Board of Directors - Final - Revised 1

October 14, 2025

2:30 PM

Tuesday, October 14, 2025 Meeting Schedule
08:30 a.m. FAAME 10:30 a.m. LEGAL 12:00 p.m. Break 12:30 p.m. OPE 02:30 p.m. BOD

Written public comments received by 3:00 p.m. the business day before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here: https://mwdh2o.legistar.com/Legislation.aspx.

The listen-only phone line is available at 1-877-853-5257; enter meeting ID: 891 1613 4145.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference and in-person. To provide public comment by teleconference dial 1-833-548-0276 and enter meeting ID: 815 2066 4276 or to join by computer click here.

Disclaimer: Written and oral public comments are received in compliance with the Ralph M. Brown Act. Please note that Metropolitan does not endorse or ensure the accuracy or reliability of the information provided as public comment or by third parties.

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012
Teleconference Locations:
City Hall • 303 W. Commonwealth Avenue, Chamber • Fullerton, CA 92832
3008 W. 82nd Place • Inglewood, CA 90305
Santa Ana City Hall • 20 Civic Center Plaza, 8th Floor • Santa Ana, CA 92701
Alandale Insurance Agency • 337 West Foothill Boulevard • Glendora, CA 91740
Scripps Institution of Oceanography, MESOM 208 • 8885 Biological Grade • La Jolla, CA 92037
Peters Ridge • 2136 Spyglass Trail West • Oxnard, CA 93036

1. Call to Order

a. Invocation: Director Raymond Jay, City of Torrance

b. Pledge of Allegiance: Vice Chair of the Board Juan Garza, Central Basin Municipal Water District

2. Roll Call

3. Determination of a Quorum

4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code §54954.3(a))

5. OTHER MATTERS AND REPORTS

A. Report on Directors' Events Attended at Metropolitan's Expense **21-5054**

Attachments: 10142025 BOD 5A Report

B. Chair's Monthly Activity Report **21-5055**

C. General Manager's summary of activities **21-5056**

D. General Counsel's summary of activities **21-5057**

E. General Auditor's summary of activities **21-5058**

Attachments: 10142025 BOD 5E Report

F. Ethics Officer's summary of activities **21-5059**

G. Presentation of 5-year Service Pin to Director Matt Petersen representing City of Los Angeles **21-5063**

H. Induction of new Director Dan Denham representing San Diego County Water Authority **21-5064**
(a) Receive credentials
(b) Report on credentials by General Counsel
(c) File credentials
(d) Administer Oath of Office
(e) File Oath

Attachments: 10142025 BOD 5H Report

**** CONSENT CALENDAR ****

6. BOARD CONSENT ITEMS

A. Approve Commendatory Resolution for Director S. Gail Goldberg representing San Diego County Water Authority **21-5060**

B. Approval Minutes of the Special Joint Meeting of the Board of Directors and Organizational Personnel, and Effectiveness Committee for June 13, 2025 and the Special Joint meeting of the Board of Directors and Executive Committee and Workshop on Engineering, Operations, and Technology Committee for June 24, 2025 and of the meeting of the Board of Directors for August 19, 2025 **21-5132**

C. Approve Committee Assignments

7. BOARD LETTERS CONSENT

7-1 Amend the Capital Investment Plan for fiscal years 2024/25 and 2025/26 to include invasive mussel mitigation and control at Metropolitan facilities; and authorize an increase of $500,000 in the operating equipment budget for the current biennium to purchase equipment to control the growth of invasive mussels; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) **21-5067**

Attachments: 10142025 EOT 7-1 B-L

7-2 Authorize the General Manager to grant a permanent easement to the City of Rialto for a public road including the construction an maintenance and appurtenant utility purposes, on Metropolitan fee-owned property in the County of San Bernardino and identified as Assessor Parcel Number 0239-301-23; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAAME) **21-5069**

Attachments: 10142025 FAAME 7-2 B-L
10142025 FAAME 7-2 Presentation

7-3 Authorize the execution of an amendment to an existing lease agreement with New Cingular Wireless PCS, LLC to adjust the rental amount and extend the term for up to 25 additional years, thereby allowing continued operation of a commercial telecommunication site at the Iron Mountain Pumping Plant identified as San Bernardino County Assessor Parcel No. 0643-221-06; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [REVISED SUBJECT on 10/3/2025] (FAAME) **21-5070**

Attachments: 10142025 FAAME 7-3 B-L
10142025 FAAME 7-3 Presentation

7-4 Approve Emergency Event Member Agency Payment Deferment Program, Amend the Administrative Code to add Section 4520 to implement the Program, and Delegate Authority to the General Manager to administer the Program; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAAME) **21-5071**

Attachments: 10142025 FAAME 7-4 B-L

7-5 Adopt a resolution authorizing electronic submissions of Government Code claims, any amendment thereto, and applications for leave to present a late claim, pursuant to Government Code section 915(a)(3), and approve amendments and an addition to the Metropolitan Water District Administrative Code to conform to the authority set forth in the resolution; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [REVISED SUBJECT 10/6/2025] (LC) **21-5073**

7-6 Authorize and fund additional counsel position in the Office of the General Counsel; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (LC) **21-5074**

Attachments: 10142025 LC 7-6 B-L

7-7 Authorize on-call agreements with Helix Environmental Planning, Inc. and Rincon Consultants, Inc. in amounts not to exceed $2 million each and ECORP Consulting, Inc., Dudek, and Environmental Science Associates in amounts not to exceed $1 million each, for a maximum of five years for environmental planning services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (OWA) **21-5076**

Attachments: 10142025 OWA 7-7 B-L
10132025 OWA 7-7 Presentation

7-8 Adopt a resolution designating authorized agents for funding from the Federal Emergency Management Agency and the California Office of Emergency Services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (OPE) **21-5082**

Attachments: 10142025 OPE 7-8 B-L

7-9 Award a $6,412,126 contract to Houalla Enterprises Ltd. DBA Metro Builders & Engineers Group Ltd. to rehabilitate and improve a chemical feed facility at the Robert B. Diemer Water Treatment Plant; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) **21-5068**

Attachments: 10142025 EOT 7-9 B-L

**** END OF CONSENT CALENDAR ITEMS ****

8. BOARD LETTERS (ACTION)

8-1 Appropriate an additional $30 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26, increasing the biennial Capital Investment Plan appropriation to $666.48 million; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT) **21-5066**

Attachments: 10142025 EOT 8-1 B-L

8-2 Authorize an agreement with TBD to provide security guard services for a maximum period of five years at a total cost not-to-exceed $TBD million; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [DEFERRED on 9/30/2025] (OPE) **21-5080**

8-3 Authorize an extension to June 30, 2026, on the existing 5-year contract with Securitas to provide security guard services; and authorize an increase of $6 million in funding for the contract to a new not-to-exceed amount of $61 million; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [REVISED SUBJECT 10/3/2025] (OPE) **21-5081**

8-4 Amend the Administrative Code to grant authority to the Ethics Officer to conduct ethics-related reviews of policies, procedures, and practices for the purpose of making recommendations that help foster an ethical culture and prevent ethics violations in support of SB 60; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [REVISED SUBJECT 9/30/2025] (CWC) **21-5065**

8-5 Report on Oswalt v. The Metropolitan Water District of Southern California, San Diego County Superior Court Case No. 37-2023-00009934-CU-PO-NC; authorize an increase in maximum amount payable under contract for legal services with Ryan and Associates in the amount of $100,000 for a total amount not to exceed $350,000 and consider authorizing settlement; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]. [REVISED SUBJECT 10/3/2025] (LC) **21-5075**

8-6 Report on Jones v. The Metropolitan Water District of Southern California, Los Angeles County Superior Court Case No. 23STCV28217 and consider authorizing settlement; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)] (LC) **21-5124**

8-7 Update on negotiations and approve entering into Reopener Agreement between The Metropolitan Water District of Southern California and The Supervisors Association of The Metropolitan Water District of Southern California; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with Labor Negotiators; to be heard in closed session pursuant to Gov. Code 54957.6. Metropolitan representatives: Katano Kasaine, Assistant General Manager, Chief Financial Officer and Gifty J. Beets, Human Resources Section Manager of Labor Relations. Employee organization: The Supervisors Association of The Metropolitan Water District of Southern California]. [ADDED SUBJECT 9/30/2025] (OPE) **21-5134**

9. BOARD ITEMS (INFORMATIONAL)

9-1 Report on Conservation Program **21-5079**

9-2 Integrated overview of near-term budget drivers and long-term resource planning (FAAME) **21-5072**

Attachments: 10142025 FAAME 9-2 B-L

10. OTHER MATTERS

10-1 Public Employee Appointment – General Manager [To be heard in closed session pursuant to Government Code Section 54957] **21-5061**

10-2 Approve employment agreement for incoming General Manager; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-5062**

11. FOLLOW-UP ITEMS

NONE

12. FUTURE AGENDA ITEMS

13. ADJOURNMENT

NOTE: Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parenthesis at the end of the description of the agenda item, e.g. (EOT). Board agendas may be obtained on Metropolitan's Web site https://mwdh2o.legistar.com/Calendar.aspx

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site https://mwdh2o.legistar.com/Calendar.aspx.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

October 14, 2025 Board Meeting

Item 5A

Metropolitan Water District of Southern California
Summary of Events
Attended by Directors at Metropolitan's Expense in September 2025

Date(s)	Location	Meeting Hosted by:	Participating Director(s)
Sept 4-5	Costa Mesa, CA	17th Annual Orange County Water Summit	Brenda Dennstedt
Sept 19	Whittier, CA	4th Annual Water Resiliency	David De Jesus
Sept 22-25	NYC, NY	Climate Week NYC	Miguel Luna

Date of report: 9/9/2025

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Report

Office of the General Auditor

- **General Auditor's Report for September 2025**

Summary

This report highlights significant activities of the Office of the General Auditor for the month ended September 30, 2025.

Purpose

Informational

Attachments

One report was issued during this period:

1. Cybersecurity Audit: Inventory & Control of IT Software Assets

Detailed Report

Audit & Advisory Projects

Twenty-five projects are in progress:

- Seven audit projects are in the report preparation phase.
  - One collaboration draft report was issued: Cybersecurity Audit: Inventory & Control of SCADA Network Assets
- Eighteen projects are in the execution phase, including eight audits and ten advisories.

No management responses are outstanding.

Follow-Up Reviews

Twelve projects are in the follow-up phase:

- Seven follow-up reviews are in progress.
- Five follow-up reviews have not been started.

No follow-up review forms are overdue.

Report Details

1. **Cybersecurity Audit: Inventory & Control of IT Software Assets** issued September 30, 2025
   - Audit scope included software managed by the Information Technology Group and installed on Metropolitan's business network as of March 31, 2025.
   - Three (3) recommendations with the following rating: three Priority 2.

Date of Report: October 14, 2025

<u>Other General Auditor Activities</u>

1. **Internal Quality Assessment**
   Preparation for the annual internal quality assessment, as required by professional internal auditing standards, is in progress. Surveys were distributed to the Board, management, and department staff.

2. **External Resources RFQ**
   Evaluation of submittals received for the specialty internal audit services RFQ is in process.

3. **External Auditor Support**
   Assistance to external auditor Macias Gini & O’Connell LLP continues in accordance with their work plan.

4. **Global Internal Audit Standards**
   Evaluation and adoption of the updated standards issued by the Institute of Internal Auditors, effective January 9, 2025, is in progress. Board roles and responsibilities, per the Standards, were presented as an information item at the September meeting of the Audit Committee.

5. **Training**
   Staff attended Beyond Compliance: Driving Impactful Change as Public Sector Internal Auditors training.

6. **Joint Classification Study Session**
   Participated in a focus group session as part of the 2025 Joint Classification and Compensation Study, a collaborative effort between the District and AFSCME, for the Deputy Auditor series.

Office of the General Auditor

Cybersecurity Audit: Inventory & Control of IT Software Assets

Project Number: 23-35
September 30, 2025

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

PUBLIC INFORMATION

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PUBLIC INFORMATION

Executive Summary

BACKGROUND

The Center for Internet Security (CIS) is a community-driven nonprofit that has developed the CIS Controls and CIS Benchmarks, which are globally recognized best practices for securing IT systems and data. Its mission is "to make the connected world a safer place by developing, validating, and promoting timely best practice solutions that help people, businesses, and governments protect themselves against pervasive cyber threats." Organizations can implement the CIS Critical Security Controls (CIS Controls), a set of 18 controls with detailed safeguards, to improve their cybersecurity posture.

One of these controls is the Inventory and Control of Software Assets, which requires organizations to actively inventory, track, and manage all software installed across their networks. This control ensures that only authorized software can execute, while unauthorized or unmanaged software is detected and prevented from installation or use.

WHAT WE DID

Our audit scope included software installed on Metropolitan's business network and managed by the Information Technology Group as of March 31, 2025.

Our audit objective was to determine whether all software on the network is actively managed (i.e., inventoried, tracked, and corrected) to reduce the risk of attack.

WHAT WE CONCLUDED

[REDACTED]

WHAT WE RECOMMEND

[REDACTED]

Management agreed with our observations and recommendations.

Information has been removed from this Executive Summary as it contains an assessment of Metropolitan's vulnerability to terrorist attack or other criminal acts intended to disrupt Metropolitan's operation and is for distribution or consideration in a closed session and not subject to the California Public Record Act pursuant to Government Code Section 7929.200.

NUMBER OF RECOMMENDATIONS

Count	Priority	Response time
0	PRIORITY 1	Response time: Immediate
3	PRIORITY 2	Response time: Within 90 days
0	PRIORITY 3	Response time: Within 180 days

PUBLIC INFORMATION

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Date: September 30, 2025

To: Audit Committee

From: Scott Suzuki, CPA, CIA, CISA, CFE, General Auditor

Subject: Cybersecurity Audit: Inventory & Control of IT Software Assets
(Project Number 23-35)

We have completed a cybersecurity audit of inventory and control of IT software assets for the Information Technology Group.

Due to the sensitive nature of the critical infrastructure information, details of our observations and recommendations were shared with select members of the Board and management in a separate confidential report not subject to public release.

Supplemental information, including our scope and objectives, is included in Appendix A. Appendix B includes a description of our new recommendation priority rating system.

We appreciate the courtesies and cooperation provided by the Information Technology Group.

The results in this report will be summarized for inclusion in a status report to the Board. If you have any questions regarding our audit, please do not hesitate to contact me directly at 213.217.6528 or Assistant General Auditor Kathryn Andrus at 213.217.7213.

Attachments

cc: Board of Directors
General Manager
General Counsel
Ethics Officer
Office of the General Manager Distribution
Assistant General Managers
External Affairs Distribution
Information Technology Group Distribution
External Auditor

RESULTS

The Recognition, Results Overview, and Observations & Recommendations sections have been removed from this report as they contain an assessment of Metropolitan's vulnerability to terrorist attack or other criminal acts intended to disrupt Metropolitan's operation and are for distribution or consideration in a closed session and not subject to the California Public Records Act pursuant to Government Code Section 7929.200.

EVALUATION OF MANAGEMENT'S RESPONSE

Internal Audit considers management's response appropriate to the recommendations.

AUDIT TEAM

Sherman Hung, CISA, Principal Auditor

APPENDIX A: SUPPLEMENTAL INFORMATION

SCOPE & OBJECTIVES

Our audit scope included software managed by the Information Technology Group and installed on Metropolitan's business network as of March 31, 2025.

Our audit objective was to determine whether all software on the network is actively managed (i.e., inventoried, tracked, and corrected) to reduce the risk of attack.

EXCLUSIONS

Our audit scope did not include the software/application systems that are on SCADA networks or are under development.

PRIOR AUDIT COVERAGE

We have not completed any audits with a similar scope within the last five years.

AUTHORITY

We performed this audit in accordance with the General Auditor's Internal Audit Plan for FY 2024/25 approved by the Board.

PROFESSIONAL INTERNAL AUDIT STANDARDS

Our audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

FOLLOW-UP REVIEWS

The Office of the General Auditor has implemented a new follow-up process to ensure management has effectively implemented corrective action related to our recommendations. Management is required to report recommendation implementation status to our office within six months following the issuance of this report, and a first follow-up review will occur shortly thereafter. All audit recommendations are expected to be implemented within a year of this report, and if necessary, a second follow-up review will occur approximately six months after issuance of the first follow-up review report. Any audit recommendations not implemented after the second follow-up review will be shared with the Board/Audit Committee at its next scheduled meeting.

INTERNAL CONTROL SYSTEM

An internal control system is a continuously operating and integrated component of Metropolitan's operations. Internal controls are implemented by the Metropolitan management and seek to provide reasonable (not absolute) assurance that Metropolitan's business objectives will be achieved. However, limitations are inherent in any internal control system, no matter how well designed, implemented, or operated. Because of these limitations, errors or irregularities may occur and may not be detected.

Specific examples of limitations include, but are not limited to, poor judgment, carelessness, management override, or collusion. Accordingly, our audit would not necessarily identify all internal control weaknesses or resultant conditions affecting operations, reporting, or compliance. Additionally, our audit covers a point in time and may not be representative of a future period due to changes within Metropolitan and/or external changes impacting Metropolitan.

METROPOLITAN'S RESPONSIBILITY FOR INTERNAL CONTROL

It is important to note that Metropolitan management is responsible for designing, implementing, and operating a system of internal control. The objectives of internal controls are to provide reasonable assurance as to the reliability and integrity of information; compliance with policies, plans, procedures, laws, and regulations; the safeguarding of assets; the economic and efficient use of resources; and the accomplishment of established goals and objectives. In fulfilling this responsibility, management judgment is required to assess the expected benefits and related costs of internal control policy and procedures and to assess whether those policies and procedures can be expected to achieve Metropolitan's operational, reporting, and compliance objectives.

APPENDIX B: PRIORITY RATING DEFINITIONS

The Office of the General Auditor utilizes a priority rating system to provide management a measure of urgency in addressing the identified conditions and associated risks. We assess the significance of each observation identified during the audit using professional judgment and assign priority ratings to each recommendation using the criteria listed below. Factors taken into consideration in assessing the priority include the likelihood of a negative impact if not addressed, the significance of the potential impact, and how quickly a negative impact could occur.

PRIORITY	1	2	3
Definition	Observation is *serious* enough to warrant *immediate* corrective action. The condition may represent a serious financial, operational, or compliance risk. A priority 1 recommendation may result from a key control(s) being absent, not adequately designed, or not operating effectively.	Observation is of a *significant* nature and warrants *prompt* corrective action. It may represent a moderate financial, operational, or compliance risk. A priority 2 recommendation may result from a process or less critical control(s) not being adequate in design and/or not operating effectively on a consistent basis.	Observation involves an internal control issue or compliance lapse that can be corrected in the *timely* course of normal business. A priority 3 recommendation may result from a process or control that requires enhancement to better support Metropolitan's objectives and manage risk.
Response Time	Immediate	Within 90 Days of report issuance	Within 180 Days of report issuance

APPENDIX C: MANAGEMENT'S RESPONSE

The Management Response has been removed from this report as it contains an assessment of Metropolitan's vulnerability to terrorist attack or other criminal acts intended to disrupt Metropolitan's operation and is for distribution or consideration in a closed session and not subject to the California Public Records Act pursuant to Government Code Section 7929.200.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Information

- **Board of Directors**

10/14/2025 Board Meeting

Subject

Sufficiency of Credentials for Appointment of a Director from the San Diego County Water Authority.

Description

On September 14, 2025, the Chair of the San Diego County Water Authority appointed Dan Denham as one of its representatives on Metropolitan's Board of Directors, after providing 30 days notice of the intended appointment to the Authority's Board of Directors on August 14, 2025.

The oath of office is expected to be given on September 19, 2025.

Rickita C. Hudson 9/15/2025
Rickita Hudson *Date*
Board Executive Secretary

Legal Review

Credentials were examined and found to be in compliance with the Metropolitan Water District Act for:
☐ an Indefinite Term pursuant to the Metropolitan Water District Act Section 51
☒ a Specified Term pursuant to the Metropolitan Water District Act Section 54.

Heather C. Beatty 9/17/2025
Heather Beatty *Date*
Assistant General Counsel

Attachment 1 – Credentials

San Diego County Water Authority

September 14, 2025

Notice of Metropolitan Water District (MWD) Delegate Resignation and Replacement Appointment

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Rickita Hudson, Board Executive Secretary

This serves as the official notice of appointment of General Manager Dan Denham as a San Diego County Water Authority delegate on the Metropolitan Water District of Southern California's Board of Director's.

Mr. Denham's appointment will fill the vacancy left following the resignation of Ms. Gail Goldberg, effective immediately.

Sincerely,

Nick Serrano, Chair
San Diego County Water Authority

4677 OVERLAND AVE, SAN DIEGO, CA 92123 | (858) 522-6600 | SDCWA.ORG

MEMORANDUM

August 14, 2025

To: Water Authority Board of Directors

From: Nick Serrano, Chair

Re: Notice of Metropolitan Water District (MWD) Delegate Resignation and Replacement Appointment

On August 12, 2025, Water Authority MWD delegate Gail Goldberg informed me of her resignation as a Water Authority delegate to the MWD Board of Directors effective immediately.

Pursuant to §9.00.070 of the Water Authority's Administrative Code, this memo shall serve as my 30 days notice of my intent to appoint Water Authority General Manager Dan Denham as her replacement on the MWD Board of Directors.

This appointment shall be effective 30 days from now.

I want to deeply thank Director Goldberg for her dedicated service on behalf of the Water Authority, and I know we look forward to properly honoring her service at a future Board meeting. I also want to thank General Manager Denham for his willingness to serve in this capacity.

Sincerely,

Nick Serrano, Chair
San Diego County Water Authority

MINUTES OF THE FORMAL BOARD OF DIRECTORS' MEETING
October 24, 2024

ADMINISTRATIVE AND FINANCE COMMITTEE
CALL TO ORDER / ROLL CALL

Chair Arant called the Administrative and Finance Committee meeting to order at 9:00 a.m. Committee members present were Chair Arant, Vice Chairs Abdullahi and Hogan, and Directors Hilliker, Meyers, Norman, Reeh, Vespi, and Yamane. Committee members absent were Directors Acosta, Baze, Eich, Katz, and Wiley. Also present were Directors Croucher (remote), Elitharp, Fong-Sakai, Heidemann, Lyndes, McMillan, Paul, Quiram, and Steiner. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Director of Finance/Treasurer Harris, Director of Administrative Services Foster, Controller Woidzik, Budget and Treasury Manager Whyte, Financial Planning Manager Rossum, and Information Systems Manager Bartolome.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR'S REPORT

There was no Chair's report.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

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

2. Establish 2025 Board meeting dates.
   Staff recommendation: Combine the November and December Board meeting dates to November 20, 2025 and approve the 2025 Board meeting dates calendar.

3. Ordinance making amendments to Chapter 4.08 of the Administrative Code.
   Staff recommendation: Adopt Ordinance No. 2024-06, an Ordinance of the Board of Directors of the San Diego County Water Authority making amendments to Chapter 4.08, Section 4.08.040(d) of the Administrative Code.

Chair Arant provided clarification on Consent Item 3, stating the proposed amendment to Chapter 4.08 of the Administrative Code would not modify the General Manager authority limit for urgency repair contracts ($500,000) or public works contracts ($150,000 or less), and would only add a Board approval process for on-call, urgent repair contracts.

Directors made comments and asked questions, and staff responded.

Director Meyers moved, Director Yamane seconded, and the motion to approve the Consent Calendar passed unanimously.

II. ACTION/DISCUSSION/PRESENTATION

There were no action/discussion/presentation items.

III. INFORMATION

The following Information items were received and filed:

1. Annual Reimbursements to Board Members and Staff.
2. Controller's Report on Monthly Financial Activity.
3. Board Calendar.

IV. CLOSED SESSION

There were no Closed Session items.

V. ADJOURNMENT

There being no further business to come before the Administrative and Finance Committee, Chair Arant adjourned the meeting at 9:07 a.m.

ENGINEERING AND OPERATIONS COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Scalzitti called the Engineering and Operations Committee meeting to order at 9:24 a.m. Committee members present were Chair Scalzitti, Vice Chairs Elitharp and Macedo*, and Directors Abdullahi, Arant, Butkiewicz*, Castaneda*, Fong-Sakai, McMillan, Miller, and Wiley. Committee members absent were Directors Qualin and Smith, and Supervisor Desmond. Also present were Directors Acosta, Heidemann, Hilliker, Hogan, Lyndes, Meyers, Norman, Paul, Quiram, Reeh, Serrano, Steiner, Vespi, and Yamane. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present were General Manager Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Director of Engineering Kuzmich, Director of Operations and Maintenance Plajzer, Operations and Maintenance Manager Coghill, and Engineering Managers Fountain and Gornall.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR'S REPORT

*Vice Chair Macedo arrived at 9:26 a.m.

Chair Scalzitti thanked Vice Chair Macedo for assuming the role of chair at the September 19 Committee meeting. He announced plans were being developed for the upcoming Engineering and Operations Tour scheduled for January 9, 2025. Additionally, he stated the Water Authority received the Golden Watchdog Award in Utilities from the San Diego County Taxpayers Association, and added the award recognizes the Water Authority's Asset Management Program, particularly its use of innovative technologies to ensure reliability of the Water Authority's pipelines.

Chair Scalzitti concluded his report by congratulating the Operations & Maintenance Department and all employees involved in the effort and presented the award to the Board.

*Director Butkiewicz arrived at 9:28 a.m.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

1. Amendment with Cameron-Daniel P.C. for Legal Services.
   Staff Recommendation: Approve Amendment 2, with such non-material modifications as approved by the General Manager or General Counsel, to the legal services contract with Cameron-Daniel P.C. in the amount of $150,000, increasing the contract amount from $150,000 to $300,000, and authorize the General Counsel, or designee, to execute the amendment.

Director Arant moved, Director Miller seconded and the motion to approve staffs' recommendation passed unanimously.

II. ACTION/DISCUSSION/PRESENTATION

1. Energy Program update.

Mr. Fountain presented an overview of the Energy Program including the history and purpose; reviewed project and budget updates on the Carlsbad Desalination Plant Energy Supply study and the San Vicente Energy Storage Facility; and thanked the Board for their continued support of the Energy Program.

* Director Castaneda arrived at 9:36 a.m.

Directors made comments and asked questions, and staff responded.

Responding to questions, Ms. Plajzer confirmed an update on the maintenance of Lake Hodges would be presented to the Board at a later date, and Mr. Denham stated staff would return to the Board with information on a comparison of actual cost and benefits of transporting water from the Colorado River versus desalination.

2. Design professional services contract with Wood Rodgers, Inc. for as-needed civil and traffic engineering services.
   Staff recommendation: Award a design professional services contract, with such non-material modifications as approved by the General Manager or General Counsel, to Wood Rodgers, Inc. for a not-to-exceed amount of $3 million, to provide as-needed civil and traffic engineering services for a period of three years, with an option to extend one year, and authorize the General Manager, or designee, to execute the contract.

Mr. Gornall presented an overview of the contract, including a description of the various services supported within its scope and the consultant selection process.

Director Arant moved, Vice Chair Macedo seconded and the motion to approve staffs' recommendation passed unanimously.

Director Miller requested a budget status update of As-Needed contracts, Chair Scalzitti acknowledged his request.

III. INFORMATION
There were no Information items.

IV. CLOSED SESSION
There were no Closed Session items.

V. ADJOURNMENT
There being no further business to come before the Engineering and Operations Committee, Chair Scalzitti adjourned the meeting at 10:03 a.m.

LEGISLATION AND PUBLIC OUTREACH COMMITTEE
CALL TO ORDER/ROLL CALL
Chair Butkiewicz called the Legislation and Public Outreach Committee meeting to order at 10:13 a.m.

General Counsel Edwards announced a remote attendance request was received from Director Croucher, and his participation was approved by unanimous vote of the committee.

Committee members present were Chair Butkiewicz, Vice Chairs Reeh and Steiner, and Directors Acosta, Croucher (remote), Hilliker, Lyndes, Qualin, Serrano, and Yamane. Committee members absent were Directors Eich, Leahy, Madaffer, and Whitburn. Also, present were Directors Abdullahi, Arant, Castaneda, Elitharp, Heidemann, Hogan, McMillan, Meyers, Miller, Norman, Paul, Quiram, Scalzitti, Smith, Vespi, and Wiley. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Public Affairs Director Lee, Government Relations Manager Quarles, and Public Affairs Supervisor Stiff.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR'S REPORT

Chair Butkiewicz thanked the Public Affairs team for their successful execution of the Citizens Water Academy class conducted the previous week which included nearly 50 participants, including Board Secretary Lyndes, and three board members from member agencies.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

1. Adopt positions on various bills.
   Staff recommendation: Adopt a position of Support on federal bill S.5012 "Lower Colorado River Multi-Species Conservation Program Amendment Act of 2024," authored by Senator Alex Padilla.

Vice Chair Steiner moved, Vice Chair Reeh seconded, and the motion to approve staffs' recommendation passed unanimously.

II. ACTION/DISCUSSION/PRESENTATION

1. Government Relations update.

   1-A Sacramento report.

Ms. Quarles provided a government relations update stating Congress was on recess until mid-November. She reported on meetings with staff of federal and state officials, highlighting staffers have commented on the positive impact of the Citizens Water Academy program.

Responding to Director Heidemann, Ms. Quarles and Mr. Denham reviewed components of the Farm Bill that impact the Water Authority.

2. Consideration to Approve Federal Advocacy Contract.
   Staff recommendation: Award professional service contract, with such non-material modifications as approved by the General Manager or General Counsel, to Pace Government Relations for a 24-month contract (from November 1, 2024 through October 31, 2026) with the option to renew for an additional 24-months for federal advocacy services for a total compensable contract amount not to exceed $357,000 (inclusive of reimbursable expense allowance) over the contract term.

Ms. Quarles provided background information on the current contract and reviewed the request for proposals and interview process conducted by staff in choosing Pace Government Relations as the awarding firm.

Directors made comments and asked questions, and staff responded.

Director Hilliker moved, Director Acosta seconded, and the motion to approve staffs' recommendation passed. Vice Chair Reeh abstained.

3. Draft Proposed 2025 Legislative Policy Guidelines.

Ms. Quarles provided background on the process for the bi-yearly update of the Proposed 2025 Legislative Policy Guidelines, reviewed the changes being requested, and stated the committee would vote to adopt the proposed 2025 Legislative Policy Guidelines at the November 21, 2024 meeting.

Chair Butkiewicz asked a question and Mr. Denham responded.

4. Quarterly report on Public Affairs activities.

Ms. Stiff reviewed regional outreach and education initiatives, including the Citizens Water Academy, Water News Network, and digital and social media efforts.

III. INFORMATION
There were no Information items.

IV. CLOSED SESSION
There were no Closed Session items.

V. ADJOURNMENT
There being no further business to come before the Legislation and Public Outreach Committee, Chair Butkiewicz adjourned the meeting at 10:55 a.m.

WATER PLANNING AND ENVIRONMENTAL COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Heidemann called the Water Planning and Environmental Committee meeting to order at 11:05 a.m. Committee members present were Chair Heidemann, Vice Chairs Macedo and Smith, and Directors Elitharp, Lyndes, McMillan, Norman, Paul, Quiram, and Vespi. Committee members absent were Directors Baze, Leahy, Whitburn, and Supervisor Desmond. Also present were Directors Abdullahi, Acosta, Arant, Butkiewicz, Castaneda, Fong-Sakai, Hogan, Hilliker, Meyers, Miller, Qualin, Reeh, Scalzitti, Serrano, Steiner, and Wiley. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Director of Water Resources Stephenson, Water Resources Manager Lovsted, and Senior Water Resources Specialists Bista and Lopez.

ADDITIONS TO THE AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR'S REPORT

Chair Heidemann thanked Vice Chair Macedo for chairing the September 19, 2024 Water Planning and Environmental Committee meeting. He reported October 2024 marked the start of Water Year 2025 and the return of the monthly Water Supply Conditions Update, which contains information on both local and statewide conditions and will continue through the end of the wet season.

DIRECTORS' COMMENTS

Director McMillan invited the Board to the Water Conservation Garden's open house on November 9, 2024.

I. CONSENT CALENDAR

There were no Consent Calendar items.

II. ACTION/DICUSSION/PRESENTATIONS

1. Update of Water-Use Efficiency Policy Principles.

Ms. Lovsted provided background information on the Water-Use Efficiency Policy Principles last updated in 2017, stating major changes (including the passage of the "Conservation as a California Way of Life" regulation) made further updates necessary. She reviewed the draft updates to the Water-Use Efficiency Policy Principles, which fall into five categories: Member Agency Support, Funding/Resources, Program Performance, Outreach and

Education, and Regulation/Legislation. She introduced two new principles: 1) Develop tools and support to meet Water-Use Efficiency regulations, including commercial, industrial, and institutional best practices, and 2) Pursue external funding to assist underserved communities.

Ms. Lovsted stated the Water Authority would continue to engage with member agencies, incorporate any changes received into the final principles, and return to the Board for adoption of the updated Water-Use Efficiency Policy Principles in November 2024.

Directors made comments and asked questions, and staff responded.

2. Water Supply Conditions Update.

Mr. Lopez stated the Water Supply Conditions Update is brought to the Board every year in the fall and continues through the end of the precipitation season. He provided a recap of Water Year 2024, which demonstrated the extremes of California's climate. He also discussed the Northern Sierra Precipitation 8-Station Index, California reservoir storage, Lake Oroville storage, Colorado River Basin conditions, and the NOAA outlook for October through December 2024. He concluded his presentation with seasonal temperature and precipitation outlooks, which predicted above-average temperatures and below-average precipitation.

Directors made comments and asked questions, and staff responded.

III. INFORMATION

The following Information item was received and filed:

1. Correlation Between Historic Population and Total Water Use.

IV. CLOSED SESSION

There were no Closed Session items.

V. ADJOURNMENT

There being no further business to come before the Water Planning and Environmental Committee, Chair Heidemann adjourned the meeting at 11:23 a.m.

IMPORTED WATER COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Miller called the Imported Water Committee meeting to order at 11:30 a.m.

General Counsel Edwards announced a remote attendance request received from Director Croucher, and his participation was approved by unanimous vote of the committee.

Committee members present were Chair Miller, Vice Chairs Madaffer* and Meyers, and Directors Castaneda, Croucher (remote), Fong-Sakai, Heidemann, Hogan, Paul, Quiram, Scalzitti, Serrano, and Steiner. Committee member absent was Director Katz. Also present were Directors Abdullahi, Acosta, Arant, Butkiewicz, Elitharp, Hilliker, Lyndes, McMillan, Norman, Qualin, Reeh, Smith, Vespi, Wiley, and Yamane. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Colorado River Program Manager Schnell, Principal Water Resources Specialist Mendelson-Goossens, and MWD Delegate Goldberg.

Also present was Jennifer Pierre, State Water Contractors General Manager; Carrie Buckman, Environmental Program Manager from the Department of Water Resources; Graham Bradner, Executive Director of the Delta Conveyance Design & Construction Authority; and Dr. David Sunding, Vice Chairman of the Berkeley Research Group.

At that time, Chair Miller took the meeting out of order to ensure adequate time for the Closed Session item.

IV. CLOSED SESSION

Mr. Edwards took the committee into Closed Session at 11:34 a.m.

*Vice Chair Madaffer arrived at 11:38 a.m.

1. Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   SDCWA v. Metropolitan Water District of Southern California; San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350; CPF-18-516389; California Court of Appeal (1st District) Case Nos. A146901; A148266; A154325; A161144; A162168; California Supreme Court Case Nos. S243500; and S251025

Mr. Edwards brought the committee out of Closed Session at 12:35 p.m. and stated there was no reportable action.

Director Steiner moved to recess the meeting for lunch at 12:35 p.m., Director Serrano seconded, and the motion passed unanimously.

ROLL CALL

Chair Miller reconvened the Imported Water Committee meeting at 1:05 p.m. Committee members present were Chair Miller, Vice Chairs Madaffer and Meyers, and Directors Castaneda, Croucher (remote), Fong-Sakai, Heidemann, Hogan, Paul, Quiram, Scalzitti, Serrano, and Steiner. Committee member absent was Director Katz. Also present were Directors Abdullahi, Acosta, Arant, Butkiewicz, Elitharp, Hilliker, Lyndes, McMillan, Norman, Qualin, Reeh, Smith, Vespi, Whitburn, Wiley, and Yamane. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

ADDITIONS TO THE AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

Caty Wagner with Sierra Club California, provided comments related to the Delta Conveyance Project and expressed her appreciation to the Water Authority's Metropolitan Water District Delegates.

CHAIR'S REPORT

Chair Miller thanked Vice Chair Madaffer, Director Heidemann and General Manager Denham for representing the Water Authority at the Colorado River Symposium in Santa Fe and congratulated Water Resources Specialist Dennis Davis for completing the Water Education Foundation's 2024 Colorado River Water Leaders Program. Additionally, he announced staff from the Department of Water Resources and the State Water Contractors would be presenting on the State Water Project and Bay-Delta Single Tunnel Project.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

There were no Consent Calendar items.

At that time, Chair Miller took the meeting out of order.

II. ACTION/DICUSSION/PRESENTATIONS

2. Overview of the State Water Project and Delta Conveyance Project Cost Estimate and Benefit Cost Analysis.

Mr. Denham introduced staff from the Department of Water Resources and State Water Contractors.

Ms. Pierre provided an overview of the State Water Project. Ms. Buckman and Mr. Bradner presented on the Delta Conveyance Project, including its updated $20 billion cost estimate. Lastly, Dr. Sunding reviewed the Delta Conveyance Project cost-benefit analysis.

Directors made comments and asked questions, and presenters responded.

The Board recessed at 2:55 p.m. and reconvened at 3:00 p.m.

1. <u>MWD Issues and Activities Update</u>.
   1-A Metropolitan Water District Delegates Report.

MWD Delegates Miller, Fong-Sakai, Smith, and Goldberg reported on discussion and action taken at the MWD Board meetings.

Directors made comments and asked questions

III. INFORMATION

The following information item was received and filed:

1. Colorado River Board Representative's report.

V. ADJOURNMENT

There being no further business to come before the Imported Water Committee, Chair Miller adjourned the meeting at 3:14 p.m.

FORMAL BOARD OF DIRECTORS' MEETING OF OCTOBER 24, 2024

1. **CALL TO ORDER** Chair Serrano called the Formal Board of Directors' meeting to order at 3:17 p.m. and stated the meeting was being held in-person.

   General Counsel Edwards announced a remote attendance request received from Director Croucher, and his participation was approved by unanimous vote.

2. **SALUTE TO THE FLAG**

   Vice Chair Hilliker led the salute to the flag.

3. **ROLL CALL, DETERMINATION OF QUORUM**

   Clerk of the Board Walker called the roll. Directors present were Chair Serrano, Vice Chair Hilliker, Secretary Lyndes, and Directors Abdullahi, Acosta, Arant, Butkiewicz, Castaneda, Croucher (remote), Elitharp, Fong-Sakai, Heidemann, Hogan, Lyndes, Madaffer, Meyers, Miller, Norman, Paul, Qualin, Quiram, Reeh, Scalzitti, Steiner, Smith, Vespi, Whitburn, Wiley, Yamane, and Supervisor Desmond. Absent were Directors Baze, Eich, Katz, Leahy (p), Macedo, and McMillan (p).

   Staff present included General Manager Denham, General Counsel Edwards, Deputy General Manager/Chief Operating Officer Berge, Assistant General Manager Bradford, Director of Administrative Services Foster, Director of Engineering Kuzmich, Director of Finance Harris, Director of Human Resources Love, Director of Operations & Maintenance Plajzer, Director of Public Affairs Lee, Director of Water Resources Stephenson, Controller Woidzik, Principal Water Resources Specialist Mendelson-Goossens, and Clerk of the Board Walker.

3-A **Report on proxies received.** Director Arant was the proxy for Director Lyndes, and Director Scalzitti was the proxy for Director McMillan. Director Quiram was the proxy for Director Acosta if required.

4. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD'S JURISDICTION**.

There were no requests to speak.

5. **ADDITIONS TO AGENDA**

There were no additions to the agenda.

6. **APPROVAL OF MINUTES**

Director Madaffer moved, Director Reeh seconded, and the motion carried at 86.7995% of the vote to approve the minutes of the Formal Board of Directors' meeting of September 19, 2024. Directors Miller, Norman, Paul, and Scalzitti abstained.

7. **PRESENTATIONS AND PUBLIC HEARINGS**

7.1 Retirement of Director Hurst, Ramona MWD representative.
Staff recommendation: Adopt Resolution 2024-20, a resolution of the Board of Directors of the San Diego County Water Authority, honoring Gary Hurst upon his retirement from the Board of Directors.

Vice Chair Hilliker moved, seconded by Director Yamane, and the motion carried at 98.166% of the vote to approve Resolution 2024-20 honoring Gary Hurst.

Chair Serrano presented Director Hurst with a retirement plaque. Director Hurst commented briefly and thanked the Board.

7.2 Appointment of Director.
Appointment of Director Diane Princess Norman, representing Ramona Municipal Water District, term ending August 9, 2028.

Chair Serrano announced the appointment of Director Norman, representing Ramona Municipal Water District. Director Norman commented briefly.

8. **REPORT BY CHAIRS**

8-A Chair's Report: Chair Serrano welcomed new Board member Rick Paul, representing the City of Escondido, and stated his appointment memo would be included in the November Board packet.

Chair Serrano stated Director Katz would serve as Chair-Emeritus for the following two-year Officer term, and he reminded the Board that committee interest surveys were due to Ms. Walker by October 25, 2024.

8-B Report of Committee Actions
Administrative and Finance Committee
Engineering and Operations Committee
Legislation and Public Outreach Committee

Water Planning and Environmental Committee
Imported Water Committee

Ms. Walker reported on all Committee actions.

9. **CONSENT CALENDAR**

Director Scalzitti moved, Director Miller seconded, and the motion carried at 98.166% of the vote to approve the Consent Calendar. Directors voting no or abstaining are listed under the item. Director Reeh abstained on 9-7.

9-1 Monthly Treasurer's Report on Investments and Cash Flow.

The Board noted and filed the monthly Treasurer's report.

9-2 Establish 2025 Board meeting dates.

The Board combined the November and December Board meeting dates to November 20, 2025 and approved the 2025 Board meeting dates calendar.

9-3 Ordinance making amendments to Chapter 4.08 of the Administrative Code.

The Board adopted Ordinance No. 2024-06, an Ordinance of the Board of Directors of the San Diego County Water Authority making amendments to Chapter 4.08, Section 4.08.040(d) of the Administrative Code.

9-4 Amendment with Cameron-Daniel P.C. for Legal Services.

The Board approved Amendment 2, with such non-material modifications as approved by the General Manager or General Counsel, to the legal services contract with Cameron-Daniel P.C. in the amount of $150,000, increasing the contract amount from $150,000 to $300,000, and authorized the General Counsel, or designee, to execute the amendment.

9-5 Design professional services contract with Wood Rodgers, Inc. for as-needed civil and traffic engineering services.

The Board awarded a design professional services contract, with such non-material modifications as approved by the General Manager or General Counsel, to Wood Rodgers, Inc. for a not-to-exceed amount of $3 million, to provide as-needed civil and traffic engineering services for a period of three years, with the option to extend one year, and authorized the General Manager, or designee, to execute the contract.

9-6 Adopt positions on various bills.

The Board adopted a position of Support on the federal bill S. 5012 "Lower Colorado River Multi-Species Conservation Program Amendment Act of 2024," authored by Senator Alex Padilla.

9-7 Consideration to Approve Federal Advocacy Contract.
The Board awarded a professional services contract, with such non-material modifications as approved by the General Manager or General Counsel, to Pace Government Relations for a 24-month contract (from November 1, 2024 through October 31, 2026) with the option to renew for an additional 24-months for federal advocacy services for a total compensable contract amount not to exceed $357,000 (inclusive of reimbursable expense allowance) over the contract term.

Director Reeh abstained on 9-7. The item passed at 97.64%

10. **ACTION/DISCUSSION/INFORMATION**

10-A Biennial Review of the Representatives to the Metropolitan Water District of Southern California.

Chair Serrano reviewed the recommended action as provided in the supplemental materials. He recommended the reappointment of Delegates Fong-Sakai, Miller, and Goldberg, and stated Chair Emeritus Katz would replace Director Smith as the representative to the Metropolitan Water District Board of Directors effective January 1, 2025.

Director Croucher commented and thanked Director Smith for his service as a MWD Delegate.

Vice Chair Hilliker moved, Director Madaffer seconded, and the motion carried at 98.166% of the vote to approve the appointment of MWD Delegates Lois Fong-Sakai, Marty Miller, Gail Goldberg, and Mel Katz.

11. **SPECIAL REPORTS**

11-A GENERAL MANAGER'S REPORT – No report was provided.
11-B GENERAL COUNSEL'S REPORT – No verbal report was provided. A written report was provided in the Board packet.
11-C SANDAG REPORT – No report was provided.
SANDAG Subcommittees:
Borders Committee – No report was provided.
Regional Planning Committee – No report was provided.
11-D AB 1234 Compliance Reports – No reports were provided.

12. **CLOSED SESSION(S)**

Mr. Edwards took the Board into Closed Session at 3:38 p.m.

12-A Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: SDCWA v. Metropolitan Water District of Southern California; San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350; CPF-18-516389; California Court of Appeal (1st District) Case Nos. A146901; A148266;

A154325; A155310; A161144; A162168; A170156;
California Supreme Court Case Nos. S243500; and S251025

12-B Conference with Legal Counsel - Anticipated Litigation
Government Code §54956.9(d)(2)
One Case

Mr. Edwards brought the Board out of Closed Session at 3:43 p.m. and stated there was no reportable action.

13. **ACTION FOLLOWING CLOSED SESSION**
There was none.

14. **OTHER COMMUNICATION**
There was no further communication.

15. **ADJOURNMENT**
There being no further business to come before the Board, Chair Serrano adjourned the meeting at 3:44 p.m.

Nick Serrano, Chair

Joy Lyndes, Secretary

Kelly Cole-Walker, Clerk of the Board

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Engineering, Operations, and Technology Committee

10/14/2025 Board Meeting

7-1

Subject

Amend the Capital Investment Plan for fiscal years 2024/25 and 2025/26 to include invasive mussel mitigation and control at Metropolitan facilities; and authorize an increase of $500,000 in the operating equipment budget for the current biennium to purchase equipment to control the growth of invasive mussels; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Since the discovery of quagga mussels in the lower Colorado River in 2007, Metropolitan has implemented surveillance and control measures within the Colorado River Aqueduct (CRA) to mitigate potential impacts on critical infrastructure. The detection of adult quagga mussels along the State Water Project (SWP) at Pyramid Lake in 2016 and Castaic Lake in 2021 resulted in the implementation of the ongoing extensive monitoring of adult mussels and veligers (mussel larvae) along the west and east branches of the SWP. In October 2024, golden mussels were discovered in the Port of Stockton and O'Neill Forebay at San Luis Reservoir and quickly spread throughout the Delta and SWP, including a veliger detected in Silverwood Lake in September 2025. The discovery of both quagga and golden mussels in the SWP prompts the need for a program to immediately address control of invasive mussels and a long-term strategy to protect Metropolitan's critical infrastructure exposed to SWP supplies.

This action amends the Capital Investment Plan (CIP) for fiscal years 2024/25 and 2025/26 to include invasive mussel mitigation and control at Metropolitan facilities receiving SWP supplies. It also authorizes an increase of $500,000 in the operation and maintenance budget for fiscal year 2025/26 to purchase operating equipment to control the growth of invasive mussels and veligers. See **Attachment 1** for the Allocation of Funds and **Attachment 2** for the Location Map.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

a. Amend the Capital Investment Plan for fiscal years 2024/25 and 2025/26 to include invasive mussel mitigation and control at Metropolitan facilities; and
b. Authorize an increase of $500,000 in the operation and maintenance budget for fiscal year 2025/26 to purchase operating equipment to control the growth of invasive mussels.

Fiscal Impact: Expenditure of $1.97 million in capital funds and $500,000 in operation and maintenance funds for fiscal year 2025/2026. All capital costs will be incurred in the current biennium and have been previously appropriated. Adding the project listed above to the CIP is not anticipated to increase CIP expenditures in the current biennium beyond those that the Board has previously appropriated.

Business Analysis: This option will enable the implementation of an invasive mussel mitigation and control initiative designed to protect critical infrastructure in Metropolitan's system and ensure reliable water deliveries to meet member agency and other local customer supply needs.

Option #2

Do not proceed with this project at this time.

Fiscal Impact: None

Business Analysis: Under this option, staff would continue monitoring invasive mussels, coordinating with the Department of Water Resources, and notifying member agencies. Water deliveries could be reduced, or outages experienced, as mussel control operations are performed.

Alternatives Considered

Staff considered incorporating the project into the next biennial CIP budget and deferring operations expenditures until the following fiscal year. However, this option would delay the implementation of the recommended actions to protect Metropolitan facilities from invasive mussels in the SWP. Based on the observed rapid migration of mussels through the SWP and staff experience with the 2007 CRA quagga mussel control program, rapid deployment of mobile operating equipment is critical to better control the growth of invasive mussels and veligers, and early evaluation of mitigation strategies will allow the implementation of potential infrastructure upgrades promptly. Staff determined that the current approach to begin the invasive mussel mitigation and control initiative will reduce the risk of mussels damaging equipment and infrastructure and impacting operational reliability.

Applicable Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

By Minute Item 53596, dated April 9, 2024, the Board appropriated $3,453.2 million for O&M and operating equipment, and other operations costs for fiscal years 2024/25 and 2025/26.

By Minute Item 53598, dated April 9, 2024, the Board appropriated a total of $636.48 million for projects identified in the Capital Investment Plan for fiscal years 2024/2025 and 2025/2026.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed actions are not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4).)). Metropolitan, as the Lead Agency, will be responsible for complying with the requirements of CEQA and the State CEQA Guidelines for each project that meets the CIP criteria prior to final approval of that project. As preliminary work and design on CIP projects proceed, Metropolitan staff will conduct any necessary CEQA review and prepare the appropriate environmental documentation for consideration and approval by the Board or the General Manager, as appropriate.

CEQA determination for Option #2:

None required

Details and Background

Background

Quagga mussels and zebra mussels infestations can adversely impact aquatic environments, devastate the aquatic ecology of lakes and rivers by altering or destroying fish habitats, and render lakes more susceptible to harmful algae blooms. These mussels can also reproduce prolifically and infest critical infrastructure, including storage, pumping, conveyance, and water treatment facilities.

The first quagga mussel population established in the western United States was discovered in January 2007 at the Las Vegas Boat Harbor in Lake Mead. As quagga mussels began spreading throughout the CRA, Metropolitan established a program to conduct surveillance and to implement mitigation strategies for the control of mussel populations within Metropolitan's raw water conveyance system, which included continuous chlorination at Copper Basin, Lake Mathews and Lake Skinner; periodic cleaning of trash racks and fish screens; desiccation, cleaning and inspections during routine CRA shutdowns; extensive monitoring of veligers; and additional control measures for raw water discharges.

Mussel infestation within California was limited to the CRA until December 2016, when adult quagga mussels were first discovered in the SWP at Pyramid Lake and the Angeles Tunnel. Based on Metropolitan's previous experience with quagga mussel control, extensive monitoring of adult mussels and veligers was applied for the west and east branches of the SWP, in coordination with the Department of Water Resources and member agencies. Since invasive mussels require calcium to reproduce and thrive, and naturally occurring calcium levels in the CRA are approximately two to three times higher than calcium levels in the SWP, the risk of mussel invasion along the SWP had been considered lower than the CRA. However, veligers were consistently detected in Pyramid Lake, Castaic Lake, Foothill Feeder Pressure Control Structure, and the Jensen plant's influent during the last two years. Water leaving Castaic Lake is now considered to be infested with quagga mussels.

California's invasive mussel issue was exacerbated with the first discovery of golden mussels in North America at the Port of Stockton and O'Neill Forebay at San Luis Reservoir in October 2024. Subsequent inspections found golden mussels throughout the Delta and upper SWP. Golden mussels, like quagga and zebra mussels, are invasive and proliferate quickly, but can also adapt and thrive in harsher environments, making them a greater threat. On September 3, 2025, the Department of Water Resources confirmed the presence of a golden mussel veliger in a sample from Silverwood Lake. This finding, verified through DNA sequencing, represents the southernmost detection of golden mussels in the SWP to date.

Leveraging lessons from the 2007 CRA quagga mussel control program, staff have initiated a multi-disciplinary task force to develop a three-phased approach for mussel mitigation and control at Metropolitan facilities receiving SWP supplies. Phase I includes increased monitoring and testing, feasibility studies, and conceptual design of prioritized infrastructure upgrades, vulnerability assessments, and near-term mitigation measures utilizing rapidly deployable portable equipment. Phase I will also involve developing conceptual design for chemical injection or other control measures to control mussel and veliger growth at critical locations, such as Joseph Jensen Water Treatment Plant, Magazine Canyon, and Live Oak Reservoir. Phase II will implement prioritized infrastructure upgrades identified in Phase I of the initiative. Phase III will address long-term needs focused on refining mitigation strategies for district-wide invasive mussel control. Based on the observed rapid migration of mussels through the SWP, staff recommends moving forward with Phase I of SWP invasive mussel mitigation and control at this time.

In April 2024, the Board appropriated funds and authorized the General Manager to initiate or proceed with work on all capital projects identified in the CIP, subject to any limits on the General Manager's authority and CEQA requirements. Board authorization is required to commence work on new projects not originally included in the Board-authorized CIP. This action amends the CIP to include the SWP Invasive Mussel Mitigation and Control project. It is not anticipated that the addition of this project to the CIP will increase CIP expenditures in the current biennium beyond the amount appropriated by the Board. Funds required for work to be performed pursuant to the subject projects after fiscal year 2025/26 will be budgeted within the Capital Investment Plan Appropriation for fiscal years 2026/27 and 2027/28. This project has been reviewed in accordance with

Metropolitan's CIP prioritization criteria and was approved by Metropolitan's CIP Evaluation Team to be included in the Additional Facilities and Systems Program.

SWP Invasive Mussel Mitigation and Control – Preliminary Investigations

Planned Phase I activities include: (1) assessment of invasive mussel control measures targeting Metropolitan facilities receiving SWP supplies; (2) pilot and bench-scale testing of proposed control measures; (3) development of conceptual plans for chemical injection or other control measures at critical facilities described above; and (4) development of a programmatic approach for long-term mussel control and a master plan for potential infrastructure upgrades. All activities will be performed by Metropolitan staff.

A total of $1.97 million is allocated for this work. Allocated funds include $1.48 million for field investigations, conceptual design drawings, and technical reports; $420,000 for project management and environmental support; and $70,000 for remaining budget.

Operating Equipment for Invasive Mussel Control – Procurement

New operating equipment is necessary to support surveillance, detection, and control of mussels and larvae along Metropolitan's facilities receiving SWP supplies. Rapid deployment of mobile operating equipment is also essential to pilot proposed mitigation strategies designed to protect Metropolitan's critical infrastructure. The proposed operating equipment includes portable chlorination units, consisting of a trailer-based chemical tank farm provided with sodium hypochlorite tanks, chemical feed pumps and piping, secondary containment, a small electrical generator, and safety equipment including leak detectors, safety showers, and eye-wash stations. This equipment will be stationed at targeted facilities to periodically apply a controlled dosage of chlorine. Additional equipment includes dechlorination units, filtration and inactivation equipment, water quality monitoring equipment (e.g., nets, sampling pumps, sensors), remotely operated vehicles for mussel inspections, and microscopes.

Under Section 5108(b) of Metropolitan's Administrative Code, the Board delegates authority to purchase operating equipment through the budget process. Under Section 8122(g)(2), the General Manager may execute contracts for the purchase of materials, supplies, other consumable items such as fuels, water treatment chemicals, materials for construction projects and other bulk items, and for routine services such as waste disposal and maintenance services, which are generally identified in the budget, regardless of dollar value, provided that sufficient funds are available within the adopted budget for such materials, supplies and routine services.

The adopted budget for the purchase of operating equipment for fiscal year 2025/26 is $10.1 million. This action authorizes an increase of $500,000 in the operating equipment budget for fiscal year 2025/26 for the purchase of equipment to control the spread of invasive mussels at Metropolitan's facilities receiving SWP supplies. Purchase of the chemicals and materials required to support the operating equipment will be executed under Section 8122(g)(2), as they have been generally identified in the budget, and there are sufficient funds available. The requested amount of $500,000 will increase the 2025/26 operating equipment budget from $10.1 million to $10.6 million.

Project Milestone

June 2026 – Complete study of short-term control measures and deployment of operating equipment

9/25/2025

Mai M. Hattar *Date*
Chief Engineer
Engineering Services

9/25/2025

Deven Upadhyay *Date*
General Manager

Attachment 1 – Allocation of Funds

Attachment 2 – Location Map

Ref# es12707437

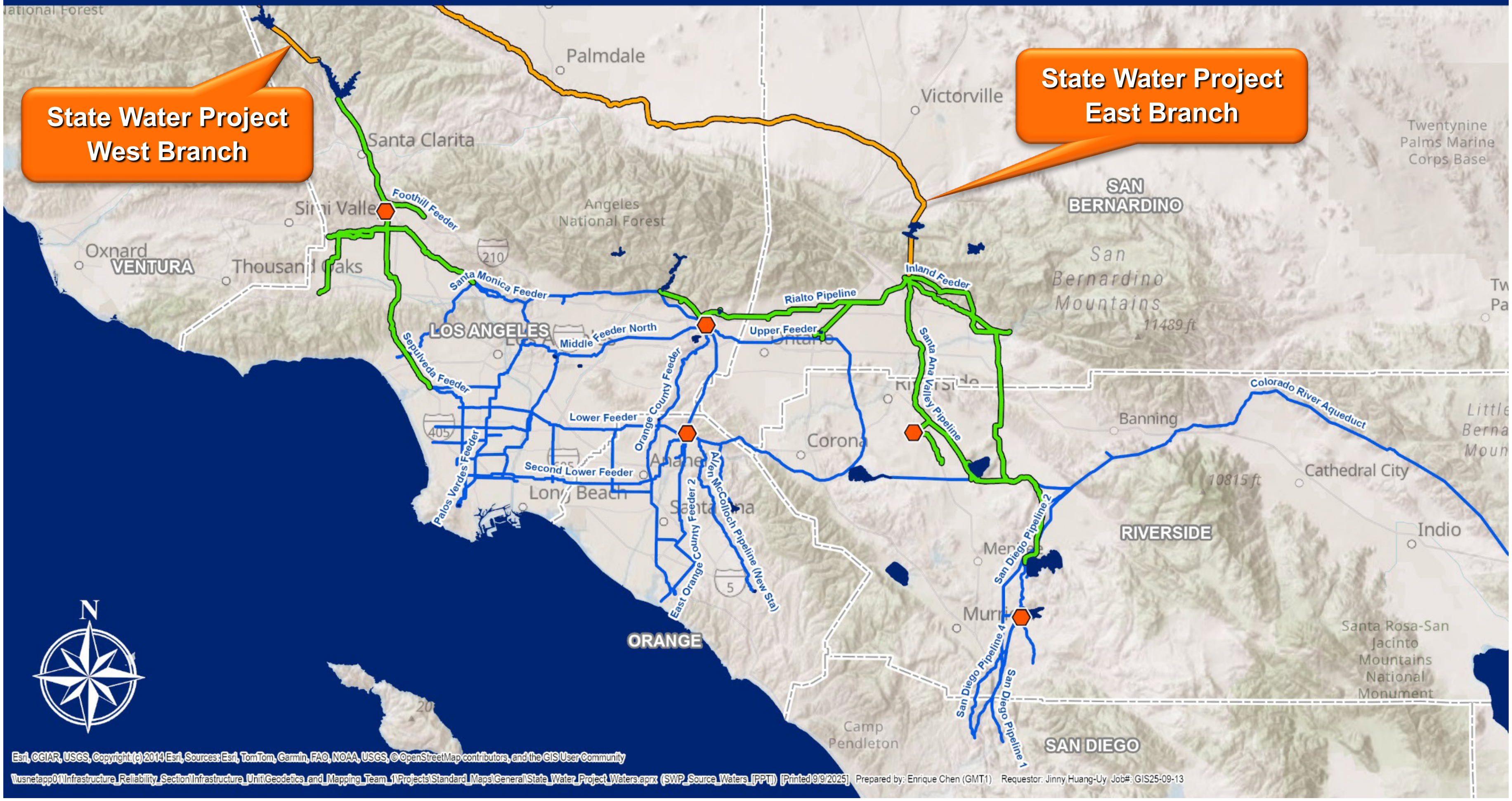
Allocation of Funds for the SWP Invasive Mussel Mitigation and Control

	Current Board Action (Oct. 2025)	
Labor		
Studies & Investigations	$	1,480,000
Final Design		-
Owner Costs (Program mgmt., envir. monitoring)		420,000
Submittals Review & Record Drwgs.		-
Construction Inspection & Support		-
Metropolitan Force Construction		-
Materials & Supplies		-
Incidental Expenses		-
Professional/Technical Services		-
Right-of-Way		-
Equipment Use		-
Contracts		-
Remaining Budget		70,000
Total	**$**	**1,970,000**

This is the initial allocation of capital funds to implement invasive mussel mitigation and control at Metropolitan facilities receiving SWP supplies. The total estimated cost to complete the capital project, including the funds allocated for the work described in this action, and future construction costs is anticipated to range from $30 million to $45 million.

This action also authorizes an additional expenditure of $500,000 in O&M funds in fiscal years 2025/26 to purchase operating equipment to control the growth of invasive mussels.

Distribution System



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Finance, Affordability, Asset Management, and Efficiency

10/14/2025 Board Meeting

7-2

Subject

Authorize the General Manager to grant a permanent easement to the City of Rialto for public road purposes, on Metropolitan fee-owned property in the City of Rialto and identified as County of San Bernardino Assessor Parcel Number 0239-301-23; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action would authorize the General Manager to grant a permanent easement to the City of Rialto for public road purposes across Metropolitan fee-owned property (**Attachment 1 – Location Map**). This easement is necessary to complete the City of Rialto's Locust Avenue Widening and Reconstruction Project. Board authorization to grant this permanent easement is required as the real property interest to be conveyed exceeds five years.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to grant a permanent easement to the City of Rialto for public road purposes, on Metropolitan fee-owned property in the city of Rialto and identified as County of San Bernardino Assessor Parcel Number 0239-301-23.

Fiscal Impact: Metropolitan will receive a one-time processing fee of $8,500 and a lump sum payment of $63,000 for the proposed easement.

Business Analysis: The easement will allow road improvements that should reduce liability exposure. Cooperation with other agencies and public utilities, by granting easements and other rights of entry, furthers the public interest and facilitates Metropolitan obtaining easements and other property rights critical for its own operations. Metropolitan will also receive positive revenue in the form of fees and fair market value for the easement.

Option #2

Do not approve the permanent easement.

Fiscal Impact: Metropolitan will forgo the lump sum payment of $63,000 for the proposed easement.

Business Analysis: The City may be delayed or prevented from completing the beneficial road improvements and may incur increased costs. The community may not enjoy the benefits of an improved transportation node that also enhances emergency response times.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 8201: Authorization to General Manager

Metropolitan Water District Administrative Code Section 8230: Grants of Real Property Interests

Metropolitan Water District Administrative Code Section 8231: Appraisals of Real Property Interests

Metropolitan Water District Administrative Code Section 8232: Terms and Conditions of Management Documents

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because it involves the permitting, leasing, licensing, operation, maintenance, or minor alteration of existing public structures, facilities, or topographical features involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. (State CEQA Guidelines Section 15301.)

CEQA determination for Option #2:

None required

Details and Background

Metropolitan acquired the subject property in 1970 for the construction, operation, and maintenance of the Rialto Pipeline in the city of Rialto. The pipeline is a 121 ½-inch inside diameter steel pipe. The subject property is located on the corner of Locust Avenue and Casa Grande Drive. The City of Rialto is requesting a permanent easement across Metropolitan's fee-owned property within its city limits to support the Locust Avenue Widening and Reconstruction Project. This easement will formalize the City's rights to construct and maintain public roadway improvements, including paving, ADA-compliant sidewalks, driveway approaches, and traffic signal infrastructure. The easement will be used in perpetuity for public road purposes.

Staff has determined the proposed easement will not interfere with Metropolitan's operations. The proposed permanent easement for public road purposes will have the following key provisions:

- Subject to Metropolitan's paramount rights reservation
- All construction plans shall be approved by Metropolitan
- The City shall maintain the easement area
- The City shall indemnify Metropolitan
- The easement area will be 0.03 acres

The fair market value for the proposed easement is $63,000 as determined by a qualified licensed appraiser. There is also a one-time processing fee of $8,500 for granting the permanent easement.

10/1/2025

Elizabeth Crosson *Date*
Chief Sustainability, Resilience and Innovation Officer

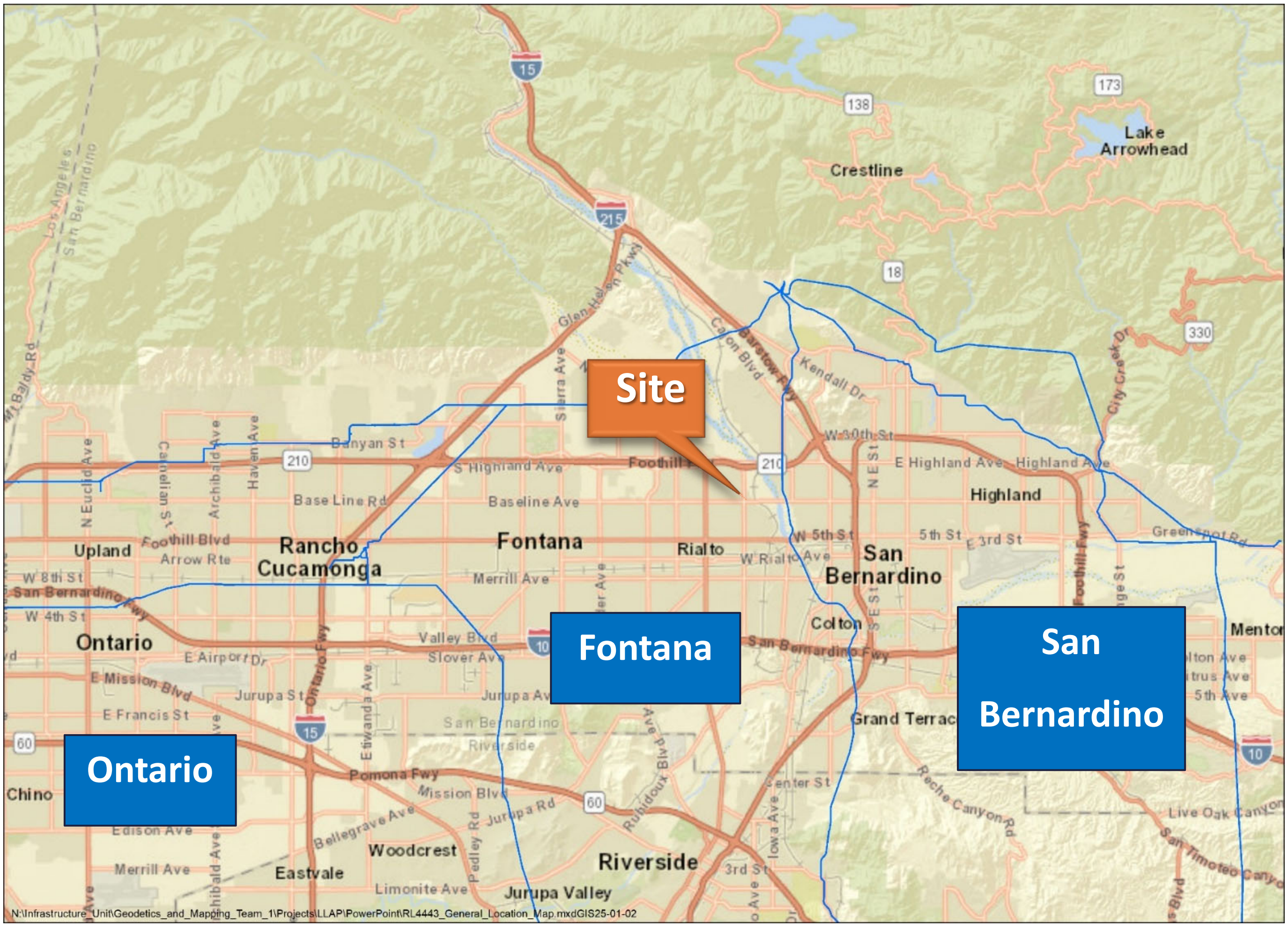
10/1/2025

Deven Upadhyay *Date*
General Manager

Attachment 1 – Location Map

Ref# sri12701600

Attachment 1 – Location Map



Finance, Affordability, Asset Management and Efficiency Committee

City of Rialto Easement

Item 7-2

October 14, 2025

Item 7-2

Overview of Easement

Subject

Authorize the General Manager to grant a permanent easement to the City of Rialto for public road purposes, on Metropolitan fee-owned property in the City of Rialto and identified as County of San Bernardino Assessor Parcel Number 0239-301-23.

Purpose

Establish rights to construct and maintain a public road.

Distribution System Map

General Location Map

Site Map

Key Provisions

- Subject to Metropolitan's paramount rights reservation
- All construction plans shall be approved by Metropolitan
- The City shall maintain the easement area
- The City shall indemnify Metropolitan
- The easement area will be 0.03 acres
- Metropolitan will receive $71,500 for easement

Board Options

Option No. 1

Authorize the General Manager to grant a permanent easement to the City of Rialto for public road purposes, on Metropolitan fee-owned property in the city of Rialto and identified as County of San Bernardino Assessor Parcel Number 0239-301-23.

Option No. 2

Do not approve the permanent easement.

Board Options

Staff Recommendation

- Option No. 1

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

1928

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Finance, Affordability, Asset Management, and Efficiency Committee

10/14/2025 Board Meeting

7-3

Subject

Authorize the execution of an amendment to an existing lease agreement with New Cingular Wireless PCS, LLC to adjust the rental amount and extend the term for up to 25 additional years, thereby allowing continued operation of a commercial telecommunication site at the Iron Mountain Pumping Plant identified as San Bernardino County Assessor Parcel No. 0643-221-06; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action would authorize the General Manager to execute an amendment to an existing telecommunications lease agreement, which would adjust the rental amount and extend the term for up to 25 additional years. The area is located inside the Iron Mountain Pumping Plant in a telecommunications shelter (**Attachment 1**). Board authorization is required because the term will exceed five years.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the execution of an amendment to an existing lease agreement with New Cingular Wireless PCS, LLC to adjust the rental amount and extend the term for up to 25 additional years, thereby allowing continued operation of a commercial telecommunication site at the Iron Mountain Pumping Plant identified as San Bernardino County Assessor Parcel No. 0643-221-06.

Fiscal Impact: Metropolitan will receive a one-time processing fee of $8,500 and annual revenue of $64,657.
Business Analysis: This option will allow the use of Metropolitan's fee-owned parcel to generate revenue and transfer maintenance, weed abatement, security and trespassing costs to the Licensee.

Option # 2

Do not authorize the amendment to the existing lease agreement.
Fiscal Impact: Forgo the opportunity to generate revenue.
Business Analysis: Metropolitan would forgo annual rent of $64,657 with four percent annual increases, and become responsible for costs associated with annual maintenance, weed abatement, illegal dumping, and trespassing.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 8201: Authorization to General Manager

Metropolitan Water District Administrative Code Section 8230: Grants Real Property Interests

Metropolitan Water District Administrative Code Section 8231: Appraisal of Real Property Interests

Metropolitan Water District Administrative Code Section 8232: Terms and Conditions of Management

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 48766, dated August 16, 2011, the Board adopted the proposed policy principles for managing Metropolitan's real property assets.

Related Board Action/Future Action

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action to amend an existing lease agreement for an extended term of up to 25 years is categorically exempt from CEQA because it involves the leasing, licensing, operation, maintenance, and minor alteration of existing public structures, facilities, and equipment involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. (State CEQA Guidelines Section 15301.)

CEQA determination for Option #2:

None required

Details and Background

Metropolitan acquired the subject property in 1933 for the construction, operation, and maintenance of the Colorado River Aqueduct. Iron Mountain Pumping Plant, which is the third pumping plant along the aqueduct, and is 67.57 miles from the inlet at the Intake Pumping Plant along California Highway 62, in Earp, California.

The existing telecommunications site is located in the northwest portion of the Iron Mountain Pumping Plant, and has existed since 2011, with an equipment shelter, 85-foot tower, emergency diesel generator, and underground storage tank. There are no new improvements planned for this site. The proposed amendment to the existing telecommunications lease agreement would allow Metropolitan to adjust the rental amount based on a recent appraisal and extend the term of the agreement for up to 25 years with New Cingular Wireless PCS, LLC. Staff has determined the continued operation of the telecommunication site will not interfere with Metropolitan's operations.

The proposed amendment will have the following key provisions:

- Term of five years with four options to extend for a five-year period (Maximum term of 25 years)
- Subject to Metropolitan's paramount rights
- Annual rent of $64,657
- One-time processing fee of $8,500
- Fixed annual rent increases of four percent
- Reappraisal of rent every five years

All other terms of the lease agreement will remain unchanged.

10/3/2025

Elizabeth Crosson *Date*
Chief Sustainability, Resilience and Innovation Officer

10/3/2025

Deven Upadhyay *Date*
General Manager

Attachment 1 – Location Map

Ref# sri12705578

LOCATION MAP

Finance, Affordability, Asset Management, and Efficiency Committee

New Cingular Wireless PCS, LLC Lease Amendment

Item 7-3

October 14, 2025

Item 7-3

Overview of Lease Agreement

Subject

Authorize the execution of an amendment to an existing lease agreement with New Cingular Wireless PCS, LLC to adjust the rental amount and extend the term for up to 25 additional years, thereby allowing continued operation of a commercial telecommunication site at the Iron Mountain Pumping Plant identified as San Bernardino County Assessor Parcel No. 0643-221-06.

Purpose

To execute an Amendment to an existing telecommunications lease agreement, which would adjust the rental amount and extend the term for up to 25 additional years.

Service Area & CRA Map

General Location Map

Site Map

Key Provisions

- Term of five years with four, five-year options to extend
- Maximum 25 years
- Subject to Metropolitan’s paramount rights provision
- Metropolitan will receive $9,500 one-time processing fee
- Annual lease rent of $64,657 with 4% annual increases
- Reappraisal of rent every 5 years

Board Options

Option No. 1

Authorize the execution of an amendment to an existing lease agreement with New Cingular Wireless PCS, LLC to adjust the rental amount and extend the term for up to 25 additional years, thereby allowing continued operation of a commercial telecommunication site at the Iron Mountain Pumping Plant identified as San Bernardino County Assessor Parcel No. 0643-221-06.

Option No. 2

Do not authorize the amendment to the existing lease agreement

Board Options

Staff Recommendation

- Option No. 1

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

- **Board of Directors**

Finance, Affordability, Asset Management, and Efficiency Committee

10/14/2025 Board Meeting

7-4

Subject

Approve Emergency Event Member Agency Payment Deferment Program, Amend the Administrative Code to add Section 4520 to implement the Program, and Delegate Authority to the General Manager to administer the Program; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In September 2025, staff presented an informational report on a proposed Emergency Event Member Agency Payment Deferment Program to the Finance, Affordability, Asset Management, and Efficiency (FAAME) Committee of the Board, which would require amending the Metropolitan Administrative Code to implement the Program. The Program will assist qualifying member agencies while they experience difficult financial times caused by an emergency event, by allowing for payment deferment of up to 12 months, subject to the approval of the General Manager. The Program will be available to all member agencies that receive approval from the General Manager and will apply to invoices for all fixed charges, including Capacity, Readiness-to-Serve (RTS), Treatment Standby, and Treatment Peaking charges. The General Manager will have the authority to defer up to $250,000 for each affected member agency per event. This letter proposes the Program for adoption by the Board, including the approval of Administrative Code Section 4520, setting forth the guidelines for the Program. The Program would become effective immediately upon approval and would apply to an eligible emergency as of January 1, 2025.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Approve Emergency Event Member Agency Payment Deferment Program, Amend the Administrative Code to add Section 4520 to implement the Program, and Delegate Authority to the General Manager to administer the Program

Fiscal Impact: Member agency participation in this Program will shift some revenue collection from one period to another, which may cross fiscal years.

The total impact, including any foregone interest income, will vary based on the scope of the emergency event and the level of participation by member agencies.

- The maximum deferral per member agency is $250,000 per event.
- If all 26 member agencies sought relief for the same event, the total maximum revenue deferred into a future year would be approximately $6.0 million–$6.5 million.
- The interest earnings foregone on the maximum deferred revenue would be approximately $240,000–$260,000 annually. Otherwise, applicable late fees and penalties would also be foregone.

Business Analysis: The potential cost of the Program is reasonable, given the potential hardship member agencies may face in light of various emergency events. Costs to Metropolitan consist of temporarily deferring the receipt of revenue and the foregoing of interest revenue during the time of deferment. The Program is a more reasonable approach than would be the enforcement of penalties and interest in a time when agencies are experiencing financial difficulties.

Option #2

Do not approve the Emergency Event Member Agency Payment Deferment Program and amendment to the Administrative Code to add Section 4520 to implement the Program

Fiscal Impact: None

Business Analysis: In the event member agencies default on any portion of their obligations, Metropolitan will likely forego receipt of revenue and also expend time to enforce penalties and interest on a case-by-case basis.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 4501: Obligation to Pay for Water Delivered

Metropolitan Water District Administrative Code Section 4507: Billing and Payment for Water Deliveries.

Metropolitan Water District Administrative Code Section 4508: Additional Payment and Reporting in the Event of Delinquency in Payment for Water

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan first established a payment deferment program during the COVID-19 pandemic. In December 2020, the Board adopted the COVID-19 Member Agency Payment Deferment Program and amended the Administrative Code, which was repealed on November 14, 2023. The program allowed payment deferment for member agencies that met the Board-set criteria and were approved by the General Manager of Metropolitan. The COVID-19 pandemic created financial uncertainties that were similar to the financial uncertainties resulting from recent emergency events. As a result of the recent California wildfires, some member agencies and their customers have been experiencing financial difficulties, resulting in potential payment delinquencies to those member agencies. Properties were destroyed during the recent fires, resulting in retail customers not using or paying for water, and therefore, our member agencies also not receiving water payments from their customers in those areas. On September 9, 2025, staff presented the proposal of an Emergency Event Member Agency Payment Deferment

Program to the FAAME Committee, which would provide assistance to our member agencies during difficult financial occurrences caused by emergency events such as the recent wildfires, as defined in this section below.

Emergency Event Member Agency Payment Deferment Program

The Program will provide up to a 12-month deferral of a portion of the member agencies' Metropolitan bills up to the fixed charges, including Capacity, RTS, Treatment Standby, and Treatment Peaking charges, per the approval of the General Manager. Under the Program, late fees, penalties, and interest will be waived on the deferred amount, and member agencies will have an option to establish a payment plan for the total deferred amount for up to 18 months thereafter. Late fees, penalties, and interest will only apply to deferred payment obligations not made. The General Manager will have the authority to defer up to $250,000 for each affected member agency per event.

Adoption of this Program will require the addition of the following section to the Metropolitan Administrative Code:

§ 4520 Emergency Event Member Agency Payment Deferment Program

(a) Emergency Event: For the purposes of this section, an "emergency event" shall be defined as a natural or manmade disaster or a catastrophic incident that creates an extreme disruption to the operations of a member agency, causing physical harm and damage to persons or property.

(b) The Treasurer of the District shall defer payment obligations of any amount due to Metropolitan on invoices for fixed charges, including Capacity, Readiness-to-Serve, Treatment Standby, and Treatment Peaking charges, subject to Section 4501 as approved by the General Manager. Payment obligations and additional charges under Sections 4507 and 4508 shall not apply to any payment obligation deferred pursuant to this Section.

(c) In determining to grant a deferment under this section, the member agency must submit an official written request and supporting documentation outlining its need to participate in the Program to the General Manager, who may consider the following factors in addition to others not listed below:

   i. The member agency has experienced an increased rate of delinquency in the payments from its customers to that agency, as a result of an Emergency Event;

   ii. The member agency has suspended or deferred payment obligations of its customers to that agency, whether the obligations suspended or deferred consist of the total amount due or a partial amount due;

   iii. The member agency does not have sufficient financial reserves that can be used to buffer the financial impacts of the increased delinquencies, suspensions, or deferments in (i) and (ii); and

   iv. The member agency has not received federal, state, or other financial assistance to absorb the financial impacts described in (i) and (ii).

(d) The following terms shall apply to amounts deferred pursuant to the approval of the General Manager under this Section:

   i. The Treasurer of the District shall defer the payment obligations for the approved charges of a member agency for up to 12 months, but not to exceed **$250,000** per member agency, per event.

   ii. The member agency shall begin payment of all deferred amounts under this Section no later than 12 months following the approval of the deferral application by the General Manager. The General Manager may approve for repayment to be made in one payment or through an established structured payment plan over a period of up to 18 months following the end of the deferment period; and

iii. Payment obligations approved under (ii) will be subject to additional charges, as set forth in Section 4508, if not paid when due.

(e) This Section applies to payment obligations for water service governed by Sections 4501, 4507, and 4508 and does not apply to payment obligations arising out of separate contractual arrangements.

(f) District staff will periodically report to the Board of Directors on the deferments granted under the General Manager's authority pursuant to this Section.

Potential Financial Impacts on Metropolitan

With the adoption of the Program, any member agency participation will shift some revenue collection from one period to another, which may cross fiscal years.

The total impact, including any foregone interest income, will vary based on the scope of the emergency event and the level of participation from member agencies.

- The maximum deferral per member agency is $250,000 per event.
- If all 26 member agencies sought relief for the same event, the total maximum revenue deferred into a future year would be approximately $6.0 million–$6.5 million.
- The interest earnings foregone on the maximum deferred revenue would be approximately $240,000–$260,000 annually. Otherwise, applicable late fees and penalties would also be foregone.

Katano Kasaine *Assistant General Manager/* *Chief Financial Officer*	10/3/2025 *Date*
Deven Upadhyay *General Manager*	10/3/2025 *Date*

Ref# cfo12711713

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Legal and Claims Committee

10/14/2025 Board Meeting

7-6

Subject

Authorize and fund additional counsel position in the Office of the General Counsel; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The General Counsel seeks the Board's authorization for the creation of an additional counsel position in the Office of the General Counsel and the funding for the position, due to an increased workload in the office, particularly employment litigation. The requested position would be a Senior Deputy General Counsel or Deputy General Counsel, with an annual salary range of $186,077 to $278,387 based on level of experience, and an annual burdened rate range (salary plus the cost to Metropolitan for benefits) of $330,844.55 to $494,972.44. The salary and benefits would be subject to increases comparable to other Metropolitan counsel, and the General Counsel would include the position in future budget requests.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize and fund additional counsel position in the Office of the General Counsel

Fiscal Impact: An initial annual burdened rate range (salary and cost of benefits) of $330,844.55 to $494,972.44, with future increases comparable to other Metropolitan counsel

Business Analysis: Authorization and funding for the new position would help the Office of the General Counsel meet its obligation to provide legal counsel and representation to Metropolitan given the office's increased workload, particularly in employment litigation.

Option #2

Do not authorize and fund additional counsel position in the Office of the General Counsel

Fiscal Impact: Unknown impact from increased outside counsel costs, but potentially higher than the cost of the requested new position

Business Analysis: If the new position is not authorized and funded, existing staff would continue to provide legal services to Metropolitan and likely rely on outside counsel to a greater extent. This may impact the time existing staff can devote to certain matters and/or increase overall costs for Metropolitan through increased use of outside counsel.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 6430: Powers and Duties (General Counsel)

Metropolitan Water District Administrative Code Section 6438: Assistant General Counsel and Deputies General Counsel

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

The General Counsel is the attorney for Metropolitan and is responsible for representing Metropolitan, its Board of Directors, and its officers in legal proceedings and serving as the legal advisor to the Board and officers (Admin. Code Sec. 6430(a) and (b)). The General Counsel may, when authorized to do so by the Board, employ attorneys and others to assist in the performance of these duties (Admin. Code Sec. 6430(d)). This includes Deputy General Counsels (Admin. Code Sec. 6438).

The Office of the General Counsel currently includes 21 attorneys along with other staff. In addition to the General Counsel, the attorney positions are (from higher to lower level) Assistant General Counsel, Principal Deputy General Counsel, Senior Deputy General Counsel, and Deputy General Counsel. The office's one Deputy General Counsel is currently on a maternity leave of absence.

The office handles legal advice and representation in litigation and other legal proceedings in numerous specialized areas of law, including contracts, construction, environmental, finance, real estate, legislative, governance, torts, and labor and employment. The office's attorneys handle this work in part in-house and in part in conjunction with outside counsel. When outside counsel is engaged on a given matter, the office's attorneys still expend time and resources in managing the outside counsel and serving in a co-counsel capacity.

The Office of the General Counsel has experienced an increased workload. The General Counsel reported to the Legal and Claims Committee in September 2025 that Metropolitan has experienced an increase in employment litigation and is currently defending 11 such cases, which is the highest number in Metropolitan's history to the current staff's knowledge. She reported that there are also three open pre-litigation claims and 12 open Hearing Officer appeals. The General Counsel advised the committee that in October 2025, she would be requesting authorization to create a new counsel position to assist with the office's workload, in particular employment litigation.

Three of the office's attorneys spend a significant amount of their time handling employment law work including defending litigation, independently and in conjunction with outside counsel. Two other office attorneys also handle some of this work. Each of these attorneys has other work assignments, including both Assistant General Counsels who assist in managing the office and addressing governance issues. There is insufficient bandwidth among the existing office counsel to handle the current level of employment litigation.

Requested Action

The General Counsel requests that the Board authorize the creation of an additional counsel position in the Office of the General Counsel and the funding for the position, due to the increased workload. The new counsel would be assigned to primarily handle employment litigation, along with other assignments to meet the needs of the office in providing legal services to Metropolitan, the Board, and officers. The attorney's work assignments could vary in the future based on changing needs. The General Counsel would endeavor to complete the competitive recruitment for the position in 2025 or early 2026, with the new counsel ideally starting by early 2026.

The requested position would be a Senior Deputy General Counsel or a Deputy General Counsel, based on the level of experience of the best-qualified candidate selected from the competitive recruitment. The current annual salary range for a Senior Deputy General Counsel is $212,534 to $278,387, and the annual burdened rate range (salary plus the cost to Metropolitan for benefits) is $377,866.16 to $494,972.44. The current annual salary range for a Deputy General Counsel is $186,077 to $242,882, and the annual burdened rate range (salary plus the cost to Metropolitan for benefits) is $330,844.55 to $431,843.48.

Therefore, the overall initial annual burdened rate range (salary and cost of benefits) for the requested position would range from $330,844.55 to $494,972.44, depending on the level of the selected candidate.

The salary and benefits would be subject to future increases comparable to other Metropolitan counsel, including cost-of-living increases and merit increases as applicable. The General Counsel would include the position in future budget requests for the Office of the General Counsel, beginning with the budget for fiscal years 2026/27 and 2027/28 which the Board will consider and adopt in April 2026.

Project Milestone

Not applicable

MScully 10/6/2025

Marcia Scully *Date*
General Counsel

Ref# I12711780

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  One Water and Adaptation Committee

10/14/2025 Board Meeting

7-7

Subject

Authorize on-call agreements with Helix Environmental Planning, Inc. and Rincon Consultants. Inc. in amounts not to exceed $2 million each and ECORP Consulting, Inc., Dudek, and Environmental Science Associates in amounts not to exceed $1 million each, for a maximum of five years for environmental planning services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff's strategy for managing environmental planning work for compliance with state and federal environmental laws and regulations is to rely on in-house environmental planning staff to accomplish the base load of projects, while professional services agreements are selectively utilized to handle projects above this base load or where specialized services are required. This action authorizes five new professional services agreements to provide environmental planning support for Metropolitan projects. The five agreements will be on-call agreements, which are typically used for shorter-term assignments, urgent projects, and projects requiring specialized technical needs or accreditations. The recommended maximum amounts of these agreements are $2 million each for Helix Environmental Planning Inc. and Rincon Consultants Inc., and $1 million each for ECORP Consulting Inc., Dudek, and Environmental Science Associates. The maximum duration of these environmental planning services agreements will be five years. See **Attachment 1** for the List of Subconsultants.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize on-call agreements with Helix Environmental Planning Inc. and Rincon Consultants Inc. in amounts not to exceed $2 million each and ECORP Consulting Inc., Dudek, and Environmental Science Associates in amounts not to exceed $1 million each, for a maximum of five years for environmental planning services.

Fiscal Impact: Funding for the work to be assigned to the consultants under on-call agreements and performed this biennium has been previously authorized. Future costs will be accounted for and appropriated under subsequent biennial budgets. In addition, no work is guaranteed to the consultants under these agreements.

Business Analysis: Contracting with multiple firms provides flexibility and an efficient means for Metropolitan to obtain needed technical services to complete both capital and operations and maintenance projects in accordance with board-adopted schedules.

Option #2

Do not authorize the consulting agreements at this time.

Fiscal Impact: None

Business Analysis: Under this option, Metropolitan staff would request board authorization for agreements on a project-specific basis. This option would forego an opportunity to reduce administrative costs or address urgent projects promptly.

Alternatives Considered

Staff considered using project-specific agreements instead of on-call agreements. Project-specific agreements are negotiated for an amount needed to cover a specific project, with agreements over $250,000 requiring approval by the Board. The current approach of utilizing multiple on-call agreements is recommended to ensure that staff can efficiently execute both planned and unplanned work. On-call agreements allow staff to streamline administrative procedures, reduce costs, and enable projects to move forward without delays associated with executing new agreements.

Applicable Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter into Contracts.

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action / Future Action

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan's environmental planning staff provide environmental analysis, California Environmental Quality Act (CEQA) environmental document support, and regulatory permitting support for both planned expenditures for capital programs and Operations and Maintenance (O&M) projects. Environmental planning staff's approach for environmental analysis, CEQA support, regulatory permitting, and general environmental planning activities is to use available in-house staff first, with professional consultant services used only where appropriate. This approach maintains a stable, responsive, and experienced in-house workforce and is consistent with Metropolitan's succession planning efforts. However, when resource needs exceed available in-house staffing or require specialized technical expertise, Metropolitan's environmental planning staff uses a combination of project-specific and on-call professional services agreements.

In order to be considered for a consulting agreement, firms are competitively evaluated, resulting in a list of prequalified firms from which both project-specific and on-call agreements are executed as capital and O&M project needs are identified. Project-specific agreements over $250,000 are approved individually by the Board. By contrast, on-call agreements are multi-year with not-to-exceed amounts and provide a high degree of flexibility to respond to schedule or scope adjustments, allow quicker delivery times, and lower administrative costs for both Metropolitan and the consultants. For these types of agreements, consultants are assigned work only after specific tasks are identified by staff, up to the not-to-exceed amounts of the agreements. The current set of environmental planning on-call agreements will expire in February 2026, and new agreements are needed to ensure uninterrupted environmental planning technical support.

Agreements for Environmental Planning Services – Helix Environmental Planning Inc., Rincon Consultants Inc., ECORP Consulting Inc., Dudek, and Environmental Science Associates

Request for Qualifications (RFQ) No. 1402 was issued in April 2025 to establish a pool of qualified consulting firms to provide environmental planning and technical support. The RFQ covered services in four categories: biological resources management, cultural resources management, regulatory permitting and guidance, and general environmental planning services. The consultants submitted Statements of Qualifications (SOQs) for any or all of these four categories. Twenty-seven firms submitted SOQs, which were then evaluated based on qualifications and staff experience, past and ongoing project performance, work methodology, and business outreach. All 27 firms were prequalified to provide environmental planning services. Prequalified firms will be eligible to submit proposals on project-specific agreements within the categories of work for which they were prequalified.

New on-call agreements for environmental planning services are recommended to be awarded at this time to five of the 27 prequalified firms. These firms were selected based on staff's assessment of technical resources needed for both capital and O&M project support over the next several fiscal years. New agreements are recommended with Helix Environmental Planning Inc., Rincon Consultants Inc., ECORP Consulting Inc., Dudek, and Environmental Science Associates. These firms received the highest evaluation scores in specific categories based on the criteria described above. This action authorizes on-call agreements with Helix Environmental Planning, Inc., and Rincon Consultants Inc., in amounts not to exceed $2 million per agreement and with ECORP Consulting Inc., Dudek, and Environmental Science Associates Inc. in amounts not to exceed $1 million per agreement. The maximum duration of each agreement will be five years. Staff will return to the Board in the future to authorize additional agreements as needs are identified. Funding for the work to be assigned to the consultants under on-call agreements is available within Metropolitan's capital expenditure plan or O&M budget. No work is guaranteed to the consultants under these agreements. For each of the agreements, Metropolitan has established an SBE participation level of 25 percent of the amount of the agreement. All prequalified firms have committed to meet this level of participation.

Elizabeth Crosson *Chief Sustainability, Resilience & Innovation Officer*	10/6/2025 *Date*
Deven Upadhyay *General Manager*	10/6/2025 *Date*

Attachment 1 – List of Subconsultants

Ref# sri12706267

The Metropolitan Water District of Southern California

Subconsultants for Agreement with Dudek

Subconsultant and Location	Service Category; Specialty
Bargas Environmental Consulting, LLC Sacramento, CA	Cultural Resources Management
Dipodomys Ecological Consulting, LLC Yorba Linda, CA	Biological Resources Management
Endemic Environmental Services Inc. Fullerton, CA	Biological Resources Management
Origin Biological Redlands, CA	Biological Resources Management
Petra Resource Management Tujunga, CA	Cultural Resources Management
Red Tail Environmental Santa Ysabel, CA	Cultural Resources Management
South Environmental LLC Pasadena, CA	Biological Resources Management, Cultural Resources Management, General Environmental Planning Services
Statistical Research Inc. Redlands, CA	Cultural Resources Management

The Metropolitan Water District of Southern California

Subconsultants for Agreement with ECORP Consulting, Inc.

Subconsultant and Location	Service Category; Specialty
KOA/Lochner Orange, CA	Traffic/Transportation
Group Delta Consultants Inc. Riverside, CA	Geology, Hydrology, and Hazards
BurnBot South San Francisco, CA	Wildfire Management

The Metropolitan Water District of Southern California

Subconsultants for Agreement with Environmental Science Associates

Subconsultant and Location	Service Category; Specialty
Artemis Environmental Services Inc. Carlsbad, CA	Field Surveys, Construction Monitoring, Environmental Regulation Guidance and Reporting, Habitat and Restoration Landscape Planning, Mitigation Strategies
Blackhawk Environmental Inc. San Diego, CA	Field Surveys, Construction Monitoring, Environmental Regulation Guidance and Reporting, HCP/NCCP Review Compliance, Reserve and Natural Lands Management
DUKE Cultural Resources Management LLC (DUKE CRM) Irvine, CA	Archaeology, Paleontology, Field Surveys, Construction Monitoring
Kidd Biological Inc. Laguna Hills, CA	Field Surveys, Construction Monitoring
Linscott, Law & Greenspan, Engineers Irvine, CA	Traffic and Transportation
Material Culture Consulting Inc. Pomona, CA	Archaeology
Pax Environmental Inc. Ojai, CA	Archaeology, Paleontology, Field Surveys, Construction Monitoring, Environmental Regulation Guidance, Reporting
Polytechnique Environmental Inc. Bellflower, CA	Sustainable Design
Red Tail Environmental Santa Ysabel, CA	Ethnography and Tribal Resources
Wildscape Restoration Ventura, CA	Habitat and Landscape Restoration Planning, Mitigation Strategies

The Metropolitan Water District of Southern California

Subconsultants for Agreement with Helix Environmental Planning, Inc.

Subconsultant and Location	Service Category; Specialty
Bancroft Construction Services LLC La Jolla, CA	General Biotic and Protocol Surveys, Endangered Species Act Compliance
EcoKai Environmental Inc. Manhattan Beach, CA	Engineering Support, Habitat Restoration Plans, General Biotic Surveys
ENVIRA (Philippe Vergne) Ramona, CA	General Biotic and Protocol Surveys
FIREWISE 2000 LLC Lower Lake, CA	Fire Management, Fuel Modification Plans
Iteris Inc. Los Angeles, CA Santa Ana, CA	Traffic and Transportation
Material Culture Consulting Inc. Pomona, CA	Cultural Resources Surveys, Evaluations, Data Recovery Excavations, Analyses, and Monitoring, Paleontological Resources
Ninyo & Moore Los Angeles, CA	Geology and Soils, Hazardous Materials
Glenn A. Rick Engineering Development Company dba RICK Engineering San Diego, CA	Hydrology and Water Quality, Guidance and Support on Sustainable Design

The Metropolitan Water District of Southern California

Subconsultants for Agreement with Rincon Consultants, Inc.

Subconsultant and Location	Service Category; Specialty
Blackhawk Environmental Inc. San Diego, CA	Aquatic Ecology, Biological Resources
Catalyst Environmental Solutions Corporation Santa Monica, CA	Environmental Planning Support
Craftwater Engineering Inc. San Diego, CA	Hydrology and Water Quality, Stormwater, Water Resources Planning
Dipodomys Ecological Consulting LLC Yorba Linda, CA	Desert Wildlife Biology Support
Duke Cultural Resources Management LLC (DUKE CRM) Irvine, CA	Archaeology, Paleontology
Ironwood Consulting Inc. Redlands, CA	Desert Biological Resources, Environmental Compliance
Pax Environmental Inc. Ojai, CA	Archaeology, Paleontology
Sentinel Science Inc. Ojai, CA	Biological Resources, Avian Ecology, Environmental Compliance
South Environmental LLC Pasadena, CA	Archaeology, Built Environment, Paleontology
Surf 2 Snow Environmental Resource Management Inc. San Ramon, CA	Biological Resources, Permitting, Compliance
Terry A. Hayes Associates Inc. Culver City, CA	Air Quality, Greenhouse Gas, Noise
Tom Dodson and Associates San Bernardino, CA	Environmental Planning Support
Translutions Inc. Tustin, CA	Transportation
VisionScape Imagery Inc. Mission Viejo, CA	Visual Simulations
Westervelt Environmental Solutions Tuscaloosa, AL	Habitat Restoration, Mitigation Banking

One Water and Adaptation Committee

Environmental Planning On-call Agreements

Item 7-7

October 13, 2025

Item 7-7
Environmental Planning On-call Agreements

Subject

Authorize on-call agreements with Helix Environmental Planning, Inc. and Rincon Consultants, Inc. in amounts not to exceed $2 million each and ECORP Consulting, Inc., Dudek, and Environmental Science Associates in amounts not to exceed $1 million each, for a maximum of five years for environmental planning services

Purpose

Contracting with multiple firms provides flexibility and an efficient means for Metropolitan to obtain needed environmental planning support for both Capital Investment Plan (CIP) projects and Operations and Maintenance (O&M) activities

Recommendation and Fiscal Impact

Authorize agreements for environmental planning support of CIP and O&M activities

Fiscal Impact - None

Budgeted

Funding from approved budget

Environmental Planning On-call Agreements

Professional Services Agreements

- Environmental Planning Services On-call Agreements
  - Used when workload exceeds staff capabilities
  - Used for short-term assignments, urgent projects, or specialized technical expertise
  - Used for CIP projects and O&M activities
  - Allows for flexibility and expedited analysis
  - Work is not guaranteed to consultants

Environmental Planning On-call Agreements

Request for Qualifications (RFQ) 1402

- Issued April 2025 to establish pool of qualified firms
  - 4 technical categories in scope of work
  - SBE participation level – 25 percent
  - 27 firms responded
  - All firms determined to be qualified
  - 5 firms recommended for agreements

Environmental Planning On-call Agreements

Scope of Work

- Biological Resource Management
  - Endangered species surveys
  - Habitat assessments
- Cultural Resources Management
  - Archaeological surveys & recordation
  - Historic architecture documentation
- Regulatory Permitting Support & Guidance
  - Permit applications for CDFW, USFWS, USACE, & RWQCB
- General Environmental Planning Services
  - CEQA documents and technical studies
  - Environmental monitoring

Environmental Planning
On-call Agreements

Alternatives Considered

- Use Project-Specific Agreements
  - Executing new agreements creates delays
  - Does not consider unplanned, urgent, or routine maintenance work
- Selected Alternative – Utilize On-call Agreements
  - Allows for highly specialized technical expertise
  - Timely completion of work
  - Reduced costs

Board Options

- Option #1

  Authorize on-call agreements with Helix Environmental Planning, Inc. and Rincon Consultants, Inc. in amounts not to exceed $2 million each and ECORP Consulting, Inc., Dudek, and Environmental Science Associates in amounts not to exceed $1 million each, for a maximum of five years for environmental planning services.

- Option #2

  Do not authorize the consulting agreements at this time.

Staff Recommendation

- Option #1

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Organization, Personnel and Effectiveness

10/14/2025 Board Meeting

7-8

Subject

Adopt a resolution designating authorized agents for funding from the Federal Emergency Management Agency and the California Office of Emergency Services; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action approves an updated resolution designating authorized agents to accept federal and state financial assistance for declared disasters. The resolution is required to be updated every three years or when there are changes in authorized agents.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Adopt a resolution designating authorized agents for funding from the Federal Emergency Management Agency (FEMA) and the California Office of Emergency Services (Cal OES).

Fiscal Impact: None
Business Analysis: This option would allow Metropolitan to receive other FEMA and Cal OES grants including reimbursement for disaster-related damage.

Option #2

Do not approve this resolution.
Fiscal Impact: Additional funds would be required to provide funding for disaster-related damage.
Business Analysis: Metropolitan will be unable to receive reimbursement funds for work that has been completed and authorized for reimbursement, consistent with Metropolitan Operating Policy C-21, Accounting and Administration of Federally Funded Grants and Cooperative Agreements.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Operating Policy C-21: Accounting and Administration of Federally Funded Grants and Cooperative Agreements

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

By Minute 51729 dated September 10, 2019, the Board approved the Designation of Applicant's Agent Resolution for Non-State Agencies, as set forth in Agenda Item 7-7 board letter.

California Environmental Quality Act (CEQA)

CEQA determination(s) for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)).

CEQA determination(s) for Option #2:

None required

Details and Background

Background

As a public agency that provides a vital service, Metropolitan is eligible for federal and state disaster relief assistance whenever Metropolitan facilities sustain disaster-related damage and there is a declaration of the disaster by the President of the United States or the Governor of California. Funding is obtained from FEMA and Cal OES. Recent examples of Metropolitan's disaster repair efforts qualified for recovery grant funding include \$946,000 for the January 2023 storms and recovery grants from Tropical Storm Hilary in 2024 that resulted in over \$200,000 in damage.

FEMA and Cal OES require disaster assistance applicants to submit a board-approved Designation of Applicant's Agent Resolution for Non-State Agencies (Resolution) every three years, or any time a change in authorized agents is requested. The authorized agents are responsible for the administrative procedures related to the reimbursement of funds. An updated resolution is requested at this time since the last resolution was made in December 2022. The Resolution (**Attachment 1**) identifies the following staff as authorized agents for Metropolitan to obtain financial assistance for declared disasters:

- Assistant General Manager, Water and Technical Resources
- Group Manager, Safety, Security, and Protection Officer
- Group Manager, Engineering Services

Summary

The receipt of grant funds requires that the Board designate a signatory to receive the grant funds. This action authorizes a resolution designating signatory agents for all FEMA and Cal OES grants. This resolution allows Metropolitan to receive grant funding, to pursue grant funding for future projects and to apply for disaster relief assistance. Additionally, without this resolution, staff would utilize operation and maintenance (O&M) funds for such projects, which may limit the number of other projects that can be completed under the biennium O&M budget.

10/6/2025

Gonzalo Barriga — *Date*
Group Manager
Safety, Security, and Protection Officer

10/6/2025

Deven Upadhyay — *Date*
General Manager

Attachment 1 – Cal OES 130

Ref# hr12711907

STATE OF CALIFORNIA
CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES

RECOVERY DIRECTORATE
FINANCIAL PROCESSING DIVISION

DESIGNATION OF APPLICANT'S AGENT RESOLUTION NON-STATE AGENCIES

OES-FPD-130 (Rev. 10-2022)

Cal OES ID No: PL 0601

DESIGNATION OF APPLICANT'S AGENT RESOLUTION FOR NON-STATE AGENCIES

BE IT RESOLVED BY THE Board of Directors (Governing Body) OF THE The Metropolitan Water District of Southern California (Name of Applicant)

THAT Assistant General Manager, Water and Technical Resources (Title of Authorized Agent), OR

Group Manager, Safety, Security and Protection Officer (Title of Authorized Agent), OR

Group Manager, Engineering Services (Title of Authorized Agent)

is hereby authorized to execute for and on behalf of the The Metropolitan Water District of Southern California (Name of Applicant), a public entity established under the laws of the State of California, this application and to file it with the California Governor's Office of Emergency Services for the purpose of obtaining federal financial assistance for any existing or future grant program, including, but not limited to any of the following:

- **Federally declared Disaster (DR), Fire Mitigation Assistance Grant (FMAG), California State Only Disaster (CDAA), Immediate Services Program (ISP), Hazard Mitigation Grant Program (HMGP), Building Resilient Infrastructure and Communities (BRIC), Legislative Pre-Disaster Mitigation Program (LPDM),** under

- Public Law 93-288 as amended by the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, and/or state financial assistance under the California Disaster Assistance Act.

- **Flood Mitigation Assistance Program (FMA)**, under Section 1366 of the National Flood Insurance Act of 1968.

- **National Earthquake Hazards Reduction Program (NEHRP)** 42 U.S. Code 7704 (b) ((2) (A) (ix) and 42 U.S. Code 7704 (b) (2) (B) National Earthquake Hazards Reduction Program, and also The Consolidated Appropriations Act, 2018, Div. F, Department of Homeland Security Appropriations Act, 2018, Pub. L. No. 115-141

- **California Early Earthquake Warning (CEEW)** under CA Gov Code – Gov, Title 2, Div. 1, Chapter 7, Article 5, Sections 8587.8, 8587.11, 8587.12

That the The Metropolitan Water District of Southern California (Name of Applicant), a public entity established under the laws of the State of California, hereby authorizes its agent(s) to provide to the Governor's Office of Emergency Services for all matters pertaining to such state disaster assistance the assurances and agreements required.

DESIGNATION OF APPLICANT'S AGENT RESOLUTION
NON-STATE AGENCIES

OES-FPD-130 (Rev. 10-2022)

Please check the appropriate box below

☑ This is a universal resolution and is effective for all open and future disasters/grants declared up to three (3) years following the date of approval.

☐ This is a disaster/grant specific resolution and is effective for only disaster/grant number(s):________________

Passed and approved this___day of _____________, 20____

____
(Name and Title of Governing Body Representative)

____
(Name and Title of Governing Body Representative)

____
(Name and Title of Governing Body Representative)

CERTIFICATION

I,______________________________, duly appointed and_________________________of
(Name) (Title)

The Metropolitan Water District of Southern California, do hereby certify that the above is a true and
(Name of Applicant)

correct copy of a resolution passed and approved by the Board of Directors
(Governing Body)

of the The Metropolitan Water District of Southern California on the_____ day of ______________, 20___.
(Name of Applicant)

______________________________ ______________________________
(Signature) (Title)

Cal OES Form 130 Instructions

A Designation of Applicant's Agent Resolution for Non-State Agencies is required of all Applicants to be eligible to receive funding. A new resolution must be submitted if a previously submitted resolution is older than three (3) years from the last date of approval, is invalid, or has not been submitted.

When completing the Cal OES Form 130, Applicants should fill in the blanks on pages 1 and 2. The blanks are to be filled in as follows:

Resolution Section:

Governing Body: This is the group responsible for appointing and approving the Authorized Agents.

Examples include: Board of Directors, City Council, Board of Supervisors, Board of Education, etc.

Name of Applicant: The public entity established under the laws of the State of California.

Examples include: School District, Office of Education, City, County or Non-profit agency that has applied for the grant, such as: City of San Diego, Sacramento County, Burbank Unified School District, Napa County Office of Education, University Southern California.

Authorized Agent: These are the individuals that are authorized by the Governing Body to engage with the Federal Emergency Management Agency and the California Governor's Office of Emergency Services regarding grants for which they have applied. There are two ways of completing this section:

1. Titles Only: The titles of the Authorized Agents should be entered here, not their names. This allows the document to remain valid if an Authorized Agent leaves the position and is replaced by another individual. If "Titles Only" is the chosen method, this document must be accompanied by either a cover letter naming the Authorized Agents by name and title, or the Cal OES AA Names document. The supporting document can be completed by any authorized person within the Agency (e.g., administrative assistant, the Authorized Agent, secretary to the Director). It does not require the Governing Body's signature.

2. Names and Titles: If the Governing Body so chooses, the names **and** titles of the Authorized Agents would be listed. A new Cal OES Form 130 will be required if any of the Authorized Agents are replaced, leave the position listed on the document, or their title changes.

DESIGNATION OF APPLICANT'S AGENT RESOLUTION
NON-STATE AGENCIES
OES-FPD-130 (Rev. 10-2022)

Checking Universal or Disaster-Specific Box: A Universal resolution is effective for all past disasters and for those declared up to three (3) years following the date of approval. Upon expiration it is no longer effective for new disasters, but it remains in effect for disasters declared prior to expiration. It remains effective until the disaster goes through closeout unless it is superseded by a newer resolution.

Governing Body Representative: These are the names and titles of the approving Board Members.

Examples include: Chairman of the Board, Director, Superintendent, etc. The names and titles **cannot** be one of the designated Authorized Agents. A minimum of three (3) approving board members must be listed. If less than three are present, meeting minutes must be attached in order to verify a quorum was met.

Certification Section:

Name and Title: This is the individual in attendance who recorded the creation and approval of this resolution.

Examples include: City Clerk, Secretary to the Board of Directors, County Clerk, etc. This person **cannot** be one of the designated Authorized Agents or Approving Board Member. If a person holds two positions (such as City Manager and Secretary to the Board) and the City Manager is to be listed as an Authorized Agent, then that person could sign the document as Secretary to the Board (not City Manager) to eliminate "Self-Certification."

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Engineering, Operations, and Technology Committee

10/14/2025 Board Meeting

7-9

Subject

Award a $6,412,126 contract to Houalla Enterprises Ltd. DBA Metro Builders & Engineers Group Ltd. to rehabilitate and improve a chemical feed facility at the Robert B. Diemer Water Treatment Plant; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan's treatment plants utilize several chemicals within the treatment process to ensure the safety and reliability of the water delivered, in compliance with state and federal regulations. As chemical feed systems have a limited service life, periodic replacement is necessary. Upgrades to several chemical storage and feed facilities are planned at the Diemer plant, beginning with the fluorosilicic acid storage facility and a multipurpose chemical feed facility.

Fluorosilicic acid is added to the filtered water to efficiently provide fluoridation on a regional scale throughout Metropolitan's service area, consistent with state operating permits. The structure supporting the fluoridation equipment at the Robert B. Diemer Water Treatment Plant (Diemer plant) and its roof were built in 1963 and have been repurposed several times. The storage tanks have been continuously used since 2003, and the feed system has been in operation since 2008. These tanks, originally repurposed from another chemical storage application, have exceeded their service life and are located within a confined containment structure that restricts interior inspections and maintenance. This limitation increases the risk of a significant leak or failure that could disrupt the treatment process and jeopardize safety. The facility is in need of rehabilitation along with necessary improvements to maintain operational reliability and meet Metropolitan's current chemical safety standards.
An existing dry polymer feed facility will also be converted into a multipurpose feed facility for fluorosilicic acid during construction, and later will be used to feed other chemicals under a subsequent chemical upgrade project. Design of improvements to the fluorosilicic acid feed facility is complete, and staff recommends moving forward with construction at this time.

This action awards a $6,412,126 construction contract to Houalla Enterprises Ltd. DBA Metro Builders & Engineers Group Ltd. (Metro Builders) to rehabilitate and improve a chemical feed facility at the Diemer plant. This contract will be conducted under the terms of Metropolitan's project labor agreement (PLA).

See **Attachment 1** for the Allocation of Funds, **Attachment 2** for the Abstract of Bids, **Attachment 3** for the Subcontractors for the Low Bidder, and **Attachment 4** for the Location Map.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Award a $6,412,126 construction contract to Houalla Enterprises Ltd. DBA Metro Builders & Engineers Group Ltd. to rehabilitate and improve a chemical feed facility at the Robert B. Diemer Water Treatment Plant.

Fiscal Impact: Expenditure of $9.6 million in capital funds. Approximately $2.5 million will be incurred in the current biennium and have been previously authorized. The remaining funds for this action will be accounted for in the next biennium's Capital Investment Plan budget.
Business Analysis: This option will enhance reliability and worker safety at the Diemer plant.

Option #2

Do not proceed with this project at this time.
Fiscal Impact: None
Business Analysis: Under this option, staff would continue to operate the fluorosilicic acid feed facility with limited ability to perform tank inspections and maintenance. This option would increase the risk of a chemical system failure that may impact worker safety and operational reliability. In addition, an extended fluoride feed outage would require public notification.

Alternatives Considered

Staff initially considered implementing a liner for the cross-linked polyethylene storage tanks in lieu of a complete replacement. The liner would be installed inside the tank and welded to fit the existing tank elements. Anchoring below the tank's roof and structural supports would be required and the tank overflow line would be modified. Several chemical tanks with the same service life and similar construction have failed in recent years. After investigating the mechanism of these failures, staff concluded that lining the tank would not substantially extend its life. In addition, the current confined structure and roof would have to be significantly altered to gain access into the tank to perform this work. Lastly, this option does not address long-term operational reliability and recommended safety improvements.

Staff also examined the feasibility of staging construction of the project by prioritizing the replacement of the storage tanks and deferring the safety and maintenance-related facility improvements to a later date. However, the chemical storage tanks and feed systems are located in an enclosed concrete containment with a roof clearance that limits access to the tanks. Replacing the tanks requires removing the feed equipment and major portions of the roof. Staging replacement of individual feed facility components would be ineffective due to the age of the surrounding equipment and limited accessibility within the existing containment.

The selected option will implement Metropolitan's latest chemical safety standards through comprehensive replacement of the chemical storage tanks, facility roof, and chemical feed system components to maintain plant reliability and enhance worker safety.

Applicable Policy

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

By Minute Item 49158, dated August 21, 2012, the Board authorized preliminary design of chemical tank farm improvements at the Diemer plant.

By Minute Item 53598, dated April 9, 2024, the Board appropriated a total of $636.6 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/2025 and 2025/2026.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because the action consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. In addition, the proposed action consists of replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced. (State CEQA Guidelines Sections 15301 and 15302.).

CEQA determination for Option #2:

None required

Details and Background

Background

The Diemer plant was placed into service in 1963 with an initial capacity of 200 million gallons per day (mgd) and was expanded in 1969 to its present capacity of 520 mgd. It delivers a blend of waters from the Colorado River Aqueduct and State Water Project to Metropolitan's Central Pool and an exclusive Orange County service area. The Diemer plant is located within the City of Yorba Linda.

Metropolitan's five water treatment plants feature multiple unit processes, including oxidation and primary disinfection with ozone, coagulation, flocculation, sedimentation, and filtration. These processes are supported by chemical storage and feed facilities, including storage tanks, feed equipment, instrumentation, and containment systems. The tanks are needed for safe storage of chemicals and to enable continuous flow-paced addition to meet treated water quality goals. Due to the corrosive or scaling tendencies of chemicals used in the water treatment process, chemical feed equipment typically has a shorter service life than other equipment used for water service. As a result, periodic replacement of chemical feed system components is required. Upgrades to the coagulant, liquid polymer, dry polymer, ammonia, and fluorosilicic acid storage and feed facilities at the Diemer plant are planned, starting with the fluorosilicic acid storage facility and a multipurpose chemical feed facility.

Metropolitan adds fluorosilicic acid to its filtered water to efficiently provide fluoridation on a regional scale throughout Metropolitan's service area, consistent with regulations and state operating permits for the treatment plants. The quantity of fluorosilicic acid added is based on the target dosage established by the California Division of Drinking Water. The chemical feed facility consists of two chemical storage tanks, control and feed equipment, a secondary containment structure serving both tanks and feed lines, and a roof structure encompassing all components within the feed facility.

This central chemical feed facility was built in 1963 as part of the original plant construction and has been repurposed for various chemical uses since then. The existing fluorosilicic acid storage tanks were installed in 2003 and were originally used to store sulfuric acid for several years until they were repurposed in 2008 for fluorosilicic acid. After more than 20 years of continuous use, these tanks have also reached the end of their service life and require replacement. A dry polymer tank farm was added in 1991 on the northern side of the facility, and its tanks and equipment have also reached the end of their service life. Staff has developed a strategy to minimize the interruption of chemical feed and rehabilitate both the polymer and the fluorosilicic acid tank farms. The existing dry polymer tank farm will be converted into a multipurpose feed facility to temporarily store and dose fluorosilicic acid during construction. Upon completion of the fluorosilicic acid storage tank replacement, the multipurpose feed facility will later be used to feed other chemicals under a subsequent chemical upgrade project.

The chemical feed facility was designed to comply with the codes, safety, and regulatory requirements of their time. The storage tanks are located within a confined containment structure with a low roof and limited clearance, which prevents staff from accessing the interior of the tanks for inspections and maintenance. This limitation increases the risk that deterioration could go undetected, potentially resulting in a significant leak or failure that could disrupt the treatment process and jeopardize safety. Metropolitan's latest chemical safety standards enhance worker safety during tank inspections and tank replacement. Consistent with these standards, the original roof structure must be replaced with an upgraded structure to provide additional height and access hatches. Safety enhancements include relocation of all feed and monitoring controls to the perimeter of the facility and integration of elevated platforms over all chemical containment areas. Finally, replacement of feed pumps and control valves is required to enhance chemical dosing accuracy across a wide range of flows.

The final design for the chemical feed facility improvements is complete, and staff recommends awarding a construction contract.

Diemer Chemical Feed Facility Improvements – Construction

The scope of the construction contract includes replacing two fluorosilicic acid storage tanks, refurbishing and replacing chemical feed equipment and piping, improvements to the secondary containment layout, including relocation of controls and addition of safety features, conversion of the polymer tank farm into a multipurpose feed facility which will serve as temporary chemical feed system during construction as described above, and replacement of the roof structure which requires asbestos removal and abatement. Metropolitan force activities include shutdown coordination, programming the Supervisory Control and Data Acquisition (SCADA) system, and equipment start-up and commissioning.

A total of $9.6 million is allocated for this work. In addition to the amount of the construction contract described above, allocated funds for Metropolitan staff include $676,000 for submittal review, responses to requests for information, and preparation of record drawings; $700,000 for Metropolitan force work described above; $820,000 for construction management and inspection; $660,000 for contract administration, environmental monitoring support, PLA administration, and project management; and $331,874 for remaining budget. **Attachment 1** provides the allocation of the required funds.

Award of Construction Contract (Metro Builders)

Specifications No. 2083 for improvements to the fluorosilicic acid feed facility at the Diemer plant was advertised for bids on May 7, 2025. As shown in **Attachment 2**, three bids were received and opened on July 9, 2025. The low bid from Metro Builders in the amount of $6,412,126 complies with the requirements of the specifications. The other bids were $6,466,000 and $7,798,555, while the engineer's estimate for this project was $6.2 million. Metropolitan established a Small Business Enterprise (SBE) participation level of at least 25 percent of the bid amount of this contract. Metro Builders is a certified SBE firm and thus achieves 100 percent participation. The subcontractors for this contract are listed in **Attachment 3**. This contract will be conducted under the terms of Metropolitan's PLA.

This action awards a $6,412,126 contract to Metro Builders to improve a chemical feed facility at the Diemer plant. As mentioned above, Metropolitan staff will perform construction management and inspection. Engineering Services' performance metric target range for the construction management and inspection of projects with construction costs greater than $3 million is 9 to 12 percent. For this project, the performance metric for inspection is 11.5 percent of the total construction cost ($7,112,126), which includes the construction contract ($6,412,126) and Metropolitan force construction ($700,000).

Project Milestone

December 2027 – Completion of construction of the feed facility improvements

9/25/2025

Mai M. Hattar *Date*
Chief Engineer
Engineering Services

9/25/2025

Deven Upadhyay *Date*
General Manager

Attachment 1 – Allocation of Funds

Attachment 2 – Abstract of Bids

Attachment 3 – Subcontractors for Low Bidder

Attachment 4 – Location Map

Ref# es12706657

Allocation of Funds for Diemer Chemical Feed Facility Improvements

	Current Board Action (Oct. 2025)
Labor	
Studies & Investigations	$ -
Final Design	-
Owner Costs (Program mgmt., envir. monitoring)	628,000
Submittals Review & Record Drwgs.	676,000
Construction Inspection & Support	820,000
Metropolitan Force Construction	700,000
Materials & Supplies	-
Incidental Expenses	-
Professional/Technical Services	-
PLA Administration	32,000
Right-of-Way	-
Equipment Use	-
Contracts	-
Houalla Enterprises Ltd.	6,412,126
Remaining Budget	331,874
Total	**$ 9,600,000**

The total amount expended to date for the Diemer plant's chemical feed facility improvements is approximately $2.03 million. The total estimated cost to complete this project, including the amount appropriated to date and funds allocated for the work described in this action, is $11.63 million.

The Metropolitan Water District of Southern California

Abstract of Bids Received on July 9, 2025, at 2:00 P.M.

Specifications No. 2083
Diemer Chemical Feed Facility Improvements

The work consists of replacing two chemical storage tanks, refurbishing and replacing chemical feed equipment and piping, improvements to the secondary containment layout, including relocation of controls and addition of safety features, installation of a temporary chemical feed system for use during construction, removal of asbestos and lead-containing materials, and replacement of the roof structure.

Engineer's estimate: $6,200,000

Bidder and Location	Total	SBE $	SBE %	Met SBE[1]
Houalla Enterprises Ltd. DBA Metro Builders & Engineers Group Ltd. Newport Beach, CA	**$6,412,126**	**$6,412,126**	**100%**	**Yes**
Myers & Sons Construction LLC Sacramento, CA	$6,466,000	-	-	-
J.F. Shea Construction Inc. Walnut, CA	$7,798,555	-	-	-

[1] Small Business Enterprise (SBE) participation level established at 25 percent for this contract.

The Metropolitan Water District of Southern California

Subcontractors for Low Bidder

Specifications No. 2083
Diemer Chemical Feed Facility Improvements

Low bidder: Houalla Enterprises Ltd. DBA Metro Builders & Engineers Group Ltd.

Subcontractor	Service Category; Specialty
GGG Demolition Inc. Orange, CA	Demolition
Kretschmar & Smith Inc. Riverside, CA	Masonry
Leed Electric Inc. Santa Fe Springs, CA	Electrical & Instrumentation
Allied Steel Co. Inc. Riverside, CA	Structural Steel & Misc. Metals
Atlas Sheet Metal Inc. Irvine, CA	Sheet Metals
Capital Industrial Inc. Huntington Beach, CA	Coating

Distribution System

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**
  Engineering, Operations, and Technology Committee

10/14/2025 Board Meeting

8-1

Subject

Appropriate an additional $30 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26, increasing the biennial CIP appropriation to $666.48 million; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In April 2024, Metropolitan's Board appropriated $636.48 million for projects identified in the Capital Investment Plan (CIP) for fiscal years (FYs) 2024/25 and 2025/26. An increase in funding for the current biennium would allow Metropolitan to address known vulnerabilities to Metropolitan's conveyance, distribution, and treatment systems by awarding additional construction contracts in the remainder of the current fiscal year.

This action approves and appropriates an increase of $30 million to the CIP appropriation for FYs 2024/25 and 2025/26 for a new biennium amount of $666.48 million. This action is consistent with Metropolitan's Administrative Code, which states that the General Manager must request that the Board appropriate additional CIP funding if total expenditures are expected to exceed the appropriated amount. If approved, work on the additional construction contracts awarded in this biennium will continue into the next biennium. As a result, approximately $950 million to $990 million in CIP funding would be required in the next biennial budget to fund construction contracts ongoing at the start of the next biennium. This is approximately $262 million to $302 million more than the amount currently assumed in the 10-year CIP expenditure plan. Without the increase in funding for the CIP as described in this letter, work on critical infrastructure projects would be deferred until sufficient funding is available in subsequent budgets.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Appropriate an additional $30 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26, increasing the biennial CIP appropriation to $666.48 million.

Fiscal Impact: This action will increase the CIP appropriation for the FY 2024/25 and FY 2025/26 biennial budget to $666.48 million. However, if some of the invoices are not able to be processed before June 30, 2026, some of the $30 million may be carried over to the FY 2026/27 budget. The additional $30 million for FY 2025/26, if approved, will be funded from unrestricted reserves. While the increased CIP appropriation will not impact rates in the current year, the award of additional construction contracts in FY 2025/26 will add approximately $262 million to the FY 2026/27 and FY 2027/28 biennial budget, which will need to be financed through long-term debt. The resulting annual debt service of about $17 million is expected to increase rates by roughly one percent over the next biennium.
Business Analysis: This option will enable the continued efficient management of the CIP and timely execution of needed refurbishment and replacement (R&R) projects.

Option #2

Do not increase the budget for the Capital Investment Plan for FYs 2024/25 and 2025/26 at this time.
Fiscal Impact: None
Business Analysis: Under this option, staff would defer contractor awards until the next fiscal year begins in July 2026. This effectively reduces the amount of new work that can be conducted in the current biennium and defers needed R&R projects increasing the risk of unplanned maintenance.

Alternatives Considered

Staff initially sought to identify opportunities to reduce the CIP expenditures and minimize any fiscal impact by modifying project scopes or deferring projects. However, continuing to defer refurbishment projects increases safety risks and the frequency of failures, potentially disrupting essential water deliveries. The recommended alternative to increase the biennium budget by approximately five percent to address conveyance, distribution, and treatment vulnerabilities will protect Metropolitan's assets and enhance delivery reliability to member agencies.

Applicable Policy

Metropolitan Water District Administrative Code Section 2431: Engineering and Operations Committee Duties and Functions

Metropolitan Water District Administrative Code Section 5108: Appropriations

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Administrative Code Section 5108: Appropriations

Related Board Action(s)/Future Action(s)

By Minute Item 53598, dated April 9, 2024, the Board appropriated a total of $636.48 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/2025 and 2025/2026.

By Minute Item 54133, dated June 24, 2025, Capital Investment Plan Process (Information Item).

Committee Item dated August 18, 2025, Increase of funding for the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26 (Information Item).

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed actions are not defined as a project under CEQA because they involve the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project, which may result in a potentially significant physical impact on the environment (State CEQA Guidelines Section 15378(b)(4)).

Metropolitan, as the Lead Agency, will be responsible for complying with the requirements of CEQA and the State CEQA Guidelines for each project that meets the CIP criteria prior to final approval of that project. As preliminary work and design on CIP projects proceed, Metropolitan staff will conduct any necessary CEQA review and prepare the appropriate environmental documentation for consideration and approval by the Board or the General Manager, as appropriate.

CEQA determination for Option #2:

None required

Details and Background

Background

As part of Metropolitan's budget process, staff develop a recommended two-year budget expenditure plan for the CIP. At the time the two-year budget is adopted by the Board, projections for the 10-year CIP expenditure plan are also established. The budget and expenditure plan for the CIP are reflected in the CIP Appendix and included in Metropolitan's overall two-year budget and associated budget documents. Following approval of the biennial budget, the Board also takes action to appropriate the funds necessary to fund the CIP in the upcoming biennium. In addition, the Board authorizes the General Manager to initiate or proceed with work on capital projects identified in the CIP Appendix, subject to the requirements of CEQA and the limits of the General Manager's authority. This approach to appropriating funds for the CIP and authorizing the General Manager to conduct work has been in effect since October 2018. Since then, staff have utilized the streamlined approach to efficiently perform work on the CIP, resulting in a higher percentage of planned CIP work being conducted in a biennium compared to the prior authorization practices.

In June and August 2025, staff presented information and conducted a workshop with the Board on the need to increase current and future CIP appropriations. These items provided a broad overview of Metropolitan's aging water infrastructure systems and the projects competing for CIP funds. Approximately 80 percent of the 500 projects in the CIP aim to mitigate an undesirably high risk to reliable water delivery or safety. Staff also described how, after a severe state-wide drought and resulting low allocation of State Water Project (SWP) supplies, Metropolitan fast-tracked a series of projects in 2021 to make supply availability improvements for service areas that depend exclusively on water deliveries from the SWP. In addition, staff described how the rapid deterioration of infrastructure has required shifting of CIP funding to address urgent projects, including the Urgent Allen McColloch Pipeline Prestressed Concrete Cylinder Pipe Rehabilitation and Garvey Reservoir Improvements. These combined project interests have resulted in the deferment of rehabilitation projects, which increases the risk of failures that could potentially disrupt essential water delivery services.

Before the 2020/2022 budget cycle, Metropolitan's CIP budget had been held constant at approximately $500 million per biennium for eight years or four budget cycles. In the FY 2022/23 and 2023/24 biennium, CIP appropriations increased to $625 million to address aging infrastructure. In the current FY 2024/25 and 2025/26 budget, the CIP was increased by 1.8 percent to $636.48 million to address inflation.

The CIP includes a mix of projects that support Metropolitan's strategic plan and financial targets. However, under current CIP funding levels, significant inflationary trends, supply chain disruptions, and the significant backlog of critical infrastructure work needing refurbishment place at risk Metropolitan's commitment to identify, assess, and reduce potential vulnerabilities to Metropolitan's system, operations, and infrastructure.

Proposed Capital Investment Plan Appropriation Increase for the Current Biennium

An increase in capital expenditures is required to adequately implement needed CIP projects that will ultimately reduce Metropolitan's risk exposure and ensure the reliability of its aging critical systems. Staff have identified several industry-wide metrics from the American Water Works Association and other asset management organizations to determine the appropriate level of increased CIP funding. These metrics indicate that Metropolitan should be investing in R&R projects related to its existing infrastructure, at a minimum of 1-to-1.1 percent of its asset replacement value, which is estimated at approximately $46 billion. This equates to a biennial CIP budget ranging from $920 million to $1.4 billion. Recently, Metropolitan's capital investments have been well below these ranges. The lower level of spending results in a lack of progress on key R&R projects which can result in reduced operational flexibility, increased costs due to urgent repairs, and an increased reliance on field staff to perform unplanned corrective maintenance. Increases in the CIP appropriation should also include the funds needed to advance projects such as drought-resiliency and others that support Metropolitan's strategic priorities.

Per Metropolitan's Administrative Code Section 5108(e), "If, during the biennial budget period, the total Capital Investment Plan expenditures are expected to exceed the appropriated amount, the General Manager shall request that the Board appropriate additional funding and submit a report supporting said request."

This action appropriates an additional $30 million for projects identified in the CIP for FYs 2024/25 and 2025/26, increasing the CIP appropriation to $666.48 million. With this level of funding, staff can award contracts and initiate work on a greater number of the critical refurbishment and rehabilitation projects highlighted in **Attachment 1**, Potential Key Contract Awards for Fiscal Year 2025/2026. Without a CIP increase, most of these projects will be deferred until they can be accommodated within future approved biennial budgets.

An increase in the current biennium and subsequent contract awards will impact the next biennium's CIP budget, currently estimated to be $688 million. Most of the costs incurred under contracts awarded in the second year of this biennium will be spent in the upcoming years. As such, staff estimates that the anticipated recommended FYs 2026/27 and 2027/28 budget will be approximately $950 million to $990 million. The increased costs will need to be financed through long-term debt.

Mai M. Hattar *Chief Engineer* *Engineering Services*	10/6/2025 *Date*
Deven Upadhyay *General Manager*	10/6/2025 *Date*

Attachment 1 – Potential Key Contract Awards for Fiscal Year 2025/2026

Ref# es12702050

The Metropolitan Water District of Southern California

Potential Key Contract Awards for Fiscal Year 2025/2026

Contracts under $10 million	Contracts $10 to $70 million	Contracts over $70 million
Cabazon Radial Gate Facility Rehabilitation	Copper Basin Discharge Valve Replacement	Garvey Reservoir Rehabilitation
Diemer Chemical Feed Facility Improvements	CRA Pumping Plants Sump Piping Rehabilitation	Sepulveda PCCP Rehabilitation – Reach 2
San Diego Canal Radial Gates Replacement	Eagle & Hinds Pumping Plants Utilities Replacement	Sepulveda Feeder Pump Stations
	Foothill Pump Station/Inland Feeder Intertie	
	Gene & Iron. Mountain Utilities Replacement	
	Jensen Security Upgrades	
	Lakeview Pipeline Stage 2 Rehabilitation	
	Weymouth Administration Building Seismic Upgrade	

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Information

- **Board of Directors**

  Finance, Affordability, Asset Management, and Efficiency Committee

10/14/2025 Board Meeting

9-2

Subject

Integrated overview of near-term budget drivers and long-term resource planning

Executive Summary

Metropolitan faces a pivotal moment in aligning its near-term budget planning with long-term resource development and system reliability goals. This board letter presents the near-term budget drivers and long-term resource plans and uses them to present an integrated financial analysis prepared at the direction of the Board to provide an early assessment of the cost pressures anticipated for the next biennium and projected through 2045. This analysis builds on the Adopted Biennial Budget and Ten-Year Financial Forecast by incorporating known changes to costs and revenues, estimated additional expenditures needed to maintain the integrity of Metropolitan's existing system, and potential costs and rate impacts of large-scale resource planning projects.

It is important to note that this analysis is **not** intended to select or prioritize specific projects nor propose solutions to the water reliability needs assessment. Instead, it provides a clear understanding of the financial trends and challenges facing Metropolitan, enabling the Board to evaluate the tradeoffs between maintaining current operations and investing in future regional water reliability.

This board letter summarizes the assumptions, data, and methodologies used in the analysis, as well as the resulting findings. It provides the foundational view for upcoming discussions around rate setting, budget challenges, and long-term capital planning.

Context and Key Developments

The Board adopted the fiscal year (FY) 2024/25–2025/26 Biennial Budget and accompanying ten-year financial forecast, establishing a foundation for ongoing fiscal planning, in April 2024. Since the adoption of the rates and charges for calendar years 2025 and 2026, several developments have revised Metropolitan's fiscal outlook.

- Board-Approved Updates:
  - In December 2024, the Board approved Delta Conveyance Project (DCP) funding commitment of $141.6 million in planning and preconstruction costs;
  - In December 2024, the Board authorized $35 million in funding for FY 2024/25 and FY 2025/26 to advance the transition to zero-emission vehicles (ZEV). The credit facility will be used to finance the program, with annual debt service of approximately $5 million commencing in FY 2026/27;
  - In June 2025, the San Diego County Water Authority (SDCWA) and Metropolitan Exchange Agreement was amended, creating a fixed baseline exchange payment and price term decoupled from Metropolitan rates and providing more predictable income; and,

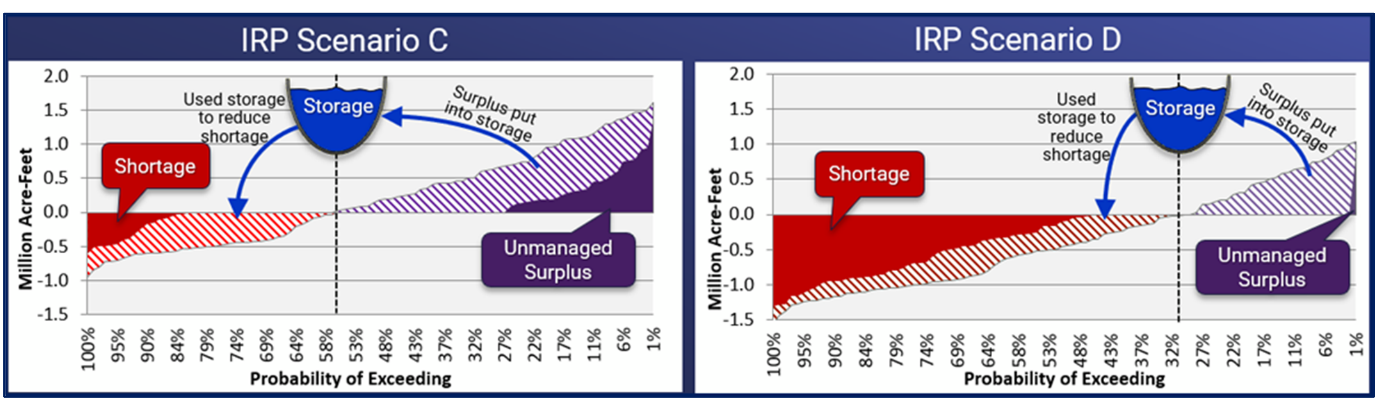
  - In July 2025, the Board adopted a policy to use a conservative water sales forecast for budget development and rate settings, using a 70 percent exceedance level for the next biennium and an 80 percent exceedance level thereafter.
- Mid-Biennium Performance: FY 2024/25 closed stronger than expected, driven by higher than projected property tax revenues, lower-than-budgeted expenditures and revenues from 100 thousand acre-feet (TAF) of Reverse Cyclic Program sales.
- Revised water demand projections from the Integrated Resource Planning (IRP) for the next biennium, and extended to 2045, that incorporates up-to-date demographic data, conservation achievements, and local supply developments.

While the Mid-Biennium outcomes provided short-term fiscal relief, they were largely driven by one-time factors and are insufficient to address emerging challenges such as declining projected water sales, rising capital and operating costs, and the need to address deferred capital refurbishment and replacement (R&R) and workforce capacity.

Water Shortage and Reliability Analysis

Metropolitan's future budget outlook and decisions regarding major capital resource planning projects are closely tied to its ability to manage supply variability under demand uncertainty. In September 2025, staff updated the water shortage and reliability analysis as part of the 2025 Updated IRP Needs Assessment. This update revised Scenarios C and D of the 2020 IRP framework using the most recent demographic data, local supply developments, and revised assumptions for Metropolitan's imported water supplies. It also incorporates updated information from the Department of Water Resources' 2023 Delivery Capability Report for State Water Project (SWP) supplies and reflects potential reductions associated with ongoing Colorado River operating guidelines negotiations.

The 2025 Updated IRP Needs Assessment also accounts for the low demands observed in recent years and better captures expected reductions in imported supplies due to climate-driven extreme weather and uncertainties related to regulatory requirements and future operating rules. The analysis modeled Scenario C and Scenario D to assess the probability and magnitude of shortage events through 2045. The charts below illustrate how shortages and surpluses interact with storage under each scenario in 2045. In the graphic, red areas represent shortages, with the hatched red portion showing the volume offset by stored water. Purple areas represent surpluses, with the hatched purple portion indicating surplus water added to storage and solid purple reflecting unmanaged supplies.



Under Scenario C, even with flat water demands, there is an 18 percent probability of shortages due to degraded water supplies. These shortages are relatively limited and can often be partially mitigated through the use of stored water. In contrast, Scenario D, with higher water demand conditions, results in more frequent and severe shortages, with fewer opportunities to build storage. In 2045, potential shortage events (shown by red areas) could reach 580 TAF on average up to 1.3 million acre-feet (MAF) max under Scenario D, compared to 297 TAF on average up to 607 TAF max under Scenario C.

Overall Rate Impact Analyses

The rate impact analyses were done in steps to clearly separate different cost pressures and their effects on future rates. This included establishing a baseline forecast, incorporating recent Board actions and known changes, adding near-term operational and capital needs, evaluating major resource planning projects, and testing rate sensitivity under varying demand scenarios.

A full description of this methodology is provided in the Background section under "Rate Impact Forecast Approach."

Adding Major Resource Planning Projects

Metropolitan's long-term water reliability strategy includes several large-scale projects currently under evaluation, shown in the table below. These projects represent significant capital investments aimed at enhancing regional water reliability, operational flexibility, and drought resilience. For clarity, all cost estimates in this section are expressed in 2025 dollars unless otherwise noted. These figures and dates are preliminary and subject to refinement as planning advances and additional information becomes available. Refer to Appendix 1 for more descriptions and assumptions for the projects.

Project Names	MWD Share Capital Costs (in 2025 $)	Construction Year Start	Production Year
Pure Water Southern California (PWSC) – 45/75 MGD (Staged) *	$7.2 B (net of grants)	2027	45MGD – 2035 75MGD – 2037
AVEK Expansion (Phase 2)	$500 M	2030	2035
Sites Reservoir (22% participation)	$1.7 B	2027	2033
SWP Surface Storage	$2.6 B	2033	2040
Delta Conveyance Project (47% participation)	$10.1 B ($9.5 B in 2023$)	2029	2045
East-West Conveyance	$4.6 B	2032	2042

** The staged PWSC 45/75 MGD is one of several potential options to be considered by the Board.*

The table below summarizes the estimated annual overall increases in unit costs from 2027 through 2045. For this analysis, unit cost is defined as total expenses net of revenue offsets, which includes property tax revenues, investment income, exchange payments under the SDCWA-Metropolitan Exchange Agreement, and other revenues, divided by annual water sales. The first four rows show the estimated annual overall rate or cost increases building up from the Adopted Ten-Year Forecast to Revised Forecast with Known Changes, and then adding expenditures in the Needed to Maintain Current System Integrity scenario. The subsequent rows show the incremental cost impacts of major resource planning projects, with the "All Major Projects" row combining these impacts. The "Grand Total" row represents the overall projected increase, which includes both system maintenance and all proposed projects.

For 2027 and 2028 combined, total costs are projected to increase by approximately 23 percent. Detailed incremental impacts for each individual resource planning project are provided in Table 3 in the Details & Background Section.

Calendar Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037 – 2045 Avg %/yr
Adopted Ten-Year Forecast w/ PWSC * 23%	11.5%	11.5%	5%	5%	4%	4%	4%	4%			
Adopted Ten-Year Forecast w/o PWSC * 13%	7.5%	5.5%	4%	4%	4%	3%	3%	3%			
Revised Forecast with Known Changes 15%	**10%**	**5%**	**3%**	**3%**	**4%**	**4%**	**5%**	**5%**	**4%**	**4%**	~4%/yr
Needed to Maintain Current System Integrity 18%	12%	6%	5%	5%	6%	6%	5%	5%	4%	4%	~ 4%/yr
<u>Incremental Additional Impact</u>											
PWSC – 45/75MGD (Staged) **	1.6%	0.7%	2.4%	2.4%	4.8%	4.3%	2.2%	1.5%	8.3%	1.0%	~ 1.9% /yr
Other Major Projects	1.1%	1.1%	2.3%	2.6%	5.7%	12%	10.2%	3.5%	4.7%	4.9%	~1.6% /yr
All Major Projects[1]	**3%**	**2%**	**5%**	**5%**	**11%**	**16%**	**12%**	**5%**	**13%**	**5%**	**~ 5% / yr**
Grand Total[1] 23%	**15%**	**8%**	**10%**	**10%**	**17%**	**22%**	**17%**	**10%**	**17%**	**9%**	**~ 9% / yr**

** Referenced to PWSC Phase 1 - 115 MGD using 2023 estimated costs ($6.4B in 2023$)*
*** The staged PWSC 45/75 MGD is one of several potential options to be considered by the Board.*

Demand Uncertainty is a Critical Factor in Evaluating Potential Major Resource Planning Projects

The 2025 Updated IRP Needs Assessment incorporates updated demographic data and local supply information. The analysis begins with the Revised Budget Projection (see Background section: Revised Forecast with Known Changes). From this Revised Budget Projection, two bookend water demand scenarios (High and Low demand) were applied to capture uncertainty in climate, growth, conservation, and supply. The analysis shows that demand levels significantly influence average unit costs, with results ranging from modest increases under high-demand conditions to more pronounced increases under low-demand conditions. These findings highlight the importance of both demand assumptions and the potential addition of long-term resource planning projects under Board consideration for future financial outcomes.

Additional details on the assumptions, including the revised budget demand projection and the integration of IRP Scenarios C and D to represent Low- and High-Demand Projections, are provided in the Details and Background Section (Water Sales Sensitivity Analyses). This context explains how variability in climate, conservation, and growth directly translates into the financial outcomes illustrated in the accompanying figures for that section.

Policy Considerations and Hypothetical 10-year Forecast

Two major external factors will significantly influence future financial planning. The first is the adoption of permanent statewide efficiency standards under the *<u>Conservation as a Way of Life</u>* framework. These new requirements are expected to change regional water use patterns and may result in additional program funding needs to meet compliance obligations.

The second factor is the potential loss of Colorado River supplies following the expiration of current operating guidelines. This change could require Metropolitan to use its Intentionally Created Surplus (ICS) resources and

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[1] Displayed as simple summed total. Actuals will be slightly lower due to compounding.

pursue alternative water transfer strategies. Over time, these actions could increase the annual supply program costs by $112 million or more by 2036.

The findings of the analysis in this board letter underscore the critical tradeoffs Metropolitan faces in planning for the future. Even without new supply development, substantial investments are required to maintain the integrity of the current system. Adding all major projects would more than double average rate increases, underscoring the need for careful consideration and scope.

To navigate these challenges, the Climate Adaptation Master Plan for Water (CAMP4W) will provide the framework for evaluating when to initiate projects, how to prioritize investments, and which strategies will deliver the greatest benefits in terms of cost-effectiveness and regional reliability.

Hypothetical 10-year Financial Forecast with PWSC & Supply Program Cost Increases

To provide an early view of the potential fiscal impacts of these emerging challenges, staff prepared a hypothetical ten-year financial forecast that incorporates both the staged development of the PWSC project and anticipated increases in supply program costs associated with reduced Colorado River supplies. This scenario builds on the "Needed to Maintain Current System Integrity" baseline forecast and assumes Board approval and funding of the PWSC 45/75 MGD[2] (staged) project beginning in 2027. It also assumes the use of ICS in 2027 and 2028 to help offset initial Colorado River reductions. Beginning in 2029, supply program costs are projected to increase by $45 million, escalating to $112 million annually by 2036, with continued reliance on ICS to meet demand shortfalls and manage operational flexibility.

Under this scenario, projected overall rate increases are approximately 21 percent for 2027 and 2028 combined. This reflects both the costs of implementing PWSC and the additional burden of managing supply reductions through higher supply program expenditures and transfers, though most of those costs increases begin in 2029. These preliminary results are intended solely to illustrate the potential range of financial outcomes and provide context for future planning. They will be further refined during the upcoming biennial budget development process as updated cost estimates, supply projections, and regulatory guidance become available.

Calendar Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Needed to Maintain Current System Integrity 18%	12%	6%	5%	5%	6%	6%	5%	5%	4%	4%
With PWSC 45/75 MGD (Staged) * 21%	14%	7%	7%	7%	11%	10%	7%	7%	12%	5%
Hypothetical 10-yr financial forecast with PWSC & estimated Supply Program cost increases* 21%	**14%**	**7%**	**10%**	**7%**	**11%**	**10%**	**8%**	**7%**	**12%**	**5%**

** The PWSC 45/75 MGD (staged) is one of several potential options to be considered by the Board.*

Take-Away Observations and Next Steps

This integrated financial analysis provides the Board with a foundational view of near- and long-term fiscal challenges, underscoring that significant, sustained reinvestment will be needed to maintain Metropolitan's system and meet the region's water service needs. Current cost pressures, including essential staffing to support day-to-day operations and expanded capital delivery, modernization of fleet and operating equipment, and increasing capital investments in R&R, will drive upward rate pressures even before new initiatives are added. Looking forward, major capital projects such as PWSC, Sites Reservoir, and DCP are designed to strengthen

[2] MGD – Million Gallons per Day

drought resilience, diversify supplies, and modernize infrastructure. However, they represent billions of dollars of new commitments.

These dynamics create a clear set of tradeoffs between advancing regional water reliability goals and maintaining financial sustainability. The Board will need to balance three interconnected objectives:

1. Resource Development – Building the supplies and storage with near- and long-term reliability goals;
2. Shortage Management – Ensuring the system can perform under a wide range of hydrologic and operational conditions; and,
3. Financial Sustainability – Managing near- and long-term rate impacts to keep water affordable for member agencies and the communities they serve.

The decisions ahead will shape Metropolitan's financial trajectory and water service capabilities for decades to come. An integrated approach will help balance the intersecting challenges of affordability, sustainability, and reliability, while ensuring that future investments remain fiscally responsible and consistent with Metropolitan's mission to provide safe, reliable, and affordable water to Southern California. Through a deliberate, data-driven process such as CAMP4W, the Board can ensure that investments are strategically aligned with both immediate operational needs and long-term regional priorities. The CAMP4W process should provide the framework for determining how much new supply development to pursue, when those investments should occur, and which projects are the most cost-effective in achieving both near- and long-term regional goals.

Fiscal Impact

This informational report does not have a direct financial impact and does not recommend nor authorize specific projects or programs for development. Instead, the purpose of this integrated analysis is to provide the Board with an early, high-level estimate of anticipated cost increases for the upcoming biennial budget cycle and beyond.

Applicable Policy

Metropolitan Water District Act Section 124.5: Ad Valorem Tax Limitation

Metropolitan Water District Act Section 133: Fixing of Water Rates

Metropolitan Water District Act Section 134: Adequacy of Water Rates; Uniformity of Rates

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates

Related Board Action(s)/Future Action(s)

November 18, 2025	Board **action** regarding applicability of limits in Section 124.5 of the MWD Act
April 14, 2026	Board **action** regarding biennial budget, rates, and charges

Details and Background

Background

In November 2024, during the FAAME Committee meeting, the Board directed staff to analyze anticipated rate increases for the upcoming biennial budget, considering current financial conditions and expected challenges such as reduced water sales and the fiscal impact of major capital projects.

Building on this direction, in early 2025, the Board expanded the scope of this effort by directing staff to conduct a broader evaluation of key drivers affecting Metropolitan's financial outlook. This included analyzing near-term budget pressures and long-term resource planning initiatives that could affect future rates and system reliability. In May and June 2025, staff presented to the Board an "Overview of Potential Drivers of the Next Biennium

Budget," which identified known financial challenges and potential cost drivers over the next biennium and within the ten-year financial forecast.

Following that presentation, the Board directed staff to integrate these financial analyses into a comprehensive financial review that combines near-term budget requirements with long-term resource planning projects. The goal was to develop a comprehensive financial and reliability outlook for Metropolitan through 2045, consistent with the 2020 IRP.

As part of this effort, the IRP framework was updated in 2025 to reflect revised demographic data, updated SWP and Colorado River supply modeling, and changes in regional storage conditions. These updates ensure that the financial analysis is based on the most current understanding of future supply and demand conditions.

The purpose of this integrated analysis is to provide the Board with an early, high-level estimate of anticipated cost increases for the upcoming biennial budget cycle and beyond. This work builds on the Adopted Biennial Budget and Ten-Year Financial Forecast by addressing known changes to costs and revenues, estimating additional expenditures needed to maintain the integrity of Metropolitan's existing system, and assessing the potential costs and rate impacts of large-scale resource planning projects.

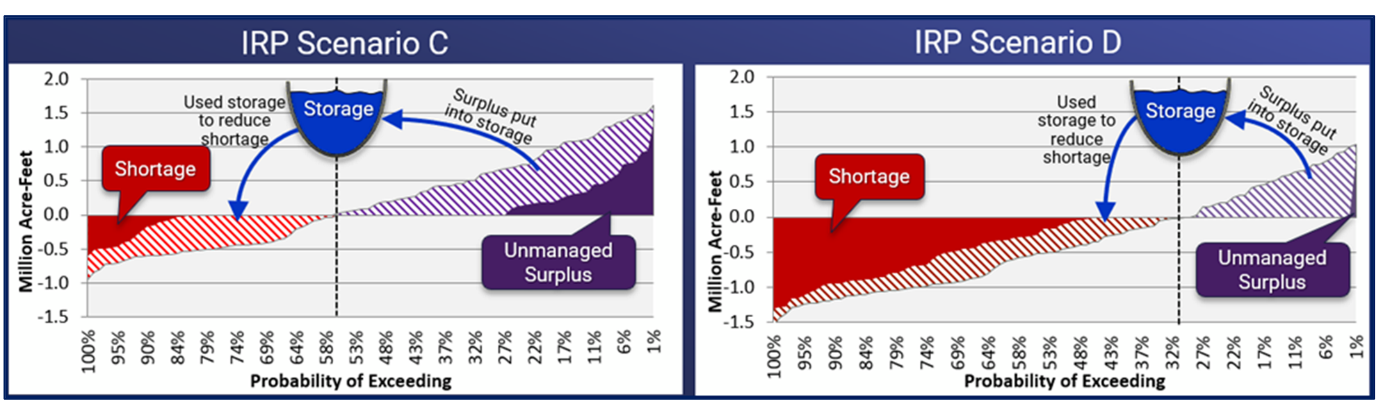
It is important to note that this analysis is **not** intended to select or prioritize specific projects nor propose solutions to the water reliability needs assessment. Instead, it provides a clear understanding of the financial trends and challenges facing Metropolitan, enabling the Board to evaluate the tradeoffs between maintaining current operations and investing in future regional water reliability.

This board letter summarizes the assumptions, data, and methodologies used in the analyses, as well as the resulting findings. It provides the foundational view for upcoming discussions around rate setting, budget challenges, and long-term capital planning.

Water Shortage and Reliability Analysis

Metropolitan's future budget outlook and decisions regarding major capital resource planning projects are closely tied to its ability to manage supply variability under demand uncertainty. In September 2025, staff updated the water shortage and reliability analysis as part of the 2025 Updated IRP Needs Assessment. This update revised Scenarios C and D of the 2020 IRP framework using the most recent demographic data, local supply developments, and revised assumptions for Metropolitan's imported water supplies. It also incorporates updated information from the Department of Water Resources' 2023 Delivery Capability Report for SWP supplies and reflects potential reductions associated with ongoing Colorado River operating guidelines negotiations.

The 2025 Updated IRP Needs Assessment also accounts for the low demands observed in recent years and better captures expected reductions in imported supplies due to climate-driven extreme weather and uncertainties related to regulatory requirements and future operating rules. The analysis modeled Scenario C and Scenario D to assess the probability and magnitude of shortage events through 2045. The charts below illustrate how shortages and surpluses interact with storage under each scenario in 2045. In the graphic, red areas represent shortages, with the hatched red portion showing the volume offset by stored water. Purple areas represent surpluses, with the hatched purple portion indicating surplus water added to storage and solid purple reflecting unmanaged supplies.



Under Scenario C, even with flat water demands, there is an 18 percent probability of shortages due to degraded water supplies. These shortages are relatively limited and can often be partially mitigated through the use of stored water. In contrast, Scenario D, with higher water demand conditions, results in more frequent and severe shortages, with fewer opportunities to build storage. In 2045, potential shortage events (shown in red areas) could reach 580 TAF on average up to 1.3 MAF max under Scenario D, compared to 297 TAF on average up to 607 TAF max under Scenario C.

Adopted Budget and Ten-Year Financial Forecast & Subsequent Updates

In April 2024, the Board adopted Metropolitan's Biennial Budget for FY 2024/25 and FY 2025/26. This adopted budget sets the financial foundation for the current biennium and was designed to balance revenue stability, expenditure discipline, and rebuilding reserves.

Key assumptions in the adopted budget included an ad valorem property tax rate set at 0.0070 percent, water transactions of 1.34 MAF annually (includes SDCWA exchange deliveries), $60 million per year in new one-time miscellaneous revenues for the biennium, and $18 million per year short-term reduction in department operations and maintenance (O&M) expenditures for the biennium. In addition, the budget appropriated $636.5 million for the Capital Investment Plan (CIP) and increased the PAYGO funding to $175 million per year, ensuring a stronger balance between cash funding and debt financing. It also continued Metropolitan's ongoing investments in conservation and demand management programs, supporting regional water efficiency goals. To support these assumptions, the adopted budget reflected an overall rate increase of 8.5 percent per year for CY 2025 and CY 2026.

The adopted budget was accompanied by two (2) ten-year financial forecasts, which provide a long-term perspective for planning, one with full implementation of Phase 1 (115 MGD in 2023$) PWSC and the second without PWSC.

For the purposes of this analysis, the forecast without PWSC is used as the starting baseline. This approach provides a neutral foundation for evaluating rate impacts by keeping PWSC separate from the initial financial assumptions. It ensures that PWSC can be evaluated independently and on equal footing with other potential future resource projects. Further, it provides the Board with clear visibility into the incremental costs of new initiatives relative to the current system.

Figure 1: Adopted Biennial Budget FY 2024/25 and FY 2025/26 with Ten-Year Forecast without PWSC

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Overall Rate Inc.	5%	5%	8.5%	8.5%	7.5%	5.5%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%
Ptax Rate	.0035%	.0035%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%
Water Transactions (MAF)**	1.42	1.17	1.34	1.34	1.34	1.35	1.35	1.36	1.37	1.39	1.41	1.43
Rev. Bond Cvg	1.5	1.1	1.7	1.9	1.6	1.7	1.8	1.8	2.0	2.0	2.1	2.0
CIP, $M	247	353	312	324	337	351	365	380	395	411	427	444
PAYGO, $M	135	35	175	175	175	180	190	200	210	220	230	240

Board Actions Since Budget Adoptions and Mid-Biennium Updates

Since the adoption of the FY 2024/25 and FY 2025/26 Biennial Budget, several significant actions and developments have occurred that affect Metropolitan's financial outlook. These updates include Board actions, policy refinements, and actual financial performance results, all of which are reflected in the revised projections discussed later in this report.

In December 2024, the Board approved an amendment to the funding agreement with the California Department of Water Resources (DWR), providing up to $141.6 million for Metropolitan's share of DCP planning and preconstruction costs for 2026 and 2027. The updated financial forecast also assumed $75 million in credits to be received from the DWR for ongoing SWC costs. Also in December, the Board authorized $35 million in funding, supported by a $35 million credit facility, to replace and transition Metropolitan's operating fleet to comply with state zero-emission vehicle requirements, resulting in approximately $5 million in annual debt service costs beginning in FY 2026/27.

In June 2025, Metropolitan and SDCWA signed a settlement agreement, amending the Exchange Agreement. The amended agreement establishes a fixed baseline exchange payment with agreed "price terms" that are no longer linked to Metropolitan's rates and charges. Revenues from these exchange payments will now be treated as miscellaneous revenue, offsetting Metropolitan's revenue requirements in the same way as property tax revenues and other non-rate income.

The following month, in July 2025, the Board adopted several policy refinements to improve financial planning and stability. These refinements include implementing a more conservative water sales forecast, using a 70 percent exceedance level for the upcoming biennium and an 80 percent exceedance level for subsequent biennia, as well as adjustments to policies related to unrestricted reserves to ensure stronger financial resilience.

At the mid-point of the biennium, staff presented actual FY 2024/25 results to the Board in August 2025. Total water transactions were 1.24 MAF, approximately 100 TAF below budgeted levels. This shortfall was fully offset by 100 TAF of Reverse Cyclic Program sales, which generated $126 million in revenues. Property tax revenues exceeded budget by $74 million, providing a strong source of additional funding stability. On the expenditures side, lower-than-budgeted SWP power costs, along with savings in supply program and demand management, reduced overall expenditures by more than $250 million relative to budget expectations.

While FY 2024/25 performance was stronger than expected due to extraordinary one-time revenues and favorable cost variances, challenges remain for the second year of the biennium. Projected water transactions for FY 2025/26 are now estimated at 1.29 MAF, which is below the budgeted 1.34 MAF and will put downward pressure on water transactions revenues. In addition, costs to maintain and operate Metropolitan's aging infrastructure continue to rise, and staffing needs are increasing to support both day-to-day operations and the expanded capital program.

While the Mid-Biennium outcomes provided short-term fiscal relief, they were largely driven by one-time factors and are insufficient to address emerging challenges such as declining projected water sales, rising capital and operating costs, and the need to address deferred capital R&R and workforce capacity.

These trends underscore the importance of conservative planning assumptions adopted by the Board in July 2025 and highlight the ongoing financial pressures associated with sales volatility and long-term capital investment needs.

Important Note on Preliminary Information

The information provided in this board letter represents preliminary estimates and is intended to provide an early indication of financial trends and potential budget impacts. These figures are not final forecasts and will continue to be refined as part of the upcoming budget process.

At this stage, no costs have been assumed for the potential loss of Colorado River supplies. The analysis does not include updated cost or supply projections from the current budget and ten-year financial forecast; these updates will occur during the biennial budget development process. Similarly, certain cost drivers, such as supply programs, SWP costs, power costs, or other variable operating costs, are not reflected in this analysis. These items will be evaluated separately and incorporated into the upcoming biennial budget process.

Ongoing annual conservation programs are included based on assumed water savings of approximately 5 TAF per year, totaling about $31 million annually, as reflected in the Adopted Ten-Year Forecast. Any additional costs needed to implement the “Conservation Way of Life” initiative are assumed to be funded by other regional or local programs.

For modeling purposes, the analysis assumes cost recovery occurs exactly as projected, with no changes to reserve levels. These preliminary results will be refined to include additional considerations, such as reserve policies, debt coverage requirements, and other factors typically incorporated into a full cost-of-service and rate design analysis. Staffing assessments remain under active review and will be refined as workforce analyses are completed. Capital project costs remain subject to adjustments as scopes are defined, designs advance, and market conditions evolve.

Revenue and rate projections presented in this report should be viewed as illustrative scenarios intended to frame the scale of potential fiscal impacts rather than as final forecasts. While the Board adopted a more conservative sales projection methodology that applies a 70 percent exceedance level for the next biennium and an 80 percent exceedance level for subsequent biennia, this analysis uses a consistent 70 percent exceedance level throughout the study period. This approach ensures that the rate impacts presented here focus solely on budget drivers and resource planning options without introducing additional variation from changes in sales forecasting assumptions.

The purpose of this preliminary analysis is to help the Board understand potential financial impacts and provide context for evaluating future investments and strategic priorities.

Rate Impact Forecast Approach

Metropolitan’s rate forecasting methodology links resource development costs with changes in overall rates, expressed on a per AF (acre-foot) basis. As a matter of policy, rates are developed to recover Metropolitan’s total projected budgeted costs, net of offsetting revenues such as property tax revenues (offsetting SWC and General Obligation costs), interest income, and miscellaneous income.

Average unit cost increases will generally reflect the long-term financial needs of the organization, but the rate changes in any single year can vary significantly. These fluctuations are driven by factors such as project funding requirements, cash flow timing, and cost recovery approaches, as well as changes in water sales and operating expenses. To maintain financial stability during these periods, Metropolitan may utilize or replenish unrestricted reserves as needed. For this analysis, staff assumed that costs are recovered exactly as projected, without factoring in reserve adjustments or other short-term balancing measures. This assumption simplifies the modeling process and focuses exclusively on how changes in costs affect long-term rate trajectories.

While this approach is a simplification and does not represent a full cost-of-service or rate design study, it provides valuable insights into how near-term budget drivers and long-term resource planning decisions will impact future rates.

The rate impact analysis was conducted in several steps. It began with establishing a baseline forecast using the adopted FY 2024/25 and 2025/26 budget and **ten-year financial forecast without the PWSC project (Phase 1 – 115 MGD)**. This provided a neutral starting point for evaluating future cost and rate impacts. The forecast was then extended to 2045 by applying assumed inflationary factors to most recurring costs to project long-term trends.

Next, the baseline forecast was adjusted to incorporate recent Board actions. These adjustments included funding for DCP planning preconstruction costs, the transition of Metropolitan’s operating fleet to ZEV and the associated debt service, updates reflecting the amended SDCWA-Metropolitan Exchange Agreement, and revised water sales projections based on the 70 percent exceedance level. Updated water demand projections were also integrated to reflect conservation achievements and the most recent demand forecast from the Water Resource Management Group. Together these updates produce the **Revised Forecast with Known Changes**.

Once the revised forecast was established, additional expenditures needed to maintain current system integrity were added. These near-term budget drivers included a multi-year staffing plan, increased CIP funding for R&R

and near-term drought projects, and funding to replace and transition Metropolitan's operating fleet to meet state ZEV requirements. Incorporating these costs produced the **Needed to Maintain Current System Integrity** forecast.

The next step evaluated the potential long-term resource planning options. This involved adding the incremental cost impacts for major resource planning projects, including the staged PWSC 45/75 MGD project (one of several potential options), the AVEK High Desert Water Bank Expansion (Phase 2), Sites Reservoir, SWP Surface Storage, Delta Conveyance Project, and East-West Conveyance. Each project is evaluated individually and collectively to show its impact on overall costs relative to the baseline scenario.

Finally, average annual cost increases were calculated for the entire study period, from 2026 through 2045. For this analysis, unit cost is defined as total expenses net of revenue offsets, which include property tax revenues, investment income, exchange payments under the SDCWA-Metropolitan Exchange Agreement, and other revenues, divided by annual water sales. These calculations were performed for both the **Revised Forecast with Known Changes** and the **Needed to Maintain Current System Integrity** forecasts, providing a clear comparison of how different cost drivers influence long-term cost trajectories.

Overall Rate Impact Analyses

<u>Revised Forecast and Near-Term Cost Drivers</u>

The Adopted Biennial Budget and Ten-Year Financial Forecast provided a baseline for evaluating future costs and rates. Since adoption, several significant developments, including board actions, revised sales assumptions, and other changes, have altered Metropolitan's financial outlook.

To help the Board understand the impact of these updates, this section presents two scenarios. The first, the **Revised Forecast with Known Changes**, reflects recent board decisions and updated assumptions. The second, **Needed to Maintain Current System Integrity**, incorporates the additional expenditures required to sustain Metropolitan's existing system. Together, these scenarios illustrate how recent decisions and emerging budget pressures affect both near-term rate increases and long-term financial planning.

Revised Forecast with Known Changes

This first scenario adjusts the adopted financial forecast to reflect recent board actions and updated assumptions, while holding all other factors constant. Key changes include lower projected water transactions based on updated demand projections and the 70 percent exceedance level approved by the Board in July. The scenario also incorporates the relevant changes in the amended SDCWA-Metropolitan Exchange Agreement, which decouples exchange price from Metropolitan's rates. In addition, it reflects funding for DCP planning and preconstruction costs for 2026 and 2027, a total of $75 million in new credits from DWR to offset existing SWC costs, and $35 million in funding, supported by a $35 million credit facility, to transition Metropolitan's fleet to ZEV, with related debt service of approximately $5 million annually beginning in FY 2026/27. Finally, the scenario includes higher property tax revenues reported in the FY 2024/25 4th Quarter Report.

This revised forecast provides a clear picture of how recent Board actions and external factors are influencing revenue requirements and rate trajectories.

To provide context for the evolving financial outlook, the following analysis compares prior projections with updated information. Table 1 illustrates the difference by showing three views: the original Adopted Ten-Year Financial Forecast with PWSC project, the adopted forecast without PWSC, and the Revised Forecast with Known Changes.

For example, combined rate increases for 2027 and 2028 were originally projected at 13 percent under the adopted forecast without PWSC. Under the Revised Forecast with Known Changes, this rises to 15 percent, reflecting the cumulative fiscal impact of lower water sales, the amended Exchange Agreement, and new funding commitments.

This scenario provides the Board with an updated, transparent baseline before adding other emerging cost drivers such as staffing and CIP growth.

Table 1: Projected Overall Rate /Cost Increases for Revised Forecast with Known Changes

Calendar Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037 – 2045 Avg %/yr
Adopted Ten-Year Forecast w/ PWSC * 23%	11.5%	11.5%	5%	5%	4%	4%	4%	4%			
Adopted Ten-Year Forecast w/o PWSC * 13%	7.5%	5.5%	4%	4%	4%	3%	3%	3%			
Revised Forecast with Known Changes 15%	**10%**	**5%**	**3%**	**3%**	**4%**	**4%**	**5%**	**5%**	**4%**	**4%**	**~4%/yr**

** PWSC Phase 1 - 115 MGD using 2023 estimated costs ($6.4B in 2023$)*

Needed to Maintain Current System Integrity

The second scenario builds on the Revised Forecast with Known Changes by adding the near-term budget drivers that have emerged through updated operational and capital planning assessments. This represents the additional funding necessary to sustain Metropolitan's existing system while addressing deferred needs and meeting regulatory requirements.

Key additions include:

- Multi-year staffing plan to support operations and expanded capital program delivery,
- Expanded CIP funding, rising from $688 million to $950 million for the next biennium, and
- Increased fleet modernization costs to comply with State ZEV regulations, including $12 million annually (with $5 million in debt service from the $35 million credit facility authorization).

Together, these factors represent the core operational requirements needed to ensure system reliability over the next decade.

<u>*Staffing Needs Assessment*</u>

Metropolitan's ability to reliably operate and maintain its water system depends on a skilled and adequately staffed workforce. As demands on the system evolve and capital investment grows, staff are working collaboratively with operations, engineering, and administrative groups to evaluate workforce capacity and ensure staffing levels are aligned with both near-term and long-term strategic priorities.

The assessment focuses on identifying the most critical positions needed to sustain day-to-day operations, support the delivery of the expanded CIP program, and meet regulatory and safety requirements. The process recognizes the complexity of Metropolitan's infrastructure, which includes large-scale treatment facilities, conveyance systems, and an expanded portfolio of capital projects. At the same time, staffing decisions are being carefully balanced against financial sustainability and affordability for member agencies and the communities they serve. This means prioritizing essential positions while managing overall staffing growth responsibly.

Preliminary estimates indicate that additional staffing needs will require incremental funding over the next several years. The initial implementation has been scaled back to limit impacts on rates, with an average biennium rate increase of approximately one (1) percent. The current plan anticipates adding 287 positions gradually over the next three (3) biennia. As the staffing plan is fully implemented, the cumulative impact is expected to increase over time, as shown below.

Fiscal Year	2027	2028	2029	2030	2031	2032
Additional Staffing Needs	$10 M	$21 M	$29 M	$38 M	$46 M	$54 M

Capital Investment Plan Pressures

In April 2024, the Board appropriated $636.5 million for the CIP covering FY 2024/25 and FY 2025/26. This appropriation provided the funding necessary to address Metropolitan's immediate capital needs while maintaining system reliability.

At the mid-point of the biennium, staff reported to the Engineering, Operations, and Technology (EOT) Committee that actual expenditures are now projected to range between $636.5 million and $666.5 million, exceeding the original appropriation. The projected variance is driven by inflationary pressures, supply chain volatility, higher-than-anticipated contract bids, and the acceleration of previously deferred refurbishment projects. Without additional funding, some critical infrastructure work may need to be delayed, increasing both operational and reliability risks.

To address these challenges, staff recommended a $30 million increase to the current biennium CIP budget at the EOT Committee's October 13, 2025, meeting. If approved, this adjustment would raise the total to $666.5 million, establishing a higher effective baseline for future biennia. Many major construction contracts awarded in the second half of this biennium will likely carry over into the next biennium (FY 2026/27 and FY 2027/28), which will increase the starting point for the next biennium's CIP to approximately $950 million, a 42 percent increase over the current biennium. This higher level of funding reflects a combination of factors, including the carryover of existing contract commitments, funding for drought-resilience projects, and a recalibration of baseline infrastructure needs based on updated system assessments.

To limit the initial rate impacts associated with the expanded CIP program, a greater reliance on long-term debt financing will be needed in the early years of the expanded program. This approach provides time to gradually increase PAYGO funding as revenues grow, ensuring Metropolitan can attain and maintain its revenue bond coverage targets over the long term. Under the current plan, approximately 37 percent, or $355 million, will be funded through PAYGO, while the remaining 63 percent, or $595 million, will be supported by long-term debt.

The additional $265 million needed for the next biennium will primarily be debt-financed, resulting in an estimated $17 million in annual debt service, equivalent to roughly a 1 percent overall cost increase. This adjustment will not affect calendar year 2026 rates, but it will place upward pressure on rates in subsequent years as debt service begins to ramp up. The funding mix balances near-term affordability with the need for sustained reinvestment in aging infrastructure.

Funding Fleet Modernization

Metropolitan's operating fleet plays a vital role in day-to-day maintenance and emergency response across its extensive water delivery system. State regulations now require that all fleet vehicles transition to ZEV over the coming years.

In December 2024, the Board approved $35 million in funding, supported by a $35 million credit facility, to transition the operating fleet to ZEV. This action results in approximately $5 million in annual debt service beginning in FY 2026/27, plus an additional $7 million annually for ongoing maintenance and replacement, for a total of $12 million per year. This investment ensures compliance with state mandates while modernizing the fleet to improve operational reliability and reduce long-term maintenance costs.

Integrated Impact Needed for Maintaining Current System

By combining these three drivers, staffing expansion, higher CIP needs, and fleet modernization, Metropolitan faces a substantial cost increase in required funding just to sustain its current system.

As shown in Table 2, which builds upon the Revised Forecast with Known Changes presented in Table 1 by incorporating additional near-term budget drivers that have emerged through recent operational and capital planning assessments. This adjusted forecast represents the additional investments necessary to maintain and enhance Metropolitan's existing system while addressing immediate needs that are critical to reliable service delivery and regulatory compliance.

For example, under this scenario, combined overall cost increases for 2027 and 2028 are projected to rise from 15 percent under the Revised Forecast with Known Changes to 18 percent, demonstrating the additional financial burden of these emerging operational and capital needs. Over the long term, it is estimated that they both reflect an average annual cost increase of approximately 4 percent per year between 2037 and 2045.

Table 2: Projected Overall Cost Increases - Needed to Maintain Current System Integrity vs Revised Forecast with Known Changes

Calendar Year		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037 – 2045 Avg %/yr
Adopted Ten-year forecast w/ PWSC *	23%	11.5%	11.5%	5%	5%	4%	4%	4%	4%			
Adopted Ten-Year Forecast w/o PWSC *	13%	7.5%	5.5%	4%	4%	4%	3%	3%	3%			
Revised Forecast with Known Changes	15%	10%	5%	3%	3%	4%	4%	5%	5%	4%	4%	~4%/yr
Needed to Maintain Current System Integrity	**18%**	**12%**	**6%**	**5%**	**5%**	**6%**	**6%**	**5%**	**5%**	**4%**	**4%**	**~4%/yr**

** PWSC Phase 1 - 115 MGD using 2023 estimated costs ($6.4B in 2023$)*

While the Needed to Maintain Current System Integrity scenario reflects the costs necessary to maintain Metropolitan's current system, including expanded staffing, increased capital investment, and fleet modernization would represent a significant incremental cost. In 2027 and 2028, maintaining system integrity alone is projected to require an approximate 18 percent combined cost increase over the biennium.

Revised Financial Forecast with Long-term Resource Planning Options

The previous sections established the baseline financial projections and the additional near-term costs required to maintain Metropolitan's existing system. This section builds on that foundation by introducing major long-term resource planning projects under consideration by the Board, shown in the table below.

These projects represent significant capital investments aimed at enhancing regional water reliability, operational flexibility, and drought resilience. Each project is evaluated individually and collectively to determine its incremental cost impact above the "Needed to Maintain Current System Integrity" scenario presented in Table 2.

For clarity, all cost estimates in this section are expressed in 2025 dollars unless otherwise noted. These figures and dates are preliminary and subject to refinement as planning advances and additional information becomes available. Detailed descriptions of the major resource planning projects, including scope, estimated costs, and anticipated schedules, are provided in Appendix 1.

Project Names	MWD Share Capital Costs (in 2025 $)	Construction Year Start	Production Year	Data Status
PWSC – 45/75 MGD (Staged) *	$7.2 B (net of grants)	2027	45MGD – 2035 75MGD – 2037	Staged to gradually build to 75 MGD, Sept 2025 estimate
AVEK Expansion (Phase 2)	$500 M	2030	2035	Preliminary estimate
Sites (22% participation)	$1.7 B	2027	2033	Updated cost projections expected Aug 2025
SWP Surface Storage	$2.6 B	2033	2040	Preliminary estimate
DCP (47% participation)	$10.1 B ($9.5 B in 2023$)	2029	2045	Updated cost projections expected in 2026-2027
East-West Conveyance	$4.6 B	2032	2042	Preliminary estimate

** The PWSC 45/75 MGD (staged) is one of several potential options to be considered by the Board*

Building on the "Needed to Maintain Current System Integrity" scenario shown in Table 2, Table 3 adds the incremental costs of Metropolitan's potential major resource planning projects. This stepwise view allows the Board to see the individual cost contributions of each project, understand the cumulative financial impact if all projects were to proceed, and evaluate how these investments affect future rates relative to sustaining the existing system. All figures are expressed in calendar year percentage rate increases for consistency with previous tables.

The first row shows the estimated annual overall cost increases Needed to Maintain Current System Integrity, including staffing, CIP growth, and fleet modernization. The subsequent rows display the incremental annual cost increase each project adds above this baseline. The "All Major Projects" row represents the combined total increase from all projects added together, while the "Grand Total" row reflects the full projected rate impact, combining both the Needed to Maintain Current System Integrity and all major projects. It is important to note that costs compound over time, meaning the actual cumulative percentages will be slightly lower than the simple sum shown in the "All Major Projects" row.

Table 3: Projected Overall Incremental Cost Impact for Major Resource Planning Projects

Calendar Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037 – 2045 Avg %/yr
Needed to Maintain Current System Integrity 18%	12%	6%	5%	5%	6%	6%	5%	5%	4%	4%	~ 4%/yr
Incremental Additional Impact											
PWSC – 45/75MGD (Staged) *	1.6%	0.7%	2.4%	2.4%	4.8%	4.3%	2.2%	1.5%	8.3%	1.0%	~ 1.9% /yr
AVEK Expansion (Phase 2)				0.3%	1.1%	1.1%					
Sites (22% participation)	0.6%	0.8%	1.3%	1.5%	1.0%	0.3%	0.3%				
SWP Surface Storage							0.2%	0.4%	1.3%	2.3%	~ 1.3% /yr
DCP (47% participation)	0.5%	0.4%	1.0%	0.5%	0.7%	0.6%	0.7%	1.2%	2.8%	2.6%	~ 1.8% /yr
East-West Conveyance				0.3%	2.9%	10.0%	9.0%	1.9%	0.6%		
All Major Projects**	**3%**	**2%**	**5%**	**5%**	**11%**	**16%**	**12%**	**5%**	**13%**	**5%**	**~ 5% / yr**
Grand Total** 23%	**15%**	**8%**	**10%**	**10%**	**17%**	**22%**	**17%**	**10%**	**17%**	**9%**	**~ 9% / yr**

** The staged PWSC 45/75 MGD is one of several potential options to be considered by the Board*
*** Displayed as a simple summed total. Actuals will be slightly lower due to compounding*

Take-Away Observations

For the next biennium, the additional expenditures Needed to Maintain Current System Integrity are projected to increase costs by approximately 18 percent. Adding the staged 45/75 MGD PWSC project (one of several potential options) increases the projected need to roughly 21 percent. If the early phases of the Sites Reservoir and DCP projects are also included, the total combined cost impact is estimated to reach approximately 23 percent.

This view demonstrates both the timing and magnitude of fiscal impacts, providing essential context for decisions about project sequencing and prioritization.

Water Sales Sensitivity Analyses - Integration of IRP Scenario Planning and Conservative Sales Forecast

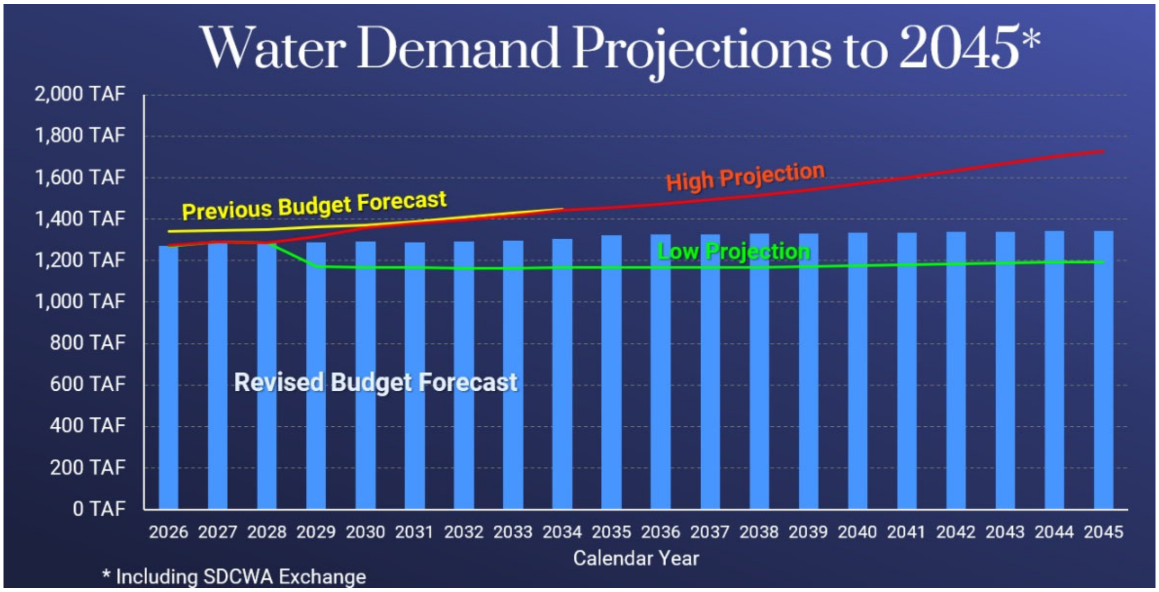
Per the Board's recent adopted policy on conservative water assumptions used for rate settings and consistent with the assumptions used in the current adopted budget, staff applied a 70 percent exceedance level for the water demand forecast as the baseline for this analysis. A 70 percent exceedance forecast means there is a 70 percent probability that actual sales will exceed the forecast, providing a conservative, lower-bound planning assumption for revenue and rate modeling. This approach helps Metropolitan prepare for potential revenue shortfalls by building resilience into budget and rate planning.

Using 2025 updates on demographic data and local supply information, the revised budget demand projection is paired with two bookend projections to reflect uncertainty in climate, growth, conservation, and supply conditions. The Low Projection (IRP Scenario C) assumes modest growth with strong local water use efficiency, limited local supply development, and reductions in imported supply due to climate change and regulatory constraints. The High Projection (IRP Scenario D) reflects strong growth and a rebound in water use, supported by strong local supply development but challenged by the effects of climate change and regulatory impacts on imported supply.

The analysis applied the demand sensitivity in three stages. First, a conservative baseline (Revised Budget Projection) was established using the 70 percent exceedance forecast as the starting point throughout the analysis period. Next, beginning in 2029, demand projections diverge into low and high projections through 2045, consistent with IRP Scenarios C and D. Finally, these demand trajectories were translated into rate impacts by applying the same cost structures used in the rate modeling to isolate how changes in water sales volumes alone affect average unit cost ($/AF), independent of other cost drivers.

Figure 2 presents the projected Water Transaction Forecasts for Calendar Years 2026 through 2045. Water transactions include total deliveries, including the SDCWA exchange volumes. Water sales are defined as water transactions less the SDCWA exchange. The chart illustrates the revised budget forecast at the 70 percent exceedance level and shows how demand projections diverge after 2028 under the low and high projections. This visual framework provides a shared reference point for interpreting how variability in water transactions and the resulting water sales influences financial outcomes.

Figure 2: Water Demand Projections[3] for Calendar Year 2026 to 2045



The preceding tables presented numerical projections of average unit costs[4] and overall cost increases across a range of projections. The following figures provide visual representations of these trends, making it easier to compare scenarios and understand the timing and magnitude of future cost changes. These figures are designed to highlight the difference between sustaining Metropolitan's current system and funding all major planned projects, show the effect of inflation on cost projections and illustrate how water demand assumptions affect unit costs over time.

Figure 3 illustrates the projected average unit cost under two scenarios, expressed in nominal dollars, which include the effects of inflation. The first scenario, Needed to Maintain Current System Integrity, reflects the costs associated with sustaining Metropolitan's existing system through ongoing operations, R&R, and other near-term priorities required for reliable service. Under this scenario, the average annual cost increase is approximately 5 percent per year. The second scenario, Funding All Major Projects, builds on the baseline by adding the capital and operating costs of constructing and maintaining major new resource planning projects such as PWSC, Sites Reservoir, and DCP. In this case, the average annual cost increase rises to approximately 8 percent per year. The comparison between these two scenarios clearly demonstrates the difference between simply maintaining the existing system and making large-scale infrastructure investments to meet the region's future water reliability needs.

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[3] Including 277,700 AF of SDCWA exchanged water
* Revised water transaction forecast for upcoming biennial budget at 70 percent exceedance
[4] Average unit cost is defined as total expenses net of revenue offsets, which include property tax revenues, investment income, exchange payments under the SDCWA-Metropolitan Exchange Agreement, and other revenues, divided by annual water sales.

Figure 3: Average Unit Cost in Nominal Dollars for Needed to Maintain Current System Integrity vs Funding All Major Projects for Calendar Year 2026 to 2045

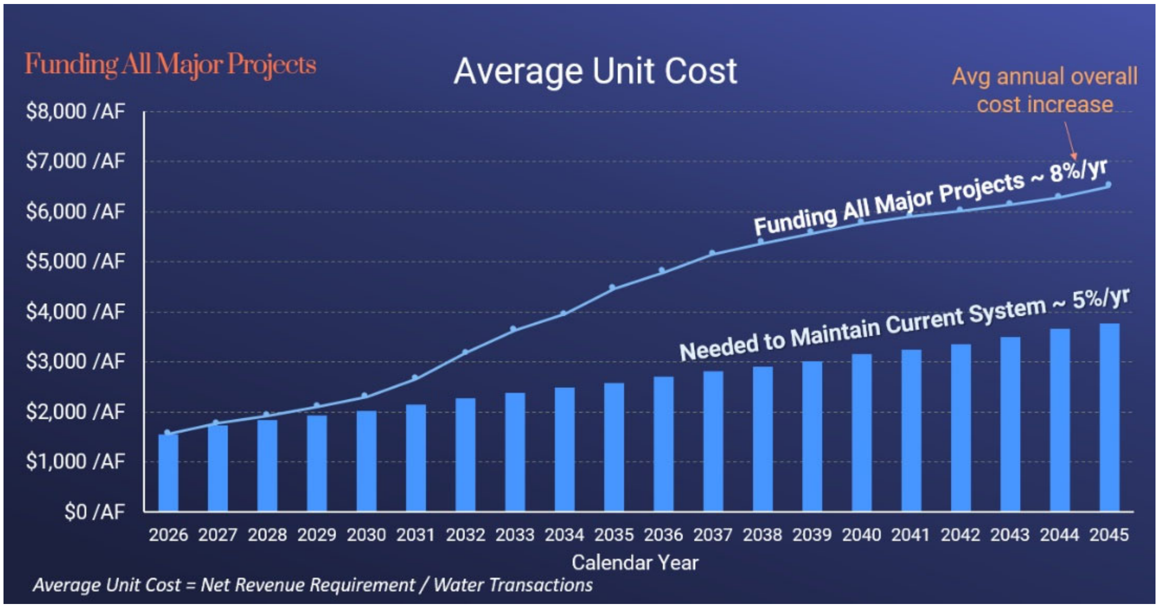
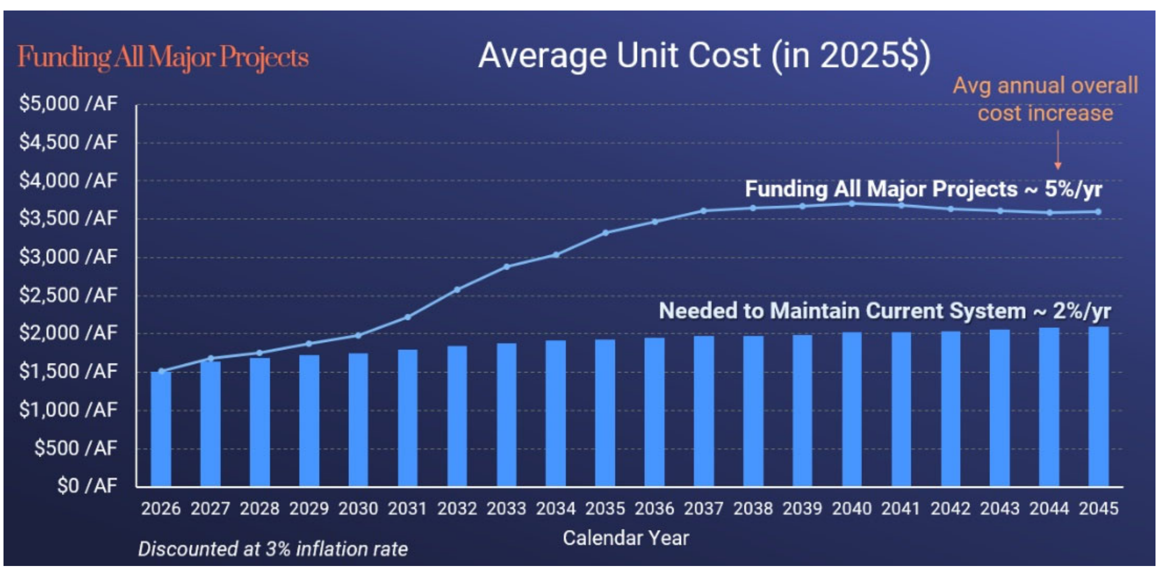


Figure 4 presents the same two scenarios but adjusts all costs to 2025 dollars, removing the effects of inflation. This normalization allows the Board to compare future costs to today's values, providing a clearer, more direct view of real cost growth over time. Under this inflation-adjusted view, the Needed to Maintain Current System Integrity shows an average annual cost increase of approximately 2 percent. In contrast, the Funding All Major Projects scenario reflects a higher average increase of approximately 5 percent, which isolates the true financial impact of new infrastructure investments apart from general inflationary effects. By removing inflation, Figure 4 provides a consistent baseline for evaluating costs and enables the Board to clearly distinguish how much of the projected rate growth is driven by the planned projects versus the effects of overall economic inflation.

Figure 4: Average Unit Cost in 2025 Dollars for Needed to Maintain Current System Integrity vs Funding All Major Projects for Calendar Year 2026 to 2045

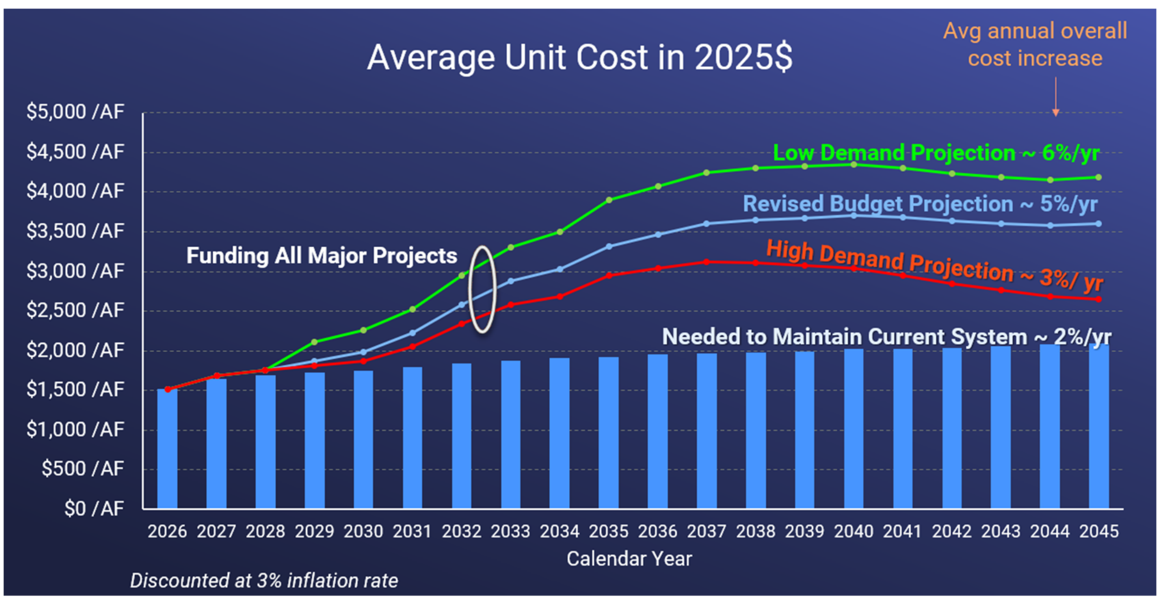


While Figures 3 and 4 compare system-only vs. system-plus-project costs, they assume a single, fixed water demand projection. Figure 5 expands this analysis by incorporating High- and Low-demand forecasts, demonstrating how water sales volume affects unit costs. The Revised Budget Projection represents the central planning case, based on the most recent water demand forecast. The Low Projection (IRP Scenario C) reflects conditions of rapid climate change coupled with lower demand growth. The High Projection (IRP Scenario D) represents a future where rapid climate change occurs alongside higher demand growth. Figure 5 illustrates how average unit costs change under each of these scenarios, expressed in 2025 dollars to remove the effects of inflation. Under higher demand, costs are distributed across a greater volume of water deliveries, resulting in lower per-acre-foot costs. Conversely, under lower demand, fixed costs are spread over fewer units, which causes higher per-unit costs. This demonstrates how demand variability directly influences rate levels, even when total system costs remain constant, and provides a more direct comparison that isolates the real impact of water demand on future unit costs.

The analysis highlights several important insights. Under the "Maintain Current System Integrity" scenario, average unit costs are increased modestly at approximately 2 percent per year. When all major projects are funded under the expected demand scenario, annual increases rise to approximately 5 percent. Under low demand conditions, these annual increases are slightly higher, reflecting the effect of spreading fixed costs across a smaller water volume.

This figure is particularly valuable for strategic planning, illustrating how future factors such as population growth, conservation, and climate impacts could affect Metropolitan's long-term financial position.

Figure 5: Average Unit Cost in 2025 Dollars for Needed to Maintain Current System Integrity vs Funding All Major Projects with Water Demands at Expected, Low, and High for Calendar Year 2026 to 2045



Policy Consideration and Hypothetical 10-year Forecast

As part of this comprehensive financial review, staff evaluated emerging policy considerations and external factors that could significantly influence Metropolitan's financial and operational planning. Two areas of focus are "Conservation as a Way of Life" which was adopted in 2024, and the potential loss of Colorado River supplies following the expiration of current operating guidelines. These factors are expected to have both direct and indirect impacts on future demand projections, revenue stability, and capital investment priorities.

Conservation as a Way of Life

In 2024, the adoption of the "Conservation as a Way of Life" framework establishes permanent, long-term water use efficiency standards to help the state adapt to climate change and address ongoing water supply challenges. Under this framework, water suppliers, not individual customers, are required to meet specific "urban water use objectives" by implementing locally appropriate and flexible solutions. These include measures such as promoting drought-tolerant landscaping, reducing outdoor irrigation, and minimizing water losses within distribution systems.

Metropolitan's current financial projections assume $31 million annually in conservation funding to support these efforts. However, as regulatory requirements are further defined, the Board will need to consider Metropolitan's role in achieving regional compliance. Future decisions may involve determining whether conservation participation should remain voluntary or evolve into a more standardized or mandated approach across the region. These decisions will have a direct effect on water demand management, operational planning, and ultimately, future rate structures.

Potential Loss of Colorado River Supplies

Another critical factor is the potential reduction of Colorado River supplies due to changes in Colorado River operations once current guidelines expire. The 2025 Updated IRP Needs Assessment incorporated multiple potential outcomes from ongoing Colorado River negotiations, reflecting greater variability in future supply reliability. Under certain conditions, wetter periods could help replenish storage levels, but extreme dry-year shortages are projected to become more severe than in previous forecasts. This will require Metropolitan to use ICS resources strategically and pursue additional supply and storage solutions to maintain regional reliability.

In the near term, Metropolitan's current 1.5 MAF of ICS resources will serve as a bridge to offset initial reductions in Colorado River deliveries while longer-term strategies are implemented. Over time, sustained supply reductions will require additional measures to maintain regional reliability. These strategies may include leveraging the second right of refusal to purchase water made available through the SDCWA-Metropolitan Exchange Agreement, maximizing the Palo Verde Irrigation District fallowing program, expanding conservation initiatives to mitigate supply losses, and pursuing other water transfer purchases for use or storage when feasible.

The timing and effectiveness of these strategies will directly affect both regional supply reliability and Metropolitan's long-term financial commitments.

Hypothetical 10-Year Forecast

To provide an early view of the potential fiscal impacts of these emerging challenges, staff prepared a hypothetical ten-year financial forecast that incorporates both the staged development of the PWSC project and anticipated increases in supply program costs associated with reduced Colorado River supplies.

This scenario builds on the "Needed to Maintain Current System Integrity" baseline forecast with several key assumptions. It assumes Board approval and funding for the PWSC beginning in 2027 and the use of ICS supplies in 2027 and 2028 to help offset initial Colorado River reductions. Beginning in 2029, the scenario includes an increase supply program cost of $45 million, which is projected to escalate to $112 million annually by 2036. It also assumes continued use of ICS to address demand shortfalls and manage operational flexibility, along with a projected cost increase of three (3) percent in 2029 and less than one (1) percent annually thereafter.

Under this scenario, projected overall unit costs increase by approximately 21 percent for 2027 and 2028 combined, as shown in Table 4. This reflects both the costs of implementing PWSC and the additional burden of managing supply reductions through higher supply program expenditures and transfers, though most of those costs increases begin in 2029. Expressed on a per-acre-foot basis, these unit cost projections provide a clearer picture of how total expenditures translate into rate impacts when spread across water sales.

These preliminary results are intended solely to illustrate the potential range of financial outcomes and provide context for future planning. They will be further refined during the upcoming biennial budget development process as updated cost estimates, supply projections, and regulatory guidance become available.

Table 4: Hypothetical 10-year Financial Forecast with PWSC & Supply Program Cost Increases

Calendar Year		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Needed to Maintain Current System Integrity	18%	12%	6%	5%	5%	6%	6%	5%	5%	4%	4%
With PWSC 45/75 MGD (Staged) *	21%	14%	7%	7%	7%	11%	10%	7%	7%	12%	5%
Hypothetical 10-yr financial forecast with PWSC & estimated Supply Program cost increases*	**21%**	**14%**	**7%**	**10%**	**7%**	**11%**	**10%**	**8%**	**7%**	**12%**	**5%**

** The PWSC 45/75 MGD (staged) is one of several potential options to be considered by the Board*

Take-Away Observations

The financial analysis presented in this report demonstrates that rising costs will translate into significant rate impacts necessary to sustain Metropolitan's current system. These increases are driven by several interconnected factors, including the organizational-wide staffing needed to support day-to-day operations and expanded capital program, the rising costs associated with replacing and modernizing operating fleet and operating equipment, and the growing investment in repairs, replacements, and refurbishment projects within the CIP.

Even before adding new projects, these baseline pressures alone will require substantial long-term reinvestment to maintain system reliability, comply with regulatory requirements, and meet the region's water service needs.

The analysis also shows that pursuing all major planned capital projects, including PWSC, Sites Reservoir, DCP, and others, would further increase costs, placing additional pressure on financial impacts for Metropolitan's member agencies and the communities they serve. These projects are designed to enhance drought resilience, diversify supplies, and modernize infrastructure, but they also represent billions of dollars in new commitments. The timing and sequencing of these projects are key factors in managing cumulative financial impacts. When multiple projects move forward simultaneously, peak rate increases can occur, as reflected in Table 3 and Figures 3 through 5.

This creates a clear tradeoff between advancing regional reliability goals and cost pressures. As Metropolitan looks ahead, decisions will need to strike a balance among three critical objectives: developing supplies and storage to meet both near- and long-term reliability needs, ensuring the system can operate effectively under a wide range of hydrologic and operational conditions, and managing rate impacts to keep water affordable for member agencies and the communities they serve.

This analysis provides the Board with the financial context needed to navigate these tradeoffs and to evaluate the pathways forward in determining how best to meet the region's future water reliability and affordability goals.

Role of the CAMP4W Process

The CAMP4W process will central to these future decisions, guiding the Board in determining how much new supply development Metropolitan should pursue and when those investments should occur. It will also help identify which projects and strategies are the most cost-effective in achieving both near- and long-term regional goals. By integrating technical, financial, and policy perspectives, CAMP4W will help Metropolitan prioritize investments and sequence project development to ensure the most effective use of limited financial resources.

Next Steps for the Board

As the Board prepares for upcoming budget and rate-setting discussions, this analysis will provide a foundation for the FY 2026/27–2027/28 biennium and establish a framework for evaluating and comparing project proposals as they are refined. These projections will be further refined as new information becomes available, particularly for projects still in early planning stages, such as SWP Surface Storage and AVEK expansion Phase 2.

Katano Kasaine 10/6/2025

Katano Kasaine *Date*
Assistant General Manager/
Chief Financial Officer

Deven Upadhyay 10/6/2025

Deven Upadhyay *Date*
General Manager

Ref# cfo12702420

APPENDIX 1 – PROJECT DESCRIPTIONS & ASSUMPTIONS

Pure Water Southern California (PWSC)

PWSC is one of the most significant regional water supply initiatives under consideration.

- It will create a sustainable new local water source by purifying treated wastewater for potable reuse.
- Depending on the final configuration, PWSC could be developed in multiple sizes, including 45 MGD, 75 MGD, 45/75 MGD staged, 115 MGD, 150 MGD, or 150 MGD staged options.
- Under the currently modeled 45/75 MGD staged plan, PWSC would produce up to 77,300 AF per year, beginning with 45 MGD and expanding to 75 MGD based on regional demand and regulatory considerations.

Staging Strategy for 45/75 MGD:

- The initial 45 MGD phase will establish core treatment and delivery infrastructure.
- A second stage would expand capacity to 75 MGD if justified by regional needs, regulations, and financial conditions.
- Construction is anticipated to begin in 2027, with operations commencing by 2035 for 45 MGD, if approved, by 2037 for 75 MGD
- Staging provides early benefits while reducing near-term fiscal exposure and avoiding overbuilding should future demand not materialize.

Cost Considerations:

- The 45/75 MGD staged option is estimated at $7.2 billion (net of grants).
- Incremental construction allows for re-evaluation at each stage, balancing near-term investment with long-term flexibility.
- Funding will come from a mix of rates, grants, and debt financing.

At this time, no final decisions have been made on the final size, staging, or cost recovery approach. The PWSC program is not currently included in Metropolitan's CIP as a capital program; however, the Board is expected to consider its inclusion in the CIP as part of the upcoming biennial budget process. For this analysis, the 45/75 MGD staged option is modeled separately to ensure transparency and comparability with other potential projects. It is one of several potential options to be considered by the Board.

AVEK High Desert Water Bank Expansion (Phase 2)

Metropolitan is evaluating participation in a Phase 2 expansion of the High Desert Water Bank Program with the Antelope Valley-East Kern Water Agency (AVEK).

- The existing program, approved in 2019, provides 280 TAF of storage and 70 TAF per year of direct recovery into the East Branch of the California Aqueduct.
- The proposed expansion would add 440 TAF of storage, increasing total program capacity to 720 TAF, and raise annual put-and-take capability to 110 TAF.
- The project would also establish a new connection to the West Branch of the California Aqueduct.

Schedule and Costs:

- Construction is anticipated to begin in 2030, with operations commencing by 2035.
- Metropolitan's preliminary participation costs are estimated at $500 million, to be refined as planning progresses.

Strategic Benefits:

- Provides additional flexibility to capture supplies in wet years and recover water during droughts or emergencies.
- Supports reliable deliveries when SWP allocations are low or upstream infrastructure is disrupted.

Sites Reservoir Project

The Sites Reservoir Project is a proposed 1.5 MAF off-stream storage facility located west of Maxwell, California.

- Metropolitan holds a 22.1 percent share, equating to 312 TAF of storage and long-term yields of 32 TAF annually on average, with higher deliveries in dry years (56 TAF).
- The project operates under its own independent water right, separate from the SWP.

Schedule and Costs:

- Construction is anticipated to begin in 2027, with operations commencing by 2033
- Metropolitan's share of total capital costs is estimated at $1.7 billion (2025$).
    - Assuming full debt financing over 30 years at 4 percent, annual capital obligations are approximately $101 million.
    - Annual O&M costs are projected at $11.9 million, plus $2.9 million in R&R, net of hydropower credits.

Strategic Benefits:

- Adds storage capacity independent of the SWP, improving resilience against variable hydrology and climate-driven supply fluctuations.

State Water Project (SWP) Surface Storage

Staff is evaluating a potential 300 TAF SWP surface storage facility to enhance drought resilience and operational flexibility.

Planning Status:

- Phase 2 of the Surface Water Storage Study narrowed potential sites from over 300 to 10 locations for further evaluation.
- Phase 3, beginning later in 2025, will include technical assessments, environmental review, and modeling in coordination with DWR and other regional partners.

Schedule and Costs:

- Construction is anticipated to begin in 2033, with operations commencing by 2040
- Preliminary construction costs are estimated at $2.6 billion (2025$)
    - Current assumptions include a 15/85 split between PAYGO and debt financing.
    - These figures do not yet include O&M or compliance costs and are not part of the current baseline forecast.

Delta Conveyance Project (DCP)

The DCP is a critical investment to modernize the SWP's aging Delta infrastructure and prepare for climate-driven hydrologic changes and sea level rise.

- Adds new intakes in the Sacramento River to capture supplies during high-flow events, increasing reliability and resilience.
- Expected to provide up to 190 TAF annually, supporting regional storage and drought management efforts.

Schedule and Costs:

- Construction is anticipated to begin in 2029, with operations commencing by 2045
- Preliminary Metropolitan's share of construction costs are estimated at $10.1 billion (2025$)
    - Metropolitan's capital financing obligation is preliminarily estimated at $380 million annually, plus $13 million in O&M and additional R&R costs.

East-West Conveyance

The proposed East-West Conveyance would expand Metropolitan's regional water transfer capacity and improve system reliability.

Schedule and Costs:

- Preliminary planning and design is anticipated to start in 2027, and construction begins in 2032, with operations commencing by 2045
- Preliminary capital cost estimate is $4.6 billion, funded primarily through long-term debt.