

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Sp Jt Mtg of the Board of Directors and OPE Committee - Final

June 13, 2025

10:00 AM

Friday, June 13, 2025
Meeting Schedule

10:00 a.m. Jt. Sp. BOD/OPE

Written public comments received by 5:00 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](#).

MWD - F.E. Weymouth Water Treatment Plant • 700 Moreno Avenue #211 • La Verne, CA 91750

1. Call to Order [21-4747](#)

Attachments: [06132025 Special BOD and OPE Committee GM Presentation](#)

a. Pledge of Allegiance: Chair of the Board Adán Ortega, Jr., City of San Fernando

2. Roll Call

3. Determination of a Quorum

4. Opportunity for members of the public to address the Board limited to the items listed on the agenda. (As required by Gov. Code Section 54954.3(a))

**** CONSENT CALENDAR ITEMS -- ACTION ****

5. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approve Resolution confirming Director Jacque McMillan for the Association of California Water Agencies Region 8 Board Member **21-4694**

Attachments: [06132025 BOD 5A ACWA Resolution.pdf](#)

6. CONSENT CALENDAR ITEMS - ACTION

- 7-4 Authorize the General Manager to execute a funding agreement extension for support of the Colorado River Board of California, Six Agency Committee, and Colorado River Joint Powers Authority; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4695**

Attachments: [06132025 FAAME 7-4 B-L.pdf](#)
[06132025 FAAME 7-4 Presentation](#)

- 7-6 Approve Metropolitan's Statement of Investment Policy for fiscal year 2025/26, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4698**

Attachments: [06132025 FAAME 7-6 B-L.pdf](#)
[06132025 FAAME 7-6 Presentation](#)

- 7-7 Approve up to \$2.485 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program for fiscal year 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA **21-4697**

Attachments: [06132025 FAAME 7-7 B-L.pdf](#)
[06132025 FAAME 7-7 Presentation](#)

- 7-9 Authorize an amendment to the LRP Agreement to extend the start-of-operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project; adopt CEQA determination that the proposed action was previously addressed in the City of Oceanside's adopted 2018 Final MND and Addendum and Olivenhain Municipal Water District's certified 2015 Final PEIR and Addendum and that no further CEQA review is required **21-4696**

Attachments: [06132025 FAAME 7-9 B-L.pdf](#)
[06132025 FAAME 7-9 Presentation](#)

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

7. OTHER MATTERS

- 5-1** Report on firm selected for the General Manager recruitment **21-4690**

Attachments: [06132025 JT SP BOD and OPE Item 5-1 Presentation](#)

- 5-2** Approve General Manager Job Description, General Manager priorities, and General Manager qualities; the General Manager has determined that the proposed action is exempt and not subject CEQA **21-4691**

Attachments: [06132025 JT SP BOD and OPE 5-2 General Manager Job Description \(January 15, 2021\)\)](#)
[06132025 JT SP BOD and OPE 5-2 General Manager Job Description \(July 23, 2007\)](#)
[06132025 JT SP BOD and OPE 5-2 General Manager Job Description \(May 21, 2001\)](#)
[06132025 JT SP BOD and OPE 5-2 MWD Operating Agreement](#)
[06132025 JT SP BOD and OPE 5-2 Draft General Manager Recruitment Priorities & Qualities](#)

- 5-3** Discussion of key selection criteria recruiter will use to assess General Manager candidates **21-4692**

- 5-4** Public Employment - General Manager [To be heard in closed session pursuant to Gov. Code Section 54957] **21-4693**

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

10. 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



Special Board Meeting

General Manager Updates

June 13, 2025



PROTECT public health,
the regional
economy, and
Metropolitan's
assets



HQ Security Update

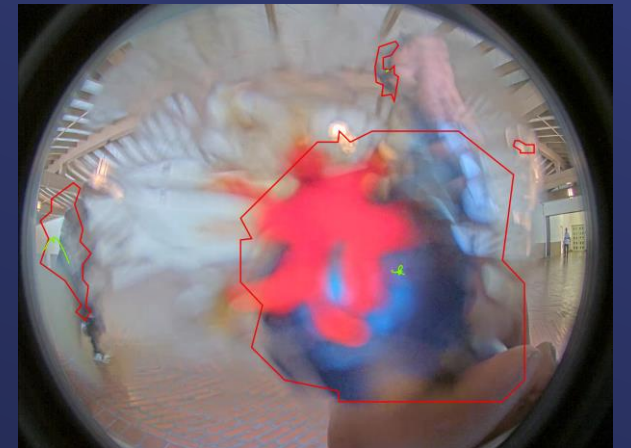




PROTECT public health,
the regional
economy, and
Metropolitan's
assets



HQ Security Update





PROTECT public health,
the regional
economy, and
Metropolitan's
assets

DVL Water Quality Update



CAUTION

Harmful cyanobacteria or algae may be present in this water.
For your and your family's safety:



Body contact recreation such as swimming is not permitted in this lake at any time. **Do not touch algae or green scum** in the water.



Keep children away from algae in the water or on the shore.



Do not drink this water or use it for cooking.



For fish caught here, **throw away guts and clean fillets** with tap water or bottled water before cooking.

For information on harmful cyanobacteria and algae, go to mywaterquality.ca.gov/monitoring_council/cyanohab_network
For local information, contact: The Metropolitan Water District of Southern California, 1-800-CALL-MWD



RESOLUTION NO. ____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA PLACING IN NOMINATION JACQUE MCMILLAN AS A MEMBER OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES REGION 8 BOARD MEMBER

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AS FOLLOWS:

WHEREAS, the Board of Directors (Board) of The Metropolitan Water District of Southern California (Metropolitan) does encourage and support the participation of its members in the affairs of the Association Of California Water Agencies (ACWA);

WHEREAS, Jacque McMillan has indicated a desire to serve as a board member of ACWA Region 8;

THEREFORE, BE IT RESOLVED that the Board, place its full and unreserved support in the nomination of Jacque McMillan for the position of board member of ACWA Region 8,

AND;

BE IT FURTHER RESOLVED that the expenses attendant with the service of Jacque McMillan in ACWA Region 8 shall be borne by Metropolitan.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California at its meeting held June 10, 2025.

Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Action

- **Board of Directors**

- Finance, Affordability, Asset Management, and Efficiency Committee***

6/10/2025 Board Meeting

7-4

Subject

Authorize the General Manager to execute a funding agreement extension for support of the Colorado River Board of California, Six Agency Committee, and Colorado River Joint Powers Authority; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Staff is requesting authorization for the General Manager to execute a one-year extension to the current Six Agency Committee (SAC) cost-sharing agreement, which funds the Colorado River Board of California (CRB). California established the CRB in 1937 to protect the interests and rights of the state of California with respect to the water and power resources of the Colorado River system. Metropolitan and five other members of the CRB (also known as the SAC) make annual cost-sharing payments to the CRB to fund its operations, studies, and special projects. Typically, those six agencies also fund the Colorado River Joint Powers Authority (Authority), which advances California's interests in Colorado River water and power through educational and informational campaigns. The current agreement expires on June 30, 2025. The Board previously authorized payment for FY 2025/26 as part of the budget biennium. This action does not modify previously approved payments.

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

Staff Recommendation: Option #1

Option #1

Authorize a one-year extension to the funding agreement for support of the CRB, SAC, and Authority.

Fiscal Impact: None

Business Analysis: Allows Metropolitan to provide authorized payments to the CRB, SAC, and Authority.

Option #2

Do not authorize a one-year extension to the funding agreement for support of the CRB, SAC, and Authority.

Fiscal Impact: None

Business Analysis: Requires Metropolitan to renegotiate the cost-sharing formula and potentially seek additional board authorization to make payments to the CRB, SAC, and Authority.

Alternatives Considered

None

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Section 11102: Payment of Dues

Metropolitan Water District Administrative Code Section 11103: Participation in Projects or Programs Serving District Purposes

Metropolitan Water District Act Section 126: Dissemination of Information (subject to a two-thirds vote requirement)

By Minute Item 40277, dated June 15, 1993, the Board authorized amending the May 13, 1947, agreement to provide for the appointment of alternate representatives on the Colorado River Association Six Agency Committee.

By Minute Item 46291, dated July 12, 2005, the Board authorized an agreement to create the Colorado River Joint Powers Authority.

By Minute Item 46310, dated July 12, 2005, the Board approved the new funding arrangement for the Colorado River Board based on the proposed cost-sharing percentage.

By Minute Item 50166, dated June 9, 2015, the Board approved executing the Six Agency Committee agreement's amendment to extend the cost-sharing formula through June 30, 2020.

By Minute Item 52019, dated June 9, 2020, the Board approved executing the Six Agency Committee agreement's amendment to extend the cost-sharing formula through June 30, 2025.

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

At the June 10, 2024, One Water Stewardship Committee and the June 11, 2024, Board of Directors meeting, Item 8-2 was approved, authorizing the General Manager to make payment of up to \$1,023,408 to the CRB, SAC, and Authority for fiscal year 2025/26.

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

Cost-Sharing Agreement Historical Changes

The CRB was established by the State of California by Act of its Legislature on July 1, 1937, to protect the interests and rights of the State of California with respect to the water and power resources of the Colorado River system. On January 5, 1950, the six agencies with original contracts for Colorado River water in California were interested in protecting their use of Colorado River water and power and entered into the first cost-sharing agreement.

At the inception of the CRB, the State fully funded its operation through the General Fund, but over time, the level of state funding has been reduced and eliminated altogether. Since the first funding agreement between the six agencies was entered into in 1950, there have been multiple amendments that have changed the cost-sharing percentages between the agencies. The history of changes in the cost-sharing percentages is shown in the following table.

Agency	January 5, 1950, Agreement	September 6, 1961, Amendment	August 11, 1980, Amendment	August 1, 2005, Amendment (July 1, 2005 – June 30, 2007)	August 1, 2005, Amendment (July 1, 2007 – June 30, 2010)
	Cost Share Proportion (%)				
Palo Verde Irrigation District (PVID)	1.00	1.00	3.20	5.00	5.00
Coachella Valley Water District (CVWD)	1.00	5.00	10.00	16.25	16.25
San Diego County Water Authority (SDCWA)	2.00	2.00	3.00	8.00	10.00
Imperial Irrigation District (IID)	20.00	19.00	19.00	28.75	28.75
Metropolitan Water District of Southern California (MWD)	46.00	44.50	44.40	32.00	32.00
Los Angeles Department of Water and Power (LADWP)	30.00	28.50	20.40	10.00	8.00

From 1950 to 2005, the cost-sharing percentages for MWD and LADWP decreased while they increased for IID, CVWD, PVID, and SDCWA.

In 2005, it was agreed that half of the funding would be contributed by the agricultural districts (PVID, IID, and CVWD) while the remaining half would come from the municipal water districts (SDCWA, MWD, and LADWP). On August 1, 2005, an amendment was signed by the six agencies to set up a new funding arrangement for the CRB, that has been in place since 2005, with the only change being in 2007 when the relative percentages for SDCWA and LADWP were swapped, bringing SDCWA's share to 10 percent and LADWP's to 8 percent.

Previous Cost-Sharing Agreement

Since the August 1, 2005, amendment expired on June 30, 2010, the agencies comprising the SAC have negotiated and renewed the cost-sharing agreement every five years with no changes. The cost-sharing percentages in the current agreement entered into on July 1, 2020, and terminating on June 30, 2025, are still the same as the last column in the table above.

New Cost-Sharing Agreement Terms

This agreement extends the funding percentages for the CRB, SAC, and the Authority for the next year at the same proportions as the July 1, 2020, amendment. However, there is a desire among the six agencies to explore alternative funding opportunities and to negotiate new cost-sharing percentages. The SAC has committed to working together over the next year to explore possible funding from the state and other partners and to develop new cost-sharing percentages, with the goal of having a new cost-sharing agreement for the period of July 1, 2026, to June 30, 2030.

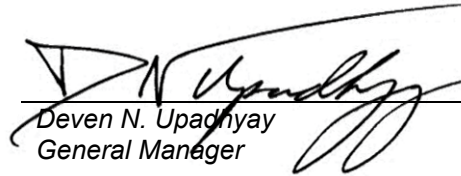
The total funding requests will vary each year of the agreement based on the overall CRB and SAC budgets. A 2025/26 fiscal year payment of \$1,023,408 was previously approved by the Board on June 11, 2024. Therefore, there is no budget impact associated with a one-year extension of the funding agreement for the CRB, SAC, and Authority. Staff will come back to the Board for authorization for future funding requests.



Brandon J. Goshi
Manager, Water Resource Manager

5/30/2025

Date



Deven N. Upadhyay
General Manager

5/30/2025

Date



Finance, Affordability, Asset Management & Efficiency Committee

Authorize the General Manager to Execute a Funding Agreement Extension for Support of The Colorado River Board of California, Six Agency Committee, and Colorado River Joint Powers Authority

Item 7-4

June 10, 2025

Subject

Authorize the General Manager to Execute a Funding Agreement Extension for Support of The Colorado River Board of California, Six Agency Committee, and Colorado River Joint Powers Authority

Purpose

To Extend the Current Provisions of The Funding Agreement Between The Members of The Six Agency Committee for FY 25/26

Recommendation and Fiscal Impact

Authorize the General Manager to extend the Funding Agreement for FY 25/26. No fiscal impact. The Board previously authorized payment for FY25/26.

Item 7-4

Authorize Funding Agreement Extension For Support of The Colorado River Board, Six Agency Committee, and Colorado River Authority

Colorado River Board of California Responsibilities



Summary of Responsibilities

- California's official representative to the Basin States and the United States
- Protects California's interests in water and power
- Provides a unified voice in negotiations

Funding Agencies of the Colorado River Board of California



Coachella Valley
Water District
(CVWD)

Palo Verde
Irrigation
District (PVID)

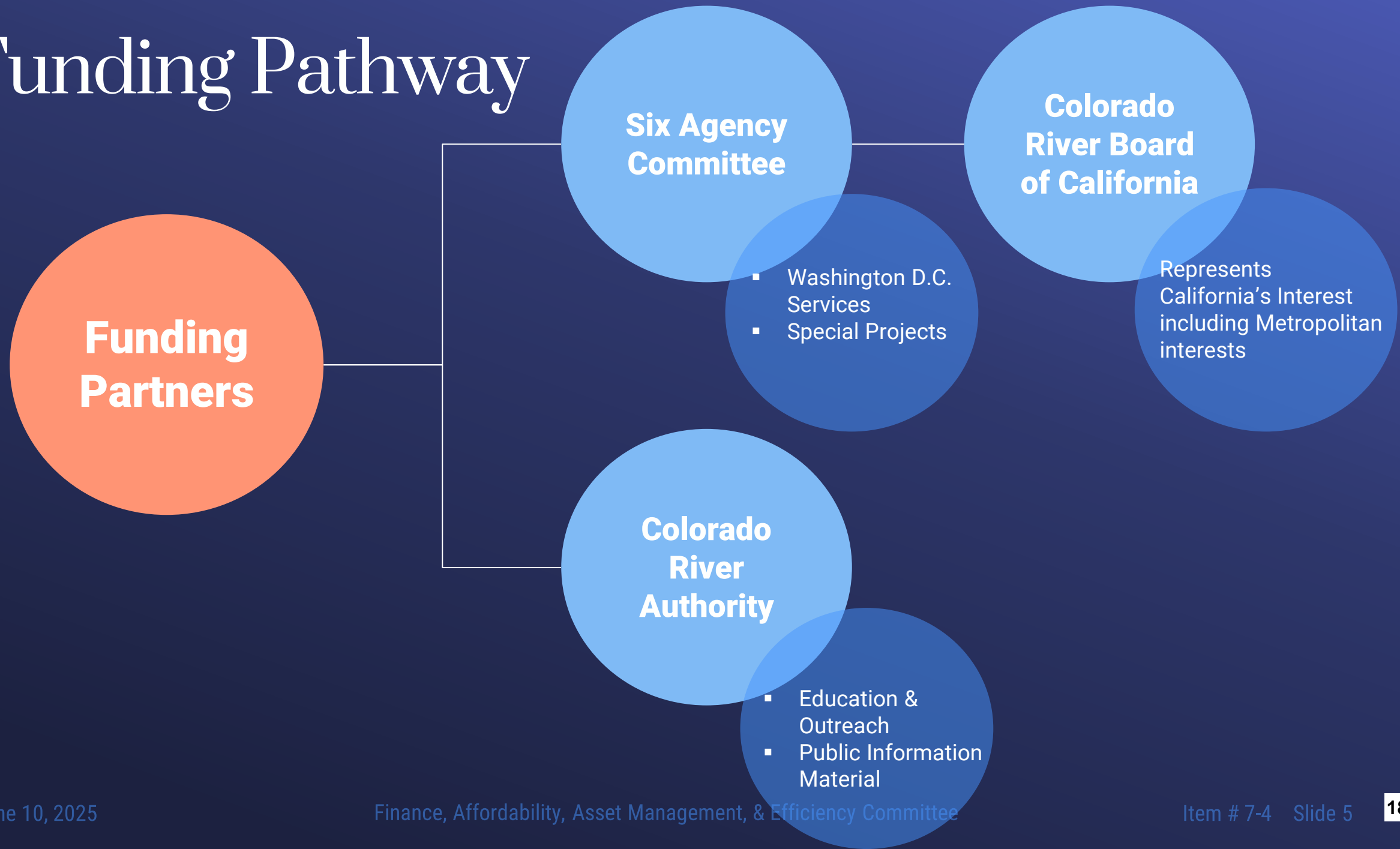
Imperial
Irrigation
District (IID)

Los Angeles
Department of
Water & Power
(LADWP)

Metropolitan
Water District of
Southern
California
(MWD)

San Diego
County Water
Authority
(SDCWA)

Funding Pathway

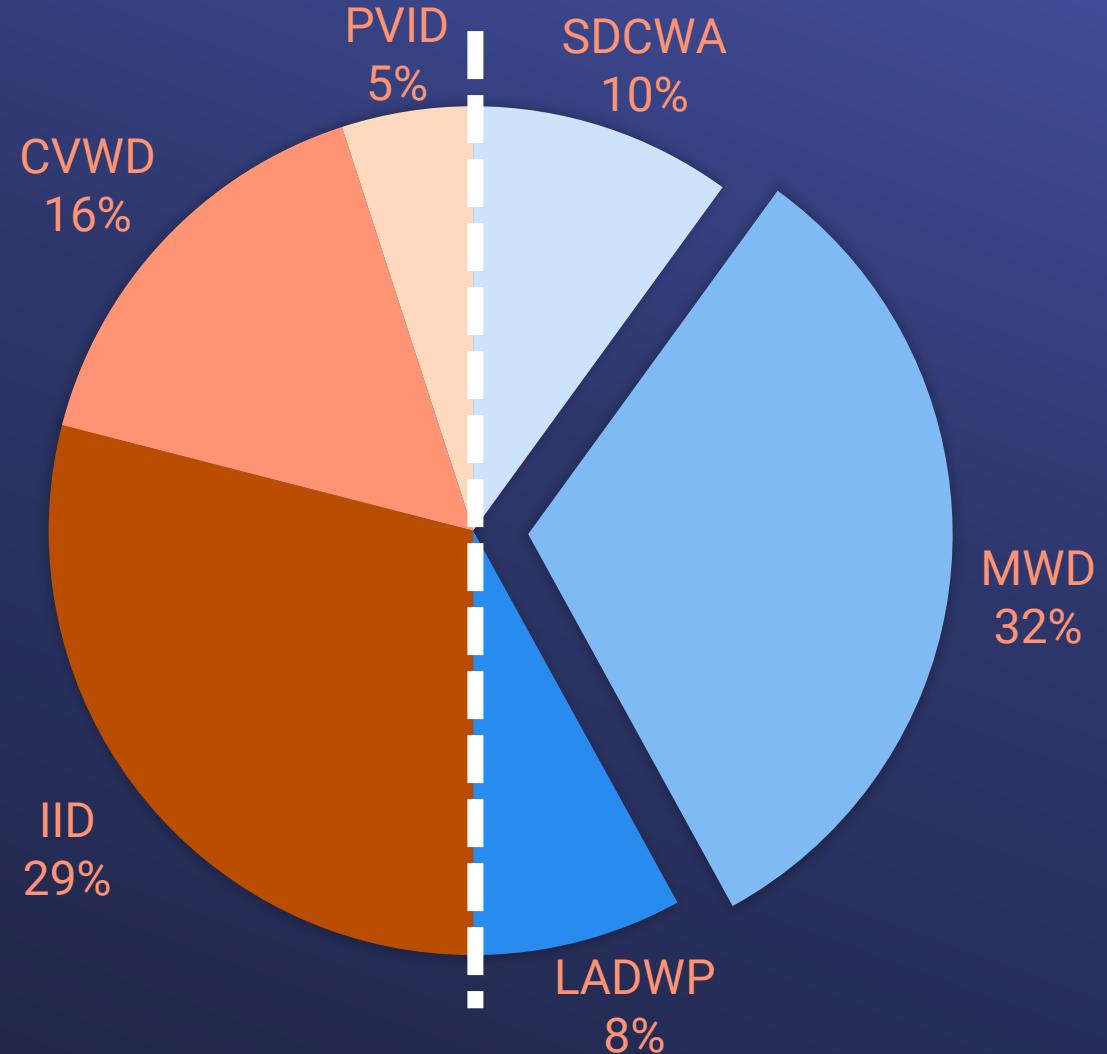




Timeline of Funding Changes

Cost-Sharing Agreement Among Six Agency Members

Total: \$3,012,000 (FY 25/26)



Cost-Sharing Agreement



Options

Staff Recommendation

- Option #1
Authorize a one-year extension to the funding agreement for support of the CRB, SAC, and Authority.
- Option #2
Do not authorize a one-year extension to the funding agreement for support of the CRB, SAC, and Authority.



History of Cost- Sharing Agreement



Cost-Sharing Agreement Among Six Agency Members

Agency	January 5, 1950, Agreement	September 6, 1961, Amendment	August 11, 1980, Amendment	August 1, 2005, Amendment (July 1, 2005 - June 30, 2007)	August 1, 2005, Amendment (July 1, 2007 - June 30, 2010)
	Cost Share Proportion (%)				
Palo Verde Irrigation District (PVID)	1.00	1.00	3.20	5.00	5.00
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Imperial Irrigation District (IID)	20.00	19.00	19.00	28.75	28.75
Metropolitan Water District of Southern California (MWD)	46.00	44.50	44.40	32.00	32.00
Los Angeles Department of Water and Power (LADWP)	30.00	28.50	20.40	10.00	8.00



- **Board of Directors**

- Finance, Affordability, Asset Management, and Efficiency Committee***

6/10/2025 Board Meeting

7-6

Subject

Approve Metropolitan's Statement of Investment Policy for fiscal year 2025/26, delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Per Section 5114 of the Metropolitan Water District Administrative Code, staff seeks board approval of Metropolitan's Statement of Investment Policy (Policy) for fiscal year (FY) 2025/26. Staff also seeks board approval for the delegation of authority to the Treasurer to invest Metropolitan's funds for FY 2025/26, pursuant to the Government Code of the state of California (California Government Code).

The Policy has been updated to ensure that it complies with the requirements of the California Government Code, conforms to the investment policy certification standards established by the California Municipal Treasurers Association, provides a balance between investment restrictions and investment flexibility, and expresses Metropolitan's investment objectives and preferences with clarity and consistency.

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

Staff Recommendation: Option #1

Option #1

Approve Metropolitan's Statement of Investment Policy for fiscal year 2025/26; and delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2025/26.

Fiscal Impact: Allows Metropolitan's portfolio to continue to earn a reasonable return on investments while meeting the overarching goals of safety and liquidity.

Business Analysis: Permits the Treasurer to continue managing Metropolitan's investment portfolios and approves the Statement of Investment Policy for fiscal year 2025/26, governing investment practices.

Option #2

Do not approve the Statement of Investment Policy for fiscal year 2025/26, and do not delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2025/26.

Fiscal Impact: May prevent Metropolitan's portfolio from earning a reasonable return on investments

Business Analysis: Not approving the Statement of Investment Policy would be an exception to the Metropolitan Water District Administrative Code requirement in Section 5114. Not delegating authority to the Treasurer to invest Metropolitan's funds would require the Board to directly manage Metropolitan's daily investments or have an authorized Board representative available to approve daily investment transactions identified by the Treasurer. This would likely result in lost investment income should the Board be unavailable to either manage or approve daily investment transactions.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Act Section 125: Investment of Surplus Money

Metropolitan Water District Administrative Code Section 2701(a): Treasurer's Reports

Metropolitan Water District Administrative Code Section 5101: Investment of Surplus Funds

Metropolitan Water District Administrative Code Section 5114: Reporting Requirements of the Treasurer

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

None

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is 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)).

CEQA determination for Option #2:

None required

Details and Background

Background

Under Section 5114 of the Metropolitan Water District Administrative Code, not less than annually, the Treasurer is required to render a Statement of Investment Policy for the following fiscal year for approval by the Board.

Metropolitan's Policy for FY 2025/26 (**Attachment 1**) adheres to the following three criteria:

1. **Safety of Principal.** Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss.
2. **Liquidity.** Investments shall be made whose maturity date is compatible with cash flow requirements of the District and which will permit easy and rapid conversion into cash without substantial loss of principal.
3. **Return on Investment.** Investments shall be undertaken to produce an acceptable rate of return after first considering the safety of principal and liquidity and the prudent investor standard.

In accordance with Section 53607 of the California Government Code, the authority to invest public funds granted to the Board may be delegated to the Treasurer for a one-year period. The Board's prior delegation to the Treasurer expires on June 30, 2025. Subject to review, the Board may renew the delegation to the Treasurer annually.

Details

The Policy for FY 2025/26 is updated. The proposed Policy is included as **Attachment 1**. **Attachment 2** is a redlined document that compares the Policy for FY 2024/25 to the proposed Policy for FY 2025/26. The following changes to Sections X.5 and its related summary table and footnote of the Policy are highlighted for the Board's consideration:

Section X.5 – This section is updated to: (1) require eligible corporate notes be rated in the AA category by at least one NRSRO; (2) allow for purchase of corporates that are rated split rated by NRSROs, as either AA by at least one NRSRO and NR or A or better by other NRSRO(s), or the equivalent; and (3) exempt corporate notes purchased prior to July 1, 2025.



Katano Kasaine
Assistant General Manager/
Chief Financial Officer
6/3/2025
Date



Deven Upadhyay
General Manager
6/3/2025
Date

Attachment 1 – Statement of Investment Policy Fiscal Year 2025/26

Attachment 2 – Redline of Statement of Investment Policy Fiscal Year 2025/26

Ref# cfo12709276

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

STATEMENT OF INVESTMENT POLICY FISCAL YEAR 2025/26

June 10, 2025

I. POLICY

This Statement of Investment Policy (Policy) is intended to outline the guidelines and practices to be used in managing the Metropolitan Water District of Southern California's (District) investment portfolio. District funds not required for immediate cash disbursements will be invested in compliance with the Government Code of the state of California (California Government Code).

II. INVESTMENT AUTHORITY

As authorized by Section 53607 of the California Government Code, authority to invest or reinvest funds of the District is hereby delegated by the Board of Directors to the Treasurer, for a period of one-year, who shall thereafter assume full responsibility for the investment program until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year. The Treasurer may delegate the day-to-day investment activities to their designee(s) but not the responsibility for the overall investment program.

The Treasurer may also delegate the day-to-day execution of investments to registered investment managers through written agreements. The investment manager(s), in coordination with the Treasurer, will manage on a daily basis the District's investment portfolio pursuant to the specific and stated investment objectives of the District. The investment manager(s) shall follow this Policy, the specific investment guidelines provided to each investment manager, and such other written instructions provided by the Treasurer or their designee(s). The investment manager(s) may be given discretion to acquire and dispose of assets in their designated account, but the investment manager(s) shall not be permitted to have custodial control over the District's investment portfolio.

III. STATEMENT OF OBJECTIVES

In accordance with California Government Code Section 53600.5, and in order of importance, the Treasurer shall adhere to the following three criteria:

1. **Safety of Principal.** Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure that each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss. Diversification of the portfolio will be used in order to reduce exposure to principal loss.
2. **Liquidity.** Investments shall be made whose maturity date is compatible with cash flow requirements of the District and which will permit easy and rapid conversion into cash without substantial loss of principal.
3. **Return on Investment.** Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

IV. SCOPE

This Policy applies to all funds and investment activities under the direct authority of the District and accounted for in the Annual Comprehensive Financial Report (ACFR), except for the employee's retirement and deferred compensation funds. In addition, deposits with banks under the California Government Code's "Deposit of Funds" provisions are excluded from this Policy's requirements. Funds of the District will be invested in compliance with the provisions of, but not necessarily limited to securities specified in the California Government Code Section 53601 et seq. and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of the District's bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this Policy.

V. PRUDENT INVESTOR STANDARD

Pursuant to California Government Code Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the "prudent investor standard". The prudent investment standard obligates a trustee to ensure that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

VI. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of individual securities dealers, all investment transactions involving deliverable securities will be conducted on a delivery versus payment (DVP) basis. All deliverable securities owned by the District, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All financial institutions that provide safekeeping services for the District shall be required to provide reports or safekeeping receipts directly to the Controller to verify securities taken into their possession. The Controller shall also maintain evidence of the District ownership in non-deliverable securities (e.g. LAIF, CAMP, and Time CDs).

VII. INVESTMENT TRANSACTIONS

Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community. Confirmations for investment transactions will be sent directly to the Controller for audit. When practical, the Treasurer shall solicit more than one quotation on each trade.

VIII. REPORTING

If the Board delegates responsibility of the investment program to the Treasurer, then in accordance with the Metropolitan Water District Administrative Code, Section 5114, the Treasurer shall submit a monthly report to the Executive Secretary of the Board of Directors via the General Manager indicating the types of investment by fund and date of maturity, and shall provide the current market value of all securities, rates of interest, and expected yield to maturity. The Treasurer shall also submit a monthly summary report to the Board of Directors via the General Manager showing investment activity, including yield and earnings, and the status of cash by depository.

In addition, the monthly report shall also include a statement denoting the ability to meet the District's expenditure requirements for the next six (6) months. The report shall also state compliance of the portfolio to this Policy, or manner in which the portfolio is not in compliance. In the event of non-compliance, staff will prepare a report for the Board that details the compliance issue, provides analysis, and provides a recommendation to bring the portfolio back into compliance with this Policy.

IX. PERFORMANCE STANDARDS

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the District. The District will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates. Securities may be sold for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall a transaction be used for purely speculative purposes. The District recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

Because the composition of the portfolio fluctuates, depending on market and credit conditions, various appropriate indices selected by the Treasurer will be used to monitor performance.

X. INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The District is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, the investments listed below are authorized.

The District is prohibited from investing in any investment authorized by the California Government Code but not explicitly listed in this Policy without the prior approval of the Board of Directors. Some of the limitations on investments set forth below are more stringent than required by the California Government Code and have been included to better manage the credit risks specific to the District's portfolio. Under the provisions of California Government Code Sections 53601.6, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, mortgage-derived, interest-only strips or any investment that may result in a zero interest accrual if held to maturity, except as authorized by Code Section 53601.6.

1. US Treasury Obligations

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

2. Federal Agency Obligations

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

3. Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: One-hundred eighty (180) days
- Credit requirement: A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Issued by banks from offices in the USA.

4. Commercial Paper

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Two hundred seventy (270) days
- Credit requirement: Highest ranking or highest letter and number rating as provided by an NRSRO.
- Entity issuing the commercial paper must meet the conditions of California Government Code Section 53601(h)(1) or (2).

5. Medium Term Corporate Notes

All corporate and depository institution debt securities (not to include other investment types specified in Code) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by at least one NRSRO. If rated by any other NRSRO, eligible securities must also be rated A or its equivalent or better.

**Effective July 1, 2025, the credit requirement was updated to, AA or its equivalent or better by at least one NRSRO. Securities purchased before July 1, 2025, meet the prior rating requirement of, A or its equivalent or better by an NRSRO. Securities purchased before July 1, 2025, do not need to be sold to meet the new rating requirement.*

6. Negotiable Certificates of Deposit

Issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.

- Maximum allocation: Thirty percent (30%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

7. Bank Deposit

Insured or collateralized time certificates of deposits, saving accounts, market rate accounts, or other bank deposits.

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity: Five (5) years
- Credit requirement: All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
- Deposits are limited to a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, located in California.
- Deposits must meet the conditions of California Government Code Sections 53630 et seq.

Pursuant to Government Code 53637, the District is prohibited from investing in deposits of a state or federal credit union if a member of the District's Board of Directors, or any person at the District with investment decision-making authority, serves on the board of directors or committee of the state or federal credit union.

8. Money Market Mutual Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC.

- Maximum maturity: N/A
- Maximum allocation: Twenty percent (20%) of the portfolio
- Credit requirement: Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements
- The use of money market funds is limited to Government money market funds that provide daily liquidity and seek to maintain a stable Net Asset Value (NAV)

9. State of California, Local Agency Investment Fund (LAIF)

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount authorized by the Local Agency Investment Fund (LAIF) is set by the California State Treasurer's Office. The LAIF is held in trust in the custody of the State of California Treasurer. The District's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: The current limit set by LAIF for operating accounts
- Maximum maturity: N/A
- Credit requirement: N/A

10. Municipal Bonds and Notes

Municipal obligations issued by the State of California, any other of the states in the union, or a local agency within the State of California. This may include bonds, notes, warrants, or other evidences of indebtedness including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by an authorized entity.

- Maximum limit: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO

- Must be issued by State of California, any of the other 49 states, or a California local agency

11. Repurchase Agreement

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum allocation: Twenty percent (20%) of the portfolio
- Maximum maturity: Two hundred seventy (270) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated in a rating category of “A” or its equivalent or higher by an NRSRO.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

12. California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7.

- Maximum allocation: Forty percent (40%) of the portfolio
- Maximum maturity: N/A
- Credit requirement: AA+ or its equivalent or better by an NRSRO
- Joint powers authority has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission, has five or more years of experience investing in the securities and obligations authorized under California Government Code Section 53601, and has assets under management in excess of five hundred million dollars (\$500,000,000).

13. Supranationals

Securities issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) and eligible for purchase and sale within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

14. Asset-Backed Securities

A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply:

- Maximum allocation: Twenty percent (20%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

XI. DIVERSIFICATION

The District shall seek to diversify the investments within the investment portfolio to avoid incurring unreasonable risks inherent in concentrated holdings in specific instruments, individual financial institutions or maturities. To promote diversification, this Policy sets various percentage holding limits by investment type and issuer. Investment type and issuer percentage limitation listed in this Policy are calculated at the time the security is purchased. Per issuer limits, when listed, are calculated across investment types at the parent company level. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities. However, no additional investments can be made in that investment type or issuer while it is above the limits established by this Policy.

XII. CREDIT RATINGS

Credit rating requirements for eligible securities in this Policy specify the minimum credit rating category required at the time of purchase without regard to +, -, or 1, 2, 3 modifiers, if any. The security, at the time of purchase, may not be rated below the minimum credit requirement by any of the NRSROs that rate the security.

If a security is downgraded below the minimum rating criteria specified in this Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security. The Treasurer shall note in the monthly report any securities which have been downgraded below Policy requirements and the recommended course of action.

XIII. MATURITY

The Treasurer shall maintain a system to monitor and forecast revenues and expenditures so that the District's funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the District's reasonably anticipated cash flow requirements.

The final maturity of any investment in the portfolios shall not exceed five (5) years with certain exceptions:

- The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Endowment Fund.
- The core portfolio may hold United States Treasury and Federal Agency securities with maturities in excess of five years.

XIV. DURATION

Duration is a measure of a security's price sensitivity to interest rate changes. It indicates the approximate percentage change of a security's value given a 1% change in interest rates. A portfolio's duration is the weighted average of the individual security durations held in the portfolio.

The investment portfolio is divided into liquidity, core, and endowment fund portfolios. The Policy's duration limits only apply to the liquidity and core portfolios. The duration of the liquidity portfolio is limited to the duration of the benchmark index plus or minus 0.5 years. The duration of the core portfolio will be limited to the duration of the benchmark index plus or minus 1.5 years. The appropriate benchmark indices will be set by the Treasurer and reported to the Board in the Monthly Treasurer's Report.

XV. ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Policy. These restrictions may include, but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

XVI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

For investments not purchased directly from the issuer, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations. Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the District's Policy, and intends to present only those investment recommendations and transactions to the District that is appropriate under the terms and conditions of the Policy.

The District's external investment manager(s) may be granted discretion to purchase and sell investment securities in accordance with this Policy. Investment managers may also use their own list of internally-approved issuers, broker-dealers and other financial firms, so long as such managers are registered under the Investment Advisers Act of 1940.

XVII. INTERNAL CONTROLS

The Treasurer or designee shall maintain a system of internal control procedures designed to ensure compliance with the Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control procedures shall apply to the investment activities of any person with investment decision-making authority acting on behalf of the District. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management. As part of the annual audit, the District's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

XVIII. ETHICS AND CONFLICT OF INTEREST

The Treasurer and designees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions.

The Treasurer and designees shall disclose to the Ethics Officer and General Counsel any personal financial interests that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

XVIX. INVESTMENT POLICY

This Policy shall be reviewed periodically by the Treasurer with any and all modifications made thereto approved by the Board of Directors at a public meeting.

SUMMARY TABLE OF INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The following table is intended to be a summary of the Policy's requirements in Section X of this Policy. If there is a discrepancy between Section X and this table, the requirements listed in Section X take precedence.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
US Treasury Obligations	100%	N/A	5 Years ¹	N/A
Federal Agency Obligations	100%	N/A	5 Years ¹	N/A
Bankers' Acceptance	40%	5% per issuer ²	180 days	"A-1" or its equivalent or higher by an NRSRO.
Commercial Paper	40%	5% per issuer ²	270 days	Highest ranking or of the highest letter and number rating as provided for by an NRSRO.
Medium Term Corporate Notes	30%	5% per issuer ² . US licensed and operating corporations	5 years	"AA" or its equivalent or higher by at least one NRSRO.
Negotiable CD	30%	5% per issuer ² , National or state chartered bank, S&L, or branch of foreign bank	5 years	"A-1" (short-term) or "A" (long-term) or their equivalents or higher by an NRSRO.
Bank Deposit	30%	See California Government Code Section 53637	5 Years	Collateralized/FDIC Insured in accordance with California Government Code
Money Market Mutual Funds	20%	Gov't MMF. Stable NAV	Daily Liquidity	Highest ranking by two NRSROs or advisor requirements
Local Agency Investment Fund ("LAIF")	LAIF limit for operating accounts	Subject to California Government Code Section 16429.1 limitations	N/A	N/A
Municipal Bonds and Notes	30%	5% per issuer ² . State of California or California agencies or other 49 states	5 Years ¹	"A" or its equivalent or higher by an NRSRO.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
Repurchase Agreements (“REPO”)	20%	Limited to primary dealers or financial institutions rated “A” or better by a NRSROs	270 days	Collateralized (min 102% of funds invested) with US Government or federal agency securities with maximum 5 year maturities
California Asset Management Program (“CAMP”)	40%	N/A	Daily Liquidity	“AAAm” or its equivalent or higher by a NRSRO
Supranationals	30%	Limited to IBRD, IFC, IADB	5 Years	“AA” or its equivalent or higher by an NRSRO.
Asset-Backed Securities	20%	5% per issuer ²	5 Years	“AA” or its equivalent or higher by an NRSRO.

Notes:

1. The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Lake Mathews Multi-Species Reserve Trust Fund.

The core portfolio may be invested in United States Treasury and Federal Agency securities with maturities in excess of five years.

2. Per issuer limits, when listed, are calculated across investment types at the parent company level.
3. Effective July 1, 2025, the credit requirement was updated to, AA or its equivalent or better by at least one NRSRO. Securities purchased before July 1, 2025, meet the prior rating requirement of, A or its equivalent or better by an NRSRO. Securities purchased before July 1, 2025, do not need to be sold to meet the new rating requirement.

GLOSSARY

The glossary is provided for general information only. It is not to be considered a part of the Policy for determining Policy requirements or terms.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

ASSET BACKED: Securities whose income payments and hence value is derived from and collateralized (or “backed”) by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt..

BANKERS’ ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investment.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder’s balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP): A local government investment pool organized as joint powers authority in which funds from California local agency investors/participants are aggregated together for investment purposes.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

EFFECTIVE RATE OF RETURN: The annualized rate of return on an investment considering the price paid for the investment, its coupon rate, and the compounding of interest paid. $(\text{Total Earnings} / \text{Average daily balance}) \times (365 / \# \text{ of days in the reporting period})$

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INDEX: An index is an indicator that is published on a periodic basis that shows the estimated price and/or yield levels for various groups of securities. Examples of relevant indices for Metropolitan include, but not limited to, ICE BofAML, 3-Month Treasury Bill Index, and ICE BofAML, 1 - 5 years AAA-A US Corporate and Government Index

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate

levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution that agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high-quality ratings for long-term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that Agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short-term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities,

counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports and other transportation facilities

MUTUAL FUND: An entity that pools money and can invest in a variety of securities that are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit that can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit ratings that the U.S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High-quality ratings for short-term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as

the “trade date”.

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the District) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the District) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the “buyer” for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the District sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the District) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service that banks offer to clients for a fee, where physical securities are held in the bank’s vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank’s name for the benefit of the client. As an agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on the call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed-income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include “inverse floating rate” notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and “dual index floaters”, which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: International institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through

sustainable economic growth. The California Government Code allows local agencies to purchase the United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return that equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity. $(\text{Net Invested Income} / \text{Time Weighted Invested Value}) \times (365 / \# \text{ of days in the reporting period})$

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers that acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that

are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

RATING DESCRIPTION TABLE

Long Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	Aaa	AAA	AAA
Strong Quality	Aa1/Aa2/Aa3	AA+/AA/AA-	AA
Good Quality	A1/A2/A3	A+/A/A-	A
Medium Quality	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB
Speculative	Ba1/Ba2/Ba3	BB+/BB/BB-	BB
Low	B1/B2/B3	B+/B/B-	B
Poor	Caa	CCC+	CCC
Highly Speculative	Ca/C	CCC/CCC-/CC	CC
Short Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	P-1	A-1+	F1
Strong Quality		A-1	
Good Quality	P-2	A-2	F2
Medium Quality	P-3	A-3	F3

Note: Investment Grade ratings apply to securities with at least a medium credit quality or higher by one of the nationally recognize statistical rating organization; anything below the medium credit quality is non-investment grade.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**STATEMENT OF INVESTMENT POLICY****FISCAL YEAR 202~~4~~⁵/2~~5~~⁶****June 1~~4~~⁰, 202~~4~~⁵****I. POLICY**

This Statement of Investment Policy (Policy) is intended to outline the guidelines and practices to be used in managing the Metropolitan Water District of Southern California's (District) investment portfolio. District funds not required for immediate cash disbursements will be invested in compliance with the Government Code of the state of California (California Government Code).

II. INVESTMENT AUTHORITY

As authorized by Section 53607 of the California Government Code, authority to invest or reinvest funds of the District is hereby delegated by the Board of Directors to the Treasurer, for a period of one-year, who shall thereafter assume full responsibility for the investment program until the delegation of authority is revoked or expires. Subject to review, the Board of Directors may renew the delegation of authority each year. The Treasurer may delegate the day-to-day investment activities to their designee(s) but not the responsibility for the overall investment program.

The Treasurer may also delegate the day-to-day execution of investments to registered investment managers through written agreements. The investment manager(s), in coordination with the Treasurer, will manage on a daily basis the District's investment portfolio pursuant to the specific and stated investment objectives of the District. The investment manager(s) shall follow this Policy, the specific investment guidelines provided to each investment manager, and such other written instructions provided by the Treasurer or their designee(s). The investment manager(s) may be given discretion to acquire and dispose of assets in their designated account, but the investment manager(s) shall not be permitted to have custodial control over the District's investment portfolio.

III. STATEMENT OF OBJECTIVES

In accordance with California Government Code Section 53600.5, and in order of importance, the Treasurer shall adhere to the following three criteria:

1. **Safety of Principal.** Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure that each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss. Diversification of the portfolio will be used in order to reduce exposure to principal loss.
2. **Liquidity.** Investments shall be made whose maturity date is compatible with cash flow requirements of the District and which will permit easy and rapid conversion into cash without substantial loss of principal.
3. **Return on Investment.** Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

IV. SCOPE

This Policy applies to all funds and investment activities under the direct authority of the District and accounted for in the Annual Comprehensive Financial Report (ACFR), except for the employee's retirement and deferred compensation funds. In addition, deposits with banks under the California Government Code's "Deposit of Funds" provisions are excluded from this Policy's requirements. Funds of the District will be invested in compliance with the provisions of, but not necessarily limited to securities specified in the California Government Code Section 53601 et seq. and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of the District's bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this Policy.

V. PRUDENT INVESTOR STANDARD

Pursuant to California Government Code Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the "prudent investor standard". The prudent investment standard obligates a trustee to ensure that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

VI. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of individual securities dealers, all investment transactions involving deliverable securities will be conducted on a delivery versus payment (DVP) basis. All deliverable securities owned by the District, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All financial institutions that provide safekeeping services for the District shall be required to provide reports or safekeeping receipts directly to the Controller to verify securities taken into their possession. The Controller shall also maintain evidence of the District ownership in non-deliverable securities (e.g. LAIF, CAMP, and Time CDs).

VII. INVESTMENT TRANSACTIONS

Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community. Confirmations for investment transactions will be sent directly to the Controller for audit. When practical, the Treasurer shall solicit more than one quotation on each trade.

VIII. REPORTING

If the Board delegates responsibility of the investment program to the Treasurer, then in accordance with the Metropolitan Water District Administrative Code, Section 5114, the Treasurer shall submit a monthly report to the Executive Secretary of the Board of Directors via the General Manager indicating the types of investment by fund and date of maturity, and shall provide the current market value of all securities, rates of interest, and expected yield to maturity. The Treasurer shall also submit a monthly summary report to the Board of Directors via the General Manager showing investment activity, including yield and earnings, and the status of cash by depository.

In addition, the monthly report shall also include a statement denoting the ability to meet the District's expenditure requirements for the next six (6) months. The report shall also state compliance of the portfolio to this Policy, or manner in which the portfolio is not in compliance. In the event of non-compliance, staff will prepare a report for the Board that details the compliance issue, provides analysis, and provides a recommendation to bring the portfolio back into compliance with this Policy.

IX. PERFORMANCE STANDARDS

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the District. The District will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates. Securities may be sold for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall a transaction be used for purely speculative purposes. The District recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

Because the composition of the portfolio fluctuates, depending on market and credit conditions, various appropriate indices selected by the Treasurer will be used to monitor performance.

X. INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The District is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, the investments listed below are authorized.

The District is prohibited from investing in any investment authorized by the California Government Code but not explicitly listed in this Policy without the prior approval of the Board of Directors. Some of the limitations on investments set forth below are more stringent than required by the California Government Code and have been included to better manage the credit risks specific to the District's portfolio. Under the provisions of California Government Code Sections 53601.6, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, mortgage-derived, interest-only strips or any investment that may result in a zero interest accrual if held to maturity, except as authorized by Code Section 53601.6.

1. US Treasury Obligations

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

2. Federal Agency Obligations

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- Maximum allocation: 100% of the portfolio
- Maximum maturity: Five (5) years, except as otherwise permitted by this Policy
- Credit requirement: N.A.

3. Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: One-hundred eighty (180) days
- Credit requirement: A-1 or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO).
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Issued by banks from offices in the USA.

4. Commercial Paper

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum allocation: Forty percent (40%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Two hundred seventy (270) days
- Credit requirement: Highest ranking or highest letter and number rating as provided by an NRSRO.
- Entity issuing the commercial paper must meet the conditions of California Government Code Section 53601(h)(1) or (2).

5. Medium Term Corporate Notes

All corporate and depository institution debt securities (not to include other investment types specified in Code) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AAA or its equivalent or better by ~~an~~ at least one NRSRO. If rated by any other NRSRO, eligible securities must also be rated A or its equivalent or better.
*Effective July 1, 2025, the credit requirement was updated to, AA or its equivalent or better by at least one NRSRO. Securities purchased before July 1, 2025, meet the prior rating requirement of, A or its equivalent or better by an NRSRO. Securities purchased before July 1, 2025, do not need to be sold to meet the new rating requirement.

6. Negotiable Certificates of Deposit

Issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank.

- Maximum allocation: Thirty percent (30%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

7. Bank Deposit

Insured or collateralized time certificates of deposits, saving accounts, market rate accounts, or other bank deposits.

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity: Five (5) years
- Credit requirement: All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
- Deposits are limited to a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, located in California.
- Deposits must meet the conditions of California Government Code Sections 53630 et seq.

Pursuant to Government Code 53637, the District is prohibited from investing in deposits of a state or federal credit union if a member of the District's Board of Directors, or any person at the District with investment decision-making authority, serves on the board of directors or committee of the state or federal credit union.

8. Money Market Mutual Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the SEC.

- Maximum maturity: N/A
- Maximum allocation: Twenty percent (20%) of the portfolio
- Credit requirement: Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements
- The use of money market funds is limited to Government money market funds that provide daily liquidity and seek to maintain a stable Net Asset Value (NAV)

9. State of California, Local Agency Investment Fund (LAIF)

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount authorized by the Local Agency Investment Fund (LAIF) is set by the California State Treasurer's Office. The LAIF is held in trust in the custody of the State of California Treasurer. The District's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: The current limit set by LAIF for operating accounts
- Maximum maturity: N/A
- Credit requirement: N/A

10. Municipal Bonds and Notes

Municipal obligations issued by the State of California, any other of the states in the union, or a local agency within the State of California. This may include bonds, notes, warrants, or other evidences of indebtedness including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by an authorized entity.

- Maximum limit: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: A (long-term) or A-1 (short-term) or their equivalents or better by an NRSRO

- Must be issued by State of California, any of the other 49 states, or a California local agency

11. Repurchase Agreement

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum allocation: Twenty percent (20%) of the portfolio
- Maximum maturity: Two hundred seventy (270) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated in a rating category of “A” or its equivalent or higher by an NRSRO.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

12. California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7.

- Maximum allocation: Forty percent (40%) of the portfolio
- Maximum maturity: N/A
- Credit requirement: AA or its equivalent or better by an NRSRO
- Joint powers authority has retained an investment adviser that is registered or exempt from registration with the Securities and Exchange Commission, has five or more years of experience investing in the securities and obligations authorized under California Government Code Section 53601, and has assets under management in excess of five hundred million dollars (\$500,000,000).

13. Supranationals

Securities issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) and eligible for purchase and sale within the United States.

- Maximum allocation: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

14. Asset-Backed Securities

A mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. For securities eligible for investment under this subdivision not issued or guaranteed by an agency or issuer identified in subdivisions (1) or (2) above, the following limitations apply:

- Maximum allocation: Twenty percent (20%) of the portfolio, five percent (5%) with any one issuer
- Maximum maturity: Five (5) years
- Credit requirement: AA or its equivalent or better by an NRSRO.

XI. DIVERSIFICATION

The District shall seek to diversify the investments within the investment portfolio to avoid incurring unreasonable risks inherent in concentrated holdings in specific instruments, individual financial institutions or maturities. To promote diversification, this Policy sets various percentage holding limits by investment type and issuer. Investment type and issuer percentage limitation listed in this Policy are calculated at the time the security is purchased. Per issuer limits, when listed, are calculated across investment types at the parent company level. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities. However, no additional investments can be made in that investment type or issuer while it is above the limits established by this Policy.

XII. CREDIT RATINGS

Credit rating requirements for eligible securities in this Policy specify the minimum credit rating category required at the time of purchase without regard to +, -, or 1, 2, 3 modifiers, if any. The security, at the time of purchase, may not be rated below the minimum credit requirement by any of the NRSROs that rate the security.

If a security is downgraded below the minimum rating criteria specified in this Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security. The Treasurer shall note in the monthly report any securities which have been downgraded below Policy requirements and the recommended course of action.

XIII. MATURITY

The Treasurer shall maintain a system to monitor and forecast revenues and expenditures so that the District's funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the District's reasonably anticipated cash flow requirements.

The final maturity of any investment in the portfolios shall not exceed five (5) years with certain exceptions:

- The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Endowment Fund.
- The core portfolio may hold United States Treasury and Federal Agency securities with maturities in excess of five years.

XIV. DURATION

Duration is a measure of a security's price sensitivity to interest rate changes. It indicates the approximate percentage change of a security's value given a 1% change in interest rates. A portfolio's duration is the weighted average of the individual security durations held in the portfolio.

The investment portfolio is divided into liquidity, core, and endowment fund portfolios. The Policy's duration limits only apply to the liquidity and core portfolios. The duration of the liquidity portfolio is limited to the duration of the benchmark index plus or minus 0.5 years. The duration of the core portfolio will be limited to the duration of the benchmark index plus or minus 1.5 years. The appropriate benchmark indices will be set by the Treasurer and reported to the Board in the Monthly Treasurer's Report.

XV. ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Policy. These restrictions may include, but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

XVI. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

For investments not purchased directly from the issuer, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations. Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the District's Policy, and intends to present only those investment recommendations and transactions to the District that is appropriate under the terms and conditions of the Policy.

The District's external investment manager(s) may be granted discretion to purchase and sell investment securities in accordance with this Policy. Investment managers may also use their own list of internally-approved issuers, broker-dealers and other financial firms, so long as such managers are registered under the Investment Advisers Act of 1940.

XVII. INTERNAL CONTROLS

The Treasurer or designee shall maintain a system of internal control procedures designed to ensure compliance with the Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control procedures shall apply to the investment activities of any person with investment decision-making authority acting on behalf of the District. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management. As part of the annual audit, the District's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

XVIII. ETHICS AND CONFLICT OF INTEREST

The Treasurer and designees shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions.

The Treasurer and designees shall disclose to the Ethics Officer and General Counsel any personal financial interests that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

XVIX. INVESTMENT POLICY

This Policy shall be reviewed periodically by the Treasurer with any and all modifications made thereto approved by the Board of Directors at a public meeting.

SUMMARY TABLE OF INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

The following table is intended to be a summary of the Policy's requirements in Section X of this Policy. If there is a discrepancy between Section X and this table, the requirements listed in Section X take precedence.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
US Treasury Obligations	100%	N/A	5 Years ¹	N/A
Federal Agency Obligations	100%	N/A	5 Years ¹	N/A
Bankers' Acceptance	40%	5% per issuer ²	180 days	"A-1" or its equivalent or higher by an NRSRO.
Commercial Paper	40%	5% per issuer ²	270 days	Highest ranking or of the highest letter and number rating as provided for by an NRSRO.
Medium Term Corporate Notes	30%	5% per issuer ² . US licensed and operating corporations	5 years	"A A " or its equivalent or higher by an <u>at least one</u> NRSRO.
Negotiable CD	30%	5% per issuer ² , National or state chartered bank, S&L, or branch of foreign bank	5 years	"A-1" (short-term) or "A" (long-term) or their equivalents or higher by an NRSRO.
Bank Deposit	30%	See California Government Code Section 53637	5 Years	Collateralized/FDIC Insured in accordance with California Government Code
Money Market Mutual Funds	20%	Gov't MMF. Stable NAV	Daily Liquidity	Highest ranking by two NRSROs or advisor requirements
Local Agency Investment Fund ("LAIF")	LAIF limit for operating accounts	Subject to California Government Code Section 16429.1 limitations	N/A	N/A
Municipal Bonds and Notes	30%	5% per issuer ² . State of California or California agencies or other 49 states	5 Years ¹	"A" or its equivalent or higher by an NRSRO.

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
Repurchase Agreements (“REPO”)	20%	Limited to primary dealers or financial institutions rated “A” or better by a NRSROs	270 days	Collateralized (min 102% of funds invested) with US Government or federal agency securities with maximum 5 year maturities
California Asset Management Program (“CAMP”)	40%	N/A	Daily Liquidity	“AAAm” or its equivalent or higher by a NRSRO
Supranationals	30%	Limited to IBRD, IFC, IADB	5 Years	“AA” or its equivalent or higher by an NRSRO.
Asset-Backed Securities	20%	5% per issuer ²	5 Years	“AA” or its equivalent or higher by an NRSRO.

Notes:

1. The Treasurer is authorized to invest special trust funds in investment with a term to maximum maturity in excess of five years. These funds include, but are not limited to, the Water Revenue Bond Reserve Funds, Escrow Funds, Debt Service Funds, the Iron Mountain Landfill Closure/Post-closure Maintenance Trust Fund, and the Lake Mathews Multi-Species Reserve Trust Fund.

The core portfolio may be invested in United States Treasury and Federal Agency securities with maturities in excess of five years.

2. Per issuer limits, when listed, are calculated across investment types at the parent company level.
3. Effective July 1, 2025, the credit requirement was updated to, AA or its equivalent or better by at least one NRSRO. Securities purchased before July 1, 2025, meet the prior rating requirement of, A or its equivalent or better by an NRSRO. Securities purchased before July 1, 2025, do not need to be sold to meet the new rating requirement.

GLOSSARY

The glossary is provided for general information only. It is not to be considered a part of the Policy for determining Policy requirements or terms.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

ASSET BACKED: Securities whose income payments and hence value is derived from and collateralized (or “backed”) by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt..

BANKERS’ ACCEPTANCE (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investment.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder’s balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP): A local government investment pool organized as joint powers authority in which funds from California local agency investors/participants are aggregated together for investment purposes.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

EFFECTIVE RATE OF RETURN: The annualized rate of return on an investment considering the price paid for the investment, its coupon rate, and the compounding of interest paid. $(\text{Total Earnings} / \text{Average daily balance}) \times (365 / \# \text{ of days in the reporting period})$

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INDEX: An index is an indicator that is published on a periodic basis that shows the estimated price and/or yield levels for various groups of securities. Examples of relevant indices for Metropolitan include, but not limited to, ICE BofAML, 3-Month Treasury Bill Index, and ICE BofAML, 1 - 5 years AAA-A US Corporate and Government Index

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate

levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution that agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high-quality ratings for long-term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that Agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short-term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities,

counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports and other transportation facilities

MUTUAL FUND: An entity that pools money and can invest in a variety of securities that are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit that can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit ratings that the U.S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High-quality ratings for short-term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as

the “trade date”.

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the District) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the District) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the “buyer” for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the District sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the District) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service that banks offer to clients for a fee, where physical securities are held in the bank’s vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank’s name for the benefit of the client. As an agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on the call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed-income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include “inverse floating rate” notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and “dual index floaters”, which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: International institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through

sustainable economic growth. The California Government Code allows local agencies to purchase the United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return that equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity. $(\text{Net Invested Income} / \text{Time Weighted Invested Value}) \times (365 / \# \text{ of days in the reporting period})$

TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK: A financial institution with trust powers that acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that

are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

RATING DESCRIPTION TABLE

Long Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	Aaa	AAA	AAA
Strong Quality	Aa1/Aa2/Aa3	AA+/AA/AA-	AA
Good Quality	A1/A2/A3	A+/A/A-	A
Medium Quality	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB
Speculative	Ba1/Ba2/Ba3	BB+/BB/BB-	BB
Low	B1/B2/B3	B+/B/B-	B
Poor	Caa	CCC+	CCC
Highly Speculative	Ca/C	CCC/CCC-/CC	CC
Short Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	P-1	A-1+	F1
Strong Quality		A-1	
Good Quality	P-2	A-2	F2
Medium Quality	P-3	A-3	F3

Note: Investment Grade ratings apply to securities with at least a medium credit quality or higher by one of the nationally recognize statistical rating organization; anything below the medium credit quality is non-investment grade.



Finance, Affordability, Asset Management and
Efficiency Committee

Statement of Investment Policy and Authority to Invest

Item 7-6
June 10, 2025

Subject

Statement of Investment Policy and
Authority to Invest

Purpose

Obtain Board approval on the FY2025/26
Investment Policy and delegate authority to
the Treasurer to invest Metropolitan's funds
for FY2025/26

Next Steps

Manage compliance with Metropolitan's
Investment Policy

Item 7-6

Statement of Investment Policy and Authority to Invest

Investment Policy and Authority to Invest

Section 5114 of Metropolitan's Administrative Code requires the Treasurer to submit a Statement of Investment Policy to the Board for approval for the following fiscal year.

Sections 53600 et seq. of the California Government Code expressly grant the authority to the Board to invest public funds and that authority may be delegated to the Treasurer for a one-year period.

Statement of Investment Policy –Change

	FY2024/25	FY2025/26	Rationale
§X.5	<p>All corporate and depository institution debt securities (not to include other investment types specified in Code) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.</p> <ul style="list-style-type: none"> • Maximum allocation: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer • Maximum maturity: Five (5) years • Credit requirement: A or its equivalent or better by an NRSRO. 	<p>All corporate and depository institution debt securities (not to include other investment types specified in Code) issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.</p> <ul style="list-style-type: none"> • Maximum allocation: Thirty percent (30%) of the portfolio; five percent (5%) with any one issuer • Maximum maturity: Five (5) years • Credit requirement: AA or its equivalent or better by at least one NRSRO. If rated by any other NRSRO, eligible securities must also be rated A or its equivalent or better. 	<p>The credit requirement at the time of purchase is increased to lower the default risk of corporate bond issuers and provide a greater degree of safety and stability.</p>

Options for Considerations

Option #1:

Approve the Statement of Investment Policy for fiscal year 2025/26; and
Delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2025/26.

Option #2:

Do not approve the Statement of Investment Policy for fiscal year 2025/26 and do not delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2025/26.

Staff Recommendation

Option #1





- **Board of Directors**

Finance, Affordability, Asset Management, and Efficiency Committee

6/10/2025 Board Meeting

7-7

Subject

Approve up to \$2.485 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program for Fiscal Year 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The Property and Casualty Insurance Policy premiums for fiscal year (FY) 2025/26 will increase by up to \$314,000 or approximately 14.5 percent from about \$2.171 million for the current fiscal year, to approximately \$2.485 million, if Metropolitan maintains the same coverage limits and retentions. The cost increase results from the insurance market pricing in a confluence of conditions and trends, including catastrophic storm and wildfire losses, persistent inflation, economic uncertainty, global instability, and surging liability claim costs experienced by government entities and corporations. Finally, rising medical costs are contributing to rising settlement costs and higher premiums across multiple lines of coverage.

The following insurance coverages within the Property and Casualty Insurance Program will be expiring on June 30, 2025:

1. \$75 million general liability coverage in excess of a \$25 million self-insured retention.
2. \$60 million fiduciary and employee benefits liability coverage in excess of a \$25 million self-insured retention.
3. \$65 million public officials, directors, and officers' liability coverage in excess of a \$25 million self-insured retention.
4. \$5 million crime coverage for exposures such as fraud, theft, faithful performance, and employee dishonesty in excess of a \$150,000 deductible.
5. \$25 million aircraft liability coverage; \$10 million Unmanned Aerial Vehicle (UAV) liability coverage; and aircraft hull coverage up to the planes' assessed values.
6. Statutory workers' compensation, and \$1 million employer's liability coverage, in excess of a \$5 million self-insured retention; and statutory coverage for Washington, D.C. employees.
7. Property damage coverage up to the stated property value, with a \$25 million policy limit.
8. Cyber liability with \$5 million policy limits.
9. Special contingency crime coverage with \$5 million in policy limits.
10. Travel accident coverage with a \$250,000 policy limit.

Attachment 1 compares the current coverage and premium costs to those proposed for FY 2025/26.

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

Staff Recommendation: Option #1**Option #1**

Approve up to \$2.485 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program for Fiscal Year 2025/26.

Fiscal Impact: The anticipated \$2.485 million premium cost for FY 2025/26 would result in an approximate \$314,000 cost increase compared with the \$2.171 million premium cost for FY 2024/25. The \$2.485 million is included in the current board-approved budget.

Business Analysis: Protects Metropolitan's financial position against the risk of catastrophic loss.

Option #2

Do not approve up to \$2.485 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program.

Fiscal Impact: Not approving the renewal for FY 2025/26 would result in an approximate savings of \$2.171 million compared with the \$2.171 million premium cost expended for FY 2024/25, and up to \$2.485 million saved versus option one. Not approving the purchase of insurance leaves Metropolitan without excess coverage above the self-insured retentions for general liability and workers' compensation, and unprotected against catastrophic loss. Metropolitan would also be exposed to financial loss in all other categories of insurance currently covered.

Business Analysis: Option #2 does not protect Metropolitan's financial position against catastrophic loss, and therefore increases Metropolitan's exposure to liability loss, as well as adding exposure for first-party losses that have been previously insured.

Alternatives Considered

Reviewed both higher and lower self-insured retentions for Excess General Liability coverages, but neither is a viable option.

Applicable Policy

Metropolitan Water District Administrative Code Section 5201: Restricted Funds

Metropolitan Water District Administrative Code Section 5202: Fund Parameters

Metropolitan Water District Administrative Code Section 6413: Insurance Program

Metropolitan Water District Administrative Code Section 9101: Risk Retention and Procurements of Insurance

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(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

Self-Insured Retention and Excess Limits – For all coverages, staff reviews the self-insured retention levels and excess coverage limits to ensure that coverage is adequate, premium costs are controlled, and to take advantage of market changes that create opportunities to increase coverage limits and decrease premiums or self-insured retention levels. This process is completed with the services of actuarial consultants, Metropolitan's insurance broker, staff review, and comparisons with other like agencies. To attempt to limit the expected premium cost increases for Excess General Liability coverage (catastrophic coverage for claims exceeding Metropolitan's \$25 million self-insured retention), staff requested premium quotes at various retention levels. For the FY2024/25 renewal, staff obtained additional premium indications for the first policy layer of this coverage with self-insured retentions of **\$35 million and \$50 million, versus our current 25 million retention level**. The cost savings were minimal and did not justify the risk added. For the FY2025/26 renewal, there is no cost savings from raising the retention level to \$35 million or \$50 million because of the insurance market conditions and Metropolitan's already high level. Staff also reviewed a lower retention level of \$15 million, but the indication of price to the lower retention level would increase the cost of the General Liability coverage by 300 percent. This is in line with what we would expect during a period of sharply rising premium rates for general liability, and is not a cost-effective option. Because there is no premium savings to gain from increasing the retention level, and since lowering the retention below the current \$25 million would create a significant cost increase, we believe that the current retention level remains suitable and cost-effective for Metropolitan's risk profile in this environment.

In addition to the usual coverage review, such as that described above, staff investigates other coverage options, such as earthquake insurance or property coverage for headquarters, which we have been evaluating over the last couple of years. Due to notable price increases for our existing coverages and Metropolitan's recent Headquarters Building earthquake retrofit project, it has not been timely to pursue earthquake coverage at this time. Because of the dramatic rise in cyber-attacks worldwide and the increasing threat, and because there was more market capacity and the market had softened for the coverage, Metropolitan was able to add cyber liability to the portfolio as part of the 2024/25 renewal.

All coverage limits and retentions are reviewed to maintain appropriate protection at cost-effective rates. Historically, there have been more changes to Metropolitan's self-insured retention and excess coverage limits for the workers' compensation policies than the other coverages during the last two decades due to global events and medical cost trends. Because of the overall difficult insurance market where coverage has become less available and prices continue to rise, we are not recommending changes to the existing coverage portfolio retentions and limits. Each of the different lines of insurance coverage is described below.

General Liability – The two layers of excess general liability, and public officials, directors, and officers' liability (D&O) policies provide catastrophic coverage for claims exceeding Metropolitan's \$25 million self-insured retention level, and make up the largest portion of Metropolitan's casualty and specialty insurance premium budget. The cost of these coverages in the aggregate is projected to increase by about 15 percent, from about \$1,734,000 in FY 2024/25, to an estimated \$1,994,000 for FY 2025/26. The estimates this year do not yet include the disclosure of the likely continuity credit (a dividend or rebate for good aggregate claims experience, and remaining with the insurer), which last year lowered the cost of the excess general liability by about \$27,000. Within the total general liability aggregate, the premium for the two layers of D&O coverage in FY 2024/25 was lowered from about \$350,000 to approximately \$320,000 after the continuity credit of \$30,200 was declared. For FY 2025/26, the projected premium cost, without inclusion of a likely continuity credit, is expected to be approximately \$367,600, an increase of 15 percent. The possible inclusion of continuity credit would reduce that price increase.

Fiduciary Liability – In FY 2019/20, Metropolitan added coverage to include the deferred compensation program to its existing fiduciary coverage for the first \$35 million layer of coverage. Metropolitan also carries a second layer of excess coverage with \$40 million in limits. For FY 2024/25, the premium cost for the two layers of coverage was \$96,989. For FY 2025/26, the premium cost is anticipated to increase slightly by approximately 4.1 percent from FY 2024/25 to an estimated amount of \$101,000.

Workers' Compensation – Excess workers' compensation insurance protects Metropolitan against the financial exposure of workplace injury and illness claims. This coverage is designed to handle an individual's catastrophic injury, or, for example, an event such as multiple injuries occurring at the Metropolitan Headquarters Building due to a major disaster. Metropolitan is self-insured for the first \$5 million in losses, after which the excess coverage with statutory limits goes into effect. Metropolitan also carries a separate first dollar (no deductible) policy to cover employees based in Washington, D.C. Over the last 15 years, Metropolitan has actively adjusted its self-insured retention and coverage limit in reaction to changes in the insurance market in order to maintain cost-efficient and adequate coverage. To control skyrocketing premium costs during the early 2000s that resulted from the 9/11 terrorist attacks and other global events, Metropolitan incrementally increased the self-insured retention to its current level of \$5 million. Since FY 2011/12, premium costs have leveled off, and occasionally even declined. Consequently, Metropolitan took advantage of the premium rate reduction and increased the coverage limit from \$25 million to \$50 million. In 2015, Metropolitan again took advantage of market opportunities and was able to obtain statutory limit excess workers' compensation coverage. Metropolitan's good claims experience has also contributed to keeping the excess premium costs down.

The total premium costs for FY 2025/26 for the excess workers' compensation policy and the first dollar policy for Washington D.C. employees will increase by about 10.4 percent, from \$134,899 in FY 2024/25 to \$148,978. Within that total amount, the premium for the first dollar policy for Washington, D.C. employees will decrease slightly, from \$1,198 to \$1,179.

Property Insurance – In order to have obtained reimbursement of over \$500,000 from the Federal Emergency Management Agency for damage resulting from the 2009 fall season fires, Metropolitan maintains a property damage insurance policy to cover the area damaged in that fire. The policy premium was \$8,027 in FY 2024/25, and will rise by as much as 25 percent to an estimated \$10,000 for FY 2025/26. Though a small dollar amount, the projected large percentage increase is due to the past five years' historic catastrophic wildfire seasons, and the continuing exposure of loss to property owners and insurers going forward.

Specialty Coverages – Metropolitan carries aviation coverage, which includes aircraft liability and hull coverage, and liability coverage for our UAV fleet. In addition, Metropolitan carries cyber liability, crime, travel accident, and special contingency crime policies to complete its insurance portfolio. The cyber liability policy includes protection against cyberattack-related risks such as business interruption, data loss, and system failure, to name a few. The premium cost will remain flat at \$102,498 for FY2025/26. The aviation policy provides \$25 million aircraft liability, hull coverage up to the assessed value of the planes, and UAV liability coverage up to \$10 million. For FY 2024/25, policies covering Metropolitan's two planes and eight UAVs cost \$86,126. For FY 2025/26, the premium will increase by 4.6 percent to \$90,104. The crime policy provides \$5 million in coverage with a \$150,000 deductible to protect against losses such as fraud, public employee dishonesty, and forgery. The cost to obtain this policy will remain at \$8,245 for the coming year. Metropolitan also carries three-year duration special contingency crime and travel accident policies last purchased in FY 2022/23 for the amounts of \$4,442 and \$21,633, respectively. The estimated renewal cost of the travel accident policy is expected to rise by approximately 15 percent to about \$24,900. The estimated renewal cost for the special contingency crime premium is about \$5,100.

The estimated total cost of the insurance renewal for FY 2025/26, with similar limits and retentions and without the inclusion of the expected continuity credits, is \$2,485,000, up from about \$2,171,000 million, an increase of \$314,000 over FY 2024/25 if Metropolitan renews all expiring coverages without changes to the self-insured retention levels.

Project Milestones

Insurance policies are bound (official decision to purchase) in June or once they become final and are paid immediately thereafter.



Katano Kasaine
Assistant General Manager/
Chief Financial Officer
6/2/2025
Date



Deven Upadhyay
General Manager
6/2/2025
Date

Attachment 1 – Metropolitan’s Casualty and Property Insurance Program Insurance Premium Comparison in Dollars

Ref# cfo12709199

**Metropolitan's Casualty and Property Insurance Program
Insurance Premium Comparison
In Dollars**

Insurance Policy Type	Self-Insured Retention (SIR)	Coverage Limits	2024/25 Insurance Premiums	2025/26 Quoted and Estimated Premiums Cost	2025/26 Quoted and Estimated Premiums Cost Change	2025/26 Quoted and Estimated Premiums % Change
Excess General Liability ¹	\$25 million	\$75 million	1,414,290	1,626,500 *	212,210	15%
Fiduciary and Employee Benefits Liability ¹	\$25 million	\$60 million	96,989	101,000 *	4,011	4.1%
Public Officials Directors and Officers Liability ¹	\$25 million	\$65 million	319,677	367,600 *	47,923	15%
Crime	\$150,000	\$5 million	8,245	8,245	0	0%
Aviation	\$7,500	\$25 million	86,126	90,104	3,978	4.6%
Excess Workers' Compensation, CA	\$5 million	Statutory	133,701	147,799	14,098	10.5%
Excess Workers' Compensation, D.C.	\$0	Statutory	1,198	1,179	(19)	-1.6%
Property	\$0	Asset value	8,027	10,000 *	1,973	24.6%
Cyber Liability	\$500,000	\$5 million	102,498	102,498	0	0%
Special Contingency Crime ²	\$0	\$5 million	4,442	5,100 *	658	14.8%
Travel Accident ²	\$0	\$250,000	21,633	24,900 *	3,267	15.1%
Total			2,170,753	2,484,925	314,172	14.5%

¹ Premium Quoted and Estimated costs for two layers of General Liability, Fiduciary and Employee Benefits Liability, and Public Officials Directors and Officers Liability.

² Three-year duration policies last purchased July 2022, and are up for renewal FY 2025/26.

* 2025/26 Estimated Premiums Cost.



Finance, Affordability, Asset Management and Efficiency Committee

Approve up to \$2.485 Million to
Purchase Insurance Coverage for
Metropolitan's Property and Casualty
Insurance Program for Fiscal Year
2025/26

Item 7-7
June 10, 2025

Item 7-7

Approve
Insurance
Coverage for
MWD's
Property &
Casualty
Insurance
Program

Subject

Approve up to \$2.485 million to Purchase Insurance Coverage for Metropolitan's Property and Casualty Insurance Program for Fiscal Year 2025/26

Purpose

Review the Current Property and Casualty Insurance Program and obtain Board approval to renew and replace coverages

Self-Insured Retention

Metropolitan's Property and Casualty Insurance Program

General Liability	\$25 million
Workers' Compensation	\$ 5 million
Property Damage *	Self-Insured

* Excluding Stand Alone Property Insurance Coverage

Excess Insurance

Metropolitan's Property and Casualty Insurance Program

General Liability	\$75 million
Public Official, Directors & Officers Liability	\$65 million
Fiduciary & Employee Benefit Liability	\$60 million
Workers' Compensation	Statutory

Specialty Insurance

Metropolitan's Property and Casualty Insurance Program

Aircraft Liability	\$25 million
Aircraft Hull	Assessed Value
Property Damage	Assessed Value
Crime	\$5 million
Cyber Liability	\$5 million
Special Risk *	\$5 million
Travel Accident *	\$250,000

* 3-year duration policies last purchased FY 2022/2023

Metropolitan's Property and Casualty Insurance Program

2025/26 Outlook

14.5% Overall Cost Increase

Factors Driving Expected Cost Increase

- Persistent inflation and economic uncertainty
- Catastrophic climate change fueled storm and wildfire losses
- International instability and military conflicts
- Political and social unrest
- Surging government entity liability claim costs

Total Policy Renewal is estimated to increase from

\$2.171 million

to

\$2.485 million





- **Board of Directors**

Finance, Affordability, Asset Management, and Efficiency Committee

6/10/2025 Board Meeting

7-9

Subject

Authorize an amendment to the LRP Agreement to extend the start-of-operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project; adopt CEQA determination that the proposed action was previously addressed in the City of Oceanside's adopted 2018 Final MND and Addendum and Olivenhain Municipal Water District's certified 2015 Final PEIR and Addendum and that no further CEQA review is required

Executive Summary

This letter requests authorization for Metropolitan to approve the San Diego County Water Authority's (SDCWA) request to amend the Local Resources Program Agreement by extending the start-of-operation deadline from June 30, 2025, to June 30, 2028, for the Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project) consistent with the adopted framework under the Local Resources Program (LRP).

The LRP provides financial incentives to encourage the development of local water supplies in Southern California. Each LRP agreement includes milestones for timely construction, operation, and production. In June 2021, the Board adopted a framework and evaluation criteria for considering future extension requests. In October 2021, the Board approved a framework for amending program agreements to provide additional flexibility to agencies to return projects to operation after a disruption. Under the approved framework for extension requests, member agencies may request an extension to the start of operation of their LRP project by up to three additional fiscal years if the member agency conforms to the approved criteria.

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

Staff Recommendation: Option #1

Option #1

Authorize an amendment to the LRP Agreement to extend the start-of-operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project; adopt CEQA determination that the proposed action was previously addressed in the City of Oceanside's adopted 2018 Final MND and Addendum and Olivenhain Municipal Water District's certified 2015 Final PEIR and Addendum and that no further CEQA review is required.

Fiscal Impact: No new fiscal obligations will result from the proposed amendment. Payments to the Project are included in the budget and are currently projected to begin in 2025. Payments to the Project will be shifted by three years to begin in 2028. The maximum financial obligations were provided when the Board approved the LRP Agreement for this Project on November 5, 2019, and remain at up to \$42.7 million over 15 years for a project yield of 150,000 acre-feet (AF) over 25 years.

Business Analysis: The Project would help Metropolitan support local supply development and meet legislative mandates while alleviating the burden on Metropolitan's infrastructure and reducing overall system costs.

Option #2

Do not extend the LRP Agreement start-of-operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project.

Fiscal Impact: Metropolitan's financial commitment for up to \$42.7 million over 15 years would be removed from the budget forecast.

Business Analysis: Metropolitan would no longer provide financial incentives for the Project and potentially delay meeting the LRP's target goals.

Alternatives Considered

Not applicable

Applicable Policy

By Minute Item 49923, dated October 14, 2014, the Board approved refinements to the Local Resources Program to encourage additional local resource production.

By Minute Item 51356, dated October 9, 2018, the Board approved an interim Local Resources Program target yield of 170,000 AFY of new water production.

By Minute Item 51794, dated November 5, 2019, the Board approved authorizing the General Manager to enter into a Local Resources Program Agreement with the San Diego County Water Authority and the City of Oceanside for the Oceanside Pure Water and Recycled Water Expansion Phase I Project for up to 6,000 AFY of recycled water.

By Minute Item 52415, dated June 8, 2021, the Board approved changes to the start-of-operation timing for four Local Resources Program Projects and formally adopted the policy described in the board letter for evaluation of future LRP extension requests.

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

Not applicable

Summary of Outreach Completed

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

On November 5, 2019, the Board acted as a Responsible Agency and certified that it reviewed and considered the information in the City of Oceanside's 2018 Final Mitigated Negative Declaration (MND) and Addendum, and adopted the Lead Agency's findings and Mitigation Monitoring and Reporting Program (MMRP); and certified that it reviewed and considered the information in Olivenhain Water District's certified Final 2015 Program Environmental Impact Report (PEIR) and Addendum and adopted the Lead Agency's findings and MMRP; and approved the terms and conditions of an LRP agreement for the Oceanside Pure Water and Recycled Water Expansion Phase I Project. The proposed action to extend the LRP Agreement start-of-operation deadline represents a minor modification affecting only the fiscal aspects of the Project. Thus, the previous environmental documentation acted on by the Board in conjunction with the LRP project complies with CEQA, and no further action is required.

CEQA determination for Option #2:

None required

Details and Background

Background

In 1982, Metropolitan created the LRP to provide financial incentives to help local agencies develop water recycling and groundwater recovery projects and, therefore, assist Metropolitan in reaching its regional water reliability goals. Since the LRP's inception, Metropolitan has provided about \$549 million in incentives for the development of more than 3.2 million AF of recycled water and about \$209 million in incentives for the development of more than 1.3 million AF of recovered groundwater. There are 118 projects currently under contract. LRP projects increase water supply reliability, reduce imported water demands, decrease the burden on Metropolitan's infrastructure, reduce system costs, and free up conveyance capacity. In addition, the LRP helps Metropolitan meet its legislative mandates under Senate Bill 60 to expand water conservation, recycling, and groundwater storage and replenishment measures. Overall, the LRP benefits all member agencies regardless of the project location.

In November 2019, the Board authorized the General Manager to enter into an LRP Agreement with SDCWA and the City of Oceanside (City) for the Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project). In December 2020, the LRP Agreement (Agreement) was executed. The Project met its first milestone for the start of construction by June 30, 2023.

Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project)

The Project consists of two components: (1) the Oceanside Pure Water Project, and (2) the Upper and Lower Recycled Water System Phase I Expansion Project. For Component 1, the Oceanside Pure Water Project consists of the construction of a 4.5 million gallon per day advanced water purification facility (AWPF) to produce up to 5,040 AFY of purified water to inject 3,360 AFY into the Mission Basin Groundwater Purification Facility to supplement the City's potable water supply. For Component 2, the Upper and Lower Recycled Water System Phase I Expansion project consists of the construction of the upper conveyance system in the northeastern portion of the City and the lower conveyance system in the southeastern region of the City. The upper system is planned to blend and transport up to 1,680 AFY of purified water with Title 22 tertiary recycled water to provide up to 2,640 AFY to agricultural, landscape, and urban irrigation customers.

The Project facilities under the Agreement include the AWPF (reverse osmosis filtration and ultraviolet-advanced oxidation process), nitrification and denitrification upgrades to the existing San Luis Rey Water Reclamation Facility (SLRWRF), a pump station, conveyance and backwash pipelines, injection and monitoring wells, 60,700 feet of recycled water pipeline, a 3.0-million-gallon storage reservoir, and pump stations for the Upper System, and 28,500 linear feet of recycled water pipeline, a 2.2-million-gallon storage reservoir, a pump station, and connections to existing recycled water pipeline for the Lower System.

2021 Framework and Criteria for Evaluating the Request to Extend the Start of Operation

In June 2021, the Board approved a framework and evaluation criteria proposed by staff for extensions due to delays in the start-of-operation milestones for the LRP projects. To qualify, the project must have an active agreement and currently be under construction. The member agency must also meet the following four criteria: (1) formally request an extension and describe the reasons for the delay; (2) affirm that all parties to the Agreement are still pursuing the project; (3) provide a revised schedule; and (4) affirm that the project will start operation within the requested extension (not to exceed three fiscal years).

SDCWA's Request to Extend the Start-of-Operation Deadline – Agreement Amendment


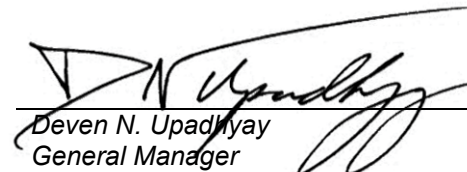
On May 22, 2025, SDCWA, on behalf of the City, submitted a formal request to Metropolitan for an extension to the Project's start of operation due to unforeseen delays, including technical, regulatory, and operational challenges, as described in their letter (**Attachment 1**). The Project has an active LRP Agreement and is under construction. Metropolitan staff determined their request satisfied the Board established criteria to seek an extension because the letter formally requested an extension, described the reasons for the delay, affirmed that all parties to the Agreement continue to pursue the Project, provided a revised schedule, and affirmed that the Project would start operating within the requested extension of three fiscal years.

After initiating advanced treatment at the AWPf, the City encountered a series of operational issues in early 2022, including microbiologically influenced corrosion in the injection wells, causing damage to the stainless-steel components, and external fouling in the facility's strainers. The original strainer design made in-place flushing inefficient, requiring frequent labor-intensive cleaning. Therefore, a more suitable replacement was identified, but the procurement was delayed by COVID-19-related supply chain issues. In 2023, the air compressor system failed, halting ultrafiltration operations. The City experienced procurement delays for the replacement unit, and a redesign of the compressor pipe was needed to maintain equipment warranties, which further extended the installation schedule. During this time, injection operations remained offline. The City is awaiting final regulatory inspection; further testing and optimization are needed for full implementation of the AWPf. The City is also working to transition from manual to automated operations, which are needed to support continuous 24/7 facility operations.

The City has also experienced delays in the construction of its recycled water system expansion. The Fire Mountain and pump station construction has been delayed due to rising costs and equipment procurement.

Additionally, the City experienced staffing transitions, specifically the primary contacts for the LRP. While some of these positions have recently been filled, the vacancy of the Water Utilities Director role has contributed to the delay in submitting the extension request.

If the Board grants SDCWA's extension request, the Agreement will terminate 25 years following the new start-of-operation date. **Attachment 2** summarizes the Project's current LRP contract terms and the revised terms if the Board approves the extension request. Metropolitan would not incur any new financial obligations from such an extension. The Project is included in the budget, and the current forecast includes payments to the Project starting in 2025. If the extension is granted, staff will shift the timing of the payments by three years. If the extension request is not granted, the Agreement will terminate, and the estimated payments to the Project will be removed from the forecasted expenditures of the LRP.

	6/3/2025
Bandon J. Goshi	Date
Manager, Water Resource Management	
	6/3/2025
Deven N. Upadhyay	Date
General Manager	

Attachment 1 – SDCWA Letter Requesting Start-of-Operation Extension

Attachment 2 – LRP Project Requesting Start-of-Operation Extensions

Ref# wrm12706870

Brandon Goshi

Water Resource Management Group Manager
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, CA 90012

May 22, 2025

RE: MWD's Local Resource Program Agreement No. 191282 for Oceanside Pure Water and Recycled Water Expansion Phase I Project - Request for Contract Extension

Dear Mr. *Brandon* Goshi:

The San Diego County Water Authority (Water Authority) is submitting this letter to Metropolitan Water District of Southern California (MWD) to formally request a three-year extension to the contractual start date for operations under the above referenced Local Resources Program (LRP) Agreement (Agreement).

On December 1, 2020, the Water Authority, the City of Oceanside (City), and MWD executed the above referenced Agreement for the Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project), which will be owned and operated by the City, a member agency of the Water Authority.

On behalf of the City, the Water Authority requests an extension of the Project's start of production deadline from June 30, 2025, to June 30, 2028. This request is made as a result of unforeseen delays related to COVID-19 supply chain issues, construction delays, and a series of technical and operational challenges. This request for an extension is consistent with the requirements outlined in Item 7-7, as approved by MWD's Water Planning and Stewardship Committee and MWD's Board of Directors on June 8, 2021.

Despite the unforeseen setbacks, the City continues to make progress and is fully committed to bringing the Project online as a local and sustainable water source for the region. The City will meet the requested extension deadline and continue to work to bring the Project online sooner, if possible. The Water Authority remains supportive of the City in completing the Project according to the revised schedule.

Attached is a letter from the City with additional information that details the reasons for the delay and its commitment to complete the Project under the three-year extension. Also attached is a revised schedule for Project implementation with a revised start of production date as required by MWD.

Thank you for considering our request. If you have any questions, please contact Jesica Cleaver at JCleaver@sdcwa.org or 858-522-6764.

Sincerely,



Meena Westford
Director of Imported Water

Attachment – Extension Request Letter from City of Oceanside and Revised Project Schedule

CC: Kira Alonzo, MWD, Water Resource Management Group
Nadia Hardjadinata, MWD, Water Resource Management Group
Tracy Abundez, MWD, Water Resource Management Group



CITY OF OCEANSIDE

WATER UTILITIES DEPARTMENT

May 22, 2025

Mr. Dan Denham
General Manager
San Diego County Water Authority
4677 Overland Avenue
San Diego, California 92123

Re: MWD's Local Resources Program Agreement No. 191280 for Oceanside Pure Water and Recycled Water Expansion Phase I Project - Request for Contract Extension

Dear Mr. Denham,

This letter is required for the San Diego County Water Authority (SDCWA) to initiate a request to the Metropolitan Water District of Southern California (MWD) to extend for three fiscal years the contractual date for start of production of advanced treated water and recycled water under the above referenced Local Resources Program (LRP) Agreement (Agreement).

The Oceanside Pure Water and Recycled Water Expansion Phase I Project (Project) will be owned and operated by the City of Oceanside (City). The City is constructing a multi-phased Pure Water Oceanside Program which includes construction of a 4.5 million gallon per day (MGD) advanced water purification facility (AWPF), nitrification and denitrification (NDN) upgrades to the existing San Luis Rey Water Reclamation Facility (SLRWRF), a pump station, conveyance and backwash pipelines, and injection and monitoring wells. The Project will provide up to 5,040 AFY of purified water to inject 3,360-acre feet per year (AFY) into the Mission Basin aquifer which will be treated at the Mission Basin Groundwater Purification Facility (MBGPF) to supplement the City's potable water supply.

In addition, the Project includes the construction of the Upper and Lower Recycled Water System Expansion Phase I Project. The Upper system is planned to blend and transport up to 1,680 AFY of fully advanced treated water with Title 22 tertiary recycled water to provide up to 2,640 AFY to agricultural, landscape and urban irrigation customers to the Upper System. The Lower distribution system will include conveyance pipelines, a reservoir, and pump station to irrigation customers.

On December 1, 2020, the City, MWD, and SDCWA executed the above referenced Agreement. The City is requesting to extend the start of production from June 30, 2025 to June 30, 2028, due to unforeseen delays including supply chain challenges, resulting from the COVID-19 pandemic, unforeseen operational and construction issues, and environmental challenges.

Reason for Requested Extension

The City of Oceanside is requesting a one-time, three-fiscal-year extension of the required production date under the Local Resources Program Agreement due to a series of technical, regulatory, and operational challenges that have delayed full implementation of the Project.

After initiating advanced treatment at the AWPf on December 30, 2021, the City encountered early operational issues in 2022, including microbiologically influenced corrosion in the injection wells that caused damage to stainless steel components. Around the same time, the facility's strainer experienced significant external fouling. The original design made in-place flushing ineffective, requiring frequent labor-intensive cleaning. A more suitable replacement was identified, but procurement was delayed by supply chain constraints. These post-COVID delays continued to affect material and equipment availability across the construction industry, including this Project. As a result, the delivery of the replacement strainer delivery was delayed approximately nine months compared to pre-pandemic lead times.

In 2023, the air compressor system failed, halting ultrafiltration operations. Although the vendor initially estimated a lead time of 7 to 9 weeks, the replacement unit did not arrive for five months – more than double the originally quoted timeframe. Additionally, a redesign of the compressor piping was required to maintain equipment warranties, further extending the installation schedule. Installation was ultimately in March 2025. Injection remained offline during this period, though the City has completed system testing and implemented maintenance protocols. Final regulatory inspection is scheduled for June 30, 2025.

Manual operations, limited automation, optimization of programming and integration of equipment, including staffing shortages have prevented continuous 24/7 facility operation. In addition, the Fire Mountain Reservoir and Pump Station project—supporting the City's recycled water system expansion—has faced delays due to rising construction costs and equipment procurement.

While the City has secured funding and continues to make steady progress, these compounded delays have extended the project schedule. The City requests an extension of the production start date to **June 30, 2028** to complete construction, obtain regulatory approvals, and achieve LRP production goals.

Additionally, the City experienced staffing transitions earlier this year, including the departure of its primary contacts for the LRP. While one of these positions has recently been filled, the vacancy of the Water Utilities Director role has contributed to the delay in submitting the extension request.

Commitment to Project Completion

The City of Oceanside remains fully committed to advancing the Pure Water Oceanside program and Recycled Water System Expansion and delivering a drought-resilient, local water supply for our region. Significant progress has been made, and the City continues to allocate resources toward facility optimization, staffing, permitting, and construction. The City will meet the requested extension of three fiscal years to complete construction and begin production by June 30, 2028, and anticipates this to occur sooner based on the current conditions. A revised implementation schedule from the original LRP application dated March 2019 is shown below for your review.

We respectfully request that this extension be considered by the MWD Board ahead of the current production deadline.

Thank you for your consideration of our request. We appreciate your continued support and look forward to working collaboratively with SDCWA and MWD staff to advance this important local water supply for the region.

Please feel free to contact me at (760) 435-5819 or MUyeda@oceansideca.org with any questions or requests for additional information.

Sincerely,



Mabel Uyeda, P.E.
Water Engineering Manager
Water Utilities Department
City of Oceanside

Enclosures: Revised schedule for Pure Water Oceanside

cc: Michael Gossman, Assistant City Manager
Aaron Cooley, Project Manager
John McKelvey, Principal Management Analyst

Revised Pure Water Oceanside and Recycled Water Expansion Project Implementation Schedule	
Injection Well Capacity Testing	January 2019 – April 2022
Monitoring Well Construction	November 2019 – January 2020
Injection Well Construction and Rehabilitation	November 2019 – September 2024
AWPF/NDN Upgrades Construction	January 2020 – November 2021
Conveyance/Backwash Piping Construction	March 2020 – October 2021
AWPF/NDN Upgrades Startup	October 2021 – December 2021
Tracer Test/Operational Support	October 2021 – December 2025
Operation Re-Design and Improvements/Implementation	January 2022 – March 2025
Monitoring Well Sampling Begins	March 2022
Upper Ph 1 Recycled Water Pipeline Final Design	April 2022 – September 2025
Lower Ph 1 Recycled Water Reservoir and Pump Station Construction	January 2025 – July 2026
Final Regulatory Inspection	June 30, 2025
AWPF Design Optimization and Blending with Recycled Water	September 2025 – March 2028
Water First Reaches Production Wells #2 for extraction at MBGPF	March 2026
AWPF Water Production	March 2028

LOCAL RESOURCES PROGRAM (LRP) PROJECT REQUESTING START-OF-OPERATION EXTENSION

Project Information	
<i>LRP Project</i>	Oceanside Pure Water and Recycled Water Expansion Phase I Project
<i>Member Agency</i>	San Diego County Water Authority (SDCWA)
<i>Ultimate Yield (AF)</i>	6,000 AF
<i>Date of Agreement Execution</i>	December 1, 2020
Extension Timeline	
<i>Start-of-Operation Milestone</i>	June 30, 2025
<i>Revised Start-of-Operation Milestone</i>	June 30, 2028
<i>Length of Extension Request</i>	36 months
Additional Information	
<i>Project currently under construction?</i> <input checked="" type="checkbox"/>	
<i>Member agency affirmed all parties pursuing project?</i> <input checked="" type="checkbox"/>	
<i>Member agency provided revised schedule?</i> <input checked="" type="checkbox"/>	
<i>Member agency affirmed that the project will start operation within 3 fiscal years?</i> <input checked="" type="checkbox"/>	
Reasons for Requested Extension	
The extension request is due to unforeseen delays including supply chain challenges resulting from the COVID-19 pandemic supply chain issues, unforeseen construction delays, and a series of technical and operational challenges.	



Finance, Affordability, Asset Management, and Efficiency Committee

Authorize an amendment to LRP Agreement to extend start-of-operation deadline for Oceanside Pure Water and Recycled Water Expansion Phase I Project

Item 7-9

June 10, 2025

Item 7-9

Amendment to LRP Agreement for Oceanside Pure Water and Recycled Water Expansion Phase I Project

Subject

Authorize an amendment to LRP Agreement to extend the start of operation deadline for Oceanside Pure Water and Recycled Water Expansion Phase I Project

Purpose

To obtain Board approval to amend the LRP Agreement to extend the start of operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project

Recommendation and Fiscal Impact

Staff recommends authorizing an amendment to the LRP Agreement to grant an extension to the start of operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project

No new fiscal obligations result from the proposed amendment. Payments will be shifted by three years, beginning in 2028.

Local Resources Program

Background

Provides incentives for Metropolitan's member agencies to develop new local projects to increase water supply reliability in the region



Recycled Water
(1982)



Groundwater Recovery
(1991)



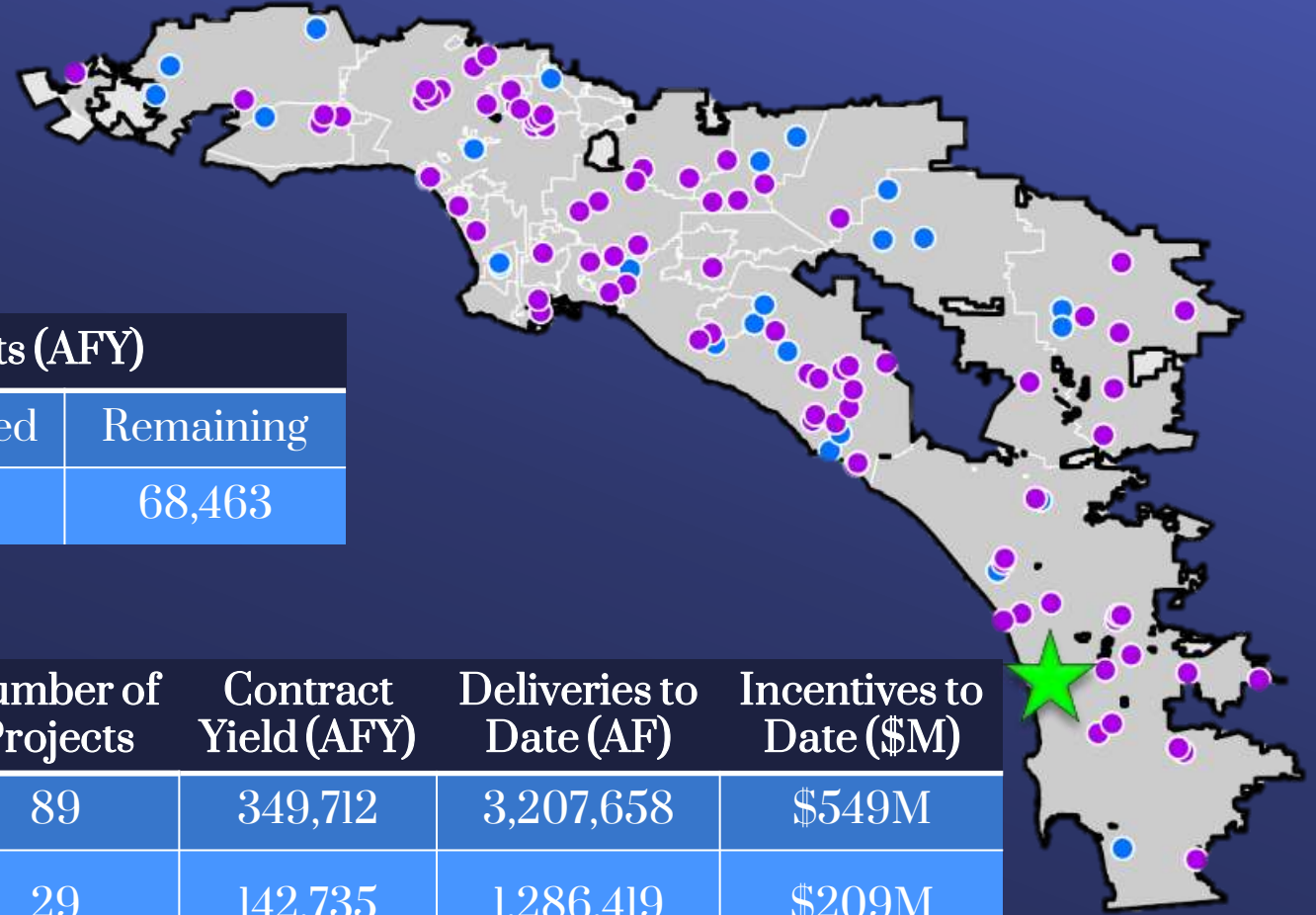
Seawater Desalination
(2014)

Local Resources Program

Program Status

LRP Targets (AFY)		
Target	Committed	Remaining
170,000	101,537	68,463

Type	Number of Projects	Contract Yield (AFY)	Deliveries to Date (AF)	Incentives to Date (\$M)
● Recycling	89	349,712	3,207,658	\$549M
● Groundwater Recovery	29	142,735	1,286,419	\$209M
Total	118	492,447	4,494,077	\$758M



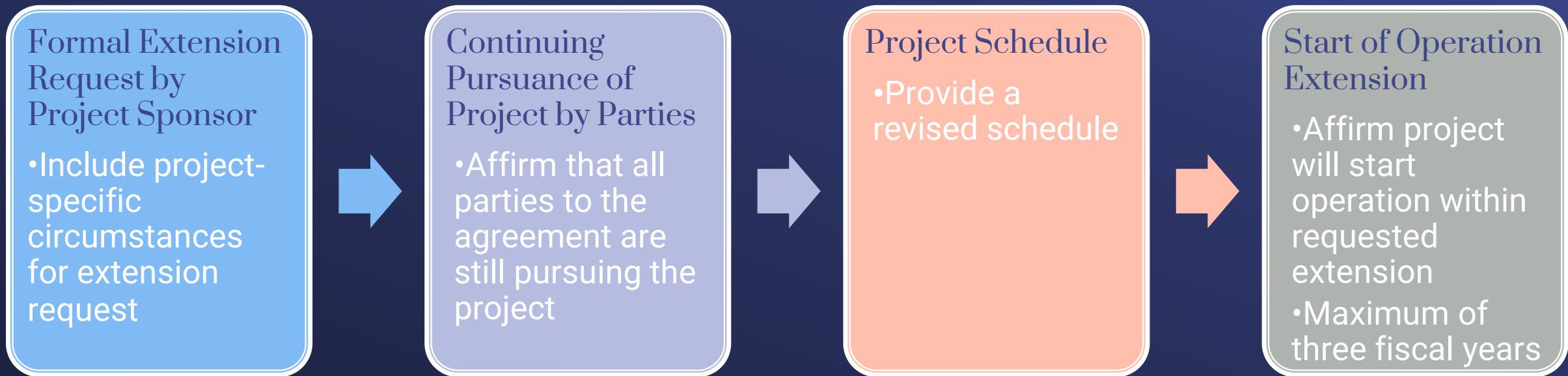
Oceanside Pure Water and Recycled Water Expansion Phase I Project

Project Details

- On November 5, 2019, the Board authorized the General Manager to enter into an LRP agreement with SDCWA and the City of Oceanside
- Oceanside Pure Water and Recycled Water Expansion Phase I Project
 - Recycled water for groundwater recharge for potable purposes (purified water)
 - Recycled water for agricultural & landscape irrigation
 - Treatment plant, pump stations, pipelines
 - Injection wells
 - Storage tanks
 - Capacity: 6,000 acre-feet

Approved LRP Framework

- On June 8, 2021, the Board approved framework and criteria for member agency requests to extend the start of operation milestone
 - Project must be under construction and have an active LRP agreement
- Evaluation criteria for extensions:



- Extension requests meeting evaluation criteria must be approved by the Board.

Start of Operation Extension

Request Details

- SDCWA submitted formal request to extend start-of-operation milestone from June 30, 2025 to June 30, 2028.
 - Parties are committed to the completion of the project
 - Project will begin operation on or before June 30, 2028
- Reasons for additional time needed
 - Design modifications
 - Supply chain challenges
 - Operational adjustments and staffing shortages

Summary

- Extension request meets Board-approved criteria
- All other terms of existing LRP Agreement remain unchanged
 - Amendment changes the start of operation milestone
- No further CEQA review is required
- No change to the maximum financial commitment approved by the Board
 - Shifts the timing of expenditures

Board Options

- Option #1

Authorize an amendment to LRP Agreement to extend the start of operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project; adopt CEQA determination that the proposed action was previously addressed in the City of Oceanside's adopted 2018 Final MND and Addendum and Olivenhain Municipal Water District's certified 2015 Final PEIR and Addendum and that no further CEQA review is required

- Option #2

Do not extend the LRP Agreement start of operation deadline for the Oceanside Pure Water and Recycled Water Expansion Phase I Project

Staff Recommendation

- Option #1





Special Joint Meetings of the Board of Directors and
Organization, Personnel, and Effectiveness Committee

Report on Firm Selected for the General Manager Recruitment

Item 5-1

June 13, 2025

Approved
Motion:
May 13, 2025

Authorize (1) the Ad Hoc Committee to begin vetting recruiting firms, and (2) authorize OP&E to hire the selected firm to participate in a meeting with the Board in June regarding the recruitment of the General Manager.

Update
Provided May
27, 2025

- 11 Proposals Received & Evaluated by Ad Hoc
- 3 Finalist Identified
 - Interviews: May 27, 2025
- Recommendation to OP&E June 3, 2025

Current Updates

- May 27, 2025: 3 Finalists Interviewed
- June 3, 2025: Bob Murray & Associates was Unanimously Selected by OPE
- Cost: \$44,000
 - Limited additional expenses may be incurred for more than three on-site meetings or election of optional services.
- Placement Guarantee: If candidate resigns or is terminated within the first 12 months of employment a replacement will be secured at no cost, aside from reimbursable expenses.

Next Steps

- Approve General Manager Job Description, General Manager Priorities, and General Manager Qualities
- Discuss Next Steps in the Recruitment Process

Overview of General Manager Selection Process

Timeline

Key Steps

June	OPE/Board selects Executive Recruiter (Completed)
June	Board approves job description and key selection criteria
June/July	Recruiter conducts executive search conversations with candidates
July	Recruiter meets with Board to select candidates for interview
August	Candidates interviewed by OPE/Board
August/September	Board selects and appoints General Manager

Equal Opportunity Employer

Metropolitan is an Equal Opportunity Employer. All qualified applicants will receive consideration for employment without regard to race, color, religion, sex (including gender identity/expression, sexual orientation, and pregnancy), national origin, ancestry, age (40 and over), marital status, medical condition genetic information, disability, veteran/military status, or any other protected characteristic(s). Applicants and employees are protected under federal and state law from discrimination on the basis of protected characteristics. All qualified applicants will receive consideration for employment without regard to any protected characteristics. Metropolitan provides reasonable accommodations for qualified individuals with disabilities in the job application and selection process or to enable otherwise qualified individuals with disabilities to perform the essential functions of a job. Employment decisions are based on a person's knowledge, skills, abilities, job performance and any other parameters considered legitimate and non-discriminatory.

Confidential Process

Do not discuss the following outside of closed sessions.

Any element of the evaluation process including:

- Test and interview questions
- Names of candidates
- Names of panel members
- Candidate scores or general perceptions of how a candidate performed





THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

GENERAL MANAGER

Group-Section: Chief Executives Offices	FLSA Status: Exempt Bargaining Unit: Unrepresented	Salary Grade: FR Job #: 001
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JOB SUMMARY

This position executes the policies and strategic initiatives set by the Board of Directors with a commitment to integrity, respect, transparency, fiscal and ratepayer responsibility, sustainability and equity. In this capacity, the position is responsible for managing the agency's assets and water resources to ensure a reliable, sustainable and resilient water supply for its member agencies in an environmentally and fiscally responsible manner, including incorporating the impacts of climate change and water initiatives to reduce costs and create new forms of revenue.

OVERSIGHT

Reports to the Board of Directors. Direct supervision of the Assistant General Managers and dotted-line responsibility (functional supervision) for approximately 1800+ employees assigned to various management units.

JOB DUTIES

1. Directs the development and implementation of Board policies, rules, and regulations in accordance with Local, State and Federal law, Metropolitan's Administrative Code and other Board-approved policies.
2. Determines administrative policies, programs, and procedures; directs their execution. Monitors program results to ensure that they effectively support Metropolitan's goals and objectives.
3. Directs Metropolitan's activities throughout the various employee groups that report to the General Manager through delegation of authority; meet with managers on a regular basis to ensure efficient and cost-effective operations and ensure a culture of inclusivity and opportunities for employee growth and development.
4. Approves special studies, reports, and documents for submission to the Board of Directors with recommendations and options for policy determination for Metropolitan. Make presentations to the Board of Directors as required to seek authorization for policy recommendations and to advise them of ongoing activities and programs, capital projects, and other such matters required to maintain Metropolitan's internal operations.
5. Directs financial and administrative affairs relating to bond sales, tax levy, determination of revenue requirements, long- and short-term capital projects, water resources, ratepayer impacts and water sales to ensure that Metropolitan's short- and long-term needs are addressed.
6. Directs the development of reliable, sustainable and resilient water resources for Metropolitan to ensure that Southern California's water supply requirements can be met

consistent with Metropolitan's goals and objectives established by the Board of Directors.

7. Formulates and implements Board authorized policies, set standards and procedures, and administers activities related to Metropolitan's operations to ensure that they comply with applicable laws, regulations, policies, and procedures.
8. Directs the creation and maintenance of comprehensive and effective human resources management programs, policies, and systems; policies and practices that support diversity, equity, and inclusion of all employees; facilitates leadership development and training opportunities; and directs and monitors the District's labor relations, labor negotiations, and labor-management programs and initiatives.
9. Presents Metropolitan's annual budget for Board consideration and adoption and monitors approved expenditures within the organization to ensure the most efficient use of resources and adherence to established guidelines.
10. Represents, and negotiates, Metropolitan's position and interests as directed by the Board in hearings held by the state and federal legislatures, and in meetings with regulatory agencies, state and local governments, and outside interests.
11. Performs other related duties as required

EMPLOYMENT STANDARDS MINIMUM REQUIREMENTS

Education and Experience:

- Bachelor's degree from an accredited college or university, majoring in public administration, business administration, economics, engineering, finance, natural resources or a related field and fourteen years of progressively responsible and directly related managerial experience;

OR

- Advanced degree from an accredited college or university, majoring in public administration, business administration, economics, engineering, law, finance, natural resources or a related field and twelve years of progressively responsible and directly related managerial experience;

AND

- Experience leading an organization with a significant workforce and complex governmental regulation; experience leading an organization with numerous organizational customers; experience with government relations at the state and federal levels; experience in negotiating issues or projects with significant and diverse political interests; or such experience as the Board of Directors deems appropriate.

Required Knowledge of: Federal, state, and local government legislative processes; political processes; administrative practices for a public agency organization with responsibilities for a variety of water issues relating to contract negotiations, water management programs, water resources, and regulatory requirements; regional water resilience and local water project

Job Title: General Manager
Job Code: 001
Adopted:
Effective: 06/28/20
Revised: 01/15/21
Supersedes: 07/23/07
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development and implementation; energy and environmental impacts of water management and operations; climate science as it pertains to weather patterns and water availability; communications strategies and tools; Southern California water problems and issues; Urban, agricultural, and environmental water interests; State of California water infrastructure and issues including State Water Project and Delta; Colorado River regulation and rights, and parties who are entitled to Colorado River supplies; current business and organizational management theories and practices; public sector personnel practices and regulations; budgeting practices and procedures; contracting practices and regulations; management and supervisory concepts and techniques; team building; consensus-building best practices; governmental and community relations; contract administration; and complex project management.

Required Skills and Abilities to: Manage a diverse work force; plan, organize, and review the work of subordinates; review work products for quality and validity; encourage and facilitate cooperation among subordinates, peers, stakeholders and political leaders; mentor, develop, and motivate staff; determine training needs of staff; exercise vision, integrity, respect, judgment, and discretion; act with ethics and integrity; research and analyze legislation and evaluate its impact; develop position papers; communicate orally and in writing on administrative and technical topics; represent Metropolitan to regulatory agencies, public agencies, and elected officials; establish and maintain effective and collaborative working relationships with all levels within the organization, member agency managers, outside agencies, elected officials, community-based organizations and the public; use presentation and business applications; supervise preparation of presentations for executive management, Board of Directors, and member agencies; effectively communicate Metropolitan's position on diverse and competing interests; interface and maintain effective liaison with member agencies, the Board of Directors, elected officials, civic and business leaders and community-based organizations; and travel to various and remote sites within the area, other Metropolitan areas, and out of state.

Certificates, Licenses, and Registrations Requirements

Employees in this position may be required to obtain and maintain the following certifications, licensing, and registrations:

Certificates

- None

Licenses

- Valid California Class C Driver License that allows you to drive in the course of your employment

Registrations

- None

DESIRABLE QUALIFICATIONS

- Knowledge of pertinent regulations and laws that impact Metropolitan objectives; or an understanding of water regulations and laws governing a similarly situated water agency

Job Title: General Manager
Job Code: 001
Adopted:
Effective: 06/28/20
Revised: 01/15/21
Supersedes: 07/23/07
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- Knowledge of California water agencies including Metropolitan's member agencies; and active involvement in relevant community, business, or other associations in the candidate's current location.
- Knowledge of interstate water infrastructure and policy issues including negotiations on water rights, projects and contracts.

PERFORMANCE CATEGORIES

Performance expectations would typically be tailored to the job and incumbent. The general categories for this job could include but are not limited to:

- Availability of water supply for Southern California
- Sustainability and climate change policy
- Diversity, Inclusion and Equity
- Budget
- Cost containment
- Productivity measures for employee performance
- Customer satisfaction
- Mutually beneficial working relationships with external regulatory and governmental agencies and Metropolitan stakeholders, for example environmental organizations, member agencies and labor groups
- Selection and retention of workforce to meet Metropolitan diversity objectives

PHYSICAL DEMANDS, WORK ENVIRONMENT, AND VISION REQUIREMENTS

The physical demands and work environment characteristics described here are representative of those that must be met or may be encountered by an employee to successfully perform the job duties of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the job duties.

Physical Demands: The work is sedentary. Typically, the employee may sit comfortably to do the work. However, there may be some walking; standing; bending; carrying of light items such as paper, books, or small parts; driving an automobile, etc. No special physical demands are required to perform the work.

Work Environment: The work environment involves everyday risks or discomforts that require normal safety precautions typical of such places as offices, meeting and training rooms, libraries, and residences, e.g., use of safe work practices with office equipment, avoidance of trips and falls, observance of fire regulations and traffic signals, etc. The work area is adequately lighted, heated, and ventilated. Travels that require overnight stays.

Vision Requirements: No special vision requirements

Job Title: General Manager
Job Code: 001
Adopted:
Effective: 06/28/20
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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
CLASSIFICATION DESCRIPTION

Classification Title:	<u>GENERAL MANAGER</u>		
Bargaining Unit:	<u>00-Executive</u>		
Class Code: <u>001</u>	Grade: <u>FR</u>	EEOC Category: <u>1</u>	Overtime Exempt: <u>Y</u>
Group:	<u>Executive Offices</u>		
Reports to:	<u>Board of Directors</u>		

JOB SUMMARY

This position is responsible for the leadership and management of Metropolitan in fulfilling its mission and directly reports to the Board of Directors. In this capacity, the position is responsible for implementing public policies and strategic initiatives, managing the assets and resources, and directing all administrative, operational, and financial activities and water management programs for Metropolitan consistent with Metropolitan's mission, goals, and objectives that are established by the Board of Directors.

ESSENTIAL FUNCTIONS- *Essential and other important responsibilities and duties may include, but are not limited to, the following:*

1. Directs the development and implementation of Board policies, rules, and regulations in accordance with Metropolitan's Administrative Code and other Board-approved policies.
2. Determines administrative policies, programs, and procedures; direct their execution. Monitor program results to ensure that they effectively support Metropolitan's goals and objectives.
3. Directs Metropolitan's activities throughout the various employee groups that reports to the General Manager through delegation of authority; meet with division managers on a regular basis to ensure efficient and cost-effective operations.
4. Approves special studies, reports, and documents for submission to the Board of Directors with recommendations for policy determination for Metropolitan. Make presentations to the Board of Directors as required to seek authorization for policy recommendations and to advise them of ongoing divisional activities and programs, capital projects, and other such matters required to maintain Metropolitan's internal operations.
5. Directs financial and administrative affairs relating to bond sales, tax levy, determination of revenue requirements, long- and short-term capital projects, water resources, and water sales to ensure that Metropolitan's short- and long-term needs are addressed.

Salary grade change per Board Letter 10-2 dated July 7, 2007
Revised date: 7/23/07
Job Title: General Manager
Job Code: 001

**Metropolitan Water District of Southern California
General Manager**

6. Directs the development of water resources for Metropolitan to ensure that Southern California's water supply requirements can be met consistent with Metropolitan's goals and objectives established by the Board of Directors.
7. Formulates and implement policies, set standards and procedures, and administer activities related to Metropolitan's operations to ensure that they comply with applicable laws, regulations, policies, and procedure
8. Present Metropolitan's annual budget for Board consideration and adoption, and monitors approved expenditures within the organization to ensure the most efficient use of resources and adherence to established guidelines.
9. Represents Metropolitan's position and interests as directed by the Board in hearings held by the state and federal legislatures, and in meetings with regulatory agencies, state and local governments, and outside interests.
10. Performs other related duties as required

MINIMUM QUALIFICATIONS

Education and Experience

- Bachelor's degree from an accredited college or university, majoring in public administration, business administration, economics, engineering, finance, or a related field and 12 years of progressively responsible and directly related managerial experience;
- OR**
- Advanced degree from an accredited college or university, majoring in public administration, business administration, economics, engineering, law, finance, or a related field and 10 years of progressively responsible and directly related managerial experience;
- OR**
- Such experience as the Board of Directors deems appropriate.

CERTIFICATES, LICENSES, AND REGISTRATIONS

None

KNOWLEDGE, SKILLS AND ABILITIES

Knowledge of:

- Southern California water infrastructure and issues.
- Principles of governmental fiscal management, budgetary control, taxing principles, and bond sales
- Public agency trends as they relate to business practices
- Administrative practices for a public agency organization with responsibilities for a variety of water issues relating to contract negotiations, water management programs, water resources, and regulatory requirements
- Southern California water problems and issues

Skill and ability to:

- Manage a large and diverse workforce
- Formulate and implement organizational goals and objectives
- Formulate and implement strategies, programs, policies, and procedures
- Prepare and deliver clear, concise, and well-organized presentations to management, employees, external and member agencies, the Board of Directors, the media, and the general public
- Effectively interface with external governmental and regulatory agencies, high-level officials, and the general public
- Travel to various and remote sites within the area and other Metropolitan areas

PERFORMANCE CATEGORIES

Performance expectations would typically be tailored to the job and incumbent. The general categories for this job could include but are not limited to:

- Availability of water supply for Southern California
- Budget
- Cost containment
- Productivity measures for employee performance
- Customer satisfaction
- Mutually beneficial working relationships with external regulatory and governmental agencies
- Selection and retention of workforce to meet Metropolitan diversity objectives

SUPERVISORY RESPONSIBILITY/ACCOUNTABILITY

Supervisory scope:

- Dotted-line responsibility (functional supervision) for approximately 1800+ employees assigned to various management units.
- Direct supervision of the Assistant General Manager/Chief Operating Officer, Assistant General Manager/Chief Administrative Officer, Deputy General Manager and Assistant General Manager/Chief Financial Officer

Salary grade change per Board Letter 10-2 dated July 7, 2007

Revised date 7/23/07

Job Title: General Manager

Job Code: 001

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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

CLASSIFICATION DESCRIPTION

Classification Title:	PRESIDENT & CHIEF EXECUTIVE OFFICER
Bargaining Unit:	01-Unrepresented
Class Code: <u>001</u> Grade: <u>FR</u> EEOC Category: <u>1</u> Overtime Exempt: <u>Y</u>	
Group:	Executive Offices
Reports to:	Board of Directors

JOB SUMMARY

Directs all administrative, operational, and financial activities and water management programs for Metropolitan. Determines Metropolitan's mission, goals, and objectives in conjunction with the Board of Directors.

ESSENTIAL FUNCTIONS AND EXPECTED RESULTS

1. Directs the development and implementation of Board policies, rules, and regulations in accordance with Metropolitan's Administrative Code and other Board-approved policies.
2. Determines administrative policies, programs, and procedures; direct their execution. Monitor program results to ensure that they effectively support Metropolitan's goals and objectives.
3. Directs Metropolitan's activities throughout the various divisions through delegation of authority; meet with division managers on a regular basis to ensure efficient and cost-effective operations.
4. Approves special studies, reports, and documents for submission to the Board of Directors with recommendations for policy determination for Metropolitan. Make presentations to the Board of Directors as required to seek authorization for policy recommendations and to advise them of ongoing divisional activities and programs, capital projects, and other such matters required to maintain Metropolitan's internal operations.
5. Directs financial and administrative affairs relating to bond sales, tax levy, determination of revenue requirements, long- and short-term capital projects, water resources, and water sales to ensure that Metropolitan's short- and long-term needs are addressed.
6. Directs the development of water resources for Metropolitan to ensure that Southern California's water supply requirements can be met.
7. Formulates and implement policies, set standards and procedures, and administer activities related to Metropolitan's operations to ensure that they comply with applicable laws, regulations, policies, and procedure

**Metropolitan Water District of Southern California
President & Chief Executive Officer**

8. Determines Metropolitan's annual budget and monitor expenditures within the organization to ensure the most efficient use of resources and adherence to established guidelines.
9. Performs other related duties as required.

MINIMUM QUALIFICATIONS

Education and Experience

- Bachelor's degree from an accredited college or university, majoring in public administration, business administration, economics, engineering, finance, or a related field and 12 years of progressively responsible and directly related managerial experience;
- OR**
- Master's degree from an accredited college or university, majoring in public administration, business administration, economics, engineering, finance, or a related field and 10 years of progressively responsible and directly related managerial experience;
- OR**
- Such experience as the Board of Directors deems appropriate.

LICENSES/CERTIFICATION REQUIRED

KNOWLEDGE, SKILLS AND ABILITIES

Knowledge of:

- Principles of governmental fiscal management, budgetary control, taxing principles, and bond sales
- Public agency trends as they relate to business practices
- Administrative practices for a public agency organization with responsibilities for a variety of water issues relating to contract negotiations, water management programs, water resources, and regulatory requirements
- Southern California water problems and issues

Skill and ability to:

- Manage a large and diverse workforce
- Formulate and implement organizational goals and objectives
- Formulate and implement strategies, programs, policies, and procedures

Job Title: President & Chief Executive Officer

Job Code: 001

Revised Date: May 21, 2001

Supersedes General Manager dated 12/14/94

Metropolitan Water District of Southern California
President & Chief Executive Officer

- Prepare and deliver clear, concise, and well-organized presentations to management, employees, external and member agencies, the Board of Directors, the media, and the general public
- Effectively interface with external governmental and regulatory agencies, high-level officials, and the general public
- Travel to various and remote sites within the area and other Metropolitan areas

PERFORMANCE CATEGORIES

Performance expectations would typically be tailored to the job and incumbent. The general categories for this job could include but are not limited to:

- Availability of water supply for Southern California
- Budget
- Cost containment
- Productivity measures for employee performance
- Customer satisfaction
- Mutually beneficial working relationships with external regulatory and governmental agencies
- Selection and retention of workforce to meet Metropolitan diversity objectives

SUPERVISORY RESPONSIBILITY/ACCOUNTABILITY

Supervisory scope:

- Dotted-line responsibility (functional supervision) for approximately 2100 employees assigned to various divisions
- **Project management examples:**

Job Title: President & Chief Executive Officer
Job Code: 001
Revised Date: May 21, 2001
Supersedes General Manager dated 12/14/94

MWD Direct Report Team Operating Agreement

April 2025



Team goals and objectives

- Determine how to implement the **organizational strategy and direction** approved by the Board (based on recommendations of the General Manager)
- Shape healthy culture by **enhancing relationships** and **modeling values**
- Establish **disciplined internal governance** to synchronize performance across all Departments
- **Work with, and educate, the Board** to align with, and support, the direction of travel of the Direct Report Team

Team Members and Team Roles & Responsibilities

Team Members

- General Manager
- General Counsel
- General Auditor
- Ethics Officer

Team Roles

Strategic Allies

Direct Report Team members act as strategic partners to one another, focusing on the organization's overall success rather than solely on their departmental interests.

Collaborative Problem-Solvers

Direct Report Team members work together to address challenges that affect the entire organization. They engage in collaborative decision-making about resource (human and financial) allocation and prioritizing initiatives based on the biennial planning objectives.

Organizational Stewards

Direct Report Team members consider the needs of the organization beyond the demands of their functional responsibilities. They approach their work with an "MWD first, department second" mindset.

Team Responsibilities

Collective Accountability

Direct Report Team members share accountability for delivering organization-wide goals, and ownership of each goal is allocated to the appropriate team member. They support one another in achieving organizational objectives.

Cross-Functional Collaboration

Direct Report Team members are responsible for fostering interdepartmental collaboration and breaking down silos and modeling this behavior to the organization. This includes reaching out to colleagues anywhere in the organization to create partnerships that add more value than individual functional teams could achieve alone.

Strategic Decision-Making

Direct Report Team members are tasked with considering and making decisions that benefit the entire organization, not just their individual departments. The Direct Report Team members make recommendations, based on their areas of expertise, that are beneficial to the District as a whole.

Organizational Culture Building

Direct Report Team members are responsible for creating and modeling the values-based culture of the organization. This includes building collective ownership in the organization's culture and aligning with its core values and mission.

Peer Support

Direct Report Team members are expected to support their fellow leaders, sometimes even prioritizing this over supporting their direct reports. This includes having each other's backs, looking out for one another, and providing support when challenges arise.

Communication expectations

- Regular Direct Report Team meetings
- Text & email communications between meetings

Feedback mechanisms

- In person, in meetings if all team members affected.
- In person, 1:1 in private, if only between two team members.
- Timely feedback is key.

Conflict resolution

- In person, face-to-face. Either 1:1 or as a team if it affects more than two team members.
- Follow a conflict resolution process:
 - Acknowledge the conflict openly
 - Define the problem from an organizational perspective
 - Meet to discuss the issue
 - Analyze the root cause
 - Focus on organizational goals
 - Develop a solution
 - Implement continuous improvement
- If the Team cannot resolve, request meeting with the Chair of the Board to help resolve.

Change requests

- Bring to Direct Report Team meeting

- For larger changes, develop a change management plan (e.g., following [Kotter's 8 step process](#) or similar).

Meeting structure and frequency

- Monthly meetings – Direct Report Team
- Quarterly newsletter to all employees with MWD overall and Dept updates
- Semi-annual in person Management Forums

Team norms and values

- Direct Report Team is the “First Team” for MWD – keep the best interest of MWD first and the interest of individual departments second.
- Team Norms
 - **Cohesion** across Departments
 - **Clarity** on MWD priorities and decision-making process
 - More **efficient execution** across the organization to optimize resources (human and financial)
 - Transparent and honest **communications** to build trust

Operating Agreement maintenance

- Review this document semi-annually by all Direct Report Team members and update as needed.

DRAFT
General Manager Recruitment Suggestions
(Supplement to the Job Description)

Competence to implement the following priorities of the Board of Directors:

- 1) Organize management and draft policies for successful implementation of CAMP4Water as Metropolitan's organizing mechanism for water resources and infrastructure.
 - a. Formulation of business model components
 - b. Application of evaluative criteria for infrastructure projects
 - c. Facilitation of Board decision-making framework in approval of projects
- 2) Plan and supplement recent initiatives and measures to stabilize workforce and improve employee morale and trust in upper management.
 - a. Work in cooperation and partnership with the three other department heads (i.e. review current department head operating agreement).
 - b. Foster cooperative and productive relationships with bargaining units and employee resource groups to engender trust for the general benefit of Metropolitan as a successful organization.
 - c. Prioritize budget priorities in the next biennium to catch-up on hiring priorities and core-system investments to assure 100% reliability in delivery of core supplies.
- 3) Drive towards an acceptable resolution to Colorado River negotiations to meet 2026 deadline.
 - a. Provide for regular contact and appraisals with U.S. Congressional representatives and Federal agencies.
 - b. Work in partnership with California and lower basin state partners as is possible in Metropolitans interests.
 - c. Work creatively with the Colorado River Board of California and the Governor's Office to seek cooperative initiatives with upper basin states towards resolution of final agreement on post 2026 operations of the Colorado River.

Candidate Qualities

- a. Familiarity with Metropolitan and its organizational culture and member agency dynamics.
- b. Leadership skills that compliment work with the board and other department heads.
- c. Management experience and understanding of bargaining unit negotiations.
 - a. High adaptive capacity on strategy in dealing with local, state and federal levels of government.