



- **Board of Directors**

Finance, Affordability, Asset Management, and Efficiency Committee

5/13/2025 Board Meeting

8-3

Subject

Adopt a resolution authorizing a Master Equipment Lease-Purchase Program of up to \$35 million outstanding balance from time to time and providing for related documents and actions; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The master lease equipment resolution in **Attachment 1** would authorize a lease-purchase program of certain equipment in an amount up to \$35 million. The equipment that can be financed through this program will be limited to assets that are approved by this Board, including, for example, vehicles pursuant to the Zero-Emission Vehicle Transition (ZEV) Program. The resolution authorizes the execution and delivery of Master Equipment Lease-Purchase Agreements and any related documents on such terms and conditions and in such form and substance as determined and approved by the Ad Hoc Committee, which is comprised of the Chair of the Board; the Chair of the Finance, Affordability, Asset Management, and Efficiency Committee; and the General Manager (the “Ad Hoc Committee”). The Ad Hoc Committee has been delegated similar authority in connection with the issuance of short-term certificates and refunding bonds.

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

Staff Recommendation: Option #1

Option #1

Adopt a resolution authorizing a Master Equipment Lease-Purchase Program of up to \$35 million outstanding balance from time to time and providing for related documents and actions.

Fiscal Impact: There is no fiscal impact on the current biennial budget, as the \$2 million required for fiscal year 2025/26 debt service is already available in the vehicle operating budget. However, future biennial budgets will need to include appropriations for ongoing debt service if the \$35 million is financed through the Master Lease-Purchase Program. This cost will reach a maximum aggregate annual cost of approximately \$4 million, depending on market rates and the term of debt financing.

Business Analysis: Utilizing the Master Equipment Lease-Purchase Program provides financial flexibility and reliability as Metropolitan transitions its fleet to ZEVs.

Option #2

Do not approve a resolution authorizing a Master Equipment Lease-Purchase Program and provide for related documents and actions.

Fiscal Impact: Metropolitan would have to identify other means of funding the replacement of its existing vehicle fleet. In our solicitation of ideas from the capital markets, other financing alternatives did not provide the same level of flexibility as the proposed Master Equipment Lease-Purchase Program.

Business Analysis: This option will delay staff’s ability to purchase replacement vehicles to meet current regulatory requirements related to Metropolitan’s transition to ZEVs.

Alternatives Considered

Staff reviewed implementation costs and requirements for the vehicle fleet replacement program. Alternatives such as issuing revenue bond debt were examined; however, Banc of America Public Capital Corporation's ("BAPCC") Master Lease-Purchase Program was deemed the preferred structure for the vehicle lease replacement program given an array of factors, including but not limited to the cost of financing, flexibility of program administration, ease of program implementation, and qualifications of the financial institution. Under a Master Equipment Lease-Purchase Program, Metropolitan's net revenues are not expected to be pledged for the lease payments, and the lease payments are expected to be subordinate to Metropolitan's revenue bonds. Also, each lease interest rate will be based on the characteristics of the particular assets being financed, as opposed to a revenue bond with a fixed maturity and interest cost established at the time of issuance.

Applicable Policy

Metropolitan Water District Administrative Code Section 2441(u): Duties and Functions

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Section 5110: Asset Lease Versus Purchase

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

By Minute Item 53880, dated December 10, 2024, the Board approved additional funding, in an amount not to exceed \$35 million to support the Zero-Emission Vehicle Transition Program.

By Minute Item 53596, dated April 9, 2024, the Board appropriated \$3,453.2 million for Metropolitan Operations and Maintenance and operating equipment, approved appropriations, and funding of capital expenditures, and approved a Ten-Year Financial Forecast for Fiscal Years 2024/25 and 2025/26.

By Minute Item 53316, dated July 11, 2023, the Board adopted Ordinance No. 152, determining that the interests of the District require the use of revenue bonds in the aggregate principal amount of \$500 million to finance a portion of capital expenditures.

By Minute Item 52823, dated May 10, 2022, the Board adopted the Climate Action Plan.

By Minute Item 52579, dated November 9, 2021, the Board adopted legislative policy principles on climate change and the environment to help California reach its climate goals while adapting to a rapidly changing environmental landscape. The Board also expressed its support for policies and funding that encourage sustainable practices and environmental compliance, reduce greenhouse gas emissions, and improve energy sustainability.

By Minute Item 50409, dated March 8, 2016, the Board adopted Resolution 9201 authorizing the sale and issuance from time to time of up to \$400 million of short-term certificates.

Summary of Outreach Completed

The selection of the BAPCC Master Lease-Purchase structure was chosen as part of a competitive Request for Proposal (RFP) procurement process managed by Finance's Treasury and Debt Management Section with a variety of commercial and investment banking financial institutions. The options proposed by the RFP respondents ranged from direct purchase funding, fixed-lease Certificates of Participation financing, use of our existing Revolver Facility Note program, and the recommended option to establish a new master equipment lease-purchase financing credit facility.

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

Metropolitan manages an extensive and modern fleet, critical to the effective operation and maintenance of the distribution system, with an estimated asset replacement value of \$180 million. Metropolitan's existing fleet consists of 1,039 vehicles and motorized equipment, which include 379 light-duty vehicles, 356 medium-duty vehicles, 195 heavy-duty vehicles, and 109 off-road vehicles. These vehicles are strategically domiciled in 18 locations across Metropolitan's service area for daily operational activities and emergency response.

To help manage Metropolitan's budgets and rates in prior years, Metropolitan has prioritized the replacement of only the highest criticality vehicles and deferred others, which has resulted in a backlog of aged and worn vehicles. Currently, these conditions pose an elevated risk to Metropolitan's operations. To mitigate this risk, Metropolitan has increased maintenance and repairs of aging vehicles to ensure their availability for daily activities and emergency response. However, in staff's assessment, these efforts are not sustainable, and Metropolitan must replace these critical vehicles to ensure operational safety and reliability.

While addressing the challenge of an aging fleet, Metropolitan has also been transitioning from a fossil-fueled fleet to a zero-emission fleet in accordance with California's new fleet regulations. The California Air Resources Board ("CARB") adopted the Advanced Clean Fleets ("ACF") Rule which has set milestones for replacing medium- and heavy-duty vehicles with ZEVs. Fines and penalties may be imposed for non-compliance with CARB regulations.

In December 2024, the Board approved additional funding, in an amount not to exceed \$35 million over the next two years (Fiscal Years 2024/2025 and 2025/2026), to support the ZEV transition program at Metropolitan and partially mitigate the high operational risk associated with a fleet of aging vehicles and equipment. Finance will work with staff from the Operations Groups to coordinate the availability of funds through this program to meet the fleet acquisition schedule.

Financing Approach

In accordance with board authorization, Finance staff recommends a Master Equipment Lease-Purchase Program as the most efficient and cost-effective means of replacing aging vehicles and to transition the vehicle fleet to ZEVs to comply with state requirements, as referenced above.

After a competitive RFP process at the end of 2024, Metropolitan has selected Banc of America Public Capital Corp to provide a Master Lease-Purchase financing facility. BAPCC is an industry leader in municipal lease financing and offered the lowest cost option among the 26 financial firms that submitted an RFP response to Metropolitan. The options proposed and considered ranged from direct purchase funding, fixed-lease Certificates of Participation financing, use of our existing Revolver Facility Note program, and the recommended option to establish a new Master Lease-Purchase financing credit facility.

The Master Equipment Lease-Purchase Program's structure provides the flexibility, in timing and structure, to accommodate multiple vehicle replacement purchases and a transition to a ZEV fleet in an efficient and cost-effective manner. This action letter authorizes the establishment of the Master Equipment Lease-Purchase Program by resolution of the Board. Subsequent to this action, the Ad Hoc Committee will authorize the execution of the documentation required to implement the financing program with BAPCC. The Ad Hoc Committee has been delegated similar authority by the Board in connection with the issuance of short-term certificates and refunding bonds.

Future Steps

By June 30, 2025, staff expects to have finalized the documentation of a new credit facility to operate under the proposed Master Equipment Lease-Purchase Program. The BAPCC credit line was preliminarily approved by the credit committee of Bank of America, NA (the commercial banking parent company of BAPCC) in mid-March and is set, initially, at \$35 million, subject to approval of the attached resolution by the Board and related

documents by the Ad Hoc Committee. This new credit facility will have a term of one year, but can be renewed upon request. The proposed \$35 million credit limit can be increased upon request as needed in future years. The Master Equipment Lease-Purchase Agreement contains key terms and provisions for all the various purchasing requirements of the Vehicle Replacement Program, which can also include other essential equipment purchases, including charging stations for ZEVs, if necessary. The interest rate of the lease(s) will be based on the useful life of the vehicle/asset being financed; the requested lease term; the index rate at the time of the financing; and the tax status of the financing. As of April 10, 2025, indicative tax-exempt rates were: 3.5902 percent for a 7-year term; 3.7548 percent for a 10-year term; and 3.9079 percent for a 12-year term.

Unlike Metropolitan's Revenue Bond Program, Metropolitan's Net Revenues are not expected to be pledged to repay the draws on the BAPCC credit line. Instead, payments will be made as equipment lease payments from the Vehicle Operating and Equipment budget appropriation as part of Metropolitan's Operating and Maintenance fund. Moreover, these lease payments will be subordinate to existing revenue bonds with respect to debt lien position. Staff has engaged bond counsel for this Master Lease-Purchase Program to assist in determining the appropriate terms for the mix of assets being financed and to ensure compliance with applicable Internal Revenue Code and IRS regulations. Finance staff is requesting the Board's adoption of the attached resolution, which establishes and authorizes a lease-purchase program and delegates the authority to the Ad Hoc Committee to authorize the execution and delivery of the BAPCC Master Equipment Lease-Purchase Agreement and required separate schedules and documents.

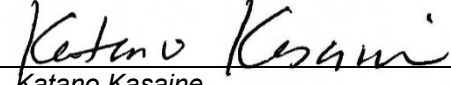
Operations staff has initiated the Board-approved Vehicle Replacement Program through the preparation of bidding specs and anticipates orders to come in late FY 2024/25. Payments under the Master Equipment Lease-Purchase Agreement are anticipated to begin in FY 2025/26 and continue in subsequent biennial budget periods. Finance staff expect the annual cost for the program in FY 2025/26 will not exceed the \$2 million already available in the Vehicle Operating and Equipment budget. Future biennial budgets will need to include appropriations for ongoing debt service for assets financed through the Master Lease-Purchase Program.

Staff estimates the implementation of the program will have a minimal budget impact, with an estimated one-time rate impact of about 0.5 percent for calendar year 2027. This figure represents the amount that current rates would need to increase to cover the projected debt service of the \$35 million borrowed.

During the process of informing the Board of the need to address Metropolitan's backlog of deferred maintenance as well as compliance with state regulations, various directors have asked questions or made comments on many issues related to this topic. Staff has tracked these questions and provided responses to each in **Attachment 2** to this board letter.

Project Milestone

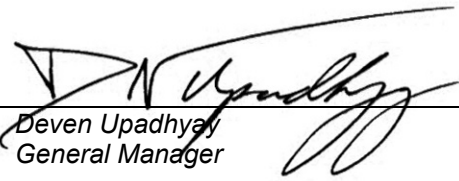
Staff will return to the Board when developing the next biennial budget for Fiscal Years 2026/27 and 2027/28 and will propose a vehicle operating equipment budget that supports Metropolitan's Vehicle Replacement Program and continued transition to a ZEV fleet.



Katano Kasaine
Assistant General Manager/
Chief Financial Officer

5/2/2025

Date



Deven Upadhyay
General Manager

5/2/2025

Date

Attachment 1 – Resolution of The Board Of Directors of The Metropolitan Water District of Southern California Authorizing a Master Equipment Lease-Purchase Program of up to \$35 Million Outstanding Balance From Time to Time and Providing for Related Documents and Actions

Attachment 2 – Log of Board Director Questions and Comments

Ref# cfo12707730

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

RESOLUTION ____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUTHORIZING A MASTER EQUIPMENT LEASE-PURCHASE PROGRAM OF UP TO
\$35 MILLION OUTSTANDING BALANCE FROM TIME TO TIME
AND PROVIDING FOR RELATED DOCUMENTS AND ACTIONS
(MASTER EQUIPMENT LEASE-PURCHASE PROGRAM RESOLUTION)**

**THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA**

RESOLUTION _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUTHORIZING A MASTER EQUIPMENT LEASE-PURCHASE PROGRAM OF UP
TO
\$35 MILLION IN OUTSTANDING PRINCIPAL BALANCE FROM TIME TO TIME
AND PROVIDING FOR RELATED DOCUMENTS AND ACTIONS
(MASTER EQUIPMENT LEASE-PROGRAM RESOLUTION)**

WHEREAS, pursuant to Section 140 of the Act (as defined herein) and related provisions of the Act, the Board of Directors (the “Board”) of The Metropolitan Water District of Southern California (the “District”) is authorized to provide for the grant, purchase, bequest, devise or lease, and may hold, enjoy, lease, sell or otherwise dispose of, any and all real and personal property of any kind within or without the District and within and without the State of California necessary or convenient to the full exercise of its powers; and

WHEREAS, the Board hereby determines that it is necessary for the District to be able to lease a variety of Equipment (as defined below) to perform its essential functions, on terms favorable to the District; and

WHEREAS, the Board therefore desires to authorize a program whereby the District would execute and deliver one or more Master Equipment Lease Agreements and Leases (each as defined below) from time to time to lease Equipment to be used by or on behalf of the District in the operation of the business and affairs of the District;

NOW, THEREFORE, the Board, DOES HEREBY RESOLVE, DETERMINE AND ORDER, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Resolution and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and the plural forms of any of the terms herein defined.

“Act” means the Metropolitan Water District Act.

“Ad Hoc Committee” has the meaning ascribed to such term in Section 4.01 hereof.

“Board” means the Board of Directors of the District.

“Equipment” means tangible assets, equipment, fixtures and other goods and property, together with all replacements, repairs, restorations, modifications and improvements thereof or thereto and all accessories, equipment, parts and appurtenances appertaining or attached thereto, including but not limited to vehicles, machinery, tools, instruments, and other physical items that are utilized for business or operational purposes, excluding real estate or land.

“First Tier Parity Obligations” has the meaning given such term in the Master Subordinate Resolution.

“First Supplemental Subordinate Resolution” means Resolution 9200 adopted by the Board on March 8, 2016, as amended and supplemented from time to time.

“Fourth Supplemental Resolution” means Resolution 8387 adopted by the Board on January 12, 1993, as amended and supplemented from time to time.

“Lease” means each Related Schedule into which the terms and provisions of the Master Equipment Lease Agreement are incorporated by reference into such Related Schedule.

“Master Equipment Lease Agreement” means an agreement (including a master equipment lease/purchase agreement) under which the District leases Equipment from one or more commercial banks, financial institutions or any other counterparty and for which the District makes Rental Payments, together with any Related Schedules.

“Master Senior Resolution” means Resolution 8329 adopted by the District on July 9, 1991, as amended and supplemented from time to time.

“Master Subordinate Resolution” means Resolution 9199 adopted by the District on March 8, 2016, as amended and supplemented from time to time.

“Net Operating Revenues” has the meaning given such term in the Master Senior Resolution, if such term refers to Senior Parity Obligations, or in the Master Subordinate Resolution, if such term refers to First Tier Parity Obligations or Second Tier Parity Obligations.

“Nineteenth Supplemental Resolution” means Resolution 9104 adopted by the Board on December 8, 2009, as amended and supplemented from time to time.

“Outstanding Balance” means the principal component of the remaining Rental Payments under a Master Equipment Lease Agreement.

“Related Schedules” means the schedules or exhibits to any Master Equipment Lease Agreement or Lease that describe the Equipment being leased thereunder and provide payment schedules and terms.

“Rental Payments” means the total amount of rental or lease payments due from the District under a Master Equipment Lease Agreement or a Lease for the lease of the Equipment leased thereunder, including (without limitation) the principal component and interest component thereof.

This “Resolution” means this resolution of the District.

“Second Tier Parity Obligations” has the meaning given such term in the Master Subordinate Resolution.

“Senior Bonds” means “Bonds” as that term is defined in the Master Senior Resolution.

“Senior Parity Obligations” means “Parity Obligations,” as such term is defined in the Master Senior Resolution.

“Subordinate Bonds” means “Bonds” as that term is defined in the Master Subordinate Resolution.

“Zero-Emission Vehicle Transition Program” means the program of acquisition of vehicles approved by the Board on December 10, 2024, as such program is amended, modified and supplemented from time to time by the District as authorized by the Board.

ARTICLE II

THE CERTIFICATES AND CREDIT FACILITIES

SECTION 2.01. Approval of Master Equipment Lease Agreements. The District is hereby authorized to execute and deliver one or more Master Equipment Lease Agreements and any Related Schedules for one or any combination of the following purposes: (a) to lease motor vehicles pursuant to the Zero-Emission Vehicle Transition Program; and (b)(i) to lease Equipment to be used at any facility or site operated by or on behalf of the District; and (ii) to lease Equipment that can be moved to or installed at any facility or site operated by or on behalf of the District, provided that, any lease of Equipment pursuant to (b) of this Section 2.01 relates to Equipment the acquisition of which the Board has authorized by its approval of a budget or program where the acquisition of such Equipment is included as a part of such budget or program or by its specific approval of the acquisition of such Equipment. The District is hereby authorized to execute and deliver Master Equipment Lease Agreements and any Related Schedules, and any amendments, supplements and modifications thereto, on such terms and conditions and in such form and substance as shall be determined and approved by the Ad Hoc Committee pursuant to Article IV. The District is hereby authorized to execute and deliver one or more Master Equipment Lease Agreements from time to time on the terms and conditions set forth in this Resolution; provided, however, that the Outstanding Balance under all Master Equipment Lease Agreements and the Leases contained therein in effect shall not exceed \$35 million at any time.

SECTION 2.02. Additional Documents and Services. Any Master Equipment Lease Agreement and Lease executed in accordance with this Resolution may provide for the execution of related documents, including, without limitation, escrow agreements, paying agent agreements, memoranda of understanding and assignment agreements, as may be determined and approved by the Ad Hoc Committee.

ARTICLE III SECURITY AND PAYMENT OF CERTIFICATES

SECTION 3.01. Security and Source of Payment of Rental Payments.

The obligations of the District under each Master Equipment Lease Agreement and each Lease shall be secured by one or a combination of the following, as determined and authorized by the Ad Hoc Committee: Some or all of the Equipment leased under such Master Equipment Lease Agreement and the Leases contained therein; and/or

(b) Net Operating Revenues on the terms and conditions, and with the priority, set forth in such Master Equipment Lease Agreement and/or Lease (including securing such obligations as Parity Obligations under the Master Senior Resolution or First Tier Parity Obligations or Second Tier Parity Obligations under the Master Subordinate Resolution).

SECTION 3.02. Establishment and Application of Funds and Accounts.

The District shall establish, and the Treasurer of the District shall maintain, such funds and/or accounts with respect to the Master Equipment Lease Agreements as may be required pursuant to the terms of any such Master Equipment Lease Agreement.

ARTICLE IV

AD HOC COMMITTEE

SECTION 4.01. Ad Hoc Committee. The Chairman of the Board, or in the event of a vacancy, the Acting Chairman of the Board, the Chairman of the Finance, Affordability, Asset Management, and Efficiency Committee of the Board (or if the Finance, Affordability, Asset Management, and Efficiency Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Finance, Affordability, Asset Management, and Efficiency Committee before such renaming, dissolution, or reorganization), or in the event of a vacancy, the Vice Chairman or Acting Chairman of the Finance, Affordability, Asset Management, and Efficiency Committee of the Board (or if the Finance, Affordability, Asset Management, and Efficiency Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Finance, Affordability, Asset Management, and Efficiency Committee before such renaming, dissolution, or reorganization), and the General Manager or his or her designee, or in the event of a vacancy, the Acting General Manager or his or her designee, acting jointly, are hereby constituted an ad hoc committee (the “Ad Hoc Committee”).

SECTION 4.02. Approval of each Master Equipment Lease Agreement and Lease. Subject to the limitations contained in Section 2.01 herein, the Ad Hoc Committee or its designee is authorized and directed to determine, establish and approve on behalf of the District the terms and conditions of, and the execution and delivery of, each Master Equipment Lease Agreement and Lease, including, without limitation, each of the following: The counterparty to such Master Equipment Lease Agreement and each Lease;

(b) The terms, conditions, form and substance of all provisions of such Master Equipment Lease Agreement and each Lease, and any Related Schedules and additional related documents, if any;

(c) The interest rates and/or the method of calculating the interest component of Rental Payments under such Master Equipment Lease Agreement and the Leases contained therein;

(d) The security and source of payment of the District's obligations under such Master Equipment Lease Agreement and/or Lease, as provided in Section 3.01; and

(e) The dates of and amounts in which Rental Payments become due and payable.

SECTION 4.03. Approval of Related Documents and Actions. The Ad Hoc Committee or its designee is authorized and directed to authorize and approve the execution and delivery of such other agreements, documents, certificates, and instruments, and the taking of any action and the payment of any fees and expenses, as the Ad Hoc Committee or its designee determines is reasonably necessary or advisable in carrying out the purposes of this Resolution.

SECTION 4.04. Approval of Ad Hoc Committee. The determination, establishment or approval by a majority of the members of the Ad Hoc Committee shall constitute the determination, establishment and approval of the Ad Hoc Committee pursuant to this Article IV.

SECTION 4.05. Further Action. The Board hereby determines that the Chairman of the Board, the General Manager, and Director of Finance of the District be and each of them is hereby authorized, empowered and directed to execute such other documents in addition to those enumerated herein and take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of this Resolution.

ARTICLE V

MISCELLANEOUS

SECTION 5.01. Severability of Invalid Provisions. If any one or more of the provisions contained in this Resolution shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Resolution and such invalidity, illegality or unenforceability shall not affect any other provision of this Resolution, and this Resolution shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have adopted this Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Resolution may be held illegal, invalid or unenforceable.

SECTION 5.02. Article and Section Headings and References; Interpretation. The headings or titles of the several Articles and Sections hereof shall be solely

for convenience of reference and shall not affect the meaning, construction or effect of this Resolution.

All references herein to “Article,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 5.03. Refunding of Rental Payments. The Board hereby determines that the refunding, refinancing, payment and/or satisfaction of the Rental Payments are authorized purposes (a) for the issuance of Senior Bonds under the Fourth Supplemental Resolution and the Nineteenth Supplemental Resolution and (b) for the issuance of Subordinate Bonds under the First Supplemental Subordinate Resolution. The Board hereby authorizes the District to issue Senior Bonds for such purposes under the terms and conditions of the Fourth Supplemental Resolution and Nineteenth Supplemental Resolution, as applicable, and to issue Subordinate Bonds for such purposes under the terms and conditions of the First Supplemental Subordinate Resolution.

SECTION 5.04. Governing Law. This Resolution shall be construed and governed in accordance with the laws of the State of California.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the affirmative votes of members representing more than 50 percent of the total number of votes of all members of the Board of Directors of The Metropolitan Water District of Southern California at its meeting held on May 13, 2025.

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

Director Requests

	Board Questions	Staff Response
1	Which 3 utilities were granted exemptions by CARB?	CARB does not disclose details about which agencies have received exemptions. As of December 2024, out of the 47 applications for exemptions, CARB has approved the following 7 applications: <ol style="list-style-type: none"> 1. Intermittent Snow Removal Vehicle Exemption: 1 2. Non-repairable Vehicle Exemption: 2 3. ZEV Purchase Exemption: 4
2	Does Metropolitan qualify for any of the available CARB exemptions?	Yes, the Advanced Clean Fleets regulations (ACF) for State and Local Governments include seven exemptions that permit the purchase of an Internal Combustion Engine (ICE) vehicle, provided all criteria are met. Aside from the Intermittent Snow Removal Vehicles Exemption, Metropolitan is eligible to apply for the following six ACF exemptions. <ol style="list-style-type: none"> 1. ZEV Purchase Exemption 2. Infrastructure Delay Exemption 3. Daily Usage Exemption 4. Backup Vehicle Exemption 5. Non-repairable Vehicle Exemption 6. Mutual Aid Assistance Exemption
3	Can staff organize a meeting between EOT committee and CARB, to discuss the transition for heavy duty vehicles?	Since January 2025, several significant events have prompted CARB to reassess their regulations. Notably, devastating wildfires in CA have impacted numerous communities and significant infrastructure. Additionally, the new federal administration has challenged CARB's authority to enforce stringent vehicle standards, including zero emissions mandates. There is also mounting pressure for California to temporarily suspend environmental regulations to facilitate quicker rebuilding efforts in areas affected by the wildfires. Despite these uncertainties, staff remains in close contact with CARB staff and will facilitate a discussion with the EOT committee once there is more clarity on next steps.
4	Can vehicles be leased to contain cost?	Yes. Fleet continues to evaluate the benefits of leasing and currently leases equipment for short-term solutions and special circumstances, such as for the Bay Delta Initiatives program. The district also contracts for the rental or lease of vehicles and equipment used for construction throughout our service territory.

	Board Questions	Staff Response
5	Does Metropolitan get any special pricing from dealers?	Yes. Fleet staff has taken advantage of dealer incentives, including government pricing, and one-time incentives for purchasing new Ford Lightnings.
6	Can Metropolitan partner with Cal-Fire to identify how they were exempt from Advanced Clean Fleets regulations/exemptions that they received?	California Vehicle Code Section 165 highlights a list of all agencies that are exempt from ACF regulations. Unlike Cal-Fire, Metropolitan and other water utilities are not on that list and, therefore, not exempt from the ACF regulations.
7	Can staff provide the cost of charging infrastructure and timeline for implementation?	The infrastructure cost is currently estimated at \$87.8 million. The current schedule duration indicates the completion of major construction in 2031.
8	What would be the percentage rate increase resulting in adoption of this regulation?	To date, Metropolitan staff has only estimated the rate impact of the financing component of this board action. At present, staff estimates the implementation of the Master Equipment Lease-Purchase Program will have a one-time rate impact of about 0.5% for calendar year 2027. Further staff analysis and review as it relates to the changing regulatory landscape and cost impacts will be provided at future board and committee meetings, as appropriate.
9	Does Metropolitan qualify for any grant funding from CARB?	The Centralized Grants Management Office actively tracks grant programs, including through CARB, and will pursue new opportunities as they arise. To date, Metropolitan has not received any funding from CARB. A summary of all programs is available on this site: https://ww2.arb.ca.gov/our-work/programs/truckstop-resources/incentives-funding-truckstop
10	Can staff work with CARB and legislature and push for exemptions for vehicles used in emergencies?	Staff wrote a letter to CARB requesting a delay in implementation of the ACF regulation and an exemption for emergency vehicles, and continues to work with the agency on establishing a feasible compliance timeline. Working with other water utilities and associations, staff also tracks ACF-focused legislation.
11	What are the terms of debt finance?	This financing approach is summarized in the current Board report and will be incorporated in the relevant documents to be approved subsequently by the designated Ad Hoc Committee.
12	Will the debt finance term be lower/higher than vehicle's useful life?	Tax-exempt vehicle financing through a master lease program, will require that the tax-exempt borrowing is subject to the requirement in IRS Code Section 147(b) that the weighted average maturity of the

	Board Questions	Staff Response
		issue cannot exceed 120% of the weighted average useful life of the bond-financed assets. A "clean" bond opinion from nationally recognized bond counsel will certify that we meet this requirement.
13	What is the impact of this program on budget?	There is no increase in fleet vehicle program's budgetary costs in the current biennium. Interest expense for financed vehicles will be paid from the approved budgeted vehicle OE budget. Future financing payments will be required for repayment beyond the current biennium.
14	Is the cost of a fire suppression system for chargers included in the projected infrastructure cost?	The fire suppression system cost is not included in the projected infrastructure cost. Cost of the fire suppression system will be evaluated during design of infrastructure buildout at Weymouth and Union Station. This cost is expected to be minimal compared to the overall program cost.
15	What kind of 5 light-duty vehicles are planned for purchase? Internal combustion engine (ICE) or Zero emission vehicles (ZEV)?	The 5 light-duty vehicles planned for purchase are one SUV and four pickup trucks. All 5 are Zero Emission Vehicles (ZEV)
16	Why are we buying 5 Zero Emission vehicles (ZEV) instead of 10 gas vehicles for the same price?	Staff must consider all alternatives to meet the current CARB regulations and Metropolitan's Climate Action Plan (CAP). In some situations, we are required to purchase ZEV vehicles to offset our ICE purchases and/or comply with CAP. The price of ZEVs will fluctuate with supply and demand, but has continued to come down in price in recent months. In addition, cost comparisons should include the total cost of ownership, not just the purchase price. ZEVs have lower maintenance and fueling costs, on average, than ICE vehicles.
17	What are other means of financing if payment term is greater than useful life?	Taxable debt financing could be used as an alternate financing tool if the payment term is structured beyond the constraints of tax-exempt financing. This, however, would increase the cost of borrowing significantly.
18	Can vehicles with limited annual use such as patrol vehicles or emergency vehicles, be rented/leased to contain cost?	Limited-use equipment, such as pool vehicles, is one area where the fleet has considered a lease program. However, based on our business requirements, the return on our initial investment has not proven to contain costs. We have determined that purchasing emergency equipment, such as a mobile command

	Board Questions	Staff Response
		unit, provides the best value for our operational requirements.
19	Will Metropolitan take advantage of federal tax credits before change in administration?	Staff is working with a Consultant to prepare our preliminary tax filing for eligible purchases for the energy credit incentives identified under the Inflation Reduction Act. A final tax filing will be submitted after the assets are in operation.
20	Has staff reached out to CARB and talked about exemptions and delays?	Staff has submitted clarification questions and comments to CARB's hotline, along with requests for exemptions and delays in our previous comment letters, the most recent being related to AB 1594. For individual inquiries regarding existing exemptions and extensions, CARB staff have responded via email to Metropolitan's request seeking clarification. For questions concerning a comprehensive exemption for public utilities from the ACF, CARB has addressed utilities collectively during their meetings and workshops.
21	What is Metropolitan's cost to finance this initiative in the bond market? 2% - 3%?	The financing cost is delineated in the board report as of April 10, 2025. Indicative pricing is subject to market conditions when funds are actually drawn down from the master equipment lease-purchase credit facility. Unlike Metropolitan's revenue bonds or current Revolver Credit Facility, this proposed financing mechanism does not have a commitment fee (a carry cost for any credit allocation not used).
22	Will Metropolitan apply for EPA Greenhouse Gas Reduction Fund (GGRF) money for vehicles and infrastructure?	In 2022, Congress passed the Inflation Reduction Act which allocated \$27B to the Greenhouse Gas Reduction Fund (GGRF). This fund is administered by the Environmental Protection Agency (EPA). Under this program, EPA is not providing financial assistance directly to projects; rather EPA is providing grants to each program's eligible recipients, and those recipients (and/or their subrecipients) are providing financial assistance to projects. In California, GGRF funds are tracked and managed by California Climate Investments. On a yearly basis, the Legislature distributes the money from the GGRF to programs administered by different State agencies. Any program that is paid for using money from the GGRF is a California Climate Investments program.
23	Will Metropolitan investigate solar and battery storage for emergency charging?	Yes, Metropolitan is currently installing battery energy storage with existing solar at three facilities and continues to look for additional opportunities to use renewables for electricity and charging.
24	What is the residual value of truck shown in the presentation, and what	As of this February, unit 4902 has an estimated value of \$40,000. Typically, we recover approximately

	Board Questions	Staff Response
	is a typical salvage cost for different vehicle classes?	20% of the original purchase price for salvaged on-road equipment.
25	At what Condition Index (CI) is the vehicle replaced? The higher the CI, the worse the condition?	Condition index (CI) for replacing a vehicle will fluctuate with each budget cycle in conjunction with the approved budget for operating equipment. A higher CI number indicates a worse condition.
26	What is the residual value of dump truck if we were to buy a new unit?	The residual value for heavy equipment is dependent on the market conditions and CARB regulations. We can recover approximately 15-20% of the original purchase price for salvaged heavy equipment.
27	Does Metropolitan dispose off or trade-in vehicles?	Staff evaluates the cost-benefit for trade-in versus salvaging equipment. For example, we used trade-in value to reduce our purchase price for our aircraft.
28	Does Metropolitan keep vehicles if residual value is minimal?	The decision to salvage equipment is based on a number of factors. On limited occasions, we have pulled equipment from salvage to meet an immediate operational need where safety and equipment reliability are not jeopardized.
29	We are managing a technological transformation in this situation driven by a legislative mandate. Can staff develop ideas/presentations at the full Board level, beyond ZEV, for other initiatives (including ZEV) on steps/measures that Metropolitan is willing to take to indebt the ratepayers with the technological movement?	Staff will organize a Board workshop that will assist the Board with navigating future technological transformation which may/may not be regulatory driven.