

Draft

FY 2024-25 Budget

Sweetwater Authority
Draft Fiscal Year 2024-25
Budget

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Introduction | FY 2024-25 Budget



Agency Overview

Sweetwater Authority (Authority) provides safe, reliable water service (since 1977) to approximately 190,000 people in a service area that covers 32 square-miles, and includes National City, Bonita, and western and central portions of Chula Vista, California.

The Authority is a publicly-owned water agency with policies and procedures established by a seven-member Governing Board. Five directors are elected by division by the citizens of the South Bay Water. Two directors are appointed by the Mayor of National City, subject to City Council confirmation.

The water company originated in 1869 as the Kimball Brothers Water Company with 35 customers. The first infrastructure of substantial value occurred in 1888 with the construction of Sweetwater Dam and approximately 58 miles of pipeline. Today, drinking water is delivered to approximately 33,000 connections via 394 miles of pipeline. Water is procured from four sources: (1) deep freshwater wells located in National City; (2) capture of local runoff in the Sweetwater River, with subsequent storage at Loveland Reservoir in Alpine, and Sweetwater Reservoir in Spring Valley; (3) deep brackish wells in the lower Sweetwater River basin; and (4) purchase of imported water delivered by the San Diego County Water Authority (SDCWA) and the Metropolitan Water District. Revenues are obtained from water sales, bond funds, fees for service, returns on investments, and available grant funding. The agency receives no tax revenue.

Strategic Plan

The 2022 Strategic Plan (Plan) provides decision-making guidance for the Authority, including a structure for tracking and advancing policies, plans, and programs in a disciplined effort to make fundamental decisions for a rational course of action. The framework for the Authority's Plan — the mission, vision, values, guiding principles, goals and objectives, and performance measures — are integrated in the budget development process.

The major strategic issues identified in the Plan are as follows:

1. Ensuring a reliable water supply
2. Maintaining fair and affordable water rates for all customers
3. Upgrading major infrastructure
4. Maintaining long-term financial health
5. Increasing community awareness and understanding of our water delivery system
6. Developing and recruiting a trained workforce
7. Leveraging Sweetwater facilities to maximize community benefits
8. Expanding community engagement programs
9. Being stewards of the environment

The current goals of the Plan are as follows:

Goal #1 – Water Quality: Provide high quality water that meets regulatory requirements.

Goal #2 – System and Water Supply Reliability: Achieve an uninterrupted, long-term water supply through investment, maintenance, innovation and developing local water resources.

Goal #3 – Financial Viability: Ensure long-term financial viability of the agency through best practices, operational efficiency, and maximizing assets.

Goal #4 – Customer Service, Citizen Engagement and Community Relations: Provide high-quality customer service based on customer feedback and serve the community through education, outreach, and partnerships.

Goal #5 – Workforce Development and Constructive Labor Relations: Attract, retain and develop a highly-skilled, adaptable workforce; Equip employees to effectively and safely perform their jobs and prepare for career advancement; Promote constructive labor relations.

Goal #6 – Administrative Effectiveness: Provide efficient and effective administrative systems and procedures in accordance with best management practices.

Goal #7 – Environmental Stewardship: Provide core services while maintaining a balanced approach to human and environmental needs.

Connected to the Plan is the FY 2024-25 Strategic Plan Work Plan (Work Plan), which provides the details to implement the goals and objectives as so stated in the Plan. The Plan and Work Plan are designed to be highly correlated and integrated with the Annual Budget.

Financial Plan

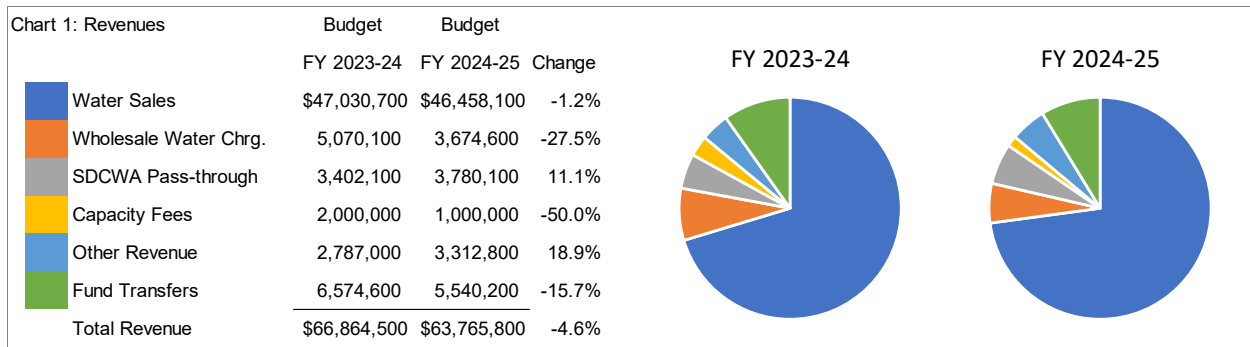
The Financial Plan is presented in the following order:

- Financial Summaries
- Revenues
- Operating Expense
- Capital Investment
- Reserves
- Draft Five-year Financial Projections

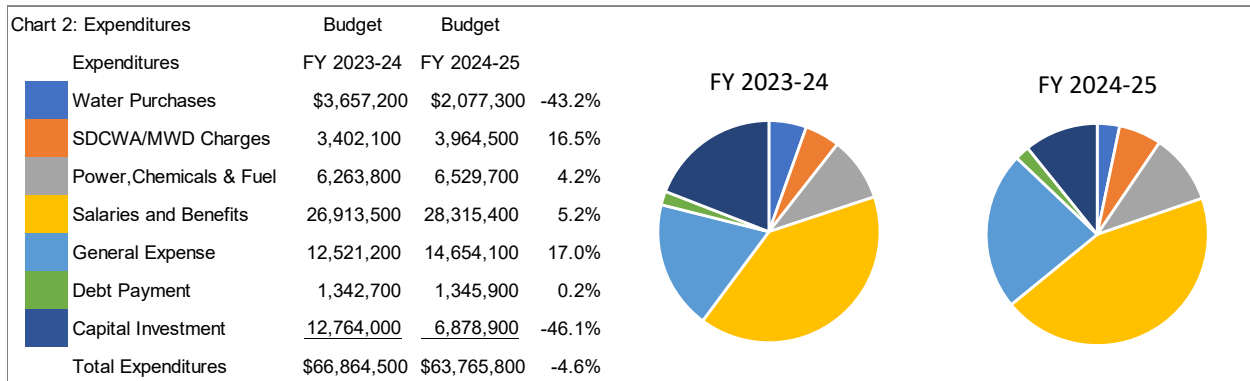
Financial Summaries

The FY 2024-25 Budget proposes a total budget of \$63,765,800. The following is a summary of the revenue required to fund Operating and Capital expenditures proposed for the fiscal year.

The revenue categories for FY 2024-25 are shown in Chart 1. Water Sales is the major source of revenue for the Authority. Fund transfers for the upcoming fiscal year are primarily comprised of Capacity Fees collected in FY 2024-25.



The expenditures listed by category for FY 2024-25 are shown in Chart 2. Water Purchases are expected to remain low for the next fiscal year due to the reservoirs that are either at or near capacity, allowing for an alternative supply of local surface water.



Revenues

The volume of water sold is expected to decrease by about 3 percent for FY 2024-25. This decrease will dilute the amount of revenue that can be collected with the existing rates, established in the 2023 Water Rate Study, as the lower volume of water sold cannot be offset by increasing the adopted rates to recover the same amount of revenue.

The Authority's water rates for FY 2024-25 were calculated in the 2023 Water Rate Study to collect 6 percent more revenue than in the prior year. Staff is considering a reduction to the Wholesale Water Purchase Charge that is utilized to offset wholesale water purchases, as water purchases are expected to decrease in FY 2024-25. A reduction that could change the final customer bill impact and will be further discussed and balanced with the need for future capital funding requirements.

In addition, the 2023 Water Rate Study implemented adjustments to the proportion of how water is collected from fixed and variable rates and this change will make customer bill impacts different for low and high water use customers, as the variable and fixed charges are now changing at different proportions. Chart 3 shows the range of customer bill impacts for Single-family Residential Customers:

Chart 3: FY 2024-25 Single-family Residential Bill Impacts		
Bi-monthly Water Use in Hundred Cubic Feet	Increase to Bi-monthly Water Bill	
5	\$7.67	15%

Chart 3: FY 2024-25 Single-family Residential Bill Impacts		
Bi-monthly Water Use in Hundred Cubic Feet	Increase to Bi-monthly Water Bill	
10	\$8.37	11%
15 (average customer)	\$9.01	9%
25	\$3.51	7%
35		6%
45 and over	\$3.41 or less	5%

The San Diego County Water Authority (SDCWA) Pass-through Revenue charge is estimated to increase by as much as 20 percent for FY 2024-25. The SDCWA fixed charges correlate to the amount of water purchased from SDCWA in prior years and the current average water use has increased for the Authority resulting in an additional increase to the fixed charge.

The majority of the Gaylord Chula Vista Bay Front Hotel and Convention Center Capacity fees were collected in FY 2022-23 and utilized to offset capital investments for FY 2023-24. The financial plan for FY 2024-25 will integrate the Capacity Fees collected in FY 2023-24. In future years, staff expects Capacity Fees to be collected at higher amounts than historical levels.

Other revenues are expected to increase slightly for FY 2025-26 as excess funds invested in government bonds and interest-bearing accounts earn at higher interest rates than in the recent past. Currently, the Authority has invested in government bond offerings that earn in the 4 percent rate of return range.

Chart 4 - Operating Expense Change from Prior Year	FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
Water Purchases*	\$7,059,300	\$6,041,800	(\$1,017,500)	-14.4%
Power, Chemicals and Fuel	6,263,800	6,529,700	265,900	4.2%
Salaries	14,952,500	15,798,400	845,900	5.7%
Benefits	11,975,700	12,517,000	541,300	4.5%
General Operating Expenses	12,506,500	14,654,100	2,147,600	17.2%
Total Operating Expense	\$52,757,800	\$55,541,000	\$2,783,200	5.3%
Total Operating Expense other than Water Purchases	\$45,698,500	\$49,499,200	\$3,800,700	8.3%
* Includes \$2,077,300 for wholesale water purchases and \$3,964,500 for SDCWA fixed costs.				

Operating Expense

The overall operating expense budget for FY 2024-25 is showing an increase of 5 percent. As seen in Chart 4, Water Purchases are decreasing significantly in response to more than expected local water supplies in the Sweetwater Reservoir. The local surface water increased due to winter storms and water transfers from the Loveland Reservoir.

The decrease in budgeted water purchases also affects the use of the Rate Stabilization Reserve (RSR) for the purpose of stabilizing rate changes. The Rate Stabilization Reserve has proved a useful tool to stabilize cash flows when water purchases fluctuate from year to year. As seen in Chart 5, the past five years are a prime example of significant swings in the amount of wholesale water purchases.

The decrease in the total cost of water purchases overshadows an increase in SDCWA water rates for FY 2024-25, estimated at up to 20 percent.

The next category of operating expense is for the cost to treat and distribute water to customers.

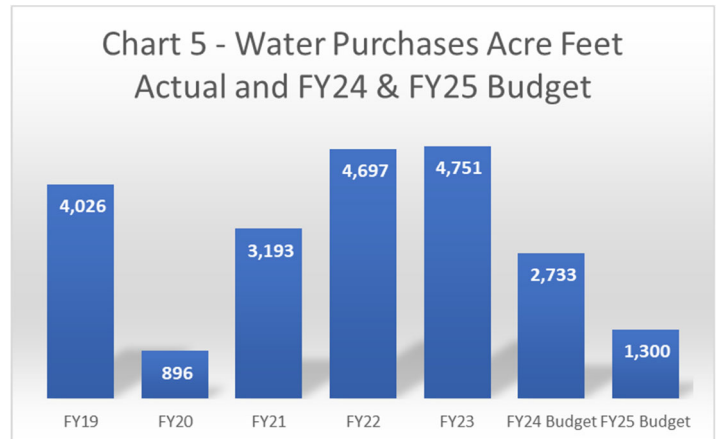
Staff continues to see increases in water treatment chemical purchase costs through FY 2024-25, and expects to see increases again in the upcoming fiscal year. In addition to the cost increases, the higher volume of available local surface water will require higher volumes of treatment chemicals. Electricity costs are similarly affected by the need to purchase additional electricity to pump and elevate the local surface water from the Sweetwater Reservoir to the Perdue Plant for treatment. The increase in electricity is compounded by cost increases from SDG&E.

Salaries for the Draft Financial Plan are increasing as follows:

- Sweetwater Authority Employee's Committee labor agreement is on-going; current and future year projected increases are based on the March 2024 CPI-W inflation rate of 3.6 percent and is for planning purposes only, and does not constitute an official commitment.
- All other employee group labor agreements have been finalized through June 30, 2027, and the salary increase for FY 2024-25 is 6 percent.

The increase in salaries for FY 2024-25 is offset by an expected decrease in premium pay for work outside of normal hours (overtime pay).

Benefits are also expected to increase in the upcoming year. Staff estimates that Kaiser and Cigna insurance plan premiums will increase 5 percent and 12 percent respectively; however, the actual amount will not be known until closer to the renewal period in October 2024.



The final major category to discuss for operating expense is General Operating Expense, and is summarized in Chart 6:

Chart 6: General Operating Expense	FY24	FY25	Change
Subscriptions and Publications	\$5,300	\$6,000	13%
Technology Software and Hardware	981,600	1,099,200	12%
Temporary Help	120,000	100,000	-17%
Training, Travel and Meetings	307,900	385,500	25%
Uncollectible Accounts	250,000	175,000	-30%
Materials & Services	3,547,900	4,080,500	15%
Vehicles Maintenance	138,800	225,600	63%
Bank and Financial Fees	353,000	366,300	4%
Small Tools and Equipment	76,300	92,400	21%
Security Services	120,500	105,500	-12%
SCADA Operations	376,400	376,600	0%
Rents and Leases	67,500	67,500	0%
Regulatory Permit Fees	266,500	257,800	-3%
Publications	149,500	107,500	-28%
Public Affairs Programs	240,900	202,700	-16%
Pipeline Maintenance	65,000	67,500	4%
Per Diems	100,800	100,800	0%
Office Services, Supplies & Equipment	370,100	387,800	5%
Meter Replacement Program	190,000	210,000	11%
Laboratory	377,200	372,900	-1%
Janitorial	93,300	100,400	8%
Inter-agency Support - SBID	30,000	30,000	0%
Hydrological Monitoring	967,200	669,200	-31%
Hazardous Waste Removal	61,100	62,100	2%
General Legal	360,000	380,000	6%
Facilities Maintenance	279,500	259,600	-7%
Expense Contingency	200,000	200,000	0%
Equipment Maintenance and Rental	105,100	87,900	-16%
Employee Programs	500	500	0%
Dues and Memberships	94,700	87,700	-7%
Consulting Services	1,439,300	2,945,100	105%
Conservation Incentives	43,000	45,500	6%
Conservation Garden Membership	58,300	48,300	-17%
Communications	127,700	136,700	7%
General and Property Liability			
Insurance	<u>541,600</u>	<u>814,000</u>	50%
Total	\$12,506,500	\$14,654,100	17%

Process improvements, water supply development, and inflationary pressures are the major factors affecting the General Operating Expense category.

Funding in the Strategic Goal area of *Water Quality and System and Water Supply Reliability* represents the largest area of funding increase for planning initiatives and will allow for projects that include a new groundwater sampling program to support future development of water supplies and maintain existing ground water supplies. In addition, funds to advance cathodic protection of existing pipelines are requested in this category; some of these projects were previously included in the capital investment budget and the cause for a portion of the increase to

Consulting Services, but for organizational purposes the projects will now be included in the operating expense budget.

Chart 7 provides the major planning projects to be completed for this area.

Chart 7 Engineering Planning Projects:	Amount	Note
Groundwater Projects: geochemical and hydrogeology analysis, groundwater models, well maintenance	\$500,000	50% allocated to project that are either underway for in planning
HDR Hydraulic Analysis	53,000	Offset by developer fees
URDS Masterplan	160,000	Transferred from CIP
Loveland trails repair – geotechnical task	50,000	Transferred from CIP
Engineering Design	160,000	Transferred from CIP
Seismic Stability Study for Sweetwater Reservoir Outlet Tower	300,000	Preparation for future critical project
Vernal Pool and Otay Tarplant Conservation Easement and Management Plan	75,000	Project underway
Watershed Modeling	200,000	Protection of Water Resources
Floating Solar Panels Environmental	125,000	In process
Recycled Water Analysis	150,000	Transferred from CIP
Clearwell Study	200,000	Preparation for future critical project

Another project under the Strategic Planning Goal for *System and Water Supply Reliability* is under the vehicle maintenance line item in Chart 6. Funds have been added to the vehicle maintenance budget to add a GPS tracking system for the Authority’s fleet to maintain safety and security of vehicles and employees.

The last increase to discuss is funding needed for the Strategic Goal area of *Administrative Effectiveness*. An increase in the Authority’s liability and property insurance premiums of \$267,500 is the largest portion of this increase. ACWA/JPIA’s significant premium increases continue to be implemented into the budget

Capital Investment

The Capital Investment budget for FY 2024-25 is currently proposed at \$8,928,900 and with an allocation of \$2,050,000 of capacity fees the total rate funded capital expenditures are \$6,828,900. Chart 8 provides a list of the proposed projects. This amount of rate funded capital projects is typical compared to historical amounts. The budget allocations proposed for FY 2024-25 include additional funding for existing on-going projects, single-year projects, and new projects that are expected to extend into the future. The pipeline replacement funding is decreasing to allow for the addition of other projects to the capital budget without overly impacting water rates.

Chart 8: FY 2024-25 Capital Funding Requests	
Capital Contingency	\$250,000
Facilities Maintenance Program	350,000

Chart 8: FY 2024-25 Capital Funding Requests	
Authority-wide Electronic Document/Content Management System (ECMS) and Board Agenda Software	100,000
(continued from previous page)	
Desal Quantum PLC Replacement (SCADA)	208,900
Sodium Hypochlorite Chlorination System	258,000
Raw Water Pump Variable Frequency Drive	300,000
Reverse Osmosis Filter Replacements	192,000
Sodium Hydroxide and Sodium Hypochlorite Tank Replacement	220,000
Bonita Valley Reservoir Residual Control System	600,000
Programmatic Permitting of Property Operations and Maintenance Plan	80,000
Deep Well Anode Bed for 30-inch Second Ave Pipeline Rectifier	105,000
FY 2024-25 Pipeline Replacement Projects	1,900,000
Valve Replacement Program	700,000
Annual Vehicle Replacement Fund	967,000
Street Improvements	650,000
Desal Contact Tank Rehabilitation	460,000
Tank Coating and Structural Rehabilitation of Reservoirs	100,000
Cherry Hills Tanks Lining Replacement and Bonita Valley Reservoir Drain Valve Replacement	466,000
National City Wells Iron and Manganese Removal System	<u>1,022,000</u>
Total	\$8,928,900
Less Capacity Fee Allocation	<u>(2,050,000)</u>
Net Rate Funded Requests for FY25	\$6,878,900

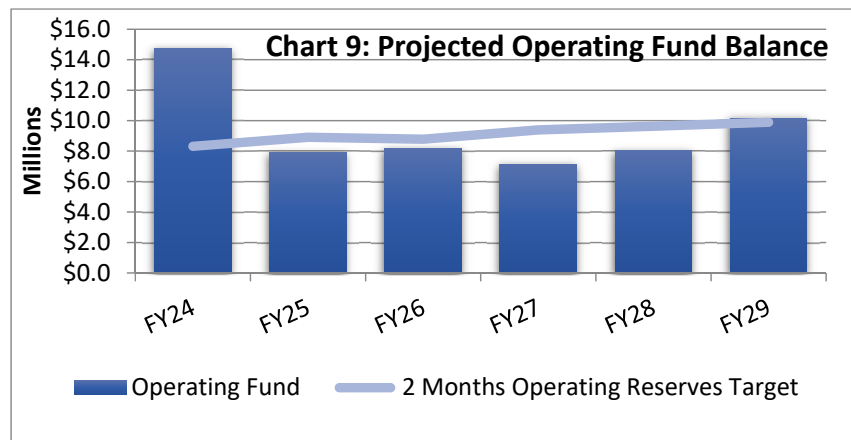
A number of critical capital projects exist that will require significant amount of funding in future years. These projects were including in the FY 2023-24 Budget projections as bond funded projects; however, they have now been removed until a planned funding source is determined. The current rates do not allow for the funding of these projects at this time. Staff will use the next few years to develop plans, confirm costs, and present a funding plan for these projects with the 2026 Water Rate Study. These projects, listed alphabetically, include:

- Intake Tower Upgrades
- New San Diego Formation Well in National City
- Perdue Plant Clearwell Improvements
- Perdue Seismic Upgrades
- Potential PFAS Removal Treatment
- Reservoir Capacity Restoration

- Sweetwater Dam Probable Maximum Flood Project
- Sweetwater Dredging and Aeration Project
- Valve replacement at Loveland Reservoir

Reserves

Operating Expense and Capital Investment Expense are all coordinated to maintain appropriate reserves to allow for continued stable operations of the Authority. The main indicator that staff focuses on for financial stability is to maintain a target Operating Fund reserve balance equal to two months of operating expenses, shown in Chart 9.



As in prior financial plans, the balance in the Operating Fund will go below the target balances to assist in smoothing rate adjustments each year. However, the FY 2024-25 Budget is developed to ensure returning to the target Operating Fund reserve balances at the end of the five-year period. All debt covenant requirements are met with the proposed Draft Financial Plan.

In addition to noting the Operating Fund balance, the RSR fund deserves noting. The RSR reserve is associated with the revenues the Authority collects from the Wholesale Water Purchase charge and offset the Cost of Purchasing water from SDCWA. As more revenue is collected than is spent on water purchases, the excess funds are allocated to the RSR. Alternatively, if the water purchase expense is higher than the revenue collected from the Wholesale Purchase Charge, then the RSR is drawn down. The level of the Wholesale Purchase Charge is set to balance purchase costs with the use of the RSR to achieve an optimal customer bill impact. In FY 2023-24 this charge was set at an amount that provided significant funding to the RSR, leaving an estimated balance on June 30, 2024 of \$15,516,358. In addition, funds will now be withdrawn from the RSR to offset water purchases as approved by the Board with the adoption of the FY 2023-24 Budget. Staff is requesting the previously approved allocation from the RSR be increased by \$900,000 and utilized as follows:

- FY 2023-24 Budget authorized RSR use of \$900,000 for each of FY24, FY25, FY26, FY27, and FY28, for a total of \$4,500,000.
- Staff recommends for cash flow to use \$1,800,000 from the RSR for each of FY25, FY26, and FY27 for a total of \$5,400,000.
- Resulting in an additional \$900,000 more than previously approved.

- The use of the RSR is being requested for a different time frame to help offset the change in water use and capital project funding.
- At the end of the five-year projection, the balance in the RSR is estimated to be \$7M
- Water use decreased in FY24 due to wet/cool weather; if water sales do not return to the prior level in FY25, then additional use of the RSF may be needed.

Three other reserves to note are the Sweetwater Dam PMF Project reserve, the Construction Fund (Carryover) reserve, and the potential Low-Income Assistance Fund reserve. The Sweetwater Dam PMF Project maintains the funds set aside in prior budget years to fund this project. However, this project has been significantly delayed and staff is proposing to utilize the funds instead for the Central Wheeler Tank and National City Wells Iron Manganese Removal System project that will be ready for construction in the near future. This transfer of reserves will allow existing financial capital be put to work sooner. Staff continues to work with the Division of Dam Safety to finalize project requirements for the dam and will request funding for this project in the future and will likely require issuance of debt.

The Construction Fund (Carryover) continues to store unspent capital budget allocations collected in prior fiscal years. The current fund balance is allocated as follows in Chart 10.

Chart 10: Major Projects and Summary of Minor Projects included in the Construction Fund (Carryover) Balance	Prior Carryover Balance	Re-allocation of Existing Funds (pending Board Approval)	Proposed Carryover Balance	Note
Central Wheeler Tank Construction & System Improvements	\$1,826,139	plus \$4,000,000 (from SWA Dam Reserve)	\$5,807,657	In design and construction can commence when fully funded
National City Wells Iron and Manganese Removal System	\$3,610,800	plus 1,020,000 plus 1,530,000 (from Loveland Dam Project and SWA Dam Reserve)	6,160,800	In design and construction can commence when fully funded
Stairway and Valve Replacement at Loveland Dam	\$3,610,800	less 1,020,000 (to the NC Wells Iron Manganese Project)	1,981,959	Stairway portion of the project is passing environmental prior to construction procurement; the valve portion will be unfunded and deferred to a future year.
FY 2022-23 Pipeline Replacement Projects			3,768,746	Under contract and in progress
6 Projects Under Contract (ranging between \$122K and \$750K)			2,215,405	Under contract and in progress
18 Smaller Projects in planning stages (range between \$30K to \$500K)			<u>2,713,546</u>	In planning or procurement stages
Total			\$22,648,113	

The 2023 Water Rate Study established the potential for a Low-Income Assistance Fund reserve via allowing the Authority to allocate cell phone tower lease revenue to non-water rate services. Approximately \$250,000 is available from these FY 2024-25 lease payments to begin the fund, and there is a potential for \$500,000 annual contributions in the future. The details for a potential low-income assistance program plan and a discussion of Board direction will occur at the May 22, 2024 Board Meeting.

Five-year Financial Projection

The Five-year Financial Projection incorporates the revenues and expenditures summarized in the previous sections for the current proposed FY 2024-25 Budget, then projects these same items for four additional years. The projection is used to estimate smooth and appropriate rate adjustments to fund operations for the five-year period.

The following items are of note for the Five-year Financial Projection:

- The Operating Fund reserve target balance is being maintained similar to prior financial plans at a reduced level and will return to target levels within the five-year period.
- Local surface water supplies for the next four years will rely on actual volume in the Loveland and Sweetwater reservoirs.
- SDCWA rates are expected to increase by up to 20 percent for FY 2024-25 and the Authority expects future years of similar increases.
- CalPERS Unfunded Liability is projected to increase for the span of the Five-year Financial Projection.
- General inflation is set at 1 percent, and staff will balance higher inflation increases by adjusting other general costs.

Sweetwater Authority
Fiscal Year 2024-25 Five-year Financial Projection

	Est. Actual FY 2023-24	Budget FY 2024-25	Projection FY 2025-26	Projection FY 2026-27	Projection FY 2027-28	Projection FY 2028-29
Water Sales Revenue	43,274,804	46,458,100	51,707,880	54,293,300	57,008,000	59,858,400
Wholesale Water Revenue	4,918,000	3,674,600	2,022,000	2,262,000	2,397,000	5,267,000
SDCWA Pass-through Revenue	3,402,100	3,780,100	3,708,000	3,903,000	4,079,000	4,324,000
Capacity Fees	2,050,000	1,000,000	500,000	500,000	500,000	500,000
Other Revenue	3,387,000	3,312,800	3,312,800	3,312,800	3,312,800	3,312,800
Total Revenue	57,031,904	58,225,600	61,250,680	64,271,100	67,296,800	73,262,200
SDCWA Water Purchases	1,657,200	2,077,300	2,022,000	2,262,000	2,397,000	5,267,000
SDCWA Fixed Charges	3,402,100	3,964,500	3,708,000	3,903,000	4,079,000	4,324,000
Power, Chemicals & Fuel	6,263,800	6,529,700	6,660,000	6,793,000	6,929,000	7,068,000
Salaries - Total	15,409,500	16,152,500	16,637,000	17,136,000	17,650,000	18,180,000
Transfers to Capital Projects	(457,000)	(354,100)	(358,000)	(362,000)	(366,000)	(370,000)
Salaries - Operating Expense	14,952,500	15,798,400	16,279,000	16,774,000	17,284,000	17,810,000
Benefits - CalPERS	5,894,000	6,130,300	6,426,000	6,731,000	6,985,000	7,479,000
Benefits-Health,Dental,Vision,Life	3,703,500	4,069,800	4,192,000	4,318,000	4,448,000	4,581,000
Other Employee Related	3,042,500	3,200,800	3,233,000	3,265,000	3,298,000	3,331,000
Transfer Overhead to Capital	(679,000)	(883,900)	(890,500)	(895,900)	(901,400)	(906,900)
General Operating Expense	10,521,200	14,654,100	12,828,000	12,956,000	13,086,000	13,217,000
Total Operating Expense	48,757,800	55,541,000	54,457,500	56,106,100	57,604,600	62,170,100
Total Debt Payment	1,342,700	1,345,900	1,347,700	1,342,900	1,346,900	1,344,200
Operating Surplus Before Capital Investment	6,931,404	1,338,700	5,445,480	6,822,100	8,345,300	9,747,900
Capital Investment	7,386,986	8,928,900	8,949,900	11,180,200	6,963,000	7,107,000
Less Reserves Funds - Dam	(109,952)	-	-	-	-	-
Less Reserves Funds - NC Wells	(155,442)	-	-	-	-	-
Less Vehicle Replacement Fund	(928,000)	-	-	-	-	-
Less Reserves Funds - Desal Reim.	-	-	(2,000,000)	(2,000,000)		
Less Prior Year Capacity Fees	(5,243,359)	(2,050,000)	(1,000,000)	(500,000)	(500,000)	(500,000)
Less Transfers from the Dam Reserve to active Projects	(5,530,000)					
Net Capital Investment (PAYGO)	(4,579,767)	6,878,900	5,949,900	8,680,200	6,463,000	6,607,000
Begin Balance Operating Fund	8,794,201	14,744,572	7,907,072	8,202,652	7,144,552	8,026,852
Net Operating Surplus / (Deficit) After Debt and Capital	11,511,171	(5,540,200)	(504,420)	(1,858,100)	1,882,300	3,140,900
Construction Fund (Capacity Fee)	(2,050,000)	(1,000,000)	(500,000)	(500,000)	(500,000)	(500,000)
Low Income Assistance Fund	(250,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Rate Stabilization Fund transfer	(3,260,800)	202,700	1,800,000	1,800,000	-	-
End Balance Operating Fund (a)	14,744,572	7,907,072	8,202,652	7,144,552	8,026,852	10,167,752
Operating Fund (Target 100%)	181%	85%	90%	76%	84%	98%
Debt Coverage of 1.25	6.16	1.99	5.04	6.08	7.20	8.25
SWA Water Revenue Increase	1.5%	6.0%	6.0%	5.0%	5.00%	5.00%

Sweetwater Authority
Fiscal Year 2024-25 Five-year Financial Projection

Reserve Balances as of June 30:

Board Designated Reserves	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Vista del Lago	182,200	182,200	182,200	182,200	182,200	182,200
Low Income Assistance Fund (Pending Board Approval)	250,000	500,000	500,000	500,000	500,000	500,000
Vehicle Replacement Fund	1,787,153	250,000	250,000	250,000	250,000	250,000
Sweetwater River Watershed Land	99,278	99,278	99,278	99,278	99,278	99,278
Sweetwater Dam PMF Project	1,261,306	1,261,306	1,261,306	1,261,306	1,261,306	1,261,306
National City Wells Water Quality Improvement Project	1,386,755	-	-	-	-	-
Rate Stabilization Reserve	15,516,358	15,313,658	11,513,658	7,713,658	7,713,658	7,713,658
Construction Fund (Carryover)	22,634,913	-	-	-	-	-
Construction Fund (Capacity Fee)	2,050,000	1,000,000	500,000	500,000	500,000	500,000
Operating Fund	14,744,572	7,907,072	8,202,652	7,144,552	8,026,852	10,167,752
Total General Fund	59,912,535	26,513,514	22,509,094	17,650,994	18,533,294	20,674,194

Assumptions	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Total Water Supply (AF):	<u>16,980</u>	<u>17,100</u>	<u>17,400</u>	<u>17,500</u>	<u>17,600</u>	<u>17,700</u>
National City Wells (AF)	1,900	1,000	1,000	1,900	1,900	1,900
Reynold Desal Plant (AF)	6,500	5,000	5,000	6,750	6,850	7,000
Sweetwater Reservoir (AF)	5,847	9,800	10,100	7,500	7,500	6,000
Purchased Raw Water (AF)	2,633	1,300	1,300	1,300	1,300	2,700
Purchased Treated Water (AF)	100	0	0	50	50	100
SDCWA Average Raw Water Rate \$/AF		\$1,389	\$1,556	\$1,665	\$1,764	\$1,870
SDCWA Raw Water Rate Increase		20.0%	12%	7%	6%	6%
SDCWA/MWD Fixed Charges Increase		7.5%	9.0%	5.3%	4.5%	6.0%
SDCWA/MWD Fixed Charges		\$3,402,100	\$3,708,000	\$3,903,000	\$4,079,000	\$4,324,000
Power, Chemicals & Fuel Increase		Budget	2%	2%	2%	2%
Salary Increases-Exempt Employee MOU (b)		6%	3%	3%	3%	3%
Salary Increases-SAEC (CPI-W estimate) (b)		3.6%	3.6%	3.6%	3.6%	3.6%
CalPERS Employer Contribution Rate		10.750%	10.4%	10.1%	9.9%	9.6%
CalPERS Employer UAL Payment		\$4,560,918	\$4,696,000	\$5,000,000	\$5,238,000	\$5,734,000
Employee Health Insurance Premium Increase		Budget	3%	3%	3%	3%
General Operating Expenses Increase		Budget	1%	1%	1%	1%

(a) Operating Fund Target is set at an amount equal to two months of operating expenses.

(b) SAEC group labor agreement is on-going; current and future year projected increases are based on the March 2024 CPI-W inflation rate of 3.6 percent; all other employee group labor agreements have been finalized through June 30, 2027 and salary increases are known; future year projected increases are for planning purposes only and do not constitute an official commitment.

Sweetwater Authority
Fiscal Year 2024-25
Five-year Capital Investment Projection

	Prior Year Budget Allocations	FY 2024-25 Budget Allocation	Projections				Total Project Budget
			FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	
General	675,000	700,000	3,650,000	3,600,000	600,000	600,000	9,825,000
Water Quality							
General	365,000	208,900	489,300	346,500	-	-	1,409,700
Treatment Facilities	138,000	970,000	2,251,000	388,000	-	-	3,747,000
System Operations	52,600	600,000	100,000	-	-	-	752,600
Total Water Quality	555,600	1,778,900	2,840,300	734,500	-	-	5,909,300
Engineering and Operations							
General	1,159,900	185,000	250,000	250,000	100,000	-	1,944,900
Habitat	272,100	-	-	-	-	-	272,100
Local Water Enhancement	1,292,000	-	-	2,050,000	-	-	3,342,000
Operations	-	1,667,000	1,349,600	1,343,800	1,347,000	1,347,000	7,054,400
Pipelines	4,690,800	1,900,000	-	2,451,900	4,166,000	4,410,000	17,618,700
Street Improvement	43,600	650,000	250,000	250,000	250,000	250,000	1,693,600
Tanks	7,719,000	1,026,000	610,000	500,000	500,000	500,000	10,855,000
Treatment Facilities	7,186,800	1,022,000	-	-	-	-	8,208,800
Dams Improvements	2,165,000	-	-	-	-	-	2,165,000
Total Engineering and Operations	24,529,200	6,450,000	2,459,600	6,845,700	6,363,000	6,507,000	53,154,500
Total Capital Investments	25,759,800	8,928,900	8,949,900	11,180,200	6,963,000	7,107,000	68,888,800
Less RSR funds for Desal Reimb.	-	-	(2,000,000)	(2,000,000)	-	-	(4,000,000)
Less Capacity Fee Funding	-	(2,050,000)	(1,000,000)	(500,000)	(500,000)	(500,000)	(4,550,000)
Total PAYGO Budget Allocations	25,759,800	6,878,900	5,949,900	8,680,200	6,463,000	6,607,000	60,338,800

Sweetwater Authority
Fiscal Year 2024-25
Five-year Capital Investment Projection

General	Prior Year Budget Allocations	FY 2024-25 Budget Allocation	Projections				Total Project Budget
			FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	
Capital Contingency		250,000	250,000	250,000	250,000	250,000	1,250,000
City of San Diego Reynolds Desal Reimbursement			3,000,000	3,000,000			6,000,000
Facilities Master Plan (20241002)	350,000	350,000	350,000	350,000	350,000	350,000	2,100,000
Aesthetic Enhancements to Various Well Facilities (20211002)	125,000						125,000
Board Room Technology Upgrade (20236002)	150,000						150,000
Authority-wide Electronic Document/Content Management System (ECMS) and Board Agenda Software (20226001)	50,000	100,000	50,000	-			200,000
Total General	675,000	700,000	3,650,000	3,600,000	600,000	600,000	9,825,000

Sweetwater Authority
Fiscal Year 2024-25
Five-year Capital Investment Projection

Water Quality	Prior Year	FY 2024-25	Projections				Total Project Budget
	Budget Allocations	Budget Allocation	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	
General							
Laboratory Information Management System (20238001)	90,000						90,000
Laboratory Instrument Replacement (20248001)	275,000						275,000
Lead & Copper Service Line Inventory	645,000						
Less SRF Grant Funding	(645,000)						
Net project amount	-						-
Desal Programmable Logic Controller Replacement (20258001)		208,900	489,300				698,200
URDS Evolution (SCADA)				346,500			346,500
Total General	365,000	208,900	489,300	346,500	-	-	1,409,700
Perdue Plant							
Raw Water Pump Variable Frequency Drive (20248004)	138,000	300,000					438,000
Sodium Hypochlorite Chlorination System (20258002)		258,000	1,575,000				1,833,000
Liquid Ammonium Sulfate Conversion			500,000				500,000
Total Perdue Plant	138,000	558,000	2,075,000	-	-	-	2,771,000
Desal Facility							
Reverse Osmosis Filter Replacements (20258003)		192,000	176,000	388,000			756,000
Sodium Hydroxide and Sodium Hypochlorite Tank Replacement (20258004)		220,000					220,000
Total Desal Facility	-	412,000	176,000	388,000	-	-	976,000
System Operations							
SDF Well pump control valve modification (20248008)	52,600						52,600
Bonita Valley Reservoir Residual Control System (20258005)		600,000					600,000
Demolish and Abandon Alluvial Wells			100,000				100,000
Total System Operations	52,600	600,000	100,000	-	-	-	752,600
Total Water Quality	555,600	1,778,900	2,840,300	734,500	-	-	5,909,300

Sweetwater Authority
Fiscal Year 2024-25
Five-year Capital Investment Projection

Engineering and Operations	Prior Year Budget Allocations	FY 2024-25 Budget Allocation	Projections				Total Project Budget
			FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	
General							
URDS Facility Maintenance and Repairs (20204013)	517,300						517,300
Programmatic Permitting of Property O&M Plan (20214019)	812,600						
California Department of Fish and Wildlife Grant	(275,000)						
Net project amount	537,600	80,000	250,000	250,000	100,000		1,217,600
New Steel Fire Tank at Loveland Reservoir (20224002)	105,000						105,000
Loveland Reservoir Trails Master (20254001)		750,000					
CA State funding allocation		(750,000)					
Net project amount		-					-
Deep Well Anode Bed for 30-inch Second Avenue Pipeline Rectifier (20254002)		105,000					105,000
Total General	1,159,900	185,000	250,000	250,000	100,000	-	1,944,900
Habitat							
Sweetwater Wetlands Habitat Recovery Project (HRP)	1,467,800						
Grant and Prior Year PAYGO Funding for HRP	(1,345,700)						
Net project amount	122,100						122,100
Hazardous Tree Removal - Defensible Space (20248005)	150,000						150,000
Total Habitat	272,100	-	-	-	-	-	272,100

Sweetwater Authority
Fiscal Year 2024-25
Five-year Capital Investment Projection

Engineering and Operations	Prior Year Budget Allocations	FY 2024-25 Budget Allocation	Projections				Total Project Budget
			FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	
Local Water Enhancement							
Reservoir Capacity Restoration (20224003)	660,000			-	-	-	660,000
New San Diego Formation Well in National City (20234001)	600,000						
Grant Funding - Allocated from HRP Project	(600,000)						
Net project amount	-			150,000	-	-	150,000
Sweetwater Reservoir Aeration/Destratification System (20228002)	2,532,000						
Transfer budget to FY24 and from FY27 Pipeline Projects	(1,900,000)						
Net project amount	632,000			1,900,000	-		2,532,000
Total Local Water Enhancement	1,292,000	-	-	2,050,000	-	-	3,342,000
Operations							
Annual Vehicle Replacement Fund (20225005)		967,000	949,600	943,800	947,000	947,000	4,754,400
Valve Replacement Program (20254003)		700,000	400,000	400,000	400,000	400,000	2,300,000
Total Operations	-	1,667,000	1,349,600	1,343,800	1,347,000	1,347,000	7,054,400
Pipelines							
FY 2022-23 Pipeline Replacement Projects (20234003)	3,825,800						3,825,800
16-inch PVC Pipeline in San Miguel Road (20244011)	865,000						865,000
FY 2024-25 Pipeline Replacement Projects (20254004)		1,900,000					1,900,000
Projected Pipeline Replacements			deferred	2,451,900	4,166,000	4,410,000	11,027,900
Total Pipelines	4,690,800	1,900,000	-	2,451,900	4,166,000	4,410,000	17,618,700
Street Improvement	43,600	650,000	250,000	250,000	250,000	250,000	1,693,600
Total Street Improvement	43,600	650,000	250,000	250,000	250,000	250,000	1,693,600

Sweetwater Authority
Fiscal Year 2024-25
Five-year Capital Investment Projection

Engineering and Operations	Prior Year Budget Allocations	FY 2024-25 Budget Allocation	Projections				Total Project Budget
			FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	
Tanks							
Central-Wheeler Tank Construction and System Improvements (20014016)	2,416,000						
Transfer Budget from Sweetwater Dam Improvements	4,000,000						
Net project amount	6,416,000						6,416,000
Desal Facility Chlorine Contact Tank Rehabilitation (2024400)	202,100	460,000					662,100
Bonita Valley Reservoir Control Building Roof Repair (20194018)	150,000						150,000
Cathodic Protection at up to Four Steel Storage Tanks (20214008)	450,000						450,000
Cherry Hills Tanks Lining and Bonita Valley Reservoir Drain Valve Replacement (20224010)	500,900	466,000					966,900
Tank Coating and Structural Rehabilitation of Reservoirs (20254008)		100,000	500,000	500,000	500,000	500,000	2,100,000
NC Wells Rehabilitation			110,000				110,000
Total Tanks	7,719,000	1,026,000	610,000	500,000	500,000	500,000	10,855,000
Treatment Facilities							
Perdue Plant Clearwell Effluent Meter Replacement (20224011)	1,026,000						1,026,000
National City Wells Iron and Manganese Removal System (20218003)	5,610,800						
National City Wells Water Quality Improvement Project Reserve	(2,000,000)						
Transfer Budget from Valve Replacement at Loveland Dam	1,020,000						
Transfer Budget from Sweetwater Dam Improvements	1,530,000						
Net project amount	6,160,800	1,022,000					7,182,800
Total Treatment Facilities	7,186,800	1,022,000	-	-	-	-	8,208,800

Sweetwater Authority
Fiscal Year 2024-25
Five-year Capital Investment Projection

Engineering and Operations	Prior Year Budget Allocations	FY 2024-25 Budget Allocation	Projections				Total Project Budget
			FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	
Dams Improvements							
Stairway Replacement and Valve Replacement Plan at Loveland Dam (20214011)	3,185,000						
Reduce project budget to transfer funds to National City Wells Iron and Manganese Removal System	<u>(1,020,000)</u>						
Net project amount	2,165,000						2,165,000
Sweetwater Dam and South Dike Improvements (20114012)	8,275,000						
Reduce project budget to transfer funds to Central Wheeler Tank Project	<u>(4,000,000)</u>						
Reduce project budget to transfer funds to National City Wells Iron and Manganese Removal System	<u>(1,530,000)</u>						
Net project amount	2,745,000						
Less Sweetwater Dam PMF Project Reserve Funding	<u>(8,275,000)</u>						
Transfer to Capital Carryover Reserve for the Central Wheeler Tank Project	4,000,000						
Transfer to Capital Carryover Reserve for National City Wells Iron and Manganese Removal System Project	<u>1,530,000</u>						
Net Reserve Funding	<u>(2,745,000)</u>						
Net Project amount after reserve funding	-						-
Total Dams	2,165,000	-	-	-	-	-	2,165,000
Total Engineering	24,529,200	6,450,000	2,459,600	6,845,700	6,363,000	6,507,000	53,154,500

Sweetwater Authority
Fiscal Year 2024-25
Operating Budget

	FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
Water Sales Rate Revenue	53,085,400	53,912,800	827,400	1.6%
Other Revenue	4,787,000	4,312,800	(474,200)	-9.9%
Revenues	57,872,400	58,225,600	353,200	0.6%
Administration and General	17,121,200	17,666,100	544,900	3.2%
Information Systems	2,128,000	2,250,400	122,400	5.8%
Administrative Services	2,521,600	2,935,000	413,400	16.4%
Customer Service	2,853,800	2,848,100	(5,700)	-0.2%
Water Quality	11,283,600	11,907,000	623,400	5.5%
Engineering	11,949,300	12,554,500	605,200	5.1%
Operations	4,900,300	5,379,900	479,600	9.8%
Operating Expenses	52,757,800	55,541,000	2,783,200	5.3%
Operating Surplus	5,114,600	2,684,600	(2,430,000)	-47.5%
Debt Service	1,342,700	1,345,900	3,200	0.2%
Debt Service Coverage Ratio	3.81	2.00		
Available for Capital and Reserves	3,771,900	1,338,700		
SDCWA Wholesale Purchased Water	3,657,200	2,077,300	(1,579,900)	-43.2%
SDCWA Wholesale Fixed Charges	3,402,100	3,964,500	562,400	16.5%
Water Purchase	7,059,300	6,041,800	(1,017,500)	-14.4%
Power	4,154,300	3,952,000	(202,300)	-4.9%
Chemicals	1,853,000	2,315,500	462,500	25.0%
Fuel	256,500	262,200	5,700	2.2%
Power, Chemicals and Fuel	6,263,800	6,529,700	265,900	4.2%
Administration	2,574,500	2,744,900	170,400	6.6%
Information Systems	974,200	1,020,800	46,600	4.8%
Administrative Services	872,100	943,400	71,300	8.2%
Customer Service	1,890,400	1,913,800	23,400	1.2%
Water Quality	2,994,100	3,050,100	56,000	1.9%
Engineering	2,860,600	3,298,800	438,200	15.3%
Distribution	3,243,600	3,180,700	(62,900)	-1.9%
Salaries Before Transfers	15,409,500	16,152,500	743,000	4.8%
Transfers to Capital and Private Projects	(457,000)	(354,100)	102,900	
Salaries	14,952,500	15,798,400	845,900	5.7%
CalPERS	5,894,000	6,130,300	236,300	4.0%
Payroll Taxes	1,143,800	1,208,900	65,100	5.7%
PARS 401A	695,400	727,000	31,600	4.5%
Workers' Compensation Insurance	675,000	693,000	18,000	2.7%
Retiree Health and Other Benefits	528,300	571,900	43,600	8.3%
Health, Vision, Dental and Life Insurance	3,718,200	4,069,800	351,600	9.5%
Benefits Before Transfers	12,654,700	13,400,900	746,200	5.9%
Transfers to Capital and Private Projects	(679,000)	(883,900)	(204,900)	
Benefits	11,975,700	12,517,000	541,300	4.5%
General Operating Expenses	12,506,500	14,654,100	2,147,600	17.2%
Operating Expenses	52,757,800	55,541,000	2,783,200	5.3%

Sweetwater Authority
Fiscal Year 2024-25
Capital Investment Summary

	Prior Year Budget Allocations		FY 2024-25 Budget Allocation
	Budget	Expenditures	Requested
General	675,000	(263,259)	700,000
Water Quality	555,600	(85,709)	1,778,900
Engineering and Operations	24,529,200	(2,762,719)	6,450,000
Capital Investment	25,759,800	(3,111,687)	8,928,900
<u>Available for Capital Investments</u>			
Reserve Funding			-
Capacity Fee Funding			(2,050,000)
Rate Funded Capital Expenditures			(6,878,900)
Total Available for Capital Investments			(8,928,900)
FY 2024-25 Balanced Budget			-

Sweetwater Authority
Fiscal Year 2024-25
Reserve Budget

	Budgeted FY 2023-24 Reserves June 30, 2024	Reserve Adjustment Increase (Decrease)	Projected FY 2023-24 Reserves June 30, 2024	FY 2024-25 Transfer (From) To Reserves	Budgeted FY 2024-25 Reserves June 30, 2025
Board Designated Reserves					
Vista del Lago	182,200	0	182,200	0	182,200
Low-income Assistance Fund (TBD)	0	250,000	250,000	250,000	500,000
Vehicle Replacement	250,000	1,537,153	1,787,153	(1,537,153)	250,000
Sweetwater River Basin Land	99,278	0	99,278	0	99,278
Sweetwater Dam PMF Project	7,070,054	(5,808,748)	1,261,306	0	1,261,306
National City Wells Water Quality Improvement Project	0	1,386,755	1,386,755	(1,386,755)	0
Rate Stabilization Reserve	11,920,698	3,595,660	15,516,358	(202,700)	15,313,658
Construction Fund (Carryover)	0	22,634,913	22,634,913	(22,634,913)	0
Construction Fund (Capacity Fee)	2,000,000	50,000	2,050,000	(1,050,000)	1,000,000
Operating Fund	5,518,963	9,225,609	14,744,572	(6,714,300)	8,030,272
Total Reserves	27,041,193	32,871,342	59,912,535	(33,275,821)	26,636,714
Recap of Reserve Transfer:					
New Allocation of Cell Tower Lease Revenue	Low-income Assistance Fund (TBD)				250,000
Use of and deallocation of unused portion of current year Cell Tower Lease Revenue	Low-income Assistance Fund (TBD)				(500,000)
Use of Reserves for Capital Investment Projects	Vehicle Replacement				(1,537,153)
Use of Reserves for Capital Investment Projects	NC Wells Water Quality Improvement Project				(1,386,755)
Supplement for the Wholesale Water Purchase Charge	Rate Stabilization Reserve				(202,700)
Offset Operating Costs that include Water Purchases	Rate Stabilization Reserve				1,800,000
Prior Year Allocated Project Expenditures	Construction Fund (Carryover)				(22,634,913)
Use of Capacity Fees for Capital Investment Projects	Construction Fund (Capacity Fee)				(2,050,000)
Funding to Capacity Fee Fund	Construction Fund (Capacity Fee)				1,000,000
Allocation of Capacity Fee funds to reserves	Operating Fund				(1,000,000)
Allocation Wholesale Water Purchase Charge Funds	Operating Fund				(1,597,300)
Use of Operating Funds for Capital Investments	Operating Fund				(5,417,000)
					(33,275,821)

**Sweetwater Authority
Fiscal Year 2024-25
Operating Budget Summary**

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Revenue		
Water Sales	53,912,800	25
Other Revenue	4,312,800	25
Total Administration	\$ 58,225,600	
Administration		
General	2,908,200	26
Governing Board	278,000	26
Public Affairs	745,500	27
Water Efficiency	208,700	27
Accounting and Purchasing	1,131,400	27
Employee Related Expenses	12,394,300	28
Total Administration	\$ 17,666,100	
Information Systems	\$ 2,250,400	29
Administrative Services		
Human Resources	456,800	30
Safety	1,076,200	30
Training	450,700	31
Security	951,300	31
Total Administrative Services	\$ 2,935,000	
Customer Service	\$ 2,848,100	32
Water Quality		
General Plant	1,453,900	33
Urban Runoff Diversion System	56,100	33
Desalination Plant	3,405,400	34
Perdue Plant	5,325,700	34
National City Wells	423,400	35
System Operations	1,242,500	35
Total Water Quality	\$ 11,907,000	
Engineering		
General Engineering	4,984,400	36
Sweetwater Reservoir	77,500	37
Loveland Reservoir	91,500	37
Reservoir and Dams	1,010,400	37
Watershed	348,900	37
Water Resources	6,041,800	38
Total Engineering	\$ 12,554,500	
Operations	\$ 5,379,900	39
Operating Expenses	\$ 55,541,000	

Sweetwater Authority
Fiscal Year 2024-25
Revenue Budget

Revenue		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2024-25 Budget vs. FY 2023-24 Proposed	
4110	Residential	20,321,200	21,638,600	1,317,400	6.5%
4120	Commercial	10,873,800	9,541,500 (1)	(1,332,300)	-12.3%
4130	Industrial	59,500	64,100	4,600	7.7%
4180	Irrigation	-	3,408,200 (1)	3,408,200	
4140	Miscellaneous	263,700	232,600 (1)	(31,100)	-11.8%
4160	Multi-Family	17,700,200	16,982,400 (1)	(717,800)	-4.1%
4170	Public Authorities	3,867,000	2,045,400 (1)	(1,821,600)	-47.1%
	Water Sales Rate Revenue	53,085,400	53,912,800 (2)	827,400	1.6%
4150	Private Fire Protection Fees	921,000	948,600	27,600	3.0%
4211	Reconnection Fees	336,000	350,000	14,000	4.2%
4221	Capacity Fees	2,000,000	1,000,000 (3)	(1,000,000)	-50.0%
4233	Repair Revenue	30,000	30,000	-	0.0%
4235	Tank/Tower Lease	550,000	550,000 (4)	-	0.0%
4239	Miscellaneous Fees	19,000	27,500	8,500	44.7%
4242	Sweetwater Reservoir Fishing Program	25,000	18,000	(7,000)	-28.0%
4920	Non-operating/Interest	625,000	1,183,700 (5)	558,700	89.4%
4990	Non-operating/Other	281,000	205,000 (6)	(76,000)	-27.0%
	Other Revenue	4,787,000	4,312,800	(474,200)	-9.9%
	Revenue	57,872,400	58,225,600	353,200	0.6%

- (1) The 2023 Water Rate Study established a customer class for irrigation meters, these meters were previously accounted for in other customer classes and are now aggregated in the Irrigation class.
- (2) The Authority's 2023 Water Rate Study established water rates for FY 2024-25, final rates are pending budget approval, if a lower rate is to be implemented.
- (3) Staff expects Capacity Fee collection to be lower than the previous year due to decrease in new development projects being submitted.
- (4) The cell tower lease revenue was delineated from water rate related revenue in the 2023 Water Rate Study and is proposed for allocation to a Low-income Assistance Fund; the allocation and associated Low-income Customer Assistance Program is pending Board approval.
- (5) Increase based on prior year experience.
- (6) A prior year claims reduction reimbursement from the Authority's workers compensation and liability insurance provider, ACWA/JPIA, is not expected for the fiscal year.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Administration		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5610	Salaries	1,362,500	1,468,300	105,800	7.8%
5621	Office Supplies	14,600	17,500	2,900	19.9%
5622	Travel and Meetings	14,200	17,900	3,700	26.1%
5623	Subscriptions and Publications	2,000	2,600	600	30.0%
5624	Dues and Memberships	71,900	75,400 (1)	3,500	4.9%
5625	Postage	12,000	6,500	(5,500)	-45.8%
5628	Delivery Services	13,700	13,700	-	0.0%
5631	General Legal	360,000	380,000 (2)	20,000	5.6%
5635	Communications	108,800	111,800	3,000	2.8%
5636	Utilities	65,100	69,100	4,000	6.1%
5650	Consulting Services	584,500	431,000 (3)	(153,500)	-26.3%
5650	Inter-agency Support - SBID	30,000	30,000 (4)	-	0.0%
5660	Rents and Leases	67,500	67,500	-	0.0%
5676	Equipment Maintenance	19,000	16,900	(2,100)	-11.1%
5999	Expense Contingency	200,000	200,000	-	0.0%
	General (10-10-100)	2,925,800	2,908,200	(17,600)	-0.6%
5610	Per Diems	100,800	100,800	-	0.0%
5622	Travel and Meetings	43,500	54,500	11,000	25.3%
5644	Health, Vision, Dental and Life Ins.	108,000	122,700	14,700	13.6%
	Governing Board (10-10-110)	252,300	278,000	25,700	10.2%

(1) The list of Authority memberships are as follows (employee membership are not listed):

Association of California Water Agencies	\$32,000
California Municipal Utility Association.....	\$6,600
CalDesal.....	\$1,000
California Special Districts Association.....	\$2,000
Chamber of Commerce (Chula Vista / National City)....	\$350 / \$500
National Groundwater Association	\$500
SD Procurement Technical Assistance Program (APEX)	\$2,000
South County Economic Development Council.....	\$385
Urban Water Institute.....	\$1,500
Water Education Foundation.....	\$6,500
Water Reuse Association.....	\$9,500

(2) Base on prior year experience and fees.

(3) Costs include: Federal lobby \$30,000; State lobby \$36,000; strategic operating consultant \$35,000; grant writing \$75,000; legislative advisory \$75,000; direct access negotiations \$10,000; groundwater resources \$100,000; Sweetwater Reservoir Master Plan \$30,000; as needed \$40,000.

(4) South Bay Irrigation District funding per 2018 agreement.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Administration		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5610	Salaries	398,100	420,900	22,800	5.7%
5620	Programs	240,900	202,700 (1)	(38,200)	-15.9%
5622	Travel and Meetings	6,500	13,500 (2)	7,000	107.7%
5624	Dues and Memberships	1,600	900	(700)	-43.8%
5626	Publications	149,500	107,500 (3)	(42,000)	-28.1%
	Public Affairs (10-10-120)	796,600	745,500	(51,100)	-6.4%
5610	Salaries	90,800	96,900	6,100	6.7%
5622	Travel and Meetings	9,400	8,000	(1,400)	-14.9%
5624	Dues and Memberships	2,500	3,000	500	20.0%
5626	Printing	7,000	7,000	-	0.0%
5638	Public Info. and Conservation Garden	58,300	48,300 (4)	(10,000)	-17.2%
5640	Conservation Incentives	43,000	45,500	2,500	5.8%
5662	Small Tools and Equipment	200	-	(200)	-100.0%
	Water Efficiency (10-30-350)	211,200	208,700	(2,500)	-1.2%
5520	Uncollectible Accounts	-	-	-	
5610	Salaries	723,100	758,800	35,700	4.9%
5621	Office Supplies	3,600	3,300	(300)	-8.3%
5622	Travel and Meetings	2,600	3,000	400	15.4%
5633	Auditing	42,000	42,000	-	0.0%
5720	Taxes	12,800	12,800	-	0.0%
5940	Bank and Financial Fees	298,200	311,500	13,300	4.5%
	Accounting and Purchasing (10-10-125)	1,082,300	1,131,400	49,100	4.5%
<p>(1) Prior year included the Bonita Museum audio visual display content project.</p> <p>(2) Increase travel costs for legislative meetings.</p> <p>(3) Prior year included costs to mail a 218 Notice for the 2023 Water Rate Study and other rate related public outreach tasks.</p> <p>(4) Includes annual contribution to The Water Conservation Garden; the FY 2024-25 contribution is required; and commitment for the FY 2025-26 contribution still under review by the Board.</p>					

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Administration		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5637	Workers' Compensation Insurance	675,000	693,000 (1)	18,000	2.7%
5641	CalPERS Employer	5,894,000	6,130,300 (2)	236,300	4.0%
5642	Payroll Taxes	1,143,800	1,208,900 (3)	65,100	5.7%
5643	PARS 401A	695,400	727,000 (3)	31,600	4.5%
5644	Health, Vision, Dental and Life Ins.	3,595,500	3,947,100 (4)	351,600	9.8%
5645	Retiree Health and Other Benefits	402,100	434,900 (5)	32,800	8.2%
5646	Taxable Fringe Benefits	126,200	137,000 (5)	10,800	8.6%
5740	Expense Credits	(679,000)	(883,900) (6)	(204,900)	30.2%
	Employee Related (10-10-130)	11,853,000	12,394,300	541,300	4.6%
	Administration	17,121,200	17,666,100	544,900	3.2%

- (1) Increase due to higher insurance premium rates.
- (2) Increase due to higher salaries used to calculate regular pension contributions; the required contribution to CalPERS for FY 2024-25 is 10.75% of salary totaling \$1,705,000 for normal contributions, as compared to the FY 2023-24 rate of 11.39% and \$1,682,000; and a fixed payment amount for FY 2024-25 of \$4,413,332 is budgeted to pay down the Authority's unfunded liability, as compared to the FY 2023-24 payment of \$4,200,000.
- (3) Increase is associated with any salary changes.
- (4) Increase in medical insurance premiums.
- (5) Increase in additional retirements and cost of accelerated educational tuition program.
- (6) Based on prior year experience and a decrease in fringe benefits charged to capital projects.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Information Systems		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5610	Salaries	974,200	1,020,800	46,600	4.8%
5621	Office Supplies	2,100	1,900	(200)	-9.5%
5622	Travel and Meetings	15,700	16,400	700	4.5%
5623	Subscriptions and Publications	1,800	1,800	-	0.0%
5624	Dues and Memberships	1,700	1,600	(100)	-5.9%
5626	Printing	500	-	(500)	-100.0%
5635	Communications	18,900	19,700	800	4.2%
5650	Consulting Services	131,500	89,000 (1)	(42,500)	-32.3%
5676	IS Equipment Company-wide	981,600	1,099,200 (2)	117,600	12.0%
	Information Systems (10-60-600)	2,128,000	2,250,400	122,400	5.8%

- (1) Prior year included additional funds for Geographical Information Systems technology consulting to assist staff to upgrade and enhance current systems.
- (2) Increase cost in software renewals and Authority-wide desktop computer replacements.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Administrative Services		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5610	Salaries	362,600	361,000 ⁽¹⁾	(1,600)	-0.4%
5621	Office Supplies	1,200	2,100	900	75.0%
5622	Travel and Meetings	8,900	9,200	300	3.4%
5624	Dues and Memberships	600	1,700	1,100	183.3%
5629	Regulatory and Contractual	40,700	45,000	4,300	10.6%
5647	Wellness	10,500	36,800 ⁽²⁾	26,300	250.5%
5676	Office Equipment Maintenance	1,000	1,000	-	0.0%
	Human Resources (10-30-310)	425,500	456,800	31,300	7.4%
5414	Safety Incentive Program	13,500	13,500	-	0.0%
5610	Salaries	137,700	145,900	8,200	6.0%
5621	Office Supplies	600	600	-	0.0%
5622	Travel and Meetings	8,600	8,000	(600)	-7.0%
5624	Dues and Memberships	800	800	-	0.0%
5626	Printing	300	300	-	0.0%
5630	General and Property Liability Insurance	536,600	804,000 ⁽³⁾	267,400	49.8%
5639	Injuries & Damages	5,000	10,000	5,000	100.0%
5650	Consulting Services	17,600	7,500	(10,100)	-57.4%
5662	Small Tools and Equipment	7,500	19,000 ⁽⁴⁾	11,500	153.3%
5663	Safety Shoes Program	30,000	32,400	2,400	8.0%
5665	Ergonomic Program	16,000	20,000	4,000	25.0%
5666	Respiratory Program	14,000	14,200	200	1.4%
	Safety (10-30-320)	788,200	1,076,200	288,000	36.5%

- (1) New Human Resources staff at a lower end of salary range than retired staff in the prior year.
(2) Increase for employee recognition event cost transferred from training budget.
(3) Increase in insurance premiums.
(4) Replacement of emergency response radios.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Administrative Services		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5414	Incentive Program	2,500	2,500	-	0.0%
5610	Salaries	283,000	312,100 (1)	29,100	10.3%
5621	Office Supplies	1,000	1,200	200	20.0%
5622	Authority-wide Training	100,000	119,200 (2)	19,200	19.2%
5624	Dues and Memberships	500	500	-	0.0%
5626	Printing	200	200	-	0.0%
5650	Consulting Services	-	15,000	15,000	
	Training (10-30-330)	387,200	450,700	63,500	16.4%
5610	Salaries	88,800	124,400 (1)	35,600	40.1%
5420	Landscaping	125,300	118,000	(7,300)	-5.8%
5621	Office Supplies	1,600	500	(1,100)	-68.8%
5624	Dues and Memberships	2,300	3,400	1,100	47.8%
5626	Printing	2,800	1,400	(1,400)	-50.0%
5634	Janitorial	93,300	100,400	7,100	7.6%
5650	Consulting Services	5,000	15,000 (3)	10,000	200.0%
5662	Small Tools and Equipment	5,000	3,000	(2,000)	-40%
5676	Equipment Maintenance	74,000	60,000	(14,000)	-18.9%
5694	Outside Services	277,400	307,600 (4)	30,200	11%
5695	Buildings and Grounds Maintenance	124,200	111,600	(12,600)	-10%
5696	Security Services	120,500	105,500 (5)	(15,000)	-12.4%
5697	Emergency Response Exercises	500	500	-	0.0%
	Security/Facilities (10-30-340)	920,700	951,300	30,600	3.3%
	Administrative Services	2,521,600	2,935,000	413,400	16.4%

- (1) Allocation of salaries for the new facilities maintenance section now included in the Administrative Service budget.
- (2) Includes cost for a 3-year renewal of cybersecurity training program.
- (3) As-needed assistance for the regulatory required task to update the Authority's Emergency Response and Recovery Plan and a Recovery and Resilience Assessment.
- (4) Includes funds to repair roofs for various facilities.
- (5) Night patrols at the Perdue Plant are no longer needed and have been discontinued.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Customer Service		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5428	Materials and Services Maintenance	239,600	232,600	(7,000)	-2.9%
5448	Meter Replacement Program	190,000	210,000 (1)	20,000	10.5%
5514	Materials and Services Office	278,300	331,200 (2)	52,900	19.0%
5520	Uncollectible Accounts	250,000	155,000 (3)	(95,000)	-38.0%
5610	Salaries	1,890,400	1,913,800	23,400	1.2%
5622	Travel and Meetings	5,500	5,500	-	0.0%
	Customer Service (10-20-200)	2,853,800	2,848,100	(5,700)	-0.2%

- (1) Increase in the number of meters to be replaced based 15-year replacement program.
(2) Includes funding for the new payment kiosks located in the customer parking lot and lobby of the Authority's Administration building.
(3) Decrease in uncollectable balances based on prior year experience.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Water Quality		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5145	Materials and Supplies SCADA	365,600	363,800	(1,800)	-0.5%
5342	Materials and Supplies Laboratory	321,200	316,900 (1)	(4,300)	-1.3%
5360	Equipment Rental	1,100	-	(1,100)	-100.0%
5610	Salaries	394,400	485,200 (2)	90,800	23.0%
5621	Office Supplies	7,200	6,700	(500)	-6.9%
5622	Travel and Meetings	5,900	5,900	-	0.0%
5623	Subscriptions and Publications	900	1,000	100	11.1%
5624	Dues and Memberships	10,700	1,200 (3)	(9,500)	-88.8%
5636	Utilities	7,400	9,400	2,000	27.0%
5650	Consulting Services	119,100	140,500 (4)	21,400	18.0%
5654	Regulatory Permit Fees	132,200	121,800 (5)	(10,400)	-7.9%
5662	Small Tools and Equipment	1,500	1,500	-	0.0%
	General Plant (10-80-800)	1,367,200	1,453,900	86,700	6.3%
5113	Materials and Supplies Operating	11,200	21,200 (6)	10,000	89.3%
5231	Pump Power	11,500	14,900	3,400	29.6%
5610	Salaries	23,900	20,000	(3,900)	-16.3%
	Urban Runoff Diversion System (10-80-830)	46,600	56,100	9,500	20.4%

- (1) Includes funding for monitoring under the Environmental Protection Agency's Unregulated Contaminant Monitoring Rule 5 (UCMR-5); which includes monitoring for per-and polyfluoroalkyl substances (PFAS), also known as forever chemicals.
- (2) Reallocation of salaries from other sections in the Water Quality operating expense budget.
- (3) Discontinue Isle Utilities Technology Approval Group membership due to lack of utilization.
- (4) Funding for annual design tasks for SCADA Design Consultant, Rockwell Construction Services.
- (5) Expected decrease in the Change to State Water Resources Control Board Public Water System Annual Fee due to the Authority's designation as a disadvantaged water system and a corresponding lower fee schedule.
- (6) The Urban Runoff Diversion System (URDS) was previously broken into an URDS I and URDS II section in the Water Quality budget; as they systems have been treated as a single whole systems for many years now, the two section as historically presented are now combined into one section.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

	Water Quality	FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5212	Materials and Suppl. Wells Pump Maint.	44,000	185,000 (1)	141,000	320.5%
5231	Pump Power	616,100	490,300 (2)	(125,800)	-20.4%
5232	Wells Power	1,080,400	1,082,500	2,100	0.2%
5313	Materials and Supplies Operating	169,500	136,100 (3)	(33,400)	-19.7%
5323	Materials and Supplies Maintenance	211,400	282,000 (4)	70,600	33.4%
5330	Water Treatment Chemicals	338,000	319,500 (2)	(18,500)	-5.5%
5342	Materials and Supplies Laboratory	56,000	56,000	-	0.0%
5350	Plant Power	617,900	394,100 (2)	(223,800)	-36.2%
5356	Materials and Supplies Monitor/Mit.	135,300	136,500	1,200	0.9%
5360	Equipment Rental	3,500	3,500	-	0.0%
5610	Salaries	282,200	205,600 (5)	(76,600)	-27.1%
5650	Consulting Services	46,000	65,700	19,700	42.8%
5654	Regulatory Permit Fees	20,900	22,600	1,700	8.1%
5674	Hazardous Waste Removal	26,000	26,000	-	0.0%
	Desalination Plant (10-80-850)	3,647,200	3,405,400	(241,800)	-6.6%
5231	Pump Power	258,000	448,900 (6)	190,900	74.0%
5313	Materials and Supplies Operating	118,300	103,000	(15,300)	-12.9%
5323	Materials and Supplies Maintenance	326,000	359,500	33,500	10.3%
5330	Water Treatment Chemicals	1,423,000	1,937,000 (6)	514,000	36.1%
5350	Plant Power	608,000	675,400 (6)	67,400	11%
5360	Equipment Rental	3,000	3,000	-	0.0%
5610	Salaries	1,591,000	1,788,900 (5)	197,900	12.4%
5674	Hazardous Waste Removal	10,000	10,000	-	0.0%
	Perdue Plant (10-80-860)	4,337,300	5,325,700	988,400	22.8%
<p>(1) Includes funding to repair two permeate basin pumps at the desalination facility. Additionally, pump repair contingency costs have been increased to be reflective of current market repair costs.</p> <p>(2) Decreased production due to more surface water availability results in lower energy and treatment expense.</p> <p>(3) Authority-wide HVAC maintenance costs are now located in the Administrative Services budget section and due to decreased cartridge pre-filter costs after going out for competitive bidding.</p> <p>(4) Includes funds to repair groundwater permeate pipping and plant flow meters.</p> <p>(5) Reallocation of salaries to other sections in the Water Quality operating expense budget.</p> <p>(6) Increase in energy and treatment costs for increased production of surface water.</p>					

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Water Quality		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5231	Pump Power	285,500	212,300 (1)	(73,200)	-25.6%
5232	Wells Power	146,800	52,800 (1)	(94,000)	-64.0%
5313	Materials and Supplies Operating	3,300	3,500	200	6.1%
5323	Materials and Supplies Maintenance	45,000	47,700	2,700	6.0%
5330	Water Treatment Chemicals	92,000	59,000 (1)	(33,000)	-35.9%
5610	Salaries	61,200	38,600 (2)	(22,600)	-36.9%
5674	Hazardous Waste Removal	8,500	9,500	1,000	11.8%
	National City Wells (10-80-870)	642,300	423,400	(218,900)	-34.1%
5145	Materials and Supplies SCADA	10,800	12,800	2,000	18.5%
5226	Materials and Supplies Pump Maint.	110,200	111,700	1,500	1.4%
5231	Pump Power	530,100	580,800 (3)	50,700	9.6%
5422	Materials and Supplies Tank Maint.	60,000	60,000	-	0.0%
5610	Salaries	528,400	472,200 (2)	(56,200)	-10.6%
5662	Small Tools and Equipment	3,500	5,000	1,500	42.9%
	System Operations (10-80-890)	1,243,000	1,242,500	(500)	0.0%
	Water Quality	11,283,600	11,907,000	623,400	5.5%

- (1) Decreased production due to more surface water available results in lower energy and treatment expense.
- (2) Reallocation of salaries to other sections in the Water Quality operating expense budget.
- (3) Increase in electricity costs.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Engineering		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5114	Hydrological Monitoring	967,200	669,200 (1)	(298,000)	-30.8%
5125	Materials and Supplies Dam Surveillance	2,900	20,800 (2)	17,900	617%
5430	Pipeline Maintenance	65,000	67,500	2,500	4%
5610	Salaries	1,698,000	2,164,200 (3)	466,200	27.5%
5621	Office Supplies	14,800	12,700	(2,100)	-14.2%
5622	Travel and Meetings	22,400	24,500	2,100	9.4%
5623	Subscriptions and Publications	600	600	-	0.0%
5624	Dues and Memberships	2,100	2,800	700	33.3%
5636	Utilities	6,400	7,100	700	10.9%
5650	Consulting Services	410,600	1,976,600 (4)	1,566,000	381.4%
5652	Block Map Reproduction	5,500	5,500	-	0.0%
5662	Small Tools and Equipment	9,100	900	(8,200)	-90.1%
5676	Equipment Maintenance	2,000	2,000	-	0.0%
5695	Buildings and Grounds Maintenance	30,000	30,000	-	0.0%
	General Engineering (10-40-400)	3,236,600	4,984,400	1,747,800	54.0%
(1) Prior year included ground water project for USGS water quality sampling, InSAR radar data, and project management to finalize study; include \$500,000 in funding for groundwater projects.					
(2) Includes funding to install access rungs at Loveland Dam right abutment drains for staff safety.					
(3) Transfer of staff salaries previously allocated to the capital budget and transfer of positions from the Water Quality expense budget.					
(3) Includes additional costs for hydraulic water model training for Engineering staff.					
(4) Consulting Services include:					
General consultant allotment				160,000	
Hydraulic analysis for developer projects (offset by developer fees)				53,000	
Urban Runoff Diversion System Masterplan				160,000	
Loveland trails repair geotechnical evaluation				50,000	
Capital project designs				160,000	
Seismic Stability Study for Sweetwater Reservoir Outlet Tower				300,000	
Vernal Pool and Otay Tarplant Conservation Easement and Management Pla				75,000	
Watershed Model				200,000	
Environment tasks for floating solar panels				125,000	
Recycled Water Analysis				150,000	
Clearwell Assessment Study				200,000	
On-Call real estate consulting services				25,000	
On-Call environmental consulting services (Sweetwater Reservoir activities)				25,000	
On-Call specialized biological resources				80,000	
Water resources support				75,000	
Cathodic protection consulting				105,000	
Survey consultant for Easement Maintenance Program				20,000	
Real estate listing service for easement encroachment analysis				3,600	
Stormwater Pollution Prevention Plan				10,000	
Total				1,976,600	

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Engineering		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5113	Materials and Supplies Operating	40,400	40,400	-	0.0%
5610	Salaries	75,700	37,100 (1)	(38,600)	-51.0%
	Sweetwater Reservoir (10-80-810)	116,100	77,500	(38,600)	-33.2%
5113	Materials and Supplies Operating	51,900	29,900	(22,000)	-42.4%
5610	Salaries	31,500	61,600 (1)	30,100	95.6%
	Loveland Reservoir (10-80-820)	83,400	91,500	8,100	9.7%
5113	Materials and Services Operating	241,400	158,800 (2)	(82,600)	-34.2%
5610	Salaries	640,000	731,200 (1)	91,200	14.3%
5636	Utilities	7,000	7,000	-	0.0%
5654	Regulatory Permit Fees	113,400	113,400	-	0.0%
	Reservoir and Dams (10-80-880)	1,001,800	1,010,400	8,600	0.9%
5113	Materials and Services Operating	35,700	35,700	-	0.0%
5610	Salaries	191,400	88,200 (1)	(103,200)	-53.9%
5632	Temporary Help	100,000	100,000	-	0.0%
5650	Consulting Services	125,000	125,000	-	0.0%
	Watershed (10-80-895)	452,100	348,900	(103,200)	-22.8%
	Engineering Sub-total	4,890,000	6,512,700	1,817,100	37.2%

- (1) Transfer of salaries to/from other section in the Engineering operating expense budget.
(2) Maintenance projects included in the prior year's budget are now deferred until the water level at Loveland Reservoir has lowered to a level that will allow for implementation of the needed projects.

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Engineering		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5130	SDCWA Wholesale Purchased Water	3,657,200	2,077,300 (1)	(1,579,900)	-43.2%
5131	MWD Readiness-to-Serve	(39,400)	(40,500) (2)	(1,100)	2.8%
5132	SDCWA Infrastructure Access Charge	2,206,700	2,464,800 (2)	258,100	11.7%
5134	SDCWA Customer Service Charge	202,400	283,300 (2)	80,900	40.0%
5135	SDCWA Emergency Storage Charge	460,100	667,200 (2)	207,100	45.0%
5136	MWD Capacity Reservation Charge	125,800	178,500 (2)	52,700	41.9%
5138	SDCWA Supply Reliability Charge	446,500	411,200 (2)	(35,300)	-7.9%
	Water Resources (10-10-410)	7,059,300	6,041,800	(1,017,500)	-14.4%
	Engineering	11,949,300	12,554,500	708,400	5.9%
(1) Water Purchased in Acre Feet		2,736	1,300	(1,436)	-52.5%
(2) In general the San Diego County Water Authority's (SDCWA) charges by up to 20%; there is also an higher increase in fixed charges as they are based on the average volume of water purchased over the preceding years and that average has increased.					
Final SDCWA water rates will not be available until June 2024.					
		Estimate Only			
SDCWA Wholesale Water Charges		Actual	Proposed		
		Calendar	Calendar		
Variable Costs		Year 2024	Year 2025	% Change	
Raw Water Cost per Acre-foot		1,200	1,440	20.0%	
Treatment Charge per Acre-foot		400	480	20.0%	
Transportation Charge per Acre-foot		189	227	20.1%	
Fixed Charges					
SDCWA Infrastructure Access Charge		2,240,700	2,688,800	20.0%	
SDCWA Customer Service Charge		223,400	343,200	53.6%	
SDCWA Emergency Storage Charge		526,200	808,200	53.6%	
SDCWA Supply Reliability Charge		356,400	466,100	30.8%	
MWD Readiness-to-Serve*		12,000	12,000	0.0%	
MWD Capacity Reservation Charge		140,800	216,200	53.6%	
Total Fixed Charges		3,499,500	4,534,500	29.6%	
*Based on fiscal year					

Sweetwater Authority
Fiscal Year 2024-25
Operating Expense

Operations		FY 2023-24 Budget	FY 2024-25 Proposed Budget	FY 2023-24 Budget vs. FY 2024-25 Proposed	
5424	Materials and Supplies Maintenance	999,000	1,088,000 (1)	89,000	8.9%
5426	Materials and Supplies Water Service	68,000	383,000 (1)	315,000	463.2%
5437	Materials and Supplies Miscellaneous	132,800	132,800	-	0.0%
5460	Equipment Rental	2,500	2,500	-	0.0%
5610	Salaries	3,123,600	3,082,700 (2)	(40,900)	-1.3%
5621	Office Supplies	5,500	5,500	-	0.0%
5622	Travel and Meetings	8,200	14,700	6,500	79.3%
5632	Temporary Help	20,000	- (3)	(20,000)	-100.0%
5636	Utilities	61,700	71,700	10,000	16.2%
5662	Small Tools and Equipment	49,500	76,000 (4)	26,500	53.5%
5672	Materials and Supplies Vehicle Maint.	138,800	225,600 (5)	86,800	62.5%
5673	Gasoline and Oil	256,500	262,200	5,700	2.2%
5674	Hazardous Waste Removal	16,600	16,600	-	0.0%
5676	Outside Services Office Equipment	3,100	3,100	-	0.0%
5678	Maintenance Communication Equip.	14,500	15,500	1,000	6.9%
	Operations (10-50-500)	4,900,300	5,379,900	479,600	9.8%

- (1) Increase due to higher costs for paving, based on prior year experience.
- (2) Transfer of staff salaries previously allocated to the capital budget.
- (3) No expected need for temporary help.
- (4) Includes funds for purchase of acoustic leak detection equipment, a hot tapping machine, and trench plates.
- (5) Includes funds to implement a GPS fleet tacking program for vehicle security and employee safety, the cost increase is also due to inflationary increases in materials to maintain vehicles.

Sweetwater Authority
Fiscal Year 2024-25
Capital Investment Summary

			<u>Page</u>
SP Objective	Capital Contingency	250,000	
SR2.6	Facilities Master Plan (20241002) 1(a)	350,000	41
AE3.1	Authority-wide Electronic Document/Content Management System (ECMS) and Board Agenda Software (20226001) 1(c)	100,000	43
General		\$ 700,000	
WQ5.1	Desal Programmable Logic Controller Replacement (20258001) 1(a)	208,900	45
SR2.15	Raw Water Pump Variable Frequency Drive (20248004) 1(b,c)	300,000	47
WQ7.3	Sodium Hypochlorite Chlorination System (20258002) 1(c)	258,000	49
SR2.8	Reverse Osmosis Filter Replacements (20258003) 1(a)	192,000	51
SR2.16	Sodium Hydroxide and Sodium Hypochlorite Tank Replacement (20258004) 1(c)	220,000	53
WQ7.2	Bonita Valley Reservoir Residual Control System (20258005) 1(c)	600,000	55
Water Quality		\$ 1,778,900	
SR11.1	Programmatic Permitting of Property O&M Plan (20214019) 3	80,000	57
CS8.3	Loveland Reservoir Trails Master Plan (20254001 - Grant Funds) 1(c)	-	60
SR2.2	Deep Well Anode Bed for 30-inch Second Avenue Pipeline Rectifier (20254002) 1(a)	105,000	62
SR4.2	Annual Vehicle Replacement Fund (20225005) 1(b)	967,000	64
SR3.4	Valve Replacement Program (20254003) 1(b)	700,000	67
SR1.3	FY 2024-25 Pipeline Replacement Projects (20254004) 1(a,b)	1,900,000	69
SR6.1	Street Improvement (20254007) 2	650,000	72
SR2.3	Desal Facility Chlorine Contact Tank Rehabilitation (20244009) 1(a)	460,000	74
SR2.3	Cherry Hills Tanks Lining and Bonita Valley Reservoir Drain Valve Replacement (20224010) 1(a)	466,000	76
SR2.1	Tank Coating and Structural Rehabilitation of Reservoirs (20254008) 1(a)	100,000	78
WQ7.1	National City Wells Iron and Manganese Removal System (20218003) 1(b,c)	1,022,000	79
Engineering and Operations		\$ 6,450,000	
Total Capital Investments after Other Funding		\$ 8,928,900	

- (1) Updating or Replacing aging facilities and equipment
 - (a) Failing infrastructure at end of expected life
 - (b) Improve system service reliability
 - (c) Streamlines or improves operations
- (2) In Construction/Permit/Contractual
- (3) Regulatory required

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

FACILITIES MASTER PLAN

Recommendation

Maintain and repair Authority facilities with the development of a Facilities Master Plan.
(SP Objective: SR2.6, Project Budget: 20241002)

FY 2024-25 Budget Request

\$350,000

Discussion

The Authority owns and operates more than 30 facilities (including tank, booster, and well sites) The larger of these facilities are: Administration Building, Operations Center, Desal Facility, Perdue Plant, and National City Wells Tank Booster 40. The five larger facilities cover approximately 16 acres.

The Authority's Strategic Plan Goal #2, System and Water Supply Reliability, strives to achieve an uninterrupted, long-term water supply through investment, maintenance, innovation, and developing local water resources. In accordance with this goal, the Authority is currently working on a Facilities Master Plan (Master Plan).

The Master Plan will evaluate the need for improvements to the facilities. Items could include, but are not limited to: HVAC, roofing, flooring, painting, siding, concrete/asphalt paving, facility security (gates, cameras, and badge readers), and brush removal/hazard mitigation. The intent of the Master Plan is to identify the useful life of an item and replace the item prior to deterioration or the item becoming obsolete. Asset or item replacement should minimize impacts to the facility and staff, increase operational efficiency and reduce liability.

Creation of the Master Plan will require funding to support facility improvements for the current and future fiscal years. An annual \$350,000 budget will support the projects developed in the Master Plan; if portions of the annual allocations are not utilized in a year, the unused portion would be rolled into the following fiscal year. The expenditures for the Master Plan in FY 2023-24 was for the replacement of the Administration Building HVAC system and a roof coating and bathroom remodel project at the Administration Building is anticipated for FY 2024-25. Once the Master Plan is developed, the funding allocation can be increased or decreased accordingly.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

FACILITIES MASTER PLAN

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2023-24	\$350,000
<u>FY 2024-25 Budget Request</u>	
Design, review, and design documentation	\$ 350,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$350,000
<u>Future Year Budget Projections</u>	
2025-26	\$350,000
2026-27	350,000
2027-28	350,000
2028-29	350,000
Total Project Budget	\$2,100,000
Total Project Expenditures as of April 30, 2024	\$ 167,000

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

AUTHORITY-WIDE ELECTRONIC DOCUMENT/CONTENT MANAGEMENT SYSTEM (ECMS)
AND BOARD AGENDA SOFTWARE

Recommendation

Procure and implement an Authority-wide Electronic Document/Content Management System (ECMS) and Board Agenda Software.
(SP Objective: AE3.1, Budget Project 20226001)

FY 2024-25 Budget Request

\$100,000

Discussion

The Authority's Technology Master Plan has identified the need to assess and identify new application systems and opportunities for improving core applications systems. The recommendations include selection and implementation of a new Electronic Content/Document Management System (ECMS), and an Agenda Management System.

Unlike most agencies of a similar size, Sweetwater Authority does not currently have an agency-wide ECMS. Documents and content are scattered across systems, databases, and software-specific cloud systems. The ECMS will be an organization-wide solution for integrated and interactive document sharing, as well as commonality and consistency of file and document storage and retention. Combined, these systems will provide the following benefits across the Authority:

- Compliance – Improved and more efficient abilities to comply with increasing volume and complexity of regulations and retention requirements
- Workflow Capabilities – Electronic capture, routing, and approvals of manual paper processes
- Improved Efficiency – Increased productivity through automation of manual processes and time reduction in retrieving and sharing information
- Reduced Costs – Reduced costs of printing, paper, storage space, and labor
- Improved Transparency – Increased accessibility to information via the Web, including full automation of some types of documents immediately upon creation without additional processing or labor
- Disaster Recovery – Protection of vital records through storage redundancy

This project will include a process to select and then implement both systems. First a needs assessment and process review will be conducted, documenting needs and the development of detailed feature/function requirements. The needs assessment and process review were completed in December 2023 a selected software is being proposed to the Board at the May 22, 2024 Regular Board meeting. In prior years and as part of this project, staff implemented a separate Board agenda management software called eScribe on January 1, 2024.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

AUTHORITY-WIDE ELECTRONIC DOCUMENT/CONTENT MANAGEMENT SYSTEM (ECMS)
AND BOARD AGENDA SOFTWARE

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2021-22	\$ 50,000
2022-23	0
2023-24	0
<u>FY 2024-25 Budget Request</u>	
Procure, implement and customize the ECMS	\$ 100,000
Sub-total	\$100,000
<u>Future Year Budget Projections</u>	
2025-26	\$50,000
Total Project Budget	\$200,000
Total Project Expenditures as of April 30, 2024	\$ 37,112.78

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

DESAL QUANTUM PROGRAMMABLE LOGIC CONTROLLER REPLACEMENT

Recommendation

Replace the obsolete Quantum Programmable Logic Controller and remote input/output panels at the Richard A. Reynolds Desalination Facility.
(SP Objective: WQ5.1, Budget Project 2025801)

FY 2024-25 Budget Request

\$208,900

Discussion

A programmable logic controller (PLC) is a specialized industrial computer that receives and processes data for the purpose of process control and automation. The Quantum line of PLC currently installed at the desalination facility is obsolete and should be replaced to maintain reliability. The PLC receives and processes data from a variety of sources including: pumps, valves, flow meters, water quality analyzers, etc. The PLC receives data via a telemetry system made up of cables (e.g. coaxial and fiberoptic) that go to input/output (IO) panels around the facility that then send data to the PLC. In addition to replacing the PLC, this project would also replace and modernize the IO panels. Some hardware contained within the IO panels can no longer be purchased directly from suppliers, in the past, staff has had to purchase critical components off of secondary markets when there have been failures.

This project would be executed in phases spanning two fiscal years. Phase I would commence during FY 2024-25 and would consist of design (e.g. specification development & panel designs) and planning. Phase II would commence during FY 2025-26 and would consist of hardware procurement (e.g. PLC & panels) and commissioning efforts to install the new hardware.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

DESAL QUANTUM PROGRAMMABLE LOGIC CONTROLLER REPLACEMENT

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a4	\$ 0
<u>FY 2024-25 Budget Request</u>	
Specification development and panel design	\$ 208,900
Sub-total	\$208,900
<u>Future Year Budget Projections</u>	
2025-26	\$489,300
Total Project Budget	\$698,200
Total Project Expenditures as of April 30, 2024	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

RAW WATER PUMP VARIABLE FREQUENCY DRIVE

Recommendation

Retrofit one of the existing fixed speed 6 million gallon per day (MGD) Raw Water Pump Station (RWPS) pumps at the Robert A. Perdue Water Treatment Plant (Perdue Plant) to a variable frequency drive (VFD) to provide more flexibility when blending raw water sources for treatment.

(SP Objective: SR2.15, Budget Project: 20248004)

FY 2024-25 Budget Request

\$300,000

Discussion

The Perdue Plant RWPS consists of 5 pumps that move water from Sweetwater Reservoir (SWR) to the headworks of the treatment process: (2) 6 MGD fixed speed pumps, (1) 10 MGD VFD pump, and (2) 18 MGD VFD pumps. To provide the Authority's customers with high quality water that meets all state and federal drinking water standards, it is often necessary to blend source waters with the San Diego County Water Authority's raw water supply (SDCWA). Typical blends utilized are 50% SWR/50% SDCWA and 30% SWR/70% SDCWA. At current time, the lowest flow that can be pumped out of SWR is 6 MGD with a fixed speed pump. When a 30% SWR/70% SDCWA blend is required, the minimum plant flow possible (18 MGD) is much higher than is typically necessary, especially during the winter when system demands are low, requiring Water Treatment Plant Operators to turn the treatment process on/off frequently, reducing operational efficiency.

Retrofitting a 6 MGD fixed speed pump with a VFD will improve operational flexibility by allowing operators to pump lower flows from SWR; allowing operations staff to better adjust treatment process flows/blending ratios to improve water quality while treating local water. If this project is deferred by the Governing Board, operations staff will need to continue producing higher volumes of water than necessary while blending, which requires more shutdowns/startups of the Perdue WTP when system demands are low.

Funding requested for FY 2024-25 would cover additional electrical upgrades that have been deemed necessary upon detailed project evaluation. Rather than a retrofit of existing equipment, the project will require new equipment (VFD and harmonic filter) in a separate airconditioned enclosure.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

RAW WATER PUMP VARIABLE FREQUENCY DRIVE

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2023-24	\$138,000
<u>FY 2024-25 Budget Request</u>	
Additional hardware and electrical upgrade requirements	\$300,000
Sub-total	\$438,000
<u>Future Year Budget Projections</u>	
n/a	\$0
Total Project Budget	\$438,000
Total Project Expenditures as of April 30, 2024	\$3,885.28

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

SODIUM HYPOCHLORITE CHLORINATION SYSTEM

Recommendation

Replace the gaseous chlorination system at the Robert A. Perdue Water Treatment Plant (Perdue Plant) with a sodium hypochlorite chlorination system to improve employee and community safety.

(SP Objective: WQ7.3, Budget Project: 20258002)

FY 2024-25 Budget Request

\$258,000

Discussion

The Perdue Plant currently utilizes a gaseous chlorine feed system and chlorine dioxide generator to disinfect water. The system consists of one-ton liquid chlorine storage cylinders, chlorine evaporators, a pressure reducing/vacuum regulating system, steel and plastic piping, and chlorinators to meter chlorine into the water treatment process. In an adjacent process, chlorine gas mixes with sodium chlorite in a generator to form chlorine dioxide. The current disinfection system was installed in 2007. The gaseous chlorine system requires a variety of preventative maintenance activities to ensure safety and proper operation. Most Water Quality Department staff are hazardous waste responders trained to respond to chlorine releases in Level-A suits with Self-Contained Breathing Apparatus (SCBA). During the Perdue Plant Master Plan Update completed in FY 2022-23, it was identified that the gaseous chlorination system does not have a chlorine gas scrubber; a system designed to safely contain a large chlorine leak. Should the Authority choose to continue using gaseous chlorination, a scrubber should be installed to improve employee and community safety. The master plan estimates the cost of installing a scrubber to be \$1,340,000. The master plan evaluated two chlorination alternatives; 12.5% sodium hypochlorite (purchased stock) and onsite sodium hypochlorite generation, with an estimated cost of \$1,610,000 and \$6,330,000, respectively. The Authority could install a much safer sodium hypochlorite chlorination system in lieu of the gaseous chlorination system at a cost of only \$270,000 more than the chlorine gas scrubber that would be required to make the current system safer. The onsite sodium hypochlorite generation system is almost 4 times more expensive than a 12.5% hypochlorite system and would require a much higher level of maintenance and ongoing operational costs. It should be noted that the chemical cost of sodium hypochlorite is greater than that of one-ton liquid chlorine cylinders. At current unit costs, utilizing 12.5% sodium hypochlorite would increase the cost of treating water at the Perdue Plant by approximately \$6 to \$14 per acre-foot, depending on the source of supply and water quality. If a 12.5% sodium hypochlorite system is installed, a new chlorine dioxide generator that is compatible with the different form of chlorine will be required, which is included in the cost of this capital project. Staff is already familiar with the operation and maintenance of a 12.5% sodium hypochlorite chemical feed system as this type of system is utilized at the National City Wells and Richard A. Reynolds Groundwater Desalination Facility.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

SODIUM HYPOCHLORITE CHLORINATION SYSTEM

(continued from previous page)

Replacing the gaseous chlorination system with 12.5% sodium hypochlorite chlorination would improve employee and community safety. If this project is deferred by the Governing Board, the Authority should consider installing a chlorine gas scrubber for the existing gaseous chlorination system to improve employee and community safety at the Perdue Plant.

Staff will investigate grant funding for this project during FY 2024-25 and depending on the outcome perform a water quality study and initiate design.

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$ 0
<u>FY 2024-25 Budget Request</u>	
Design, review, and design documentation	\$195,200
SWA Labor	\$25,000
SWA Labor Benefits and Overhead Allocation	\$37,800
Sub-total	\$258,000
<u>Future Year Budget Projections</u>	
2025-26	\$1,575,000
Total Project Budget	\$1,833,000
Total Project Expenditures as of April 30, 2024	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

REVERSE OSMOSIS (RO) MEMBRANE REPLACEMENT

Recommendation

Replace RO membranes at the Richard A. Reynolds Desalination Facility that have reached the end of their useful life
(SP Objective: SR2.8, Budget Project: 20258003)

FY 2024-25 Budget Request

\$192,000

Discussion

The Authority's Richard A. Reynolds Groundwater Desalination Facility (Desal Facility) treats up to 10 million gallons per day (MGD) of drinking water sourced from 11 production wells that extract brackish groundwater from the San Diego Formation (SDF) aquifer. Brackish water extracted from the SDF Wells is too high in total dissolved solids (TDS) to be used for potable purposes without treatment. Utilizing a pressurized feed, RO membranes significantly reduce TDS levels to produce water quality that is acceptable for potable use. In total, the Desal Facility utilizes 1,386 RO membranes to treat the brackish groundwater. The membranes currently in use were installed as part of the Phase II expansion project in 2017 and are approximately seven years old. Lifespan projection estimates indicate that all RO membranes will need to be replaced during the next five years; however, the replacement schedule will continue to be evaluated based on existing membrane performance. To date, two trains have had complete membrane changeouts under this project; one train in FY 2022-23 and the other in FY 2023-24. During FY 2024-25, membranes in a third train will be replaced (six trains total).

Proper membrane performance is a critical component to the operational reliability of the facility. If this project is deferred by the Governing Board, there could be an impact to water quality and the ability to maximize water production at the facility.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

REVERSE OSMOSIS (RO) MEMBRANE REPLACEMENT

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2019-20	Ongoing Project
<u>FY 2024-25 Budget Request</u>	
RO Membranes and Installation Labor	\$ 192,000
Sub-total	\$192,000
<u>Future Year Budget Projections</u>	
2025-26	\$176,000
2026-27	388,000
Total Project Budget	\$756,000
Total Project Expenditures as of April 30, 2024	Ongoing Project

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

SODIUM HYDROXIDE AND SODIUM HYPOCHLORITE TANK REPLACEMENT

Recommendation

Replace the original sodium hypochlorite and sodium hydroxide chemical storage tanks at the Desal Facility.
(SP Objective: SR2.16, Budget Project 20258004)

FY 2024-25 Budget Request

\$220,000

Discussion

The Richard A. Reynolds Desalination Facility (Desal Facility) uses 12.5% sodium hypochlorite for disinfection and 50% sodium hydroxide (caustic soda) for pH adjustment. Both of these chemicals are stored on-site in large fiberglass reinforced plastic (FRP) storage tanks. The tanks are original and have been in service since the initial Desal Facility construction in 1999.

Sodium Hypochlorite Storage Tank

Since 2017, the 7,000-gallon sodium hypochlorite storage tank has been repaired twice. Once due to minor leaking at the base and a second time due to degradation of the internal surface. Repairs included relining the interior with new protective corrosion barrier and fiberglass. Due to the frequency of repairs, criticality of this chemical, and safety, staff recommends replacing the tank with new FRP or crosslinked high-density polyethylene tanks (XHDPE).

Sodium Hydroxide Storage Tank

The 3,500-gallon sodium hydroxide storage tank has never needed to be repaired; however, it is of the same age and type as the sodium hypochlorite tank and may be at an elevated risk for failure. Additionally, due to space constraints in the chemical tank farm, for this tank to be replaced (without roof or wall removal), the sodium hypochlorite tank would need to be removed. Thus, it makes sense to replace this tank at the same time as the sodium hypochlorite tank.

Replacement Plan & Logistics

The chemical tank farm located on the south side of the facility is covered with a roof and surrounded by a block wall/iron bar. This design provides challenges for getting new tanks in and out of the tank farm. Installing new tanks of the same size would require removing the roof or walls from the tank farm. Staff is proposing to install two smaller sodium hypochlorite and two smaller sodium hydroxide tanks that will fit through the limited access opening of the tank farm. The total storage volume for each chemical

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

SODIUM HYDROXIDE AND SODIUM HYPOCHLORITE TANK REPLACEMENT

(continued from previous page)

would remain approximately the same. This approach provides the benefit of getting new tanks into the building without having to deconstruct the tank farm and provides increased reliability by having an additional tank for each chemical should one need to go out of service for repair.

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$ 0
<u>FY 2024-25 Budget Request</u>	
Demolition of existing tanks, new tanks, installation, and engineering	\$220,000
Sub-total	\$220,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$220,000
Total Project Expenditures as of April 30, 2024	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

BONITA VALLEY RESERVOIR RESIDUAL CONTROL SYSTEM

Recommendation

Purchase a Residual Control System (RCS) for the Bonita Valley Reservoir (BVR) to improve water quality in the Authority's distribution system.
(SP Objective: WQ7.7, Budget Project: 20258005)

FY 2024-25 Budget Request

\$600,000

Discussion

BVR is the Authority's largest treated water storage tank in the distribution system. The reservoir, located in Bonita at the top of Randy Lane is below grade and divided by a concrete wall into two 9 MG basins that can be operated independently of each other. Because BVR is somewhat intermediary in the system and the total volume that it contains is relatively large, the quality of water in this basin largely influences water quality in a majority of the Authority's service area. The additional storage capacity that BVR provides is critical to maintaining system reliability. Under certain conditions that are most common while treating local water from Sweetwater Reservoir, water quality in BVR (as in any storage tank) can degrade. Primarily, water quality degrades when the source water being treated has a high chlorine demand, water usage is low (long system water detention times), and water temperatures are warm. The Authority utilizes chloramine (chlorine and ammonia) as the residual disinfectant in the distribution system to ensure bacteriological protection of water quality from the treatment plant to the point of use. As the chloramine residual decays in the system, ammonia is released and serves as a food source for ammonia oxidizing bacteria, which convert ammonia to nitrite, causing a downward spiral in water quality known as nitrification. Ultimately, nitrification causes a decrease in chlorine residual which can become problematic if not remediated. The RCS is an automated, proprietary packaged system with multiple patents (Attachment 2) manufactured by PSI Water Technologies (A cleanwater1 Company). The system reintroduces chlorine and/or ammonia back into a reservoir using chemical feeders, a mixer, and a variety of water quality monitoring equipment and algorithms that calculate the applied dosages required to achieve the desired chlorine residual target. Maintaining a consistent and stable chloramine residual with the correct ratio of chlorine to ammonia prevents water quality degradation caused by nitrification. The system is designed to run unattended, and as such is programmed with a number of shutdown alarms that are designed to protect water quality. The system would be fully integrated into the Authority's Supervisory Control and Data Acquisition System (SCADA) such that it could be monitored and controlled remotely 24/7 by certified and trained operators. Periodic site visits are required to verify operation, calibrate/maintain equipment, and accept chemical deliveries. An RCS will reduce nitrification events in the Authority's distribution system that often lead to temporary source water changes (raw imported water from the San Diego County Water Authority) to remediate water quality. Staff

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

BONITA VALLEY RESERVOIR RESIDUAL CONTROL SYSTEM

(continued from previous page)

estimates it is possible that the RCS could pay for itself by remediating a single water quality event in the distribution system if it prevents the short-term purchase of imported water.

Staff is making a recommendation for the sole source purchase of a Residual Control System to maintain water quality within the Authority's distribution system and reduce imported water costs.

Budget Summary

Single year project

<u>Prior Year Budget Allocations</u>	
n/a	\$ 0
<u>FY 2024-25 Budget Request</u>	
Residual Control System Purchase (including tax)	\$400,000
SCADA Integration	25,000
Electrical Upgrades	97,000
Chemical Containment	30,300
SWA labor	19,000
SWA labor benefits and overhead allocation	28,700
Sub-total	\$600,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$600,000
Total Project Expenditures as of April 30, 2024	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

PROGRAMMATIC PERMITTING OF THE PROPERTY OPERATIONS AND MAINTENANCE PLAN

Recommendation

Continue to provide funds for the completion of the Programmatic Permitting of the Property Operations and Maintenance Plan (O&M Plan), which is intended to streamline multiple regulatory approvals, reduce O&M related costs and impacts to schedules, and remove uncertainties associated with the permitting of certain O&M activities. (SP Objective: SR11.1 and SR11.2, Budget Project: 20214019)

FY 2024-25 Budget Request

\$80,000

Discussion

In the Fall of 2019, Authority staff completed a Draft O&M Plan documenting the necessary operation and maintenance activities on Authority-owned properties. Many of the maintenance activities, improvements, or repairs performed on Authority property require permits from various agencies, such as the U.S. Army Corps of Engineers, U.S. Fish & Wildlife Service, California Department of Fish and Wildlife, and the Regional Water Quality Control Board, to name a few. Currently, the Authority seeks a permit for each required maintenance and operational activity on a case-by-case basis, which is considered to be time consuming and an inefficient use of staff time and resources. The main goal of the programmatic permitting effort is to obtain "blanket" programmatic permits for the activities described in the Draft O&M Plan, including water transfers. Programmatic permitting includes preparation of a Natural Community Conservation Plan / Habitat Conservation Plan (NCCP/HCP) compliant with federal and state endangered species laws, and programmatic regulatory permits for aquatic resources.

To achieve the programmatic permitting, ICF Jones & Stokes, Inc. (ICF), an environmental consulting firm with offices in San Diego, was selected through a qualifications-based selection process to assist with the preparation of environmental compliance documentation, including technical studies, and the negotiation and acquisition of programmatic regulatory permits, as described in the Draft O&M Plan.

The Project has the following phases:

- Phase 1: Review of existing information, preparation of technical documents, and permit strategy development.
- Phase 2: Complete California Environmental Quality Act (CEQA) Initial Study.
- Phase 3: Phase 3 is divided into two sub-phases:

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

PROGRAMMATIC PERMITTING OF THE PROPERTY OPERATIONS AND MAINTENANCE PLAN

(continued from previous page)

- Phase 3A: Prepare and complete CEQA document, Environmental Impact Report of Mitigated Negative Declaration.
- Phase 3B: Prepare and complete programmatic permit applications, and obtain programmatic permits from regulatory agencies (anticipated to be completed in FY 2025-2026).

The Authority applied for Section 6 Grant Program, which is available federal grant funding that is distributed by the California Department of Fish and Wildlife to the applicants. Section 6 Grant Program provides funding to assist with the planning and preparation of Habitat Conservation Plans and other similar conservation and environmental planning efforts. On September 2022, the Authority was granted a total of \$275,000 in funds for the preparation of the NCCP/HCP to be distributed and refunded in FYs 2022-23, 2023-24, and 2024-25.

The additional funding request of \$80,000 will support the continued development of the NCCP/HCP documentation.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

PROGRAMMATIC PERMITTING OF THE PROPERTY OPERATIONS AND MAINTENANCE PLAN

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2020-21	\$ 185,000
2021-22	127,600
2022-23	300,000
2023-24	200,000
Less Fish and Wildlife Grand	-275,000
<u>FY 2024-25 Budget Request</u>	
NCCP/HCP Documentation and Permitting	\$ 80,000
Sub-total	\$80,000
<u>Future Year Budget Projections</u>	
2025-26	\$250,000
2026-27	250,000
2027-28	100,000
Total Project Budget	\$1,217,600
Total Project Expenditures as of April 30, 2024	\$ 266,231

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

LOVELAND RESERVOIR TRAILS MASTER PLAN

Recommendation

Develop a Loveland Reservoir Trails Master Plan with funds awarded from the State of California (SP Objective: CS8.3, Budget Project 20254001).

FY 2024-25 Budget Request

\$ 0 (grant funded, requesting approval to add project to the capital budget)

Discussion

The Authority received a \$750,000 grant from the State of California (AB 102) for improvements to the Loveland Trails. The funds need to be spent by June 30, 2025. The grant was sponsored by Senator Brian Jones. The Department of Water Resources (DWR) is the agency managing this grant. In order to receive the funds, an agreement needs to be signed and a resolution authorizing the General Manager to sign the agreement will need to be adopted by the Governing Board. The resolution will be brought for the Governing Board's consideration at a future meeting.

The agreement will include the work plan items along with a cost and a schedule. Once the work plan and schedule are submitted to DWR, it will be reviewed by its Legal Counsel and an agreement will be prepared.

Two workshops with the Community Advisory Working Group were held on December 11, 2023 and March 14, 2024, to seek input from the community on the proposed work plan. Additionally, there was a site visit at the Loveland Recreation Program on March 26, 2024, with members of the community to look at potential improvements. Based on comments from the community, the following items are proposed:

1. Construction of an aluminum bridge over a heavily eroded area to provide access to the fishing dock. The estimated cost is \$247,500.
2. Establishment of a parallel trail to reduce grade changes and ensure more access to the community. Estimated cost is \$200,000.
3. Construction of an observation deck. Estimated cost is \$200,000.
4. Preparation of a Loveland Trails Master Plan to identify other trails, including construction and O&M costs. Estimated cost is \$75,000 (expense project).
5. General trail repairs. Estimated cost is \$25,000.
6. Grant Administration costs. Estimated cost is \$2,500.

The costs are estimated for now and the agreement with DWR can be amended if the costs are different or the items need to be modified. At the April 10, 2024 Board meeting, the Board approved the work plan items for submission to DWR, as presented above.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

LOVELAND RESERVOIR TRAILS MASTER PLAN

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$0
<u>FY 2024-25 Budget Request</u>	
Loveland Reservoir Trails Master Plan	\$ 750,000
Less grant funding	-750,000
Sub-total	\$ 0
<u>Future Year Budget Projections</u>	
n/a	\$0
Total Project Budget	\$ 0
Total Project Expenditures as of April 30, 2024	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

Deep Well Anode Bed for 30-inch Second Avenue Pipeline Rectifier

Recommendation

Abandon and replace deep well anode bed for 30-inch Second Avenue pipeline rectifier.
(SP Objective: SR2.2, Budget Project: 20254002)

FY 2024-25 Budget Request

\$105,000

Discussion

During the annual corrosion survey of the Authority's cathodic protection and corrosion monitoring systems for FY 2022-23 performed by V&A Consulting Engineers, Inc. (V&A), it was determined that the anode well associated with Rectifier 808BC 1510 on Pipeline 86 – 30-inch Second Avenue Pipeline only has one of the five installed anodes that remain operational. Therefore, the anode well has reached the end of its useful life, and needs to be replaced to prevent corrosion to the pipeline.

On January 24, 2023 Management authorized V&A to perform the design work for this project. The design is scheduled to be completed before the end of FY 2023-24.

Staff recommends the installation of a new deep well anode bed for the 30-inch Second Avenue pipeline rectifier to be completed. If this project is deferred by the Governing Board, there could be an impact to the life of the 30-inch steel pipelines. The upgrades and repairs would best be performed in a single construction event rather than having multiple repairs performed over several years.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

Deep Well Anode Bed for 30-inch Second Avenue Pipeline Rectifier

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$ 0
<u>FY 2024-25 Budget Request</u>	
Design, review, and design documentation	\$ 89,900
SWA labor	6,000
SWA labor benefits and overhead allocation	9,100
Sub-total	\$105,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$105,000
Total Project Expenditures as of April 30, 2024	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

ANNUAL VEHICLE REPLACEMENT FUND

Recommendation

Replace automotive fleet vehicles-based life cycle costing.
(SP Objective: SR4.2, Budget Project: 20225005)

FY 2024-25 Budget Request

\$967,000

Discussion

The Governing Board approved a Green Fleet financial plan on August 25, 2021, modifying the traditional process of budgeting for capital expenses for vehicle and equipment replacements. The current fund balance is \$1,328,059.96, once all vehicle replacements have been expensed for FY 2023-24, the carry over balance of \$183,993.55 will be added to FY 2024-25 budget request of \$967,000 for a total of \$1,150,993.55. This year's request is based on the most recent update of the Green Fleet plan and is reflective of the Life Cycle Cost approach. The contribution levels to the Vehicle Replacement Fund are reviewed and adjusted annually in conjunction with the budget approval process.

Budget Summary

<u>FY 2024-25 Budget Request</u>	
Contribution to Fund	\$ 967,000
<u>Future Year Budget Projections</u>	
2025-26	\$949,600
2026-27	943,800
2027-28	947,000
2028-29	947,000

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

ANNUAL VEHICLE REPLACEMENT FUND

(continued from previous page)

Vehicles purchases are based on Life Cycle Costing and replacement of unplanned failures.
Below is the list of vehicles that are expected to be replaced.

Fiscal Year	Unit	Vehicle	Trade-In	Traditional Costs	Green Upgrade	Net Cost
FY 2024-25	02-29	Sterling SC7000 Crew Truck	(2,768)	212,000	-	230,000
	09-69	F750 5 Yard Dump Truck	(5,471)	141,500	-	147,000
	11-41	F150 4x4 Pickup	(1,986)	39,000	6,000	55,000
	12-44	F450 2.5 Yard Dump Truck	(3,866)	70,500	10,500	83,000
	12-50	F250 4x4 Pickup	(2,093)	37,500	10,500	55,000
	13-22	Ford Fusion	(2,218)	30,000	5,000	36,000
	13-26	F250 Utility Truck	(3,664)	50,000	10,500	63,000
	13-71	GMC Sierra 1500 Pickup	(2,703)	32,500	5,000	55,000
	E13-63	John Deere Gator 855D	(1,421)	17,500	-	18,000
	L14-17	F150 Crew Cab 4x4	(4,268)	44,500	5,000	55,000
FY 2025-26	L15-49	Ford Escape Hybrid	(3,626)	30,000	5,000	35,000
	06-24	F350 Utility Truck	(2,249)	50,000	10,500	65,000
	11-57	Freightliner 5 Yard Dump Truck	(6,939)	141,500	-	150,000
	12-47	Freightliner 5 Yard Dump Truck	(7,732)	141,500	-	150,000
	E13-61	Case 570N XT Skip loader	(7,335)	94,500	-	142,000
	E14-131	LL Work Boat	(2,750)	25,000	-	25,300
	12-59	F250 Flatbed w/Tailgate	(3,329)	52,500	10,500	67,000
	L14-23	Ford Escape	(2,644)	30,000	5,000	35,400
	L14-27	F250 Pickup	(2,819)	33,500	10,500	57,000
	L14-43	F150 Extra Cab	(3,136)	32,500	5,000	56,500
	L14-46	F150 Extra Cab	(3,136)	32,500	5,000	56,500
	L14-66	F150 Extra Cab	(2,791)	32,500	5,000	56,500
	L15-03	Ford Escape	(3,548)	30,000	5,000	35,400
	L15-53	Ford Escape	(2,822)	30,000	5,000	35,000
FY 2026-27	E18-81	John Deere Gator XUV855M	(4,406)	17,500	-	18,000
	13-14	F650 Crew Truck	(8,705)	212,000	-	244,000
	13-37	F750 Flatbed Truck	(6,532)	107,000	-	116,000
	E14-52	John Deere 410K Backhoe	(9,557)	141,000	-	164,000
	L14-31	F450 2.5 Yard Dump Truck	(3,540)	70,500	10,500	90,400
	L14-32	F450 2.5 Yard Dump Truck	(3,507)	70,500	10,500	90,400
	L15-33	F250 Utility Truck	(3,322)	50,000	10,500	65,000
	L15-45	Ford Escape	(2,465)	30,000	5,000	36,000
	L15-56	Ford Escape	(2,016)	30,000	5,000	36,500
	L15-65	Ford Escape	(2,822)	30,000	5,000	36,500
	L16-08	F250 Pickup	(5,982)	50,000	10,500	65,000

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

ANNUAL VEHICLE REPLACEMENT FUND

(continued from previous page)

Fiscal Year	Unit	Vehicle	Trade-In	Traditional Cost	Green Upgrade	Net Cost
FY 2027-28	14-30	F650 Crew Truck	(9,609)	212,000	-	250,000
	L16-21	F250 Flatbed Pickup (Valve Maintenance)	(9,534)	49,000	10,500	108,000
	L16-62	F250 Pickup	(4,815)	50,000	10,500	67,000
	16-11	F650 Crew Truck	(19,298)	212,000	-	250,000
	18-20	F350 Utility Truck	(9,520)	50,000	10,500	67,000
	18-38	F250 Utility Truck	(6,970)	50,000	10,500	67,000
	18-39	F350 4x4 Pickup	(11,522)	61,500	10,500	71,000
	18-42	F250 Utility Truck	(6,970)	50,000	10,500	67,000
FY 2028-29	23-16	F250 4x4 Utility Truck	(30,000)	93,000	-	74,000
	E14-70	John Deere 410K Backhoe	(8,100)	90,000	-	169,000
	14-30	F650 Crew Truck	(10,500)	145,000	-	258,000
	16-11	F650 Crew Truck	(10,500)	171,000	-	258,000
	17-74	F350 Traffic Control Truck	(4,000)	36,000	10,500	69,000
	18-04	F350 Utility Truck	(6,200)	51,000	10,500	69,000
	18-12	F250 Pickup	(3,300)	42,000	10,500	60,000
	18-80	F350 Utility Truck	(7,400)	51,000	10,500	69,000

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

VALVE REPLACEMENT

Recommendation

Replace non-functional valves.
(SP Objective: SR3.4, Budget Project: 20254003)

FY 2024-25 Budget Request

\$700,000

Discussion

The Authority's water transmission and distribution infrastructure is comprised of approximately 393 miles of pipeline ranging in size from four-inch to forty-two inches. Significant components of this infrastructure are the 6,407 system valves and 2,634 fire hydrant valves which isolate low during construction of new facilities and maintenance and repair activities. They play an important role in reducing water service interruptions to our customers. The Authority's Strategic Plan Goal #2 – System and Water Supply Reliability – Achieve an uninterrupted, long-term water supply through investment, maintenance and innovation and developing local water resources. In accordance with this goal, the Authority's Valve Maintenance Program requires all transmission valves be operated and maintained annually, and all distribution valves every two years. While implementing the program, staff identify valves that no longer function appropriately and use the following criteria to ascertain whether valves should be repaired, restored or replaced:

- The operator nut is rounded
- The valve is stuck
- The valve stem is broken
- The valve does not isolate flow when closed
- The packing seal leaks
- The age of valve is approximately 50 years old or older.

If any two of the above criteria are evident, and the valve is nearing 50 years old, the valve is prioritized and scheduled for replacement. In addition to the criteria listed above, the 2021 Water Distribution System Master Plan (WDSMP) identified nineteen locations where an additional valve would improve operations of the distribution system. Staff evaluated the proposed locations and determined 12 of the 19 new valves are necessary to improve operations of the distribution system. To date, staff has installed 7 new valves, with an additional 2 valves being installed by the end of Fiscal Year 2023-24, for a combined total of 9 out of 12. For FY 2024-25, fifty-seven valves have been identified for replacement, in addition to, the 3 remaining new valve installations recommended in the 2021 WDSMP. Funding for the 60 valves is proposed in the FY 2024-25 budget.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	Ongoing project
<u>FY 2024-25 Budget Request</u>	
Replace fifty-seven non-functional valves	\$250,000
Install three new valves	13,000
SWA Labor	175,000
SWA Labor Benefits and Overhead Allocation	262,000
Sub-total	700,000
<u>Future Year Budget Projections</u>	
2025-26	\$400,000
2026-27	400,000
2027-28	400,000
2028-29	400,000
<u>Total Project Budget</u>	<u>Ongoing project</u>
Total Project Expenditures as of April 30, 2024	Ongoing project

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

FY 2024-25 PIPELINE REPLACEMENT PROGRAM

Recommendation

Replace pipelines in accordance with the priorities set forth in the 2020 Water Distribution System Master Plan (SP Objective: SR1.3, Budget Project 20254004)

FY 2024-25 Budget Request

\$1,900,000

Discussion

The Pipeline Replacement Program replaces pipelines that are at the end of their service life. The replacement criteria are based on a history of leaks, likelihood of failure, and consequence of failure of a future pipe break, and their replacement priority was identified in the 2020 Water Distribution System Master Plan. The pipelines identified for replacement in FY 2025 are listed below. Funds requested are for construction related activities only and design and environmental needs are budgeted through the Authority's Engineering Design Program.

Rank	Project Location	Size (In)	Length (LF)
Pipeline Condition Replacement Project			
1	Alpine Ave., South Minot to North Minot Ave., Chula Vista	8	1,888
2	Valley Road, Bonita	8	369
3	B Ave., E 5 th St to E 8 th St, National City	8	870

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

FY 2024-25 PIPELINE REPLACEMENT PROGRAM

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$0
<u>FY 2024-25 Budget Request</u>	
Construction	\$1,900,000
SWA labor	0
SWA labor benefits and overhead allocation	0
Sub-total	\$1,900,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$1,900,000
Total Project Expenditures as of April 30, 2023	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

FY 2024-25 PIPELINE REPLACEMENT PROGRAM

(continued from previous page)

(Map of project pending)

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

STREET IMPROVEMENTS

Recommendation

Provide funds to modify Authority infrastructure as required by street improvements from the City of National City, City of Chula Vista, and the County of San Diego. (SP Objective: SR6.1, Budget Project: 20254007)

FY 2024-25 Budget Request

\$650,000

Discussion

The City of National City, City of Chula Vista, and the County of San Diego from time to time perform street improvement projects (e.g., install new sidewalks or replace storm drains). In some instances, these street improvement projects require the Authority to modify water facilities currently in place. Typically, construction schedule information is not available for these projects when the annual budget is prepared, and many proceed to construction well after adoption of the budget. To assist with the reactive nature of facility modifications required by street improvements, an amount of \$250,000 is included for projects that occur throughout the fiscal year.

The Authority is required to pay for some or all of the costs of modifications of the Authority's infrastructure. In general, the Authority is required to cover costs of modifications per agreements with the local authorities as follows:

City of National City – 100 percent of costs
City of Chula Vista – 50 percent of costs
County of San Diego – 50 percent of costs

The City of Chula Vista is performing an additional street improvement project for FY 2024-25 to regrade and install surface improvements on Alpine Avenue between Naples Street and Emerson Street to correct historic drainage problems in the area. The street improvement project will regrade the road and includes installation of curbs, gutters, and sidewalks. This project requires significant Authority facility modifications and an amount of \$400,000 is requested for this project in addition to the \$250,000 annual request indicated above.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

STREET IMPROVEMENTS

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
Alpine Avenue	\$43,600
<u>FY 2024-25 Budget Request</u>	
Design, review, and design documentation	\$624,900
SWA labor	10,000
SWA labor benefits and overhead allocation	15,100
Sub-total	\$650,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$650,000
Total Project Expenditures as of April 30, 2024	\$90.00

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

DESAL FACILITY CHLORINE CONTACT TANK REHABILITATION

Recommendation

Provide upgrades, repairs, and required maintenance of Desal Facility Chlorine Contact Tank.

(SP Objective: SR2.3, Budget Project: 20244009)

FY 2024-25 Budget Request

\$460,000

Discussion

The Desal Facility Chlorine Contact Tank is a 400,000-gallon welded steel tank serving the Gravity pressure system. As part of the Authority's tank inspection program in March 2023, the tank inspection revealed the need for the following improvements:

1. Remove and replace curtain baffles. Curtain baffle walls are badly damaged, there are sections that have missing material and tears. Ballast tubes used to anchor the curtains to the floor are no longer water tight creating a concern for a potential contamination source. Roof hangers are damaged and show signs of corrosion.
2. Recoat the tank walls, floors and ladder.

On November 27, 2023 the Board authorized Lee & Ro, one of the Authority's on-call engineering consultants, to provide design work for the tank rehabilitation project.

Staff recommends the requested budget for the Desalination Chlorine Contact Tank upgrades and repairs. The tank upgrades and repairs would best be performed in a single construction event rather than having multiple repairs performed over several years.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

DESAL FACILITY CHLORINE CONTACT TANK REHABILITATION

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2023-24	\$ 202,100
<u>FY 2024-25 Budget Request</u>	
Additional construction funds	\$ 460,000
Sub-total	\$460,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$662,100
Total Project Expenditures as of April 30, 2024	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

CHERRY HILLS TANK LINING REPLACEMENT AND BONITA VALLEY RESERVOIR DRAIN
VALVE REPLACEMENT

Recommendation

Remove and replace the lining at Cherry Hills Tank and repair corrosion damage and replace damaged drain valve at Bonita Valley Reservoir.
(SP Objective: SR2.6, Budget Project: 20224010)

FY 2024-25 Budget Request

\$466,000

Discussion

The Cherry Hills Tank is an 89-foot diameter, 1.2-million-gallon welded steel tank serving the Starr and McMillin pressure systems. As part of the Authority's tank inspection program in June 2017, the tank inspection revealed multiple areas of coating failure on the floor with active corrosion. The coating around the tank vent also needs to be removed and replaced. During the inspection, spot repair of the floor coating failure was performed, but the coating continues to fail. The tank was coated when it was constructed in 2000. The interior lining replacement for the Cherry Hills Tank and other improvements identified during the 2017 inspection were planned to be addressed in calendar year 2022; however, the tank was due for inspection again in 2022 and construction was deferred because the 2022 inspection could identify other tank deficiencies that could be added as construction scope of work items before advertising for bids, rather than addressing them through construction change orders.

Upon the most recent inspection of Cherry Hills tank in August 2022, it was found that additional interior and exterior repairs were necessary, and that the anodes for the cathodic protection system needed to be replaced. The FY 2023-24 budget allocated some additional funds to address the items identified during the most recent inspection.

On November 27, 2023 the Board authorized Lee & Ro, one of the Authority's on-call engineering consultants, to provide engineering design services for the tank rehabilitation project. Due to an updated Opinion of Probable Construction Cost from Lee & Ro, staff is requesting additional construction funds for FY 2024-2025.

When the Bonita Valley Reservoir was drained in March 2021, the drain valve seat was damaged. The drain valve was installed when the reservoir was built in 1986 and needs to be replaced.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

CHERRY HILLS TANK LINING REPLACEMENT AND BONITA VALLEY RESERVOIR DRAIN
VALVE REPLACEMENT

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2023-24	\$ 500,900
<u>FY 2024-25 Budget Request</u>	
Additional Construction Funds	\$ 466,000
Sub-total	\$ 466,000
<u>Future Year Budget Projections</u>	
n/a	\$0
Total Project Budget	\$ 966,900
Total Project Expenditures as of April 30, 2024	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

TANK COATING AND STRUCTURAL REHABILITATION OF RESERVOIRS

Recommendation

Provide upgrades, repairs, and required maintenance of Authority reservoirs.
(SP Objective: SR2.1, Budget Project: 20254008)

FY 2024-25 Budget Request

\$100,000

Discussion

The goal of this project is to upgrade, repair, and perform required maintenance on Authority reservoirs throughout the fiscal year on an as-needed basis, due to wear and tear to extend the operating service life of the reservoirs between major rehabilitation projects.

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	Ongoing project
<u>FY 2024-25 Budget Request</u>	
Design, review, and design documentation	\$ 90,000
SWA labor	4,000
SWA labor benefits and overhead allocation	6,000
Sub-total	\$100,000
<u>Future Year Budget Projections</u>	
2025-26	\$ 500,000
2026-27	500,000
2027-28	500,000
2028-29	500,000
Total Project Budget	Ongoing
Total Project Expenditures as of April 30, 2024	\$ 0

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

NATIONAL CITY WELLS IRON AND MANGANESE REMOVAL SYSTEM

Recommendation

Install an iron and manganese removal system at the National City Wells to improve water quality. (SP Objective: WQ7.11)

FY 2024-25 Budget Request

\$1,022,000

Discussion

The National City Wells treatment facility extracts and treats fresh groundwater from the San Diego Formation (Aquifer). The groundwater contains naturally occurring minerals such as iron and manganese that, over time, accumulate as sediment in the Authority's water distribution system. When disturbed, sediment can cause customers to receive red/brown discolored water. The installation of an iron manganese removal system would remove most of the naturally occurring color causing minerals and reduce and/or eliminate most discoloration events in areas served by the National City Wells.

This project was advertised for construction in October 2023; however, all bids were high and the Board rejected all bids due to insufficient funds. Past allocations have been utilized for a pilot testing plan, a pilot test, pilot testing report, design of the full-scale treatment system, and the prior advertisement for bids.

During the fourth quarter of FY 2023-24, a consultant has been performing value engineering to inform a redesign of the project and reduce construction costs to within available funds. A new project schedule will be developed.

Additional funding added for FY 2024-25 would be for construction and construction management services (including SCADA), surveying, SCADA design, and SCADA hardware. The proposed funds would complement a Federal legislative grant by House Resolution No. 4366 (Further Consolidated Appropriations Act, 2024), which will contribute \$959,752 to this project.

SWEETWATER AUTHORITY
FY 2024-25 CAPITAL INVESTMENT BUDGET

Project Title

NATIONAL CITY WELLS IRON AND MANGANESE REMOVAL SYSTEM

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2020-21	\$ 443,000
2021-22	293,000
2022-23	2,227,000
2023-24	2,647,800
Allocation of funds from Valve Replacement at Loveland Dam and Sweetwater Dam Improvement projects	2,550,000
<u>FY 2024-25 Budget Request</u>	
Third-Party Design Peer Review	\$ 37,100
Design Modification and Re-Advertisement	53,160
Construction Costs	931,740
Sub-total	\$1,022,000
<u>Future Year Budget Projections</u>	
n/a	0
Total Project Budget	\$9,182,800
National City Wells Water Quality Improvement Project Reserves	(2,000,000)
Net Project Budget	\$7,182,800
Total Project Expenditures as of April 30, 2024	\$ 684,092.10

*Notes to Operating Budget
Fiscal Year 2024-25*

REVENUE

Account 4110 - 4183 – Water Sales

Water sales includes sales to residential, multi-family commercial, industrial, irrigation, and other consumers. In addition, SDCWA Wholesale Water Purchase charge and SDCWA and MWD pass-through charges are included.

Account 4211 – Reconnection Fees

Receipts for: preparation and/or delivery of Final Notices/Door Hangers; a handling fee for an account that remains unpaid the morning of scheduled turn-off per past-due notice; after hours service calls; and illegal connection fee.

Account 4221 – Capacity Fees

Special fees paid by developers in conjunction with new development within the Authority's service area to maintain existing and fund future infrastructure.

Account 4233 – Repair Revenue

Receipts to compensate the Authority for the cost of repair to facilities that have been damaged by a member of the public. Labor, material, equipment, and overhead costs are recovered by such charges for repair. Includes receipts of fees for damaged locking devices or lost spanner wrenches.

Account 4235 – Tank/Tower Lease

Amount paid by various communication companies for the annual lease of the Authority's tanks and towers for cellular transmission use.

Account 4239 – Miscellaneous Fees

Miscellaneous revenues not included in the operating revenue accounts shown above such as engineering fees and customer return payment charges.

Account 4242 – Sweetwater Fishing Program

Fees paid by visitors to fish and hike to support the shoreline fishing program.

Account 4244 – Reynolds Desal Operating and Maintenance Fees

Fees paid by the City of San Diego or its share of the O&M costs of the Desal Facility.

Account 4920 – Non-Operating Interest

Interest earned from deposits or investment of reserve balances. The budget is based on an average balance available for investment at an assumed average weighted yield.

Account 4990 – Other

Small non-operating revenue items such as retired meters sold for scrap.

MAINTENANCE AND OPERATING EXPENSES

Account 5113 – Material & Supplies Operating

Materials used in the operation of Sweetwater Reservoir and Loveland Reservoir, such as "no trespassing" signs, weir boards, notebooks, wire, chain and miscellaneous small parts.

Account 5114 – Hydrological Monitoring

Hydrological monitoring services performed for surface and ground water.

Account 5125 – Materials & Services Maintenance Dam Surveillance

Materials and services used for maintenance activities for Sweetwater and Loveland Reservoir dam surveillance.

Account 5130 – Purchased Water

Imported water purchases from San Diego County Water Authority.

Account 5131 – Metropolitan Water District Readiness to Serve Charge

Charge from Metropolitan Water District to recover costs associated with standby and peak conveyance capacity and system emergency storage capacity. The San Diego County Water Authority Board of Directors has directed that this charge be passed through proportionally to member agencies on the basis of each agency's ten-year rolling average of firm demands which include water transfers and exchanges conveyed through system capacity.

Account 5132 – San Diego County Water Authority Infrastructure Access Charge

On June 11, 1998, the Infrastructure Access Charge was adopted by San Diego County Water Authority Board of Directors as an additional source of fixed revenue to provide better coverage of San Diego County Water Authority's projected fixed expenditures. The Infrastructure Access Charge is levied on all retail water meters within San Diego County Water Authority's service area.

Account 5134 – San Diego County Water Authority Customer Service Charge

Charge is set by San Diego County Water Authority to recover costs that are necessary to support the functioning of the San Diego County Water Authority in developing policies and implementing programs that benefit the San Diego region. This cost is allocated among the member agencies based on each agency's three-year rolling average of all water deliveries.

Account 5135 – San Diego County Water Authority Storage Charge

Charge is set by San Diego County Water Authority to recover costs associated with the Emergency Storage Program. This cost is allocated among the member agencies based on each agency's three-year rolling average of all non-agricultural water deliveries.

Account 5136 – Metropolitan Water District Capacity Reservation Charge

Fixed charge levied on an agency's maximum daily flows over the three previous fiscal years. The San Diego County Water Authority Board of Directors has directed that this charge be passed through directly to member agencies. The charge is to recover 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 Metropolitan Water District system during the summer months.

Notes to Operating Budget
Budget Year 2023-24

Account 5138 – SDCWA Supply Reliability Charge

Fixed charge created to recover a portion of the costs associated with the San Diego County Water Authority's highly reliable water supplies, which included desalinated and IID transfer waters. The charge is allocated to member agencies based upon their pro rate share of 5-year rolling water deliveries.

Account 5145 – Material & Supplies SCADA

Materials and services associated with the data collection and the maintenance activities of the SCADA system.

Account 5212 – Materials & Supplies Well Pump Maintenance

Miscellaneous materials used in conjunction with operational pumping activities, e.g., diesel fuel for generators, and other related items.

Account 5226 – Materials & Supplies Pump Maintenance

Materials and supplies associated with system distribution pumps and pump motor repairs, including painting, electrical and mechanical work, valve service and repairs, repairs to recording devices, flow meter servicing, driveway and fence repairs, maintenance of large pumps at Sweetwater Reservoir, the runoff protection system, and other items of maintenance as required.

Account 5231 and 5232 – Pump Power Production, Runoff Power, or Wells Power

Cost of electrical energy required for the pumping of water supplies from Sweetwater Reservoir and the runoff protection system; the power required to run the distribution booster pumps and National City Wells; and the various desalination pumps and wells.

Account 5313 – Materials & Supplies Operating

Materials and supplies required during the operation of the water treatment plant, such as report forms and cleaning supplies, etc.

Account 5323 – Materials & Supplies Maintenance

Parts, materials, and outside services required for the maintenance and repair of the Robert A. Perdue Water Treatment Plant and Richard A. Reynolds Desalination Facility. Includes funds to provide coal and sand media for water filters and clearwell reservoir repairs.

Account 5330 – Water Treatment Chemicals

All chemicals used in the treatment of water at the Robert A. Perdue Water Treatment Plant, Richard A. Reynolds Desalination Facility, the National City Wells and the Chloramination Facility. Also includes chemicals used in the transmission and distribution system to disinfect pipelines after main break repairs, etc., and copper sulfate for treatment of algae in reservoirs.

Account 5342 – Materials & Supplies Laboratory

Outside testing and miscellaneous materials required in the operation of the Robert A. Perdue Water Treatment Plant laboratory and Richard A. Reynolds Desalination Facility, such as trays, beakers, water sample bottles, distilled water service, etc.

Account 5350 – Plant Power

Electrical energy required to run the Robert A. Perdue Water Treatment Plant at Sweetwater Reservoir (including wash-water pumps and aeration compressor) and Richard A. Reynolds Desalination Facility.

Notes to Operating Budget
Budget Year 2023-24

Account 5356 – Materials & Supplies Monitoring/Mitigation

Materials and services used by staff to support the monitoring and mitigation program at the Richard A. Reynolds Desalination Facility.

Account 5360 – Equipment Rental

Equipment rentals, such as cranes, cement mixers, etc.

Account 5414 – Safety & Educational Incentive Program

Annual safety incentive event, safety banners, and safety recognition awards. Education material for local schools.

Account 5420 – Tank Landscaping

Landscaping services performed to maintain tank sites.

Account 5422 – Materials & Supplies Tank Maintenance

General maintenance materials and service work on water tank storage facilities, including painting, interior cleaning and coating, and repairs.

Account 5424 – Materials & Supplies Maintenance

Materials and outside services used in the maintenance of water mains, such as pipe, valves, backfill material and paving. Also used for all general landscape maintenance performed at the Authority's Administrative Office.

Account 5426 – Materials & Supplies Water Service

Includes materials and supplies for the field repair and maintenance of meters and new service installations.

Account 5428 – Materials & Services Maintenance

Miscellaneous materials for operating the meter shop and the installation of meters.

Account 5430 – Pipeline Maintenance

Costs of investigating pipeline interiors.

Account 5437 – Materials & Supplies Miscellaneous

Miscellaneous supplies for Distribution department not chargeable to other accounts. Charges include but are not limited to welding supplies, lumber, safety equipment, landfill dump charges, and annual cost for uniforms for OSHA compliance.

Account 5448 – Meter Replacement Program

Staff recommends replacing meters after 15 years of use to maintain accurate meter reads which insures revenue recovery from water sales. This practice is consistent with AWWA standards for maintaining accurate meters. In addition, this method will smooth out the staff and labor time required for the change outs. Pricing of the meters is based on an existing contract via a competitive bidding process.

Account 5460 – Equipment Rental

Special one-time use equipment for replacing equipment that is temporarily out of service for repairs.

Account 5514 – Materials & Supplies Office

Supplies and forms used in the Authority's billing function and the services of a third party

Notes to Operating Budget
Budget Year 2023-24

billing company, which includes costs to print and mail water bills, excluding postage.

Account 5520 – Uncollectible Accounts

Accounts balances written off as a result of consumers who have not paid their water bill within the time period required by the Authority. These accounts are turned over to a collection agency and any collections received from the agency are credited back to this account, less the collection fee.

Account 5610 – Salaries

Operating expense Salaries for all Authority employees. Also includes the paid meeting per diems for Governing Board plus the per diems for authorized seminar travel and related expenses.

Account 5620 – Programs

Cost to support the Authority's Public Affairs and Educational Programs such as signs, event entrance fees, event materials, short videos for website, facility tours and promotional items (hose nozzles, showerheads, hose dyes, pens, pencils, misc. event giveaways).

Account 5621 – Office Supplies

Purchase of all office supplies for the administrative office.

Account 5622 – Travel, Meetings, Training or Seminars

Travel and expenses for staff personnel attendance at various water-related meetings, (e.g. ACWA, AWWA, CAPPO, WAA, Council of Water Utilities, etc.) conferences and seminars held in California. Also includes a provision for attendance at NWRRA conferences held in a western state, specific water quality technology conferences, reimbursement of limited business-related mileage to Authority personnel using their own vehicles, and the cost of computer and other training classes as appropriate.

Account 5623 – Subscriptions and Publications

Cost of magazines, manuals and reference books on topics such as water quality, safety, management, engineering, financial, etc.

Account 5624 – Dues and Memberships

Provides for the following memberships: Association of California Water Agencies, American Membrane Technologies, American Water Works Association, California Special Districts Association, CalDesal, Chula Vista Chamber Of Commerce, Foundation for Cross-Connection Control & Hydrologic Research, Local Government Commission, National City Chamber of Commerce, South County Economic Development Council, Third Avenue Village, Urban Water Institute, Water Education Foundation, Water Research Foundation, Western Coalition of Arid States and other memberships.

Account 5625 – Postage

Postage meter usage for general Authority mailing needs.

Account 5626 – Printing

Printing of special reports such as the water quality report or Proposition 218 notice.

Account 5628 – Delivery Service

Delivery services both interoffice and external.

Account 5629 – Education Program and Regulatory and Contractual

Notes to Operating Budget
Budget Year 2023-24

Cost of materials and services.

Account 5630 – General Property Liability Insurance

Insurance premium on the Authority's operation, including fire insurance, liability insurance (general and Sweetwater Dam failure), automobile coverage, and contractors' equipment.

Account 5631 – General Legal

Provides for the attendance of legal counsel at Authority Board meetings, and other general legal services including preparation of resolutions, contracts, conflict of interest procedures, attendance at committee meetings and negotiations, etc. Also includes a provision for services of a special counsel on water rights and real property matters.

Account 5632 – Temporary Help

Temporary help during an employee's extended time off and for temporary vacancies due to employee terminations.

Account 5633 – Auditing

Annual audit of the Authority's financial statements.

Account 5634 – Janitorial

Janitorial service contract and all janitorial materials and supplies purchased by the Authority for all four locations.

Account 5635 – Telephone/Communication

Telephone service charges, including cellular telephone use, maintenance charges, message units, long distance calls, internet and special signal channels for telemetering equipment.

Account 5636 – Utilities

General electrical lighting, power, gas heating, and sewer service including the Administrative Office, Edwin J. Steele Operations Center, Robert A. Perdue Water Treatment Plant, Richard A. Reynolds Desalination Facility, and pump stations. Does not include the cost of pumping and treatment plant power.

Account 5637 – Workers' Compensation Insurance

Insurance premium on the Authority's workers' compensation program.

Account 5638 – Public Information & Conservation Garden

Includes annual membership contribution to the Water Conservation Garden and placing required notices in local publications.

Account 5639 – Programs

Cost to support the Authority's Public Affairs and Educational Programs such as signs, event entrance fees, event materials, short videos for website, facility tours and promotional items (hose nozzles, showerheads, hose dyes, pens, pencils, misc. event giveaways).

Account 5640 – Conservation Incentives

Authority's conservation incentives which some are subsidized by Metropolitan Water District and San Diego County Water Authority.

Account 5641 – CalPERS Employer

Employer required pension contributions.

Notes to Operating Budget
Budget Year 2023-24

Account 5642 – Payroll Taxes

Employer portion of payroll taxes which consist of 6.20 percent (FICA) of gross wages and 1.45 percent (Medicare) of gross wages per employee for a combined total of 7.65 percent as required by law.

Account 5643 – PARS 401(a)

Defined contribution plan for the payout of employees' excess paid time off, employer match of 457 plan contributions, and annual contribution by the Authority of twenty-four hour of pay for each employee.

Account 5644 – Health, Vision, Dental, Life Insurance, and Short Term Disability

Health, life, disability, dental and eye care insurance premiums. The portion of dependents' premium paid by employees is credited to this account.

Account 5645, 5646, and 5647 – Other Benefits and Wellness

Unemployment insurance billings from the State of California, taxable fringe benefits, Authority's contribution to Sweetwater Authority Recreation Association, floating holiday payout, and contribution to the Other Post-employment Benefit trust for future retiree insurance benefits.

Account 5650 – Consulting Services

General consulting services for professional and non-professional type services.

Account 5654 – Regulatory Permit Fees or State Water Fee

The Department of Health Services has developed a comprehensive Safe Drinking Water Plan for California. The fee for the state's service is based on the number of service hours billed to the Authority.

Account 5660 – Rents & Leases

Lease of the Administrative Office parking lot from the County of San Diego.

Account 5661 – Equipment Rental

Rental of office and equipment when needed for training related purposes.

Account 5662 – Small Tools & Equipment

Purchase of small tools, including items such as shovels, hammers, wrenches, drill bits, digging bars and other tools having a value of less than \$1,000. Tools constructed by Authority staff for special uses are also charged to this account.

Account 5663 – Safety Shoe Program

Reimbursement to employees for their purchase of safety shoes.

Account 5665 – Ergonomic Programs

Purchase of ergonomic equipment and services when needed.

Account 5666 – Respiratory Program

Cost for annual Cal-OSHA required respirator physicals and cartridge filters and respirator face piece replacements and repair.

Account 5672 – Materials & Supplies Vehicle Maintenance

Materials and outside services necessary to maintain the Authority's vehicles and equipment, such as tune-up parts, brakes, tires, repainting, tire repairs, radiator repairs, transmission work, wheel balancing, etc.

Notes to Operating Budget
Budget Year 2023-24

Account 5673 – Gasoline & Oil

Gasoline for the Authority's vehicles and construction equipment. Also includes diesel fuel, propane fuel, grease, and motor oil.

Account 5674 – Hazardous Waste Removal

Service to remove hazardous waste material from the Edwin J. Steele Operations Center, the Robert A. Perdue Water Treatment Plant, and the Richard A. Reynolds Desalination Facility.

Account 5676 – Equipment Maintenance and IS Equipment Company-wide

Purchase of general office equipment. Purchase and maintenance of hardware and software information systems, including PCs and printers; telephone, email and network systems; presentation systems; and hardware and software licensing and maintenance fees.

Account 5678 – Maintenance General Plant

Monthly maintenance contract for the two-way radios and the purchase of parts necessary to keep radios operating properly.

Account 5694 and 5695 – Materials & Services Buildings & Grounds and Buildings & Grounds Maintenance

Maintenance at the Administrative Office, Edwin J. Steele Operations Center, Robert A. Perdue Water Treatment Plant, and Richard A. Reynolds Groundwater Desalination Facility for such items as painting, minor repairs, heating and air conditioning repairs, etc. Includes road and parking area maintenance at the Robert A. Perdue Water Treatment Plant, Edwin J. Steele Operations Center, and Administrative Office. Also includes the landscape and fountain maintenance at the Administrative Office, and trash pickup at all four Authority locations.

Account 5696 – Security Service

Security service to patrol and monitor the Authority's various sites.

Account 5697 – Emergency Response Exercises

Periodic emergency preparedness and response drills.

Account 5720 – Taxes

Various taxes paid by the Authority; California use tax, fuel taxes, etc.

Account 5740 – Expense Credits

The offset to allocating overhead from the operating budget to capital or private projects to reflect all costs associated with those projects. Also includes the allocation of overhead associated with heavy-duty equipment, mileage and bulk material (sand, gravel, etc.) charges.

Account 5940 – Bank & Financial Fees

Administrative fees charged by the Authority's financial institutions, credit card processing investment advisors, arbitrage consultants, and trust administrators.

Account 5999 – Expense Contingency

Annual budget item to pay for large unplanned expenditures that may occur over the fiscal year. Use of the contingency expense account must be approved by the Governing Board when a need arises.



POLICIES & PROCEDURES FOR THE GOVERNING BOARD

FINANCIAL POLICIES Policy 517

POLICY 517 – FINANCIAL POLICIES

Introduction

The purpose of this document is to identify various Governing Board (Board) policies and procedures related to the financial management of the Sweetwater Authority (Authority.) The financial policies are listed below and individually included on the following pages.

Financial Policies

- Budget Policy, page 90
- Debt Policy, page 92
- Disclosure Procedures Policy, page 101
- Investment Policy, page 106
- Reserve Policy, page 121
- Procurement Policy, page 129



Budget Policy

Introduction

The Authority Board has adopted a Strategic Plan that includes an objective to ensure the long-term financial viability of the agency. This document addresses this objective by setting forth policies to guide and support the development and implementation of the Authority's annual budget.

Objectives

The Authority will maintain an annual balanced budget:

- Operating revenues and the beginning operating fund balance are equal to or exceed operating and cash-financed capital expenses. Water rates will be evaluated and set via the Budget, Five-year Financial Projection, and most recent water rate study. Revenues that exceed operating expenses and debt service will be used to provide for cash-financed capital projects, supplement reserve funds approved by the Board, and/or offset the following year water rates.
- Capital expenditures will be based on the Authority's Five-year Capital Projection in conjunction with and guided by the Authority's approved master plans, and funded through current revenues, grant funding, or debt financing.
- Reserve fund balances must meet minimum policy levels.

Maintaining a balanced budget will ensure that revenues are sufficient to cover operating and maintenance expenses, fund debt service, maintain liquid reserve levels, and pay capital expenditures.

Budget Document

The budget will serve as the annual financial plan for the Authority. In accordance with the Authority's Strategic Plan, the budget will represent the annual policy document of the Board for implementing Board goals and objectives and the resources necessary to accomplish those goals and objectives.

The General Manager shall annually prepare and present a proposed budget to the Board no later than the last regular Board meeting in June of each year.

The Authority's annual budget will be presented by department, program, and proposed expenditures. A budget document will be presented for discussion and review by the Board and to receive input from the public. This document will summarize expenses for personnel, operations and maintenance, and capital categories.



POLICIES & PROCEDURES FOR THE GOVERNING BOARD

FINANCIAL POLICIES Policy 517

Budget Process

The Authority's budget schedule consists of the following steps:

- Department budget development by Department Heads consistent with goals set forth by the Authority Board in the Authority's Strategic Plan;
- Review of economic, financial, and water resource impacts and development of budget assumptions;
- Development of proposed capital program based on relevant master plans;
- Board review of the budget following review and recommendations from the Finance and Personnel Committee; and
- Adoption of the budget by the Board at a public meeting.

Budget Control and Accountability

Budget control is maintained at the departmental level. In no case may total expenses of the Authority exceed what is approved by the Board, without a budget adjustment. Budget accountability rests primarily with the Board and the General Manager.

Budget Adjustments

During the year, if projects or expenditures are needed beyond the adopted budget, the item(s) will be placed on the agenda at the next regular meeting or at a special meeting of the Board. The Board will consider the allocation of additional funds from the reserve funds to cover the costs, if approved.

Capital Assets and Equipment

The annual budget will provide for adequate maintenance and replacement of capital assets. The Authority will develop an annual five-year projection for capital expenditures, including new infrastructure, equipment and improvements. Cost tracking for components of the capital improvement program will be updated regularly to ensure project completion within budget and established timelines.

The development of the capital improvement budget will be coordinated with the development of the operating budget. It is the Authority's objective to maintain all of its assets at a level adequate to protect the Authority's capital investments and minimize maintenance and replacement costs.



Debt Management Policy

Policy Goals

This Debt Management Policy (Policy) documents Sweetwater Authority's (Authority) goals for the use of debt instruments and provides guidelines for the use of debt for financing the Authority's infrastructure, property, equipment, and capital project needs. The Authority's overriding goal in issuing debt is to respond to and provide for the infrastructure, and capital project, and other financing needs of ~~its customers~~ the Authority while ensuring that debt is issued and managed prudently to maintain a sound fiscal position and protect current and future credit quality. The Authority issues debt instruments, administers Authority-held debt proceeds and makes debt service payments, acting with prudence and diligence, and attention to prevailing economic conditions.

Use of Debt Proceeds

The Authority will endeavor to pay for all infrastructure and other projects from a combination of current revenues, available reserves, and prudently issued debt. The Authority believes that debt can provide an equitable means of financing projects for the Authority's customers and provide access to new capital for infrastructure and project needs. Debt will be used to finance projects if it: (i) meets the Authority's goal of equitable treatment of all customers, both current and future; (ii) is the most cost-effective means available to the Authority; and (iii) is fiscally prudent; responsible, and diligent under the prevailing economic conditions.

Objectives

The Policy is designed to:

- Establish parameters for issuing debt;
- Provide guidance on all options available to finance infrastructure, and other capital projects, and other financing needs;
- Provide guidance on the most prudent, equitable and cost-effective method of financing;
- Document the objectives to be achieved by staff both prior to issuance and subsequent to issuance;
- Promote objectivity in the decision-making process; and
- Facilitate the financing process by establishing important policy decisions in advance.

The Authority will adhere to the following legal requirements for the issuance of debt:

- The laws of the State of California (State) which authorize the issuance of the debt;
- Federal and State laws which govern the eligibility of the debt for tax-exempt status;
- Federal and State laws which govern the issuance of taxable debt; and



POLICIES & PROCEDURES FOR THE GOVERNING BOARD

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- Federal and State laws which govern disclosure, sale, and trading of the debt.

Internal Controls

~~The issuance of All debt transactions~~ must be approved by the ~~Authority's Board of Directors (Board)~~. The proceeds of bond ~~and other indebtedness~~ sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of 1) safety, 2) liquidity, and 3) yield, and may be held as cash. The ~~Authority's investment guidelines and the~~ bond indentures, ~~fiscal agent agreement and other similar financing documents~~ will govern ~~objectives and criteria for the~~ investment of bond proceeds. The Director of Finance shall comply with arbitrage and tax provisions.

Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of Authority funds. The Authority's Trustee or Fiscal Agent will administer the disbursement of bond proceeds pursuant to each certain Indenture of Trust or Fiscal Agent Agreement or similar financing document, respectively. To ensure proceeds from bond sales are used in accordance with legal requirements, invoices to be paid from bond proceeds will be submitted by the Director of Engineering and approved by the Director of Finance for payment. Requisition for the disbursement of bond funds, if any, will be approved by the Director of Finance or designated alternate. Responsibility for general ledger reconciliations and records is segregated from the invoice processing, cash receipting, and cash disbursement functions. The Finance Department will be tasked with monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the Authority will meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds can reasonably be expected to be expended within the three-year temporary period under federal tax law.

Integration with Financial and Capital Planning

The Authority will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the budgeting and rate setting process.

Necessary appropriations for annual debt service requirements will, to the extent possible, be included in the Authority's annual budget.

The Authority utilizes a Five-Year Capital Investment Projection based, in part, on relevant Master Plans (Master Plans) to determine its long-term infrastructure and other project needs. The Authority's Five-Year Capital Investment Projection is updated annually and the Master Plans are updated at least every five years, or more frequently when necessary. The Authority evaluates each project in relation to established levels of reserves, current



POLICIES & PROCEDURES FOR THE GOVERNING BOARD

FINANCIAL POLICIES Policy 517

rate structure, expected asset life/replacement timeline, and available revenue sources to ensure that adequate financial resources are available to support the Authority's financial obligations.

This Policy, the Budget Policy, the Reserve Fund Policy, and the Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following principles outline the Authority's approach to debt management.

- The Authority will evaluate funding for each capital project on a case-by-case basis;
- The Authority will assess whether to pay for such projects from current revenues and available reserves prior to or in combination with the use of debt;
- The Authority will issue debt only in the case where there is an identified source of repayment. ~~and b Bonds~~ bonds will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such existing revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt;
- Debt issuance for a capital project will not be considered unless such project has been incorporated into the Five-~~Y~~year Capital Investment Projection or Master Plan, ~~or unless otherwise approved by the Board~~;
- The Authority will review all previously issued debt instruments to ensure the proposed debt issuance is permitted;
- Water rates will be set at adequate levels, which comply with State law, to generate sufficient revenues to pay all Operating and Maintenance costs, to maintain sufficient operating reserves, and to pay debt service costs;
- Water rates will be set to fulfill bond covenant requirements; and
- Connection fees will be maintained at a level sufficient to finance a portion of growth-related capital costs and cover related annual debt service requirements.

Conditions for Debt Issuance

The following ~~policies-guidelines~~ formally establish parameters to evaluate, issue, and manage the Authority's debt. The ~~policies-guidelines~~ outlined below are not intended to serve as a list of rules to be applied to the Authority's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management. Before issuing debt, the Authority will evaluate the availability of grants ~~and low interest loans~~ before accessing the capital markets.

In issuing debt, the Authority's objectives will be to:

- Achieve the lowest cost of capital;
- Ensure ratepayer equity;



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- Maintain high credit ratings and access to credit enhancement; and
- Preserve financial flexibility.

Standards for Use of Debt Financing

When appropriate, the Authority will use long-term debt financing to achieve an equitable allocation of capital costs/charges between current and future system users, to provide more manageable rates in the near and medium term, and to minimize rate volatility.

The Authority shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life. Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

Financing Criteria and Types of Debt

Each debt issuance should be evaluated on an individual basis within the framework of the Authority's long-term financial plan, as well as within the context of the Authority's overall financing objectives and current market conditions.

The Authority will evaluate the use of appropriate financial alternatives available as permitted by the State Constitution and applicable State statutes. These alternatives will be considered in order to secure the most cost advantageous financing alternative available while limiting the Authority's risk exposure. Types of debt may include, but are not limited to:

- Revenue Bonds;
- Lease Revenue Bonds;
- Certificates of Participation;
- Refunding/refinancing existing debt obligations;
- Short term notes;
- Lease-purchase transactions;
- Loans;
- Letters of Credit and revolving lines of credit; and
- State revolving fund loans.

The Authority will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions. Alternative debt structures include:

Credit Enhancement – The Authority will consider the use of credit enhancement on a case-by-case basis and only when clearly demonstrated savings can be realized shall credit enhancement be utilized.

Cash-Funded Reserve vs. Surety – The Authority may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent



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and advantageous. The Authority may use guaranteed investment agreements for the investment of reserve funds pledged to the repayment of any Authority debt when it is financially prudent and approved by the Board.

Call Provisions – In general, the Authority's securities should include optional call provisions, absent special circumstances. The Authority will avoid the sale of non-callable, long-term fixed rate bonds, absent careful evaluation of the value of the call option, and specific approval by the Board.

Additional Bonds Test/Rate Covenants - The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and this Policy.

Short-Term Debt – The Authority may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing, or future bonding capacity.

Use of Variable Rate Debt - The Authority typically will not issue variable interest rate debt but may consider it based on a financial analysis.

Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in the Authority's Investment Policy. The Authority will seek to maximize investment earnings within the investment parameters set forth in the respective debt financing documentation. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a "net" debt service basis, where appropriate.

Refinancing Outstanding Debt

The Director of Finance, in consultation with the Authority's Municipal Advisor, shall have the responsibility to evaluate potential refunding opportunities ~~and the Board would then approve of any refunding opportunities~~. The Authority will consider the following issues when analyzing potential refinancing opportunities:

Debt Service Savings – The Authority shall establish a minimum target savings level of at least three (3) percent of the par of debt refunded on a net present value (NPV) basis for a current refunding and a minimum of at least five (5) percent net present value saving for an advance refunding. This figure will serve only as a guideline; the Authority shall evaluate each refunding opportunity on a case-by-case basis. In addition to the savings guideline, the following shall be taken into consideration:

- Remaining time to maturity of outstanding debt;
- Size of the issue;
- Current interest rate environment;
- Annual cash flow savings;



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- Value of the call option;
- Meeting unanticipated revenue expectations;
- Termination of swaps;
- Mitigating irregular debt service payments;
- Releasing reserve funds; or
- Removing unduly restrictive bond covenants.

The decision to take all savings upfront or on a deferred basis must be explicitly approved by the Authority's Finance and Administration Committee and Board.

Restructuring - The Authority may seek to refinance a bond issue on a non-economic basis, in order to: restructure debt; mitigate irregular debt service payments; accommodate revenue shortfalls; release reserve funds; or comply with and/or eliminate rate/bond covenants.

Term/Final Maturity – The Authority may consider the extension of the final maturity of any refunding bonds in order to achieve a necessary outcome, provided that such extension is legal, financially prudent, and in the best interest of the Authority's customers. The term of the bonds should not extend beyond the reasonably expected useful life of the asset being financed. The Authority may also consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity should guide these decisions.

Economic versus Legal Defeasance - When evaluating an economic versus legal defeasance, the Authority shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The Authority shall take all appropriate and reasonable steps to optimize the yield on its refunding escrow investments and avoid negative arbitrage.

Outstanding Debt Limitations

Prior to issuance of new debt, the Authority shall consider and review the latest credit rating agency reports and guidelines to ensure the Authority's credit ratings and financial flexibility remain at levels consistent with the most highly-rated comparable public agencies.

Method of Issuance

The Authority will determine, on a case-by-case basis, whether to sell its bonds competitively, through negotiation or by private placement.

Competitive Sale – In a competitive sale, the Authority's bonds shall be awarded to the bidder providing the lowest true interest cost, as long as the bid adheres to requirements set forth in the official notice of sale. Conditions under which a competitive sale would be preferred include, but are not limited to: ~~are as follows:~~



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- Bond prices are stable and/or demand is strong;
- Market timing and interest rate sensitivity are not critical to the pricing;
- There are no complex explanations required during marketing regarding the [City's Authority's](#) projects, media coverage, political structure, political support, funding or credit quality;
- The bond type and structure are conventional;
- Bond insurance is included or pre-qualified (available);
- Manageable transaction size;
- The bonds carry strong credit ratings; or
- The Authority is well known to investors.

Negotiated Sale – The Authority recognizes that some bond issues are best sold through negotiation with a selected underwriter. The Authority has identified the following circumstances in which this would likely be the case:

- Issuance of taxable bonds;
- Complex structures or credit considerations (such as non-rated bonds), which require a strong pre-marketing effort. Significant par value, which may limit the number of potential bidders, unique/proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process;
- Market volatility, such that the Authority would be better served by flexibility in the timing of its sale in a changing interest rate environment;
- When an underwriter has identified new financing opportunities or presented alternative structures that financially benefit the Authority;
- As a result of an underwriter's familiarity with the project/financing, the Authority is able to take advantage of efficiency and timing considerations;
- Marketing timing is important, such as refunding;
- The amount for the transaction is significantly larger than normal; or
- Demand for the bonds by retail investors is expected to be high.

Private Placement – The Authority may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

Market Communication, Debt Administration and Reporting Requirements:

Rating Agencies – The Director of Finance shall be responsible for maintaining the Authority's relationships with S&P Global Ratings, Fitch Ratings and Moody's Investors



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Service, and any other agency that provides credit ratings for municipal debt. The Authority may choose to deal with one, two, or all of these rating agencies as circumstances dictate. In addition to general communication, the Director of Finance: (1) may meet with credit analysts at least once every two fiscal years, and (2) prior to each competitive or negotiated sale, offer conference calls or meetings with rating agency analysts in connection with the planned sale.

Observance of Debt Covenants – The Director of Finance shall periodically, and at least annually, ensure the Authority is, and is expected to remain, in compliance with all legal covenants for each debt issue.

Board Communication – The Director of Finance shall include in an annual report to the Board the status of the Authority's bond rating. If available, new feedback from rating agencies and/or investors regarding the Authority's financial strengths and weaknesses and recommendations for addressing any weaknesses will be presented to the Board.

Continuing Disclosure – The Authority shall remain in compliance with its continuing disclosure undertakings by filing its annual financial statements and other financial and operating data for the benefit of its bondholders and necessary event notices, as covenanted in each debt issue's Continuing Disclosure Agreement.

Record-Keeping – A copy of all debt-related records shall be retained at the Authority's offices. At a minimum, these records shall include all official statements, bid documents, bond documents / transcripts, resolutions, trustee statements, leases, and title reports for each Authority financing (to the extent available). To the extent possible, the Authority shall retain an electronic copy of each document - preferably in pdf or CD-ROM format.

Arbitrage Rebate – The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code arbitrage rebate requirements. The Director of Finance shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; if a rebate payment is due such payment shall be made in a timely manner.

Engagement of Professionals

To ensure that the Authority receives appropriate services at a fair price, and to avoid the appearance of conflict of interest, extra caution will be taken when engaging the services of public finance professionals. Before seeking or considering contracts with public finance professionals, the Director of Finance will review the Authority's Purchasing Policy and the then-current Government Finance Officers Association best practices on the following topics:

- Selecting and Managing Municipal Advisors;
- Selecting and Managing the Method of Sale of Municipal Bonds;



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- Selecting Bond Counsel; and
- Selecting and Managing Underwriters for Negotiated Bond Sales.

The Director of Finance will report to the Board on a recommended process for determining which professionals are needed, how they will be identified (e.g., request for proposal, or bid), and how their contracts will be developed before being submitted to the Board for approval. Emphasis will be placed on competition, openness, clarity, and avoiding conflicts of interest. The process recommended may be for a period of time, or for a particular financing or set of financings. All engagement letters, contracts, disclosures and opinions will be provided to the Board promptly, and Authority staff will not sign any such documents without prior notification to the Board.

SB 1029 Compliance

This Policy ~~has been updated in regards to~~ is intended to comply with SB 1029 (codified in California Government Code section 8855~~(L-7)~~), ~~signed by then Governor Brown on September 12, 2016, that requires issuers to adopt debt policies addressing each of the five items below:~~

~~The purposes for which the debt proceeds may be used.~~

~~The types of debt that may be issued.~~

~~The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.~~

~~Policy goals related to the issuer's planning goals and objections.~~

~~The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.~~

Waiver of Provisions of the Policy

The provisions of the Policy may not be waived without the approval of the Authority's Board.



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Disclosure Procedures Policy

Introduction

The purpose of these Disclosure Procedures Policy (~~the~~ "Procedures") is to memorialize and communicate procedures in connection with initial and annual continuing disclosure obligations as they relate to debt obligations (Obligations), ~~obligations~~, including notes, bonds and certificates of participation, issued by or on behalf of the Sweetwater Authority (~~the~~ "Authority") so as to ensure that the Authority continues to comply with all applicable disclosure obligations and requirements under federal securities laws.

Publicly offered debt obligations and securities are offered pursuant to an Official Statement or other type of offering document which must comply with the "anti-fraud rules" of federal securities laws. ("Anti-fraud rules" refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission (SEC) under those Acts, particularly "Rule 10b-5" under the 1934 Act.)

Objectives

~~The Authority from time to time issues revenue bonds, notes or other obligations (collectively, "Obligations") to fund or refund capital investments, other long-term programs and working capital needs. In offering Obligations to the public, and at other times when the Authority makes certain reports, the Authority must comply with the "anti-fraud rules" of federal securities laws. ("Anti-fraud rules" refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission ("SEC") under those Acts, particularly "Rule 10b-5" under the 1934 Act, as the same may be amended from time to time.)~~

The core requirement of these rules is that potential investors in Authority publicly offered Obligations must be provided with all "material" information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the Authority must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the Authority's financial condition. In the context of the sale of Obligations, a fact is generally considered to be "material" if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the Obligations being offered.

When Obligations are issued/offered, the two central disclosure documents which are prepared are a preliminary official statement ("~~POS~~") and a final official statement ("~~OS~~," and collectively with the POS, the "Official Statement"). The Official Statement generally consists of: (i) the forepart (which describes the specific transaction including maturity



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dates, interest rates, redemption provisions, the specific type of financing, the leased premises in lease financings) and other matters particular to the financing; (ii) a section which provides information on the Authority, including its financial condition as well as certain operating information ("Authority Section"); and (iii) various other appendices, including the Authority's audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.

Disclosure Process

When the Authority determines to issue publicly-offered Obligations ~~directly~~, the Authority's Director of Finance shall request the involved-necessary departments to commence preparation of the portions of the Official Statement (including particularly the Authority Section) for which they are responsible. While the general format and content of the Official Statement may not normally change substantially from offering to offering, except as necessary to reflect major events, the Authority's Director of Finance and other relevant staff are responsible for reviewing and preparing or updating certain portions of the Authority Section which are within their particular areas of knowledge. Once the draft POS has been substantially updated by staff, the entire draft POS shall be ~~is~~ shared with the Assistant General Manager and General Manager for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire draft POS.

Members of the financing team, including the Bond Counsel and a financial advisor, if one is engaged with respect to the Obligations (~~the "Municipal Advisor"~~), assist staff in determining the materiality of any particular item, and in the development of specific language in the Authority Section Official Statement.~~:-~~ Members of the financing team also assist the Authority in the development of a "big picture" overview of the Authority's financial condition, included in the Authority section Official Statement.~~:-~~ This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the Authority.

The Director of Finance or a member of the financing team ~~, at the direction thereof, will~~ schedules one or more meetings or conference calls of the financing team (which includes Authority officials, Authority General Counsel, Bond Counsel and the Authority's Municipal Advisor, and the underwriters of the Obligations, and the underwriters' counsel, if the proposed financing is being undertaken as a negotiated transaction), and new drafts of the ~~forepart of the draft POS and the Authority Section~~ POS and OS are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among Authority staff and the other members of the financing team to discuss issues which may arise, determine the materiality of particular items, and ascertain the prominence in which



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the items should be disclosed. ~~The Authority's team shall provide comments to the POS and OS to the financing team.~~

Prior to distributing a POS to potential investors, there is typically a formal conference call which includes Authority officials involved in the preparation of the POS and members of the financing team (and the underwriters and the underwriters' counsel, if the financing is a negotiated transaction) during which the ~~POS is reviewed in its entirety to obtain final comments and to allow the~~ underwriters, if any, to ask questions of the Authority's senior officials. This is referred to as a "due diligence" meeting.

A substantially final form of the POS is provided to the Authority's Board in advance of approval to afford such Board an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Board, which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with General Counsel and Bond Counsel.

At the time the POS is posted for review by potential investors, senior Authority officials shall execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the Authority Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior Authority officials will execute certificates stating that certain portions of the OS, as of the date of each OS and as of the date of closing, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained in the Official Statement in light of the circumstances under which they were made, not misleading. Bond and/or General Counsel also provides an opinion letter (generally addressed to the Authority and underwriters) advising that information contained in the ~~Authority Section of the OS~~ Official Statement (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. General Counsel does not opine to the underwriters or to other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.



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Authority Section

The information contained in the Authority Section is developed by personnel under the direction of the Director of Finance, with the assistance of the financing team. In certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information to the Authority Section:

- Authority staff involved in the disclosure process are responsible for being familiar with its responsibilities under federal securities laws as described above.
- Authority staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult General Counsel, Bond Counsel, or members of the financing team if there are questions regarding whether an issue is material or not.
- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the Authority should consider revisions to the Procedures.
- The process of updating the [Authority Section Official Statement](#) from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the Authority Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content, and tone of the sections for which they are responsible at the time of each update.
- The Authority must make sure that the staff involved in the disclosure process is of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the Authority, its operations, and its finances.

Training

Periodic training for the staff involved in the preparation of the Official Statement (including the Authority Section) is coordinated by the finance team and the Director of Finance. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the Authority Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the Authority Section, a description of previous SEC enforcement actions, and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel, concerning disclosure



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obligations, and are encouraged to contact members of the finance team at any time if they have questions.

Annual Budget Adjustments

See Budget Policy.

Annual Continuing Disclosure Requirements

In connection with the issuance or execution and delivery of [publicly-offered](#) Obligations, the Authority has entered into contractual agreements ~~(together, the “~~Continuing Disclosure Certificates”) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events ~~relating to the Obligations~~ specified in the Continuing Disclosure Certificates, [as required by Rule 15c2-12.](#) The Authority must comply with the specific requirements of each Continuing Disclosure Certificate. The Authority’s Continuing Disclosure Certificates generally require that the annual reports be filed within 180 days after the end of the Authority’s fiscal year, and material event notices are generally required to be filed within 10 business days of their occurrence.

Specific events which require “material event” notices are set forth in each particular Continuing Disclosure Certificate.

The Director of Finance shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations). [The Director of Finance, or their designee, shall monitor, on a regular basis, all Obligations which are rated by a nationally recognized rating agency, and shall report any rating changes within 10 days.](#)



Investment Policy

Introduction

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of Sweetwater Authority (Authority) while protecting its funds.

The Board and, upon formal delegation, the Treasurer for Sweetwater Authority, duly authorized to invest Sweetwater Authority monies by California Government Code, are trustees of the Authority's funds, and therefore, fiduciaries subject to the prudent investor standard.

The investment policies and practices of the Board and Treasurer for the Authority are based upon limitations placed on it by governing legislative bodies. These policies have three primary goals:

- To assure compliance with all federal, state, and local laws governing the investment of monies under the control of the Treasurer.
- To protect the principal monies entrusted to this organization.
- To generate the maximum amount of investment income within the parameters of this Statement of Investment Policy, while meeting the daily cash flow demands of the Authority.

Scope

It is intended that this policy cover all funds and investment activities under the direct authority of the agency, except for [bond/debt proceeds](#), the employees' retirement and deferred compensation funds.

Objectives

Safety: It is the primary duty and responsibility of the Treasurer to protect, preserve, and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Treasurer shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. The objective will be to mitigate credit risk and interest rate risk.

The Authority will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:



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- Limiting investments to the types of securities listed in the Authorized Investment Instruments section of this Investment Policy.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Authority will do business.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

Liquidity: The secondary consideration of the Treasurer is to insure an adequate percentage of the portfolio will be maintained in liquid short-term securities, which can be converted to cash if necessary to meet disbursement requirements.

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

Return on Investment: The third consideration of the Treasurer is to achieve a reasonable return on investment (yield) only after the basic requirements of safety and liquidity have been met.

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.



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- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

Market-Average Rate of Return: The investment portfolio shall be designed to attain a market-average rate of return throughout economic cycles, taking into account the Authority's risk constraints, the cash flow characteristics of the portfolio, state and local laws and ordinances, or resolutions that restrict investments. The Authority's investment strategy is passive (hold investment to maturity). Given this strategy, the market-average rate of return is defined as the average return on six-month United States (U.S.) Treasury bills.

Diversification: The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions.

Prudence: The Authority adheres to the prudent investor rule, California Government Code Section 53600.3, which obligates a fiduciary to insure that: "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Authority, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Authority. Within the limitations of this section and considering individual investments as part of an overall strategy, investment may be acquired as authorized by law."

Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented.

Maximum Maturities: To the extent possible, the Authority will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest in securities maturing more than two (2) years from the date of purchase.

Reserve funds may be invested in securities exceeding two (2) years (but no more than five (5) years) if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.



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Delegation of Authority

The investment of the Authority's idle monies, pursuant to this policy, is annually delegated to the Treasurer by the Board, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Treasurer may delegate the day-to-day operations of investing to the Deputy Treasurer, but not the responsibility for the overall investment program. The Treasurer will review all transactions on a regular basis to assure compliance with this Statement of Investment Policy.

Reporting

The Treasurer will submit a monthly investment report to the Board. This report will include: type of investment, institution, date of maturity, amount of deposit/par value, book value, current market value of all securities with a maturity in excess of twelve (12) months, rate of interest, statement relating the report to this Statement of Investment Policy, statement that there are sufficient funds to meet the next one hundred eighty (180) days obligations. Additional items listed will also include average weighted yield, weighted average days to maturity and percent distribution to each type of investment and any funds under management by contracted parties.

Authorized Investment Instruments

The Authority is governed by the California Government Code Sections 53600, et seq. Within the context of these limitations, the following investments are authorized:

Managed Pools: The Authority may invest in the Local Agency Investment Fund pursuant to Government Code Section 16429.1 (LAIF) (maximum determined by state law, currently \$75 million), a county treasurer's pooled money fund pursuant to Government Code Section 53684, as well as managed pools rated a minimum of "AA" by one major rating agency, as permitted under California Government Code Sections 53601, et seq. The Treasurer will thoroughly investigate the investment policies and management practices of each investment alternative prior to investing funds as well as perform a detailed quarterly review if funds are ultimately deposited to ensure purchased securities are in compliance with the Government Code. With the exception of LAIF, no more than 20 percent of the Authority's funds may be held by any one pool. The Authority may also invest bond proceeds (if permitted by covenant) in the LAIF.

Bankers' Acceptances: The Authority may invest funds in prime self-liquidating bankers acceptances limited to banks rated a minimum of "A" by either Moody's Investor Service, Inc., Standard & Poor's, or Fitch Financial Services, Inc. (Fitch). The maximum investment maturity will be restricted to one hundred eighty (180) days pursuant to Government Code Section 53601 (g). Maximum portfolio exposure will be limited to 20 percent.



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Bank Demand: The Authority may invest in a bank's savings and/or demand deposit account. These accounts must be covered by Federal Deposit Insurance Corporation (FDIC) regulations of \$250,000 per account plus the 110 percent collateral rule (Government Code Section 53652 (a).) The maximum portfolio exposure is limited to five percent.

Treasury Securities: The Authority may invest funds in the U.S. Treasury notes and bills for which the faith and credit of the United States are pledged for the payment of principal and interest. Because these investments are the safest possible, there is no maximum portfolio limit. Maximum investment maturities will be restricted to five (5) years. The purchase of zero coupon, strips, or deep discount treasury bonds is not permitted.

Repurchase Agreements: The Authority may invest funds (Government Code Section 53601 (j)) in overnight and term repurchase agreements (sweep accounts) with banks or Primary Dealers rated "A" or better by either Moody's Investor Service, Inc., Standard & Poor's, or Fitch with which the Authority has entered into a master repurchase agreement. This agreement will be modeled after the Public Securities Associations master repurchase agreement.

All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party will have an account in the name of the Authority. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis by the Treasurer and/or Deputy Treasurer and will not be permitted to fall below 102 percent of the value of the repurchase agreement. Collateral shall not include strips, zero-coupon instruments, or instruments with maturities in excess of five (5) years. The right of substitution will be granted, provided that permissible collateral is maintained.

In order to conform with the provision of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are U.S. Treasury obligations. The Authority will maintain a first perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to liquidation of purchased securities upon the bankruptcy, insolvency, or other default of the counterparty. Maximum portfolio will be limited to 20 percent and maturities that do not exceed one (1) year.

Certificates of Deposit: The Authority may invest funds in collateralized and/or insured (FDIC) negotiable certificates of deposits issued by commercial banks and savings and loans. A written depository contract is required with all institutions that hold the Authority's deposits. Securities placed in a collateral pool must provide coverage for at least 110 percent of all deposits that are placed in the institution. Acceptable pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the Authority, even though they are permitted in Government Code Section 53651 (m). All banks are required to provide the Authority with



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a regular statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652 (a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool.

No bank that has a Moody's Investors Service, Inc., Standard and Poor's, or Fitch rating less than "A" shall receive Authority funds.

All banks which have accounts of the Authority in excess of \$250,000 are required to provide annual information regarding compliance to the Community Reinvestment Act. Banks are required to maintain a minimum rating of "satisfactory" as defined under the Financial Institutions Recovery Reform and Enforcement Act.

Pursuant to Section 53638 of the California Government Code, any deposit shall not exceed that total paid-up capital and surplus of any depository bank, nor shall the deposit exceed the total net worth of any institution.

Maximum portfolio exposure is limited to 30 percent. Maximum investment maturity will be restricted to five (5) years.

Placement Service Certificates of Deposit: The Authority may invest in certificates of deposit placed with a private sector entity that assists in the placement of certificates of deposit with eligible financial institutions located in the United States (Government Code Section 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. The combined maximum portfolio exposure to Placement Service Certificates of Deposit and Negotiable Certificates of Deposit is limited to 50 percent.

Negotiable Certificates of Deposit: The Authority may invest in negotiable certificates of deposit issued by eligible financial institutions located in the United States (Government Code Section 53601(i)). The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. Maximum portfolio exposure is limited to 30 percent.

Agencies: The Authority is permitted to invest in the obligations, participations, or other instruments of the following discount and coupon security issuers: Small Business Administration (SBA), Farm Credit Consolidated System (FCCS); Federal Home Loan Banks (FHLB); Federal Home Loan Mortgage Corporation Obligation (FHLMC PC); Government National Mortgage Association (GNMA); Federal National Mortgage Association (FNMA); Federal Farm Credit Bank (FFCB); Tennessee Valley Authority (TVA);



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and Federal Land Bank (FLB). Maximum maturity is limited to five (5) years. Maximum portfolio exposure is limited to 70 percent.

Money Market Funds: Composition of the fund is limited to investments that are authorized by this Statement of Investment Policy. Funds must have the highest rating (AAA) by two of the three largest nationally recognized rating services, or have an investment adviser registered with the Securities and Exchange Commission with not less than five (5) years' experience investing in the securities and obligations authorized by this investment policy and with assets under management of 500 million dollars (\$500,000,000). Any fund shares purchased will not include any type of commission (Government Code Section 53601 (l)). Maximum portfolio exposure is limited to 20 percent.

Commercial Paper: Investment is limited to the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet either one of the following criteria:

- The corporation shall be organized and operating within the United States as a general corporation; shall have total assets in excess of five hundred million dollars (\$500,000,000); and shall issue debt other than commercial paper, if any, that is rated "A" (Government Code Section 53601 (h)) or higher, or the equivalent, by a nationally recognized statistical-rating organization.
- The corporation shall be organized within the United States as a special purpose corporation, trust, or limited liability company; have program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond; and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally rated statistical-rating organization.

Eligible commercial paper may not exceed two hundred seventy (270) days maturity nor represent more than 40 percent of the Authority's total investment portfolio, and no more than 10 percent of the Authority's total investment portfolio may be invested in the commercial paper and the medium-term notes may be purchased from of any single issuer (Government Code Section 53601 (h)).

Joint Powers Authority: The Authority may invest funds in shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7, provided that the joint powers authority issuing shares has retained an investment advisor who is registered or exempt from registration with the Securities and Exchange Commission, has assets under management in excess of \$500,000,000 and has at least five (5) years of experience investing in securities authorized under Government Code Section 53601. No more than 20 percent of the Authority's funds may be held by any one pool.



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Public Bank: The Authority may now invest in commercial paper, debt securities, or other obligations issued by a Public Bank. (Gov. Code §§ 53601(r), 53635) A public bank is a nonprofit corporation organized for the purpose of engaging in commercial banking or industrial banking that is wholly owned by a local agency, local agencies, or a joint powers authority composed only of local agencies. (Gov. Code § 57600.)

Authorized Investment Instruments—Bond Proceeds

Proceeds of any debt/bond issuance shall be invested in accordance with the permitted investment provisions of their specific bond documents.

All investment types listed above are authorized investments for bond proceeds with the addition of the following:

Collateralized Guaranteed Investment Contracts (GICs)/Full Flex Repurchase Agreements: Investment of funds in GICs is permitted, pursuant to Section 5922 of the Government Code, when collateralized by U.S. Government guaranteed and direct obligation securities. Collateral must be held by a third party institution, and must be marked to market on a weekly basis to a minimum of the value of the outstanding balance of the contract. The maximum maturity date on a GIC is limited to the final maturity date of the bonds being issued.

Initially Uncollateralized Guaranteed Investment Contracts (GICs): Investment of funds in GICs which are not initially collateralized is permitted, pursuant to Section 5922 of the Government Code, only if (a) the term of the GIC does not exceed three (3) years, (b) the counterparty to the GIC is rated in the highest long term rating category by Moody's Investors Service, Inc., Standard & Poor's, and Fitch (or whose payment obligations under such GIC are insured or guaranteed by an entity the unsecured obligations of which are so rated), and (c) the GIC requires that it be collateralized as described above in the event the counterparty's rating is downgraded below the highest long term rating category by either Moody's Investors Service, Inc., Standard & Poor's, or Fitch.

Local Agency Investment Fund (LAIF): The Authority may also invest bond proceeds in LAIF. There is no limit on the amount of bond proceeds that may be deposited in the fund. Liquidity for bond proceeds, pursuant to fund regulations, is thirty (30) calendar day increments from the date of the initial deposit. Bond proceeds deposited in LAIF should be managed to include a ninety (90) day review by the Treasurer to insure safety, as well as probable income.

In the event that a conflict arises between the bond covenants and this Statement of Investment Policy, the following will guide the (re)investment of bond proceeds: when the Statement of Investment Policy is more conservative than the bond covenants, the Statement of Investment Policy will prevail; if the bond covenants are more conservative than the Statement of Investment Policy, the bond covenants will prevail.



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Derivatives

A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index, or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). No security will be purchased that could result in a zero interest accrual if held to maturity. However, the Authority is authorized to invest in callable securities issued or backed by the US government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates.

Portfolio Limitations

The total dollar amount of bond proceeds invested in Investment Pools, U.S. Treasury Notes, and investment contracts are to be excluded from the total used to calculate percentages for investment types.

The weighted average days to maturity of the total portfolio excluding GNMA investments shall not exceed five hundred forty (540) days to maturity.

In the event that the percentage limits attributable to each security type are violated due to a temporary imbalance in the portfolio, the Treasurer will make a determination as to the appropriate course of action. The appropriate course of action may be to liquidate securities to rebalance the portfolio or to hold the securities to maturity in order to avoid a market loss. Portfolio percentages are in place to ensure diversification of the investment portfolio and as such a small temporary imbalance would not violate this basic tenet. When a portfolio percentage is exceeded, the Treasurer will report the violation in the Treasurer's Report at the next regularly scheduled Board meeting, with detail of the strategy determined to address the imbalance, for Board ratification.

In the event that an investment originally purchased within policy guidelines is downgraded by any one of the credit rating agencies, the Treasurer shall report it at the next regularly scheduled Board meeting.

Other Considerations

When securities of like credit quality, maturity, and price are available, it is the policy of the Authority's Board to invest in securities issued by domestic based entities.

Ineligible Investments



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Investments not described herein, including but not limited to, common stocks, futures, and option-writings, are prohibited from use in this portfolio. The use of short positions is also prohibited.

Internal Controls

A system of internal controls shall be established and documented in writing by the Treasurer. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized Investment Officials, documentation of transactions, and strategies and code of ethics standards. The Treasurer will establish an annual process of independent review by an external audit firm. This review will provide assurances of strong internal controls by reviewing compliance with previously established policies and procedures; the result of this review will be part of the annual audit report to the Board.

Qualified Banks and Securities Dealers

The Authority shall conduct business only with banks, savings and loans, and registered investment securities dealers. The Authority's staff will conduct business with institutions that agree to abide by the conditions set forth in the Authority's Investment Policy. All brokers and/or dealers must sign the appropriate Information Request Form.

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five (5) years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration



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- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
 - Certification of having read and understood and agreeing to comply with the [entity's] investment policy.
 - Evidence of adequate insurance coverage.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer.

A current audited financial statement is required to be on file for each financial institution and broker/dealer authorized to provide investment services to the Authority.

Risk Tolerance

The Authority recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Treasurer is expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes, and illiquidity.

Risk will also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by investing to a shorter term. This philosophy also prohibits trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost-effective basis. Loss of principal will only be acceptable if economic gain can be conclusively demonstrated.

Controlling and managing risk is the foremost portfolio management objective. The Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. This acceptable level of return has been quantified as a return that is consistent with the six-month Treasury bill yield. Any level of return above this measure should be reviewed in order to ensure that such investments meet the criteria previously specified.

In addition to these general policy considerations, the following specific policies will be strictly observed:

- All transactions will be executed on a delivery-versus-payment basis except for purchase of certificates of deposit when purchased through a registered investment securities dealer.
- A competitive bid process (two or more brokers/dealers), when practical, will be used to place all investment purchases and sales.



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Safekeeping and Custody

To protect against potential losses caused by the collapse of a security dealer(s), all book-entry securities owned by the Authority, including repurchase agreement collateral, shall be kept in safekeeping with "perfected interest" by a third party bank trust department, acting as agent for the Authority under the terms of a written custody agreement executed by the bank and by the Authority. All securities will be received and delivered using standard delivery-versus-payment procedures.

Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Authority, particularly with regard to the time of purchases and sales and should avoid transactions that might impair public confidence.

Review by Board

This Investment Policy shall be reviewed and submitted annually to the Board to be adopted by resolution.

GLOSSARY OF TERMS

Average weighted yield - The accumulative yield of each security weighted by the security's dollar value as compared to the total value of all the securities.

Bankers' Acceptance - A letter of credit is issued in a foreign trade transaction. For example, a U.S. corporation planning to import goods from abroad will ask its bank to issue a letter of credit on behalf of the corporation in favor of the foreign supplier. Upon receipt of this letter and draft, the supplier will ship the goods and present the draft at its bank for discounting. The foreign bank then forwards the draft to its U.S. correspondent. The draft is stamped "accepted" with the U.S. bank incurring an obligation to pay the draft (now a bankers' acceptance) at maturity. Initial maturities range from thirty (30) to two hundred seventy (270) days, but the short-term ninety (90)-day acceptance is the market standard.

Book-entry securities - Securities that are purchased, sold, and held with electronic computer entries rather than transfer of physical certificates.



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Broker - A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides; he does not position. In the money market, brokers are active in markets in which banks buy and sell money and in interdealer markets.

Callable Bonds or Notes - Bonds or Notes may be repurchased at the option of the issuer within a specified period at a specified price. Early redemption of high-coupon bonds and/or notes occurs whenever interest rates subsequently decline (i.e., thirty (30)-year GNMA Notes).

Certificate of Deposit (CD) - A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

Collateralization - The act of securing or guaranteeing the discharge of an obligation with anything such as stocks or bonds.

Commercial Paper - Negotiable corporate debt, usually unsecured, and issued on a continuous basis for short time frames.

Dealer - A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Deep Discount Treasury Bonds - A price well below par or a security selling at a price well below par (i.e., 90 percent).

Delivery-versus-payment basis - Funds are not wire-transferred until the securities are delivered. If the transfer is accomplished through the federal wire system, the investor is notified before cash is released. If a third party acts as custodian, funds are released by the custodian or the customer only when delivery is accomplished.

Derivatives - A financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index, or reference rate.

Liquid short-term securities - A security which is instantly negotiable at par value. A checking account, demand deposit, money market funds, and state investment pools with check-writing features are very liquid.

Liquidity - The ability to convert securities into cash on short notice. Liquidity incorporates a security holder's ability to sell an instrument without significant loss, as well as other factors that might expedite quick exchange for cash.

Market Value - The price that a security can be expected to bring when sold in a given market.



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Market-average rate of return - The average return on a six-month U.S. Treasury Bill.

Option-writing - To supplement income generated from a bond portfolio, an option against securities held in the portfolio is written (sold).

Perfected Interest - In the event of a default of a repurchase agreement by the dealer, you have the first right of liquidity.

Prime self-liquidating bankers' acceptance - The bankers' acceptance will be liquidated at maturity from the proceeds of the sale of goods which distinguishes self-liquidating acceptance from those used only to finance inventories.

Prudent Person Rule - An investment standard established in 1630. It states that a trustee who is investing for another should behave in the same way as a prudent individual of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Repurchase Agreement (Repo) - A contractual transaction between an investor and an issuing financial institution (bank or securities dealer). The investor exchanges cash for temporary ownership or control of collateral securities, with an agreement between the parties that, on a future date, the financial institution will repurchase the securities. The investor receives interest during the term of the repurchase agreement as agreed at the time of the investment transaction.

Safekeeping - A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary markets - The market for trading already issued outstanding securities.

Strips - A book-entry ownership of separate segments (interest and principal payments) of certain Treasury Bonds and their coupons.

Sweep - A daily transfer of available cash balances from a demand deposit (checking) account to an interest-earning vehicle such as an overnight repurchase agreement.

Treasurer – The Director of Finance is currently appointed by the Board as Treasurer for the Sweetwater Authority.

Treasury Bills -A short-term obligation of the U.S. Treasury having a maturity period of one (1) year or less and sold at a discount from face value.

Treasury Notes - An intermediate-term obligation of the U.S. Treasury having a maturity period of one (1) to ten (10) years and paying interest semiannually.



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Weighted average days to maturity - The accumulative days of each security between the reporting date and maturity of the security weighted by the security's dollar value as compared to the total value of all the securities.

Yield - The rate of annual income returns on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Zero coupon - A bond without current interest coupons sold at a substantial discount from par that provides its return to investors through accretion in value at maturity.



Reserve Policy

Introduction

This Reserve Policy documents the Authority's use and safekeeping of reserve funds. A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital, and debt service needs. Additionally, fiscal responsibility requires anticipating the likelihood of, and preparing for, unforeseen events. The Authority will at all times strive to have sufficient funding available for its operations to meet its operating, capital, and debt service obligations. Reserve Funds (Reserves) will be accumulated and maintained to allow the Authority to fund these needs and avoid significant customer rate fluctuations due to changes in cash flow requirements.

The Reserve Policy directives outlined in this document are intended to ensure the Authority has sufficient funds to meet current and future needs to maintain continuing operations. The Board shall designate specific reserve accounts and maintain minimum reserve balances consistent with the Fund definitions and funding levels outlined in the Reserve Policy. The Board will annually review the level of Reserves. For the purposes of compliance with the Reserve Policy, the Authority may use the amounts on deposit in the Reserves as of the final day of each fiscal year for such calculations.

Through certain policy documents and plans, the Authority has set forth a number of long-term goals for its operations. A fundamental purpose of the Authority's policy documents and plans is to link what must be accomplished with the necessary resources to successfully do so.

Definitions

There are two general types of Reserves:

- I. **RESTRICTED RESERVES:** Restrictions on the use of these funds are imposed by an outside source such as creditors, contracts, grantors, contributors, laws, or regulations governing use.
- II. **DESIGNATED RESERVES:** Established by action of the Board to ensure financial flexibility and stability, including stable customer charges and rates from year to year, and for future capital needs, including both new and replacement projects. Designated Reserves may be funded from accumulated revenues and grants.

General Provisions

The Authority may maintain its Reserves in separate, designated sub-accounts in a clearly identifiable manner that provides transparency to its ratepayers. The Reserves and related Policy are necessary to maintain a prudent financial position and adequately provide for:



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- Compliance with applicable statutory requirements;
- Financing of future capital facilities and repair and replacement of existing assets;
- Maintenance or improvements in credit ratings;
- Cash flow requirements;
- Economic uncertainties, fluctuations in local water runoff, local disasters, and other financial hardships or downturns in the local or national economy;
- Contingencies or unforeseen operating or capital needs; and
- Contractual obligations.

In assessing the funding of future capital facilities and maintaining and replacing existing assets, the Authority will analyze the benefits and tradeoffs of utilizing pay-as-you-go and/or debt financing and determine the optimal funding strategy. The analysis should consider the Authority's current and projected liquidity level. The Authority may measure its liquidity position by calculating "days cash" (the number of days of current or upcoming annual expenses in available Reserves). Additionally, the Authority may include, when appropriate, any lines of credit, revolving loans, or other such similar loan structure, or commercial paper ("Liquidity Facility") that permits the Authority to borrow money for operating expenses to calculate its liquidity position.

The Authority will separate and hold moneys that are legally restricted in Restricted Reserves such as reserves required by bond covenants.

The Authority will separate and hold moneys that are not legally restricted into unrestricted accounts and funds. These are the Authority's Designated Reserves.

Interest income may be credited to the fund on which it was earned until the fund's maximum balance is achieved. Once the maximum balance is reached within a specific reserve fund, the surplus interest earnings will be reallocated to other reserve funds whose funding level is below the minimum or maximum requirement recommended by this Policy.

The Board shall approve any reallocation of funds or any transfers among Reserves.

Reserve Target Levels and Management

Reserve balances will be reviewed, at a minimum, on an annual basis to ensure compliance with this Policy. The Board will make a determination regarding the reallocation of excess monies in the event the Reserve balances exceed the established maximum.

The minimum established for each Reserve represents the baseline financial condition that is acceptable to the Authority from risk and long-range financial planning perspectives. Maintaining Reserves at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating



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alternatives. These alternatives (either alone or in combination with each other) include, but are not limited to: fees and charges, energy usage, capital financing, investment of funds, and levels of capital expenditures.

RESTRICTED RESERVES

There are currently no Restricted Reserves held by the Authority.

DESIGNATED RESERVES

The balance in the Designated Reserves will fluctuate depending on annual operating expenses and capital assets. To establish and preserve its credit ratings and prudent financial operations, in every fiscal year the Authority will strive to maintain Designated Reserves equal to a minimum of 60 days of annual operating expenses. Should the Authority determine to target a higher credit rating level, these minimums will be adjusted accordingly.

Low-income Assistance Fund (PENDING BOARD APPROVAL on May 22, 2024)

The Board and staff began discussing the potential for the establishment of a low-income assistance fund with the development of the 2023 Water Rate Study. The final 2023 Water Rate Study and the associated rates approved on December 6, 2023, included allocation of funds to a low-income assistance fund; however, the question of implementing a low-income assistance program remains to be considered by the Board.

This fund would provide funds for a low-income customer assistance program that would aid eligible low-income households in paying their residential water bills. The proposed allocation of all annual cell tower leases would be added to the fund at the end of a fiscal year for the use in the subsequent fiscal year. The annual cell tower lease revenue allocation would constitute the maximum balance for the fund. At the end of each fiscal year, any unused funds would revert back to the Operating Fund to offset operating and capital costs. The low-income assistance would be provided on a first-come-first-serve basis and therefore, each year the funds would be used until exhausted; for a minimum required balance of zero. A Low-income Customer Assistance Program and detailed program requirements would be approved by the Board and administered by staff. The program proposes to provide eligible customers with an annual maximum credit of \$120.00; the credit will be applied to the applicant's bi-monthly water bill as a \$20.00 credit; this equates to six (6) \$20.00 credits in a twelve-month period; and the program could potentially assist 4,000 customers

Vehicle Replacement

This reserve was established by the Board on May 27, 2020, with an original allocation of \$1,000,000 transferred from a portion of the FY 2020-21 vehicle replacement budget. The



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Governing Board approved on August 25, 2021 the Green Fleet financial plan and directed staff to modify the Vehicle and Equipment Assessment Policy to reflect the Life Cycle Cost approach using actual data from the fleet software. The fiscal impact of this decision allows for the Vehicle Replacement fund to be a stable funding source for all future vehicle and equipment replacements. The cost of the Green Fleet financial plan is in the form of an annual contribution to the Vehicle Replacement Fund as opposed to the historical process of budgeting for specific vehicle capital expenses each year. ~~Beginning in FY 2022-23, the annual budgetary contribution to the Vehicle Replacement fund would be set at \$780,000, with a three percent annual escalator for subsequent contributions.~~ The fund contribution levels will be reviewed and adjusted annually in conjunction with the budget approval process. The expenditures from the fund will be approved with the annual budget as presented in each year's update of the Green Fleet plan. All proceeds raised by used vehicle sales or money saved in purchases are planned to be returned to the Vehicle Replacement fund.

Vista del Lago

This reserve was established in the early 1980s, and includes an original payment of \$80,000 from the developer of the Vista del Lago subdivision near Sweetwater Reservoir. Charges to the reserve include the operation, maintenance, and rehabilitation of a catch basin/interceptor tank and pump station built by the developer as a condition of the subdivision for the purpose of preventing "first flush" and low-flow runoff from entering Sweetwater Reservoir.

Sweetwater River Watershed Land Acquisition

The South Bay Irrigation District (SBID) transferred \$703,611 on October 29, 2018 to the Authority based on an agreement between the two agencies dated October 9, 2018. At that time, the funds transferred remained unallocated pending Board designation. Subsequently, the Board designated the funds to establish a Sweetwater River Watershed Land Acquisition reserve on June 12, 2019 with the adoption of the FY 2019-20 Budget. The funds are designated for the purchase of property in the Sweetwater River Watershed as directed by the Board for the ultimate protection of source water and habitat.

Debt Service

The balance in the Debt Service reserve is available for annual debt payments upon approval by the Board. The Authority is currently not required to maintain a Debt Service reserve fund, although other reserve funds may be held by bond trustees or the like.

Sweetwater Dam Probable Maximum Flood and South Spillway Improvements (Sweetwater Dam PMF Project)



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Pursuant to Board action on November 9, 2016, the Board designated the Sweetwater Dam PMF Project reserve and transferred the Administration and Operations Center Office, the Source of Water Supply, and Grant Funding reserve balances to this newly created reserve specifically to fund the Sweetwater Dam PMF Project as required by State of California Division of Safety of Dams (DSD). The funds in this reserve were designated by the Board to fund the Authority's portion of the remaining costs of the Reynolds Desalination Facility Phase II Expansion project and to fund the entirety of the Sweetwater Dam PMF Project. The Board transferred \$801,229 from the Sweetwater Dam PMF Project reserve to the National City Wells Water Quality Improvement Project reserve on June 12, 2019 with the approval of the FY 2019-20 Budget. The FY 2024-25 budget proposal noted that staff continues to wait for final direction from the DSD on final approval of a Sweetwater Dam PMF Project and staff is not expecting to proceed with an approved project in the near future. In addition, the total cost of the expected Sweetwater Dam PMF Project will require significantly more funding than is currently in the reserve. Therefore, to prudently use financial capital, staff is recommending a transfer of \$5,530,000 from this reserve to the Construction Fund reserve for carryover projects to provide funds for current capital projects of the Central Wheeler Tank Project and the National City Wells Iron and Manganese Removal System Project. The remaining balance left in this reserve will provide the necessary funds to complete the planning and design phase for the Sweetwater Dam PMF Project.

The funds required to construct the Sweetwater Dam PMF Project will be proposed with the 2026 Water Rate Study for potential debt funding if grant funds are not available.

National City Wells Water Quality Improvement Project

The Board designated the National City Wells Water Quality Improvement Project reserve and funded this reserve with a transfer of \$2,000,000 from the Debt Service reserve (\$1,198,771) and the Sweetwater Dam PMF Project reserve (\$801,229) on June 12, 2019 with the adoption of the FY 2019-20 Budget. This reserve is designated to fund the National City Wells Iron and Manganese Removal project to improve the aesthetic quality of the National City Wells water.

Administration and Operations Center Office

The Board approved in the FY 1995-96 budget the creation of a 15-year sinking fund reserve for purchasing property and constructing a new office building and Operations Center for Administrative and Operations staff. This was in response to the City of Chula Vista's desire to acquire the Authority's Distribution and Administration office properties for future development. On November 9, 2016, the Board approved the transfer of the entire \$2,823,273.16 balance in this reserve to the Sweetwater Dam PMF Project. The Administration and Operations Center Office reserve is currently unfunded.

Rate Stabilization Reserve



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On June 13, 2018 the Authority established a Rate Stabilization Reserve to accumulate funds to mitigate increases in the amount of the Municipal and Industrial (M&I) wholesale water that must be purchased from the San Diego County Water Authority (SDCWA). Conditions that require the Authority to purchase water from SDCWA include:

- Local water supply is not available; or
- Unplanned treatment facility downtime.

The Board developed the Wholesale Water Purchase Pass-through Rate for its Wholesale Water Purchase Pass-through Charge to cover M&I wholesale water purchase costs from SDCWA, and to build a Rate Stabilization Reserve to mitigate against future fluctuation due to reduced local water supply. This Wholesale Water Purchase Pass-through Rate will be set at a maximum amount not to exceed the rate imposed by SDCWA for purchasing such M&I wholesale water.

The actual Wholesale Water Purchase Pass-through Rate charged by the Authority can fluctuate from year-to-year based on the availability of the Authority's local water supply that includes surface and ground water reservoirs, as well as the amount deposited in the Rate Stabilization Reserve. For example, if the Authority has sufficient local water supply and does not need to purchase M&I wholesale water from SDCWA, and has achieved its Rate Stabilization Reserve target, the Authority shall not charge the Wholesale Water Purchase Pass-through Charge. The Authority shall not be permitted to charge the Wholesale Water Purchase Pass-through Charge at a rate that exceeds the maximum Wholesale Water Purchase Pass-through Rate adopted by the Board.

Once established, the Rate Stabilization Reserve will be available, subject to criteria set forth by the Board within this policy, to meet a portion of the Authority's revenue requirement and to smooth out rate impacts to customers caused by fluctuations in local water supply. The Rate Stabilization Reserve balance is maintained by adjusting the Wholesale Water Purchase Pass-through Rate in response to variations in the amounts of annual M&I wholesale water purchases. This established methodology results in the potential to mitigate multi-year droughts and smooth rate impacts to customers.

The Board sets the minimum and maximum Rate Stabilization Reserve balance as follows:

1. The minimum Rate Stabilization Reserve balance (Minimum Balance) is established with each annual budget and is equal to the volume of M&I wholesale water purchases for a six month period multiplied by the most current SDCWA Treatment Rate and rounded to the nearest one-hundred thousand.
2. The maximum Rate Stabilization Reserve balance (Maximum Balance) is established with each annual budget and is equal to the volume of M&I wholesale water purchases required for a 24 month period when no surface reservoir water is



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available multiplied by the most current SDCWA Melded Untreated M&I Supply Rate and Transportation Rate, rounded to the nearest one-hundred thousand.

The Board authorizes accumulation of funds in the Rate Stabilization Reserve as follows:

1. On an annual basis, any excess funds collected by the Wholesale Water Purchase Pass-through Charge will be deposited in the Rate Stabilization Reserve. Prior to any adjustment of the Wholesale Water Purchase Pass-through Rate in response to a change in future M&I wholesale water purchases, the collection of the Wholesale Water Purchase Pass-through Charge will continue at an amount necessary to achieve and maintain the Maximum Balance. The Wholesale Water Purchase Pass-through Rate will not be increased solely to achieve the Maximum Balance, but may be increased to maintain the Minimum Balance. Once the Maximum Balance is attained, the Wholesale Water Purchase Pass-through Rate will be adjusted commensurate with the Wholesale Water Purchase Pass-through revenue requirement.

The Board authorizes use of funds from the Rate Stabilization Reserve as follows:

1. Up to 50% of the available Rate Stabilization Reserve may be utilized in any single year to mitigate increases in the Wholesale Water Purchase Pass-through Rate when the Authority is required to purchase more M&I wholesale water than projected in order to meet customer demands. The 50% limitation allows use of the Rate Stabilization Reserve in the event of a subsequent consecutive year of M&I wholesale water purchases above projections. The Rate Stabilization Reserve balance will not be drawn down below the minimum balance to offset the M&I wholesale water purchase pass-through revenue requirement.

The Rate Stabilization Reserve may be used in the event of unplanned treatment facility downtime to cover the necessary costs to purchase treated water during the time the facility is unable to treat water. The Rate Stabilization Reserve balance may be drawn down below the minimum balance to offset treated water purchases that are a result of treatment facility failures.

Grant Funding

The Grant Funding reserve is established to pay for reimbursable capital investment expenditures on various projects that are awarded federal, state, and local grant funding. All the future reimbursements pertaining to the respective grant agreements will replenish the Grant Funding reserve when they are received by the Authority. The Grant Funding reserve is currently unfunded.

Other Temporary Funds

From time-to-time other temporary funds may be established by the Board.



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Construction Fund

The purpose of the Construction Fund is to carryover unspent capital funds to the following fiscal year. The Construction Fund includes the following components:

- Carryover: Funds are only carried over for previously approved projects that are in progress and are also budgeted for the following year.
- Bond Funds: Unspent bond funds that have been previously allocated to bond funded projects. Any bond funds that remain unspent for longer than 3 years after the date of issuance of the bonds must be discussed with Bond Counsel to ensure compliance with federal tax law and the applicable bond documents.
- Capacity Fees: Collected capacity fees that will be used for capital investment in the following fiscal year.

Operating Fund

The purpose of the Operating Fund, also commonly termed the “General Fund,” is to provide working capital for the annual Capital Investment Budget and bond coverage. The Operating Fund also provides the working capital to fund day-to-day operations and water purchases.

The Authority’s guidelines are to maintain the Operating Fund at a target prescribed in the annual Five-year Financial Plan. The Operating Fund will be targeted to maintain a minimum reserve equivalent to two months of operating expense. The Five-year Financial Plan is established annually to achieve this targeted minimum ending balance; however, it is acknowledged that this fund balance will fluctuate from month-to-month and year-to-year.

Investment Guidelines

The Authority will manage the funds and moneys described herein in accordance with its Investment Policy.

Delegation of Authority

The Board has sole authority to amend or revise the Reserve Policy. Through approval of this Policy, the Board has established written procedures for staff to follow in the management of the Authority’s reserves.



Policy for the Procurement of Services (including Construction), Supplies, and Equipment

Introduction

The purpose of this Policy on the Procurement of Services (including Construction), Supplies, and Equipment (Policy) is to establish policies and procedures, as required by California Government Code Section 54202, for the procurement of services (including professional services, maintenance, and construction services), supplies, and equipment by the Sweetwater Authority (Authority). The Policy shall be reviewed annually by the Board.

Objectives

The Policy is to be adhered to by all Authority employees when procuring services, supplies, and equipment. It is intended to assist the Authority and its employees in maintaining the highest level of integrity in procurement activities and decision making. The Policy sets out prudent internal control procedures, which are consistent with the Authority's Budget Policy, and which permits maintaining departmental responsibility and flexibility in evaluating, selecting, and contracting for services, supplies, and equipment.

Authority and Responsibility

The Board authorizes and requires the General Manager or designee(s) to establish comprehensive procurement procedures that adhere to and implement the directives of this Policy for the procurement of services, supplies, and equipment essential for the day-to-day operation of the Authority. The Board recognizes that the Authority utilizes a decentralized procurement process and hereby delegates to the General Manager or designee(s) the responsibility to:

- determine specifications for services, supplies, and equipment;
- solicit bids, quotes, or proposals by using the applicable procurement method based on the scope and cost of the services, supplies, and equipment to be procured;
- implement risk transfer best practices;
- maintain appropriate procurement records; and
- obtain required approval for contracts.

The authorized approval limits set out in this Policy apply to the purchase of all services, supplies, and equipment whereby funding is included within the Board-approved annual budget, or funding is approved by the Board outside of the annual budget process.

Requirements for Comprehensive Procurement Procedures



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The comprehensive procurement procedures established by the General Manager or designee(s) shall supplement the requirements of this Policy and include, at a minimum, the following requirements:

- Contract Approval Authority:
 - Procurement of services, supplies, and equipment in the amount of \$75,000 or less may be approved by the General Manager or the General Manager's designee(s), provided that the Board has authorized funds for the procurement within the annual budget. (Note: the April 29, 2024 Finance Committee recommended to have the Board discuss increasing the General Manger's contract approval limit that is currently set at \$75,000.
 - Procurement of services, supplies, and equipment in an amount over \$75,000 requires approval by the Board, even if the Board has authorized funds for the procurement within the annual budget.
 - The approval authority is based on the total contract cost, including all years of a multi-year contract.
 - Separating, splitting, or dividing purchases or contracts for services, supplies, and equipment into smaller components for the purpose of evading the requirements of this Policy or the comprehensive procurement procedures established by the General Manager is prohibited.
- Contract Term:
 - Contracts are limited to a maximum of 5 years unless otherwise approved by the Board.
- Bid Requirements:
 - Contracts paid for with proceeds from the sale of bonds or a limited assessment shall be let to the lowest ~~responsive and~~ responsible bidder submitting a responsive bid regardless of value and shall otherwise be procured in accordance with applicable law; ~~and~~.
 - Contracts for public works projects shall be subject to competitive bidding procedures set forth in the comprehensive procurement procedures and shall otherwise be procured in accordance with applicable law.



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- Notwithstanding the above provisions, the Authority may utilize alternative project delivery methods including, but not limited to, design-build and progressive design-build where: (1) the project is not paid for with proceeds from the sale of bonds or a limited assessment; or (2) the project is paid for with proceeds from the sale of bonds or a limited assessment but applicable law authorizes the use of an alternative delivery method. Procedures for alternative delivery methods shall be set forth in the comprehensive procurement procedures.
- Contracts for ~~professional services~~ (architectural, landscape architectural, engineering, environmental, land surveying, and construction project management services) may be selected based on qualifications alone, or qualifications and cost. If cost is included as a factor in the basis for award, then cost shall not ~~exceed be given weight greater of more than~~ 30 percent of the overall criteria. Other general consulting contracts that are ~~not professional for other types of not included in the preceding list of~~ services may be selected based on a combination of qualifications and/or costs.
- Local Business Procurement:

The Board is committed to supporting the local economy by increasing the outreach to and participation of local businesses in Authority contracts. This policy is intended to achieve a more equitable and competitive purchasing practice to ensure greater participation of local businesses within Chula Vista, National City, Bonita, Lincoln Acres, and other unincorporated areas in the Authority's service area. The Authority's engagement efforts will include the following:

 - The General Manager's established comprehensive procurement procedures will direct Authority staff to communicate with and encourage local businesses to participate in the Authority's procurements.
 - The Authority will make good faith efforts where possible to work directly with local businesses when making informal procurements while maintaining a competitive price and quality.
 - Authority staff will provide a draft Request for Quotation or draft Request for Proposal along with a local vendor outreach plan for the Board's review prior to issuing procurements when the General Manager deems necessary or upon request of the Governing Board or one of its Committees.



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- The Authority will maintain a vendor database that will assist staff in identifying local businesses for upcoming procurements.

The Authority will, on an ongoing basis, undertake outreach to ensure that all sectors of its local business community have better access to the Authority's procurement process, and are given a reasonable opportunity to participate in Authority contracts.

- Exemptions to Procurement Requirements:

- *Purchases when Price Controlled by an Official Rate-Making Body* – the Authority is authorized to procure services, supplies, and equipment without conducting a competitive process if the price for the services, supplies, and equipment is controlled by an official rate-making body such as is the case with wholesale water from SDCWA, electricity, gas, and telephone, and funding for the services, supplies, and equipment are-is provided for in the operating budget.
- *Cooperative Procurement* - The Authority may participate in purchases and contracts established by other political jurisdictions, provided the cooperative agreement is established following a competitive process applicable to the contracting political jurisdiction. Evidence of the competitive process conducted by the other political jurisdiction must be obtained and kept on file to support the procurement.
- *Sole Source* - Procurement of services, supplies, and equipment that can only be obtained from one supplier or contractor and for which obtaining quotes or bids is therefore impossible or not in the public interest, such that no competitive advantage can be gained by soliciting quotes or bids, does not require a competitive process.
- *Standardization of Specifications* – Supplies and equipment, components, items, or features with standardized specifications approved by the General Manager is exempt from the Authority's comprehensive procurement procedures. Standardization of specification will be permitted when the desired supplies, equipment, component, item or feature matches or is compatible with other existing items; the desired equipment, component, item or feature is found to be the most reliable, cost-efficient and/or feasible for the Authority; or the desired equipment, component, item or feature is found to provide significant safety benefits for the Authority or complies with a safety standard. Services, from time to time, may also fall within this exemption.
- *Emergency Contracts* - Emergency contracts may be made without strict compliance with the Authority's comprehensive procurement procedures when time is of the essence and when necessary to preserve or protect life,



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health, or property; upon natural disaster; or to forestall a shutdown of essential services. An emergency purchase of \$75,001 or more shall be submitted to the Board for ratification at the next occurring Board meeting from when the emergency contract was made.

- Change Orders: Changes to existing contracts are allowed with the following limitations:
 - *Agreements initially \$75,000 or less* - Any Change Order which would resulting in a new contract amount of over \$75,000 requires Board approval.
 - *Agreements initially over \$75,000* - Any Change Order resulting in an increase in the cost of more than 10% of the original contract price or resulting in a \$75,000 increase requires Board approval.
 - A Change Order exceeding the Change Order limits set forth in this article may be authorized by the General Manager prior to Board approval if, in the General Manager's determination, a delay in Change Order authorization could result in a negative financial impact to the Authority; or a delay in Change Order authorization could result in damage to or impairment of the operations of an Authority facility; or an Emergency exists which requires immediate work/services. Any Change Order authorization exceeding the General Manager's authorization limit shall be submitted to the Board for ratification at the next regularly scheduled Board meeting.
- Disposition of Obsolete / Surplus Equipment or Supplies:
 - Surplus items may be exchanged or traded-in on new goods, sold using competitive procedures similar to standard acquisition practices, sold at public auction, eliminated as scrap if there is no resale or trade-in value, or donated to either AmVets of Chula Vista, or the REStore of National City. Surplus items shall have the written approval of the General Manager or the General Manager's designee prior to disposition. In addition, the third party receiving the surplus items will be required to sign a waiver of liability prior to disposition as a condition of accepting the surplus items.

Conflict of Interest

All vendors, suppliers, contractors, and consultants must disclose any actual or potential conflict of interest that exists between the vendor, supplier, contractor, or consultant and the Authority, its representatives, agents, members of the Governing Board of Directors, and employees.