District Intern Michael Murguia



Olivenhain Municipal Water District intern Miguel Murguia. Photo: Olivenhain Municipal Water District

Cuyamaca College student **Michael Murguia** learned about the water industry through his brother, an Olivenhain Municipal Water District employee.

While pursuing his studies at Cuyamaca, Murguia works part-time at a private company that manages underground water wells and has construction experience. Murguia says he is eager to start his full-time career at a public agency after his internship due to career stability and the chance to help the local community.

“Our goal isn’t simply to introduce interns to water careers,” said OMWD board president Matthew Hahn. “We’re intentionally investing in future talent. We want interns to build skills, confidence, and valuable experience while imagining long-term careers at OMWD

and in the water sector. Our investment pays off when interns pursue career paths within the water industry after graduation."

Helix Water District Interns Benefit From Hands-On Experience

In addition to the Water Authority's internship program, several San Diego regional water agencies offer internships. Helix Water District has an active program across multiple disciplines.

Jamie Medlin, Assistant Engineer at the Helix Water District, graduated from San Diego State University with a Bachelor of Science degree in civil engineering, where faculty encouraged students to obtain internships to gain practical, real-world experience alongside theoretical and technical engineering concepts in the classroom.

Medlin said she learned the value of multi-discipline coordination. "I began to understand how the engineering design concepts I was learning in the classroom are practically implemented and how the different disciplines interact throughout the duration of a project."

Medlin, who grew up in the area served by the Helix Water District, says her experience led to her being hired as a full-time engineering technician after graduation. Two years later, Medlin was promoted to her current role as an assistant engineer.

Lea Cornelius' father worked for a water district for more than 30 years, starting in the laboratory and eventually becoming a lab supervisor.

Even though Cornelius chose a completely different field from her father, studying accounting, she thought working for a water district would be a great connection to him.

"After looking more into Helix, I was also drawn to the district's emphasis on integrity, accountability, and continuous improvement. I was looking for an opportunity to gain real-world accounting experience, so the internship felt like a great fit," said Cornelius, who is currently enrolled in San Diego State University's BMACC program, a combined bachelor's and Master of Science in Accountancy program allowing her to complete both degrees in four years.

Cornelius said that at Helix she has been able to see how accounting actually works in the real world. "Numbers represent real events, decisions, and resources that ultimately affect people and the community.

“I’ve been given opportunities to ask questions, contribute, and really be part of the team. I feel as though my work contributes to Helix as a whole,” said Cornelius.

Sam Browne applied to the internship program because working with a valued natural resource appealed to him in the way other civil engineering roles did not.

“Working in water resources feels very relevant when you can see what it takes to get drinking water to a home,” said Browne. While earning his degree at San Diego State University, Browne said, “The internship program at Helix taught me practical applications of the concepts I learned in school.

“I also learned how important communication and coordination are to public projects at Helix. This was especially valuable for building knowledge with career goals in mind.

“Helix has always encouraged me to continue learning and building new skills I can take into the future; I would highly recommend this program to other students. Having a real-world understanding of water resources is so valuable for students transitioning from school to a professional role in the industry.”

Internship Program Applications Open in March 2027

Applications for the 2027-2028 program year will be accepted beginning in March 2027. Career prospects remain bright for students looking to become leaders in the San Diego region’s water industry. Interns gain practical work through paid temporary assignments. Learn more and apply at https://www.sandiegowaterworks.org/internships/

Upcoming things to do include festivals, concerts, theater, Water Career Day and more

sandiegouniontribune.com/2026/09/29/upcoming-things-to-do-include-festivals-concerts-theater-water-career-day-and-more

Ut Community Press September 29, 2026

Water Career Day

Olivenhain Municipal Water District, San Elijo Joint Powers Authority (SEJPA), and Leucadia Wastewater District will host the third annual Water Career Day at the SEJPA campus on Oct. 8 from 9 a.m. to 3:30 p.m.

This award-winning workforce development event is designed to provide students and military veterans with pathways to careers in the water and wastewater industry.The day's program includes exploring various career options such as engineering, water treatment, and field services. Interactive stations offer the chance to apply critical thinking skills and work on real-world infrastructure challenges. Attendees will learn about water workforce training programs and network with agency recruitment professionals. Event location: 2695 Manchester Avenue, Cardiff.

Water Career Day on Oct. 8 Opens Pathways for Future Workforce

waternewsnetwork.com/water-career-day-oct-8-opens-workforce-careers

Gayle Falkenthal September 29, 2026



Olivenhain Municipal Water District, San Elijo Joint Powers Authority (SEJPA), and Leucadia Wastewater District will host the third annual Water Career Day at the SEJPA campus on October 8.

This award-winning workforce development event is designed to provide students and military veterans with pathways to careers in the water and wastewater industry.

The WaterReuse Association named the first Water Career Day in 2024 as its 2025 Outreach and Education Program of the Year. Due to its success, it returned in 2025 and will take place a third time on October 8.

Water Career Day Program Highlights



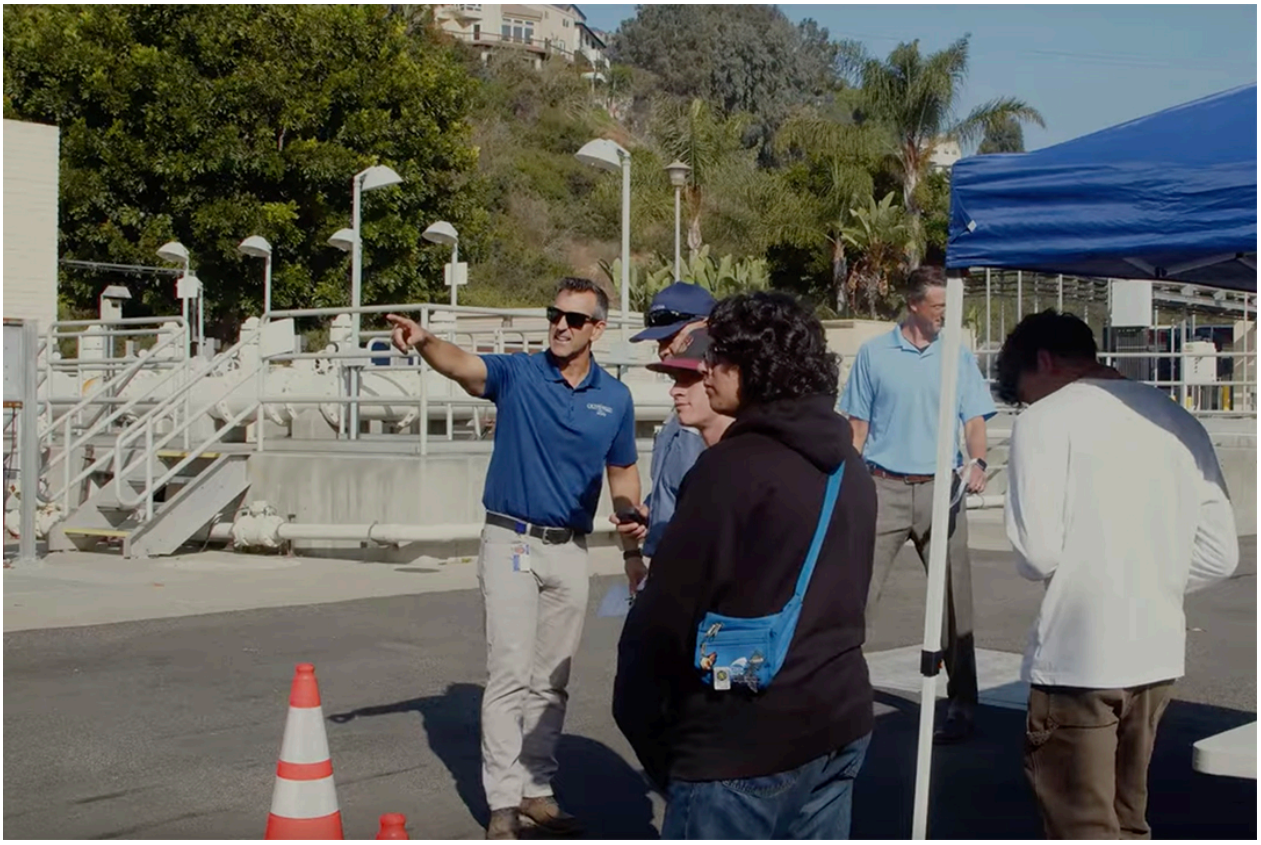
Water Career Day takes place at the San Elijo Water Campus operated by the Leucadia Wastewater District. Photo: Leucadia Wastewater District

The day's program includes exploring various career options such as engineering, water treatment, and field services. Interactive stations offer the chance to apply critical thinking skills and work on real-world infrastructure challenges. Attendees will learn about water workforce training programs and network with agency recruitment professionals.

Each participating agency hosts interactive stations staffed by working professionals who give students the opportunity to work on real-world infrastructure and learn about career options.

Attendees will also make valuable connections with water agency recruitment professionals and will learn about the region's community college water workforce training programs.

Commitment To Community and Public Health



Olivenhain Municipal Water District Assistant General Manager Joey Randall speaks with Water Career Day students. Photo: Leucadia Wastewater District

“Water Career Day provides a hands-on educational opportunity to introduce students to the people, technology, and purpose behind the essential services our communities depend on every day. We’re excited to welcome students back for a third year and show them firsthand the many rewarding career paths available in the water and wastewater industry,” said Leucadia Wastewater District board president Matthew Brown.

“Water Career Day reflects our commitment to the community and our staff, the unsung heroes who work to make clean water a way of life,” said Luke Shaffer, board president of the San Elijo Joint Powers Authority. “By welcoming students and veterans, we’re encouraging the next generation to explore careers that protect public health and the environment.”

“The water and wastewater sector has long been a backbone of San Diego’s workforce,” said OMWD board vice president Neal Meyers. “We’re proud to connect students and veterans with good, stable, and meaningful career pathways that protect public health and the environment.”

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Olivenhain Municipal Water District is a public agency providing water, wastewater services, recycled water, hydroelectricity, and operation of Elfin Forest Recreational Reserve. Organized in 1959, OMWD currently serves approximately 87,000 customers over 48 square miles in northern San Diego County.

The San Elijo Joint Powers Authority is a local leader in environmental stewardship, providing award-winning wastewater treatment and recycled water services for the communities of Encinitas, Solana Beach, Del Mar, and Rancho Santa Fe.

Leucadia Wastewater District was formed in 1959 to collect, transport, and treat wastewater and provide recycled water for irrigation. LWD provides service to about 60,000 customers in a 16-square-mile area that includes La Costa, Leucadia, and the Village Park area of Encinitas. LWD manages about 4 million gallons of treated wastewater daily.