The Metropolitan Water District of Southern California

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.

Board of Directors - Final - Revised 3

June 10, 2025

1:00 PM

Tuesday, June 10, 2025 Meeting Schedule		
08:00 a.m. 10:30 a.m. 12:30 p.m. 01:00 p.m. 03:00 p.m.	LC Break BOD	

Agenda

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 <u>click here.</u>

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012 Teleconference Locations: Conference Room • 1545 Victory Boulevard • Glendale, CA 91201 Hotel Raphael, Room 308 • Largo Febo Piazza Navona • Rome, Italy City Hall • 303 W. Commonwealth Avenue, Chambers • Fullerton, CA 92832 Cedars-Sinai Imaging Medical Group • 8700 Beverly Boulevard, Suite M 313 • Los Angeles, CA 90048 3008 W. 82nd Place • Inglewood, CA 90305

1. Call to Order

- a. Invocation: Director Nancy Sutley, City of Los Angeles
- b. Pledge of Allegiance: Director Linda Ackerman, Municipal Water District of Orange County
- 2. Roll Call
- 3. Determination of a Quorum
- 4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code §54954.3(a))

5. OTHER MATTERS AND REPORTS

A.	Report on Directors' Events Attended at Metropolitan's Expense	<u>21-4581</u>
	Attachments: 06102025 BOD 5A Report Revised	
В.	Chair's Monthly Activity Report	<u>21-4582</u>
C.	General Manager's summary of activities	<u>21-4583</u>
	Attachments: 06102025 BOD 5C Report	
	Spotlight on Metropolitan Employee(s) Retiring with over 20 Years of Service	21-4684
D.	General Counsel's summary of activities	<u>21-4585</u>
	Attachments: 06102025 BOD 5D Report	
E.	General Auditor's summary of activities	<u>21-4586</u>
	Attachments: 06102025 BOD 5E Report	
F.	Ethics Officer's summary of activities	<u>21-4587</u>
	Attachments: 06102025 BOD 5F Report	
G.	Presentation of 5-year Service Pin to Director Ardy Kassakhian, City of Glendale	<u>21-4607</u>
Н.	Presentation of 10-year Service Pin to Director Stephen Faessel, City of Anaheim	<u>21-4608</u>
I.	Induction of new Director Raymond Jay from City of Torrance [ADDED SUBJECT 6/3/2025]	<u>21-4672</u>
	 (a) Receive credentials (b) Report on credentials by General Counsel (c) File credentials (d) Administer Oath of Office 	

(e) File Oath

Attachments: 06102025 BOD 5I Report

** CONSENT CALENDAR ITEMS -- ACTION **

6. CONSENT CALENDAR OTHER ITEMS - ACTION

A. Approval of the Minutes of the Board of Directors Meeting for May 21-4588
 13, 2025

Attachments: 06102025 BOD 6A (05122025) Minutes

- B. Approve Committee Assignments <u>21-4589</u>
- C. Approve Resolution confirming Director Jacque McMillan for the <u>21-4609</u> Association of California Water Agencies Region 8 Board Member

Attachments: 06102025 BOD 6C ACWA Resolution

D. Approve Commendatory Resolution for Director Russell Lefevre 21-4683 representing City of Torrance [ADDED SUBJECT 6/3/2025]

7. CONSENT CALENDAR ITEMS - ACTION

7-1 Approve General Auditor's Internal Audit Plan for fiscal year 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (Audit)

Attachments: 06102025 AUDIT 7-1 B-L [Revised Attachment] 06092025 AUDIT 7-1 Presentation

 7-2 Authorize \$1,500,000 increases to existing on-call agreements with Mangan Inc., and Burns & McDonnell Western Enterprises Inc., for new not-to-exceed amounts of \$3,750,000 to provide technical services to enhance arc flash protection at Metropolitan's facilities; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (EOT)

Attachments: 06102025 EOT 7-2 B-L 06092025 EOT 7-2 Presentation

7-3 Award an \$807,004 procurement contract to B&K Valves and Equipment Inc. for the replacement of globe valves at the Rio Hondo Pressure Control Structure; the General Manager has determined that the proposed action is categorically exempt or otherwise not subject to CEQA (EOT)

<u>Attachments</u>: 06102025 EOT 7-3 B-L 06092025 EOT 7-3 Presentation

21-4602

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 (FAAME)

Attachments: 06102025 FAAME 7-4 B-L 06102025 FAAME 7-4 Presentation

7-5 Adopt a resolution declaring three parcels of real property located in the County of Riverside as exempt surplus land under the Surplus Land Act and authorize their disposal under Metropolitan's surplus land disposal policies and procedures; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Properties located at 12000 West 14th Avenue in the City of Blythe, California and 3137 Wicklow Drive in the City of Riverside, California] (FAAME)

Attachments: 06102025 FAAME 7-5 B-L 06102025 FAAME 7-5 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 [REVISED SUBJECT on 6/4/2025] (FAAME)

Attachments: 06102025 FAAME 7-6 B-L 06102025 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 (FAAME)

Attachments: 06102025 FAAME 7-7 B-L 06102025 FAAME 7-7 Presentation

21-4606

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7-8 Authorize the amendment of an existing license agreement with Duke Realty Corporation to adjust the license fee and extend the term for up to twenty additional years, thereby allowing continued ingress and egress rights across Metropolitan's Colorado River Aqueduct right of way in Perris, California; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAAME)

Attachments: 06102025 FAAME 7-8 B-L 06102025 FAAME 7-8 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 [REVISED SUBJECT on 6/5/2025] (FAAME)

Attachments: 06102025 FAAME 7-9 B-L 06102025 FAAME 7-9 Presentation

7-10 Adopt a resolution declaring approximately 5,497 acres of Metropolitan-owned real property in the Sacramento-San Joaquin Delta, commonly known as Webb Tract, also identified as Contra Costa County Assessor Parcel Numbers: 026-070-001-8, 026-080-006-5, 026-080-009-9, 026-080-007-3, 026-080-008-1, 026-080-004-0, 026-008-005-7, 026-070-006-7, 026-070-013-3, 026-070-012-5, 026-070-011-7, 026-070-010-9, 026-060-019-2, 026-060-018-4, 026-060-008-5, 026-090-007-7, 026-060-003-6, 026-060-017-6, 026-060-016-8, 026-060-015-0. and 026-060-005-1 as exempt surplus land under the Surplus Land Act; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA (FAAME)

Attachments: 06102025 FAAME 7-10 B-L

** END OF CONSENT CALENDAR ITEMS **

8. OTHER BOARD ITEMS - ACTION

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8-1 Authorize a new agricultural lease agreement with Bouldin Farming 21-4601 Company for rice farming and related uses on portions of Metropolitan-owned real property in the Sacramento-San Joaquin Bay Delta known as Webb Tract; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with real property negotiators; properties totaling approximately 2,159 gross acres in the area commonly known as Webb Tract, also identified as Contra Costa County Assessor Parcel Numbers: 026-070-001-8, 026-080-006-5, 026-080-009-9, 026-080-007-3, 026-080-008-1, 026-080-004-0, 026-008-005-7; agency negotiators: Steven Johnson, Kevin Webb, and Kieran Callanan; negotiating parties; John Winther dba Bouldin Farming Company; under negotiation: price and terms; to be heard in closed session pursuant to Government Code Section 54956.8] (FAAME)

Attachments: 06102025 FAAME 8-1 Presentation Open Session

8-2 Report on litigation in Systems Integrated, LLC v. Metropolitan Water District of Southern California, Los Angeles County Superior Court Case No. 21STCV18292; authorize an increase in maximum amount payable under contract for legal services with Internet Law Center, Ltd. in the amount of \$250,000 for a total amount not to exceed \$500,000; and authorize an increase in maximum amount payable under contract for legal services with Kronenberger Rosenfeld, LLP in the amount of \$250,000 for a total amount not to exceed \$500,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [Conference with legal counsel–existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)] [REVISED SUBJECT on 6/3/2025] (LC)

9. BOARD INFORMATION ITEMS

9-1	Report on Conservation Program	<u>21-4605</u>
	Attachments: 06102025 BOD 9-1 Report	
9-2	Bay-Delta Management Report	<u>21-4610</u>
	Attachments: 06102025 BOD 9-2 Report	
9-3	Sustainability Resilience, and Innovation Report	<u>21-4611</u>
	Attachments: 06102025 BOD 9-3 Report	

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	9-4	Colorado River Management Report	<u>21-4612</u>
		Attachments: 06102025 BOD 9-4 Report	
	9-5	Overview of Potential Business Model Financial Refinements (FAAME)	<u>21-4661</u>
		Attachments: 06102025 FAAME 9-5 B-L	
		06102025 FAAME 9-5 Presentation	
	9-6	Office of Safety, Security, and Protection Monthly Activities Report	<u>21-4673</u>
		Attachments: 06102025 BOD 9-6 Report	

10. OTHER MATTERS

10-1 Update on labor negotiations. [Conference with Labor Negotiators; 21-4655 to be heard in closed session pursuant to Gov. Code 54957.6. Metropolitan representatives: Katano Kasaine, Assistant General Manager, Chief Financial Officer, Adam Benson, Finance Group Manager, Gifty J. Beets, Human Resources Section Manager and Mark Brower, Human Resources Group manager. Employee Organization(s): The Employees Association of The Metropolitan Water District of Southern California/AFSCME Local 1902; the Management and Professional Employees Associations MAPA/AFSCME Chapter 1001; the Supervisors Association; and the Association of Confidential Employees.]

Attachments: 06102025 BOD 10-1 Non-Interest Disclosure Notice

11. FOLLOW-UP ITEMS

NONE

- 12. FUTURE AGENDA ITEMS
- 13. ADJOURNMENT

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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.

June 10, 2025 Board Meeting

Revised Item 5A



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

Date(s)	Location	Meeting Hosted by:	Participating Director(s)
May 5-7	Washington, DC	Meetings with Federal Legislators	Juan Garza Ardy Kassakhian Jay Lewitt Adán Ortega
May 13-15	Monterey, CA	Association of California Water Agencies (ACWA) – 2025 Spring Conference & Expo	David De Jesus Jay Lewitt Adán Ortega Karl Seckel
May 19	Sacramento, CA	State Board Water Rights Hearing	Miguel Luna
May 21-22	Sacramento, CA	Delta Construction Authority Oversight Committee Meeting	Miguel Luna
May 22	Sacramento, CA	CA Water Association	Adán Ortega*
May 27-28	Sacramento, CA	Meetings with State Legislators	Brenda Dennstedt Anthony Fellow Jay Lewitt Miguel Luna Jacque McMillan Adán Ortega

*Added event for Chair Ortega on May 22.



General Manager's Monthly Report



Activities for the Month of May 2025



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Message from the General Manager

For 15 years the San Diego County Water Authority (SDCWA) and Metropolitan have been in litigation regarding the price paid for an exchange of supplies. On June 2, after many months of concentrated negotiations, SDCWA and Metropolitan have reached a settlement agreement that ends this dispute.

Part of the settlement is the acceptance of past judgements and the dismissal of all appeals. It also provides more fixed revenues for Metropolitan – establishing a fixed unit price for the exchange and a fixed minimum payment by San Diego. Together, these elements result in more predicable revenues and budgeting for Metropolitan.

Importantly, the agreement also creates a possible new supply opportunity for other Southern California communities. SDCWA can now offer exchange water to Metropolitan member agencies or can sell conserved water to Metropolitan at Lake Havasu. This approach offers increased flexibility that will benefit the entire region, while maintaining the primacy of supply reliability for the Metropolitan service area. It also offers a new revenue opportunity for SDCWA.

Beyond the details, the agreement signed this week allows our agencies to move into a new era of cooperation, to chart a shared vision for the future.

I'm grateful that both parties were able to prioritize the needs of the region to craft this mutually beneficial deal. I'm particularly appreciative of the Metropolitan Legal Department, who never wavered in their commitment to protect the interests of the District.

The agreement is a reminder that the Metropolitan family can and must stick together, no matter how challenging the issue or how deeply our positions may be engrained. We were able to overcome years of conflict because all parties prioritized the big-picture view, one that sees possibilities for the future, and one that recognizes our fundamental, shared interest in the integrity of the region's water supply.

This important agreement puts conflict behind us, and today we can begin creating the future, together. Through dialogue, negotiation, and mutual understanding, we have found a common path forward. And we will all be better off for it.





Deven Upadhyay General Manager

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The General Manager's Strategic Priorities guide actions in key areas of change and opportunity that will strengthen Metropolitan and its ability to fulfill its mission. Review the General Manager's <u>Business Plan for FY24-25</u> and the <u>"SMART Tracker"</u> dashboard of specific actions that advance the Strategic Priorities.



Empower the workforce and promote diversity, equity, and inclusion



Goal Dashboard

6 Outcomes in progress and on target. 2 Outcomes completed.

Build a safe, inclusive, and accountable workplace where all employees feel valued, respected, and able to meaningfully contribute to decisions about their work to fulfill Metropolitan's Mission.

This month, the EEO Office conducted an EEO Investigations 101 training. This interactive and informative training provided employees with an overview of the EEO Office and its mission and guiding principles, the complaint intake process, and investigative guidelines for conducting EEO investigations. The goal of this training series is to ensure that Metropolitan employees know how to file an EEO complaint, have a better understanding of the complaint process and their rights and responsibilities in the workplace, and to help build a positive rapport with the EEO Office. The training was at maximum capacity and individuals shared that the training was useful and informative.



Two EEO on-site "Office Hours" for desert employees and two "EEO Investigations 101" trainings have been conducted this fiscal year

The Civil and Inclusive Workplace Trainings continue, for both

existing and new employees. We are scheduling make up sessions for employees and managers who were unable to attend trainings due to work conflicts (like pipeline shutdowns, CIP maintenance projects, etc.), under a new maintenance agreement with ELI. Staff are also developing an ongoing strategy to ensure the training and principles for a civil and inclusive workplace are incorporated into onboarding for new employees and is practiced and reinforced in the day-to-day operations of the District.

General Manager's Monthly Report

Prepare and support the workforce by expanding training and skill development and updating strategies to recruit and retain diverse talent, to meet the evolving needs and expectations of the workplace.

A monthly recruitment status report continues to be shared with Group Managers that lists all approved positions, vacant positions, the status of the recruitment, and overlays any temporary staffing currently working in their group. Staff now tracks how long vacancies have been vacant and will be following up with managers to determine the plan for those vacancies.

The Member Agency Workforce Development Working Group has met every two weeks to develop a curated list of topics and panelists for Metropolitan's first inaugural regional Workforce Development Summit, held on May 1, 2025. The successful summit was entitled "Developing the Workforce of the Future Together." Nearly 100 attendees from member agencies, community organizations, educational institutions, Native Nations, and other community, agency and resource partners came together at Union Station for an engaging day of discussions and connection. Derek Kirk from the Governor's Office of Business and Economic Development was the featured Keynote speaker. The working group will continue to meet on a quarterly basis and will be exploring a number of initiatives



Nearly 100 people attended our first Workforce Development Summit on May 1, 2025

designed to support and advance regional, industry and agency workforce development efforts.

In May, Metropolitan launched an innovative, customizable and cloud-based mobile application focused on workforce development engagement, data collection, communication and tracking. The app will serve as a regional one-stop-shop to support and advance water industry efforts to expand access, increase awareness and engage with the communities we serve to connect them to water industry job opportunities. The application includes an opt-in database to build and maintain a roster of interested job seekers and applicants, as well as providing links for job opportunities for all of the Metropolitan member agencies and other local partners, like the Los Angeles County Sanitation Districts, a partner on PureWater Southern California.

Metropolitan is offering online information sessions from three education partners (University of La Verne, CSU Northridge, and UAGC) in June (for a Fall session start) to staff interested in CPA cohort program.



Sustain Metropolitan's mission with a strengthened business model



Goal Dashboard

4 Outcomes on target. 1 Outcome completed. 1 Outcome behind schedule.

Metropolitan and San Diego County Water Authority (SDCWA) have resolved a legal dispute over rates and the price term of an exchange agreement between the agencies. Litigation had been ongoing for a decade and a half. The settlement dismisses all pending appeals, maintaining earlier judicial decisions. It includes provisions to reduce the potential for future litigation, improve certainty in budgeting, and increase flexibility in efficiently managing water supplies.

It provides a fixed revenue stream for Metropolitan and also creates potential new opportunities for other communities to access water that would have previously been delivered to San Diego. That kind of increased flexibility will benefit the entire region.



Metropolitan and SDCWA reached agreement that ends 15 years of litigation and sets the stage for further exchanges within the region

This result is a product of close collaboration among many in the District, led by a partnership between the Office of the General Manager and the Legal Department.

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Adapt to changing climate and water resources



Goal Dashboard

10 Outcomes in process. 1 Outcome behind schedule.

Provide each member agency access to an equivalent level of water supply reliability.

Projects to enhance long-term water supply reliability for the State Water Project dependent areas are making significant progress:

- Sepulveda Pump Stations: Completed Guaranteed Maximum Price (GMP) cost analyses by independent cost estimator and established a three-GMP approach based on the separation of work packages into Venice Pump Station, Sepulveda Slope Stabilization and Sepulveda Pump Station.
- Wadsworth Pump Plan Bypass: The contractor is currently performing architectural finishes on the valve vault. Construction is 95 percent complete and is scheduled to be complete in July 2025.
- Inland Feeder Badlands Tunnels Surge Protection: The contractor is currently installing grating at the valve vault and extending power to the vault. Construction is approximately 85 percent complete and is scheduled to be complete in August 2025.
- Surface Water Storage Study: Staff provided the board an update on findings of Phase 2 of the study. It is 95 percent complete with a shortlist of potential sites identified and an articulated set of proposed evaluation criteria. The Phase 2 study is anticipated to complete as soon as June 2025.

Advance the long-term reliability and resilience of the region's water sources through a One Water approach that recognizes the interconnected nature of imported and local supplies, meets both community and ecosystem needs and adapts to a climate change.

Metropolitan, in collaboration with UC Davis, initiated the first test of the Pond Harvest Study, to evaluate methods to harvest live fish. The Pond Harvest Study is part of the Delta Smelt Impoundment Studies that will be used to inform state and federal agencies on how to culture Delta smelt more efficiently to meet permit obligations to produce over 350,000 fish by 2030.

General Manager's Monthly Report

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At a Special Board Meeting in May, the Delta Conveyance Design and Construction Authority Board expressed strong support for Governor Gavin Newsom's proposal to fast-track the Delta Conveyance Project. The Governor's May Revise includes trailer bill proposals designed to simplify permitting, confirm funding authority, streamline legal processes, and support timely construction. These measures aim to reduce project delays, cut costs, and accelerate the delivery of upgraded infrastructure capable of withstanding climate change, seismic threats, and

increasing water demands. Metropolitan has actively supported the Governor's efforts and promoted opportunities for member agencies to engage in related legislative proceedings.

The Draft Environmental Impact Report for Pure Water Southern California was released on May 14, an important project milestone that we are meeting in partnership with Los Angeles County Sanitation Districts. The first of two virtual public meetings was held; the second is June 12. An in-person public meeting along with an optional tour is offered June 14, and the public comment period closes on July 14. Outreach materials are in English and Spanish, and staff is active at community events to promote the public input opportunity.



The Draft EIR for Pure Water Southern California was released, with a 60day period for receiving public comment

This month, we also convened the Regional Water Reuse Collaborative for further discussion among agencies interested in coordinating around plans for Pure Water Southern California and Pure Water Los Angeles. Three agencies newly signed on to the Collaborative's Statement of Intent (Main San Gabriel Valley Watermaster, Upper District and Three Valleys) presented on issues of the San Gabriel Valley Basin, followed by project updates from LADWP and Metropolitan.

A lease agreement for rice farming on Webb Tract will be presented at the June Board meeting. Subject to Board approval, the lease will allow a farmer to convert approximately 1,400 acres of existing agricultural land on Webb Tract to rice over three years. The field conversion is supported by a grant from the Sacramento-San Joaquin Delta Conservancy that provides up to \$3,000 per acre to support land leveling in preparation for planting rice. The rice will stop the ongoing oxidation of peat soils on the island halting subsidence and providing an opportunity to develop carbon credits from the reduction in carbon emissions. There are currently two eddy covariance stations on the islands measuring current background greenhouse gas emissions. The data will be used to compare emissions before and after rice conversion and will be used to validate the carbon credits generated from the project.

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(continued)

The 2025 One Water Awards event took place on May 21 and was a successful celebration of innovation and leadership in the water industry. The program featured a well-received keynote address and meaningful recognition of this year's four honorees by our board directors. Feedback from attendees was overwhelmingly positive. Case studies highlighting each honoree's achievements were developed and displayed at the event and will also be made available on One Water Awards website alongside those of previous honorees. Evergreen materials developed for the event will continue to support broad outreach and engagement with customers in the CII sector.



Four honorees are further examples of successful conservation action, encouraging others to join in saving water

In other activities to promote water use efficiency, Metropolitan convened the May meeting of the regular series of Water Use Efficiency coordinator meetings, sharing information and best practices for conservation programs and communications. Staff have submitted a request to modify the DWR grant to expand CII activities.

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



Goal Dashboard

8 Outcomes on target. 1 Outcome completed.

Proactively identify, assess, and reduce potential vulnerabilities to Metropolitan's system, operations, and infrastructure.

Over this reporting period the self-assessment portion of updating the Strategic Asset Management Plan (SAMP) was completed with broad input from across the organization, including executive management. These consultant-facilitated workshops help staff gauge the District's asset management maturity and practices. A draft report is being finalized and work on updating the SAMP will continue with a focus on comparing ourselves to other world class organizations and recognizing areas of improvement.

General Manager's Monthly Report

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To expand our in-house ability to monitor emerging contaminants, a liquid chromatography tandem mass spectrometer for PFAS analysis was installed, and staff are performing initial demonstration of capability testing as required by regulations. A preliminary monitoring plan was developed that includes source and finished water at each treatment plant.

It is anticipated that state-mandated microplastics monitoring will be scheduled in quarter 3 of 2025. Method development is continuing, but as experienced by other groups working on microplastics, the method is challenged by contamination. Staff are developing a collaborative research proposal for submission to the Water Research Foundation aimed at improving and standardizing detection methods.



Preliminary design of the Water Quality Laboratory seismic retrofit and upgrade is complete and approved by the Board

Water Quality's annual member agency nitrification workshop is planned for June 26.

Apply innovation, technology, and sustainable practices across project lifecycles.

A District-wide "Lunch & Learn" event will be hosted remotely on June 11, to discuss the forthcoming Sustainable Procurement Policy and Sustainable Procurement Guidebook, helping prepare staff to make the most of new methods developed to support more sustainable product choices during procurement.

The Innovation Program convened its latest monthly Met Data Group meeting focused on the ongoing enterprise data analytics initiative and including participation from Audit, Finance, WRM, SRI, and IT.

Several ad hoc working groups have started to refine the initial suggestions from the Process Matters initiative to identify quickly implementable efficiency improvements. and develop improved protocols for management's review and approval. The Innovation Program hosted a workshop in May featuring world class expertise on the emerging science of protocols and a facilitated in-person exercise to improve the District's meeting protocols.

Partner with interested parties and the communities we serve



Goal Dashboard

4 Outcomes on target. 2 Outcomes completed.

Reach disadvantaged communities and non-traditional interested parties to better understand their needs and ensure their inclusion in decision making.

Staff continue to build relationships and expand engagement with Native Nations, in the local service area as well as in the desert region. In May, Metropolitan participated in the Colorado River Indian Tribes (CRIT) Education Network quarterly meeting and introduced both the Mojave and Palo Verde Community College administrators to the CRIT to present on their welding programs. Metropolitan also introduced the newly launched Workforce Development mobile app to the attendees.

MWD hosted the second installment of the innovative and successful Bench series with two new partners, CDM Smith and McCarthy Builders. Staff from the primes included business development managers and project leads responsible for the water business sector. A total of 18 small, diverse companies were selected to participate. During the workshop one-on-one interviews were conducted to gain knowledge on the firms' capabilities to determine which ones would be selected to be part of an ongoing mentor protege program.

After a brief hiatus to assess impacts of the executive orders on the work of the Equity in Infrastructure Program (EIP), which was established nationwide to improve public contracting practices and increase opportunities for Historically Underutilized Businesses, the California Partners are starting to re-engage. Metropolitan remains active as a leader in the initiative, and staff will continue to provide relevant updates on the EIP and the California Partners activities.

Executive Summary

This executive summary is added to this report to provide a high-level snapshot of key accomplishments from each area of the organization.

Bay-Delta Resources

A request for proposals was released for farming operations on Bacon Island. A site walk on Bacon Island with interested parties was conducted on April 10. Water meter installations on Bouldin Island and Webb Tract to comply with SB 88 were completed in early April.

Chief Financial Officer

In May, the Finance, Affordability, Asset Management, and Efficiency Committee acted to adopt a resolution to continue Metropolitan's Water Standby Charge for fiscal year 2025/26. In addition, information reports were provided on Metropolitan's third Quarter financial projections for Fiscal Year 2024/25 and on potential drivers of the next biennium budget.

Colorado River Resources

In May, Reclamation issued its annual Water Accounting Report, which documents water transfers and conservation activity in the Lower Basin States. That report highlights the effort Metropolitan and its agriculture partners have made to add water to Lake Mead last year. In 2024 alone, California contractors left about half a million acre-feet of conserved water in Lake Mead, adding the equivalent of 7 feet of water to the reservoir. Arizona and Nevada also contributed to leaving system water in the Colorado River.

Diversity, Equity & Inclusion

Staff participated in the United Contractors Public Works Summit, an event for public works contractors across the state to learn about the region's construction opportunities and engage with top agencies and industry leaders. Metropolitan's Engineering Section Manager, John Shamma, was a panelist and presented on the subject of Infrastructure Resiliency: The Power to Overcome Challenges. Staff also continued their effective outreach and participation in several community and industry events and held the second installment of The Bench workshop series focused on building capacity for small firms through a mentor/protégé arrangement with large firms.

Engineering Services

To maintain reliability of the Colorado River Aqueduct (CRA) system, Engineering Services obtained board authorization this month to award a \$131 million procurement contract for 35 high-voltage transformers that provide power to all five CRA pumping plants. The new transformers will replace the existing original units that have exceeded their design service life. Future board action for contract award will be required to install these transformers. In addition, the upgrade of Gene Transformer Bank Protection Relays project, which was constructed by Metropolitan Forces, was completed in May. The advancement of these CIP projects demonstrates Metropolitan's commitment to reduce the reliability risk associated with aging CRA electrical infrastructure.

Equal Employment Opportunity Office

The EEO Office released the second issue of the *Civil Writes* newsletter. This publication is designed to inform Metropolitan employees about key EEO-related topics. In this issue, the newsletter covers important subjects including the impact of the the President's Executive Order on Metropolitan's affirmative action program and insights into how credibility is assessed during EEO investigations. The *Civil Writes* newsletter is part of the EEO Office's broader effort to promote transparency, awareness, and education around equal employment practices within the organization.

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Executive Summary

External Affairs

Metropolitan organized advocacy days for the Board to meet with lawmakers in Washington, DC, and Sacramento to discuss Metropolitan's policy and funding priorities. Chair Ortega, Vice Chair Garza, Legislation and Communications Committee Chair Lewitt, committee Vice Chair Kassakhian, and GM Upadhyay met with members of California's federal delegation on May 6–7. Chair Ortega, Committee Chair Lewitt, Vice Chair Fellow, committee members Dennstedt and Luna, and Director McMillan met with members of Southern California's state legislative delegation and budget leadership on May 28. Metropolitan coordinated with the State Water Contractors and member agencies to support Governor Newsom's proposal for a Delta Conveyance Project streamlining legislative package to be included in a budget trailer bill. Metropolitan's directors and government affairs staff are contacting legislative representatives and their district offices along with business, labor, and nonprofit organizations to ask for their support.

Human Resources

The Business Support Team planned, organized, and coordinated a "The Keys to Preventing Diabetes" wellness webinar. The live webcast was held May 21, 2025, and hosted by Kaiser Permanente. The webinar provided employees with the five keys to preventing diabetes: eating healthy, getting active, quitting tobacco, managing stress, and sleeping well. Employees were invited to create a realistic action plan to take positive steps towards taking control of their health.

Information Technology

As part of our ongoing commitment to maintaining secure and reliable infrastructure, IT recently performed certificate updates on our VOIP telephone servers. This proactive step was necessary to maintain compliance with industry standards, protect the integrity of data transmitted between our systems, and ensure uninterrupted telephone service for all of Metropolitan users.

Operations Groups

The Operations Groups hosted a two-day field inspection trip for executive management from both Metropolitan and California Department of Water Resources (DWR). The field inspection trip included presentations and tours of several key facilities: Michael J. McGuire Water Quality Laboratory, F.E. Weymouth Water Treatment Plant, La Verne Shops, Gene facilities, Whitsett Intake Pumping Plant, and Copper Basin Reservoir. The trip provided DWR leadership with a first-hand look at Metropolitan's water infrastructure and an opportunity to engage in collaborative discussions on water supply, water management, and water quality—further strengthening the partnership between our two agencies.

Safety, Security and Protection

Metropolitan is strengthening its security and emergency response capabilities through key investments and strategic initiatives. A new 5-year guard services contract (2025–2030) is being negotiated to maintain core coverage while expanding capabilities. To modernize emergency communications, Metropolitan acquired the Everbridge Mass Notification and Incident Management System, replacing outdated infrastructure with a data-driven platform that enables real-time alerts, situational awareness, and coordinated response across all stakeholders.

Staff continued training and exercising Metropolitan's emergency response staff at various sites. The Emergency Management Team met with officials from the Orange County Fire Authority and Los Angeles County Disaster Management Area D to coordinate our response to future emergencies and completed the annual update of the Palos Verdes Dam Emergency Action Plan (EAP) and submitted it to the California Office of Emergency Services as required. The Safety Team posted three new safety talks and facilitated a Cal/OSHA Inspection. Apprenticeship completed physical abilities testing for recruiting Desert Region apprentices.

Executive Summary

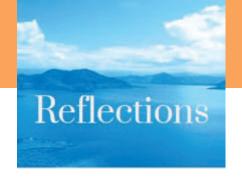
Sustainability, Resiliency and Innovation

Environmental Planning Section staff completed preparation of the draft Environmental Impact Report (EIR) for the Pure Water Southern California program and released the document for public review, which will extend from May 14 to July 14, 2025. SRI kicked off implementation efforts for CAMP4W through providing a primer on the Climate Decision-Making Framework for staff throughout the district and kicking off the assessments of three major projects. Staff presented the third Annual Climate Action Plan Report at the One Water Committee, and the team hosted the first internal Climate Vulnerability Summit to take a comprehensive look at climate risks with staff throughout the agency.

The Innovation team has been working closely with External Affairs and Audit on the Process Matters initiative, an organization-wide effort for employees to share their ideas to improve the efficiency and effectiveness of Metropolitan's processes. Over 165 ideas from across the organization have been received to improve our processes. In addition, Innovation hosted a technology trade delegation from London on May 19, including executives from emerging companies. This workshop featured novel solutions that could support regulatory compliance and CAMP4W implementation.

Water Resource Management

WRM staff extended collaborative planning efforts with member and other public agencies through its participation in the annual WUCA Spring Meeting and the kickoff workshop for the 2025 Urban Water Management Plan. On the State Water Project (SWP), staff has received and is reviewing DWR's report on subsidence and attended a week-long Value Planning workshop hosted by DWR. On the Colorado River, staff reviewed the 2024 Water Accounting Report and provided expert presentation on the Colorado River to Metropolitan's Employee CRA Inspection Trip. The Inspection Trip was also attended by several WRM staff, enhancing their exposure and knowledge of the Colorado River Aqueduct and facilities.





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PROGRAM DESCRIPTION

For the past four decades, Metropolitan has delivered conservation programs aimed at empowering consumers to use water more efficiently. Metropolitan works to drive innovation, evolve markets and influence consumer decision-making using direct rebates, outreach and education, new technology support, and development of strategic alliances. Together, these efforts have brought positive lasting change and led to measurable reductions in water use, ensuring that every gallon saved today strengthens our region's water future. They are made possible through the hard work and dedication of Water Resource Management's Water Efficiency Team.

IMPORTANCE TO METROPOLITAN

Conservation remains a cornerstone of Metropolitan's strategy for water supply reliability by mitigating the impact of drought, enhancing storage reserves, and providing flexibility in times of uncertainty. To sustain these benefits, Metropolitan supports a suite of initiatives—from financial incentives to strategic outreach, public education, and marketing campaigns. However, the heart of conservation lies in collaboration. Metropolitan's success depends on strong partnerships with our member agencies, diverse communities, schools, business leaders, and elected officials—all working together to advance our shared commitment to be water wise.

MEMORABLE MOMENT

In May, External Affairs and Water Resource Management cohosted the third annual One Water Awards at Union Station Headquarters, spotlighting outstanding commercial, industrial, and institutional water-saving projects across our service area. This year's honorees included Eastern Municipal Water District, Vallecitos Water District, the Housing Authority of the City of Los Angeles, and the Hollywood American Legion.

"For years we've wanted a vehicle to recognize and promote good water-efficiency projects by entities that value sustainability and good stewardship of resources." Gary Tilkian, Senior Resource Specialist also went on to say, "The One Water Awards not only recognizes efforts to become more water efficient, but it also recognizes community, responsibility, collaboration, ingenuity, and awareness. In the commercial sector, the bottom line is key, but if we can show how to achieve the bottom line in a better, more sustainable way, we make that choice easier and more attractive for others."

Water Supply Conditions Report

Water Year 2024-2025

As of 05/31/2025

Extended Report: https://www.mwdh2o.com/WSCR

Colorado River State Water Project Resources Resources Projected CRA Diversions SWP Allocation 50% Table A: 955,750 acre-feet 994,000 acre-feet WY 88% 8-Station Index (% of normal) 107% Northern (% of normal) Sierra 100% UT 5-Station Index Upper Oroville Colorado Central 68% 3.42 MAF (% of normal) River Sierra **Basin** C0 Southern Sierra NM 64% ΑZ Project San Luis Total: 1.30 MAF SWP: 0.67 MAF 31% 32% 97% 89% Mead Powell 8.20 MAF 7.71 MAF Castaic 1,057.02 ft Perris 3,558.98 ft

06/10/2025

311 TAF

General Manager's Monthly Report

118 TAF

Reservoir Report

End of Month Reservoir Report

Monthly Update as of:

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5/31/2025

Reservoir	Current Storage	Percent of Capacity	
Colorado River Basin			
Lake Powell	7,714,663	32%	
Lake Mead	8,193,000	32%	
DWR			
Lake Oroville	3,418,089	99%	
San Luis CDWR	669,974	63%	A MELLER
Castaic Lake	310,276	96%	
Silverwood Lake	72,274	96%	
Lake Perris	118,223	90%	
MWD			
DVL	779,798	96%	
Lake Mathews	145,643	80%	
Lake Skinner	37,425	85%	

Hoover Dam



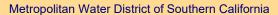


Metropolitan's Mission is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

700 N. Alameda Street, Los Angeles, CA 90012 General Information (213) 217-6000 www.mwdh2o.com www.bewaterwise.com

General Manager: Deven Upadhyay Office of the GM (213) 217-6139 OfficeoftheGeneralManager@mwdh2o.com

General Manager's Monthly Report





Office of the General Counsel



Metropolitan Cases

AFSCME Local 1902 v. Metropolitan, Case No. 1772-M (Unfair Practice Charge filed with PERB)

On April 25, 2025, Local 1902 filed a PERB charge alleging that Metropolitan implemented release time practices without bargaining and in contravention of established practices. Metropolitan disputes the charge and will file a position statement with PERB seeking a dismissal of the charge. The Legal Department has retained the Renne Public Law Group to represent Metropolitan.

AFSCME Local 1902 v. Metropolitan, Case No. 1774-M (Unfair Practice Charge filed with PERB)

On May 2, 2025, Local 1902 filed a PERB charge alleging that Metropolitan management spoke to a member without a union representative present. Metropolitan disputes the charge and will file a position statement with PERB seeking a dismissal of the charge. The Legal Department has retained the Renne Public Law Group to represent Metropolitan.

AFSCME Local 1902 v. Metropolitan, Case No. 1775-M (Unfair Practice Charge filed with PERB)

On May 6, 2025, Local 1902 filed a PERB charge alleging that Metropolitan unilaterally implemented a standby requirement in connection with an Engineering recruitment. Metropolitan disputes the charge and will file a position statement with PERB seeking a dismissal of the charge. The Legal Department has retained the Renne Public Law Group to represent Metropolitan.

Supervisors Association v. Metropolitan, Case No. 1776-M (Unfair Practice Charge filed with PERB)

On May 9, 2025, the Supervisors Association filed a PERB charge alleging that Metropolitan improperly denied an appeal in connection with a disciplinary matter. Metropolitan disputes the charge and will file a position statement with PERB seeking a dismissal of the charge. The Legal Department has retained the Renne Public Law Group to represent Metropolitan.

Other Matters

Metropolitan and Bank of America, N.A. executed a Standby Bond Purchase Agreement, dated May 20, 2025, to provide liquidity support for Metropolitan's Variable Rate Water Revenue Refunding Bonds 2021 Series A. Legal

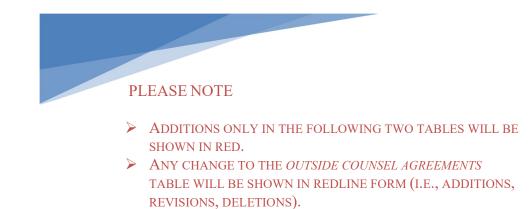
Department staff attorneys worked with Finance staff, bank counsel, and outside bond counsel to negotiate and deliver the agreement.



Matters Received

<u>Category</u>	Received	<u>Description</u>	
Action in which MWD is a party	1	Complaint for Damages for: (1) Gender Discrimination; (2) Race/National Origin Discrimination; (3) Disability Discrimination; (4) Harassment (Hostile Work Environment); (5) Retaliation; (6) Failure to Prevent Discrimination, Harassment and Retaliation; and (7) Retaliation, filed in Los Angeles County Superior Court, in the case Dannelle-Mimi Phan v. MWD, Case No. 25STCV13693	
Subpoenas	1	Workers' Compensation s wage/payroll, medical, and	ubpoena for employee's personnel, d claims records
Requests Pursuant to the Public Records Act	13	<u>Requestor</u>	Documents Requested
		Allied Universal	Contract, purchase orders, and bill rates for MWD's current guard services
		Balfour Beatty, Inc.	Proposals submitted in response to the Request for Qualifications for the Progressive Design-Build Services for the Sepulveda Feeder Pump Stations Project
		CCS Global Tech	Name of awarded vendor, hourly rate, number of hours, purchase order for On- Call Information Technology Services
		CSC Auto Salvage & Dismantling	Contracts, purchase orders, invoices, payment records, internal policies, requests for proposal/bids for scrap metal recycling or asset disposal since 2020
		Elkins Kalt Weintraub Reuben Gartside LLP	Records relating to the potential sites for the Santa Fe Pump Station for Pure Water Southern California, including any potential acquisition of any such site
		Infojini Consulting	Technical and cost proposals, bid tabulations, yearly spend, and expiration date of the contract for Temp Labor Staffing Professional/Administrative
		Karen E. Johnson (Consultant for Irvine Ranch Water District)	Colorado River Watershed Sanitary Survey (2022 Update)
		Paul Redvers Brown Inc.	Photographs of MWD boardroom during the time that Joseph Jensen, Carl Boronkay, and John Wodraska were MWD General Managers

Office of the General Counse Monthly Activity Report – Ma		Page 3 of 20
Requests Pursuant to the Public Records Act	<u>Requestor</u>	Documents Requested
	Private Citizens (3 requests)	(1) Task orders issued under Blanket No. 221659 for As-Needed Encampment Abatement & General Clean-up Services for San Diego County Sites; (2) all requests for proposals for any programs falling under the purview of the Benefits/Medical/Workers Comp Section of the Human Resources Group; and (3) records relating to the DMR Motorola ConnectPlus (TRBO) radio communications system, including list of Talkgroup IDs and description of talkgroup's usage
	SmartProcure	Purchase order data including purchase order number, purchase order date, line item details, line item quantity, line item price, vendor information from February 7, 2025 to current
	Tryfacta	Technical and cost proposals of awarded vendors and amount spent under the contract to-date for Cybersecurity Operation Center (CSOC) Support Services





1

Bay-Delta and SWP Litigation		
Subject	Status	
Delta Conveyance Project CEQA Cases Tulare Lake Basin Water Storage District v. California Department of Water Resources (case name for the consolidated cases) City of Stockton v. California Department of Water Resources County of Butte v. California Department of Water Resources County of Sacramento v. California Department of Water Resources County of Sacramento v. California Department of Water Resources County of San Joaquin et al. v. California Department of Water Resources Sacramento Area Sewer District v. California Department of Water Resources San Francisco Baykeeper, et al. v. California Department of Water Resources Sierra Club, et al. v. California Department of Water Resources South Delta Water Agency and Rudy Mussi Investment L.P. v. California Department of Water Resources Sacramento County Superior Ct. (Judge Acquisto) 3d District Court of Appeal Case No. C101878	 DWR is the only named respondent/defendant All alleged CEQA violations Most allege violations of the Delta Reform Act, Public Trust Doctrine and Delta and Watershed Protection Acts Two allege violations of the fully protected bird statute One alleges violations of Proposition 9 (1982) and the Central Valley Project Act Deadline for DWR to prepare the administrative record extended to Jan. 31, 2025 June 20, 2024 trial court issued a preliminary injunction halting pre-construction geotechnical soil testing until DWR certifies that the DCP is consistent with the Delta Plan Aug. 19, 2024 DWR appealed the injunction Oct. 24, 2024 cases ordered consolidated for all purposes under <i>Tulare Lake Basin Water</i> <i>Storage District v. California Department of</i> <i>Water Resources</i> Feb. 6, 2025 DWR filed its opening brief on appeal of the preliminary injunction halting preconstruction geotechnical work. April 9, 2025, trial court denied DWR's motion for stay of enforcement of injunction to allow the DCA to resume preconstruction geotechnical work May 14, 2025 DWR's appeal of the preliminary injunction fully briefed and awaiting oral argument date Aug. 8, 2025 next case management 	
Delta Conveyance Project Water Right Permit	 Aug. 6, 2025 next case management conference Complaint filed April 16, 2024, alleges that the 	
Litigation Central Delta Water Agency et al. v. State Water Resources Control Board Fresno County Superior Court (Judge Maria Diaz)	 State Water Board must rule on DWR's 2009 petition to extend the time to perfect its State Water Project rights before the State Water Board may begin to adjudicate DWR's petition to change its water rights to add new points of diversion for the Delta Conveyance Project May 1, 2025 deadline for plaintiffs to file a First Amended Complaint, which plaintiffs missed June 4, 2025, hearing on State Water Contractors' motion to intervene and motion 	



Office of the General Counsel Monthly Activity Report – May 2025

Subject	Status
	 for protective order to limit the DCP change in point of diversion hearing to the change and not the extension of time for the State Water Project water rights August 27, 2025 Case Management Conference
Consolidated DCP Revenue Bond Validation Action and CEQA Case Sierra Club, et al. v. California Department of Water Resources (CEQA, designated as lead case) DWR v. All Persons Interested (Validation) Sacramento County Superior Ct. (Judge Kenneth C. Mennemeier) 3d District Court of Appeal Case No. C100552	 Validation Action Final Judgment and Final Statement of Decision issued January 16, 2024 ruling the bonds are not valid DWR, Metropolitan and other supporting public water agencies filed Notices of Appeal on or before the February 16, 2024 deadline Eight opposing groups filed Notices of Cross Appeals by March 27, 2024 April 16, 2024 DWR moved to dismiss the cross appeals as untimely October 4, 2024 DWR's and Supporting SWP Contractors' Joint Opening Brief and Appellants' Appendix filed October 15, 2024 DWR's and Supporting SWP Contractors' joint motion for calendar preference was granted; the appeal will be accorded priority pursuant to statutory provisions, which should accelerate oral argument and the court's decision once briefing is completed in about March 2025 Respondents' and Cross Appellants' briefs filed Dec. 31, 2024 and Jan. 2, 2025 DWR's and Supporting SWP Contractors' filed reply to Howard Jarvis Taxpayers Association's opposition brief Feb. 11, 2025 DWR's and Supporting SWP Contractors' filed reply brief filed April 1, 2025 Cross-Appellants' reply briefs due May 12, 2025, and awaiting oral argument date



Subject	Status
2025 Delta Conveyance Program Revenue Bond Validation Department of Water Resources v. All Persons Interested, etc. Sacramento County Superior Court (Judge <u>for All Purposes</u> TBD)	 Jan. 6, 2025, the Department of Water Resources (DWR) adopted a new bond resolution Jan. 7, DWR filed a complaint seeking a judgment validating its authority to issue the bonds under the CVP Act Jan. 27, 2025 summons issued Feb. 27, 2026 Case Management Conference March 25, 2025 deadline to file answers 15 answers filed, 10 in opposition and 5 in support June 12, 2025 hearing on two motions to dismiss Feb. 27, 2026 Case Management Conference
SWP-CVP 2019 BiOp Cases Pacific Coast Fed'n of Fishermen's Ass'ns, et al. v. Raimondo, et al. (PCFFA) Calif. Natural Resources Agency, et al. v. Raimondo, et al. (CNRA) Federal District Court, Eastern Dist. of California, Fresno Division (Judge Thurston)	 SWC intervened in both <i>PCFFA and CNRA</i> cases Federal defendants reinitiated consultation on Oct 1, 2021 and new BiOps issued in fall/winter 2024 March 28, 2024 order extending the Interim Operations Plan and the stay of the cases through the issuance of a new Record of Decision or December 20, 2024, whichever is first Cases stayed until further notice in light of new BiOps and new administration June 17, 2025 next case management report due
2020 CESA Incidental Take Permit Cases Coordinated Case Name CDWR Water Operations Cases, JCCP 5117 (Coordination Trial Judge Gevercer) Metropolitan & Mojave Water Agency v. Calif. Dept. of Fish & Wildlife, et al. (CESA/CEQA/Breach of Contract) State Water Contractors & Kern County Water Agency v. Calif. Dept. of Fish & Wildlife, et al. (CESA/CEQA) San Bernardino Valley Municipal Water Dist. v. Calif. Dept. of Water Resources, et al. (CEQA/CESA/ Breach of Contract/Takings) Sierra Club, et al. v. Calif. Dept. of Water Resources (CEQA/Delta Reform Act/Public Trust)	 Administrative records certified in October 2023 Order entered to delay setting a merits briefing schedule by 90 days and extending the time to bring the action to trial by six months Deadline to bring all the coordinated cases to trial is now December 5, 2025 December 2024 three petitioner groups filed requests for dismissal without prejudice Remaining petitioner groups meeting and conferring in light of the new, 2024 CESA Incidental Take Permit SF Baykeeper dismissed its case on March 18, 2025 July 11, 2025 Case Management Conference



Subject	Status
 2024 CESA Incidental Take Permit Cases San Francisco Baykeeper, et al. v. California Department of Water Resources (CEQA, Delta Reform Act, Public Trust Doctrine) Sacramento County Superior Ct. Case No. 24WM000185 (Judge Arguelles) California Sportfishing Protection Alliance, et al. v. California Department of Water Resources, et al. (CEQA, CESA, Delta Reform Act, Public Trust Doctrine) Sacramento County Superior Ct. Case No. 24WM000181 (Judge Arguelles) Tehama-Colusa Canal Authority, et al. v. California Department Of Water Resources, et al. (CEQA) Sacramento County Superior Ct. Case No. 24WM000181 (Judge Arguelles) Tehama-Colusa Canal Authority, et al. v. California Department Of Water Resources, et al. (CEQA) Sacramento County Superior Ct. Case No. 24WM000183 (Judge Rockwell) Central Delta Water Agency and South Delta Water Agency v. California Department of Water Resources (CEQA, Delta Reform Act, Watershed Protection Acts, Public Trust Doctrine) Sacramento County Superior Ct. Case No. 24WM000186 (Judge Acquisto) 	 Cases challenge DWR's Final EIR and the California Department of Fish and Wildlife's California Endangered Species Act Incidental Take Permit for the updated Long Term Operations plan for the State Water Project June 6 August 4, 2025 Case Management Conference in Tehama-Colusa Canal Authority, et al. v. California Department of Water Resources, et al.



Subject	Status
<i>CDWR Environmental Impact Cases</i> Sacramento Superior Ct. Case No. JCCP 4942, 3d DCA Case No. C100302 (20 Coordinated Cases)	 Cases dismissed after DWR rescinded project approval, bond resolutions, decertified the EIR, and CDFW rescinded the CESA incidental take permit
Validation Action DWR v. All Persons Interested	 January 10, 2020 – Nine motions for attorneys' fees and costs denied in their entirety
CEQA 17 cases	 May 11, 2022, court of appeal reversed the trial court's denial of attorney fees and costs
CESA/Incidental Take Permit 2 cases	 Coordinated cases remitted to trial court for re-hearing of fee motions consistent with the court of appeal's opinion
(Judge Arguelles)	Dec. 26, 2023 order denying fee motions
	Six notices of appeal filed
	 Appellants' opening briefs and appendices filed Oct. 29 and Oct. 31
	 Feb. 13, 2025 DWR filed its omnibus respondents' (opposition) brief
	 Reply briefs due May 5, 2025
	<u>Appeals fully briefed as of June 6, 2025, and</u> awaiting oral argument date
Water Management Tools Contract Amendment	Filed September 28, 2020
<i>California Water Impact Network et al. v. DWR</i> Sacramento County Superior Ct.	 CWIN and Aqualliance allege one cause of action for violation of CEQA
(Judge Acquisto) <i>North Coast Rivers Alliance, et al. v. DWR</i> Sacramento County Super. Ct. (Judge Acquisto)	 NCRA et al. allege four causes of action for violations of CEQA, the Delta Reform Act, Public Trust Doctrine and seeking declaratory relief SWC motion to intervene in both cases granted
	 Dec. 20, 2022 DWR filed notice of certification of the administrative record and filed answers in both cases



San Diego County Water Authority v. Metropolitan, et al.		
Cases	Date	Status
2014, 2016	Sept. 30	Based on the Court of Appeal's Sept. 21 opinion in the parties' earlier 2010/2012 cases, and the Board's Sept. 28 authorization, Metropolitan paid \$35,871,153.70 to SDCWA for 2015-2017 Water Stewardship Rate charges under the Exchange Agreement and statutory interest.
2017	July 23, 2020	Dismissal without prejudice entered.
2018	April 11, 2022	Court entered order of voluntary dismissal of parties' WaterFix claims and cross-claims.
2014, 2016, 2018	June 11, 2021	Deposition of non-party witness.
	Aug. 25	Hearing on Metropolitan's motion for further protective order regarding deposition of non-party witness.
	Aug. 25	Court issued order consolidating the 2014, 2016, and 2018 cases for all purposes, including trial.
	Aug. 30	Court issued order granting Metropolitan's motion for a further protective order regarding deposition of non-party witness.
	Aug. 31	SDCWA filed consolidated answer to Metropolitan's cross-complaints in the 2014, 2016, and 2018 cases.
	Feb. 22	Metropolitan and SDCWA each filed motions for summary adjudication.
	April 13	Hearing on Metropolitan's and SDCWA's motions for summary adjudication.
	May 4	Court issued order granting Metropolitan's motion for summary adjudication on cross-claim for declaratory relief that the conveyance facility owner, Metropolitan, determines fair compensation, including any offsetting benefits; and denying its motion on certain other cross- claims and an affirmative defense.
	May 11	Court issued order granting SDCWA's motion for summary adjudication on cross-claim for declaratory relief in the 2018 case regarding lawfulness of the Water Stewardship Rate's inclusion in the wheeling rate and transportation rates in 2019-2020; certain cross- claims and affirmative defenses on the ground that Metropolitan has a duty to charge no more than fair compensation, which includes reasonable credit for any offsetting benefits, with the court also stating that whether that duty arose and whether Metropolitan breached that duty are issues to be resolved at trial; affirmative defenses that SDCWA's claims are untimely and SDCWA has not satisfied claims presentation requirements; affirmative defense in the 2018 case that SDCWA has not satisfied contract dispute resolution requirements; claim, cross-claims, and affirmative defenses regarding applicability of



Cases	Date	Status
2014, 2016, 2018 (cont.)		Proposition 26, finding that Proposition 26 applies to Metropolitan's rates and charges, with the court also stating that whether Metropolitan violated Proposition 26 is a separate issue; and cross-claims and affirmative defenses regarding applicability of Government Code section 54999.7, finding that section 54999.7 applies to Metropolitan's rates. Court denied SDCWA's motion on certain other cross-claims and affirmative defenses.
	May 16-27	Trial occurred but did not conclude.
	June 3, June 24, July 1	Trial continued, concluding on July 1.
	June 24	SDCWA filed motion for partial judgment.
	July 15	Metropolitan filed opposition to motion for partial judgment.
	Aug. 19	Post-trial briefs filed.
	Sept. 14	Court issued order granting in part and denying in part SDCWA's motion for partial judgment (granting motion as to Metropolitan's dispute resolution, waiver, and consent defenses; denying motion as to Metropolitan's reformation cross-claims and mistake of fact and law defenses; and deferring ruling on Metropolitan's cost causation cross- claim).
	Sept. 21	Metropolitan filed response to order granting in part and denying in part SDCWA's motion for partial judgment (requesting deletion of Background section portion relying on pleading allegations).
	Sept. 22	SDCWA filed objection to Metropolitan's response to order granting in part and denying in part SDCWA's motion for partial judgment.
	Sept. 27	Post-trial closing arguments.
	Oct. 20	Court issued order that it will rule on SDCWA's motion for partial judgment as to Metropolitan's cost causation cross-claim simultaneously with the trial statement of decision.
	Dec. 16	Parties filed proposed trial statements of decision.
	Dec. 21	SDCWA filed the parties' stipulation and proposed order for judgment on Water Stewardship Rate claims for 2015-2020.
	Dec. 27	Court entered order for judgment on Water Stewardship Rate claims for 2015-2020 as proposed by the parties.
	March 14, 2023	Court issued tentative statement of decision (tentatively ruling in Metropolitan's favor on all claims litigated at trial, except for those ruled to be moot based on the rulings in Metropolitan's favor)



Cases	Date	Status
2014, 2016, 2018 (cont.)	March 14	Court issued amended order granting in part and denying in part SDCWA's motion for partial judgment (ruling that Metropolitan's claims for declaratory relief regarding cost causation are not subject to court review).
	March 29	SDCWA filed objections to tentative statement of decision
	April 3	Metropolitan filed response to amended order granting in part and denying in part SDCWA's motion for partial judgment (requesting deletion of Background section portion relying on pleading allegations).
	April 25	Court issued statement of decision (ruling in Metropolitan's favor on all claims litigated at trial, except for those ruled to be moot based on the rulings in Metropolitan's favor)
	Jan. 10, 2024	Parties filed joint status report and stipulated proposal on form of judgment
	Jan. 17	Court issued order approving stipulated proposal on form of judgment (setting briefing and hearing)
	April 3	Court entered final judgment
	April 3	Court issued writ of mandate regarding demand management costs
	April 3	SDCWA filed notice of appeal
	April 17	Metropolitan filed notice of cross-appeal
	May 3	Participating member agencies filed notice of appeal
	May 31	Parties filed opening briefs on prevailing party
	June 28	Parties filed response briefs on prevailing party
	July 17	Court issued tentative ruling that there is no prevailing party due to mixed results
	July 18	Hearing on prevailing party; court took matter under submission, stating it expects to rule in mid-Aug.
	Aug. 15	Court issued ruling that Metropolitan is the prevailing party and is entitled to SDCWA's payment of its litigation costs and fees under the Exchange Agreement
	Sept. 25	Court issued order extending time for Metropolitan to file its memorandum of costs and motion for attorneys' fees
	Sept. 27	Metropolitan filed its memorandum of costs in the amount of \$372,788.64



Cases	Date	Status
2014, 2016, 2018 (cont.)	Oct. 18	Parties filed a joint application to extend the briefing schedule in the Court of Appeal
	Oct. 21	Court of Appeal granted parties' joint briefing schedule; briefing begins April 11, 2025 and ends October 10, 2025
	Oct. 29	SDCWA filed its motion to tax (reduce) Metropolitan's costs
	Nov. 26	SDCWA withdrew its motion to tax (reduce) Metropolitan's costs and requested that the court cancel the Dec. 11 motion hearing
	Dec. 17	The court entered the parties' stipulated order that Metropolitan's recoverable attorneys' fees are \$3,402,408.71 and its recoverable costs are \$372,788.64; unless the Court of Appeal reverses the order that Metropolitan is the prevailing party, SDCWA is to pay Metropolitan these amounts, plus interest; and briefing on Metropolitan's motion for attorneys' fees is vacated.
	Dec. 17	The court issued an order reassigning the cases from the Honorable Anne-Christine Massullo to the Honorable Ethan P. Schulman.
	Jan. 28, 2025	Court of Appeal granted parties' modified joint briefing schedule; briefing begins July 11, 2025 and ends January 9, 2026.
All Cases	April 15, 2021	Case Management Conference on 2010-2018 cases. Court set trial in 2014, 2016, and 2018 cases on May 16-27, 2022.
	April 27	SDCWA served notice of deposition of non-party witness.
	May 13-14	Metropolitan filed motions to quash and for protective order regarding deposition of non-party witness.
	June 4	Ruling on motions to quash and for protective order.



Outside Counsel Agreements				
Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Albright, Yee & Schmit, APC	Employment Matter	222524	11/24	\$75,000
Aro	Employment Matter	222529	12/24	\$50,000
	Employment Matter	222536	03/25	\$50,000
	Employment Matter	222542	03/25	\$50,000
Andrade Gonzalez LLP	MWD v. DWR, CDFW and CDNR Incidental Take Permit (ITP) CESA/CEQA/Contract Litigation	185894	07/20	\$250,000
Aleshire & Wynder	Oil, Mineral and Gas Leasing	174613	08/18	\$50,000
Anzel Galvan LLP	Bond Issues	220411	07/24	N/A
Atkinson Andelson	Employee Relations	59302	04/04	\$1,316,937
Loya Ruud & Romo	Delta Conveyance Project Bond Validation-CEQA Litigation	185899	09/21	\$250,000
	MWD Drone and Airspace Issues	193452	08/20	\$50,000
	AFSCME Local 1902 in Grievance No. 1906G020 (CSU Meal Period)	201883	07/12/21	\$30,000
	MWD MOU Negotiations**	201893	10/05/21	\$100,000
	Misconduct Investigation	222533	01/25	\$25,000
	Ethics Investigation	222534	01/25	\$25,000
	PRA Issues	222539	02/25	\$20,000
	Sanchez Job Audit Appeal	222551	03/25	\$50,000
	Gutierrez Job Audit Appeal	222552	03/25	\$50,000
	RFIs by AFSCME Local 1902	222554	03/25	\$20,000
BDG Law Group, APLC	Gutierrez v. MWD	216054	03/24	\$250,000
	Hagekhalil Defense in Kasaine Litigation	222547	03/25	\$250,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Best, Best & Krieger	Bay-Delta Conservation Plan/Delta Conveyance Project (with SWCs)	170697	08/17	\$500,000
	Environmental Compliance Issues	185888	05/20	\$100,000
	Grant Compliance Issues	211921	05/23	\$250,000
	Pure Water Southern California	207966	11/22	\$250,000
	Progressive Design Build	216053	04/24	\$250,000
	Pure Water – SB 149 CEQA Record Preparation	<u>222526</u>	<u>02/25</u>	<u>\$150,000</u>
Blooston, Mordkofsky, Dickens, Duffy & Prendergast, LLP	FCC and Communications Matters	110227	11/10	\$100,000
Brown White & Osborn	Employment Matter	222523	10/24	\$50,000
	Employment Matter	222525	11/24	\$50,000
Buchalter, a Professional Corp.	Union Pacific Industry Track Agreement	193464	12/07/20	\$50,000
Burke, Williams & Sorensen, LLP	Real Property – General	180192	01/19	\$100,000
Solensen, LLF	Labor and Employment Matters	180207	04/19	\$75,000
	General Real Estate Matters	180209	08/19	\$200,000
	Rancho Cucamonga Condemnation Actions (Grade Separation Project)	207970	05/22	\$100,000
Law Office of Alexis S.M. Chiu*	Bond Counsel	200468	07/21	N/A
S.M. Chiù	Bond Counsel	220409	07/24	N/A
Castañeda +	Employment Matter	216055	04/24	\$100,000
Heidelman LLP	Employment Matter	222530	11/24	\$100,000
Cislo & Thomas LLP	Intellectual Property	170703	08/17	\$100,000
Curls Bartling P.C.*	Bond Counsel	200470	07/21	N/A

Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Davis Wright Tremaine, LLP	Advice and Representation re Potential Litigation	220424	10/24	\$250,000
	Kasaine v. MWD	222543	03/25	\$250,000
Duane Morris LLP	SWRCB Curtailment Process	138005	09/14	\$615,422
Duncan, Weinberg, Genzer & Pembroke	Power Issues	6255	09/95	\$3,175,000
Erin Joyce Law, PC	Ethics Advice	216058	05/24	\$100,000
Glaser Weil Fink Howard Jordan & Shapiro	Employment Matter	220395	7/24	\$160,000
Greines, Martin, Stein & Richland LLP	SDCWA v. MWD	207958	10/22	\$100,000
	Colorado River Matters	207965	11/22	\$100,000
Hackler Flynn & Associates	Government Code Claim Advice	216059	5/24	\$150,000
Haden Law Office	Real Property Matters re Agricultural Land	180194	01/19	\$50,000
Hanna, Brophy, MacLean, McAleer & Jensen, LLP	Workers' Compensation	211926	06/23	\$500,000
Hanson Bridgett LLP	Finance Advice	158024	12/16	\$100,000
	Deferred Compensation/HR	170706	10/17	\$600,000
	Tax Issues	180200	04/19	\$50,000
	Alternative Project Delivery (ADP)	207961	10/22	\$250,000
	Ad Valorem Property Taxes	216042	11/23	\$100,000
Hausman & Sosa, LLP	Jones v. MWD	216056	05/24	\$100,000
	Villavicencio v. MWD	220426	10/24	\$100,000
	Jensen Operator Standby Removal	222522	10/24	\$100,000
	Villa NOIS Appeal	222553	03/25	\$50,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Hawkins Delafield & Wood LLP*	Bond Counsel	193469	07/21	N/A
	Bond Counsel	220405	07/24	N/A
Hemming Morse, LLP	Baker Electric v. MWD	211933	08/23	\$175,000
Horvitz & Levy	SDCWA v. MWD	124100	02/12	\$1,250,000
	General Appellate Advice	146616	12/15	\$200,000
	Colorado River	203464	04/22	\$100,000
	Delta Conveyance Bond Validation Appeal	216047	03/24	\$25,000
	PFAS Multi-District Litigation – Appeal	216050	03/24	\$200,000
Innovative Legal Services, P.C.	Employment Matter	211915	01/19/23	\$175,000
Internet Law Center	Cybersecurity and Privacy Advice and Representation	200478	04/13/21	\$100,000
	Systems Integrated, LLC v. MWD	201875	05/17/21	\$100,000
Amira Jackmon, Attorney at Law*	Bond Counsel	200464	07/21	N/A
Jackson Lewis P.C.	Employment: Department of Labor Office of Contract Compliance	137992	02/14	\$45,000
Jones Hall, A Professional Law Corp*	Bond Counsel	200465	07/21	N/A
Katten Muchin Rosenman LLP	Bond Counsel	220412	07/24	N/A
Kronenberger Rosenfeld, LLP	Systems Integrated, LLC v. MWD	211920	04/23	\$250,000
Kutak Rock LLP	Delta Islands Land Management	207959	10/22	\$160,000
Lesnick Prince & Pappas LLP	Kidde-Fenwal Bankruptcy	216061	06/24	\$50,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Liebert Cassidy Whitmore	Labor and Employment	158032	02/17	\$244,741
whithore	FLSA Audit	180199	02/19	\$50,000
	EEO Advice	216041	12/23	\$250,000 <u>\$450,000</u>
Lieff Cabraser Heimann & Bernstein, LLP	PFAS Multi-District Litigation	216048	03/24	\$200,000
Manatt, Phelps & Phillips	SDCWA v. MWD rate litigation	146627	06/16	\$4,400,000
	Raftelis-Subcontractor of Manatt, Agr. #146627: Per 5/2/22 Engagement Letter between Manatt and Raftelis, MWD paid Raftelis Financial Consultants, Inc.	Invoice No. 23949		\$56,376.64 for expert services & reimbursable expenses in <i>SDCWA v.</i> <i>MWD</i>
Marten Law LLP	PFAS Multi-District Litigation	216034	09/23	\$550,000
	PFAS-Related Issues (PWSC)	220414	08/24	\$100,000
	Perris Valley Pipeline Project	220415	07/24	\$100,000
	PFAS-Related Issues (General)	220413	10/24	\$50,000
Meyers Nave Riback Silver & Wilson	Pure Water Southern California	207967	11/22	\$100,000
Miller Barondess, LLP	SDCWA v. MWD	138006	12/14	\$600,000
Morgan, Lewis & Bockius	SDCWA v. MWD	110226	07/10	\$8,750,000
DOCKIUS	Project Labor Agreements	200476	04/21	\$100,000
Musick, Peeler & Garrett LLP	Colorado River Aqueduct Electric Cables Repair/Contractor Claims	193461	11/20	\$3,250,000
	Arvin-Edison v. Dow Chemical	203452	01/22	\$150,000
	Semitropic TCP Litigation	207954	09/22	\$75,000
	Employment Matter	220417	08/24	\$100,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Nixon Peabody LLP*	Bond Counsel [re-opened]	193473	07/21	N/A
	Special Finance Project	207960	10/22	\$50,000
	Bond Counsel	220404	07/24	N/A
Norton Rose Fulbright US LLP*	Bond Counsel	200466	07/21	N/A
US ELF	Bond Counsel	220407	7/24	N/A
Olson Remcho LLP	Government Law	131968	07/14	\$600,000
	Advice/Assistance re Proposition 26/Election Issues	211922	05/23	\$100,000
Robert P. Ottilie	Employment Matter	<u>226514</u>	<u>05/25</u>	<u>\$50,000</u>
Pearlman, Brown & Wax, L.L.P.	Workers' Compensation	216037	10/23	\$100,000
Procopio, Cory, Hargreaves & Savitch, LLP	CityWatch Los Angeles Public Records Act Request	216046	02/24	\$75,000
LLF	Public Records Act Requests	220399	7/24	\$75,000
Redwood Public Law, LLP	PRA and Conflicts Issues	222540	02/25	\$150,000
Renne Public Law Group, LLP	ACE v. MWD (PERB Case No. LA-CE-1611-M)	207962	10/22	\$50,000
	Employee Relations and Personnel Matters	216045	01/24	\$50,000
	ACE v. MWD (PERB Case No. LA-CE-1729-M)	220421	09/24	\$35,000
	AFSCME v. MWD (PERB Case No. LA-CE-1733-M)	220422	09/24	\$35,000
	AFSCME v. MWD (PERB Case No. LA-CE-1738-M)	220425	10/24	\$35,000



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
	SAMWD v. MWD (PERB Case No. LA-CE-1745-M)	220527	11/24	\$35,000
	AFSCME v. MWD (PERB Case No. LA-CE-1746-M)	222528	11/24	\$35,000
	AFSCME v. MWD (PERB Case No. LA-CE-1774-M)	<u>226515</u>	<u>05/25</u>	<u>\$35,000</u>
Melanie Ross Law P.C.	Tiegs v. MWD	222535	01/25	\$25,000
Ryan & Associates	Leasing Issues	43714	06/01	\$200,000
	Oswalt v. MWD	211925	05/23	\$250,000
	Unlawful Encroachment on Metropolitan Rights-of-Way	216065	06/24	\$100,000
Seyfarth Shaw LLP	Claim (Contract #201897)	201897	11/04/21	\$350,000
	Claim (Contract #203436)	203436	11/15/21	\$350,000
	Claim (Contract #203454)	203454	01/22	\$210,000
	Reese v. MWD	207952	11/22	\$900,000
	General Labor/Employment Advice	211917	3/23	\$250,000
	Civil Rights Department Complaint	211931	07/23	\$100,000
	Crawford v. MWD	216035	09/23	\$525,000
	Tiegs v. MWD	216043	12/23	\$825,000
	Zarate v. MWD	216044	01/24	\$500,000
Shaw Law Group, PC	Administrative Investigation	222531	12/24	\$30,000
Sheppard Mullin Richter & Hampton	Lorentzen v. MWD	216036	09/23	\$250,000
LLP	Iverson v. MWD	222532	12/24	\$100,000 <u>\$200,000</u>
Stradling Yocca Carlson & Rauth*	Bond Counsel	200471	07/21	N/A
	Bond Counsel	220408	7/24	N/A



Firm Name	Matter Name	Agreement No.	Effective Date	Contract Maximum
Theodora Oringher PC	Construction Contracts - General Conditions Update	185896	07/20	\$100,000
Thompson Coburn LLP	NERC Energy Reliability Standards	193451	08/20	\$300,000
Van Ness Feldman, LLP	General Litigation	170704	07/18	\$50,000
	Colorado River MSHCP	180191	01/19	\$50,000
	Bay-Delta and State Water Project Environmental Compliance	193457	10/15/20	\$50,000
	Colorado River Issues	211924	05/23	\$250,000

*Expenditures paid by Bond Proceeds/Finance **Expenditures paid by another group



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Report

Office of the General Auditor

• General Auditor's Report for May 2025

Summary

This report highlights significant activities of the Office of the General Auditor for the month ended May 31, 2025.

Purpose

Informational

Attachments

None

Detailed Report

Audit & Advisory Projects

Twenty-five projects are in progress:

- Six audit projects are in the report preparation phase.
 - No management responses are outstanding.
- Eighteen projects are in the execution phase, including nine audits and nine advisories.
- One project is in the planning phase.

Work priority is being given to the seven carryforward audits.

Follow-Up Reviews

Thirteen audits are in the follow-up phase:

- Nine follow-up reviews are in progress.
- Four follow-up reviews have not been started.

No follow-up review forms are overdue.

Other General Auditor Activities

1. Annual Audit Plan

The FY 2025/26 audit plan has been developed and will be presented to the Board for approval at the June meetings of the Audit Committee and Board of Directors.

2. Senior Audit Manager Recruitment

Recruitment is actively in progress.

3. Department Head Collaboration

Completed. The General Auditor participated in the final workshop with the General Manager, Ethics Officer, and General Counsel.

4. External Resources RFQ

An RFQ for specialty internal audit services was issued with submittals due in June.

5. Global Internal Audit Standards

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

6. Employee Inspection Trips

Two staff members attended Colorado River Aqueduct employee inspection trips.

7. Training

Audit staff attended Internal Audit Strategy for Government Auditors training.





Monthly Report May 2025

EDUCATION Program

This month, the Ethics Office proposed to the Board that the biennial state ethics training requirement be expanded to include all Metropolitan officials who file Statements of Economic Interest (Form 700). The Board approved the proposal, and ethics staff began coordinating the expanded training requirement.

Staff presented an Ethics Office overview at new employee orientations hosted by Human Resources, provided an overview of the Gift policy to the Community and Workplace Culture Committee, and issued a gift fact sheet to directors. Staff also had in-service refresher training on Metropolitan's AI Guidelines.

Staff attended a panel session hosted by the Council on Governmental Ethics Laws: *Lobbying Roundtable.*

COMPLIANCE Program

Form 700/Filing Officer Duties – Pursuant to state law and the Administrative Code, Compliance staff assisted directors and employees with their Annual, Assuming Office, and Leaving Office Form 700 filings. Assistance included troubleshooting the electronic filing system and issuing notices of deadlines. In total, staff addressed 22 compliancerelated matters for Metropolitan Directors and staff related to Form 700.

Annual Form 700 Compliance - As of May 31, two directors and 50 employees had not

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yet filed their Annual Form 700. While typically due April 1, the annual Form 700 filing deadline was extended to June 2, 2025, for qualifying filers due to the January fires in Los Angeles County. Staff will continue efforts to reach 100% compliance.

AB 1234 Compliance – 84% of Metropolitan officials required to take biennial AB 1234 state ethics training are in compliance. Nine officials are not in compliance. Staff will continue efforts to seek 100% compliance. Staff also selected a vendor to track AB 1234 trainings after the training requirement was expanded to all Form 700 filers (approximately 800 employees).

ADVICE Program

Advice staff addressed 34 time-sensitive advice requests for directors and employees related to the following ethics areas: conflicts of interest, financial disclosure, recusals, gifts, and other ethics-related topics.

Examples of advice requested:

- Whether a subcontractor on a project is disqualified from an RFQ related to additional work on the same project where the subcontractor's prior work included participating in the development of reports that will be part of the RFQ bid documents.
- Whether multiple gifts qualify for the "acts of human compassion" exception.
- Whether a Metropolitan official may accept, if selected, a Metropolitan grant in their private capacity where the official had no role in the grant process in their official capacity.
- Whether an employee may serve as an evaluator on an RFQ review panel where the employee's former employer is a respondent to the RFQ.

Staff also helped identify and advise on potential conflicts of interest in Committee and Board agenda items.

INVESTIGATION Program

Complaints Received – The Ethics Office received four new complaints involving the following five allegations:

- Report of damaged Metropolitan property. [Referred to Management]
- Two instances of misuse of authority by managers for personal gain. [Under review]
- Improper release of confidential information. [Under review]

• Retaliation by a manager against an employee for reporting potential EEO violations. [Referred to EEO]

Open Complaints and Investigations – As of May 31, 2025, the Investigation Program is managing a total of 11 open complaints and one open ethics investigation.

Resolved Complaints – Seven allegations of potential ethics violations were resolved following six preliminary reviews and one formal investigation. It took an average of 115 days to review and resolve these matters, some of which included multiple complex allegations.

Ethics Officer Findings – The Ethics Officer determined that a supervisor did not accept a gift from a Metropolitan restricted source, and therefore did not violate Administrative Code section 7122.

SNAPSHOT for May 2025	
Advice Matters 34	Pending Complaints
Compliance Assistance 22	Investigations Opened O
New Complaints Received 4 (82 to date, FY 24-25)	Pending Investigations 1

Mission

The Ethics Office promotes the highest standards of government integrity to support Metropolitan's mission through an independent and comprehensive program that enhances trust, transparency, and accountability for the benefit of the workforce and the public it serves.

Vision

Our vision is to be a leader in governmental ethics with an unparalleled commitment to supporting an ethical organizational culture.



HE METROPOLITAN WATER DISTRICT DE SOUTHERN CALIFORNIA

Board Information

Board of Directors

6/10/2025 Board Meeting

Subject

Sufficiency of Credentials for Appointment of a Director from the City of Torrance.

Description

On February 11, 2025 the governing body of the above-entitled member agency approved the appointment of Raymond Jay as its respresentative on Metropolitan's Board of Directors.

The oath of office is expected to be given on or before the June 10, 2025 Board meeting.

. Hudson 5/22/25

Rickita Hudson Board Executive Secretary

Date

Legal Review

Credentials were examined and found to be in compliance with the Metropolitan Water District Act for:

An Indefinite Term pursuant to the Metropolitan Water District Act Section 51

a Specified Term pursuant to the Metropolitan Water District Act Section 54.

5/23/25 Date Marcia Scully General Counsel

Attachment 1 – Credentials

RESOLUTION NO. 2025-08

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TORRANCE, CALIFORNIA, APPOINTING RAYMOND JAY TO FILL THE UPCOMING POSITION AS THE CITY OF TORRANCE'S DIRECTOR ON THE METROPOLITIAN WATER DISTRICT OF SOUTHERN CALIFORNIA BOARD **OF DIRECTORS**

WHEREAS, the vacancy to the City of Torrance's position on the Metropolitan Water District of Southern California Board of Directors is due to the upcoming retirement of Director Russell Lefevre: and

WHEREAS, the vacant position is to be filled by the nomination of a candidate by the Mayor and approval of the City Council; and

WHEREAS, an ad hoc committee selected Mr. Jay from a list of gualified candidates to be the City's new representative on the MWD Board of Directors; and

WHEREAS, Mr. Jay has an extensive background including 30 years of experience in the water industry; and

WHEREAS, Mr. Jay has indicated a willingness to serve as the City's representative on the Metropolitan Board of Directors; and

WHEREAS, the Metropolitan Water District of Southern California does not designate a fixed term of office, the City of Torrance, with the adoption of Ordinance No. 3387 on January 4, 1994, has established a four-year term of office.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Torrance does hereby consent to and approve the nomination by the Mayor to appoint Raymond Jay as the City of Torrance's representative to the Board of Directors of the Metropolitan Water District of Southern California for the remainder of the four-year term from April 1, 2025 through December 31, 2028.

THE CITY COUNCIL OF THE CITY OF TORRANCE, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:

INTRODUCED, APPROVED, and ADOPTED this 11th day of February 2025.

Mayor George K. Chen

APPROVED AS TO FORM: PATRICK Q. SULLIVAN, City Attorney

Tatia Y. Strader, Assistant City Attorney

ATTEST:

Rebecca Poirier, MMC, City Clerk

TORRANCE CITY COUNCIL RESOLUTION NO. 2025-08

STATE OF CALIFORNIA COUNTY OF LOS ANGELES CITY OF TORRANCE

SS

I, Rebecca Poirier, City Clerk of the City of Torrance, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Torrance at a regular meeting of said Council held on the 11th day of February 2025 by the following roll call vote:

COUNCILMEMBERS AYES:

NOES: ABSTAIN COUNCILMEMBERS COUNCILMEMBERS ABSENT:

COUNCILMEMBERS None. None. None.

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Gerson, Lewis, Kaji, Kalani, Mattucci, Sheikh, and Mayor Chen

Date:

Rebecca Poirier, MMC City Clerk of the City of Torrance

MINUTES

MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 13, 2025

53455 The Board of Directors of The Metropolitan Water District of Southern California met on Tuesday, May 13, 2025.

Chair Ortega called the meeting to order at 12:31 p.m.

53456 The Meeting was opened with an invocation by Director James Crawford, Central Basin Municipal Water District

53457 The Pledge of Allegiance was given by Director Cynthia Kurtz, City of Pasadena

53458 Board Executive Secretary Hudson administered the roll call. Those responding present were: Directors Ackerman (teleconference posted location available for the public), Alvarez (teleconference posted location available for the public), Armstrong (AB 2449 "Just Cause"), Bryant, Camacho, Cordero, Crawford, De Jesus (teleconference posted location available for the public), Dennstedt (teleconference posted location available for the public), Douglas, Faessel, Fellow, Garza (teleconference posted location available for the public), Gold, Goldberg, Katz, Kurtz, Lewitt (teleconference posted location available for the public), Luna (AB 2449 "Just Cause"), McCoy, McMillan (teleconference posted location available for the public), the public), Miller, Ortega, Phan, Quinn, Seckel (teleconference posted location available for the public), Shepherd Romey, and Sutley.

Those not responding were: Directors Dick, Erdman, Fong-Sakai, Gray Kassakhian, Lefevre, Petersen, and Ramos

Board Executive Secretary Hudson declared a quorum present.

Director(s) entered after roll call: Jung (teleconference posted location available for the public), and Pressman(teleconference posted location available for the public)

Director Armstrong participated using AB2449 "Just Cause" due to contagious illness.

Director Luna participated using AB2449 "Just Cause" due to contagious illness.

Director Pressman entered the meeting.

53459 Chair Ortega opened the Public Hearing to receive staff and recognized employee organizations presentations on the status of job vacancies and recruitment/retention efforts, as required by Government Code § 3502.3 (Assembly Bill 2561), and to receive public comment presentations. Chair Ortega also invited members of the public to address the Board on matters within the Board's jurisdiction (in-person and via teleconference).

Regular public comment was called, no one in the room and no one on the line.

	Name	Affiliation	Presentation
1.	Olivia Sanchez	ACE	Public Hearing
2.	Alan Shanahan	AFSCME	Public Hearing
3.	Laura Garcia	AFSCME	Public Hearing
4.	Amparo Muñoz	AFSCME	Public Hearing

Public hearing was closed.

Chair Ortega deferred Other Matters and Reports in the interest of time.

Director Cordero left the meeting.

Director Jung entered the meeting.

Chair Ortega called for a vote to approve the Consent Calendar Items 6A, 7-1 through 7-6

53460 Chair Ortega asked the Directors if there were any comments or discussions on the Approval of the Minutes Board of Directors Meetings for April 8, 2025 (Agenda Item 6A). None were made.

Chair Ortega announced no committee assignments.

Chair Ortega called on Directors who are requesting that any items be pulled from the Consent Calendar Action Items and to state any recusals, abstentions, and disclosures.

Director Phan recused on Item 7-3 because Mott MacDonald Group Inc. and Trestle Technology are clients of her employer.

Director Katz disclosed on Item 7-6 that he receives per diem reimbursements and other benefits from the San Diego County Water Authority for his service on the Board. Based on MWD Act Section 56, he will not vote, including abstaining on the item, which is an agreement between Metropolitan and San Diego County Water Authority.

Director Miller disclosed on Item 7-6 that he receives per diem reimbursements and other benefits from the San Diego County Water Authority for his service on the Board. Based on MWD Act Section 56, he will not vote, including abstaining on the item, which is an agreement between Metropolitan and San Diego County Water Authority.

Director Goldberg disclosed on Item 7-6 that she receives per diem reimbursements and other benefits from the San Diego County Water Authority for his service on the Board. Based on 1090 disclosure she is allowed to vote on the Item which is an agreement between Metropolitan and San Diego County Water Authority.

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Consent Calendar Items- Action

53461 Approve amending the list of Metropolitan officials required to take AB 1234 state ethics training to include all Form 700 filers, as set forth in Agenda Item 7-1 board letter.

53462 Amend the Capital Investment Plan for fiscal years 2024/25 and 2025/26 to include the ozone contactor expansion joint improvements at the F.E. Weymouth Water Treatment Plant, as set forth in Agenda Item 7-2 board letter.

53463 Authorize on-call agreements with Hazen and Sawyer, Jacobs Engineering Group Inc., and Mott MacDonald Group Inc. in amounts not to exceed \$1 million each to support engineering planning services, as set forth in Agenda Item 7-3 board letter.

53464 Award a \$457,498 construction contract to IPI Construction for upgrades to the heating, ventilation, and air conditioning systems in the control rooms at the Joseph Jensen Water Treatment Plant, as set forth in Agenda Item 7-4 board letter.

53465 Approve the draft of Appendix A (Attachment 1) attached to the board letter; Authorize the General Manager, or other designee of the Ad Hoc Committee, to finalize, with changes approved by the General Manager and General Counsel, Appendix A; Authorize distribution of Appendix A, finalized by the General Manager or other designee of the Ad Hoc Committee, in connection with the sale and/or remarketing of bonds, as set forth in Agenda Item 7-5 board letter.

53466 Authorize an amendment to LRP Agreement to extend the start of operation deadline for San Diego Pure Water North City Project Phase 1; adopted CEQA determination that the proposed action was previously addressed in the City of San Diego's adopted 2018 Final EIR/EIS and that no further CEQA review is required, as set forth in Agenda Item 7-6 board letter.

Director Gold left the meeting.

Director Sutley left the meeting.

Director Camacho moved, seconded by Director Sutley, that the Board approve the Consent Calendar Items 6A, 7-1 through 7-6.

Chair Ortega called for a vote to approve the Consent Calendar Items 6A, 7-1 through 7-6.

The following is a record of the vote:

Record of Vote on Consent Item(s):	6A, 7-1 through 7-6								Abstain
	Total				Yes		No		
Member Agency	Votes	Director	Present	Yes	Vote	No	Vote	Abstain	Vote
Anaheim	6306	Faessel	х	х	6306				
Beverly Hills	4677	Pressman	х	х	4677				
Burbank	3330	Ramos							
Calleguas Municipal Water District	13627	McMillan	х	х	13627				
Central Basin Municipal Water District	20265	Garza	х	х	10133				
		Crawford	х	х	10133				
			Subtotal:		20265				
Compton		МсСоу	х	х	678				
Eastern Municipal Water District		Armstrong	х	х	13623				
Foothill Municipal Water District		Bryant	х	х	2543				
Fullerton		Jung	х	х	2766				
Glendale	4165	Kassakhian							
Inland Empire Utilities Agency		Camacho	х	х	17103				
Las Virgenes		Lewitt	х	х	3224				
Long Beach		Cordero							
Los Angeles	83835	Sutley							
		Petersen							
		Quinn	х	х	27945				
		Luna	х	х	27945				
		Douglas	х	х	27945				
			Subtotal:		83835				
Municipal Water Dist. of Orange County	68102	Ackerman	х	х	34051				
		Seckel	х	х	34051				
		Dick							
		Erdman							
			Subtotal:		68102				
Pasadena		Kurtz	х	х	4042				
San Diego County Water Authority	70158	Fong-Sakai							
		Goldberg	х	х	23386				
		Miller	х	х	23386				
		Katz	х	х	23386				
			Subtotal:		70158				
San Fernando		Ortega	х	х	274				
San Marino		Shepherd Ro	х	х	836				
Santa Ana		Phan	х	х	3569			1	
Santa Monica		Gold							
Three Valleys Municipal Water District		De Jesus	х	х	9019		ļ	1	
Torrance		Lefevre							
Upper San Gabriel Valley Mun. Wat. Dist.		Fellow	х	х	14079				
West Basin Municipal Water District	28764	Alvarez	х	х	28764				
		Gray							
			Subtotal:		28764				
Western Municipal Water District	15689	Dennstedt	х	х	15689				
Total	406315				383179				
Present and not voting									
Absent	23136								

The motion to approve the Consent Calendar Items 6A, 7-1 through 7-6* (**M.I. No. 53460 through 53466***) passed by a vote of 383,179 ayes; 0 noes; 0 abstain; 0 not voting; and 23,136 absent.

*Director Phan recused on Item 7-3, (**M.I. 53463)** passed by a vote of 379,610 ayes; 0 noes; 0 abstain; 3,569 not voting; and 23,136 absent.

5

*Directors Katz, and Miller did not vote on Item 7-6, (**M.I. 53466)** passed by a vote of 383,179 ayes; 0 noes; 0 abstain; 0 not voting; and 23,136 absent.

53467 Award a \$131 million procurement contract to Siemens Energy Inc. to furnish 35 highvoltage power transformers; Authorize the General Manager to execute change orders for the CRA transformer procurement contract up to an aggregate amount not to exceed \$42.5 million; Authorize an increase of \$6.5 million to an existing agreement with HDR Engineering Inc. for a new not-to-exceed amount of \$8.2 million for final engineering design services to replace the high-voltage power transformers at all five CRA pumping plants. (Board Item 8-1).

53468 Adopt CEQA determination that the proposed action was previously addressed in the adopted 2017 Mitigated Negative Declaration, Addenda Nos. 1, 2 and 3 and related CEQA actions; and adopted a resolution that: (1) authorizes the execution and delivery of an amended and restated agreement between Antelope Valley-East Kern Water Agency and Metropolitan for the High Desert Water Bank Program, (2) approves the project financing, and (3) authorizes the General Manager and the Assistant General Manager/Chief Financial Officer and Treasurer to negotiate, execute, and deliver various related agreements and documents. (Board Item 8-2).

53469 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 and set up an ad hoc committee to direct communications with the California Air Resources Board regarding Electric Vehicle regulations and Metropolitan's role as an emergency responder as amended at committee. (Board Item 8-3).

53470 Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2025/26. (Board Item 8-4).

53471 Authorize the General Manager to amend the Delivery and Exchange Agreement between Metropolitan and Coachella Valley Water District for 35,000 acre-feet. (Board Item 8-5).

Director Faessel disclosed on Item 8-3 that he currently owns Bank of America stock, he will not vote, including abstaining on the item.

Director Katz disclosed on Item 8-3 that he currently owns Bank of America stock, he will not vote, including abstaining on the item.

Director Quinn moved, seconded by Director Sheperd Romey, that the Board approve Board Items 8-1 through 8-5.

Director Pressman left the meeting.

Chair Ortega called for a vote to approve Board Items 8-1, 8-2, 8.3, 8-4, and 8-5.

The following is a record of the vote:

Record of Vote on Item:	8-1 to 8-5								
	0-110-0-0				Yes		No		Abstain
Member Agency	Total Votes	Director	Present	Yes	Vote	No	Vote	Abstain	Vote
Anaheim	6306	Faessel	х	х	6306				
Beverly Hills	4677	Pressman							
Burbank	3330	Ramos							
Calleguas Municipal Water District	13627	McMillan	х	х	13627				
Central Basin Municipal Water District	20265	Garza	х	х	10133				
		Crawford	х	х	10133				
			Subtotal:		20265				
Compton	678	МсСоу	х	х	678				
Eastern Municipal Water District	13623	Armstrong	х	х	13623				
Foothill Municipal Water District	2543	Bryant	х	х	2543				
Fullerton		Jung	х	х	2766				
Glendale	4165	Kassakhian							
Inland Empire Utilities Agency	17103	Camacho	х	х	17103				
Las Virgenes		Lewitt	x	х	3224				
Long Beach	6805	Cordero							
Los Angeles	83835	Sutley							
		Petersen							
		Quinn	х	х	27945				
		Luna	х	х	27945				
		Douglas	x	х	27945				
			Subtotal:		83835				
Municipal Water Dist. of Orange County	68102	Ackerman	х	х	34051				
		Seckel	x	х	34051				
		Dick							
		Erdman							
			Subtotal:		68102				
Pasadena	4042	Kurtz	x	х	4042				
San Diego County Water Authority		Fong-Sakai							
		Goldberg	х	х	23386				
		Miller	х	х	23386				
		Katz	x	х	23386				
			Subtotal:		70158				
San Fernando	274	Ortega	х	х	274				
San Marino		Shepherd Rom	x	х	836				
Santa Ana		Phan	x	х	3569				
Santa Monica		Gold							
Three Valleys Municipal Water District	9019	De Jesus	х	х	9019				
Torrance		Lefevre							
Upper San Gabriel Valley Mun. Wat. Dist.		Fellow							
West Basin Municipal Water District		Alvarez	x	х	28764				
		Gray							
			Subtotal:		28764				
Western Municipal Water District	15689	Dennstedt	x	х	15689				
Total	406315				364423				
Present and not voting									
Absent	41892								

The motion to approve the Board Items 8-1, 8-2, 8-3^{*}, 8-4, and 8-5 (**M.I. No. 53467 and 53471**) passed by a vote of 364,423 ayes; 0 noes; 0 abstain; 0 not voting; and 41,892 absent.

*Directors Faessel and Katz recused on Item 8-3, (**M.I. 53469**) passed by a vote of 358,167 ayes; 0 noes; 0 abstain; 6,306 not voting; and 41,892 absent.

53472 Chair Ortega moved to other matters.

53473 Authorized (1) the Ad Hoc Committee to begin vetting recruiting firms, and (2) authorize Organization, Personnel, and Effectiveness Committee to hire the selected firm to participate in a meeting with the Board in June regarding the recruitment of the general manager.

Directors McMillan, Phan, Quin, and Sheperd Romey left the meeting.

Director Garza moved, seconded by Director Camacho, that the Board approve Board Item 10-3. Chair Ortega called for a vote to approve Board Item 10-3.

The following is a record of the vote:

Record of Vote on Item:	10-3								
Member Agency	Total Votes	Director	Present	Yes	Yes Vote	No	No Vote	Abstain	Abstain Vote
Anaheim		Faessel	X	x	6306	NO	VOIC	AbStain	Vole
Beverly Hills		Pressman	^	Χ	0000				
Burbank		Ramos							
Calleguas Municipal Water District		McMillan							
Central Basin Municipal Water District		Garza	x	x	10133				
	20203	Crawford	x	X	10133				
			Subtotal:	^	20265				
Compton	678	МсСоу	X	x	678				
Eastern Municipal Water District		Armstrong	x	X	13623				
Foothill Municipal Water District		Bryant	X	x	2543				
Fullerton		Jung	X	X	2766				
Glendale		Kassakhian	X	X	2700				
Inland Empire Utilities Agency		Camacho	~	v	17102				
		Lewitt	X	X	17103 3224				
Las Virgenes Long Beach			х	х	3224				
		Cordero			07045				
Los Angeles	03033	Sutley	х	Х	27945				
		Petersen							
		Quinn			07045				
		Luna	Х	Х	27945				
		Douglas	X	Х	27945				
			Subtotal:		83835				
Municipal Water Dist. of Orange County	68102	Ackerman	х	х	34051				
		Seckel	х	Х	34051				
		Dick							
		Erdman							
			Subtotal:		68102				
Pasadena		Kurtz	Х	Х	4042				
San Diego County Water Authority	70158	Fong-Sakai							
		Goldberg	Х	Х	23386				
		Miller	x	Х	23386				
		Katz	Х	Х	23386				
			Subtotal:		70158				
San Fernando		Ortega	Х	Х	274				
San Marino		Shepherd Ror	n						
Santa Ana		Phan							
Santa Monica		Gold							
Three Valleys Municipal Water District		De Jesus	Х	х	9019				
Torrance		Lefevre							
Upper San Gabriel Valley Mun. Wat. Dist.		Fellow	х	х	14079				
West Basin Municipal Water District	28764	Alvarez	х	х	28764				
		Gray							
			Subtotal:		28764				
Western Municipal Water District	15689	Dennstedt	х	х	15689				
Total	406315				360470				
Present and not voting									
Absent	45845								

The motion to approve the Board Item 10-3 (**M.I. No. 53473**) passed by a vote of 360,470 ayes; 0 noes; 0 abstain; 0 not voting; and 45,845 absent.

53474 Chair Ortega asked if there were any Follow-Up Items. No requests were made.

53475 Chair Ortega asked if there were any Future Agenda Items. No requests were made.

53476 There being no objection, the meeting was adjourned at 3:41 p.m.

ISABEL ALDRETE BOARD EXECUTIVE SECRETARY

ORT

CHAIR OF THE BOARD

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

7-1

Board of Directors Audit Committee

6/10/2025 Board Meeting

Subject

Approve the General Auditor's Internal Audit Plan 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 General Auditor's Internal Audit Plan (Attachment 1) describes how the audit plan was developed, the internal audit services available to Metropolitan, and the planned projects for fiscal year (FY) 2025/26.

The Internal Audit Plan for FY 2025/26 comprises 20 planned audits, including five new audits and 15 carryforward audits from prior fiscal years. Additionally, the audit plan includes 10 advisory projects, including two new advisories, plus follow-up reviews.

This action requests that the Board approve the General Auditor's Internal Audit Plan for FY 2025/26, which is presented for consideration in accordance with the Metropolitan Administrative Code and professional internal auditing standards.

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

Staff Recommendation: Option #1

Option #1

Approve the General Auditor's Internal Audit Plan for fiscal year 2025/26.

Fiscal Impact: None

Business Analysis: This option will authorize the General Auditor to proceed with planned audit and advisory projects that add value and improve Metropolitan's operations.

Option #2

Do not approve the General Auditor's Internal Audit Plan for fiscal year 2025/26.

Fiscal Impact: None

Business Analysis: This option may impact the General Auditor's ability to perform audit work and other duties prescribed by the Metropolitan Administrative Code.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 6451: Audit Department Charter

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

June 11, 2024, Item 7-1, Approve General Auditor's Internal Audit Plan for fiscal year 2024/25

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

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

CEQA determination for Option #2:

None required

Details and Background

Background

The mission of the Office of the General Auditor, Metropolitan's internal audit function, is to provide independent, professional, and objective assurance and advisory services that add value and improve Metropolitan's operations. Internal Audit assists Metropolitan in accomplishing its objectives by using a proactive and systematic approach to evaluate and recommend improvements to the effectiveness of governance, risk management, and control processes.

Professional internal audit standards require the General Auditor to establish a risk-based plan to determine internal audit priorities that are consistent with Metropolitan's goals and objectives. Internal Audit's methodology is to perform focused audits and provide advisory services that evaluate important areas of Metropolitan and deliver timely results.

Internal Audit completed an audit risk assessment by gaining an understanding of Metropolitan's business operations through documentation reviews, interviews with management, and discussions with the Board. The results facilitated efforts to identify and measure risks and prioritize potential audits and advisory projects for the audit plan. Internal Audit's approach is to provide coverage of the most critical aspects of the areas identified. Internal Audit may make exceptions to this approach when there are carryforward audits from the prior year, where there has been recent audit coverage, or if our professional judgment dictates otherwise.

This year's audit risk assessment identified opportunities for Internal Audit to provide audit or advisory services in the following areas (listed in alphabetical order): Administrative Services, Cybersecurity, Office of the General Manager, Security, and Treasury & Debt Management.

Internal Audit Plan Overview

The Internal Audit Plan includes the following information:

- (1) An introduction to the Office of the General Auditor.
- (2) A description of the audit plan project planning and execution methodology.
- (3) A description of the audit plan project's results.
- (4) An overview of internal audit services provided to Metropolitan.
- (5) Projects planned to be performed during FY 2025/26.
- (6) The audit plan project team.
- (7) A crosswalk of risk areas to associated projects.
- (8) Specific risks/internal control concerns identified pending audit resource/time availability.

- (9) An overview of internal audit resources that will support the execution of the audit plan.
- (10) Department internal reporting structure
- (11) References to relevant professional internal audit standards.

From time to time, the General Auditor may determine it appropriate to substitute, postpone, or cancel a planned engagement due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in quarterly status reports to the Board, and acknowledgment of the reporting authorizes any changes noted and amends the audit plan.

5/21/2025 Suzuki Date General Auditor 5/21/2025 Date Deven Upad General Manager

Attachment 1 – General Auditor's Internal Audit Plan for FY 2025/26 – (Revised)

Ref# a12707381

6/10/2025 Board Meeting DRAFT - PENDING BOARD APPROVAL 7-1



Office of the General Auditor ___

General Auditor's Internal Audit Plan for FY 2025/26

June 10, 2025

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-1

DRAFT – PENDING BOARD APPROVAL

Executive Summary

BACKGROUND

The mission of the Office of the General Auditor, Metropolitan's internal audit function, is to provide independent, professional, and objective assurance and advisory services to add value and improve Metropolitan's operations. We assist Metropolitan in accomplishing its objectives by using a proactive and systematic approach to evaluate and recommend improvements to the effectiveness of governance, risk management, and internal control processes.

Professional internal audit standards require us to establish a risk-based plan to determine the priorities of our office that are consistent with Metropolitan's goals and objectives. Our methodology is to perform focused audits and provide advisory services that evaluate important areas of Metropolitan and deliver timely results.

We completed an audit risk assessment by gaining an understanding of Metropolitan's business operations through documentation reviews, interviews with management, and discussions with the Board. The results facilitated our efforts to identify and measure risks and prioritize potential audits and advisory projects for the audit plan. Our approach is to provide coverage of the most important aspects of the areas identified. We may make exceptions to this approach when there are carryforward audits from the prior year, where there has been recent audit coverage, or if our professional judgment dictates otherwise.

RESULTS

Our fiscal year 2025/26 Internal Audit Plan is comprised of 20 planned audits, including five new audits and 15 carryforward audits from prior fiscal years. Additionally, we plan to cover 10 advisory projects, including two new advisories, plus follow-up reviews.

Our audit risk assessment identified opportunities for our office to provide audit or advisory services in the following areas (listed alphabetically):

- Administrative Services
- Cybersecurity
- Office of the General Manager

- Security
- Treasury & Debt Management

Due to limited staffing resources, our audit plan includes projects addressing the highest identified audit risk areas. As resources and/or time become available in fiscal year 2025/26, we will incorporate additional risk areas into the audit plan. While we will re-evaluate the audit risk assessment periodically during the fiscal year, any risk areas not incorporated into the audit plan by fiscal year-end will be re-evaluated for inclusion in our fiscal year 2026/27 Internal Audit Plan.

COVER PHOTO: Lake Mathews Reservoir in Riverside County. Built in 1938, this raw water reservoir has a capacity of 182,000 acre-feet.

DRAFT – PENDING BOARD APPROVAL



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: June 10, 2025

To: Board of Directors

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

Subject: General Auditor's Internal Audit Plan for Fiscal Year 2025/26

The Office of the General Auditor is pleased to present our audit plan for fiscal year 2025/26 in accordance with Metropolitan Administrative Code Section 6451 and the Global Internal Audit Standards issued by the Institute of Internal Auditors.

The audit plan results from thoughtful analysis of Metropolitan documents and data, a series of risk discussions with Metropolitan management, and Board input on specific risk and internal control concerns.

Our office is charged with determining whether Metropolitan's network of governance, risk management, and internal control processes are appropriate and functioning as intended by management. To execute this charge, we plan to perform a series of audits and advisory projects, 30 in total, during the fiscal year (five new audits, 15 carryforward audits, and 10 advisories).

Our mission is to add value to Metropolitan's operations by recommending improvements while maintaining transparency and trust in our work. We will do this by working collaboratively with all levels of the Metropolitan team, identifying risks and opportunities that evolve under our changing environment, and ultimately contributing to ensuring Metropolitan's resources have the maximum impact on the member agencies and communities we serve.

We appreciate the opportunity to serve Metropolitan by offering independent, professional, and objective audit and advisory services. We also appreciate the cooperation provided by Metropolitan management, staff, and the Board during our audit risk assessment project.

If you have any questions regarding our audit plan, please do not hesitate to contact me directly at 213.217.6528 or Assistant General Auditor Kathryn Andrus at 213.217.7213.

Attachments

Other report recipients: General Manager General Counsel Ethics Officer Chief of Staff Assistant General Managers Board Executive Officer External Auditor **DRAFT – PENDING BOARD APPROVAL**

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INTRODUCTION

DEPARTMENT OVERVIEW

The General Auditor provides independent, professional, and objective advice to the Board and Metropolitan management in accordance with the professional standards issued by The Institute of Internal Auditors. To maintain independence, the General Auditor reports directly to the Board through the Audit Committee.

Our goal is to assist Metropolitan's Board and management in improving business and financial practices. To carry out this effort, the General Auditor oversees a team of internal audit professionals who determine whether Metropolitan's activities, programs, or agreements comply with policies, procedures, and applicable laws and regulations. The team proactively addresses issues, focusing on governance, risk management, and internal control processes.

Towards this goal, our office is charged with determining if Metropolitan's network of governance, risk management, and internal control processes (as designed and represented by management) are adequate and functioning in a manner to ensure:

- Risks are appropriately identified, managed, and monitored.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions comply with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in Metropolitan's control process.
- Significant legislative or regulatory issues are recognized and addressed appropriately.
- Information Technology is governed, and systems and applications are securely deployed and monitored.

Our office carries out its responsibilities in accordance with the Audit Department Charter specified in Metropolitan Administrative Code Section 6451.





AUDIT RISK ASSESSMENT

AUDIT RISK ASSESSMENT PROCESS

The Office of the General Auditor's objective is to add value to and improve the effectiveness and efficiency of Metropolitan's operations. Our strategy to accomplish this is thorough planning, nimble responsiveness, aligning our priorities with Metropolitan's objectives, and auditing risks with the greatest potential to affect Metropolitan's ability to achieve its objectives.

The chief audit executive must create an internal audit plan that supports achievement of the organization's objectives. – Global Internal Audit Standard 9.4

There are eight primary steps in performing and maintaining the audit risk assessment and audit plan:

- 1. Understand the organization
- 2. Identify, assess, and prioritize risks
- 3. Coordinate with other assurance providers
- 4. Estimate resources
- 5. Propose the audit plan and solicit feedback
- 6. Finalize and communicate the audit plan
- 7. Assess risks continuously
- 8. Update the audit plan as appropriate and communicate changes

Metropolitan's internal audit team developed the audit plan using this process to ensure a thorough risk evaluation, facilitate effective communication with the Board, management, and other stakeholders, and allocate sufficient resources to perform the planned projects.

As part of identifying, assessing, and prioritizing risks, we considered the following risk factors:

Impact Factors

- Loss/Material Exposure. Dollar values at risk, annual expenses, number of transactions, impact on other areas of Metropolitan, and degree of reliance on Information Technology.
- **Strategic Risk.** Public perception/reputation, economic conditions, volatility, significance to the General Manager's business plan/strategy, degree of regulation, and recent changes.

Likelihood Factors

- **Control Environment.** Degree of process formalization/policy & procedures, newness of processes/applications, third-party reliance, management turnover, and management monitoring.
- **Complexity.** Degree of automation, required specialization, level of technical detail, complexity of structure, and frequency of change.
- Assurance Coverage. Type of engagement, other reviews, second-line coverage, and current audit/follow-up.
- **Board & Management Concern.** Quantity and specificity of concerns shared during interviews and meetings.



Speed Factor

• Velocity. How fast a risk can occur and impact Metropolitan.

We obtained input and suggestions from management in key business areas to better identify and quantify the risks Metropolitan faces. We also looked at goals and objectives in various Metropolitan documents, including the financial statements, monthly General Manager reports, Board and Committee meeting agendas, and the biennial budget.

Our audit universe is defined as 35 auditable units and generally revolves around functional areas of Metropolitan. All departments, groups, sections, and units are included in the audit universe except for our office. We scored each factor and sorted each auditable unit according to a total risk score to identify those with the most significant risks.

An auditable unit with a higher audit risk score indicates the services or functions it is responsible for are a higher risk activity due to factors including, but not limited to, having a large amount of expenditures and/or revenues, having a high level of liquid assets such as cash, undergoing significant change (e.g., organizational structure, major system), processing complex transactions, criticality to Metropolitan's mission, or having a high degree of public interest. A higher audit risk score indicates that if something were to go wrong, it could have a greater and more rapid impact on Metropolitan.





AUDIT RISK ASSESSMENT SUMMARY

Our audit risk assessment results show that seven auditable units are considered higher risk, 21 are moderate risk, and seven are lower risk. Below are Metropolitan's auditable units in their respective risk categories in alphabetical order.

HIGHER AUDIT RISK

- **Conveyance & Distribution** • Human Resources
- Infrastructure Reliability • Office of the General Manager
- **Power Operations & Planning**
- Security

Information Technology

A higher audit risk score DOES NOT mean that a business area/process is being managed ineffectively or that internal control is inadequate.

MODERATE AUDIT RISK

- Administrative Services •
- Bay Delta Initiatives •
- **Business Continuity**
- Centralized Grants & Research
- Cybersecurity
- **Diversity Equity & Inclusion**

Board Support Services

Controller (accounting)

- **Employee Relations**
- **Engineering Planning**

- Equal Employment Opportunity
- Ethics

•

- **External Affairs**
- Integrated Operations Planning & Support Services
- Land Management
- **Operational Safety & Regulation** ٠
- Program Management

- Revenue & Budget
- Sustainability Resilience & Innovation
- Treasury & Debt Management
- **Treatment & Water Quality**
- Water Resource Implementation
- Water Resource Planning

LOWER AUDIT RISK

- **Board of Directors**
- **Engineering Design**
- Environmental Planning
- General Counsel (legal)
- Risk Management (insurance)





HEAT MAP

The diagram below shows the relationship between time to cause (likelihood + velocity) vs. impact for each Metropolitan auditable area.

	HIGHER							Power Operations & Plannin
	HIGHER							
						Security		
					Business Continuity			
					Dusiness continuity			
							Information Technology	Office of the General Manage
							Conveyance & Distribution	
							Treatment & Water Quality	Infrastructure Reliability
							Cybersecurity	Human Resources
							Oyborboounty	
								Integrated Ops Plan Suppo
							Administrative Services	
					Diversity Equity & Inclusion	Sustainability Resilience Innovation		
TIME						ousiandonty resilence innorment	Centralized Grants & Research	
	MODERATE				Treasury & Debt Management	Operations Safety & Regulation	Employee Relations	
CAUSE					Land Management	Program Management		
					Land management	Water Resource Planning		Water Resource Implementa
						External Affairs		Revenue & Budget
					Engineering Planning		Bay Delta Initiatives	rioronae e bauger
					Ethics		,-	
					Equal Employment Opportunity			
					Equal Employment opportantly			
			Board Support Services		Environmental Planning			
		Risk Management (insurance)	board Support Services	Engineering Design	 Board of Directors			
		rion management (meananee)		Engineening Design	Dodru of Directors			
						General Counsel (legal)		
						General Gouriser (regal)		
							Controller (accounting)	
							controller (accounting)	
	LOWER		LOWER		MODERATE			HIGHER
			LOWER		IMPACT			HIGHER



INTERNAL AUDIT PLAN

SERVICE PORTFOLIO

Our core portfolio includes the following services:

1 Operational & Compliance Audits

These audits provide assurance focusing on internal control design, implementation, and/or maintenance of core business operations. The criteria generally used for our internal control audits is the Committee on Sponsoring Organizations of the Treadway Commission (COSO) internal control framework. Projects can also include assessment of policy compliance, contractual compliance, and/or regulatory compliance.

2 Information Technology Audits

These audits focus on general information technology controls (e.g., operations, change management, disaster recovery) or specialized cybersecurity controls (e.g., asset management, data protection, malware defense).

3 Advisory Services

These advisory projects include providing consulting services to Metropolitan functions primarily in support of major business changes (e.g., new application implementation, reorganization, new service line, process realignment); however, they can also include contemporary topics and ad-hoc on-demand advice. Deliverables include Advisory Briefs/Rapid Reviews.

4 Follow-Up Reviews

These reviews follow up on observations from prior audits to monitor the implementation progress of recommended corrective actions. The amount of follow-up necessary will depend on the severity of the issue and the type of corrective action.

5 Administration & Other Activities

These activities do not relate to specific auditable entities but are necessary for the proper functioning of an audit department and include the annual audit risk assessment and audit plan; TeamMate+ training and functional utilization; quality assessment and improvement program; and contractually required assistance to the external auditor.



PLANNED ENGAGEMENTS

Planned engagements are based upon approximately 11,800 productive hours provided by ten audit professionals. Higher audit risk areas are given priority for project assignment over moderate and lower audit risk areas. Once all higher audit risk areas are assigned an audit, additional moderate audit risk areas are selected at the discretion of the General Auditor. Projects may also be assigned based on Board direction or as mandated by law/regulation. Lastly, recurring audits are generally not assigned unless determined as higher risk or mandated by law/regulation.

The following table provides planned audit and advisory engagements and includes preliminary objectives and budgeting:

TITLE		PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
1. Security Contract		Review contract compliance.	400
2. Enterprise Risk Ma	anagement	Assess the district Enterprise Risk Management program.	200
3. P-Card Program		Review compliance with Metropolitan policy.	400
4. Contract Administ	rator Program	Review effectiveness of the program.	400
5. Recruiting Process Carryforward from		Compare recruiting procedures and technology against industry and sector best practices.	200
6. Sole Source Contr Carryforward from		Determine if sole-source contracts are issued in accordance with Metropolitan policy.	0 ¹
7. Power Market Ope Carryforward from		Review Metropolitan power market operations.	200
8. State Audit Monito Carryforward from	-	Review implementation status of State Auditor recommendations.	200
9. Bay Delta Disaster Carryforward from	•	Review Bay Delta disaster preparedness procedures.	400
10. CRA Maintenance Carryforward from		Review conveyance maintenance program/processes.	160
11. California Landsca Association Contr Carryforward from	act Compliance	Review contract compliance.	0 ¹



6/10/2025 Board Meeting

DRAFT – PENDING BOARD APPROVAL

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET			
Operational & Compliance Audits (con't)					
12. Pure Water State Funding Audit Carryforward from FY 2023/24	Determine adherence to state and Board directives for the Pure Water state funding.	400			
13. Reserves/Rate Stabilization Fund Board directed Carryforward from FY 2023/24	Determine if reserves are maintained in accordance with the Metropolitan Administrative Code.	0 ¹			
14. Real Property Business Management System Project Carryforward from FY 2022/23	Review administration of the Real Property Business Management System Project.	120			
15. CRA Discharge Line Isolation Couplings Rehabilitation Project Carryforward from FY 2022/23	Review administration of the CRA Discharge Line Isolation Couplings Project.	0 ¹			
Inform	nation Technology Audits				
16. Cybersecurity: SCADA Network Software Asset Inventory & Control	Determine if Metropolitan actively manages all software on the SCADA network.	400			
17. IT Governance Carryforward from FY 2024/25	Evaluate district IT processes and controls for alignment with business goals.	200			
18. Cybersecurity: Inventory and Control of SCADA Network Assets Carryforward from FY 2024/25	Determine if Metropolitan actively manages all SCADA network hardware assets.	400			
19. Cybersecurity: Software Asset Inventory & Control Carryforward from FY 2023/24	Determine if Metropolitan actively manages all software on the district network.	80			
20. Oracle Enterprise Business Suite Security Carryforward from FY 2022/23	Assess Oracle security controls.	80			
	Advisory Services				
21. Safety Equipment Purchase Process	Rapid Review on safety equipment purchase process.	160			
22. GRC Platform	Advise on new application implementation.	80			



6/10/2025 Board Meeting

DRAFT – PENDING BOARD APPROVAL

TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET			
Advisory Services (con't)					
23. Grants	Provide advice to the new grants management function.	80			
24. METCON	Advise on new application implementation.	80			
25. WINS	Advise on new application implementation.	80			
26. Enterprise Content Management	Advise on new application implementation.	80			
27. Process Matters Initiative	Provide advice on recommended changes from the Process Matters initiative.	80			
28. Colorado River Water Users Association Review Board directed	Perform agreed-upon procedures for the Colorado River Water Users Association Review.	120			
29. Risk Oversight Committee (Power Operations)	Provide advice on risks and controls.	0 ²			
30. Oracle Services Procurement	Advise on new Oracle module implementation.	0 ²			
	Follow-Up Reviews				
Follow-Up on Audits	Follow up on audit recommendation implementation by management.	2,238			
Admin	istration & Other Activities				
External Audit Support	Assist Macias Gini & O'Connell (MGO) in the annual financial audit and single audit.	800			
Annual Audit Risk Assessment & Internal Audit Plan	Perform annual audit risk assessment tasks and prepare the Internal Audit Plan.	400			
TeamMate+ Training & Functional Utilization	Provide and receive training on the internal audit project management system.	200			
Quality Assessment & Improvement Program (QAIP)	Complete mandates to ensure adherence to professional internal audit standards and improve internal audit operations.	80			



TITLE	PRELIMINARY OBJECTIVES	PRELIMINARY BUDGET
Administra		
On-Demand Advisory Services	Provide advice upon request.	80
Directed Ad Hoc	Tasks assigned by department management.	80

From time to time, the General Auditor may determine it appropriate to substitute, postpone, or cancel a planned engagement due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in activity reports submitted to the Board, and acceptance of the reporting authorizes any changes noted and amends the audit plan.

¹ This project has reached its maximum budget, and no additional hours will be allocated to it.

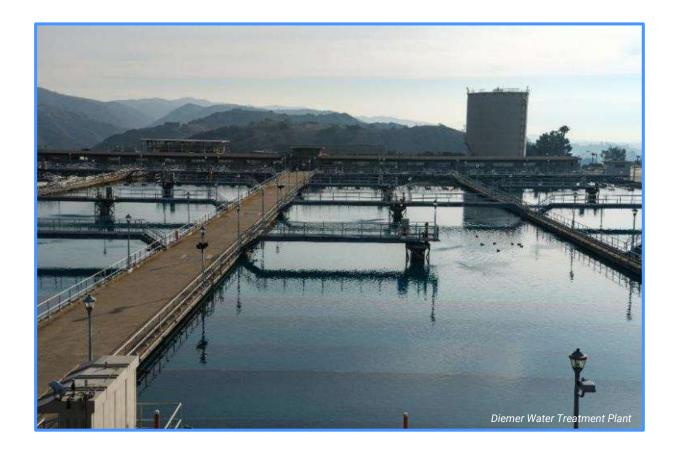
² This project has executive management assigned to it who do not charge hours.





PROJECT TEAM

- Kathryn Andrus, CPA, Assistant General Auditor
- Chris Gutierrez, CPA, CIA, Program Manager Audit
- Sherman Hung, CISA, Principal Auditor
- Andrew Lin, CPA, CIA, CIGA, Principal Auditor
- Lina Tan, Principal Auditor
- Bonita Leung, CPA, CIA, CRMA, CGMA, Senior Deputy Auditor
- Neena Mehta, Senior Deputy Auditor
- Faviola Sanchez, Deputy Auditor III
- Mari Elias, Executive Assistant II





APPENDIX A: ADDITIONAL INFORMATION

ASSURANCE & ADVISORY COVERAGE

Risk areas we identified as part of the audit risk assessment process are listed alphabetically and mapped to their associated auditable areas, with the resultant planned engagement number in parentheses³:

RISK AREA	AUDITABLE AREA	ENGAGEMENT
Application security	Information Technology	Oracle Enterprise Business Suite Security (20)
Contract administration	Administrative Services	Contract Administrator Program (4)
	Security	Security Contract (1)
Contract compliance	Water Resource Implementation	California Landscape Contractors Association Contract Compliance (11)
	Infrastructure Reliability	CRA Discharge Line Isolation Couplings Rehabilitation Project (15)
Contract selection/award	Administrative Services	Sole Source Contracts (6)
Control activities	Office of the General Manager	Process Matters Initiative (27)
Cybersecurity	Cybersecurity	SCADA Network Software Asset Inventory & Control (16) Software Asset Inventory & Control (19) Inventory and Control of SCADA Network Assets (18)
Delta failure/earthquake	Bay Delta Initiatives	Bay Delta Disaster Preparedness (9)
Enterprise risk management	Office of the General Manager	Enterprise Risk Management (2)
Governance	Information Technology (general)	IT Governance (17)
Grants	Centralized Grants & Research	Pure Water State Funding Audit (12) Grants (23)

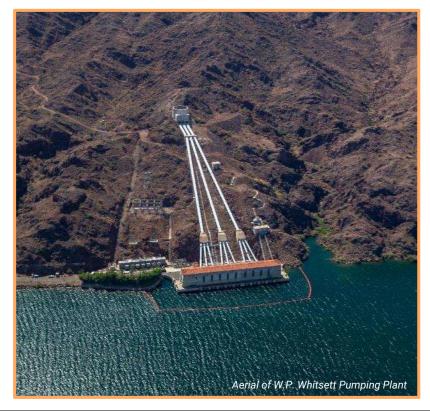


6/10/2025 Board Meeting

DRAFT - PENDING BOARD APPROVAL

RISK AREA	AUDITABLE AREA	ENGAGEMENT
New applications	Information Technology (general)	Real Property Business Management System (14) GRC Platform (22) METCON (24) WINS (25) Enterprise Content Management (26) Oracle Services Procurement (30)
P-cards	Treasury and Debt Management	P-Card Program (3)
Power costs/operations	Power Operations & Planning	Power Market Operations (7) Risk Oversight Committee (Power Operations) (29)
Procurement	Administrative Services	Safety Equipment Purchase Process (21)
Recruiting	Human Resources	Recruiting Process (5)
Reserves	Revenue & Budget	Reserves/Rate Stabilization Fund (13)
State Audit compliance	Office of the General Manager	State Audit Monitoring (8)
Water system maintenance	Conveyance & Distribution	CRA Maintenance (10)

³ The Colorado River Water Users Association (28) is a Board-directed project without a direct district-associated risk area.





DEFERRED PROJECTS

Risks/internal control concerns identified from Board input and management interviews (in high or medium-high areas of the audit risk assessment) are listed below alphabetically and mapped to auditable areas. They will be added to the audit plan as resources and/or time become available:

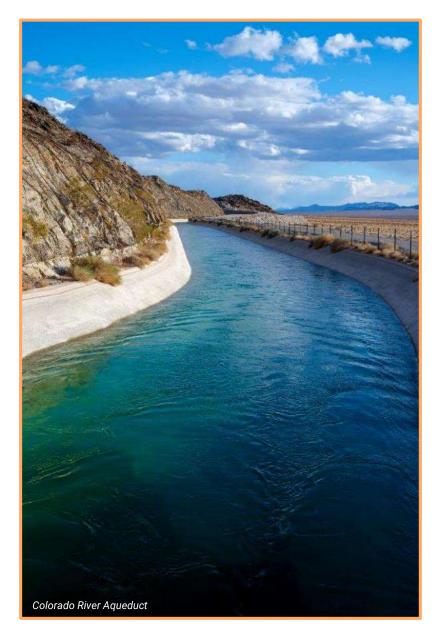
RISK AREA	AUDITABLE AREA
Accommodations process	Human Resources
Affordability (Board Directed)	Revenue & Budget
Buy v. lease	Integrated Operations Planning & Support Services
Chemical safety	Treatment & Water Quality
Conjunctive use (Board Directed)	Water Resource Planning
Corporate climate assessments	Multiple
CRA reliability	Conveyance & Distribution
Desert housing	Integrated Operations Planning & Support Services
District temporary/annuitant usage	Human Resources
Electrical equipment supply chain	Integrated Operations Planning & Support Services
Employee/contractor conflict of interest	Ethics
Investigative process	Multiple
Job descriptions	Human Resources
Knowledge transfer (Board Directed)	Human Resources
MOUs (Board Directed)	Multiple
Operator certification	Integrated Operations Planning & Support Services
Real estate (Board Directed)	Land Management
Total asset management	Infrastructure Reliability
Transfer process	Human Resources
Travel authorization process	Human Resources
Vehicle assignment	Integrated Operations Planning & Support Services



RESOURCE PLAN

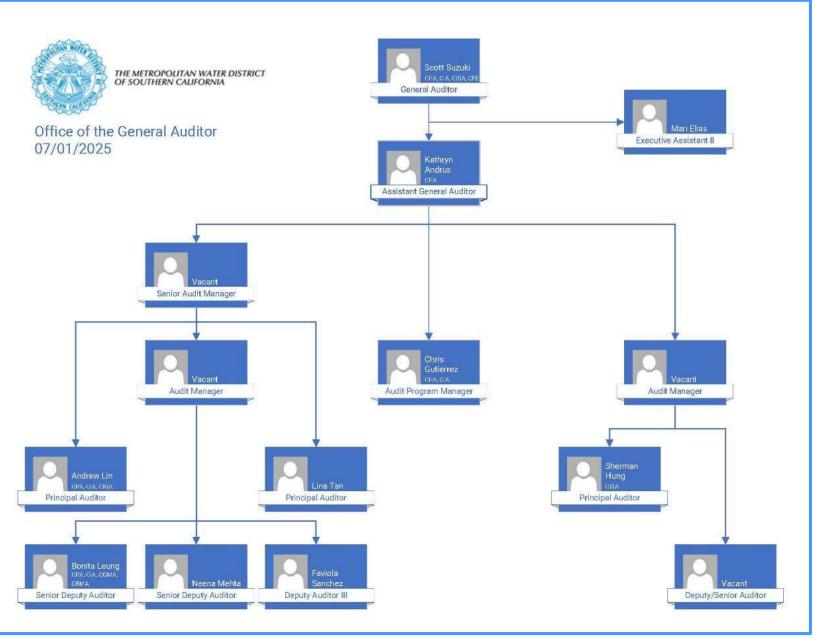
The department is comprised of 10 professional audit team members, one administrative professional, and two executive managers. Team member audit experience includes financial, performance, fraud, compliance, and information technology. Five members are licensed Certified Public Accountants (CPA), four are Certified Internal Auditors (CIA), and two are Certified Information System Auditors (CISA). Other professional certifications held include Certified Fraud Examiner (CFE), Chartered Global Management Accountant (CGMA), Certification in Risk Management Assurance (CRMA), and Certified Inspector General Auditor (CIGA).

Our total productive hours for portfolio services are 11,817 hours after allowances for benefits and nonproductive time (e.g., training, staff meetings, human resources activities). Additional time is then deducted for administration and other activities, a contingency reserve, Board directives, and special projects, resulting in 7,177 hours available for audit and advisory projects. Audit hours for the general auditor and assistant general auditor are not included in the productive hour total.





ORGANIZATION CHART



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STANDARDS

The following are references to relevant Global Internal Audit Standards.

Domain I: Purpose of Internal Auditing

Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organization's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Standard 8.2 Resources

The chief executive must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the chief audit executive must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed.

Standard 9.1 Understanding Governance, Risk Management, and Control Processes

To develop an effective internal audit strategy and plan, the chief audit executive must understand the organization's governance, risk management, and control processes.

To understand governance processes, the chief audit executive must consider how the organization:

- Establishes strategic objectives and makes strategic and operational decisions.
- Oversees risk management and control.
- Promotes an ethical culture.
- Delivers effective performance management and accountability.
- Structures its management and operating functions.
- Communicates risk and control information throughout the organization.
- Coordinates activities and communications among the board, internal and external providers of assurance services, and management.



Standard 9.1 Understanding Governance, Risk Management, and Control Processes

To understand risk management and control processes, the chief audit executive must consider how the organization identifies and assesses significant risks and selects appropriate control processes. This includes understanding how the organization identifies and manages the following key risk areas:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws and/or regulations.

Standard 9.2 Internal Audit Strategy

The chief executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.

An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit mandate.

The chief audit executive must review the internal audit strategy with the board and senior management periodically.

Standard 9.4 Internal Audit Plan

The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives.

The chief audit executive must base the internal audit plan on a documented assessment of the organization's strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive's understanding of the organization's governance, risk management, and control processes. The assessment must be performed at least annually.

The internal audit plan must:

- Consider the internal audit mandate and the full range of agreed-to internal audit services.
- Specify internal audit services that support the evaluation and improvement of the organization's governance, risk management, and control processes.
- Consider coverage of information technology governance, fraud risk, the effectiveness of the organization's compliance and ethics programs, and other high-risk areas.
- Identify the necessary human, financial, and technological resources necessary to complete the plan.
- Be dynamic and updated timely in response to changes in the organization's business, risks operations, programs, systems, controls, and organizational culture.



Standard 9.4 Internal Audit Plan

The chief audit executive must review and revise the internal audit plan as necessary and communicate timely to the board and senior management:

- The impact of any resource limitations on internal audit coverage.
- The rationale for not including an assurance engagement in a high-risk area or activity in the plan.
- Conflicting demands for services between major stakeholders, such as high-priority requests based on emerging risks and requests to replace planned assurance engagements with advisory engagements.
- Limitations on scope or restrictions on access to information.

The chief audit executive must discuss the internal audit plan, including significant interim changes, with the board and senior management. The plan and significant changes to the plan must be approved by the board.

Standard 10.1 Financial Resource Management

The chief audit executive must manage the internal audit function's financial resources.

The chief audit executive must develop a budget that enables the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and acquisition of technology and tools. The chief audit executive must manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

The chief audit executive must seek budget approval from the board. The chief audit executive must communicate promptly the impact of insufficient financial resources to the board and senior management.

Standard 14.4 Recommendations and Action Plans

Internal auditors must determine whether to develop recommendations, request action plans from management, or collaborate with management to agree on actions to:

- Resolve the differences between the established criteria and the existing condition.
- Mitigate identified risks to an acceptable level.
- Address the root cause of the finding.
- Enhance or improve the activity under review.

When developing recommendations, internal auditors must discuss the recommendations with the management of the activity under review.

If internal auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a resolution.





Audit Committee

General Auditor's Internal Audit Plan for Fiscal Year 2025/26

Item 7-1 June 9, 2025 Item # 7-1 General Auditor's Internal Audit Plan for Fiscal Year 2025/26

Subject

Approve General Auditor's Internal Audit Plan for fiscal year 2025/26

Purpose

Provide a summary of the Internal Audit Plan for fiscal year 2025/26

Next Steps Submit the Internal Audit Plan for Board approval

Introduction

Department Overview

- Provide independent, professional, and objective advice to the Board and Metropolitan management in accordance with professional standards issued by The Institute of Internal Auditors
- Assist Metropolitan's Board and management in improving business and financial practices
- Proactively address issues, focusing on governance, risk management, and internal control processes
- Carry out responsibilities in accordance with the Audit Department Charter specified in Metropolitan Administrative Code Section 6451

Audit Risk Assessment

Audit Risk Assessment Process

The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives - Global Internal Audit Standard 9.4

- Understand the organization
- Identify, assess, and prioritize risks
- Coordinate with other assurance providers
- Estimate resources
- Propose the audit plan and solicit feedback
- Finalize and communicate the audit plan
- Assess risks continuously
- Update the audit plan and communicate changes

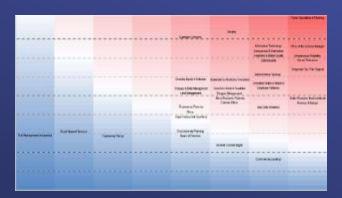
Audit Risk Assessment

Audit Risk Assessment Summary

Higher Audit Risk Areas

- Conveyance & Distribution
- Human Resources
- Information Technology
- Infrastructure Reliability
- Office of the General Manager
- Power Operations & Planning
- Security

NOTE: A higher audit risk score **DOES NOT** mean that a business area/process is being managed ineffectively or that internal control is not adequate.



Service Portfolio

1. Operational & Compliance Audits

2. Information Technology Audits

3. Advisory Services

4. Follow-Up Reviews

5. Administration & Other Activities

New Engagements

Operational & Compliance Audits

- 1. Security Contract
- 2. Enterprise Risk Management
- 3. P-Card Program
- 4. Contract Administrator Program

Information Technology Audit

5. Cybersecurity: SCADA Network Software Asset Inventory & Control

Carryforward Engagements

Operational & Compliance Audits

- 6. Recruiting Process
- 7. Sole Source Contracts
- 8. Power Market Operations
- 9. State Audit Monitoring
- 10. Bay-Delta Disaster Preparedness
- 11. CRA Maintenance
- 12. California Landscape Contractors Association Contract Compliance
- 13. Pure Water State Funding Audit

Carryforward Engagements (con't)

Operational & Compliance Audits

- 14. Reserves/Rate Stabilization Fund
- 15. Real Property Business Management System
- 16. CRA Discharge Line Isolation Couplings Rehabilitation Project

Information Technology Audits

- 17. IT Governance
- 18. Cybersecurity: Inventory and Control of SCADA Network Assets
- 19. Cybersecurity: Software Asset Inventory & Control
- 20. Oracle Enterprise Business Suite Security

Advisory Engagements

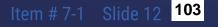
- 21. Safety Equipment Purchase Process
- 22. GRC Platform
- 23. Grants
- 24. METCON
- 25. WINS
- 26. Enterprise Content Management
- 27. Process Matters Initiative
- 28. Colorado River Water Users Association Review
- 29. Risk Oversight Committee (Power Operations)
- 30. Oracle Services Procurement

Follow-Up Reviews

- Six prior audit plan
- 13 current audit plan

Administration & Other Activities

- External Audit Support
- Annual Audit Risk Assessment & Internal Audit Plan
- TeamMate+ Training & Functional Utilization
- Quality Assessment & Improvement Program (QAIP)
- On-Demand Advisory Services
- Directed Ad Hoc



Assurance & Advisory Coverage Specific risk areas covered by planned engagements:

RISK AREA	AUDITABLE AREA	ENGAGEMENT	
Application security	Information Technology	Oracle Enterprise Business Suite Security (20)	
Contract administration	Administrative Services	Contract Administrator Program (4)	
	Security	Security Contract (1)	
Contract compliance	Water Resource Implementation	California Landscape Contractors Association Contract Compliance (11)	
	Infrastructure Reliability	CRA Discharge Line Isolation Couplings Rehabilitation Project (15)	
Contract selection/award	Administrative Services	Sole Source Contracts (6)	
Control activities	Office of the General Manager	Process Matters Initiative (27)	
Cybersecurity	Cybersecurity	SCADA Network Software Asset Inventory & Control (16) Software Asset Inventory & Control (19) Inventory and Control of SCADA Network Assets (18)	



Assurance & Advisory Coverage (con't)						
RISK AREA	AUDITABLE AREA	ENGAGEMENT				
Delta failure/earthquake	Bay Delta Initiatives	Bay Delta Disaster Preparedness (9)				
Enterprise risk management	Office of the General Manager	Enterprise Risk Management (2)				
Governance	Information Technology (general)	IT Governance (17)				
Grants	Centralized Grants & Research	Pure Water State Funding Audit (12) Grants (23)				
New applications	Information Technology (general)	Real Property Business Management System (14)GRC Platform (22)METCON (24)WINS (25)Enterprise Content Management (26)				

Treasury and Debt Management

P-cards



Oracle Services Procurement (30)

P-Card Program (3)

Assurance & Advisory Coverage (con't)

RISK AREA	AUDITABLE AREA	ENGAGEMENT
Power costs/operations	Power Operations & Planning	Power Market Operations (7) Risk Oversight Committee (Power Operations) (29)
Procurement	Administrative Services	Safety Equipment Purchase Process (21)
Recruiting	Human Resources	Recruiting Process (5)
Reserves	Revenue & Budget	Reserves/Rate Stabilization Fund (13)
State Audit compliance	Office of the General Manager	State Audit Monitoring (8)
Water system maintenance	Conveyance & Distribution	CRA Maintenance (10)



Deferred Projects

Added to audit plan as resources/time become available:

- Accommodations process
- Affordability (Board Directed)
- Buy v. lease
- Chemical safety
- Conjunctive use (Board Directed)
- Corporate climate assessments
- CRA reliability
- Desert housing
- District temporary/annuitant usage
- Electrical equipment supply chain

Deferred Projects (con't)

- Employee/contractor conflict of interest
- Investigative process
- Job descriptions
- Knowledge transfer (Board Directed)
- MOUs (Board Directed)
- Operator certification
- Real estate (Board Directed)
- Total asset management
- Transfer process
- Travel authorization process
- Vehicle assignment

Other Risk Areas

Not included in/removed from audit plan at this time:

- Business continuity
- CARB regulations/fleet exemptions
- Community outreach
- Conservation funding
- Revenue-generating lease/license contracts
- Housing assignments
- Headquarters office space usage
- Invoice review process
- Progressive design-build



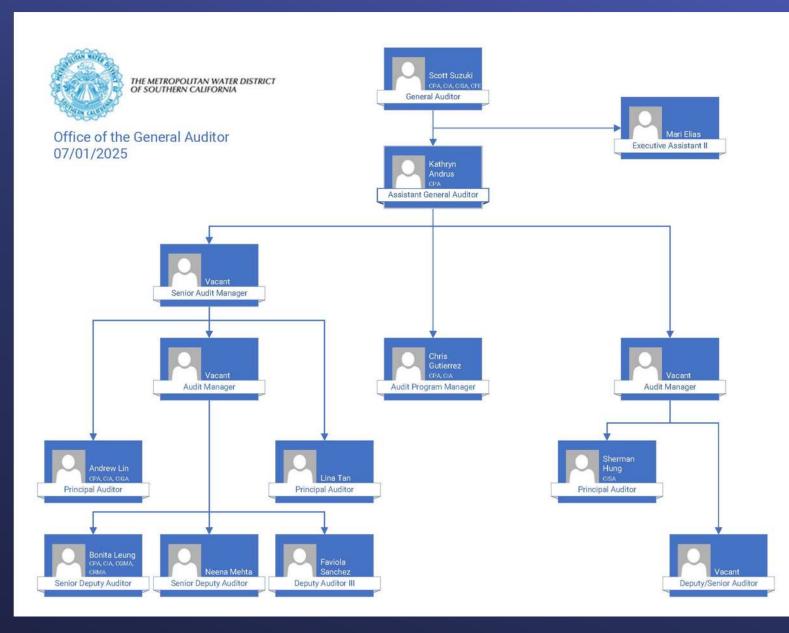
Other Risk Areas (con't)

- Receiving/inventory
- SBA/DBE program
- Travel/employee reimbursement
- Water sales to non-member agencies

Resource Plan

- Ten professional audit team members, one administrative professional, two executive managers
- Audit experience includes financial, performance, fraud, compliance, and information technology
- Five licensed Certified Public Accountants (CPA)
- Four Certified Internal Auditors (CIA) and two Certified Information Systems Auditors (CISA)
- 11,817 productive hours of which 7,177 are available for audit and advisory projects
- Productive hours account for the hiring of two audit managers and a senior audit manager during the year

Organization Chart



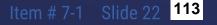


Global Internal Audi: Standards	
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Standards

Global Internal Audit Standards applicable to this project:

- Domain I: Purpose of Internal Auditing
- Standard 8.2 Resources
- Standard 9.1 Understanding Governance, Risk Management, Control Processes
- Standard 9.2 Internal Audit Strategy
- Standard 9.4 Internal Audit Plan
- Standard 10.1 Financial Resource Management
- Standard 14.4 Recommendations and Action Plans



General Auditor's Internal Audit Pan for FY 2025/26

Project Team

- Assistant General Auditor Kathryn Andrus, CPA
- Audit Program Manager Chris Gutierrez, CPA, CIA
- Principal Auditor Sherman Hung, CISA
- Principal Auditor Andrew Lin, CPA, CIA, CIGA
- Principal Auditor Lina Tan
- Senior Deputy Auditor Bonita Leung, CPA, CIA, CRMA, CGMA
- Senior Deputy Auditor Neena Mehta
- Deputy Auditor III Faviola Sanchez
- Executive Assistant II Mari Elias

Board Options

Option l

• Approve General Auditor's Internal Audit Plan for Fiscal Year 2025/26

Option 2

• Do not approve General Auditor's Internal Audit Plan for Fiscal Year 2025/26



Board Options

Staff Recommendation

• Option l







THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

7-2

Board of Directors Engineering, Operations, and Technology Committee

6/10/2025 Board Meeting

Subject

Authorize \$1,500,000 increase to existing on-call agreements with Mangan Inc., and Burns & McDonnell Western Enterprises Inc., for new not-to-exceed amounts of \$3,750,000, to provide technical services to enhance arc flash protection at Metropolitan's facilities; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan utilizes an extensive electrical power distribution system to safely direct and deliver electrical power to operate its facilities. Safe operation of these facilities is essential to protect staff from a sudden, unanticipated release of electric energy, commonly known as arc flash hazards. Consistent with recent provisions of the National Fire Protection Association (NFPA), requiring formal risk assessments of facilities at intervals not to exceed every five years, staff initiated a program to assess the potential hazards and develop risk mitigation strategies for electrical power systems at Metropolitan's facilities. The work is being executed in two phases. The first phase is nearly complete and addresses 41 facilities, including the water treatment plants, Colorado River Aqueduct (CRA) pumping plants, and hydroelectric power plants. The second phase, which is the subject of this action, will provide arc flash risk assessments for 25 facilities, including dams, reservoirs, and pressure control structures.

This action authorizes an increase of \$1,500,00 to extend existing on-call agreements with Mangan Inc. (Mangan) and Burns & McDonnell Western Enterprises Inc. (Burns & McDonnell), for new not-to-exceed amounts of \$3,750,000 to provide technical services to complete the second phase of arc flash risk assessment and mitigation at Metropolitan's facilities. See **Attachment 1** for the List of Subconsultants.

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

Staff Recommendation: Option #1

Option #1

Authorize \$1,500,000 increases to existing on-call agreements with Mangan Inc., and Burns & McDonnell Western Enterprises Inc., for new not-to-exceed amounts of \$3,750,000, to provide technical services to complete arc flash risk assessment and mitigation at Metropolitan's facilities.

Fiscal Impact: Expenditure of \$3 million in capital funds. Approximately \$1.5 million will be incurred in the current biennium and has been previously authorized. The remaining funds from this action will be accounted for under the next biennial budget.

Business Analysis: This option enhances operational safety of Metropolitan's high-voltage power distribution systems with the appropriate level of expertise and within a reasonable timeframe.

Option #2

Do not proceed with the consulting agreements at this time. **Fiscal Impact:** None

Business Analysis: This option may delay or forgo safety improvements to Metropolitan's power distribution systems, risking non-compliance with regulatory requirements.

Alternatives Considered

Upon completion of the arc flash assessment for the first 13 facilities, staff reassessed the availability and capability of in-house Metropolitan staff to complete the work, considering: (1) current work assignments for in-house staff; and (2) specialized technical expertise needs.

After assessing the current workload for in-house staff and the relative priority of this project, the staff has determined that there is not sufficient electrical engineering staff available to ensure completion of all the work in a timely manner. Staff recommends continuing the use of both consultants and Metropolitan staff to complete this work. The consultants will perform the majority of arc flash assessment and mitigation work, and Metropolitan staff will provide needed site support and perform project reviews and oversight. The existing on-call agreements are structured as multi-year contracts with annual not-to-exceed limits, offering the flexibility to issue work assignments to consultants through task orders on a facility-by-facility basis. This approach will allow for the completion of this program and other budgeted capital projects within their current schedules and ensure that the work is conducted in the most efficient manner possible.

Applicable Policy

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

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

By Minute Item 52860, dated June 14, 2022, the Board authorized agreements for a period of three years to assess arc flash risks for Metropolitan's facilities.

By Minute Item 53598, dated April 9, 2024, the Board appropriated a total of \$636.5 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because it involves only feasibility or planning studies for possible future actions which the Board has not approved, adopted, or funded. (Public Resources Code Section 21080.21; State CEQA Guidelines Section 15262.)

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan relies on an extensive high-energy electrical power distribution system to operate its water treatment, conveyance, and hydroelectric facilities. As these facilities have expanded and grown in complexity, the supporting electrical systems have also become more intricate. The high-voltage electric distribution equipment at many of Metropolitan's facilities is inherently dangerous. A sudden, large release of unexpected electrical energy, commonly known as arc flash, may occur when electric current leaves its intended path and travels through the air between one conductor and another or to the ground. Metropolitan adheres to all applicable safety standards established by the NFPA, the National Electrical Code, and the Occupational Safety and Health Administration.

In compliance with the recent revisions to the NFPA code, Metropolitan has undertaken formal arc flash risk assessments across its facilities at intervals not to exceed five years. These assessments require coordination with electrical utilities, comprehensive field data collection on electrical components, and the development of detailed computerized system models. The electrical system models include one-line electrical diagrams, protective device settings, voltage levels, and ratings of electrical distribution equipment and transformers. This information serves as the foundational basis for arc flash analyses, which provide detailed recommendations for mitigating risks, including establishing updated safety work zones, identifying appropriate personal protective equipment, and the enhancement of equipment labeling to accurately reflect hazard levels. While the initial development of the model involves significant efforts, subsequent analyses for future updates can utilize the previously created model to incorporate any changes that have occurred in the subject equipment over the intervening five-year period.

In June 2022, Metropolitan's Board authorized three-year agreements with four prequalified firms to provide specialized technical services to enhance arc flash protection across Metropolitan facilities. Staff recommends amending two of these agreements for the second phase of the arc flash assessment work. These firms were selected due to their performance on the first phase of the program. Both firms showed high efficiency when assigning the resources required to complete the field investigations and arc flash assessments for critical Metropolitan facilities with intricate electrical systems and numerous configurations, and potential fault scenarios.

Arc Flash Assessment and Mitigation

Under Metropolitan's arc flash assessment program, staff identified a total of 66 key facilities that require arc flash risk assessment and mitigation. This work is being executed in two phases. Under the first phase, studies and system models have been completed for 13 critical facilities, including four of the five water treatment plants, all five CRA pumping plants, and four hydroelectric power plants. In addition, arc flash model implementation for 28 facilities is currently 95 percent complete and is scheduled to be completed by July 2025. The planned second phase will provide assessments for 25 facilities, including dams, reservoirs, lakes, and pressure control structures.

The arc flash assessment and mitigation work has been conducted jointly by Metropolitan staff and consultants. Metropolitan staff compiles existing record drawings, isolates equipment for data gathering when required, reactivates electrical systems upon completion of data gathering, performs overall project management, and provides consultant oversight. Consultants collect appropriate data, develop computer models, conduct analyses, prepare recommendations, and other activities as described below.

Previously allocated funds will be sufficient for Metropolitan staff activities, including shutting down and reactivating electrical systems, record drawing compilation, technical oversight, and project management. The total cost to mitigate risks of arc flash events at Metropolitan facilities will be evaluated during performance of the assessments.

Engineering Support for Arc Flash Assessment and Mitigation (Mangan Inc. and Burns & McDonnell Western Enterprises Inc.) – Amendment to Agreements

In June 2022, Metropolitan's Board authorized specialized on-call agreements with Mangan and Burns & McDonnell, each for a not-to-exceed amount of \$2,250,00 for a period of three years, to assess and mitigate arc flash risks for Metropolitan facilities. The current expiration date for both agreements is July 31, 2025. Mangan and Burns & McDonnell were prequalified through Request for Qualifications No. 1301 based upon their extensive expertise in arc flash model development. Mangan and Burns & McDonnell have successfully completed arc flash assessment work for 13 facilities and are now recommended to provide engineering services for the remaining work described above. Work will be assigned to the consultants after specific tasks are identified by staff, ensuring efficient resource allocation while upholding compliance and safety standards.

The planned scope of work includes: (1) site investigations and data collection; (2) developing/verifying singleline electrical diagrams of Metropolitan facilities under study; (3) developing computerized electrical system models; (4) conducting arc flash assessment and analysis; (5) identifying recommendations for equipment safety or operational improvements; (6) preparing arc flash warning/safety labels; and (7) providing support for label affixing. This action authorizes \$1,500,000 increases to existing on-call agreements with Mangan Inc. and Burns & McDonnell Western Enterprises Inc. for new not-to-exceed amounts of \$3,750,000, to provide technical services to complete the second phase of arc flash risk assessment and mitigation at Metropolitan's facilities. The period of performance of these agreements will also be extended from three years to five years. For both agreements, Metropolitan has established a Small Business Enterprise participation level of 25 percent. Both firms have committed to meeting this level of participation. The planned subconsultants for this work are listed in **Attachment 1**.

7-2

Project Milestone

June 2027 - Completion of arc flash assessment and mitigation for Metropolitan's power distribution systems

Mai M. Hattar

Interim Chief Engineer Engineering Services

5/28/2025 Deven Upad Date General Manager

Attachment 1 – Listing of Subconsultants

Ref# es12707605

5/28/2025

Date

The Metropolitan Water District of Southern California

Subconsultants for Agreement with Mangan Inc. Agreement No. 208158

Subconsultant and Location	Service Category; Specialty	
Smaart Power LLC Irvine, CA	Arc Flash Incident Energy Analysis	
Enercom Eng. Corp. Irvine, CA !	Short Circuit Analysis Arc Flash Incident Energy Analysis Protective Device Coordination Study	

The Metropolitan Water District of Southern California

Subconsultants for Agreement with Burns & McDonnell Western Enterprises Inc. Agreement No. 208159

Subconsultant and Location	Service Category; Specialty	
MEP California Engineering Corp Irvine, CA	Arc Flash Incident Energy Analysis	



Engineering, Operations & Technology Committee Arc Flash Protection

Item 7-2 June 9, 2025

Item 7-2 Arc Flash Protection

Subject

Authorize \$1,500,000 increases to existing on-call agreements with Mangan Inc., and Burns & McDonnell Western Enterprises Inc., for new not-to-exceed amounts of \$3,750,000 to provide technical services to enhance arc flash protection at Metropolitan's facilities

Purpose

Enhance operational safety of Metropolitan's high-voltage power distribution systems

Recommendation and Fiscal Impact

Authorize an amendment to two existing on-call agreements to complete the second phase of arc flash risk assessment and mitigation at Metropolitan's facilities

Fiscal Impact – \$3 Million

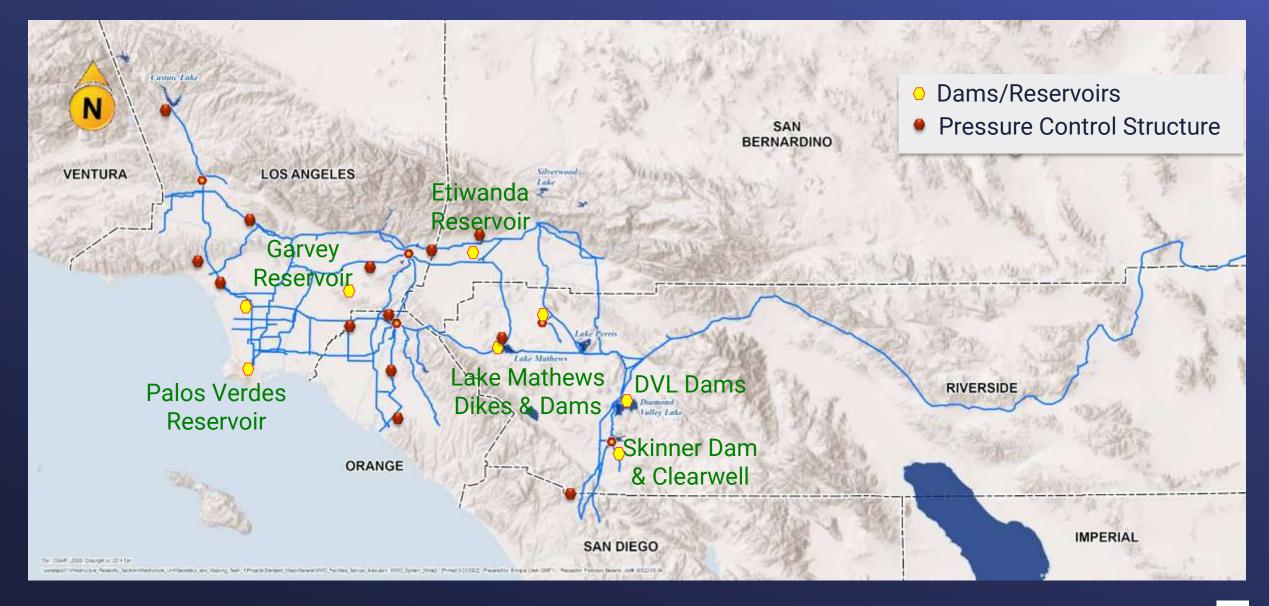
Budgeted

Metropolitan Distribution System





Metropolitan Distribution System

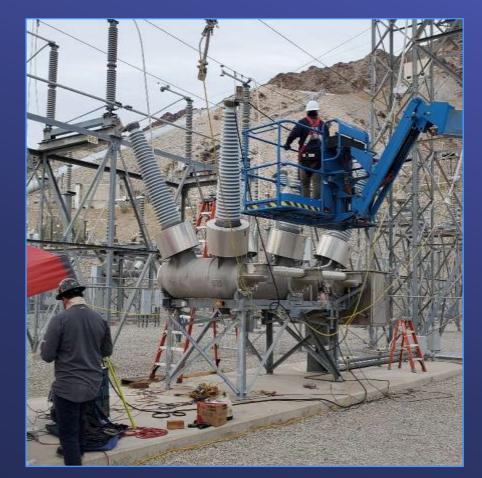


Engineering, Operations & Technology Committee

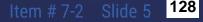


Background

- Metropolitan power distribution system
 - Electrical power systems from 480 volts to 230,000 volts
- Arc flash event
 - Sudden and intense release of electrical energy traveling through air
 - Serious risks to personnel safety, equipment integrity & operations
- NFPA regulations
 - Formal arc flash risk assessments
 - Intervals NTE 5 years



Staff Performing Electrical Maintenance on 230kV Circuit Breaker



Background

- Metropolitan's Programmatic Safety Response
 - Authorized a comprehensive multi-year initiative in June 2022
 - Risk assessments per NFPA 70E
 - Development of digital system models
 - PPE guidance, safety labels
 - Integration of program findings into long-term O&M and training protocols



Staff Isolating Equipment for Maintenance at Skinner WTP



Background – Arc Flash Assessment & Mitigation

- Work executed in two phases
- Initial assessment of 41 critical facilities
 - CRA pumping plants, water treatment plants
 & hydroelectric power plants
 - Work by Metropolitan staff & consultant
 - 99% completed to date
- Second phase assessment this action
 - 25 sites including pressure control structures, dams & reservoirs
- Minor review/updates every 5 years in compliance with NFPA regulations



Labeling & Working with Live System

Arc Flash Protection

Consultant Scope

- For each facility
 - Perform site investigations
 - Verify electrical single-line diagrams
 - Develop computerized models using ETAP software
 - Conduct arc flash assessment & analysis
 - Recommend improvements
 - Prepare deliverables & submittals

Arc Flash Protection

Alternatives Considered

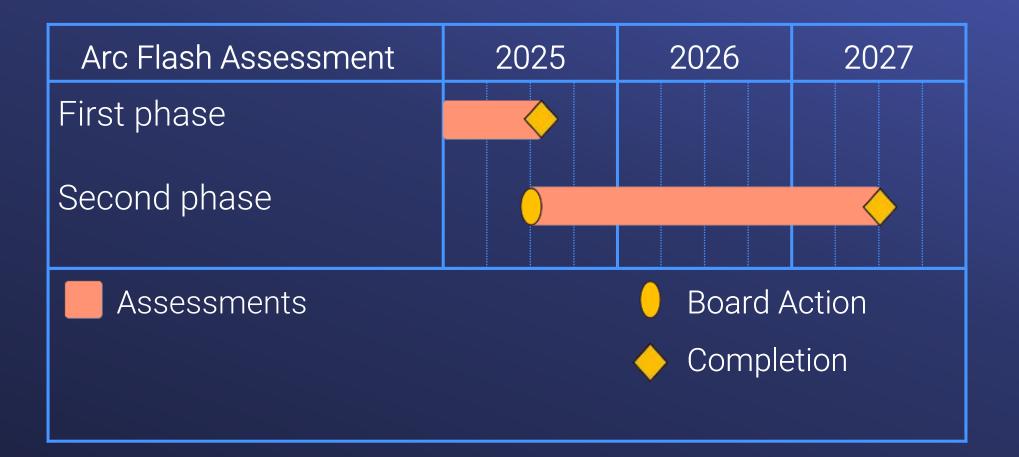
- Considered Alternative Utilize only Metropolitan staff
 - Uses internal engineering capabilities
 - Limited availability may delay completion
- Selected Alternative Hybrid approach
 - Maintains compliance & project schedule
 - Efficient resource allocation
 - Balances consultant expertise with internal priorities

Arc Flash Protection

Arc Flash Agreements

- Pre-qualified consultants via RFQ 1301
- Amend two agreements
 - Mangan Inc.
 - Burns & McDonnell Western Enterprises Inc.
- Recommended amendment
 - Complete second phase of arc flash risk
 assessment & mitigation
- For each agreement
 - Amendment amount: \$1,500,000
 - New NTE amount: \$3,750,000
 - SBE participation level: 25%

Project Schedule



Board Options

• Option #1

Authorize \$1,500,000 increases to existing on-call agreements with Mangan Inc., and Burns & McDonnell Western Enterprises Inc., for new not-to-exceed amounts of \$3,750,000, to provide technical services to complete arc flash risk assessment and mitigation at Metropolitan's facilities.

• Option #2

Do not proceed with the consulting agreements at this time.



Staff Recommendation

• Option #1







THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

Board of Directors Engineering, Operations, and Technology Committee

6/10/2025 Board Meeting

Subject

7-3

Award an \$807,004 procurement contract to B&K Valves and Equipment Inc. for the replacement of globe valves at the Rio Hondo Pressure Control Structure; the General Manager has determined that the proposed action is categorically exempt or otherwise not subject to CEQA

Executive Summary

The Rio Hondo Pressure Control Structure (PCS) stabilizes and controls downstream pressures in the southern portion of the Middle Feeder, which supplies water to the central pool portion of Metropolitan's distribution system. The Rio Hondo PCS uses several globe valves in various sizes to control flows. After 70 years of service, four existing globe valves have deteriorated beyond repair and need to be replaced to ensure reliable operations. This action awards a procurement contract for one 16-inch valve, two 12-inch valves, and one 8-inch globe valve.

This action awards a \$807,004 procurement contract to B&K Valves and Equipment Inc. for four globe valves to be installed at Rio Hondo PCS. See Attachment 1 for the Allocation of Funds, Attachment 2 for the Abstract of Bids, and Attachment 3 for the Location Map.

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

Staff Recommendation: Option #1

Option #1

Award an \$807,004 procurement contract to B&K Valves and Equipment Inc. for globe valves to be installed at the Rio Hondo Pressure Control Structure.

Fiscal Impact: \$975,000

Business Analysis: This option will improve aging infrastructure and ensure operational reliability of water deliveries to member agencies along the Middle Feeder.

Option #2

Do not proceed with this project at this time.

Fiscal Impact: None

Business Analysis: This option would forego the opportunity to improve aging infrastructure and reliability of service to the area.

Alternatives Considered

Staff considered rehabilitating the existing values at Rio Hondo PCS. However, rehabilitation of the values would be prohibitively expensive, as the values have suffered extensive wear over 70 years of operation. Moreover, due to the age of these values, replacement parts are challenging to find. The selected alternative is to procure four new globe values to replace the deteriorating values, providing an expeditious solution to restore the facility to full operational capacity.

Applicable Policy

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

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

By Minute Item 53598, dated April 9, 2024, the Board appropriated a total of \$636.6 million for projects identified in the Capital Investment Plan for Fiscal Years 2024/25 and 2025/26.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because it involves the operation, repair, and maintenance of existing public facilities and mechanical equipment involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. (State CEQA Guidelines Section 15301.)

CEQA determination for Option #2:

None required

Details and Background

Background

The Middle Feeder supplies treated water from the Weymouth plant to the central pool portion of Metropolitan's distribution system. It serves the cities of Compton and Long Beach, the Central Basin Municipal Water District, Upper San Gabriel Valley Municipal Water District, and Three Valleys Municipal Water District. The Rio Hondo PCS is located on the Middle Feeder and is the primary pressure control structure for the southern portion of the feeder. The PCS has been in operation since its completion in 1953, and all piping and equipment within the structure are original and have been in continuous operation for over 70 years.

Rio Hondo PCS controls downstream pressures through several valves installed along eight parallel lines that vary in size. Flow through the facility is regulated by seven 8- to 24-inch diameter pilot-controlled, hydraulically operated globe valves and one motor-operated 36-inch conical plug valve. During normal operations, pressure is automatically controlled by the hydraulically operated globe valves. The motor-operated conical plug valve is manually used to throttle when downstream demands are low. Other valves provide surge pressure relief and isolation, but the globe valves used for flow control are subject to the most demanding service.

These valves have been in continuous service since their installation. Although regularly maintained, these valves are deteriorating and periodically fail, requiring corrective action. Regular maintenance is difficult as parts are obsolete or no longer supported by the manufacturer. Four valves (one 16-inch, two 12-inch, and one 8-inch) were identified as critical to maintaining the operations of the facility and need to be replaced at this time. Procurement specifications for the globe valves are complete, and bids have been received. Staff recommends proceeding with the procurement of replacement globe valves. Metropolitan forces will install these valves in late 2026. The remaining valves will be addressed through a subsequent comprehensive rehabilitation project that will upgrade the PCS's mechanical, electrical, and structural components.

Rio Hondo Pressure Control Structure Valve Replacement – Procurement

The scope of the procurement contract includes furnishing one 16-inch valve, two 12-inch valves, and one 8-inch hydraulically operated globe valve. Staff will perform submittal review, fabrication inspection, and contract administration.

A total of \$975,000 is required to perform this work. In addition to the amount of the procurement contract described below, the allocated funds for Metropolitan staff include \$78,000 for factory fabrication inspection and functional testing; \$46,000 for submittals review and responding to manufacturer requests for information;

\$43,996 for contract administration and project management. Attachment 1 provides the allocation of the required funds.

Award of Procurement Contract (B&K Valves & Equipment Inc.)

Request for bids No. RFB-DV-454593 for the procurement of four globe valves was advertised on February 12, 2025. As shown in Attachment 2, one bid was received and opened on March 5, 2025. The low bid from B&K Valves & Equipment Inc., in the amount of \$807,004, complies with the requirements of the specifications. This amount includes all sales and use taxes imposed by the state of California. Staff investigated why only one bid was received and determined that some manufacturers preferred not to undertake the custom engineering and fabrication required for valves that fit within the existing structure and meet the hydraulic conditions. As a procurement contract, there are no subcontracting opportunities, and a Small Business Enterprise participation level was not established for this contract. Based on a survey of vendors, the budgetary estimate for this material ranged from \$550,000 to \$750,000.

Project Milestone

August 2026 - Completion of fabrication and delivery of new valves

Interim Chief Engineer Engineering Services 5/28/2025 Date

5/28/2025 Deven Upadhv Date General Manager

Attachment 1 – Allocation of Funds Attachment 2 – Abstract of Bids Attachment 3 – Location Map Ref# es12708533 7-3

Allocation of Funds for Rio Hondo Pressure Control Structure Valve Replacement

	rrent Board Action Jun. 2025)
Labor	
Final Design	-
Owner Costs (Program mgmt.)	43,996
Submittals Review & Record Drwgs.	46,000
Construction Inspection & Support	72,000
Materials & Supplies	-
Incidental Expenses	6,000
Contracts	-
B&K Valves and Equipment Inc.	807,004
Remaining Budget	 -
Total	\$ 975,000

The total amount expended to date is approximately \$100,000. The total estimated cost to complete the Rio Hondo Pressure Control Structure Valve Replacement, including the amount appropriated to date, funds allocated for the work described in this action, and future installation costs, is anticipated to range from \$1.5 million to \$2.5 million.

The Metropolitan Water District of Southern California

Abstract of Bids Received on March 5, 2025, at 11:00 A.M.

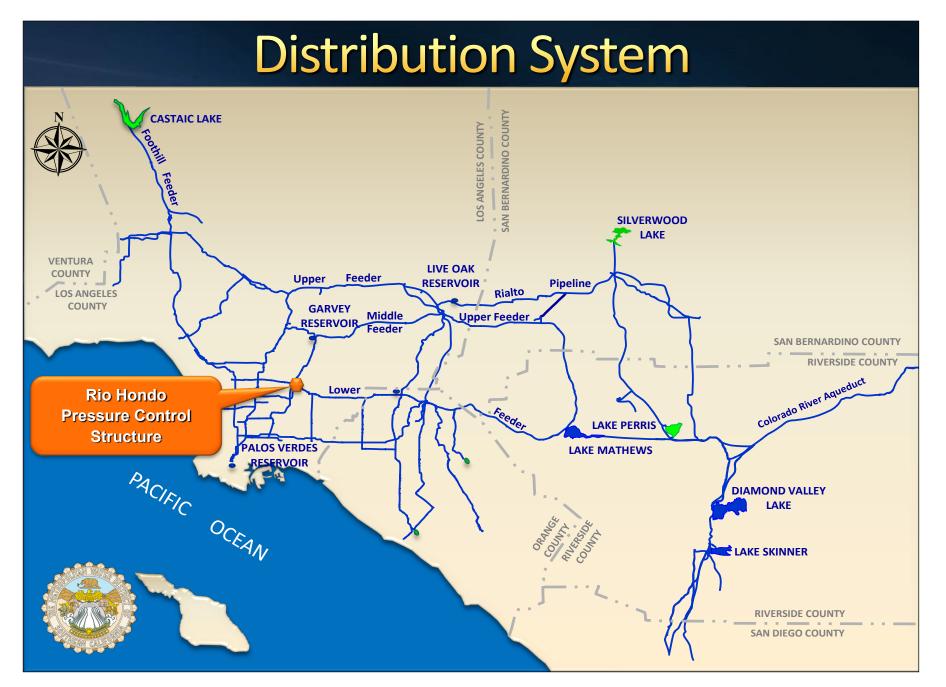
Request for Bids No. RFB-DV-454593 Rio Hondo Pressure Control Structure Valve Procurement

The work includes furnishing and delivering one 16-inch globe valve, two 12-inch globe valves, and one 8-inch hydraulically operated globe valve.

Budgetary range estimate: \$550,000 to 750,000

Bidder and Location	Total ¹
B&K Valves and Equipment Inc. Olivehurst, CA	\$807,004

¹ As a procurement contract, there are no subcontracting opportunities.



7-3



Engineering, Operations, & Technology Committee Valve Procurement for Rio Hondo Pressure Control Structure

Item 7-3 June 9, 2025

Item 7-3

Rio Hondo Pressure Control Structure Valve Procurement

Subject

Award an \$807,004 procurement contract to B&K Valves and Equipment Inc. for replacement of globe valves at the Rio Hondo Pressure Control Structure

Purpose

Procurement of pressure regulating valves that have reached end of their service lives and are critical to operations of the facility

Recommendation and Fiscal Impact

Award procurement contract for replacement globe valves Fiscal Impact – \$975,000

Budgeted

Location Map



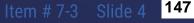


Background – Rio Hondo Pressure Control Structure (PCS)

- Constructed in 1953
- Provides pressure control for southern portion of Middle Feeder
 - Precise flow regulation is essential to protect the pipeline from excessive pressure
- Valves in continuous service for over 70 years
 - Valves fail periodically
 - Increased maintenance required
 - Replacement parts no longer supported by manufacturer



Existing Original Valves at Rio Hondo PCS



Current Staged Approach

- Stage 1
 - Replace four valves deemed critical to maintaining operations of facility
 - One 16-inch valve
 - Two 12-inch valves
 - One 8-inch globe valve
- Stage 2
 - Replace or rehabilitate valves, piping & mechanical, electrical & control system
- Stages allow time to conduct detailed analysis to rehabilitate entire structure



Aged Piping and Valve System



Conduits & Pull Boxes



Rio Hondo Pressure Control Structure Valve Procurement

Alternatives Considered

- Considered Alternative Continue repairing existing valves
 - Valves extensively deteriorated
 - Replacement parts challenging to find
- Selected Alternative Procure & replace four new globe valves in-kind
 - Restores facility to full operational capacity

Rio Hondo Pressure Control Structure Valve Procurement

Scope of Work

- Contractor
 - Furnish one 16-inch valve, two 12-inch valves & one 8-inch globe valve
- Metropolitan
 - Fabrication inspection & functional testing
 - Submittals review & RFI response
 - Contract administration & project management



Bid Results Request for Bid No. RFB-DV-454593

Bids Received No. of Bidders Lowest Responsible Bidder Low Bid Range of Budgetary Estimates March 5, 2025 1 B&K Valves & Equipment Inc. \$807,004 \$550,000 - \$750,000

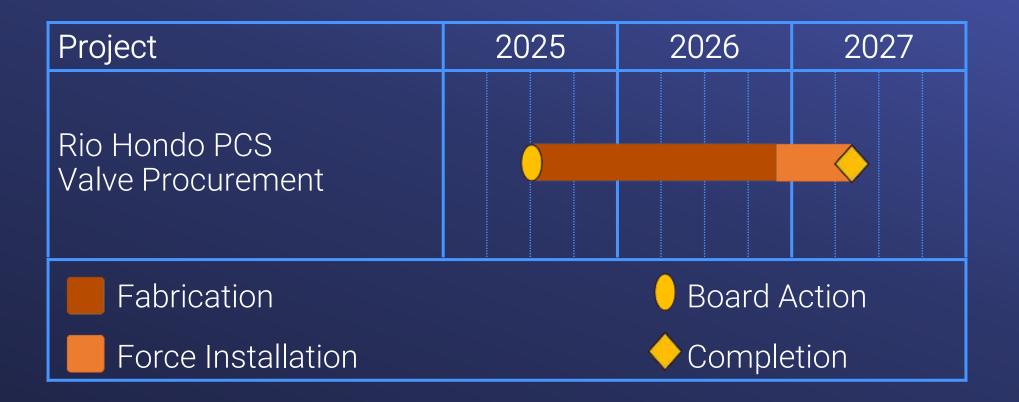
Allocation of Funds

Rio Hondo Pressure Control Structure Valve Procurement

Metropolitan Labor		
Owner Costs (Proj. Mgmt., Contract Admin.)	\$	43,996
Construction Inspection & Support		78,000
Submittals Review		46,000
Contracts		
B&K Valves & Equipment Inc.		807,004
Remaining Budget		
	Total \$	975,000



Project Schedule



Board Options

• Option #1

Award an \$807,004 procurement contract to B&K Valves and Equipment Inc. for globe valves to be installed at the Rio Hondo Pressure Control Structure.

• Option #2

Do not proceed with this project at this time.



Staff Recommendation

• Option #1







THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

• Board of Directors Finance, Affordability, Asset Management, and Efficiency Committee

6/10/2025 Board Meeting

Subject

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

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 Share Proportion	August 1, 2005, Amendment (July 1, 2005 – June 30, 2007)	August 1, 2005, Amendment (July 1, 2007 – June 30, 2010)
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.

5/30/2025 Brandon J. Goshi Date Manager, Water Resource Manager 5/30/2025 Deven N. Upag Date General Manager



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 Item 7-4 Authorize Funding Agreement Extension For Support of The Colorado River Board, Six Ageney Committee, and Colorado River Authority

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.

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



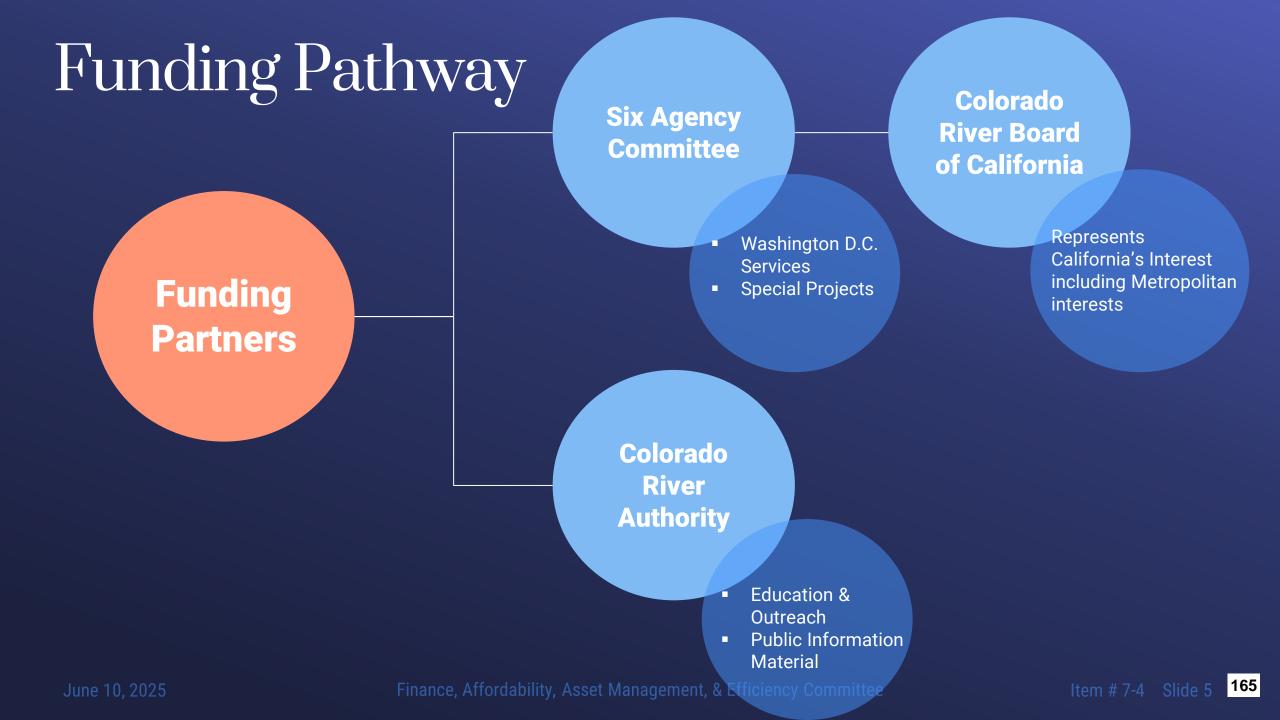
Funding Agencies of the Colorado River Board of California



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)





Timeline of Funding Changes

June 10, 2025

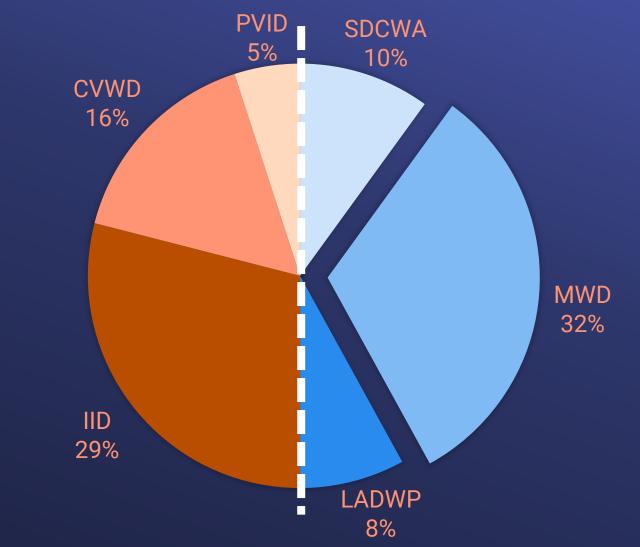
Finance, Affordability, Asset Management, & Efficiency Committee



Cost-Sharing Agreement



Cost-Sharing Agreement Among Six Agency Members Total: \$3,012,000 (FY 25/26)



Finance, Affordability, Asset Management, & Efficiency Committee



Staff Recommendation

• Option #l 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.



Cost-Sharing Agreement Among Six Agency Members

History of Cost-Sharing Agreement

COLORADO RIVER BOARD

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		

Finance, Affordability, Asset Management, & Efficiency Committee



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

• Board of Directors Finance, Affordability, Asset Management, and Efficiency Committee

6/10/2025 Board Meeting

7-5

Subject

Adopt a resolution declaring three parcels of real property located in the County of Riverside as exempt surplus land under the Surplus Land Act and authorize their disposal under Metropolitan's surplus land disposal policies and procedures; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Properties located at 12000 West 14th Avenue in the City of Blythe, California and 3137 Wicklow Drive in the City of Riverside, California]

Executive Summary

Under the California Surplus Land Act (Government Code Section 54220, et seq.) and the Metropolitan Administrative Code, the sale or lease of excess properties or land requires a board declaration that the land is "surplus land" or "exempt surplus land" as supported by written findings before Metropolitan may dispose of such land consistent with Metropolitan's policies and procedures.

Metropolitan owns three residential properties, totaling approximately 6 acres located in the County of Riverside (**Attachment 1**) that were deemed by staff to be in excess of Metropolitan's current and future foreseeable needs. Staff recommends that the Board adopt the resolution (**Attachment 2**) declaring the properties to be exempt surplus land and direct staff to take necessary actions to sell or otherwise dispose of those properties.

Proposed Action/Recommendation and Options

Staff Recommendation: Option #1

Option #1

Adopt a resolution declaring three parcels of real property located in the County of Riverside as exempt surplus land under the Surplus Land Act and authorize their disposal under Metropolitan's surplus land disposal policies and procedures.

Fiscal Impact: Once the properties are disposed of by sale, Metropolitan will receive revenue less disposition expenses at the close of escrow.

Business Analysis: The properties are surplus to Metropolitan's operational and developmental needs.

Option #2

Do not surplus the properties and retain ownership and property management obligations for those properties. **Fiscal Impact:** Continued ownership expenses associated with property management, maintenance and security to be incurred indefinitely without offsetting water supply, employee housing or tenant revenue benefits.

Business Analysis: Metropolitan continues its fee ownership of unused properties and remains exposed to trespassing issues and maintenance expenses.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code §§ 8240-8258 (Disposal of Real Property)

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 44542, dated July 10, 2001, the Board approved Principles of Agreement for a Land Management, Crop Rotation, and Water Supply Program with Palo Verde Irrigation District.

By Minute Item 45053, dated October 22, 2002, the Board authorized entering into agreements for the Palo Verde Irrigation District Land Management, Crop Rotation, and Water Supply Program and community improvement programs.

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

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

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because it consists of sales of surplus government property, and the parcels are not located in an area of statewide, regional, or areawide concern identified in CEQA Guidelines Section 15206(b)(4). (State CEQA Guidelines Section 15312.)

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan owns over 211,700 acres of right-of-way comprised of approximately 175,000 acres of fee property and approximately 36,700 acres of easement and water rights across 12 counties in California. These properties are held for current and future planned uses related to the conveyance, storage, and treatment of water and for environmental mitigation and water conservation purposes. The manner in which Metropolitan achieves its mission of providing adequate and reliable supplies of high-quality water evolves over time. Metropolitan's land requirements adjust in tandem with the evolution of Metropolitan's operations and uses.

Under the Metropolitan Administrative Code and the California Surplus Land Act, excess land that is owned in fee simple by Metropolitan may be disposed of only after the Board takes formal action in a regular public meeting declaring the land as exempt surplus or surplus land and not necessary for Metropolitan's use. To support this process, Metropolitan's Land Management Unit performs a periodic evaluation of fee-owned real property pursuant to Metropolitan Administrative Code Section 8240 for the purpose of determining which properties may have become excess to Metropolitan's current and foreseeable operational requirements and other needs.

Basis for Findings that the Properties are Exempt Surplus Land

Two of the subject residential properties were part of Metropolitan's acquisition of approximately 12,819 acres of land from Verbena LLC in the Palo Verde Valley (PVV) in 2015. Metropolitan made this portfolio land purchase to protect and augment its Colorado River supplies through the promotion and support of water-efficient farming and agricultural activity and to acquire landowner water management and fallowing rights. These lands were mainly made up of agricultural holdings but also included two residential properties within the City of Blythe.

Metropolitan's Geodetics staff initially occupied one of the identified PVV properties for several years while surveying the newly acquired properties. Upon completion of the surveys, Geodetics staff vacated the property, and no other use has been identified. The other PVV property has no planned Metropolitan use and was always identified as a property for potential future disposal. The two PVV properties are adjacent to each other and located at 12000 West 14th Avenue, Blythe, CA 92225(Riverside County Assessor Parcel Numbers 824-200-045 and 824-200-050.) The first property is made up of 2.42 acres, while the second property is made up of 3.37 acres.

The third subject residential property, which is located in the City of Riverside, was acquired in May 1999 to house an on-call emergency responder for Metropolitan's Lake Mathews Facility. The property is located at 3137 Wicklow Drive, Riverside, CA 92503 (Riverside County Assessor Parcel Number 136-211-023), and it comprises 0.17 acres. The need for extensive repairs and a deterioration of the surrounding neighborhood led to the relocation of the emergency responder to a single-family residence in Riverside that is currently under lease to Metropolitan. This leased property is located within a nearby community that is gated and therefore does not have the neighborhood safety and security concerns of the Metropolitan-owned residence. The leased residence presents a more cost-effective solution to house Metropolitan's emergency responders than Metropolitan-owned and maintained housing in this area.

After extensive evaluation by the operational, water resource management and other teams of Metropolitan, staff considers the three properties to be excess to Metropolitan's needs and recommends that the properties be declared exempt surplus land and sold to generate revenue for Metropolitan to offset operational costs. Benefits of declaring the land surplus and disposal of the subject properties would include the elimination of maintenance and security expenses as well as the avoidance of trespass and nuisance abatement issues associated with any unlawful activities on the properties.

Disposal Process

The Metropolitan Administrative Code and the Surplus Land Act require the Board to make a written surplus or exempt surplus declaration of land prior to its disposal by way of sale or long-term lease. Department of Housing and Community Development (HCD) guidelines require the submission of such written findings and other documentation at least 30 days prior to disposition. The resolution provided as part of this Board action documents such findings and satisfies other legal requirements.

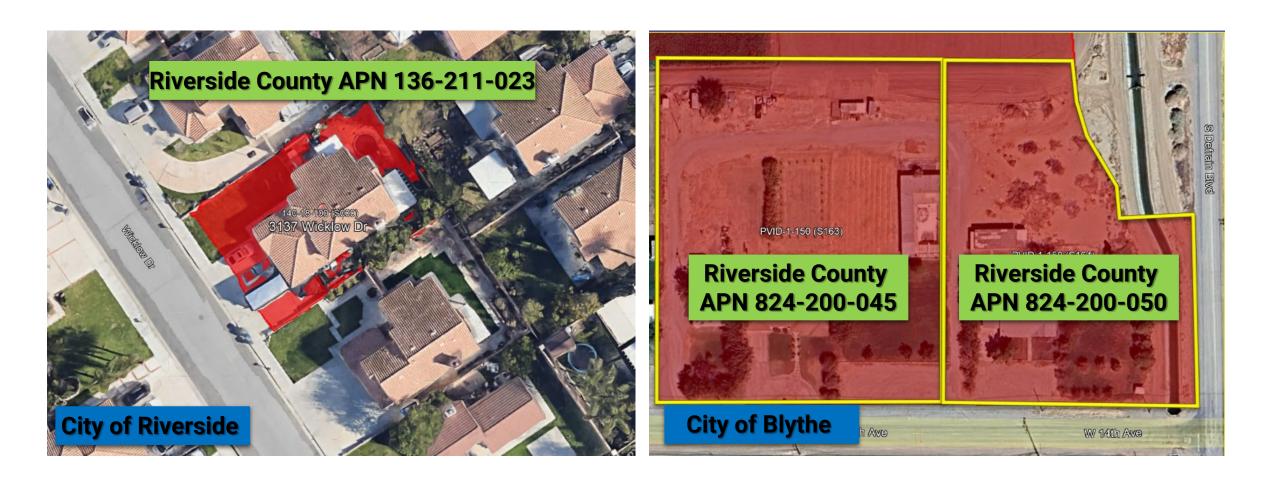
After this process, Metropolitan's Administrative Code allows for the disposal of property by auction, open listing, and other means that accrue the highest sale price. Staff requests authority to satisfy all requirements related to the disposal of surplus property and to begin the disposition process in accordance with Metropolitan's policies and procedures.

6/3/2025 Elizabeth Crosson Date

Chief Sustainability, Resilience and Innovation Officer

6/3/2025 Deven Upadhva Date General Manager

Attachment 1 – Location Map Attachment 2 – Resolution Ref# sri12700161



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-5

RESOLUTION NO.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA DECLARING THREE PARCELS OF REAL PROPERTY LOCATED IN THE COUNTY OF RIVERSIDE AS EXEMPT SURPLUS LAND UNDER THE SURPLUS LAND ACT AND AUTHORIZING THEIR DISPOSAL

WHEREAS, the Metropolitan Water District of Southern California ("Metropolitan") is the fee owner of certain real property at 12000 West 14th Avenue in the City of Blythe, California (Riverside County Assessor Parcel Nos. 824-200-045 and 824-200-050) and 3137 Wicklow Drive in the City of Riverside, California (Riverside County Assessor Parcel Nos. 136-211-023) (referred to collectively herein as the "Properties");

WHEREAS, Metropolitan is a metropolitan water district created under the authority of the Metropolitan Water District Act (California Statutes 1927, Chapter 429, as reenacted in 1969 as Chapter 209, as amended) (the "Act") which authorizes Metropolitan amongst other things to buy and sell interests in real property and to spend funds to: facilitate water conservation, water recycling, and groundwater recovery efforts in a sustainable, environmentally sound, and cost-effective manner; acquire water and water rights within or without the state; develop, store, and transport water; provide, sell, and deliver water at wholesale for municipal and domestic uses and purposes; and acquire, construct, operate, and maintain any and all works, facilities, improvements, and property necessary or convenient to the exercise of such powers;

WHEREAS, pursuant to Section 54221(b)(1) of the Surplus Land Act (California Government Code Sections 54220 – 54234) and the Surplus Land Act Guidelines of the California Department of Housing and Community Development, the Board of Directors of Metropolitan (the "Board") must declare the Properties to be "surplus land" or "exempt surplus land" before Metropolitan may take any action to dispose of the Properties, whether by sale or long term lease;

WHEREAS, Government Code Section 54221(f)(1)(N) defines "exempt surplus land" to include real property that is used by a district for agency's use expressly authorized in Government Code Section 54221(c); and

7-5

WHEREAS, Section 54221(c)(2) of the Government Code provides that "agency's use" may also include commercial or industrial uses or activities, including nongovernmental retail, entertainment or office development, or be for the sole purpose of investment or generation of revenue if the agency's governing body takes action in a public meeting declaring that the use of the site will directly further the express purpose of agency work or operations.

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

Section 1. <u>Recitals.</u> The recitals set forth above are true and correct and are incorporated into this Resolution by this reference and are made a part of the official findings of the Board of Directors.

Section 2. <u>Board Findings</u>. The Properties are "exempt surplus land" pursuant to California Government Code Section 54221(f)(1)(N) and 54221(c)(2) because the sale of the listed properties would constitute an "agency use" for purposes of the Surplus Land Act, under the grounds set forth in the recitals of this resolution and the board letter accompanying this resolution and incorporated herein by reference. In particular, the sale or disposal of all the Properties would generate revenues that can be used to directly further the water transportation, storage, treatment, delivery of water, and other statutory purposes of Metropolitan and the acquisition, construction, operation and maintenance of public works, facilities, improvements, and property necessary or convenient to the exercise of such powers. The sale of the Properties within the City of Blythe would also further agency purposes and policies by increasing the stock of agricultural workforce housing and commercial parcels available to support water-efficient farming in the region, directly furthering the Colorado River and water conservation policies and plans adopted by the Board and supporting the agricultural economy and local community within the Palo Verde Valley. The sale of the Properties within the City of Riverside would also further agency purposes and policies by

increasing the stock of workforce housing available to support water district and water supply purposes.

7-5

Section 3. <u>Staff Authorizations.</u> Metropolitan staff is hereby authorized to provide the Department of Housing and Community Development ("HCD") all necessary documentation and to take such actions as deemed necessary or proper to effectuate the purposes of this Resolution and to dispose of the Properties in accordance with Metropolitan's policies and procedures.

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 on June 10, 2025.

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



Finance, Affordability, Asset Management and Efficiency Committee

Declare Three Parcels Exempt Surplus

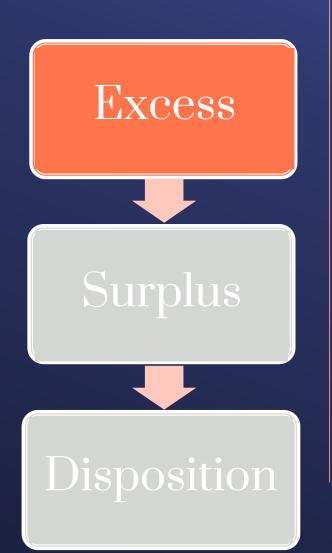
Item 7-5 June 10, 2025 7-5 Overview of Surplus Action

Subject

• Adopt a resolution declaring three parcels as exempt surplus and authorize their disposal

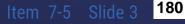
Purpose

• The sale of excess properties requires a board declaration before Metropolitan may dispose of such land consistent with Metropolitan's policies and procedures.



• Periodic Evaluations to determine excess parcels

- Excess parcels presented to Board for consideration as Surplus
- Board declares surplus resolution
- Disposition for sale



Service Area & CRA Map



Finance, Affordability, Asset Management and Efficiency Committee

Site Maps





Board Options

Option No. l

Adopt a resolution declaring three parcels as exempt surplus land and authorize their disposal according to Metropolitan's surplus land disposal policies and procedures

Option No. 2

Do not declare the parcels to be surplus to Metropolitan's needs

June 10, 2025

Finance, Affordability, Asset Management and Efficiency Committee



Board Options

Staff Recommendation

• Option No. l







THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

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

6/10/2025 Board Meeting

7-6

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.

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.

6/3/2025 Date

Katano Kasaine Assistant General Manager/ Chief Financial Officer

6/3/2025 Date Deven Upad General Manager

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.

7-6

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 nonfinancial 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: AAAm 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 paythrough 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.

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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 charted 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.

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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. Largedenomination CD's are typically negotiable.

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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 trances. 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.

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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. (Total Earnings / Average daily balance) x (365/# 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.

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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

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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

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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.

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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. (Net Invested Income/Time Weighted Invested Value) X (365/ # 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.

Long Term Debt Ratings					
Moody's	S&P	Fitch			
Aaa	AAA	AAA			
Aa1/Aa2/Aa3	AA+/AA/AA-	AA			
A1/A2/A3	A+/A/A-	А			
Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB			
Ba1/Ba2/Ba3	BB+/BB/BB- BB				
B1/B2/B3	B+/B/B-	В			
Caa	CCC+	CCC			
Ca/C	CCC/CCC-/CC	CC			
Short Term Debt Ratings					
Moody's	S&P	Fitch			
P-1	A-1+	F1			
	A-1				
P-2	A-2	F2			
P-3	A-3	F3			
	Moody's Aaa Aa1/Aa2/Aa3 Aa1/Aa2/Aa3 Aa1/Aa2/Aa3 Baa1/Baa2/Baa3 Ba1/Ba2/Ba3 B1/B2/B3 Caa Ca/C Ort Term Debt Moody's P-1 P-2	Moody's S&P Aaa AAA Aa1/Aa2/Aa3 AA+/AA/AA- Aa1/A2/A3 AA+/AA/AA- Aa1/A2/A3 BB+/BB/BBB Baa1/Baa2/Baa3 BBB+/BB/BBB- Ba1/B2/B3 BH+/BB/BB- B1/B2/B3 B+/BB/BB- Caa CCC+ Ca/C CCC/CCC-/CCC Start Term Debt Estings S&P P-1 A-1+ P-2 A-2			

RATING DESCRIPTION TABLE

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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 2024<u>5</u>/2<u>56</u>

June 1<u>10</u>, 2024<u>5</u>

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 nonfinancial 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: <u>AAA</u> or its equivalent or better by <u>an at least one</u> NRSRO.-<u>If rated by any</u> <u>other NRSRO, eligible securities must also be rated A or its equivalent or better.</u>

*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: AAAm 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 paythrough 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 <u>A</u> " or its equivalent or higher by an <u>at least one</u> NRSRO.
Negotiable CD	30%	5% per issuer ² , National or state charted bank, S&L, or branch of foreign bank		"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 yea 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 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.
- <u>3.</u> Effective July 1, 2025, the credit requirement was updated to, AA or its equivalent or better by at least one NRSRO.
 <u>Securities purchased before July 1, 2025, meet the prior rating requirement of, A or its equivalent or better by an NRSRO.</u>
 <u>NRSRO.</u> 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.

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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. Largedenomination 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.

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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 trances. 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.

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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. (Total Earnings / Average daily balance) x (365/# 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.

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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

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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.

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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. (Net Invested Income/Time Weighted Invested Value) X (365/ # 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.

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-	А			
Medium Quality	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB			
Speculative	Ba1/Ba2/Ba3	BB+/BB/BB-	BB			
Low	B1/B2/B3	B+/B/B-	В			
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			

RATING DESCRIPTION TABLE

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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 Item 7-6 Statement of Investment Policy and Authority to Invest

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

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

EV/9095/96

	FY2024/25	FY2025/26	Rationale
§X.5	 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: A or its equivalent or better by an NRSRO. 	 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. 	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.

Detionale



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







THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

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

6/10/2025 Board Meeting

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 selfinsured 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 costeffective 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.

sam 10 6/2/2025 Date

Katano Kasaine Assistant General Manager/ Chief Financial Officer

6/2/2025 Deven Upadhy Date General Manager

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

Finance, Affordability, Asset Management and Efficiency Committee



Excess Insurance Metropolitan's Property and Casualty Insurance Program

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

Finance, Affordability, Asset Management and Efficiency Committee



Specialty Insurance

Metropolitan's Property and Casualty Insurance Program

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

* 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 <u>estimated</u> to increase from







THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

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

6/10/2025 Board Meeting

7-8

Subject

Authorize the amendment of an existing license agreement with Duke Realty Corporation to adjust the license fee and extend the term for up to twenty additional years, thereby allowing continued ingress and egress rights across Metropolitan's Colorado River Aqueduct right of way in Perris, California; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action authorizes the General Manager to amend an existing license agreement with Duke Realty Corporation to adjust the license fee and maintain an existing 50-foot driveway for ingress and egress purposes across Metropolitan's fee-owned Colorado River Aqueduct (CRA) right of way in Perris, California (**Attachment 1**). Metropolitan entered into the license agreement for a crossing over the Colorado River Aqueduct in order to accommodate a non-code-required 50-foot driveway serving an industrial development located both north and south of the CRA near Indian Avenue in the City of Perris. Board authorization to grant this license extension is required as the total term of the real property interest to be conveyed, including both the base license term and its extensions, exceeds five years.

Proposed Actions/Recommendations and Options

Staff Recommendation: Option #1

Option #1

Authorize the amendment of an existing license agreement with Duke Realty Corporation to adjust the license fee and extend the term for up to twenty additional years, thereby allowing continued ingress and egress rights across Metropolitan's Colorado River Aqueduct right of way in Perris, California.

Fiscal Impact: Metropolitan will receive license fee payments of \$12,000 per year, subject to a four percent annual escalator and a right to reappraise and reset the base license fee every five years.

Business Analysis: Metropolitan will not be responsible for costs associated with annual maintenance, weed abatement, security, illegal dumping, and trespassing for the described portion of Metropolitan's right of way.

Option #2

Do not approve the license amendment.

Fiscal Impact: Metropolitan will forgo annual license fee revenue.

Business Analysis: Metropolitan will be responsible for costs associated with annual maintenance, weed abatement, security, illegal dumping, and trespassing.

Applicable Policy

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

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

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

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 48766, dated August 16, 2011, the Board adopted fair market value policies for managing Metropolitan's real property assets.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

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

CEQA determination for Option #2:

None required

Details and Background

Background

Duke Realty Corporation is requesting to extend the existing license agreement in order to continue the use and maintenance of an existing 50-foot driveway for ingress and egress purposes across Metropolitan's Colorado River Aqueduct (CRA) right of way in Perris, California. The non-code required 50-foot driveway was constructed to accommodate an industrial development which is located both to the north and to the south of the CRA near Indian Avenue in the City of Perris.

The CRA conveys water from the Colorado River to Lake Mathews and is a cut-and-cover conduit in this area. A protective slab over the CRA was constructed to accommodate the proposed crossing. The portion of the CRA right of way that is the subject of this license agreement totals .29 acres, and the licensee is currently using the surface of the property for ingress and egress to access their fee-owned properties on both sides of the aqueduct. The current license fee is \$10,265, and the licensee is responsible for upkeep of the surface of the property, including annual maintenance costs at its sole cost and expense.

The license amendment will have the following key provisions:

- Subject to Metropolitan's paramount rights reservation
- Four five-year options to extend, providing up to twenty additional years to the term of the license agreement.
- Annual license fee of \$12,000
- Four percent annual fee increases
- Right to reappraise the license fee every five years
- Either party can terminate the agreement with 90 days' advance written notice

Date

The new license fee was established pursuant to an appraisal completed by our appraisal team.

5/28/2025

Elizabeth Crosson Chief Sustainability, Resilience and Innovation Officer

5/28/2025 Deven Upadl Date General Manager

Attachment 1 – Location Map

Ref# sri12701535



Location Map

7-8



Finance, Affordability, Asset Management and Efficiency Committee

Duke Realty Corporation License Amendment

Item 7-8 June 10, 2025 8-1 Overview of License Amendment

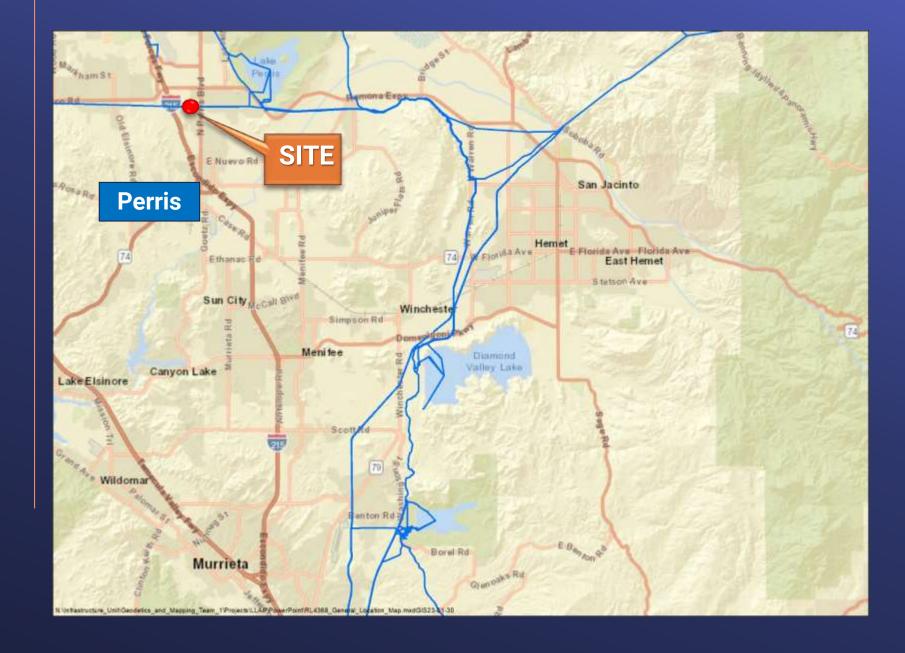
Subject

Authorize the amendment of an existing license agreement with Duke Realty Corporation to adjust the license fee and extend the term

Purpose

Allows continued ingress and egress rights across Metropolitan's Colorado River Aqueduct right of way in Perris, California

General Location Map



Site Map



June 10, 2025

Key Provisions

- Subject to Metropolitan's paramount rights reservation
- Four five-year options to extend, providing up to twenty additional years to the term of the license agreement
- Annual license fee of \$12,000
- Four percent annual fee increases
- Right to reappraise the license fee every five years
- Either party can terminate the agreement with 90 days' advance written notice

Board Options

Option No. l

- Authorize the amendment of an existing ulletlicense agreement with Duke Realty Corporation to adjust the license fee and extend the term for up to twenty additional years, thereby allowing continued ingress and egress rights across Metropolitan's Colorado River Aqueduct right of way in Perris, California Option No. 2
- Do not approve the license amendment

Board Options

Staff Recommendation

• Option No. l

June 10, 2025





THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

• Board of Directors Finance, Affordability, Asset Management, and Efficiency Committee

6/10/2025 Board Meeting

7-9

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 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 startof-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 andon J. Goshi Date Manager, Water Resource Management 6/3/2025 Deven N. 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. 608 andon :

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.

6/10/2025 Board Meeting



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

Sincerely,

Hestferd leera

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

Attachment 1, Page 3 of 6

OCEANSIDE WATER UTILITI ES 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

7-9

OF

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.

7-9

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

Sincerely,

Mabel Uneda

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						
LRP Project	Oceanside Pure Water and Recycled Water Expansion Phase I Project					
Member Agency	San Diego County Water Authority (SDCWA)					
Ultimate Yield (AF)	6,000 AF					
Date of Agreement Execution	December 1, 2020					
Extension Timeline						
Start-of-Operation Milestone	June 30, 2025					
Revised Start-of-Operation Milestone	June 30, 2028					
Length of Extension Request	36 months					
Additional Information						
Project currently under construction?						
Member agency affirmed all parties pursuing project?						
Member agency provided revised schedule?						
Member agency affirmed that the project will start operation within 3 fiscal years?						
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



Finance, Affordability, Asset Management, and Efficiency Committee

Local Resources Program

Program Status										
LRP Targets (AFY)										
Target	Comn	nitted	Ren	naining			* Chan			
170,000	101,	101,537 6		3,463			· + + + + + + + + + + + + + + + + + + +			
Туре		Numb Proje		Contract Yield (AFY)	Deliveries to Date (AF)	Incentives to Date (\$M)				
Recycling		89		349,712	3,207,658	\$549M	h. 5			
Groundwater Recovery		29)	142,735	1,286,419	\$209M				
Total		118	8	492,447	4,494,077	\$758M				

Finance, Affordability, Asset Management, and Efficiency Committee

φ.

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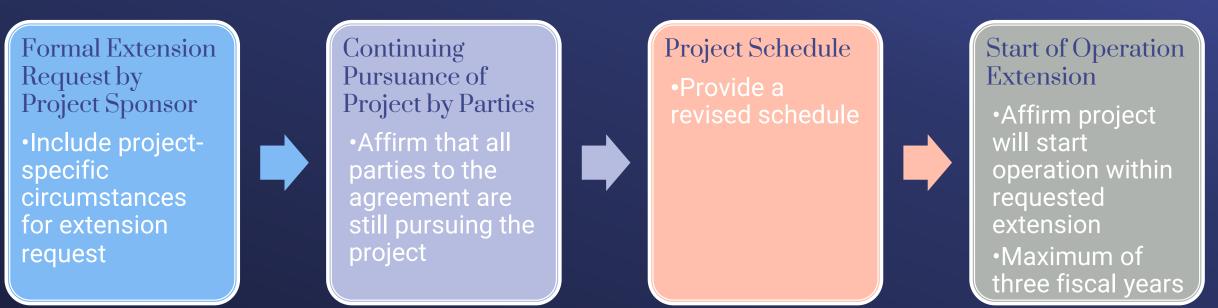
Oceanside Pure Water and Recycled Water Expansion Phase I Project

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.

June 10, 2025

Finance, Affordability, Asset Management, and Efficiency Committee

Start of Operation Extension

Request Details

- SDCWA submitted formal request to extend startof-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 #l

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







THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Action

• Board of Directors Finance, Affordability, Asset Management, and Efficiency Committee

6/10/2025 Board Meeting

7-10

Subject

Adopt a resolution declaring approximately 5,497 acres of Metropolitan-owned real property in the Sacramento-San Joaquin Delta, commonly known as Webb Tract, also identified as Contra Costa County Assessor Parcel Numbers: 026-070-001-8, 026-080-006-5, 026-080-009-9, 026-080-007-3, 026-080-008-1, 026-080-004-0, 026-008-005-7, 026-070-006-7, 026-070-013-3, 026-070-012-5, 026-070-011-7, 026-070-010-9, 026-060-019-2, 026-060-018-4, 026-060-008-5, 026-090-007-7, 026-060-003-6, 026-060-015-0, 026-060-016-8, 026-060-017-6, and 026-060-005-1 as exempt surplus land under the Surplus Land Act; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The long-term lease of Metropolitan-owned lands to further agency uses and purposes for more than fifteen years requires written documentation that such lands constitute "exempt surplus land" under the California Surplus Land Act (Government Code Section 54220, et seq.). The resolution before the Board declares certain portions of Webb Tract in the Sacramento-San Joaquin Delta region (Attachment 1) as exempt surplus land available for rice farming and other agricultural and ecorestoration and habitat maintenance-related uses that would further Metropolitan's water quality and water supply resiliency goals.

Proposed Action/Recommendation and Options

Staff Recommendation: Option #1

Option #1

Adopt a resolution declaring approximately 5,497 acres of Metropolitan-owned real property in the Sacramento-San Joaquin Delta, commonly known as Webb Tract, as exempt surplus land under the Surplus Land Act.

Fiscal Impact: No direct fiscal impact. The action merely makes a Board finding as to the availability of the land for certain agency uses and its administrative categorization.

Business Analysis: The generation of rental payments and other revenues and costs would be dependent on separate Metropolitan action. The current action making an exempt surplus land determination under the Surplus Land Act does not commit Metropolitan to the implementation of any specific future transaction or property use.

Option #2

None required.

Fiscal Impact: No direct fiscal impact. Existing property management and agency uses of the land would continue to the extent they do not require certain actions under the Surplus Land Act.

Business Analysis: Forgo future possible land utilization proposals associated with long-term leases that require actions under the Surplus Land Act.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code §§ 8240-8258 (Disposal of Real Property)

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

By Minute Item 53012, dated October 11, 2022, the Board adopted the amended revision and restatement of Bay-Delta Policies, as set forth in Agenda Item 7-9

By Minute 53254, dated May 9, 2023, the Board adopted a resolution to support an approximately \$20.9 million grant application to the Sacramento-San Joaquin Delta Conservancy to develop a multi-benefit landscape opportunity on Webb Tract; and authorized the General Manager to accept the grant if awarded.

Metropolitan Water District of Southern California Climate Action Plan.

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

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because the action consists of the operation, repair, maintenance, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. In addition, the proposed action consists of minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of healthy, mature, scenic trees except for agricultural purposes. (State CEQA Guidelines Sections 15301 and 15304.)

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan owns the land area commonly known as Webb Tract in Contra Costa County. At the Board's request, Metropolitan staff presented in February 2024 a Delta Islands Strategic, Fiscal, and Risk Analysis, which outlined in part a possible multi-benefit land use strategy for Webb Tract and other Metropolitan land holdings in the Sacramento-San Joaquin Bay-Delta area. This strategy includes the issuance of long-term agricultural leases producing crops such as rice that reduce land subsidence and the advancement of ecorestoration goals while providing greenhouse gas emissions reduction and other environmental benefits and revenues to the district to further its statutory mission.

Before Metropolitan may award leases of land with terms of fifteen years or more or undertake certain other land conveyance-related actions, the Metropolitan is required to take the administrative step of declaring such parcels "exempt surplus land" under the Surplus Land Act and Metropolitan Administrative Code that is available for the furtherance of agency uses and purposes. The requested declaration is set forth in the resolution attached to this board letter (Attachment 2) and will be submitted to the California Department of Housing and Community Development, the entity with oversight over local agency compliance with the Surplus Lands Act. No dispositions or allocations to specific tenants or parties are implemented by this action.

7-10

Requested Exempt Surplus Determination

Staff recommends that the Board adopt the resolution declaring the roughly 5,497 acres making up Webb Tract as exempt surplus land available for long-term lease for rice farming and other agricultural and ecorestoration and habitat maintenance-related uses.

Basis for Findings that the Properties are Exempt Surplus Land

The identified Metropolitan-owned parcels in Webb Tract have historically been used for farming, open space, and recreational uses. The attached resolution would continue to make these lands available for agricultural and other property use of these lands, compatible with local ecosystems and habitat. Such activities would promote agency uses and purposes related to water supply and water quality protection through the stopping and reversal of land subsidence, the generation of revenues from rice fields and wetlands uses that could be used to fund Metropolitan projects and activities, increasing levee stability and the prevention of levee failures in the Sacramento-San Joaquin region, and other water-related goals.

6/3/2025 Elizabeth Crosson Date Chief Sustainability, Resilience and

Innovation Officer

6/3/2025 Deven Upadhy Date General Manager

Attachment 1 – Location Map

Attachment 2 -Resolution for Exempt Surplus Land

Ref# sri12705333



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

RESOLUTION NO.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA DECLARING APPROXIMATELY 5,497 ACRES OF METROPOLITAN-OWNED REAL PROPERTY IN THE SACRAMENTO-SAN JOAQUIN DELTA, COMMONLY KNOWN AS WEBB TRACT, AS EXEMPT SURPLUS LAND UNDER THE SURPLUS LAND ACT

WHEREAS, The Metropolitan Water District of Southern California ("Metropolitan") is the fee owner of certain real property located in the Sacramento-San Joaquin Bay Delta region in the County of Contra Costa, commonly known as Webb Tract. Metropolitan is considering devoting up to 5,497 acres of Webb Tract to long-term leases for rice and other crop production and ecorestoration and habitat maintenance-related uses. Such property is also identified as Contra Costa County Assessor Parcel Numbers 026-060-003, 026-060-015, 026-060-016, 026-060-017, 026-060-018, 026-060-019, 026-070-010, 026-070-011, 026-070-012, 026-070-013, 026-070-001, 026-070-006, 026-060-007, 026-060-008, 026-080-004, 026-080-005, 026-080-008, 026-080-009, 026-080-006, 026-080-007 (referred to collectively herein as the "Properties");

WHEREAS, Metropolitan is a metropolitan water district created under the authority of the Metropolitan Water District Act (California Statutes 1927, Chapter 429, as reenacted in 1969 as Chapter 209, as amended) (the "Act") which authorizes Metropolitan amongst other things to buy and sell interests in real property and to spend funds to: facilitate water conservation, water recycling, and groundwater recovery efforts in a sustainable, environmentally sound, and cost-effective manner; acquire water and water rights within or without the state; develop, store, and transport water; provide, sell, and deliver water at wholesale for municipal and domestic uses and purposes; and acquire, construct, operate, and maintain any and all works, facilities, improvements, and property necessary or convenient to the exercise of such powers;

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WHEREAS, pursuant to Section 54221(b)(1) of the Surplus Land Act (California Government Code Sections 54220 – 54234) and the Surplus Land Act Guidelines of the California Department of Housing and Community Development, the Board of Directors of Metropolitan (the "Board") must declare the Properties to be "surplus land" or "exempt surplus land" before Metropolitan may take any action to dispose of the Properties, whether by sale or long-term lease;

WHEREAS, Government Code Section 54221(f)(1)(N) defines "exempt surplus land" to include real property that is used by a district for agency's use expressly authorized in Government Code Section 54221(c); and

WHEREAS, Section 54221(c)(2) of the Government Code provides that "agency's use" may also include commercial or industrial uses or activities, including nongovernmental retail, entertainment or office development, or be for the sole purpose of investment or generation of revenue if the agency's governing body takes action in a public meeting declaring that the use of the site will directly further the express purpose of agency work or operations.

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

Section 1. <u>Recitals.</u> The recitals set forth above are true and correct and are incorporated into this Resolution by this reference and are made a part of the official findings of the Board of Directors.

Section 2. <u>Board Findings</u>. The Properties are "exempt surplus land" pursuant to California Government Code Section 54221(f)(1)(N) and 54221(c)(2) because the long-term lease of the Properties would constitute an "agency use" for purposes of the Surplus Land Act, under the grounds set forth in the recitals of this Resolution and the board letter accompanying this Resolution and incorporated herein by reference. In particular, the long-term lease or disposal of all the Properties would generate revenues that can be used to directly further the water transportation, storage, treatment, delivery of water, and other statutory purposes of Metropolitan

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and the acquisition, construction, operation and maintenance of public works, facilities, improvements, and property necessary or convenient to the exercise of such powers. The longterm lease of the Properties would also promote agency uses and purposes related to water supply and water quality protection through the stopping and reversal of land subsidence, ecological benefits in the form of habitat for waterfowl and other species, improvements to levee stability and the prevention of levee failures in the Sacramento-San Joaquin region, and other water-related goals.

Section 3. <u>Staff Authorizations.</u> Metropolitan staff is hereby authorized to provide the Department of Housing and Community Development ("HCD") all necessary documentation and to take such actions as deemed necessary or proper to effectuate the purposes of this Resolution.

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 on June 10, 2025.

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



Finance, Affordability, Asset Management and Efficiency Committee

Authorize a New Lease on Webb Tract

Item 8-1 June 10, 2025

8-1 Overview of New Lease

Subject

• Authorize a new agricultural lease agreement with Bouldin Farming Company for rice farming and related uses

Purpose

• Enter into long-term lease to convert existing agricultural land to rice farming, which will increase revenue and market value, and provide land subsidence and ecological benefits

General Location Map



Finance, Affordability, Asset Management and Efficiency Committee

Site Map



Finance, Affordability, Asset Management and Efficiency Committee

Sacramento-San Joaquin Delta Conservancy Grant

Webb Tract Multi-Benefit Mosaic Landscape Projects

- Board approved Phase l Design and outreach for RFP
- \$20.9 million grant funds two projects:
 - Rice Conversion Project up to \$4 million
 - Wetland Restoration Project remaining funds
- Requires 15-year commitment to grow rice or other wet crop

Request for Proposal (RFP)

Webb Tract Rice Conversion Project RFP

- Released February 2025
 - Offered grant funding up to \$3,000/acre as a one-time investment for conversion
 - Two acceptable proposals received





Board Report

Water Resource Management Group

• Conservation Board Report June 2025

Summary

This report provides a summary of conservation activities and expenditures for April 2025

Purpose

Informational

Detailed Report

Conservation Expenditures – FY2024/25 & FY2025/26⁽¹⁾

	Paid ⁽²⁾	Committed ⁽³⁾
Regional Devices	\$3.0 M	\$1.3 M
Member Agency Administered	\$4.6 M	\$4.7 M
Turf Replacement	\$11.3 M	\$27.2 M
Advertising	\$1.0 M	\$0.9 M
Other	\$1.6 M	\$1.3 M
TOTAL	\$21.5 M	\$35.4 M

(1) The Conservation Program biennial expenditure authorization is \$98.2 million.

(2) Paid as of 7/1/2024 - 4/30/2025. Financial reporting on cash basis.

(3) Committed dollars as of May 10, 2025

Summary of Expenditures in April 2025: \$1,810,684⁽¹⁾

Lifetime Water Savings to be achieved by all rebates in April 2025: 2,303 AF FY2024/25-FY2025/26: 40,101 AF lifetime water savings

Turf Replacement Rebates: April: 314,876 ft ² replaced FY2024/25-FY2025/26: 5,212,921 ft ² replaced	Clothes Washers: April: 491 units rebated FY2024/25-FY2025/26: 6,833 units rebated
Trees (part of Turf Replacement Program): April: 102 trees rebated FY2024/25-FY2025/26: 1,684 units rebated	Toilets: April: 1,326 units rebated FY2024/25-FY2025/26: 13,467 units rebated
Smart Controllers: April: 265 units rebated FY2024/25-FY2025/26: 5,022 units rebated	Sprinkler Nozzles: April: 2,189 units rebated FY2024/25-FY2025/26: 16,402 units rebated

(1) Expenditures may include advertising and Water Savings Incentive Program activity in addition to the incentives highlighted above.



Board Report

Bay-Delta Resources

• Bay-Delta Management Report

Summary

This report provides a summary of activities related to the Bay-Delta for April 15 - May 15, 2025.

Purpose

Informational

Detailed Report

Long-Term Delta Actions

Delta Conveyance Related Joint Powers Authorities

The Delta Conveyance Design and Construction Authority (DCA) continues to provide engineering and environmental support to the California Department of Water Resources for the Change in Point of Diversion hearings before the State Water Resources Control Board. The DCA is also advancing project design through engineering studies and exploring potential innovations, with an updated cost estimate and Basis of Design Report expected in early 2027.

At a Special Board Meeting on May 15, the DCA Board expressed strong support for Governor Gavin Newsom's proposal to fast-track the Delta Conveyance Project.

The Governor's May Revision includes trailer bill proposals designed to simplify permitting, confirm funding authority, streamline legal processes, and support timely construction. These measures aim to reduce project delays, cut costs, and accelerate the delivery of upgraded infrastructure capable of withstanding climate change, seismic threats, and increasing water demands.

Near-Term Delta Actions

Regulatory and Science Update

Metropolitan staff co-authored, with the State Water Contractors, a comment letter on the Delta Independent Science Board's Draft Prospectus on Contaminant Monitoring.

Metropolitan staff, in collaboration with UC Davis, initiated the first test of the Pond Harvest Study. The test was to evaluate the methods to be used to harvest live fish. The Pond Harvest Study is part of the Delta Smelt Impoundment Studies that will be used to inform state and federal agencies on how to culture Delta smelt more efficiently to meet permit obligations to produce over 350,000 fish by 2030.

Delta Islands

Staff submitted a Statutory Exemption for Restoration Projects Concurrence Request to the California Department of Fish and Wildlife for the Webb Tract Wetlands Restoration Project. Staff completed a Constructability Review Workshop for the Webb Tract Wetland Restoration Project to identify uncertainty in the bid process.

The submission deadline for proposals to lease farmland on Bacon Island was May 8.



Board Report

Sustainability, Resilience, Innovation Group

• Sustainability Resilience, and Innovation GM Monthly Report

Summary

Sustainability, Resilience, and Innovation May 2025 Monthly Report

Purpose

Informational

Detailed Report

SRI Core Activities

SRI kicked off implementation efforts for CAMP4W through providing a primer on the Climate Decision-Making Framework for staff throughout Metropolitan and kicking off the assessments of three major projects. The Chief SRI Officer also presented on CAMP4W at the West Basin Caucus, at a Board Inspection Trip at Weymouth, and at SCAG's monthly webinar focused on Water Resilience. Staff presented the 3rd Annual Climate Action Plan Report at the One Water Committee, and the team hosted the first internal Climate Vulnerability Summit to take a comprehensive look at climate risks and participated in the One Water Awards and in planning workshops on Process Matters and Asset Management.

Sustainability and Resilience

Zero-Emission Vehicles (ZEVs) Transition: Advanced Clean Transportation Expo

SRI, Fleet, Operations, and Engineering Services staff working on Metropolitan's transition to ZEVs attended the Advanced Clean Transportation Expo, the world's largest clean energy transportation forum, at the Anaheim Convention Center held April 28-May 1, 2025. Metropolitan attendees engaged with vehicle manufacturers, charging equipment and software providers, and both public and private fleets to learn more about the latest technologies in clean energy vehicles, low-carbon fuels, and services related to the transition to clean energy transportation.







Staff attended the Advanced Clean Transportation Expo

Climate Action Plan

On May 12, 2025, SRI staff presented the 2024 Climate Action Plan (CAP) Implementation, 3rd Annual Progress Report (APR) to the One Water and Adaptation Committee. The report, which was released during Earth Week on April 22rd, highlights Metropolitan's achievements in 2024 and details progress over the past year on a suite of measures designed to help Metropolitan achieve carbon neutrality by 2045. The report also updates the CAP Greenhouse Gas (GHG) emissions inventory and carbon budget, which tracks how Metropolitan has advanced its GHG reduction goals. The APR highlights the success stories over the past year, including the transition to a vendor-operated off-site IT data center in 2024, powered by 100 percent renewable energy, featuring a closed-loop water recycling system and shared infrastructure, reducing emissions and costs; the turf replacement program and corresponding water savings; the success of the telecommute program in reducing vehicle miles traveled and corresponding emissions; conversion to LED lighting across facilities; commuter fleet electrification; and carbon-free retail electricity purchases. *Success Stories* from the APR are also featured on the *Featured Stories* page of the MWD website. Staff presented the APR to member agencies at the May monthly Water Use Efficiency meeting.

SRI staff is participating on the Santa Ana River Watershed Climate Adaptation and Resilience Plan (CARP) Technical Advisory Committee, which is developing a community-informed, stakeholder-driven, and implementation-focused CARP in support of funding regional planning and implementation projects that address the impacts of climate change risks for the region.

SRI staff attended the Agriculture, Food Systems and Waste Streams Event on May 15th at the UCI Beal Innovations Center, hosted by Sustain SoCal. SRI staff engaged with Southern California farmers, researchers, innovators, investors, restaurant workers, non-profits, academics, and corporations to learn about AdTech advancements related to soil health and water use, regenerative agriculture, local farm-to-table initiatives, shifting waste sorting behaviors, and innovations in secondary markets.

Centralized Grant Management Office

The Centralized Grants Management Office (CGMO) met with MWD staff from the DEI Office, External Affairs, Fleet, and SRI to coordinate and pursue numerous grant funding opportunities that support Metropolitan's workforce development objectives; the education program at Diamond Valley Lake; Fleet's acquisition of ZEVs and installation of EV charging infrastructure; and the prioritization, tracking, and reporting of Metropolitan's grants, research, and innovation projects. CGMO staff also met with representatives from member agencies, local water districts, and community colleges throughout Metropolitan's service area to support the collaborative pursuit of these external funding opportunities.

CGMO staff supported a number of key meetings through May, including the single audit and financial statements audit conducted by MWD's external auditor, DEI's workforce development summit, a meeting with the technology trade delegation from London, and SRI's Climate Vulnerability Risk Assessment summit.

Board Report Sustainability Resilience, and Innovation GM Monthly Report

Innovation Pilots and Emerging Technologies

The Innovation team has been working closely with External Affairs and Audit on the Process Matters initiative, an organization-wide effort for employees to share their ideas to improve the efficiency and effectiveness of Metropolitan's processes. Over 165 ideas from across the organization have been received to improve our processes. In addition, Innovation is hosting a technology trade delegation from London on May 19th including executives from emerging companies.

Environmental Planning

Environmental and Regulatory Compliance Support

Environmental Planning Section staff completed preparation of the draft Environmental Impact Report for the Pure Water Southern California program and released the document for public review, which will extend from May 14 to July 14, 2025. For the Webb Tract Wetland Restoration Project, staff completed the California Environmental Quality Act (CEQA) Statutory Exemption Restoration Program application package and submitted it to the California Department of Fish and Wildlife for review and concurrence. During a monitoring for the Weymouth Plant Wheeler Gate Security Improvements project, staff identified two juvenile horned owls that had fallen as they fledged from a nest at a canopy structure. In consultation with the San Dimas Canyon Nature Center Associates and a raptor rescuer, the owls were relocated to a rescue facility, where they are thriving and set to be released in late summer. Environmental monitoring of construction activities continued for the Rialto Pipeline Rehabilitation, Prestressed Concrete Cylinder Pipe Second Lower Feeder Reach 3B, Weymouth Basins 5 to 8 Rehabilitation, Weymouth Asphalt Rehabilitation, and La Verne Shops Upgrades projects. Final monitoring activities occurred for the Perris Valley Pipeline Interstate 215 project as pipeline construction nears completion.



Juvenile Great Horned Owls rescued at the Weymouth Water Treatment Plant

Critical operations and maintenance activities were supported by the Environmental Planning Section. Staff provided CEQA and regulatory clearances and conducted pre-construction surveys and environmental monitoring for activities throughout the service area, including shutdowns of the Rialto Feeder, Glendora Tunnel, and La Verne Pipeline. Staff provided subject matter expert reviews of four proposed and eight amended legislative bills as follows: Assembly Bill (AB) 52 (Native American resources), AB 362 (Water policy: California tribal communities), AB 367 (Water: County of Ventura: fire suppression), AB 372 (Office of Emergency Services: state matching funds: water system infrastructure improvements), AB 975 (California Environmental Quality Act: lake and streambed alteration agreements: exemptions: culverts and bridges), AB 1004 (Tribal financial information: public records: exemption), AB 1227 (California Environmental Quality Act: exemption: wildfire prevention projects), AB 1319 (Protected species: California Environmental Quality Act: exemption: wildfire prevention projects), Senate Bill (SB) 676 (California Environmental Quality Act: judicial streamlining: state of emergency); and Federal Rule 2025-06746; FWS-HQ-ES-2025-0034 (Remove definition of "harm" from Endangered Species Act). In addition, staff reviewed and analyzed CEQA notices for nine external projects to

Board Report Sustainability Resilience, and Innovation GM Monthly Report

determine the potential impacts on Metropolitan and protect Metropolitan's right-of-way and facilities; comments letters were prepared and submitted for projects that had the potential for impacts.

Environmental Planning Section continued oversight of reserve management activities to protect valuable natural resources and meet Metropolitan's mitigation obligations. Security patrols were conducted throughout the Lake Mathews Multiple Species Reserve and the Southwestern Riverside County Multi-Species Reserve (MSR) to prevent trespassing, vandalism, poaching, and theft and to protect the reserves' natural and cultural resources, facilities, and equipment. Specific activities at the Lake Mathews Reserve included applying herbicide to mowed areas to prevent regrowth of noxious weeds and repairing patrol roads and fencing. Activities at the MSR included applying herbicide treatments to eliminate invasive plants; coordinating with researchers to conduct Quino checkerspot butterfly, northern harrier, herpetology, and small mammal surveys; conducting rare plant surveys for Parry's spineflower, Palmer's grapplinghook, Munz's onion, Payson's jewelflower, and San Jacinto Valley crownscale; and conducting fire and habitat management. The Alamos Schoolhouse interpretive center was open on Saturdays and hosted 102 visitors during the month.

Land Management

Nothing to report this month.



Board Report

Colorado River Resources

Colorado River Management Report

Summary

This report provides a summary of activities related to management of Metropolitan's Colorado River resources for April 15 – May 19, 2025.

Purpose

Informational

Detailed Report

2025 California Forbearance Agreement

The California Forbearance agreement authorized by the Board was executed on April 14, 2025. This agreement covers long-term system conservation projects in California paid for with Inflation Reduction Act "Bucket 2" funds (Bucket 2 agreements). In the agreement, Coachella Valley Water District (CVWD), Imperial Irrigation District, Palo Verde Irrigation District, the City of Needles, and Metropolitan agreed to not take delivery of water conserved pursuant to System Conservation Implementation Agreements with Reclamation through 2026 and to leave that water in Lake Mead as system water. System conservation agreements covered under this forbearance agreement include conservation activities in both Metropolitan and CVWD and will cover up to 338,000 acre-feet (AF) of conserved water added to Lake Mead, or a little over 4 feet. With this agreement in place, Metropolitan was able to credit the approximately 27,000 AF it left in Lake Mead in 2024 towards its turf replacement and high desert water bank system conservation implementation agreements.

2024 Lower Basin Colorado River Water Accounting Report

On May 15, the Bureau of Reclamation issued its annual water accounting report, documenting Colorado River water use and transfers in 2024. Included in the report is a summary of the 2023 action, in which Arizona, California, and Nevada collectively pledged to conserve an additional 3 million AF of water in Lake Mead through 2026. This initiative, formalized in the 2024 Record of Decision, aimed to stabilize reservoir levels and mitigate the risk of critical shortages. By the end of 2024, the Lower Basin States had conserved over 2 million acre-feet (MAF), exceeding the target of 1.5 MAF. In 2024, each of the three Lower Basin States used far less than its allocation. Out of California's basic apportionment of 4.4 MAF allocation, California contractors and entitlement holders used 3.9 MAF, voluntarily conserving 456,000 AF. Arizona voluntarily conserved 306,000 AF, and Nevada conserved 75,000 AF.

Quechan Seasonal Fallowing Program Resumes

Seven farmers on California lands located within the Fort Yuma Indian Reservation are participating in this year's Metropolitan-Quechan Pilot Seasonal Land Fallowing Program. Participation has increased each year, with this year's fallowing participation totaling 455.4 acres from April 1 to July 31, 2025. Metropolitan staff, with the

Board Report Colorado River Management Report

Quechan Tribe's Water Technician, conducted in-person verifications of the fallowed fields on Monday, April 1, 2025, in the Fort Yuma Indian Reservation. All of the lands were verified to be fallowed during that time. Metropolitan staff will conduct a final in-person inspection the last week of July to verify that the lands remained fallowed. Staff are estimating a water savings of about 780 AF, and Metropolitan is making a payment of \$547.74 per acre fallowed, with 75 percent paid to the farmers and 25 percent to the Quechan Tribe. Metropolitan will pay the Quechan Tribe an additional \$15,000 for direct program costs.



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

6/10/2025 Board Meeting

Subject

Overview of Potential Business Model Financial Refinements

Executive Summary

In response to the Board's directive in April 2024 to review the Treatment Surcharge and broader business model issues, Metropolitan established an Ad Hoc Working Group of member agency general managers. The group formed a Financial Policies Business Model Support Sub-Working Group (the "Financial Sub-Working Group") to focus on the business model issues relating to financial matters while forming other sub-working groups to address water resources and engineering matters. The Financial Sub-Working Group was tasked with addressing treated water cost recovery, fixed and volumetric revenues, and other key fiscal priorities.

Over the course of more than a dozen workshops, the Financial Sub-Working Group developed proposals across four areas determined to be most relevant to enhance Metropolitan's long-term financial stability. The four key financial areas include: Treated Water Cost Recovery, Unrestricted Reserve Policy, Conservative Water Demand Projections, and Other Fixed Revenues. The discussion in this report reflects a year-long collaborative process informed by member agency input, technical analyses, and independent review and verification by Raftelis Financial Consultants (Raftelis), Metropolitan's external rate consultant.

1. Treated Water Cost Recovery

After twelve (12) months of evaluating alternative approaches to Treated Water Cost Recovery, there is broad recognition that the current 100 percent volumetric structure is inconsistent with the Board's previously adopted Policy Principles on Treated Water. One proposal—supported by a majority of member agency managers—would recover approximately 30 percent of Metropolitan's treatment revenues through a fixed charge, reflecting the agency's fixed costs associated with standby and peaking capacity. The peaking component of this charge would be based on an annual peak day billing determinant. A second alternative proposal, which has significantly less support, follows the same general structure but differs in its billing determinant. Instead of using an annual peak day, it proposes a summer peak day as the basis for the peaking component.

The March 14, 2025, member agency proposal with an annual peak day determinant received support from managers representing 18 member agencies. The alternative March 14, 2025 proposal with a summer peak day determinant is supported by one (1) member agency. One (1) member agency remains neutral, as it does not receive treated water service and is deferring the decision to agencies that receive treated water. The remaining six (6) agencies have not provided feedback on the alternatives.

The Financial Sub-Working Group identified four items for further review in advance of the fiscal year (FY) 2028/29 budget process: (1) a potential Regional Drought Reliability charge; (2) considerations related to incremental peaking billing determinants; (3) refinement of the unused standby charge to better reflect potential use of standby capacity rather than relying solely on volumetric usage; and (4) collaboration with member agencies to identify opportunities to partially or fully decommission unneeded treatment infrastructure.

9-5

Features	Option 1: Mar 14, 2025 Proposal w/Annual Peak	Option 2: Alternative Mar 14, 2025 Proposal w/ Summer Peak
Peaking Capacity Charge		A fixed charge would be collected based on a 3-year trailing maximum summer peak day demand in CFS.
Standby Capacity Charge	requirements Used Standby Capacity Charge: A fixed charge for used standby capacity would be collected based on a 10-year trailing annual standby use, i.e., 10-year maximum annual use minus average use in acre-feet (AF). Remaining Standby Capacity Charge: A fixed charge for remaining standby capacity would be collected based on 5-year trailing maximum annual use in AF. This charge inclusive of the Peaking and Used Standby Charge would add up to 30 percent of the Treatment Revenue Requirements, unless the allocated combined fixed costs are less than 30 percent.	
Volumetric	Remaining (~70 percent) of treatment costs	

There was broad support among member agency managers for phased-in implementation of the Peaking and Standby fixed charges to minimize initial member agency impacts and provide opportunities for member agencies to adjust operations accordingly. These two remaining proposals were developed following extensive data review and presentations by Metropolitan staff, with Raftelis Financial Consultants actively participating throughout the evaluation. Raftelis provided technical input, reviewed cost-of-service (COS) methodologies and conducted an independent assessment of the final proposals. In their memorandum, Raftelis concluded that both offer a reasonable balance between cost recovery principles and Metropolitan's broader objectives and priorities (see **Attachment 1**).

2. Unrestricted Reserve Policy

To enhance financial stability and better address evolving risks, including those driven by climate change, the Financial Sub-Working Group recommends technical refinements to the reserve policy.

- Link reserve percentage to water demand exceedance levels: Adjust reserve percentage based on budgeted exceedance level, with the following assumptions:
 - \circ 80 percent exceedance = 15 percent reserve percentage;
 - \circ 70 percent exceedance = 19 percent reserve percentage;
 - o 50 percent exceedance = 25 percent reserve percentage; and
 - Establish a policy to set water demand at 70 percent exceedance for rate setting with a long-term target of 80 percent without relying on one-time revenues or reserve draws.
- Recognize the disconnect between supplies and sales and exclude variable costs from reserve calculations.
- Incorporate protection for treated water sales volatility: Treatment revenue requirements will be incorporated into the Unrestricted Reserves Minimum and Target levels to provide enhanced protection against treated sales volatility. The Treatment Surcharge Stabilization Fund will be consolidated into Unrestricted Reserves to streamline fund management and increase flexibility.
- **Exclude uncertain revenues:** Unpredictable revenue sources, such as unawarded grants and onetime revenues, should be excluded from reserve calculations to protect against revenue shortfall risks.

Under the 70 percent exceedance scenario, the minimum reserve would increase from \$229 million to \$467 million, while the target reserve would rise from \$645 million to \$1.189 billion. This change would not result in a rate impact, as current projected reserve balances fall within the new minimum and target levels. Importantly, as additional fixed revenues are approved by the Board (e.g., standby and peaking treatment fixed revenues, property taxes, etc.), the minimum and target reserve levels reflected above would be reduced. Furthermore, these target levels do not incorporate the recently announced baseline deliveries under the SDCWA/MWD settlement agreement, which would further reduce both the minimum and target reserve levels.

3. Conservative Water Demand Projections

The Financial Sub-Working Group recommends that Metropolitan establish a policy to set water demand projections at 70 percent exceedance for rate setting, with a long-term target of 80 percent. This approach creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes.

4. Other Fixed Revenues Under Consideration

The Financial Sub-Working Group recommends that Metropolitan consider adopting and implementing the proposed fixed treatment charges as outlined in the Treated Water Cost Recovery recommendations while continuing to evaluate additional fixed revenue alternatives. Potential fixed revenue alternatives that require additional discussion include:

- Voluntary Level Pay Plan
- Fixed charge for Demand Management (i.e., conservation, Local Resource Program)
- Expansion of current Readiness-to-Serve and Capacity Charge to recover operations and maintenance costs
- Ad Valorem Property Taxes

Metropolitan staff will convene additional meetings with interested member agencies to continue these discussions.

Fiscal Impact

The recommended refinements do not result in immediate fiscal impacts but are intended to strengthen Metropolitan's long-term financial stability.

Adoption of one of the leading treated water cost recovery options would increase the share of fixed revenues to approximately 30 percent of total revenues, aligning more closely with industry standards for fixed-variable cost recovery. This adjustment would enhance revenue stability by ensuring recovery of standby and peaking treatment capacity costs through fixed charges and would support a more equitable allocation of treatment service costs, consistent with cost-of-service principles.

Proposed updates to the Unrestricted Reserve Policy would further enhance financial resilience by linking reserve targets to conservative water demand projections (70 percent exceedance level, with a long-term target of 80 percent). Under the 70 percent exceedance scenario, the minimum reserve would increase from \$229 million to \$467 million, while the target reserve would rise from \$645 million to \$1.189 billion. This change would not result in a rate impact, as current projected reserve balances fall within the new minimum and target levels. This approach mitigates the risk of underperforming sales, reduces reliance on unplanned reserve draws, and provides greater protection against revenue volatility from treated water sales, supply fluctuations, and uncertain or one-time funding sources.

Collectively, these refinements support Metropolitan's efforts to improve revenue reliability and fiscal resilience under variable supply and demand conditions.

Applicable Policy

Metropolitan Water District Act Section 124.5: Ad Valorem Tax Limitation

Metropolitan Water District Act Section 130: General Powers to Provide Water Services

Metropolitan Water District Act Section 133: Fixing of Water Rates

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

Metropolitan Water District Act Section 134.5: Water Standby or Availability of Service Charge

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

Metropolitan Water District Administrative Code Section 4401: Rates

Metropolitan Water District Administrative Code Section 5202: Fund Parameters

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

The following sets forth the proposed schedule for proposed board action on the various policy refinements and business model updates.

- July 2025 Board to consider action to Approve a Treated Water Cost Recovery Rate Structure to be included with the staff proposal for the FY 26/27 and 27/28 Biennial Budget and CYs 27 and 28 Rates and Charges
- July 2025 –Board to consider action to Approve Revisions to Metropolitan's Reserves Policy and Direct Staff to Implement Specific Sales Projections for the proposed FY26/27 and 27/28 Biennial Budget

Details and Background

Background

Extreme weather conditions in recent years—swings from severe and extended drought to record-setting wet seasons—pose a unique challenge to Southern California, placing mounting pressure on the year-to-year management of available water resources.

On July 22, 2024, The Metropolitan Water District of Southern California's (Metropolitan) Chair of the Board of Directors, Vice Chair of the Board of Directors for Finance and Planning, and Chair of the CAMP4Water Task Force (Board Leadership) commissioned an Ad Hoc Working Group comprised of the general managers of Metropolitan's 26 member agencies (Ad Hoc Working Group) to analyze Metropolitan's business model and propose business model refinement options, where appropriate. In its July 22nd letter, Board Leadership directed the Ad Hoc Working Group to ensure that it considers five factors and opportunities: (1) treated water cost recovery; (2) Metropolitan's role in member agency local supply development; (3) potential member agency supply exchange program; (4) proportion and components of fixed and volumetric charges; and (5) conservation program and funding source(s). The Ad Hoc Working Group formed three sub-working groups to focus on specific factors. The Financial Sub-Working Group took on the financial factors directed for review.

In accordance with Board Leadership direction and following a series of Ad Hoc Working Group workshops, the Financial Sub-Working Group has developed and reviewed four key proposals aimed at promoting financial stability, ensuring equitable cost recovery, and aligning with previously adopted Policy Principles. These proposals—centered on Treated Water Cost Recovery, Unrestricted Reserve Policy, Conservative Water Demand Projections, and Other Fixed Revenues—reflect an ongoing collaborative effort with member agencies to refine and modernize Metropolitan's financial framework.

Metropolitan System Use by Member Agencies

Metropolitan plays a critical role in supporting the region's water reliability by delivering both treated and untreated water tailored to the infrastructure and operational needs of its 26 member agencies. The distinction between treated and untreated water usage reflects each agency's strategic approach to water management.

Agencies with robust local treatment capabilities often opt for untreated water to enhance flexibility and reduce costs, while others depend on Metropolitan's treated water to meet public health and service requirements.

Fifteen of the 26 member agencies – Beverly Hills, Calleguas, Compton, Foothill, Fullerton, Glendale, Las Virgenes, Long Beach, Pasadena, San Fernando, San Marino, Santa Ana, Santa Monica, Torrance, and West Basin—receive only treated water. One (1) agency, Inland Empire, exclusively takes untreated water. The remaining 10 agencies —Anaheim, Burbank, Central Basin, Eastern, Los Angeles, MWDOC, San Diego, Three Valleys, Upper San Gabriel, and Western—receive a combination of both treated and untreated supplies. Over the past five years, agencies limited to treated water have accounted for approximately 44 percent of total annual treated water sales, underscoring their significant reliance on Metropolitan's centralized treatment system.

The Collaborative Process with Member Agencies

Beginning in May 2024, Metropolitan held 13 workshops, including seven Treated Water Cost Recovery workshops and six Financial Policies Business Model Support Sub-Working Group workshops (the group was renamed in January 2025). These workshops served as a forum for in-depth exploration of treatment system operations, historical treated water usage, COS principles, and alternative rate design methodologies.

The process was supported by multiple rounds of detailed financial and operational analyses, including evaluations of usage data, cost allocations, and rate design impacts. These analyses were performed following workshops to provide member agencies with additional supporting information and to address specific questions and feedback received at the workshops. Input collected throughout the process from member agencies helped shape the direction of the discussions, informed subsequent analyses, and guided the development of alternative options to ensure that the proposed approaches addressed member agency concerns and reflected operational realities.

Raftelis Financial Consultants, Metropolitan's independent rate consultant, played an integral role throughout the Treated Water Cost Recovery process by validating methodologies, providing expert assessments, and ensuring alignment with COS principles and industry best practices. Building on this involvement, Metropolitan engaged Raftelis in late April to conduct an independent review of the two remaining proposals and to prepare a memorandum summarizing their evaluation and findings (**Attachment 1**).

Potential Business Model Financial Refinements

1. Treated Water Cost Recovery

On April 9, 2024, the Metropolitan Board adopted the FY 2024/25 and FY 2025/26 Biennial Budget that directed staff to work with member agencies to evaluate and analyze the Treatment Surcharge. Specifically, the Board directed staff to address issues identified through the analysis, including potential modifications to the calculation methodology. The Board further emphasized that a final methodology should be prioritized as part of the broader new business model discussion and recommended for adoption as soon as possible, but no later than the approval of the new business model.

Beginning in May 2024, Metropolitan convened a series of 13 workshops with participating member agency managers under the Treated Water Cost Recovery Workgroup—renamed in January 2025 to the Financial Policies Business Model Support Sub-Working Group. These workshops provided a forum for in-depth exploration of treatment system operations, historical treated water usage, COS principles, and alternative rate design methodologies.

Throughout the process, regular status updates were provided to the Subcommittee on Long-Term Regional Planning Processes and Business Modeling Workgroup, the Business Model Review and Refinement Ad Hoc Working Group, and the Finance, Affordability, Asset Management, and Efficiency Committee. The work was grounded in detailed data analysis and consistently informed by Metropolitan's external rate consultant, Raftelis Financial Consultants. Raftelis actively participated by attending meetings, responding to technical questions, offering expert insights, and presenting key information to ensure alignment with COS principles and industry best practices.

Throughout the evaluation process, Metropolitan provided comprehensive data to support the analysis of various peak and standby capacity charge alternatives. This included daily flow records for all member agency meters

from 2014 through 2023, historical treatment plant capacity utilization (by facility and in aggregate), connected capacity by member agency, treatment plant capacities, a review of COS fundamentals, and member agency treated water demands over the same period. Metropolitan's Integrated Operations Planning and Support Service and Water Quality teams participated in these discussions.

For each alternative, agency-specific historical treated water use and demand patterns were incorporated into the billing determinants, expressed in either acre-feet (AF) or cubic feet per second (CFS), depending on the alternative's structure. These billing determinants formed the basis for calculating member agency cost allocations and assessing recovery of the total revenue requirement. The analysis featured illustrative member agency bills looking back over multiple years, showing how costs would have varied based on historical usage patterns and the characteristics of each alternative had these changes already been in place. Year-over-year dollar and percentage changes were calculated to highlight potential variability and sensitivity in agency costs under each scenario.

Results were summarized to reflect a full range of potential impacts—both increases and decreases—offering a clear view of each alternative's distributional effects and revenue stability. This side-by-side comparison, grounded in historical data, was designed to reflect agency-specific operational characteristics. It is important to note that these results are based on historical information—the best available at the time—and do not represent future impacts, as actual demands may differ from past usage patterns.

As part of this extensive review, Metropolitan and member agencies considered:

- Six (6) Treatment Peaking Alternatives
- Nine (9) Treatment Standby Alternatives
- Five (5) separate proposals were introduced by member agencies in January 2025, February 2025, March 2025, March 14, 2025, and March 14, 2025 with Summer Peak.

Guiding Framework for Rate Design Solutions

In alignment with the 2017 Adopted Policy Principles and incorporating feedback from member agencies received during the FY 2024/25–2025/26 biennial budget process and subsequent Treated Water Cost Recovery workshops, the Financial Sub-Working Group developed a guiding framework for rate design solutions to support the evaluation of alternatives, facilitate comparisons, and inform discussion and decision-making.

- 1. Be consistent with industry-standard cost-of-service principles
 - Provide a nexus between member agency cost responsibility and benefits received.
 - "Rate charged should reflect the cost of having capacity reserved and available for the customer" (AWWA M1 Principles of Water Rates, Fees, and Charges, 7th Edition)

2. Align treatment rates with treatment services received

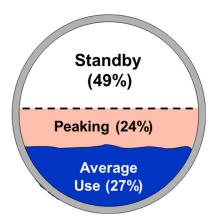
- Align the treated water cost recovery with (1) the service commitments and (2) infrastructure capital investments made by Metropolitan.
- Reflect the cost to maintain the treatment capacity and the treatment benefits received for average, peaking, and standby uses.
- Evaluate the portion of standby capacity that provides regional drought reliability.

3. Enhance rate stability and predictability

- Recover a portion of the treatment costs on fixed charge(s).
- Work closely with member agencies to continue to identify opportunities to partially or fully decommission unneeded treatment infrastructure and minimize future operations and maintenance (O&M) and capital expenditures.
- Continue to obtain member agency commitment to utilize new or expanded future capacity.

After twelve (12) months of evaluating alternative approaches to Treated Water Cost Recovery, there is broad recognition that action is necessary, as the current 100 percent volumetric structure is inconsistent with the Board's previously adopted Policy Principles on Treated Water.

Treatment Plant Capacity, Use, and Cost



The water treatment system is built with a total designed capacity of 3,651 CFS, strategically allocated across various operational categories to meet treated water demand for average use, peaking use, standby for unforeseen demands, and emergency readiness.

Metropolitan's existing COS process already identifies the function of costs to allocate them to standby, peaking, and average use (in the "Allocated Cost" section, pages 70–72 of the Metropolitan Cost-of-Service Report Fiscal Years2024/25 and 2025/26). Metropolitan functionalizes those costs and then combines them into a bundled Treatment Surcharge. For the process of identifying fixed charge alternatives, staff further refined the functionalization of treatment costs to identify peaking and standby capacity costs.

Approximately 27 percent of the system's capacity is dedicated to average use,

which represents the routine, ongoing water treatment demand. Another 24 percent of the system's capacity is allocated for peaking use, which is designed to handle short-term demand spikes, such as those that occur during heat waves or seasonal usage increases. While not used constantly, maintaining this capacity incurs substantial readiness costs and results in a notable portion of the treatment cost. The remaining 49 percent of capacity is reserved as treatment standby. This includes both used and unused standby capacity that provides critical system redundancy and allows for operational flexibility during planned maintenance or emergencies. Although this capacity is not frequently used, the associated infrastructure is maintained and kept operational, contributing a considerable share of fixed costs.

Under the current cost recovery model, these costs are recovered entirely through a volumetric surcharge, charging agencies based on the amount of water delivered. While this method is simple and usage-based, it does reflect the full cost of maintaining system capacity but does not account for the varying patterns of system use by member agencies. Additionally, because this model relies solely on volumetric charges, it creates a revenue vulnerability as demand declines, despite the substantial fixed costs required to maintain system capacity, including peaking and standby readiness.

This has led to concerns that agencies with lower water use, with peaking use for a short period of time in a year, are contributing less than the funds needed to support Metropolitan's treatment infrastructure. Recognizing this misalignment, Metropolitan and its member agencies have undertaken a comprehensive review of the rate structure. Through a collaborative, year-long process involving workshops and technical evaluations, two leading proposals have emerged.

Both proposals retain the volumetric approach for recovering the majority of treatment costs but introduce a hybrid model that shifts up to 30 percent of treatment revenue recovery to fixed charges. These fixed costs would be allocated based on each agency's use of standby and peaking capacity, more accurately aligning cost recovery with the drivers of system investment and operational readiness. This change does not increase overall costs but reallocates existing costs to better reflect the infrastructure and service levels required to meet all levels of demand. The remaining 70 percent, or more, of treatment costs would continue to be recovered through volumetric rates, ensuring that usage-based pricing remains a core component of the rate structure.

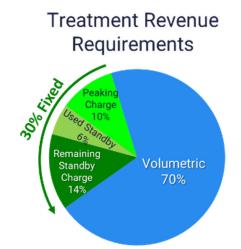
As a result of an extensive engagement process, two leading proposals have emerged to refine the approach to recovering treated water costs. Both proposals seek to recover up to 30 percent of Metropolitan's total treatment revenue requirements through fixed charges based on the percentage of fixed costs associated with standby and peaking capacity. While they share common foundational elements, the proposals differ in the methodology used to calculate the Treatment Peaking Charge.

Key Difference: Treatment Peaking Charge Determinant

Option 1 - March 14, 2025, MA Proposal, Annual Peak Day

• A fixed charge would be collected based on a 3-year trailing maximum <u>annual</u> peak day demand in cubic feet per second (CFS).

Option 2 – <u>March 14, 2025, Alternative Proposal, Summer</u> Peak Day



• A fixed charge would be collected based on a 3-year trailing maximum summer peak day demand in CFS.

Features	Option 1: Mar 14, 2025 Proposal w/Annual Peak	Option 2: Mar 14, 2025 Alternative Proposal w/ Summer Peak	
Peaking Capacity	A fixed charge would be collected based on a 3-year trailing maximum annual peak day demand in CFS.	A fixed charge would be collected based on a 3-year trailing maximum summer peak day demand in CFS.	
Charge	Treatment peaking capacity costs ~ 10 percent of total treatment costs based on allocated revenue requirements.		
Standby Capacity	Used Standby Capacity Charge: A fixed charge for used standby capacity would be collected based on a 10-year trailing annual standby use, i.e., 10-year maximum annual use minus average use in AF. Remaining Standby Capacity Charge: A fixed charge for remaining standby capacity		
Charge	 would be collected based on a 5-year trailing maximum annual use in AF. This charge, inclusive of the Peaking and Used Standby Charge, would add up to 30 percent of the Treatment Revenue Requirements, unless the allocated combined costs are less than 30 percent. 		
Volumetric	Remaining (~70 percent) of treatment costs		

Currently, the March 14, 2025, member agency proposal has the most support among member agency managers. Based on recent input:

- The March 14, 2025, proposal has received support from managers representing 18 member agencies.
- The alternative March 14, 2025, proposal with a Summer Peak component has received support from one (1) member agency.
- One (1) member agency has remained neutral, deferring to agencies that receive treated water to guide the decision.

The following adjustments / Certifications to Peaking Flows are applicable to all proposals:

- Similar to the existing Capacity Charge, treated water peaking flows resulting from Metropolitan's operational requests (e.g., shutdowns, service disruptions, wet year operations, dry year operations) do not reflect member agency demand on Metropolitan and, therefore, will not be included in an agency's peaking calculations; and,
- All data and adjustments would be fully documented and validated by each agency, following the existing process for Readiness-To-Serve and Capacity Charges.

The Financial Sub-Working Group identified four items for further review in advance of the FY2028/29 budget process: (1) a potential Regional Drought Reliability charge; (2) considerations related to incremental peaking billing determinants; (3) refinement of the unused standby charge to better reflect potential use of standby capacity rather than relying solely on volumetric usage; and (4) collaboration with member agencies to identify opportunities to partially or fully decommission unneeded treatment infrastructure.

There was broad support among member agency managers for phased-in implementation of the Peaking and Standby fixed charges to minimize initial member agency impacts and provide opportunities for member agencies to adjust operations accordingly:

- Peaking = 3-year phase-in
- Standby:
 - \circ Used = 10-year phase-in
 - \circ Remaining = 5-year phase-in

In late April, Metropolitan engaged Raftelis to conduct an independent review of the two remaining proposals and to prepare a memorandum summarizing their evaluation and findings. In their memorandum, Raftelis concluded that both proposals offer a reasonable balance between cost recovery principles and Metropolitan's broader objectives and priorities (see **Attachment 1**).

Alternatives Considered

The Financial Sub-Working Group developed and evaluated multiple alternatives for recovering treated water costs related to peaking and standby capacity (summarized in **Attachment 2**). While the concept of a regional drought reliability benefit was also analyzed, further discussion is needed. It is recommended that these discussions continue with the goal of incorporating potential changes into Metropolitan's rate structure prior to the FY 2028/29 budget process.

Hypothetical impact analyses were conducted for all proposed alternatives, along with sensitivity analyses illustrating year-over-year changes to fixed charges for member agencies under each scenario. Raftelis reviewed the alternatives and concluded that each presents a reasonable nexus to COS standards.

Next Steps

The Financial Sub-Working Group has concluded its technical evaluation of the treated water cost recovery proposals, including detailed assessments of implementation strategies, COS alignment, and legal compliance. Based on board input and recommendation, staff plans to bring back action items in the July/August timeframe.

2. Unrestricted Reserve Policy

The current Unrestricted Reserve Policy, originally adopted with the 1999 Long Range Finance Plan, is governed by Metropolitan Administrative Code § 5202. It is designed to cover revenue shortfall resulting from declines in water transactions, ensuring a minimum of 18 months and up to 42 months of rate protection at the target level. The policy has been generally effective, as Metropolitan has not required emergency rate increases outside of its regular rate-setting process. Unrestricted reserves exceeding the target level may be used for any lawful purpose as determined by the Board. Although the policy aims to provide 3.5 years of rate protection at the target level, it currently lacks a clear policy mechanism to ensure reserves reach and maintain that target level.

The existing reserve calculation is based on hydrologic risk estimates from the 1999 Long Range Finance Plan. However, climate change, which has exacerbated the volatility of both demand and supply, and the associated risks over the years, have highlighted the need for refinements. The minimum reserve level is set to cover 18 months of reserves, comprising the next fiscal year's reserve amount plus half of the subsequent fiscal year's reserve. The target reserve level extends this calculation by an additional two years, totaling 42 months (3.5 years) of reserve coverage.

The current policy assumes that variable supply and power costs decrease when water demand is low, but this is not always the case. During wet years with low demand, power costs may actually increase due to the need to move and store excess water. Additionally, the policy does not account for revenue shortfalls from the Treatment Surcharge during periods of low treated water sales. The Treatment Surcharge Stabilization Fund, which currently has no fund balance, lacks defined minimum and target levels, limiting its effectiveness in providing rate protection.

The reserve policy's minimum and target levels are based on the revenue risk associated with lower water sales. Reserves, however, have been used to address all unforeseen cash shortages, including shortfalls in treated system revenues and to add water to storage during years of surplus. In addition, the policy will lose its effectiveness if rates are not adopted to fully cover costs, such as setting rates based on planned draws from reserves or setting rates based on one-time revenues.

Metropolitan reviewed the calculations for determining the portion of the net revenue requirement that is collected by volumetric water rates. Certain line items that were deducted from the net revenue requirement were no longer appropriate due to climate-related volatility, the uncertain nature of the assumed revenues, and the disconnect between supplies and sales. The reserve percentage was also analyzed in light of recent water transactions and potential demand variability. Historical data indicated that actual water transactions were consistently lower than budgeted projections for eight of the past nine years. By correlating this trend with a revised reserve percentage, the sub-working group recommended aligning the reserve percentage with the budgeted exceedance level—the higher the exceedance level, the lower the volatility, allowing for a lower reserve percentage in the calculation, as shown in Figure 1 below.



Figure 1: Projected Demand Variability for Calendar Year 2025

To enhance financial stability and better address evolving risks, the sub-working group recommends the following technical refinements to the reserve policy:

- Link reserve percentage to water demand exceedance level: Adjust reserve percentage based on budgeted exceedance level, with the following assumptions:
 - 80 percent exceedance = 15 percent reserve percentage;
 - \circ 70 percent exceedance = 19 percent reserve percentage;
 - o 50 percent exceedance = 25 percent reserve percentage; and
 - Establish a policy to set water demand at 70 percent exceedance for rate setting with a long-term target of 80 percent without relying on one-time revenues or reserve draws.
- Recognize the disconnect between supplies and sales and exclude variable costs from reserve calculations.
- Incorporate protection for treated water sales volatility: Treatment revenue requirements will be incorporated into the Unrestricted Reserves Minimum and Target levels to provide enhanced protection against treated sales volatility. The Treatment Surcharge Stabilization Fund will be consolidated into Unrestricted Reserves to streamline fund management and increase flexibility.
- **Exclude uncertain revenues**: Revenue sources that are unpredictable, such as unawarded grants and onetime revenues, should be excluded from reserve calculations to protect against revenue shortfall risks.

Gradually implementing a higher exceedance level (i.e., 80 percent) in rate setting would help reduce risk associated with sales variability, increasing the likelihood that Metropolitan meets its budgeted water transaction projections. This approach creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes and emergency rate adjustments.

Under the 70 percent exceedance scenario, the minimum reserve would increase from \$229 million to \$467 million, while the target reserve would rise from \$645 million to \$1.189 billion. This change would not result in a rate impact, as current projected reserve balances fall within the new minimum and target levels. Importantly, as additional fixed revenues are approved by the Board (e.g., standby and peaking treatment fixed revenues, property taxes, etc.), the minimum and target reserve levels reflected above would be reduced. Furthermore, these target levels do not incorporate the recently announced baseline deliveries under the SDCWA/MWD settlement agreement, which would further reduce the minimum and target reserve levels.

3. Conservative Water Transactions in Rate Setting

The Financial Sub-Working Group developed a recommendation for adopting a more conservative approach to forecasting water transactions for rate-setting purposes. This proposal is in response to significant and persistent variability in Metropolitan's actual water sales, which have often fallen short of budgeted expectations.

Over the last 25 years, Metropolitan has experienced notable volatility in water transactions. This trend has become more pronounced in recent years, with actual sales in 2019, 2020, 2023, and 2024 falling short of projections by 13 percent to 25 percent. These recurring shortfalls have increased the strain on unrestricted reserves and raised the risk of unplanned revenue deficits, undermining the reliability of rate recovery and financial planning.



Figure 2: Variability of Metropolitan's Historic Water Transactions from Budget

Historically, Metropolitan's biennial budget, along with its rates and charges, has been based on average demand (aligned with a 50 percent exceedance level), meaning there is a 50 percent likelihood that actual demand will meet or exceed the forecast. While this approach was effective during periods of more stable demand, over the past decade, climate change and other factors have increased uncertainty in sales projections, resulting in revenue shortfalls when actual water transactions fall below budgeted levels. Since the exceedance level relies on historical hydrology, adopting a more conservative demand projection would help mitigate financial risk by reducing the likelihood of overestimating sales, thereby safeguarding revenue and reserves.

The Financial Sub-Working Group recommends that Metropolitan establish a policy to use a minimum of 70 percent exceedance level for rate setting during biennial budget development, with a long-term target of 80 percent exceedance level, ensuring financial stability without relying on one-time revenues or reserve draws. Gradually reaching the target of 80 percent exceedance will mitigate sales volatility and create a mechanism for building and maintaining reserves at the target levels, providing additional protection against rate spikes while minimizing the potential initial impacts. This proposal aligns with recommendations on the Unrestricted Reserve Policy and other fixed revenue strategies.

4. Other Fixed Revenue Recommendations

The Financial Sub-Working Group recommends that Metropolitan consider adopting and implementing the proposed fixed treatment charges as outlined in the Treated Water Cost Recovery recommendations while continuing to evaluate additional fixed revenue alternatives.

Potential fixed revenue alternatives that require additional discussion include:

- Voluntary Level Pay Plan
 - Member agencies interested in a Voluntary Level Pay Plan will make recommendations to Metropolitan staff. Staff will convene a meeting with the interested member agencies to explore

the alternatives, analyze the impacts, and identify the changes to Metropolitan's policies that would be required for implementation.

- Fixed charge for Demand Management (i.e., conservation, Local Resource Program)
 - Staff will evaluate fixed charges based upon the recommendations made by the water resources sub-working group.
- Expansion of current Readiness-to-Serve and Capacity Charge to recover O&M costs
- Ad Valorem Property Taxes
 - Staff will evaluate the impacts on rates, charges, and reserves from increasing the ad valorem property tax rate in future budgets.

Metropolitan staff will convene additional meetings with interested member agencies to continue these discussions.

nan 6/3/2025 Date

Kałano Kasaine Assistant General Manager/ Chief Financial Officer

6/3/2025 even Upad Date General Manager

Attachment 1 – Raftelis' Technical Memorandum and Presentation for June 10, 2025 FAAME Committee Meeting

Attachment 2 – Appendix A, Summary of Treated Water Cost Recovery Alternatives

Ref# cfo12706328

TECHNICAL MEMORANDUM

To: Metropolitan Water District of Southern CaliforniaFrom: John Mastracchio, CFA, P.E., John Wright, CPA, RaftelisDate: May 19, 2025

Re: Treatment Surcharge – Peaking Cost Recovery

Introduction

This memorandum was prepared for the Metropolitan Water District of Southern California ("Metropolitan"). It summarizes Raftelis' comments on Metropolitan using the annual maximum peak day demands of member agencies, as measured on a three-year trailing basis (Option 1) and using the summer maximum peak day demands of member agencies, as measured on a three-year trailing basis (Option 2) to calculate a new water treatment peaking capacity charge. We understand that Metropolitan is considering adopting one of these cost recovery options and desires input from Raftelis on how this alternative aligns with industry cost-of-service principles and Metropolitan's objectives.

9-5

Cost-of-Service Principles and Metropolitan Objectives

According to the American Water Works Association ("AWWA"), water utility rates are generally considered to be fair and equitable when they provide for full cost recovery from customers in proportion to the benefits received and the cost to serve each class of customer.¹ While recovery of the full revenue requirement in a fair and equitable manner is a key objective of the cost-of-service ratemaking process, it is often not the only objective. There are other objectives that can be considered in establishing cost-based rates, including the following:

- Effectiveness in yielding the total revenue requirements (full cost recovery)
- Revenue stability and predictability
- Stability and predictability of the rates themselves from unexpected or adverse changes
- Promotion of efficient resource use
- Fairness in the apportionment of total costs of service among different ratepayers
- Avoidance of undue discrimination (subsidies) within the rates
- Dynamic efficiency in responding to changing supply-and-demand patterns
- Simple and easy to understand and administer
- Legal and defensible

¹AWWA, Manual of Water Supply Practices M1, Seventh Edition.

2

Metropolitan Water District of Southern California / Treatment Cost Recovery Memo

In considering alternatives for the treatment surcharge, Metropolitan has identified the following high priority objectives:

- 1. Be consistent with industry standard cost of service principles
 - a. Provide a clear nexus between member agency cost responsibility and the benefits received.
 - b. Establish rates that reflect the cost of having capacity reserved and available for member agencies.
- 2. Align treatment rates with treatment services received
 - a. Align the treated water cost recovery with (1) the service commitments, and (2) infrastructure capital investments made by Metropolitan.
 - b. Reflect the cost to maintain the treatment capacity and the treatment benefits received for average, peaking, and standby uses.
 - c. Evaluate the portion of standby capacity that provides regional drought reliability.
- 3. Enhance rate stability and predictability
 - a. Recover a portion of the treatment cost on fixed charge(s)
 - b. Work closely with member agencies to continue to identify opportunities to partially or fully decommission unneeded treatment infrastructure and minimize future operations and maintenance ("O&M") expenses and capital expenditures.
 - c. Continue to obtain member agency commitment to utilize new or expanded future capacity.

Evaluation of Using a Three-year Trailing Maximum <u>Annual</u> Peak Day Demand as the Basis for the Water Treatment Peaking Capacity Charge

Several member agencies have proposed that Metropolitan utilize a three-year trailing maximum annual peak day demand (Option 1) as the basis or billing determinant for charging member agencies a water treatment peaking capacity charge. Raftelis has reviewed this option in comparison to the objectives described above and finds the option is acceptable from a cost-of-service principles standpoint and reasonably satisfies Metropolitan's other stated objectives. Our review comments are summarized below.

Consistency with Cost-of-Service Principles

Metropolitan has built water treatment capacity and has made this treatment capacity available to member agencies to utilize anytime throughout the year.² Under Option 1, those that use or benefit from the water treatment capacity to satisfy customer water use peaking throughout the year would help pay for the capacity. This directly aligns with the cost-of-service principles discussed above.

For example, some member agencies served by Metropolitan have their highest peak day use in the summer months whereas others have their highest peak day use in the winter months. Furthermore, Metropolitan has built more than sufficient water treatment capacity to satisfy customer peak demands regardless of whether they occur in the summer months or the winter months. Option 1 charges each member agency a

² The current capacity of Metropolitan's five water treatment plants is 2,360 million gallons per day (MGD) or 3,651 cubic feet per second (CFS). Metropolitan's peak treatment capacity usage estimated for the 2024/25 budget year is 1,859 CFS.

3

Metropolitan Water District of Southern California / Treatment Cost Recovery Memo

proportionate share of costs of the use of the system to satisfy its own peak day demands regardless of when the peak occurs. This is referred to as their non-coincident peak – the peak day usage of each member agency regardless of when the system as a whole peaks (i.e., when the total system coincident peak occurs).

9-5

Utilizing this approach results in a fair and equitable sharing of the cost of peak treatment capacity in proportion to each member agency's individual needs and how much they use the system overall. Using non-coincident peaking helps to ensure that all member agencies share in the cost of their use of peak treatment capacity fairly and avoids penalizing a group of member agencies just because their individual peak usage is aligned with the system's overall peak or allowing member agencies to use system peaking capacity without sharing in the cost. This outcome can occur if a peaking charge is based on a member agency's contribution to total system coincident peak but their actual agency specific peak occurs at a different time. For example, if the total system coincident peak occurs during the summer months but a member agency's actual peak usage occurs during the fall or winter months, they may receive a lower allocation of costs during the cost-of-service process.

Align Treatment Rates with Treatment Services Received

Option 1 aligns the peaking capacity charge with the treatment services received. Member agencies that utilize the peak treatment capacity, whenever it is used, share in the cost of infrastructure capital investments that have been made by Metropolitan to make and maintain the capacity available to customers.

Enhance Rate Stability and Predictability

Option 1, if implemented, would result in a fixed charge that would provide stable and predictable fixed revenues for Metropolitan and rate stability and predictability for member agencies. This is because the basis of billing, i.e., three-year trailing maximum annual peak day demand, incorporates three years of member agency water demand data. Peak day demand for a member agency over the trailing three-year period has the potential to stay consistent for up to three years. In addition, the treatment peaking charge would be set by Metropolitan annually and member agencies would know what their peaking charge will be in the upcoming year, providing them with predictability in their water treatment charges from Metropolitan.

Other Considerations

This option does not provide member agencies with an incentive to shift their peak usage of treatment capacity during off-peak usage periods, although such an incentive exists with the capacity charge. This incentive may be advantageous to minimize the cost of maintaining treatment capacity to satisfy demands during system peak periods by potentially allowing Metropolitan to decommission more unused capacity. However, Metropolitan's water treatment plants have more than sufficient treatment capacity to meet coincident peak capacity demands and it does not need to incentivize the use of capacity during non-peak periods to be able to accommodate peak usage of treatment capacity.

Δ

Metropolitan Water District of Southern California / Treatment Cost Recovery Memo

Evaluation of Using a Three-year Trailing Maximum <u>Summer</u> Peak Day Demand as the Basis for the Water Treatment Peaking Charge

Another member agency proposal is for Metropolitan to utilize a three-year trailing maximum summer peak day demand (Option 2) as the basis or billing determinant for charging member agencies a water treatment peaking charge. Raftelis has reviewed this option in comparison to the objectives described above and finds that the option is acceptable from a cost-of-service principles standpoint and reasonably satisfies Metropolitan's other stated objectives. Our review comments are summarized below.

Consistency with Cost-of-Service Principles

Utilizing this option results in full cost recovery of peak treatment capacity in proportion to the use of the capacity during the period when the system realizes its maximum period usage, i.e., during the summer. Using coincident peaking helps to recover costs from those that require Metropolitan to maintain sufficient treatment capacity to meet system peak demands and could help Metropolitan minimize future maintenance and capital expenses.

Align Treatment Rates with Treatment Services Received

Option 2 aligns the peaking capacity charge with the treatment services received. Member agencies that have their peak capacity demands during the periods when the system peaks share in the cost of infrastructure that has been maintained to make water treatment capacity available to customers during peak usage periods when the system experiences its maximum peak day demands.

Enhance Rate Stability and Predictability

Option 2, if implemented, would result in a fixed charge that would provide stable and predictable fixed revenues for Metropolitan and rate stability and predictability for member agencies. Peak day summer demand for a member agency over the trailing three-year period has the potential to stay consistent for up to three years. In addition, the treatment peaking charge would be set by Metropolitan annually and member agencies would know what their peaking charge will be in the upcoming year, providing them with predictability in their water treatment charges from Metropolitan.

Other Considerations

Some utilities charge their customers for their contribution to the use of capacity during the total system coincident peak. A capacity constrained utility may desire to send a price signal to customers to minimize their usage during the time of the total system coincident peak in order better manage limited system capacity. For example, Metropolitan has limited distribution capacity and has adopted a capacity charge that recovers the cost to provide peak capacity within the distribution system. It also provides a price signal to encourage agencies to reduce peak demands on the distribution system and shift demands that occur during the summer period to the winter period, resulting in the benefit of deferring capacity expansion costs.

In the case of Metropolitan's water treatment plants, it has more than sufficient treatment capacity to meet coincident peak capacity demands and it does not need to incentivize the use of water treatment capacity during other periods. Therefore, Option 2, while acceptable from a cost-of-service perspective, may not be the preferred approach if Metropolitan does not desire to incentivize the off-peak usage of the treatment capacity.

5

Metropolitan Water District of Southern California / Treatment Cost Recovery Memo

Conclusion

Based on a review of the member agency proposed options for recovery of water treatment peaking costs, both options are consistent with cost-of-service principles, would help to align member agency treatment rates with treatment services received, and provide an enhancement in rate stability and predictability over the existing method of recovery of Metropolitan's water treatment costs. Neither option is a perfect solution from a cost recovery principle standpoint. However, both options reflect a reasonable balance between cost recovery principles and Metropolitan's other objectives and priorities.



Review of New Treated Water Cost Recovery Alternatives for Peak Capacity Costs June 10, 2025

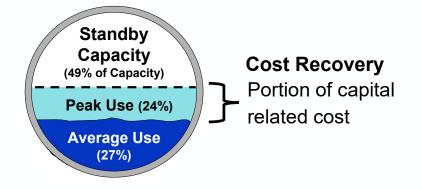


Review of the March 14, 2025 proposal w/ Annual Peak and w/ Summer Peak

Features	Option 1: Mar 14, 2025 Proposal w/ Annual Peak	Option 2: Alternative Mar 14, 2025 Proposal w/ Summer Peak	
Peaking Capacity	A fixed charge would be collected based on a 3-year trailing maximum annual peak day demand in cubic feet per second (CFS)	A fixed charge would be collected based on a 3- year trailing maximum summer peak day demand in CFS	
Charge	Treatment peaking capacity costs <u>~10%</u> of total treatment costs based on allocated revenue requirements		
Standby Capacity Charge	 Used Standby Capacity Charge: A fixed charge for used standby capacity would be collected based on a 10-year trailing annual standby use, i.e. 10-year maximum annual use minus average use in acre feet (AF) Remaining Standby Capacity Charge: A fixed charge for remaining standby capacity would be collected based on 5-year trailing maximum annual use in AF This charge inclusive of the Peaking and Used Standby Charge would add up to 30% of the Treatment Revenue Requirements, unless the allocated combined fixed costs are less than 30%. 		
Volumetric	Remaining (~70%) of treatment costs		
2			

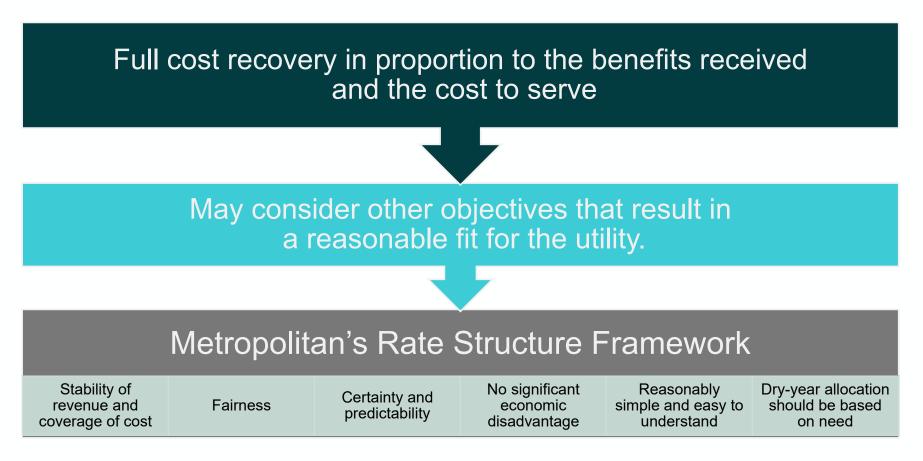
What are the Treatment Surcharge Peaking Costs?

- Treatment peaking costs are a portion of capital-related costs. They
 are <u>existing and ongoing costs</u> associated with paying for and
 maintaining the treatment capacity to satisfy peak demand.
- These are <u>not new costs</u> incurred when peak demands occur or caused directly by the peaking usage today.
- These treatment capacity costs are segregated into categories:
 - Capacity available for standby or emergency use
 - > Capacity used to satisfy peak demands
 - > Capacity used for average demands





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4

Review of Proposed Options

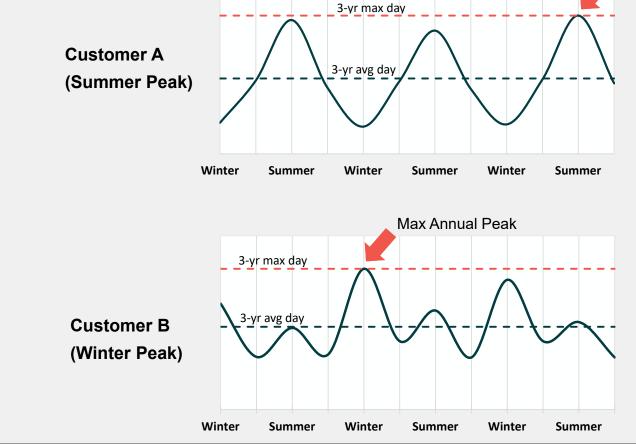
RAFTELIS

Proposal	Description	Comments
March 14 th Option 1	3-Yr Trailing Annual Peak	 Customers that use MET's water treatment capacity shares in the cost, whenever it is used.
		 Avoids allowing MAs to utilize available treatment capacity without having to share in its costs.
		 Enhancement of rate and revenue stability and predictability over current treatment surcharge.
		 Since MET has excess treatment capacity available to meet all MA demands, there is no need to incentivize MAs to shift when their maximum use of the treatment capacity occurs. Incentive already exists with capacity charge.
March 14 th 3-Yr Trailing Option 2 Summer Peak		 Recovers costs from MA's that require MET to maintain sufficient treatment capacity to meet system peak demands.
		 Could help MET minimize future maintenance and capital expenses by allowing MET to decommission more unused capacity.
		 Enhancement of rate and revenue stability and predictability over current treatment surcharge.
		 Provides added incentivize for MAs to shift when their maximum use of the treatment capacity occurs.
5		

Max Annual Peak

Option 1 - Annual Maximum Peak Day Demand Measured Over a Trailing 3-Year Period

Under Option 1, both Customers A and B would pay a peaking charge in accordance with their peak use of the system over a trailing three-year period.

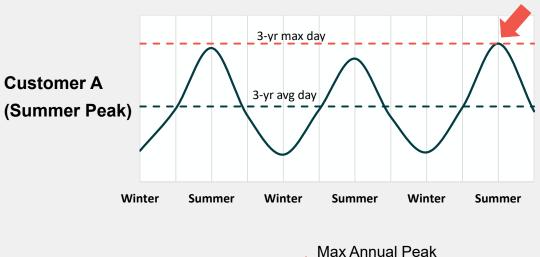


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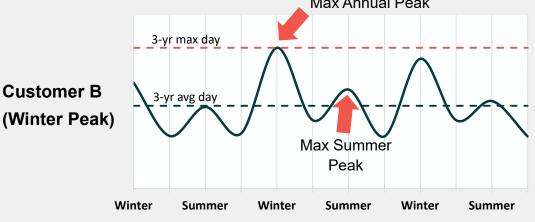
Max Annual Peak

Option 2- Summer Maximum Peak Day Demands Measured Over a Trailing 3-Year Summer Period

Customer A (peaks in the summer) and would pay a Cu peaking charge in accordance (Su with their peak use of the system



Customer B (peaks in the winter) and would pay a peaking charge that does not reflect their full peak use



7

Raftelis Summary Comments on Options 1 & 2

- 1. Both options are consistent with cost-of-service principles
 - Both would help to align water treatment surcharges with treatment services received.
- 2. Both provide an enhancement in rate and revenue stability and predictability over the existing method of recovery of water treatment capacity costs.
- 3. There is no perfect option both provide a reasonable balance between cost recovery and other objectives and priorities.
- 4. Suggest Option 1 (Annual Peak) if MET does not desire to further incentivize the use of treatment peak capacity during off-peak periods

Appendix A Summary of Treated Water Cost Recovery Alternatives

This appendix summarizes the treated water cost recovery alternatives developed and evaluated by the subworking group for peaking and standby use. Tables 1 and 2 present these alternatives and illustrate potential billing determinants under each option, supporting the discussions in the main report.

The alternatives were designed to explore different methods for recovering existing costs associated with providing treated water service, particularly for demands related to peaking and standby demands. The analysis included hypothetical impact assessments and a sensitivity analysis of year-over-year changes to Member Agency fixed charges.

	Billing Determinants	Units	Details	Descriptions
Alt 1	3-yr trailing maximum <u>summer</u> peak day demand	CFS	3-yr trailing max day May-Sep	Proposed in 2017 Treatment Capacity Charge (similar to the current Capacity Charge), represents member agencies' summer peak use.
Alt 2	3-yr trailing maximum <u>annual</u> peak day demand	CFS	3-yr trailing max day Jan-Dec	Represents member agencies' peak use throughout the year
Alt 3	3-yr trailing <u>annual</u> <u>incremental</u> peak demand	CFS	3-yr trailing max day Jan-Dec minus 3-yr avg day	Represents member agencies' <i>incremental</i> peak use throughout the year
Alt 4	3-yr trailing <u>summer</u> <u>incremental</u> peak demand	CFS	3-yr trailing max day May-Sep minus 3-yr avg day	Represents member agencies' <i>incremental</i> peak use during summer and supports local supply development
Alt 5	3-yr trailing <u>annual</u> <u>incremental</u> <u>seasonally adjusted</u> peak demand	CFS	3-yr trailing seasonal adjusted max day minus 3-yr avg day	Represents member agencies' <i>incremental</i> peak use with seasonal factors to reduce summer peak impact on MWD distribution system
Alt 6	3-yr trailing <u>average</u> <u>incremental</u> peak demand	CFS	3-yr average trailing of max day Jan-Dec minus avg day	Represents member agencies' average <u>incremental</u> peak use over the 3-year period
Feb 2025 MA Proposal - Peaking	3-yr trailing maximum <u>annual</u> peak day demand	CFS	3-yr trailing max day Jan-Dec	Recovers treatment peaking costs, capped at 10% of treatment costs, billing determinants same as Alt 2
Mar 2025 MA Proposal	3-yr trailing maximum <u>annual</u> peak day demand	CFS	3-yr trailing max day Jan-Dec	Same as Alt 2
Mar 14 2025 MA Proposal – Annual Peaking	3-yr trailing maximum <u>annual</u> peak day demand	CFS	3-yr trailing max day Jan-Dec	Same as Alt 2
Mar 14 2025 MA Proposal – Summer Peaking	3-yr trailing maximum summer peak day demand	CFS	3-yr trailing max day May-Sep	Same as Alt 1

Table 1 – Treatment Peaking Cost Recovery Alternatives Analyzed

Appendix A Summary of Treated Water Cost Recovery Alternatives

Table 2 – Treatment Standby Cost Recovery Alternatives Analyzed

	Billing Determinants	Units	Details	Descriptions		
Alt A	Max of TYRA or 1998-2007 Avg	AF	(TYRA=10-yr rolling avg)	1998-2007 Represents the basis when MWD made major investments in treatment plants		
Alt B	10-yr Trailing Max Year AF		Max annual usage in the past 10 years	Represents MA's standby use in the past 10-yrs beyond seasonal peak		
Alt C	10-yr Trailing Annual Standby Use	AF	10-yr max annual usage minus 10-yr average use	Represents MA's standby use in the past 10-yrs beyond seasonal peak and average use		
Alt D	Treatment Connected Capacity	CFS	Sum of Member Agency treated connections	Potential Member Agency capacity to MWD's treatment system		
Alt E	Treatment Capacity Reservation	CFS		Capacity requested by each Member Agency		
Alt F	Treatment Connected Capacity available for Standby	CFS	Treatment connected capacity minus 3-yr trailing max day (Alt 2)	Potential Member Agency capacity to MWD's treatment system not used in the last 3-yrs but available for emergency use (standby)		
Alt G	10-yr Trailing Standby Use	CFS	10-yr max day minus 3-yrs trailing max day (Alt 2)	Represents the standby use as incremental use above peak day flows in the past 10-yrs		
Alt H	10-yr Trailing Max Day Flow	CFS	10-yr max day	Represents MA's max use in the past 10 years		
Alt I	5-yr Average Annual Demand	AF	5-year rolling average of annual treated demand	Recovers all treatment standby costs, inclusive of Regional Drought Benefits, on fixed charge and offers member agencies greater rate stability and predictability		
Jan 2025 MA Proposal	5-yr Average Annual Demand	AF	25% Fixed Charge on 5-yr average annual treated demand	Recovers 25% of Treatment Costs based or 5-year rolling average treated demand. Provides MWD with additional fixed cost recovery and offers member agencies greater rate stability & predictability.		
Feb 2025 MA Proposal - Standby	10-yr Trailing Annual Standby Use	AF	10-yr max annual usage minus 10-yr average use	Recovers all treatment standby costs, capped at 20% of Treatment Costs		
Mar 2025 MA Proposal	Treatment Fixed Charge	AF	Remaining 30% Treatment Fixed Charge based on a 5-yr average annual treated demand	This charge inclusive of the Peaking Charge adds up to 30% of the Treatment Revenue Requirements.		
Mar 14 2025	Used Treatment Standby Charge	AF	10-yr max annual usage minus 10-yr average use	Recovers used treatment standby costs based on 10-yr annual standby use (Alt C)		
Mar 14 2023 MA Proposal - Standby	Remaining Treatment Standby Charge AF		5-yr Trailing Max Annual Demand	Recovers remaining treatment standby costs, up to 30% of treatment costs inclusive of peaking and used standby charges, based on 5-yr max annual demand		



Finance, Affordability, Asset Management, and Efficiency Committee

Overview of Potential Business Model Refinements

June 10, 2025 Item 9-5



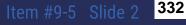
Item 9-5 Overview of Potential Business Model Refinements

Subject

• Potential Business Model Refinements

Purpose

 Inform the Board on the recommended proposals for Treated Water Cost Recovery, Unrestricted Reserve Policy Refinements, Conservative Water Demand Projections, and Other Fixed Revenues



Treated Water Cost Recovery

Finance, Affordability, Asset Management, and Efficiency Committee



Metropolitan System Use by Member Agencies

- Metropolitan plays a critical role in supporting the region's water reliability by delivering both treated and untreated water tailored to the infrastructure and operational needs of its 26 member agencies
 - Fifteen (15) member agencies Beverly Hills, Calleguas, Compton, Foothill, Fullerton, Glendale, Las Virgenes, Long Beach, Pasadena, San Fernando, San Marino, Santa Ana, Santa Monica, Torrance, and West Basin – receive only treated water
 - One (1) agency, Inland Empire, exclusively takes untreated water
 - Ten (10) agencies Anaheim, Burbank, Central Basin, Eastern, Los Angeles, MWDOC, San Diego, Three Valleys, Upper San Gabriel, and Western — receive a combination of both treated and untreated supplies
- Over the past five years, agencies limited to treated water have accounted for approximately 44 percent of total annual treated water sales



Summary of work completed to-date Treated Water Cost Recovery 13 Workshops since May 2024

- <u>Participants</u>: member agency managers, Metropolitan staff from Finance, Integrated Operations Planning and Support Service and Water Quality teams
- Reviewed key concerns/issues raised by MA's during Budget Adoption with the Treatment Surcharge
- Discussed goals and objectives of the Treated Water Cost Recovery workgroup, previously adopted Policy Principles on Treated Water, and revised past efforts on Treated Water Cost Recovery
- Evaluated MWD's treatment operations, capacity, utilization, cost, and Cost of Service with the support of a rate consultant
 - Metropolitan provided comprehensive data, including daily flow records for all member agency meters from 2014 through 2023; historical treatment plant capacity utilization (by facility and in aggregate); connected capacity by member agency; treatment plant capacities; a review of COS fundamentals; and member agency treated water demands over the same period
 - Metropolitan staff conducted multiple rounds of detailed financial and operational analyses, including evaluations of usage data, cost allocations, hypothetical agency-specific impacts, and year-to-year agency bill change analyses

Guiding Framework for Rate Design Solutions

Treatment Rates & Charges Should:

1. Be consistent with industry standard cost of service principles

- Provide a clear nexus between member agency cost responsibility and benefits received •
 - "Rate charged should reflect the cost of having capacity reserved and available for the customer" (AWWA M1 • Principles of Water Rates, Fees, and Charges, 7th Edition)

2. Align treatment rates with treatment services received

- a) Align the treated water cost recovery with (1) the service commitments and (2) infrastructure capital investments made by Metropolitan
- b) Reflect the cost to maintain the treatment capacity and the treatment benefits received for average, peaking and standby uses
- c) Evaluate the portion of standby capacity that provides regional drought reliability
- 3. Enhance rate stability and predictability
 - a) Recover a portion of the treatment cost on fixed charge(s)
 - Working closely with Member Agencies to continue to identify opportunities to partially or fully b) decommission unneeded treatment infrastructure & minimize future O&M & capital expenditures
 - Continue obtaining member agency commitment to utilize new or expanded future capacity C)



Evaluating Treated Water Cost Recovery

Workgroup developed treated water cost recovery alternatives for Peaking and Standby capacity use:

- > 6 Treatment Peaking Alts evaluated
- > 9 Treatment Standby Alts evaluated
- 5 separate proposals introduced by MA: January 2025, February 2025, March 2025, March 14 2025, and March 14 2025 with Summer Peak

Leading Proposal, supported by managers representing 18 member agencies
 ➢ Option 1 - March 14, 2025 Proposal, Annual Peak Day
 Alternative Proposal, proposal by manager representing 1 member agency
 ➢ Option 2 - March 14, 2025 Alternative Proposal, Summer Peak Day

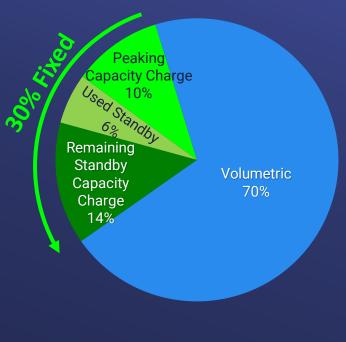
There is broad recognition that action is necessary, as the current 100% volumetric structure is inconsistent with the Board's previously adopted Policy Principles on Treated Water

Leading Proposals

Support for proposals: 20 received responses (18 for Opt 1, 1 for Opt 2, 1 Neutral)

Features	Option 1: Mar 14, 2025 Proposal w/ Annual Peak (Support by 18 MAs)	Option 2: Mar 14, 2025 Alt Proposal w/ Summer Peak (Proposed by 1 MA)				
Peaking Capacity	A fixed charge would be collected based on a 3-year trailing maximum annual peak day demand in CFS A fixed charge would be collected based on a 3-year trailing maximum summer peak day demand in CFS					
Charge	Treatment peaking capacity costs <u>~10%</u> of total treatment costs based on allocated revenue requirements					
Standby Capacity Charge	Used Standby Capacity Charge : A fixed charge for used standby capacity would be collected based on a 10-year trailing annual standby use, i.e. 10-year maximum annual use minus average use in AF Remaining Standby Capacity Charge : A fixed charge for remaining standby capacity would be collected based on 5-yr trailing maximum annual use in AF This charge inclusive of the Peaking and Used Standby Charge would add up					
	to 30% of the Treatment Revenue Requirements, unless the allocated combined costs are less than 30%.					
Volumetric	Remaining (~70%) of treatment costs	ffordahility. Asset Management, and Efficiency				

Treatment Revenue Requirements



Adjustments / Certifications to Peaking Flows for All Alternatives

- Similar to the existing Capacity Charge, treated water peaking flows resulting from Metropolitan's operational requests (e.g., shutdowns, service disruptions, wet year operations, dry year operations) do not reflect member agency demand on Metropolitan and therefore, will not be included in an agency's peaking calculations; and,
- All data and adjustments would be fully documented and validated by each agency, following the existing process for RTS and Capacity Charges



Implementation of New Charges

Member Agency managers support implementation strategies to <u>minimize initial</u> <u>impacts</u> and provide opportunities for MA to adjust operations accordingly

Treatment *peaking* capacity charge:

• 3-year phase-in billing determinants (Annual or Summer)

Treatment *standby* capacity charges:

- Used Standby Capacity: 10-year phase-in
- Remaining Standby Capacity: 5-year phase-in

Items for further review

The Financial Sub-Working Group identified four items for further review in advance of the FY2028/29 budget process

- Potential Regional Drought Reliability charge;
- Considerations related to incremental peaking billing determinants;
- Refinement of the unused standby capacity charge to better reflect potential use of standby capacity rather than relying solely on volumetric usage; and
- Collaboration with member agencies to identify opportunities to partially or fully decommission unneeded treatment infrastructure

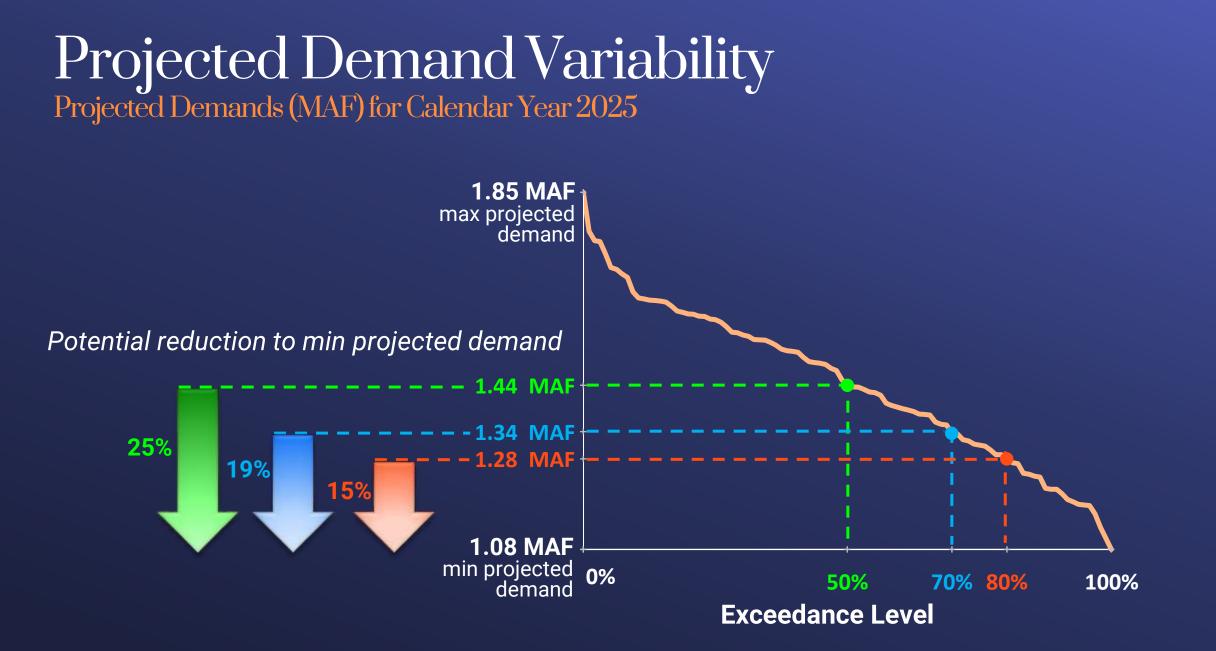
Workgroup Recommendations on Unrestricted Reserve Policy



Variability Metropolitan's Historic Water Transactions % change from budget



Finance, Affordability, Asset Management, and Efficiency Committee



Finance, Affordability, Asset Management, and Efficiency Committee

<u>Recommendations</u>: Unrestricted Reserve Policy Changes

Technical Changes:

- 1. Update the Percent Reserves to reflect recent water sales volatility
 - ✓ Incorporate conservative demand assumptions in rate setting into the calculation
 - Adopt policy to set water demand at 70% exceedance for rate setting with a long-term target of 80%.
- 2. Recognize the disconnect between supplies and sales
 - \checkmark Exclude variable costs from reserve calculations
 - \checkmark No correlation between water sales and variable costs
- 3. Incorporate protection for treated water sales volatility
 - ✓ Include Treatment revenue requirements in the Unrestricted Reserve Minimum and Target Levels to enhance volatility protection for treated water sales revenues → Treatment Surcharge Stabilization Fund would be combined into unrestricted reserves
- 4. Adjust required reserve calculation to exclude one-time revenues and unawarded grants

Policy Changes

- 1. Update Admin Code language regarding the appropriate use of reserves in excess of target levels
- 2. Add language specifying the intentional use of reserve for one-time expenditures, unforeseen revenue shortfalls or increases in existing expenditures

Current Unrestricted Reserve Calculation

for June 30th, 2025, in millions of dollars

	2025/26 Budget	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Gross Revenue Requirement	\$2,274	\$2,408	\$2,597	\$2,773
Less Property Tax	\$334	\$342	\$351	\$359
Less Interest Income, Power Sales & Misc. Revenues	\$120	\$97	\$84	\$86
Less Unawarded Grants & One-time Revenues	\$127	\$20	\$20	\$20
Less Fixed Charges				
RTS Charge	\$185	\$188	\$202	\$219
Capacity Charge	\$46	\$48	\$52	\$56
Net Water Rate Revenue Requirements	\$1,462	\$1,713	\$1,889	\$2,033
Less Variable Costs				
Treatment Surcharge Rev Req.	\$342	\$342	\$362	\$369
SWC Variable Power Costs	\$238	\$236	\$235	\$233
CRA Power Costs	\$93	\$97	\$99	\$102
Fixed Costs Recovered by Water Rate	\$789	\$1,037	\$1,193	\$1,329
Percent Reserved	17.5%	17.5%	17.5%	17.5%
Annual Amount Reserved	\$138	\$181	\$209	\$232
Minimum Reserve Level = 138 + 181 / 2	= \$229	$\mathbf{million} \leftarrow 1$	8 months	
Toward December Level $= 120 + 101 + 200 + 220 / 0$			2 magnethe	

June 10, 2025

Target Reserve Level = 138 + 181 + 209 + 232 / 2 =\$645 million \leftarrow 42 months Finance, Affordability, Asset Management, and Efficiency Committee

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Proposed Refinements to Unrestricted Reserve Calc. <u>for June 30th, 2025, in millions of dollars</u>

		2025/26 Budget	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	
Gross Revenue Requirement		\$2,274	\$2,408	\$2,597	\$2,773	
Less Property Tax		\$334	\$342	\$351	\$359	
Less Interest Income, Power	Sales & Misc. Revenues		ist required re			
L ess Unawarded Grants & Or	ne-time Revenues	e e	exclude one-time revenues and unawarded grants			
Less Fixed Charges			anaward			
RTS Charge 🚽	Maintain current flexibility		\$188	\$202	\$219	
Capacity Charge	automatically adjust unrestr		\$48	\$52	\$56	
Net Water Rate Revenue Requ	reserves for new fixed char	ges <mark>462</mark>	\$1,713	\$1,889	\$2,033	
Less Variable Costs						
	corporate protection for the	treated wat	er sale volatil		\$369	
SWC Variable Power Correction CRA Power Costs	ecognize the disconnect bet	ween suppli	es and sales	\$235 \$99	\$233 \$102	
Fixed Costs Recovered by Wate	er Rate	\$789	\$1,037	\$1,193	\$1,329	
Percent Reserved		17.5%	17.5%	17.5%	17.5%	
Annual Amount Reserved		\$138	\$181	\$209	\$232	
10,0005	Jpdate % Reserved to reflect 70% exceedance demand us for rate setting	ed	iency Committee	lte	em #9-5 Slide 17	

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Updated Unrestricted Reserve Policy - 70% Exceedance Demand

for June 30th, 2025, in millions of dollars

	2025/26	2026/27	2027/28	2028/29
	Budget	Forecast	Forecast	Forecast
Gross Revenue Requirement	\$2,274	\$2,408	\$2,597	\$2,773
Less Property Tax	\$334	\$342	\$351	\$359
Less Interest Income, Power Sales & Misc. Revenues*	\$120	\$97	\$84	\$86
Less Fixed Charges				
RTS Charge	\$185	\$188	\$202	\$219
Capacity Charge	\$46	\$48	\$52	\$56
Net Water Rate Revenue Requirements	\$1,590	\$1,733	\$1,909	\$2,053
Percent Reserved	19%	19%	19%	19%
Annual Amount Reserved	\$302	\$329	\$363	\$390
Minimum Reserve Level = \$302 + \$329 / 2 = \$ Target Reserve Level = \$302 + \$329 + \$363 + \$390/2 = \$	467 million 1,189 millior			for 70% Exceedance Demand

* Misc. Revenues – Lease, Non-MA Sales, \$80M State Fund Use and Awarded Grants, excluding one-time revenues such as IRA Fallowing Revenues, \$60M Stored Water Sales, Sales of Assets

June 10, 2025

Finance, Affordability, Asset Management, and Efficiency Committee



Updated Unrestricted Reserve Policy for June 30th, 2025, in millions of dollars



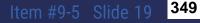
Strategy Adopt reserve policy

Implementation

to set water demand at 70% exceedance for rate setting with a long-term target of 80%.

*Revenue from Reverse Cyclic Program (RCP) pre-sales

June 10, 2025



Unrestricted Reserve Policy Refinements Policy Change – Modify language in Admin Code for appropriate use of reserves in excess of target levels

Funds in excess of the target level shall be utilized as directed by the Board for:

- Funding capital expenditures of the District in lieu of the issuance of additional debt,
- > Redemption or defeasance of outstanding bonds or commercial paper,
- Addressing District's pension or OPEB (other post-employment benefit) liabilities (including but not limited to the establishment or funding of a pension trust fund), Or
- > Meeting other legal or financial obligations.

Additional proposed policy: "Reserves, by nature, are one-time funds; therefore, fiscal prudence dictates that they should <u>not</u> be used to cover ongoing expenditures"



Workgroup Recommendations on Conservative Water Transactions Assumptions for Water Rate Settings



Conservative Water Transactions Assumptions Recommendations

Establish a policy to set water demand projections at 70% exceedance for rate setting with a long-term target of 80%.

 This approach creates a mechanism to maintain reserves at the target level, providing additional protection against rate spikes

Other Fixed Revenues

- Voluntary Level Pay Plan
 - Member agencies interested in a Voluntary Level Pay Plan will make recommendations to Metropolitan staff. Staff will convene a meeting with the interested member agencies to explore the alternatives, analyze the impacts, and identify the changes to Metropolitan's policies that would be required for implementation.
- Fixed charge for Demand Management
 - Staff will evaluate fixed charges based upon the recommendations made by the Water Resources Sub-Working Group
- Expansion of current RTS and Capacity Charge to also recover O&M costs
- Ad Valorem Property taxes
 - Staff will evaluate the impacts on rates, charges, and reserves from increasing the ad valorem property tax rate in future budgets



Next Steps

July 2025Board Action to Approve a Treated Water Cost Recovery Rate Structure to be
included with the staff proposal for the FY 26/27 and 27/28 Biennial Budget and
CYs 27 and 28 Rates and Charges

July 2025Board Action to Approve Revisions to Metropolitan's Reserves Policy and DirectStaff to Implement Specific Sales Projections for the proposed FY26/27 and27/28 Biennial Budget









THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Report

Office of Safety, Security, and Protection

• OSSP Monthly Activities for May 2025

Summary

This monthly report provides a summary of OSSP activities for May 2025 in the following key areas:

- Security and Emergency Management
 - Security and Emergency Response
 - o Emergency Management Program Update
- Safety, Regulatory, and Training (SRT)
 - o Health and Safety Programs
 - Environmental Programs
 - o Apprenticeship Programs
 - Safety and Technical Training Programs

Purpose

Informational

Attachments

Attachment 1: Detailed Report - OSSP Monthly Activities for May 2025

Office of Safety, Security & Protection

Key Activities Report for May 2025

Project Highlights

Security and Emergency Management

Security and Emergency Response

Metropolitan Security Management recently released a request for bid proposals for a new 5-year guard services contract that will run from 2025 to 2030. Metropolitan has traditionally utilized contract guard services to stand fixed posts at all occupied facility entrances, operate the 24/7/365 Security Watch Center located at Eagle Rock, and provide security patrols throughout the service area. In addition to the services that are currently being provided by Metropolitan's security vendor, some additional unique features are being considered for the new contract, including:

- Additional Armed Officers: Armed guards have been deployed at key facilities in the Desert Region. Additional armed officers will be deployed to all main vehicle entrances at Water Treatment Plants.
- Additional Semi-Autonomous robotic guards: Robotic guards are conducting perimeter patrols of critical facilities. They can operate continuously without fatigue, patrol large areas, recharge automatically, and ensure security is maintained around the clock.
- Security Risk Management Services: Specialized subject matter experts will provide additional corporate risk management resources and analysis.
- Sacramento Delta Patrol Services: Adding security services to patrol the valuable Delta Island portfolio to mitigate potential human malfeasance, agricultural thefts, environmental crimes, and property damages.



Contract security vehicle patrolling Metropolitan's right-of-way along East Valley Feeder, Sylmar, CA

Enhancing Emergency Preparedness: The Strategic Acquisition of Everbridge

As the threat landscape continues to evolve—with once-unlikely events now becoming common headlines—our legacy systems have become outdated and insufficient to meet current safety standards. Metropolitan has taken a significant step toward modernizing its emergency response capabilities with the acquisition of the Everbridge Mass Notification and Incident Management System.

Everbridge replaces Metropolitan's aging Mass Notification infrastructure with a proactive, fully integrated, and data-driven platform that enables rapid communication, real-time situational awareness, and coordinated emergency responses. This system addresses prior gaps in communication, manual operations, and employee engagement while aligning with industry best practices and compliance expectations.

Key benefits include:

- **Multichannel alerting** to reach all stakeholders—staff, emergency services, and external partners—instantly.
- Real-time visualization tools for improved situational awareness and decision-making.
- Geospatial risk monitoring through Visual Command Center and AI-based threat intelligence via Signal.
- Business continuity support through automation and streamlined coordination.

This investment reflects a strategic commitment to employee safety, infrastructure protection, and organizational resilience. Everbridge technology gives Metropolitan the ability to respond faster, smarter, and more effectively to emergencies, helping safeguard lives, assets, and operations.

Emergency Management Program Update

Staff continued to run emergency exercises for responders in the following disciplines and locations: Information Technology, Weymouth Water Treatment Plant, Damage Assistance Teams, and Jensen Water Treatment Plant.



Members of the Information Technology Incident Command Post participating in emergency response training at Union Station Headquarters

Staff remained busy throughout the month as they:

- Monitored the aftermath of a magnitude 5.1 earthquake in Julian on April 14. The earthquake was felt over a wide area but there were no reported impacts on employee safety or Metropolitan operations.
- Presented an overview of Metropolitan operations to the Area D Disaster Management Area Committee meeting in Glendora, Los Angeles County on April 17. Area D represents a group of cities in the county along the foothills of the San Gabriel Mountains. Some of the Area D cities were impacted by the Eaton Fire or sent resources to assist. This type of pre-disaster outreach is important to ensure smooth communications when responding to real-time emergencies.
- Monitored a network outage in the Desert Region that impacted telephone and data communications on April 23. Radio and satellite communications remained active, and regular communications returned later that day.
- Supported the Foothill Municipal Water District's efforts in developing a Local Hazard Mitigation Plan.
- Supported Southern California Edison by presenting at their Public Safety Power Shutoff Workshop on April 30.

Staff met with the current Orange County Fire Authority Battalion Chief covering the Diemer Water Treatment Plant. The purpose of this informal meeting was to establish a working relationship with local Fire Department personnel who may respond to the Diemer Plant during a future emergency. We agreed to plan future collaborative training and exercises.



OCFA Battalion Chief Kyle Kuzma met with Carlos Rosas (Diemer Plant) and Ian Whyte (Emergency Management) at the Diemer Water Treatment Plant

Office of Safety, Security & Protection

The Palos Verdes Dam Emergency Action Plan (EAP) was updated, and copies were shared with the plan holders and the California Office of Emergency Services. Metropolitan is required to update all Dam EAPs annually.

Finally, staff attended the annual conference for the California Emergency Services Association from May 5 through May 8 in San Francisco. They completed FEMA Incident Command System (ICS) training in managing expanding incidents (ICS-300) the same week at the Corona Fire Department.



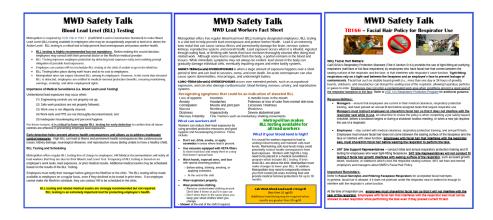
FEMA ICS-300 training, managing expanding incidents, at the Corona Fire Department; CESA Annual Conference in San Francisco

Project Highlights

Safety, Regulatory, and Training

SRT Health and Safety Programs

Three new safety talks were posted on the following topics: Blood Lead Level (BLL) Testing, MWD Lead Workers Fact Sheet, and Facial Hair Policy for Respirator Users.



Office of Safety, Security & Protection

New Safety Talks

The Safety Team facilitated an unannounced site visit of Cal/OSHA at Union Station Headquarters and submitted a document response package to all 13 categories requested within three working days after the inspection. There has been a significant increase in the incident rate for recordable injuries in the first half of 2025 from a low of 1.5 in 2024 to 2.9 currently. While the incident rate is still below the five-year average of 3.2 and the state average for the industry of 5.1, the rapid increase is a concern. Additional safety talks have been implemented, and management is communicating with employees to ensure they take the time to complete their work safely.

SRT Environmental Programs

The Environmental Team completed: (a) eight hazardous waste pick-ups at various facilities and along Metropolitan Right-of-Ways; (b) underground storage tank testing and inspection days for six facilities, and (c) dewatering notices for four Feeder shutdowns and two unplanned water releases.

An Air Quality Stationary Emergency Standby Generator Engine Bulletin was posted on the IntraMet as guidance to custodians on the major permitting, operational, and maintenance requirements for stationary engines greater than 50 brake horsepower, where additional engine run hour limits and Public Safety Power Shutoff events have been included.

Lastly, the following reports were submitted:

- Hazardous Materials Business Plan updates to the California Environmental Reporting System for six facilities
- Diemer's First Quarter 2025 Self-Monitoring Report for the General De Minimis Permit to the State Water Quality Control Board
- Jensen and Weymouth, First Quarter 2025 Industrial Wastewater Self-Monitoring Report to LA Sanitation

SRT Apprenticeship Programs

SRT Apprenticeship Programs prepare apprentices to become certified mechanics and electricians responsible for maintaining Metropolitan's water treatment and distribution systems. This month, the team facilitated physical abilities testing, which represents the final recruitment phase for Desert Region pre-apprentices. Physical abilities testing is a series of pass/fail activities to measure a candidate's aptitude and ability to perform maintenance work, including shoveling, working at heights, color wire matching, overhead manual dexterity, and simulated confined space work. Approximately 20 candidates participated in the testing at Gene. Once final scoring is completed, candidates will be ranked on an eligibility hiring list.



Pre-apprentice candidate completing simulated confined space activity for physical abilities testing

SRT Safety and Technical Training Programs

The team updated Workplace Violence Prevention training for all Metropolitan employees to foster a safe and respectful work environment. The training is available online through MyLearning and requires annual recertification.

Furthermore, the team collaborated with Operations to implement training on the critical infrastructure protection standards of the North American Electric Reliability Corporation. This training focuses on safeguarding the physical and cyber assets of the electrical grid. Designated employees are enrolled in this certification and must complete the training annually.

<u>BOARD OF DIRECTORS MEETING</u> <u>June 10, 2025 – 1:00 p.m.</u> <u>MWD Headquarters Building/Teleconference Meeting</u>

NON-INTEREST DISCLOSURE NOTICE BOARD ITEM 10-1

BOARD ITEM Item 10-1 – Update on Labor Negotiations [Conference with Labor Negotiators; to be heard in closed session pursuant to Gov. Code Section 54957.6. Metropolitan representatives: Katano Kasaine, Assistant General Manager, Chief Financial Officer, Adam Benson, Finance Group Manager, and Gifty J. Beets, Human Resources Section Manager and Mark Brower, Human Resources Group manager. Employee Organization(s): The Employees Association of The Metropolitan Water District of Southern California/AFSCME Local 1902; the Management and Professional Employees Associations MAPA/AFSCME Chapter 1001; the Supervisors Association; and the Association of Confidential Employees.]

This Non-Interest Disclosure Notice is being provided under the California Government Code: Pursuant to Government Code Section 1091.5(a)(9), a District officer or employee does not have a financial interest in a District contract if these conditions are satisfied: (i) his or her interest is that of a person receiving a salary, per diem or reimbursement for expenses from a government entity; (ii) the contract does not directly involve the department of the government entity that employs him or her; and (iii) the interest is disclosed to his or her body or board at the time the contract is considered and is noted in its official record. In accordance with this statute, the following District officers or employees have been, or may be, involved in the bargaining unit negotiations on behalf of management: Marcia Scully, Katano Kasaine, Shane Chapman, Deven Upadhyay, Gifty Beets, Mark Brower, Henry Torres, Tony Zepeda, Adam Benson, and Isamar Munoz Marroquin. Isamar Munoz Marroquin is a member of the Association of Confidential Employees ("ACE"), which has a salary provision in its Memorandum of Understanding that allows ACE to select an annual salary adjustment from any one of the Memoranda of Understanding for the other bargaining units. Each of the remaining individuals is unrepresented. Under Administrative Code Section 6500(d), unless the Board directs otherwise, the pay rate range for each unrepresented individual except Deven Upadhyay and Marcia Scully, will be adjusted annually to correspond with the annual across-the-board salary adjustment provided to the District's management employees under the Memoranda of Understanding; although actual pay rates for these unrepresented individuals will be determined by their management. The other compensation and benefits for which the unrepresented individuals are eligible are set forth in the Administrative Code.