



**San Diego County
Water Authority**
And Its 24
Member Agencies



FISCAL YEARS

**2024-
2025**

SAN DIEGO COUNTY WATER AUTHORITY

General Manager's Adopted Multi-Year Budget

San Diego County Water Authority General Manager's Adopted Multi-Year Budget Fiscal Years 2024 and 2025

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San Diego County Water Authority Budget Awards



Board of Directors,

June 22, 2023

Put simply, this is the most challenging budget cycle I've seen in more than three decades of public service leadership. The headwinds were strong from the start – and they only got stronger over the past three months, with unexpectedly large energy bills driving up costs and the persistence of highly unusual wet weather that has depressed water sales. For perspective, the cost increases that we face in this \$1.8 billion Adopted Budget for Fiscal Years 2024 and 2025 are larger than the entire budget for the Water Authority's Operating Departments.

The financial challenges we face are the result of several complex factors. For one, decades of Board decisions to ensure water security for our region have come at a cost; the value of water reliability has never been higher, but at the same time we must pay the bills as they come due. Those costs have combined with significant negative forces that are out of our control – specifically, extreme inflation that is driving up the cost of everything.

Besides those constraints, the Water Authority's financial flexibility is limited by the fact that we have aggressively and effectively used various tools over the past three years to smooth rates. For instance, we have used tens of millions of dollars from the Rate Stabilization Fund so that in June it will be near its lowest point in a decade. In addition, we have refinanced debt to save ratepayers more than \$250 million in recent years – a strategy that is only available due to our strong credit ratings. If we were to take short-term actions that damage our credit ratings, we would undermine our ability to secure low-cost debt and that would have negative long-term impacts for all ratepayers.

In response to this year's challenges, Water Authority staff – in coordination with the Board – has taken extraordinary steps, including the most lengthy and transparent budget development process that we are aware of in agency history. Since March, we have made regular presentations to the Board on every facet of the budget, hosting more than 6 public workshops and meetings. My goal through it all has been to provide the Board with a budget that meets the challenges of the moment without mortgaging the future.



Inspection in Red Mountain Tunnel.



LPO Chair Butkiewicz, Government Relations Manager Meggan Valencia, Secretary Hilliker, Vice Chair Serrano, General Manager Sandy Kerl, Assistant General Manager Tish Berge on the capital steps in DC during an advocacy trip in February 2023.

This adopted two-year budget is the result of countless hours of sweating over every detail with a long-term view toward continuing our mission to serve this region for decades to come. As in years past, approximately 90% of the adopted budget is for purchasing, treating, and delivering water, combined with debt service and Capital Improvement Projects to ensure water is available when and where it's needed.

As usual, the Operating Departments continue to account for about 7% of the budget. Operational priorities for the next two years are consistent with Board policy and in-line with budgets from recent years. They include: planning for long-term water security, managing assets to minimize life-cycle costs, supporting member agencies, and communicating with a broad range of stakeholders from San Diego to Washington, D.C.

That said, this adopted budget includes changes from earlier versions designed to minimize its impact on ratepayers while fulfilling our mission. We have:

- ◆ Updated investment income projections
- ◆ Refined inflation assumptions
- ◆ Pursued outside funding
- ◆ Implemented service cuts to Operating Departments

It's important to keep in mind when making decisions about this budget that the challenges aren't going away; while it's impossible to speculate about what the next budget cycle will bring, it's clear that the cost of water, debt, and system maintenance will continue to prove challenging even as we benefit from having secure water supplies in an age of uncertainty across the Southwest.

The budget-setting process grows more complex every year, and it would not be possible without the efforts and expertise of the Finance Department's budget team led by Director of Finance/ Treasurer Lisa Marie Harris. Her team includes Liana Whyte, Budget and Treasury Manager; Rebecca Melillo, Supervising Management Analyst; Toni-Marie Kahre, Senior Management Analyst; Kimberly Castagnera, Management Analyst; and Serena Kirkbride, Management Analyst. In addition, staff from across the agency not only provide input on the budget, but they perform the critical functions that ensure water deliveries continue day-in and day-out like they have for decades. Specifically, I want to acknowledge the Department Heads for everything they have done to control costs while continuing to provide the level of service that the member agencies and the Board expect.

I also thank and recognize our partners at the member agencies who we collaborate with on key issues, including the long-term fiscal viability of the Water Authority. Finally, I offer my sincere appreciation to the Board of Directors, which is charged with setting the mission and vision for one of the most important agencies in the San Diego region. You have provided the resources necessary to maintain our strong credit ratings, our position as a trusted community partner, and our status as a great place to work.

I appreciate the Board's commitment to sustaining our region with visionary solutions, agile responses, and dedicated teamwork for the good of everyone who calls San Diego County home. I am confident in the future of the Water Authority and the region as you all seek the common good.

Respectfully,



Sandra L. Kerl
General Manager

Fiscal Years 2022 and 2023 Accomplishments

During the past two years, the Water Authority has reached milestones on several crucial projects and programs. With Board guidance and support, staff has:

Controlling Costs

- ◆ Succeeded in collaboration efforts to have the Metropolitan Water District Board unanimously approve lower overall annual rates increases of 5% for calendar years 2023 and 2024, which is expected to save Water Authority rate payers more than \$15 million over those two years.
- ◆ Facilitated the distribution of \$44.4 million in settlement funds to member agencies.
- ◆ Secured nearly \$62.0 million in outside funding for conservation, drought, water use efficiency programs and the Capital Improvement Program. The Water Authority has also secured the services of a professional grant writer to assist in the pursuit of additional outside funding opportunities.
- ◆ Sold 26,084 Renewable Energy Certificates generated by the Rancho Penasquitos Hydroelectric Facility which produced \$342,187 in revenue.

Long-Term Planning

- ◆ Completed the 2021 Long-Range Financing Plan to support the long-term fiscal sustainability of the Water Authority. The Long-Range Financing Plan was adopted by the Board in September 2021.
- ◆ Completed the Water Authority's first Five-year Financial Forecast for budget and rates in support of the fiscal sustainability of the Water Authority.
- ◆ Created a Board Budget Policy to assist the Water Authority in achieving current and future goals in fiscal responsibility, sustainability, and affordability.
- ◆ Initiated the 2023 Water Facilities Master Plan that evaluates facility needs and other system strategies to address the updated 2020 long-range demand forecast.
- ◆ Collaborated with the Scripps Institute of Oceanography, the Sonoma County Water Agency, and Assemblymember Chris Ward to sponsor legislation that would integrate forecast-informed reservoir operations into the Department of Water Resources' water supply operations and flood and hazard risk mitigation efforts.

Managing Assets

- ◆ Completed the Pipeline Seismic Vulnerability Study which identified critical pipeline segments that need addressing to ensure the Water Authority fulfills the mission of maintaining a safe and reliable water supply for the region. The recommendations will be studied further under the 2023 Facilities Master Plan.

- ◆ Completed 12 Capital Improvement Program shutdowns and 9 operating shutdowns, in coordination with member agencies, to integrate new system components and perform programmed maintenance and inspections.
- ◆ Obtained the Water Authority's first Utility Patent for a pipeline inspection tool designed and built by staff to aid in the inspection process.
- ◆ Completed construction on several Capital Improvement Program projects including Pipeline 4 Urgent Repair, Hauck Mesa Storage Reservoir, Mission Trails Flow Regulatory Structure II, Pipeline 5 Relining, and the First Aqueduct Treated Water Tunnels Rehabilitation.
- ◆ Conducted routine visual inspections of 48.5 miles of pipelines on the Second Aqueduct.

Collaborating with Member Agencies and Stakeholders

- ◆ Collaborated with Member Agency Rate Workgroup, Finance Planning Work Group, and the Board to evaluate potential changes to the Water Authority's existing rates and charges.
- ◆ Partnered with the Southern California Water Committee to create a Colorado River webinar that included a diverse panel of Colorado River stakeholders to discuss challenges facing the river and collaborated approach to ensure it can continue to meet the needs of all who depend on it.
- ◆ Hosted a legislative roundtable on affordability. Chair of the State Water Resources Control Board, Joaquin Esquivel was the featured speaker along with General Manager, Sandy Kerl. During the roundtable, Esquivel reaffirmed the state's commitment to affordability and safe water while mentioning the challenges created from aging infrastructure and climate change.
- ◆ Coordinated with member agencies and the Water Research Foundation to evaluate the benefits of the Carlsbad Desalination Plant supply and new local supplies.
- ◆ Administered a portfolio of water use efficiency programs for the region including rebates, water use audits, turf replacement, landscape incentives for large projects, and direct install of water-efficient toilets and smart irrigation controllers for income qualifying customers.

Drought Advocacy Efforts

- ◆ Engaged and educated state leaders on the changes in planning requirements since the last drought and the variability of supply conditions across the state and advocated for locally determined and controlled drought response.
- ◆ Engaged in drought response advocacy efforts with state leadership to encourage use of Water Shortage Contingency Plans, Annual Water Supply and Demand Assessments, and proposed water use efficiency standards.

- ◆ Supported Southern California's drought response by executing an agreement between the Water Authority and the Metropolitan Water District that permitted them access to 92,000 acre-feet of stored water supplies.
- ◆ Formally activated Level 1 of the Water Authority's Water Shortage Contingency Plan and implemented Level 1 and Level 2 drought response actions.

Fiscal Years 2024 and 2025 Projects and Initiatives

The Adopted Budget for Fiscal Years 2024 and 2025 emphasizes advancing or completing the following major projects and initiatives.

Fiscal Responsibility and Controlling Costs

The Water Authority continues to be committed to being fiscally responsible by controlling costs and ensuring water remains affordable throughout the region. Over the next two years staff will continue to work with the Member Agency Rate Work Group, the Finance Planning Work Group, and the Board to evaluate potential changes to the Water Authority's existing rates and charges. In addition, we continue to evaluate and pursue outside funding opportunities for projects and programs that will benefit the Water Authority and the member agencies.

System and Asset Management

The Water Authority has a long history of being proactive in infrastructure and repair starting over four decades ago by pioneering the first pipeline relining project. The Water Authority is committed to providing a safe and reliable water supply to the region, and over the next two years the agency will be completing the highest priority asset management projects to ensure the rehabilitation or replacement of the most critical facilities. Staff will continue performing detailed seismic and hydraulic/cavitation analyses of several flow control facilities in addition to performing comprehensive condition assessments of the existing aqueduct pipelines.

Engaging Stakeholders

The Water Authority will continue its long history of outreach, education, and collaboration with stakeholders across the region. These efforts will include working with the Finance Planning Work Group to provide additional insight into critical long-term financial planning for the budget, five-year forecast, and potential modification of rates and charges. Additional efforts include advocating for the adoption of a state drought action plan that protects the ability to use regionally developed sources during drought emergencies and continued support for the Water News Network and member agency educational tools.

Long-Term Planning

The Water Authority's long-term planning efforts and initiatives over the next two years will include a collaborative process to develop long range goals regarding water supply reliability beyond 2035. In addition, the Water Authority will complete the 2023 Water Facilities Master Plan which will identify



Summer 2023 "Thanks for Planting Me" campaign promoting Landscape Transformation.

system optimization opportunities, review seismic resilience, and account for changing conditions such as lower aqueduct flows, water quality challenges, and climate change. Staff will initiate the development of the 2025 Urban Water Management Plan and work on updating the Water Shortage Contingency Plan to comply with state requirements. Throughout the period the Water Authority will continue long-term planning to ensure the fiscal sustainability of the agency.

Capital Improvement Program

As part of the adopted budget development, staff performed a risk analysis of both pipelines and facilities, placing particular emphasis on seismic risk to older structures. Following this assessment, the Capital Improvement Program (CIP) was prioritized, and facilities were identified for rehabilitation or replacement over the next several years. The primary focus of the CIP for the next two years will be in Asset Management focusing on the Infrastructure Rehabilitation and Pipeline Relining and Replacement programs. There are also several smaller projects in various stages of planning, design, and construction within this two-year period.



Hauck Mesa Tower 2022.

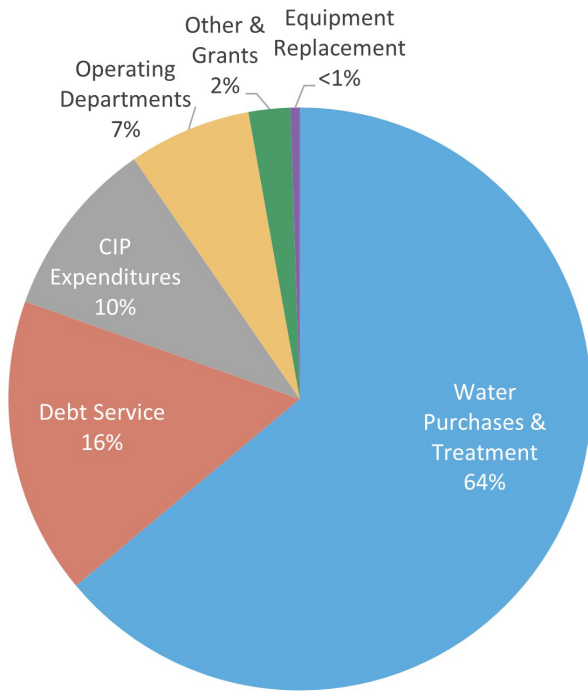


Closing access portal on Pipeline 5 Relining project 2023.

Fiscal Years 2024 and 2025 Adopted Budget Overview

The Adopted Budget for Fiscal Years 2024 and 2025 incorporates priority projects and supports our core values and vision. This budget also provides the resources necessary to advance or achieve our 2023-2027 Business Plan goals and objectives as we continue to navigate the shifting water supply, legal, regulatory, and political landscapes, through a lens of equity and affordability.

Figure 1: Fiscal Years 2024 & 2025 Adopted Budget (\$1.8 Billion)



The Adopted Budget for Fiscal Years 2024 and 2025 is \$1.8 billion, or 5%, from the prior two-year budget. As shown in Figure 1, 90% of the adopted budget is for purchasing or treating water, or building and financing infrastructure.

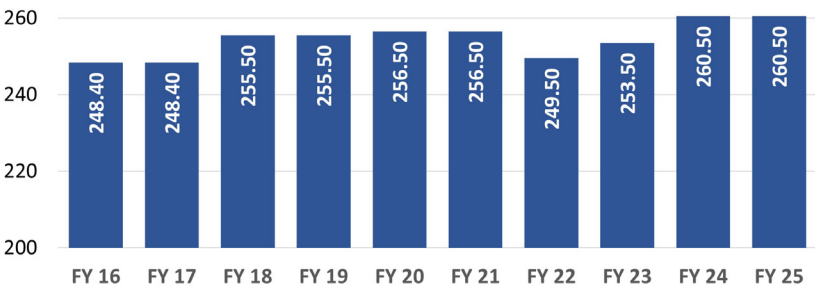
The biggest driver of the Water Authority’s total budget is the purchase and treatment of water. The adopted budget for water purchases and treatment increased by \$70.1 million, or 6%. This increase reflects the increased costs of transporting QSA water, purchasing desalinated water, and treatment.

In addition to increases in purchases and treatment of water there is an increase of \$6.3 million, or 4%, in the recommended two-year appropriation for Capital Improvement Program (CIP) spending in the adopted budget. The increase to the CIP spending is largely driven by the Asset Management Program including

Infrastructure Rehabilitation and the Pipeline Relining and Replacement Program including project prioritization in the CIP.

The adopted budget for Operating Departments is \$126.2 million, or approximately 7% of the total Water Authority budget. The increase to the Operating Departments is \$1.5 million, or 1%, from the prior two-year budget. The adopted budget includes the net addition of 7.0 full-time equivalent positions. Increases to benefits include non-discretionary increases in employer contributions to the California Public Employees’ Retirement System.

Figure 2: Historical Staffing

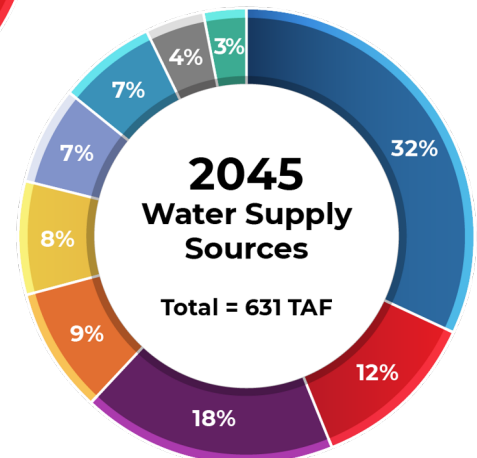
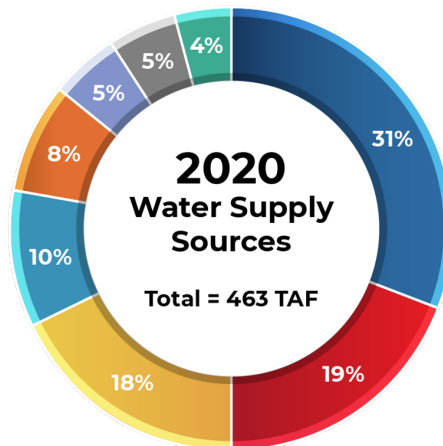
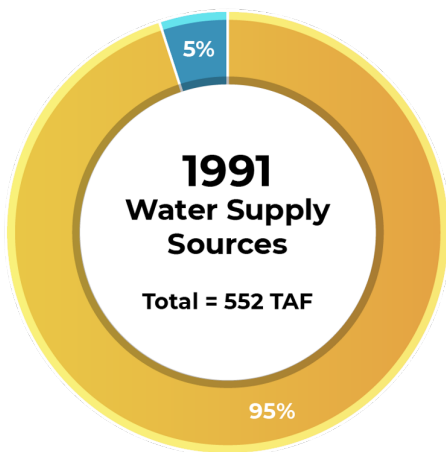


Into the Future

Looking beyond the next two fiscal years, the Water Authority will continue to navigate the changing water supply and regulatory landscapes with pioneering programs.

Through its master planning process, the agency not only will account for drought-related shifts in water use and changing water supplies, but also assess potential infrastructure upgrades that make the most of existing investments. In addition, the Water Authority's member agencies continue to develop new supplies, particularly through water reuse and recycling projects, that will be incorporated into the long-term supply portfolio as they move from concept to reality.

This process will require a collaborative effort throughout the Water Authority and its member agencies to maintain the region's legacy of leadership on water issues, promote the efficient use of water, advocate for legal rates and sound policy at the Water Authority's wholesaler, and expand the region's water supply portfolio so that it's even more resilient in the decades ahead.



- Conserved Water/IID
- Conserved Water/Canal Lining
- Potable Reuse
- Seawater Desalination
- Metropolitan Water District
- Recycled Water
- Local Surface Water
- Groundwater
- San Luis Rey Water Transfer

Background

This section provides an overview of the San Diego County Water Authority (Water Authority), including its organizational structure, the budget process, and a community profile of the agency's service area and the region.

Key Water Authority Facts

- ◆ Mission: To provide a safe and reliable supply of water to 24 member agencies serving the San Diego region
- ◆ Who We Are: An independent public agency that serves as San Diego County's regional water wholesaler
- ◆ Formed: June 9, 1944
- ◆ First Imported Water Delivery to the Region: November 24, 1947
- ◆ Imported Water: About three quarters of the region's water is imported from the Colorado River and Northern California
- ◆ Service Area: 933,378 acres
- ◆ Serves: 97% of the county's population
- ◆ Pipelines: Five major pipelines totaling approximately 308 miles of large-diameter pipeline
- ◆ Board of Directors: 36 members representing 24 member agencies
- ◆ Member Agencies:
 - 6 cities
 - 5 water districts
 - 3 irrigation districts
 - 8 municipal water districts
 - 1 public utility district
 - 1 federal agency (military base)
- ◆ One acre-foot equals 325,900 gallons, or enough water to cover one acre to a depth of one foot. An acre-foot can supply the needs of three typical four-person families for one year.

Overview of the Water Authority

Mission Statement

- ◆ The Water Authority's mission is to provide a safe and reliable supply of water to its member agencies serving the San Diego region.

History

- ◆ The Water Authority was formed on June 9, 1944, by the California State Legislature under the County Water Authority Act (Act) for the primary purpose of importing Colorado River water into San Diego County.

Responsibility

- ◆ The Act authorizes the Water Authority to acquire water and water rights; acquire, construct, operate and manage works and property, develop, store, and transport water; provide, sell, and deliver water for beneficial uses and purposes; and provide, sell, and deliver water of the authority not needed or required for beneficial purposes by any public agency. The Act also authorizes the Water Authority to acquire, store, treat, reclaim, repurify, reuse, distribute, and sell sewage water, wastewater, and seawater for beneficial purposes. The Water Authority is authorized to utilize any part of its water, and any parts of its works, facilities, improvements, and property used for the development, storage, or transportation of water, to provide, generate, and deliver hydroelectric power; and acquire, construct, operate, and maintain any and all works, facilities, improvements, and property necessary or convenient for that utilization. In addition, the Water Authority has the ability to procure and distribute electric power for its own use and that of its member agencies.

Service Area

- ◆ The Water Authority's service area encompasses the western third of San Diego County, an area of approximately 933,378 acres (1,458 square miles). The Water Authority's boundaries extend from the U.S. border with Mexico in the south, to Orange and Riverside Counties in the north, and from the Pacific Ocean to the foothills that terminate the coastal plain in the east.

Member Agencies

- ◆ The Water Authority's 24 member agencies purchase water from the Water Authority for retail distribution in their service territories. The member agencies are comprised of six cities, five water districts, eight municipal water districts, three irrigation districts, a public utility district, and a federal military reservation that have diverse water needs.

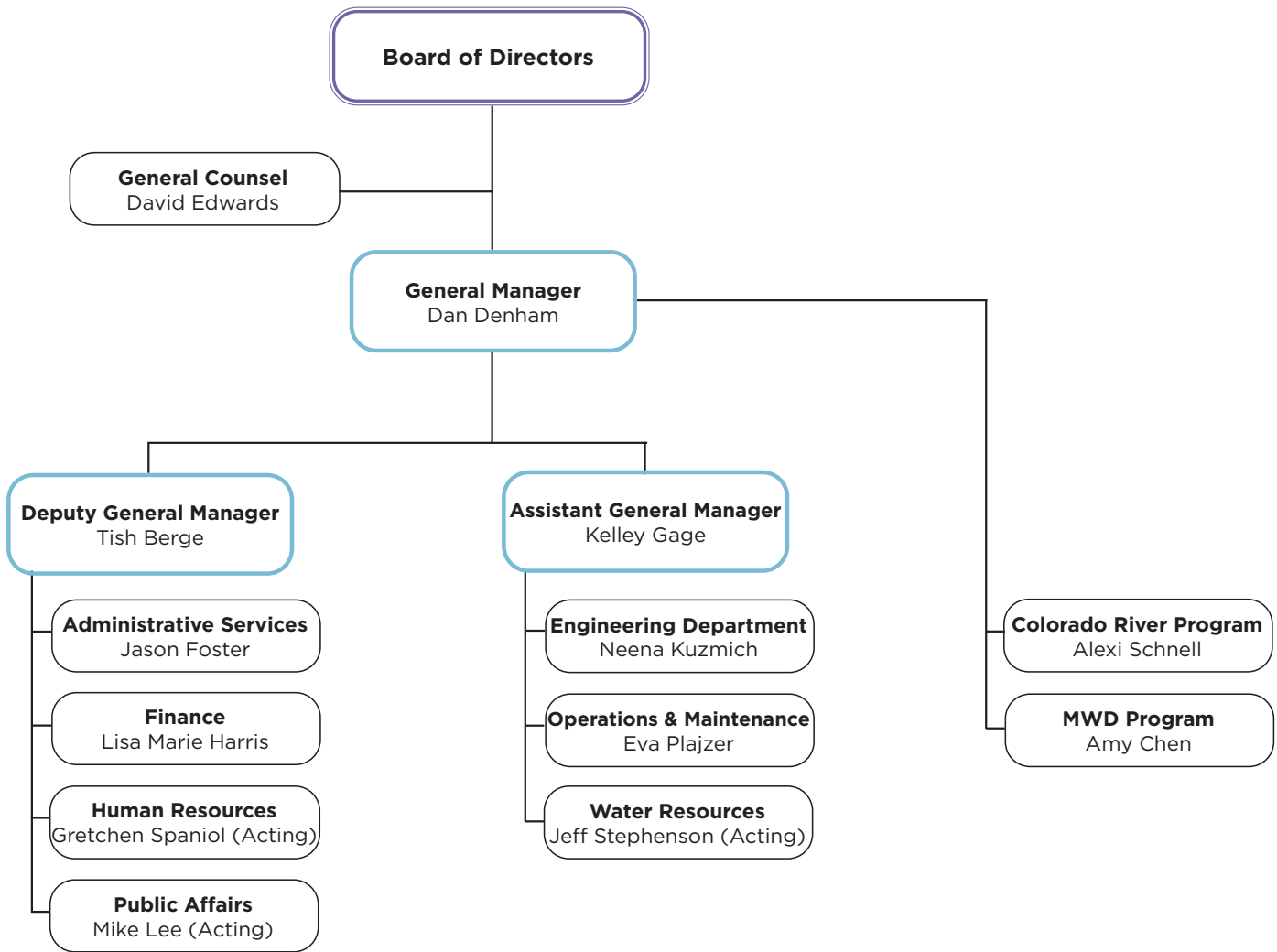
In terms of land area, the City of San Diego is the largest member agency with 213,121 acres. The smallest is the City of Del Mar, with 1,442 acres. Some member agencies, such as the cities of National City and Del Mar, use water almost entirely for municipal and industrial purposes. Others, including Valley Center, Rainbow, and Yuima Municipal Water Districts, deliver water that sustains large farming operations. Member Agency Map, Figure 2, can be found on page 16.

Board of Directors

- ◆ The member agencies are represented on a 36-member Board of Directors. All 24 member agencies have at least one representative on the Board. Member agencies may also designate and appoint one additional representative for each full 5 percent of Water Authority assessed value within the member agency service area. In addition, a member of the San Diego County Board of Supervisors serves as a non-voting representative to the Water Authority Board.

Organizational Structure

The Board determines the policies for the Water Authority; these policies are carried out by the Water Authority staff. The General Manager and General Counsel report directly to the Board. The General Manager is responsible for the Water Authority’s regular operations. The Water Authority has 11 separate departments, including the General Manager’s Office, General Counsel, the Colorado River Program, and the MWD Program, as depicted in the following organizational chart. On June 29, 2023, General Manager Sandra L. Kerl retired, the organizational chart below reflects the updated organizational structure beginning in Fiscal Years 2024 and 2025.



Budget Process

The Water Authority utilizes a two-year budget with a 24-month appropriation. The budget process usually spans several months, every other calendar year. The process includes consideration and discussion by the Board of Directors, review and proposals by the leadership team, and executive peer review with department directors and the General Manager's Office. In February 2022, the Board of Directors adopted a Budget Policy to assist the Water Authority in achieving current and future goals in fiscal responsibility, sustainability, and affordability. The policy includes a timeline for the budget development process in addition to a biennial five-year forecast for budget and rates developed during the mid-term budget. The timeline in the policy was the basis for the Fiscal Years 2024 and 2025 Budget Calendar.

Fiscal Years 2024 & 2025 Budget Calendar

- ◆ September 2022: Planning for upcoming budget development process was initiated by the General Manager's Office. Staff began Fiscal Years 2024 and 2025 budget development.
- ◆ September – December 2022: The leadership team and departments reviewed and evaluated the existing services to determine if additional improvements or modifications could be made since the last budget cycle.
- ◆ January 26, 2023: The General Manager solicited feedback on the Fiscal Years 2024 and 2025 budget development. The Board of Directors considered and discussed the anticipated drivers and policy priorities of the upcoming multi-year budget.
- ◆ February 16, 2023: The Finance Planning Work Group was presented the Capital Improvement Program and Operating Budget themes, major projections, staffing needs and assumptions. In addition, the accelerated Budget and Rate development schedule was presented.
- ◆ February – April 2023: The Executive Peer Review Team reviewed budget proposals and gave recommendations to the General Manager's Office.
- ◆ March 9, 2023: The Water Authority distributed the Draft Recommended Fiscal Years 2024 and 2025 Budget to the Board of Directors.
- ◆ March 15, 2023: The Finance Planning Work Group was presented the Recommended Capital Improvement Program Multi-year Plan and two-year appropriation, and the Draft Recommended Fiscal Years 2024 and 2025 Budget for discussion and input.
- ◆ March 23, 2023: The General Manager provided the Administrative and Finance Committee a presentation outlining the Draft Recommended Fiscal Years 2024 and 2025 Budget.
- ◆ March 30, 2023: The Finance Planning Work Group was presented the Draft Recommended CIP two-year appropriation and Draft Recommended Fiscal Years 2024 and 2025 Budget for discussion and input. This additional meeting was held to discuss feedback from the Administrative and Finance Committee.
- ◆ April 10, 2023: The Water Authority distributed the Final Draft Recommended Fiscal Years 2024 and 2025 Budget to the Board of Directors. The Final Draft Recommended Budget was modified and expanded from the Draft Recommended Budget distributed in March 2023.

- ◆ April 11 and 13, 2023: Public Budget Workshops were held with presentations and discussions on the Final Draft Recommended Fiscal Years 2024 and 2025 Budget including Affordability, Rate Mitigation, Cost of Water, Debt Service and Rate Stabilization Fund, Capital Improvement Program, and Operating Budgets.
- ◆ April 27, 2023: The General Manager's Final Draft Recommended Fiscal Years 2024 and 2025 Budget was presented to the Administrative and Finance Committee. The Committee discussed the Public Budget Workshops and was provided with follow-up presentations.
- ◆ May 15, 2023: The Water Authority distributed the General Manager's Recommended Fiscal Years 2024 and 2025 Budget. The Recommended Budget was revised utilizing input from the Board of Directors and updated financial metrics
- ◆ May 16, 2023: A Public Budget Workshop was held to review and discuss the Recommended Fiscal Years 2024 and 2025 Budget.
- ◆ May 25, 2023: The General Manager's Recommended Fiscal Years 2024 and 2025 Budget was presented to the Board of Directors.
- ◆ June 2, 2023: The Finance Planning Work Group discussed follow-up items from the May board meeting and reviewed the accelerated budget and rates schedule.
- ◆ June 22, 2023: The Board formally adopted the Fiscal Years 2024 and 2025 budget with modifications.

Budget Document

The Adopted Multi-Year Budget for Fiscal Years 2024 and 2025 is organized and presented to satisfy the needs of Water Authority stakeholders, which include member agencies, creditors and investors, citizens, board directors, staff, and public officials. The budget is organized in compliance with the California state statutes and structured to meet external and internal managerial needs. This document serves as a comprehensive financial plan and communication tool for describing the Water Authority's programs, services, and resource requirements.

Budget Adjustments

The Water Authority Board of Directors adopted a two-year budget which is to be appropriated and expended as identified in Board Resolution No. 2023-24, which can be found in Appendix G of this document. By this resolution, the total appropriations adopted by the Board of Directors established the legal expenditure limit for the Water Authority as well as established budgetary controls. Overall, the adopted budget shall neither be increased nor decreased without prior Board authorization. In summary, the General Manager of the Water Authority may exercise discretion to modify the budget for changed circumstances provided that the modifications are under \$150,000. Section 4 of the resolution details the budgetary controls authorized by the Board.

Budget Versus Accounting Basis

The Water Authority's multi-year budget is developed on a cash basis. A cash basis budget recognizes revenues and expenditures when cash is received and cash is disbursed. Conversely, the Water Authority uses the accrual basis of accounting. The accrual basis of accounting records and recognizes both revenues and expenditures, in the period they occur.

Community Profile

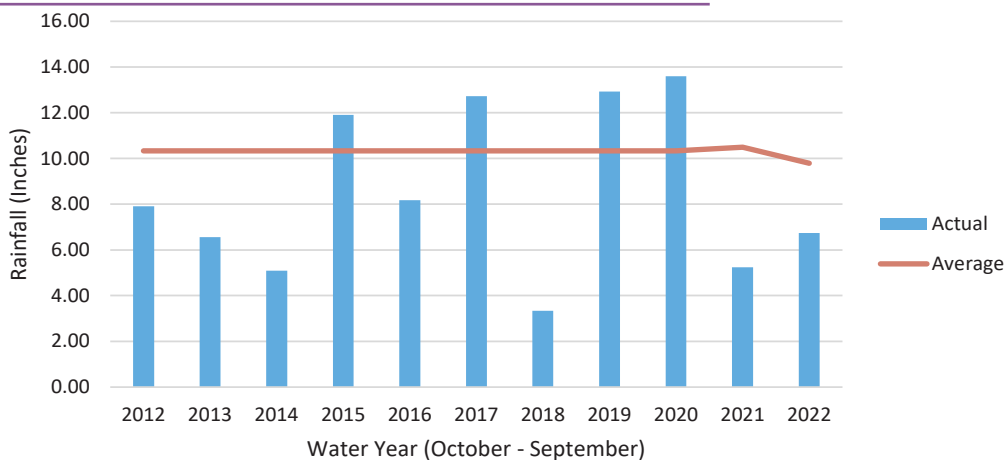
The Water Authority's service area has undergone significant changes over the past several decades. Driven by an average population increase of 40,000 people per year, large swaths of rural land were shifted to urban uses to accommodate the population growth. This shift in land-use resulted in the region's predominantly urban and suburban character.

San Diego County also has a rich history of agriculture, beginning with large cattle ranches in the 18th century and continuing through the diverse range of crops and products grown today. Although the total number of agricultural acres under production has declined, the region maintains a significant number of high-value crops, such as cut-flowers, ornamental trees and shrubs, nursery plants, avocados, and citrus. Based on the 2021 Crop Statistics and Annual Report by the County of San Diego Department of Agriculture, Weights and Measures, the county has over 219,000 acres devoted to commercial agriculture. San Diego County agriculture is an approximately \$1.8 billion per year industry, with leading commodities in ornamental nursery plants, cacti and succulents, avocados, and lemons.

Climate

Climatic conditions within the county area are characteristically Mediterranean along the coast, with mild temperatures year-round. Inland weather patterns are more extreme, with summer temperatures often exceeding 90 degrees Fahrenheit (°F) and winter temperatures occasionally dipping below freezing. Average annual rainfall is approximately 10 inches per year on the coast and more than 33 inches per year in the inland mountains. More than 80% of the region's rainfall occurs between December and March.

Figure 1: Actual vs. Normal Rainfall - Lindbergh Field



Regional Economy and Demographics

Two of the San Diego region's assets are its geography and climate. Its physical beauty, ecological diversity, and favorable weather make it an attractive place to live and conduct business. The quality of life attracts a well-educated talented workforce and retirees contributing to consumer spending in the region. The result is a sustainable and diversified regional economy. The semi-arid climate and low average annual rainfall contribute to the county's high reliance on imported water. For these reasons, the health of the regional economy is inextricably linked to the long-term success of the Water Authority.

The region's economic stability is based on federal spending, innovation and technology, tourism, and real estate. Government operations account for a large portion of the region's gross domestic product. San Diego is the principal home port of the U.S. Pacific Fleet for the U.S. Navy. Tourism, one of the region's three core traded economies, has steadily increased since 2010. The moderate growth in taxable sales and an increase in the real estate market have contributed to regional economy.

With the COVID pandemic, unemployment in the region spiked in April 2020, but since then the region has seen a decline in unemployment. The unemployment rate for June 2023 in San Diego County was 4.0%, lower than the state's 4.6% rate and higher than the national average of 3.6%.

Population

When the Water Authority was formed in 1944, the population within its service area was estimated at roughly 260,000 people. By 2022, Water Authority service area population reached over 3.3 million. The City of San Diego represents the largest population of any member agency, with approximately 1.4 million people.

Table 1: Water Source and Use - Fiscal Year Ended June 30, 2022

	Source of Water (Acre-Feet)			Type of Water Authority Supply (Acre-Feet)		Gross Area (Acres)	Estimated Population
	Local Supply ¹	Water Authority Supply (Imported) ²	Total	Agricultural Use ³	M & I Use		
Carlsbad Municipal Water District	6,605	12,287	18,892	-	12,287	20,682	92,865
Del Mar, City Of	75	1,008	1,083	-	1,008	1,442	4,297
Escondido, City Of	9,185	13,123	22,308	1,892	11,231	18,560	136,245
Fallbrook Public Utilities District	1,314	7,516	8,830	1,312	6,205	27,988	35,237
Helix Water District	1,505	27,970	29,474	-	27,970	30,291	277,168
Lakeside Water District	309	3,184	3,493	-	3,184	11,488	35,500
National City, City Of	4,272	602	4,874	-	602	4,812	61,471
Oceanside, City Of	2,798	21,341	24,139	335	21,005	26,983	178,021
Olivenhain Municipal Water District	2,878	18,447	21,325	148	18,299	30,942	86,614
Otay Water District	3,867	29,632	33,499	-	29,632	80,208	227,957
Padre Dam Municipal Water District	996	9,951	10,947	101	9,850	45,893	88,963
Camp Pendleton Marine Corps Base ⁴	9,202	182	9,384	-	182	134,625	61,030
Poway, City Of	410	9,739	10,149	38	9,700	25,047	49,338
Rainbow Municipal Water District	-	16,299	16,299	4,253	12,046	47,670	23,536
Ramona Municipal Water District	539	4,816	5,355	795	4,021	45,868	36,097
Rincon Del Diablo Municipal Water District	2,434	5,008	7,442	-	5,008	10,596	32,019
San Diego, City Of ⁵	16,088	158,880	174,967	-	158,880	213,121	1,430,483
San Dieguito Water District	2,359	4,191	6,550	-	4,191	5,660	39,823
Santa Fe Irrigation District	2,805	7,789	10,594	17	7,772	10,359	18,890
South Bay Irrigation District	7,986	4,100	12,086	-	4,100	13,837	127,900
Vallecitos Water District	3,500	11,452	14,952	465	10,988	28,466	110,521
Valley Center Municipal Water District	416	17,131	17,547	10,025	7,106	64,293	29,708
Vista Irrigation District	8,932	8,419	17,351	26	8,393	21,088	132,838
Yuima Municipal Water District	6,280	5,154	11,433	5,109	44	13,460	2,660
TOTALS	94,753	398,218	492,971	24,516	373,702	933,378	3,319,181

1. Includes surface, recycled, groundwater, seawater desalination and San Luis Rey Water Transfer supplies; does not reflect conserved water.

2. Water use in a given year may differ from Water Authority water sales due to utilization of storage.

3. Includes only amounts certified through the Transitional Special Agricultural Water Program (TSAWR) discounted agricultural water use program.

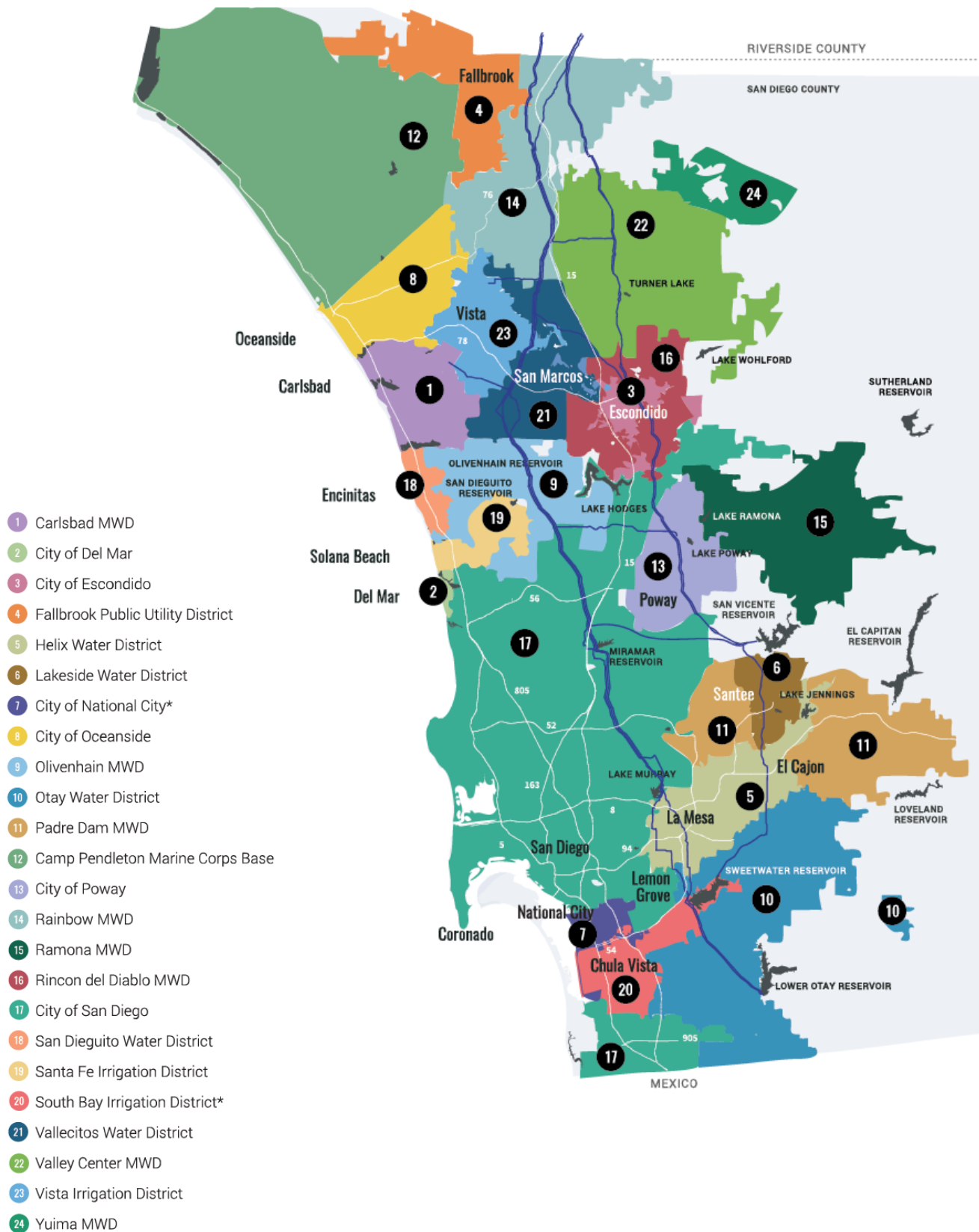
4. Includes Water Authority deliveries via South Coast Water District system.

5. Excludes City of San Diego local surface water use outside of Water Authority service area.

Totals may not foot due to rounding.

Source: San Diego County Water Authority FY 2022 Annual Report.

Figure 2: Member Agency Map



* The Sweetwater Authority is a service organization for the City of National City and the South Bay Irrigation District.

Background

This section provides an overview of the San Diego County Water Authority (Water Authority), including its organizational structure, the budget process, and a community profile of the agency's service area and the region.

Water Authority Policies

Under the Water Authority's Administrative Code Section 2.04.050 the General Manager shall bi-annually prepare and submit to the Board a two-year budget. The Water Authority considers the budget to be balanced when the sources of funds equals the uses of funds.

In addition to the bi-annual budget, the Water Authority prepares a Long-Range Financing Plan (LRFP). As a financial planning document, the LRFP serves as the financial foundation supporting the long-term strategic objectives of the Water Authority. It provides long-term forecasts of revenues and expenditures for both operating and capital investment activities. The current LRFP was adopted by the Board of Directors in September 2021.

The plan ensures:

- ◆ Adherence to Board policies on fund balances
- ◆ Operating Fund maximum balance
- ◆ Rate Stabilization Fund (RSF) target and maximum balances
- ◆ Pay-As-You-Go (PAYGO) Funds restricted for capital improvements
- ◆ Smooth and predictable rate and charge increases
- ◆ Compliance with debt service coverage policies
- ◆ Maintenance of credit rating of at least AA or Aa2
- ◆ Efficient capital financing strategy to minimize the cost of borrowing
- ◆ Tools and strategies are in place to address the impact of unexpected revenue and expense volatility

The LRFP, and the financial policies it is supported by, provides a conservative, flexible financial structure that permits effective management of various risks, including weather variability, economic uncertainty, capital market volatility, and water demand uncertainty.

While the LRFP serves as a planning document, the Statement of Debt Management and Disclosure Policy (Debt and Disclosure Policy) sets forth comprehensive guidelines for the issuance and management of Water Authority debt. The policy ensures compliance with bond covenants and legal requirements and effectiveness of debt management. The Debt and Disclosure Policy contains detailed guidelines relating to the following topics:

- ◆ Governing legal documents
- ◆ Integration of capital planning and debt issuance
- ◆ Procurement of debt-related professional services
- ◆ Transaction-specific policies

- ◆ Communication and continuing disclosure
- ◆ Refunding policies and guidelines
- ◆ Reinvestment of bond proceeds
- ◆ Creation and maintenance of funds
- ◆ Post issuance compliance
- ◆ Debt service coverage

The Water Authority's Board is focused on long-term policy issues, including how to address revenue volatility, ensure equity among member agencies and balance local supply development with supply reliability provided by the Water Authority. The Fiscal Sustainability Task Force initiative resulted in the creation of a Supply Reliability Charge that ensures equitable portions of the Water Authority's investments in regional supply reliability are paid by all member agencies. It also decreases water sales revenue volatility by reducing the amount of revenue collected on volumetric rates. In addition, the Board approved the consistent allocation of non-commodity revenue to the Treatment Rate category.

In February 2022, the Water Authority's Board adopted a Budget Policy to assist the Water Authority in achieving current and future goals in fiscal responsibility, sustainability, and affordability. The primary objectives of the Budget Policy are to maintain a balanced budget that ensures revenues are sufficient to cover operating expenses, fund debt service, maintain adequate reserve levels and fund capital expenditures; and to use a five-year financial forecast and other multi-year financial analyses, such as the LRFP, to inform assumptions used in the biennial budget.

Significant Financial Summaries

Within the LRFP and Debt and Disclosure Policy, there are significant policies that play a role in managing the Water Authority's risks. These are highlighted below.

Reserves

With adequate reserves, the impact of volatility in net revenues to the Water Authority need not result in a rate shock to member agencies. Given the nature and degree of the financial risk facing the Water Authority, adequate financial reserves are essential to prudent financial management.

Below are the funds that serve as a reserve for specific financial activities. For example, the Operating Fund must maintain a \$5 million reserve for emergency purposes and the RSF provides reserves to ensure that the debt service coverage requirements are met during periods of financial distress.

◆ Operating Fund

The Operating Fund holds the Water Authority's working capital and emergency operating reserve. In April 2003 the Water Authority amended its Operating Fund policy from a 60-day minimum balance of average annual operating expenditures to a maximum balance of 45 days of average annual operating expenditures. Common to both policies is a requirement that \$5 million of such calculated amount must be designated and held available for emergency repairs to the Water Authority's system due to unforeseen events. The Operating Fund provides working capital to ensure that even with mismatching cash receipts and disbursements, the Water Authority has ample liquidity/working capital.

◆ **Rate Stabilization Fund**

In Fiscal Year 1990, the Water Authority established the RSF to proactively smooth rate fluctuations and to reactively maintain debt coverage levels. The policy governing RSF balances was first adopted in August 2006 and revised January 2019. The RSF target balance is equal to the financial impact of 2.5 years of wet weather or mandatory drought regulations and the maximum fund balance is set equal to the financial impact of 3.5 years of wet weather or mandatory drought regulations. The effect of the policy is to create a target for fund balances that is tied to the real financial impacts/risks that the fund is designed to protect against.

As a general rule, the Water Authority may transfer portions of its net water revenues exceeding the Board's 1.5 times debt service coverage policy into the RSF. From time to time, as needed, the Water Authority will transfer amounts from its RSF into water revenues to meet its debt service ratio requirements, or to help provide adequate working capital to the Operating Fund. The funds are invested with maturities of one to five years and include restricted cash and investments.

◆ **Stored Water Fund**

In 2006, the Board created the Dam-Fill Fund as a separate fund to support the purchase of water for the initial filling of San Vicente Dam Raise Project water storage capacity. As such, the Dam-Fill Fund was structured as a sinking fund designed only to provide funds for the initial dam-fill water purchases and then be eliminated. In 2010, the Dam-Fill Fund was renamed to the Stored Water Fund.

In 2016, the Stored Water Fund was made a permanent fund dedicated to maintaining the working capital necessary to utilize the Water Authority's storage facilities. With the completion of the San Vicente Dam Raise Project and the fill complete, it is clear that the water inventory cycle, that is the repeating pattern of purchasing water for storage and then selling the stored water to member agencies, would introduce very large fund balance fluctuations into the Operating Fund. In addition to eliminating the large fluctuations in the Operating Fund, a permanent Stored Water Fund ensures that funds are available to purchase water for storage, and that stored water funds can be easily tracked to ensure that they are used only for stored water purchases.

The Board Stored Water Fund Policy establishes a target storage level of 70,000 acre feet for the San Vicente Dam. The policy further ensures that funds are available to fill any shortfall below the target level. Therefore, if no water is in storage (i.e., storage level is 0 acre feet) there are funds held in the Stored Water Fund to purchase 70,000 acre feet and if the target level of storage is held (i.e., storage is at 70,000 acre feet) no funds are held in the Stored Water Fund.

◆ **Debt Service Reserve Fund**

The Debt Service Reserve Fund was created to hold the required legal reserve for Water Authority debt issues. Such reserves are held for the purpose of making an issue's annual debt service payments in the event that the Water Authority's pledged revenues are insufficient to make such payments. The reserve requirement is held in this fund until it is expended, generally to fund the last payment of the debt issuance.

Interest earned on the Debt Service Reserve Fund is transferred into the Operating Fund and is not restricted. In Fiscal Year 2023, the Debt Service Reserve Fund totaled \$22.7 million comprised of reserves for the Series 1998A COP and Series 2019 debt issuances.

- **Equipment Replacement Fund**

In 2003, the Board separated the Equipment Replacement Fund from the Operating Fund. The Equipment Replacement Fund is funded by annual draws from the Operating Fund. Annual draws are based upon specific organization needs for small capital and operating equipment such as vehicles, computers, the SCADA system, etc. Specific needs are identified in a six-year forecast, which is monitored and evaluated every six months, with annual updates. The Equipment Replacement Fund is used to replace equipment that has reached the end of its effective useful life.

Limitations on Debt Issuance

The Water Authority's short-term debt shall not exceed 25-30% of its total debt. The calculation of short-term debt shall include variable-rate demand obligations, the authorized amount of commercial paper, and any short-term notes. As of June 30, 2023, 16% of the Water Authority's debt obligations consisted of short-term debt.

The Water Authority's long-term debt, for which net revenues are pledged, shall be limited to that amount for which current and projected revenues generate senior lien debt service coverage of at least 120%. The calculation of debt service shall not include general obligation bonds or assessment bonds, to which revenue sources other than pledged revenues, as defined in General Resolution No. 89-21, adopted May 11, 1989, are pledged.

Debt Service Coverage

The Debt Service Coverage Ratio (DSCR) measures the availability of current financial resources to pay for debt service. It is the ratio of annual revenues – net of operating expenses – to total annual debt service. For example, a DSCR of 1.00 means that after paying all operating expenses, an issuer only has exactly enough funds to pay its debt service obligations.

The DSCR is one of the primary metrics used by credit rating agencies and investors to assess the credit worthiness of an issuer. In this way it is similar to the income to loan ratio used in qualifying for home mortgage. All other things being equal, a higher DSCR means less borrowing, better credit ratings, and a lower cost of debt. Conversely, a lower DSCR means more borrowing, lower credit ratings, and more expensive debt.

The Water Authority's General Resolution is the document governing outstanding debt issues. In this document, the Water Authority contractually commits to set rates so as to maintain a minimum DSCR of 1.20 times on senior lien debt. The Water Authority also covenants to maintain net revenues of at least 1.00 times on all outstanding obligations.

Enhanced Debt Service Coverage Ratio Target

Highly-rated issuers generally have DSCRs that exceed the covenanted levels. In August 2006, along with the RSF funding policies, the Board adopted a DSCR policy target of 1.50 times. This DSCR target

provided levels more appropriate to preserve the long-term financial integrity of 'AA' rated agency in the midst of a large capital program. The Water Authority's DSCR policy target of 1.50 times remains unchanged, per the Board's adoption of the 2021 Long-Range Financing Plan. In addition to this 1.50 times policy target, the Board also adopted another policy target of 1.00 times on senior lien debt net of capacity charge revenues.

Revenue Collection Policy

The Water Authority's revenues consist largely of (a) rates and charges imposed on member agencies for delivery of water, provision of services, and use of facilities; (b) capacity charges levied on new users and collected for the Water Authority by member agencies; and (c) taxes and standby charges imposed on property and collected on the tax rolls.

The revenue collection policy clearly defines the revenue billing and collection cycle, thus ensuring the integrity of the revenue streams, which form the basis of the Water Authority's strong credit.

Except for capacity charges and where otherwise provided by contract, invoices for rates and charges are mailed within 10 business days after the end of a calendar month. Each invoice indicates the date of invoice, amount and basis for billing, total amount due and payable, and the payment due date. Delinquency charges begin to accrue starting after 2:00 p.m. on the date stated in the invoice. If the delinquency charge is greater than five days, the delinquency charge is two percent of the delinquent payment for each month or portion thereof that the payment remains delinquent. The Board adopted policy does not allow for waivers of delinquency charges. In September 2022, the Board adopted a policy permitting the General Manager to waive penalties and interest on any delinquent payment of fees, rates, or charges by a Member Agency or other persons so long as the amount does not exceed \$5,000, and as to Member Agencies: (1) as to water bills, payment was not more than three calendar days delinquent; and (2) as to capacity charge bills, payment was not more than thirty (30) days delinquent. Notwithstanding the foregoing, if a Member Agency has been delinquent more than once in the prior 12 months, the Board must approve the waiver. This policy has resulted in the Water Authority's very low delinquency rates..

Investment Policy

The investment policy organizes and formalizes Water Authority investment-related activities to ensure the systematic and prudent administration of funds. The Board of Directors and, upon formal delegation, the Treasurer for the San Diego County Water Authority, duly authorized to invest Water Authority monies by California Government Code, are trustees of Water Authority funds and therefore fiduciaries subject to the prudent investor standard. The investment policy is updated and presented to the Board for approval each calendar year.

The investment policy applies to all Water Authority funds and investment activities except for the employee's retirement and deferred compensation funds. Based on the priorities of safety, liquidity, yield and public trust, the policy addresses issues such as delegation of authority, permitted investments, diversification, portfolio limitations, internal controls, safekeeping and custody, reporting, and ethics and conflicts of interest.

Debt Management and Disclosure Policy

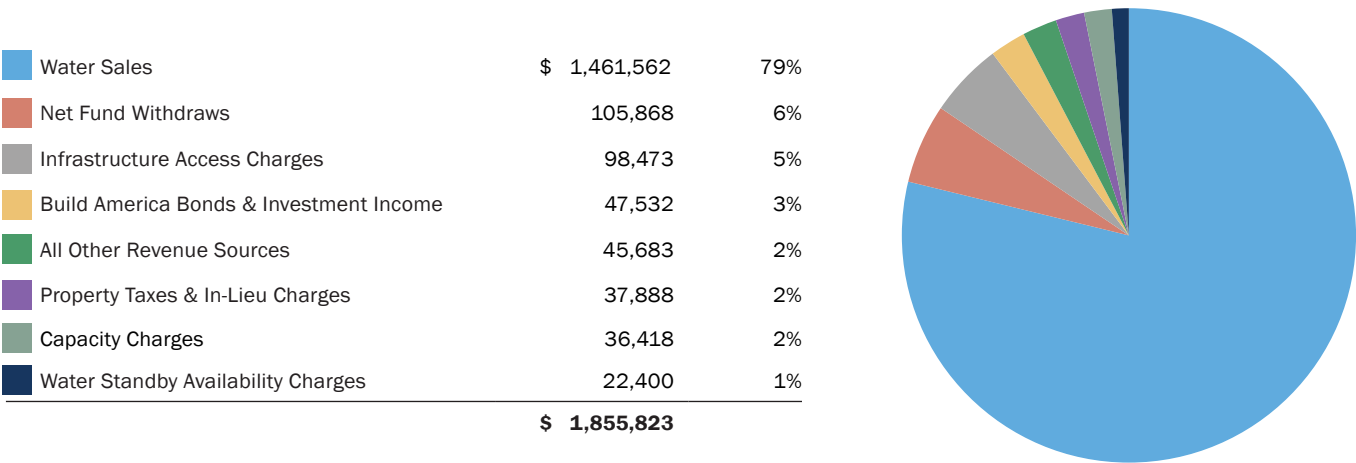
The Statement of Debt Management and Disclosure Policy (Debt and Disclosure Policy) provides a set of comprehensive guidelines for the issuance and management of the Water Authority's debt portfolio. The Board of Directors approved and adopted the Debt and Disclosure Policy in May 2021. The Debt and Disclosure policy provides the tools for the Water Authority to manage its debt portfolio to minimize its financing costs, evaluate the risks and benefits of various debt instruments, ensure it maintains robust and timely disclosures of its activities to the financial markets, and provide for appropriate participation in the municipal securities market by the Water Authority.

Overview

The Water Authority’s Adopted Budget for Fiscal Years 2024 and 2025 is \$1.8 billion. This Financial Summaries Section contains charts and tables that explain the major components of this budget. The subsequent Sources and Uses Section provides additional detail regarding budgeted revenues and expenditures.

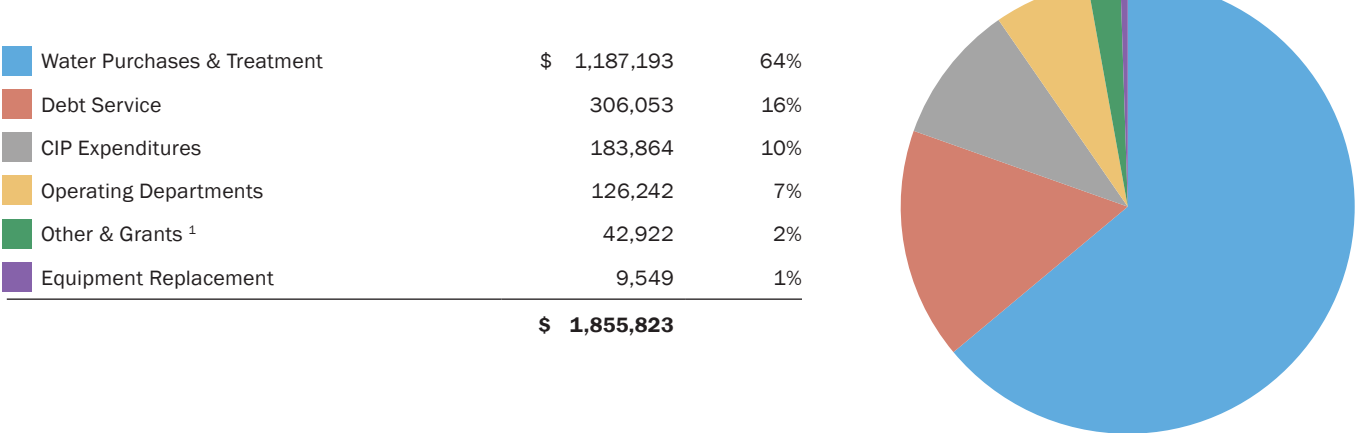
The adopted sources of funds (revenues) for Fiscal Years 2024 and 2025 are shown in Figure 1. Water Sales is the largest source of revenue at \$1.5 billion, reflecting 79% of total revenue to the Water Authority.

Figure 1: Sources of Funds (\$ Thousands)



The adopted uses of funds (expenditures) for Fiscal Years 2024 and 2025 are shown in Figure 2. Three expenditure categories, Water Purchases and Treatment, Debt Service, and the Capital Improvement Program (CIP) combined equate to 90% of the total budget.

Figure 2: Uses of Funds (\$ Thousands)



1. Other & Grants includes the Quantification Settlement Agreement (QSA) mitigation. These categories are shown separately in tables throughout the rest of the document.

Table 1 provides the breakdown of adopted sources (revenue) and uses (expenditures) of funds for the two-year budget period and previous budget periods, for comparative purposes. The biggest drivers of the adopted budget are water demands, the cost to purchase and treat water, and the increases to Debt Service and the Capital Improvement Program. The Water Authority's Debt Service is scheduled to increase based on the payment schedules and a result of front-loading Debt Service savings in the prior budget period. Additional details on the individual revenue and expenditure line items are provided in the Sources and Uses Section of this document.

Table 1: Adopted Fiscal Years 2024 and 2025 Budgeted Sources and Uses of Funds (\$ Thousands)

	FYs 20&21	FYs 22&23	FYs 22&23	FYs 24&25	Variance		Variance	
	Actual	Amended	Estimate	Adopted	Budget to Budget		Budget to Estimate	
Revenues & Other Income								
Water Sales	\$ 1,182,217	\$ 1,351,010	\$ 1,308,028	\$ 1,461,562	\$ 110,552	8%	\$ 153,534	12%
Infrastructure Access Charges	80,864	94,685	94,685	98,473	3,788	4%	3,788	4%
Property Taxes & In-Lieu Charges	31,759	32,361	34,695	37,888	5,527	17%	3,193	9%
Investment Income	11,746	12,698	12,005	26,214	13,517	106%	14,209	118%
Hydroelectric Revenue	6,432	5,772	3,922	300	(5,472)	-95%	(3,621)	-92%
Grant Reimbursement	16,482	28,481	28,246	37,156	8,674	30%	8,909	32%
Build America Bond Subsidy (BABS)	21,276	21,317	21,317	21,317	-	0%	-	0%
Other Income	50,797	55,129	58,981	1,198	(53,931)	-98%	(57,783)	-98%
Capital Contributions:								
Capacity Charges	36,698	34,186	44,160	36,418	2,232	7%	(7,742)	-18%
Water Standby Availability Charges	22,333	22,400	22,342	22,400	-	0%	58	<1%
Contributions in Aid of CIP	4,150	19,612	18,814	7,029	(12,583)	-64%	(11,785)	-63%
Total Revenues & Other Income	\$ 1,464,753	\$ 1,677,652	\$ 1,647,195	\$ 1,749,955	\$ 72,303	4%	\$ 102,761	6%
Net Fund Withdrawals	61,925	91,250	63,780	105,868	14,618	16%	42,088	66%
TOTAL SOURCES OF FUNDS	\$ 1,526,678	\$ 1,768,902	\$ 1,710,975	\$ 1,855,823	\$ 86,921	5%	\$ 144,849	8%
Expenditures								
Water Purchases & Treatment	\$ 964,147	\$ 1,117,120	\$ 1,103,441	\$ 1,187,193	\$ 70,073	6%	\$ 83,752	8%
Stored Water Purchases	-	-	-	-	-	0%	-	0%
CIP Expenditures	108,603	177,555	143,156	183,864	6,309	4%	40,709	28%
Debt Service ¹	266,846	260,244	261,191	306,053	45,809	18%	44,861	17%
QSA Mitigation ²	4,711	5,891	5,893	4,490	(1,401)	-24%	(1,403)	-24%
Operating Departments	111,956	124,760	116,066	126,242	1,482	1%	10,176	9%
Equipment Replacement	3,089	4,733	3,175	9,549	4,817	102%	6,374	201%
Grant Expenditures	16,556	27,846	27,206	36,234	8,388	30%	9,027	33%
Other Expenditures	50,769	50,754	50,846	2,198	(48,556)	-96%	(48,648)	-96%
TOTAL USES OF FUNDS	\$ 1,526,678	\$ 1,768,902	\$ 1,710,975	\$ 1,855,823	\$ 86,921	5%	\$ 144,849	8%

1. Debt Service for Fiscal Years 2020 and 2021 includes \$19,990,110 in defeased Water Revenue Refunding Bonds Series 2005A COP, Series 2011A and 2011B.

2. QSA Mitigation includes QSA JPA contributions, environmental mitigation, Lower Colorado River Multi-species Conservation Program, and payments for Socioeconomic Mitigation Settlement.

Note: Totals may not foot due to rounding.

Table 2 communicates the adopted rates and charges for Calendar Year 2024 by category, and compares to the current adopted and previous years' rates. Previously, an "All-In" rate metric was used to communicate the percent increase in proposed rates and charges compared to previous years. This metric did not account for the unique utilization and operation of each member agency on the system. Utilizing the adopted rates and charges, an "effective rate" considers the operation that each member agency has on the system. Based on sales projections and the adopted Calendar Year 2024 rates and charges, member agencies are projected to realize an effective rate increase of 9.5% beginning January 1, 2024.

For budgetary purposes, the Water Authority develops water sales projections based on estimates for Calendar Year 2024 that incorporate current known factors and is consistent with the updated demand forecast and 2020 Urban Water Management Plan. While staff developed multiple alternatives for rates and charges, the Adopted Budget for Fiscal Years 2024 and 2025 was developed using the rates and charges adopted by the Board in June 2023.

Table 2: Water Authority Adopted Rates and Charges

	CY 20 Rates	CY 21 Rates	CY 22 Rates	CY 23 Rates	CY 24 Adopted Rates	Variance \$	Variance %
Variable Rates (\$/Acre-Foot)							
Melded M&I Supply Rate	\$ 925	\$ 940	\$ 1,009	\$ 1,085	\$ 1,200	\$ 115	10.6%
Permanent Special Agricultural Water Rate	755	777	799	855	903	48	5.6%
Melded Treatment Rate	280	295	310	350	400	50	14.3%
Transportation Rate	132	150	173	173	189	16	9.2%
Fixed Charges (\$ Millions)							
Storage Charge	\$ 65.0	\$ 60.0	\$ 60.0	\$ 60.0	\$ 63.0	\$ 3.0	5.0%
Customer Service Charge	25.6	25.6	25.6	26.0	28.6	2.6	10.0%
Supply Reliability Charge	37.4	38.9	39.3	40.9	43.4	2.6	6.2%
Other Rates & Charges							
Infrastructure Access Charge (IAC) ¹	3.66/ME	4.24/ME	4.24/ME	4.24/ME	4.41/ME	0.17/ME	4.0%
Water Standby Availability Charge ²	10	10	10	10	10	-	0%
Pass-Through Rates & Charges (\$ Millions)							
MWD Readiness-to-Serve Charge ^{2,3}	\$ 12.9	\$ 11.7	\$ 10.6	\$ 10.3	\$ 10.5	\$ 0.2	1.9%
MWD Capacity Charge ³	8.0	9.2	10.4	7.7	9.4	1.8	23.0%

1. ME means meter equivalent as defined in the resolution establishing the IAC.

2. Fiscal Year charge.

3. MWD Pass-Throughs.

Tables 3a and 3b depict the various sources of revenue generated from water sales and the categories of expenses that comprise the cost to purchase or treat water. Table 3c depicts the estimated volumes of water related to the Permanent Special Agricultural Water Rate for Fiscal Years 2024 and 2025. Water Sales revenues are generated through rates and charges from the Water Authority (both fixed and commodity based), pass-through of Metropolitan Water District's (MWD) rates and charges, and other adjustments. Fixed charges from the Water Authority and MWD are not based on volume of acre-feet. The Water Authority's rate periods differ from the budget. Rates are set on a calendar year basis; whereas the budget is set on a fiscal year basis, commencing July 1.

Additional detail on the assumptions that developed Water Sales and Purchases and historical information can be found in the Sources and Uses of Funds Section of this document, on pages 37 and 43.

Table 3a: Water Sales and Purchases

Water Sales		Volume (AF)			Dollars		
Water Authority	FY 24	FY 25	Total	FY 24	FY 25	Total	
Commodity							
Melded Supply	345,589	351,673	697,261	\$ 393,292,200	\$ 439,117,420	\$ 832,409,620	
Melded Treatment	147,518	147,747	295,265	54,926,725	59,098,800	114,025,525	
Transportation	349,591	355,623	705,214	63,013,418	66,364,980	129,378,398	
Permanent Special Agricultural Water Rate (PSAWR)	21,799	22,235	44,034	19,012,169	20,627,037	39,639,207	
Subtotal Commodity				\$ 530,244,512	\$ 585,208,237	\$ 1,115,452,749	
Fixed							
Supply Reliability Charge				\$ 42,125,000	\$ 45,200,000	\$ 87,325,000	
Customer Service Charge				27,300,000	28,600,000	55,900,000	
Storage Charge				61,500,000	63,000,000	124,500,000	
Subtotal Fixed				\$ 130,925,000	\$ 136,800,000	\$ 267,725,000	
Subtotal Water Authority				\$ 661,169,512	\$ 722,008,237	\$ 1,383,177,749	
Pass-Throughs							
Metropolitan Water District							
Readiness-to-Serve (RTS) Charge				\$ 10,530,291	\$ 10,530,291	\$ 21,060,582	
Capacity Charge				8,548,660	10,186,990	18,735,650	
San Diego County Water Authority							
Carlsbad and Vallecitos Water Districts Desalinated Water Purchases	6,000	6,000	12,000	18,442,088	20,249,777	38,691,865	
Subtotal Pass-Throughs				\$ 37,521,038	\$ 40,967,058	\$ 78,488,096	
Adjustments							
Other				\$ 2,670,000	\$ -	\$ 2,670,000	
Reclamation Credits MWD	9,020	6,615	15,636	(1,861,882)	(1,422,306)	(3,284,188)	
SDG&E Pumping Costs				250,000	260,000	510,000	
Subtotal Adjustments				\$ 1,058,118	\$ (1,162,306)	\$ (104,188)	
TOTAL WATER SALES				\$ 699,748,668	\$ 761,812,989	\$ 1,461,561,657	

Note: Totals may not foot due to rounding.

Water Purchases and Treatment (cost of sales) includes water purchases from MWD, Imperial Irrigation District, and the Claude “Bud” Lewis Carlsbad Desalination Plant; and the cost to treat water, whether through the Water Authority’s treatment facilities or one of the member agency’s facilities, and other adjustments. The Water Authority anticipates using water from storage in Fiscal Year 2025.

Table 3b: Water Sales and Purchases, continued

Water Purchases and Treatment	Volume (AF)			Dollars		
	FY 24	FY 25	Total	FY 24	FY 25	Total
Metropolitan Water District (MWD) Supplies						
Full Service Untreated Water	19,037	75,652	94,689	\$ 16,564,243	\$ 71,083,894	\$ 87,648,137
RTS				10,530,291	10,530,291	21,060,582
Capacity Charge				8,548,660	10,186,990	18,735,650
Subtotal MWD	19,037	75,652	94,689	\$ 35,643,194	\$ 91,801,175	\$ 127,444,369
Quantification Settlement Agreement (QSA)						
Imperial Irrigation District (IID)	200,000	200,000	400,000	\$ 147,630,309	\$ 150,441,754	\$ 298,072,063
All-American and Coachella Canals	77,700	77,700	155,400	1,519,035	1,702,796	3,221,831
MWD Wheeling Costs for QSA Transfers	304,875	250,525	555,400	168,242,250	147,483,300	315,725,550
Subtotal QSA	277,700	277,700	555,400	\$ 317,391,594	\$ 299,627,850	\$ 617,019,443
Carlsbad Desalination						
Supply Costs	43,475	40,361	83,836	\$ 132,584,674	\$ 135,883,994	\$ 268,468,668
Direct Purchase for Carlsbad and Vallecitos Water Districts	6,000	6,000	12,000	18,442,088	20,249,777	38,691,865
Subtotal Desalination Supply	49,475	46,361	95,836	\$ 151,026,761	\$ 156,133,771	\$ 307,160,533
Storage Use / (Addition)	-	7,370	7,370	\$ (195,419)	\$ 6,655,110	\$ 6,459,691
Treatment						
Metropolitan Water District (MWD)	57,194	68,206	125,400	\$ 20,220,136	\$ 24,987,661	\$ 45,207,797
San Diego County Water Authority (SDCWA)	31,731	23,906	55,637	9,835,557	10,396,793	20,232,350
Helix	15,118	15,274	30,392	2,695,878	2,638,246	5,334,124
Carlsbad Desalination	43,475	40,361	83,836	16,129,288	15,095,238	31,224,527
Subtotal Treatment	147,518	147,747	295,265	\$ 48,880,859	\$ 53,117,939	\$ 101,998,798
Adjustments						
Annual Storage Charge				\$ 560,505	\$ 585,852	\$ 1,146,357
Reclamation Credits SDCWA	5,036	2,764	7,800	880,900	368,519	1,249,420
Reclamation Credits MWD	9,020	6,615	15,636	(1,861,882)	(1,422,306)	(3,284,188)
Evaporation & Seepage	12,600	12,600	25,200	11,075,400	11,812,500	22,887,900
SDG&E Pumping Costs				250,000	260,000	510,000
Below 10% MWD charges	145	145	290	178,713	189,080	367,793
Other				1,516,164	2,717,069	4,233,233
Subtotal Adjustments				\$ 12,599,799	\$ 14,510,715	\$ 27,110,514
TOTAL PURCHASES AND TREATMENT				\$ 565,346,788	\$ 621,846,560	\$ 1,187,193,348
NET WATER SALES				\$ 134,401,880	\$ 139,966,430	\$ 274,368,310

Table 3c: Permanent Special Agricultural Water Rate (PSAWR)

PSAWR Estimated Volumes	Volume (AF)		
	FY 24	FY 25	Total
PSAWR Untreated	1,664	1,698	3,362
PSAWR Treated	20,134	20,537	40,671
TOTAL PSAWR	21,799	22,235	44,034

Note: Totals may not foot due to rounding.

The CIP Budget is viewed both in terms of a multiyear plan and in terms of a two-year appropriation. Table 4 summarizes, by project type, the CIP multiyear plan and the adopted two-year appropriation compared to the previous budget. Historically, the CIP has been presented with a Lifetime Budget for projects in addition to the two-year appropriation. The Water Authority has revised the CIP presentation for transparency and is now presenting the lifecycle costs of a project as a multiyear plan. When a new project is approved by the Board of Directors, it is assigned a multiyear, or lifetime, plan for projected costs. A project's multiyear plan is the estimated cost of the project from design to construction, including post-construction. Due to the length of time a project may be active, the entire multiyear planned costs are not immediately appropriated to manage cash flow. Funds for CIP expenditures are appropriated for the two-year period through the budget process.

The Amended Multiyear CIP Plan for Fiscal Years 2022 and 2023 was \$1.5 billion. The Adopted Multiyear CIP Plan for Fiscal Years 2024 and 2025 is \$1.4 billion and reflects a decrease of \$91.5 million, which is associated with the completion of 1 project, the removal of 3 projects, and the removal of completed project segments. The adopted two-year appropriation of \$183.9 million is 4% higher than the prior amended two-year appropriation. The significant changes to the two-year appropriation include projects to repair and rehabilitate existing facilities, scope changes, and a prioritization of Asset Management projects. Construction cost estimates for projects in Fiscal Years 2024 and 2025 were updated to incorporate current market conditions.

Table 4: Adopted CIP Budget by Project Type (\$ Thousands)

	Adopted Multiyear Plan	Two-Year Appropriation	
		FYs 22&23 Amended	FYs 24&25 Adopted
Asset Management	\$ 1,183,203	\$ 99,920	\$ 157,128
Emergency Storage Program	54,694	13,291	2,527
Environmental Mitigation	55,658	8,019	6,172
Master Planning & Studies	61,299	19,227	16,604
Member Agency Requested Projects	1,834	140	522
Other	77,508	36,958	911
CIP BUDGET TOTAL	\$ 1,434,195	\$ 177,555	\$ 183,864

Note: Totals may not foot due to rounding.

As depicted in Figure 3, the Water Authority's Fiscal Years 2022 and 2023 CIP expenditures increased from previous fiscal years, and are projected to increase in Fiscal Years 2024 and 2025.

Figure 3: CIP Expenditures and Budget

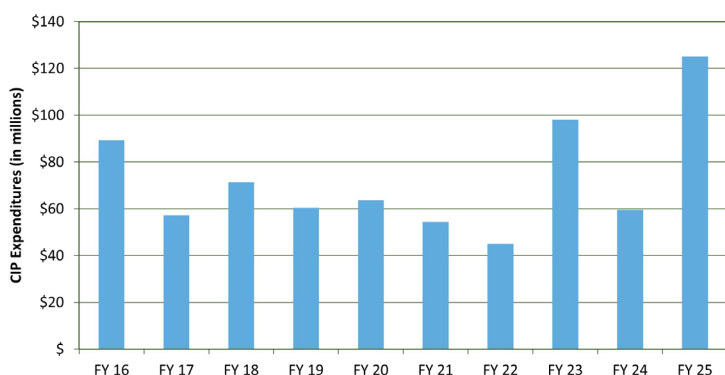


Figure 4 illustrates that 77% of the adopted two-year CIP expenditures will be spent on construction; this is a 5% increase from Fiscal Years 2022 and 2023. Planning phase expenditures have increased approximately 1% over the previous two-year period, primarily due to the efforts associated with the new 2023 Facilities Master Plan.

Both the multiyear plan and two-year appropriation are summarized by individual project in the Capital Improvement Program Section of this document.

Table 5 identifies the adopted Debt Service expense for Fiscal Years 2024 and 2025. The table includes the principal and interest payments for short-term and long-term debt, which include savings from prior year refundings. Also included are the fees associated with debt service.

Figure 4: CIP Budget by Project Phase

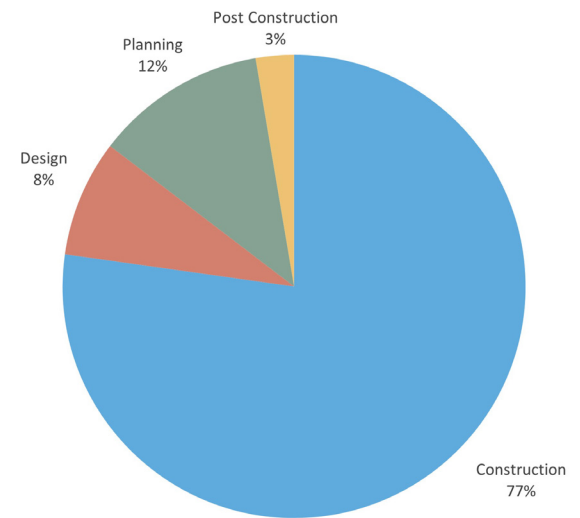


Table 5: Water Authority Debt Service (\$ Thousands)

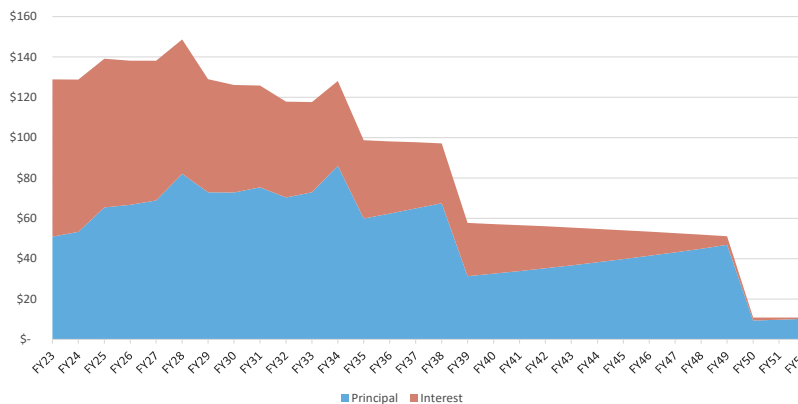
	FYs 22&23 Amended	FYs 24&25 Adopted	Variance Budget to Budget		
Long-term Debt Service					
Water Revenue Certificates of Participation					
Series 1998A	\$ 1,110	\$ 1,110	\$ -		
Series 2005A	7,446	-	(7,446)	-100%	
Water Revenue Bonds					
Series 2010A&B	64,588	66,323	1,735	3%	
Series 2013A	18,732	-	(18,732)	-100%	
Series 2015A	54,100	59,093	4,994	9%	
Series 2016B	1,786	1,787	1	<1%	
Series 2020A	8,010	50,964	42,954	536%	
Series 2021A	26,135	29,301	3,166	12%	
Series 2021B	23,162	23,098	(64)	<1%	
Series 2022A	12,361	21,667	9,306	75%	
Subtotal	\$ 217,429	\$ 253,342	\$ 35,913	17%	
Water Furnishing Revenue Bonds ¹					
Series 2019	\$ 20,146	\$ 21,132	\$ 986	5%	
Subtotal	\$ 20,146	\$ 21,132	\$ 986	5%	
Short-term Debt Service					
Commercial Paper (9 and 10)	\$ 5,828	\$ 15,313	\$ 9,485	163%	
Subordinate Lien Bond, Series 2021S-1	15,158	14,649	(509)	-3%	
Fees on Debt	1,683	1,617	(66)	-4%	
Subtotal	\$ 22,669	\$ 31,579	\$ 8,910	9%	
TOTAL DEBT SERVICE	\$ 260,244	\$ 306,053	\$ 45,809	18%	

1. The Water Furnishing Revenue Desalination Pipeline Bonds Series 2019 are subordinate to the pledge of Net Water Revenues for payment of Water Revenue Bonds and Certificates of Participation, Contracts, Reimbursement Obligations and Subordinate Obligations.

The Water Authority's adopted debt service for Fiscal Years 2024 and 2025 is \$306.1 million. During the COVID pandemic, the Water Authority took advantage of favorable market conditions to refund and restructure outstanding debt. At the direction of the Board, the savings realized from the refundings were primarily applied to Fiscal Years 2021 and 2022 therefore eliminating the application of any debt service savings during this budget cycle. The debt refundings and realized savings not only saved millions, but coupled with draws from the Rate Stabilization Fund (RSF), resulting in spikes to the Water Authority's debt service coverage ratio (DSCR). Debt service is expected to remain at elevated levels through Fiscal Year 2034 before dropping by \$30 million in 2035 and another \$40 million in Fiscal Year 2039. Figure 5, shown below, depicts all existing short-term and long-term debt payments for the Water Authority.

Current debt service expenditures include outstanding payments on Certificates of Participation (COPs) issuances, Water Revenue Refunding Bonds issuances, Build America Bonds (BABs) issuance, Subordinate Lien Water Revenue Refunding Bonds issuance, and Subordinate Water Furnishing Revenue Desalination Pipeline Bonds.

Figure 5: Debt Service Payment Schedule



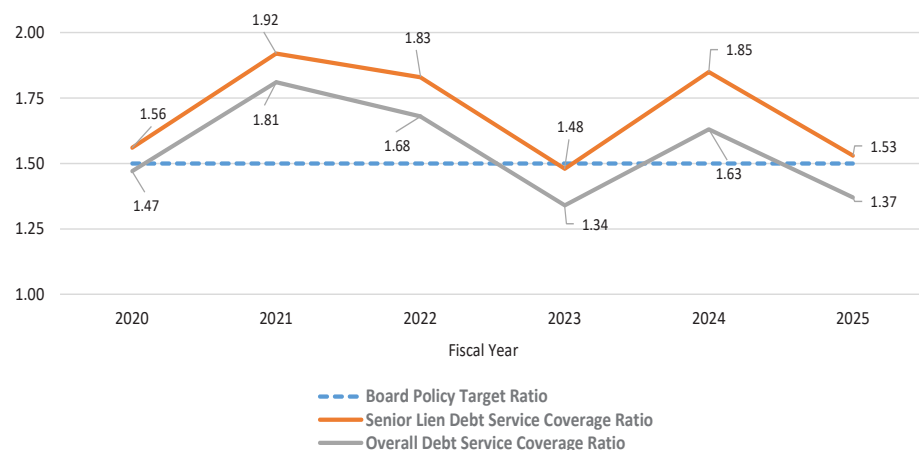
An important financial performance metric is the DSCR. Exclusive of the tax revenue and debt service costs associated with voter-approved debt, net water revenues, as defined by the bond covenants, must equal or exceed 1.20 times (x) the annual senior lien debt service payments. The Board target for senior lien debt service coverage is 1.50x.

As shown in Figure 6, the Water Authority projects to achieve the Board target coverage ratio of at least 1.50x in Fiscal

Years 2024 and 2025. In addition, the Water Authority will meet an overall debt service coverage ratio of 1.00x as required per bond covenants. Draws from the RSF in any given year can increase the debt service coverage ratio. More information on the RSF can be found on page 53.

Underlying credit ratings are a valid measure of financial sustainability, as they evaluate both the current financial position as well as an assumed two year look forward which incorporates both financial and risk assessments. The Water Authority has underlying credit ratings from Standard & Poor's, Fitch Ratings, and Moody's Investor Service. The Water Authority Senior Lien Debt Ratings are AAA/AA+/Aa2, respectively. The ratings for the Water Authority's Subordinate Lien Debt and Commercial Paper Short-term Debt can be found on the Water Authority's website.

Figure 6: Debt Service Coverage Ratios



Operating Departments Budget

The Operating Departments budget funds the day-to-day operations and makes up \$126.2 million, or 7%, of the entire Water Authority expenditures budget. Through a series of facilitated executive staff budget development meetings and meetings with the Finance Planning Work Group and the Board, the Water Authority developed a adopted budget that addresses the organization's environment and provides funding for key programmatic activities. Table 6 communicates the breakdown of the Operating Departments by expenditure type for the adopted budget and compares it to the previous two-year budget period. Figure 7 depicts this information graphically. Non-personnel expenditures are outlined beginning on page 32. Labor and Benefits are summarized beginning on page 34.

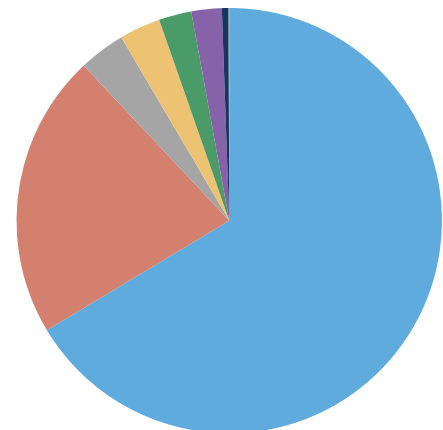
Table 6: Operating Departments Budget by Expenditure Type

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget	Variance Budget to Estimate		
Labor	\$ 67,725,964	\$ 61,373,799	\$ 70,084,704	\$ 2,358,740	3%	\$ 8,710,905	14%
Benefits	37,614,621	31,771,469	40,794,406	3,179,785	8%	9,039,248	28%
Labor & Benefits Total	\$ 105,340,585	\$ 93,145,268	\$ 110,879,110	\$ 5,538,525	5%	\$ 17,750,153	19%
Direct Charges to CIP/Grants	(18,231,960)	(11,117,442)	(20,496,930)	(2,264,970)	12%	(9,379,488)	84%
Operating Labor & Benefits	\$ 87,108,625	\$ 82,027,826	\$ 90,382,181	\$ 3,273,555	4%	\$ 8,354,355	10%
Services	32,849,980	29,013,934	29,430,617	(3,419,363)	-10%	416,682	1%
Supplies	3,727,699	4,063,462	4,780,063	1,052,364	28%	716,601	18%
Utilities	3,071,403	2,892,364	3,140,990	69,587	2%	248,626	9%
Insurance	2,380,656	2,608,457	3,364,931	984,275	41%	756,474	29%
Leases & Rents	763,875	532,748	692,404	(71,471)	-9%	159,656	30%
Other	3,158,321	3,040,731	4,280,204	1,121,883	36%	1,239,473	41%
Fixed Assets	322,722	503,649	65,000	(257,722)	-80%	(438,649)	-87%
Non Personnel Total	\$ 46,274,656	\$ 42,655,346	\$ 45,754,208	\$ (520,447)	-1%	\$ 3,098,862	7%
Total	133,383,281	124,683,172	136,136,389	2,753,108	2%	11,453,216	9%
Capitalized Overhead	(8,623,145)	(8,617,043)	(9,894,035)	(1,270,890)	-15%	(1,276,992)	15%
GRAND TOTAL	\$ 124,760,136	\$116,066,129	\$ 126,242,354	\$ 1,482,218	1%	\$ 10,176,224	9%

Note: Totals may not foot due to rounding.

**Figure 7: Operating Departments Budget by Expenditure Type (excluding capitalized overhead)
(\$ Thousands)**

Operating Labor & Benefits	\$ 90,382	66%
Services	29,431	22%
Supplies	4,780	4%
Other	4,280	3%
Insurance	3,365	2%
Utilities	3,141	2%
Leases and Rents	692	1%
Fixed Assets	65	<1%
	\$ 136,136	100%



Services

Services expenditures include professional, technical, legal, and financial services. The Services line-item adopted budget is \$29.4 million, or 22%, of the Operating Departments excluding capitalized overhead. Expenditures for Services are expected to decrease by \$3.4 million, or 10%, primarily due to a decrease in legal services. Services includes new contracts to support updating the State mandate planning documents including the Urban Water Management Plan (UWMP), the Water Shortage Contingency Plan, as well as support on Colorado River issues.

Supplies

Supplies expenditures include necessary supplies, fuel, and minor equipment for operating and maintaining our facilities. The Supplies category is \$4.8 million, or 4%, of the Operating Departments excluding capitalized overhead. This \$1.1 million increase is due to increased costs related to supply chain issues, inflationary pressures, and increased fuel costs.

Utilities

Utilities expenditures include costs for gas, electricity, water, sewer, and telephone charges. The Utilities category is \$3.1 million, or 2%, of the Operating Departments budget excluding capitalized overhead. It is anticipated that Utilities will increase slightly by \$69,587, or 2%, in the upcoming period. While gas and electricity costs are expected to increase, these projected increases are offset by decreases in other areas of the Utilities expenditures category.

Insurance

Insurance expenditures include premium costs associated with property and workers' compensation insurance, as well as costs incurred for unemployment claims. The Insurance category is \$3.4 million, or 2%, of the Operating Departments excluding capitalized overhead. In comparison with the previous two-year budget period, Insurance is projecting an increase of \$1.0 million or 41%. This increase reflects predicted increases in premiums for the Water Authority's package of property, liability, and workers' compensation coverage due to extreme volatility currently being seen across California, in addition to inflationary pressures.

Leases and Rents

Leases and Rents expenditures include office, facility, and equipment rentals. The Leases and Rents category is \$692,404, or less than 1%, of the Operating Departments excluding capitalized overhead. Expenditures for Leases and Rents are expected to decrease by \$71,471, or 9%, primarily associated with reductions in facility leases and equipment rentals.

Other

Other expenditures include costs for travel, training, memberships, sponsorships, permits, and licenses. This expenditure category is \$4.3 million, or 3%, of the Operating Departments excluding capitalized overhead. Overall, there is \$1.1 million, or 36%, increase from the prior two-year budget which is primarily due to increased costs for travel, training, and membership expenses. The main driver for this increase is related to increased training and travel after a two-year hiatus of typical spending due to the COVID pandemic.

Fixed Assets

Fixed Assets expenditures include the purchase of assets, not associated with the CIP. These expenses are one-time in nature. The Water Authority is projecting a decrease of \$257,722, or 80%, compared to the prior two-year period. Fixed Assets purchases in Fiscal Years 2022 and 2023 included large expenses for telemeter/aqueduct control equipment and building improvements.

Table 7 lists the adopted budget for Fiscal Years 2024 and 2025 by department and provides a comparison with the previous two-year budget period. Figure 8 graphically depicts that the single largest department in the Water Authority is the Operations and Maintenance Department, which represents over one-third of Water Authority Operating Department expenditures.

The details of each department, including a discussion of significant budget changes, are provided in the Operating Departments Section of this document.

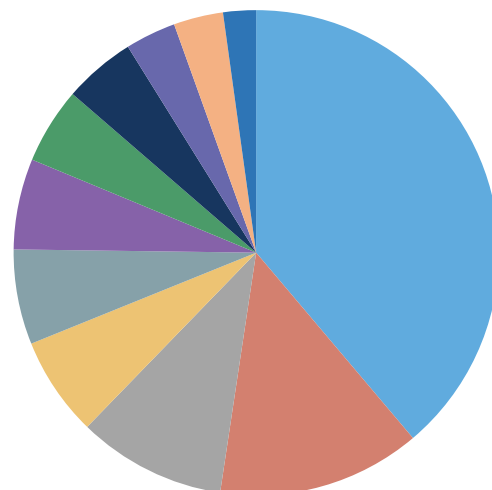
Table 7: Operating Departments Budget by Department

	FYs 22&23	FYs 22&23	FYs 24&25		Variance		Variance
	Amended	Estimate	Adopted	Budget to Budget		Budget to Estimate	
Administrative Services	\$ 14,587,308	\$ 13,767,668	\$ 17,106,386	\$ 2,519,078	17%	\$ 3,338,718	24%
Colorado River Program	4,574,047	3,631,597	4,163,898	(410,149)	-13%	532,301	15%
Engineering	8,288,625	7,660,704	8,362,819	74,194	1%	702,115	9%
Finance	7,293,892	6,694,675	7,632,795	338,903	5%	938,120	14%
General Counsel	11,339,116	11,203,478	6,043,863	(5,295,253)	-47%	(5,159,615)	-46%
General Manager & Board of Directors	5,185,124	4,934,996	7,982,542	2,797,418	54%	3,047,546	62%
Government Relations	2,551,213	1,989,403	-	(2,551,213)	-100%	(1,989,403)	-100%
Human Resources	3,169,606	2,926,962	2,766,916	(402,690)	-13%	(160,046)	-5%
MWD Program	4,142,527	3,885,279	4,259,020	116,492	3%	373,741	10%
Operations & Maintenance	46,780,542	44,149,946	49,013,988	2,233,446	5%	4,864,042	11%
Public Affairs	5,742,836	5,648,942	6,422,793	679,957	12%	773,851	14%
Water Resources	11,105,298	9,572,480	12,487,333	1,382,035	12%	2,914,853	30%
TOTAL OPERATING DEPARTMENTS	\$ 124,760,136	\$ 116,066,130	\$ 126,242,354	\$ 1,482,218	1%	\$ 10,176,224	9%

Note: Totals may not foot due to rounding.

Figure 8: Operating Budget by Department (\$ Thousands)

Operations & Maintenance	\$ 49,014	39%
Administrative Services	17,106	14%
Water Resources	12,487	10%
Engineering	8,363	7%
General Manager & Board of Directors	7,983	6%
Finance	7,633	6%
Public Affairs	6,423	5%
General Counsel	6,044	5%
MWD Program	4,259	3%
Colorado River Program	4,164	3%
Human Resources	2,767	2%
TOTAL	\$ 126,242	100%



Water Authority Labor and Benefits

The adopted two-year budget for Labor and Benefits will increase by approximately 5% overall in comparison with the previous budget period. This includes the proposed addition of 8.0 full-time equivalent (FTE) positions and the elimination of an existing FTE beginning in Fiscal Year 2024.

In total, Labor and Benefits are projected to be \$110.9 million, an increase of \$5.5 million in comparison with the prior two-year budget. Labor and Benefits are calculated for the entire Water Authority and then allocated between the Operating Departments and other reimbursable funds, like CIP or grants. Of the total adopted budget for Labor and Benefits for Operating Departments is \$90.4 million, or 82%, of the overall labor and benefits and \$20.5 million, or 18%, will be directly charged to CIP or grants.

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budgets. The department budgets may be amended at mid-term to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

Table 8: Distribution of Labor and Benefits by Fund

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Operating	\$ 87,108,626	\$ 82,027,826	\$ 90,382,181	\$ 3,273,555	4%	\$ 8,354,355	10%
Direct Charges to CIP/Grants	18,231,960	11,117,442	20,496,929	2,264,969	12%	9,379,487	84%
TOTAL	\$ 105,340,586	\$ 93,145,268	\$ 110,879,110	\$ 5,538,524	5%	\$ 17,733,842	19%

Addition of Net 7.00 FTEs

The adopted budget includes an addition of 8.00 FTE positions and elimination of one existing FTE, for a net 7.00 FTE increase effective Fiscal Year 2024. These positions are outlined below.

- ◆ Asset Management Specialist I (1.00 FTE): Reinstatement of this position will reduce the existing workflow shortfall of approximately 2,196 hours per year and support effective delivery of core team functions.
- ◆ Engineer I/II, Project Scheduler I/II, and Senior Engineer (3.00 FTEs): To better align with organizational goals/priorities and effectively execute the CIP. These positions will be primarily funded by the CIP.
- ◆ SCADA Specialist (1.00 FTE): The growing number of new and re-engineered facilities continues to increase the complexity of the SCADA system.
- ◆ Maintenance Worker I/II (2.00 FTEs): Reinstatement of these positions will provide for increased unscheduled maintenance due to aging infrastructure and reduce the existing workflow shortfall of approximately 6,306 hours per year and support the ability to effectively perform core department functions.

- ◆ Water Resources Specialist (Environmental) (1.00 FTE): To better align with organizational goals and priorities, eliminate one Senior Office Assistant position and add one Limited Duration Employee (LDE) Water Resources Specialist position to support the environmental group with CIP projects. The term of the new LDE position will be for three years and primarily funded by CIP.

FTEs are based on the percentage of a fiscal year (represented by 2,080 working hours) the position will be funded. Table 9 below shows the budgeted FTEs from Fiscal Year 2016 to 2023 along with the recommendation for Fiscal Years 2024 and 2025. In Fiscal Year 2023, the Board of Directors authorized the reinstatement of one position and the addition of 2.00 regular FTEs and 1.00 limited duration FTE, for a total of 4.00 FTEs. Three positions were for implementation and ongoing maintenance of financial third-party reviews, one LDE was added for the implementation and administration of the approved Project Labor Agreement.

Table 9: Budgeted Full-Time Equivalents

	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Regular Employees	247.40	247.40	254.50	254.50	255.50	255.50	248.50	251.50	257.50	257.50
Limited Duration Employees (LDE)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	3.00	3.00
TOTAL	248.40	248.40	255.50	255.50	256.50	256.50	249.50	253.50	260.50	260.50
Difference from Prior Fiscal Year		0.00	7.10	0.00	1.00	0.00	-7.00	4.00	7.00	0.00
Cumulative Change from FY 16		0.00	7.10	7.10	8.10	8.10	1.10	5.10	12.10	12.10

Increase in Benefits for Retirement and Health Care Costs

There is a small anticipated increase to health care costs for Fiscal Years 2024 and 2025, represented by an assumed increase in Calendar Years 2024 and 2025. At the time of budget development for Fiscal Years 2024 and 2025, the Fiscal Year 2025 estimated Employer Contribution rate was expected to be 29.20%, or 1.7% lower than Fiscal Year 2023. In July 2023, CalPERS released the Employer Actuarial Report with the updated Employer Contribution rate for Fiscal Year 2025, which is 5.6% higher than the previous estimate, or 34.86% as shown in the table below. In Fiscal Year 2019 the Water Authority Board of Directors established a pension funding policy framework to achieve a target pension funded ratio range, the number of years to reach the target range, and establish a funding source and funding vehicle to reach the target range. As a cost containment measure for Fiscal Years 2024 and 2025, the Water Authority is not budgeting for additional pension payments in this period.

Table 10: CalPERS Contribution Rates

	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
EMPLOYER RATE	26.22%	28.97%	30.81%	32.22%	30.51%	34.86%

The Water Authority continuously monitors the CalPERS Unfunded Accrued Liability (UAL) and Other Post-Employment Benefits (OPEB) liability. OPEB assets are held in the California Employers' Retiree Benefit Trust (CERBT). The Fiscal Year 2020 CalPERS UAL funded ratio was 74.28%. The Fiscal Year 2021 CalPERS UAL increased to 85.40%. The Fiscal Year 2022 OPEB liability funded ratio was 169.8% and decreased to 138.4% in Fiscal Year 2023. More information on the CalPERS UAL and the OPEB liability can be found in the Water Authority's Annual Comprehensive Financial Report.

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Overview

This section provides a detailed description of the Water Authority Sources of Funds, Uses of Funds, Historical and Projected Operating Results, Five-Year Financial Forecast, and Sources and Uses by Fund Type – All Funds. Additional background and descriptions of sources and uses is provided in Appendix C.

Water Authority Sources of Funds

The Water Authority's primary sources of funds, or revenue, include Water Sales and Capital Contributions. In addition, fund balance withdrawals for proceeds from the issuance of short-term and long-term debt may be used.

Table 1 provides a comparison of the adopted two-year budgeted revenue sources to previous budget periods.

Table 1: Sources of Funds (\$ Thousands)

	FYs 20&21	FYs 22&23	FYs 22&23	FYs 24&25	Variance		Variance	
	Actual	Amended	Estimate	Adopted	Budget to Budget		Budget to Estimate	
Revenues & Other Income								
Water Sales	\$ 1,182,217	\$ 1,351,010	\$ 1,308,028	\$ 1,461,562	\$ 110,552	8%	\$ 153,534	12%
Infrastructure Access Charges	80,864	94,685	94,685	98,473	3,788	4%	3,788	4%
Property Taxes & In-lieu Charges	31,759	32,361	34,695	37,888	5,527	17%	3,193	9%
Investment Income	11,746	12,698	12,005	26,214	13,517	106%	14,209	118%
Hydroelectric Revenue	6,432	5,772	3,922	300	(5,472)	-95%	(3,621)	-92%
Grant Reimbursement	16,482	28,481	28,246	37,156	8,674	30%	8,909	32%
Build America Bond Subsidy (BABS)	21,276	21,317	21,317	21,317	-	0%	-	0%
Other Income	50,797	55,129	58,981	1,198	(53,931)	-98%	(57,783)	-98%
Capital Contributions:								
Capacity Charges	36,698	34,186	44,160	36,418	2,232	7%	(7,742)	-18%
Water Standby Availability Charges	22,333	22,400	22,342	22,400	-	0%	58	<1%
Contributions in Aid of CIP	4,150	19,612	18,814	7,029	(12,583)	-64%	(11,785)	-63%
Total Revenues & Other Income	\$ 1,464,753	\$1,677,652	\$ 1,647,195	\$ 1,749,955	\$ 72,303	4%	\$ 102,761	6%
Net Fund Withdraws	61,925	91,250	63,780	105,868	14,618	16%	42,088	66%
TOTAL SOURCES OF FUNDS	\$ 1,526,678	\$1,768,902	\$ 1,710,975	\$ 1,855,823	\$ 86,921	5%	\$ 144,849	8%

Note: Totals may not foot due to rounding.

The adopted total Revenues and Other Income are \$1.8 billion, or 5% higher than the previous amended budget. The Water Authority will be utilizing withdrawals from the Rate Stabilization Fund (RSF) balance to mitigate rate impacts due to increased water supply and water reliability costs, more information on the RSF withdrawals can be found on page 53.

The following pages provide more detail on each of the revenue categories.

Water Sales Revenue

Water Sales revenue is the largest source of revenue for the Water Authority, accounting for 79% of total revenues for the adopted budget for Fiscal Years 2024 and 2025. Water Sales include: the Customer Service Charge, Storage Charge, Metropolitan Water District (MWD) Readiness-To-Serve Charge, MWD Capacity Charge, the Supply Reliability Charge, and revenues generated by Merged Municipal and Industrial (M&I) Supply, Merged M&I Treatment, Transportation, Permanent Special Agricultural Water Rate (PSAWR), and water delivery rates.

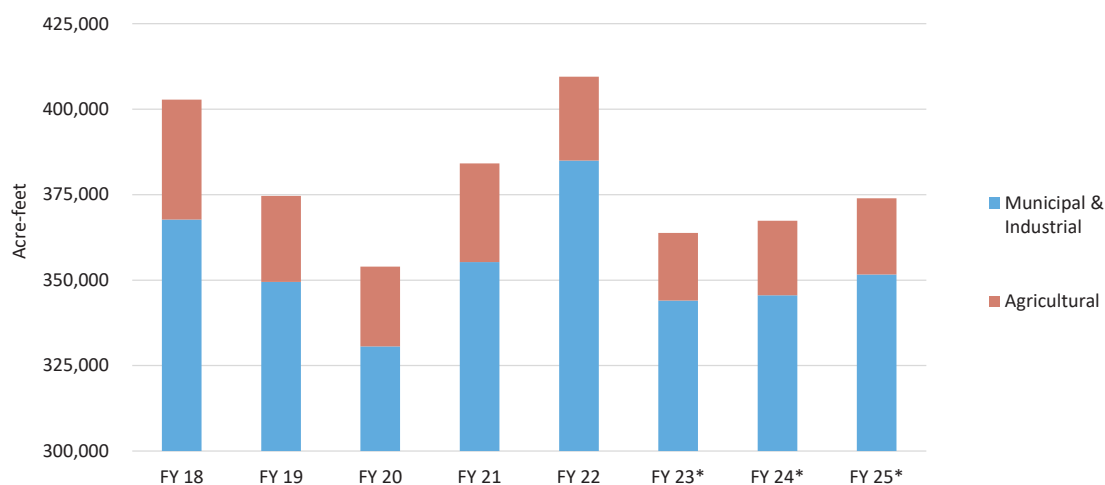
The adopted budget for Water Sales is \$1.5 billion, reflecting a \$110.5 million, or 8%, increase from the prior two-year budget period. The increase reflects higher costs related to water purchases and treatment and a decreasing sales environment. Water Sales revenue is closely correlated to the costs to purchase and treat water, which is explained in more detail in the Uses of Funds section of this document.

The primary drivers of Water Sales are the volumes of water the Water Authority expects to sell (projected water demands) and the pass-through of MWD's rates and charges, Quantification Settlement Agreement (QSA), and desalinated water purchases. The projected water demands for this multi-year adopted budget period are based upon the updated demand forecast, available local supplies, current economic conditions, and planned operational changed-condition events.

In Fiscal Year 2023, Water Sales are currently projected to be nearly 10% below the Fiscal Years 2022 and 2023 budget projections as a result of above average rainfall in Fiscal Year 2023 and fewer deliveries. The amended Fiscal Year 2023 budgeted Water Sales were 402,753 acre-feet, current Fiscal Year 2023 Water Sales projections are 363,855 acre-feet.

Overall, the Water Authority's adopted rates and charges have an effective rate increase of 9.5% for Calendar Year 2024 when compared to Calendar Year 2023 rates and charges. Previously, an "All-In" rate metric was used to communicate the change in rates and charges compared to previous years, this metric did not account for the unique utilization of each member agency on the system. The "effective rate" increase considers this unique utilization by each member agency along with the water sales projections for Calendar Year 2024. An increase for Calendar Year 2025, within Long-Range Financing Plan (LRFP) guidance, is anticipated to be necessary. The Calendar Year 2025 estimate is based on current projected revenue requirements and will need to be approved by the Board before adoption. Tables 2a and 2b provide a historical perspective of the Water Authority's rates and charges. Calendar Year 2023 adopted rates were based on forecasted water sales volumes at the time rates were set.

Water Sales revenue includes increases to recover MWD's rate and charge effective January 1, 2024, - 4% increase to Full Service Treated, 6% increase to Full Service Untreated, and a collective 7% increase to QSA Exchange components (System Access and System Power).

Figure 1: Water Sales Volumes

* Estimated Water Sales

Table 2a,b: Water Authority Rates and Charges**(a) Municipal and Industrial (M&I) Rates Components**

	CY 20 Rates	CY 21 Rates	CY 22 Rates	CY 23 Rates	CY 24 Adopted Rates
Variable Rates					
Untreated Melded M&I Supply Rate (\$/AF)	\$ 925	\$ 940	\$ 1,009	\$ 1,085	\$ 1,200
Melded Treated Rate (\$/AF)	280	295	310	350	400
Transportation Rate (\$/AF)	132	150	173	173	189
Fixed Charges					
Storage Charge (\$ millions)	\$ 65.0	\$ 60.0	\$ 60.0	\$ 60.0	\$ 63.0
Customer Service Charge (\$ millions)	25.6	25.6	25.6	26.0	28.6
Supply Reliability Charge (\$ millions)	37.4	38.9	39.3	40.9	43.4

(b) Permanent Special Agricultural Water Rate (PSAWR) Program Components

	CY 20 Rates	CY 21 Rates	CY 22 Rates	CY 23 Rates	CY 24 Adopted Rates
Variable Rates					
PSAWR Supply Rate (\$/AF)	\$ 755	\$ 777	\$ 799	\$ 855	\$ 903
Melded Treatment Rate (\$/AF)	280	295	310	350	400
Transportation Rate (\$/AF)	132	150	173	173	189
Fixed Charges					
Customer Service Charge (\$ millions)	\$ 25.6	\$ 25.6	\$ 25.6	\$ 26.0	\$ 28.6

Infrastructure Access Charges (IAC)

The Infrastructure Access Charge (IAC) is a fixed charge to help stabilize the Water Authority's revenues by mitigating water sales revenue volatility from sudden changes in water demand/availability and/or economic cycles. The IAC is allocated based on all retail water meters within the Water Authority's service area. The IAC shall be set at an amount which, when added to the Water Standby Availability, Property Tax and In-Lieu revenues, will provide funding for at least 25% of the Water Authority's estimated fixed annual costs. Fixed costs include, but are not limited to, annual debt service payments, Pay-As-You-GO (PAYGO) capital, and 80% of annual Operations and Maintenance (O&M) expenditures. By being recovered on a meter equivalent basis, the IAC's fixed revenues are not prone to volatility in water sales and provide baseline revenue. Fixed revenues have the added benefit of enabling greater flexibility in using reserves as potential revenue shortfalls are limited.

The IAC revenue in the adopted budget for Fiscal Years 2024 and 2025 is \$98.5 million, an increase of \$3.8 million, or 4%. This change in revenue reflects the change in the monthly per meter equivalent (ME) charge from \$4.24 for Calendar Year 2023 and \$4.35 in Calendar Year 2024 and includes a slight increase in the total number of MEs to which the charge is applied.

Property Taxes and In-Lieu Charges

The Water Authority is authorized under the County Water Authority Act (Act) to levy taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the Revenue and Taxation Code, and the California Constitution.

Property Taxes are collected by the County of San Diego and then remitted to the Water Authority throughout the year. The tax rate is based upon the San Diego County Assessor's valuation of taxable property within the Water Authority's service area. In addition, the Water Authority collects an In-Lieu Charge from the City of San Diego.

Revenue from Property Tax and In-Lieu Charges is estimated to be \$37.9 million reflecting a 9% growth rate over estimated receipts in Fiscal Years 2022 and 2023.

Investment Income

The Water Authority receives revenue from investing its cash balances. Investment Income received on the cash balances in the Operating Fund, RSF, and Debt Service Reserve Fund is available for general Water Authority operating expenditures. Investment Income received in the PAYGO Fund is restricted to pay for capital expenditures or debt service. Similarly, investment income received for the Construction Fund is used for construction expenditures.

The Investment Income is estimated to be \$26.2 million, an increase of \$13.5 million, or 106%, from the previous two-year budget. Primarily, the increase is due to the rising interest rate environment. The Federal Reserve hiked interest rates throughout 2022 and continues into 2023 to combat inflation and promote economic growth. As a result of Fed tightening, interest rates have risen sharply to the highest yield levels in over a decade. At this point, the increases in investment income are offsetting the increases to debt service.

Hydroelectric Revenue

The Water Authority owns and operates the 4.5-megawatt (MW) Rancho Peñasquitos Hydro-generation and Pressure Control Facility (Rancho Hydro), and the 40 MW Lake Hodges Pumped Storage Facility (Hodges Hydro). The Water Authority has an agreement to operate the Hodges Hydro in coordination

with San Diego Gas and Electric (SDG&E) and receives revenue based on facility availability. The Water Authority's Hydroelectric Revenue for Fiscal Years 2024 and 2025 is expected to decrease significantly. Currently the Hodges Hydro facility is non-operational due to water level restrictions by the Division of Safety of Dams, which are insufficient to operate the facility, resulting in the loss of all hydroelectric revenues from the facility.

The Rancho Hydro facility is a source of clean energy for San Diego and offsets energy costs at the Claude "Bud" Lewis Desalination Plant through SDG&E's Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) Program tariff. The generation credit is shown on the Desalination Plant's SDG&E monthly bills.

The Rancho Hydro facility performed well during Fiscal Years 2022 and 2023, producing approximately \$2.75 million in bill credits, exceeding projections by \$2.3 million. This was the result of a construction shutdown delay at the facility that afforded increased generation opportunities.

The revenue projections for Fiscal Year 2024 and 2025 have been greatly reduced due to the Hodges Hydro facility being currently non-operational. Table 3 illustrates the net value of this revenue source including the expenses associated with operating these facilities.

Operating expenses for Rancho Hydro averaged \$107,000 per year in Fiscal Years 2022 and 2023. For Fiscal Years 2024 and 2025, the estimated operating expenses associated with hydroelectric operations of Hodges Hydro and Rancho Hydro are identified in Table 3. Additional information on the Energy Program can be found in Appendix D.

Table 3: Hydroelectric Revenue and Expense

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget	%	Variance Budget to Estimate	%
Revenue							
Olivenhain-Hodges Pumped Storage Facility	\$ 5,600,000	\$ 2,970,000	\$ -	\$ (5,600,000)	-100%	\$ (2,970,000)	-100%
Rancho Peñasquitos Hydroelectric Facility ¹	-	-	-	-	-	-	-
TOTAL REVENUE	\$ 5,600,000	\$ 2,970,000	\$ -	\$ (5,600,000)	-100%	\$ (2,970,000)	-100%
Expenses							
Olivenhain-Hodges Pumped Storage Facility	\$ 3,484,651	\$ 3,484,651	\$ 3,316,103	\$ (168,548)	-5%	\$ (168,548)	-5%
Rancho Peñasquitos Hydroelectric Facility	214,925	214,925	203,723	(11,202)	-5%	(11,202)	-5%
TOTAL EXPENSES	\$ 3,699,576	\$ 3,699,576	\$ 3,519,826	\$ (179,750)	-5%	\$ (179,750)	-5%
Net	\$ 1,900,424	\$ (729,576)	\$ (3,519,826)	\$ (5,420,250)	-285%	\$ (2,790,250)	382%

1. CAISO sales of Rancho Peñasquitos HF Power ended 3/5/2020. A bill credit is applied to Desal energy costs.

Grant Reimbursements

The Water Authority has actively pursued and been successful at obtaining grant funding to leverage ratepayer investments in its programs and services. Grant Reimbursements include funds from various federal, state and local grant programs and may contain pass-through funding for other government agencies, tribal entities and non-profit organizations. The adopted budget for Fiscal Years 2024 and 2025 is \$37.2 million, an increase of \$8.7 million, or 30%, from the previous two-year budget. Significant reimbursements are expected as project implementation is forecasted to ramp-up in the next two years and several grant programs are expected to be completed. This budget also includes funding for the second implementation round of the Proposition 1 Grant Program and from the Urban and Multi Benefit Drought Relief Grant Program benefiting disadvantaged communities in the region. Additional information on Grant Expenditures can be found on page 47.

Build America Bonds Subsidy

The Build America Bonds Subsidy represents the subsidy from the U.S. Treasury for the Build America Bonds, which is projected to be \$21.3 million for the upcoming two-year budget, unchanged from the estimated receipts in Fiscal Years 2022 and 2023. The sequestration by the Federal Government was reduced to 5.7% on October 1, 2020, and is scheduled to remain at this level through September 2030.

Other Income

The Other Income adopted budget for Fiscal Years 2024 and 2025 is \$1.2 million. The Water Authority may receive income from annexations, easements, gains/losses on the sale of assets, delinquency fees, and plan-check reimbursements. The Fiscal Years 2022 and 2023 estimate for Other Income includes the receipt of the \$50.9 million from successful rate case litigation against Metropolitan Water District in addition to \$44.3 million received in Fiscal Years 2020 and 2021. In total, \$90.0 million was distributed to member agencies at the direction of the Board over the past few years.

Capital Contributions

Capital Contributions are independent of water use and intended to fund costs associated with new system capacity/reliability or maintain existing system capacity/reliability. The use of Capital Contributions revenue is restricted to paying for Capital Improvement Program (CIP) projects and is deposited into the PAYGO Fund. Capital Contributions are made up of Capacity Charges (System and Treatment), Water Standby Availability Charges, and Contributions in Aid of CIP (CIAC).

Capacity Charges

Capacity Charges include System Capacity Charges and Treatment Capacity Charges. For the adopted budget for Fiscal Years 2024 and 2025, the System and Treatment Capacity Charges revenues is \$36.4 million, which reflects an increase of 7%, over the previous two-year budget. Between comprehensive reviews, last performed in 2018, the Water Authority Board approved a recommendation to adjust the System and Treatment Capacity Charges annually to reflect the Engineering News Record Construction Cost Index. Awaiting results of the 2023 Facilities Master Plan, no adjustments are currently recommended to the existing capacity charges.

- ◆ System Capacity Charges recover a proportionate share of the capital costs associated with providing services to new connections in the Water Authority's service area and is applied to all new or larger retail water meters installed, if certain criteria are met.
- ◆ Treatment Capacity Charges recover a portion of the capital costs from future users of the Water Authority's regional water treatment facility. Because meter size dictates the maximum water demand of a new customer, the Capacity Charges are based upon meter size.

Water Standby Availability Charges

- ◆ The Water Standby Availability Charge is limited by statute and funds some of the capital costs associated with maintaining the system. This charge is \$10 per acre per year, or \$10 per year for a parcel less than one acre. The Water Standby Availability Charges revenue for the adopted budget for Fiscal Years 2024 and 2025 is \$22.4 million. This revenue source remains steady due to the nature of the charge.

Contributions in Aid of CIP (CIAC)

- ◆ This revenue source consists of grants, outside funding, or contributions from member agencies for capital projects. In some instances, a member agency may reimburse the Water Authority for improvements to their system as part of a Water Authority project. Typically, these revenues are restricted to specific projects/uses and because they are tied to capital projects will fluctuate each year. The adopted budget for Fiscal Years 2024 and 2025 CIAC revenues are \$7.0 million.

Net Fund Withdraws

Net Fund Withdraws provides another source of funds for the Water Authority. The primary source of fund withdraws is bond proceeds to provide funding for CIP projects, and other capital restricted monies from the PAYGO Fund. In the adopted budget for Fiscal Years 2024 and 2025, fund withdraws are projected to be \$105.9 million, an increase of 16% primarily due to the overall increase in expenditures.

Water Authority Uses of Funds

The Water Authority's primary uses of funds include Water Purchases and Treatment, CIP, Debt Service, and the Operating Departments Budget. The Water Authority's historical and budgeted uses of funds are shown below in Table 4. This table compares the uses of funds in this adopted budget with the prior budget period. The most significant expense, or use of funds, category is Water Purchases and Treatment, which is 64% of the total expenditures. The following pages describe these categories and their significant changes.

Table 4: Uses of Funds Fiscal Years 2020-2025 (\$ Thousands)

	FYs 20&21	FYs 22&23	FYs 22&23	FYs 24&25	Variance		Variance	
	Actual	Amended	Estimate	Adopted	Budget to Budget		Budget to Estimate	
Expenditures								
Water Purchases & Treatment	\$ 964,147	\$ 1,117,120	\$ 1,103,441	\$ 1,187,193	\$ 70,073	6%	\$ 83,752	8%
Stored Water Purchases	-	-	-	-	-	-	-	-
CIP Expenditures	108,603	177,555	143,156	183,864	6,309	4%	40,709	28%
Debt Service ¹	266,846	260,244	261,191	306,053	45,809	18%	44,861	17%
QSA Mitigation ²	4,711	5,891	5,893	4,490	(1,401)	-24%	(1,403)	-24%
Operating Departments	111,956	124,760	116,066	126,242	1,482	1%	10,176	9%
Equipment Replacement	3,089	4,733	3,175	9,549	4,817	102%	6,374	201%
Grant Expenditures	16,556	27,846	27,206	36,234	8,388	30%	9,027	33%
Other Expenditures	50,769	50,754	50,846	2,198	(48,556)	-96%	(48,648)	-96%
TOTAL USES OF FUNDS	\$ 1,526,678	\$ 1,768,902	\$ 1,710,975	\$ 1,855,823	\$ 86,921	5%	\$144,849	8%

1. Debt Service for Fiscal Years 2020 and 2021 includes \$19,990,110 in defeased Water Revenue Refunding Bonds Series 2005A COP, Series 2011A and 2011B.

2. Quantification Settlement Agreement (QSA) Mitigation includes QSA Joint Powers Authority (JPA) contributions, environmental mitigation, Lower Colorado River Multi-species Conservation Program, and payments for Socioeconomic Mitigation Settlement.

Note: Totals may not foot due to rounding.

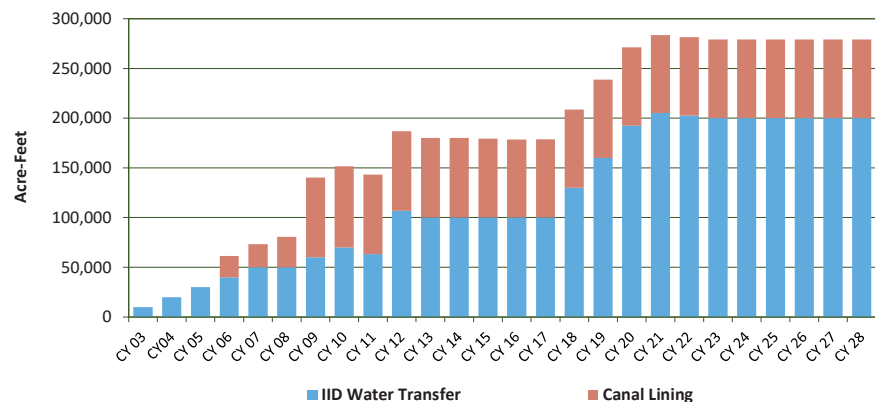
Water Purchases and Treatment

Water Purchases and Treatment include all expenditures made by the Water Authority for purchasing, transporting, and treating water from various sources. In addition, credits received via MWD's Local Water Supply Development (LWSD), and Local Resources Program (LRP) are applied against the cost of water purchased. The primary components of the Water Purchases and Treatment budget are broken down as follows: MWD supplies and Quantification Settlement Agreement (QSA) supplies, Carlsbad Desalination, and Treatment. For a detailed breakdown of expenses by category, see page 26.

The Water Authority purchases supplies from MWD and includes the variable costs for full-service untreated water and MWD's fixed costs for Readiness-to-Serve (RTS) and Capacity Charges. The Water Authority is budgeting significantly less for supplies from MWD as a result of water supplies from the Claude "Bud" Lewis Carlsbad Desalination Plant and increased water transfer deliveries from the Imperial Irrigation District (IID).

The 2003 QSA provides for the large-scale water transfer between IID and the Water Authority, and enabled the lining of portions of the All-American and Coachella Canals. Based on the terms of the take-or-pay water transfer contract, if water is conserved, the Water Authority must purchase 200,000 acre-feet from IID in Calendar Year 2023. The Water Authority is also entitled to 77,700 acre-feet annually from the canal lining projects. In 2023, the Water Authority's conserved water supplies will total 277,700 acre-feet per year as shown in Figure 2. The Water Authority will continue to receive 277,700 acre-feet through Calendar Year 2047, the initial term of the water transfer contract, with the possibility of extending the agreement through Calendar Year 2077.

Figure 2: IID and Canal Lining Deliveries



The Claude "Bud" Lewis Carlsbad Desalination Plant began commercial operations in December 2015. Approved by the Board in November 2012, the Water Purchase Agreement (WPA) sets forth the price of water dependent on how much is purchased annually:

- ◆ The first 48,000 acre-feet of water purchased each year will pay the fixed costs of the project and the variable costs of water production.
- ◆ The Water Authority has the option to purchase an additional 8,000 acre-feet per year at a lower rate that reflects only the variable costs of incremental water production.

Carlsbad Municipal Water District and Vallecitos Water District have contracted with the Water Authority to purchase 6,000 acre-feet of the Water Authority's minimum annual demand commitment to Poseidon Water of 48,000 acre-feet at full cost recovery to the Water Authority. If the Water Authority purchases the additional 8,000 acre-feet, Carlsbad Municipal Water District and Vallecitos Water District will be eligible to purchase up to 1,000 acre-feet per year between the two agencies at the lower rate reflecting the variable costs of incremental water.

The Water Authority incurs costs to purchase treated water directly from MWD and costs for treating water at Twin Oaks Valley Water Treatment Plant (Water Authority owned facility) or the Levy Plant (Helix Water District owned facility). In addition, as approved by the Board, the incidental treatment benefit is assigned as a treatment cost at the existing Water Authority melded treatment rate. This results from the fact that the desalinated water produced at the Claude "Bud" Lewis Carlsbad Desalination Plant meets all state and federal drinking water regulations.

The Water Purchases and Treatment adopted budget for Fiscal Years 2024 and 2025 is \$1.2 billion, representing \$127.4 million for supplies from MWD, \$617.0 million for QSA water, \$307.2 million for Carlsbad

Desalination Plant water, \$6.5 million in storage use, \$102.0 million for treatment, and \$27.1 million for other adjustments. The increase of \$70.1 million, or 6%, reflects the increased costs of transporting QSA water, purchasing desalinated water, and treatment.

Stored Water Purchases

The Water Authority budgets for the purchase of water for storage in inventory. There are no planned stored water purchases for Fiscal Years 2024 and 2025. The Water Authority provides for planned purchases through deposits to the Stored Water Fund.

Capital Improvement Program

The Water Authority initiated its CIP in 1989 as a long-range plan to ensure that the region's water supply would be reliable. In 2004, after careful consideration of water rate impacts, the Board approved the Regional Water Facilities Master Plan, updated in Fiscal Years 2014 and 2015, to implement water supply, transportation, and storage projects over the 30-year forecast horizon to ensure the Water Authority meets the projected needs of the region. A new 2023 Facilities Master Plan is scheduled to be completed in Calendar Year 2023 and anticipated to be presented to the Board in early 2024. CIP projects are designed to enhance, expand, and repair the regional pipeline system, which typically supplies 90% of the region's water. The CIP is funded from a combination of cash and short-term and long-term debt proceeds.

The total adopted CIP multiyear plan for active projects is \$1.4 billion. The adopted two-year appropriation for Fiscal Years 2024 and 2025 is \$183.9 million, an increase of 4% from the prior two-year budget period. This increase is due largely to the Asset Management Program including Infrastructure Rehabilitation and the Pipeline Relining and Replacement Program, and project prioritization in the CIP. The CIP is presented in more detail in the Capital Improvement Program Section of this document.

Debt Service

The Water Authority uses debt to fund improvements to existing facilities and new CIP projects, or to refund previous debt at a lower cost. The adopted budget for debt service is \$306.1 million, an increase of 18%. During the COVID pandemic, the Water Authority took advantage of favorable market conditions to refund and restructure outstanding debt. At the direction of the Board, the savings realized from the refundings were primarily applied to calendar years 2022 and 2023 therefore eliminating the application of any debt service savings during this budget cycle. The adopted budget for Fiscal Years 2024 and 2025 for obligations for senior lien debt service is \$268.0 million. Total debt service is adjusted to include subordinate and super-subordinate obligation payments.

Future Debt

- ◆ The Water Authority regularly reviews refunding opportunities that can reduce the cost of debt service. Currently, no new debt issuance is planned for Fiscal Years 2024 and 2025.

Outstanding Debt

- ◆ As of March 31, 2023, the Water Authority has \$1.5 billion aggregate principal amount of long-term debt outstanding. Budgeted long-term debt service expenditures include outstanding payments on Water Revenue Certificates of Participation (COPs) issuance, Series 1998A, Water Revenue Refunding Bonds issuances, Series 2015A, Series 2016B, Series 2020A, Series 2021A, Series 2021B, Water Revenue Bond, Series 2022A, and Build America Bonds (BABs) issuance, Series 2010B. Table 5 provides a breakdown of principal and interest payments on the long-term debt service payments by fiscal year.

- ◆ The Water Authority's short-term debt includes one Subordinate Lien Water Revenue Refunding Bond issuance, Series 2021S-1, two outstanding commercial paper series, Series 9, and Series 10, and one super-subordinate Water Furnishing Revenue Bonds issuance, Series 2019 Desalination Pipeline Bonds.
- ◆ The Water Authority Board directed staff to mitigate rates and charges for Calendar Year 2024. The mitigation efforts include a forecast to defease outstanding long-term debt. Based on Board direction the Water Authority plans to defease outstanding long-term debt sufficient to reduce Fiscal Year 2024 debt service by \$12 million.

Table 5: Debt Service on Existing Long-Term Debt ¹

Fiscal Year	Total Principal	Total Interest	Total Debt Service
2023	50,945,000	77,918,366	128,865,389
2024	53,340,000	75,521,566	128,861,566
2025	65,425,000	73,704,521	139,129,521
2026	66,695,000	71,483,524	138,178,524
2027	68,950,000	69,098,076	138,048,076
2028 ²	82,085,000	66,555,774	148,640,774
2029	72,920,000	56,028,396	128,948,396
2030	72,855,000	53,238,349	126,093,349
2031	75,375,000	50,434,986	125,809,986
2032	70,405,000	47,470,655	117,875,655
2033	72,945,000	44,701,700	117,646,700
2034	86,070,000	42,079,715	128,149,715
2035	59,945,000	38,724,086	98,669,086
2036	62,385,000	35,809,688	98,194,688
2037	64,935,000	32,776,582	97,711,582
2038	67,570,000	29,619,464	97,189,464
2039	31,355,000	26,388,899	57,743,899
2040	32,605,000	24,585,874	57,190,874
2041	33,915,000	22,710,935	56,625,935
2042	35,265,000	20,760,720	56,025,720
2043	36,670,000	18,732,879	55,402,879
2044	38,205,000	16,557,751	54,762,751
2045	39,795,000	14,292,218	54,087,218
2046	41,460,000	11,933,016	53,393,016
2047	43,195,000	9,475,827	52,670,827
2048	45,000,000	6,916,526	51,916,526
2049	46,880,000	4,251,042	51,131,042
2050	9,360,000	1,475,000	10,835,000
2051	9,825,000	1,007,000	10,832,000
2052	10,315,000	515,750	10,830,750
TOTAL	\$ 1,546,690,000	\$ 1,044,768,886	\$ 2,591,460,909

1. Excludes the Series 2019 Desalination Pipeline Bonds which are held by Poseidon Water.

2. Assumes \$146,490,000 in principal related to the Series 2021S-1 in Fiscal Year 2028 will be refunded with short-term debt.

Quantification Settlement Agreement Mitigation

This category reflects scheduled payments to the QSA Joint Powers Agreement (JPA) for environmental mitigation pursuant to the QSA JPA Creation and Funding Agreement and expenses for the Lower Colorado River Multi-Species Conservation Program. The adopted budget for Fiscal Years 2024 and 2025 is \$4.5 million, which reflects a 24% decrease from Fiscal Years 2022 and 2023, largely due to the planned ending of mitigation payments per the agreement. The Water Authority plans to pre-pay the final payments in Fiscal Year 2024. Pre-paying the final payments will allow for a savings of approximately \$287,000.

Operating Departments Budget

The Operating Departments budget funds the day-to-day operations of the Water Authority and makes up 7% of the Water Authority's total expenditures. The adopted budget for Fiscal Years 2024 and 2025 is \$126.2 million, reflecting an increase of \$1.5 million, or 1%, over the Fiscal Years 2022 and 2023 budget. The adopted budget includes the net addition of 7.0 full-time equivalent positions. Non-personnel costs in the Operating Departments have decreased by \$520,447, or 1%. Additional details by department are provided in the Operating Departments Section of this document.

Equipment Replacement

In conjunction with the Water Authority's budget development process, departments evaluate and recommend equipment replacement purchases based on a thorough process in which equipment and vehicles are reviewed to evaluate the necessity to the overall operations; suitability with the function being performed; past repair history; anticipated costs to continue maintaining; and options to cost effectively replace (i.e. lease, rental, and/or used purchases). The Equipment Replacement Fund (ERF) program focuses on long-range planning for equipment replacement, helps moderate the fund balance, and smooths the impact of replacing expensive equipment such as vehicles or software. The adopted two-year budget for ERF of \$9.5 million is a \$4.8 million increase from the previous budget period and includes updates to the Supervisory Control and Data Acquisition (SCADA) system, computers and servers, and critical vehicle and equipment replacements. The increase in expenditures for Fiscal Years 2024 and 2025 includes \$1.5 million budgeted in Fiscal Year 2023 that is being carried forward to Fiscal Year 2024 for the purchase of two valve service trucks and two welding trucks that have been backordered due to supply chain issues. Additionally, 13 vehicles, totaling \$995,000 are being recommended for early replacement in Fiscal Year 2025 to ensure proper replacements are available. Other increased costs are related to planned software for the Water Authority's Document Management (OnBase) and Asset Management (Maximo) programs, and asset replacement costs including the replacement of a 22-year-old hydraulic excavator.

Grant Expenditures

Grant Expenditures include expenses from the Integrated Regional Water Management (IRWM) Program, United States Bureau of Reclamation (USBR), MWD Member Agency Administered Program (MAAP), and the County of San Diego and is projected to be \$36.2 million in Fiscal Years 2024 and 2025. The adopted budget encompasses expenses for regional programs for over 30 multi-benefit projects sponsored by the Water Authority, its member agencies, non-profit organizations, and tribal partners funded under various state grants through the IRWM Program. This includes projects supported by funds from Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act (2006), Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act (2014) and the State of California Budget Act of 2021 Urban and Multi Benefit Drought Relief. The adopted budget also includes expenses for Water Authority regional water-use efficiency programs that will be reimbursed by USBR, MWD, and the County of San Diego.

Other Expenditures

Other Expenditures include all miscellaneous expenditures that are not reflected in the above expenditure categories. The adopted budget for Fiscal Years 2024 and 2025 is \$2.2 million, or a 96% decrease from Fiscal Years 2022 and 2023. The adopted budget is significantly lower than Fiscal Years 2022 and 2023 due to funds distributed to the member agencies in Fiscal Years 2022 and 2023 as the result of successful rate case litigation against Metropolitan Water District.

Historical and Projected Operating Results

Table 6 presents revenues and expenditures pursuant to the Water Authority's Board Resolution 97-52. The table calculates the Water Authority's debt service coverage ratios according to the resolution. Information presented in Table 6 is consistent with results presented during the rate setting process and may differ from budgetary figures due to the treatment of expenses and revenues for rates and budget. In addition, the table below shows the projected withdrawals or deposits to the RSF, more information on the RSF can be found on page 53.

Table 6: Historical and Projected Operating Results (\$ Thousands)

	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
OPERATING REVENUE						
Water Sales	\$ 565,784	\$ 616,433	\$ 669,278	\$ 638,750	\$ 699,749	\$ 761,813
Water Standby Availability Charges	11,164	11,169	11,142	11,200	11,200	11,200
Capacity Charges	17,983	18,714	22,103	22,056	18,083	18,335
Infrastructure Access Charges	36,942	43,922	47,285	47,401	48,174	50,299
TOTAL OPERATING REVENUE	\$ 631,873	\$ 690,238	\$ 749,808	\$ 719,407	\$ 777,206	\$ 841,647
Plus Withdrawals from or Minus Deposits to the Rate Stabilization Fund ¹	32,000	18,500	5,000	22,510 ¹	10,000 ¹	3,000 ¹
BABs Interest Rate Subsidy	10,625	10,651	10,659	10,659	10,659	10,659
Non-operating Revenue	9,062	4,698	6,699	8,650	15,720	10,794
TOTAL REVENUE	\$ 683,560	\$ 724,087	\$ 772,166	\$ 761,225	\$ 813,585	\$ 866,100
OPERATING EXPENSES						
MWD Water Purchases	449,752	514,395	563,139	540,302	565,347	621,847
Other Maintenance & Operations Costs	55,380	56,479	48,728	59,346	63,900	62,343
TOTAL OPERATING EXPENSES	\$ 505,132	\$ 570,874	\$ 611,867	\$ 599,648	\$ 629,247	\$ 684,189
Application of Net Tax Receipts	15,526	16,233	16,966	17,729	18,527	19,361
NET OPERATING EXPENSES	\$ 489,606	\$ 554,641	\$ 594,901	\$ 581,919	\$ 610,720	\$ 664,828
Net Water Revenue Available for Debt Service	193,954	169,446	177,265	179,306	202,865	201,272
REVENUE SUPPORTED DEBT SERVICE						
1998 Certificates	555	555	555	555	555	555
2005 Certificates	725	313	7,384	-	-	-
2008 Certificates	9,193	-	-	-	-	-
2010A&B Bond	37,146	32,294	32,294	32,294	32,294	34,029
2011A Bond	13,218	1,833	-	-	-	-
2011B Bond	4,707	17,323	-	-	-	-
2013A Bond	27,880	(1,181)	806	17,926	-	-
2015A Bond	16,193	23,568	23,561	30,418	30,415	28,678
2016A&B Bond	14,817	5,534	893	893	893	893
2020A Bond	-	3,771	4,005	4,005	10,002	29,034
2021A Bond	-	4,365	13,010	13,065	13,068	16,232
2021B Bond	-	-	11,592	11,549	11,549	11,549
2022A Bond	-	-	2,894	10,834	10,832	10,834
TOTAL SENIOR LIEN DEBT SERVICE	\$ 124,434	\$ 88,375	\$ 96,994	\$ 121,539	\$ 109,610	\$ 131,805
SUBORDINATE OBLIGATION PAYMENTS						
Commercial Paper	4,751	1,466	1,595	5,065	7,350	7,963
2016S-1 Bond	4,084	3,120	-	-	-	-
2021S-1 Bond	-	1,390	7,664	7,325	7,325	7,325
TOTAL SUBORDINATE OBLIGATION PAYMENTS	\$ 8,835	\$ 5,976	\$ 9,259	\$ 12,390	\$ 14,675	\$ 15,287
OVERALL DEBT SERVICE	\$ 133,269	\$ 94,351	\$ 106,253	\$ 133,928	\$ 124,284	\$ 147,092
Commercial Paper Management Fees	996	939	871	841	809	809
Super-subordinate Obligation Payments ²	7,911	9,718	9,953	10,193	10,439	10,693
Senior Lien Debt Service Coverage Ratio ³	1.56X	1.92X	1.83X	1.48X	1.85X	1.53X
Overall Debt Service Coverage Ratio	1.47X	1.81X	1.68X	1.34X	1.63X	1.37X

1. The Fiscal Years 2023, 2024, and 2025 withdrawal and deposits to the Rate Stabilization Fund are estimated.

2. The 2019 Pipeline Bonds are super-subordinate and are not included in the debt service coverage calculation ratio. Investment Income earned on short-term and long-term debt proceeds is excluded.

3. The Debt Service Coverage Ratios for Fiscal Years 2022 and 2023 uniquely increased due to the front-loaded debt service savings as part of the recent debt refundings, which resulted in reduced costs.

Five-Year Financial Forecast

The five-year financial forecast, as shown in Table 7, provides the projected sources and uses for Fiscal Year 2026 through Fiscal Year 2030. These projections reflect the expected trends while incorporating the current policies, goals and objectives of the Water Authority. The forecast presented contains the most recent financial modeling data on rates, revenue sources, future capital improvement projects, and debt management. The Water Authority also prepares an additional five-year financial forecast after the mid-term budget as per Board policy.

Table 7: Five-Year Forecast (\$ Thousands)

	FY 26	FY 27	FY 28	FY 29	FY 30
Net Water Sales Revenue					
Water Sales	\$ 811,941	\$ 845,683	\$ 872,270	\$ 900,140	\$ 934,876
Water Purchases & Treatment	652,365	683,951	708,663	736,707	772,096
TOTAL NET WATER SALES REVENUE	\$ 159,576	\$ 161,733	\$ 163,606	\$ 163,433	\$ 162,780
Revenues & Other Income					
Infrastructure Access Charges	53,364	56,002	57,647	61,170	62,496
Property Taxes & In-Lieu Charges	20,135	20,941	21,778	22,649	23,555
Investment Income	9,895	10,446	12,906	13,724	13,395
BABs Interest Rate Subsidy	10,659	10,392	10,132	9,879	9,632
Hydroelectric Revenue	-	-	-	-	-
Grant Revenue	5,884	5,750	821	-	-
Other Income	325	325	325	325	325
Capital Contributions:					
Capacity Charges	19,169	19,619	20,080	20,552	21,035
Water Standby Availability Charges	11,115	11,117	11,118	11,119	11,120
Contributions in Aid of CIP	127	-	82	-	-
TOTAL REVENUES & OTHER INCOME	\$ 130,673	\$ 134,592	\$ 134,890	\$ 139,419	\$ 141,559
Expenditures					
Stored Water Purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	158,524	167,891	180,257	173,367	170,802
QSA Mitigation ¹	524	524	524	524	524
Operating Departments	67,596	69,624	71,713	73,864	76,080
Equipment Replacement	2,191	1,143	2,501	1,228	3,742
Grant Expenditures	6,174	4,593	821	-	-
Other Expenditures	1,345	1,345	1,345	1,345	1,345
TOTAL EXPENDITURES	\$ 236,354	\$ 245,120	\$ 257,161	\$ 250,328	\$ 252,494
Net Revenue before Capital Improvement Program (CIP)	53,895	51,205	41,335	52,524	51,845
CIP Expenditures	(113,316)	(150,010)	(101,063)	(78,398)	(83,112)
Net Fund Withdraws	(167,211)	(201,215)	(142,398)	(130,922)	(134,957)

1. QSA Mitigation includes QSA JPA Contributions, environmental mitigation, and payments for Lower Colorado River Multi Species Conservation Program.

Note: Totals may not foot due to rounding.

Tables 8a and 8b show, by each adopted fiscal year, the Water Authority's sources and uses by fund, the net fund withdraws, net interfund transfers, proceeds from debt issues, and projected year-end fund balances.

Table 8a: Fiscal Year 2024 Budgeted Sources and Uses by Fund Type (\$ Thousands)

	ALL FUNDS	Operating FUND	RESERVE FUNDS					CAPITAL FUNDS		Special Use Funds
			Canal Maintenance	Debt Service	Equipment Replacement	Rate Stabilization	Stored Water	Construction	PAYGO	
<i>Beginning Cash Balance (estimated)</i>	\$ 413,978	\$ 162,328	\$ 703	\$ 22,463	\$ 401	\$ 79,904	\$ -	\$ 131,604	\$ 16,576	\$ -
Net Water Sales Revenue										
Water Sales	699,749	699,749	-	-	-	-	-	-	-	-
Water Purchases & Treatment	565,347	565,347	-	-	-	-	-	-	-	-
TOTAL NET WATER SALES REVENUE	\$ 134,402	\$ 134,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues and Other Income										
Infrastructure Access Charges	48,174	48,174	-	-	-	-	-	-	-	-
Property Taxes & In-lieu Charges	18,527	18,527	-	-	-	-	-	-	-	-
Investment Income	15,567	6,104	26	845	15	3,005	-	4,949	623	-
Hydroelectric Revenue	154	154	-	-	-	-	-	-	-	-
Grant Reimbursements	28,378	-	-	-	-	-	-	-	-	28,378
Build America Bonds Subsidy	10,659	10,659	-	-	-	-	-	-	-	-
Other Income	599	124	-	-	-	-	-	-	-	475
Capital Contributions:										
Capacity Charges	18,083	-	-	-	-	-	-	-	18,083	-
Water Standby Availability Charges	11,200	-	-	-	-	-	-	-	11,200	-
Contributions in Aid of CIP	3,475	-	-	-	-	-	-	-	3,475	-
TOTAL REVENUES AND OTHER INCOME	\$ 154,815	\$ 83,742	\$ 26	\$ 845	\$ 15	\$ 3,005	\$ -	\$ 4,949	\$ 33,381	\$ 28,853
Expenditures										
Stored Water Purchases	-	-	-	-	-	-	-	-	-	-
Debt Service	147,459	135,531	-	-	-	-	-	-	11,927	-
QSA Mitigation ¹	4,045	-	-	-	-	-	-	-	4,045	-
Operating Departments	63,900	63,900	-	-	-	-	-	-	-	-
Hodges Pumped Storage	-	-	-	-	-	-	-	-	-	-
Equipment Replacement	6,332	-	-	-	6,332	-	-	-	-	-
Grant Expenditures	27,049	-	-	-	-	-	-	-	-	27,049
Other Expenditures	1,563	1,088	-	-	-	-	-	-	-	475
TOTAL EXPENDITURES	\$ 250,348	\$ 200,520	\$ -	\$ -	\$ 6,332	\$ -	\$ -	\$ -	\$ 15,973	\$ 27,524
Net Revenues Before CIP	\$ 38,869	\$ 17,624	\$ 26	\$ 845	\$ (6,317)	\$ 3,005	\$ -	\$ 4,949	\$ 17,408	\$ 1,329
CIP Expenditures	(59,157)	-	-	-	-	-	-	(26,161)	(32,996)	-
Net Fund Withdraws ²	(20,289)	17,624	26	845	(6,317)	3,005	-	(21,213)	(15,588)	1,329
Bond Proceeds from Debt Issuance	-	-	-	-	-	-	-	-	-	-
Net Interfund Transfers ²	-	17,539	(26)	(845)	6,332	(23,000)	-	-	-	-
Projected Year-End Balances	\$ 393,689	\$ 197,491	\$ 703	\$ 22,463	\$ 417	\$ 59,909	\$ -	\$ 110,391	\$ 987	\$ 1,329

1. Quantification Settlement Agreement (QSA) Mitigation includes QSA Joint Powers Authority (JPA) contributions, environmental mitigation, Lower Colorado River Multi-species Conservation Program, and payments for Socioeconomic Mitigation Settlement.

2. The Fiscal Years 2024 and 2025 Net Fund Withdraws and Net Interfund Transfers are estimated.

Note: Totals may not foot due to rounding.

Table 8b: Fiscal Year 2025 Budgeted Sources and Uses by Fund Type (\$ Thousands)

	ALL FUNDS	Operating FUND	RESERVE FUNDS					CAPITAL FUNDS		Special Use Funds
			Canal Maintenance	Debt Service	Equipment Replacement	Rate Stabilization	Stored Water	Construction	PAYGO	
<i>Beginning Cash Balance (estimated)</i>	\$ 393,689	\$ 197,491	\$ 703	\$ 22,463	\$ 417	\$ 59,909	\$ -	\$ 110,391	\$ 987	\$ 1,329
Net Water Sales Revenue										
Water Sales	761,813	761,813	-	-	-	-	-	-	-	-
Water Purchases & Treatment	621,847	621,847	-	-	-	-	-	-	-	-
TOTAL NET WATER SALES REVENUE	\$ 139,966	\$ 139,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues and Other Income										
Infrastructure Access Charges	50,299	50,299	-	-	-	-	-	-	-	-
Property Taxes & In-lieu Charges	19,361	19,361	-	-	-	-	-	-	-	-
Investment Income	10,647	5,359	19	610	11	1,626	-	2,996	27	-
Hydroelectric Revenue	147	147	-	-	-	-	-	-	-	-
Grant Reimbursements	8,778	-	-	-	-	-	-	-	-	8,778
Build America Bonds Subsidy	10,659	10,659	-	-	-	-	-	-	-	-
Other Income	599	124	-	-	-	-	-	-	-	475
Capital Contributions:										
Capacity Charges	18,335	-	-	-	-	-	-	-	18,335	-
Water Standby Availability Charges	11,200	-	-	-	-	-	-	-	11,200	-
Contributions in Aid of CIP	3,554	-	-	-	-	-	-	-	3,554	-
TOTAL REVENUES AND OTHER INCOME	\$ 133,579	\$ 85,949	\$ 19	\$ 610	\$ 11	\$ 1,626	\$ -	\$ 2,996	\$ 33,116	\$ 9,253
Expenditures										
Stored Water Purchases	-	-	-	-	-	-	-	-	-	-
Debt Service	158,594	158,594	-	-	-	-	-	-	-	-
QSA Mitigation ¹	444	-	-	-	-	-	-	-	444	-
Operating Departments	62,343	62,343	-	-	-	-	-	-	-	-
Hodges Pumped Storage	-	-	-	-	-	-	-	-	-	-
Equipment Replacement	3,217	-	-	-	3,217	-	-	-	-	-
Grant Expenditures	9,185	-	-	-	-	-	-	-	-	9,185
Other Expenditures	635	160	-	-	-	-	-	-	-	475
TOTAL EXPENDITURES	\$ 234,418	\$ 221,096	\$ -	\$ -	\$ 3,217	\$ -	\$ -	\$ -	\$ 444	\$ 9,660
Net Revenues Before CIP	\$ 39,127	\$ 4,819	\$ 19	\$ 610	\$ (3,206)	\$ 1,626	\$ -	\$ 2,996	\$ 32,672	\$ (407)
CIP Expenditures	(124,707)	-	-	-	-	-	-	(94,683)	(30,023)	-
Net Fund Withdraws ²	(85,579)	4,819	19	610	(3,206)	1,626	-	(91,688)	2,648	(407)
Bond Proceeds from Debt Issuance	-	-	-	-	-	-	-	-	-	-
Net Interfund Transfers ²	-	(2,589)	(19)	(610)	3,217	-	-	-	-	-
Projected Year-End Balances	\$ 308,110	\$ 199,722	\$ 703	\$ 22,463	\$ 428	\$ 61,535	\$ -	\$ 18,703	\$ 3,635	\$ 922

1. Quantification Settlement Agreement (QSA) Mitigation includes QSA Joint Powers Authority (JPA) contributions, environmental mitigation, Lower Colorado River Multi-species Conservation Program, and payments for Socioeconomic Mitigation Settlement.

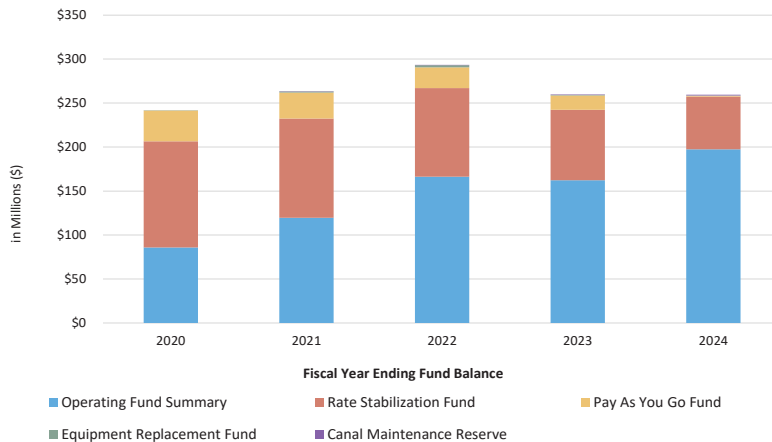
2. The Fiscal Years 2024 and 2025 Net Fund Withdraws and Net Interfund Transfers are estimated.

Note: Totals may not foot due to rounding.

The management of the Water Authority's funds is an important component of the overall health of the Water Authority's finances. Each of the funds within the Water Authority is designed to serve a specific purpose/function as described in the upcoming pages.

Figure 3 depicts the historical and budgeted, cash and cash equivalents held at fiscal year-end for each fund, except the construction fund, which is funded by bond proceeds.

Figure 3: Budgeted Cash Balances by Fund



Operating Fund

The Operating Fund contains the Water Authority's working capital and emergency operating reserve. Given the short-term nature of this fund, liquidity of investments is critical and is ensured by investing the Operating Fund on a monthly basis to cover water purchases and on-going cash disbursements.

The Operating Fund, together with Water Sales Revenue and Other Revenue Sources,

provide ample liquidity for working capital. The Operating Fund's policy requires a balance of 45 days of average annual operating expenditures be kept in reserves. In addition, \$5.0 million of this amount is designated and held available for emergency repairs to the Water Authority's system due to unforeseen events. The Operating Fund is projected to meet its 45-day target.

Reserve Funds

The Water Authority has five reserve funds, including Canal Maintenance, Debt Service, Equipment Replacement, Rate Stabilization, and Stored Water.

Canal Maintenance Reserve Fund

- ◆ The Canal Maintenance Reserve fund was established in Calendar Year 2020. The fund is responsible for maintenance costs consisting of replacement of concrete panels, grading of major canal access roads and other non-routine work necessary to maintain operation of the All-American and Coachella Canals that can occur every five to eight years. The Canal Maintenance Reserve Fund is funded through the cost of sales and rates and charges.

Debt Service Reserve Fund

- ◆ The Debt Service Reserve Fund contains the required legal reserve for Water Authority debt issues. Such reserves are held for the purpose of making an issue's annual debt service payments in the event that the Water Authority should be unable to make such payments. The reserve requirement is held in this fund until it is expended, generally to fund the last payment of the issue. Interest earned on the Debt Service Reserve Fund is transferred into the Operating Fund and is not restricted.

Equipment Replacement Fund

- ◆ The Equipment Replacement Fund is funded by transfers from the Operating Fund for capital equipment purchase such as computers, vehicles, and the Supervisory Control and Data Acquisition (SCADA) system, and is used to replace equipment that has reached the end of its effective useful life. Transfers to the fund each fiscal year do not exceed the amount approved in the ERF budget for the two-year period.

Rate Stabilization Fund

- ◆ The RSF holds the water revenues greater than expenditures in years of strong water sales. Funds can then be used to mitigate “rate shock” in years of weak water sales and/or to manage debt service coverage.
- ◆ The RSF target balance is equal to the financial impact of 2.5 years of wet weather or mandatory restrictions and the maximum fund balance is equal to the financial impact of 3.5 years of wet weather or mandatory restrictions. In 2019, the financial impact was revised down from a 25% reduction in water sales to 15% effective Calendar Year 2021. A two-year transition period (Calendar Year 2019 and Calendar Year 2020) assumed a 20% reduction.
- ◆ As a general rule, the Water Authority may transfer portions of its net water revenues exceeding the Board’s 1.50x debt service coverage policy into the RSF. As needed, the Water Authority will transfer amounts from its RSF into water revenues to meet its debt service coverage ratio requirements, or to help provide adequate working capital to the Operating Fund. Draws from the RSF, differ from use of other funds (Operating or Pay-as-you-go) in such that they can be recognized as revenue thus stabilizing or protecting the debt service coverage levels from falling below Board policy or legal requirements. RSF draws do not simply cover cost in excess of revenue.
- ◆ In 2021 and 2022, draws from the RSF were not necessary for debt service coverage, given the lower debt service payment, but rather provided significant rate relief at the Board’s direction. These draws resulted in coverage well above the 1.50x policy.
- ◆ Given lower than forecasted water sales in Fiscal Year 2023, a \$22.5 million draw is required to achieve a nearly 1.50x coverage level. The forecasted draw of \$23 million in Fiscal Year 2024 results in a coverage level in excess of 1.50x in Fiscal Years 2024 and 2025, proactively providing greater rate relief in Calendar Year 2024. After drawing \$100 million from the RSF, the projected fund balance will fall below board policy and not be available for continued rate mitigation or coverage protection. No draws are forecasted in Fiscal Year 2025 as funds are not available. Rate adjustments in Fiscal Year 2025 are forecasted to increase to provide necessary coverage levels and partially rebuild the RSF balance due to past excess draws.

Stored Water Fund

- ◆ The Stored Water Fund (previously the Dam-Fill Fund) provides the working capital necessary to purchase water inventory necessary to utilize the Water Authority’s storage facilities. In Fiscal Year 2016, the Water Authority completed the fill of the San Vicente

Dam and updated the policy guidelines for the Stored Water Fund. The new guidelines established a target of 70,000 acre-feet for Carryover Storage inventory. The Stored Water Fund will maintain the funds necessary to maintain the Carryover Storage levels at 70,000 acre-feet. A maximum for the Carryover Storage level was also set at 100,000 acre-feet, which is the storage capacity.

Capital Funds

The Water Authority has two types of Capital Funds, including the Construction and PAYGO Funds.

Construction Fund

- ◆ The Construction Fund contains the proceeds from short-term and long-term debt. Investment earnings from the fund remain in the fund and may only be used for construction expenditures.
- ◆ The Construction Fund balance fluctuates with CIP spending and debt issuances. Currently, no new debt issuance is planned for Fiscal Years 2024 and 2025.

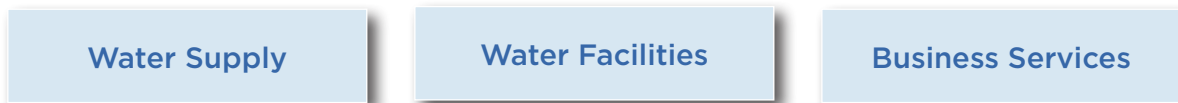
Pay-As-You-Go Fund

- ◆ The PAYGO Fund collects Capacity Charges and Water Standby Availability Charges to be used to pay for the cash portion of the CIP. The funds are dedicated for construction outlays, as well as debt service. The fund also holds the CIAC from the Water Authority's member agencies in cases where the Water Authority constructs a project on the behalf of the member agency. In Fiscal Years 2024 and 2025 the CIP will be funded with a combination of bond proceeds and PAYGO funds.

Introduction

The Operating Departments preserve the Water Authority’s legacy on water issues statewide, uphold the public trust as a partner with its member agencies and community stakeholders, and maintain operational excellence of the region’s large-scale water infrastructure.

The 2023-2027 Business Plan serves as the overarching planning document for the Water Authority in accomplishing its mission and vision. The Business Plan is organized into three key focus areas:



Similarly, the Operating Departments Section of this budget document is organized, alphabetically, under each key focus area.

The Water Supply Focus Area addresses the long-term viability, sustainability, and diversification of the Water Authority’s water supplies. Programs and departments that support this focus area are:

- ◆ Colorado River Program
- ◆ Metropolitan Water District Program
- ◆ Water Resources

The Water Facilities Focus Area addresses facility growth, operations, maintenance, and security in a cost-effective manner to meet water demands in the San Diego region. Departments that support this focus area are:

- ◆ Engineering
- ◆ Operations and Maintenance

The Business Services Focus Area provides fundamental operational support for the Water Authority to accomplish its mission of providing a safe and reliable water supply. Departments that support this focus area are:

- ◆ Administrative Services
- ◆ Finance
- ◆ General Counsel
- ◆ General Manager and Board of Directors
- ◆ Human Resources
- ◆ Public Affairs

Organizational Values

These seven values were developed by a wide cross-section of Water Authority staff to reflect who we are at our best – the ideals that we seek to live out in our interactions with colleagues both inside and outside of the organization.





WATER SUPPLY

FOCUS AREA

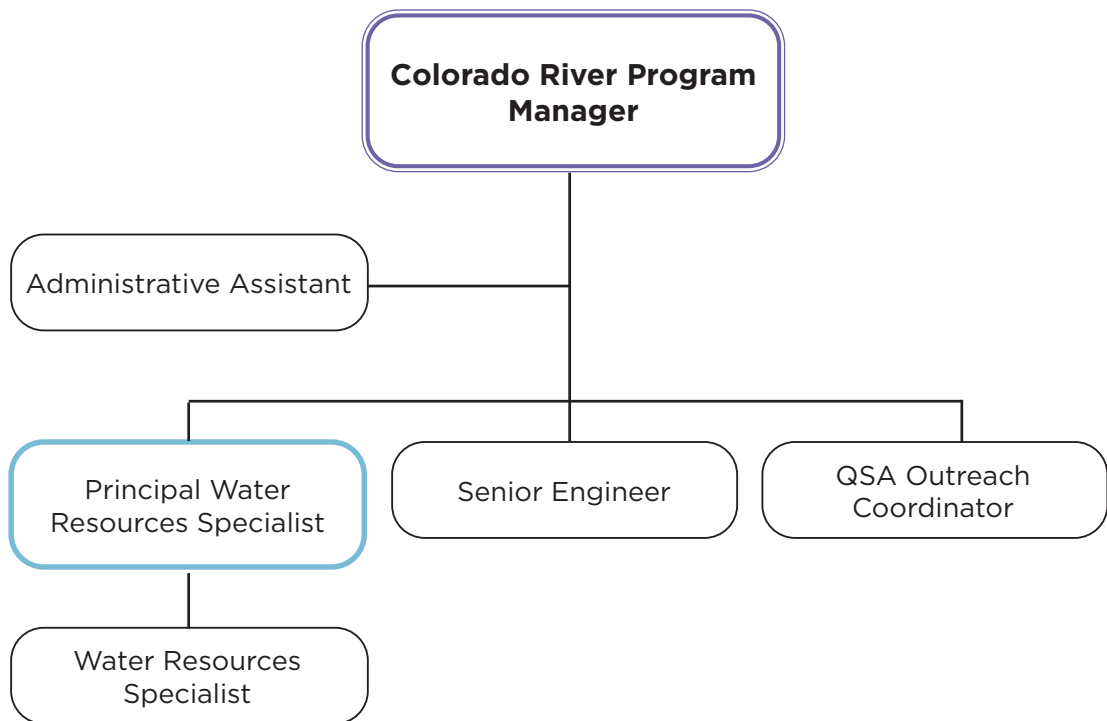
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Colorado River Program

Overview

The Colorado River Program (CRP) is a small department that advocates for the Water Authority’s position on developing state and federal issues associated with the Quantification Settlement Agreement (QSA), including environmental issues, most notably at the Salton Sea, and issues related to protection of the Law of the River, and ongoing drought on the Colorado River. A vital component of CRP’s work is the completion of ongoing QSA milestones to ensure timely creation and delivery of the scheduled volumes of the Imperial Irrigation District (IID) conserved water transfer and canal lining projects conserved water supplies. Additionally, the department works to ensure the cost-effective conveyance of the Water Authority’s highly reliable, QSA conserved supplies that help meet over half of the region’s demands. Another department key focus area is the Water Authority’s participation in Colorado River Basin states activities, including the development of the next set of operating guidelines for the Colorado River, and pursuit of storage opportunities in Lake Mead as a tool to have in place as part of the long-term strategy to both support flexible water management regionally and within the Colorado River Basin. CRP’s satellite office in the Imperial Valley drives the Water Authority’s outreach and advocacy efforts on critical issues, such as the QSA, Salton Sea, and drought response, and maintains a local presence to engage with QSA partners and other stakeholders.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

- ◆ Managed the continued implementation of the IID conserved water transfer and canal lining projects, which resulted in 560,400 acre-feet of water supply to the region.
- ◆ Continued to provide support for QSA Joint Powers Authority (QSA JPA) administration activities and matters related to the QSA JPA's air quality mitigation program and the state's Salton Sea Management Program:
 - Administered activities of the QSA JPA, including adoption of an annual budget to ensure appropriate funding for environmental mitigation requirements.
 - Met all QSA JPA environmental mitigation responsibilities and milestones, including completing a significant land valuation funding and mitigation requirement key to finalizing Phase 3 of the Managed Marsh.
 - Provided two-year notice to the state, anticipating that the Environmental Mitigation Cost Limitation will be exceeded within two years, as stipulated in the QSA JPA Funding Agreement. The state assumes the funding obligation once those funds are expended.
 - Launched a QSA JPA website to provide enhanced public transparency on QSA JPA matters, including quarterly commission meetings and actions taken.
 - Participated in various state Salton Sea stakeholder work groups.
 - Met with state and federal elected officials to recount the benefits of the QSA to California and the Colorado River and to advocate for protection of the Salton Sea.
- ◆ Continued implementation of environmental mitigation projects on schedule and budget for the All-American and Coachella Canal Lining Projects.
- ◆ Administered the Water Authority's portion of operations, maintenance, and repair costs for both canal lining projects, which has resulted in cost increases at a rate less than general inflation.
- ◆ Continued efforts to build community and regional support in the Imperial and Coachella Valleys:
 - Attended local meetings of the IID, Imperial County, farm groups, chambers, the Salton Sea Authority, and Coachella Valley Water District (CVWD), ensuring the Water Authority's stance on critical Colorado River issues, including the QSA and Salton Sea, were understood.
 - Held one-on-one meetings and board-to-board discussions with local government and community leaders, farmers, and business representatives to discuss critical water issues, with a focus on ensuring alignment on key issues, such as drought response.
 - Sponsored community events that provided opportunities to share the Water Authority's mission with the community.

- Maintained a website and blog (ivsandiegocurrents.org) to build awareness on water issues and other regional issues, provide a platform to respond to questions, and enhance relationships in the Imperial Valley.
- ◆ Participated and supported the Water Authority’s representative on the Colorado River Board of California (CRB), including attending monthly board meetings and participating in CRB sponsored events.
- ◆ Provided updates to the Water Authority Board’s Imported Water Committee and Colorado River Work Group on key issues related to:
 - Water Authority QSA conserved water supplies, Colorado River hydrology and operations, and Basin stakeholder activities.
 - Water Authority flexibility strategies for the management of its conserved Colorado River supplies, including Lake Mead storage.
 - QSA JPA mitigation and state restoration efforts at the Salton Sea.
 - Imperial Valley outreach activities.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The Colorado River Program’s Adopted Operating Budget for Fiscal Years 2024 and 2025 is \$4.2 million, a \$410,149, or 9% decrease compared to the previous two-year budget. The net change is primarily a result of a decrease in professional services.

Initiatives

The Colorado River Program initiatives are part of the Water Supply Focus Area, Imported Water Program of the Business Plan. The department’s management strategies and focus objectives this multi-year budget include:

- ◆ Develop flexibility and control costs in implementation of the Quantification Settlement Agreement and related agreements (Business Objective Nos. 1, 2 and 3 under Water Supply: Imported Water).
- ◆ Strengthen relationships with Quantification Settlement Agreement partners and safeguard the Water Authority’s QSA supplies (Business Objective Nos. 1, 2, 3, 5, 7, and 8 under Water Supply: Imported Water).
- ◆ Ensure completion of Quantification Settlement Agreement environmental mitigation milestones and monitor state Salton Sea restoration activities (Business Objective Nos. 3, 5, 7, and 8 under Water Supply: Imported Water).

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU’s may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024.

As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ The Services category budget decreased by \$843,037, or 47%, from the previous two-year budget. This is due to not moving forward with professional services for Colorado River initiatives and Salton Sea technical support, like Lake Mead storage outreach, and performing more river-related tasks in-house.
- ◆ The Other category budget increased by \$147,351, or 26%, from the previous two-year budget due to an increase in the annual payment to the Six Agency Committee for funding of the Colorado River Board. Also, a return of pre-COVID events has increased expenses for travel to conferences and meetings.

Colorado River Program by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 1,711,256	\$ 1,802,048	\$ 1,716,618	\$ 5,362	0%	\$ (85,430)	-5%
Benefits	959,932	824,501	1,042,277	82,345	9%	217,776	26%
Labor & Benefits Total	\$ 2,671,188	\$ 2,626,550	\$ 2,758,895	\$ 87,707	3%	\$ 132,345	5%
Direct Charges to CIP/Grants	(513,310)	(342,715)	(319,181)	194,129	-38%	23,534	-7%
Operating Labor & Benefits	\$ 2,157,877	\$ 2,283,835	\$ 2,439,714	\$ 281,837	13%	\$ 155,879	7%
Services	1,796,800	740,966	953,763	(843,037)	-47%	212,797	29%
Supplies	1,850	1,900	2,370	520	28%	470	25%
Utilities	1,736	1,013	1,400	(336)	-19%	387	38%
Insurance	-	-	-	-	0%	-	0%
Leases & Rents	40,684	31,561	44,200	3,516	9%	12,639	40%
Other	575,100	572,323	722,451	147,351	26%	150,128	26%
Fixed Assets	-	-	-	-	0%	-	0%
Non Personnel Total	\$ 2,416,170	\$ 1,347,762	\$ 1,724,184	\$ (691,986)	-29%	\$ 376,422	28%
Total	\$ 4,574,047	\$ 3,631,597	\$ 4,163,898	\$ (410,149)	-9%	\$ 532,302	15%
Capitalized Overhead	-	-	-	-	0%	-	0%
GRAND TOTAL	\$ 4,574,047	\$ 3,631,597	\$ 4,163,898	\$ (410,149)	-9%	\$ 532,302	15%

Colorado River Program by Division

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Colorado River Program	\$ 3,978,081	\$ 3,045,416	\$ 3,556,612	\$ (421,469)	-11%	\$ 511,196	17%
Imperial Valley Outreach Program	595,966	586,181	607,286	11,319	2%	21,105	4%
TOTAL COLORADO RIVER PROGRAM	\$ 4,574,047	\$ 3,631,597	\$ 4,163,898	\$ (410,149)	-9%	\$ 532,302	15%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Administrative Assistant	0.75	0.75	0.75	0.75	0.75	0.75
Assistant Water Resources Specialist	1.00	1.00	1.00	0.00	0.00	0.00
Colorado River Program Manager ¹	0.00	0.00	0.00	1.00	1.00	1.00
Director of the Colorado River Program ¹	1.00	1.00	1.00	0.00	0.00	0.00
Engineer (P.E.) ²	1.00	1.00	0.00	0.00	0.00	0.00
Principal Water Resources Specialist	0.00	0.00	1.00	1.00	1.00	1.00
QSA Outreach Coordinator	1.00	1.00	1.00	1.00	1.00	1.00
Senior Engineer ²	0.00	0.00	1.00	1.00	1.00	1.00
Senior Water Resources Specialist	1.00	1.00	0.00	0.00	0.00	0.00
Water Resources Specialist	0.00	0.00	0.00	1.00	1.00	1.00
TOTAL	5.75	5.75	5.75	5.75	5.75	5.75

1. The Director of the Colorado River Program was reclassified to Colorado River Program Manager in Fiscal Year 2023.

2. One Engineer (P.E.) position reclassified to Senior Engineer in Fiscal Year 2022.

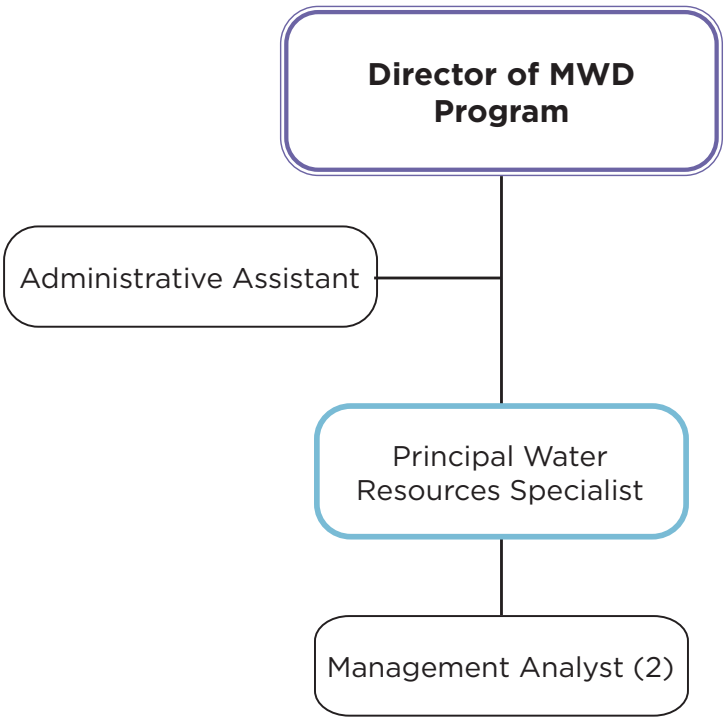
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MWD Program

Overview

The Water Authority’s Metropolitan Water District Program (MWD Program) is responsible for developing and implementing strategies to achieve the Water Authority’s long-term supply reliability goals related to the Metropolitan Water District of Southern California (MWD), including ensuring its financial sustainability and promoting equity among its member agencies. The MWD Program also serves as a liaison with water agencies throughout the MWD service area, state and federal officials, non-governmental organizations, and other key parties to promote and advance the Water Authority’s positions on issues impacting MWD supply reliability, water quality, equity, and costs. The MWD Program advises and supports the Water Authority’s Board Officers and MWD Delegates (Delegates), and coordinates and integrates internal departments’ MWD-related activities to ensure alignment with the Water Authority’s MWD-focused objectives.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

- ◆ Supported the Water Authority's efforts to resolve the MWD rate litigation, including securing the Appellate Court's September 21, 2021, decision that confirmed it is unlawful for MWD to recover demand management costs through its rates for transporting the Water Authority's exchange water. Following the decision, MWD returned \$95 million in damages, attorney fees, and interest to the Water Authority, of which more than \$91 million (96%) was returned to its member agencies. Additionally, MWD modified its revenue collection and now recovers its demand management costs on supply rates, rather than on transportation rates, which will save Water Authority's ratepayers more than \$500 million over the life of the exchange agreement.
- ◆ Supported the hiring of MWD's new General Manager Adel Hagekhalil in July 2021 and the election of MWD's first ever Latino Board Chair, Adán Ortega, in October 2022. This MWD leadership dynamic also played a significant role in the election of Jim Madaffer as the Vice Chair of the Colorado River Board of California.
- ◆ Supported Southern California's drought response by executing an agreement between the Water Authority and MWD that permitted the latter access to 9,200 AF of stored water supplies along the State Water Project system in 2022. Under the one-year agreement, the Water Authority sold 4,200 AF of water stored in its Central Valley storage account to MWD and leased annual pumpback capacity to MWD so it gained access to 5,000 AF of its stored supplies. These supplies helped MWD partially meet its State Water Project Dependent Area's needs. From June 2022 through mid-March 2023, MWD's State Water Project Dependent Area was under an Emergency Water Conservation Program, which curtailed MWD supplies and relied on Department of Water Resources human health and safely supplies to partially meet the area's water supply need.
- ◆ The Water Authority, in collaboration with various partners, succeeded in getting the MWD Board to unanimously approve lower "overall" annual rates increases of 5% for calendar years 2023 and 2024, which is expected to save Water Authority ratepayers more than \$15 million over those two years.
- ◆ Provided reports to the Board of Directors on key MWD programs and policies related to water supply reliability and its long-term fiscal sustainability, including:
 - Long-term resources planning, such as the MWD Board's February 2023 "Visioning" Retreat, 2020 Integrated Water Resources Plan (IRP) Update progress, 2020 IRP Regional Needs Assessment, and inaugural Climate Action Plan.
 - Drought related actions including MWD's declarations of drought emergencies, the first was specified to pertain to its State Water Project Dependent Area (in November 2021) and then expanded to include all of MWD's service area (in December 2022), and MWD's water supply conditions and plumbing constraints that limit its ability to meet demands in its State Water Project Dependent Area, causing it to obtain human health and safety supplies from the state.
 - Potential supply programs, such as the single-tunnel Bay-Delta project, Sites Reservoir, and MWD's proposed Pure Water Southern California.

- MWD's financial management and condition, including MWD's "rate refinement process" (that focused on demand management cost recovery) and its 2023 and 2024 biennial budget and rate setting process.
- ◆ Supported the Delegates on, and executed, six MWD-sponsored Water Authority-hosted inspection trips, aimed at providing business, elected, and community leaders with knowledge of imported water operations, supplies, and issues.
- ◆ Advised and supported the Delegates at MWD, including in their respective leadership roles on the MWD Board.
- ◆ Engaged in education and outreach efforts to inform stakeholders on the Water Authority's positions relative to MWD programs, policies, and activities.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The MWD Program's Adopted Operating Budget for Fiscal Years 2024 and 2025 is \$4.3 million, a \$116,492, or 3% increase over the previous two-year budget. This change is attributed to an increase in Labor and Benefits overall, as well as increased expenses in Services and Other categories.

Initiatives

- ◆ Work with the Board Officers and Delegates to continue to advance equity, transparency, and collaboration in MWD's decision making processes (Business Plan Objective No. 10 under Water Supply: Imported Water).
- ◆ Advise and support the Delegates in their leadership roles on the MWD board, especially as MWD considers the best ways to meet the needs of its diverse member agencies under a changed climate, while ensuring the Water Authority's ratepayers' interests are protected and the region's investments recognized (Business Plan Objective Nos. 10 and 11 under Water Supply: Imported Water).
- ◆ Work collaboratively with MWD, MWD member agencies, and other stakeholders to advance key policy solutions, programs, plans, and projects that ensure that MWD is a sustainable supplemental water supplier, providing high quality supplies at an affordable and equitable cost for Water Authority ratepayers (Business Plan Objective Nos. 9, 10, and 11 under Water Supply: Imported Water).
- ◆ Engage collaboratively in efforts and processes to ensure that MWD's rates follow cost of service principles, including the proper allocation of costs on the appropriate rates and charges (Business Plan Objective Nos. 6 and 11 under Water Supply: Imported Water).
- ◆ Support the Water Authority's continued effort to resolve all pending rate cases with MWD and secure an equitable and sustainable cost for the delivery of the Water Authority's QSA conserved water supplies (Business Plan Objective No. 4 under Water Supply: Imported Water).
- ◆ Advance policies, programs, and projects that are consistent with the Water Authority Board's Bay-Delta and Project Policy Principles, including the proper allocation of Bay-Delta project costs on MWD's rates and charges (Business Plan Objective No. 6 under Water Supply: Imported Water).

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ Overall, the Services category budget increased by \$31,400, or 2%, to provide support for MWD's upcoming long-term planning effort and its consideration of implementing or participating in various supply programs, including:
 - Pure Water Southern California
 - The single-tunnel Bay-Delta project
 - Sites Reservoir
 - Projects to address resiliency deficiencies in the State Water Project Dependent Area
 - Additional investments to address MWD's long-term Colorado River supply reliability.
- ◆ During the two-year budget period, MWD is expected to consider changes to its business model, including its rate structure, and also determine how it will fund these major supply programs that are expected to cost tens-of-billions-of-dollars.
- ◆ There is an increase in the Other category budget of \$61,827, or 40%, from the previous two-year budget, of which, \$57,744 is driven by training, conferences, sponsorships, and travel, reflecting the return of staff's engagement in water industry activities following the COVID pandemic that limited these activities.

MWD Program by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 1,322,948	\$ 1,309,292	\$ 1,320,764	\$ (2,184)	<1%	\$ 11,472	1%
Benefits	675,121	638,501	718,349	43,228	6%	79,848	13%
Labor & Benefits Total	\$ 1,998,069	\$ 1,947,793	\$ 2,039,113	\$ 41,044	2%	\$ 91,320	5%
Direct Charges to CIP/Grants	-	(520)	-	-	0%	520	<1%
Operating Labor & Benefits	\$ 1,998,069	\$ 1,947,273	\$ 2,039,113	\$ 41,044	2%	\$ 91,840	5%
Services	1,918,873	1,741,932	1,950,272	31,400	2%	208,340	12%
Supplies	4,500	1,680	5,300	800	18%	\$3,620	216%
Utilities	13,080	12,624	13,586	506	4%	\$962	8%
Insurance	-	-	-	-	0%	-	0%
Leases & Rents	54,251	47,389	35,166	(19,085)	-35%	(12,223)	-26%
Other	153,755	134,381	215,582	61,827	40%	81,201	60%
Fixed Assets	-	-	-	-	0%	-	0%
Non Personnel Total	\$ 2,144,458	\$ 1,938,006	\$ 2,219,907	\$ 75,449	4%	\$ 281,900	15%
Total	\$ 4,142,527	\$ 3,885,279	\$ 4,259,020	\$ 116,492	3%	\$ 373,741	10%
Capitalized Overhead	-	-	-	-	0%	-	0%
GRAND TOTAL	\$ 4,142,527	\$ 3,885,279	\$ 4,259,020	\$ 116,492	3%	\$ 373,741	10%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Administrative Assistant	0.25	0.25	0.25	0.25	0.25	0.25
Assistant General Manager	0.50	0.00	0.00	0.00	0.00	0.00
Assistant Management Analyst ¹	1.00	1.00	0.00	0.00	0.00	0.00
Director of MWD Program	1.00	1.00	1.00	1.00	1.00	1.00
Management Analyst ¹	1.00	1.00	2.00	2.00	2.00	2.00
Principal Water Resources Specialist ²	0.00	0.00	1.00	1.00	1.00	1.00
Senior Water Resources Specialist ²	1.00	1.00	0.00	0.00	0.00	0.00
TOTAL	4.75	4.25	4.25	4.25	4.25	4.25

1. One Assistant Management Analyst position reclassified to Management Analyst in Fiscal Year 2022.

2. One Senior Water Resources Specialist position reclassified to Principal Water Resources Specialist in Fiscal Year 2022.

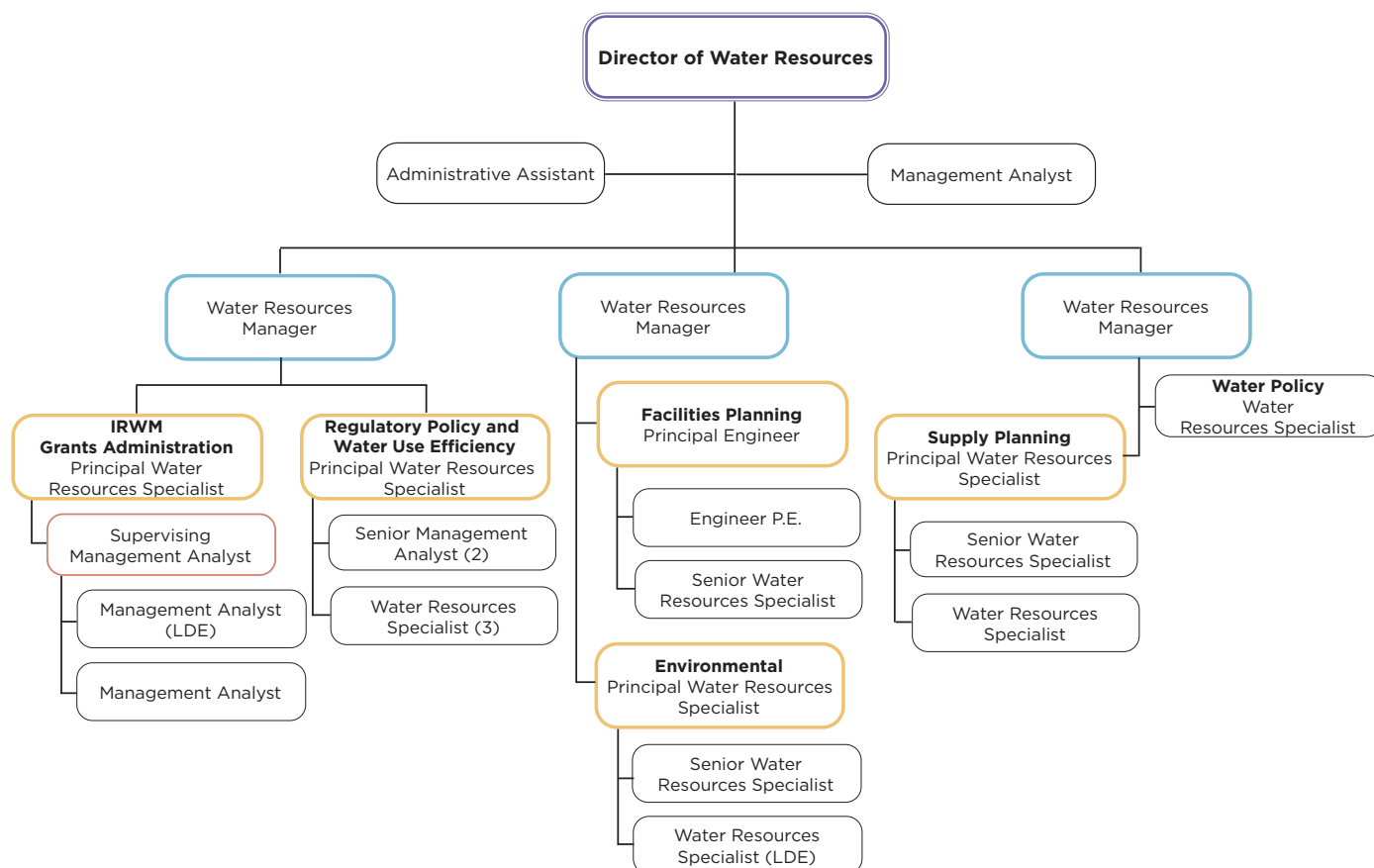
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Water Resources Department

Overview

The Water Resources Department is responsible for long-range water resources and facilities planning. The department prepares the Water Authority's Urban Water Management Plan (UWMP), Water Facilities Master Plan, Climate Action Plan, and Water Shortage Contingency Plan; administers the Water Authority's water supply allocation methodology; administers the Claude "Bud" Lewis Carlsbad Desalination Plant Water Purchase Agreement; administers the Permanent Special Agricultural Water Management Program; prepares the annual water sales forecast and long-range demand forecast; processes member agency requests for annexations; administers the agreement for emergency deliveries to Mexico; provides assistance to member agencies in local supply development; manages the Integrated Regional Water Management (IRWM) Program, including grants administration and IRWM Plan preparation; administers the Subregional Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP); and ensures environmental and regulatory compliance for Water Authority programs and projects. In addition, the department develops, reviews, and advocates for policies, regulations, and legislation related to water supply, water quality, water efficiency, recycled water and potable reuse, integrated planning, greenhouse gas emissions, and shortage contingency planning to ensure that they are fair and equitable to the Water Authority and its member agencies. Water Resources also administers regional Water Use Efficiency programs to assist member agencies in meeting long term water saving goals.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

- ◆ Initiated the 2023 Facilities Master Plan that evaluates facility needs and other system strategies to address the updated 2020 long-range demand forecast.
- ◆ Coordinated with member agencies and the Water Research Foundation to evaluate the benefits of the Carlsbad Desalination Plant supply and new local supplies.
- ◆ Completed Contract Administration Memoranda for the final phase of the new intake and discharge facilities at the Carlsbad Desalination Plant.
- ◆ Received a total of \$737,500 in grant funding from the Department of Water Resources (DWR) and Metropolitan Water District (MWD) for the Intake Screen Demonstration Project.
- ◆ Participated on a workgroup with U.S. Environmental Protection Agency (USEPA) and the WaterReuse Association to develop a draft white paper to support recycled water National Pollutant Discharge Elimination System (NPDES) permitting that was released in March 2022.
- ◆ Supported Poseidon with development and implementation of the Intake Screen Demonstration Project to optimize a new intake technology.
- ◆ Coordinated with Fallbrook Public Utility District and MWD to amend the Local Resources Program (LRP) agreement for the Groundwater Desalter Project to account for per- and-polyfluoroalkyl substances (PFAS) treatment costs. The amendment increased the MWD's incentive to FPUD from \$274/AF to \$309/AF, or up to an additional \$2,712,500 over the agreement term.
- ◆ Secured \$2.5 million in external funding such as grant awards, utility funding, and in-kind contributions to support water use efficiency programs.
- ◆ Received \$15.3 million in grant awards from Round 1 of Proposition 1 funding to support seven regional water-related projects; and completed all local sponsor agreements allowing distribution of funding from the state.
- ◆ Received a \$5 million grant from DWR's Proposition 1 Urban and Multi-benefit Drought Relief Program. The award will fund four drought resiliency projects that will provide water quality and supply benefits to disadvantaged communities.
- ◆ Received \$16.1 million in grant awards from Round 2 of Proposition 1 IRWM funding to support six regional water-related projects, including \$1.3 million for regional Water Authority conservation projects.
- ◆ Secured \$3 million in grant funds from DWR as part of the Urban Community Drought Relief Grant Program. The funds will help install water-efficient toilets and smart irrigation controllers in underrepresented communities across San Diego County.
- ◆ Collaborated with DWR, State Water Resources Control Board (SWRCB), water suppliers and other stakeholders for the reasonable and equitable development of long-term water

use efficiency standards. At the end of 2022, DWR submitted recommended standards to the SWRCB for regulation.

- ◆ Engaged in the San Diego Local Agency Formation Commission (LAFCO) on Fallbrook/Rainbow detachment to ensure all conditions outlined in Board Resolution 2020-06 are fully addressed.
- ◆ Prepared an annual water supply and demand assessment to comply with state requirements.
- ◆ Worked with member agencies to maximize water use efficiency funding from MWD for Member Agency Administered Programs.
- ◆ Implemented a direct install program for toilets and irrigation controllers for disadvantaged customers.
- ◆ Tracked and advocated for reasonable regulations for water quality, direct potable reuse, electric vehicle fleet requirements, and other activities by the SWRCB, California Air Resources Board, USEPA, and other regulatory agencies.
- ◆ Completed Sringeri Vidya Bharati Temple annexation in December 2021, Rancho Corrido annexation in February 2022, and Yerba Valley annexation in February 2023.
- ◆ Participated in a workshop sponsored by the Center for Western Weather and Water Extremes (CW3E) regarding Forecast Informed Reservoir Operations (FIRO) as a Climate Resiliency Strategy in January 2022. FIRO is an approach to integrate enhanced monitoring and improved weather forecasts to assist with decisions on reservoir operations.
- ◆ Administered a portfolio of water use efficiency programs for the region including rebates, water use audits, turf replacement, landscape incentives for large projects, and direct install of water-efficient toilets and smart irrigation controllers for income qualifying customers.
- ◆ Engaged in drought response advocacy efforts with state leadership to encourage use of Water Shortage Contingency Plans, Annual Water Supply and Demand Assessments, and proposed water use efficiency standards.
- ◆ Engaged and educated state leaders on the changes in planning requirements since the last drought and the variability of supply conditions across the state and advocated for locally determined and controlled drought response.
- ◆ Formally activated Level 1 of the Water Authority's Water Shortage Contingency Plan and implemented Level 1 and Level 2 drought response actions.
- ◆ Started a member agency water loss program to provide technical assistance for meeting water loss water use efficiency targets.
- ◆ Initiated regular workshops for member agencies that provided technical support and information on proposed water use efficiency targets.
- ◆ Provided monthly updates to the Board on drought-related activities.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The Water Resources Department's Adopted Operating budget for Fiscal Years 2024 and 2025 is \$12.4 million, a \$1.4 million, or 12% increase compared to the previous two-year budget. The primary drivers of this increase are related to professional services to support the below initiatives, including preparation of the state-mandated planning document, the 2025 UWMP.

Initiatives

- ◆ Initiate development of the 2025 UWMP.
- ◆ Update Water Conservation Tracking Tool to assist with preparation of the 2025 UWMP.
- ◆ Initiate development of the next Long-Range Demand Forecast.
- ◆ Initiate work on updating the Water Shortage Contingency Plan to comply with state requirements and include the plan as part of the 2025 UWMP.
- ◆ Complete the 2023 Water Facilities Master Plan (Business Plan Objective No. 6 under Water Facilities – Infrastructure/CIP).
- ◆ Complete all submittal reviews within the Water Purchase Agreement required timeframe during oversight of the design, construction, and commissioning of the Carlsbad Desalination Plant's permanent intake and discharge facilities in compliance with the Ocean Plan Amendment (Business Plan Objective No. 3 under Water Supply – Local Water).
- ◆ Advocate for state and federal funding opportunities for local water supply projects and evaluate opportunities to assist member agencies and underrepresented communities in using funding (Business Plan Objective No. 4 under Water Supply – Local Water).
- ◆ Advocate for the adoption of a state drought action plan that protects the ability to use regionally developed sources during drought emergencies and implement Water Shortage Contingency Plan action only when warranted by local supply conditions (Business Plan Objective No. 5 under Water Supply – Local Water).
- ◆ Coordinate with member agencies to submit applications to MWD for LRP and other funding opportunities and advocate for criteria which is supportive of member agency projects (Business Plan Objective No. 6 under Water Supply – Local Water).
- ◆ Conduct a funding study that provides short and long-term IRWM Program sustainability strategies in coordination with the San Diego Regional Water Management Group (RWMG) to help ensure the Program's viability and capacity to support regional objectives and needs in future years (Business Plan Objective No. 3 under Water Supply – Resource Planning).
- ◆ Secure \$2.5 million in external funding such as grant awards, utility funding, and in-kind contributions to support water use efficiency programs (Business Plan Objective No. 4 under Water Supply – Resource Planning).

- ◆ In collaboration with the Regional Water Management Group (RWMG), evaluate potential opportunities to strengthen disadvantaged communities' engagement through targeted outreach, and financial and technical assistance (Business Plan Objective No. 5 under Water Supply – Resource Planning).
- ◆ Identify and implement studies that support the Water Authority's position on water use efficiency, demand, and drought response (Business Plan Objective No. 6 under Water Supply – Resource Planning).
- ◆ Using the results of the funding study and disadvantaged communities' (DAC) engagement efforts, develop further plans which define the IRWM Program's future roles and funding sources that align with local and regional priorities (Business Plan Objective No. 7 under Water Supply – Resource Planning).
- ◆ Pursue partnerships on leading-edge climate science projects and evaluate opportunities to incorporate climate research into planning processes (Business Plan Objective No. 2 under Water Facilities – Sustainability).
- ◆ Complete the 2024 Climate Action Plan Update to track progress toward meeting the 2030 and 2045 greenhouse gas (GHG) targets, which include the state's adopted GHG target for carbon neutrality by 2045 (Business Plan Objective No. 3 under Water Facilities – Sustainability).

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ Overall, the Water Resources Department's Labor and Benefits increased by \$206,443, or 2%, from the previous two-year budget. The net increase is the result of a combination of reductions and increases in different areas of the Labor and Benefits budget. Highlights of those changes are shown below.
- ◆ The Fiscal Years 2022 and 2023 budget included a Management Analyst position that supported both the Water Resources Department and Public Affairs Department. The position was budgeted at 40% for the Water Resources Department, and 60% for the Public Affairs Department. To better align with updated work duties, the position will be budgeted at 100% to the Public Affairs Department in the Fiscal Years 2024 and 2025 budget.
- ◆ To better align with organizational goals and priorities, the department eliminated one Senior Office Assistant position and added one LDE Water Resources Specialist position to support the environmental group with CIP projects. The term of the new LDE Water Resources Specialist position will be for three years and will be primarily funded by CIP.

- ◆ The major increase in the department's budget is in the Services category budget, which increased by \$1,026,950, or 80%, from the previous two-year budget. The increase is mainly due to professional services support for initiatives mentioned above, such as preparation of state-mandated planning document, the 2025 UWMP.
- ◆ There is a slight decrease in the Supplies category budget by approximately \$4,000, or 16%, due to cost containment efforts and one-time expenses not re-occurring in the new budget cycle.
- ◆ The Utilities category budget increased by \$600, or 100%, due to budgeting for two years' worth of expenses related to laptop air cards for use when traveling for business meetings.
- ◆ The Other category budget increased by \$151,992, or 23%, from the previous budget. Travel and employee business meeting expenses in the previous budget cycle was reduced due to COVID restrictions on travel and in-person meetings. The adopted budget reflects increased costs related to travel and business meetings and also includes an increase in membership dues.

Water Resources Program by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 7,243,457	\$ 6,352,462	\$ 7,539,765	\$ 296,308	4%	\$ 1,187,303	19%
Benefits	4,097,856	3,366,326	4,371,488	273,632	7%	1,005,162	30%
Labor & Benefits Total	\$ 11,341,313	\$ 9,718,788	\$ 11,911,254	\$ 569,941	5%	\$ 2,192,466	23%
Direct Charges to CIP/Grants	(2,193,903)	(1,732,765)	(2,557,400)	(363,498)	17%	(824,635)	48%
Operating Labor & Benefits	\$ 9,147,410	\$ 7,986,023	\$ 9,353,853	\$ 206,443	2%	\$ 1,367,830	17%
Services	1,285,120	961,578	2,312,070	1,026,950	80%	1,350,492	140%
Supplies	24,600	24,599	20,650	(3,950)	-16%	(3,949)	-16%
Utilities	600	-	1,200	600	100%	1,200	0%
Insurance	-	-	-	-	0%	-	0%
Leases & Rents	-	-	-	-	0%	-	0%
Other	647,568	600,281	799,560	151,992	23%	199,279	33%
Fixed Assets	-	-	-	-	0%	-	0%
Non Personnel Total	\$ 1,957,888	\$ 1,586,457	\$ 3,133,480	\$ 1,175,592	60%	\$ 1,547,023	98%
Total	\$ 11,105,298	\$ 9,572,480	\$ 12,487,333	\$ 1,382,035	12%	\$ 2,914,853	30%
Capitalized Overhead	-	-	-	-	0%	-	0%
GRAND TOTAL	\$ 11,105,298	\$ 9,572,480	\$ 12,487,333	\$ 1,382,035	12%	\$ 2,914,853	30%

Water Resources by Division

	FYs 22&23	FYs 22&23	FYs 24&25	Variance		Variance	
	Amended	Estimate	Adopted	Budget to Budget		Budget to Estimate	
IRWM Grants Administration	\$ 784,178	\$ 549,336	\$ 238,881	\$ (545,296)	-70%	\$ (310,455)	-57%
Environmental and Facility Planning	1,773,943	1,690,995	2,115,655	341,712	19%	424,660	25%
Water Policy and Supply Planning	4,630,948	3,915,069	4,986,834	355,886	8%	1,071,765	27%
Regulatory Policy and Water Use Efficiency	3,916,230	3,417,080	5,145,963	1,229,734	31%	1,728,883	51%
TOTAL WATER RESOURCES	\$ 11,105,298	\$ 9,572,480	\$ 12,487,333	\$ 1,382,035	12%	\$ 2,914,853	30%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00
Director of Water Resources	1.00	1.00	1.00	1.00	1.00	1.00
Engineer (P.E.)	1.00	1.00	1.00	1.00	1.00	1.00
Management Analyst ¹	2.00	2.40	2.40	2.00	2.00	2.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00
Principal Water Resources Specialist ²	5.00	5.00	5.00	4.00	4.00	4.00
Senior Management Analyst ^{2,3,5}	1.00	1.00	0.00	2.00	2.00	2.00
Senior Office Assistant ⁴	1.00	1.00	1.00	1.00	0.00	0.00
Senior Water Resources Specialist ⁵	5.00	5.00	4.00	3.00	3.00	3.00
Supervising Management Analyst ³	0.00	0.00	1.00	1.00	1.00	1.00
Water Resources Manager	2.00	3.00	3.00	3.00	3.00	3.00
Water Resources Specialist	2.00	4.00	5.00	5.00	5.00	5.00
TOTAL	22.00	25.40	25.40	25.0	24.00	24.00

Limited Duration Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Assistant Management Analyst (Grants) ⁶	1.00	1.00	1.00	0.00	0.00	0.00
Management Analyst (Grants) ⁶	0.00	0.00	0.00	1.00	1.00	1.00
Water Resources Specialist ⁷	0.00	0.00	0.00	0.00	1.00	1.00
TOTAL	1.00	1.00	1.00	1.00	2.00	2.00

1. One Management Analyst 0.40 FTE was transferred to Public Affairs in Fiscal Year 2023.
2. One Principal Water Resources Specialist position was reclassified to a Senior Management Analyst in Fiscal Year 2023.
3. One Senior Management Analyst position was reclassified to a Supervising Management Analyst in Fiscal Year 2022.
4. One Senior Office Assistant position was eliminated in Fiscal Year 2024.
5. One Senior Water Resources Specialist position was reclassified to a Senior Management Analyst in Fiscal Year 2023.
6. One Assistant Management Analyst (LDE) position was reclassified to a Management Analyst (LDE) in Fiscal Year 2023.
7. One Water Resources Specialist (LDE) position was added in Fiscal Year 2024.

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WATER FACILITIES

FOCUS AREA

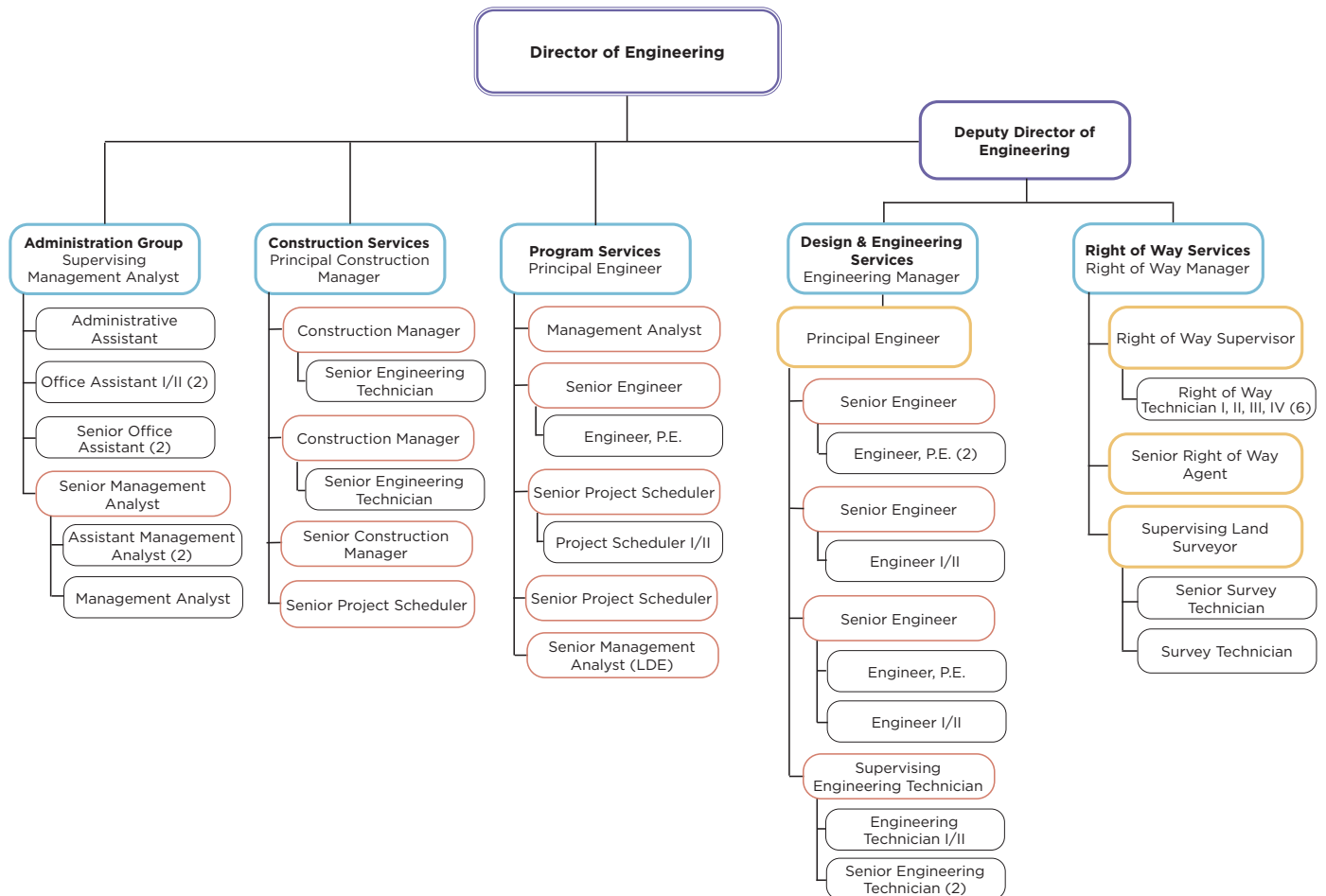
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Engineering Department

Overview

The Engineering Department's primary focus areas include: managing and executing a cost effective and efficient Capital Improvement Program (CIP) which consists of projects identified and prioritized through the Water Authority's Master Planning Process and Asset Management Program; providing as-needed technical support to other departments; managing the Water Authority's Right of Way inclusive of survey, acquisition, disposal, and lease of real property, patrol and management of 168 miles of right of way; and overseeing agency-wide Energy Planning efforts inclusive of reviewing supply, transmission, regulatory, and operational energy-related issues with the goal to reduce costs of energy while meeting the agency's Climate Action Plan objectives.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

- ◆ Awarded the 2021 “Project Achievement Award for Public Works Greater than \$15 Million” from the Construction Management Association of America for the Northern First Aqueduct Structures and Lining Rehabilitation.
- ◆ Completed the Pipeline Seismic Vulnerability Study which identified critical pipeline segments that need addressing to ensure the Water Authority fulfills the mission of maintaining a safe and reliable water supply for the region. The recommendations will be studied further under the Facilities Master Plan.
- ◆ Completed construction on the following projects:
 - Pipeline 4 Urgent Repair at Lilac Road
 - Hauck Mesa Storage Reservoir
 - Mission Trails Flow Regulatory Structure II
 - Dulin Hill Erosion Repair
 - Pipeline 5 Relining - North Twin Oaks Valley Road to Crossover Pipeline Turnout
 - First Aqueduct Treated Water Tunnels Rehabilitation
- ◆ Resolved 28 new encroachments and responded to an average of 416 Dig Alerts per month.
- ◆ Completed 43 right of way permits and agreements and performed technical reviews for both public agency and private development projects crossing the Water Authority right of way.
- ◆ Removed 51 trees from pipeline right of ways.
- ◆ Completed drone inspections of flow control facility roofs in support of roof replacements.
- ◆ Completed drone photography over six CIP projects for progress inspections and presentations.
- ◆ Completed seven topographic mapping projects from drone photography.
- ◆ Completed the abandonment of El Paseo Access Road easement, thereby eliminating future maintenance costs.
- ◆ Sold 26,084 Renewable Energy Certificates generated by the Rancho Peñasquitos Hydroelectric Facility producing \$342,187 in revenue.
- ◆ Enrolled 73 meters with Community Choice Aggregators to save an estimated \$100,000 annually.
- ◆ Evaluated the feasibility of improving electric system resiliency at Water Authority facilities and included backup power improvements in the General Manager’s adopted Fiscal Years 2024 and 2025 CIP budget.
- ◆ Evaluated the technical and economic feasibility of interconnecting the Claude “Bud”

Lewis Carlsbad Desalination Plant to the California Independent System Operator grid.

- ◆ Awarded a Professional Services Agreement with Kiewit Infrastructure West, Co. to begin preliminary engineering studies in support of environmental work and licensing for the potential San Vicente Energy Storage Facility.
- ◆ Participated in negotiations of a Pre-Construction Development Agreement with BHE Renewables, LLC and Kiewit Development Company for the potential San Vicente Energy Storage Facility.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The Engineering Department's Adopted Budget for Fiscal Years 2024 and 2025 is \$8.4 million, a \$74,194, or a 1% increase compared to the previous two-year budget. The increase is primarily due to an increase in Elfin Forest Recreation Reserve costs and an increase in conference, travel, and training.

Initiatives

Utilize industry Best Management Practices such as use of innovative program management tools to efficiently and effectively manage and execute CIP projects in various stages of planning, design, and construction, some of which are listed below:

- ◆ Helix 9 Flow Control Facility
- ◆ Olivenhain Flow Control Facility
- ◆ Poway 5 Flow Control Facility (Business Plan Objective No. 8 under Water Facilities: Infrastructure/CIP)
- ◆ Flow Control Facility Seismic Upgrades
- ◆ First Aqueduct Treated Water Tunnel Bifurcation Structures Seismic Improvements
- ◆ Second Aqueduct Diversion Complex (Twin Oaks Weir Structure Rehabilitation)
- ◆ San Luis Rey Habitat Management Area Restoration (Business Plan Objective No. 1 under Water Facilities: Sustainability)
- ◆ Southern First Aqueduct Structures Rehabilitation
- ◆ Crossover Pipeline I-15 Bypass (Business Plan Objective No. 11 under Water Facilities: Infrastructure/CIP)
- ◆ Pipeline 5 Relining of San Luis Rey Canyon
- ◆ Moosa Canyon Pipeline Replacement
- ◆ Ramona Pipeline Buried Valves Replacement
- ◆ Support the technical feasibility, environmental compliance, and licensing of the potential San Vicente Energy Storage Facility

Other Initiatives include:

- ◆ Conduct due diligence investigations of the identified property for a new Operations and Maintenance Headquarters.
- ◆ Meet State legal requirements for agencies to respond to area wide construction Dig Alert notifications and ensure Water Authority facilities are protected from damage.
- ◆ Identify innovative opportunities for energy procurement to reduce energy costs and identify schedules for economically viable alternatives. (Business Plan Objective No. 7 under Water Facilities: Water System Management).
- ◆ Participate in Federal and State regulatory proceedings to reduce energy costs and comply with California energy goals (Business Plan Objective No. 8 under Water Facilities: Water System Management).

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ To align with organizational goals/priorities and effectively execute the CIP, three new full-time equivalent positions are being added to the Engineering Department: 1-Senior Engineer, 1-Engineer I/II, and 1-Project Scheduler I/II. These positions will be primarily funded by the CIP.
- ◆ At its November 2022 meeting, the Board authorized the General Manager to add a new Limited Duration Employee (LDE) Senior Management Analyst position to assist with overseeing the new Project Labor Agreement (PLA) and PLA implementation consultant contract. The term of the new LDE Senior Management Analyst will be five years to align with the duration of the PLA. This position will be primarily funded by the CIP.
- ◆ The Services category budget increased by \$5,320, or less than 1%, over the previous two-year budget due to an increase in Elfin Forest Recreation Reserve costs, and budget added for encroachment removal and legal services related to encroachments.
- ◆ The Supplies category budget decreased by \$27,180, or 33%, due to evaluation of the energy dashboard being completed.
- ◆ The Utilities category budget increased by \$205, or 3%, due to an addition of one broadband device.

- ◆ The Insurance category budget increased by \$593, or 7%, due to an increased cost in warranties for the survey equipment.
- ◆ The Leases and Rents category budget increased by \$2,026, or 10%, due to increased plotter costs.
- ◆ The Other category budget increased by \$18,836, or 30%, due to an increase in conferences, travel, and training.

Engineering by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 12,529,610	\$ 9,156,560	\$ 13,852,642	\$ 1,323,031	11%	\$ 4,696,082	51%
Benefits	6,981,838	4,707,660	7,952,367	970,530	14%	3,244,707	70%
Labor & Benefits Total	\$ 19,511,448	\$ 13,864,550	\$ 21,805,009	\$ 2,293,561	12%	\$ 7,940,789	57%
Direct Charges to CIP/Grants	(12,592,258)	(7,221,327)	(14,811,425)	(2,219,167)	18%	(7,590,098)	105%
Operating Labor & Benefits	\$ 6,919,190	\$ 6,642,893	\$ 6,993,584	\$ 74,394	1%	\$ 350,691	6%
Services	1,188,385	876,544	1,193,705	5,320	<1%	317,161	36%
Supplies	81,480	49,566	54,300	(27,180)	-33%	4,734	10%
Utilities	7,680	7,149	7,885	205	3%	736	10%
Insurance	8,802	8,747	9,395	593	7%	649	7%
Leases & Rents	20,724	16,435	22,750	2,026	10%	6,315	38%
Other	62,364	48,620	81,200	18,836	30%	32,580	67%
Fixed Assets	-	10,751	-	-	0%	(10,751)	-100%
Non Personnel Total	\$ 1,369,435	\$ 1,017,811	\$ 1,369,235	\$ (200)	0%	\$ 351,424	35%
Total	\$ 8,288,625	\$ 7,660,704	\$ 8,362,819	\$ 74,194	1%	\$ 702,115	9%
Capitalized Overhead	-	-	-	-	0%	-	0%
GRAND TOTAL	\$ 8,288,625	\$ 7,660,704	\$ 8,362,819	\$ 74,194	1%	\$ 702,115	9%

Engineering by Division

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Administration Services	\$ 1,097,249	\$ 1,084,595	\$ 1,223,722	\$ 126,474	12%	\$ 139,127	13%
Engineering Services	1,514,784	1,517,485	1,588,101	73,317	5%	70,616	5%
Energy Planning	1,130,082	358,168	639,090	(490,992)	-43%	280,922	78%
Right of Way Services	4,546,510	4,700,457	4,911,905	365,395	8%	211,449	4%
TOTAL ENGINEERING	\$ 8,288,625	\$ 7,660,704	\$ 8,362,819	\$ 74,194	1%	\$ 702,115	9%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00
Assistant Management Analyst	2.00	2.00	2.00	2.00	2.00	2.00
Construction Manager ¹	0.00	0.00	1.00	3.00	3.00	3.00
Deputy Director of Engineering	1.00	1.00	1.00	1.00	1.00	1.00
Director of Engineering	1.00	1.00	1.00	1.00	1.00	1.00
Engineer I/II	2.00	2.00	2.00	2.00	2.00	2.00
Engineer (P.E.)	4.00	4.00	4.00	4.00	4.00	4.00
Engineering Manager	1.00	1.00	1.00	1.00	1.00	1.00
Engineering Technician I/II ¹	4.00	4.00	4.00	3.00	1.00	1.00
Management Analyst ²	2.00	1.00	1.00	2.00	2.00	2.00
Office Assistant I/II ³	1.00	1.00	1.00	2.00	2.00	2.00
Principal Construction Manager ⁴	0.00	0.00	1.00	1.00	1.00	1.00
Principal Engineer ⁴	3.00	3.00	2.00	2.00	2.00	2.00
Project Scheduler I/II	2.00	2.00	1.00	1.00	1.00	1.00
Right of Way Manager	1.00	1.00	1.00	1.00	1.00	1.00
Right of Way Supervisor	1.00	1.00	1.00	1.00	1.00	1.00
Right of Way Tech Level I, II, III, IV	6.00	6.00	6.00	6.00	6.00	6.00
Senior Construction Manager	1.00	1.00	0.00	0.00	0.00	0.00
Senior Engineer ¹	4.00	4.00	4.00	3.00	4.00	4.00
Senior Engineering Technician	3.00	3.00	1.00	1.00	4.00	4.00
Senior Management Analyst ²	1.00	2.00	2.00	1.00	1.00	1.00
Senior Office Assistant ³	3.00	3.00	3.00	2.00	2.00	2.00
Senior Project Scheduler	1.00	1.00	2.00	2.00	3.00	3.00
Senior Right of Way Agent	1.00	1.00	1.00	1.00	1.00	1.00
Senior Survey Technician	1.00	1.00	1.00	1.00	1.00	1.00
Supervising Engineering Technician	0.00	0.00	1.00	1.00	1.00	1.00
Supervising Land Surveyor	1.00	1.00	1.00	1.00	1.00	1.00
Supervising Management Analyst	1.00	1.00	1.00	1.00	1.00	1.00
Survey Technician	1.00	1.00	1.00	1.00	1.00	1.00
TOTAL	50.00	50.00	49.00	49.00	52.00	52.00
Limited Duration Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Senior Management Analyst	0.00	0.00	0.00	0.00	1.00	1.00
TOTAL	0.00	0.00	0.00	0.00	1.00	1.00

1. One Engineering Technician II and one Senior Engineer were reclassified to Construction Manager in Fiscal Year 2023.

2. One Senior Management Analyst was reclassified to Management Analyst in Fiscal Year 2023.

3. One Senior Office Assistant was reclassified to Office Assistant II in Fiscal Year 2023.

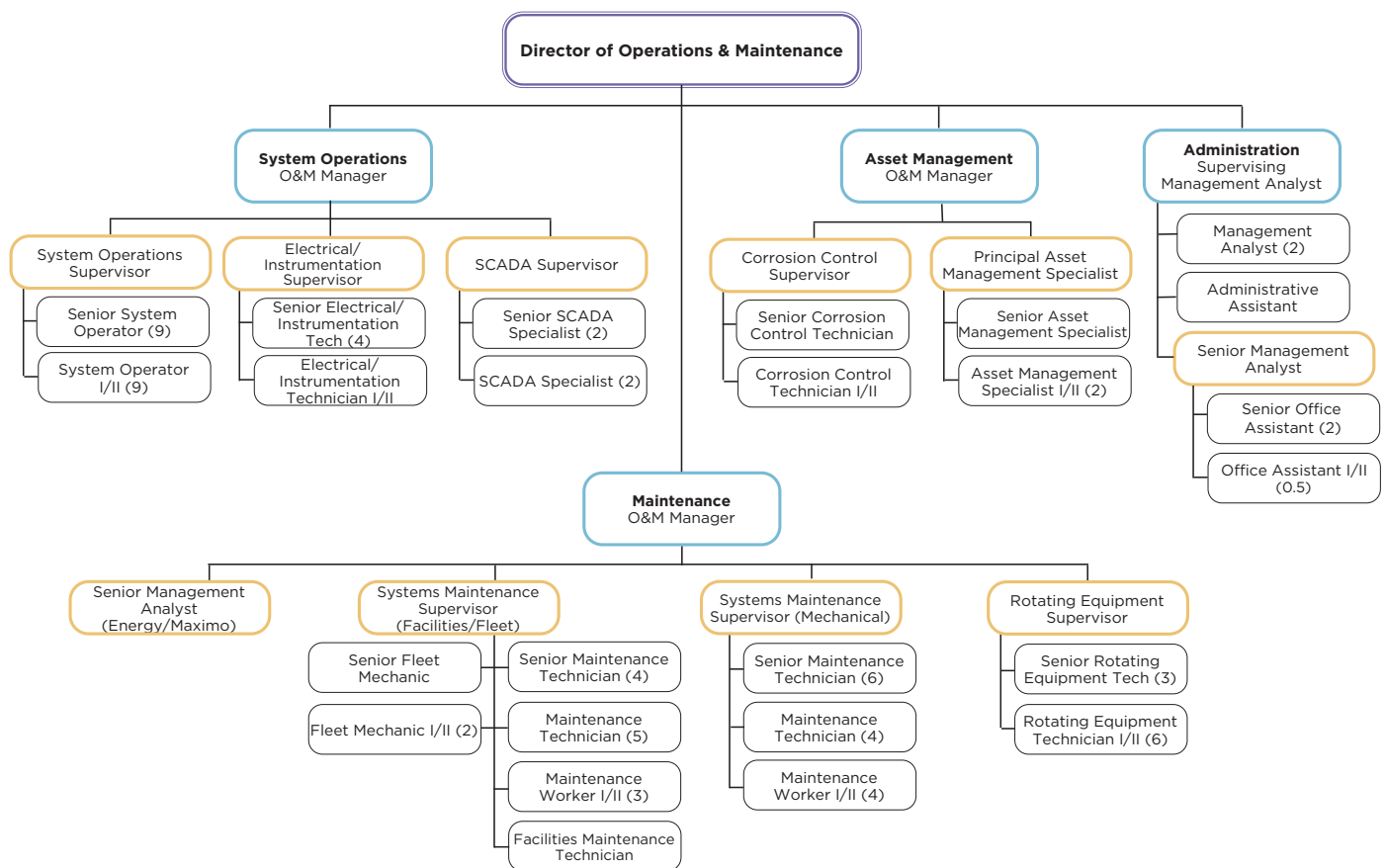
4. One Principal Engineer was reclassified to Principal Construction Manager in Fiscal Year 2022.

Operations and Maintenance Department

Overview

The Operations and Maintenance Department is responsible for the Water Authority's Operations and Maintenance, Asset Management, Facilities Security, and support for Emergency Preparedness Programs. This includes: controlling water deliveries to meet member agency demands; managing dam and reservoir operations; performing pump station and power generation operations and maintenance; overseeing water treatment plant operations; ensuring water quality and complying with all applicable environmental regulations; performing preventative and corrective maintenance on the Water Authority's aqueduct system, fleet, facilities, and right of way; managing computerized controls equipment; monitoring and maintaining infrastructure assets through the Asset Management Program; and supporting enhanced emergency preparedness and cybersecurity through local, state and federal projects and partnerships.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

- ◆ Maintained 100% uptime for the Aqueduct Delivery System, with no unplanned shutdowns or outages.
- ◆ Managed Supervisory Control and Data Acquisition (SCADA) communication system performance to realize a two-year average uptime exceeding 99.9%.
- ◆ Completed 12 Capital Improvement Program shutdowns and 9 operating shutdowns, in coordination with member agencies, to integrate new system components and perform programmed maintenance and inspections.
- ◆ Safely and efficiently completed planned and corrective maintenance on aqueduct delivery systems and facilities, property and right-of-way, and fleet.
- ◆ Conducted routine visual inspections of 48.5 miles of pipelines on the Second Aqueduct.
- ◆ Identified an imminent failure of Pipeline 4 in Bonsall and initiated an emergency repair project.
- ◆ Performed a follow-up 3D laser scan of the First Aqueduct tunnels in support of a comprehensive rehabilitation project.
- ◆ Established a CIP project budget and schedule to execute major maintenance and replacement plans for electrical and mechanical equipment within all critical Water Authority facilities.
- ◆ Obtained the Water Authority's first Utility Patent for a pipeline inspection tool designed and built by staff to aid in the inspection process.
- ◆ Evaluated potential properties for a new Operations and Maintenance facility to meet the department's current and future space needs.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The Operations and Maintenance Department's Adopted Operating Budget for Fiscal Years 2024 and 2025 is \$49.0 million, a \$2.2 million, or 5% increase over the previous two-year budget. This change is primarily a result of increases forecasted in services and supplies, in addition to increased Labor and Benefits costs.

Initiatives

- ◆ Implement identified physical security assessment recommendations for critical facilities (Business Plan Objective No. 4 under Water Facilities: Water System Management).
- ◆ Identify and pursue the purchase of a property for the new Operations and Maintenance facility.
- ◆ Evaluate and incorporate new technology in collaboration with water quality equipment manufacturers to enhance the online water quality monitoring capabilities within the aqueduct system including both untreated and treated pipelines.

- ◆ Monitor California Air Resources Control Board fleet regulations and develop an implementation plan to decarbonize the fleet in the most efficient manner (Business Plan Objective No. 5 under Water Facilities: Water System Management).
- ◆ Explore opportunities to strengthen the regional member agency collaboration on asset management and implement efficient strategies to assist with lifecycle cost reduction and failure mitigation (Business Plan Objective No. 6 under Water Facilities: Water System Management).
- ◆ Conduct routine visual inspections of Second Aqueduct pipelines totaling at least 35 miles, subject to availability.

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ The Operations and Maintenance Department proposes to add the following positions:
 - Asset Management Specialist I – This position was removed during development of the Fiscal Year 2022 and 2023 budget process as a cost savings measure. A recent needs analysis study determined a resulting shortfall of approximately 2196 hours per year, prohibiting effective delivery of core team functions.
 - Maintenance Worker I/II (2) – In 2008, two FTE's were transferred from the Facilities Maintenance division to the Rotating Equipment division. This FTE transfer, along with increased unscheduled maintenance due to aging infrastructure has resulted in a shortfall within Facilities Maintenance of approximately 6,306 hours per year, impacting the ability to effectively perform core department functions.
 - SCADA Specialist – The growing number of new and re-engineered facilities continues to increase the complexity of the SCADA system. A recent needs analysis study determined that there was a backlog of nearly 6,000 hours/year, and the shortfalls are affecting the ability to sufficiently support cybersecurity measures, provide project support to CIP, and effectively meet data management and reporting requirements. Of significant concern with such a small technical team is the lack of availability to cross train, impacting the ability to plan for succession.
- ◆ The Services category budget increased by \$425,263, or 5%, from the previous two-year budget. The increase is attributed primarily to an overall increase of maintenance cost share estimates for the Helix Levy Water Treatment Plant, as well as an increase in costs associated with switchgear maintenance and cybersecurity software.

- ◆ The Supplies category budget increased by \$1,084,433, or 35%, from the previous two-year budget mainly due to general inflation resulting from supply chain issues and the rising cost of diesel.
- ◆ The Utilities category budget increased by \$104,602, or 4%, from the previous two-year budget due to estimated rate increases in natural gas, energy, and communication costs.
- ◆ The Leases and Rents category budget increased by \$111,644, or 54%, from the previous two-year budget due to an increased need of equipment rentals for operating shutdowns and large crane rentals to support planned work at larger Water Authority facilities.
- ◆ The Other category budget increased by \$288,257, or 54%, from the previous two-year budget. This is primarily due to restoring travel and training to pre-COVID levels, as well as estimated increases in water system and dam permit fees.
- ◆ The Fixed Assets category budget decreased by \$249,882, or 79%, from the previous two-year budget, due mainly to the normal fluctuation of equipment needs and a realignment of equipment purchases to the equipment replacement fund and the CIP.

Operations & Maintenance by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 22,581,960	\$ 21,117,885	\$ 22,234,757	\$ (347,203)	-2%	\$ 1,116,872	5%
Benefits	12,105,893	10,612,357	12,781,875	675,982	6%	2,169,518	20%
Labor & Benefits Total	\$ 34,687,853	\$ 31,730,242	\$ 35,016,632	\$ 328,779	1%	\$ 3,286,390	10%
Direct Charges to CIP/Grants	(2,746,004)	(1,673,173)	(2,605,714)	140,291	-5%	(\$932,541)	56%
Operating Labor & Benefits	\$ 31,941,848	\$ 30,057,069	\$ 32,410,918	\$ 469,070	1%	\$ 2,353,849	8%
Services	7,895,708	6,692,452	8,320,971	425,263	5%	1,628,519	24%
Supplies	3,139,947	3,608,401	4,224,379	1,084,433	35%	615,979	17%
Utilities	2,731,915	2,575,487	2,836,516	104,602	4%	261,030	10%
Insurance	20,070	13,825	20,130	60	<1%	6,305	46%
Leases & Rents	205,704	173,554	317,348	111,644	54%	143,795	83%
Other	530,468	544,095	818,725	288,257	54%	274,630	50%
Fixed Assets	314,882	485,064	65,000	(249,882)	-79%	(420,064)	-87%
Non Personnel Total	\$ 14,838,694	\$ 14,092,877	\$ 16,603,070	\$ 1,764,376	12%	\$ 2,510,193	18%
Total	\$ 46,780,542	\$ 44,149,946	\$ 49,013,988	\$ 2,233,446	5%	\$ 4,864,043	11%
Capitalized Overhead	-	-	-	-	0%	-	0%
GRAND TOTAL	\$ 46,780,542	\$ 44,149,946	\$ 49,013,988	\$ 2,233,446	5%	\$ 4,864,043	11%

Operations & Maintenance by Division

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
O&M Administration	\$ 3,450,857	\$ 3,121,234	\$ 3,273,463	\$ (177,394)	-5%	\$ 152,229	5%
Energy Services	5,951,817	5,340,734	5,361,252	(590,565)	-10%	20,519	0%
System Operations	7,677,787	7,844,476	10,537,462	2,859,675	37%	2,692,985	34%
Operations Technology	2,601,305	2,656,449	3,027,680	426,375	16%	371,231	14%
Technical Services	2,675,264	2,479,662	2,766,082	90,818	3%	286,420	12%
Mechanical Maintenance	6,235,801	6,084,286	6,619,412	383,611	6%	535,126	9%
Facilities Maintenance	4,608,626	4,174,825	5,398,093	789,466	17%	1,223,267	29%
Rotating Equipment Maintenance	4,720,015	4,540,663	4,640,707	(79,308)	-2%	100,044	2%
Fleet Services	2,704,640	2,343,241	2,858,103	153,462	6%	514,862	22%
Asset Management	5,004,727	4,628,044	3,237,703	(1,767,023)	-35%	(1,390,340)	-30%
Corrosion Control	1,149,703	936,332	1,294,032	144,329	13%	357,700	38%
TOTAL OPERATIONS & MAINTENANCE	\$ 46,780,542	\$ 44,149,946	\$ 49,013,988	\$ 2,233,446	5%	\$ 4,864,043	11%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00
Asset Management Specialist I/II	2.00	2.00	1.00	1.00	2.00	2.00
Corrosion Control Supervisor	1.00	1.00	1.00	1.00	1.00	1.00
Corrosion Control Technician I/II	1.00	1.00	1.00	1.00	1.00	1.00
Director of Operations & Maintenance	1.00	1.00	1.00	1.00	1.00	1.00
Electrical/Instrumentation Supervisor	1.00	1.00	1.00	1.00	1.00	1.00
Electrical/Instrumentation Technician I/II	2.00	2.00	3.00	3.00	1.00	1.00
Facilities Services Technician	1.00	1.00	1.00	1.00	1.00	1.00
Fleet Mechanic I/II	2.00	2.00	2.00	2.00	2.00	2.00
Maintenance Technician	5.00	5.00	8.00	8.00	9.00	9.00
Maintenance Worker I/II	9.00	9.00	6.00	6.00	7.00	7.00
Management Analyst	2.00	2.00	2.00	2.00	2.00	2.00
Office Assistant I/II	0.50	0.50	0.50	0.50	0.50	0.50
Operations & Maintenance Manager	3.00	3.00	3.00	3.00	3.00	3.00
Principal Asset Management Specialist	1.00	1.00	1.00	1.00	1.00	1.00
Principal Water Resources Specialist ¹	1.00	1.00	1.00	0.00	0.00	0.00
Rotating Equipment Supervisor	1.00	1.00	1.00	1.00	1.00	1.00
Rotating Equipment Technician I/II	3.00	3.00	4.00	4.00	6.00	6.00
SCADA Specialist	2.00	2.00	1.00	1.00	2.00	2.00
SCADA Supervisor	1.00	1.00	1.00	1.00	1.00	1.00
Senior Asset Management Specialist ¹	0.00	0.00	0.00	1.00	1.00	1.00
Senior Corrosion Control Technician	1.00	1.00	1.00	1.00	1.00	1.00
Senior Electrical/Instrumentation Technician	4.00	4.00	2.00	2.00	4.00	4.00
Senior Fleet Mechanic	1.00	1.00	1.00	1.00	1.00	1.00
Senior Maintenance Technician	10.00	10.00	10.00	10.00	10.00	10.00
Senior Management Analyst ²	1.00	1.00	1.00	2.00	2.00	2.00
Senior Office Assistant	2.00	2.00	2.00	2.00	2.00	2.00
Senior Rotating Equipment Technician	5.00	5.00	5.00	5.00	3.00	3.00
Senior SCADA Specialist	1.00	1.00	2.00	2.00	2.00	2.00
Senior System Operator	10.00	10.00	8.00	8.00	8.00	8.00
Supervising Management Analyst	1.00	1.00	1.00	1.00	1.00	1.00
System Maintenance Supervisor	2.00	2.00	2.00	2.00	2.00	2.00
System Operator I/II	6.00	6.00	8.00	8.00	8.00	8.00
System Operations Supervisor	1.00	1.00	1.00	1.00	1.00	1.00
Water Resources Specialist ²	1.00	1.00	1.00	0.00	0.00	0.00
TOTAL	86.50	86.50	85.50	85.50	89.50	89.50

1. One Principal Water Resources Specialist was reclassified to a Senior Asset Management Specialist in Fiscal Year 2023.

2. One Water Resources Specialist was reclassified to a Senior Management Analyst in Fiscal Year 2023.



BUSINESS SERVICES

FOCUS AREA

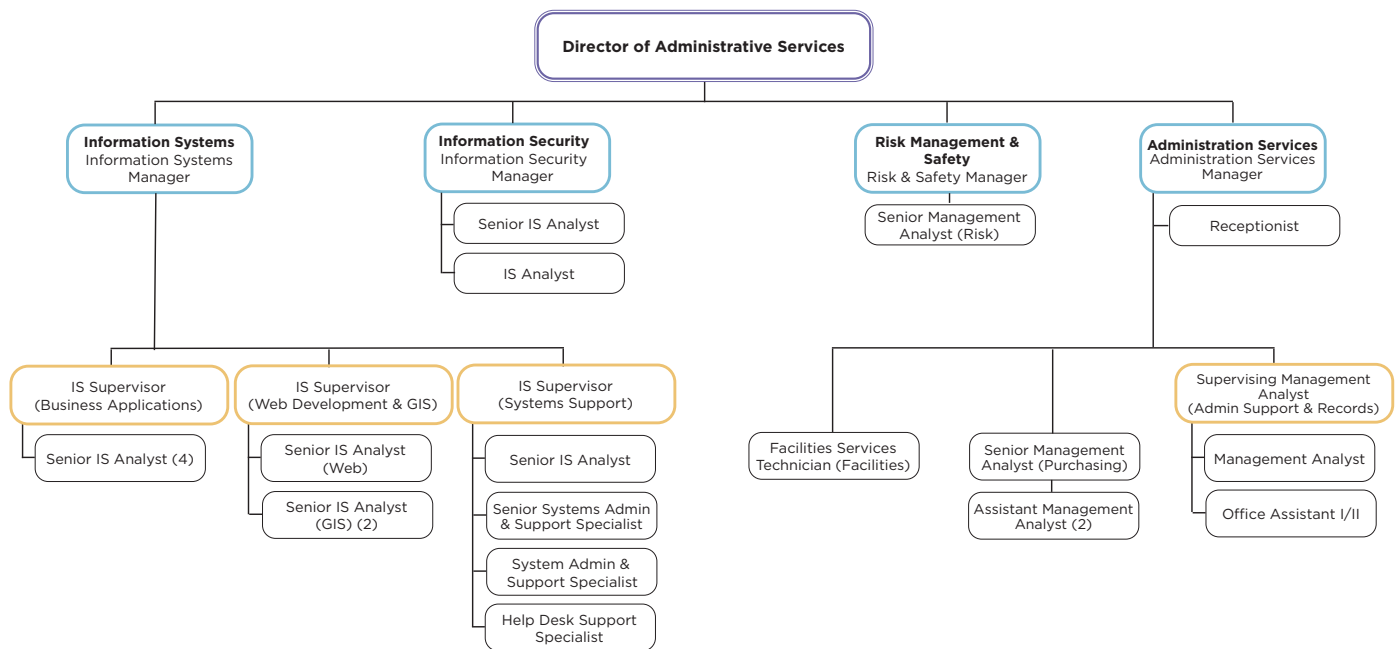
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Administrative Services Department

Overview

The Administrative Services Department provides services that support the efficient operations of the Water Authority. Its budget is divided into six divisions: Administration and Records, Purchasing, Information Systems, Information Security, Kearny Mesa Facilities, and Risk Management and Safety. Responsibilities include: administration of the records management program, management of the front desk reception, maintenance of critical computer and business software applications, maintenance and development of websites, online tools and software applications, acquisition and maintenance of computer hardware and cloud services, maintenance and development of Geographic Information Systems (GIS) datasets, audio and visual support for conference rooms and Board room, cybersecurity for the business network, facility management for the Kearny Mesa building and grounds, development of policies and procedures related to purchasing and regulatory compliance, procurement support for solicitation and contracts, administration of the Water Authority's agencywide safety program, emergency management planning, risk and claims management, and procurement and administration of the Water Authority's business insurance (including property, liability and workers compensation coverage).

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

The Administrative Services Department continued to deliver vital services to customer departments and achieve important milestones to improve business operations. The department provided crucial support to help the agency successfully respond and adapt to the COVID pandemic and transitioning the agency toward a hybrid work environment; enhancing cybersecurity measures to counter potential vulnerabilities from the increase in remote work; supplying protective supplies such as masks, hand sanitizer gels, sanitizing wipes, gloves, etc. and adjusting business systems to support modified operations including virtual Board meetings and employee check-in practices. Beyond the pandemic, the department continued to provide vital maintenance and support of the Water Authority's business network and software; carried out important cybersecurity updates, assessments, and improvements; completed several building maintenance and improvement projects; and optimized day-to-day operations through innovative technologies and methods to maintain the agility and adaptability of the agency. Specifically, the Administrative Services Department:

- ◆ Ensured compliance on all Water Authority procurements and contracts (while earning an Achievement of Excellence in Procurement Award from the National Procurement Institute).
- ◆ Continued to maintain cost-effective business insurance coverage.
- ◆ Transitioned the agency's invoice processing to an electronic process utilizing AdobeSign to achieve greater workflow efficiency and accommodate remote working.
- ◆ Prepared the Kearny Mesa Headquarters for the new hybrid work environment, including installation of touchless devices in bathrooms and implementation of a new employee check-in software to allow the option for contactless check-in and check-out.
- ◆ Strengthened cybersecurity measures, including security protocols for cloud-based authentication services, wireless network protections, and endpoint detection and response capabilities.
- ◆ Migrated information technology network services and data backup process to the cloud to gain operational efficiencies and enhance business continuity.
- ◆ Upgraded and replaced wireless systems for Kearny Mesa and Escondido facilities.
- ◆ Completed business network datacenter replacement and data migration project.
- ◆ Replaced key HVAC system components that have reached the end of their service life.
- ◆ Completed physical and policy improvements as needed to support the physical security of the Kearny Mesa headquarters and all staff, Board members and visitors present.
- ◆ Completed development of mobile Maximo maintenance management system for Operations and Maintenance staff use in the field.
- ◆ Working with Engineering, conducted successful negotiations for a five-year Project Labor Agreement to cover Capital Improvement Projects of \$1 million or more beginning in 2023.

- ◆ Completed the Grants Administration system.
- ◆ Upgraded the Contracting Bid System.
- ◆ Upgraded online portion of Board meetings to Zoom and added video to Livestream.
- ◆ Completed Online Water Ordering System Software upgrade.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The Administrative Services Department's Adopted Operating Budget for Fiscal Years 2024 and 2025 is \$17.1 million, a 17% increase over the previous two-year budget. The increase principally stems from several factors, including: the transfer of the Safety and emergency management programs, previously housed in Human Resources and Operations and Maintenance, into Administrative Services and the addition of a new Risk and Safety Manager position to handle those responsibilities; higher labor costs from forecasted increases in retirement contribution rates set by CalPERS; increases in expected business insurance premiums over the next two years; and increased costs related to supporting the Water Authority's business information systems and related cybersecurity measures, increased facility maintenance costs such as janitorial, landscaping and HVAC support, and enhanced safety-related services, training and permitting costs required to comply with Cal/OSHA and other regulatory requirements.

Initiatives

- ◆ Strengthen Water Authority safety training program, particularly for high exposure/ high consequence related tasks (e.g., confined space entry, fall protection).
- ◆ Migrate Oracle database servers to a virtual environment.
- ◆ Upgrade internet service provider and local network infrastructure to improve reliability.
- ◆ Complete upgrade of OnBase electronic document management system from current to latest software version, including a potential migration to the cloud.
- ◆ Complete a review and update of the Water Authority's Records Retention Schedule to ensure it aligns with current legal requirements and meets Water Authority business needs.
- ◆ Complete analysis of the Kearny Mesa facility's video surveillance needs and implement recommended solution.
- ◆ Implement and maintain high-priority information security measures based on the NIST Cybersecurity Framework and the Center for Internet Security's critical controls.
- ◆ Streamline internal support software by implementing Maximo for Service Desk functionality for information systems and Kearny Mesa facility.
- ◆ Update Board room audio/visual equipment capabilities to enhance public accessibility and transparency for remote participation.
- ◆ Transition to Teams domestic calling licenses to improve communication flexibility and availability.

- ◆ Complete Core Switch Network equipment updates to the business systems network.
- ◆ Complete projects that help maintain Kearny Mesa buildings and grounds assets and promote a productive working environment.
- ◆ Maintain safety and environmental regulatory compliance (e.g., CUPA, DOT, Cal/OSHA).
- ◆ Evaluate coverages and competitively renew business insurance policies.
- ◆ Ensure compliance on all Water Authority procurements and contracts.

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ Overall, the Administrative Services Department's Labor and Benefits increased by \$914,630, or 8%, from the previous two-year budget. The net increase is the result of a combination of increases in different areas of the Labor and Benefits budget as well as the transfer of the Safety Division from Human Resources.
 - The Safety and Emergency Management programs were transferred from Human Resources and Operations and Maintenance into a new division, Risk Management and Safety, under Administrative Services.
 - The Safety Officer position was transferred in from Human Resources and reclassified to a Risk and Safety Manager position to manage the new Risk Management and Safety division.
 - One Senior Management Analyst position was transferred from Purchasing to Risk Management and Safety.
- ◆ Cybersecurity has been separated from the Information Technology division and is now a standalone division. The Information Security Officer position was transferred from the Administration and Records division to Cybersecurity. One Senior Information Systems Analyst, and one Information Systems Analyst position were transferred from the Information Technology division to Cybersecurity.
- ◆ One Senior Management Analyst position was moved from the Administration and Records division to Purchasing.
- ◆ The Administrative Services Manager position, previously budgeted in the Purchasing division, has been split evenly between Administration, Purchasing, and Facilities Services.

- ◆ The Services category budget increased by \$1.1 million, or 40%, due to several factors, the most prominent of which is the addition of all the services related to the Safety division and the need to utilize consulting services for assisting with advanced development services for the PeopleSoft HR application. Additional reasons include essential maintenance projects such as completing seal coating on the employee and visitor parking lots and inflationary costs for standard services such as landscaping, janitorial and HVAC support; implementing cybersecurity efforts to stay aligned with best practices and satisfy insurance, rating agency and investor standards; and annual increases in the cost of key enterprise-wide applications including Office 365, Oracle, Maximo, and OnBase software and services. This increase also includes three new significant budget initiatives to address evolving workplace, security, and employee safety requirements.
- ◆ The Supplies category budget increased by \$80,092, or 29%, largely due to the addition of supplies related to Safety programs.
- ◆ The Utilities category budget has decreased \$18,040, or 6%, due to transitioning to a new, combined plan for internet and wide area network services.
- ◆ The Insurance category budget increased by \$965,137, or 42%. This reflects an adjustment to forecasted workers' compensation premiums that took place at the midpoint of the current budget cycle and an estimated 10% increase in premiums year over year for the Water Authority's package of property, liability, and workers' compensation coverage.
- ◆ Leases and Rents decreased by \$13,190, or 6%, which reflects a reduction in the number of leased copy machines agencywide.
- ◆ The Other category budget increased by \$122,341, or 140%. This is due to the addition of permitting and other related costs included in the Risk Management and Safety division and restoring training for new employees and technical staff throughout the department to pre-pandemic levels.
- ◆ Fixed Asset costs were removed, resulting in a decrease of \$7,840, or 100%, due to moving business network security hardware equipment replacement costs into the Equipment Replacement Fund budget.

Administrative Services by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 7,539,144	\$ 7,162,270	\$ 8,062,549	\$ 523,404	7%	\$ 900,278	13%
Benefits	4,325,879	3,793,540	4,717,104	391,226	9%	923,565	24%
Labor & Benefits Total	\$ 11,865,023	\$ 10,955,810	\$ 12,779,653	\$ 914,630	8%	\$ 1,823,843	17%
Direct Charges to CIP/Grants	-	-	-	-	0%	-	0%
Operating Labor & Benefits	\$ 11,865,023	\$ 10,955,810	\$ 12,779,653	\$ 914,630	8%	\$ 1,823,843	17%
Services	2,860,292	2,835,861	3,998,211	1,137,919	40%	1,162,350	41%
Supplies	276,143	209,840	356,235	80,092	29%	146,395	70%
Utilities	290,392	285,620	272,352	(18,040)	-6%	(13,268)	-5%
Insurance	2,319,969	2,562,482	3,285,106	965,137	42%	722,624	28%
Leases & Rents	217,280	101,508	204,090	(13,190)	-6%	102,582	101%
Other	87,636	70,634	209,977	122,341	140%	139,343	197%
Fixed Assets	7,840	7,834	-	(7,840)	-100%	(7,834)	-100%
Non Personnel Total	\$ 6,059,552	\$ 6,073,778	\$ 8,325,971	\$ 2,266,418	37%	\$ 2,252,193	37%
Total	\$ 17,924,575	\$ 17,029,588	\$ 21,105,623	\$ 3,181,048	18%	\$ 4,076,036	24%
Capitalized Overhead	(3,337,267)	(3,261,920)	(3,999,237)	(661,970)	20%	(737,317)	23%
GRAND TOTAL	\$ 14,587,308	\$ 13,767,668	\$ 17,106,386	\$ 2,519,078	17%	\$ 3,338,718	24%

Administrative Services by Division

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Administration and Records	\$ 2,925,332	\$ 2,551,200	\$ 2,266,867	\$ (658,466)	-23%	\$ (284,334)	-11%
Purchasing	3,074,495	3,217,996	1,068,787	(2,005,707)	-65%	(2,149,208)	-67%
Information Technology	7,818,379	7,309,838	7,062,383	(755,996)	-10%	(247,455)	-3%
Cybersecurity	-	-	1,906,140	1,906,140	0%	1,906,140	0%
Risk and Safety	-	-	3,946,907	3,946,907	0%	3,946,907	0%
Facilities Services	769,102	688,634	855,302	86,200	11%	166,668	24%
TOTAL ADMINISTRATIVE SERVICES	\$ 14,587,308	\$ 13,767,668	\$ 17,106,386	\$ 2,519,078	17%	\$ 3,338,718	24%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Administrative Assistant	1.00	1.00	0.00	0.00	0.00	0.00
Administrative Services Manager	1.00	1.00	1.00	1.00	1.00	1.00
Assistant Management Analyst ¹	1.00	1.00	2.00	2.00	2.00	2.00
Director of Administrative Services	1.00	1.00	1.00	1.00	1.00	1.00
Facilities Services Technician	1.00	1.00	1.00	1.00	1.00	1.00
Help Desk Support Specialist	1.00	1.00	1.00	1.00	1.00	1.00
Information Security Manager ²	1.00	1.00	1.00	1.00	1.00	1.00
Information Systems Analyst	1.00	1.00	1.00	1.00	1.00	1.00
Information Systems Manager	1.00	1.00	1.00	1.00	1.00	1.00
Information Systems Supervisor	3.00	3.00	3.00	3.00	3.00	3.00
Management Analyst	1.00	1.00	1.00	1.00	1.00	1.00
Office Assistant I/II	0.00	0.00	0.00	0.00	1.00	1.00
Purchasing Technician I/II ¹	1.00	1.00	0.00	0.00	0.00	0.00
Receptionist	1.00	1.00	1.00	1.00	1.00	1.00
Risk and Safety Manager ³	0.00	0.00	0.00	0.00	1.00	1.00
Senior Information Systems Analyst	9.00	9.00	9.00	9.00	9.00	9.00
Senior Management Analyst	1.00	1.00	2.00	2.00	2.00	2.00
Senior Systems Administration & Support Specialist ⁴	0.00	0.00	0.00	1.00	1.00	1.00
Senior Office Assistant ²	1.00	1.00	1.00	1.00	0.00	0.00
Supervising Management Analyst	1.00	1.00	1.00	1.00	1.00	1.00
Systems Administration & Support Specialist ⁴	2.00	2.00	2.00	1.00	1.00	1.00
TOTAL	30.00	30.00	29.00	29.00	30.00	30.00

1. One Purchasing Technician I was reclassified to Assistant Management Analyst in Fiscal Year 2022.

2. One Information Security Manager was retitled from Information Security Officer.

3. One Safety Office was reclassified to Risk and Safety Manager and transferred from the Human Resources department effective in Fiscal Year 2024.

4. One Systems Administration and Support Specialist was reclassified to Senior Systems Administration and Support Specialist in Fiscal Year 2023.

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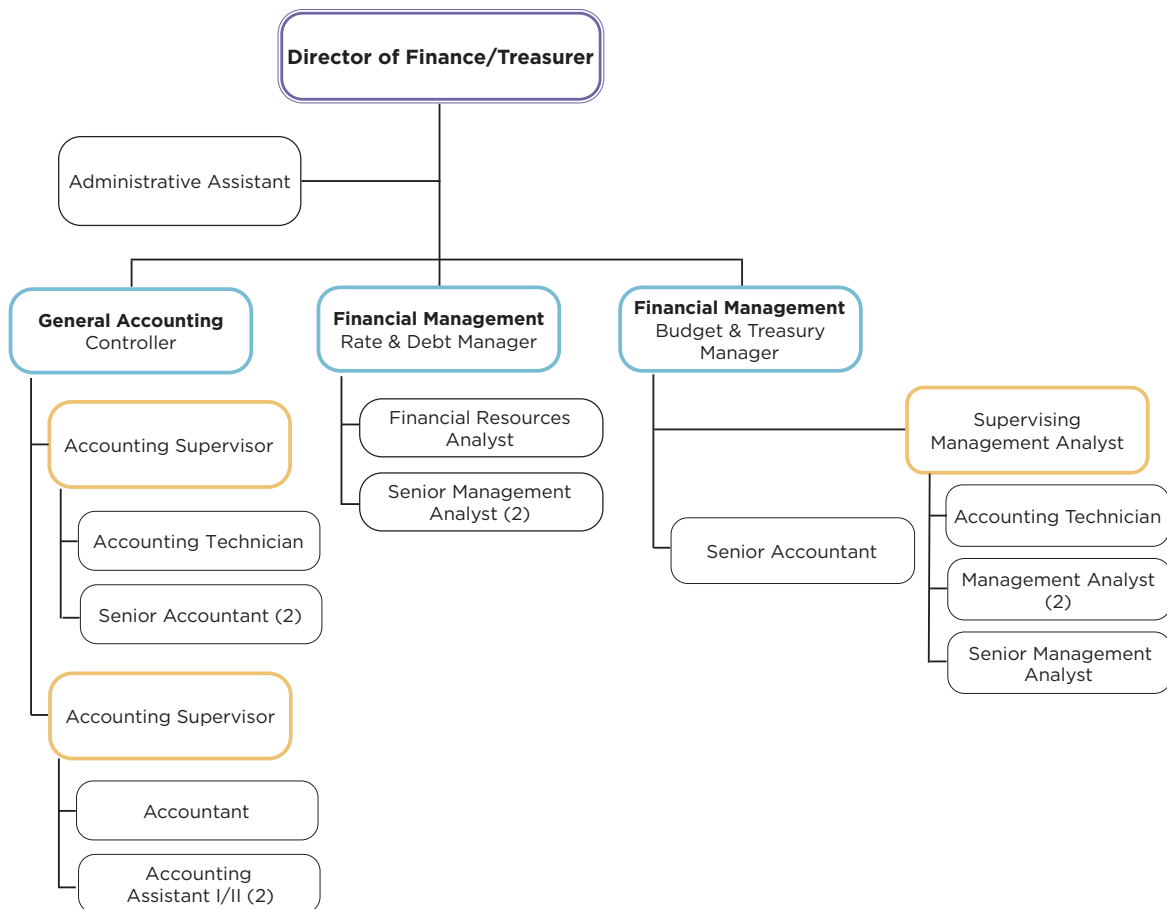
Finance Department

Overview

The Finance Department is responsible for supporting the mission of the Water Authority, the Board of Directors, management, employees, and other stakeholders by providing innovative, proactive, and strategic financial management. Central to achieving this mission is ensuring there are adequate internal financial controls in place and that financial reports are accurate, timely, and in accordance with accounting standards.

The General Accounting division is responsible for the functional management of the PeopleSoft financial system, accounts payable/receivable, capital project accounting, internal controls, monthly financials, the Board of Directors' Audit Committee, grant accounting and reporting, and the Annual Comprehensive Financial Report (ACFR). The Financial Management division is responsible for the Water Authority's multi-year budget, payroll, long-range financial planning, debt management, credit rating, investor relations, rates and charges, and the investment of funds. The department also provides support for specific programs, including Seawater Desalination, Metropolitan Water District (MWD), and Colorado River Program (CRP), as well as Water Authority executive management.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

- ◆ The San Diego County Water Authority successfully sold \$170 million in tax-exempt bonds despite challenging market conditions (Business Objective No. 8 under Business Services: Financial Management).
- ◆ All three major rating agencies – Fitch, Moody’s, and Standard & Poors – have affirmed the San Diego County Water Authority’s strong credit ratings, which will help the Water Authority optimize its debt portfolio and minimize the cost of financing important water reliability projects. Additionally, Standard & Poors revised the long-term outlook from negative to stable.
- ◆ Completed the updated Long-Range Financing Plan to support the long-term fiscal sustainability of the Water Authority (Business Objective No. 1 under Business Services: Financial Management).
- ◆ Board adopted a Budget Policy to assist the Water Authority in achieving current and future goals in fiscal responsibility, sustainability, and affordability.
- ◆ Developed the Water Authority’s first five-year financial forecast for budget and rates in support of the fiscal sustainability of the Water Authority.
- ◆ Awarded the California Municipal Treasurers Association (CMTA) Investment Policy Certification for the Water Authority’s Investment Policy.
- ◆ Awarded the Certification of Achievement for Distinguished Budget Presentation for the Multi-Year Budget for the 25th consecutive year from the Governmental Finance Officers Association (GFOA).
- ◆ Awarded the Operating Budget Excellence Award from the California Society of Municipal Finance Officers for the Fiscal Years 2022 and 2023 Budget, an award received consistently since 2000.
- ◆ Director of Finance, Lisa Marie Harris, named CFO of the Year in the Public Sector by the San Diego Business Journal March 2022.
- ◆ For the 22nd consecutive year, the Government Finance Officers Association awarded the Finance Department a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR). This most recent award was for the Water Authority’s June 30, 2021 ACFR.
- ◆ Representation and participation on committees of the California Society of Municipal Finance Officers (CSMFO), Women in Public Finance (WPF), Government Finance Officers Association (GFOA), and the California Municipal Treasurers Association (CMTA). (Business Objective No. 3 under Business Services: Financial Management).
- ◆ Implemented the Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

- ◆ Accounting Team completed a payable vendor master file review resulting in the inactivation of 2,500 vendors, updating of individual records, implementation of security features and fraud prevention measures, distribution of daily reports to management, and original vendor documents being converted to electronic copies.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The Finance Department's Adopted Operating Budget for Fiscal Years 2024 and 2025 is \$7.6 million, a \$338,903, or 5% increase over the previous two-year budget. This change is primarily a result of increases in labor and benefit costs, with the addition of three new full-time equivalents. Non-personnel expenses increased due to increasing service costs and funding for travel and training, restoring to pre-COVID levels.

Initiatives

- ◆ Complete a cost-of-service study for Calendar Years 2024 and 2025.
- ◆ Work with the Member Agency Rate Workgroup (MARW), Finance Planning Work Group (FPWG), the Board, and Rate Consultant(s) to evaluate potential changes to the Water Authority's existing rates and charges and implement a new rate design to address revenue volatility (risk) and impacts of forecasted local supply projects. (Business Objective No. 10 under Business Services: Financial Management).
- ◆ Advocate Water Authority position through participation in two industry conferences per year via speaking engagements and achieve membership in industry committees and boards, such as California Society of Municipal Finance Officers, Government Finance Officers Association, Bond Buyer, and the California Municipal Treasurer's Association. (Business Objective No. 5 under Business Services: Financial Management).
- ◆ Evaluate and implement new budget and financial planning software for improved transparency and efficiency in reporting the budget and five-year financial forecast. (Business Objective No. 6 under Business Services: Financial Management).
- ◆ Proactively manage the debt portfolio to achieve level debt services payments and minimize debt payment spikes. (Business Objective No. 7 under Business Services: Financial Management).
- ◆ Implement improvements, including connected PowerBI reports for water sales and uses, and maintain Data Archival and Invoicing System (DAIS) to ensure timely updates, cybersecurity, and smooth water billing processes. (Business Objective No. 8 under Business Services: Financial Management).
- ◆ Invest the Water Authority's portfolio to meet the objectives of safety, liquidity, and yield while striving to equal or exceed the market yield index performance benchmark for the consolidated investment portfolio. (Business Objective No. 9 under Business Services: Financial Management).
- ◆ Complete the Inaugural Environmental, Social and Governance (ESG) Report to emphasize the Water Authority's commitment to environmental and economic sustainability, business ethics, and best management practices.

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ In Fiscal Year 2023, three full-time equivalents (FTE) were added to the Finance department during midterm adjustments per Board Direction. This includes one Financial Resources analyst, one Supervising Management Analyst, and one Accounting Assistant II which was reinstated after being previously eliminated.
- ◆ The Services category budget has decreased by \$262,400, or 18%, mainly due to reduced Professional Services including the Cost of Service Study and Third Party Cost of Service Review.
- ◆ The Other category budget has increased by \$72,593, or 121%, mainly due to the increased cost of training, travel, conferences, and membership dues.

Finance by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 5,239,282	\$ 5,180,123	\$ 5,689,183	\$ 449,901	9%	\$ 509,059	10%
Benefits	2,959,988	2,820,741	3,406,459	446,471	15%	585,718	21%
Labor & Benefits Total	\$ 8,199,270	\$ 8,000,864	\$ 9,095,642	\$ 896,372	11%	\$ 1,094,778	14%
Direct Charges to CIP/Grants	-	-	-	-	-	-	-
Operating Labor & Benefits	\$ 8,199,270	\$ 8,000,864	\$ 9,095,642	\$ 896,372	11%	\$ 1,094,778	14%
Services	1,434,410	1,091,003	1,172,010	(262,400)	-18%	81,007	7%
Supplies	23,000	36,007	17,100	(5,900)	-26%	(18,907)	-53%
Utilities	200	-	-	(200)	-100%	-	-
Insurance	-	-	-	-	-	-	-
Leases & Rents	-	-	-	-	-	-	-
Other	60,190	76,308	132,783	72,593	121%	56,475	74%
Fixed Assets	-	-	-	-	-	-	-
Non Personnel Total	\$ 1,517,800	\$ 1,203,318	\$ 1,321,893	\$ (195,907)	-13%	\$ 118,575	10%
Total	\$ 9,717,070	\$ 9,204,182	\$ 10,417,535	\$ 700,465	7%	\$ 1,213,353	13%
Capitalized Overhead	(2,423,178)	(2,509,507)	(2,784,740)	(361,562)	15%	(275,233)	11%
GRAND TOTAL	\$ 7,293,892	\$ 6,694,675	\$ 7,632,795	\$ 338,903	5%	\$ 938,120	14%

Finance by Division

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
General Accounting	\$ 2,678,639	\$ 2,498,309	\$ 2,820,563	\$ 141,924	5%	\$ 322,254	13%
Financial Management	4,615,253	4,196,366	4,812,232	196,978	4%	615,866	15%
TOTAL FINANCE	\$ 7,293,892	\$ 6,694,675	\$ 7,632,795	\$ 338,903	5%	\$ 938,120	14%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Accountant ¹	1.00	1.00	0.00	1.00	1.00	1.00
Accounting Assistant I/II	2.00	2.00	2.00	2.00	2.00	2.00
Accounting Supervisor	2.00	2.00	2.00	2.00	2.00	2.00
Accounting Technician	2.00	2.00	2.00	2.00	2.00	2.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00
Assistant Management Analyst	1.00	1.00	1.00	0.00	0.00	0.00
Budget & Treasury Manager	1.00	1.00	1.00	1.00	1.00	1.00
Controller	1.00	1.00	1.00	1.00	1.00	1.00
Director of Finance/Treasurer	1.00	1.00	1.00	1.00	1.00	1.00
Financial Resources Analyst ¹	0.00	0.00	0.00	1.00	1.00	1.00
Management Analyst	1.00	1.00	1.00	2.00	2.00	2.00
Rate & Debt Manager	1.00	1.00	1.00	1.00	1.00	1.00
Senior Accountant	3.00	3.00	3.00	3.00	3.00	3.00
Senior Management Analyst	2.00	3.00	3.00	3.00	3.00	3.00
Supervising Management Analyst ¹	0.00	0.00	0.00	1.00	1.00	1.00
TOTAL	19.00	20.00	19.00	22.00	22.00	22.00

1. In Fiscal Year 2023, the Board authorized the addition of one Supervising Management Analyst, one Financial Resources Analyst, and the reinstatement of one Accountant.

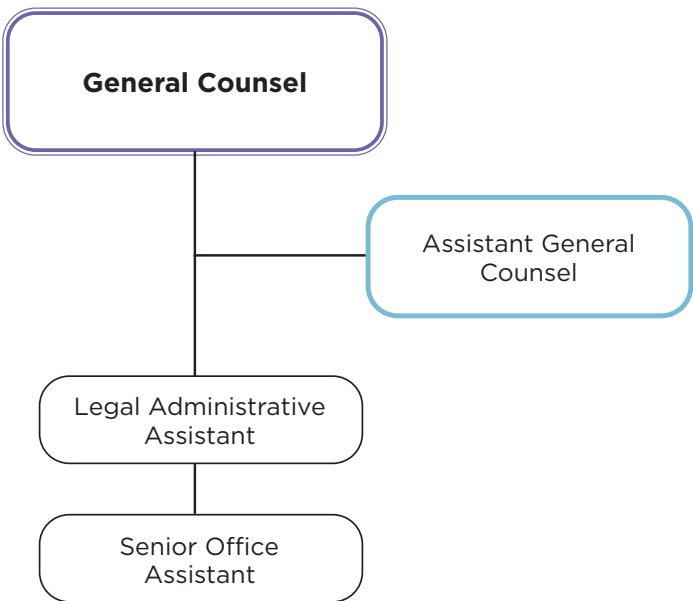
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General Counsel

Overview

The General Counsel is the chief legal officer of the Water Authority. In accordance with Chapter 2.08 of the Administrative Code, the General Counsel manages the legal affairs of the Water Authority, supervises special counsel, and provides a full range of legal services to the Board and Water Authority staff in the performance of official duties. The General Counsel advises the Board and General Manager on a wide range of emerging, complicated legal issues as they arise at the Water Authority. The General Counsel's office ensures that Water Authority business is conducted according to all applicable state, federal, and local laws; provides legal support to assist the accomplishment of the Water Authority's policy goals and objectives; and may represent the Water Authority, its officers and employees in litigation and administrative proceedings.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

- ◆ Achieved favorable appellate upholding trial court ruling in MWD rate cases, plus fees and costs.
- ◆ Achieved favorable summary adjudication ruling that MWD is subject to Proposition 26.
- ◆ Completed MWD trial on offsetting benefits issue.
- ◆ Achieved dismissal of Water Authority in Kessner lawsuit challenging Water Authority rates.
- ◆ Developed major detachment filings for Water Authority at San Diego Local Agency Formation Commission.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The General Counsel's Adopted Operating Budget for Fiscal Years 2024 and 2025 is \$6 million, a 47% decrease compared to the previous two-year budget, mainly due to a reduction in Services.

Initiatives

- ◆ Support the Water Authority's settlement efforts with the Metropolitan Water District over its improperly allocated rates in accordance with Board direction.
- ◆ Efficiently and effectively manage litigation serviced by outside counsel.
- ◆ Protect Water Authority rights in detachment proceeding at Local Agency Formation Commission.
- ◆ Expeditiously process claims filed against the Water Authority.
- ◆ Provide in-house counsel services to the Board and Water Authority departments in accordance with Chapter 2.08 of the Administrative Code.

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ The Services category budget decreased by \$5.4 million, or 55%. The reduction results from an adopted \$5.7 million budget during the previous two-year budget and then amended by \$4.2 million for a total budget of \$9.9 million in Fiscal Year 2022, in order to support the MWD case. It should be noted that the MWD rate case budget (the majority of the Services category) for outside litigation counsel has been reduced from the previous two-year budget. However, if there is an appeal from the recent trial court's decision, or other litigation activity resulting from other issues, this portion of the budget would potentially require an increase.

- ◆ The Other category budget increased by \$25,545 or 93%. This is due to restoring travel costs to pre-COVID levels along with training and development opportunities for new employees.

General Counsel by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 1,396,534	\$ 1,380,065	\$ 1,478,987	\$ 82,453	6%	\$ 98,921	7%
Benefits	718,733	634,184	811,416	92,683	13%	177,233	28%
Labor & Benefits Total	\$ 2,115,266	\$ 2,014,249	\$ 2,290,403	\$ 175,137	8%	\$ 276,154	14%
Direct Charges to CIP/Grants	-	-	-	-	0%	-	0%
Operating Labor & Benefits	\$ 2,115,266	\$ 2,014,249	\$ 2,290,403	\$ 175,137	8%	\$ 276,154	14%
Services	9,900,700	9,900,700	4,484,100	(5,416,600)	-55%	(5,416,600)	-55%
Supplies	39,580	39,580	39,800	220	1%	220	1%
Utilities	-	-	-	-	0%	-	0%
Insurance	300	300	300	-	0%	-	0%
Leases & Rents	-	-	-	-	0%	-	0%
Other	27,355	27,355	52,900	25,545	93%	25,545	93%
Fixed Assets	-	-	-	-	0%	-	0%
Non Personnel Total	\$ 9,967,935	\$ 9,967,935	\$ 4,577,100	\$ (5,390,835)	-54%	\$ (5,390,835)	-54%
Total	\$ 12,083,201	\$ 11,982,184	\$ 6,867,503	\$ (5,215,698)	-43%	\$ (5,114,681)	-43%
Capitalized Overhead	(744,085)	(778,706)	(823,640)	(79,555)	11%	(44,934)	6%
GRAND TOTAL	\$ 11,339,116	\$ 11,203,478	\$ 6,043,863	\$ (5,295,253)	-47%	\$ (5,159,615)	-46%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Assistant General Counsel	1.00	1.00	1.00	1.00	1.00	1.00
General Counsel	1.00	1.00	1.00	1.00	1.00	1.00
Legal Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00
Office Assistant I/II	1.00	0.00	0.00	0.00	0.00	0.00
Senior Office Assistant	0.00	1.00	1.00	1.00	1.00	1.00
TOTAL	4.00	4.00	4.00	4.00	4.00	4.00

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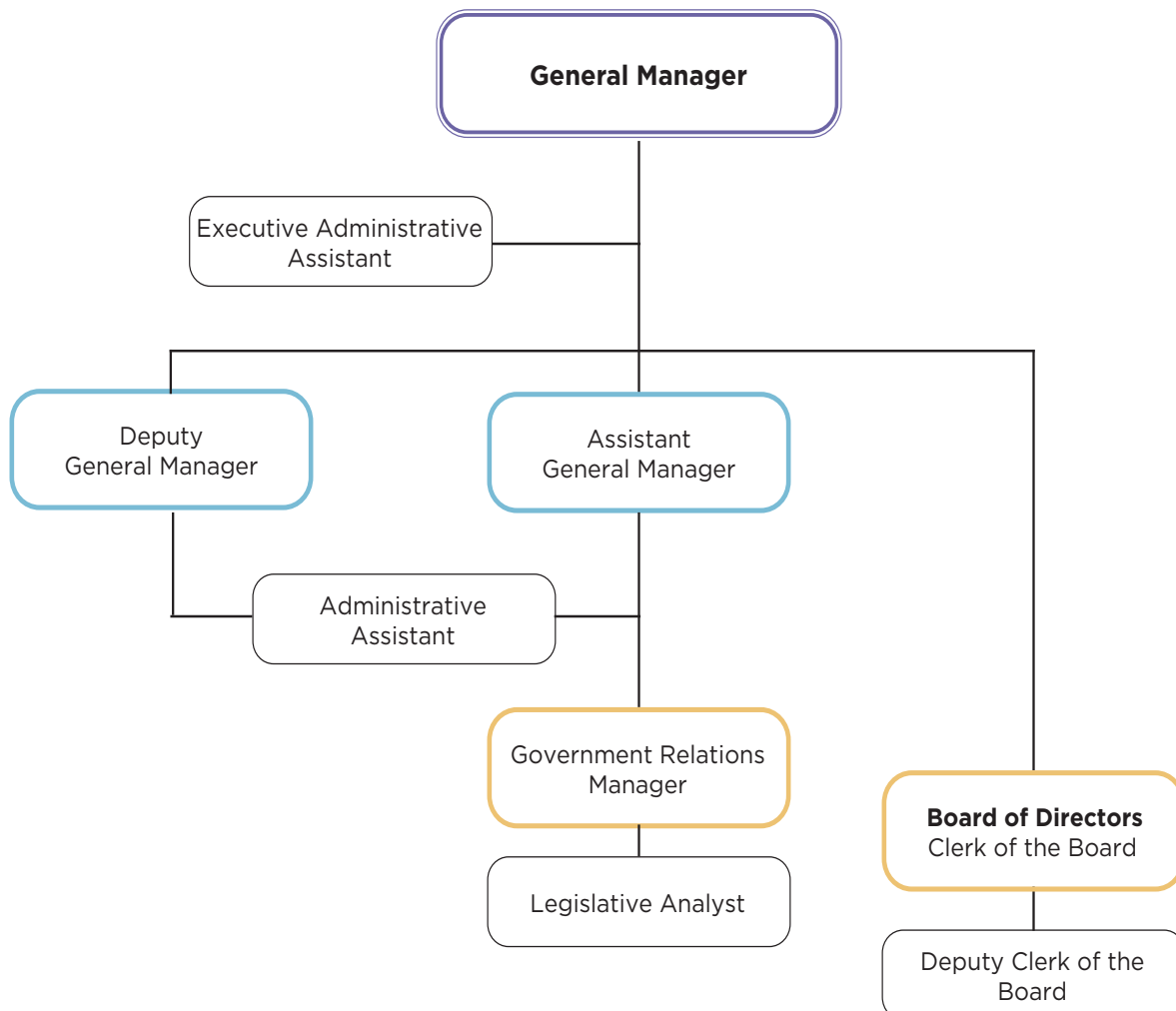
General Manager and Board of Directors

Overview

The General Manager's Office manages and directs the activities of the Water Authority and provides the overall vision of the organization to its employees. In particular, the office implements the Board's Strategic Plan and policies through programs in the Business Plan; oversees the Water Authority's extensive infrastructure system; communicates and advocates adopted policy positions and programs of the Water Authority to local, state and federal officials and agencies; and provides assistance to the Board of Directors.

This department also contains the direct expenses of the Board of Directors and the Clerk of the Board and the Government Relations Department. The Clerk of the Board maintains the legislative history of the Board of Directors' action, preserves the permanent records, and facilitates the publishing and posting of agenda in accordance with the California Government Code "Brown Act." The Government Relations division evaluates proposed legislation that may affect the Water Authority and provides guidance to the Board based on the Legislative Policy Guidelines.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

- ◆ Made significant progress in Energy Storage projects, including securing \$18 million from the State of California for the San Vicente Energy Storage Facility to advance the large-scale renewable energy project through the initial design, environmental reviews and the federal licensing process.
- ◆ Updated the Innovation Program Manual to reflect accomplishments and early program revisions.
- ◆ Co-sponsored legislation to require the Department of Water Resources to research, develop, and implement new models and decision support systems to improve predictions of atmospheric rivers and their impacts on water supply, flooding, post-wildfire debris flows, and environmental conditions.
- ◆ Advocated for assistance for low-income households when paying their water bills, resulting in more than \$25 million in assistance for the region.
- ◆ Continued active engagement with member agencies to facilitate their priorities in the region and with the Water Authority.
- ◆ Continued conducting employee surveys as part of a larger effort to integrate different generations of employees, embrace the diversity of the agency's workforce and empower all employees to reach their full potential. Engaged with the State Administration to help shape the Governor's Water Resilience Portfolio recommendations.
- ◆ Continued participation and leadership in several regional programs benefitting member agencies and local workers:
- ◆ Facilitated San Diego Water Works, a regional consortium of Water Authority member agencies working together with local educational institutions to ensure that the San Diego region will have the workforce to fill mission critical positions in the water industry.
- ◆ Participated in the SkillBridge program, a Department of Defense program that tap into the expertise of transitioning Service members through internships.
- ◆ Facilitated the distribution of a rebate of \$90 million to member agencies from the successful litigation challenging rates charged by the Water Authority's wholesaler.
- ◆ Paperless processing of Board Memos, Agenda Packets and Board member per diem claims.
- ◆ Partnered with the Southern California Water Committee to create a Colorado River webinar that included a diverse panel of Colorado River stakeholders to discuss challenges facing the river and collaborated approach to ensure it can continue to meet the needs of all who depend on it.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The General Managers and Board of Director's Adopted Operating Budget for Fiscal Years 2024 and 2025 is \$8.0 million, a \$2.8 million, or 54% increase over the prior two-year budget. This change is primarily a result of the transfer of the Government Relations Department into the General Managers department, which was previously a standalone department.

Initiatives

- ◆ Strengthen relationships with the San Diego local, state, and federal legislative delegations, other key legislators, legislative staff, and the state and federal administrations.
- ◆ Sponsor, co-sponsor, and promote legislation that positively impacts the region and conveys San Diego's role as a statewide water community leader.
- ◆ Engage and influence relevant legislation, regulatory matters, and funding requests in the Legislature, Congress, and state and federal administrations.
- ◆ Facilitate active staff engagement by executive and senior management in the community to promote an understanding of the Water Authority and water issues in region and State.
- ◆ Continue efforts to advocate for water affordability through increased federal and state funding of infrastructure and low-income assistance programs.
- ◆ Working with staff, the Board of Directors will engage in a collaborative process to develop long range goals regarding water supply reliability beyond 2035.
- ◆ Continue to address employee engagement with additional engagement surveys, discussions, and focus groups.
- ◆ Continue efforts to obtain a storage account in Lake Mead, which would provide additional drought-resilience for the San Diego region and benefit the entire Colorado River Basin by increasing the elevation of Lake Mead.

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ Overall, the General Manager's Labor and Benefits increased by \$1,108,358 or 24%, from the previous two-year budget. The net increase is the result of transferring the Government Relations Department into a division within the General Managers Department, which included two full-time equivalents.

- ◆ The Services category budget increased by \$1,633,177, or 149%, mainly due to the increase in Professional Lobbyist Services from the Government Relations Department transfer.
- ◆ The Supplies category budget increased by \$15,409, or 248%, mainly due to the increase in Office Supplies and Books and Subscriptions from the Government Relations Department transfer.
- ◆ The Other category budget increased by \$213,708, or 37%, mainly due to restoring travel and training back to pre-COVID levels. Additionally, there are forecasted increases to mileage and memberships costs.

General Manager and Board of Directors by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 3,175,772	\$ 3,136,259	\$ 3,798,400	\$ 622,629	20%	\$ 662,141	21%
Benefits	1,482,220	1,458,039	1,967,949	485,729	33%	509,911	35%
Labor & Benefits Total	\$ 4,657,992	\$ 4,594,298	\$ 5,766,350	\$ 1,108,358	24%	\$ 1,172,052	26%
Direct Charges to CIP/Grants	-	-	-	-	0%	-	0%
Operating Labor & Benefits	\$ 4,657,992	\$ 4,594,298	\$ 5,766,350	\$ 1,108,358	24%	\$ 1,172,052	26%
Services	1,095,111	1,032,302	2,728,288	1,633,177	149%	1,695,986	164%
Supplies	6,209	3,841	21,618	15,409	248%	17,777	463%
Utilities	3,000	2,523	2,050	(950)	-32%	(473)	-19%
Insurance	-	-	-	-	0%	-	0%
Leases & Rents	-	-	-	-	0%	-	0%
Other	573,298	544,579	787,006	213,708	37%	242,427	45%
Fixed Assets	-	-	-	-	0%	-	0%
Non Personnel Total	\$ 1,677,618	\$ 1,583,245	\$ 3,538,962	\$ 1,861,344	111%	\$ 1,955,717	124%
Total	\$ 6,335,610	\$ 6,177,543	\$ 9,305,312	\$ 2,969,702	47%	\$ 3,127,769	51%
Capitalized Overhead	(1,150,486)	(1,242,547)	(1,322,770)	(172,284)	15%	(80,223)	6%
GRAND TOTAL	\$ 5,185,124	\$ 4,934,996	\$ 7,982,542	\$ 2,797,418	54%	\$ 3,047,546	62%

General Manager and Board of Directors by Division

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
GM Administration	\$ 3,640,063	\$ 3,501,419	\$ 3,887,302	\$ 247,239	7%	\$ 385,883	11%
Board of Directors	1,545,061	1,433,576	1,675,944	130,883	8%	242,368	17%
Governmental Relations	-	-	2,419,296	2,419,296	0%	2,419,296	0%
TOTAL GENERAL MANAGERS & BOD	\$ 5,185,124	\$ 4,934,996	\$ 7,982,542	\$ 2,797,418	54%	\$ 3,047,546	62%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00
Assistant General Manager	1.50	1.00	1.00	1.00	1.00	1.00
Clerk of the Board	1.00	1.00	1.00	1.00	1.00	1.00
Deputy Clerk of the Board	1.00	1.00	1.00	1.00	1.00	1.00
Deputy General Manager	1.00	1.00	1.00	1.00	1.00	1.00
Executive Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00
General Manager	1.00	1.00	1.00	1.00	1.00	1.00
Government Relations Manager ^{1,2}	1.00	0.00	1.00	1.00	1.00	1.00
Human Resources Analyst ¹	1.00	0.00	0.00	0.00	0.00	0.00
Human Resources Assistant ¹	1.00	0.00	0.00	0.00	0.00	0.00
Human Resources Manager ¹	1.00	0.00	0.00	0.00	0.00	0.00
Legislative Analyst ^{1,2}	1.00	0.00	1.00	1.00	1.00	1.00
Safety Officer ¹	1.00	0.00	0.00	0.00	0.00	0.00
Senior Human Resources Analyst ¹	1.00	0.00	0.00	0.00	0.00	0.00
TOTAL	14.50	7.00	9.00	9.00	9.00	9.00

1. In Fiscal Year 2021 Human Resources and Government Relations were moved from the General Manager and Board of Directors department.

2. In Fiscal Year 2022, Government Relations was moved to the General Manager and Board of Directors department.

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Human Resources Department

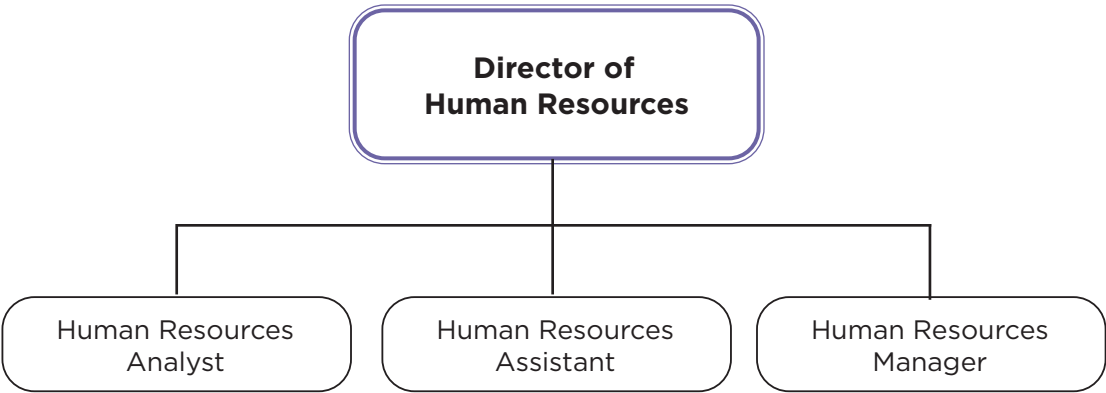
Overview

The Human Resources department is committed to continually moving the organization to a higher level of performance and fostering a truly connected and engaged workplace. Training and development, recruitment and selection, performance management, compensation and benefits, employee and labor relations, and employee wellness are the significant program areas of the Human Resources department.

The department’s primary objectives include compliance with federal and state mandates, increasing efficiency and effectiveness through process improvement, and delivering exceptional service.

The department’s objectives serve to support a high-performance work culture that executes the organizational vision as defined by the General Manager’s Office.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

- ◆ Facilitated the recruitment and onboarding of 54 full-time new hires and 45 internal promotions.
- ◆ Reached agreement with the Teamsters Local 911 Unit representing the three bargaining units (Managerial/Supervisory, Professional/Administrative, and Technical/Support Groups) in the Water Authority for a three-year successor Memorandum of Understanding.
- ◆ Conducted two additional employee engagement surveys (August 2021 and 2022) averaging an 85% overall response rate.
- ◆ Awarded 2021 and 2022 Top Workplace from the San Diego Union-Tribune as a result of employee engagement surveys.
- ◆ Implemented AllVoices, a dedicated Water Authority site that enables employees to anonymously share real-time feedback and report issues directly to the Water Authority's leadership. Employees are able to send feedback on workplace issues and remain anonymous by communicating with leadership through AllVoices' anonymous messaging portal. This tool was developed to improve the process in which employees can feel empowered to speak up and voice their opinions about workplace issues, including harassment, bias, and other culture issues.
- ◆ Partnered with the Board of Directors to complete the General Counsel recruitment.
- ◆ Distributed weekly employee e-newsletters to communicate important COVID protocol changes, training information, and personal and professional development articles.
- ◆ Regularly updated COVID key points document for all employees to reflect updated guidance on frequent Cal/OSHA changes.
- ◆ Updated policies to reflect any changes related to COVID supplemental sick leave.
- ◆ Partnered with Administrative Services to develop a Return-to-Office Guide to ensure smooth transition of Kearny Mesa employees back in the office, beginning March 7, 2022.
- ◆ Regularly updated COVID key points document for all employees to reflect updated guidance on frequent Cal/OSHA changes.
- ◆ Facilitated required testing during COVID outbreak periods.
- ◆ Highlighted as one of five public agencies in the nation as a case study for financial wellness programs completed through grant funds.
- ◆ Facilitated virtual health benefits expos, with on-demand videos from carriers, fitness classes, and one-on-one appointments with carriers for employees.
- ◆ Continued virtual wellness challenges with programs like Walktober, an online walking program, that experienced high participation and engagement from employees.
- ◆ Facilitated the return of the weekly bootcamp classes to Kearny Mesa and Escondido staff as part of wellness program following a two-year hiatus.

- ◆ Completed the Fiscal Year 2021-2022 Regional Internship Program with 15 interns and 12 participating agencies; Initiated the Fiscal Year 2022-2023 Regional Internship Program with 14 interns and 11 participating agencies.
- ◆ Participated in California Water Environment Association (CWEA) virtual career fair with approximately 400 participants.
- ◆ Negotiated partnership with National University for 25% tuition discount for all SDCWA and member agency employees as part of regional workforce efforts; 14 have enrolled and 2 completed the program to date.
- ◆ Produced a video on career opportunities in the Water Industry for regional workforce efforts.
- ◆ Continued to promote the regional workforce development initiatives, San Diego Water Works and SkillBridge, to member agencies and other underrepresented candidate pools.
- ◆ Added a Military Resources section on the regional water industry workforce development website, SanDiegoWaterWorks.org.
- ◆ Continued participation in the Department of Defense SkillBridge internship program for transitioning service members, with six SkillBridge interns placed within the organization during Fiscal Years 2022 and 2023.
- ◆ Co-sponsored the inaugural Warriors2WaterWorks military career event for the water industry at Cuyamaca College for veterans and transitioning military; human resources staff coordinated the keynote address, staffed an informational table, and led a breakout session.
- ◆ Maintained an employee turnover rate of 5% or less each fiscal year, excluding retirements.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The Human Resources Department's Adopted Operating Budget for Fiscal Years 2024 and 2025 is \$2.8 million, a \$402,690, or 13% decrease from the previous two-year budget. The Safety Division was transferred to the Administrative Services department as of Fiscal Year 2024.

Initiatives

- ◆ Evaluate and implement modern recruitment strategies to increase the reach of the advertisement of positions and diversity of applicants, such as the LinkedIn Recruitment tool.
- ◆ Modernization of the Water Authority's employee recognition program to ensure recognition is relevant and effective.
- ◆ Implement a virtual employee development coaching platform to invest in non-supervisory employees to provide them with the tools and coaching needed to help strengthen their ability to be self-directed in their career development.
- ◆ Continue to support employee engagement initiatives with additional surveys, discussions, and focus groups.

- ◆ Continue to work collaboratively with member agencies to facilitate regional marketing and outreach efforts to recruit and educate the public on water industry careers.
- ◆ Continue COVID protocols as necessary to comply with Cal/OSHA regulations and protect employee health and safety.

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ Overall, the Human Resources Department's Labor and Benefits decreased by \$282,745, or 11%, from the previous two-year budget. The net decrease is the result of the Safety Division moving from the Human Resources Department to the Administrative Services Department which includes the transfer of one full-time equivalent, effective Fiscal Year 2024.
- ◆ The Insurance category budget increased by \$18,485, or 59%, due to Unemployment Claims expenses restoring to pre-COVID levels.
- ◆ The Other category budget increased by \$18,908, or 15%, from the previous two-year budget. This is primarily due to restoring travel, training, and conference attendance to pre-COVID levels to stay up to date on state and federal compliance and human resources best practices.

Human Resources by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 1,402,008	\$ 1,471,923	\$ 1,186,806	\$ (215,201)	-15%	\$ (285,117)	-19%
Benefits	1,238,395	1,135,131	1,170,851	(67,543)	-5%	35,720	3%
Labor & Benefits Total	\$ 2,640,402	\$ 2,607,054	\$ 2,357,658	\$ (282,745)	-11%	\$ (249,397)	-10%
Direct Charges to CIP/Grants	-	-	-	-	0%	-	0%
Operating Labor & Benefits	\$ 2,640,402	\$ 2,607,054	\$ 2,357,658	\$ (282,745)	-11%	\$ (249,396)	-10%
Services	810,297	575,381	771,327	(38,970)	-5%	195,946	34%
Supplies	62,590	52,302	8,110	(54,480)	-87%	(44,192)	-84%
Utilities	-	-	-	-	0%	-	0%
Insurance	31,515	23,104	50,000	18,485	59%	26,896	116%
Leases & Rents	106,960	99,782	4,700	(102,260)	-96%	(95,082)	-95%
Other	122,912	129,449	141,820	18,908	15%	12,371	10%
Fixed Assets	-	-	-	-	0%	-	0%
Non Personnel Total	\$ 1,134,274	\$ 880,019	\$ 975,957	\$ (158,317)	-14%	\$ 95,938	11%
Total	\$ 3,774,676	\$ 3,487,073	\$ 3,333,614	\$ (441,062)	-12%	\$ (153,459)	-4%
Capitalized Overhead	(605,070)	(560,111)	(566,698)	38,372	-6%	(6,587)	1%
GRAND TOTAL	\$ 3,169,606	\$ 2,926,962	\$ 2,766,916	\$ (402,690)	-13%	\$ (160,046)	-5%

Human Resources by Division

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Human Resources	\$ 2,591,563	\$ 2,391,622	\$ 2,766,916	\$ 175,353	7%	\$ 375,295	16%
Safety	578,043	535,340	-	(578,043)	-100%	(535,340)	-100%
TOTAL HUMAN RESOURCES	\$ 3,169,606	\$ 2,926,962	\$ 2,766,916	\$ (402,690)	-13%	\$ (160,046)	-5%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Director of Human Resources ¹	0.00	1.00	1.00	1.00	1.00	1.00
Human Resources Analyst ¹	0.00	1.00	1.00	1.00	1.00	1.00
Human Resources Assistant ¹	0.00	1.00	1.00	1.00	1.00	1.00
Human Resources Manager ¹	0.00	1.00	1.00	1.00	1.00	1.00
Safety Officer ²	0.00	1.00	1.00	1.00	0.00	0.00
TOTAL	0.00	5.00	5.00	5.00	4.00	4.00

1. In Fiscal Year 2021 Human Resources was moved from the General Manager and Board of Directors department.

2. One Safety Officer was reclassified to Risk and Safety Manager and transferred to the Administrative Services Department effective Fiscal Year 2024.

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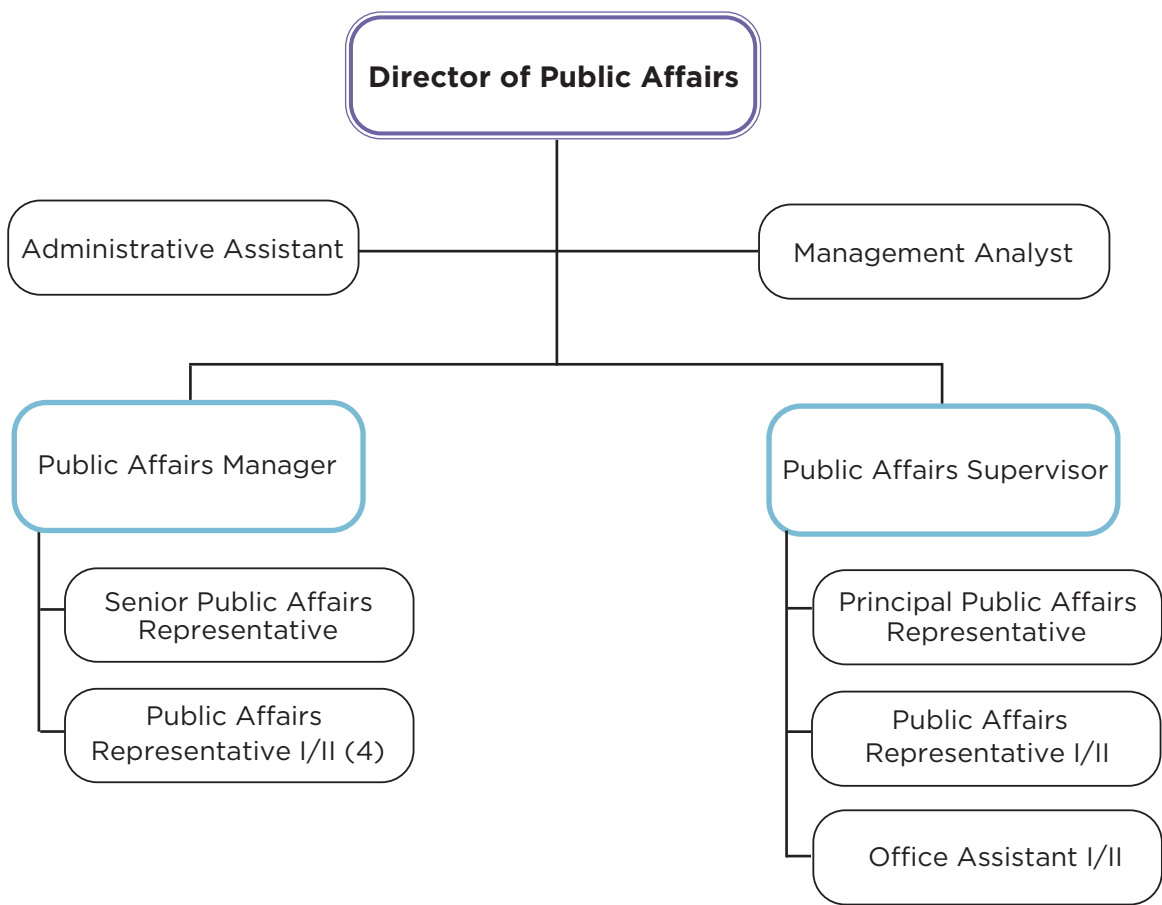
Public Affairs Department

Overview

The Public Affairs Department oversees an array of strategies and programs related to increasing public awareness of the Water Authority’s mission to provide a safe, reliable water supply. During water supply shortage conditions, the department also pursues strategies and tactics designed to support and communicate board adopted water supply contingency actions.

The department engages key audiences including news media, business organizations, civic leaders, teachers, school-age children, and members of the public to assist in understanding and appreciating water issues, including the Water Authority and its member agencies’ strategies, projects, and programs. The department also conducts outreach to help to lessen the impact of Water Authority construction projects on affected neighborhoods and audiences through staff and consultant outreach efforts.

Organizational Chart



Fiscal Years 2022 and 2023 Accomplishments

The Public Affairs Department supported a wide range of initiatives and programs to increase knowledge and understanding of the region's complex water issues, invite engagement, and support programs that helped specific audiences use water more efficiently. The Public Affairs department led efforts to develop outreach campaigns in support of organizational and board driven actions in response to worsening drought conditions. The department also supported outreach on new initiatives, including affordability; supported small business tracking efforts; and initiated community outreach in support of Water Authority initiatives and capital projects. Specific highlights include:

- ◆ Strategic development and implementation of regional communications initiatives and programs:
 - Drought outreach in support of Water Authority objectives.
 - ◆ In Fiscal Year 2022, staff initiated an award-winning outreach program, Drought-Safe San Diego, to realign the messaging and maintain stakeholder support of water use efficiency actions. The public affairs team created a campaign to 1) leverage the results of Water Authority investments and planning that helped to avoid mandated statewide cutbacks; 2) reassure water ratepayers that their long-term investments in water reliability projects were paying off; and 3) showcase the Water Authority strategy as a role model for water-short regions statewide. These efforts resulted in significant local, state and national media coverage, including the New York Times and Wall Street Journal.
 - ◆ Messaging and tactics were updated in Fiscal Year 2023 with reminders of actions in support of continued water use efficiency as state water supply conditions worsened. Using a combination of state and MAAP grant funds, a number of outreach initiatives were deployed, including a yearlong partnership with the local CBS news station, multi-language, point of purchase advertising displays, a partnership with Telemundo, a Spanish language television station, during the World Cup and continued digital and social advertising.
 - ◆ Staff also supported a substantial number of media inquiries and speaking engagements to key stakeholders and community groups.
 - Continued support for Value of Water initiatives via the H2OWN platform.
 - ◆ Staff continued, with consultant support, to inform and gain additional interest in information about regional water supply investments and issues using graphics and messaging that were designed to be more easily understandable and relevant for the general public. This effort also included digital advertising support to increase viewership of Water News Network content.
 - With consultant support and guidance, staff initiated a holistic review of the Water Authority's message, tone and brand. This effort resulted in on-going initiatives to update outreach materials that align with the direction of new board and general manager leadership.

- ◆ Continued support for member agency ratepayer education through the development of tool kits, support for community events and monthly JPIC meetings.
- ◆ The Water News Network (WNN), a website developed in 2018 to enhance water education and provide a format for Water Authority, member agency and water-related news, continued to play a pivotal and enhanced role in the department's outreach activities. Water Authority staff curates water-related stories by local, state and national news media outlets and distributes daily email summaries to stakeholders across the region.
- ◆ The Education program provided key services to member agencies by funding classroom assembly programs and Splash Lab visits. The Water Authority also received grant funding to produce an online workbook to complement state elementary education standards.
- ◆ The Faces of the Water Industry outreach campaign and Water Smart Living series each received an Award of Distinction from the California Public Information Officers in 2023.
- ◆ The Public Affairs department also supported ongoing organizational needs, such as tracking and reporting small-business participation in agency procurements and community outreach to support capital projects.

Fiscal Years 2024 and 2025 Initiatives and Budget Modifications

The Public Affairs Department's Adopted Operating Budget for Fiscal Years 2024 and 2025 is approximately \$6.4 million, a \$679,957, or 12% increase from the previous two-year budget.

Initiatives

- ◆ Support member agencies and Water Authority efforts with regional communications and outreach services and sustain a board-approved enhanced effort to build wider levels of community awareness and appreciation for safe, reliable water supplies (Business Plan Objectives No. 1, 2 and 15 under Business Services: Communication and Messaging).
- ◆ Support board-approved and Water Authority programs and initiatives with outreach and education (Business Plan Objectives No. 1, 2, 3 and 15 under Business Services: Communication and Messaging).
- ◆ Support the Water News Network as an important regional platform for water issues and education with original member agency content, social media and video production (Business Plan Objectives No. 13 and 14 under Business Services: Communication and Messaging).
- ◆ Relaunch the Citizens Water Academy in a new and enhanced format (Business Plan Objective No. 3 under Business Services: Communication and Messaging).
- ◆ Support expanded efforts to increase the Water Authority's profile to key audiences, including underserved and disadvantaged communities (Business Plan Objectives No. 1, 2 and 15 under Business Services: Communication and Messaging).

- ◆ Support member agencies with educational tools that help to instill a water efficiency ethic in the next generation.
- ◆ Ensure the Water Authority has a robust website and social media program to ensure a growing number of audiences are receiving news and information on water issues (Business Plan Objectives No. 13 and 14 under Business Services: Communication and Messaging).
- ◆ Provide proactive and effective community outreach for all Capital Improvement Program (CIP) and asset management projects scheduled in Fiscal Years 2024 and 2025.
- ◆ Maintain programs designed to assist ratepayers with landscape transformation, including the Landscape Makeover classes and the Qualified Water Efficient Landscape program.

Modifications

The Fiscal Years 2024 and 2025 adopted budget for Labor reflects the full CPI-U (less medical) increases for Fiscal Years 2022 and 2023. The current Memorandum of Understanding (MOU) expires on June 30, 2023, any negotiated increases for subsequent MOU's may amend the department budget. The department budget may be amended to reflect actual CPI-U (less medical) based on negotiated increases. The adopted budget for Benefits includes forecasted increases to retirement contribution rates as set by the California Public Employees Retirement System (CalPERS) and medical costs for Calendar Year 2024. As a result, the Water Authority is forecasting an increase each year to Benefits.

- ◆ In Fiscal Year 2024, the Water Landscape Makeover Program and Qualified Water Efficiency Landscape Program budgets will transfer from the Water Conservation Program in the Water Resources department to the Public Affairs department. A Management Analyst position that supported the Water Use Efficiency Program in Water Resources 40% and Public Affairs 60%, was moved 100% to Public Affairs to support those programs.
- ◆ The Public Affairs department budget is as follows:
 - The Services category budget increased by \$249,900, or 19%, from the prior two-year budget due to the loss of one-time grant funding and the addition of water efficiency programs from Water Resources to the Public Affairs department.
 - The Supplies category budget decreased by \$20,800, or 41%, from the prior two-year budget.
 - The Other category budget increased by \$64,625, or 25%, from the prior two-year budget due to the return to in-person community events and restoration of pre-COVID staff development opportunities.
 - In an effort to control department costs in Fiscal Years 2024, consultant support was reduced by \$120,000.

Public Affairs by Expense Category

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Labor	\$ 2,908,241	\$ 2,770,342	\$ 3,204,233	\$ 295,992	10%	\$ 433,891	16%
Benefits	1,724,913	1,538,082	1,854,269	129,356	7%	316,187	21%
Labor & Benefits Total	\$ 4,633,155	\$ 4,308,424	\$ 5,058,503	\$ 425,348	9%	\$ 750,079	17%
Direct Charges to CIP/Grants	(186,485)	(76,582)	(203,210)	(16,725)	9%	(126,628)	165%
Operating Labor & Benefits	\$ 4,446,670	\$ 4,231,842	\$ 4,855,293	\$ 408,623	9%	\$ 623,451	15%
Services	1,296,000	1,330,714	1,545,900	249,900	19%	215,186	16%
Supplies	51,000	27,939	30,200	(20,800)	-41%	2,261	8%
Utilities	6,000	5,701	6,000	-	0%	299	5%
Insurance	-	-	-	-	0%	-	0%
Leases & Rents	52,650	47,550	64,150	11,500	22%	16,600	35%
Other	253,575	269,448	318,200	64,625	25%	48,752	18%
Fixed Assets	-	-	-	-	0%	-	0%
Non Personnel Total	\$ 1,659,225	\$ 1,681,353	\$ 1,964,450	\$ 305,225	18%	\$ 283,097	17%
Total	\$ 6,105,895	\$ 5,913,194	\$ 6,819,743	\$ 713,848	12%	\$ 906,549	15%
Capitalized Overhead	(363,059)	(264,252)	(396,950)	(33,891)	9%	(132,698)	50%
GRAND TOTAL	\$ 5,742,836	\$ 5,648,942	\$ 6,422,793	\$ 679,957	12%	\$ 773,851	14%

Public Affairs by Division

	FYs 22&23 Amended	FYs 22&23 Estimate	FYs 24&25 Adopted	Variance Budget to Budget		Variance Budget to Estimate	
Community Outreach	\$ 1,529,527	\$ 1,199,842	\$ 1,344,061	\$ (185,466)	-12%	\$ 144,219	12%
Regional Communications	4,213,309	4,449,100	4,769,134	555,825	13%	320,034	7%
Conservation Outreach	-	-	309,598	309,598	0%	309,598	0%
TOTAL PUBLIC AFFAIRS	\$ 5,742,836	\$ 5,648,942	\$ 6,422,793	\$ 679,957	12%	\$ 773,851	14%

Personnel Requirements

Regular Status Employees	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00
Director of Public Affairs	0.00	1.00	1.00	1.00	1.00	1.00
Director of Public Outreach and Conservation	1.00	0.00	0.00	0.00	0.00	0.00
Management Analyst ¹	1.00	0.60	0.60	1.00	1.00	1.00
Office Assistant I/II	1.00	1.00	1.00	1.00	1.00	1.00
Principal Public Affairs Representative	2.00	3.00	1.00	1.00	1.00	1.00
Principal Water Resources Specialist	1.00	0.00	0.00	0.00	0.00	0.00
Public Affairs Manager	1.00	1.00	1.00	1.00	1.00	1.00
Public Affairs Representative I/II	5.00	5.00	5.00	5.00	5.00	5.00
Public Affairs Supervisor	2.00	1.00	1.00	1.00	1.00	1.00
Senior Public Affairs Representative	1.00	1.00	1.00	1.00	1.00	1.00
Water Resources Specialist	3.00	0.00	0.00	0.00	0.00	0.00
TOTAL	19.00	14.60	12.60	13.00	13.00	13.00

1. One Management Analyst 0.40 FTE was transferred from the Water Resources Department in Fiscal Year 2023.

Capital Improvement Program

Overview

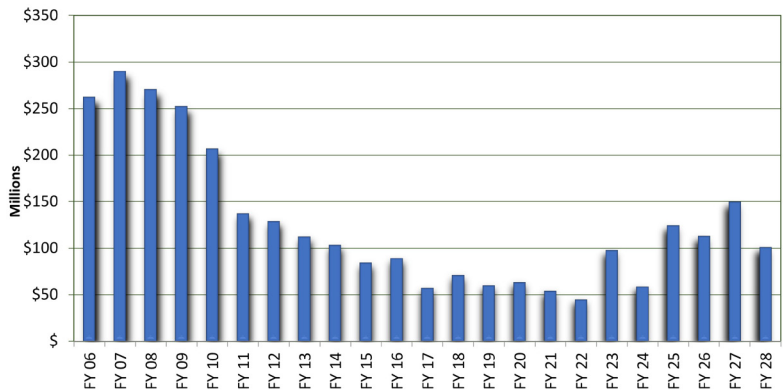
Initiated in 1989, the Capital Improvement Program (CIP) was created to provide the necessary water infrastructure to treat, store, and deliver water, thereby ensuring a safe and reliable water supply to the region. The Water Authority’s CIP began as a pipeline design and construction program and has grown in diversity and size over the last three decades as the Water Authority moved to ensure reliability through expansion of its water resources portfolio. Facilities in the CIP include pipelines, flow control facilities, pumping stations, hydroelectric facilities, a water treatment plant, and dams. The original 2003 Regional Water Facilities Master Plan, approved by the Board of Directors, served as a basis of the CIP for future budgets. The Master Plan identifies the water infrastructure projects required to meet the region’s supply and conveyance needs over a 20-year planning horizon. The 2003 Master Plan was updated in 2013 and, with the completion of the 2020 Urban Water Management Plan, staff will prepare another update in 2023 focused on infrastructure improvements to optimize system performance. The CIP program helps to advance member agency investments in treatment plant capacity, source supply diversification, and system reliability.

The CIP has accommodated supply diversification as well as the Emergency and Carryover Storage Project to address the threat of losing external sources of water for a temporary amount of time. To successfully manage the CIP, the Water Authority incorporated many measures including constantly monitoring applicable construction material prices and working closely with other agencies with large CIPs.

Recent investments in increased storage, pumping facilities, pipelines, treatment facilities, and a drought-proof local treated water supply from the Carlsbad Desalination Plant bolstered supply reliability. With the addition of these facilities and continued reliance on existing facilities, it is critical to maintain and protect the Water Authority’s assets. The Water Authority’s emphasis has transitioned from a large-scale capital-intensive program to a focus on effective asset management. An effective Asset Management Program will ensure a high degree of reliability, lower overall costs, and minimize the increase of water rates over time.

The CIP peaked in the construction of new water infrastructure between 2006 and 2010. With the completion of the San Vicente Dam Raise Project in 2014, the focus of the CIP shifted to asset management and optimizing the existing aqueduct system. Figure 1 shows the history of the CIP and planned expenditures over the next five years.

Figure 1: CIP Expenditures and Forecast



To optimize capital project management, staff has developed and broadly employed CIP Best Management Practices (BMPs) for over a decade. BMPs are measures for maximizing resources to achieve success. The goal of the CIP BMPs is to attain sustained, high levels of program and project success. Success is defined as consistently meeting project schedules, budgets, and cash flow projections, while maintaining scope and meeting stakeholder expectations. Some examples of Best Management Practices include the use of the following:

Project Risk Management

Project Risk Management is a proactive process used to mitigate risks through the life of a project to ensure the project scope, schedule, and budget are met. Project Risk Management proactively identifies project risks and establishes measures to minimize or eliminate the risk. It also determines the potential cost of a project based on the risks that could come to fruition. This process begins in the planning phase of a project and contributes towards a realistic project scope, budget, and schedule.

Gate Process

The Gate Process is a staff procedure that ensures all critical project components are completed as the project moves through the planning, design, and construction phases. This process ensures that a phase of a project (i.e. a gate) does not begin until an internal multi-departmental staff committee agrees that all the requirements for the previous gate are satisfied.

Highly Developed CIP Policy and Process Documents

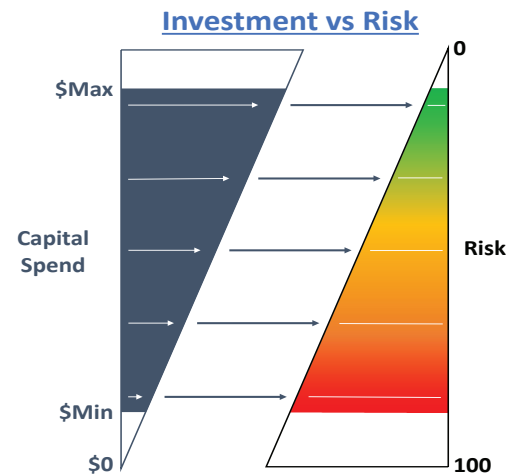
CIP policy and process documents such as Project Management Manuals, Design Manuals, Construction Management Manuals, Standard Drawings, and Construction Contract Documents, are used to ensure projects meet Water Authority needs and consistent business practices are used agency-wide. These documents also ensure that professional service and construction contractors know how to do business with the Water Authority.

Construction Cost Estimating

The Water Authority uses a bottom-up construction cost estimating process which is similar to how a construction contractor assembles their costs on bid day. This process considers current market and economic conditions leading to increased accuracy in the prediction of construction costs, realistic CIP project budgets, and adequate funding needs.

Project Controls Reporting

Project Controls Reporting is used to monitor CIP projects. This rigorous monitoring process entails tracking and managing project schedule and expenditures regularly to promote timely completion of the project within the budget. Project Managers are required to use and analyze cost and schedule performance data to proactively identify and avert budget and schedule overruns. Sophisticated cash flow and forecasting tools are also used to plan CIP funding and appropriations which help to facilitate debt and associated water rate management.



Program Accomplishments

During the past two-year period the Water Authority was Awarded the 2021 “Project Achievement Award for Public Works Greater than \$15 Million” from the Construction Management Association of America for the Northern First Aqueduct Structures and Lining Rehabilitation.

Asset Management

The Water Authority performed more than 53 miles of routine visual inspections during the 2-year period. Impacts to member agencies were minimized by utilizing tools such as an underwater remotely operated vehicle to inspect portions of the pipelines that would have otherwise been slow to drain. The Water Authority aims to inspect around 60 miles of pipe each year as it endeavors to assess all of the aqueduct pipelines every 10 years, a vital task to ensure longevity of the pipelines.

The Water Authority completed the Pipeline 5 Relining – North Twin Oaks Valley Road to the Crossover Pipeline Turnout project. This 1.4 mile relining project in the northern portion of the Water Authority service area will provide approximately 75 years of additional life and reduce the risk of failure in this critical area. An urgent repair was also performed on Pipeline 4 at Lilac Road in the north county.



Pipeline 5 Reline bulkhead installation.

Construction of the Dulin Hill Erosion Control project is anticipated to be completed near the end of Fiscal Year 2023. This project is located on the Water Authority’s Second Aqueduct south of the San Luis Rey River and east of Interstate 15. In this area, the Second Aqueduct is comprised of Pipelines 3, 4, and 5. In 2014, the Highway Fire burned vegetation on Dulin Hill. The Lilac Fire burned the site again in 2017. The lack of vegetation on the hillside increased erosion resulting in failure of existing erosion control measures and formation of localized erosion gullies directly over the pipelines. The erosion control failures and gully formations necessitated corrective action to protect the Second Aqueduct.



Tunnel liner being lowered. Oat Hills tunnel rehabilitation.

The First Aqueduct Treated Water Tunnels Rehabilitation Project will also be completed near the end of Fiscal Year 2023. The Water Authority has three tunnels on the treated water section of the First Aqueduct: Lilac, Red Mountain, and Oat Hills tunnels. These tunnels are located in Valley Center and northern Escondido. In the past several years, the Water Authority inspected the tunnels and repaired observed infiltration areas during the inspections. It became evident that a more permanent repair was needed. The Water Authority utilized a Design-Build contract to complete the work.

System Optimization Projects

Staff completed construction of two large system optimization projects:

- ◆ The Mission Trails Flow Regulatory Structure II is located within the City of San Diego's Mission Trails Regional Park. The project included constructing a 4.9-million-gallon flow regulatory structure, constructing a 135 cubic feet per second flow control facility, constructing connections to the Second Aqueduct, and abandoning two miles of prestressed concrete cylinder pipe. Completion of the project also satisfied the Water Authority's commitment to remove the vent structures within the Mission Trails Regional Park.



Mission Trails Flow Regulatory Structure II, 2022.

- ◆ The Hauck Mesa Storage Reservoir project included construction of a flow regulatory structure on the Valley Center Pipeline to improve system reliability. The 2.1-million-gallon reservoir will mitigate pump station outages and provide operational flexibility by balancing treated water flows between the First and Second Aqueducts.



Hauck Mesa Tower 2022.

These two projects were identified in the 2013 Regional Water Facilities Master Plan Update to improve the hydraulic and operational controls of the aqueduct system and to provide additional protection against risks of failure.

Other

In October 2022, the Board approved a Project Labor Agreement (PLA) and amended the Administrative Code to change the construction estimate threshold for projects to be considered for inclusion in a PLA from \$100 million to \$1 million. The duration of the Board approved PLA is five years and went into effect in April 2023 with a sunset date of April 2028. The Board has the option to extend the PLA at its discretion. Table 1 shows all projects scheduled to start construction within the next 5 years and which, by approval of the two-year budget, will be subject to the terms and conditions of the PLA. It should be noted that this project list is subject to change as projects may be deleted or new projects may be identified in the future. The construction estimates and scheduled start dates are preliminary estimates only.

Table 1: Anticipated Construction Projects for Fiscal Years 2024-2028* (\$ Millions)

Project Name	Construction Estimate	Construction Start (FY)
Facilities Improvement and Equipment Replacement **	\$22	varies
Helix 9 Flow Control Facility	7	2024
First Aqueduct Structures Rehabilitation – Hubbard Hill South	24	2024
San Luis Rey River Habitat Management Area Restoration - Grading	2	2024
Pipeline 5 Relining San Luis Rey Canyon	45	2024
Crossover Pipeline I-15 Bypass Project	44	2025
Flow Control Facility Seismic Upgrades	4	2025
First Aqueduct Bifurcations & Treated Water Tunnels	3	2025
Olivenhain 11 Flow Control Facility	5	2025
San Luis Rey River Habitat Management Area Restoration - Plant Establishment	3	2025
Energy Resiliency Project	4	2026
Twin Oaks Weir Structure Rehabilitation	13	2026
Ramona Pipeline - Inline Buried Valve Repairs/Replacement	13	2026
Pipeline 5 Relining North of Moosa to South of Moosa	30	2026
Oceanside 2 & 3 Flow Control Facility	6	2027
Aqueduct Communication System	4	2027
Escondido 4 Flow Control Facility	4	2027
Valley Center 3 Flow Control Facility	4	2027
Moosa Canyon Pipeline Replacement	63	2027
San Diego 31 Flow Control Facility	19	2027
Vista Irrigation District 3 Flow Control Facility	7	2027
Operations and Maintenance Department Facility***	15-45	2028
Pipeline Structure Resizing	1	2028
Padre Dam 8 Flow Control Facility	7	2028
La Mesa Sweetwater Extension Structures	24	2028
Crossover Pipeline Relining/Replacement	167	2028
Total	\$570	

Excludes Member Agency led projects, planning/feasibility studies, and in-house construction projects.

**Data as of March 2023; includes FY2024-FY2028 CIP projects with construction estimates of \$1 million or greater.*

***Limited outside construction opportunities, primarily to be done by Water Authority O&M crews.*

**** Dollar value dependent upon improvements needed for purchased property; i.e., vacant land or developed property needing renovation.*

Adopted CIP Budget

No new CIP projects have been adopted for this two-year budget. The adopted CIP Budget is built upon the Water Authority's updated 2023-2027 Business Plan and 2021 Adopted Long-Range Financing Plan, placing primary emphasis of the CIP on repair, replacement, or rehabilitation of the existing system through the Asset Management Program and modification of the Water Authority's infrastructure to optimize system operation. As part of this budget development effort, staff performed a risk analysis of both pipelines and facilities, placing particular emphasis on seismic risk to older structures. Following this assessment, the CIP was prioritized, and facilities were identified for rehabilitation or replacement over the next several years. As indicated in the previously adopted biennium budget, the 2021 Adopted Long-Range Financing Plan was revisited to incorporate additional needs as they were identified. These additional needs are identified and discussed in the section below entitled "CIP Project Multiyear Plan Changes". Opportunities to further optimize the system will be evaluated in the 2023 Facilities Master Plan that is scheduled to be completed in early 2024, incorporating the information from the completed 2020 Urban Water Management Plan.

Historically the CIP budget has been presented in two parts: the capital improvement program level and the individual project level. In prior years, the first part was considered a Lifetime CIP Budget, which included completed projects and projects that span a decade or more into the future. This part was inclusive of the lifetime budget for projects and the entire CIP program. In the same respect the individual project level was considered the two-year appropriation for CIP projects, focusing on the forecasted spending plan for the two-year period.

For transparency of the CIP and associated project costs, as was done in the previous two-year budget, the Water Authority is again presenting the CIP as a multiyear forward-looking plan rather than a Lifetime CIP Budget. The multiyear plan for the CIP focuses on the lifecycle costs of active projects that span a decade or more into the future. Prior year expenditures for active projects are included in the multiyear plan until a project is through the post construction period. The focus of the two-year appropriation remains on individual CIP projects in Fiscal Years 2024 and 2025. A discussion of the Multiyear Plan and the Adopted Two-Year Appropriation is below.

CIP Multiyear Plan

The CIP Multiyear Plan is the sum of all Board-adopted projects including adopted new projects. In the previous two-year budget, there were 34 adopted projects with a value of nearly \$1.5 billion. For the Fiscal Years 2024-2025 adopted budget, 4 projects are adopted for removal from the budget totaling \$16.4 million. These projects were either completed (System Vulnerability Assessment), are no longer needed (Board Room Modifications), are no longer economically viable (Alvarado Hydroelectric Facility Rehabilitation), or are now being funded outside of the CIP (Coachella Mid-Canal Storage). Table 2 below depicts the estimated savings of these removed/completed projects. These savings will be utilized in remaining projects.

Table 2: Completed & Removed CIP Projects (\$ Thousands)

	FYs 22&23 Amended Multiyear Plan	Estimated Costs	Savings
Alvarado Hydroelectric Facility Rehabilitation	\$ 8,425	\$ 4,891	\$ 3,534
Board Room Modifications	1,654	42	1,612
Coachella Mid-Canal Storage Project	5,000	-	5,000
System Vulnerability Assessment	1,339	1,198	141
TOTAL COMPLETED PROJECTS	\$ 16,418	\$ 6,132	\$ 10,287

To keep the CIP Multiyear Plan forward-looking, the Water Authority also recommends removing costs for all closed and completed projects that are under active rollups, such as the Relining and Pipeline Replacement Program and Infrastructure Rehabilitation. This represents an additional removal of \$149.3 million.

Upon removing the projects described above, analyzing the Asset Management Program as a whole, and aligning the Project Summary Table with the projects with the 2021 Adopted Long-Range Financing Plan, the adopted CIP Multiyear Plan and projects going forward is \$1.4 billion, a reduction of approximately \$91.5 million from the previous two-year budget. The majority of future expenditures in the Multiyear Plan will be Asset Management projects, including Infrastructure Rehabilitation, the Relining and Pipe Replacement Program, and various system optimization projects.

CIP Project Multiyear Plan Changes

As mentioned earlier, no new projects have been added to the CIP for this adopted two-year budget. However, seven existing projects require increases, primarily due to inflationary pressures and changes in the scope of work resulting from further analysis as part of the planning process. These multiyear plan increases align with the projects identified as needed over the next several years and are included in the

Board approved 2021 Adopted Long-Range Financing Plan. Work on these projects will ensure the Water Authority continues to provide a safe and reliable water supply for the region.

Increases to Existing Projects

- ◆ Facilities Improvement and Equipment Replacement
 - This project provides resources and funding to ensure the long-term safe and reliable operation and maintenance of the Water Authority's equipment, facilities, and aqueduct system. The items identified within this project rollup were previously funded from the Operating Budget via the Equipment Replacement Fund and are deemed more appropriately to be funded via the CIP. This project will fund and execute the replacement of mechanical and electrical equipment at critical Water Authority facilities and aqueduct system, such as but not limited to pumps, valves, motors, actuators, generators, meters, and breakers. It will also fund and implement facility improvements, such as but not limited to roof and air conditioning systems, and large valve replacements in critical facilities. During the last budget cycle, staff continued to perform an in-depth assessment of existing facilities and identified additional needs over the next several years. To fully fund these needs, a project multiyear plan increase of \$20.0 million is required.
- ◆ Second Aqueduct Diversion Complex Improvements
 - This project was originally budgeted as a study for the Second Aqueduct Diversion Complex and has been further developed based on the 2018 System Seismic Vulnerability Assessment and a subsequent 2021 planning study. The vulnerability assessment identified seismic deficiencies for the Twin Oaks Diversion Weir Structure and recommended near-term rehabilitation (within 5 to 10 years from the 2018 report). A detailed cost estimate performed as part of the planning study has identified that a project multiyear plan increase of \$9.0 million is required for design and construction of a full replacement for the Twin Oaks Diversion Weir Structure.
- ◆ Energy Resiliency and Reliability Study
 - As part of the America's Water Infrastructure Act (AWIA) of 2018, the Water Authority conducted a risk and resilience assessment of its water system. The assessment recommended an energy resiliency analysis to better understand risks relative to power supplies and identify potential areas for improvement at Water Authority facilities. In addition to the assessment, the Water Authority began experiencing a decrease in energy supply reliability in 2020 due to San Diego Gas & Electric's Public Safety Power Shutoffs driven by wildfire mitigation and grid outages due to extreme heat events which are becoming more frequent in California's changing energy landscape. The Energy Resiliency and Reliability Study evaluated select facilities to identify energy supply risks and determine energy resilient solutions to address power supply gaps and vulnerabilities. The project multiyear plan increase of \$9.0 million is required to implement the study's recommendations to provide backup power to the Valley Center Pump Station and select flow control facilities that are susceptible to power outages.

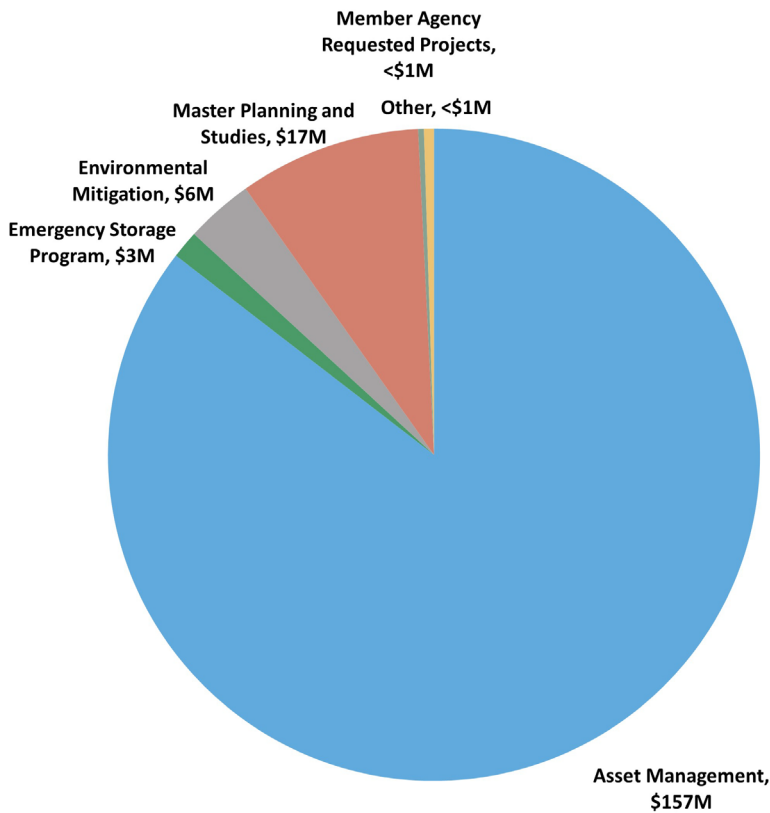
- ◆ Carlsbad Desalination Plant
 - Commercial operations began December 2015 and most of the segments funded in this project are complete. The remaining work includes funds to support the Water Authority's role in financing, design and construction of the intake and discharge modifications due to closure of the existing Encina Power Station and compliance with desalination intake and discharge regulations adopted by the State Water Resources Control Board in 2015. These regulations delayed acquisition of necessary permits and required the intake and discharge facility modifications project to be implemented in two improvement phases. The final phase of infrastructure improvements to fully comply with the new regulations are underway. A project multiyear plan increase of \$300,000 is needed to support staff time and consultant contracts associated with the engineering and contract administration services required for the final phase of the project.
- ◆ Operations and Maintenance Department Facility
 - The current and future space needs of the Operations and Maintenance Department (O&M) and the existing O&M Facility in Escondido have been studied to evaluate O&M's space need requirements, deficiencies or gaps with the existing facility and options to help ensure the long-term sustainability of O&M's work functions, including electrification of the Water Authority's fleet of vehicles to comply with new state-mandated regulations. A project multiyear plan increase of \$25.0 million is required to provide funding to purchase property, plan, design and develop the site, and relocate the O&M staff and functions to the new location.
- ◆ San Vicente Energy Storage Facility Study
 - The Water Authority and City of San Diego are partners evaluating the feasibility of the potential San Vicente Energy Storage Facility project to determine if it could store 4,000 megawatt-hours of energy per day. This potential project would help stabilize the region's power supply by integrating more renewable energy into the grid to help avoid power interruptions. A typical energy storage facility consists of a lower reservoir (proposed San Vicente Reservoir), an upper reservoir, conveyance tunnels/shafts, powerhouse, and electric transmission lines. A project multiyear plan increase of \$10.4 million is required to continue the preliminary design and engineering studies in support of the environmental review process and prepare a Federal Energy Regulatory Commission license application over the next three years. In July 2021, the State of California allocated \$18 million for this project. Additional expenditures for this project are potentially reimbursable, and the Water Authority is aggressively seeking other sources to assist with funding this project.
- ◆ Post-Construction Mitigation Management
 - Post construction projects are established during the development of the two-year budget so that the respective construction projects can be closed and capitalized when construction is complete; but ongoing mitigation requirements remain, such as habitat restoration. A project multiyear plan increase of \$500,000 is required to fund the mitigation maintenance, monitoring, and reporting phase for existing CIP projects.

Two-Year Adopted Appropriation for the CIP

The total appropriation as shown in Table 3 Project Summary Table Fiscal Years 2024 and 2025 is \$204.3 million and represents the forecasted spending during the upcoming budget period, based upon the current status of CIP projects. However, the General Manager is recommending approval of a reduced appropriation for Fiscal Years 2024 and 2025 in the amount \$183.9 million, a 10% reduction. This reduction accounts for factoring in unknowns that undoubtedly will occur during the appropriation period. For example, an unanticipated urgent repair, such as the Pipeline 4 Urgent Repair at Lilac Road that occurred in January 2022, caused delays in ongoing projects due to staffing reassignments. Additionally, unplanned vacancies due to retirements, promotions to non-CIP related positions, and resignations amounted to an average loss of 7 Full Time Equivalents (FTEs) at any given time during the Fiscal Years 2022 and 2023 budget cycle. This also caused delays to project schedules and execution of the CIP appropriation. Other potential areas of concern include construction contractor under performance and inclement weather delays that push expenditures out of the 2-year appropriation period into the future. Staff will monitor actual expenditures during the two-year budget period and will come back to the Board and request a revision to the reduced appropriation at the mid-term budget update, if necessary.

Figure 2 illustrates the breakdown of the adopted appropriation by project type. Project types, or categories, have been modified this year to better represent the projects within each category. We have added a new category for Member Agency Requested Projects. This category is primarily for new connections requested by member agencies and are usually fully reimbursable. The New Facilities category has been removed this year since there are no new facilities being planned. The Operations and Maintenance Department Facility is under the Asset Management category since it is replacing the existing Escondido facility asset.

Figure 2: Two-Year Adopted Appropriation for CIP by Project Category



Highlights of the Water Authority's focus for the upcoming two-year budget period include the following:

Asset Management

Nationally there is a growing emphasis on aging infrastructure and the need for infrastructure repair. Each year the American Water Works Association (AWWA) releases a state of the Water Industry report based on responses to an annual survey of industry professionals. The survey provides an industry-wide self-assessment and gathers information to support the water community's major challenges. The 2020 report identified renewal and replacement of aging water infrastructure as the continuing number one issue facing the industry. The Water Authority has a long history of being proactive in infrastructure inspection and repair starting over four decades ago by pioneering the first pipeline relining project. Later the Water Authority Board of Directors established a visionary program for inspection and pipeline management. Since then, the Water Authority has become a national leader in asset management by utilizing the latest technology for pipeline inspections and methods for risk assessment. This program has been recognized by the AWWA for leading business practices in asset management, and by Government Technology and the AT&T Special Districts Program for pipeline risk visualization. The Water Authority constantly scrutinizes its methodology through industry-specific peer review at an international level, and by self-monitoring its progress through its Scorecard evaluation. Staff continues to maintain a leading presence both regionally and nationally with contributions such as membership of the AWWA Water Main Condition Assessment Committee and Chairing the AWWA Subcommittee on Agency Collaboration. Over the past four decades, the program has completed over 48 miles of pipeline rehabilitation and the scanning and evaluation, using various technologies, of over 150 miles of pipelines.

Aging infrastructure can result in several negative impacts to the Water Authority's mission, including:

- ◆ Loss of service to Member Agency customers and direct, localized failure of a pipeline or facility resulting in possible environmental and physical damage.
- ◆ Continued aging without a plan for extension of useful life, going beyond the limit of sustainability such that rehabilitation cannot be performed at a rate sufficient to keep up with reduction of useful life.
- ◆ To mitigate these risks, the Asset Management Program is driven by the following best management practices:
 - Implementation of a Condition Assessment Plan, ensuring the Water Authority focuses on obtaining comprehensive condition data on a routine basis to assist in the continued evaluation of useful life. The most recent revision to the plan forecasts condition assessment projects through 2065.
 - Thorough risk assessment, assessing the probability of failure together with potential consequences of failure to identify high-risk areas.
 - Prioritization by identifying projects that will repair, replace, or rehabilitate aging assets at the right time, prior to each two-year budget period.

Asset Management is comprised of several projects, the largest of which are Infrastructure Rehabilitation and the Relining and Pipe Replacement Program. Not only is risk considered, but asset repair, replacement, and rehabilitation projects are also defined and prioritized considering available resources, economic factors, customer rate and delivery impacts, timing, and other issues.

Over the next two years, staff will focus on completing the highest priority asset management projects. These projects are rehabilitations or replacements of existing aging infrastructure (pipelines and facilities) that are near the end of their service life or require work on them due to changes in the operation of the system or are at risk of failure due to seismic or some other issue. As part of the Asset Management Program, staff will continue performing detailed seismic and hydraulic/cavitation analyses of several flow control facilities in addition to performing comprehensive condition assessments of existing aqueduct pipelines. This will ensure we are working on the most critical facilities in support of the Water Authority's mission to provide a safe and reliable water supply for the region.

Mitigation Program

The Mitigation Program was established by the Board in September 1992 to provide coordinated permitting and mitigation for environmental impacts resulting from the construction, operation, and maintenance of CIP projects. The Mitigation Program provides comprehensive mitigation for Water Authority programs, projects, and actions by preventing both short and long-term construction and operational delays resulting from compliance with state and federal endangered species and wetland regulations. The Mitigation Program has obtained and manages comprehensive long-term endangered species and wetland permits, as well as mitigation for impacts to endangered species, wetland resources, and other sensitive habitats. This is accomplished by negotiating and implementing long-term multi-species Endangered Species Act take permits with state and federal wildlife agencies; programmatic wetlands permits with state and federal regulatory agencies implementing the Clean Water Act and Porter-Cologne Water Quality Control Act; acquiring mitigation properties or credits for CIP projects and operation and maintenance activities; constructing wetland mitigation projects; and developing agreements with permitting agencies governing use of mitigation credits on Water Authority properties. On September 28, 2017, the Board authorized the sale of excess credits from the San Miguel Mitigation Management Area. The funds that are generated from any sale are utilized for the purchase or enhancement of needed habitat mitigation credits/sites to support the overall Mitigation Program.

Approved Master Plan/System Optimization Projects

As part of the 2013 Regional Water Facilities Optimization and Master Plan Update (2013 Master Plan Update), the Water Authority conducted a comprehensive evaluation of future infrastructure needs based on a plausible range of projected supplies and demands through 2035. With a focus on maximizing previous infrastructure investments, the 2013 Master Plan Update included projects for near-term implementation that would enhance or optimize the aqueduct system. Several of these projects have been completed while others continue to be evaluated based on changed conditions. Work on the 2023 Facilities Master Plan is now underway and should be completed by early calendar year 2024. This new Master Plan will identify further system optimization opportunities, review seismic resilience, and account for changing conditions such as climate change, lower aqueduct flows, and water quality challenges. The planning is based on the revised demand forecast evaluated in the 2020 Urban Water Management Plan and will also incorporate the recommendations brought forth in the seismic vulnerability study that identified the highest seismic risks to pipelines.

Table 3: CIP Project Summary Table (\$ Thousands)

The project summary table of the multiyear plan provides a programmatic and project level summary of the CIP.

Rate Category	Project Name	Amended FYs 22&23 Multiyear Plan	Adopted FYs 24&25 Multiyear Plan	Plan Variance	Other Funding
Asset Management					
T	Abandonment of the La Mesa Sweetwater Extension to Sweetwater	\$ 4,180	\$ 4,180	-	-
CS	Additional Aqueduct Right of Way Width	5,787	5,787	-	-
CS	Aqueduct Communication System	4,337	4,337	-	-
CS/T	Facilities Improvement and Equipment Replacement	15,852	35,852	20,000	-
CS/T	Infrastructure Rehabilitation	455,295	455,295	-	-
S	Lake Hodges Dam Rehabilitation/Replacement	138,220	138,220	-	-
CS	Lake Hodges Hydroelectric Facility Downstream Piping System	2,000	2,000	-	-
CS	Line Road Improvements	888	888	-	-
CS	Operations and Maintenance Department Facility	35,000	60,000	25,000	-
T	Relining and Pipe Replacement Program	455,319	455,319	-	-
CS/T	Second Aqueduct Diversion Complex Improvements	12,324	21,324	9,000	-
Subtotal Asset Management		\$ 1,129,203	\$ 1,183,203	\$ 54,000	-
Emergency Storage Program					
S	ESP - North County Pump Stations	45,464	45,464	-	-
S	ESP - Owner Controlled Insurance Program Closeout	76	76	-	-
S	ESP - Post Construction Activities	9,153	9,153	-	-
Subtotal Emergency Storage Program		\$ 54,694	\$ 54,694	\$ -	-
Environmental Mitigation					
Sup	Colorado River Canal Linings - Post Construction Mitigation Monitoring	28,125	28,125	-	-
T	Mitigation Program	21,555	21,555	-	-
T	Post-Construction Mitigation Management	5,478	5,978	500	-
Subtotal Environmental Mitigation		\$ 55,158	\$ 55,658	\$ 500	-
Master Planning and Studies					
CS	2023 Facilities Master Plan	6,392	6,392	-	-
CS	Energy Resiliency Project	700	9,700	9,000	-
S	ESP - San Vicente 3rd Pump Drive & Power	8,044	8,044	-	-
CS	Inline Hydroelectric Energy Generation Facilities	521	521	-	-
T	Pipeline 3/Pipeline 4 Conversion	1,014	1,014	-	-
CS	Regional Conveyance System Study	3,900	3,900	-	-
CS	San Vicente Energy Storage Facility Study	20,806	31,206	10,400	28,580
T	System Isolation Valves	522	522	-	-
Subtotal Master Planning and Studies		\$ 41,899	\$ 61,299	\$ 19,400	\$ 28,580
Member Agency Requested Projects					
T	Carlsbad 5 Flow Control Facility and Pressure Reducing Valve	1,014	1,014	-	1,014
CS	Poway 5 Flow Control Facility	820	820	-	820
Subtotal Member Agency Requested Projects		\$ 1,834	\$ 1,834	\$ -	\$ 1,834
Other					
CS/T	Carlsbad Desalination Project	5,590	5,890	300	-
T	Hauck Mesa Storage Reservoir	22,916	22,916	-	-
T	Mission Trails Flow Regulatory Structure (FRS) II	48,702	48,702	-	-
Subtotal Other		\$ 77,208	\$ 77,508	\$ 300	-
Grand Total Active Projects		\$ 1,359,995	\$ 1,434,195	\$ 74,200	\$ 30,414
Total Completed and Removed Projects¹		16,418			
Total Completed Projects with Active Rollups¹		149,276			
Total Multiyear Plan		\$ 1,525,690	\$ 1,434,195	\$ (91,495)	

1. Line item detail for completed and removed projects appears in Table 4 on pages 144 & 145.

Note: Rate Category Codes are as follows: (1) CS: Customer Service (2) S: Storage (3) SUP: Supply (4) T: Transportation (5) WTP: Treatment
Totals may not foot due to rounding.

Water Authority Cost	Multiyear Plan Expenditures through 6/30/2022	FY 23 Estimated	FYs 24 & 25 Adopted Appropriation		FY 26 Projection	FY 27 Projection	FY 28 Projection	Beyond FY 29 Projection	Total (Plan To Date & Projections)
			FY 24 Projection	FY 25 Projection					
\$ 4,180	\$ 133	-	-	-	-	-	-	4,047	4,180
5,787	5,129	-	-	-	-	-	-	658	5,787
4,337	144	<1	-	-	-	-	1,305	2,888	4,337
35,852	286	761	2,659	4,038	2,658	3,982	740	20,728	35,852
455,295	36,382	36,339	27,783	37,767	46,093	44,331	39,654	186,946	455,295
138,220	136	257	1,843	1,405	3,025	2,778	2,786	125,989	138,220
2,000	<1	295	1,500	-	-	-	-	205	2,000
888	183	53	149	145	-	-	-	358	888
60,000	78	108	12,000	-	1,500	1,500	22,443	22,371	60,000
455,319	7,126	23,167	4,750	78,271	30,737	60,818	28,340	222,110	455,319
21,324	-	-	915	1,362	11,424	5,776	414	1,432	21,324
\$ 1,183,203	\$ 49,598	\$ 60,980	\$ 51,599	\$ 122,988	\$ 95,438	\$ 119,185	\$ 95,681	\$ 587,734	\$ 1,183,203
45,464	2,750	11,518	128	52	2,344	22,241	1,375	5,056	45,464
76	12	1	8	5	-	-	-	50	76
9,153	573	687	659	1,956	430	5	13	4,830	9,153
\$ 54,694	\$ 3,335	\$ 12,207	\$ 795	\$ 2,013	\$ 2,774	\$ 22,246	\$ 1,387	\$ 9,936	\$ 54,694
28,125	16,786	255	505	504	3,809	4,045	1,600	621	28,125
21,555	7,699	314	396	4,371	2,431	940	2,147	3,256	21,555
5,978	2,086	395	792	290	267	188	26	1,934	5,978
\$ 55,658	\$ 26,570	\$ 964	\$ 1,692	\$ 5,166	\$ 6,507	\$ 5,174	\$ 3,773	\$ 5,811	\$ 55,658
6,392	587	2,144	2,722	211	-	-	-	729	6,392
9,700	237	28	509	1,154	3,023	3,405	211	1,134	9,700
8,044	258	-	-	-	-	-	-	7,786	8,044
521	213	-	-	-	-	-	-	307	521
1,014	-	-	-	-	-	-	-	1,014	1,014
3,900	2,346	<1	-	-	1,554	-	-	-	3,900
2,626	1,884	10,974	7,700	6,152	3,893	-	-	603	31,206
522	228	-	-	-	-	-	-	294	522
\$ 32,719	\$ 5,753	\$ 13,145	\$ 10,931	\$ 7,518	\$ 8,470	\$ 3,405	\$ 211	\$ 11,867	\$ 61,299
-	338	9	-	-	-	-	-	668	1,014
-	9	49	104	476	127	-	10	45	820
-	\$ 347	\$ 58	\$ 104	\$ 476	\$ 127	-	\$ 10	\$ 713	\$ 1,834
5,890	4,042	1,113	271	125	-	-	-	339	5,890
22,916	15,919	4,056	-	278	-	-	-	2,663	22,916
48,702	42,069	4,835	338	-	-	-	-	1,459	48,702
\$ 77,508	\$ 62,031	\$ 10,004	\$ 610	\$ 403	-	-	-	\$ 4,461	\$ 77,508
\$ 1,403,782	\$ 147,633	\$ 97,358	\$ 65,731	\$ 138,563	\$ 113,316	\$ 150,010	\$ 101,063	\$ 620,521	\$ 1,434,195

Total Projection \$204,294
Total Projection with 10% reduction \$183,864

Table 4: CIP Closed and Removed Projects (\$ Thousands)

The closed and removed projects table includes projects that have been completed and projects that have been removed from the multiyear plan.

Rate Category	Project Name	Amended FYs 22&23 Multiyear Plan	Adopted FYs 24&25 Multiyear Plan	Plan Variance	Other Funding
Completed/Removed Projects as of FY 23					
CS	Alvarado Hydroelectric Facility Rehabilitation	\$ 8,425	\$ 4,891	\$ (3,534)	-
CS	Board Room Modifications	1,654	42	(1,612)	-
SUP	Coachella Mid-Canal Storage Project	5,000	-	(5,000)	-
CS	System Vulnerability Assessment	1,339	1,198	(141)	-
Total Completed/Removed Projects		\$ 16,418	\$ 6,132	\$ (10,287)	-
Completed Projects with Active Rollups as of FY 23					
S	ESP - Post Construction Activities	2,753	2,753	-	-
CS/T	Facilities Improvement and Equipment Replacement	248	248	-	-
CS/T	Infrastructure Rehabilitation	67,448	67,448	<1	-
T	Mitigation Program	628	628	-	-
T	Post-Construction Mitigation Management	1,061	1,061	<1	-
T	Relining and Pipe Replacement Program	68,791	68,791	-	-
CS	San Vicente Energy Storage Facility Study	7,887	7,887	-	2,434
CS/T	Second Aqueduct Diversion Complex Improvements	460	460	-	-
Total Completed Projects with Active Rollups		\$ 149,276	\$ 149,276	\$ <1	\$ 2,434

Note: Rate Category Codes are as follows: (1) CS: Customer Service (2) S: Storage (3) SUP: Supply (4) T: Transportation
(5) WTP: Treatment
Totals may not foot due to rounding.

Water Authority Cost	Multiyear Plan Expenditures through 6/30/2022	FY 23 Estimated	FY 24 Projection	FY 25 Projection	FY 26 Projection	FY 27 Projection	FY 28 Projection	Beyond FY 29 Projection	Total (Plan To Date & Projections)
\$ 4,891	\$ 4,888	\$ 3	-	-	-	-	-	-	\$ 4,891
42	42	-	-	-	-	-	-	-	42
-	-	-	-	-	-	-	-	-	-
1,198	1,149	56	-	-	-	-	-	-	1,198
\$ 6,132	\$ 6,080	\$ 59	-	-	-	-	-	-	\$ 6,132
2,753	2,751	2	-	-	-	-	-	-	2,753
248	-	248	-	-	-	-	-	-	248
67,448	66,293	407	-	-	-	-	-	-	67,448
628	628	-	-	-	-	-	-	-	628
1,061	1,061	<1	-	-	-	-	-	-	1,061
68,791	68,765	26	-	-	-	-	-	-	68,791
5,453	7,887	<1	-	-	-	-	-	-	7,887
460	460	<1	-	-	-	-	-	-	460
\$ 146,842	\$ 147,846	\$ 684	-	-	-	-	-	-	\$ 149,276

Figure 3: CIP Location Map



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Individual Project Sheets follow in alphabetical order by project name. They summarize the project scope, status, and planned work for Fiscal Years 2024 and 2025. The total expenditure column in the table on each project sheet reflects the lifetime estimated total of all expenditures for that project, including project segments that are completed.

Active Projects	Page No.
2023 Facilities Master Plan (H0150)	148
Abandonment of the La Mesa Sweetwater Extension to Sweetwater (B0400)	149
Additional Aqueduct Right of Way Width (N0340)	150
Aqueduct Communication System (P0750)	151
Carlsbad 5 Flow Control Facility and Pressure Reducing Valve (K0330)	152
Carlsbad Desalination Project (K0300)	153
Colorado River Canal Linings - Post Construction Mitigation Monitoring (I0400)	154
Energy Resiliency Project (J0400)	155
ESP - North County Pump Stations (G1800)	156
ESP - Owner Controlled Insurance Program Closeout (G0220)	157
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Facilities Improvement and Equipment Replacement (N0900)	160
Hauck Mesa Storage Reservoir (N0510)	161
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Lake Hodges Dam Rehabilitation/Replacement (G3000)	164
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Line Road Improvements (P0350)	166
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Poway 5 Flow Control Facility (M0400)	172
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San Vicente Energy Storage Facility Study (J0200)	175
Second Aqueduct Diversion Complex Improvements (H0140)	176
System Isolation Valves (M4650)	177

2023 Facilities Master Plan – H0150

Project Category: Master Planning and Studies

Rate Category: Customer Service

PROJECT DESCRIPTION

The project will serve as a facilities/infrastructure planning guide and road map from 2025 out to the 2045 planning horizon. The 2023 Water Facilities Master Plan will seek to optimize decades of infrastructure investments and create the flexibility to adapt to future conditions. Key considerations for the 2023 Master Plan include climate change, lower aqueduct flows, water quality challenges, opportunities to increase reliability, operational enhancements, seismic resilience, and continued energy optimization. The 2023 Water Facilities Master Plan will also include appropriate CEQA review which would potentially include a Supplemental Programmatic EIR, updates to the Natural Community Conservation Program/Habitat Conservation Plan, and an update to the Climate Action Plan.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$2,933,194.

OPERATING IMPACTS

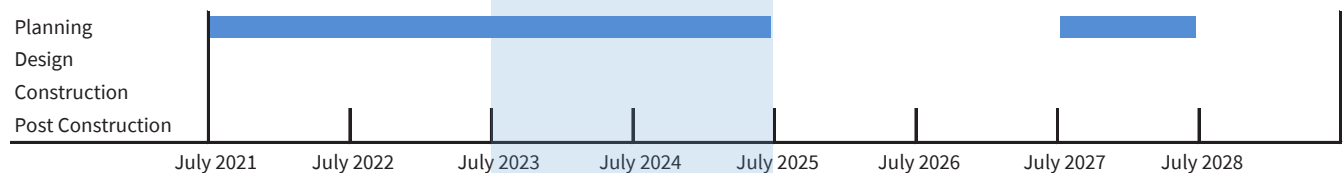
The future operating impacts of this project will be determined as part of the planning process.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Key tasks this budget cycle include using uncertainty scenarios to complete the evaluation of how the Water Authority's aqueduct system performs under future conditions with a system model. Based on the results, the team will identify alternatives to optimize the system and these alternatives will be evaluated and analyzed. Any potential recommended projects and the final planning documents will be reviewed by the Member Agency Technical Group and Member Agency Managers and the brought the Board for evaluation and ultimate approval which is anticipated in the Spring of 2024.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	587	2,144	2,722	211	-	-	729	6,392
Design	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Post Construction	-	-	-	-	-	-	-	-
Totals	587	2,144	2,722	211	-	-	729	6,392
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	587	2,144	2,722	211	-	-	729	6,392



Abandonment of the La Mesa Sweetwater Extension to Sweetwater – B0400

Project Category: Asset Management

Rate Category: Transportation

PROJECT DESCRIPTION

The existing La Mesa Sweetwater Extension Pipeline (LMSE) begins at the end of the First Aqueduct in Lakeside and extends 16.4 miles south to the Sweetwater Reservoir. The northern 4.4 miles of the pipeline is currently in operation to feed the Helix 1 Flow Control Facility, just south of the San Diego River, on the north side of State Route 67. The remaining 12 miles of LMSE is not needed and is no longer in service.



The abandonment of the existing LMSE involves filling the pipeline with cellular grout or concrete slurry. The existing above ground structures such as manways, blow-offs, combination air/vacuum valves, will be removed and surrounding surface areas restored. Existing pipe connections will be removed.

FUNDING

There is no Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025.

OPERATING IMPACTS

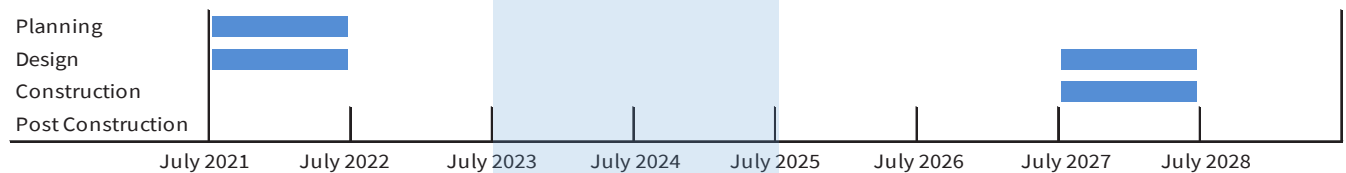
There are no operating impacts associated with this project. The Asset Management Program considers the southerly portion of LMSE a stranded asset with an unknown condition. Abandoning the pipeline will eliminate any potential risk associated with owning or maintaining the pipeline. The Right-of-Way Section also recommends abandoning the pipeline, thereby eliminating the costs for patrolling the pipeline right of way.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Project schedule has been adjusted due to prioritization of the CIP.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	52	-	-	-	-	-	-	52
Design	81	-	-	-	-	-	1,555	1,636
Construction	-	-	-	-	-	-	2,493	2,493
Post Construction	-	-	-	-	-	-	-	-
Totals	133	-	-	-	-	-	4,047	4,180
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	133	-	-	-	-	-	4,047	4,180



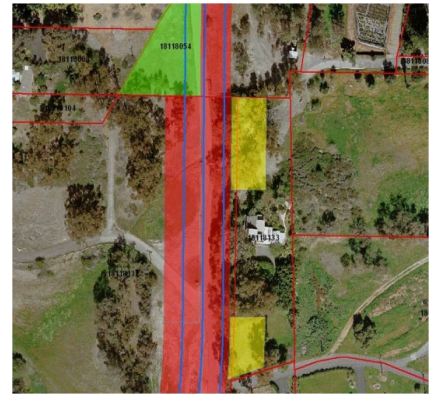
Additional Aqueduct Right of Way Width – N0340

Project Category: Asset Management

Rate Category: Customer Service

PROJECT DESCRIPTION

Along extended reaches of the Second Aqueduct, the Water Authority's right of way is too narrow. The purpose of this project is to widen the right of way to provide adequate width to maintain Water Authority Pipelines. This project is focused on areas of active development, areas that may have future development or where owners have listed their properties for sale. Currently the edge of the right of way may not be wide enough to support pipe replacement or major maintenance.



FUNDING

There is no Capital Improvement Program appropriation for Fiscal Years 2024 and 2025.

OPERATING IMPACTS

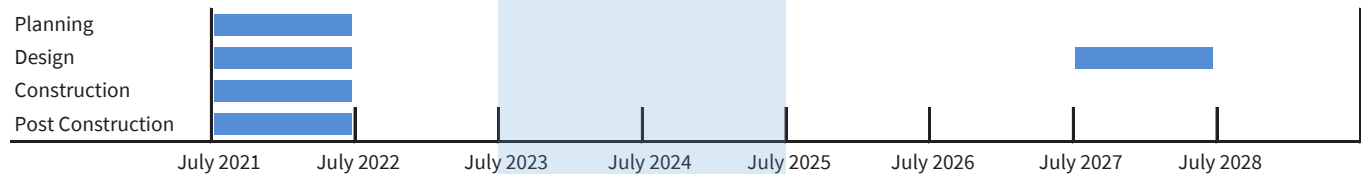
There are no additional operating costs associated with this project because these areas would be patrolled during regular patrols.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

There are no acquisition activities planned for Fiscal Years 2024 and 2025. However, if property becomes available during this period, staff will pursue acquisition accordingly.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	5	-	-	-	-	-	-	5
Design	5,069	-	-	-	-	-	658	5,727
Construction	1	-	-	-	-	-	-	1
Post Construction	54	-	-	-	-	-	-	54
Totals	5,129	-	-	-	-	-	658	5,787
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	5,129	-	-	-	-	-	658	5,787



Aqueduct Communication System – P0750

Project Category: New Facilities

Rate Category: Customer Service

PROJECT DESCRIPTION

This project will develop an implementation plan based on the recently completed communications master plan, which provides a framework for expansion and implementation of recommended improvements to the Water Authority’s Aqueduct Control System (SCADA). The goal is to provide the Water Authority with ownership, and improved control, reliability and security of the communication network while lowering operating costs associated with current alternative communication system links.



FUNDING

There is no Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025.

OPERATING IMPACTS

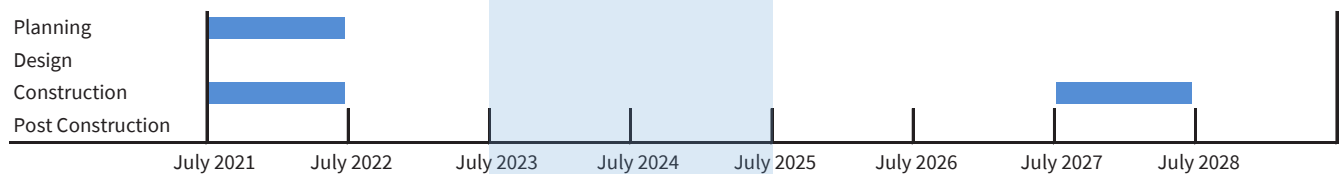
This project will improve control, reliability, and security of the SCADA communication system.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Work on this project is expected to begin in Fiscal Year 2026 and beyond.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	115	-	-	-	-	-	-	115
Design	-	-	-	-	-	-	-	-
Construction	30	-	-	-	-	-	4,193	4,222
Post Construction	-	-	-	-	-	-	-	-
Totals	144	-	-	-	-	-	4,193	4,337
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	144	-	-	-	-	-	4,193	4,337



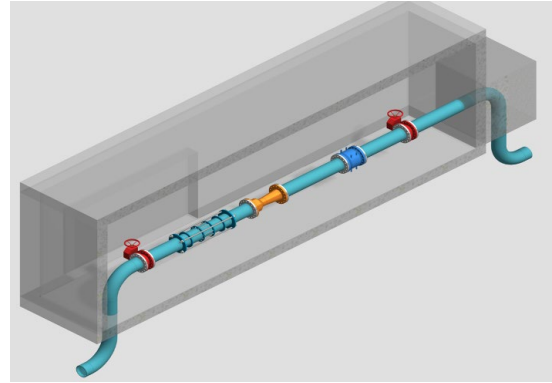
Carlsbad 5 Flow Control Facility and Pressure Reducing Valve – K0330

Project Category: Member Agency Requested Projects

Rate Category: Transportation

PROJECT DESCRIPTION

The Carlsbad 5 Flow Control Facility is a new facility that will provide Carlsbad Municipal Water District (CMWD) direct access to treated water from the Carlsbad Seawater Desalination Plant. CMWD has agreed to purchase 2,500 acre-feet per year of product water from the Carlsbad Desalination Conveyance Pipeline. A Pressure Reducing Vault (PRV) and facility will be designed downstream of the new Carlsbad 5 Flow Control Facility to ensure that the CMWD distribution system receives flows at a pressure that meets their needs. The PRV will be located in a below grade vault, approximately 100 feet downstream of the new Carlsbad 5 Flow Control Facility and will be owned and operated by CMWD.



FUNDING

There is no Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025. This project is fully reimbursable by the Carlsbad Municipal Water District.

OPERATING IMPACTS

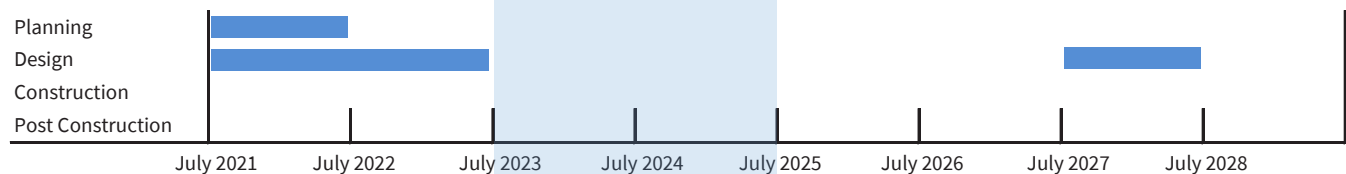
The operating impacts will include coordination of desalination plant operations and maintenance of new facilities required for the delivery of product water to the aqueduct system.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

No work is planned.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	236	-	-	-	-	-	-	236
Design	102	9	-	-	-	-	668	778
Construction	-	-	-	-	-	-	-	-
Post Construction	-	-	-	-	-	-	-	-
Totals	338	9	-	-	-	-	668	1,014
Outside Funding	338	9	-	-	-	-	668	1,014
Net Cost	-	-	-	-	-	-	-	-



Carlsbad Desalination Project – K0300

Project Category: Other

Rate Category: Customer Service/Transportation

PROJECT DESCRIPTION

This project includes all Water Authority obligations as provided for in the Water Purchase Agreement (WPA) with Poseidon Resources for implementation of the Carlsbad Desalination Project. The Water Authority's obligations include: (1) administration of the WPA and oversight of design, construction, startup and commissioning of the seawater desalination plant and intake modifications; (2) design review, construction oversight, startup and commissioning of the desalination conveyance pipeline; (3) design and construction of the relining of a five mile segment of the existing Pipeline 3 between San Marcos and the Twin Oaks Valley Water Treatment Plant; (4) design and construction of modifications to the existing Pipelines 3 and 4 vent structures in San Marcos; (5) oversight of the design and construction of modifications to the Twin Oaks Valley Water Treatment Plant and clearwells for delivery and distribution of desalination product water. In addition, this project includes oversight of the design and construction of improvements to the Vallecitos 9 FCF to facilitate direct delivery of desalinated water as part of that agency's purchase contract and projects related to alternative power supply to the plant.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$396,142. This project has been partially reimbursed in the sum of \$8,054,445 over its lifetime.

OPERATING IMPACTS

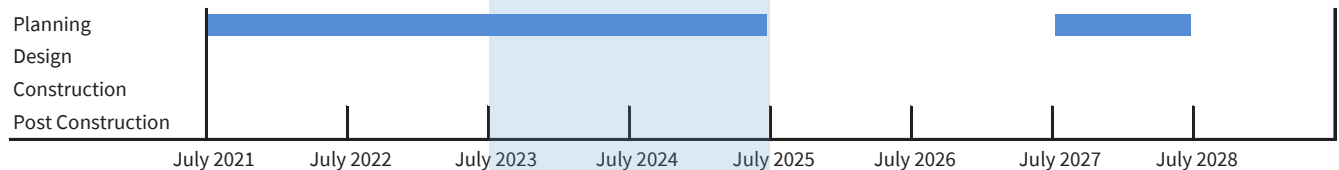
The operating impacts include coordination of desalination plant operations/billing and maintenance of new facilities required for the delivery of product water to the aqueduct system.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Perform design reviews and construction oversight of the desalination plant intake modifications for the final operational phase required by the closure of the Encina Power Station, establish the Water Authority's cost obligations and desal water unit price impacts based on these modifications, and confirm the regulatory requirements to provide a direct energy supply connection to the desalination plant.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	4,042	1,113	271	125	-	-	339	5,890
Design	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Post Construction	-	-	-	-	-	-	-	-
Totals	4,042	1,113	271	125	-	-	339	5,890
Outside Funding	-	489	-	-	-	-	-	489
Net Cost	4,042	624	271	125	-	-	339	5,401



Colorado River Canal Linings - Post Construction Mitigation Monitoring – I0400

Project Category: Environmental Mitigation

Rate Category: Supply

PROJECT DESCRIPTION

The Colorado River supplies include the conserved water transfer with the Imperial Irrigation District (IID) and conserved water received from the canal lining projects as a result of the 2003 Quantification Settlement Agreement. The Water Authority receives 200,000 acre-feet and 77,700 acre-feet per year from the IID conserved water transfer and canal linings, respectively.



The agreement for the canal lining projects and water transfer require that all environmental impacts are further defined and mitigated, including but not limited to, construction and long-term performance measurement of a 17-acre created marsh, maintenance and monitoring of 105 acres of Core Marsh, and restoration of 352 acres of Desert Riparian habitat. In most cases, mitigation measures are implemented by IID for the All-American Canal Lining Project and the Coachella Valley Water District for the Coachella Canal Lining Project.

FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$1,009,170.

OPERATING IMPACTS

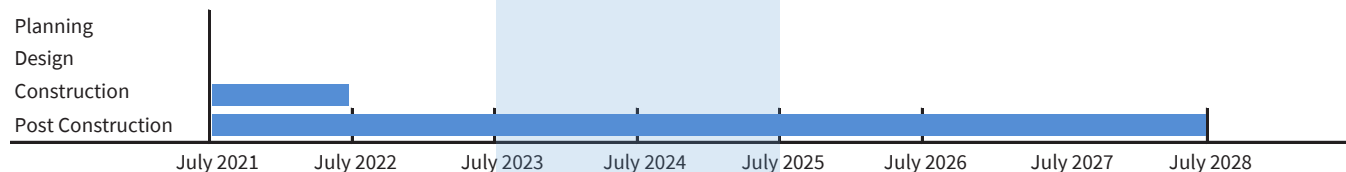
There are no additional operating impacts as a result of this project.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Water Authority staff will continue to support implementation of the required maintenance and monitoring of mitigation obligations for the canal linings projects and support mitigation associated with the water transfer. Focus for FY 2024 and 2025 will be to document completion of all mitigation obligations except Desert Riparian requirement for which several alternatives are being considered.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	-	-
Design	-	-	-	-	-	-	-	-
Construction	487	-	-	-	-	-	-	487
Post Construction	16,298	255	505	504	3,809	4,045	2,221	27,638
Totals	16,786	255	505	504	3,809	4,045	2,221	28,125
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	16,786	255	505	504	3,809	4,045	2,221	28,125



Energy Resiliency Project – J0400

Project Category: Master Planning and Studies

Rate Category: Customer Service

PROJECT DESCRIPTION

The Water Authority began experiencing a decrease in energy supply reliability resulting in loss of power at facilities in the summer of 2020 due to San Diego Gas & Electric's Public Safety Power Shutoffs. Power shutoffs were driven by wildfire mitigation and grid outages due to extreme heat events. During these power supply interruptions, the Water Authority was required to operate the aqueduct system manually, losing protections provided with the automated control systems normally in place and disrupting water system reliability. As a result, the 2021 Energy Management Policy includes an energy resilience focus area to improve facilities' energy resilience. In January 2022, the Board awarded a contract with Alliance for Sustainable Energy, LLC to perform an energy resilience analysis. The Alliance for Sustainable Energy, LLC operates the U.S. Department of Energy National Renewable Energy Laboratory. The energy resilience analysis evaluated select Water Authority facilities to identify energy supply risks and suggest energy resilient solutions. Staff used the study results to identify energy resilient improvements to address power supply gaps and vulnerabilities. A portion of these improvements have been included in the Capital Improvement Program to implement on a pilot basis.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$1,663,525.

OPERATING IMPACTS

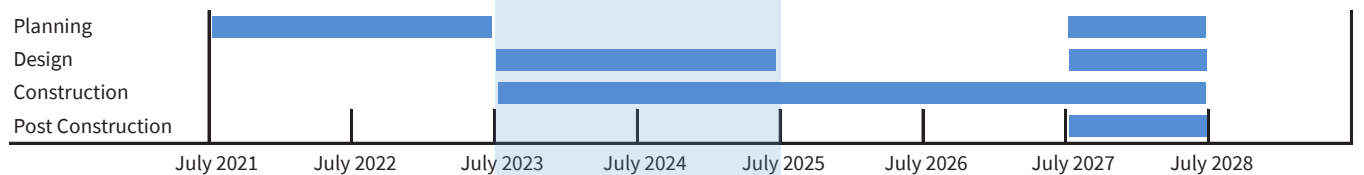
The proposed energy resilient improvements will improve the Water Authority's ability to provide critical uninterrupted water service during blackouts and PSPS events and partially offset facility energy costs to help stabilize water rates.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Complete the design of energy resilient improvements for 20 flow control facilities and the Valley Center Pump Station.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	237	28	-	-	-	-	(10)	255
Design	-	-	432	1,093	-	-	110	1,636
Construction	-	-	77	61	3,023	3,405	1,048	7,614
Post Construction	-	-	-	-	-	-	196	196
Totals	237	28	509	1,154	3,023	3,405	1,345	9,700
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	237	28	509	1,154	3,023	3,405	1,345	9,700



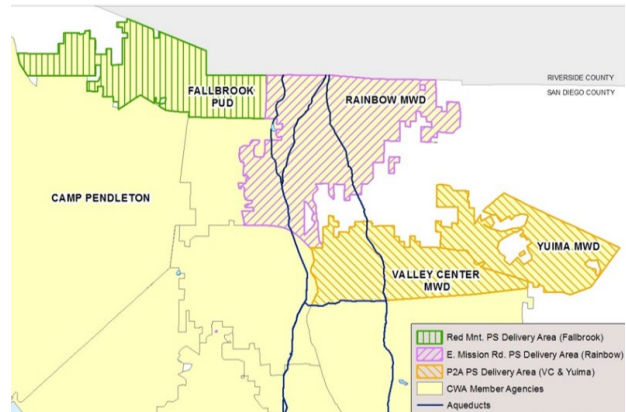
ESP – North County Pump Stations – G1800

Project Category: Emergency Storage Program

Rate Category: Storage

PROJECT DESCRIPTION

The ESP North County Pump Stations project is the final phase of the Emergency Storage Project. The project includes a new Metropolitan Water District owned Pipeline 4 turnout, two new member agency owned pump stations, and other member agency system improvements. These facilities will enable treated water deliveries to the northernmost service area during an ESP condition.



FUNDING

The Capital Improvement Program appropriation for Fiscal Years 2024 and 2025 is \$179,250.

OPERATING IMPACTS

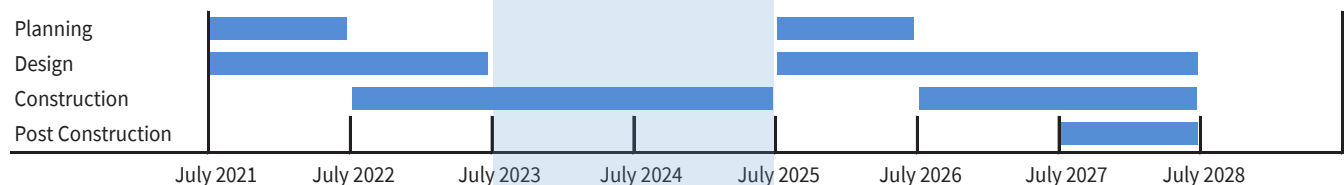
Most of the facilities constructed for this project will be owned and operated by member agencies. The Water Authority will own and operate one metering facility which will result in increased operating costs for operation and maintenance activities.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Construct the Valley Center and Yuima portion of the project.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	1,403	-	-	-	13	-	-	1,416
Design	1,348	92	-	-	2,331	581	71	4,423
Construction	-	11,426	128	52	-	21,661	5,854	39,119
Post Construction	-	-	-	-	-	-	506	506
Totals	2,750	11,518	128	52	2,344	22,241	6,431	45,464
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	2,750	11,518	128	52	2,344	22,241	6,431	45,464



ESP - Owner Controlled Insurance Program Closeout – G0220

Project Category: Emergency Storage Program

Rate Category: Storage

PROJECT DESCRIPTION

This project provides support services for the Owner Controlled Insurance Program (OCIP) of the Emergency and Carryover Storage Projects which commenced in April 1999 and ended in March 2015 with the completion of the San Vicente Marina Facilities project. The OCIP was originally purchased for the period of 1999 until 2009 (OCIP I). Due to extended construction work on the ESP beyond 2009, the OCIP end date was moved to 2015 and OCIP II (2009-2015) was created. Both OCIP insurance policy periods included a ten-year tail coverage for Products/Completed Operations for general liability/bodily injury claims.



During Fiscal Years 2016 and 2017, staff negotiated a buy-out transferring OCIP I to the insurance carrier. The OCIP II expires in 2025.

FUNDING

The Capital Improvement Program appropriation for the Fiscal Year 2024 and 2053 is \$13,132.

OPERATING IMPACTS

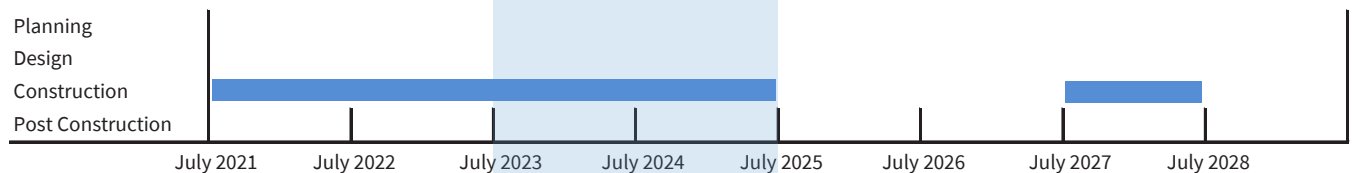
There are no operating impacts resulting from this project.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

The program's 10 year tail expires in 2025, and this program will close out at that time.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	-	-
Design	-	-	-	-	-	-	-	-
Construction	12	1	8	5	-	-	50	76
Post Construction	-	-	-	-	-	-	-	-
Totals	12	1	8	5	-	-	50	76
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	12	1	8	5	-	-	50	76



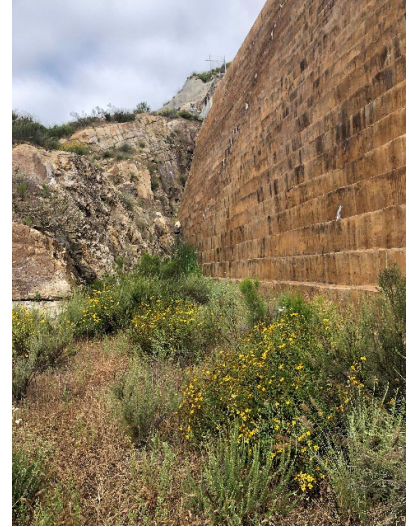
ESP – Post Construction Activities – G2000

Project Category: Emergency Storage Program

Rate Category: Storage

PROJECT DESCRIPTION

This project consolidates the post-construction phase of ESP projects, including the Carryover Storage Project (CSP) components. It was established so that the respective construction projects can be closed and capitalized when construction is complete; but ongoing mitigation and other requirements remain, such as habitat restoration or long-term warranty repairs. Mitigation maintenance and monitoring during Fiscal Years 2022 and 2023 included the San Vicente Dam Raise, San Vicente Marina, and the San Vicente Bypass Pipeline projects, i.e., the San Vicente Dam Raise suite of projects. In July 2022, the Water Authority received concurrence from the U.S. Fish and Wildlife Service's (USFWS) that all ESP/CSP habitat restoration sites had met success criteria. On-going elements of this project include documentation and reporting; finalizing permit compliance; and environmental records management.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$2,615,275.

OPERATING IMPACTS

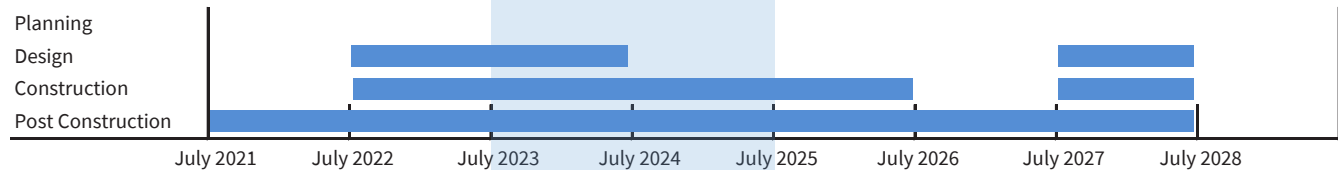
There are no operating impacts.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

The focus for Fiscal Years 2024 and 2025 is primarily the reimbursement to the City of San Diego for the Water Authority share of anticipated equipment repairs and security upgrades. An additional focus is obtaining USFWS's written concurrence that ESP Capital Improvement Program projects' permit conditions are satisfied, and environmental records are transitioned into the Water Authority's electronic document management system.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	-	-
Design	-	7	198	-	-	-	37	243
Construction	0	635	112	1,465	425	-	(394)	2,243
Post Construction	573	45	348	492	5	5	5,200	6,668
Totals	573	687	659	1,956	430	5	4,843	9,153
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	573	687	659	1,956	430	5	4,843	9,153



ESP – San Vicente 3rd Pump Drive and Power – G0610

Project Category: Master Planning and Studies

Rate Category: Storage

PROJECT DESCRIPTION

This project will provide pump station upgrades and an additional power source to allow the San Vicente Pump Station to be operated at full design capacity. The project is needed to fully utilize an expanded San Vicente Reservoir for future Emergency Storage Project needs, to meet projected peak seasonal demands for untreated water, and to access available carryover storage during supply shortages.



FUNDING

There is no Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025.

OPERATING IMPACTS

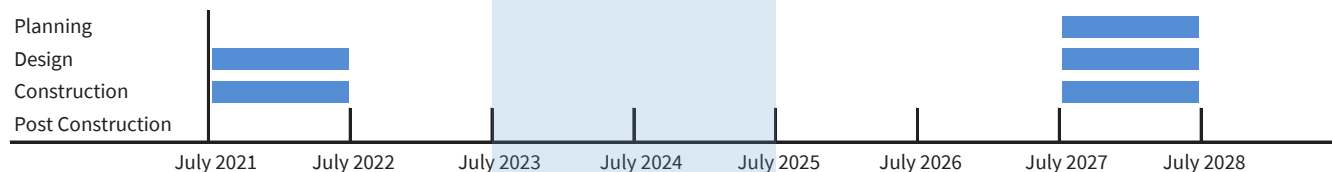
The future operating impacts of this project will be determined as part of the planning process.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

No work on this project is currently planned. This project will be included in the 2023 Master Plan Update to evaluate the needs and timing of the project within the 2045 planning horizon.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	167	167
Design	256	-	-	-	-	-	1,152	1,408
Construction	1	-	-	-	-	-	6,467	6,469
Post Construction	-	-	-	-	-	-	-	-
Totals	258	-	-	-	-	-	7,786	8,044
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	258	-	-	-	-	-	7,786	8,044



Facilities Improvement and Equipment Replacement – N0900

Project Category: Asset Management

Rate Category: Customer Service/Transportation

PROJECT DESCRIPTION

Project is to fund and execute the replacement of mechanical and electrical equipment at critical Water Authority facilities and aqueduct system, such as pumps, valves, motors, actuators, generators, meters, and breakers. This project will also fund and implement facility improvements, such as roof and air conditioning systems.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$6,697,360.

OPERATING IMPACTS

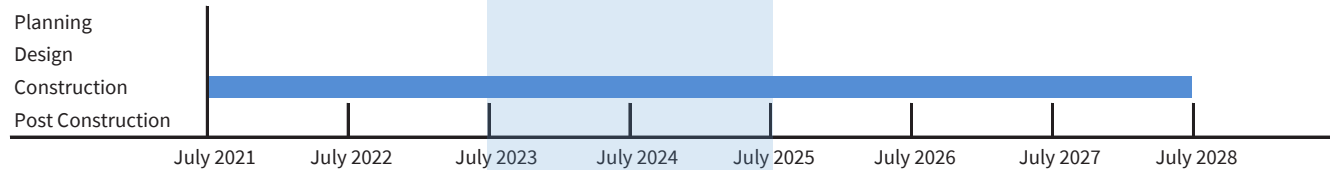
This project provides resources and funding to ensure safe and reliable operation and maintenance of the Water Authority's equipment, facilities, and aqueduct system.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Implement required improvements and replacement of equipment at various Water Authority facilities, such as the Hodges Hydroelectric Facility, San Vicente Pump Station and other critical facilities.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	-	-
Design	-	-	-	-	-	-	-	-
Construction	286	761	2,659	4,038	2,658	3,982	21,468	35,852
Post Construction	-	-	-	-	-	-	-	-
Totals	286	761	2,659	4,038	2,658	3,982	21,468	35,852
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	286	761	2,659	4,038	2,658	3,982	21,468	35,852



Hauck Mesa Storage Reservoir – N0510

Project Category: Other

Rate Category: Transportation

PROJECT DESCRIPTION

This project will construct a 2.1 million-gallon treated water storage reservoir connected to the Water Authority's Valley Center Pipeline in Valley Center. The reservoir will support pipeline operations in conjunction with the Water Authority's Valley Center Pump Station by providing pump station surge relief and regulating flows to the First Aqueduct. The project will also offer additional aqueduct reliability and transient protection due to power losses or other flow interruptions at the pump station.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$277,687.

OPERATING IMPACTS

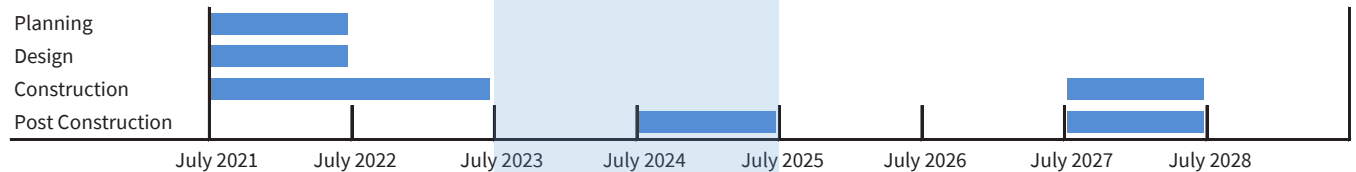
This project will enhance the Water Authority's operational flexibility and improve system reliability for delivery of treated water to the First Aqueduct.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

The Fiscal Years 2024 and 2025 budget includes funds for post-construction warranty of the project.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	168	-	-	-	-	-	-	168
Design	2,126	-	-	-	-	-	-	2,126
Construction	13,626	4,056	-	-	-	-	2,321	20,003
Post Construction	-	-	-	278	-	-	341	619
Totals	15,919	4,056	-	278	-	-	2,663	22,916
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	15,919	4,056	-	278	-	-	2,663	22,916



Infrastructure Rehabilitation – Q0100

Project Category: Asset Management

Rate Category: Customer Service/Transportation

PROJECT DESCRIPTION

The Asset Management Program, first initiated in 2009, is a strategic effort to assess and monitor our operational assets and to prioritize the repair, rehabilitation, or replacement of assets based on risk in order to maximize their value over time. Through an analysis of the consequence of failure and the probability of failure, the program continues to identify improvements to ageing assets including pipelines, pipeline structures, flow control facilities, valves, meters, and other water conveyance equipment. Due to the significant cost of PCCP relining projects, these are separately tracked (see R0200 Relining and Pipe Replacement Program).



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$65,549,143

OPERATING IMPACTS

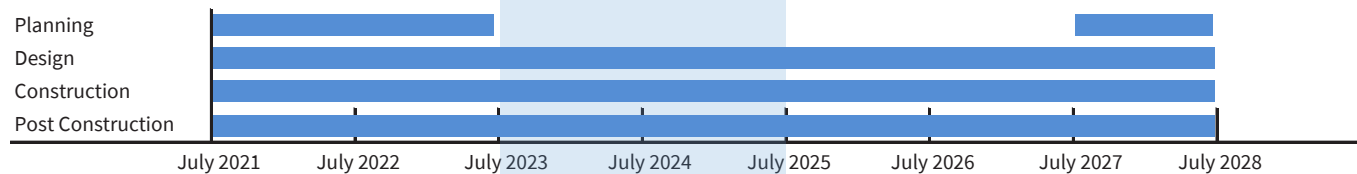
These projects will extend or renew the service life of water conveyance assets, reduce the probability of unplanned failures, and optimize long-term maintenance and operating activities.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

- Complete design and commence construction of Untreated Pipelines 1 and 2 pipeline structures
- Complete Rancho Hydroelectric Facility improvements
- Complete construction of seismic retrofits of priority First Aqueduct bifurcation structures
- Commence design of San Diego 31 Flow Control Facility

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	2,081	54	-	-	-	-	555	2,691
Design	12,374	3,432	3,135	2,116	6,174	3,624	11,200	42,056
Construction	21,647	32,722	24,372	34,890	39,712	39,785	209,375	402,503
Post Construction	280	130	275	760	208	921	5,470	8,045
Totals	36,382	36,339	27,783	37,767	46,093	44,331	226,601	455,295
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	36,382	36,339	27,783	37,767	46,093	44,331	226,601	455,295



Inline Hydroelectric Energy Generation Facilities - J0300

Project Category: Master Planning and Studies

Rate Category: Customer Service

PROJECT DESCRIPTION

This project provides technical studies for inline hydroelectric facility generation within the Water Authority's aqueduct system, which includes those candidate sites identified in the 2013 Regional Water Facilities Optimization and Master Plan Update, March 2014. These studies will confirm the technical and economic feasibility of candidate sites for potential development. Studies performed in FY21 determined none of the candidate sites as feasible.



FUNDING

There is no Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025.

OPERATING IMPACTS

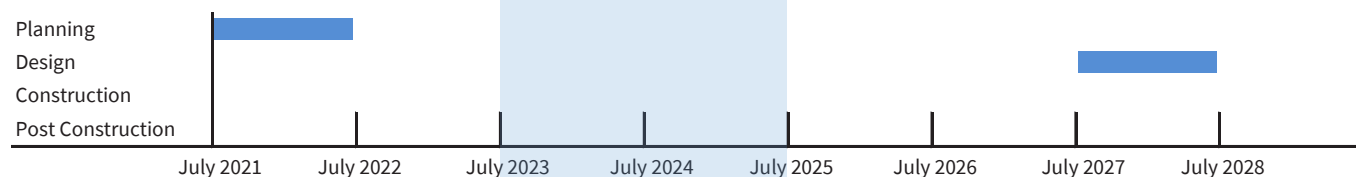
Operating impacts of this project are yet to be determined.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Project schedule has been adjusted due to prioritization of the CIP.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	213	-	-	-	-	-	-	213
Design	-	-	-	-	-	-	307	307
Construction	-	-	-	-	-	-	-	-
Post Construction	-	-	-	-	-	-	-	-
Totals	213	-	-	-	-	-	307	521
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	213	-	-	-	-	-	307	521



Lake Hodges Dam Rehabilitation/Replacement – G3000

Project Category: Asset Management

Rate Category: Storage

PROJECT DESCRIPTION

Lake Hodges is one of the three reservoirs in the Emergency Storage Project (ESP). The Hodges Dam, constructed in 1917-1919, is a 131-foot-tall dam with 23 reinforced concrete arches. The reservoir has a storage of 30,600 acre-feet, of which 20,000 belongs to the Water Authority for the regional use during an ESP event. The remaining capacity belongs to the City of San Diego. The City also owns and operates the dam and pursuant to an agreement with the City, the Water Authority is responsible for 50% of the on-going operating and maintenance costs (including any future upgrades to the dam). The California Department of Water Resources, Division of Safety of Dams (DSOD) has restricted the reservoir operating level 35 feet below the spillway and requested the City to immediately repair the existing structural defects and restore safety monitoring functions (i.e. near-term repairs). Also, DSOD has requested the City to begin planning and design for an ultimate rehabilitation or replacement of the existing dam (i.e. long-term improvement) to ensure safe operations of the dam during a strong earthquake or probable maximum rain event. The project will consist of multiple construction packages, for example, the near-term repairs, spillway repairs, and long-term rehabilitation including test quarry, foundation preparatory work, dam rehabilitation/ replacement, and post construction site improvements.



FUNDING

Per the ESP agreement with the City of San Diego, all project costs will be shared evenly between the City of San Diego and the Water Authority. The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$3,248,014.

OPERATING IMPACTS

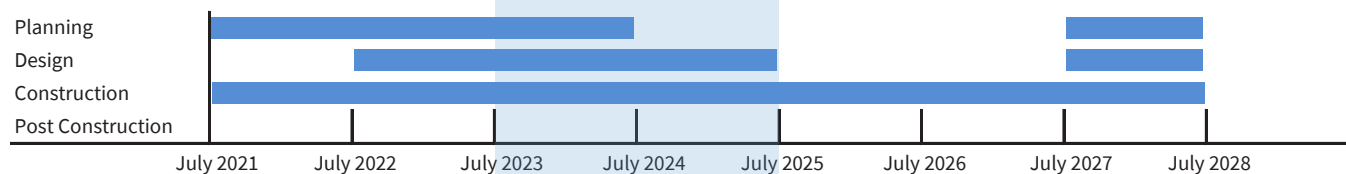
This project provides local emergency storage. Capital improvement and Operation and Maintenance costs will be shared evenly with the City of San Diego per terms of the ESP agreement.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

The City expects to complete the emergency repair work in the Fiscal Year 2024 and continues the design for the near-term repair items. The City is also studying and finalizing options for the long-term improvement that is expected to last 10 to 12 years.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	16	40	57	-	-	-	24	138
Design	-	42	20	11	-	-	14	87
Construction	120	175	1,766	1,394	3,025	2,778	128,738	137,995
Post Construction	-	-	-	-	-	-	-	-
Totals	136	257	1,843	1,405	3,025	2,778	128,776	138,220
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	136	257	1,843	1,405	3,025	2,778	128,776	138,220



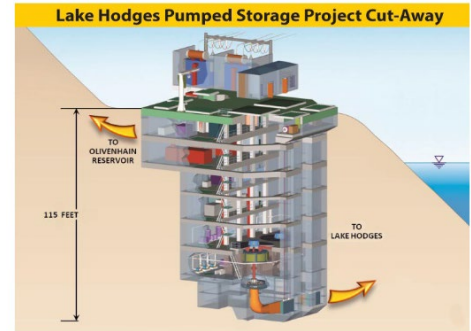
Lake Hodges Hydroelectric Facility Downstream Piping System – J0150

Project Category: Asset Management

Rate Category: Customer Service

PROJECT DESCRIPTION

Project will provide required double isolation between the Lake Hodges Hydroelectric Facility and Lake Hodges Reservoir during planned and unplanned shutdowns. This is a regulatory requirement to ensure the safety of staff during shutdowns of the Facility and is required prior to the planned major re-build of the Facility's major mechanical and electrical systems, currently scheduled for Fiscal Years 2024 and 2025.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$1,500,000.

OPERATING IMPACTS

This project may impact the Facility's revenues during the construction period. However, once completed, this project will allow for the safe maintenance of the Facilities' critical systems.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Commence planning and design for the required safety and double isolation improvements to the Lake Hodges Hydroelectric Facility.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	14	-	-	-	-	(13)	1
Design	-	-	-	-	-	-	-	-
Construction	0	281	1,500	-	-	-	218	1,999
Post Construction	-	-	-	-	-	-	-	-
Totals	0	295	1,500	-	-	-	205	2,000
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	0	295	1,500	-	-	-	205	2,000

Planning								
Design								
Construction								
Post Construction								
	July 2021	July 2022	July 2023	July 2024	July 2025	July 2026	July 2027	July 2028

Line Road Improvements – P0350

Project Category: Asset Management

Rate Category: Customer Service

PROJECT DESCRIPTION

This project will provide line road improvements to culverts, gates, and line road sections. Such improvements are required to ensure access is maintained for performance of aqueduct maintenance functions and right-of-way patrol activities.

FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$293,733.

OPERATING IMPACTS

Improving access to the aqueduct system will facilitate patrolling and maintenance activities, reduce response times, and control encroachments, resulting in reduced operational costs.

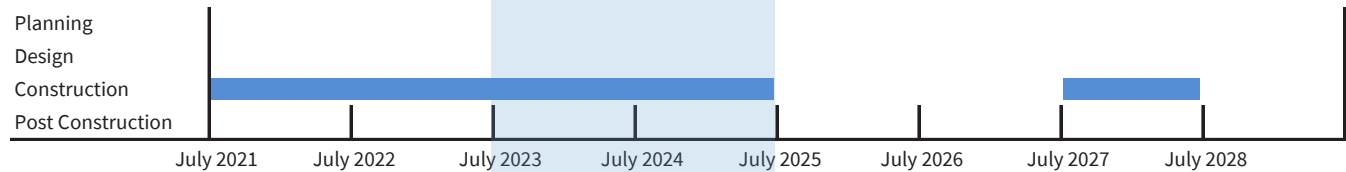
FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Staff will pursue placement of road material, i.e. rock and base material, for improved access for the Miramar Vents area road and the Miramar Vents to Camp Elliot road section. Staff will also implement improvements to the Peñasquitos Creek crossing's culvert. Projects for other minor line road culverts and gates at various locations will continue.



(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	-	-
Design	-	-	-	-	-	-	-	-
Construction	183	53	149	145	-	-	358	888
Post Construction	-	-	-	-	-	-	-	-
Totals	183	53	149	145	-	-	358	888
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	183	53	149	145	-	-	358	888



Mission Trails Flow Regulatory Structure (FRS) II/Lake Murray Control Valve – C0600

Project Category: Other

Rate Category: Transportation

PROJECT DESCRIPTION

The Mission Trails Flow Regulatory Structure (FRSII)/Lake Murray Control Valve project is the consolidation of two existing CIP projects as a result of continued evaluation performed in the 2013 Regional Water Facilities Optimization and Master Plan Update. The combined project will place the existing Mission Trails Pipeline Tunnels in service to meet future untreated water demands for the central and south county service areas, and to relieve existing operational risks. The budgeted project consists of a buried reinforced concrete storage reservoir and appurtenant pipeline facilities, a new Flow Control Facility, and removal of existing vents in Mission Trails Regional Park.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$338,438.

OPERATING IMPACTS

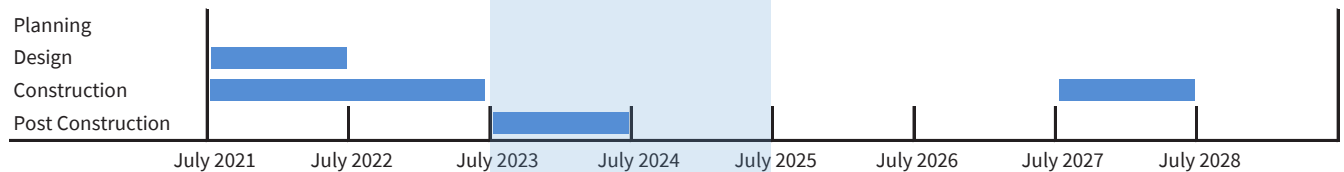
This project will enhance the Water Authority's operational flexibility as well as ensure reliable and efficient deliveries of Second Aqueduct untreated water to the central and southern portions of the county.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

The Fiscal Years 2024 and 2025 budget includes funds for post-construction warranty of the project.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	-	-
Design	2,903	-	-	-	-	-	-	2,903
Construction	39,166	4,835	-	-	-	-	1,459	45,461
Post Construction	-	-	338	-	-	-	-	338
Totals	42,069	4,835	338	-	-	-	1,459	48,702
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	42,069	4,835	338	-	-	-	1,459	48,702



Mitigation Program – H0200

Project Category: Environmental Mitigation

Rate Category: Transportation

PROJECT DESCRIPTION

The Mitigation Program provides comprehensive mitigation for Water Authority programs, projects, and actions resulting from compliance with state and federal endangered species and wetland regulations. Short-term efforts focus on coordinated permitting and immediate project needs. Long-term efforts include implementing certain multi-species/wetland mitigation projects associated with the Water Authority's long-term (50-year) multi-species and wetland permits, and developing agreements with regulatory agencies to ensure right-sizing of the Water Authority's existing and future mitigation credit inventory.

FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$4,766,925.

OPERATING IMPACTS

There are no operating impacts.

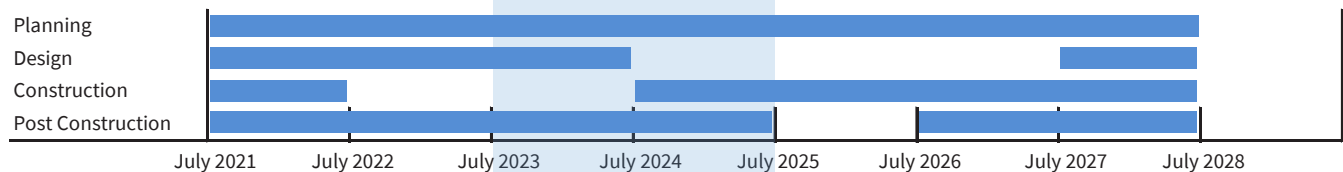
FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Finalize and acquire permits, commence construction of the proposed San Luis Rey River Habitat Restoration Project, complete the 120-plant establishment period, and start a 5-year maintenance and monitoring effort. Negotiate and establish an advanced permittee-responsible mitigation site for this project which will provide a minimum of 3-acres of wetlands credits and other sensitive habitat as mitigation for use on future CIP projects and operations and maintenance actions. Continue management of the Water Authority's existing Natural Community Conservation Plan/Habitat Conservation Plan and 50-year programmatic wetland permit.



(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	1,863	112	66	148	126	126	1,438	3,877
Design	691	109	328	-	-	-	43	1,171
Construction	4,794	-	-	3,877	2,305	461	1,116	12,553
Post Construction	352	94	2	347	-	354	2,806	3,954
Totals	7,699	314	396	4,371	2,431	940	5,403	21,555
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	7,699	314	396	4,371	2,431	940	5,403	21,555



Operations and Maintenance Department Facility – N0530

Project Category: Asset Management

Rate Category: Customer Service

PROJECT DESCRIPTION

The existing Operations and Maintenance Facility in Escondido does not meet the existing and future needs of the Operations and Maintenance Department. Project funds will be used to procure and develop an alternative site.



FUNDING

The Capital Improvement Program Appropriation for the Fiscal Years 2024 and 2025 is \$11,999,960

OPERATING IMPACTS

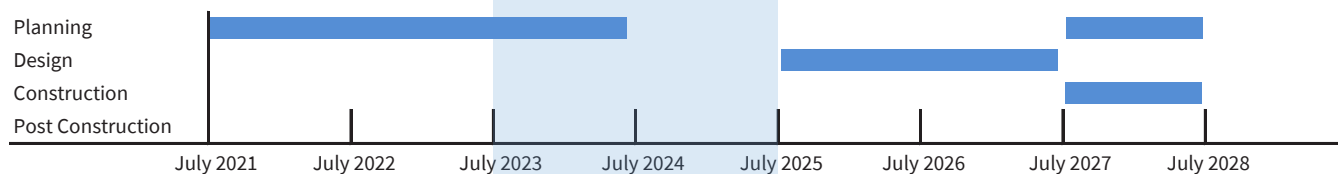
Maintaining an adequate O&M Facility which meets the needs of the department is critical to the efficient operation and maintenance of the Water Authority's aqueduct system and to the reliable delivery of water to its member agencies.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

- Complete search for alternative site and complete due diligence efforts
- Acquire alternative site
- Commence development of site to suit the department needs

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	78	108	12,000	-	-	-	37	12,223
Design	-	-	-	-	1,500	1,500	-	3,000
Construction	-	-	-	-	-	-	44,777	44,777
Post Construction	-	-	-	-	-	-	-	-
Totals	78	108	12,000	-	1,500	1,500	44,814	60,000
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	78	108	12,000	-	1,500	1,500	44,814	60,000



Pipeline 3/Pipeline 4 Conversion – M4550

Project Category: Master Planning and Studies

Rate Category: Transportation

PROJECT DESCRIPTION

Pipeline 3/Pipeline 4 Conversion was a project recommended in the 2013 Regional Water Facilities Optimization and Master Plan Update. The project is intended to increase untreated water conveyance capacity in the Second Aqueduct north of Twin Oaks Valley by converting all or a portion of the existing Pipeline 4 (capacity 450 cfs) to untreated water service and a similar portion of Pipeline 3 (capacity 280 cfs) to treated water service.



This project also considers additional storage to the Water Authority's conveyance system. Additional storage will increase the efficiency of system operations and allow for the integration of new supplies into the aqueduct system.

FUNDING

There is no Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025.

OPERATING IMPACTS

The future operating impacts of this project will be determined as part of the planning process.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

No work on this project is currently planned. This project will be included in the 2023 Master Plan Update to evaluate the needs and timing of the project within the 2045 planning horizon.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	1,014	1,014
Design	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Post Construction	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	1,014	1,014
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-	1,014	1,014

Planning								
Design								
Construction								
Post Construction								
	July 2021	July 2022	July 2023	July 2024	July 2025	July 2026	July 2027	July 2028

Post-Construction Mitigation Management – H0500

Project Category: Environmental Mitigation

Rate Category: Transportation

PROJECT DESCRIPTION

This mitigation maintenance, monitoring and reporting program consolidates the post-construction phase of existing non-ESP construction projects. Post construction projects are established during the development of the two-year budget so that the respective construction projects can be closed and capitalized when construction is complete; but ongoing mitigation requirements remain, such as habitat restoration.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$1,082,177.

OPERATING IMPACTS

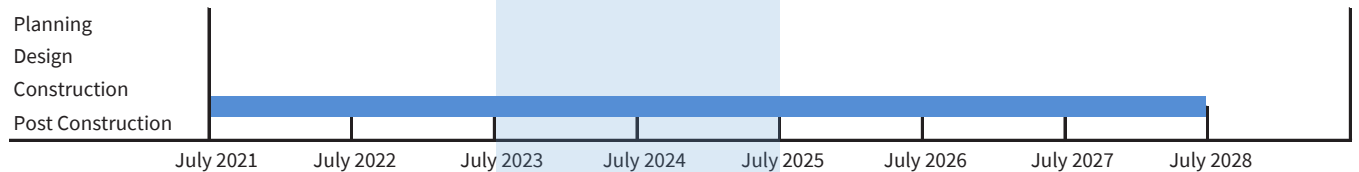
There are no operating impacts.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Staff will continue to implement habitat remediation and erosion prevention activities, including monitoring and documenting habitat restoration as required by projects' environmental commitments, mitigation monitoring and reporting programs, and natural resources regulatory permits. Work continues on Pipeline 3 Relining Lake Murray to Sweetwater Reservoir, San Diego 28 Flow Control Facility, Moosa Creek Crossing Erosion Control, Pipeline 4 Moosa Canyon Emergency Repair, and Northern First Aqueduct Rehab North projects. Staff will also commence required post-construction mitigation for non-ESP projects that will file notices of completion within the budget period, such as Mission Trails Flow Regulatory Structure II, Hauck Mesa Reservoir, Dulin Hill Erosion Repair Project, and Twin Oaks Valley Reline Project.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	0	-	-	-	-	-	-	0
Design	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Post Construction	2,085	395	792	290	267	188	1,960	5,978
Totals	2,086	395	792	290	267	188	1,960	5,978
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	2,086	395	792	290	267	188	1,960	5,978



Poway 5 Flow Control Facility – M0400

Project Category: Member Agency Requested Projects

Rate Category: Customer Service

PROJECT DESCRIPTION

The Poway 5 Flow Control Facility (FCF) will be owned and operated by the Water Authority and will provide the City of Poway with 24 cubic feet per second treated water and a new connection off the Water Authority's Ramona Pipeline. The City of Poway plans to design and construct the facility to Water Authority specifications and reimburse the Water Authority for all its costs associated with design coordination/plan review, construction oversight/inspection, and related aqueduct shutdowns required to make the connection to the Water Authority's system. The Board has approved a design agreement with the City of Poway who has begun the design. Before any construction work begins on this project, the Board will need to approve an amendment to the existing agreement with the City to cover the construction period and Operations and Maintenance.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$579,578. This project is 100% reimbursable by the City of Poway.

OPERATING IMPACTS

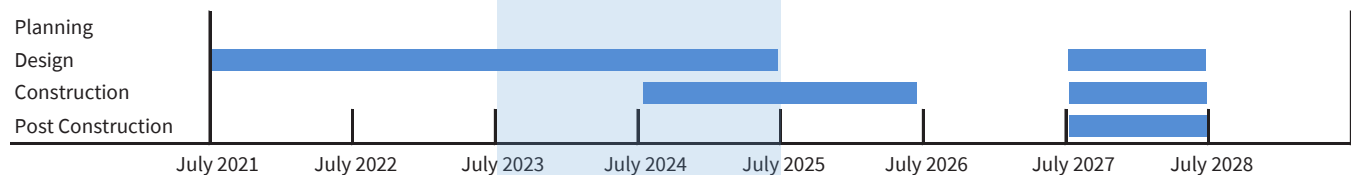
The operating impacts will include coordination with the member agencies who currently use Ramona Pipeline or Pipeline 1 for operations and maintenance of the new facility to deliver required treated water to Poway.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Review design by the City of Poway, develop agency construction and operation agreements, and conduct quality assurance inspection during construction.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	-	-
Design	9	49	104	3	-	-	(5)	160
Construction	-	-	-	472	127	-	37	637
Post Construction	-	-	-	-	-	-	23	23
Totals	9	49	104	476	127	-	55	820
Outside Funding	9	49	104	476	127	-	55	820
Net Cost	-	-	-	-	-	-	-	-



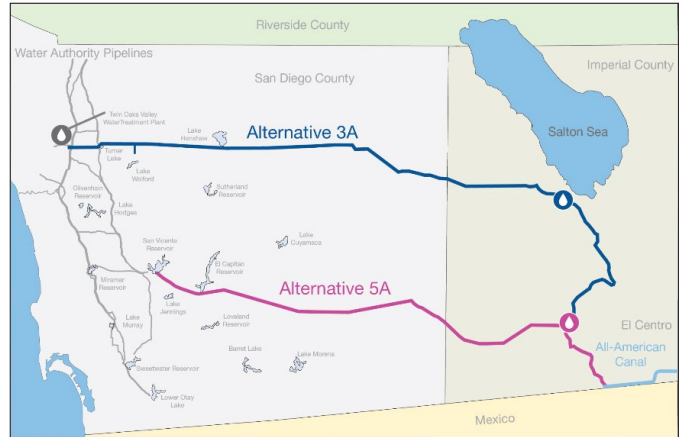
Regional Conveyance System Study – I0430

Project Category: Master Planning and Studies

Rate Category: Customer Service

PROJECT DESCRIPTION

Through the 2003 Quantification Settlement Agreement (QSA), the Water Authority receives approximately 277,700 acre-feet of highly reliable conserved Colorado River supplies each year. Because the Water Authority does not have a direct connection to the Colorado River, it pays the Metropolitan Water District of Southern California to deliver it via a separate agreement. The Water Authority evaluated alternative conveyance of its QSA supplies directly from the Imperial Valley to the San Diego region via a new pipeline,



as part of past studies and in conjunction with Regional Water Facilities Optimization and Master Plan efforts. This current two-phase study is building upon previous work to further evaluate the technical and economic feasibility of a regional conveyance system and evaluate potential partnership opportunities that could yield multiple benefits to the Southwest. Phase A, completed in August 2020, focused on engineering and costs, and showed that the proposed project is technically viable and economically competitive with other options and identified several partnership opportunities. In November 2020, the Board authorized proceeding with Phase B which is underway.

FUNDING

There is no Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025.

OPERATING IMPACTS

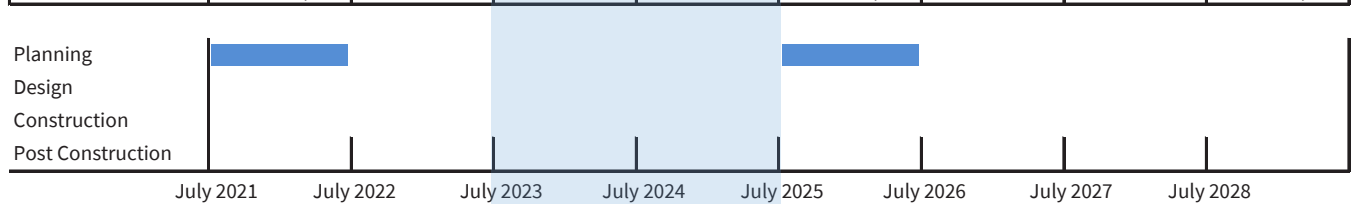
There are no anticipated operating impacts associated with these planning-level efforts.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

The project schedule has been adjusted due to prioritization of the CIP.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	2,346	0	-	-	1,554	-	-	3,900
Design	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Post Construction	-	-	-	-	-	-	-	-
Totals	2,346	0	-	-	1,554	-	-	3,900
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	2,346	0	-	-	1,554	-	-	3,900



Relining and Pipe Replacement Program – R0200

Project Category: Asset Management

Rate Category: Transportation

PROJECT DESCRIPTION

Pre-stressed concrete cylinder pipe (PCCP) within the Water Authority's Second Aqueduct was constructed between 1958 and 1982. With the recent abandonment of 2 miles of PCCP in Mission Trails Regional Park following the completion of the Flow Regulatory Structure II project, there is now a total of 80 miles of PCCP. Due to the risks associated with failure of this type of pipe, the Board in 1993 approved the project to facilitate rehabilitation of Water Authority pipelines. Approximately 48 miles of PCCP has been rehabilitated to date. This project is part of the overall Asset Management Program, however due to the significant cost of PCCP relining projects, these are separately tracked under this project.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$83,021,073.

OPERATING IMPACTS

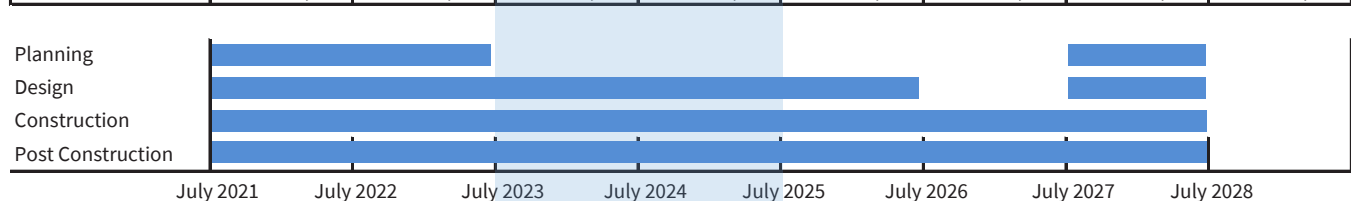
These projects will extend or renew the service life of water conveyance assets, reduce the probability of unplanned failures, and optimize long-term maintenance and operating activities.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

- Design of Moosa Canyon solution
- Commence construction of Crossover Pipeline I-15 Bypass project
- Design and construction of Pipeline 5 relining at San Luis Rey Canyon

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	1,702	47	-	-	-	-	174	1,924
Design	2,663	2,141	4,440	3,065	4,971	-	1,785	19,065
Construction	2,333	20,819	151	74,107	25,737	60,148	246,066	429,360
Post Construction	428	159	160	1,099	29	670	2,425	4,971
Totals	7,126	23,167	4,750	78,271	30,737	60,818	250,450	455,319
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	7,126	23,167	4,750	78,271	30,737	60,818	250,450	455,319



San Vicente Energy Storage Facility Study – J0200

Project Category: Master Planning and Studies

Rate Category: Customer Service

PROJECT DESCRIPTION

The proposed San Vicente Energy Storage Facility Study is under consideration by a partnership of the Water Authority and City of San Diego. Currently, the Water Authority and City are evaluating the potential project to determine if it could store 4,000 Megawatt-hours per day of energy (500 Megawatts of capacity for eight hours). The proposed facility could improve electric grid reliability by storing excess renewable energy for later use when renewable energy is not available, such as early morning or evening. Typical energy storage facilities consist of an upper and lower reservoir, along with a tunnel system and underground powerhouse to connect the two reservoirs. In October 2018, the Federal Energy Regulatory Commission (FERC) approved a new four-year preliminary permit. A two-year extension request, submitted in August 2022, is under consideration with FERC.



FUNDING

In July 2021, the State of California allocated \$18 million for this project. Additional expenditures for this project are potentially reimbursable, and the Water Authority is aggressively seeking other sources to assist with funding this project (e.g., grants). The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$13,851,989 for conducting federal and state environmental review and preparing and submitting a FERC license application.

OPERATING IMPACTS

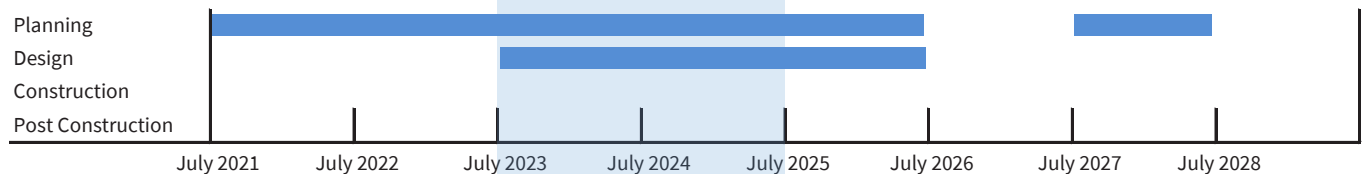
There are no anticipated operating impacts as a result of this project.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Current activities include development of conceptual/preliminary design to support the environmental review process, data collection and technical studies, environmental analysis, development of environmental documents, and preparation of FERC license application. Additionally, we will continue pursuit of legislative action and regulatory proceeding participation.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	1,884	10,974	4,132	2,611	427	-	603	20,631
Design	-	-	3,568	3,541	3,467	-	-	10,575
Construction	-	-	-	-	-	-	-	-
Post Construction	-	-	-	-	-	-	-	-
Totals	1,884	10,974	7,700	6,152	3,893	-	603	31,206
Outside Funding	20,434	180	3,467	3,467	3,467	-	-	31,014
Net Cost	(18,550)	10,794	4,233	2,686	427	-	603	192



Second Aqueduct Diversion Complex Improvements - H0140

Project Category: Asset Management

Rate Category: Customer Service/Transportation

PROJECT DESCRIPTION

This project was originally budgeted as a study for the Second Aqueduct Diversion Complex. This project has been further developed based on the 2018 System Seismic Vulnerability Assessment completed by Kleinfelder consulting engineers and a subsequent 2021 planning study conducted by Hazen Sawyer consulting engineers. The vulnerability assessment identified seismic deficiencies and high relative risk for the Twin Oaks Diversion Weir Structure and recommended near-term rehabilitation. The 2021 study further developed high-level planning for improvements in the Second Aqueduct Diversion complex area including replacement of the Twin Oaks Diversion Weir Structure. The scope of this project currently includes the design and construction of a replacement for the Twin Oaks Diversion Weir Structure.



FUNDING

The Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025 is \$2,277,737 for design of the Twin Oaks Diversion Weir Structure replacement. Future budget in Fiscal Years 2026 and beyond includes the construction of a full replacement for the Twin Oaks Diversion Weir Structure.

OPERATING IMPACTS

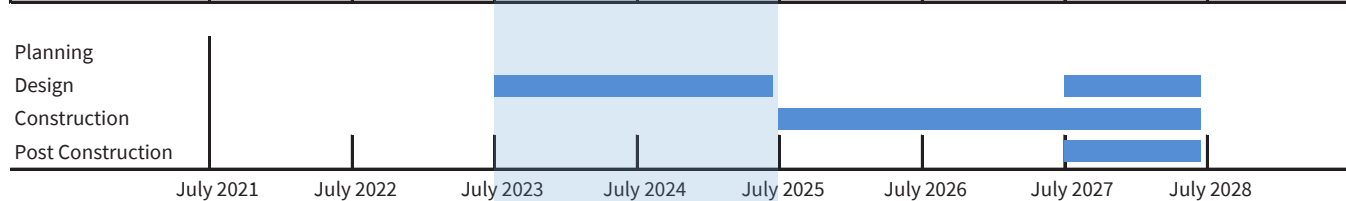
Rehabilitation of the Twin Oaks Diversion Weir Structure could potentially reduce future maintenance costs for the facility in the future.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Work on this project will include design of the Twin Oaks Diversion Weir Structure replacement including procuring a design consultant, constructability reviews, land acquisition and right-of-way and CEQA compliance.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	-	-	-	-	-	-	-	-
Design	-	-	915	1,362	-	-	42	2,320
Construction	-	-	-	-	11,424	5,776	1,177	18,376
Post Construction	-	-	-	-	-	-	628	628
Totals	-	-	915	1,362	11,424	5,776	1,846	21,324
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	-	-	915	1,362	11,424	5,776	1,846	21,324



System Isolation Valves – M4650

Project Category: Master Planning and Studies

Rate Category: Transportation

PROJECT DESCRIPTION

System Isolation Valves is a project recommended in the 2013 Regional Water Facilities Optimization and Master Plan Update. The project includes installing large diameter in-line valves in key locations to 1) isolate the aqueduct system from high-risk areas that have the potential to incapacitate significant segments of the system for extended periods, and 2) allow for more efficient isolation of segments of the aqueduct system to perform required inspection and maintenance.



FUNDING

There is no Capital Improvement Program appropriation for the Fiscal Years 2024 and 2025.

OPERATING IMPACTS

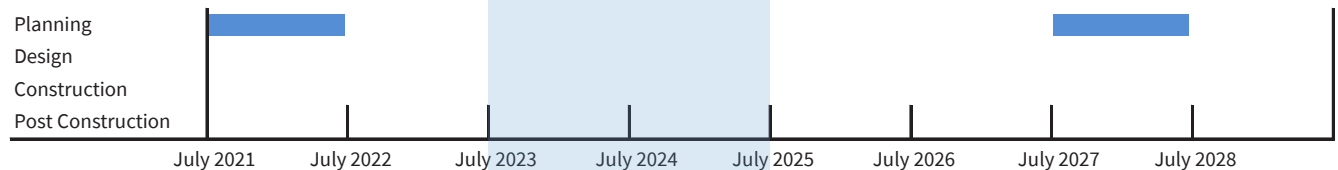
The future operating impacts of this project will be determined as part of the design process.

FISCAL YEARS 2024 AND 2025 HIGHLIGHTS

Project schedule has been adjusted due to prioritization of the CIP.

(\$ Thousands)

Project Phase	Multiyear Plan Actuals Thru 6/30/2022	FY2023 Projected Expenditures	FY2024 Projected Expenditures	FY2025 Projected Expenditures	FY2026 Projected Expenditures	FY2027 Projected Expenditures	FY2028 and Beyond	Total Multiyear Plan
Planning	228	-	-	-	-	-	294	522
Design	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Post Construction	-	-	-	-	-	-	-	-
Totals	228	-	-	-	-	-	294	522
Outside Funding	-	-	-	-	-	-	-	-
Net Cost	228	-	-	-	-	-	294	522



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Appendices

For ease of use, not all of the information that went into developing the adopted budget has been included in the front section. The following appendices provide certain supplemental information on key components of the budget and summary data on an agency-wide basis.

Appendix A – Water Authority Workforce. Provides additional information on budgeted positions by department, including the distribution of positions between the Operating and Capital Improvement Program (CIP) funds.

Appendix B – Capitalized Overhead. Provides additional information on the Water Authority’s Capitalized Overhead allocation and discusses any significant changes from the previous multi-year budget.

Appendix C – Sources and Uses Definitions. Provides additional definitions and historical information beyond that already discussed in the Sources and Uses section.

Appendix D – Energy. Summarizes energy related budget items that span multiple departments.

Appendix E – Glossary. Includes glossary of common terms and acronyms.

Appendix F – Classification and Salary Schedule. Provides the Water Authority’s classification and salary schedule as required by Section 2.16.060(d) of the Administrative Code.

Appendix G – Memorandums, Resolutions, and Ordinances. Provides the adopted budget and rates and charges memorandums, resolutions, and ordinances.

Appendix H – Performance Information. Provides updated performance information on the 2023-2027 Business Plan.

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Water Authority Workforce

Labor Distribution

The cost for positions that work directly on reimbursable projects, such as CIP or grants, are allocated to these non-operating funds. It is projected that approximately 18% of the Water Authority's positions will be funded through the CIP or grants.

The table below identifies by position, the number of Full-time Employees (FTEs) that are allocated to the Operating or CIP/Grant Funds. Throughout the year, depending on workload, this number may fluctuate.

FTEs by Fund by Department

	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Administrative Services						
Administrative Services Manager	1.00	1.00	0.00	0.00	1.00	1.00
Assistant Management Analyst	2.00	2.00	0.00	0.00	2.00	2.00
Director of Administrative Services	1.00	1.00	0.00	0.00	1.00	1.00
Facilities Services Technician	1.00	1.00	0.00	0.00	1.00	1.00
Help Desk Support Specialist	1.00	1.00	0.00	0.00	1.00	1.00
Information Security Officer	1.00	1.00	0.00	0.00	1.00	1.00
Information Systems Analyst	1.00	1.00	0.00	0.00	1.00	1.00
Information Systems Manager	1.00	1.00	0.00	0.00	1.00	1.00
Information Systems Supervisor	3.00	3.00	0.00	0.00	3.00	3.00
Management Analyst	1.00	1.00	0.00	0.00	1.00	1.00
Office Assistant I/II	1.00	1.00	0.00	0.00	1.00	1.00
Receptionist	1.00	1.00	0.00	0.00	1.00	1.00
Risk and Safety Manager	1.00	1.00	0.00	0.00	1.00	1.00
Senior Information Systems Analyst	9.00	9.00	0.00	0.00	9.00	9.00
Senior Management Analyst	2.00	2.00	0.00	0.00	2.00	2.00
Senior Systems Admin. & Support Specialist	1.00	1.00	0.00	0.00	1.00	1.00
Supervising Management Analyst	1.00	1.00	0.00	0.00	1.00	1.00
Systems Administration & Support Specialist	1.00	1.00	0.00	0.00	1.00	1.00
TOTAL ADMINISTRATIVE SERVICES	30.00	30.00	0.00	0.00	30.00	30.00
	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Colorado River Program						
Administrative Assistant	0.75	0.75	0.00	0.00	0.75	0.75
Colorado River Program Manager	0.78	0.78	0.22	0.22	1.00	1.00
Principal Water Resources Specialist	1.00	1.00	0.00	0.00	1.00	1.00
QSA Outreach Coordinator	1.00	1.00	0.00	0.00	1.00	1.00
Senior Engineer	0.70	0.70	0.30	0.30	1.00	1.00
Water Resources Specialist	1.00	1.00	0.00	0.00	1.00	1.00
TOTAL COLORADO RIVER	5.23	5.23	0.52	0.52	5.75	5.75

FTEs by Fund by Department, continued

	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Engineering						
Administrative Assistant	0.40	0.40	0.60	0.60	1.00	1.00
Assistant Management Analyst	0.45	0.45	1.55	1.55	2.00	2.00
Construction Manager	0.25	0.25	2.75	2.75	3.00	3.00
Deputy Director of Engineering	0.30	0.30	0.70	0.70	1.00	1.00
Director of Engineering	0.40	0.40	0.60	0.60	1.00	1.00
Engineer I/II	0.25	0.25	3.75	3.75	4.00	4.00
Engineer (P.E.)	0.10	0.10	1.90	1.90	2.00	2.00
Engineering Manager	0.35	0.35	0.65	0.65	1.00	1.00
Engineering Technician I/II	0.05	0.05	0.95	0.95	1.00	1.00
Management Analyst	1.17	1.17	0.83	0.83	2.00	2.00
Office Assistant I/II	0.60	0.60	1.40	1.40	2.00	2.00
Principal Construction Manager	0.20	0.20	0.80	0.80	1.00	1.00
Principal Engineer	0.30	0.30	1.70	1.70	2.00	2.00
Project Scheduler I/II	0.05	0.05	0.95	0.95	1.00	1.00
Right of Way Manager	0.85	0.85	0.15	0.15	1.00	1.00
Right of Way Supervisor	1.00	1.00	0.00	0.00	1.00	1.00
Right of Way Tech Technician I, II, III, IV	6.00	6.00	0.00	0.00	6.00	6.00
Senior Engineer	0.50	0.50	3.50	3.50	4.00	4.00
Senior Engineering Technician	0.18	0.18	3.82	3.82	4.00	4.00
Senior Management Analyst	0.25	0.25	0.75	0.75	1.00	1.00
Senior Management Analyst (LDE)	0.05	0.05	0.95	0.95	1.00	1.00
Senior Office Assistant	0.80	0.80	1.20	1.20	2.00	2.00
Senior Project Scheduler	0.10	0.10	2.90	2.90	3.00	3.00
Senior Right of Way Agent	0.35	0.35	0.65	0.65	1.00	1.00
Senior Survey Technician	0.75	0.75	0.25	0.25	1.00	1.00
Supervising Engineering Tech.	0.10	0.10	0.90	0.90	1.00	1.00
Supervising Land Surveyor	0.65	0.65	0.35	0.35	1.00	1.00
Supervising Management Analyst	0.40	0.40	0.60	0.60	1.00	1.00
Survey Technician	0.80	0.80	0.20	0.20	1.00	1.00
TOTAL ENGINEERING	17.65	17.65	35.35	35.35	53.00	53.00

FTEs by Fund by Department, continued

	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Finance						
Accountant	1.00	1.00	0.00	0.00	1.00	1.00
Accounting Assistant I/II	2.00	2.00	0.00	0.00	2.00	2.00
Accounting Supervisor	2.00	2.00	0.00	0.00	2.00	2.00
Accounting Technician	2.00	2.00	0.00	0.00	2.00	2.00
Administrative Assistant	1.00	1.00	0.00	0.00	1.00	1.00
Budget and Treasury Manager	1.00	1.00	0.00	0.00	1.00	1.00
Controller	1.00	1.00	0.00	0.00	1.00	1.00
Director of Finance/Treasurer	1.00	1.00	0.00	0.00	1.00	1.00
Management Analyst	2.00	2.00	0.00	0.00	2.00	2.00
Rate and Debt Manager	1.00	1.00	0.00	0.00	1.00	1.00
Senior Accountant	3.00	3.00	0.00	0.00	3.00	3.00
Senior Management Analyst	3.00	3.00	0.00	0.00	3.00	3.00
Financial Resources Analyst	1.00	1.00	0.00	0.00	1.00	1.00
Supervising Management Analyst	1.00	1.00	0.00	0.00	1.00	1.00
TOTAL FINANCE	22.00	22.00	0.00	0.00	22.00	22.00

	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
General Counsel						
Assistant General Counsel	1.00	1.00	0.00	0.00	1.00	1.00
General Counsel	1.00	1.00	0.00	0.00	1.00	1.00
Legal Administrative Assistant	1.00	1.00	0.00	0.00	1.00	1.00
Senior Office Assistant	1.00	1.00	0.00	0.00	1.00	1.00
TOTAL GENERAL COUNSEL	4.00	4.00	0.00	0.00	4.00	4.00

	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
General Manager						
Administrative Assistant	1.00	1.00	0.00	0.00	1.00	1.00
Assistant General Manager	1.00	1.00	0.00	0.00	1.00	1.00
Clerk of the Board	1.00	1.00	0.00	0.00	1.00	1.00
Deputy Clerk of the Board	1.00	1.00	0.00	0.00	1.00	1.00
Deputy General Manager	1.00	1.00	0.00	0.00	1.00	1.00
Executive Administrative Asst.	1.00	1.00	0.00	0.00	1.00	1.00
General Manager	1.00	1.00	0.00	0.00	1.00	1.00
Government Relations Manager	1.00	1.00	0.00	0.00	1.00	1.00
Legislative Analyst	1.00	1.00	0.00	0.00	1.00	1.00
TOTAL GENERAL MANAGER	9.00	9.00	0.00	0.00	9.00	9.00

FTEs by Fund by Department, continued

	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Human Resources						
Director of Human Resources	1.00	1.00	0.00	0.00	1.00	1.00
Human Resources Analyst	1.00	1.00	0.00	0.00	1.00	1.00
Human Resources Assistant	1.00	1.00	0.00	0.00	1.00	1.00
Human Resources Manager	1.00	1.00	0.00	0.00	1.00	1.00
TOTAL HUMAN RESOURCES	4.00	4.00	0.00	0.00	4.00	4.00

	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
MWD Program						
Administrative Assistant	0.25	0.25	0.00	0.00	0.25	0.25
Director of the MWD Program	1.00	1.00	0.00	0.00	1.00	1.00
Management Analyst	2.00	2.00	0.00	0.00	2.00	2.00
Principal Water Resources Specialist	1.00	1.00	0.00	0.00	1.00	1.00
TOTAL MWD PROGRAM	4.25	4.25	0.00	0.00	4.25	4.25

	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Operations and Maintenance						
Administrative Assistant	1.00	1.00	0.00	0.00	1.00	1.00
Asset Management Specialist I/II	1.95	1.91	0.05	0.09	2.00	2.00
Corrosion Control Supervisor	0.84	0.80	0.16	0.20	1.00	1.00
Corrosion Control Technician I/II	0.95	0.94	0.05	0.06	1.00	1.00
Director of Operations & Maintenance	1.00	1.00	0.00	0.00	1.00	1.00
Electrical/Instrumentation Supervisor	0.99	0.98	0.01	0.02	1.00	1.00
Electrical/Instrumentation Tech II	0.99	0.98	0.01	0.02	1.00	1.00
Facilities Services Technician	1.00	0.99	0.00	0.01	1.00	1.00
Fleet Mechanic I/II	1.89	1.80	0.11	0.20	2.00	2.00
Maintenance Technician	8.45	7.91	0.55	1.09	9.00	9.00
Maintenance Worker I/II	6.78	6.58	0.22	0.42	7.00	7.00
Management Analyst	1.96	1.93	0.04	0.07	2.00	2.00
Office Assistant I/II	0.50	0.50	0.00	0.00	0.50	0.50
Operations & Maintenance Manager	3.00	3.00	0.00	0.00	3.00	3.00
Principal Asset Management Specialist	0.88	0.83	0.12	0.17	1.00	1.00
Rotating Equipment Supervisor	0.80	0.70	0.20	0.30	1.00	1.00
Rotating Equipment Technician I/II	4.83	4.68	1.17	1.32	6.00	6.00
SCADA Specialist	1.50	1.50	0.50	0.50	2.00	2.00
SCADA Supervisor	0.98	0.97	0.02	0.03	1.00	1.00
Senior Asset Management Specialist	0.95	0.91	0.05	0.09	1.00	1.00
Senior Corrosion Control Technician	0.91	0.89	0.09	0.11	1.00	1.00
Senior Electrical/Instrumentation Technician	3.90	3.82	0.10	0.18	4.00	4.00
Senior Fleet Mechanic	0.91	0.83	0.09	0.17	1.00	1.00
Senior Maintenance Technician	9.39	8.81	0.61	1.19	10.00	10.00
Senior Management Analyst	1.95	1.91	0.05	0.09	2.00	2.00
Senior Office Assistant	1.96	1.96	0.04	0.04	2.00	2.00
Senior Rotating Equipment Technician	2.83	2.69	0.17	0.31	3.00	3.00

FTEs by Fund by Department, continued

	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Operations and Maintenance cont.						
Senior SCADA Specialist	1.97	1.95	0.03	0.05	2.00	2.00
Senior System Operator	6.56	6.14	0.44	0.86	7.00	7.00
Supervising Management Analyst	1.00	1.00	0.00	0.00	1.00	1.00
System Maintenance Supervisor	1.81	1.65	0.19	0.35	2.00	2.00
System Operator I/II	8.76	8.42	0.24	0.58	9.00	9.00
Systems Operations Supervisor	0.89	0.82	0.11	0.18	1.00	1.00
TOTAL OPERATIONS AND MAINTENANCE	84.08	80.80	5.42	8.70	89.50	89.50
	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Public Affairs						
Administrative Assistant	1.00	1.00	0.00	0.00	1.00	1.00
Director of Public Affairs	1.00	1.00	0.00	0.00	1.00	1.00
Management Analyst	1.00	1.00	0.00	0.00	1.00	1.00
Office Assistant I/II	1.00	1.00	0.00	0.00	1.00	1.00
Principal Public Affairs Representative	1.00	1.00	0.00	0.00	1.00	1.00
Public Affairs Manager	1.00	1.00	0.00	0.00	1.00	1.00
Public Affairs Representative I/II	4.75	4.75	0.25	0.25	5.00	5.00
Public Affairs Supervisor	0.75	0.75	0.25	0.25	1.00	1.00
Senior Public Affairs Representative	1.00	1.00	0.00	0.00	1.00	1.00
TOTAL PUBLIC AFFAIRS	12.50	12.50	0.50	0.50	13.00	13.00
	Operating		CIP		Total	
	FY 24	FY 25	FY 24	FY 25	FY 24	FY 25
Water Resources						
Administrative Assistant	1.00	1.00	0.00	0.00	1.00	1.00
Director of Water Resources	0.95	0.95	0.05	0.05	1.00	1.00
Engineer (P.E.)	0.30	0.40	0.70	0.60	1.00	1.00
Management Analyst	1.00	1.00	1.00	1.00	2.00	2.00
Management Analyst (LDE)	0.05	0.05	0.95	0.95	1.00	1.00
Principal Engineer	0.50	0.60	0.50	0.40	1.00	1.00
Principal Water Resources Specialist	3.40	3.40	0.60	0.60	4.00	4.00
Senior Management Analyst	2.00	2.00	0.00	0.00	2.00	2.00
Senior Water Resources Specialist	1.80	2.00	1.20	1.00	3.00	3.00
Supervising Management Analyst	0.25	0.40	0.75	0.60	1.00	1.00
Water Resources Manager	3.00	3.00	0.00	0.00	3.00	3.00
Water Resources Specialist	5.00	5.00	0.00	0.00	5.00	5.00
Water Resources Specialist (LDE)	0.40	0.30	0.60	0.70	1.00	1.00
TOTAL WATER RESOURCES	19.65	20.10	6.35	5.90	26.00	26.00
GRAND TOTAL	212.36	209.53	48.14	50.97	260.5	260.5

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Capitalized Overhead

Capitalized Overhead are those costs that are not directly attributable to specific Capital Improvement Program (CIP) projects but rather are in the nature of generalized, indirect support of the CIP. For example, employees in support departments, such as Administrative Services and Finance spend time supporting activities that benefit both the operating budget programs as well as the CIP. By using a capitalized overhead allocation, some of these labor costs are appropriately charged to the CIP. Costs for other items such as insurance premiums, utilities, computer systems, services, and building maintenance are also expensed to the CIP via the Capitalized Overhead Allocation.

Capitalized Overhead costs can be categorized as either fixed or variable. Certain labor costs tend to be variable in that they rise or fall somewhat proportionately with CIP activity. Costs for other items such as electricity, telephone, computer systems, and building maintenance are fixed in that there is little, if any, correlation between the amount of these costs and the size of the CIP. In budget periods where the CIP is large, it is appropriate that more of these fixed costs are allocated to it; conversely, a smaller CIP will carry less of these fixed costs, resulting in a greater allocation to the Operating Departments' budget. Over the past several years, there has been a transition from an agency with a large CIP that designs and constructs facilities to one that operates and maintains them.

Each budget cycle, support departments review upcoming activities and time in support of the CIP and identify percentages for allocation. Allocated percentages are applied to the departments overall budget to determine the allocated dollar amount. Over time certain indirect costs associated with the CIP can be reduced or eliminated. Through this review and analysis the capitalized overhead for the two-year period is adjusted. Over the past several years, there has been a transition from an agency with a large CIP that designs and constructs facilities to one that operates and maintains them. Although there has been a transition in the types of CIP projects at the agency, the support time and percentage allocated to the CIP has remained steady.

Table 1: Capitalized Overhead

	FYs 20&21 Budget	FYs 22&23 Budget	FYs 24&25 Adopted	Variance	% Variance
Administrative Services	\$ 3,154,828	\$ 3,337,267	\$ 3,999,237	\$ 661,970	20%
Finance	2,149,049	2,423,178	2,784,740	361,562	15%
General Counsel	819,966	744,085	823,640	79,555	11%
General Manager & Board of Directors	1,341,761	1,150,486	1,322,770	172,284	15%
Human Resources	298,341	605,070	566,698	(38,372)	-6%
Public Affairs	236,504	363,059	396,950	33,891	9%
TOTAL CAPITALIZED OVERHEAD	\$ 8,000,449	\$ 8,623,145	\$ 9,894,035	\$ 1,270,890	15%

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Sources and Uses Definition

This section provides background on the Sources and Uses of Funds that are shown in the Financial Summaries Section and the Sources and Uses Section of this document. Funds are listed first, followed by the sources and then uses of funds.

Funds - Each of the funds within the Water Authority is designed to serve a specific purpose/function and are discussed below.

Canal Maintenance Fund

The Canal Maintenance Fund is responsible for maintenance costs consisting of replacement of concrete panels, grading of major canal access roads and other non-routine work necessary to maintain operation of the All-American and Coachella Canals that can occur every five to eight years.

Construction Fund

The Construction Fund holds the proceeds from long-term and short-term debt. Investment earnings from the fund remain in the fund and may only be used for construction expenditures.

Debt Service Reserve Fund

The Debt Service Reserve Fund was created to hold the required legal reserve for Water Authority debt issues. Such reserves are held for the purpose of making an issue's annual debt service payments in the event that the Water Authority should be unable to make such payments. The reserve requirement is held in this fund until it is expended, generally to fund the last payment of the issue. Interest earned on the Debt Service Reserve Fund is transferred into the Operating Fund and is not restricted.

Equipment Replacement Fund

In 2003, the Board separated the Equipment Replacement Fund from the Operating Fund. The Equipment Replacement Fund is funded, as needed, by annual draws from the Operating Fund per depreciation schedules for small capital equipment, such as computers, vehicles and the Supervisory Control and Data Acquisition (SCADA) system, to replace equipment that has reached the end of its useful life.

Operating Fund

The Operating Fund holds the Water Authority's working capital and emergency operating reserve. The Water Authority's water rate structure, Adopted in January 2003, significantly increased the predictability of cash flows. In April 2003, the Water Authority amended its Operating Fund policy from a 60-day minimum balance of average annual operating expenditures to a maximum balance of 45 days of average annual operating expenditures. Common to both policies is a requirement that \$5.0 million of such calculated amount must be designated and held available for emergency repairs to the Water Authority's system due to unforeseen events.

As a part of the amended policy, the Equipment Replacement Fund was removed from the Operating Fund, and established as a separate fund.

Working capital ensures that even with a mismatch of cash receipts and disbursements, the Water Authority will have at least 45 days of operating funds on hand at all times. Given the short-term nature of this fund, liquidity of investments is critical and is ensured by investing the Operating Fund on a monthly basis to cover water purchases and ongoing cash disbursements.

Pay-As-You-Go (PAYGO) Fund

In Fiscal Year 1990, the Water Authority established a Pay-As-You-Go (PAYGO) fund to serve as a mechanism to collect Capacity Charges and Water Standby Availability Charges to be used to pay for the cash portion of the Capital Improvement Program (CIP). The funds are dedicated for construction outlays, as well as debt service. The PAYGO Fund's average maturity is correlated to the CIP cash requirements that are not funded through other sources. The funds are generally invested for an average of one to three years. The fund also receives Contributions in Aid of CIP (CIAC) from the Water Authority's member agencies in cases where the Water Authority constructs a project on the behalf of the member agency.

Rate Stabilization Fund (RSF)

In Fiscal Year 1990, the Water Authority established the Rate Stabilization Fund (RSF) for the purpose of collecting amounts of water revenues greater than expenditures in years of strong water sales. These funds can then be used to mitigate "rate shock" in years of weak water sales and/or to manage debt service coverage.

In August 2006, the Board adopted new policies that govern the RSF balances. The new policy replaces the old policy of setting a minimum and maximum balance with a target and a maximum balance. The new RSF target balance is equal to the financial impact of 2.5 years of wet weather and the maximum fund balance is set equal to the financial impact of 3.5 years of wet weather. The effect of this policy is to create a target for fund balances that is tied to the real financial impacts that the fund is designed to protect against; and provides financial protection against drought-induced reductions in water sales. In 2019, the financial impact was revised down from a 25% reduction in water sales to 15% effective Calendar Year 2021.

As a general rule, the Water Authority may transfer portions of its net water revenues exceeding its debt service coverage ratio requirement into the RSF. As needed, the Water Authority will transfer amounts from its RSF into water revenues to meet its debt service coverage ratio requirements, or to help provide adequate working capital to the Operating Fund. The funds are invested with maturities of one to five years and include restricted cash and investments.

Stored Water Fund

In 2006, the Board created the Dam-Fill Fund, currently called the Stored Water Fund, as a separate fund to support the purchase of water to fill the various Water Authority reservoirs and fund the Imperial Irrigation District (IID) water prepayment. Planning for this cost requires a significant accumulation of funds, which if included in the RSF or Operating Fund would violate fund balance goals and objectives. The Stored Water Fund is structured as a sinking fund with the sole purpose of providing funds for dam-fill water purchases and the IID water prepayment.

Sources of Funds - Sources of funds includes operating revenues and capital contributions. In addition to water sales, operating revenues include investment income, infrastructure access charges, property taxes and in-lieu, and hydroelectric revenue.

Operating Revenue

Operating revenue is made up of Water Sales, Investment Income, Infrastructure Access Charges, Property Taxes and In-Lieu, Hydroelectric Revenue, and other income.

Water Sales

Water sales revenue, as shown, is net of evaporation and seepage water losses, the Water Authority's Local Water Supply Development (LWSD) credits and Metropolitan Water District's (MWD's) Local Resource Program (LRP), Surface Storage Operating Agreement (SSOA), and Groundwater Resources Program (GRP) credits.

Water sales projections are derived from municipal and industrial (M&I) demand forecasts prepared using the CWA-MAIN Water Demand Forecasting model, a forecast of agricultural demand, and projected development and use of local supplies. Water Authority long-term forecasts utilize San Diego Association of Governments (SANDAG) demographic projections and assume long-term average weather.

Effective January 1, 2003, the Water Authority's Board implemented a new rate structure designed to more effectively allocate the cost of service to its member agencies and to increase the proportion of revenues collected by fixed charges. The new rate categories include:

- ◆ Fixed Storage and Customer Service Charges - fixed charges that enable the Water Authority to increase its coverage of fixed expenditures by fixed revenues, which is desirable from a credit rating agency perspective.
- ◆ Variable Transportation, Melded M&I Treatment and Melded M&I Supply Rates.
- ◆ A Permanent Special Agriculture Water Rate (PSAWR) was adopted by the Board in September 2020 with Ordinance No. 2020-04. In exchange for a reduced level of service during periods of supply restrictions, PSAWR demands are not included in a member agencies allocation for Storage or Supply Reliability. Agricultural customers pay the Transportation Rate and the Customer Service Charge. Agricultural water users have elected to receive a reduced level of service during periods of supply restrictions and in and in return for excluding the cost of the Emergency Storage Project (ESP) from their water rate.

In March 2015, the Water Authority's Board approved the creation of a new fixed Supply Reliability Charge to be paid by M&I demands. This charge is described in more detail in the Rate Categories section of this appendix.

Investment Income

The Water Authority receives a significant amount of revenue from investing its fund balances. Investment income on the cash balances in the Operating Fund, Rate Stabilization Fund, and Debt Service Reserve Fund is available to fund general Water Authority operating expenditures. The PAYGO Fund investment

income is restricted to pay for capital expenditures or debt service. The Construction Fund investment income is used to fund construction expenditures and is included as part of the available funds, thus reducing the issuance sizing accordingly.

Infrastructure Access Charges (IAC)

In June 1998, the Infrastructure Access Charges (IAC) was Adopted by the Board to provide an additional source of fixed revenue to help stabilize the Water Authority's revenues. By increasing fixed revenues, the IAC helps to mitigate water sales revenue volatility that can result from sudden changes in water demand/availability and/or economic cycles.

The IAC is a fixed charge that is levied on all retail water meters within the Water Authority's service area. The IAC maintains a minimum ratio of projected fixed revenues to projected fixed expenditures of 25% in any future fiscal year, excluding fixed water rate revenues. Fixed costs include, but are not limited to, annual debt service payments, PAYGO capital, and 80% of annual O&M expenditures. The estimate of the minimum level of required fixed revenues will be increased by 10% to provide increased assurance that actual fixed revenues will be at least 25% of actual fixed expenditures.

Property Taxes

The Water Authority is authorized under its State County Water Authority Act (Act) to levy taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the Revenue and Taxation Code, and the California Constitution.

Property taxes levied are billed and collected by the County of San Diego and are remitted to the Water Authority throughout the year. The tax rate set by the Water Authority's Board of Directors is based upon the assessed valuation of taxable property within the Water Authority's service area and debt service payments for interest and principal. The San Diego County Assessor determines property valuation.

In-Lieu Charges

Annually, the Water Authority receives an allocation of property taxes from the State of California collected and remitted through the County. This allocation (1% State Allocation) was put into place to assist special districts, which were adversely impacted from the implementation of Proposition 13.

The basis of the allocation was the amount of secured taxes the Water Authority was collecting in 1978-1979, at which time the City of San Diego was paying certain secured taxes directly to the Water Authority, in-lieu of them being collected via the tax roll. As a result, the initial basis for the allocation of taxes to the Water Authority was understated.

Each year, the Water Authority calculates the amount of the In-Lieu Charge due from the City of San Diego in accordance with Resolution 87-21, which established an annual charge for member agencies that made "In-Lieu" payments for taxes levied for "General Purposes" in fiscal years preceding 1978-1979.

Other Income

Other income includes Build America Bonds subsidy, encroachment permits, easements, gain/loss on sale of assets, delinquency fees, plan-check reimbursements, and operating grants.

Rate Categories - The water rate categories are discussed in detail below.

Customer Service Charge

The Customer Service Charge is set to recover costs that are necessary to support the functioning of the Water Authority and to develop policies and implement programs that benefit the region as a whole. The Customer Service Charge is a fixed charge, which is allocated among the member agencies on the basis of each agency's three-year rolling average of all deliveries (including all users, member agencies, and third-party wheeling throughput).

Melded Municipal and Industrial (M&I) Supply

The per-acre-foot Melded Untreated M&I Supply Rate recovers the cost of water to the Water Authority. The melded supply rate includes the costs of water purchased from MWD, IID and Poseidon, the costs of water supplies from the canal lining projects, the MWD wheeling costs for non-MWD supplies, and system losses. In addition, the rate recovers certain fixed costs associated with the Quantification Settlement Agreement (QSA), and may recover costs of certain operating budget expenditures associated with the procurement of water and wheeling.

A large component of the Melded Untreated M&I Supply Rate is MWD's water supply rates. In 2003, MWD created a new water rate structure designed to better allocate the cost of services to the fees and charges designed to recover these costs. The structure applies to full cost "firm" supplies provided by MWD and replaced the previous "postage stamp" rate for this class of service. The new structure unbundles or itemizes the cost elements of water supply into transportation, power, and treatment (included in the Melded M&I Treatment Rate), and establishes a two-tiered pricing (inclining block) structure for water supplies.

MWD member agencies were asked to make ten-year financial commitments — termed "purchase orders" — to purchase at least 60% of each agency's maximum historic annual firm (base) demand for MWD water. In exchange, the agency may purchase up to 90% of its base demand at the preferable Tier 1 rate. The Water Authority's exposure to Tier 2 rates has decreased as annual deliveries from Poseidon, its water transfer with IID and the canal lining projects increase. The structure maintains a "postage stamp" approach for discount water supplies, such as agricultural, or groundwater replenishment deliveries.

Melded Municipal and Industrial (M&I) Treatment

Effective January 1, 2006, the Water Authority implemented a melded treatment rate. The Melded Municipal and Industrial Treatment Rate is set to recover the costs of treating water for the Water Authority and may include costs of purchasing treated water from MWD, Poseidon and the Levy treatment plants and may recover certain other costs associated with the provision of treated water.

MWD Capacity Charge

The Capacity Charge formerly known as the Capacity Reservation Charge is a fixed charge levied on an agency's maximum daily flows over the three previous fiscal years. It recovers the cost of providing peak capacity within the distribution system, and is designed to encourage member agencies to shift demands and avoid placing large daily peaks on the MWD system during the summer months. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Charge will include deliveries (except long-term seasonal storage deliveries) made by MWD to a member agency or member agency customer including water transfers, exchanges, and agricultural deliveries.

As part of a separate surface reservoir operating agreement to manage seasonal peaking, the Water Authority is expected to reserve its full available capacity. The Water Authority's Board has directed that the Capacity Charge be recovered proportionally based on a five-year rolling average of member agency flows during coincident peak weeks.

MWD Readiness-to-Serve Charge (RTS)

The Readiness-to-Serve (RTS) Charge recovers a portion of costs associated with standby and peak conveyance capacity, and system emergency storage capacity. MWD passes these costs to its member agencies based upon the member agency's share of the ten-year rolling average firm water deliveries. This ensures that all member agencies pay a share of the fixed costs necessary to meet existing demand for MWD's water.

The MWD Standby Charge revenues, which MWD collects from ratepayers in the San Diego County Water Authority service area, offset the RTS charge paid by the Water Authority.

Permanent Special Agricultural Water Rate Program

In October 2008, the Water Authority Board approved the Transitional Special Agricultural Water Rate (TSAWR) with the phase out of MWD's Interim Agricultural Water Program. Over the years, the TSAWR Program was extended several times, with the last extension running through December 31, 2020. However, before the end of the TSAWR Program, in July 2019, the Fiscal Sustainability Task Force (FSTF) was reconstituted to assess a variety of issues to ensure the Water Authority's long-term financial health. The FSTF was charged with reviewing the Water Authority's existing rate structure, including TSAWR, to identify opportunities to reduce rate volatility and increase revenue stability. The FSTF evaluated the merits and benefits of an agricultural program and several agricultural water rate structure options and developed a recommendation to establish a Permanent Special Agricultural Water Rate (PSAWR) category as part of the Calendar Year 2021 cost-of-service process.

In November 2019, based on a recommendation from the FSTF, the Board directed staff to develop policies and procedures for a new program to succeed the TSAWR Program. In September 2020, the Board adopted Ordinance No. 2020-04 to establish the PSAWR Program effective January 1, 2021. Member agency participation in the PSAWR Program is voluntary and customers are subject to higher cutbacks compared to municipal and industrial customers in the event of a supply allocation from MWD or other water shortage. In return, PSAWR Program customers are exempt from the Storage Charge and Supply Reliability Charge.

Storage Charge

The Storage Charge is a fixed charge set to recover costs associated with the Emergency and Carryover Storage Programs. Allocation of the Storage Charge is based on all non-agricultural water deliveries and is allocated among the member agencies using a pro rata share of each agency's three-year rolling average of non-agricultural deliveries (including all users, member agencies, and third-party wheeling throughput).

Supply Reliability Charge

The Supply Reliability Charge is a fixed charge set to recover a portion of the fixed costs associated with the Carlsbad Desalination Plant and IID water transfer costs. The revenue collected through this charge will reduce/offset portions of the cost of desalinated water and IID transfer water that are collected through the Melded M&I Supply Rate. The Supply Reliability Charge is set equal to the difference between the supply cost of desalination and IID transfer water purchases and a like amount of water purchased at the MWD Tier 1 rate multiplied by 25%. Allocation of this charge is based upon member agencies share of the rolling five-year average M&I deliveries.

Transportation

The Transportation Rate is a uniform rate set to recover capital, operating, and maintenance costs of the Water Authority's aqueduct system including all facilities used to physically transport the water to member agency meters. The Transportation Rate is charged to each acre-foot of water as delivered by the Water Authority through Water Authority facilities. All users, member agencies, and third-party wheelers will pay the Transportation Rate.

Capital Contribution Definitions

Capital contributions are independent of water use and are fixed to recover costs associated with new system capacity/reliability or maintaining existing system capacity/reliability. The use of capital contributions revenue is restricted to paying for the CIP projects and is deposited in the PAYGO Fund.

Capital contributions are made up of Capacity Charges (System and Treatment Capacity Charges), CIAC, and Water Standby Availability Charges. These revenue sources are discussed next.

Capacity Charges

System Capacity Charge - In May 1990, the Water Authority's Board of Directors recommended a System Capacity Charge on all new or larger retail water meters installed. The charge is designed to recover a proportionate share of the capital costs associated with providing services to new connections in the Water Authority's service area. This follows existing Government Code (Section 54991), which states that System Capacity Charges "shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed..." In May 2005, the Board approved a change in the System Capacity Charge calculation methodology, which balances the extra capacity present in the system financed by existing customers with the benefits of use by future customers. Because meter size dictates the maximum water demand of a new customer, the System Capacity Charge is based upon meter size. In 2017 and comprehensive review of the Capacity Charge was performed and the charge is updated annually to reflect annual based on the prior year's Engineering News Record Construction Cost Index.

Treatment Capacity Charge - In May 2005, the Board also approved the creation of a Treatment Capacity Charge to help fund the Water Authority's regional water treatment facility. The charge recovers a portion of the capital costs from the future users of the facility. Like the System Capacity Charge, the fee is based upon the size of the meter installed. In 2017 and comprehensive review of the Capacity Charge was performed and the charge is updated annually to reflect annual based on the prior year's Engineering News Record Construction Cost Index.

Contributions In Aid of CIP (CIAC)

Grants or contributions from member agencies for capital projects make up CIAC. Typically these revenues are restricted to specific projects/uses. In some instances, a member agency may reimburse the Water Authority for improvements to their system as part of a Water Authority project.

Water Standby Availability Charges

On April 12, 1990, the Board of Directors recommended Resolution 90-17 for Standby Charges, under Section 45-5.2 of the County Water Authority Act and Article 23 of the Water Authority's Administrative Code. The charge is \$10 per acre per year, or \$10 for a parcel less than one acre per year. The charge for each parcel that includes more than one acre shall be determined by multiplying the total number of acres in said parcel by \$10. The charge is added to the Secured Tax Roll collected via the San Diego County property tax collection process and remitted by the County to the Water Authority. The Water Standby Availability Charge is intended to recover some of the capital costs associated with maintaining the system.

Uses of Funds Definitions

Capital Budget

The Water Authority initiated its CIP in 1989 as a long-range plan to ensure that the county's water supply would be reliable. CIP projects are designed to enhance, expand and repair the regional pipeline system, which typically supplies 90% of the county's water.

Debt Service

The Water Authority uses debt to fund improvements to existing facilities, to fund CIP projects or to refund a previous debt issue (long-term debt only).

Quantification Settlement Agreement (QSA) Mitigation

The QSA was executed on October 10, 2003 and is related to water transfers and other agreements. As a part of the QSA, the Water Authority participates in a Joint Powers Authority (JPA) with IID and the Coachella Valley Water District to provide for the environmental mitigation of water transfer impacts.

The Water Authority will fund the JPA annually through Fiscal Year 2026 according to a set schedule of payments. Payments are from withdrawals from the QSA Commitment Fund, a fund established by the Board in Fiscal Year 2004 to hold the IID socioeconomic payment. With the final payment completed in December 2006, the fund will sunset and a minor amount of residual interest earnings will be transferred to the Operating Fund. JPA expenditures are funded through the PAYGO fund, and are repaid with interest through the Melded M&I Supply Rate.

In May 2007, the Water Authority entered into a settlement with IID regarding third-party socioeconomic impacts of the QSA water transfers. The settlement includes a series of annual payments to the IID.

Water Authority Energy Program

Water treatment, conveyance, and delivery requires a significant amount of energy to run pumps, valves, and equipment to deliver water to member agencies. Almost \$5.2 million will be spent on energy over the next two years to maintain reliable water deliveries in response to member agency supply needs. The Board adopted 2021 Energy Management Policy provides guidelines to minimize energy costs, integrate renewable energy generation and storage, and maintain an energy resilient water system. This policy supports regional environmental benefits such as reducing greenhouse gas emissions associated with energy usage tracked through the Water Authority's Climate Action Plan.

Energy-related functions are managed across multiple Water Authority departments by using staff with different expertise. Energy consumption and planning effort budgets and avoided costs are summarized in the tables below. Facility energy expenses including retail, solar, and battery supply are included in Table 1. This table also demonstrates avoided costs resulting from the implementation of energy initiatives. Expenses for energy planning efforts are outlined in Table 2. These expenses include regulatory, supply, and transmission studies aimed at minimizing agency electric costs. Lastly, hydroelectric revenue and expenses are summarized in Table 3. Despite the Lake Hodges Pumped Storage Facility being out of service, other hydroelectric revenue sources have improved from the Fiscal Years 2022 and 2023 forecast. For example, the avoided Claude "Bud" Lewis desalination Plant energy costs have increased by almost \$5.2 million. This is the result of an equipment upgrade at the Rancho Peñasquitos Hydroelectric Facility which is, one example of an energy initiative undertaken to minimize energy costs using the agency's existing infrastructure.

Table 1: Water Authority Facility Energy Costs

	FY 24 Adopted	FY 25 Adopted	FYs 24&25 Adopted
Expenses			
Retail Energy	\$ 1,965,195	\$ 2,061,341	\$ 4,026,536
Solar	497,111	512,9798	1,010,090
Battery	63,664	65,574	129,239
TOTAL EXPENSES	\$ 2,525,970	\$ 2,639,894	\$ 5,165,864
Avoided Energy Costs ¹	\$ 2,693,528	\$ 3,926,385	\$ 6,619,913

1. Avoided Energy Costs are a result of cost savings generated by solar/battery use and Rancho Peñasquitos hydroelectric power generation offsetting the purchase of energy from SDG&E.

Table 2: Energy Planning

	FY 24 Adopted	FY 25 Adopted	FYs 24&25 Adopted
Expenses			
Energy Grants and Incentives	\$ 3,620	\$ 3,620	\$ 7,240
Energy Supply and Transmission Planning	131,860	131,860	263,720
Interdepartmental Support	17,195	17,195	34,390
New Energy Initiatives	47,960	48,060	96,020
Regulatory and Legislative Activities	118,860	118,860	237,720
TOTAL EXPENSES	\$ 319,495	\$ 319,595	\$ 639,090

Table 3: Hydroelectric Revenue and Expenses

	FY 24 Adopted	FY 25 Adopted	FYs 24&25 Adopted
Revenue			
Boulder Power	\$ 53,512	\$ 146,942	\$ 300,454
Hodges Hydroelectric Power	-	-	-
TOTAL REVENUE	\$ 153,512	\$ 146,942	\$ 300,454
Expenses			
Boulder Power	\$ 96,332	\$ 101,605	\$ 197,937
Hodges Pumped Storage Facility (Hydroelectric Only) ¹	1,770,644	1,545,460	3,316,103
Rancho Peñasquitos Pressure Control & Hydroelectric Facility (Hydroelectric Only)	93,747	109,976	203,723
TOTAL EXPENSES	\$ 1,960,722	\$ 1,757,041	\$ 3,717,763
NET	\$ (1,807,210)	\$ (1,610,099)	\$ (3,417,309)

1. Includes labor and benefits, supplies, contract services and utility costs.

Glossary

AB – Assembly Bill

Accrual Basis of Accounting – The basis of accounting under which transactions are recognized when they occur, regardless of the timing of cash receipts and disbursements.

ACFR – Annual Comprehensive Financial Report

ACWA – Association of California Water Agencies

ADA – Americans with Disabilities Act

AF – Acre-Foot – A unit of measure equivalent to 325,900 gallons of water, which meets the need of two average families in and around the home for one year.

AFO – Acoustic Fiber Optic

Audit – An audit is an independent examination conducted by a Certified Public Accountant to provide an opinion on whether the financial statements prepared by an entity are fairly presented and comply with applicable financial reporting standards.

AWIA – America’s Water Infrastructure Act

AWWA – American Water Works Association

APP – Aqueduct Protection Program

Appropriation – An amount of money in the budget authorized by the Board of Directors for expenditure or obligation within organizational units for specific purposes.

Assessed Valuation – an official government value placed upon real estate or other property as a basis for levying taxes.

Assets – Resources owned or held which have monetary and economic value.

BAB – Build America Bond

Bay/Delta – Refers to an environmentally sensitive area of Sacramento/San Joaquin Rivers Delta through which State Water Project water must flow to reach Southern California and other areas.

BMPs – Best Management Practices

Bond – A written promise to pay a specified sum of money (called the principal) at a specified date in the future, together with periodic interest at a specified rate. In the budget document, these payments are identified as debt service.

Budget – A balanced financial plan for a given period of time, which includes expenditures and revenues funded through various funds. The budget serves as a financial plan as well as a policy guide, an operations guide, and a communications medium.

Bypass – San Vicente Reservoir Bypass Pipeline

Cal/OSHA - California Division of Occupational Safety and Health

CalPERS - California Public Employee Retirement System

Capital Equipment - Fixed assets such as vehicles, computers, furniture and technical instruments which have a life expectancy of more than three years and a value over five thousand dollars.

CIP - Capital Improvement Program - A long-range plan for the construction, rehabilitation and modernization of the Water Authority-owned and operated infrastructure.

Capital Outlay - Expenditures which result in the acquisition of, or addition to, fixed assets including land, buildings, improvements, machinery and equipment. Most equipment or machinery is included in the Annual Operating Budget. Capital improvements such as acquisition of land, construction and engineering expenses are included in the Capital Budget.

Capitalized Overhead - Indirect administrative costs in the Operating Budget that benefit the Capital Improvement Program (CIP) that are transferred as capitalized overhead from the Operating to CIP.

Cash Management - A conscious effort to manage cash so that interest and penalties paid are minimized and interest earned is maximized. Funds received are deposited on the day of receipt and invested as soon as the funds are available. The Water Authority maximizes the return on all funds available for investment without sacrifice of safety.

CAISO - California Independent System Operator

CERBT - California Employers' Retiree Benefit Trust

CEQA - California Environmental Quality Act

CMTA - California Municipal Treasurers Association

CWEA - California Water Environment Association

CIAC - Contributions in Aid of CIP

CFO - Chief Financial Officer

CFS - Cubic Feet per Second

COPs - Certificates of Participation

CRB - Colorado River Board

CSP - Carryover Storage Project

CUPA - Certified Unified Program Agency

CVWD - Coachella Valley Water District

CW3E - Center for Western Weather and Water Extremes

CWA-MAIN - County Water Authority-Municipal and Industrial water demand forecasting model

CY – Calendar Year

DAIS – Data Archival and Invoicing System

Debt Service – The current year portion of interest costs and current year principal payments incurred on long-term debt issued by the Water Authority.

Defeasement – A defeasance is a financing tool by which outstanding bonds may be retired without a bond redemption or implementing an open market buy-back. Cash is used to purchase government securities. The principal of and interest earned on the securities are sufficient to meet all payments of principal and interest on the outstanding bonds as they become due, removing the debt from the issuer's balance sheet.

Disbursements – Payments made on obligations.

DOT – Department of Transportation

DSCR – Debt Service Coverage Ratio

DSOD – California Department of Water Resources, Division of Safety of Dams

DWR – California Department of Water Resources

Each Parcel of Land – Shall mean each parcel of land assigned a parcel number by the San Diego County Assessor.

Earned Value – A technique for measuring project performance and progress in an objective manner. Combines measurements of scope, schedule, and cost to provide accurate forecasts and performance problems.

EIR/EIS – Environmental Impact Report/Environmental Impact Statement

ERF – Equipment Replacement Fund

ESG – Environmental, Social and Governance

ESP – Emergency Storage Project

Expenditure – An amount of money disbursed or obligated. Expenditures include current operating disbursements requiring the present or future use of net current assets, debt service and capital improvements.

FCF – Flow Control Facility

FERC – Federal Energy Regulatory Commission

FY – Fiscal Year – The time frame in which the budget applies. This is the period from July 1 through June 30.

Fixed Assets – Long-term tangible assets that have a normal use expectancy of more than three years and do not lose their individual identity through use. Fixed assets include buildings, equipment, and improvements other than buildings and land.

FIRO – Forecast Informed Reservoir Operations

FPWG – Finance Planning Work Group

FRS – Flow Regulatory Structure

FSTF – Financial Sustainability Task Force (2019-2021)

FTE – Full-Time Equivalent

GAAP – Generally Accepted Accounting Principles – Uniform minimum standards of, and guidelines for, external financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompasses the conventions, rules and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. The primary authoritative statement on the application of GAAP to state and local governments is Government Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements. GAAP provides a standard by which to measure financial presentations.

GASB – Governmental Accounting Standards Board

GIS – Geographic Information System. An organized collection of computer hardware, software, and geographic data designed to efficiently capture, store, update, manipulate, analyze, and display all forms of geographically referenced information.

GDP – Gross Domestic Product. A comprehensive measure of U.S. economic activity. Measures the value of the final goods and services produced in the United States (without double counting the intermediate goods and services used up to produce them).

GFOA – Governmental Finance Officers Association

GPS – Global Positioning System

GRP – Groundwater Resources Program

HCP – Habitat Conservation Plan

Hodges Hydro – Lake Hodges Pumped Storage Facility

IAC – Infrastructure Access Charge

IAWP – Interim Agricultural Water Program

IID – Imperial Irrigation District

IRP – Integrated Resources Plan – An open and participatory planning process which takes a broad view of all water resource options available to the region and searches for the right combinations of investments to achieve water supply objectives in a cost conscious and environmentally responsible manner.

IRWM – Integrated Regional Water Management program

JPA – Joint Powers Authority

LAFCO - Local Agency Formation Commission

LDE - Limited Duration Employee

Leases and Rentals - This includes costs to rent equipment, copy machines, temporary easements and other items.

LISA - Local Investigations and Study Assistance program

LMSE - La Mesa Sweetwater Extension Pipeline

LRFP - Long-Range Financing Plan

LRP - MWD's Local Resource Program

LWSD - Water Authority's Local Water Supply Development

MAAP - MWD Member Agency Administered Program

MARW - Member Agency Rate Workgroup

M&I - Municipal and Industrial

Master Plan - Regional Water Facilities Master Plan

ME - Meter Equivalent

MWD - Metropolitan Water District of Southern California (MWD) - a consortium of 26 cities and water districts that provides drinking water to nearly 19 million people in parts of Los Angeles, Orange, San Diego, Riverside, San Bernardino, and Ventura counties.

MG - Million Gallon

MGD - Million Gallons per Day

MOU - Memorandum of Understanding

MW - Megawatt

NCCP - Natural Communities Conservation Plan

O&M - Operations and Maintenance

OCIP - Owner Controlled Insurance Program

OMWD - Olivenhain Municipal Water District

OPEB - Other Post-Employment Benefits

Operating Departments Budget - The normal, ongoing operating costs incurred to operate the Water Authority.

Other Expenses - This includes employee mileage reimbursement, travel, training, tuition refunds, suggestion awards, professional association dues, memberships, and other miscellaneous items.

PAYGO – Pay-As-You-Go

PCCP – Pre-stressed Concrete Cylinder Pipeline

Poseidon – Poseidon Resources (Channelside) - LP developer and owner of the Carlsbad Desalination Plant

PLA – Project Labor Agreement

PSAWR – Permanent Special Agricultural Water Rate

QSA – Quantification Settlement Agreement

QSA JPA – Quantification Settlement Agreement Joint Powers Authority

RES-BCT – San Diego Gas and Electric’s Renewable Energy Self-Generation Bill Credit Transfer

Rancho Hydro – Rancho Peñasquitos Pressure Control and Hydroelectric facility

RCC – Roller Compacted Concrete

Reliability – Consistently providing a water supply that adequately supports the regional economy.

Revenue – Income generated by taxes, notes, bonds, investment income, land rental, and user charges.

Revenue Bonds – a bond issued by an agency commissioned to finance the building or improving of a public property, such as a bridge or toll road, the revenue from which will pay for the bond.

ROW – Right of Way

RSF – Rate Stabilization Fund

RTS – Readiness-to-Serve Charge

RWMG – San Diego Regional Water Management Group

SANDAG – San Diego Association of Governments

SCADA – Supervisory Control and Data Acquisition

SCOOP – Small Contractor Outreach Opportunity Program

SD – San Diego

SDCWA – San Diego County Water Authority

SDG&E – San Diego Gas and Electric

Services – The normal, ongoing operating costs incurred to operate the Water Authority that are procured from companies outside of the Water Authority. Examples include repair, maintenance, auditing, appraisals, custodial, security, engineering, drafting and design.

SR – State Route

SSOA - Surface Storage Operating Agreement

Total Capital Budget - The total budget requests for construction projects and associated expenses.

Total Water Authority Budget - The sum of the total Operating Budget, Debt Service, Water Purchases, Capital Budget and Equipment Replacement.

Treated Water - Water delivered to member agencies which has been treated by coagulation, sedimentation, filtration, and chlorination.

TSAWR - Transitional Special Agricultural Water Rate

UAL - Unfunded Accrued Liability

USBR - United States Bureau of Reclamation

USFWS - United States Fish and Wildlife Service

UWMP - Urban Water Management Plan

Utilities - This includes gas, electricity, water, sewer, and telephone.

VFD - Variable Frequency Drive systems

Value Engineering - Used to analyze design and construction projects to help achieve balance between require functions, performance, quality, safety, and scope with the cost and other resources necessary to accomplish those requirements. The proper balance results in the maximum value for the project.

Water Authority - San Diego County Water Authority

Water Purchases - The cost of purchasing water from other agencies.

WD - Water District

WNN - Water News Network

WPA - Carlsbad Seawater Desalination Project Water Purchase Agreement between The San Diego County Water Authority and Poseidon Resources (Channelside) LP dated December 20, 2012

WPF - Women in Public Finance

WTP - Water Treatment Plant

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Classification and Salary Schedule

Section 2.16.060(d) of the Administrative Code requires that “...The Personnel Officer may make additions or modifications to the classification and salary schedule, to add, delete or modify positions and establish corresponding salary bands or ranges, subject to ratification by the Board not later than the time of approval of the next bi-annual budget, provided that the addition or modification does not increase the bi-annual budget for the department or office affected by the addition or modification...”

The Classification and Salary Schedule which follows reflects the changes made during Fiscal Year 2023.

**SAN DIEGO COUNTY WATER AUTHORITY
CLASSIFICATION AND SALARY SCHEDULE
EFFECTIVE DATE 6/25/2023**

BOARD APPOINTED	RANGE	REPRESENTED EMPLOYEES, CONTINUED	RANGE
Acting General Manager	Y	Accounting Technician	17
General Counsel	Z	Administrative Assistant	20
		Asset Management Specialist I	24
		Asset Management Specialist II	31
EXECUTIVE MANAGEMENT	RANGE	Assistant Legislative Analyst	24
Assistant General Manager	B	Assistant Management Analyst	24
Deputy General Manager	A	Assistant Water Resources Specialist	24
Director of Administrative Services	C	Assistant Water Resources Specialist (E)	24
Director of Engineering	C	Construction Manager	39
Director of Finance/Treasurer	C	Corrosion Control Supervisor	36
Director of Human Resources	C	Corrosion Control Technician I	18
Director of MWD Program	C	Corrosion Control Technician II	22
Director of Operations and Maintenance	C	Electrical/Instrumentation Supervisor	36
Director of Public Affairs	C	Electrical/Instrumentation Technician I	20
Director of the Colorado River Program	C	Electrical/Instrumentation Technician II	28
Director of Water Resources	C	Engineer (P.E.)	39
		Engineer I	25
SENIOR MANAGEMENT	RANGE	Engineer II	31
Administrative Services Manager	H	Engineering Technician I	18
Assistant General Counsel	E	Engineering Technician II	22
Budget and Treasury Manager	G	Facilities Services Technician	25
Colorado River Program Manager	D	Financial Resources Analyst	39
Controller	F	Fleet Mechanic I	18
Deputy Director of Engineering	D	Fleet Mechanic II	22
Engineering Manager	F	Help Desk Support Specialist	24
Government Relations Manager	G	Information Systems Analyst	31
Human Resources Manager	G	Information Systems Supervisor	39
Information Security Manager	G	Investment Analyst	35
Information Systems Manager	G	Land Surveyor (P.L.S)	33
Operations and Maintenance Manager	F	Legislative Analyst	28
Public Affairs Manager	H	Maintenance Technician	23
Right of Way Manager	G	Maintenance Worker I	11
Risk and Safety Manager	H	Maintenance Worker II	17
Water Resources Manager	F	Management Analyst	28
		Office Assistant I	05
CONFIDENTIAL	RANGE	Office Assistant II	09
Administrative Assistant	20	Principal Asset Management Specialist	42
Assistant Human Resources Analyst	24	Principal Construction Manager	46
Clerk of the Board	36	Principal Engineer	46
Deputy Clerk of the Board	20	Principal Public Affairs Representative	33
Executive Administrative Assistant	27	Principal Water Resources Specialist	42
Human Resources Analyst	25	Principal Water Resources Specialist (E)	42
Human Resources Assistant	20	Project Scheduler I	31
Legal Administrative Assistant	27	Project Scheduler II	37
Office Assistant I	05	Public Affairs Representative I	23
Office Assistant II	09	Public Affairs Representative II	27
Senior Human Resources Analyst	33	Public Affairs Supervisor	35
Senior Office Assistant	14	Purchasing Technician I	20
		Purchasing Technician II	24
REPRESENTED EMPLOYEES	RANGE	QSA Outreach Coordinator	39
Accountant	26	Rate and Debt Manager	46
Accounting Assistant I	06	Receptionist	09
Accounting Assistant II	12		
Accounting Supervisor	37		

Revised: 6/25/2023

**SAN DIEGO COUNTY WATER AUTHORITY
 CLASSIFICATION AND SALARY SCHEDULE
 EFFECTIVE DATE 6/25/2023**

REPRESENTED EMPLOYEES, CONTINUED	RANGE
Right of Way Agent	31
Right of Way Supervisor	37
Right of Way Technician Level I	18 (Steps 1-7)
Right of Way Technician Level II	19 (Steps 5-11)
Right of Way Technician Level III	22 (Steps 7-13)
Right of Way Technician Level IV	28 (Steps 6-13)
Rotating Equipment Supervisor	38
Rotating Equipment Technician I	22
Rotating Equipment Technician II	30
Safety Officer	33
SCADA Specialist	31
SCADA Supervisor	39
Senior Accountant	33
Senior Asset Management Specialist	39
Senior Construction Manager	43
Senior Corrosion Control Technician	29
Senior Electrical/Instrumentation Technician	32
Senior Engineer	43
Senior Engineering Technician	29
Senior Fleet Mechanic	27
Senior Information Systems Analyst	35
Senior Legislative Analyst	33
Senior Maintenance Technician	27
Senior Management Analyst	33
Senior Office Assistant	14
Senior Project Scheduler	39
Senior Public Affairs Representative	31
Senior Right of Way Agent	35
Senior Rotating Equipment Technician	34
Senior SCADA Specialist	35
Senior Survey Technician	29
Senior Systems Administration & Support Specialist	30
Senior System Operator	32
Senior Water Resources Specialist	39
Senior Water Resources Specialist (E)	39
Supervising Engineering Technician	35
Supervising Land Surveyor	37
Supervising Management Analyst	37
Survey Technician	24
System Maintenance Supervisor	33
System Operations Supervisor	37
System Operator I	18
System Operator II	24
Systems Administration & Support Specialist	26
Water Resources Aide	20
Water Resources Specialist	31
Water Resources Specialist (E)	31
OTHER	RANGE
Student Intern (Determined at Hire)	N/A
Student Worker (Fixed at CA Min. Wage)	N/A

Revised: 6/25/2023

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Memorandums, Resolutions, and Ordinances

The following documents include the memorandums to the Board and the Board approved resolutions and ordinances as they relate to the Fiscal Years 2024 and 2025 Budget and the Calendar Year 2024 Rates and Charges. The Cost of Service Study dated June 2023 can be found online in the June 22, 2023, Board Packet (starting at page 108), at: www.sdcwa.org.



June 14, 2023

Attention: Administrative and Finance Committee

General Manager's Recommended Budget for Fiscal Years 2024 and 2025. (Action)

Board Direction

- a. Formally adopt the General Manager's Recommended Budget for Fiscal Years 2024 and 2025, using Rate Alternative 2B: Use Reserves Beyond Board Policy and Defeasement bonds for an 8.2% Effective Rate Increase for rates and charges for Calendar Year 2024.
- b. Approve adoption of Resolution No. 2023-____, a Resolution of the Board of Directors of the San Diego County Water Authority approving the General Manager's Recommended Budget for Fiscal Years 2024 and 2025, for operations and capital improvements and appropriating \$1,855,823,366 consistent with the approved budget.

Alternative

The Committee and the Board may modify the Recommended Budget using any alternatives previously presented, or new alternatives, prior to adoption of the Budget Resolution, including from the Finance Planning Work Group.

Fiscal Impact

Distributed to the Board on May 15, 2023, the General Manager's Recommended Budget for Fiscal Years 2024 and 2025 was revised following Board direction on May 25, 2023. The revised General Manager's Recommended Budget for Fiscal Years 2024 and 2025 includes an appropriation of \$1,855,823,366. This is allocated amongst the following categories: Water Purchases and Treatment, \$1.19 billion; Capital Improvement Program (CIP), \$183.86 million; Debt Service, \$306.05 million; Quantification Settlement Agreement (QSA) Mitigation, \$4.49 million; Operating Departments, \$126.24 million; Equipment Replacement, \$9.55 million, Grant Expenditures, \$36.23 million; and Other Expenditures, \$2.20 million.

The Board directed proposed increase in rates and charges is being considered at the Public Hearing on June 22, 2023. With the proposed increase revenues and funding sources are anticipated to be available to meet the budgetary needs for Fiscal Years 2024 and 2025, however reserves will fall below the Board policy levels.

Background

In February 2022, the Board approved a Budget Policy outlining the timeline and engagement for budget development, moving the development timeline forward compared to previous years.

Staff met with the Board of Directors in January to both consider and discuss the anticipated drivers and policy priorities of the upcoming multi-year budget. In addition, staff delivered a draft budget for Fiscal Years 2024 and 2025 to the Board on March 9, 2023. On April 10, 2023, staff delivered the General Manager's Final Draft Recommended Budget for Fiscal Years 2024 and 2025. On May 15, 2023, staff delivered the General Manager's Recommended Budget for Fiscal Years 2024 and 2025 and introduced the Recommended Budget to the Administrative and Finance Committee on May 16, 2023, at a Public Budget Workshop.

Administrative and Finance Committee
 June 14, 2023
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The General Manager's Recommended Budget for Fiscal Years 2024 and 2025 is a reflection of the Water Authority's commitment to continued leadership on water issues statewide, upholding the public trust with our member agencies and community stakeholders, and maintaining operational excellence of the region's large-scale water infrastructure. The recommended budget expands our resources to achieve goals in the 2023-2027 Business Plan and maintain water supply reliability for the region.

Discussion

Budget Development Process and Meetings

In accordance with the Budget Policy, staff began the budget process in January 2023 and distributed budget information earlier and often throughout the development process. In addition to presentations and discussions at the Administrative and Finance Committee meetings in March, April, and May 2023, three Public Budget Workshops were held to discuss and review the budget for Fiscal Years 2024 and 2025.

- January 26, 2023 – Administrative and Finance Committee meeting
 - General Manager solicited feedback from the board on the development of the Fiscal Years 2024 and 2025 budget and gave a presentation on the efforts and accomplishments of Fiscal Years 2022 and 2023.
- March 9, 2023 – Distribution of Draft Budget for Fiscal Years 2024 and 2025
- March 23, 2023 – Administrative and Finance Committee meeting
 - General Manager presentation on the draft budget distributed on March 9, 2023.
- April 10, 2023 – Distribution of Final Draft Recommended Budget for Fiscal Years 2024 and 2025
- April 11 and 13, 2023 – Public Budget Workshops
 - Presentation and discussion of Final Draft Recommended Budget. Topics included:
 - Economic Market Update
 - Affordability
 - Rate Mitigation Options
 - Cost of Water
 - Debt Service and Rate Stabilization Fund
 - Capital Improvement Program
 - Operating Departments
 - Water Supply
 - Colorado River Program
 - MWD Program
 - Water Resources
 - Water Facilities
 - Engineering
 - Operations and Maintenance
 - Business Services
 - Administrative Services
 - Finance
 - General Counsel
 - General Manager and Board of Directors

Administrative and Finance Committee
June 14, 2023
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- Human Resources
 - Public Affairs
- April 27, 2023 – Administrative and Finance Committee meeting
 - Presentation, discussion, and follow up of April Public Budget Workshops.
 - Presentation and discussion on the Equipment Replacement Fund and Grants.
- May 15, 2023 – Distribution of Recommended Budget for Fiscal Years 2024 and 2025
- May 16, 2023 – Public Budget Workshop
 - Presentation on Recommended Budget for Fiscal Years 2024 and 2025. Presentation topics included:
 - Follow up from April Board Meeting
 - Water Sales Forecast Update
 - Calendar Year 2024 Draft Rates and Charges / Effective Rate by Member Agency
- May 25, 2023 – Administrative and Finance Committee meeting
 - Presentation and discussion on Recommended Budget for Fiscal Years 2024 and 2025.

Throughout several meetings with the Administrative and Finance Committee the General Manager and staff presented and discussed the Water Authority's potential budget for Fiscal Years 2024 and 2025. In an effort to mitigate rates and charges for Calendar Year 2024, options for mitigation were presented and implemented in the recommended budget.

At the May 25, 2023, the Board directed staff to develop the Recommended Budget for Fiscal Years 2024 and 2025 utilizing the Calendar Year 2024 rates and charges alternative 2B – use of reserves beyond policy and defeasance of outstanding debt.

Full-time Equivalent Positions

At the May 25, 2023, board meeting, the Board directed the General Manager to look at the entire organization full-time equivalent (FTE) positions and come back with a risk analysis reducing the FTEs by five.

The Fiscal Years 2024 and 2025 Recommended Budget includes 260.5 FTEs across 11 departments supporting operations and capital improvement projects. Staff analyzed the staffing levels proposed in the draft General Manager's Recommended Budget that was presented to the Board in April and May. The recommended staffing levels support the Water Authority's operations. Every position has a unique role, and its vacancy has an impact on operations.

While organizations strive to have all positions filled to execute their mission, vacancies are part of the normal business cycles and expected in any organization. The Fiscal Years 2022 and 2023 Budget assumed zero vacancies. Due to a vacancy rate above 0%, there were labor expenses that were not expended. These labor savings recently and historically have been used to cover other labor expenses associated with overtime, double time, and retirements.

The Water Authority is a dynamic organization and vacancies can occur at any time in any area. At any moment in time a position can become vacant, from front line employees to the general manager. In order to be flexible and be responsive to the needs of the organization, the lowest

Administrative and Finance Committee

June 14, 2023

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risk option for reducing the FTEs by five would be to fund five fewer positions in the Fiscal Years 2024 and 2025 Budget. This would reduce the labor expense budget by approximately \$1.3 million over the two-year period. This would also reduce the funds available to offset any overtime, double time, or retirement costs by the same amount. If shortfalls would be identified and brought to the board's attention at mid-term.

Finance Planning Work Group

The Finance Planning Work Group (FPWG) met subsequent to the May 25, Board meeting. At this meeting, the FPWG reviewed rate alternatives that included defeasance of bonds. Upon consideration of additional information, the FPWG had a discussion about short and long term impacts of adopting rates and charges that go against policies recently adopted by the Board as part of the 2021 Long-Range Financing Plan. Adoption of such rates and charges would have long-term detrimental impacts to the organization's financial standings with rating agencies and in turn, create higher costs and higher rate increases in the near future. After much discussion, the FPWG voted to bring to the Board a rate alternative for Board consideration that will maintain existing policy and defease outstanding debt.

The Finance Planning Work Group recommends that the Board consider an alternative to the Board directed rates and charges for Calendar Year 2024, specifically to Adopt Rates and Charges for Calendar Year 2024: Maintaining Board Policy & Defeasance of Outstanding Debt, with an effective rate impact of 9.5%, or Alternative 1B. As an attachment to this memo, staff has provided sources and uses of funds showing revenues and expenditures for Fiscal Years 2024 and 2025 as impacted by Alternative 1B.

Prepared by: Liana M. Whyte, Budget and Treasury Manager

Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Tish Berge, Assistant General Manager

Approved by: Sandra L. Kerl, General Manager

Attachments:

Attachment 1 – Resolution No. 2023-____ Resolution of the Board of Directors of the San Diego County Water Authority Approving the General Manager's Recommended Budget for Fiscal Years 2024 and 2025 for Operations and Capital Improvements and Appropriating \$1,855,823,366 consistent with the Approved Budget

Attachment 2 – Fiscal Year 2024 Classification and Salary Schedule

Attachment 3 – Sources and Uses of Funds using Rates & Charges Alternative 1B

RESOLUTION NO. 2023-24**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO
COUNTY WATER AUTHORITY APPROVING THE GENERAL MANAGER'S
RECOMMENDED BUDGET FOR FISCAL YEARS 2024 AND 2025 FOR
OPERATIONS AND CAPITAL IMPROVEMENTS AND APPROPRIATING
\$1,855,823,366 CONSISTENT WITH THE APPROVED BUDGET**

WHEREAS, in accordance with section 2.04.050 of the Administrative Code, the General Manager has prepared, presented, and submitted the General Manager's Recommended Multi-Year Budget for Fiscal Years 2024 and 2025, a copy of which is on file in the Office of the Clerk of the Board ("Recommended Budget");

WHEREAS, the Administrative and Finance Committee reviewed and considered the Recommended Budget during publicly noticed meetings on March 23, April 11, April 13, May 16, May 25, and June 22, 2023; and

WHEREAS, based on its review of the recommended budget and the presentations and discussions at its meetings the Administrative and Finance Committee has recommended approval of the Recommended Budget, including recommended operational program additions and modifications, new and revised project budgets within the Capital Improvement Program, and implementation of previously approved compensation plans and employment agreements; and

WHEREAS, the Administrative and Finance Committee also recommended appropriating \$1,855,823,366 consistent with the approved budget; and

WHEREAS, on June 22, 2023, the Board of Directors considered the General Manager's Recommended Budget for Fiscal Years 2024 and 2025 and the report and recommendation of the Administrative and Finance Committee;

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves as follows:

1. The Recommended Budget is approved as the bi-annual budget for Fiscal Years 2024 and 2025.
2. The total amount of \$1,855,823,366 is hereby appropriated for the purposes and in the amounts specified in Exhibit A. Expenditures of appropriated funds shall be consistent with the Recommended Budget. Except as provided in this Resolution, no increases or decreases to the budget shall occur except upon prior approval by the Board of Directors.
3. The General Manager has the authority within the Operating Fund balance to make adjustments to employee salaries and benefits. Such adjustments must be consistent with

this resolution, the salary schedules, compensation plans and employment agreements in effect on the date of this resolution, and salary schedules, compensation plans, and employment agreements effective after the date of this resolution as approved by the board for represented or unrepresented employees. The General Manager may make and implement further amendments to the Classification and Salary Schedule in accordance with the Administrative Code and other rules and regulations governing the personnel system, provided such adjustments are consistent with the budget controls contained in paragraph 4.

4. The following controls are hereby placed on the use and transfers of the appropriated and budgeted funds:

a. The General Manager is responsible for keeping expenditures within the approved appropriations and budgeted allocations for positions, salaries and benefits, and operational expenditures and may adopt budget policies as necessary to carry out that responsibility. No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board or General Manager as described herein.

b. Subject to paragraph d, the General Manager may exercise discretion in administration of the Operating Budget to respond to changed circumstances, provided that any modification in excess of \$150,000 requires approval by the Board.

c. Subject to paragraph d, the General Manager may exercise discretion in administration of the Capital Budget to respond to changed circumstances, provided that total expenditures for all CIP projects, in the two fiscal years do not exceed the total appropriations for the Capital Improvement Program in the budget approved in paragraph 1. Addition or deletion of a project or increase in excess of \$150,000 to a project budget within the Capital Improvement Program requires approval by the Board. Inclusion of a project in the Capital Improvement Program Budget for planning and environmental review purposes shall not be construed as an irrevocable commitment to the project or implementation. A project shall be subject to revision or deletion from the Capital Improvement Program as necessary to comply with the California Environmental Quality Act. No appropriation under this resolution for a capital project that provides new or expanded service shall be spent for activities other than exempt planning, feasibility, environmental review and other similar purposes until the Board certifies or approves the environmental review document for the project.

d. Increases in the appropriation amount of \$1,855,823,366 shall not be effective unless approved by the Board. Addition of personnel positions above the level identified in the budget as approved in paragraph 1 shall not be effective unless approved by the Board. The General Manager may authorize the hiring of temporary or part-time staff as necessary, within the limits imposed by the available expenditure amounts designated in the budget as approved in paragraph 1. This paragraph shall not be construed as a limitation on reclassification or reassignment of positions or other administration of the personnel system consistent with paragraph 3.

e. The General Manager is authorized, subject only to the total appropriation, to exceed the expenditure amount designated for water purchases in the budget as approved in paragraph 1 in order to meet the water demands of the Water Authority.

PASSED, APPROVED, and ADOPTED this 22nd day of June 2023 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES: Arant (proxy), Bebee, Castaneda, Kennedy, Leahy, Lyndes, McMillan, Meyers,
Scalzitti (proxy), Reeh, Swanson,

ABSTAIN: None.

ABSENT: Acosta (proxy), Arant (proxy), Ayala, Baze, Croucher (proxy), Elitharp,
Heidemann (proxy), Scalzitti (proxy), and Simpson



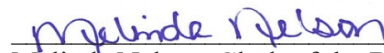
Mel Katz, Chair

ATTEST:



Frank Hilliker, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2023- 24 was duly adopted at the meeting of the Board of Directors on the date stated above.



Melinda Nelson, Clerk of the Board



June 14, 2023

Attention: Administrative and Finance Committee

Adopt the Water Authority Board's Recommended Rates and Charges for Calendar Year 2024. (Action)

Board Direction

- a. Conduct the Public Hearing;
- b. Adopt the Board's Recommended Rates and Charges based Rate Alternative 2B: Use of the Reserves Beyond Policy and Defeasance of Outstanding Debt, with an effective rate impact of 8.2% - Ordinance No. 2023-___ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services;
- c. Adopt Resolution No. 2023-___ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge; and
- d. Find the actions exempt from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the General Manager to file a notice of exemption.

Alternatives

Adopt the Finance Planning Work Group Recommendation for Calendar Year 2024 Rates and Charges using Rate Alternative 1B: Maintaining Board Policy & Defeasance of Outstanding Debt, with an effective rate impact of 9.5%. (Attachment 1).

Fiscal Impact

All water rates and charges alternatives, in combination with use of reserves, existing taxes, the System Capacity Charge, the Water Treatment Capacity Charge, the Infrastructure Access Charge (IAC), investment income, the Standby Availability Charge, and the Supply Reliability Charge (SRC), are expected to raise revenues to meet the Water Authority's revenue requirements. For Rate Alternative 2B, which was selected by the Board at its May meeting, to mitigate upward rate pressures, use of the Rate Stabilization Fund (RSF) in the amount of \$23M is forecasted for the end of fiscal year (FY) 2023, with an anticipated additional draw of \$10M in FY 2024. The planned use of the RSF will bring the balance below the 2021 Long Range Financial Plan and Board Policy. Additionally, a proposed defeasance of outstanding debt will be brought to the Board in July for consideration. These rate mitigation measures will provide a lower rate than staff proposed for calendar year (CY) 2024 with potential risk of credit downgrade and higher rate increases forecasted in future years.

Administrative and Finance Committee
June 14, 2023
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Executive Summary

- The Board's Direction for CY 2024 Rates and Charges are based on Rate Alternative 2B: Use of the Reserves Beyond Policy and Defeasance of Outstanding Debt.
- With Rate Alternative 2B, member Agencies will see a year-over-year effective rate impact of 8.2%.
- The projected rates during the 3-year period for all alternatives do not account for any financial impacts that may result in higher rate increases, including if the Water Authority were downgraded.
- Given recent low water sales, a \$23M use of rate stabilization funds is forecasted for FY '23 in order to maintain the Board's policy of 1.5x coverage.
- With Rate Alternative 2B, to provide CY 2024 rate relief, the Water Authority is forecasting an excess draw of \$10M on the rate stabilization fund in FY 2024 and anticipates a Board approved defeasance on outstanding debt.
- Rate Alternative 2B results in rates and charges that are forecasted to drop below adopted Board Policies and the 2021 Long Range Financing Plan.
- Upon further review of analysis associated with long-term financial impacts of rate alternatives, the Finance Planning Work Group recommends adoption of Alternative 1B: Maintain Existing Policy & Defease with an effective rate increase of 9.5%.

Background***Elongated Schedule***

Annually, Water Authority staff presents water rates and charges to the Board of Directors for consideration in May and adoption in June. As requested by the Board in 2022, a preliminary assessment of the CY 2024 rates and charges was presented in March, two months earlier than in previous years. Following input from the Board and the integration of refined data, staff have been providing updated assumptions and rates at the Board meeting as well as the public workshops in April and May.

This elongated schedule allowed the Board and key stakeholders more time to review crucial rate drivers, including the forecasted water sales, and offer input and feedback. The approach also provides member agencies an earlier forecast of Water Authority rates to help guide retail agency budgets and rates.

A&F Committee Input and FPWG Recommendation

During the development of the CY 2024 rates and charges, staff presented to the Finance Planning Work Group (FPWG) and the A&F Committee to receive feedback on the assumptions and developments of the rates and charges. Staff presented the forecasted rate drivers and impacts which included discretionary and non-discretionary inflators such as the cost of water, reduced revenues due to the non-operational Lake Hodges Hydro-facility, and reduced water sales. Staff presented the significant headwinds the Water Authority was facing with lower than forecasted water sales in CY 2023 and the impacts they bring into CY 2024. The A&F

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Committee and the FPWG provided staff feedback on the assumptions and helped in the development of the agenda for the public workshops.

At its June 2, 2023, meeting, the FPWG discussed the Board consideration of Alternative 1B. After receiving further reviewing the information, particularly on the financial risks of the Water Authority deviating from board policies and risking high future rate increases, the FPWG raised concerns regarding the Board direction. Staff provided clarity that by adopting a rate that goes against Board policy, this signals to rating agencies that the Water Authority is willing to go against its legacy of reliable financial policies and thus increases the chance the rating agencies will take swift action and potentially deliver a downgrade. With a downgrade, this brings forth higher rates and millions in added costs with no benefit. And if the Water Authority were to be downgraded, it generally takes six to seven years of strong financial performances before being considered for a credit upgrade. Staff let the FPWG know that they are scheduled to meet with the rating agencies the week of June 11 to go over the financials and the Board's CY 2024 rate recommendation.

After much discussion, the FPWG voted to bring to the Board a rate alternative for consideration that will maintain existing policy and defease outstanding debt. Additionally, the FPWG communicated to staff that they would like a stronger message to be brought to the Board in June about the ramifications the Board's provided May direction on rate increase would bring.

The FPWG's recommendation for CY 2024 rates and charges is Alternative 1B: Maintain Existing Policy & Defease with an effective rate increase of 9.5%.

Public Workshops and Board Meetings

The Water Authority scheduled several public workshops in April and May to present updated information on the preliminary rates and charges. These workshops allowed stakeholders to be informed of the developing rates and charges and allowed staff to garner and address the public and member agency concerns. Staff presented the following topics at the April workshops:

- Economic Market Update
- Cost of Water
- Rate Mitigation Options
- Debt Service and Rate Stabilization Fund (RSF)
- Capital Improvement Program
- Equipment Replacement Fund
- Operating Departments

After reviewing the information, the Board provided staff direction for the development of the rates and charges including refinement of the CIP and keeping the rate increase below 10%.

Staff returned to the May workshop with three alternatives for consideration that would either 1) maintain the existing policy, 2) use reserves beyond the Board policy target; or 3) use greater use of reserves, beyond Board policy. The Board eliminated the third alternative and directed staff to bring forward the first two alternatives and continue exploration of additional mitigation rate efforts.

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Following the Workshops, staff presented four alternatives to the Board in May. A summary of the alternatives is shown in Table 1. As the alternatives produce trade-offs between short and long-term increases, Table 1 presents forecasted rate guidance for two additional years (CY 2025 and CY 2026). Again, it is worth mentioning again that the forecasted rate increases do not include the additional potential costs, including associated with a downgrade.

Table 1- Rate Alternatives presented to the Board in May

Alternatives	CY 2024 Effective Increase	CY 2025 Forecasted Increase*	CY 2026 Forecasted Increase*	Satisfies LRFP Criteria and Board Policy
1. Maintain Existing Policy	12.7%	0%-2%	0%-2%	Yes
2. Use of Reserves Beyond Policy	9.25%	7%-9%	7%-9%	No
1B. Maintain Existing Policy & Defeasance	9.5%	4%-6%	3%-4%	Yes
2B. Use of Reserves Beyond Policy & Defeasance	8.2%	6%-8%	4%-6%	No

** Note the projected rate during the 3-year period does not account for any financial impacts that may result in higher rate increases, including from a downgrade.*

Alternative 1 (Maintain Existing Policy) is based on the existing Board policy to maintain a AA+ or better credit rating with the following years having a less than 2% increase. This also includes a revisit of the financial position of the Water Authority in September 2023 for potential opportunities to lower the rate. Alternative 2 (Use of Reserves Beyond Policy) is based on the Board's request for a single-digit rate increase with use of the RSF beyond the existing Board policy. This alternative would provide a one-year rate relief with the following years having a forecasted increase of up to 9% and would increase the risk of a credit downgrade and higher costs as a result. The forecasted rate increases are best case scenario and do not include any additional costs, including associated with a credit downgrade.

Alternatives 1B and 2B are based on the original two alternatives with the addition of a defeasance. With a lower coverage ratio, Alternative 1B (Maintain Existing Policy & Defeasance) would support the Board's request for a single-digit rate increase, support Board policy, and support key financial metrics with rate increases forecasted to be up to 6% in future years. Alternative 2B (Use of Reserves Beyond Policy & Defeasance) would include defeasance as well but still have an increased risk of credit downgrading and forecasted rate increases of up to 8% in future years. The forecasted rate increases for Use of Reserves Beyond Policy & Defeasance are best case scenario and do not include any additional costs, including associated with a credit downgrade.

The Water Authority's Financial Advisor, Shaun Rai, presented the impact credit ratings have on the Water Authority and how currently, with its high credit rating, the Water Authority is viewed

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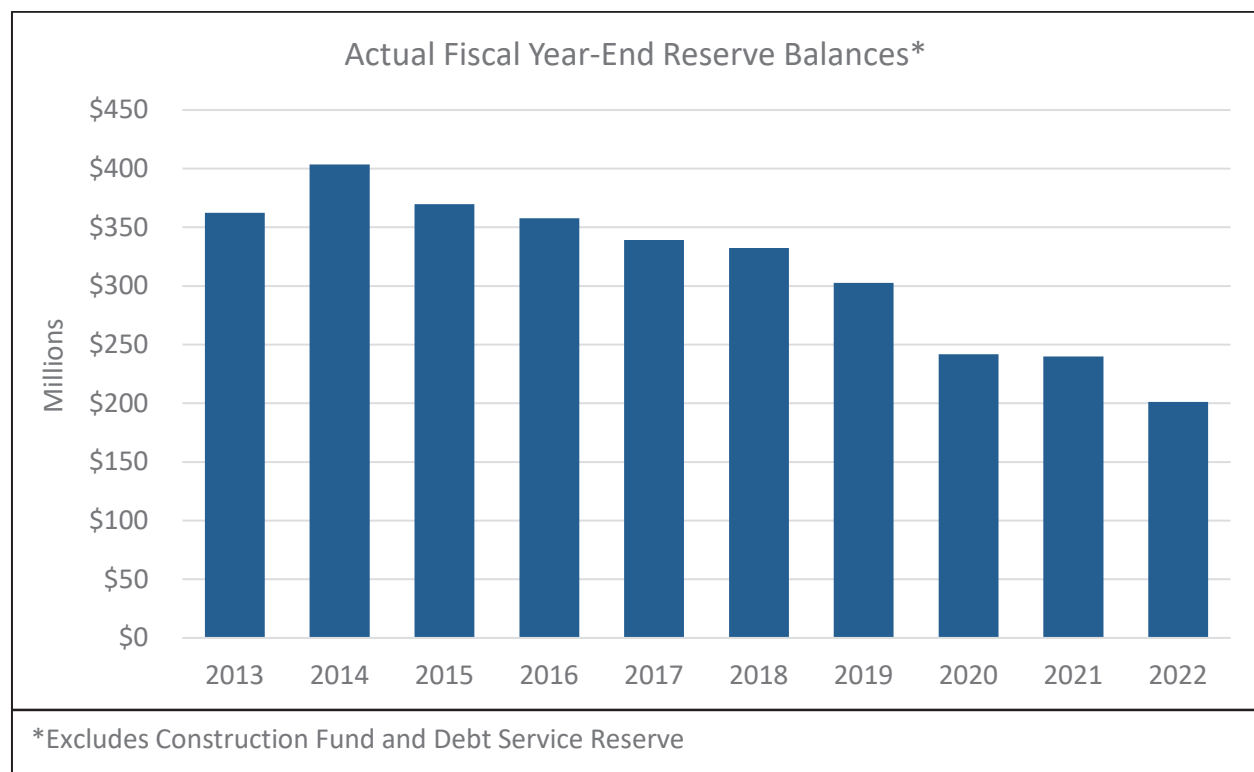
as low risk among investors and benefits by securing low interest rates on transactions, saving intergenerational ratepayers millions. Deterioration of the Water Authority's financial metrics could immediately impact daily/weekly transactions and trigger a downgrade among the rating agencies. Once downgraded, it could remain in force for at least the remainder of the decade and could impact over \$1B of Water Authority debt, increasing total costs by \$20M to \$30M.

The Board's May direction for CY 2024 rates and charges is Alternative 2B: Use of Reserves Beyond Policy & Defease with an effective rate increase of 8.2%.

Prior Years Rate Mitigation Efforts

Over the last several years the Water Authority has used an array of cost control measures to benefit rate payers. Rate mitigation efforts have included freezing the budget at the prior year's level, drawing from the RSF, and exploiting the low-interest rate environment to generate debt service payment savings.

Calendar years 2022 and 2023 rate setting involved cost control measures. The RSF continued to be drawn down from \$158 million in fiscal year 2019, to a forecasted \$80 million at the end of fiscal year 2023 – the lowest RSF balance in over a decade. The Water Authority's total reserve position has been drawn down for the past decade. Adoption of the Board's recommended rates and charges will continue to put financial pressure on the Water Authority, as well as go against Board policy.



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Between 2021 and 2022, the Water Authority also distributed over \$90M to its member agencies after a successful rate case litigation against Metropolitan Water District. Efforts to find further cost savings are ongoing.

Prudent Financial Management -

Long-Range Planning

The Water Authority has a long history of prudent financial planning. The Water Authority's 2021 Long-Range Financial Plan (LRFP) is an update to the existing 2015 LRFP and was developed with input from the prior Fiscal Sustainability Task Force and Financial Strategy Work Group. Adopted less than two-years ago, the LRFP provides emphasis on the commitment of long-term financial stability and resilience of the Water Authority. The focus on long-term planning has helped the Water Authority navigate the COVID-19 Recession, maintain the Water Authority's AAA/Aa2/AA+ credit ratings, and access low interest rates.

Included in the LRFP are the Financial Guiding Principles. These principles are structured to provide basic evaluation criteria to quickly identify policy changes that merit further consideration and those that do not. The Financial Guiding Principles are to be used when evaluating any recommended changes to existing rates and charges or financial policies. The Financial Guiding Principles are as follows:

- ✓ Contribute to maintaining a AA+ or better credit rating
- ✓ Adhere to industry Cost of Service Principles
- ✓ Ensure all beneficiaries of services pay a fair share of costs
- ✓ Provide equity for all Member Agencies
- ✓ Result in the consistent application of Board rate-setting and other financial policies
- ✓ Support intergenerational equity
- ✓ Fulfill all legal requirements
- ✓ Result in an appropriate level of fixed revenues for fixed obligations
- ✓ Consider our dynamic environment
- ✓ Maintain or enhance our fundamental mission
- ✓ Be consistent in the Water Authority's position on rate-setting and fiscal sustainability here and at MWD

Adoption of the Alternative 2B fails to meet many of the adopted Financial Guiding Principle objectives, such as: Contribute to maintaining a AA+ or better credit rating; Result in the consistent application of Board rate-setting and other financial policies; Support intergenerational equity; Maintain or enhance our fundamental mission; and Be consistent in the Water Authority's position on rate-setting and fiscal sustainability.

Debt Service Coverage

The Water Authority has adopted a policy to maintain senior lien debt service coverage at 1.50 times. This policy is designed to maintain the Water Authority's strong credit among rating agencies which in turn, lowers interest expense for long-term affordability. A strong credit rating is a measure of financial sustainability and an indicator for investors' perception of risk. This is

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especially important due to the nature of the Water Authority's borrowing options, which include commercial paper. In the event that commercial paper is issued and cannot be remarketed (due to either financial market dislocation or a downgrade with the Water Authority's credit), it will bear interest at a penalty rate. During this time, the Water Authority would have to either use cash to pay off the commercial paper or issue debt to finance it.

Rate Stabilization Fund

The RSF is used to proactively smooth rate fluctuations and to reactively maintain debt coverage levels. Since debt coverage drives the Water Authority's revenue requirements, the revenues must be sufficient on a fiscal year basis to meet two tests – 1) cash flow, and 2) bond coverage. In 2019, the Board approved an update to the RSF methodology to better align with current water demand conditions and continued improvements in water use efficiency. The adjustment is a target and maximum funding levels equal to 2.5 and 3.5 years, respectively, of the net financial loss of a 15% drop in sales resulting from extreme wet weather or mandatory drought restrictions.

Over the past four years, the RSF has been utilized to reduce rate shock to the member agencies and protect debt coverage. Alternative 2B generates lower rates for CY 2024 by further utilizing the RSF. With additional draws, the fund is forecasted to dip below the RSF minimum target and will require replenishment within three-years. Additionally, with the weaker financial metrics, there is an increased risk of a credit downgrade.

Comprehensive Cost of Service Reviews

In 2019, following a request for proposals, the Water Authority retained Carollo to perform an independent Cost of Service Study of the Water Authority's Rates and Charges. This multi-year scope includes a review of the recommended CY 2024 rates and charges and to ensure that they are set in compliance with California legal requirements, cost of service standards, and Water Authority Board policies. A copy of the Carollo CY 2024 Cost of Service Study is provided as Attachment 4.

Discussion

As demonstrated by the recommended rates, the Water Authority is experiencing significant financial rate pressures with regard to the CY 2024 rates and charges. Approximately 90 percent of the factors behind these recommended rates are outside of the Water Authority's control. They include rate increases by the MWD, increased costs for water and energy from the Carlsbad Desalination Plant, increased costs for water from the Quantification Settlement Agreement, the loss of revenues from the Lake Hodges pumped storage project, and lower than anticipated water sales.

CY 2024 rate drivers include:

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- **Melded Supply Source Costs:**
 - MWD's Full-Service Supply Rate is increasing 5.6% for untreated water, and 3.9% for treated water.
 - Inflation and energy costs are impacting the cost of other sources of supply. Primarily the cost for desalinated water has increased 47% in 2023. Based on SDG&E's 2024 General Rate Case Application, they are forecasting an additional 4.7% increase in CY 2024. These increases in energy along with the increases in purchase costs will result in a 10.3% increase in the Desalinated Supply Rate.
- **Water Treatment Costs:**
 - The Water Authority's Twin Oaks Treatment Plant, the costs of which are largely fixed, has had demands decrease, resulting in higher unit costs.
 - A treatment optimization study is currently being performed as part of the 2023 Facilities Master Plan to identify operational efficiencies and coordination with member agencies
- **Water Sales:**
 - Due to above-average precipitation in early 2023, and the forecasting of an El Nino event, water sales forecast for CY 2024 are 362,000 AF. A drop of 18,000 AF from last year's projection for CY 2024 of 380,000 AF.
- **Additional Factors:**
 - High and Persistent Inflation
 - Loss of Lake Hodges Hydro Revenue
 - O&M Budget Adjustments

Continued and Ongoing Pressures to Cost of Water

On April 12, 2022, MWD's Board of Directors adopted rate and charge increases for calendar years 2023 and 2024. For CY 2024 this resulted in increases of 3.9% and 5.6% to volume-sensitive treated and untreated full service MWD supplies, respectively. MWD's non-volume sensitive Readiness-to-Serve (RTS) and Capacity Charges, which are passed through to the Water Authority's Member Agencies, increased by 8.4% and 5.7%, respectively. Last year, the rate components for transporting water through the MWD system, including both MWD supplies and Quantification Settlement Agreement (QSA) water, collectively dropped by 4.0%. The decrease was due to a decrease in the System Access Charge and a small reduction in the System Power Charge. However, for CY 2024, there was a sharp increase in both the System Access Charge and System Power by 5.7% and 9.6%, respectively. This equates to a 7% increase to transport water through the MWD system.

Contractual Water Obligations

The Quantification Settlement Agreement (QSA) provides approximately 280,000 AF/year of low-cost, independent annual Colorado River supplies for the San Diego region. The water is a foundational component of the region's supply diversification and reliability strategy. The cost of these supplies is forecasted to increase by 4% in CY 2024, per existing contracts. As stated above, an additional 7% rate increase is forecasted from MWD to transport its QSA supplies to

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San Diego County as MWD owns the only large-scale conveyance facility in Southern California for transporting Colorado River water.

The Water Authority's Carlsbad Desalination Plant (CDP) provides approximately 56,000 AF/year of local, drought-proof water for the region that reduces purchases of water from MWD. Desal costs are driven by significant increases in capital, operations and maintenance, and electricity. In December 2022, the Board approved a water purchase agreement with Poseidon Resources for the final phase of intake and discharge system modifications. Under the terms of the agreement, a series of price adjustments were adopted. For CY 2024, the increase is estimated at 5.4%.

Inflation

General inflation is the highest it's been in decades. Commodity and materials costs impact O&M spending, as well as the price of CIP. The costs for CIP usually increase annually due to inflation, however; coming off the tail end of the pandemic coupled with inflationary factors, construction costs and supplies have been largely impacted.

Board May Direction - Use of Reserves Beyond Policy & Defeas

As previously mentioned, staff presented four rate alternatives for CY 2024. The Board's Direction in May was to bring forward rates and charges that use reserves beyond policy and defease, which equates to an effective rate increase of 8.2% for member agencies.

Setting Water Rates and Charges

On an annual basis, the Water Authority staff develops recommended water rates and charges, which it presents to the Board of Directors for adoption. Water rates and charges include the Melded Supply, Melded Treatment, Transportation rates and the Customer Service, Storage and Supply Reliability charges. Each year the Water Authority undertakes the following cost of service analysis to determine water rates and charges.

- Step 1. Establish the revenue requirement—determine the total amount of revenue needed to recover the Water Authority's annual operating (operations and maintenance of facilities, cost of water, treatment costs, etc.) and capital expenditures (cash and short and long-term debt).
- Step 2. Allocate the revenue requirement and offsetting non-commodity revenues (i.e. investment income, property tax, IAC, etc.) to rate categories (Melded Supply, Melded Treatment, Transportation, Storage, Customer Service and SRC) to determine the net revenue requirement for each rate category.
- Step 3. Determine rates and charges based upon the net revenue requirements, water sales projections and other key financial management metrics (i.e. senior lien debt service coverage, fund deposits and withdrawals).
- Step 4. Allocate fixed charges (Storage, Customer Service and SRC) to member agencies based on specified allocation methodologies.

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Description of Board Directed Rates and Charges

Table 2 summarizes the Water Authority's CY 2024 rates and charges as directed at the May board meeting. A description of the Water Authority's rates and charges is provided in subsequent sections. In addition to the Water Authority's rates and charges shown in Table 2, MWD's RTS and Capacity Charges are passed through to Water Authority member agencies.

<i>Table 2 – Recommended Summary of Water Authority Rates and Charges</i>		
Water Authority Rates and Charges	CY 2023 Adopted	CY 2024 May Board Direction
Melded Supply Rate (\$/AF)	\$1,085	\$1,183
Melded Treatment Rate (\$/AF)	\$350	\$400
Transportation Rate (\$/AF)	\$173	\$189
Untreated Permanent Special Agricultural Water Rate (\$/AF)	\$855	\$903
Treated Permanent Special Agricultural Water Rate (\$/AF)	\$1,205	\$1,303
Infrastructure Access Charge ²	\$4.24/ME	\$4.35/ME
Customer Service Charge	\$26,000,000	\$27,000,000
Storage Charge	\$60,000,000	\$62,000,000
Supply Reliability Charge	\$40,850,000	\$43,400,000
Standby Availability Charge per parcel or acre, whichever is greater ¹	\$10	\$10
System Capacity Charge ²	\$5,700/ME	\$5,700/ME
Treatment Capacity Charge ²	\$159/ME	\$159/ME
Annexation Application Fee (Per Application)	\$11,556	\$11,556
¹ Fiscal Year Charge.		
² ME (meter equivalent) as defined in the resolution establishing the IAC.		

Table 3 summarizes MWD's rates and charges that the Water Authority passes through to its member agencies.

<i>Table 3 – Summary of Water Authority Pass Through Rates and Charges</i>		
MWD Rates and Charges	CY 2023 Adopted	CY 2024 Board Recommended
Untreated Tier 2 Supply Rate \$/AF ¹	\$1,064	\$1,102
MWD Capacity Charge ³	\$ 7,668,040	\$ 9,429,280
Readiness-to-Serve Charge ^{3, 4}	\$10,332,307	\$10,466,961
¹ Agencies exceeding their Tier 1 allocation are subject to the MWD Tier 2 Supply Rate.		
³ Fiscal Year Charge. ⁴ Net of Stand-by-Charge and Admin Fee. Readiness-to-Serve gross charge has changed from \$140M in '22, to \$154M in '23, and \$167M in '24. SDCWA's share of that charge has decreased from 16% to 15% to 13.8% and will continue to decrease as the 10-year rolling average allocation that determines the charge includes more years with QSA and desalination supplies.		

The following recommended rates and charges would be effective July 1, 2023:

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Standby Availability Charge. The County Water Authority Act limits the maximum annual Standby Availability Charge to \$10 per acre or parcel, whichever is greater. Beginning before November 6, 1996, the Water Authority has determined that the maximum annual Standby Availability Charge should be levied on property within the Water Authority's service area. To provide necessary funding for the CIP, the General Manager recommends that the charge continue at the \$10 maximum for fiscal year 2023-2024. The recommended Standby Availability Charge rate would be effective July 1, 2023.

The following rates and charges are being recommended effective on January 1, 2024:

Melded Untreated Supply Rate (exclusive of PSAWR deliveries). The Melded Untreated Supply Rate (Melded Supply Rate) will be set to recover the costs of purchasing Tier 1 water from MWD, water purchases from IID, payments in connection with the All-American and Coachella Canal lining projects, payments to MWD under the 2003 Exchange Agreement for conveyance of IID and Canal Lining water, desalinated water and the portion of the Water Authority's revenue requirement allocated to the supply rate. The revenue requirement may include other costs specifically associated with the acquisition of the IID supply source, cost recovery for supply costs previously incurred but not charged, reserve withdrawals/deposits and coverage requirements. Table 4 shows the calculation of the Melded Supply Rate.

Table 4 – Untreated Melded Supply Rate Calculation

	CY 2024
Acre-Foot Sales (000's)	
MWD Tier I Deliveries for M&I (Excludes PSAWR)	18.4
IID Deliveries	200.0
Canal Water Deliveries	77.7
Carlsbad Desalination Production	39.5
Operational Storage	4.3
Total A/F Sales	339.9
Water Purchase Cost (in Millions)	
MWD Tier 1 Water Purchases M&I (Excludes PSAWR)	\$16.6
IID Water Purchases	262.4
Canal Water Purchases	46.1
Desalinated Water Supply Costs	127.5
Subtotal Water Purchases	\$452.6
Additional Costs (in Millions)	
Supply Revenue Requirement	\$15.3
Additional Discretionary Pension Payment	0.0
Subtotal Other Costs	\$15.3
Offsetting Revenues (in Millions)	
Supply Reliability Charge Revenues	(\$43.4)
Use of Reserves	(\$22.4)
Total Net Supply Costs	\$402.1
A/F RATE (Total Net Supply Cost /Total AF Sales)	\$1,183/AF

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Based upon the Board's recommended rates & charges, the Melded Supply Rate would increase from its current level of \$1,085/AF to \$1,183/AF in CY 2024.

Permanent Special Agricultural Water Program Rates.

The untreated PSAWR will be set to MWD's Tier 1 rate and increase from its current level of \$855/AF to \$903/AF in CY 2024. In addition, the treated PSAWR will increase from \$1,205/AF in CY 2023 to \$1,303/AF in CY 2024. The PSAWR program rates correspond to a lower level of water supply reliability for its participants.

Melded Treatment Rate. The Melded Treatment Rate will be set to recover the costs of treating water for the Water Authority and may include costs of purchasing treated water from MWD, the Levy and Olivenhain treatment plants, the Water Authority's Twin Oaks Valley Water Treatment Plant, desalinated water costs allocated to this rate and may recover certain other costs associated with the delivery of treated water. For CY 2024, the Melded Treatment Rate will increase from its current level of \$350/AF to \$400/AF. Table 5 shows the calculation of the Melded Treatment Rate.

Table 5 – Melded Treatment Rate Calculation

	<u>CY 2024</u>
Acre-Foot Sales (A/F) (000's)*	
MWD	61.0
Water Authority	27.8
Helix	14.4
Carlsbad Desalination Production	39.5
TOTAL A/F SALES	142.7
Cost (in Millions)	
MWD	\$21.6
Water Authority	9.8
Helix	2.6
Treatment Revenue Requirement	8.1
Desalinated Water**	15.8
Use of Reserves	(0.8)
TOTAL TREATMENT COSTS	\$57.1
A/F RATE (Total Treatment Costs/Total A/F Sales)	\$400/AF
* Includes treated water deliveries intended for agriculture	
**Based on recommended cost of treated water (39,545AF x \$400/AF = \$15.8M)	

Transportation Rate. The Transportation rate is set to recover capital, operating, and maintenance costs of Water Authority-owned water delivery facilities, including facilities used to physically transport the water to member agency meters. The Transportation Rate is charged to each acre-foot of water delivered by the Authority as it occurs. For CY 2024, the Transportation Rate will increase from its current level of \$173/AF to \$189/AF. The costs associated with transportation are largely fixed from year to year yet correspond with the projected demands for the year.

Infrastructure Access Charge. The infrastructure access charge is imposed on member agencies as a condition of maintaining connections to Water Authority facilities. It is apportioned based

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on water meters within each member agency. For CY 2024, the Infrastructure Access Charge will increase from \$4.24/ME to \$4.35/ME.

Customer Service Charge. The Customer Service Charge is set to recover costs that are necessary to support the functioning of the Water Authority. The Customer Service Charge will be allocated among the member agencies on the basis of each agency's three-year rolling average of member agency supply purchases from the Water Authority. For CY 2024, the Customer Service Charge will increase \$1.0M to \$27.0M.

Storage Charge. The Storage Charge is set to recover costs associated with the Emergency Storage Program and the Carryover Storage Program. Because agricultural users that participate in the SAWR program agree to reduced or interrupted service during times of water emergencies, they will not receive benefit from the storage program; therefore, the Storage Charge is based on all non-SAWR water deliveries and will be allocated among the member agencies using a pro rata share of each agency's three-year rolling average deliveries. For CY 2024, the Storage Charge will increase \$2.0M to \$62.0M.

Supply Reliability Charge. The Supply Reliability Charge (SRC) is a fixed charge established in 2016 to recover a portion of the costs associated with the Water Authority's highly reliable water supplies, which includes desalinated and IID transfer waters. The charge is allocated to member agencies based upon their pro rata share of the Water Authority's 5-year rolling M&I deliveries. As a result of increases to desal purchases and costs, the CY 2024 SRC will increase from its current level of \$40.9M to \$43.4M.

Water Authority Capacity Charges. Capacity charges are one-time fees charged to new system connections. The fee is set to recover the proportionate cost of the system necessary to serve that connection. Last year a 7% increase to the charges was administered. For CY 2024, there are no changes to the rates.

System Capacity Charge. This charge recovers a portion of the capital costs for the conveyance and storage facilities necessary to operate the delivery system. The current charge of \$5,700/ME for each new meter equivalent will remain in effect beginning January 1, 2024.

Water Treatment Capacity Charge. This charge recovers a portion of the regional water treatment facility to be collected from all future users of the facility. In keeping with the Water Authority's policy of exempting agencies that cannot benefit from a service, the Water Treatment Capacity Charge excludes customers from the City of Del Mar, City of Escondido, and City of Poway. The current charge of \$159/ME for each new meter equivalent will remain in effect beginning January 1, 2024.

Table 6 presents a summary of the CY 2024 Capacity Charge schedule that will be effective January 1, 2024.

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Table 6 CY 2024 Water Authority Capacity Charges			
Meter Size (Inches)	Factor	System Capacity Charge	Water Treatment Capacity Charge
Under 1"	1	\$5,700	\$159
1"	1.6	9,120	254
1.5"	3	17,100	477
2"	5.2	29,640	827
3"	9.6	54,720	1,526
4"	16.4	93,480	2,608
6"	30	171,000	4,770
8"	52	296,400	8,268
10"	78	444,600	12,402
12"	132	752,400	20,988

The following MWD rates and charges are passed on directly or allocated to the Water Authority's member agencies in the same manner as MWD applies them to the Water Authority.¹

MWD Capacity Charge. For CY 2024, the Capacity Charge is \$11,700 per cubic foot second (cfs) of maximum daily flow requested by a MWD member agency. The Capacity Charge is a fixed charge levied on an agency's maximum daily flows over the three previous fiscal years. It recovers the cost of providing peak capacity within the distribution system and is designed to encourage member agencies to shift demands and avoid placing large daily peaks on the MWD system during the summer months. Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Charge will include deliveries (except long-term seasonal storage deliveries) made by MWD to a member agency or member agency customer including water transfers, exchanges, and agricultural deliveries. As part of a separate surface storage operating agreement to manage seasonal peaking, the Authority is expected to reserve its full available capacity. The Capacity Charge will be set at \$9,850,230. The Authority's Board has directed that the Capacity Charge will be recovered proportionally based on a five-year rolling average of member agency flows during coincident peak weeks.

Readiness-to-Serve Charge. MWD's Readiness-to-Serve Charge differs from the other MWD charges in that it is set on a Fiscal Year basis. The total Readiness-to-Serve Charge will increase from its current level of \$154 million to \$167 million in Calendar Year 2024. The Authority's share is set at \$23,101,418 for Fiscal Year 2023-2024. After credits from the MWD Standby Charge, uncollectible charges, and administrative costs, the net Water Authority share is \$10,466,961. MWD's Readiness-to-Serve Charge will recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge will be allocated among MWD member agencies on the basis of each agency's ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity). This

¹ The Water Authority has challenged MWD's cost of service methodology associated with these charges.

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allocation will be revised each year. Revenues equal to the amount of MWD Standby Charges will continue to be credited against the member agency's Readiness-to-Serve Charge obligation unless a change is requested by the member agency. The Board has directed that the Authority's Readiness-to-Serve Charge will be passed through proportionally to member agencies on the basis of each agency's ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity).

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Approved by: Tish Berge, Assistant General Manager

Attachments:

- Attachment 1– Finance Planning Work Group Recommended Calendar Year 2024 Rates and Charges
- Attachment 2–Ordinance No. 2023-___ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services
- Attachment 3–Resolution No. 2023-___ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge
- Attachment 4– Carollo's Cost of Service Study for Board Recommended Calendar Year 2024 Rates and Charges



May 17, 2023

Attention: Administrative and Finance Committee

Resolution setting a Public Hearing date and time for proposed Calendar Year 2024 Rates and Charges. (Action)

Purpose

The purpose of this report is to adopt a resolution setting a time and place for a public hearing for the consideration and adoption of recommended rate and charge increases for water, services, and facilities for calendar year (CY) 2024.

Staff recommendation

Adopt Resolution Number 2023-__ setting the time and place for a public hearing on June 22, 2023, at or after 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding the recommended rates and charges to be effective January 1, 2024. (Action)

Alternatives

Direct staff to set a different time or date for the public hearing.

Fiscal Impact

No fiscal impact associated with the scheduling of the public hearing.

Background

Accelerated Schedule

Annually, Water Authority staff present recommended water rates and charges to the Board of Directors for consideration in May and adoption in June. As requested by the Board in 2022, an accelerated preliminary assessment of the CY 2024 rates and charges was presented in March, two months earlier than in previous years. Following input from the Board and the integration of refined data, staff has been providing updated assumptions and rates scheduled workshops and Board meeting.

This accelerated schedule allowed the Board and key stakeholders more time to review significant rate drivers (such as water sales forecasts) and provide feedback on the preliminary rate guidance. The approach also gave member agency staff an earlier forecast of Water Authority rates to help guide their own budget and rate development process.

Committee and Workgroup Input

During the development of the rates and charges, staff met with the Administration & Finance Committee and the Finance Planning Work Group to receive feedback on the assumptions and developments of the CY 2024 rates and charges. Staff presented the forecasted rate drivers and impacts which included non-discretionary inflators such as the cost of water, reduced revenues associated with the non-operational Lake Hodges Hydro-facility, and reduced water sales, as well as discretionary inflators such as the capital improvement projects, equipment replacement,

Administrative and Finance Committee
May 17, 2023
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and services within the operating departments. Staff presented the significant headwinds the Water Authority was facing with lower than forecasted water sales in CY 2023 and the impacts they bring into CY 2024. The Committee and Workgroup provided staff feedback on the assumptions and helped in the development of the agenda for the public workshops.

Public Workshops

The Water Authority scheduled several public workshops in April and May to present updated information early and often on the preliminary rates and charges. These workshops allowed the public and member agencies to participate in the development of the rates and charges and allowed staff to garner stakeholder preference for the final recommended rates. Topics at these workshops included:

- Economic Market Update
- Affordability
- Rate Mitigation Options
- Cost of Water
- Debt Service and Rate Stabilization Fund (RSF)
- Capital Improvement Program
- Operating Departments
- Equipment Replacement Fund
- Grants

At the April workshops, staff presented the preliminary CY 2024 rates and charges with information on the cost drivers and rate mitigation efforts. Staff received feedback on the preliminary CY 2024 rates and charges including direction on continued rate development. Water Authority staff returned to the April Board meeting with an update on drivers, schedule, and next steps.

Discussion

On an annual basis, the Water Authority staff develops recommended water rates and charges, which is then presented to the Board of Directors for adoption. Water rates and charges include the Merged Supply, Merged Treatment, Transportation rates and the Customer Service, Storage and Supply Reliability charges. Each year the Water Authority undertakes the following cost of service analysis to determine water rates and charges.

- Step 1. Establish the revenue requirement—determine the total amount of revenue needed to recover the Water Authority’s annual operating (operations and maintenance of facilities, cost of water, treatment costs, etc.) and capital expenditures (cash and short and long-term debt).

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- Step 2. Allocate the revenue requirement and offsetting non-commodity revenues (i.e. investment income, property tax, IAC, etc.) to rate categories (Melded Supply, Melded Treatment, Transportation, Storage, Customer Service and SRC) to determine the net revenue requirement for each rate category.
- Step 3. Determine rates and charges based upon the net revenue requirements, water sales projections and other key financial management metrics (i.e. senior lien debt service coverage, fund deposits and withdrawals).
- Step 4. Allocate fixed charges (Storage, Customer Service and SRC) to member agencies based on specified allocation methodologies.

Staff presented three water rates and charges alternatives for CY 2024 at the May 16th budget workshop for board consideration. The board directed staff to present for further board consideration rates and charges Alternative #1 and Alternative #2 at the May 25th board meeting. Following the May board meeting, staff will finalize the board recommended CY 2024 rates and charges based on direction provided at the meeting. The final water rates and charges will be posted with the June 2023 Board of Directors Agenda for consideration of adoption at the public hearing on June 22, 2023.

Prepared by: Jessica Parks, Financial Resources Analyst
Reviewed by: Pierce Rossum, Rate and Debt Manager
Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Tish Berge, Assistant General Manager

Attachments:

Attachment 1 - Resolution of the Board of Directors of the San Diego County Water Authority fixing the time and place for a public hearing to consider: (1) Changes to the rates and charges for delivery and supply of water; (2) Continuing the existing Standby Availability Charge; (3) and Changes to the system and treatment capacity charges.

ORDINANCE NO. 2023-01

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE
SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES
AND CHARGES FOR THE DELIVERY AND SUPPLY OF
WATER, USE OF FACILITIES, AND PROVISION OF SERVICES

WHEREAS, Subdivision (11) of Section 5 of the County Water Authority Act provides, in part that, the Authority's Board of Directors, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs;" and

WHEREAS, Subdivision (13) of Section 5 of the County Water Authority Act provides that the Authority may: "Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates, the Board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service"; and

WHEREAS, Subdivision (j) of Section 7 of the County Water Authority Act provides in part, that the Authority's Board of Directors, "as far as practicable, shall fix such rate or rates for water as will result in revenues which will pay the operating expenses of the Authority, provide for required maintenance, and provide for the payment of the interest and principal of the bonded debt;" and

WHEREAS, the Long-Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority's purposes and programs as determined by the Board of Directors; and

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted ordinances and resolutions levying and fixing property taxes, water standby availability charges and other rates and charges for delivery and supply of water, use of facilities and provision of other services by the Authority, including, without limitation, a System Capacity Charge, water Treatment Capacity Charge, Annexation Application Fee, an Infrastructure Access Charge, a Readiness-to-Serve Charge and water rates and charges; and

WHEREAS, the Board of Directors, upon recommendation of the Rate Study Subcommittee and the Fiscal Policy Committee, enacted Ordinance 2002-03, "An Ordinance of the Board of Directors of the San Diego County Water Authority Setting Rates and Charges for the Delivery and Supply of Water, Use of Facilities and Provision of Services", which established a new structure for water rates and charges; and

WHEREAS, the rate structure is incorporated into the Water Authority's Administrative Code as section 5.00.050 of chapter 5.00; and

WHEREAS, the Board of Directors, on June 23, 2022, adopted Ordinance No. 2022-03 setting rates and charges currently in effect; and

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WHEREAS, since 2002, the Water Authority board of directors has regularly reviewed its budget, fiscal policies, revenue requirements, cost allocations, rates, and charges, and has adopted ordinances and resolutions establishing appropriate rates and charges for delivery and supply of water, use of facilities, and provision of services; and

WHEREAS, the adoption of this ordinance is exempt from CEQA as provided by statute under Public Resources Code §21080(b)(8) because it involves the establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas. The General Manager is, therefore, authorized to file a Notice of Exemption pursuant to Public Resources Code §21152(b) and §15061(d) of the State CEQA Guidelines (Title 14, Chapter 3, California Code of Regulations).

WHEREAS, the Finance Department has presented a report dated June 14, 2023 to the Administrative and Finance Committee (the “Report”); and

WHEREAS, on June 22, 2023 a duly noticed public hearing was held by the Administrative and Finance Committee which thereafter recommended the adjustments to the Water Authority’s rates and charges as set forth in this ordinance; and

WHEREAS, the Board has considered the recommendations of the Administrative and Finance Committee and is fully informed; and

WHEREAS, the Board of Directors has considered its budget, fiscal policies, and prior rate setting actions, the information contained in the Carollo Study, the testimony and other evidence presented during the public hearing, and the recommendations of the Administrative and Finance Committee; and

WHEREAS, the Board of Directors hereby makes the following legislative findings and determinations:

1. The foregoing recitals are true and correct;
2. The rates and charges as proposed and recommended in the Reports are exempt from the requirements of the California Environmental Quality Act pursuant to Public Resources Code Section 21080(b)(8);
3. Any and all protests, if any, to the rates and charges as proposed and recommended in the Reports are overruled;
4. The Report and Study are approved;
5. The rates and charges as proposed and recommended in the Report and Study are reasonably expected to generate revenues that meet, but do not exceed, the Authority's revenue requirements to fund its capital, operation, maintenance, and other costs, and the allocation of those costs to the member agencies and others through the rates and charges are reasonable, fair, and proper.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

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1. The Authority's revenues from taxes, water rates and charges consists of: ad valorem property taxes, including payments of member agencies in lieu of taxes; a standby availability charge levied pursuant to Section 5.2 of the County Water Authority Act, including payments of such charges pursuant to Section 5.3 of the County Water Authority Act; an infrastructure access charge levied pursuant to Section 5.00.050 (c) of the Administrative Code; a System Capacity Charge and a water Treatment Capacity Charge levied pursuant to Section 5.9 of the County Water Authority Act and Ordinance No. 2023-__; and water rates and charges having the following components as described in this ordinance: Customer Service, Storage, Transportation, Treatment and Supply.

2. Ad valorem taxes, the standby availability charge and the system and water treatment capacity charges are not affected by this ordinance. All other water rates and charges shall continue to be paid pursuant to existing authority until increased or adjusted as provided in this ordinance.

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3. Commencing January 1, 2024, the amount of the Infrastructure Access Charge to be paid monthly by each member agency of the Authority shall be \$4.41 per equivalent meter within the territory of the member agency and determined according to Table 1 below.

Table 1 - 2024 Infrastructure Access Charge Allocation				
Member Agency	IAC Equivalent Meters (ME) as of 12/31/22¹	Monthly Rate (\$/ME)	CY '24 Annual Charge	Monthly Charge
Carlsbad M.W.D.	40,519	\$ 4.41	\$2,144,268	\$178,689
Del Mar, City of	2,506	4.41	\$132,624	\$11,052
Escondido, City of	35,703	4.41	\$1,889,412	\$157,451
Fallbrook P.U.D.	11,754	4.41	\$622,032	\$51,836
Helix W.D.	64,918	4.41	\$3,435,468	\$286,289
Lakeside W.D.	8,267	4.41	\$437,496	\$36,458
Oceanside, City of	58,538	4.41	\$3,097,836	\$258,153
Olivenhain M.W.D.	28,422	4.41	\$1,504,104	\$125,342
Otay W.D.	60,223	4.41	\$3,187,008	\$265,584
Padre Dam M.W.D.	27,160	4.41	\$1,437,312	\$119,776
Pendleton Military Reservation	-	4.41	\$0	\$0
Poway, City of	17,045	4.41	\$902,028	\$75,169
Rainbow M.W.D.	14,984	4.41	\$792,960	\$66,080
Ramona M.W.D.	10,108	4.41	\$534,924	\$44,577
Rincon Del Diablo M.W.D.	10,673	4.41	\$564,816	\$47,068
San Diego, City of	399,113	4.41	\$21,121,068	\$1,760,089
San Dieguito W.D.	15,416	4.41	\$815,820	\$67,985
Santa Fe I.D.	10,391	4.41	\$549,900	\$45,825
Sweetwater Authority	42,341	4.41	\$2,240,688	\$186,724
Vallecitos W.D.	27,841	4.41	\$1,473,348	\$122,779
Valley Center M.W.D.	15,117	4.41	\$799,992	\$66,666
Vista I.D.	35,680	4.41	\$1,888,188	\$157,349
Yuima M.W.D.	575	4.41	\$30,432	\$2,536
Totals	937,294		\$49,601,724	\$4,133,477

¹Equivalent meters rounded to nearest whole meter; annual and monthly charges rounded to nearest dollar.

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4. Effective January 1, 2024, the Customer Service Charge is fixed at \$28,600,000. Commencing January 1, 2024, the amount of the monthly Customer Service Charge to be paid by each member agency shall be determined according to Table 2 below.

Table 2 - Customer Service Charge Allocation			
Member Agency	3-Year Average Deliveries (AF)¹	CY24 Annual Charge	Monthly Charge
Carlsbad M.W.D.	12,302	\$884,760	\$73,730
Del Mar, City of	1,003	\$72,097	\$6,009
Escondido, City of	17,284	\$1,243,024	\$103,586
Fallbrook P.U.D.	8,042	\$578,390	\$48,200
Helix W.D.	24,653	\$1,772,969	\$147,748
Lakeside W.D.	3,095	\$222,585	\$18,549
Oceanside, City of	21,142	\$1,520,454	\$126,705
Olivenhain M.W.D.	18,395	\$1,322,894	\$110,242
Otay W.D.	29,342	\$2,110,179	\$175,849
Padre Dam M.W.D.	9,920	\$713,423	\$59,452
Pendleton Military Reservation	50	\$3,617	\$302
Poway, City of	9,569	\$688,144	\$57,346
Rainbow M.W.D.	15,919	\$1,144,874	\$95,407
Ramona M.W.D.	4,343	\$312,336	\$26,028
Rincon Del Diablo M.W.D.	5,039	\$362,412	\$30,202
San Diego, City of	155,780	\$11,203,332	\$933,611
San Dieguito W.D.	3,567	\$256,552	\$21,380
Santa Fe I.D.	6,770	\$486,851	\$40,571
Sweetwater Authority	3,107	\$223,439	\$18,620
Vallecitos W.D.	11,450	\$823,479	\$68,624
Valley Center M.W.D.	17,554	\$1,262,423	\$105,202
Vista I.D.	14,089	\$1,013,264	\$84,439
Yuima M.W.D.	5,143	\$369,887	\$30,824
Contract Water	120	\$8,616	\$718
Totals	397,678	\$28,600,000	\$2,383,344
¹ Three-year rolling average of M&I, SAWR and agricultural MWD deliveries (excludes wheeled water) based on FY20-FY22 period. Rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.			

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5. Effective January 1, 2024, the Storage Charge is fixed at \$63,000,000. Commencing January 1, 2024 the amount of the monthly Storage Charge to be paid by each member agency shall be determined according to Table 3 below.

Table 3 - 2024 Storage Charge Allocation			
Member Agency	3-Year Average Deliveries (AF)¹	CY24 Annual Charge	Monthly Charge
Carlsbad M.W.D.	12,302	\$2,083,599	\$173,634
Del Mar, City of	1,003	\$169,789	\$14,150
Escondido, City of	15,791	\$2,674,492	\$222,875
Fallbrook P.U.D.	6,329	\$1,071,929	\$89,328
Helix W.D.	24,653	\$4,175,322	\$347,944
Lakeside W.D.	3,095	\$524,185	\$43,683
Oceanside, City of	20,800	\$3,522,735	\$293,562
Olivenhain M.W.D.	18,273	\$3,094,885	\$257,908
Otay W.D.	29,342	\$4,969,448	\$414,121
Padre Dam M.W.D.	9,815	\$1,662,309	\$138,526
Pendleton Military Reservation	50	\$8,519	\$710
Poway, City of	9,538	\$1,615,451	\$134,621
Rainbow M.W.D.	10,198	\$1,727,199	\$143,934
Ramona M.W.D.	3,634	\$615,473	\$51,290
Rincon Del Diablo M.W.D.	5,039	\$853,477	\$71,124
San Diego, City of	155,715	\$26,372,689	\$2,197,725
San Dieguito W.D.	3,567	\$604,177	\$50,349
Santa Fe I.D.	6,764	\$1,145,575	\$95,465
Sweetwater Authority	3,107	\$526,195	\$43,850
Vallecitos W.D.	10,899	\$1,845,878	\$153,824
Valley Center M.W.D.	7,240	\$1,226,137	\$102,179
Vista I.D.	14,065	\$2,382,111	\$198,510
Yuima M.W.D.	758	\$128,424	\$10,703
Totals	371,977	\$63,000,000	\$5,250,015
¹ Three-year rolling average of firm, non-agricultural MWD deliveries based on FY20-FY22 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.			

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6. Effective January 1, 2024, the Supply Reliability Charge is fixed at \$43,400,000. Commencing January 1, 2024 the amount of the monthly Supply Reliability Charge to be paid by each member agency shall be determined according to Table 4 below.

Table 4 - Supply Reliability Charge			
Member Agency	5-Year Average Deliveries (AF)¹	CY24 Annual Charge	Monthly Charge
Carlsbad M.W.D.	13,000	\$1,514,651	\$126,221
Del Mar, City of	1,009	\$117,591	\$9,800
Escondido, City of	16,065	\$1,871,691	\$155,975
Fallbrook P.U.D.	6,408	\$746,541	\$62,212
Helix W.D.	24,898	\$2,900,776	\$241,732
Lakeside W.D.	2,953	\$344,022	\$28,669
Oceanside, City of	20,860	\$2,430,323	\$202,527
Olivenhain M.W.D.	18,177	\$2,117,786	\$176,483
Otay W.D.	29,010	\$3,379,832	\$281,653
Padre Dam M.W.D.	9,766	\$1,137,851	\$94,821
Pendleton Military Reservation	63	\$7,328	\$611
Poway, City of	9,539	\$1,111,421	\$92,619
Rainbow M.W.D.	9,933	\$1,157,325	\$96,444
Ramona M.W.D.	3,929	\$457,782	\$38,149
Rincon Del Diablo M.W.D.	5,061	\$589,620	\$49,135
San Diego, City of	154,993	\$18,057,898	\$1,504,825
San Dieguito W.D.	3,354	\$390,739	\$32,562
Santa Fe I.D.	6,509	\$758,358	\$63,197
Sweetwater Authority	3,059	\$356,348	\$29,696
Vallecitos W.D.	11,617	\$1,353,447	\$112,788
Valley Center M.W.D.	7,295	\$849,980	\$70,832
Vista I.D.	13,888	\$1,618,003	\$134,834
Yuima M.W.D.	1,005	\$117,053	\$9,755
Contract Water - South Coast	117	\$13,634	\$1,137
Totals	372,508	\$43,400,000	\$3,616,677
¹ Five-year rolling average of firm, non-agricultural MWD deliveries based on FY18-FY22 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.			

7. Effective January 1, 2024, the Transportation Rate is fixed at \$189 per acre-foot of water delivered by the Authority through Authority facilities. Member agencies shall pay the Transportation Rate for deliveries of Water Authority supplies in accordance with the procedures and processes of the Administrative Code relating to billing and payment of the Municipal and Industrial Water Rate. Payment of the Transportation Rate in connection with the wheeling of third-party water (non-Water Authority supplies) will be determined by an agreement approved by the Board of Directors. Wheeling of third-party water is also subject to a separate administration fee as stated in the agreement.

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8. Effective January 1, 2024, the Melded Treatment Rate is fixed at \$400 per acre-foot.

9. (a) Each member agency shall reimburse the Authority on a per-acre foot of water delivered basis, except as otherwise provided in subdivisions (b) and (c), for rates, fees and charges of the Metropolitan Water District of Southern California, the Imperial Irrigation District, or other sources of supply that may become available to the Authority (collectively the Supply Charges). It is the intent of the Authority to charge the melded rate for supply representing the cost of water to the Authority for the appropriate class of service. Effective January 1, 2024, the Melded Untreated Supply Rate (Melded Supply Rate) is \$1,200 per acre-foot to reflect the cost of the supply of untreated municipal and industrial water to the Water Authority.

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(b) Effective January 1, 2024 as part of the Supply Charges, each member agency shall pay to the Authority a MWD Capacity Charge determined according to the method set forth in Table 5 below.

Table 5 - Calendar Year 2024 MWD Capacity Charge Allocation (Capacity Charge)

	Coincident Peak Week Deliveries (AF) ¹					5-year average share ²	CY2024 - Monthly	CY2024 - Annual
	8/25/18	9/09/19	8/24/20	8/09/21	9/05/22			
Carlsbad M.W.D.	348.2	337.9	227.7	227.5	285.2	2.43%	\$19,112	\$229,339
Del Mar, City of	29.4	26.1	29.5	30.0	26.2	0.24%	\$1,892	\$22,694
Escondido, City of	530.2	317.6	546.0	499.3	569.1	4.20%	\$32,987	\$395,836
Fallbrook P.U.D.	236.8	302.2	267.0	308.9	235.5	2.30%	\$18,091	\$217,091
Helix W.D.	1,015.2	622.1	554.8	589.3	736.8	6.00%	\$47,133	\$565,596
Lakeside	151.9	140.3	195.7	144.9	155.2	1.34%	\$10,558	\$126,685
Oceanside, City of	547.9	680.4	554.1	503.4	481.3	4.72%	\$37,070	\$444,838
Olivenhain	513.9	471.9	504.0	479.6	470.2	4.16%	\$32,684	\$392,198
Otay W.D.	912.1	900.9	1,122.3	898.9	1,034.9	8.30%	\$65,232	\$782,774
Padre Dam	349.7	341.7	495.1	380.7	394.6	3.34%	\$26,284	\$315,399
Pendleton Military Reserve	0.7	1.0	0.8	1.0	0.9	0.01%	\$59	\$707
Poway, City of	208.2	388.9	341.0	251.1	354.4	2.63%	\$20,679	\$248,147
Rainbow M.W.D.	627.1	559.8	355.5	443.4	573.1	4.36%	\$34,283	\$411,389
Ramona M.W.D.	183.3	96.1	105.9	161.2	164.3	1.21%	\$9,522	\$114,261
Rincon Del Diablo	146.5	130.6	131.4	126.8	125.0	1.13%	\$8,846	\$106,146
San Diego, City of	4,467.5	4,200.2	3,603.5	4,222.1	5,002.4	36.65%	\$287,980	\$3,455,755
San Dieguito W.D.	117.7	70.6	101.1	131.3	139.1	0.95%	\$7,500	\$89,999
Santa Fe I.D.	250.2	160.0	196.5	255.7	262.5	1.92%	\$15,072	\$180,857
Sweetwater Authority	282.5	85.6	201.6	123.6	182.3	1.49%	\$11,731	\$140,769
Vallecitos W.D.	340.8	317.2	311.3	316.8	312.2	2.73%	\$21,414	\$256,965
Valley Center M.W.D.	696.7	603.1	579.5	487.2	583.7	5.03%	\$39,525	\$474,290
Vista I.D.	422.1	252.2	470.3	407.3	351.4	3.25%	\$25,499	\$305,983
Yuima M.W.D.	216.6	178.9	187.9	169.3	190.0	1.61%	\$12,631	\$151,563
Total MWD Capacity Charge	12,595.2	11,185.2	11,082.7	11,159.1	12,630.3	100%	\$785,784	\$9,429,280

¹Five-year rolling average of firm, non-agricultural MWD peak deliveries based on FY18-FY22 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

²Percentages shown are rounded. Totals may not foot.

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(c) Effective July 1, 2023 as part of the Supply Charges, each member agency shall pay a MWD Readiness-to-Serve Charge determined according to Table 6 below.

Table 6 - Readiness-to-Serve Charge Allocation

	<i>10-yr avg deliveries (AF)¹</i>	<i>10-yr avg deliveries¹</i>	<i>FY24 RTS Charge</i>	<i>Net Stand-By Charge Credits²</i>	FY '24 RTS Net Charge	FY '24 - Monthly
Carlsbad M.W.D.	14,461	3.35%	\$772,909	\$(397,995)	\$374,914	\$31,243
Del Mar, City of	1,008	0.23%	\$53,860	\$(24,484)	\$29,376	\$2,449
Escondido, City of	18,775	4.34%	\$1,003,490	\$(230,600)	\$772,890	\$64,408
Fallbrook P.U.D.	9,795	2.27%	\$523,531	\$(282,554)	\$240,977	\$20,082
Helix W.D.	26,905	6.22%	\$1,437,988	\$(773,338)	\$664,651	\$55,388
Lakeside W.D. ³	3,003	0.69%	\$160,479	\$(158,069)	\$2,410	\$201
Oceanside, City of	21,875	5.06%	\$1,169,155	\$(672,402)	\$496,753	\$41,397
Olivenhain M.W.D.	18,744	4.34%	\$1,001,816	\$(384,772)	\$617,043	\$51,421
Otay W.D.	29,314	6.78%	\$1,566,751	\$(946,426)	\$620,325	\$51,694
Padre Dam M.W.D. ³	10,167	2.35%	\$543,413	\$(516,704)	\$26,709	\$2,226
Pendleton Military Reserve	57	0.01%	\$3,063	\$(38)	\$3,025	\$253
Poway, City of	10,048	2.32%	\$537,035	\$(278,039)	\$258,996	\$21,584
Rainbow M.W.D.	18,132	4.19%	\$969,113	\$(521,443)	\$447,670	\$37,306
Ramona M.W.D.	5,310	1.23%	\$283,792	\$(391,975)	\$(108,183)	\$(9,015)
Rincon Del Diablo M.W.D.	5,458	1.26%	\$291,738	\$(309,337)	\$(17,599)	\$(1,466)
San Diego, City of	165,369	38.26%	\$8,838,464	\$(4,399,208)	\$4,439,256	\$369,938
San Dieguito W.D.	3,833	0.89%	\$204,877	\$(165,294)	\$39,583	\$3,299
Santa Fe I.D.	7,276	1.68%	\$388,869	\$(150,084)	\$238,785	\$19,899
Sweetwater Authority	7,159	1.66%	\$382,624	\$(423,098)	\$(40,475)	\$(3,372)
Vallecitos W.D.	13,927	3.22%	\$744,368	\$(443,583)	\$300,785	\$25,066
Valley Center M.W.D.	21,667	5.01%	\$1,158,036	\$(645,256)	\$512,780	\$42,732
Vista I.D.	15,221	3.52%	\$813,492	\$(413,785)	\$399,707	\$33,309
Yuima M.W.D.	4,559	1.05%	\$243,647	\$(105,985)	\$137,662	\$11,472
Contract Water	167	0.04%	\$8,910	\$10	\$8,921	\$744
Total MWD RTS Charge	432,232	100%	\$23,101,418	\$(12,634,457)	\$10,466,961	\$872,258

¹10-year rolling average of firm MWD deliveries based on FY13-FY22 period and rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

²Net of \$12,821,778 in stand-by charge credits, \$160,272 in uncollectable stand-by charge credits, and \$27,049 in administration fees

³ W.D.'s deliveries are metered separately from Padre Dam M.W.D.'s deliveries. Lakeside W.D. is allocated 23.40% of Padre Dam's M.W.D.'s stand-by charge credits based upon parcel count.

Ordinance No. 2023-01
Page 11 of 12

(d) This section shall be administered in accordance with the Report approved by this ordinance.

10. The untreated PSAWR will be set to MWD's Tier 1 rate and increase to \$903/AF on January 1, 2024. The treated PSAWR will increase to \$1,303/AF on January 1, 2024.

11. Effective July 1, 2023, the Annexation Application Fee will be set at \$11,556 per application.

12. For the purposes of this ordinance, including the tables, the City of National City and the South Bay Irrigation District are collectively referred to as Sweetwater Authority. Any reference in this ordinance to Sweetwater Authority as a member agency shall be construed as a reference to the City of National City and the South Bay Irrigation District.

13. This ordinance shall be effective upon adoption. In lieu of publication of the text of this ordinance, the Clerk of the Board may publish a summary prepared by the General Counsel.

14. The provisions of this ordinance shall prevail over any provisions of the Administrative Code relating to rates and charges to the extent of any conflict. All existing rates and charges shall continue in effect until adjusted as provided in this ordinance.

15. To the greatest extent possible the provisions of this ordinance shall be construed to be compatible with the provisions of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Joint Use of Lake Hodges Dam and Reservoir) and of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir; however, the contract provisions shall control in the event of a conflict).

16. For the purposes of Section 7 of this ordinance, water delivered by the Authority through the following turnouts is deemed not to be "water delivered by the Authority through Authority facilities" – DeLuz 1, Fallbrook 3, Fallbrook 6, Rainbow 1, Rainbow 8, Rainbow 9 and Rainbow 10.

Ordinance No. 2023-01

Page 12 of 12

PASSED, APPROVED, and ADOPTED this 22nd day of June 2023 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES: Arant (proxy), Bebee, Castaneda, Kennedy, Leahy, Lyndes, McMillan, Meyers, Scalzitti (proxy), Reeh, Swanson,

ABSTAIN: None.

ABSENT: Acosta (proxy), Arant (proxy), Ayala, Baze, Croucher (proxy), Elitharp, Heidemann (proxy), Scalzitti (proxy), and Simpson



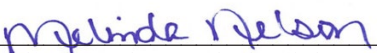
Mel Katz, Chair

ATTEST:



Frank Hilliker, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance No. 2023- 01 was duly adopted at the meeting of the Board of Directors on the date stated above.



Melinda Nelson, Clerk of the Board

RESOLUTION NO. 2023-23

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SAN DIEGO COUNTY WATER AUTHORITY CONTINUING
THE WATER STANDBY AVAILABILITY CHARGE

The Board of Directors of the San Diego County Water Authority resolves as follows:

Pursuant to Government Code Section 54984.7 the Water Standby Availability Charge shall continue to be levied, imposed, and administered as provided in Ordinance No. 2008-04 and Ordinance No. 2013-04 in Fiscal Year 2023-2024 and each successive year thereafter.

PASSED, APPROVED, and ADOPTED this 22nd day of June 2023 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES: Arant (proxy), Bebee, Castaneda, Kennedy, Leahy, Lyndes, McMillan, Meyers, Scalzitti (proxy), Reeh, Swanson,


ABSTAIN: None.

ABSENT: Acosta (proxy), Arant (proxy), Ayala, Baze, Croucher (proxy), Elitharp, Heidemann (proxy), Scalzitti (proxy), and Simpson



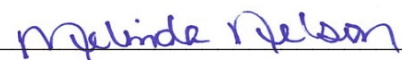
Mel Katz, Chair

ATTEST:



Frank Hilliker, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2023- 23 was duly adopted at the meeting of the Board of Directors on the date stated above.



Melinda Nelson, Clerk of the Board

ORDINANCE NO. 2022-04**AN ORDINANCE OF SAN DIEGO COUNTY WATER AUTHORITY
AMENDING AND RESTATING THE SYSTEM CAPACITY AND
WATER TREATMENT CAPACITY CHARGES IMPOSED BY THE
WATER AUTHORITY PURSUANT TO SECTION 5.9 OF THE
COUNTY WATER AUTHORITY ACT**

WHEREAS, pursuant to Section 5.9 of the County Water Authority Act, the San Diego County Water Authority (“Water Authority”) may fix and impose Capacity Charges upon the ultimate users of water delivered by the Water Authority to its member agencies and to require its member agencies to collect the charges on behalf of the Water Authority; and

WHEREAS, the Water Authority initially adopted a capacity charge in 1990 and thereafter has continuously imposed a capacity charge through the adoption and amendment of various ordinances; and

WHEREAS, the Water Authority’s capacity charges are nondiscriminatory and imposed in accordance with applicable law as demonstrated by the various studies, reports, budgets, and apportionment methodologies upon which they are and have been based; and

WHEREAS, the Water Authority Board of Directors has previously adopted Ordinances No. 97-1, 99-2, 2000-1, 2000-3, 2001-03, 2002-05, 2005-03, 2008-01, 2013-03, 2014-03, 2017-02, 2018-04, 2019-03, 2020-02, and 2021-02 the operative requirements of which, subject to adjustments in the amount of the capacity charges imposed, are amended and restated in this ordinance; and

WHEREAS, at least fifteen (15) days prior to the meeting at which the System and Water Treatment Capacity Charges were levied, the Water Authority made available to the public data indicating the amount of cost, or estimated cost, required to provide the services for which the charges are to be levied and the revenue sources anticipated to provide such services, including general fund revenues; and

WHEREAS, the Water Authority has determined that imposition of the revised System and Water Treatment Capacity Charges recommended by the Fixed Revenue Study is exempt from CEQA under Section 15378(b)(4) of the State CEQA Guidelines regarding the creation of government funding mechanisms that do not involve any commitment to any specific project that may have potentially significant physical impacts on the environment. Any project funded by this charge either has or will have appropriate CEQA documentation completed prior to any activities that could result in physical impacts on the environment.

WHEREAS, pursuant to Resolution No. 2022-11 a duly noticed public hearing was held by the Administrative and Finance Committee which thereafter recommended the

adjustments to the System Capacity Charge and Water Treatment Capacity Charge as set forth in this ordinance; and

WHEREAS, the Board has considered the recommendations of the Administrative and Finance Committee and is fully informed: and

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

Section 1. Capacity charges imposed on ultimate users of water.

(a) A System Capacity Charge in the amount specified in section 2 is imposed on each person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority for the establishment of a new metered connection or the increase in capacity of an existing metered connection, except as provided in subdivision (d).

(b) A Water Treatment Capacity Charge in the amount specified in section 3 is imposed on each person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority for the establishment of a new metered connection or the increase in capacity of an existing metered connection within a member agency having an existing or planned connection to the Water Authority's treated water system, except as provided in subdivision (d).

(c) "Establishment of a new metered connection" includes any act that results in, or is intended to result in the delivery of water to property through a water meter, including, without limitation receipt of a meter from a member agency or the installation of one or more water meters.

(d) The following are exempt from the capacity charges imposed by this section:

(1) Sub-meters receiving service through a water meter for which a capacity charge is or has been imposed;

(2) Water meters permanently connected to a reclaimed water system and measuring reclaimed water only;

(3) Water meters used to measure water provided solely through a separately metered fire suppression system;

(4) Water meters obtained for temporary service in connection with construction, preliminary land development, landscape installation and interim maintenance in connection with land development or habitat restoration, or similar temporary activities, and the member agency does not impose a capacity or connection

charge for the temporary service meter in accordance with its standard practices and procedures;

(5) Reinstallation or unlocking of a water meter for which a capacity charge was previously paid or that was installed before October 1, 1990, where the reinstallation or unlocking is required to restore service following a temporary disconnection or disruption of service;

(6) Replacement of a meter with one of the same or smaller size, provided, however, that no refund or credit for any capacity charge previously paid will be made for the installation of a smaller meter.

Section 2. Amount of System Capacity Charge.

(a) Effective January 1, 2023 amount of the System Capacity Charge will be determined according to the following schedule:

Meter Size (Inches)	Factor	System Capacity Charge (\$)
Under 1"	1	5,700
1"	1.6	9,120
1.5"	3	17,100
2"	5.2	29,640
3"	9.6	54,720
4"	16.4	93,480
6"	30	171,000
8"	52	298,400
10"	78	444,600
12"	132	752,400

(b) The Director of Finance may adjust the schedule established by this section as of January 1, 2023, and as of each January 1 thereafter, based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles, California (ENR-CCI LA) for the calendar year immediately preceding the adjustment.

Section 3. Amount of Water Treatment Capacity Charge.

- (a) Effective January 1, 2023 the amount of the Water Treatment Capacity Charge will be determined according to the following schedule:

Meter Size (Inches)	Factor	Water Treatment Capacity Charge (\$)
Under 1"	1	159
1"	1.6	254
1.5"	3	477
2"	5.2	827
3"	9.6	1,526
4"	16.4	2,608
6"	30	4,770
8"	52	8,268
10"	78	12,402
12"	132	20,988

- (b) The Director of Finance may adjust the schedule established by this section as of January 1, 2023, and as of each January 1 thereafter, based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles, California (ENR-CCI LA) for the calendar year immediately preceding the adjustment.

Section 4. Collection of Charges.

- (a) Each Water Authority member agency is required to collect on behalf of the Water Authority the capacity charges imposed by Section 1, in the amounts determined according to Sections 2 and 3, and to pay to Water Authority, at least quarterly, on or before the 30th day of the months of January, April, July, and October of each year, the total amount of the capacity charges collected during the prior three calendar months. At the time of each payment, the member agency must report to the Water Authority the number and size of all meters supplied to water users within the territory of the member agency during the prior three calendar months, including meters for which a capacity charge is imposed and meters exempt from a capacity charge. A member agency is liable to the Water Authority for the full amount of any capacity charge for which the member agency provides a water meter to an ultimate user without having collected a required capacity charge.

- (b) Water will be provided to an ultimate user of water within the territory of the Water Authority only through a metered connection. A Water Authority member agency shall not provide a water meter to an ultimate user of water within the territory of the Water Authority unless the user has paid the capacity charges imposed by the Water Authority.

- (c) The size of the meter necessary or appropriate to serve an ultimate user of water will be determined by the member agency.

(d) When a water meter for a single-family residential property is required to provide standby capacity for a fire sprinkler system, the capacity charge may be determined according to the size of the meter necessary to meet the water use requirements for the property, as determined according to the rules of the member agency providing the meter, without consideration of additional size necessary to provide the standby capacity. Standby capacity for a fire sprinkler system is required when (1) the fire sprinkler system is required by law, including any requirement imposed by statute, ordinance, or as a condition of development, permit, or occupancy, and (2) the fire chief, fire marshal, or building official of the city, county, or special district responsible for fire protection service to the property has provided a written statement verifying the requirement for additional meter size. The determination under this subdivision will be made at the time of installation of the meter, including installation to replace a meter with one of greater size because of the later installation of a fire protection system. This subdivision does not apply to any meters greater than one inch in size.

(e) If a single meter is exchanged for more than one smaller meter to serve property that has been subdivided or otherwise developed, the capacity charges shall be determined based on the difference between the cumulative capacity charges for all the smaller meters according to the schedules set forth in sections 2 and 3 and the capacity charges for the exchanged single meter according to sections 2 and 3, regardless of the capacity charge, if any, in effect when the exchanged meter was first obtained; provided, however, that no credit or refund will be made if the cumulative capacity charges for the small meters is less than the capacity charges for the exchanged meter.

(f) No capacity charge will be collected for installation of a new water meter on a previous service connection for a parcel within the territory of the Water Authority if the member agency determines all of the following to exist: the parcel is receiving water from the member agency through a lawful connection; the new meter will not result in a material change in land use; the new meter will not result in a material increase in water use; and the member agency will not impose for its own account a capacity or connection charge for the new meter.

(g) Any interest earned by a member agency on capacity charges collected and held before payment to the Water Authority pursuant to subdivision (a) may be retained by the member agency as reimbursement for any costs incurred in collecting and remitting capacity charges for the Water Authority.

(h) In lieu of retaining interest, a member agency may apply for reimbursement of costs it reasonably incurs in collecting the Water Authority's capacity charges. If a member agency intends to apply for reimbursement, it must remit the interest earned on capacity charges collected and held on behalf of the Water Authority at the time it makes its quarterly payments. The application for reimbursement shall be filed annually on or before September 1. The application may be in the form established by the Finance Director and must itemize the costs incurred and shall include supporting documentation and explanation to reasonably verify the amounts sought. The Finance Director may request supplemental information. After review and approval of the application and any supplemental

information, the Finance Director is authorized to reimburse a member agency in the amount of the reasonable costs incurred as determined by the Finance Director.

(i) Any member agency that wholesales or otherwise supplies water obtained from the Water Authority to another public agency, private water company, or mutual water company (each referred to as a “sub-agency”) shall, as a condition of service, require the sub-agency to collect from each ultimate water user within the sub-agency a capacity charge pursuant to this ordinance. The sub-agency, at its option, may remit the charges at least quarterly, on or before the 10th day of the months of January, April, July, and October of each year, or it may remit the charges to its supplying member agency, which shall then remit the charges to the Water Authority as provided in subdivision (a). At the time of each payment to either the Water Authority or the supplying member agency, the sub-agency must report the number and size of all meters supplied to water users within the territory of the member agency during the period for which the payment is made, including meters for which a capacity charge is imposed and meters exempt from a capacity charge. Any interest earned by a sub-agency on capacity charges collected and held before payment to the Water Authority pursuant may be retained by the sub-agency as reimbursement for any costs incurred in collecting and remitting capacity charges for the Water Authority. In lieu of retaining interest, a sub-agency may apply for reimbursement of costs it reasonably incurs in collecting the Water Authority’s capacity charges. If a sub-agency intends to apply for reimbursement, it must remit the interest earned on capacity charges collected and held on behalf of the Water Authority at the time it makes its quarterly payments. The application for reimbursement shall be filed annually on or before September 1. The application may be in the form established by the Finance Director and must itemize the costs incurred and shall include supporting documentation and explanation to reasonably verify the amounts sought. The Finance Director may request supplemental information. After review and approval of the application and any supplemental information, the Finance Director is authorized to reimburse a sub-agency in the amount of the reasonable costs incurred as determined by the Finance Director. If a sub-agency remits capacity charges through its supplying member agency, the sub-agency shall pay any administrative costs imposed by the member agency without reimbursement by the Water Authority. A member agency is liable to the Water Authority for an amount equal to any capacity charges for which its sub-agency fails to collect or pay under this subdivision.

(j) Notwithstanding anything in this section to the contrary, the Water Authority may, pursuant to a written agreement with a member agency or a member agency’s sub-agency, collect capacity charges directly from each ultimate user of water for the installation of a water meter. The written agreement must provide that the member agency or sub-agency will not provide or authorize the installation of a water meter within the territory of the Water Authority until the Water Authority provides written documentation of compliance with the requirements of this ordinance.

Section 5. Application of Government Code Section 54999.3.

The imposition of the Water Authority capacity charges on any school district, county office of education, community college district, the California State University, the

University of California, or state agency is subject to the provisions of Government Code section 54999.3. Payment by any of these entities of a Water Authority capacity charge for the installation of a meter shall be deemed to be an agreement with the Water Authority regarding that charge. No water meter will be provided or approved for installation to any of these agencies without an agreement regarding that charge. If any of these entities refuses to pay a Water Authority capacity charge, the Water Authority will enter into negotiations for an agreement regarding the charge.

Section 6. Protests.

Any person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority may protest the application of this ordinance to the installation of a meter by filing of a written protest with the member agency and the Water Authority Director of Finance before payment of the charge, in which case the member agency will not provide or authorize the installation of a meter, or by payment of the charge and filing a written protest with the member agency and the Water Authority Finance Director not later than 10 days after payment of the charge. The protest will be reviewed by the Finance Director who will provide a written response within twenty days from the date of the protest. If the protester is not satisfied with the response by the Finance Director, a written appeal to the Water Authority General Manager may be filed within fifteen days of the date of the Finance Director's response. The appeal shall provide a detailed explanation of the grounds for disagreement with the Finance Director's response. The General Manager may determine the matter based on the written appeal and the Finance Director's response. The final determination of the appeal will be provided by the General Manager in writing within thirty days of the date the appeal is filed. If the General Manager fails to provide a written determination within thirty days, the appeal is deemed denied on the grounds stated in the Finance Director's response.

Section 7. Refunds for Conversion to Reclaimed Water Systems.

If a water user converts a water meter to permanently measure reclaimed water only, the capacity charges previously collected for the meter will be refunded, without interest, upon written request by the water user and written verification by the member agency of compliance with this subdivision. The request must be filed within 180 days of the connection of the meter to the reclaimed water system.

Section 8. Credit for Annexation Charge Paid

This section applies to property annexed to the territory of the Water Authority after November 17, 2005. Any person, corporation, partnership, public agency, entity, or other ultimate user of water that paid an annexation charge with respect to a parcel, or that is a successor-in-interest to the parcel for which an annexation charge was paid, may apply for a credit toward the System Capacity Charge imposed for that parcel or a subdivided portion of that parcel. The amount of the credit will be determined by the Water Authority before the capacity charge is paid and the meter provided. No credit will be provided for the charge

imposed to reimburse the Water Authority for the cost of processing the application for annexation. No refund will be made for any charge previously paid.

Section 9. Use of Funds

All funds received from the System Capacity Charge, and interest attributable to those funds, will be separately accounted and expended only for capital expenses of existing or new Water Authority system facilities as authorized by law. All funds from the Water Treatment Capacity Charge, and interest attributable to those funds, will be separately accounted and expended only for capital expenses of existing or new Water Authority treatment facilities as authorized by law.

Section 10. Indemnification

The Water Authority will defend and indemnify member agencies, and their officers, employees, and agents against and from all claims, expenses, and costs, including costs of defense and reasonable attorneys' fees, arising from implementation or application of this ordinance, except a claim, expense, or cost caused solely by the failure of a member agency, or its officers, employees, and agents to comply with the requirements of this ordinance.

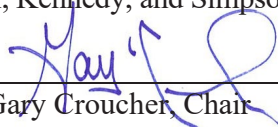
PASSED, APPROVED AND ADOPTED, this 23rd day of June, 2022

AYES: Unless noted below all Directors voted aye.

NOES: None.

ABSTAIN: None.

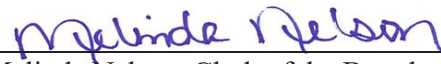
ABSENT: Bebee, Fong-Sakai, Hall, Kennedy, and Simpson.


 Gary Croucher, Chair

ATTEST:


 Jerry Butkiewicz, Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance No. 2022-04 was duly adopted at the meeting of the Board of Directors on the date stated above.


 Melinda Nelson, Clerk of the Board

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Performance Information

The 2023-2027 Business Plan highlights three key focus areas: Water Supply, Water Facilities, and Business Services. The 2023-2027 Business Plan contains broadened programs and updated management strategies that reflect the Water Authority's continued emphasis on water system management, system reliability, regulatory compliance, and financial stability. Objectives reflect emphasis on cybersecurity, resource planning, asset management, and workforce development. Near-term and long-term objectives are identified and tracked for performance for each Business Plan program.

2023-2027 Business Plan - Performance Report
Second Half FY2023 Report – January 1, 2023 through June 30, 2023



STATUS GUIDE

1

Objective was completed.

2

Objective is on track to be completed by the original target date.

3

Objective is not on track.

4

Objective is deleted or delayed by the Water Authority Board.

5







Objective is deleted or delayed by factors outside of the Water Authority's control.



San Diego County Water Authority
And Its 24 Member Agencies

WATER SUPPLY - Imported Water					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Develop new, flexible water storage/supply management opportunities for the Water Authority's Colorado River supplies, including Lake Mead, local, and binational storage solutions, to benefit both the region and the entire Basin.	Dec-2023		2	The Water Authority is continuing dialogue, including with the U.S. Bureau of Reclamation (Reclamation) and the Metropolitan Water District of Southern California (MWD), to obtain storage in Lake Mead for long-term strategy and flexible water management, and proposes storage as part of a larger set of consensus-based actions to stabilize the Colorado River system. Water Authority staff continues to explore funding opportunities to expand capacity at the Carlsbad Desalination Plant, including through the Inflation Reduction Act, whereby additional desalinated water would be made available to benefit the river.
2	Secure long-term cost-effective conveyance of the Water Authority's Quantification Settlement Agreement (QSA) conserved water supplies for the benefit of the region and the entire river system.	Dec-2024		4	The Water Authority has been studying the feasibility of building a water conveyance path from the Imperial Valley to the Water Authority's service area as an alternative to MWD's Colorado River Aqueduct. Work on Phase A is complete. Work on the Phase B study is currently deferred by the Board.
3	In coordination with the project partners, complete construction of the Coachella Mid-Canal Storage Project to help reduce the Water Authority's share of operation, maintenance, and repair costs.	Dec-2025		2	Phase 1 for design and environmental review is complete. The Phase 2 agreement between Coachella Valley Water District (CVWD) and the Water Authority for construction was approved by the Board in February 2023. A low interest federal loan was secured for the project from Reclamation. CVWD is awaiting bids for a construction contract. Construction is anticipated to start in summer 2023 and be completed in one year.
4	Work in concert with the General Counsel's office to achieve resolution of all pending rate cases, including obtaining a final resolution for the 2014, 2016, and 2018 cases and a court decision on the offsetting benefits by 2025.	Dec-2025		2	The consolidated cases for 2014, 2016 and 2018 trial started in May 2022 and a Statement of Decision was issued by the trial court in April 2023. The trial court denied the Water Authority's offsetting benefits claims; the court also denied MWD's claim for reformation of the Exchange Agreement. Counsel for MWD and the Water Authority will meet and confer on the proper form of judgment. After entry of judgment by the trial court, both parties will have the opportunity to appeal adverse decisions, should they so choose.
5	Engage in Basin States, interstate, and binational policy discussions, including as they relate to renegotiation of the 2007 Interim Guidelines and addressing the ongoing drought on the Colorado River, while promoting collaboration and innovative partnerships.	Dec-2025		2	The Water Authority attends and is engaged in ongoing, collaborative meetings held by the Basin states and Reclamation to address drought impacts and is engaged in the process for renegotiation of the 2007 Interim Guidelines, as well as potential near-term actions. Water Authority staff is reviewing the Lower Basin consensus-based proposal (May 2023) to conserve up to 3 million acre-feet on the river through 2026. Staff additionally engages through other forums including the Colorado River Board of California, the MWD Board, and binational workgroups.
6	Advance policies, programs, and projects that are consistent with state policy to reduce reliance on the Bay-Delta and with the Water Authority Board's Bay-Delta and Project Policy Principles, including the support of a single-tunnel Bay-Delta project, contingent on the proper allocation of project costs on MWD's rates and charges.	Jun-2027		2	Water Authority staff continued to communicate with the Newsom Administration, the San Diego legislative delegation, and a variety of external parties regarding the Water Authority Board's conditional support for the Bay-Delta fix alternative, along with a comprehensive explanation of the rates/charges conditions that would need to be satisfied to address the Water Authority's interests.
7	Work with QSA JPA parties and Lower Colorado River Multi-Species Conservation Program stakeholders to ensure all required environmental mitigation is implemented.	Jun-2027		2	Mitigation status reports provided at the March and June 2023 Quantification Settlement Agreement Joint Powers Authority (QSA JPA) meetings indicated all activities are on track and in compliance with requirements. It is anticipated that the QSA JPA water agencies will complete mitigation payments by 2025. For the Lower Colorado River Multi-Species Conservation Program, formal consultation concluded in December 2022 for a program modification to allow for increased water conservation in the Lower Colorado River Basin.

WATER SUPPLY - Imported Water					
No.	Objective Description	Target Date	Revised Date	Status	Comments
8	Lead stakeholder outreach and engagement to enhance relationships as they relate to the conserved water the Water Authority receives through the QSA.	Jun-2027		2	Staff continues to engage in one-on-one and small group meetings with Imperial Valley and Basin stakeholders with a focus on ensuring Reclamation acknowledges the value of the QSA in its environmental analysis that looks at changes to the near-term operations of the Colorado River and in planning for the river's long-term operation. Staff has also focused on how the QSA is a model for other Basin states in implementing conservation in a way that protects agriculture and the environment.
9	Collaborate with MWD and member agency board members, staff, and other stakeholders to improve MWD system flexibility and accessibility through the 2020 Integrated Water Resources Plan implementation, evaluation of the Regional Recycled Water Program, and other efforts.	Jun-2027		2	In February 2023, MWD launched its Climate Adaptation Master Plan for Water (CAMP4W), which intends to integrate MWD's resources, financial, and climate change planning and to align it with that of its member agencies. This integration and coordination process outcome was achieved after years of advocacy by the Water Authority's Delegates and staff. Through the Water Authority's advocacy, MWD also agreed to undertake a cost of service (COS) study for Pure Water Southern California (formerly the Regional Recycled Water Program) and hired a consultant to perform the COS in October 2022. The COS intends to address how the project will be paid for through rates, and thus member agencies' cost share of it, and be provided before MWD moves forward with the program's implementation.
10	Work in concert with the Water Authority's Board Officers and MWD Delegates to ensure collaboration, equity, and transparency in MWD policies and processes, including the rate refinement, long-range financial planning, and Integrated Water Resources Plan processes.	Jun-2027		2	All four Water Authority MWD Delegates now hold key leadership positions at MWD and are supporting Chair Ortega in his effort to improve board transparency, oversight, and collaboration. Director Goldberg in her role as the Vice Chair is overseeing the development of MWD's inaugural CAMP4W, which held its first workshop focusing on building a common understanding among board members and member agencies to support the development of MWD's long-term planning. Separately, in response to concerns raised by the Delegates and other directors, MWD held a panel discussion, which included General Manager Kerl, related to equity issues in serving disadvantaged communities among other topics. Also, MWD corrected its description of the exchange water in its most recent Official Statement at the request of the Delegates.
11	In tandem with the Water Authority's MWD Delegates, advocate securing adoption of a long-range finance plan, business model, and rate structure that will ensure MWD's long-term financial sustainability.	Jun-2027		2	Under the leadership of Vice Chair Goldberg, MWD launched its long-term planning effort—CAMP4W—that aims to integrate its resources, financial, and climate change planning and align its planning with that of its member agencies. Staff continues to work in tandem with the Delegates to support the integration of MWD's financial and resources planning, and its alignment to its member agencies' planning, to ensure MWD's long-term financial sustainability.

WATER SUPPLY - Local Water					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Complete Contract Administration Memoranda and any necessary Water Purchase Agreement contract amendments for the final phase of the new intake and discharge facilities at the Lewis Carlsbad Desalination Plant.	Dec-2022			The Contract Administration Memorandum was approved by the Board on December 15, 2022. Financial close of Water Infrastructure Finance and Innovation Act funds and Public Activity Bonds occurred on February 17 and March 9, 2023, respectively.
2	Update the Board and member agencies on phase two of the Water Research Foundation study to evaluate the regional benefits of the Lewis Carlsbad Desalination Plant supply and potable reuse supplies. (D)	Jun-2023			This objective is complete and included an update to the Board and member agency managers in January 2023. The team completed several tasks including the regional salinity loading model, the economic impact model, and a final report.
3	Complete all submittal reviews within the Water Purchase Agreement required timeframe during oversight of the design, construction, and commissioning of the Lewis Carlsbad Desalination Plant's permanent intake and discharge facilities in compliance with the Ocean Plan Amendment. (E, F)	Mar-2024			Construction of the permanent intake and discharge facilities began in January 2023. Staff is monitoring construction for conformance with the Water Purchase Agreement and plans to provide an update to the Board in July 2023.
4	Advocate for state and federal funding opportunities for local water supply projects and evaluate opportunities to assist member agencies and underrepresented communities in using funding. (B)	Dec-2024			Staff is assisting with the administration of drought funding available under Integrated Regional Water Management (IRWM) for Disadvantaged Communities (DACs). The IRWM's consultant's scope of work will evaluate additional funding options and provide additional assistance to DACs with reporting support.
5	Advocate for the adoption of a state drought action plan that protects the ability to use regionally developed sources during drought emergencies and implement Water Shortage Contingency Plan action only when warranted by local supply conditions. (A, C)	Dec-2024			Staff met with State Water Resources Control Board staff, ACWA staff, and other retail agencies several times and proposed a framework that considers both Water Use Efficiency standards and resiliency in supplies. The last meeting was December 14, 2022. Heavy winter and spring precipitation prevented the need for emergency drought action by the state.
6	Coordinate with member agencies to submit applications to MWD for Local Resource Program (LRP) and other funding opportunities and advocate for criteria which is supportive of member agency projects. (B)	Jun-2025			Water Authority staff met with staff from the San Elijo JPA in May 2023 to discuss a future LRP application for a recycled water project.

WATER SUPPLY - Resource Planning					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Engage in the San Diego Local Agency Formation Commission (LAFCO) process on Fallbrook/Rainbow detachment to ensure all conditions outlined in Board Resolution 2020-06 are fully addressed. (D)	Jun-2023	Aug-2023	5	LAFCO staff belatedly released for public review a Draft Staff Report on the Fallbrook and Rainbow Reorganization Applications in late April 2023, which included five recommendation alternatives for the Commission to consider, with LAFCO Staff recommending Option 2 – Approve detachment with an “Exit Fee”. The Water Authority submitted substantive comments on the Draft Staff Report by March 22, 2023. LAFCO Staff’s Final Report was released on May 31, 2023, as part of LAFCO Commission’s June 5, 2023, regular meeting agenda packet. The Water Authority presented its arguments opposing detachment at the June 5 hearing. The hearing concluded on June 5 with a vote of the Commission on continuing the item to the August 7, 2023 Commission meeting. On June 12, the EO of LAFCO called an ‘emergency’ Commission meeting on June 14th to 1) take an oppose position on AB 530 legislation, and 2) move up the LAFCO decision on detachment to July 10. Both items passed, and the new date for LAFCO Commission to vote will be July 10. The item may or may not be voted on or passed on that date. Staff will update the “Target Date” once known.
2	Advocate with member agencies the equitable and reasonable development of statewide water use efficiency targets and drought management actions by the Department of Water Resources (DWR) and State Water Resources Control Board. (F, H, I)	Jul-2023	Jul-2024	5	DWR has made a recommendation on Water Use Efficiency targets to the State Water Resources Control Board (SWRCB). Staff is now focused on advocating with the SWRCB and attending regular meetings with Staff and Board members. SWRCB is expected to begin the regulatory process in June 2023. Regulations must be adopted within a year after the regulatory process begins.
3	Conduct a funding study that provides short and long-term Integrated Regional Water Management (IRWM) Program sustainability strategies in coordination with the RWMG to help ensure the Program’s viability and capacity to support regional objectives and needs in the future years. (A)	Dec-2023		2	Staff is working with the Regional Water Management Group (RWMG) to develop long-term direction for the IRWM Program and is evaluating funding opportunities outside of Proposition rounds/IRWM Program. Currently the RWMG and Regional Advisory Committee (RAC) are working on the development of a resiliency project that can be sponsored by the RWMG for grant funding even if dedicated IRWM funding is unavailable. The RWMG is also making program revisions anticipating the possibility that additional IRWM funding may not be available.
4	Secure \$2.5 million in external funding such as grant awards, utility funding, and in-kind contributions to support water-use efficiency programs. (G, H, I, J)	Jun-2024		2	Staff is implementing programs to use \$2.3 million in funding for regional conservation programs from Prop 1 Round 2. The Water Authority was also awarded \$3 million of drought funding for the regional Water Use Efficiency (WUE) direct install program for underserved communities. Staff has worked with the contractor to install devices within a three-year window.
5	In collaboration with the RWMG, evaluate potential opportunities to strengthen disadvantaged communities’ engagement through targeted outreach, financial and technical assistance. (A)	Jun-2024		2	Staff is working closely with DAC project sponsors to complete reporting requirements for existing grants and develop recommendations for future DAC grant opportunities. Staff also collaborated with the RWMG and the IRWM consultant to provide additional project administration support to DAC project sponsors as needed.
6	Identify and implement studies that support the Water Authority’s position on water use efficiency, demand and drought response. (H)	Jul-2024		2	Staff is working with ACWA and other stakeholders on developing data to support reasonable long term water use efficiency targets. Staff are participating in discussions with DWR and other stakeholders on studies needed to evaluate indoor WUE standards. Staff is also partnering with the California Data Collaborative on a landscape measurement pilot to evaluate Commercial, Industrial, and Institutional landscapes to be completed in 2023.
7	Using the results of the funding study and DAC communities’ engagement efforts, develop further plans which define the IRWM Program’s future roles and funding sources that align with local and regional priorities. (A)	Jun-2025		2	The IRWM Program convened a drought resiliency workgroup to identify potential projects for funding. The technical memo is expected to be completed by the summer of 2023 and the RWMG will work with the consultant to find external funding.

WATER SUPPLY - Resource Planning					
No.	Objective Description	Target Date	Revised Date	Status	Comments
8	Work with member agencies to maximize water use efficiency funding from MWD for Member Agency Administered Programs (MAAP) (H, I, J)	Jul-2025			Staff has developed a budget to utilize MWD's full MAAP budget and is tracking progress with quarterly reporting by member agencies.
9	Complete the 2025 Urban Water Management Plan (UWMP) update to identify supplies necessary to meet future demands and comply with the Urban Water Management Planning Act. (B, C)	Jul-2026			Contractor selection process for the professional services expected to start in July 2023.
10	Update the Water Shortage Contingency Plan (WSCP) to comply with state requirements and include the plan as part of the 2025 Urban Water Management Plan (UWMP). (E, F)	Jul-2026			Contractor selection process for the professional services expected to start in July 2023.



WATER FACILITIES - Infrastructure/CIP					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Complete construction of the Mission Trails Flow Regulatory Storage II and Flow Control Facility project to mitigate existing operational risks and meet future untreated water demands for the central and south county service areas. (C, D, E, G, H)	Nov-2022	Apr-2023	1	Construction contract awarded in January 2020 to OHLA USA, Inc. in the amount of \$28,382,746. The project is complete and notice of completion was filed in May 2023.
2	Complete construction of the Hauck Mesa Storage Reservoir and Pipeline Surge Protection project to provide operational flexibility on the First Aqueduct and long-term surge protection for the Valley Center Pipeline. (C, D, E, F, G, H)	Jan-2023	Jun-2023	1	Construction contract awarded in January 2021 to Pacific Hydrotech, Inc. in the amount of \$11,370,360. The project was delayed due to inclement weather, design changes and contractor schedule delays. Work was completed in June 2023.
3	Complete construction of the Dulin Hill Erosion Repair project to repair slope damage resulting from past wildfires and provide additional protection to the Second Aqueduct. (A, C, D, G, H)	Jun-2023		1	Construction contract awarded in August 2022 to Mac Dad Builders, Inc., in the amount of \$1,965,884. Work was completed in May 2023.
4	Complete construction of the Pipeline 5 Relining – Twin Oaks Valley Road to Crossover Pipeline Turnout project to provide an additional 1.0 miles of relined pre-stressed concrete cylinder pipe. (A, D, E, G, H)	Jun-2023		1	Construction contract awarded in January 2021 to J.F. Shea Construction, Inc., in the amount of \$16,850,000. Work was completed in June 2023.
5	Complete construction of the First Aqueduct Treated Water Tunnels Rehabilitation project to prevent groundwater infiltration. (A, D, E, G, H)	Jul-2023		2	Construction contract awarded in May 2022 to Michels Pipe Services in the amount of \$22,145,492. Work is progressing as scheduled and is anticipated to be complete in July 2023.
6	Complete the 2023 Water Facilities Master Plan that evaluates facility needs based on various supply and demand uncertainties and system strategies that consider existing and future regional water facilities; operational resiliency and reliability; and supply reliability and diversity. (C, D, G, H)	Jun-2024		2	The team is currently on track to complete the 2023 Water Facilities Master Plan on time and has completed the project scenario development, performance criteria, and baseline modeling of the scenarios. This information is scheduled to be presented to the Board and member agency managers in July 2023. The team is currently working on developing potential solutions to system challenges identified in the modeling and plans to review with the Member Agency Technical Advisory Group in July 2023.
7	Complete construction of the Valley Center ESP Improvements project to provide treated water deliveries to VCMWD and YMWD during an emergency event. (C, D, E, G, H)	Dec-2024		2	Board approved the construction and operation agreement in March 2023. In accordance with the agreement, the Water Authority issued the construction funds to Valley Center Municipal Water District and Yuima Municipal Water District in May 2023. Construction is anticipated to complete in late 2024.
8	Complete construction of the Poway 5 Flow Control Facility project to provide the City of Poway a new treated water connection. (E, F, G, H)	Jun-2025		2	This project is being led by the City of Poway. The designer submitted the mid-point design documents and is addressing comments. Final design submittal is expected in November 2023.
9	Complete construction of the Southern First Aqueduct Structures Rehabilitation project to improve operations and the reliability of First Aqueduct untreated water deliveries. (A, C, D, E, F, G, H)	Dec-2025	Jun-2026	3	Final design for this project is anticipated to complete in Summer 2023. Construction is planned to begin in Winter 2024.
10	Complete the design of the Pipeline 3, 4, and 5 at Moosa Canyon project to provide long-term pipeline protection for the Second Aqueduct crossing the canyon. (A, C, D, E, G, H)	Jun-2026		2	Staff anticipates advertising a Request for Proposals for design services in Summer 2023, and recommend award of a professional design services contract in Fall 2023.
11	Complete construction of the Crossover Pipeline I-15 Bypass project to replace the existing crossover pipeline under I-15, which is nearing the end of its service life. (A,E, G, H)	Jun-2026		2	Board approved the Mitigated Negative Declaration in March 2023. Final design is anticipated to complete in late 2023.

WATER FACILITIES - Infrastructure/CIP					
No.	Objective Description	Target Date	Revised Date	Status	Comments
12	Apply for and obtain a Federal Energy Regulatory Commission license as a co-licensee with the City of San Diego and development team for the potential San Vicente Energy Storage Facility. (C, D, G, H)	Dec-2026		2	An extension request for the preliminary permit remains under review by the Federal Energy Regulatory Commission (FERC). Staff met with FERC in May 2023 to discuss coordination of the State and Federal environmental review processes. The development team completed preliminary geotechnical investigations in March 2023 and is finalizing the draft engineering study, which staff will use for the environmental review process and preparation of a draft license application.
13	Perform comprehensive condition assessments and prioritize water delivery assets for repair, rehabilitation, or replacement. Identify and routinely update project recommendations for supporting the development of biennial budgets, 5-year forecasts, and the Long-Range Financing Plan. (A, B, E, F, H)	Dec-2027		2	Rehabilitation project recommendations have been submitted for consideration in the FY24/25 Budget. The next priority condition assessments include the First Aqueduct Untreated, and the Tri-Agencies Pipeline, beginning in FY2024, subject to budget approval.












WATER FACILITIES - Sustainability					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Develop and circulate all applicable documents required for the appropriate level of environmental review needed to obtain a Federal Energy Regulatory Commission license in support of the proposed San Vicente Energy Storage Facility Project. (E)	Dec-2026		2	Data collection and technical feasibility studies in support of the environmental review process began in January 2021 and continued through June 2023. Objective is on track to be completed on schedule.
2	Maintain ongoing compliance with the Natural Community Conservation Plan/Habitat Conservation Plan (NCCP/HCP), its implementing agreement, and State and Federal incidental take permits through annual monitoring and reporting. (E, G)	Mar-2027		2	In compliance with reporting requirements, staff presented at the Annual Multiple Species Conservation Program Annual Workshop in December 2022. The 2022 NCCP/HCP Annual Report was finalized and submitted to permitting agencies in March 2023. Objective is on track.
3	Develop a minimum of three acres of wetland mitigation at the San Luis Rey Kendall site to mitigate impacts of near-term Capital Improvement Program projects. (E, G)	Jun-2025	Jun-2026	5	Permitting of this project with the Army Corps of Engineers is delayed due to additional jurisdictional delineation surveys. Construction will begin in Fall 2024 due to seasonal restrictions. Staff is also working with regulatory agencies to address concerns regarding the underlying water rights associated with the project area. Staff completed additional surveys, updated the Conceptual Habitat Mitigation Plan, and completed the "Advanced Permittee Responsible Mitigation" application package. This package was submitted to the regulatory agencies in January 2023, all necessary permits and approvals are anticipated in October 2023.
4	Pursue partnerships on leading-edge climate science projects and evaluate opportunities to incorporate climate research into planning processes. (B, C, D)	Jun-2025		2	The Water Authority is actively participating as a member with the Water Utility Climate Alliance network and Center for Western Weather and Water Extremes' Water Affiliates Group, which includes several partnerships with experts to complete various climate science projects each business plan year. The Water Authority is also participating at meetings regionally with the San Diego Regional Climate Collaborative and attended the first in-person meeting since start of COVID-19 during December 2022.
5	Complete the 2024 Climate Action Plan (CAP) Update to track progress toward meeting the 2030 and 2045 greenhouse gas targets, which include the state's adopted greenhouse gas target for carbon neutrality by 2045. (A, B, F)	Jun-2025		2	The Water Authority has awarded a contract with a consultant effective November 2022 for the 2024 CAP Update and kicked off the project in December 2022. The team completed an evaluation of greenhouse gas emissions for Pumped Storage facility types in May 2023 and is currently working on the 2022 greenhouse gas inventory update and developing portions of the CAP document in coordination with the Water Facilities Master Plan.

WATER FACILITIES - Water System Management					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Monitor California Air Resources Control Board fleet regulations and develop an implementation plan to decarbonize the fleet in the most efficient manner.	Dec-2024		2	Staff has participated in CARB workshops, provided written comments on the proposed regulations, and testimony during regulatory hearings. Staff also is engaged with ACWA energy sub-committee on this regulation and has participated in meeting with CARB staff and board members to share our concerns. Staff is also assessing Water Authority fleet, market availability of zero emission vehicles, and infrastructure needs.
2	Evaluate the proposed Alvarado Hydroelectric Rehabilitation project for viability and affordability and provide recommendations to the Board accordingly (B)	Jun-2023		1	Staff evaluated the Alvarado Hydroelectric Rehabilitation project and determined it is not economically viable as a result of construction cost increases and future water demands. In November 2022, Staff informed the Board this project will not be implemented. The project was removed from the Capital Improvement Program as part of the recommended FY 2024 / 2025 budget.
3	Identify potential properties for the new Operations and Maintenance Department Facility for Board consideration (G)	Jun-2024		2	Staff continues to work with the real estate brokerage team to identify viable properties to bring forward for board consideration.
4	Implement identified physical security assessment recommendations for critical facilities (E, F)	Jun-2024		2	Security updates in progress. The objective is scheduled to be completed on the target date.
5	Implement phased recommendations from the Aqueduct Communication System Master Plan to enhance security and control of the Water Authority's Aqueduct Control System (G, H)	Dec-2023		2	In process of reviewing plan and developing presentation to share with board in the fall to determine approach to implementation.
6	Evaluate electric system resiliency study recommended improvements at Water Authority facilities (G)	Dec-2023		2	The energy resilience analysis draft report is complete and is under review. The final report is estimated to complete in Fall 2023. Preliminary recommendations have been evaluated and included in the FY 2024 / 2025 Capital Improvement Program budget.
7	Evaluate emerging technologies to enhance operational resiliency focusing on communication, facility power, and system monitoring within the aqueduct system and its peripheral components (G, H)	Dec-2027		2	Evaluation and discussion are continuing with both internal and external staff relating to the evaluation of emerging technologies to enhance operational resiliency.
8	Identify innovative opportunities for energy procurement to reduce energy costs and identify schedules for economically viable alternatives (A, B, C)	Jun-2027		2	The feasibility study evaluating a direct connection to the Carlsbad Desalination Plant was completed in Fall 2022. Staff is evaluating implementation methods and anticipates making a recommendation to the Board in Fall 2023.
9	Participate in Federal and State regulatory proceedings to reduce energy costs and comply with California energy goals (D)	Jun-2027		2	Staff is coordinating with the Government Relations team to identify opportunities that support reducing energy costs and comply with state energy goals. Staff continues to monitor the applicable federal and state regulatory proceedings.
10	Explore opportunities to strengthen the regional member agency collaboration on asset management and implement efficient strategies to assist with lifecycle cost reduction and failure mitigation (G, H)	Jun-2025		2	Regional collaboration continues to support Member Agencies. Satellite leak detection effort now implemented for CY2021 and CY2022, and will be made available to Member Agencies for CY2023.















BUSINESS SERVICES - Business Support					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Complete Project Labor Agreement (PLA) implementation.	May-2023			Implementation under Engineering's direction began January 2023. Education and training of staff by PLA consultant began spring 2023. First CIP project to be implemented under PLA (Helix 9 flow control facility) expected to be advertised in summer 2023.
2	Transition Water Authority onto Maximo Asset Management for Service Requests and Work Orders for Information Systems staff.	Jun-2023			Completed in May 2023 ahead of schedule.
3	Establish Teams file management environments for all departments that comply with agency file management and retention policies.	Jun-2024			Work on this project was delayed due to the unexpected resignation of the Information Security Officer - a key contributor to this project - in January 2023. Staff will reevaluate the timing of this project after the new Information Security Manager joins the Water Authority this summer.
4	Conduct independent assessment of how to optimize Kearny Mesa (KM) facility to foster equity and productivity during ongoing remote working.	Jun-2024			Funding for this Significant Budget Initiative (SBI) was cut from the recommended Fiscal Years 2024-2025 budget as part of agency-wide rate increase mitigation measures. Staff will assess how best to optimize the Kearny Mesa headquarters with in-house resources as best as possible.
5	Complete analysis of KM facility video surveillance needs and implement recommended solution.	Jun-2024			Staff was directed to try to complete this work by end of calendar year 2023 as part of agencywide efforts to minimize impacts to the budget and rates for fiscal years 2024-2025. The project was fast-tracked to be completed by end of fiscal year 2023.
6	Implement at least three new security improvements as referenced in the Center for Internet Security, National Institute of Standards and Technology (NIST), and insurance publications annually.	Jun-2027			Security improvements are ongoing. The Water Authority completed a third-party cybersecurity assessment in accordance with its written information security program in late 2022 and addressed findings from that assessment over the first half of 2023. The Water Authority will have a new Information Security Manager in July 2023 to replace the previous manager, who resigned in January 2023.
7	Provide 99.999% uptime (user access) to internal business information systems annually via secure private network connection (outside of scheduled maintenance or other planned outages).	Jun-2027			Information Systems and Information Security staff performed regular patching of the agency's secure private networking software to keep its functions and protections up to date.



BUSINESS SERVICES - Communication and Messaging					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Conduct communications and outreach activities that result in at least 80 percent of poll respondents agreeing that a reliable water supply is essential for a healthy economy and quality of life.	Jun-2023		1	Staff conducted a public opinion poll in July 2022 with True North Research, Inc. The poll resulted in 96% of respondents stating they at least somewhat agree that a reliable water supply for this region is essential for a healthy economy and quality of life. This goal is complete.
2	Partner with at least three organizations (including media outlets) serving underserved communities to inform about water issues, including the drought, water quality and safety.	Jun-2023		1	Partnered with Spanish-language media (two radio and two TV stations) to air informational messages via radio, TV, web and social media. Partnered with two social service agencies (Metropolitan Area Advisory Committee (MAAC) Project San Diego and Campesinos Unidos) to publicize Low Income Household Water Assistance Program (LIHWAP) funding. Partnered with taxi group serving Somali community to disseminate information. This goal is complete
3	Relaunch the Citizens Water Academy (CWA) in a new and enhanced format(s).	Jun-2023		1	The Citizens Water Academy for civic leaders was launched in June 2023 in a hybrid format with one virtual meeting, inclusion of online materials and two in-person sessions. Presentations will be led by Water Authority leadership including General Managers, water planners and engineers.
4	Convene the Potable Reuse Coordinating Committee to advocate for direct potable reuse criteria that supports potable reuse in the San Diego region.	Jun-2023	Jul-2024	5	Water Authority staff continued to track and provided member agency updates on the draft Direct Potable Reuse (DPR) regulations that are expected to be released for formal review in early summer 2023. Staff participated in a WaterReuse CA workgroup on DPR that advocated for flexibility and streamlined permitting with Division of Drinking Water staff.
5	Commemorate the 20th anniversary of the Quantification Settlement Agreement (QSA) through outreach in coordination with the Colorado River team.	Oct-2023		2	Updates have started on To Quench a Thirst book that will be a cornerstone of 20th anniversary celebration; planning process for event will begin in the second and third quarter of 2023. A Significant Budget Amendment (SBI) was proposed for FY24-25 to fund event(s).
6	Provide comments on the California Air Resources Board's proposed Advanced Clean Fleets Rule in coordination with member agencies.	Dec-2024		1	Water Authority staff participated in an ACWA workgroup that met 10 times with California Air Resources Board members. Staff also provided two comment letters (in August and October 2022) and submitted a member agency coalition comment letter in April 2023. Staff also provided oral testimony to California Air Resources Board in October 2022. Staff provided regular updates to the member agencies through the Joint Public Information Council meetings and regulatory update emails. The regulation was adopted on April 29, 2023.
7	Identify opportunities to partner with at least one or more Water Authority member agencies annually to co-sponsor legislation, collaborate on an administrative or regulatory requests, or pursue a funding initiative.	Jun-2025		2	In November 2022 the Water Authority Board voted to co-sponsor legislation on atmospheric rivers with Sonoma County Water. This legislation will help with flood control and water supply management. This helps all of our member agencies. The legislation was introduced in December by Assembly Member Ward. Assembly Bill 30 passed the Assembly in May 2023 and is currently at the Senate Committee on Natural Resources. The Water Authority is also pursuing state budget funding for San Vicente Energy Storage Project and Lake Hodges Dam design funding.
8	Increase awareness and understanding of the Water Authority's interests and strengthen relationships by providing briefings to each member of the San Diego congressional and state delegation in Washington D.C., Sacramento, and the San Diego district office.	Jun-2025		2	The Water Authority staff continue to provide briefings to our delegation both virtually and in person. Meetings have been held with all of our delegation members. Meetings with our delegation in Sacramento took place in March 2023 and meetings with our delegation took place in Washington D.C. in February 2023. In addition staff have met with the District staff in the local offices and provided a tour to 9 of the offices at the Carlsbad Desalination Plant. Additional meetings took place in Washington D.C. in April as part of the San Diego Chamber mission trip.

BUSINESS SERVICES - Communication and Messaging					
No.	Objective Description	Target Date	Revised Date	Status	Comments
9	Engage with the Administration, Congressional Delegation, and House and Senate Appropriations Committees to pursue federal funding for the Safety of Dams programs.	Jun-2025		2	Staff continues to meet with our delegation to pursue funding for safety of dams. There is a limited amount of funding available from Federal Emergency Management Agency (FEMA) and the Water Authority continues to see if our agencies can pursue this funding. The Water Authority met with the DC delegation and administration officials in February 2023 to discuss funding of dams. A meeting took place with FEMA and staff participated in a webinar in March discussing dam safety funding programs through FEMA.
10	Sponsor or support legislation and regulatory actions to streamline the operator certification process and allow for flexibility during extenuating circumstances.	Jun-2025		2	The Water Authority has worked closely with the California-Nevada section of the American Water Works Association on making necessary changes to the certification process. Staff testified at the State Board to discuss the necessary changes and the State Board is working to do a survey and make the necessary changes to fix the current issues with the operation certification program.
11	Sponsor or support legislation and engage with working groups and regulators on water rate affordability for low-income ratepayers.	Jun-2025		2	The Water Authority supported Senate Bill 222 from Senator Dodd in 2022 that focused on affordability. The bill passed, but was vetoed by the Governor due to a lack in funding. Staff is continuing to have conversations with the State Board and our delegation for other ways to address the affordability issue. The Water Authority also held a Legislative Roundtable with affordability as the main topic. Staff is planning to have another Roundtable focused on affordability in the summer of 2023. Staff continue to engage with the State Board and with Senator Alex Padilla's staff on the need for affordability programs. The state is going to expand the Low Income Household Water Assistance Program, which the Water Authority has been advocating to make a permanent program.
12	Participate in a consumer messaging workgroup on microplastics in drinking water as part of a Water Research Foundation project.	Jun-2025		2	Water Authority staff participated in a Water Research Foundation workgroup on microplastics in drinking water that met twice during the reporting period. The workgroup is drafting guidance language to assist public water systems in meeting state consumer messaging requirements for drinking water. The Water Authority is drafting a section on the occurrence of microplastics in drinking water supplies which is on track to be completed by October 2023.
13	Grow total social media audience through existing and new platforms by 10 percent annually through Fiscal Year 2025.	Jun-2025		2	FY 2023 goal was 30,613 followers. As of May 25, the Water Authority has 30,210 followers on social media. Objective is on track.
14	Grow Water News Network page views by 10 percent annually through Fiscal Year 2025.	Jun-2025		1	Water News Network (WNN) FY 2023 goal is 146,410 pageviews. As of May 25, 2023, WNN pageviews for FY 2023 were 218,876, which exceeds the goal by nearly 72,000 pageviews with 5 weeks remaining in FY 2023.
15	Engage in annual outreach activities that support the region's initiatives to provide a safe, reliable and affordable water supply, including positioning the Water Authority as a collaborator and convener on addressing affordability issues.	Jun-2025		2	The Water Authority continues a robust public outreach program with media relations, social media, digital advertising, partnerships and events to position the agency as a leader and collaborator. That includes outreach on affordability issues, including a new webpage launched in November 2022 about the issue and a legislative roundtable on the subject.

BUSINESS SERVICES - Financial Management					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Implement a five-year financial forecast for budget and rates in support of long-term planning and fiscal sustainability.	Jun-2023		1	Staff worked with member agencies and the Board to develop a 5-Year Financial Forecast. It was presented to the Board in November 2022.
2	Strengthen vendor master database processes including the addition, deletion, and updating of vendor records to avoid payment fraud, duplicate payments, compliance fines, and bad vendor data. In conjunction, develop an electronic solution in OnBase to store vendor supporting records safely and securely. (A)	Jun-2023		1	Inactivated 2,500 vendors and former employees not presently working with the WA; created automated reports that are sent daily to staff noting changes to the vendor master file; made programming changes in PeopleSoft to further limit payment issues; redesigned vendor form to incorporate enhanced security features; original vendor documentation now all exists electronically and has been uploaded into paperless document repository and linked to vendor master file; enhanced fraud awareness training given to staff.
3	Leverage PeopleSoft reporting to develop the Budget Status Report (BSR) of the Controller's Report within the software thereby reducing dependence on manual steps. (A, B, C)	Jun-2024		2	IT met with Finance staff and reviewed the accounts mapping design and informed Finance that the BSR automation can be completed; BSR automation work will resume once Governmental Accounting Standards Board (GASB) 87 and 96 software module implementations are completed after August 2023.
4	Maintain and improve rate model to identify efficiencies, to ensure consistency with budget and to support smooth and predictable rates and charges and long-term planning. (A, I, J, K)	Jun-2027		2	Staff is continually updating the rate model making sure it reflects any changes in Water Authority processes. Latest updates to rate model included use of Storage, calculations for below 10% MWD charges, updates to estimated impact by Member Agency.
5	Advocate Water Authority position through participation in two industry conferences per year via speaking engagements and achieve membership in industry committees and boards, such as California Society of Municipal Finance Officers, Government Finance Officers Association, Bond Buyer, and the California Municipal Treasurer's Association. (E, K)	Jun-2027		2	The Rate and Debt Manager presented at the California Society of Municipal Finance Officers conference in March 2023 on the topic of affordability. The Budget and Treasury Manager presented at the California Municipal Treasurer's Association (CMTA) conference in April 2023 on the topic of credit quality and investments. In addition, the Director of Finance presented at the CMTA conference on a Treasurer's Panel, at the Association of California Water Agencies on debt, and at the Government Finance Officers Association (GFOA) conference in May 2023 on panels on treasury and debt management.
6	Evaluate and implement new budget and financial planning software for improved transparency and efficiency in reporting the budget and five-year financial forecast. (A, B)	Jun-2027		2	Finance has entered into an agreement with a budget software developer for implementation of a new software for budgeting, forecasting, and development of multi-year forecasts. Implementation meetings have started and are expected to continue through the rest of the calendar year.
7	Proactively manage the debt portfolio to achieve level debt services payments and minimize debt payment spikes. (D, E, F, G)	Jun-2027		2	Staff is monitoring the Commercial Paper Program and exploring future refunding opportunities in 2024. Staff is also recommending a Defeasance in July 2023 to provide rate mitigation to the CY 2024 rates and charges.
8	Implement improvements, including connected PowerBI reports for water sales and uses, and maintain Data Archival and Invoicing System (DAIS) to ensure timely updates, cybersecurity and smooth water billing processes. (A, B, J)	Jun-2027		2	Further enhancements to the DAIS system were completed including: adding MWD rates and charges, water sales forecast, and a home page redirect. By the end of FY23 following tasks will be finished as well: changes in presentation of the Permanent Special Agricultural Water Rate (PSAWR) on invoices, adding data from MWD bills to the system, allowing Member Agencies to enter non-credited recycled water use. Then Power BI will be redesigned to incorporate changes.
9	Invest the Water Authority's portfolio to meet the objectives of safety, liquidity, and yield while striving to equal or exceed the market yield index performance benchmark for the consolidated investment portfolio. (D, F)	Jun-2027		2	The Water Authority meets with the external investment manager quarterly to discuss the portfolio. Staff works with the external investment manager to re-invest funds as they mature to maximize the performance of the portfolio. Staff continues to monitor portfolio performance and economic conditions impacted by current market volatility.
10	Work with the Member Agency Rate Workgroup (MARW), Financial Strategy Work Group (FSWG), the Board, and Rate Consultant(s) to evaluate potential changes to the Water Authority's existing rates & charges and implement a new rate design to address revenue volatility (risk) and impacts of forecasted local supply projects. (A, I, J, K)	Jun-2025		2	To date, staff with our consultant have conducted 14 MARW meetings. Two user-friendly rate models have been distributed, the most recent in December 2022.

BUSINESS SERVICES - Workforce Management					
No.	Objective Description	Target Date	Revised Date	Status	Comments
1	Gain agreement to future Memorandum(s) of Understanding with bargaining groups in accordance with Board direction.	Jun-2023			The Board approved the Amendment to the consolidated MOU with the Teamsters at its June 22, 2023 meeting. The MOU is a three-year agreement, July 1, 2023 through June 30, 2026.
2	Ensure 100% compliance with required safety training.	Jun-2027			Required safety training through the web-based platform, Target Solutions, due December 31, 2022, is at 98.5% completion rate (as of December 31, 2022). Staff completed 98.5% of required safety trainings through the web-based platform Target-Solutions in calendar year 2022. The Water Authority's Safety Officer retired in June 2022 and onboarded a new Risk and Safety Manager on November 30, 2022. Risk and Safety is undertaking a Safety Gap Analysis which will evaluate its training programs for effectiveness and regulatory compliance. Analysis scheduled for completion in Summer 2023.
3	Develop training resources to provide support, guidance, and training to managers to assist in building and maintaining effective working relationships with labor groups.	Jun-2027			Staff provide monthly live webinars on employment relations topics through the LCW Employment Relations Consortium. A recording of the webinars is available for 45 days after the live session. Additional resources are being developed.
4	Conduct a follow-up employment engagement survey to continue General Manager's culture change efforts.	Sep-2023			The last engagement survey was conducted in August 2022 with an 87% response rate. Results were presented at the November Quarterly meeting. Actions resulting from the survey include finalization of the hybrid work program and pending revisions to the employee recognition program.
5	Evaluate and recommend technology to streamline standardized human resources practices.	Jun-2027			Human Resources staff continue to evaluate new technology for improved practices in training and recruitment.
6	Provide relevant, effective wellness initiatives to support the health and wellness of employees.	Dec-2027			Wellness initiatives for 2023 include a mind-body wellness series, manager resiliency webinar series, specific health series for men and women, and a return of Walktober walking challenge for October 2023. In addition, the Water Authority provides physical wellness resources through weekly bootcamp classes at both locations and occasional yoga classes at Kearny Mesa.
7	Promote San Diego Water Works and SkillBridge resources to member agencies and potential candidate pools.	Jun-2027			Human Resources continues to find new and innovative ways to promote the regional entity, San Diego Water Works, and the SkillBridge program for transitioning veterans. The Water Authority has had seven SkillBridge interns since the inception of our contract in 2021, with another intern scheduled to start in August 2023.
8	Survey member agencies regarding the Regional Water/Wastewater Internship program and implement any changes to ensure it continues to meet the needs of stakeholders, including local community colleges and member agencies.	Jun-2027			A survey with member agencies was conducted in spring 2023. Input on intern wage, agency participation, evaluation of intern, and program outreach was provided for development in the 2023-24 Internship Program.
9	Complete independent safety program analysis and develop recommendations to improve effectiveness.	Jun-2025			The Risk and Safety Manager joined the Water Authority in November 2022. Independent Safety Gap Analysis is in progress, with completion on schedule for summer 2023.
10	Evaluate new training initiatives that meet the needs of the employee and organization.	Jun-2027			A new training platform for employee development is included in the proposed FY 24/25 budget.
11	Conduct outreach and implement changes to the employee recognition program that reflects the new values efforts.	Jun-2023			The changes to the Employee Recognition Program and policy are anticipated to be completed by summer 2023.
12	Track key data to identify areas of opportunity to build a diverse, equitable, and inclusive workplace.	Jun-2027			The FY 2021 & 2022 Diversity, Equity, Inclusion, and Belonging Report was issued in 2022 as a biannual document, and data is being tracked in the development of the FY 2023 & 2024 Report.



Appendix

Program Focus Areas and Management Strategies

(Business Plan Document Excerpt)

The following Appendix provides detail for the letter references found in the **Management Strategies** column of the report.



Business Plan Structure



Appendix Table of Contents by Program

A-1	Imported Water
A-2	Local Water
A-3	Resource Planning
A-4	Infrastructure/CIP
A-5	Sustainability
A-6	Water System Management
A-7	Business Support
A-8	Communication and Messaging
A-9	Financial Management
A-10	Workforce Management

Bay-Delta

- A Advocate Board policies regarding Bay-Delta issues, funding initiatives, and sustainable Bay-Delta solutions to federal, state, local, and other stakeholders.
- B Protect ratepayers from paying an inequitable share of Bay-Delta fix costs by ensuring project costs are properly assigned to supply rates and charges and are consistent with DWR’s historic practice of assigning similar projects as “conservation” or supply charges.

Colorado River

- C Develop flexibility and control costs in implementation of the QSA and related agreements.
- D Strengthen relationships with QSA partners and safeguard the Water Authority’s QSA supplies.
- E Ensure completion of QSA environmental mitigation milestones and monitor State Salton Sea restoration activities.

Metropolitan Water District

- F Advise MWD Delegates in advocating and advancing Water Authority strategic goals at MWD.
- G Influence policy decisions at MWD to ensure its long-term sustainability as a supplemental water supplier.
- H Advocate for equity, transparency, and collaboration in MWD’s decision making processes.

WATER SUPPLY > LOCAL WATER
Management Strategies

Local and Member Agency Supply

- A Improve regulatory flexibility and streamlining for local water supplies.
- B Support funding from outside the region for local water supply projects.
- C Improve statewide drought response to account for local conditions.

Potable Reuse

- D Assess and recognize the benefits of water quality improvements associated with new local water supplies.

Seawater Desalination

- E Ensure compliance with Lewis Carlsbad Desalination Plant Water Purchase Agreement.
- F Ensure continued operation of Lewis Carlsbad Desalination Plant for stand-alone operation and compliance with Ocean Plan Amendment.

WATER SUPPLY > RESOURCE PLANNING
Management Strategies

Water Management Planning

- A** Work with IRWM partners and stakeholders to develop long-term IRWM Program strategies that address funding sources and secure grant funding to support and achieve the goals of the IRWM Plan.
- B** Develop a regional UWMP that complies with state requirements and ensures a reliable water supply for the San Diego region.
- C** Update water management plans to maintain eligibility for state funding.
- D** Engage in the LAFCO process on Fallbrook/Rainbow detachment application.

Water Shortage and Drought Response Management

- E** Ensure planning documents are consistent and relevant to properly manage and respond to supply shortages.
- F** Ensure that state proposed drought response actions are appropriate, progressive, and may be reasonably implemented by the Water Authority and its member agencies.

Water Use Efficiency

- G** Implement best practices to manage and deliver water-use efficiency programs and services in a timely, convenient, and courteous manner.
- H** Plan, develop, implement, or administer water efficiency programs and tools that meet the needs of member agencies and water users.
- I** Support policies and actions that advance long-term water-use efficiency best practices, behaviors, and market transformations.
- J** Leverage ratepayer investments by securing grants or other external funding sources and advocating for equitable benefits from MWD water-use efficiency programs.

WATER FACILITIES > INFRASTRUCTURE/CIP
Management Strategies

Asset Management

- A Ensure prioritization, optimal maintenance, and rehabilitation of assets.
- B Pioneer and utilize new and innovative technology to reduce risk and increase productivity and efficiency.

Infrastructure Planning

- C Coordinate and align project scope and schedules within the Master Plan and the Asset Management Program to achieve the optimal balance between regional water reliability, safety, and cost.
- D Optimize use of existing treatment, storage, and conveyance facilities to meet projected member agency water demands.

New Facilities

- E Employ pioneering technology, innovation, and best management practices for all Capital Improvement Program projects.
- F Develop innovative business policies, practices, and procedures that are aligned with smaller contracts.
- G Collaborate with member agencies and other external stakeholders on the Capital Improvement Program.
- H Coordinate with internal functional groups and stakeholders to promote the most efficient and cost-effective delivery of projects.

WATER FACILITIES > SUSTAINABILITY
Management Strategies

Climate Change

- A Implement cost-effective opportunities that mitigate greenhouse gas emissions in compliance with emission targets contained in the CAP.
- B Support climate science research and evaluate opportunities to mainstream adaptation strategies into business practices.
- C Ensure resiliency of infrastructure and supplies to adapt to climate change impacts.
- D Partner with agencies to identify how to incorporate climate equity and affordability into business practices.

Environmental Management

- E Incorporate advanced planning to ensure Water Authority compliance with environmental regulations.
- F Strengthen inter-departmental coordination of environmental compliance.
- G Ensure sustainable mitigation is obtained in advance of project needs.

WATER FACILITIES > WATER SYSTEM MANAGEMENT

Management Strategies

Energy Initiatives

- A Leverage power market opportunities that maximize the value of new and existing energy facilities.
- B Pursue new energy initiatives that reduce energy costs.
- C Coordinate with local, regional, state and federal agencies to best position Water Authority energy exchanges.
- D Influence energy rulemaking by engaging in legislative and regulatory processes.

Facilities Security and
Emergency Response

- E Provide necessary facilities, staffing, and funding to support security and emergency response requirements.
- F Comply with applicable state and federal regulations regarding security.

Operations and Maintenance

- G Maintain water system reliability and efficient operations through staff development and facility improvements.
- H Enhance proactive maintenance and asset management practices to reduce lifecycle costs and minimize risk of failure.



BUSINESS SERVICES > BUSINESS SUPPORT

Management Strategies**Cybersecurity**

- A** Provide back-up and recovery capability to protect data and critical information systems for business continuity.
- B** Implement cybersecurity measures to provide a safe and secure computing environment.
- C** Educate employees to be technically skilled, well informed, alert, and vigilant.

IT Services and Operations

- D** Maintain and upgrade critical software and business applications and hardware to meet business needs.
- E** Continually improve business processes by increasing automation, flexibility, ease of use, and mobility.

Facilities

- F** Implement measures that maintain or enhance a safe, secure and productive working environment.
- G** Improve the efficiency of water and energy use at the Kearny Mesa headquarters to reduce long-term costs and conserve resources.

Administrative Support

- H** Obtain cost-effective business insurance policies that appropriately manage risk and support evolving business needs.
- I** Maintain and upgrade records management practices and electronic document management systems.
- J** Support and improve tools and processes that enhance business efficiency and productivity.
- K** Effectively implement and monitor labor agreements for applicable construction projects to achieve identified goals.

BUSINESS SERVICES > COMMUNICATIONS AND MESSAGING

Management Strategies

Government Relations Outreach

- A Strengthen relationships with the San Diego local, state, and federal legislative delegations, other key legislators, legislative staff, and the state and federal administrations.
- B Engage and influence relevant legislation, regulatory matters, and funding requests in the Legislature, Congress, and state and federal administrations.
- C Sponsor, co-sponsor, and promote legislation that positively impacts the region and conveys San Diego’s role as a statewide water community leader.

Public Outreach

- D Enhance public understanding and support for Water Authority and member agency strategies, policies, and programs.
- E Implement innovative and effective public outreach programs and tools that deliver Water Authority messages to key stakeholders.
- F Promote greater public awareness of local water issues and efficient water use by building relationships and partnerships with compatible organizations and institutions.
- G Support member agencies with shared outreach development, training and resources.

Regulatory Policy Support

- H Maximize flexibility and sustainability in water supply development and management, water-use efficiency, and water quality protection.
- I Foster collaborative relationships with regulatory agencies.
- J Engage in regulatory requirements and standards development under local, state and federal water, energy, and environmental laws.
- K Inform and obtain feedback from Water Authority departments and member agencies on regulatory and permitting issues.



BUSINESS SERVICES > FINANCIAL MANAGEMENT
Management Strategies

Accounting

- A Provide relevant, accessible, and useable financial data and other key information.
- B Analyze revenue and expense trends proactively to anticipate early budget variances and formulate actions to ensure fiscal sustainability.
- C Assess and recommend as appropriate industry best practices and new accounting standards for applicability to Water Authority financial operations for enhanced financial reporting.

Debt and Investment Management

- D Ensure strong Water Authority credit ratings through sound financial management.
- E Ensure strong financial industry presence for the Water Authority.
- F Strategically optimize the resources of the debt and investment portfolio to execute future bond and investment transactions successfully.
- G Optimize the capital financing mix to achieve the lowest cost of funds and minimize interest rate risk.

Financial Planning

- H Develop detailed cost projections for Capital Improvement Program projects and operations to develop long-term rate projections.
- I Maintain a rate model resulting in the goals of cost efficiency (affordability), predictable rates, and intergenerational equity.
- J Provide high level of service to member agencies while ensuring equitable rates and charges.
- K Ensure financial policies are aligned with the long-term fiscal sustainability of the Water Authority.

BUSINESS SERVICES > WORKFORCE MANAGEMENT

Management Strategies

Leadership

- A Targeted leadership development, skill-based training, and a flexible approach to employee development to ensure the workforce can demonstrate the competencies and leadership skills necessary for the immediate and long-term success of the agency.

Safety

- B Protect the agency and its employees—by a variety of methods, including effective policies, procedures, training, and hazard mitigation, elimination, and control.

Culture

- C Foster a healthy organizational culture to facilitate improved professional development, career agility, and knowledge transfer through a commitment to open dialogue and consideration of innovative solutions and diverse points of view.

Talent

- D Continue to adopt and promote innovative practices for attracting and retaining employees who possess the desired skillset and aptitude necessary to fulfill evolving needs of the agency and its workforce.

Technology

- E Evaluate and facilitate tools that will streamline processes and provide more relevant and effective information.

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