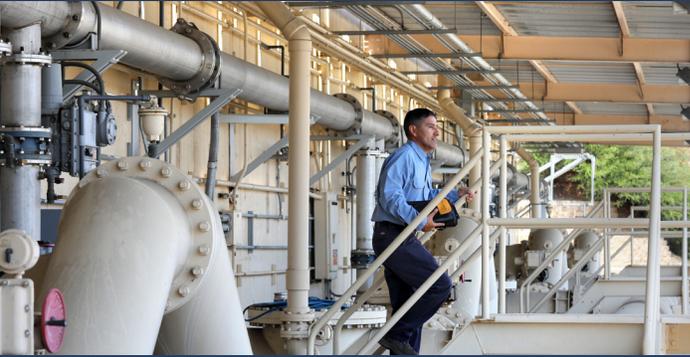


2022-23



SWEETWATER AUTHORITY FY 2022-23 BUDGET



Providing safe, reliable water

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Sweetwater Authority Fiscal Year 2022-23 Budget

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The mission of Sweetwater Authority is to provide its current and future customers with a safe and reliable water supply through the use of the best available technology, sound management practices, public participation, and a balanced approach to human and environmental needs.

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Introduction | FY 2022-23 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 Irrigation District. 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 2022-23 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. The Work Plan was initially reviewed by the Board at its May 23, 2022 special Board meeting.

Budget Process

The FY 2022-23 Financial Plan was presented at the April 27, 2022 Board meeting and provided a high-level overview of the budgetary requirements for both revenues and expenditures for the upcoming fiscal year. Next, the proposed FY 2022-23 Budget was presented in draft form at the May 23, 2022 Special Board Meeting for the Board to review and provide input with the final FY 2022-23 Budget presented for adoption at the June 8, 2022 Board meeting.

Budget Summary

Revenues

The FY 2022-23 Revenue Budget for the Authority is projected to be \$58,661,200. The Authority's portion of the revenue that will fund operating expenses (other than water purchases) and capital projects will total \$43,953,900; this revenue is provided for by the Authority's variable and fixed water rates that will increase on January 1, 2023 by an estimated 7% based on the San Diego Consumer Price Index, per the 2018 Water Rate Study.

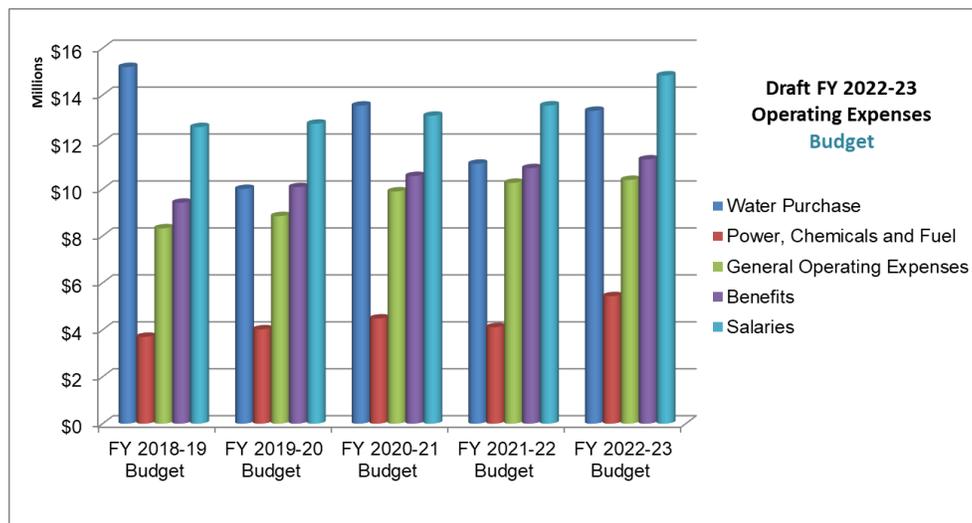
The Wholesale Water Revenue for FY 2022-23 is projected to be \$5,070,100 and is allocated toward the purchase of imported water from SDCWA. The Wholesale Water Purchase Charge (WWP Charge) generates the Wholesale Water Revenue. In prior years the WWP Charge funded

both water purchases and supplied additional funding to the Rate Stabilization Fund. The WWP Charge will remain the same next year at an amount below what is needed to recover the cost of water purchases for FY 2022-23 with excess costs for purchasing wholesale water funded from the Rate Stabilization Reserve; the bill impact to customers for the previously mentioned inflationary changes will be offset by the WWP Charge remaining the same for FY 2022-23.

The SDCWA Pass-through Revenue for FY 2022-23 is projected to be \$3,817,200 and is collected on behalf of SDCWA for the following monthly fixed charges billed to the Authority by SDCWA: Readiness-to-Serve, Infrastructure Access, Customer Service, Storage Charge, Supply Reliability, and Capacity Reservation. The Authority collects Capacity Fees from new development for the cost to buy-in to the existing water system infrastructure; for FY 2022-23 Capacity Fee collections will be higher than typical due to the Chula Vista Bay Front development and several other large multi-family housing projects. Total Capacity Fee collections for FY 2022-23 is projected to be \$3,000,000.

Operations

The Authority’s Budget provides for the funding of current operating expenditures of \$42,005,700, water purchases of \$13,327,700; capital funding allocations of \$15,997,900; and the planning for the long-term requirements of maintaining \$353 million of infrastructure through the efficient use of technology, capital investment, increasing regulatory requirements, and well qualified and trained staff. In addition, the Budget allocates funds for the repayment of existing debt.



Water Purchases

Water purchase and treatment expense are a major portion of the Authority’s budget. The FY 2022-23 Budget proposes to utilize local surface and ground water and to purchase imported water. The inventory of surface water stored in the Authority’s two reservoirs on June 30, 2022 is projected to be approximately 12,600 acre-feet, which is 24 percent of capacity. Drought conditions is the major fact that contributes to the minimal local supplies. Approximately 4 percent of total water production for FY 2022-23 will be from surface water, 53 percent will come from ground water supplies, and the remaining water supplies of 43 percent will be

purchased from SDCWA. The FY 2022-23 Budget contemplates an average condition winter rainfall that could potentially result in some additional water runoff. The cost to purchase SDCWA imported water for FY 2022-23 is projected to be \$13,327,700.

Personnel

At the beginning of FY 2021-22, 136 positions were funded. A reorganization of Authority staff was conducted by the General Manager for FY 2022-23 and the resulting changes maintained the employee count at 136 positions. However, the Board approved an additional Utility Worker position to assist with the Authority's water main flushing program and an Engineering Technician to support development services. The addition of these two positions increased the total funded employee count to 138 for a total salary expense for FY 2022-23 of \$15,105,700. The benefit costs for the 138 funded positions is projected to be \$12,098,300 to fund pension contributions, medical insurance premiums, and other related employee costs.

Capital and Other Payments

The Authority's capital budget allocation for FY 2022-23 is \$15,997,900 and is funded through \$6,380,702 of allocated reserves and \$9,617,198 funded through current revenues.

The FY 2022-23 capital budget request will fund new projects and provide additional funds for existing projects. The major additions for FY 2022-23 are as follows:

- Business, Microwave, SCADA Systems Firewall Replacement (\$150,000)
- Sweetwater Reservoir Aeration/De-stratification System (\$1,537,000)
- National City Wells Iron and Manganese Removal System (\$2,227,000 - Reserves)
- Consulting Team for Sweetwater Reservoir Enhancement Project (\$300,000)
- New San Diego Formation Well in National City (\$500,000)
- Pipeline replacements (\$3,605,800)
- Stairway and Valve Replacement at Loveland Dam (\$2,650,000)
- Valve Replacement Program (\$400,000)
- Annual Vehicle Replacement Fund Investment (\$780,000)
- Clearwell Effluent Meter Replacement (\$594,000)

Reserves

The total reserve fund balance for the Authority after FY 2022-23 revenue collections and operating and capital expenditures is projected to be \$27,412,881. This amount includes \$10,654,633 of reserves designated for capital projects. Additionally, the total reserve balance includes \$8,273,581 in a Rate Stabilization Reserve that can be used to mitigate drastic rate fluctuations should the coming fiscal year's rainfall come in at below long-term averages, requiring the Authority to purchase more imported water than expected. The final portion of the reserve balance is the Authority's Operating Fund and is designated to provide cash flow for the Authority's daily operations. The ending balance in the Operating Fund for FY 2022-23 is projected to be \$8,484,677 and is 92% of its target balance of two months of operating reserves.

Sweetwater Authority
Fiscal Year 2022-23
Five-year Financial Projection

	Current 2018 Five-year Water Rate Study		Pending 2023 Five-year Water Rate Study			
	Projected FY 2021-22	Budget FY 2022-23	Projection FY 2023-24	Projection FY 2024-25	Projection FY 2025-26	Projection FY 2026-27
Water Sales Revenue (a)	40,444,443	43,953,900	46,591,100	48,454,700	49,908,300	51,530,300
Wholesale Water Revenue (a)	5,941,992	5,070,100	5,070,100	5,070,100	5,070,100	5,070,100
SDCWA Pass-through Revenue (a)	5,141,467	3,817,200	4,008,000	4,409,000	4,850,000	5,335,000
Capacity Fees	4,601,200	3,000,000	2,000,000	1,000,000	500,000	500,000
Other Revenue	2,691,261	2,820,000	2,812,200	2,812,200	2,812,200	2,812,200
Total Revenue	58,820,363	58,661,200	60,481,400	61,746,000	63,140,600	65,247,600
SDCWA Water Purchases	5,930,333	9,510,500	7,113,000	4,780,000	5,113,000	5,466,000
SDCWA Fixed Charges	5,141,467	3,817,200	4,008,000	4,409,000	4,850,000	5,335,000
Power, Chemicals & Fuel	4,065,129	5,431,500	5,540,000	5,651,000	5,764,000	5,879,000
Salaries - Total (b)	14,007,221	15,105,700	15,408,000	15,716,000	16,030,000	16,351,000
Transfers to Capital Projects	(552,600)	(271,000)	(350,000)	(354,000)	(358,000)	(362,000)
Salaries - Operating Expense	13,454,621	14,834,700	15,058,000	15,362,000	15,672,000	15,989,000
Benefits - CalPERS	5,253,400	5,842,700	5,881,000	6,062,000	5,817,000	5,778,000
Benefits-Health,Dental,Vision,Life	3,544,181	3,472,800	3,577,000	3,684,000	3,795,000	3,909,000
Other Employee Related	2,624,800	2,782,800	2,811,000	2,839,000	2,867,000	2,896,000
Transfer Overhead to Capital	(1,385,600)	(842,000)	(879,500)	(885,000)	(890,500)	(895,900)
General Operating Expense	9,826,980	10,483,200	9,838,000	9,936,000	10,035,000	10,135,000
Total Operating Expense	48,455,311	55,333,400	52,946,500	51,838,000	53,022,500	54,491,100
Total Debt Payment	4,164,400	1,343,200	1,342,700	1,345,900	1,347,700	1,342,900
Operating Surplus Before Capital Investment	6,200,652	1,984,600	6,192,200	8,562,100	8,770,400	9,413,600
Capital Investment	7,672,292	15,997,900	11,475,500	9,172,700	8,738,100	8,188,800
Less Reserves Funds - Dam	(4,086)		-	-	-	-
Less Reserves Funds - NC Wells	(203,096)	(1,779,441)		-	-	-
Less Prior Year Capacity Fees	(2,628,726)	(4,601,261)	(3,000,000)	(2,000,000)	(1,000,000)	(500,000)
Less Vehicle Replacement Fund	(478,910)					
Less Bond Funds	(3,711,000)	-		-	-	-
Net Capital Investment (PAYGO)	646,474	9,617,198	8,475,500	7,172,700	7,738,100	7,688,800
Begin Balance Operating Fund	13,735,556	14,676,875	8,484,677	6,244,277	6,343,577	6,918,777
Net Operating Surplus / (Deficit) After Debt and Capital	5,554,178	(7,632,598)	(2,283,300)	1,389,400	1,032,300	1,724,800
Construction Fund (Capacity Fee)	(4,601,200)	(3,000,000)	(2,000,000)	(1,000,000)	(500,000)	(500,000)
Rate Stabilization Fund transfer	(11,659)	4,440,400	2,042,900	(290,100)	42,900	395,900
End Balance Operating Fund	14,676,875	8,484,677	6,244,277	6,343,577	6,918,777	8,539,477
Operating Fund (Target 100%) (c)	182%	92%	71%	73%	78%	94%
Debt Coverage of 1.25	2.49	2.48	5.61	7.36	7.51	8.01
SWA CPI Pass-through Increase	1.3%	7.0%	Five-year Water Rate Study Ave. Annual increase of 4%			

Foot notes are on the following page.

Sweetwater Authority
Fiscal Year 2022-23
Five-year Financial Projection

Reserve Balances as of June 30:						
Board Designated Reserves	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Vista del Lago	182,200	182,200	182,200	182,200	182,200	182,200
Vehicle Replacement Fund	1,493,090	244,300	365,200	264,100	546,100	338,600
Sweetwater River Watershed Land	99,278	99,278	99,278	99,278	99,278	99,278
Sweetwater Dam PMF Project	7,128,845	7,128,845	7,128,845	7,128,845	7,128,845	7,128,845
National City Wells Water Quality Improvement Project	1,779,441	-	-	-	-	-
Rate Stabilization Reserve	12,713,981	8,273,581	6,230,681	6,520,781	6,477,881	6,081,981
Bond Funds	-	-	-	-	-	-
Construction Fund (Carryover)	10,232,641	-	-	-	-	-
Construction Fund (Capacity Fee)	4,601,261	3,000,000	2,000,000	1,000,000	500,000	500,000
Operating Fund	14,676,875	8,484,677	6,244,277	6,343,577	6,918,777	8,539,477
Total General Fund	52,907,612	27,412,881	22,250,481	21,538,781	21,853,081	22,870,381

Assumptions	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Total Water Supply (AF):	<u>17,550</u>	<u>17,650</u>	<u>17,750</u>	<u>17,850</u>	<u>17,950</u>	<u>18,050</u>
National City Wells (AF)	1,900	1,900	1,900	1,900	1,900	1,900
Reynold Desal Plant (AF)	6,108	7,500	7,500	7,500	7,500	7,500
Sweetwater Reservoir (AF)	4,333	600	3,000	5,000	5,000	5,000
Purchased Raw Water (AF)	4,550	7,122	5,250	3,350	3,450	3,550
Purchased Treated Water (AF)	659	528	100	100	100	100
SDCWA Average Raw Water Rate \$/AF		\$1,273	\$1,324	\$1,377	\$1,432	\$1,489
SDCWA Raw Water Rate Increase		4%	4%	4%	4%	4%
SDCWA/MWD Fixed Charges Increase		4%	5%	10%	10%	10%
SDCWA/MWD Fixed Charges		\$3,817,200	\$4,008,000	\$4,409,000	\$4,850,000	\$5,335,000
Power, Chemicals & Fuel Increase		Budget	2%	2%	2%	2%
Salary Increases (d)		Budget	2%	2%	2%	2%
CalPERS Employer Contribution Rate		10.430%	10.3%	10.1%	10.0%	9.8%
CalPERS Employer UAL Payment		\$3,988,073	\$4,294,000	\$4,475,000	\$4,214,000	\$4,176,000
Employee Health Insurance Premium Increase		Budget	3%	3%	3%	3%
General Operating Expenses Increase		Budget	1%	1%	1%	1%

(a) Authority's portion of FY 2022-23 revenues increase while Pass-through revenues decrease resulting in an average customer bill impact of 5.3%.

(b) FY 2022-23 salary adjustment is 3% per curren labor MOU.

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

(d) Future year projected increases are for planning purposes only and do not constitute an official commitment.

Sweetwater Authority
Fiscal Year 2022-23 Five-year Capital Investment Projection

	Prior Year Budget Allocations	FY 2022-23 Budget Allocation	Projections				Total Project Budget*
			FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
General	533,000	660,000	350,000	550,000	350,000	250,000	1,693,000
Water Quality							
General	300,000	90,000	80,000	-	437,900	80,000	987,900
Habitat	122,142	-	-	-	-	-	122,142
Perdue Plant	250,000	1,537,000	-	-	-	-	1,787,000
Desal Facility	-	159,000	175,000	192,000	176,000	388,000	1,090,000
NC Wells	736,000	2,227,000	2,000,000	-	-	-	4,963,000
System Operations	320,000	80,000	180,000	80,000	80,000	80,000	500,000
Total	1,728,142	4,093,000	2,435,000	272,000	693,900	548,000	9,450,042
Engineering							
General	1,888,500	1,555,100	1,472,000	330,000	820,000	200,000	5,465,600
Design	-	160,000	160,000	160,000	160,000	160,000	160,000
Pipelines ^(a)	4,958,100	3,605,800	5,320,100	5,878,200	4,961,900	5,252,900	29,977,000
Paving	-	155,000	85,000	50,000	50,000	50,000	155,000
Street Improvements	82,500	250,000	250,000	250,000	250,000	250,000	332,500
Tanks	3,949,181	1,095,000	200,000	200,000	200,000	200,000	5,044,181
Pump Stations	-	-	-	-	-	-	-
Treatment Facilities	432,000	594,000	-	-	-	-	1,026,000
Dam Improvements	8,810,000	2,650,000	-	-	-	-	11,460,000
Total	20,120,281	10,064,900	7,487,100	6,868,200	6,441,900	6,112,900	53,620,281
Distribution							
General	480,000	-	-	255,000	-	-	735,000
Valves	-	400,000	400,000	400,000	400,000	400,000	400,000
Fleet	-	780,000	803,400	827,500	852,300	877,900	780,000
Total	480,000	1,180,000	1,203,400	1,482,500	1,252,300	1,277,900	1,915,000
Total Capital Investments	22,861,423	15,997,900	11,475,500	9,172,700	8,738,100	8,188,800	66,678,323
Allocated Funding							
Reserve Funds	(9,011,000)	(1,264,000)	-	-	-	-	(10,275,000)
Capacity Fee Fund	-	(4,601,261)	(3,000,000)	(2,000,000)	(1,000,000)	(500,000)	(11,101,261)
Total	(9,011,000)	(5,865,261)	(3,000,000)	(2,000,000)	(1,000,000)	(500,000)	(21,376,261)
Total PAYGO Budget Allocations	13,850,423	10,132,639	8,475,500	7,172,700	7,738,100	7,688,800	45,302,062

* On going projects only include the annual cost for cumulative budget totals.

Sweetwater Authority
Fiscal Year 2022-23
Five-year Capital Investment Projection

General	Prior Year Budget Allocations	FY 2022-23 Budget Allocation	Projections				Total Project Budget*
			FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
Administration							
Capital Contingency *		250,000	250,000	250,000	250,000	250,000	250,000
Public Affairs							
Aesthetic Enhancements to Various Well Facilities	75,000	50,000					125,000
Customer Service							
Architectural Design for the Customer Service Office Remodel	50,000	Potential Debt Finance					50,000
Water Meter Test Bench Replacement (with Recirculating Tank)	148,000						148,000
Information Systems							
Information Systems Office and Server Room Improvements	140,000						140,000
Geographical Information Systems Assessment, Plan, and Expansion	70,000	60,000					130,000
Authority-wide Electronic Document/Content Management System (ECMS) and Board Agenda Software	50,000		100,000	150,000	100,000		400,000
Business, Microwave, SCADA Systems Firewall Replacement		150,000					150,000
Board Room Technology Upgrade		150,000					150,000
IS Master Plan				150,000			150,000
Total General	533,000	660,000	350,000	550,000	350,000	250,000	1,693,000

* On going projects only include the annual cost for cumulative budget totals.

Sweetwater Authority
Fiscal Year 2022-23
Five-year Capital Investment Projection

Water Quality	Prior Year Budget Allocations	FY 2022-23 Budget Allocation	Projections				Total Project Budget*
			FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
General							
Laboratory Instrument Replacement		-	80,000		50,000	80,000	210,000
Perdue Water Treatment Plant Facility Master Plan	300,000						300,000
Laboratory Information Management System (LIMS)		90,000					90,000
Quantum PLC Replacement (SCADA)					387,900		387,900
Total General	300,000	90,000	80,000	-	437,900	80,000	987,900
Habitat							
Sweetwater Wetlands Habitat Recovery Project (HRP)	2,067,816						2,067,816
Grant and Prior Year PAYGO Funding for HRP	(1,945,674)						(1,945,674)
Total Habitat	122,142	-	-	-	-	-	122,142
Perdue Plant							
Sweetwater Reservoir Aeration/De-stratification System	250,000	1,537,000					1,787,000
Total Perdue Plant	250,000	1,537,000	-	-	-	-	1,787,000
Desal Facility							
Reverse Osmosis Filter Replacements		159,000	175,000	192,000	176,000	388,000	1,090,000
Total Desal Facility	-	159,000	175,000	192,000	176,000	388,000	1,090,000
National City Wells							
Iron and Manganese Removal System	736,000	2,227,000	2,000,000				4,963,000
Total National City Wells	736,000	2,227,000	2,000,000	-	-	-	4,963,000
System Operations							
Booster Pump, Motor and Well Replacement Program*		80,000	80,000	80,000	80,000	80,000	80,000
San Diego Formation Wells 7,9,10 Inspection and Repairs	150,000						150,000
Judson Tank Retaining Wall	26,000						26,000
Residual Control System	144,000						144,000
Demolish and Abandon Alluvial Wells			100,000				100,000
Total System Operations	320,000	80,000	180,000	80,000	80,000	80,000	500,000
Total Water Quality	1,728,142	4,093,000	2,435,000	272,000	693,900	548,000	9,450,042

* On going projects only include the annual cost for cumulative budget totals.

Sweetwater Authority
Fiscal Year 2022-23
Five-year Capital Investment Projection

Engineering	Prior Year Budget Allocations	FY 2022-23 Budget Allocation	Projections				Total Project Budget*
			FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
General							
Douglas Street Interconnection Improvements	156,700						156,700
URDS Facility Maintenance and Repairs	382,200	135,100	100,000	20,000	200,000		837,300
Programmatic Permitting of Property Operating and Maintenance Plan	312,600	300,000	200,000	80,000			892,600
Water Resources Master Plan	250,000						250,000
City of San Diego Otay 2nd Pipeline Interconnection	25,000	250,000					275,000
Loveland Reservoir Residence Improvements - Roofing Replacement and Photovoltaic System Installation	90,000	20,000					110,000
Loveland Reservoir Boat Ramp Improvements and Anchors for Boat Dock and Log Boom	332,000		Potential Debt Finance				332,000
Naples Street Large Meter Improvements	85,000						85,000
Consulting Team for Sweetwater Reservoir Enhancement Project	200,000	300,000					500,000
New Steel Fire Tank at Loveland Reservoir	55,000	50,000					105,000
New San Diego Formation Well in National City		500,000	Potential Debt Financing				500,000
Sweetwater Authority Facilities Master Plan*			200,000	200,000	200,000	200,000	-
San Diego Formation Groundwater Sustainability Plan Phase II			200,000				200,000
Abandonment of Pipes with Slurry Fill			200,000				200,000
Land Management Compact Track Loader (Skid Steer)			120,000				120,000
Sweetwater Reservoir Fishing Program Booster Pump Station			60,000				60,000
Shredder attachment for CAT			45,000				45,000
Enclose Breezeway at Existing Butler Building for Storage			100,000				100,000
Maintenance/Reconfiguration of Existing Watershed Office			50,000				50,000
New Sewer Line to Existing Watershed Office at Perdue			62,000				62,000
Install Restrooms and Kitchen Trailer at Perdue			60,000				60,000
Bulk Material Bins at Perdue Plant			75,000				75,000
Aluminum Work Boat Sweetwater Reservoir				30,000			30,000
Water Distribution System Master Plan					350,000		350,000
Urban Water Management Plan					70,000		70,000
Total General	1,888,500	1,555,100	1,472,000	330,000	820,000	200,000	5,465,600
Design							

* On going projects only include the annual cost for cumulative budget totals.

Sweetwater Authority
Fiscal Year 2022-23
Five-year Capital Investment Projection

Engineering			Prior Year Budget Allocations	FY 2022-23 Projections				Total Project Budget*	
				Budget Allocation	FY 2023-24	FY 2024-25	FY 2025-26		FY 2026-27
Engineering Design Program*				160,000	160,000	160,000	160,000	160,000	
Total			-	160,000	160,000	160,000	160,000	160,000	
Pipelines	Length	Size							
J St, Myra Ave to Nacion Ave, CV	1,900	16	987,000						
Myra Ave, East J St to Claire Vista Tank, CV	1,530	16	795,000						
Sweetwater Rd, Briarwood Rd to Pary St, BN	3,400	12	2,370,400						
Pray St, Sweetwater Rd to Pray Ct, BN	1,000	12							
Bucky Ln, between South 43rd St and Sill St,	1,233	12	400,100						
East 24th St, between Grove St and Euclid Ave,	1,250	8	405,600						
Sub-total			4,958,100					4,958,100	
Salot St, Tolas Ct to East 8th St, NC	110	8	155,500						
East 16th St, Euclid Ave to Pump Station No. 39, NC	1,343	20	1,447,600						
La Vista Cemetery, Euclid Ave to East 32nd St, NC	1,350	8	767,700						
East 32nd, between Olive St to Orange St, NC	1,734	8	979,400						
Olive St, East 32nd St to Sweetwater Rd, NC	421	8	255,600						
Sub-total				3,605,800				3,605,800	
Projected Pipeline Replacements					5,320,100	5,878,200	4,961,900	5,252,900	21,413,100
Total Pipelines			4,958,100	3,605,800	5,320,100	5,878,200	4,961,900	5,252,900	29,977,000
Paving									
Pavement Maintenance*				155,000	85,000	50,000	50,000	50,000	155,000
Total Paving			-	155,000	85,000	50,000	50,000	50,000	155,000
Street Improvement									
Street Improvements*			82,500	250,000	250,000	250,000	250,000	250,000	332,500
Total Street Improvement			82,500	250,000	250,000	250,000	250,000	250,000	332,500

* On going projects only include the annual cost for cumulative budget totals.

Sweetwater Authority
Fiscal Year 2022-23
Five-year Capital Investment Projection

Engineering	Prior Year Budget Allocations	FY 2022-23 Budget Allocation	Projections				Total Project Budget*
			FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
Tanks							
Central-Wheeler Tank Construction and System Improvements	2,781,000	300,000					3,081,000
Morris and Starr Tanks Rehabilitation	743,181						743,181
Cathodic Protection at up to Four Steel Storage Tanks	150,000	520,000					670,000
Bonita Valley Reservoir Control Building Roof Repair	125,000	25,000					150,000
Cherry Hills Tanks Lining Replacement and Bonita Valley Reservoir Drain Valve Replacement	150,000	250,000					400,000
Tank Coating and Structural Rehabilitation of Reservoirs*			200,000	200,000	200,000	200,000	-
Total Tanks	3,949,181	1,095,000	200,000	200,000	200,000	200,000	5,044,181
Pump Stations							
							-
Total Pump Stations	-	-	-	-	-	-	-
Treatment Facilities							
Clearwell Effluent Meter Replacement	432,000	594,000					1,026,000
Total Treatment Facilities	432,000	594,000	-	-	-	-	1,026,000
Dams							
Stairway and Valve Replacement at Loveland Dam	535,000	2,650,000	Potential Debt Financing				3,185,000
Sweetwater Dam and South Dike Improvements	8,275,000		Potential Debt Financing				8,275,000
Total Dams	8,810,000	2,650,000	-	-	-	-	11,460,000
Total Engineering	20,120,281	10,064,900	7,487,100	6,868,200	6,441,900	6,112,900	53,620,281

* On going projects only include the annual cost for cumulative budget totals.

Sweetwater Authority
Fiscal Year 2022-23
Five-year Capital Investment Projection

Distribution	Prior Year Budget Allocations	FY 2022-23 Budget Allocation	Projections				Total Project Budget*
			FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
General							
Operations Yard Inventory Storage Improvements	130,000						130,000
Gasoline Underground Storage Tank Replacement	350,000						350,000
Replace Carpeting in Operations Building				50,000			50,000
Expand EV Chargers for larger fleet vehicles				205,000			205,000
Total General	480,000	-	-	255,000	-	-	735,000
Valve Maintenance							
Valve Replacement Program*		400,000	400,000	400,000	400,000	400,000	400,000
Total Valve Maintenance	-	400,000	400,000	400,000	400,000	400,000	400,000
Vehicles							
Annual Vehicle Replacement Fund Investment*	-	780,000	803,400	827,500	852,300	877,900	780,000
Total Vehicles	-	780,000	803,400	827,500	852,300	877,900	780,000
Total Distribution*	480,000	1,180,000	1,203,400	1,482,500	1,252,300	1,277,900	1,915,000

Sweetwater Authority
Fiscal Year 2022-23
Five-year Capital Investment Projection

Grant / Reserve / Bond Funding	Prior Year	FY 2022-23	Projections				Total Project Non-Rate Funding
	Budget Allocations	Budget Allocation	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
Reserves*							
Sweetwater Dam and South Dike Improvements	(8,275,000)						(8,275,000)
National City Wells Iron and Manganese Removal System	(736,000)	(1,264,000)					(2,000,000)
Total	(9,011,000)	(1,264,000)	-	-	-		(10,275,000)
Capacity Fees		(4,601,261)	(3,000,000)	(2,000,000)	(1,000,000)	(500,000)	(11,101,261)
Total Grant/Other Funding	(9,011,000)	(5,865,261)	(3,000,000)	(2,000,000)	(1,000,000)	(500,000)	(21,376,261)

Potential Future Debt Financing	Prior Year	FY 2022-23	Projections				Total Project Funding Needed
	Budget Allocations	Budget Allocation	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	
Customer Service Office Remodel		925,000					925,000
Buy-back of City of San Diego Desal Plan Investment			7,000,000				7,000,000
Loveland Reservoir Boat Ramp Improvements and Anchors for Boat Dock and Log Boom			2,000,000				2,000,000
New SDF Well in National City			2,200,000	2,200,000			4,400,000
Stairway and Valve Replacement at Loveland Dam			7,000,000				7,000,000
Sweetwater Dam and South Dike Improvements			4,200,000	4,200,000	4,200,000	4,200,000	16,800,000
Total Potential Future Debt Financing	-	925,000	22,400,000	6,400,000	4,200,000	4,200,000	38,125,000

Sweetwater Authority
Fiscal Year 2021-22
Twenty-year Capital Investment Projection

Projects	Budget FY23	Projections								
		FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
PAYGO Capital Projects	10,132,639	8,475,500	7,172,700	7,738,100	7,688,800	7,919,500	8,157,100	8,401,800	8,653,900	8,913,500
Pipeline Replacements (above) PAYGO						1,000,000	1,030,000	1,060,900	1,092,700	1,125,500
Advanced Metering Infrastructure (AMI)						5,000,000	5,000,000			
Sludge Removal from Sweetwater Reservoir						6,000,000				
Perdue Plant Carbon Feed System (taste & odor)						1,900,000				
Perdue Plant Solids Removal & Processing Facility						4,000,000	4,000,000			
Facility Master Plan Replacement Reserve						1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Onsite sodium hypochlorite generation						1,000,000				
Communication System Evolution									1,000,000	1,000,000
Total Projected Capital Investment	10,132,639	8,475,500	7,172,700	7,738,100	7,688,800	27,819,500	19,187,100	10,462,700	11,746,600	12,039,000
PAYGO Funding	10,132,639	8,475,500	7,172,700	7,738,100	7,688,800	7,919,500	8,157,100	8,401,800	8,653,900	8,913,500
Funding Deficit	-	-	-	-	-	(19,900,000)	(11,030,000)	(2,060,900)	(3,092,700)	(3,125,500)

Projects	Projections									
	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42
PAYGO Capital Projects	9,180,900	9,456,300	9,740,000	10,032,200	10,333,200	10,643,200	10,962,500	11,291,400	11,630,100	11,979,000
Pipeline Replacements (above) PAYGO	1,159,300	1,194,100	1,229,900	1,266,800	1,304,800	1,343,900	1,384,200	1,425,700	1,468,500	1,512,600
Facility Master Plan Replacement Reserve										
Total Projected Capital Investment	10,340,200	10,650,400	10,969,900	11,299,000	11,638,000	11,987,100	12,346,700	12,717,100	13,098,600	13,491,600
PAYGO Funding	9,180,900	9,456,300	9,740,000	10,032,200	10,333,200	10,643,200	10,962,500	11,291,400	11,630,100	11,979,000
Funding Deficit	(1,159,300)	(1,194,100)	(1,229,900)	(1,266,800)	(1,304,800)	(1,343,900)	(1,384,200)	(1,425,700)	(1,468,500)	(1,512,600)

Total Twenty Year PAYGO Funding Deficit (52,498,900)

Sweetwater Authority
Fiscal Year 2022-23
Operating Budget

	FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
Revenues	62,413,700	58,661,200	(3,752,500)	-6.0%
Administration and General	14,980,600	15,968,300	987,700	6.6%
Information Systems	1,871,800	1,895,000	23,200	1.2%
Administrative Services	1,715,700	1,856,400	140,700	8.2%
Customer Service	2,307,000	2,557,800	250,800	10.9%
Water Quality	9,460,600	11,107,500	1,646,900	17.4%
Engineering	14,442,900	16,790,800	2,347,900	16.3%
Distribution	5,103,100	5,157,600	54,500	1.1%
Operating Expenses	49,881,700	55,333,400	5,451,700	10.9%
Operating Surplus	12,532,000	3,327,800	(9,204,200)	-73.4%
Debt Service	4,161,200	1,343,131	(2,818,069)	-67.7%
Debt Service Coverage Ratio	3.01	2.48		
Available for Capital and Reserves	8,370,800	1,984,669		
SDCWA Wholesale Purchased Water	6,115,900	9,510,500	3,394,600	55.5%
SDCWA Wholesale Fixed Charges	4,955,900	3,817,200	(1,138,700)	-23.0%
Water Purchase	11,071,800	13,327,700	2,255,900	20.4%
Power	2,964,200	4,132,600	1,168,400	39.4%
Chemicals	972,400	1,013,200	40,800	4.2%
Fuel	173,700	285,700	112,000	64.5%
Power, Chemicals and Fuel	4,110,300	5,431,500	1,321,200	32.1%
Administration	2,064,900	2,394,900	330,000	16.0%
Information Systems	929,600	929,900	300	0.0%
Administrative Services	786,100	914,000	127,900	16.3%
Customer Service	1,634,000	1,725,800	91,800	5.6%
Water Quality	2,926,600	3,242,600	316,000	10.8%
Engineering	2,609,700	2,600,400	(9,300)	-0.4%
Distribution	3,156,700	3,298,100	141,400	4.5%
Salaries Before Transfers (1)	14,107,600	15,105,700	998,100	7.1%
Transfers to Capital and Private Projects	(552,600)	(271,000)	281,600	
Salaries (1)	13,555,000	14,834,700	1,279,700	9.4%
CalPERS	5,253,400	5,842,700	589,300	11.2%
Payroll Taxes	1,046,800	1,096,800	50,000	4.8%
PARS 401A	673,400	708,800	35,400	5.3%
Workers' Compensation Insurance	465,000	540,000	75,000	16.1%
Retiree Health and Other Benefits	439,600	437,200	(2,400)	-0.5%
Health, Vision, Dental and Life Insurance	4,392,200	3,472,800	(919,400)	-20.9%
Benefits Before Transfers	12,270,400	12,098,300	(172,100)	-1.4%
Transfers to Capital and Private Projects	(1,385,600)	(842,000)	543,600	
Benefits	10,884,800	11,256,300	371,500	3.4%
General Operating Expenses	10,259,800	10,483,200	223,400	2.2%
Operating Expenses	49,881,700	55,333,400	5,451,700	10.9%

(1) Salaries include a 3% salary adjustment the current labor MOU. FY 2021-22 salary budget figures are amounts that are prior to the MOU negotiated salaries for that year.

**Sweetwater Authority
Fiscal Year 2022-23
Capital Investment Summary**

	Prior Year Budget Allocations		FY 2022-23 Budget Allocation
	Budget	Expenditures	Requested
General	533,000	(92,426)	660,000
Water Quality	1,728,142	(348,427)	4,093,000
Engineering	20,120,281	(4,699,241)	10,064,900
Distribution	480,000	(106,881)	1,180,000
Capital Investment	22,861,423	(5,246,975)	15,997,900
Available for Capital Investments			
Reserve Funding			(1,779,441)
Capacity Fee Funding			(4,601,261)
Rate Funded Capital Expenditures			(9,617,198)
Total Available for Capital Investments			(15,997,900)
FY 2022-23 Balanced Budget			-

**Sweetwater Authority
Fiscal Year 2022-23
Reserve Budget**

	Budgeted FY 2021-22 Reserves June 30, 2022	Reserve Adjustment Increase (Decrease)	Projected FY 2021-22 Reserves June 30, 2022	FY 2022-23 Transfer (From) To Reserves	Budgeted FY 2022-23 Reserves June 30, 2023
Board Designated Reserves					
Vista del Lago	182,200	0	182,200	0	182,200
Vehicle Replacement	243,000	1,250,090	1,493,090	(1,248,790)	244,300
Sweetwater River Basin Land	352,689	(253,411)	99,278	0	99,278
Sweetwater Dam PMF Project	5,342,931	1,785,914	7,128,845	0	7,128,845
National City Wells Water Quality Improvement Project	1,701,612	77,829	1,779,441	(1,779,441)	0
Rate Stabilization Reserve	13,048,042	(334,061)	12,713,981	(4,440,400)	8,273,581
Bond Fund (transfer remaining balance to Construction Fund)	2,465,000	(2,465,000)	0	0	0
Construction Fund (Carryover)	0	10,232,641	10,232,641	(10,232,641)	0
Construction Fund (Capacity Fee)	6,000,000	(1,398,739)	4,601,261	(1,601,261)	3,000,000
Operating Fund	12,476,600	2,200,275	14,676,875	(6,192,198)	8,484,677
Total Reserves	41,812,074	11,095,538	52,907,612	(25,494,731)	27,412,881
Recap of Reserve Transfer:					
Use of Reserves for Capital Investment Projects		Vehicle Replacement			(1,248,790)
Use of Reserves for Capital Investment Projects		NC Wells Water Quality Improvement Project			(1,779,441)
Funding to Wholesale Water Purchase Charge		Rate Stabilization Reserve			(4,440,400)
Prior Year Allocated Projects Expenditures		Construction Fund (Carryover)			(10,232,641)
Use of Capacity Fees for Capital Investment Projects		Construction Fund (Capacity Fee)			(4,601,261)
Funding to Capacity Fee Fund		Construction Fund (Capacity Fee)			3,000,000
Allocation of Capacity Fee funds to reserves		Operating Fund			(3,000,000)
Allocation Wholesale Water Purchase Charge Funds		Operating Fund			4,440,400
Use of Operating Funds for Capital Investments		Operating Fund			(7,632,598)
					(25,494,731)

**Sweetwater Authority
Fiscal Year 2022-23
Operating Budget Summary**

Page #

Revenue		
Water Sales	52,841,200	23
Other Revenue	5,820,000	23
Total Administration	\$ 58,661,200	
Administration		
General	2,703,400	25
Governing Board	199,400	25
Public Affairs	682,900	26
Accounting and Purchasing	1,126,300	26
Employee Related Expenses	11,256,300	26
Total Administration	\$ 15,968,300	
Information Systems	\$ 1,895,000	27
Administrative Services		
Human Resources	438,000	28
Safety	652,200	28
Training	305,800	28
Security	160,100	29
Water Efficiency	300,300	29
Total Administrative Services	\$ 1,856,400	
Customer Service	\$ 2,557,800	30
Water Quality		
General Plant	1,374,000	31
URDS I	64,300	31
URDS II	20,600	31
Desalination Plant	4,856,800	32
Perdue Plant	2,758,900	32
National City Wells	445,600	33
System Operations	1,221,900	33
Watershed	365,400	33
Total Water Quality	\$ 11,107,500	
Engineering		
General Engineering	2,519,000	34
Sweetwater Reservoir	65,800	34
Loveland Reservoir	98,400	34
Reservoir and Dams	779,900	34
Water Resources	13,327,700	35
Total Engineering	\$ 16,790,800	
Distribution	\$ 5,157,600	36
Operating Expenses	\$ 55,333,400	

**Sweetwater Authority
Fiscal Year 2022-23
Revenue Budget**

Revenue		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
4110	Residential	19,910,000	20,226,500	316,500	1.6%
4120	Commercial	10,819,600	10,852,700	33,100	0.3%
4130	Industrial	199,500	58,900	(140,600)	-70.5%
4140	Miscellaneous	183,800	123,700	(60,100)	-32.7%
4160	Multi-Family	17,410,700	17,613,900	203,200	1.2%
4170	Public Authorities	4,130,900	3,965,500	(165,400)	-4.0%
	Water Sales / Rate Revenue	52,654,500	52,841,200 (1)	186,700	0.4%
4150	Private Fire Protection Fees	808,200	870,000	61,800	7.6%
4211	Reconnection Fees	305,000	305,000	-	0.0%
4221	Capacity Fees	6,838,000	3,000,000 (2)	(3,838,000)	-56.1%
4233	Repair Revenue	55,000	55,000	-	0.0%
4235	Tank/Tower Lease	504,000	545,000	41,000	8.1%
4239	Miscellaneous Fees	15,000	15,000	-	0.0%
4242	Sweetwater Reservoir Fishing Program	20,000	25,000	5,000	25.0%
4244	Reynolds Desal Operating Maint. Fees	509,000	- (3)	(509,000)	-100.0%
4920	Non-operating/Interest	515,000	615,000 (4)	100,000	19.4%
4990	Non-operating/Other	190,000	390,000 (5)	200,000	105.3%
	Other Revenue	9,759,200	5,820,000	(3,939,200)	-40.4%
	Revenue	62,413,700	58,661,200	(3,752,500)	-6.0%

- (1) January 1, 2023, the Authority's rates associated with operating and capital expense are increasing by the San Diego Consumer Price Index inflation factor. The rates associated with wholesale water purchases will not change and the cost to purchase more wholesale water will be offset by the Rate Stabilization Fund. Assumptions show wholesale water purchases increasing from 4,550 acre feet to 7,650 acre feet. In addition, the Authority's pass-through charges from the San Diego County Water Authority are expected to decrease, as those charges are based on a three year rolling average of Authority's wholesale water purchases that have decreased over the last three years. (per 2018 Water Rate Study) In addition, water sales are expected to remain 2% below the recent historical levels and offset the increase by the inflation index.
- (2) The prior year saw the collection of approximately \$3 million in capacity fees from the Chula Vista Bay Front developments and capacity fee collection is expected to be lower with approximately 32 small to large projects in development.
- (3) The Authority will not collect Reynolds Desal Operating Maintenance Fees for FY 2022-23 as the current cost sharing agreement is under negotiation.
- (4) Investment earnings estimated at current market rates.
- (5) Increase based on prior year experience.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Administration		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5610	Salaries	1,098,800	1,327,400	228,600	20.8%
5621	Office Supplies	15,600	13,900	(1,700)	-10.9%
5622	Travel and Meetings	12,000	13,000	1,000	8.3%
5623	Subscriptions and Publications	1,700	2,100	400	23.5%
5624	Dues and Memberships	68,700	62,800 (1)	(5,900)	-8.6%
5625	Postage	13,700	13,800	100	0.7%
5628	Delivery Services	16,300	14,000	(2,300)	-14.1%
5631	General Legal	465,000	360,000 (2)	(105,000)	-22.6%
5634	Janitorial	14,400	20,000	5,600	38.9%
5635	Communications	94,200	101,700 (3)	7,500	8.0%
5636	Utilities	62,900	62,700	(200)	-0.3%
5650	Consulting Services	135,000	402,000 (4)	267,000	197.8%
5650	Inter-agency Support - SBID	30,000	30,000 (5)	-	0.0%
5660	Rents and Leases	51,200	58,000	6,800	13.3%
5676	Equipment Maintenance	18,200	22,000	3,800	20.9%
5999	Expense Contingency	100,000	200,000 (6)	100,000	100.0%
	General (10-10-100)	2,197,700	2,703,400	505,700	23.0%
5610	Per Diems	100,800	100,800	-	0.0%
5622	Travel and Meetings	22,100	29,600	7,500	33.9%
5644	Health, Vision, Dental and Life Ins.	84,400	69,000	(15,400)	-18.2%
	Governing Board (10-10-110)	207,300	199,400	(7,900)	-3.8%

(1) The list of Authority memberships are as follows:

Association of California Water Agencies	\$29,345
California Municipal Utility Association.....	\$6,600
California Special Districts Association.....	\$1,900
CalDesal.....	\$1,000
Chamber of Commerce (Chula Vista / National City).....	\$150 / \$500
Local Government Commission.....	\$600
South County Economic Development Council.....	\$380
Urban Water Institute.....	\$1,500
Water Education Foundation.....	\$6,700
Water Research Foundation.....	\$0
Western Coalition of Arid States.....	\$220

(2) Prior year included projects that will not require General Legal in FY 2022-23.

(3) Increase in telephone costs due to additional wireless services.

(4) Costs include: Federal lobby \$24,000; State lobby \$24,000; grant writing \$50,000; renewable resources support \$50,000; water rate study \$125,000; CivicSparks \$29,000; regulatory required project for new lead and copper customer-side service lateral testing requirements.

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

(6) Increase contingency fund in anticipation of unstable water treatment chemical costs.

Sweetwater Authority
Fiscal Year 2022-23
Operating Expense

Administration		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5610	Salaries	313,400	356,600	43,200	13.8%
5620	Programs	185,800	177,100	(8,700)	-4.7%
5622	Travel and Meetings	5,000	5,500	500	10.0%
5624	Dues and Memberships	1,200	1,200	-	0.0%
5626	Publications	95,500	142,500 (1)	47,000	49.2%
	Public Affairs (10-10-120)	600,900	682,900	82,000	13.6%
5520	Uncollectible Accounts	-	-	-	
5610	Salaries	652,700	710,900	58,200	8.9%
5621	Office Supplies	3,400	3,600	200	5.9%
5622	Travel and Meetings	2,600	2,600	-	0.0%
5633	Auditing	45,600	45,300	(300)	-0.7%
5720	Taxes	8,600	8,600	-	0.0%
5940	Bank and Financial Fees	377,000	355,300 (2)	(21,700)	-5.8%
	Accounting and Purchasing (10-10-125)	1,089,900	1,126,300	36,400	3.3%
5637	Workers' Compensation Insurance	465,000	540,000 (3)	75,000	16.1%
5641	CalPERS Employer	5,253,400	5,842,700 (4)	589,300	11.2%
5642	Payroll Taxes	1,046,800	1,096,800	50,000	4.8%
5643	PARS 401A	673,400	708,800	35,400	5.3%
5644	Health, Vision, Dental and Life Ins.	4,392,200	3,472,800 (5)	(919,400)	-20.9%
5645	Retiree Health and Other Benefits	377,500	352,700	(24,800)	-6.6%
5646	Taxable Fringe Benefits	62,100	84,500 (6)	22,400	36.1%
5740	Expense Credits	(1,385,600)	(842,000) (7)	543,600	-39.2%
	Employee Related (10-10-130)	10,884,800	11,256,300	371,500	3.4%
	Administration	14,980,600	15,968,300	987,700	6.6%

- (1) Increase in cost to process 218 Notices in association with the 2023 Water Rate Study.
- (2) Based on prior year experience as customers use payment options with lower bank fees.
- (3) Increase due to higher salaries that are used to calculate premiums and increase in rates.
- (4) Increase due to higher salaries used to calculate regular pension contributions and an increase in the amount of the FY 2022-23 required payment toward the Authority's unfunded liability; the required contribution to CalPERS for FY 2022-23 is 10.180% of salary totaling \$1,469,000 for normal contributions, as compared to the FY 2021-22 rate of 10.430% and \$1,265,400; and a fixed payment amount for FY 2022-23 of \$4,361,000 is required to pay down the Authority's unfunded liability, as compared to the FY 2021-22 payment of \$3,988,000.
- (5) New medical insurance plan has provided a significant savings in insurance premium costs.
- (6) Increase includes funding for a new employee certification incentive program.
- (7) Based on prior year experience and a decrease in fringe benefits charged to capital projects.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Information Systems		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5610	Salaries	929,600	929,900	300	0.0%
5621	Office Supplies	2,100	2,100	-	0.0%
5622	Travel and Meetings	12,500	13,900	1,400	11.2%
5623	Subscriptions and Publications	1,500	1,500	-	0.0%
5624	Dues and Memberships	1,700	1,700	-	0.0%
5626	Printing	500	500	-	0.0%
5635	Communications	16,800	16,800	-	0.0%
5650	Consulting Services	11,500	26,000 (1)	14,500	126.1%
5676	IS Equipment Company-wide	895,600	902,600 (2)	7,000	0.8%
	Information Systems (10-60-600)	1,871,800	1,895,000	23,200	1.2%

(1) Addition of membership based information technology consulting to assist staff in current technology procurement and to also aide in succession planning.

(2) Increase in costs for regulatory required Americans with Disabilities Act upgrades to the Authority's website.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Administrative Services		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5610	Salaries	346,900	394,300	47,400	13.7%
5621	Office Supplies	800	800	-	0.0%
5622	Travel and Meetings	9,000	9,000	-	0.0%
5623	Subscriptions and Publications	-	-	-	
5624	Dues and Memberships	800	600	(200)	-25.0%
5629	Regulatory and Contractual	22,600	19,300	(3,300)	-14.6%
5647	Wellness	14,100	13,000	(1,100)	-7.8%
5676	Office Equipment Maintenance	2,300	1,000	(1,300)	-56.5%
	Human Resources (10-30-310)	396,500	438,000	41,500	10.5%
5414	Safety Incentive Program	3,000	13,300 (1)	10,300	343.3%
5610	Salaries	112,100	134,000	21,900	19.5%
5621	Office Supplies	600	600	-	0.0%
5622	Travel and Meetings	2,800	8,600 (2)	5,800	207.1%
5624	Dues and Memberships	600	700	100	16.7%
5626	Printing	300	300	-	0.0%
5630	General and Property Liability Insurance	423,000	418,500	(4,500)	-1.1%
5639	Injuries & Damages	50,000	5,000 (3)	(45,000)	-90.0%
5650	Consulting Services	6,600	3,300	(3,300)	-50.0%
5662	Small Tools and Equipment	6,500	5,500	(1,000)	-15.4%
5663	Safety Shoes Program	17,200	32,400 (4)	15,200	88.4%
5665	Ergonomic Program	15,000	15,000	-	0.0%
5666	Respiratory Program	14,500	15,000	500	3.4%
	Safety (10-30-320)	652,200	652,200	-	0.0%
5414	Incentive Program	1,700	1,700	-	0.0%
5610	Salaries	153,900	190,000	36,100	23.5%
5621	Office Supplies	1,000	1,000	-	0.0%
5622	Authority-wide Training	97,300	112,500 (5)	15,200	15.6%
5624	Dues and Memberships	500	500	-	0.0%
5626	Printing	100	100	-	0.0%
5661	Equipment Rental	300	-	(300)	-100.0%
	Training (10-30-330)	254,800	305,800	51,000	20.0%

- (1) Increase in employee safety incentive per Board direction.
(2) Certified Occupational Safety Specialist and Manager certifications.
(3) Prior year included costs for COVID-19 related expenditures that are now included in departmental budgets.
(4) Based on prior year experience and increase costs of safety shoes.
(5) Increase in leadership development training and technical training.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Administrative Services		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5610	Salaries	31,000	34,500	3,500	11.3%
5621	Office Supplies	800	500	(300)	-37.5%
5624	Dues and Memberships	2,200	2,200	-	0.0%
5626	Printing	2,000	2,000	-	0.0%
5650	Consulting Services	5,000	13,500 (1)	8,500	170.0%
5662	Small Tools and Equipment	200	200	-	0.0%
5676	Equipment Maintenance	38,000	35,000	(3,000)	-7.9%
5694	Outside Services	7,700	7,700	-	0.0%
5696	Security Services	65,700	62,000	(3,700)	-5.6%
5697	Emergency Response Exercises	7,000	2,500	(4,500)	-64.3%
	Security (10-30-340)	159,600	160,100	500	0.3%
5610	Salaries	142,200	161,200	19,000	13.4%
5414	Programs	300	300	-	0.0%
5621	Material - Supplies	500	500	-	0.0%
5622	Travel and Meetings	8,000	10,400	2,400	30.0%
5624	Dues and Memberships	2,500	2,600	100	4.0%
5625	Postage	1,000	16,000 (2)	15,000	1500.0%
5626	Printing	5,000	8,000 (2)	3,000	60.0%
5638	Public Info. and Conservation Garden	69,100	62,300 (3)	(6,800)	-9.8%
5640	Conservation Incentives	21,100	36,100 (4)	15,000	71.1%
5650	Consulting Services	2,500	2,500	-	0.0%
5662	Small Tools and Equipment	400	400	-	0.0%
	Water Efficiency (10-30-350)	252,600	300,300	47,700	18.9%
	Administrative Services	1,715,700	1,856,400	140,700	8.2%

(1) Increased to update the Emergency Response and Recovery Plan.

(2) Anticipated increase in drought awareness mailings.

(3) Includes costs for FY 2022-23 participation in the Water Conservation Garden of \$48,000; prior year contribution was \$54,000.

(4) Includes costs for the annually required water loss audit.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Customer Service		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5428	Materials and Services Maintenance	151,000	196,700 (1)	45,700	30.3%
5448	Meter Replacement Program	210,000	300,000 (2)	90,000	42.9%
5514	Materials and Services Office	177,300	177,300	-	0.0%
5520	Uncollectible Accounts	125,000	150,000 (3)	25,000	20.0%
5610	Salaries	1,634,000	1,725,800	91,800	5.6%
5622	Travel and Meetings	9,700	8,000	(1,700)	-17.5%
	Customer Service (10-20-200)	2,307,000	2,557,800	250,800	10.9%

- (1) Purchase of AMI ready water meters to focus on large and difficult to read meters.
(2) Increase in annual meter replacement activities to maintain a 15-year meter replacement program.
(3) In anticipation of increased collections efforts for COVID-19 arrearage balances.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Water Quality		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5145	Materials and Supplies SCADA	363,000	328,000 (1)	(35,000)	-9.6%
5342	Materials and Supplies Laboratory	243,300	234,200	(9,100)	-3.7%
5360	Equipment Rental	1,100	1,100	-	0.0%
5610	Salaries	440,300	471,900	31,600	7.2%
5621	Office Supplies	7,000	7,200	200	2.9%
5622	Travel and Meetings	5,600	5,900	300	5.4%
5623	Subscriptions and Publications	1,600	1,800	200	12.5%
5624	Dues and Memberships	1,500	10,900 (2)	9,400	626.7%
5632	Temporary Help	-		-	
5634	Janitorial	14,400	20,000 (3)	5,600	38.9%
5636	Utilities	4,500	6,600 (4)	2,100	46.7%
5650	Consulting Services	140,000	154,800 (5)	14,800	10.6%
5654	Regulatory Permit Fees	97,100	130,100 (6)	33,000	34.0%
5662	Small Tools and Equipment	1,500	1,500	-	0.0%
	General Plant (10-80-800)	1,320,900	1,374,000	53,100	4.0%
5113	Materials and Supplies Operating	18,000	45,000 (7)	27,000	150.0%
5231	Pump Power	8,600	8,600	-	0.0%
5610	Salaries	5,500	10,700	5,200	94.5%
	URDS I / Vista del Lago (10-80-830)	32,100	64,300	32,200	100.3%
5113	Materials and Supplies Operating	2,500	3,200	700	28.0%
5231	Pump Power	1,000	1,300	300	30.0%
5610	Salaries	16,400	16,100	(300)	-1.8%
	URDS II (10-80-840)	19,900	20,600	700	3.5%

- (1) Prior year budget included costs for potential SCADA Integrator transition and the business network documentation task that are not included in the FY 2022-23 Budget.
- (2) Includes a new Authority-wide membership in the Technology Approval Group (TAG).
- (3) Increase due to new janitorial contract.
- (4) Increase in utility rates.
- (5) Includes costs to develop a SCADA design consultant RFP.
- (6) Increase in State Water Resources Control Board Annual Water System Fee.
- (7) Increase for the costs to replace the URDS pump #2.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Water Quality		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5212	Materials and Suppl. Wells Pump Maint.	30,000	44,000 (1)	14,000	46.7%
5231	Pump Power	485,800	1,059,300 (2)	573,500	118.1%
5232	Wells Power	1,043,600	1,379,400 (2)	335,800	32.2%
5313	Materials and Supplies Operating	229,700	168,900 (3)	(60,800)	-26.5%
5323	Materials and Supplies Maintenance	203,300	208,000	4,700	2.3%
5330	Water Treatment Chemicals	187,600	346,400 (4)	158,800	84.6%
5342	Materials and Supplies Laboratory	28,300	30,900	2,600	9.2%
5350	Plant Power	522,500	982,100 (2)	459,600	88.0%
5356	Materials and Supplies Monitor/Mit.	148,300	119,100 (5)	(29,200)	-19.7%
5360	Equipment Rental	2,500	3,500	1,000	40.0%
5610	Salaries	251,200	285,300	34,100	13.6%
5634	Janitorial	18,900	30,700 (6)	11,800	62.4%
5650	Consulting Services	46,000	46,000	-	0.0%
5654	Regulatory Permit Fees	25,500	29,100	3,600	14.1%
5674	Hazardous Waste Removal	18,000	24,000	6,000	33.3%
5694	Materials and Services Building and Gr.	98,600	100,100	1,500	1.5%
	Desalination Plant (10-80-850)	3,339,800	4,856,800	1,517,000	45.4%
5231	Pump Power	97,600	22,900 (7)	(74,700)	-76.5%
5313	Materials and Supplies Operating	90,900	84,900	(6,000)	-6.6%
5323	Materials and Supplies Maintenance	239,500	328,600 (8)	89,100	37.2%
5330	Water Treatment Chemicals	747,500	583,600 (7)	(163,900)	-21.9%
5350	Plant Power	142,700	51,700 (7)	(91,000)	-64%
5360	Equipment Rental	2,000	3,000	1,000	50.0%
5610	Salaries	1,431,900	1,611,000	179,100	12.5%
5674	Hazardous Waste Removal	10,000	10,000	-	0.0%
5694	Materials and Services Building and Gr.	10,700	5,700 (9)	(5,000)	-46.7%
5695	Buildings and Grounds Maintenance	39,500	57,500 (10)	18,000	45.6%
	Perdue Plant (10-80-860)	2,812,300	2,758,900	(53,400)	-1.9%

- (1) Higher costs for repairs of high service pump and motor repair and permeate pump repair.
- (2) Increased production results in higher energy expense along with increased SDG&E rates.
- (3) Annual reverse osmosis membrane replacement costs moved to capital budget.
- (4) Inflationary and supply production cost increases in water treatment chemical purchases.
- (5) General decrease in the costs and requirement of monitoring and mitigation.
- (6) Increase due to new janitorial contract and additional task to clean the HydroStation.
- (7) Decrease in costs due to reduced use of water from Sweetwater Reservoir; imported water requires a lower volume of treatment chemicals.
- (8) Includes cost to paint clearwell and filter gallery.
- (9) Prior year included a project to expand security lighting for the Perdue Plant.
- (10) Includes cost to convert outdoor lighting to LED.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Water Quality		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5231	Pump Power	213,100	170,600 (1)	(42,500)	-19.9%
5232	Wells Power	53,300	73,000 (2)	19,700	37.0%
5313	Materials and Supplies Operating	2,900	3,500	600	20.7%
5323	Materials and Supplies Maintenance	41,300	43,300	2,000	4.8%
5330	Water Treatment Chemicals	37,300	83,200 (3)	45,900	123.1%
5610	Salaries	55,200	63,500	8,300	15.0%
5674	Hazardous Waste Removal	8,500	8,500	-	0.0%
	National City Wells (10-80-870)	411,600	445,600	34,000	8.3%
5145	Materials and Supplies SCADA	7,800	7,800	-	0.0%
5226	Materials and Supplies Pump Maint.	108,700	110,700	2,000	1.8%
5231	Pump Power	396,000	383,700 (1)	(12,300)	-3.1%
5420	Tank Landscaping	99,900	117,500 (4)	17,600	17.6%
5422	Materials and Supplies Tank Maint.	46,500	60,000 (5)	13,500	29.0%
5610	Salaries	491,000	538,700	47,700	9.7%
5662	Small Tools and Equipment	3,500	3,500	-	0.0%
	System Operations (10-80-890)	1,153,400	1,221,900	68,500	5.9%
5113	Materials and Services Operating	33,000	29,000	(4,000)	-12.1%
5610	Salaries	192,600	191,400	(1,200)	-0.6%
5632	Temporary Help	95,000	95,000	-	0.0%
5650	Consulting Services	50,000	50,000	-	0.0%
	Watershed (10-80-895)	370,600	365,400	(5,200)	-1.4%
	Water Quality	9,460,600	11,107,500	1,646,900	17.4%

- (1) Savings from transition to a more preferable electricity rate.
(2) Savings from transition to a more preferable electricity rate; offset by increased pumping requirements.
(3) Increase in cost of water treatment chemicals.
(4) Increase costs for tree maintenance.
(5) Additional chemical requirements for OD Arnold Tank Residual Control System.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Engineering		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5114	Hydrological Monitoring	159,000	163,500	4,500	2.8%
5125	Materials and Supplies Dam Surveillance	300	300	-	0%
5430	Pipeline Maintenance	50,000	65,000 (1)	15,000	30%
5610	Salaries	1,771,300	1,802,800	31,500	1.8%
5621	Office Supplies	12,300	12,300	-	0.0%
5622	Travel and Meetings	15,900	19,700 (2)	3,800	23.9%
5623	Subscriptions and Publications	600	600	-	0.0%
5624	Dues and Memberships	1,600	1,900	300	18.8%
5636	Utilities	6,000	6,000	-	0.0%
5650	Consulting Services	270,100	259,100 (3)	(11,000)	-4.1%
5652	Block Map Reproduction	4,800	5,500	700	14.6%
5662	Small Tools and Equipment	2,000	9,200 (4)	7,200	360.0%
5676	Equipment Maintenance	7,600	9,500	1,900	25.0%
5695	Buildings and Grounds Maintenance	153,100	163,600 (5)	10,500	6.9%
	General Engineering (10-40-400)	2,454,600	2,519,000	64,400	2.6%
5113	Materials and Supplies Operating	29,600	33,700 (6)	4,100	13.9%
5610	Salaries	27,300	32,100	4,800	17.6%
	Sweetwater Reservoir (10-80-810)	56,900	65,800	8,900	15.6%
5113	Materials and Supplies Operating	21,600	25,400 (6)	3,800	17.6%
5610	Salaries	72,500	73,000	500	0.7%
	Loveland Reservoir (10-80-820)	94,100	98,400	4,300	4.6%
5113	Materials and Services Operating	125,900	110,200	(15,700)	-12.5%
5610	Salaries	550,000	565,500	15,500	2.8%
5636	Utilities	7,000	7,000	-	0.0%
5654	Regulatory Permit Fees	82,600	97,200 (7)	14,600	17.7%
	Reservoir and Dams (10-80-880)	765,500	779,900	14,400	1.9%
	Engineering Sub-total	3,371,100	3,463,100	107,500	3.2%

- (1) Increase in costs to perform cathodic protection projects.
(2) Returning to offsite technical training post COVID-19 restriction.
(3) General Engineering, \$50,000; Cathodic Protection, \$184,000; Survey of Easement Maintenance Program, \$7,500; MLS Listing Service for Easement Encroachment Analysis, \$3,600; Stormwater Pollution Prevention Plan, \$5,000; Survey Consultant for Loveland property Lines, \$9,000.
(4) Includes purchase of two 800 MHz radios for dam surveillance.
(5) Increase cost for Administration building roof repairs.
(6) Increased toilet rental cost for fishing program.
(7) Increase in State regulatory dam fees.

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Engineering		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5130	SDCWA Wholesale Purchased Water	6,115,900	9,510,500 (1)	3,394,600	55.5%
5131	MWD Readiness-to-Serve	81,500	12,000 (2)	(69,500)	-85.3%
5132	SDCWA Infrastructure Access Charge	2,240,200	2,313,400	73,200	3.3%
5134	SDCWA Customer Service Charge	428,400	181,300 (2)	(247,100)	-57.7%
5135	SDCWA Emergency Storage Charge	1,086,000	457,700 (2)	(628,300)	-57.9%
5136	MWD Capacity Reservation Charge	178,000	210,100	32,100	18.0%
5138	SDCWA Supply Reliability Charge	941,800	642,700	(299,100)	-31.8%
	Water Resources (10-10-410)	11,071,800	13,327,700	2,255,900	20.4%
	Engineering	14,442,900	16,790,800	2,347,900	16.3%

(1) FY 2022-23 budgeted purchased water 7,649 a.f., an increase from the FY 2021-22 budget of 5,209 a.f. .

(2) Increase in fixed charges that are based on the average volume of water purchased over the preceding 3 years; decrease in fixed charges that are based on the average volume of water purchased over the preceding 5 years. The Infrastructure access charge is a fixed charge based on meter count and is decreasing by 5% per SDCWA's budget proposal. Final SDCWA water rates will not be available until June 2022.

Estimate Only			
SDCWA Wholesale Water Charges	Calendar	Proposed Calendar	
Variable Costs	Year 2022	Year 2023	% Change
Raw Water Cost per Acre-foot	1,009	1,090	8.0%
Treatment Charge per Acre-foot	310	350	12.9%
Transportation Charge per Acre-foot	173	177	2.3%
Fixed Charges			
SDCWA Infrastructure Access Charge	2,203,300	2,093,100	-5.0%
SDCWA Customer Service Charge	159,600	203,000	27.2%
SDCWA Emergency Storage Charge	403,000	512,500	27.2%
SDCWA Supply Reliability Charge	723,900	561,600	-22.4%
MWD Readiness-to-Serve*	12,000	13,200	10.0%
MWD Capacity Reservation Charge	185,000	235,200	27.1%
Total Fixed Charges	3,686,800	3,618,600	-1.8%

*Based on fiscal year

**Sweetwater Authority
Fiscal Year 2022-23
Operating Expense**

Distribution		FY 2021-22 Budget	FY 2022-23 Proposed Budget	FY 2021-22 Budget vs. FY 2022-23 Proposed	
5424	Materials and Supplies Maintenance	1,470,700	969,000 (1)	(501,700)	-34.1%
5426	Materials and Supplies Water Service	65,200	65,200	-	0.0%
5437	Materials and Supplies Miscellaneous	130,900	134,800	3,900	3.0%
5460	Equipment Rental	2,500	2,500	-	0.0%
5610	Salaries	2,835,200	3,208,100	372,900	13.2%
5621	Office Supplies	4,500	4,500	-	0.0%
5622	Travel and Meetings	1,500	8,200 (2)	6,700	446.7%
5632	Temporary Help	25,000	25,000	-	0.0%
5634	Janitorial	15,000	20,000 (3)	5,000	33.3%
5636	Utilities	44,500	51,700 (4)	7,200	16.2%
5662	Small Tools and Equipment	35,000	55,000 (5)	20,000	57.1%
5672	Materials and Supplies Vehicle Maint.	188,600	207,800 (6)	19,200	10.2%
5673	Gasoline and Oil	173,700	285,700 (7)	112,000	64.5%
5674	Hazardous Waste Removal	10,400	11,000	600	5.8%
5676	Outside Services Office Equipment	1,900	1,900	-	0.0%
5678	Maintenance Communication Equip.	17,700	18,500	800	4.5%
5694	Materials and Services Building and Gr.	80,800	88,700	7,900	9.8%
Distribution (10-50-500)		5,103,100	5,157,600	54,500	1.1%

- (1) Prior year included funding for resumption of a unidirectional flushing program; this program has been suspended pending receipt of NO-DES flushing equipment in FY2022-23.
- (2) Returning to offsite technical training post COVID-19 restriction.
- (3) Increase due to new janitorial contract.
- (4) Increase in utility rates.
- (5) Includes cost to replace 20 year old highline hoses and fittings.
- (6) Increase purchase replacement parts for aging fleet and increased prices of materials.
- (7) Increase in fuel prices.

**Sweetwater Authority
Fiscal Year 2022-23
Capital Investment Summary**

			<u>Page</u>
SP Objective	Capital Contingency	250,000	
CS5.001.00	Aesthetic Enhancements to Various Well Facilities (1c)	50,000	39
AE3.002.00	Geographical Information Systems Assesment, Plan, and Expansion (1c)	60,000	40
AE3.003.00	Business, Microwave, SCADA Systems Firewall Replacment (1a)	150,000	42
AE3.004.00	Board Room Technology Upgrade (1a)	150,000	43
General		\$ 660,000	
WQ8.004.00	Laboratory Information Management System (LIMS) (1c)	90,000	44
ES2.001.00	Sweetwater Reservoir Aeration/Destratification System (1b)	1,537,000	46
SR9.004.00	Reverse Osmosis Filter Replacements (1a)	159,000	48
WQ7.001.00	National City Wells Iron and Manganese Removal System (1b)	2,227,000	50
SR9.009.00	Booster Pump, Motor, and Well Replacement Program (1b)	80,000	52
Water Quality		\$ 4,093,000	
SR9.001.00	URDS Facility Maintenance and Repairs (1b)	135,100	53
ES6, SR12	Programmatic Permitting of Property Operating and Maintenance Plan (3)	300,000	55
SR6.001.00	City of San Diego Otay 2nd Pipeline Interconnection Replacement (1b)	250,000	58
SR9.005.00	Photovoltaic System Installation (1a,c)	20,000	60
FV6.001.00 WQ6.001.00	Consulting Team for Sweetwater Reservoir Enhancement Project (4)	300,000	62
SR9.008.00	New Steel Fire Tank at Loveland Reservoir (3)	50,000	65
SR11.001.00	New San Diego Formation Well in National City (1b)	500,000	66
SR1	Engineering Design Program (1a,b)	160,000	68
SR1.002.00	Pipeline Replacement Program (1a,b)	3,605,800	70
SR9.014.00	Pavement Maintenance (1d)	155,000	73
SR6	Street Improvements (2)	250,000	74
SR1.001.00	Central-Wheeler Tank Construction and System Improvements (1a)	300,000	76
SR2.001.00	Cathodic Protection at up to Four Steel Storage Tanks (1a)	520,000	79
SR9.003.00	Bonita Valley Reservoir Control Building Roof Repair (1a)	25,000	81
SR9.003.00	Cherry Hills Tanks Lining Replacement and Bonita Valley Reservoir Drain Valve Replacement (1a)	250,000	82
FV5.001.00	Clearwell Effluent Meter Replacement (1b)	594,000	84
SR5.001.00	Stairway and Valve Replacement at Loveland Dam (1a)	2,650,000	86
Engineering		\$ 10,064,900	

**Sweetwater Authority
Fiscal Year 2022-23
Capital Investment Summary**

Page

(continued)			
SR3	Valve Replacement Program (1b)	400,000	89
SR4 / ES8	Annual Vehcile Replacement Fiund Investment (1b)	780,000	91
	Distribution	\$ 1,180,000	
	Total Capital Investments	\$ 15,997,900	
	Reserves - National City Wells Iron Manganese Removal	(1,779,441)	
	Capacity Fee Fund	(4,601,261)	
	Less Other Funding - Reserve / Capacity Fee / Bond / Grant	\$ (6,380,702)	
	Total Capital Investments after Other Funding	\$ 9,617,198	

- | | |
|--|---|
| <ul style="list-style-type: none"> (1) Updating or Replacing aging facilities and equipment <li style="padding-left: 20px;">(a) Failing infrastructure at end of expected life <li style="padding-left: 20px;">(b) Improve system service reliability <li style="padding-left: 20px;">(c) Streamlines or improves operations | <ul style="list-style-type: none"> (2) In Construction/Permit/Contractual <li style="padding-left: 20px;">(3) Regulatory required <li style="padding-left: 20px;">(4) Continuing studies |
|--|---|

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

AESTHETIC ENHANCEMENTS TO VARIOUS WELL FACILITIES

Recommendation

Approved funding to implement phases of the Authority’s well site beautification plan.
 (SP Objective: CS5.001.00)

FY 2022-23 Budget Request

\$50,000

Discussion

The Authority staff will work with the Board to prioritize how to allocate funds to implement portions of the Authority’s approved Well Site Beautification Plan. Funding and grant opportunities will also be considered to supplement capital funding. The first project that staff will focus on is beautification of the well site at Eucalyptus Park, Chula Vista.

Budget Summary

<u>Prior Year Budget Allocations</u>	
2021-22	\$ 75,000
<u>FY 2022-23 Budget Request</u>	
Project Implementation	\$ 50,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$50,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	
	\$125,000
Total Project Expenditures as of April 30, 2022	
	\$ 56,150

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

GEOGRAPHICAL INFORMATION SYSTEMS ASSESSMENT, PLAN, AND EXPANSION

Recommendation

Develop and implement a Geographical Information Systems (GIS) assessment and plan to expand the existing GIS portal. (SP Objective: AE3.002.00)

FY 2022-23 Budget Request

\$60,000

Discussion

In 2020, the Authority completed a Technology Master Plan. The plan identified the need for a more strategic approach to the Enterprise GIS in use by the Authority. This project will engage a consultant to develop a plan for the Authority's Enterprise GIS system that will provide an agency-wide approach to GIS and provide the framework for expanded GIS use across the Authority for Sweetwater staff as well as external partners, developers and customers. The plan was funded in FY 2021-22 and work on it is scheduled to begin in June 2022.

This request is for additional funds to enable the Authority to enter into an Esri Enterprise Advantage Program (EEAP) with our GIS software vendor, Esri, after the completion of the plan's development. The EEAP is a flexible, scalable framework to help organizations maximize their investment and implement Esri technology to achieve the goals of our newly developed plan. One of the key benefits of the program is the Technical Advisor (TA) assigned to the Authority who acts as a facilitator, advocate and leader as well as specific technical expertise to help the Authority implement the new Plan.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

GEOGRAPHICAL INFORMATION SYSTEMS ASSESSMENT, PLAN, AND EXPANSION

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$ 70,000
<u>FY 2022-23 Budget Request</u>	
Esri Enterprise Advantage Program – Year 1	\$ 60,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$60,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$130,000
Total Project Expenditures as of April 30, 2022	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

BUSINESS, MICROWAVE, SCADA SYSTEMS FIREWALL REPLACEMENT

Recommendation

Replace end of life firewalls across network. (SP Objective: AE3.003.00)

FY 2022-23 Budget Request

\$150,000

Discussion

The firewalls currently protecting the business and SCADA networks as well as the microwave links interconnecting the facilities were originally installed in 2015. They have been upgraded as much as possible and will soon reach end-of-life by the vendor. Once the current firewalls reach end-of-life, no further software updates or hardware repairs will be available, greatly increasing the risk of outage or breach caused by hardware failure or malicious attackers. Purchasing the new equipment with multiple year support contracts will result in significant savings over purchasing the support one year at a time. It is expected that programming and configuration of the new firewalls will be performed by existing staff as part of their regular duties. This project will replace the aging firewalls with modern firewalls, offering protection against the latest threats to the Authority’s networks.

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$ 0
<u>FY 2022-23 Budget Request</u>	
Purchase of replacement firewalls including 3 year support and subscriptions	\$ 150,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$150,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$150,000
<u>Total Project Expenditures as of April 30, 2022</u>	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

BOARD ROOM TECHNOLOGY UPGRADE

Recommendation

Provide funds to design, procure and implement updated technology in the Board Room at the Administration Building. (SP Objective: AE3.004.00)

FY 2022-23 Budget Request

\$150,000

Discussion

In 2020, the Authority completed a Technology Master Plan. The plan identified the need for an update to the technology and processes used in by the Governing Board in Board Room at the Administration Building. In conjunction with the new Agenda Management software that was funded during FY 2021-22, this project will help streamline onsite meetings by providing for improved audio and video recording capabilities, laptop or tablet access to meeting materials, digital voting and vote recording, and a more modern and interactive process during the meetings.

Additionally, this project will increase public access to the Board Meetings by facilitating a searchable record within our website, allowing the public to jump to desired topics within the recording of a specific meeting.

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$ 0
<u>FY 2022-23 Budget Request</u>	
Design, review, and design documentation	\$ 40,000
Hardware procurement and implementation	110,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$150,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$150,000
<u>Total Project Expenditures as of April 30, 2022</u>	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

LABORATORY INFORMATION MANAGEMENT SYSTEM

Recommendation

Purchase a Laboratory Information Management System (LIMS) for the Water Quality Laboratory in FY 2022-23. (SP Objective: WQ8.004.00)

FY 2022-23 Budget Request

\$90,000

Discussion

The Water Quality (WQ) Laboratory has used Excel databases to store state and federal compliance monitoring data for the past 40 years. While this approach has worked satisfactorily, all data entry and report generation must be performed manually. The purchase of the LIMS would automate the generation of regulatory reporting forms, electronic data deliverables (via the new California Laboratory Intake Portal (CLIP)), sampling schedules, and status reports. In addition, all commercial laboratory and internal monitoring results would be stored in a single sequel database format, eliminating the need to maintain multiple Excel spreadsheets. Perhaps the most important benefit of having a LIMS in the WQ Lab comes from the recent California regulation requiring that all labs become compliant with the 2016 National Environmental Laboratory Conference (NELAC Institute or TNI) Standard by January 1, 2024. The LIMS will help the WQ Lab with this transition by providing the protocols/systems for sample receiving, traceability, data integrity, and record keeping that are required by the TNI Standard, which has been adopted by the State Board's Environmental Laboratory Accreditation Program (ELAP).

A LIMS would provide an electronic audit trail that ensures the integrity of all data entered into the LIMS and any values that are outside of acceptable limits can be automatically flagged via e-mail alerts. The LIMS would enable the Water Quality Laboratory to continue on a path of going paperless, as paper worksheets, such as the weekly SUVA jar test, could be converted to customized electronic data entry forms within the LIMS, thus eliminating double data entry.

The LIMS is also capable of automating the importation of data from commercial laboratories, thus minimizing the chance of data entry errors. Another benefit of installing the LIMS would be the generation of the annual Consumer Confidence Report data tables and the elimination of the double data entry associated with the Desalination Facility electronic data reports submitted to the Regional Board on a quarterly basis. Once fully implemented, the annual laboratory labor savings to be realized from using the LIMS is estimated to be approximately 230 hours, which equates to a monetary value of approximately \$10,000 per year.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

LABORATORY INFORMATION MANAGEMENT SYSTEM

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$ 0
<u>FY 2022-23 Budget Request</u>	
Software purchase, installation, and setup	\$ 90,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$90,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$90,000
Total Project Expenditures as of April 30, 2022	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

SWEETWATER RESERVOIR AERATION / DESTRATIFICATION SYSTEM

Recommendation

The recommendation is to purchase and implement a vertical mixing / destratification aeration system to enhance dissolved oxygen levels in Sweetwater Reservoir.
(SP Objective: WQ7.002.00)

FY 2022-23 Budget Request

\$1,537,000

Discussion

Sweetwater Reservoir is a eutrophic (nutrient rich, biologically productive) lake, which undergoes thermal stratification during the spring and summer months. During the stratification time frame, depletion of dissolved oxygen (anoxia) can occur in the deeper waters of the reservoir. This process allows nutrients and other oxidized compounds sequestered in the sediment to re-enter the water column, fueling a cycle of algal productivity and other water quality challenges.

During the fall, surface water temperatures cool, causing a re-circulation of the nutrients, iron, manganese, sulfides, and total organic carbon (TOC) from the lower reaches of the reservoir throughout the water column, which can make the water entering the Perdue WTP very difficult, and at times, impossible to treat, even with increased chemical dosing and disinfection protocols in place.

A lake aeration system, which consists of air compressors feeding a diffuser line attached to a buoyant air pipeline anchored just above the bottom of the reservoir, de-stratifies the water column with an upward stream of air bubbles. This vertical mixing and aeration will improve the water quality in Sweetwater Reservoir by reducing sediment release of TOC, sulfides, ammonia, iron, manganese, phosphorus, and nitrogen and should reduce the extent of blue-green algae blooms. Other benefits include enhanced stability of the disinfection residual in the finished drinking water in the distribution system, reduced discolored water customer complaints, and increased consumer confidence.

Project activities in FY 2022-23 would include project design and construction phases of the project as well as environmental documentation and permitting. Environmental documentation (a Notice of Exemption is expected) would be required under the California Environmental Quality Act (CEQA). Past allocations will be utilized for design and construction management services. It is anticipated the project will require permits from the following agencies:

- U.S. Army Corps of Engineers
- Regional Water Quality Control Board

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

SWEETWATER RESERVOIR AERATION / DESTRATIFICATION SYSTEM

(continued from previous page)

- California Department of Fish & Wildlife
- State Board, Division of Drinking Water

It is estimated the cost of implementing an aeration system in Sweetwater Reservoir would be approximately \$24/acre-ft of treated drinking water, whereas the estimated savings from reduced chemical usage and power consumption at the Perdue WTP would actually save the Authority approximately \$27/acre-ft, with a net savings of \$3/acre-ft over the life cycle of the project.

Budget Summary

<u>Prior Year Budget Allocations</u>	
2021-22	\$ 250,000
<u>FY 2022-23 Budget Request</u>	
Design, review, and design documentation	\$ 1,450,200
SCADA Integration	24,000
SWA Labor	25,000
SWA Labor Benefits and Overhead Allocation	37,800
Sub-total	\$ 1,537,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$ 1,787,000
Total Project Expenditures as of April 30, 2022	\$ 58,262

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

REVERSE OSMOSIS FILTER REPLACEMENTS

Recommendation

Replace Reverse Osmosis (RO) membranes at the Richard A. Reynolds Desalination Facility that have reached the end of their useful life (SP Objective: SR9.004.00).

FY 2022-23 Budget Request

\$159,000

Discussion

The Authority's Richard A. Reynolds Groundwater Desalination Facility (RAR) 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 RAR 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 five 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. Proper membrane performance is a critical component to the operational reliability of the facility.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

REVERSE OSMOSIS FILTER REPLACEMENTS

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$ 0
<u>FY 2022-23 Budget Request</u>	
RO Membranes and Installation Labor	\$159,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$159,000
<u>Future Year Budget Projections</u>	
2023-24	\$175,000
2024-25	192,000
2025-26	176,000
2026-27	388,000
Total Project Budget	\$1,090,000
Total Project Expenditures as of April 30, 2022	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 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: WQ7001.00)

FY 2022-23 Budget Request

\$2,227,000

Discussion

The National City Wells (NCW) 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 NCW.

Additional funding added for FY2022-23 would be for construction and construction management services (including SCADA), geotechnical, surveying, and SCADA design. Past allocations have been utilized for a pilot testing plan, a pilot test, and a pilot testing report and will cover design of the full-scale treatment system.

SWEETWATER AUTHORITY
FY 2022-23 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
<u>FY 2022-23 Budget Request</u>	
Construction and construction management services (including SCADA), geotechnical, surveying, and SCADA design.	\$ 2,164,200
SWA Labor	25,000
SWA Labor Benefits and Overhead Allocation	37,800
Sub-total	\$2,227,000
<u>Future Year Budget Projections</u>	
2023-24	\$2,000,000
Total Project Budget	\$4,963,000
Total Project Expenditures as of April 30, 2022	
	\$ 258,170

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

Booster Pump, Motor, and Well Replacement Program

Recommendation

Replace and repair inefficient pumps and motors in the distribution system and production wells. The Authority’s Strategic Plan goal area SR9 identifies cost effectively maintaining facilities and infrastructure to optimize their useful life and performance. (SP Objective: SR9 009.00)

FY 2022-23 Budget Request

\$80,000

Discussion

The goal of this project is to replace or repair the pumps and motors and production wells that are identified as the lowest in efficiency, or have reached their expected service life. As pumps and motors age, significant wear can occur and their efficiencies can decrease. Although some equipment may still maintain normal production; motors, pump heads, bowl assemblies, and piping can fail when being sandblasted and cleaned during the inspection and overhaul process. This may require additional repairs. Operating inefficient pumps increases pumping costs, and operating beyond the service life can result in equipment failure.

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	Ongoing project
<u>FY 2022-23 Budget Request</u>	
Design, review, and design documentation	\$70,000
SWA Labor	4,000
SWA Labor Benefits and Overhead Allocation	6,000
Sub-total	\$80,000
<u>Future Year Budget Projections</u>	
2023-24	\$80,000
2024-25	\$80,000
2025-26	\$80,000
2026-27	\$80,000
Total Project Budget	<u>Ongoing project</u>
Total Project Expenditures as of April 30, 2022	Ongoing project

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

URDS FACILITY MAINTENANCE AND REPAIRS

Recommendation

Provide funding for repairs of the Urban Runoff Diversion System (URDS) Low Flow Barrier and other URDS associated facilities. (SP Objective: SR9.001.00)

FY 2022-23 Budget Request

\$135,100

Discussion

The Sweetwater Reservoir Urban Runoff Diversion System (URDS) is a vital system that protects the reservoir from urban runoff during the first flush of a storm, accidental discharges in the watershed, and low flow urban runoff. Some of the URDS facilities are 30 years old in need of repairs to be able to continue protecting Sweetwater Reservoir. Some of the already identified and necessary tasks include full replacement of the URDS-2 Low Flow Barrier slide gate, and installation of a new debris trap at the URDS-1 Alacena Diversion Structure No. 2 road crossing. Depending on permitting exemptions, other potential repair work and improvements identified for the URDS for the upcoming years include camera inspection of gravity pipe and pump station discharge pipe, replacement of certain air valves and other appurtenances, repairs to culverts and road crossings, fence repairs and replacements, cleaning and recoating of above ground gravity pipe, concrete repairs to diversion structures and manholes, erosion repairs inside retention ponds and at diversion structures, and access improvements at Channels 5, 6, and 7.

Funding is requested in FY 2022-23 to conduct the replacement of the slide gate at the URDS-2 Low Flow Barrier, including replacement of a hydraulic actuator, and installation of a new debris trap at the URDS-1 Alacena Diversion Structure No. 2. Additional minor improvements may be conducted if regulatory permits are not required for such actions. Due to the type of work the most effective approach is to use one of the Authority's Time and Materials construction contractors. Other repairs for future fiscal years may be conducted by one of the Authority's Time and Materials construction contractors or the Authority's Watershed Caretakers.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

URDS FACILITY MAINTENANCE AND REPAIRS

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2019-20	\$ 232,000
2020-21	50,000
2021-22	100,200
<u>FY 2022-23 Budget Request</u>	
Investigation and conduct repairs	\$ 110,000
SWA Labor	10,000
SWA Labor Benefits and Overhead Allocation	15,100
Sub-total	\$135,100
<u>Future Year Budget Projections</u>	
2023-24	\$ 100,000
2024-25	20,000
2025-26	200,000
Total Project Budget	\$837,300
Total Project Expenditures as of April 30, 2022	
	\$ 382,097

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

PROGRAMMATIC PERMITTING OF THE PROPERTY OPERATIONS AND MAINTENANCE PLAN

Recommendation

Continue to provide funding for the completion of the Programmatic Permitting of the Property Operations and Maintenance 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: SR12.001.00 and ES6.001.00)

FY 2022-23 Budget Request

\$ 300,000

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. 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 (anticipated to be completed in June 2022).
- *Phase 2*: Complete California Environmental Quality Act (CEQA) Initial Study (anticipated to be completed in July 2022).
- *Phase 3*: Phase 3 is divided into two sub-phases:
 - Phase 3A: Prepare and complete CEQA document, Environmental Impact Report of Mitigated Negative Declaration

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

PROGRAMMATIC PERMITTING OF THE PROPERTY OPERATIONS AND MAINTENANCE PLAN

(continued from previous page)

- Phase 3B: Prepare and complete programmatic permit applications, and obtain programmatic permits from regulatory agencies (anticipated to be completed in 2025)

During its January 12, 2022 meeting, the Board authorized the General Manager to execute an amendment to the contract with ICF to approve the preapproved budget and to make some minor additions to ICF's scope of work, including analysis of water transfers as part of the Project. ICF has been working on completion of Phase 1 and Phase 2, and are expected to complete these two phases by the end of FY 2021-22.

In addition to the approved Amendment No. 1 to ICF's contract, staff proposes to prepare a cost-benefit analysis for modifications to water transfers periods as any changes to water transfers periods may result in significant mitigation costs. The cost-benefit analysis, which would be prepared by a water resources consultant, would inform the Governing Board of the costs associated with modifying water transfer release periods from those currently in practice, and would also provide key information to better inform any CEQA findings, determinations, and mitigation measures made for the Project. Furthermore, the information provided in the cost-benefit analysis would also be evaluated by the appropriate permitting agencies, for their discretionary approvals.

Preliminary discussions between Authority and ICF staff indicate that an Environmental Impact Report may likely be necessary for Phase 3A. However, the Project could benefit from initiating Phase 3B (programmatic permitting*) after completion of Phase 2, but before work towards Phase 3A fully begins (i.e. complete CEQA review once permit applications are at 70-80% completion). Authority staff is currently reviewing this approach, and a recommendation may be made to modify Phase 3 in the future, if indeed this approach would benefit the Project and the Authority. As of now, Authority staff is expecting completion of all documents associated with Phase 1 and Phase 2, including circulation of a Notice of Preparation of a CEQA document, before making a recommendation on how to most efficiently approach Phase 3.

*Programmatic permitting includes preparation of an NCCP/HCP compliant with federal and state endangered species laws, and programmatic regulatory permits for aquatic resources.

The Authority is also planning to apply for Section 6 Grant Program, which is available federal grant funding that is distributed by the State California Department of Fish and Wildlife. 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.

SWEETWATER AUTHORITY
FY 2022-23 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
<u>FY 2022-23 Budget Request</u>	
CEQA documentation and Programmatic Permitting	\$ 211,000
Water Transfers Cost-Benefit Analysis	74,000
Section 6 Grant Application	15,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$300,000
<u>Future Year Budget Projections</u>	
2023-24	\$200,000
2024-25	80,000
Total Project Budget	\$892,600
Total Project Expenditures as of April 30, 2022	
	\$ 127,634

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CITY OF SAN DIEGO OTAY 2ND PIPELINE INTERCONNECTION REPLACEMENT

Recommendation

Replace the emergency interconnection between the City of San Diego Otay 2nd Pipeline and the Authority's transmission main in Sweetwater Road as a result of the City's project to replace the Otay 2nd Pipeline. (SP Objective: SR6.001.00)

FY 2022-23 Budget Request

\$250,000

Discussion

The City of San Diego is implementing a phased project to replace the transmission main that traverses the Authority's service area in a north-south alignment, generally at Willow Street, known as the Otay 2nd Pipeline. There is currently an existing emergency interconnection between the City's Otay 2nd Pipeline and the Authority's 42-inch transmission main in Sweetwater Road. This emergency interconnection is a one-way interconnection since the City's water system operates at a higher pressure than the Authority's system. The City's existing 36-inch Otay 2nd Pipeline is located within an easement from Willow Street at Alameda Way to Willow Street at Sweetwater Road. Phase 3 of the City's Otay 2nd Pipeline Relocation Project will replace the existing 36-inch pipeline from SR-54 to Willow Street at Sweetwater Road with a new 48-inch pipeline, including the relocation of the segment constructed in the easement described above. The relocated segment is being designed to be constructed in Alameda Way, Valley Road, and Sweetwater Road. As a result of this relocation, the source of supply to the existing emergency interconnection will no longer exist.

Authority staff has been working with the City and their design consultant to re-establish this emergency interconnection and determined the best option would be to construct a new interconnection further west on Sweetwater Road to connect the new 48-inch Otay 2nd Pipeline to the Authority's 30-inch transmission main in Sweetwater Road. This new location would be within the right-of-way for Sweetwater Road and would eliminate the need to acquire multiple easements to reconnect the existing emergency interconnection facility with the new 48-inch Otay 2nd Pipeline. The August 31, 1981 Agreement with the City of San Diego for this emergency interconnection requires the Authority to pay all costs for the installation and/or relocation of future connections. Therefore, funding was previously sought in FY 2021-22 for the design of the interconnection facility, and funding for construction is requested for FY 2022-23 with construction anticipated in 2023.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CITY OF SAN DIEGO OTAY 2ND PIPELINE INTERCONNECTION REPLACEMENT

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2021-22	\$ 25,000
<u>FY 2022-23 Budget Request</u>	
Construction	\$ 200,100
SWA Labor	19,900
SWA Labor Benefits and Overhead Allocation	30,000
Sub-total	\$250,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$275,000
Total Project Expenditures as of April 30, 2022	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

LOVELAND RESERVOIR RESIDENCE IMPROVEMENTS- ROOFING REPLACEMENT AND
PHOTOVOLTAIC SYSTEM INSTALLATION

Recommendation

Provide funds to replace the aging roofing system at the Reservoir Operations Specialist's residence at Loveland Reservoir, and install a roof mounted solar photovoltaic system. (SP Objective: SR9.005.00)

FY 2022-23 Budget Request

\$20,000

Discussion

This project will provide funding to replace the aging roofing system at the Reservoir Operations Specialist's residence at Loveland Reservoir with a Class "A" fire rated roof, providing the highest level of fire protection. Once replaced, a roof mounted solar photovoltaic system will be installed, designed to produce enough energy to offset the total energy consumption for three Authority owned sites adjacent to the Loveland Reservoir. The costs for the solar photovoltaic system are anticipated to be paid for within eight years, and the system is expected to generate over \$129,000 of net saving during the first 25 years. In addition to the roof mounted solar photovoltaic system, it is desirable to have back-up power capability for critical operations at Loveland Dam, so funding is requested for a Powerwall back-up battery or for a stand-by generator. This project was originally scheduled for the spring of 2020. However, the COVID-19 crisis interrupted the work and the project was placed on hold as a fiscal response to the pandemic. Additional funding for the FY 2022-23 budget is due to escalation of material and labor costs associated with the project.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

LOVELAND RESERVOIR RESIDENCE IMPROVEMENTS- ROOFING REPLACEMENT AND
 PHOTOVOLTAIC SYSTEM INSTALLATION

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
FY 2021-22 Allocation	\$ 90,000
<u>FY 2022-23 Budget Request</u>	
Construction	\$ 15,000
SWA labor	2,000
SWA labor benefits and overhead allocation	3,000
Sub-total	\$ 20,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$110,000
Total Project Expenditures as of April 30, 2022	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CONSULTING TEAM FOR SWEETWATER RESERVOIR ENHANCEMENT PROJECT

Recommendation

Provide additional funding for planning purposes and to continue to explore the feasibility of the Sweetwater Reservoir Enhancement Project.
(SP Objective: WQ6.001.00 and FV6.001.00)

FY 2022-23 Budget Request

\$300,000

Discussion

In late 2019, the Authority began exploring the feasibility of removing sediments from Authority reservoirs, to determine if sediments have potential to be sold as construction aggregate materials and provide an extra source of revenue for the Authority, and potentially increase reservoir storage capacity as a result of these activities.

To determine interest from potential firms, the Authority issued a Request for Letters of Interest in October 2019 and then held an Industry Forum (Forum) in November 2019 to gather input from construction aggregate and contractor firms in attendance. After the Forum and after receiving four Letters of Interest, it was clear that the next logical step in the planning process was to conduct a Sediment Characterization Study (Study) at Sweetwater and Loveland Reservoirs, but due to funding limitations, the Study was only performed at Sweetwater Reservoir and it was completed in October 2020. The purpose of the Study was to characterize reservoir sediments into sands, gravels, silts, and clays, and determine their conformance to gradation requirements for materials suitable for construction aggregate. The Study found approximately 50% sands and gravels in twelve borings, which indicates that there is a significant potential for sediments in Sweetwater Reservoir that possibly could be used as construction aggregate material.

After concluding the Study at Sweetwater Reservoir, the Authority issued a Request for Letters of Continued Interest in January 2021 to the four firms who previously submitted Letters of Interest in January 2020. The Study was included with the new Request. Only one of the four firms submitted a Letter of Continued Interest and in their letter, described a potential partnership structure, interpretation of Study's results, and potential revenue amounts for the Authority.

After reviewing the only Letter of Continued Interest received and based on the input provided by staff to the Board, on March 24, 2021, the Board directed staff to issue a Request for Qualifications (RFQ) to select an Aggregate Consultant and/or team of consultants to perform a detailed market study and economic analysis that includes the cost to dredge the Sweetwater Reservoir to determine project viability, as well as outline various local, state, and federal permits and environmental studies required and the cost

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CONSULTING TEAM FOR SWEETWATER RESERVOIR ENHANCEMENT PROJECT

(continued from previous page)

and time associated with them. Staff issued the RFQ in April 2021 and the Board selected Benchmark Resources as the consultant, with Crystal Waters Consulting, LLC as a sub-consultant in the team.

In FY 2021-22, the consulting team completed a reserve analysis for sediments in Sweetwater Reservoir and completed a San Diego County market study for construction aggregate materials. The consulting team will also complete a preliminary economic and risk analysis and will develop project alternatives; this task is anticipated to be completed by August 2022. This task will further inform if the project is feasible, and if it is, additional funding will be needed to perform additional identified tasks that would need to be completed if the project were to be feasible. Additional potential tasks may include:

- Conceptual Dredging Plan Development
- Preliminary Environmental Assessment
- Preliminary Design
- Permitting Strategy Development
- Updated Economic Feasibility
- Project Application Development, Submittal and Consulting Support
- Updated Risk Analysis
- Obtain Permits, Construction and Implementation

The requested budget of \$300,000 for FY 2022-23 will not be sufficient to cover expenditures for all potential future tasks identified above and additional unidentified funds for future fiscal years will most likely be necessary if project is determined to be feasible.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CONSULTING TEAM FOR SWEETWATER RESERVOIR ENHANCEMENT PROJECT

(continue from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2021-22	\$ 200,000
<u>FY 2021-22 Budget Request</u>	
Aggregate Consultant(s)	\$ 300,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$300,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$500,000
Total Project Expenditures as of April 30, 2021	
	\$ 77,997

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

NEW STEEL FIRE TANK AT LOVELAND RESERVOIR

Recommendation

Replace the existing plastic fire protection tank at Loveland with a steel tank to meet fire code requirement. (SP Objective: SR9.008.00)

FY 2022-23 Budget Request

\$50,000

Discussion

The existing tank used for fire protection at Loveland is made of plastic. Fire code requires tanks used for fire protection to be non-combustible, therefore the existing tank needs to be replaced with a steel tank. The previous funding requested for the FY 2021-22 budget assumed that the existing concrete foundation would be used for the new tank, however, review of as-built drawings and coordination with the tank manufacturer indicated that the original foundation would not be sufficient for the new tank. Increases due to escalation of materials costs and labor have also been factored into the request for this project for the FY 2022-23 budget. In addition, funding is being requested for environmental assessment and analysis that is necessary prior to disturbance of the existing tank pad area.

Budget Summary

<u>Prior Year Budget Allocations</u>	
FY 2021-22 Allocation	\$ 55,000
<u>FY 2022-23 Budget Request</u>	
Construction	\$ 50,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$50,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$105,000
<u>Total Project Expenditures as of April 30, 2022</u>	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

NEW SAN DIEGO FORMATION WELL IN NATIONAL CITY

Recommendation

Provide funding to perform a well siting study in National City and for property acquisition for new well. (SP Objective: SR11.001.00)

FY 2022-23 Budget Request

\$500,000

Discussion

San Diego Formation Well No. 7 (SDF-7) has not been operated on a regular basis since August 2020 because staff discovered increased nitrate levels in the raw water from the well. Although the increased nitrate levels in the well are not currently a concern for drinking water purposes, the increased nitrate levels affect the brine discharge from the Richard A. Reynolds Groundwater Desalination Facility (Desal Facility) into the Sweetwater River. Although nitrate threshold exceedances in the brine discharge have not been seen due to the increased nitrate levels in SDF-7, operation of this well has resulted in approaching the regulatory threshold of nitrate levels in the brine discharge. This well continues to be offline and staff continues to investigate treatment methods and solutions to be able to place this well back in service. This well has been one of the Authority's highest producing wells since it was installed and first operated in 2017, and on average, 1,600 acre-feet per year of water production was attributed to this well.

The lost water production from this well has sparked the need for a new SDF well, not to replace SDF-7, but to provide redundancy to the network of SDF wells that feed raw water to the Desal Facility, to reduce dependency on expensive imported water supplies when other SDF wells are offline for maintenance, repairs, or other issues such as the nitrate issue with SDF-7.

The proposed funding for FY 2022-23 is to perform a well siting study in National City, to determine the best location to install a new well, and to acquire property for the installation of the new well. Funding for future FY's will also be needed to perform the design of the new well, environmental documentation, and for construction.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

NEW SAN DIEGO FORMATION WELL IN NATIONAL CITY

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	\$ 0
<u>FY 2022-23 Budget Request</u>	
Well siting study	\$ 200,000
Property acquisition for new well	300,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$500,000
<u>Future Year Budget Projections</u>	
2023-24 (pending funding source)	TBD
2024-25 (pending funding source)	TBD
Total Project Budget	\$500,000
<u>Total Project Expenditures as of April 30, 2021</u>	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

ENGINEERING DESIGN PROGRAM

Recommendation

Funding for design projects that are scheduled for construction as part of the pipeline replacement and pipeline master plan program during FY 2022-23. (SP Objective: SR1)

FY 2022-23 Budget Request

\$160,000

Discussion

During the next fiscal year staff will complete the designs of the highest priority pipeline improvement projects early in the fiscal year in order to proceed with construction of those pipelines during FY 2022-23. The listed designs are prioritized in accordance with the 2020 Water Distribution System Master Plan and include both only pipeline condition replacement program projects. Pipeline master plan projects to improve system redundancy and resiliency are currently being deferred until FY 2023-24. A portion of the funding is allocated to vendor payments for services such as topographic surveys which are required prior to beginning design work. Only one of the pipeline projects intended to be constructed in FY 2022-23 has been designed in advance. The project locations that require design in order to be constructed in FY 2022-23 are identified and prioritized in the listing below.

Rank	Project Location	Size (In)	Length (LF)
Pipeline Condition Replacement Projects			
1	East 16th St, Euclid Ave to Pump Station No. 39, NC	20	1,343
2	La Vista Cemetery, Euclid Ave to East 32nd St, NC	8	1,350
3	East 32nd St, between Olive St to Orange St, NC	8	1,734
4	Olive St, East 32nd St to Sweetwater Rd, NC	8	421

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

ENGINEERING DESIGN PROGRAM

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	Ongoing project
<u>FY 2022-23 Budget Request</u>	
Vendor Payments	\$ 79,900
SWA labor	31,900
SWA labor benefits and overhead allocation	48,200
Sub-total	\$160,000
<u>Future Year Budget Projections</u>	
n/a	Ongoing project
Total Project Budget	Ongoing project
Total Project Expenditures as of April 30, 2022	
	Ongoing project

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

PIPELINE REPLACEMENT AND PIPELINE MASTER PLAN PROGRAM

Recommendation

Install pipelines in accordance with the priorities set forth in the 2020 Water Distribution System Master Plan. (SP Objective: SR 1.002.00)

FY 2022-23 Budget Request

\$3,605,800

Discussion

The pipeline projects included in this budget request for FY 2022-23 were identified as the top priorities in the Board-approved 2020 Water Distribution System Master Plan. The pipeline condition replacement projects are proposed for older pipelines due to a history of leaks, likelihood of failure, and consequence of failure of a future break. The pipeline master plan projects, which are intended to improve the reliability of the distribution system by providing redundancy and mitigating the risk of customer outages or loss of pressure due to a pipeline failure or shutdown are not included in the FY 2022-23 budget, and have been deferred to FY 2023-24.

The projects for the FY 2022-23 program were selected in accordance with the 2020 Water Distribution System Master Plan and the Strategic Plan. The cost for construction of each segment of proposed pipeline is not consistent with the costs presented in the Water Distribution System Master Plan as they have been adjusted for anticipated cost escalation due to inflation of labor and material costs. A portion of the funding requested is allocated to vendor payments for services such as construction staking services and geotechnical materials testing. The pipeline project locations are identified and prioritized in the table below.

Rank	Project Location	Size (In)	Length (LF)
Pipeline Condition Replacement Projects			
1	Salot St Tolas Ct to East 8th St, NC	8	110
2	East 16th St, Euclid Ave to Pump Station No. 39, NC	20	1,343
3	La Vista Cemetery, Euclid Ave to East 32nd St, NC	8	1,350
4	East 32nd St, between Olive St to Orange St, NC	8	1,734
5	Olive St, East 32nd St to Sweetwater Rd, NC	8	421

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

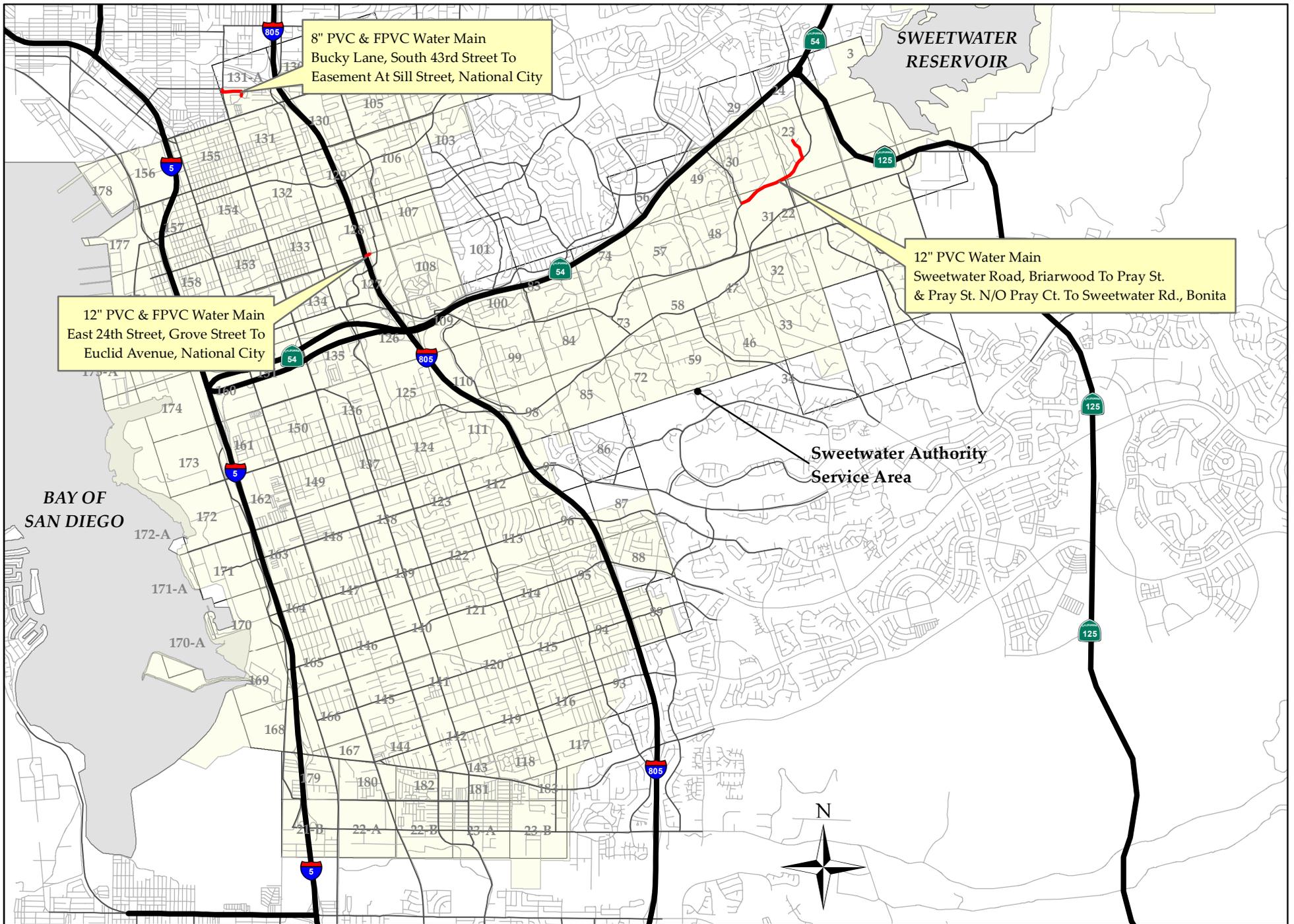
Project Title

PIPELINE REPLACEMENT AND PIPELINE MASTER PLAN PROGRAM

(continued from pervious page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2020-21	\$ 1,782,000
2021-22	3,176,100
<u>FY 2022-23 Budget Request</u>	
Salot St Tolas Ct to East 8th St, NC	\$ 132,000
East 16th St, Euclid Ave to Pump Station No. 39, NC	1,388,700
La Vista Cemetery, Euclid Ave to East 32nd St, NC	744,200
East 32nd St, between Olive St to Orange St, NC	955,900
Olive St, East 32nd St to Sweetwater Rd, NC	232,100
Construction Survey and Materials Testing	65,000
SWA labor	35,000
SWA labor benefits and overhead allocation	52,900
Sub-total	\$3,605,800
<u>Future Year Budget Projections</u>	
2023-24	\$5,320,100
2024-25	5,878,200
2025-26	4,961,900
2026-27	5,252,900
Total Project Budget	\$29,977,000
<u>Total Project Expenditures as of April 30, 2022</u>	
	\$1,420,043



SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

PAVEMENT MAINTENANCE

Recommendation

Repair access road and parking areas around existing Authority facilities at various locations. (SP Objective: SR9.014.00)

FY 2022-23 Budget Request

\$155,000

Discussion

The Authority owns and operates multiple facilities that require regular slurry sealing and pavement structural repairs to maintain a serviceable condition and to help extend the life of the asphalt. Periodic maintenance of the existing pavement prevents water from seeping into the cracks in the asphalt causing premature base and asphalt failure.

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	Ongoing project
<u>FY 2022-23 Budget Request</u>	
Construction	\$ 129,900
SWA labor	10,000
SWA labor benefits and overhead allocation	15,100
Sub-total	\$155,000
<u>Future Year Budget Projections</u>	
n/a	Ongoing project
<u>Total Project Budget</u>	
	\$155,000
<u>Total Project Expenditures as of April 30, 2022</u>	
	Ongoing project

SWEETWATER AUTHORITY
FY 2022-23 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)

FY 2022-23 Budget Request

\$250,000

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

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

STREET IMPROVEMENTS

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	Ongoing project
<u>FY 2022-23 Budget Request</u>	
Design, review, and design documentation	\$ 234,900
SWA labor	6,000
SWA labor benefits and overhead allocation	9,100
Sub-total	\$250,000
<u>Future Year Budget Projections</u>	
n/a	Ongoing project
Total Project Budget	\$250,000
<u>Total Project Expenditures as of April 30, 2022</u>	
	Ongoing project

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CENTRAL-WHEELER TANK CONSTRUCTION AND SYSTEM IMPROVEMENTS

Recommendation

Construct a 0.8 million-gallon (MG) welded steel water tank and appurtenances including installation of approximately 1,600 feet of 16-inch PVC water main and 187 pressure-reducing valves (PRVs) to complete a pressure zone conversion. (SP Objective: SR1.001.00)

FY 2022-23 Budget Request

\$300,000

Discussion

The proposed project consists of construction of an 800,000 gallon (0.8 MG) welded steel water tank, electrical and instrumentation for tank level monitoring and reporting, transmission main, and installation of 187 pressure reducing valves to complete a pressure zone conversion project. Presently, the Wheeler Pressure Zone is deficient in meeting the Authority's standards of providing one maximum day demand of storage plus fire flow. The new tank will be located adjacent to the south side of Sweetwater Reservoir, adjacent to Sweetwater Summit Regional Park off San Miguel Road, and will work in conjunction with the existing Wheeler Tank. In addition to providing additional storage, this new tank will allow the existing Wheeler Tank to be taken out of service for repairs without major disruptions to our customers. Approximately 1,600 feet of 16-inch PVC water main will need to be installed as part of this project. There will be two sections of pipeline installed in order to connect the tank with the system. The first section, which is approximately 570 feet long, is from the proposed tank to an existing 16-inch main in Summit Meadow Road. The second section is in San Miguel Road from Proctor Valley Road east approximately 1,030 feet to where it will connect to an existing 16-inch main.

The pressure zone conversion element will occur for those customers located on San Miguel Road. They are presently served by the gravity system with existing water pressure ranging from 30 to 50 psi. This conversion will increase the pressure by 25 psi, or a new pressure ranging from 55 to 75 psi. Approximately 187 services (185 homes, one elementary school, and one little league field) will need PRVs installed. The PRVs will be owned and operated by the property owner. Upon completion of the project, the property owner may adjust the PRV manually to increase pressure up to the new maximum pressure provided. If these PRVs are not installed, the Authority takes the risk of damaging the existing plumbing located within the affected residences.

In FY 2019-20, Authority staff discovered that the bottom elevation of the existing Wheeler Tank is different than what is shown in record drawings. This led to a design change to the location of the proposed Central-Wheeler Tank so its bottom elevation can be lower than originally proposed and so it can still work in conjunction with the existing

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CENTRAL-WHEELER TANK CONSTRUCTION AND SYSTEM IMPROVEMENTS

(continued from previous page)

Wheeler Tank. Design changes halted work momentarily on the CEQA document that was being prepared as this impacted the temporary and permanent impacts that the project would have on the environment. Work on the CEQA document is now complete and during its April 14, 2021 meeting, the Governing Board adopted Resolution 21-07, adopting the Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program for the proposed project.

There have been numerous delays in completing design due to unsuccessful efforts to secure an easement from the County of San Diego on Summit Meadow Rd, where one of the 16-inch PVC pipelines would be installed. However, in early 2022, efforts to secure this easement are finally moving forward and design plans for the pipelines on San Miguel Rd and Summit Meadow Rd are now complete. Additional design for the water tank and overflow discharge pipeline is expected to be completed in FY 2022-23.

The County of San Diego has expressed the need for the pipeline on Summit Meadow Rd to be constructed before October 2022 in order to avoid conflicts with proposed road improvements on Summit Meadow Rd, scheduled for construction in October 2022. In order to accomplish this, the Authority would need to first secure the easement from the County and split the project in two phases, with the pipeline on Summit Meadow Rd constructed first and the rest of the project constructed at a later time in FY 2022-23, once design on the rest of the project is completed. If the easement from the County can't be secured in a timely manner, then the Authority wouldn't be able to construct the pipeline on Summit Meadow Rd before October 2022 and the entire project would be constructed at a later time.

Additional construction funds are proposed for FY 2022-23 given cost escalations seen on similar projects.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CENTRAL-WHEELER TANK CONSTRUCTION AND SYSTEM IMPROVEMENTS

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
2018-19	\$75,000
2019-20	1,726,000
2020-21	50,000
2021-22	930,000
<u>FY 2022-23 Budget Request</u>	
Additional Funds for Construction ⁽¹⁾	\$ 300,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$ 300,000
<u>Future Year Budget Projections</u>	
n/a	\$0
<u>Total Project Budget</u>	
	<u>\$ 3,081,000</u>
<u>Total Project Expenditures as of April 30, 2021</u>	
	<u>\$ 319,713</u>

⁽¹⁾ Construction by Contractor selected via standard bid process.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CATHODIC PROTECTION AND NECESSARY REPAIRS AT THREE STEEL STORAGE TANKS

Recommendation

Provide corrosion control and necessary repairs at three steel storage tanks through the installation of sacrificial anode cathodic protection systems, lining replacement and other upgrades. (SP Objective SR2.001.00)

FY 2022-23 Budget Request

\$520,000

Discussion

The Authority's distribution system includes 17 welded steel storage tanks throughout its service area. Similar to welded steel pipelines, corrosion of the steel tanks can be controlled through cathodic protection systems which make use of sacrificial anodes, either passively or with impressed currents, such that corrosion is promoted at the sacrificial anodes rather than the steel tank. All but four of the Authority's steel storage tanks are currently protected with sacrificial anodes. This item provides funding for the installation of cathodic protection systems at the McMillin, Bonita Highlands #1, and Bonita Highlands #2 storage tanks. Although the Wheeler Tank does not currently have a cathodic protection system installed, it is not included in this project as it cannot be taken out of service to install a cathodic protection system until the Central Wheeler Tank is constructed, as the Wheeler Tank is the only storage tank that currently serves the Wheeler Pressure Zone. The proposed work will involve the installation of anode ports in the tank roofs, roof mounted sacrificial anodes and monitoring control panels at ground level. The design of the system has been partially completed by the Authority's on-call cathodic protection consultant, using consulting services funding from the FY2019-20 and FY2020-21 Engineering expense budgets. The design of the cathodic protection system and additional necessary repairs such as tank lining replacement and safety ladder upgrades at the McMillin and Bonita Highlands #1 tank are currently being completed using consulting services funding from the FY2021-22 budget. Funding for a third party construction inspector is also being included to augment the skills and availability of Authority Construction Inspection staff.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CATHODIC PROTECTION AND NECESSARY REPAIRS AT THREE STEEL STORAGE TANKS

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
FY 2020-21 Allocation	\$ 150,000
<u>FY 2022-23 Budget Request</u>	
Construction	\$ 420,000
Third Party Construction Inspection	42,000
SWA labor	23,100
SWA labor benefits and overhead allocation	34,900
Sub-total	\$520,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$670,000
Total Project Expenditures as of April 30, 2022	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

BONITA VALLEY RESERVOIR CONTROL BUILDING ROOF REPAIR

Recommendation

Perform repairs to the roof of the Control Building at the Bonita Valley Reservoir.
 (SP Objective: SR9.003.00)

FY 2022-23 Budget Request

\$25,000

Discussion

The Bonita Valley Reservoir Control Building, which houses ancillary facilities related to the reservoir (e.g., piping, valves) and the Bonita Valley Pump Station, is a concrete masonry block building with a wood frame and clay tile roofing system. During the process of planning the replacement of the roof’s fascia boards, a close inspection of the entire roof system revealed that large portions of the roof have undergone significant decay, rendering the proposed replacement of fascia boards unfeasible due to the lack of a competent roofing structure. Under the proposed project, the roof will be restored where necessary through the replacement of roof framing and sheathing where needed and re-use of the existing roof tiles. Additional funding is being requested for the FY2022-23 budget due to escalation of material and labor prices.

Budget Summary

<u>Prior Year Budget Allocations</u>	
2021-22	\$ 125,000
<u>FY 2022-23 Budget Request</u>	
Construction	\$ 20,000
SWA labor	2,000
SWA labor benefits and overhead allocation	3,000
Sub-total	\$ 25,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$ 150,000
<u>Total Project Expenditures as of April 30, 2022</u>	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 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.
Replace damaged drain valve at Bonita Valley Reservoir (SP Objective: SR9.003.00)

FY 2022-23 Budget Request

\$250,000

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, it was most recently taken out of service for interior inspection in June 2017 and it is scheduled to be inspected again during the spring/summer of 2022. The previous 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 previous 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. It is anticipated that the upcoming inspection in the spring/summer of 2022 will fully inform the scope of necessary repairs and improvements needed for this tank, and the specifications for construction will be prepared accordingly once that information is available.

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 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

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

(continued form previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
FY 2021-22	\$ 150,000
<u>FY 2022-23 Budget Request</u>	
Construction	\$ 204,900
Third Party Construction Inspector	20,000
SWA labor	10,000
SWA labor benefits and overhead allocation	15,100
Sub-total	\$250,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$400,000
Total Project Expenditures as of April 30, 2022	
	\$ 0

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CLEARWELL EFFLUENT METER REPLACEMENT

Recommendation

Replace the clearwell effluent meter at the Robert A. Perdue Water Treatment Plant (Perdue Plant) with a more accurate meter capable of registering lower rates of flow. (SP Objective: FV5.001.00)

FY 2022-23 Budget Request

\$594,000

Discussion

Several months after expansion of the Authority's Richard A. Reynolds Desalination Facility (Desal Facility), staff noticed a steady significant decrease in the Authority's non-revenue water. Non-revenue water is the amount of water produced that is lost before it reaches customer meters and is a combination of real losses, such as water used from fire hydrants, and apparent losses, such as meter inaccuracies. Although, from an economic perspective, it is desirable to reduce the amount of non-revenue water, the quick reduction in non-revenue water noticed prompted an investigation by staff to determine the cause, as it seemed to be a problem with treatment plant meter inaccuracies instead of an actual reduction in water losses.

Before the Desal Facility was expanded, the Perdue Plant was the highest producing treatment plant for the Authority. After the Desal Facility was expanded and production from the Desal Facility was increased, production from Perdue was reduced in months where the demand balance not met by the Desal Facility and National City Wells was low. Staff suspected that the low flows through the clearwell effluent meter at the Perdue Plant were not accurately registering in the meter so staff hired a consultant, M.E. Simpson, to conduct meter testing at the clearwell effluent meter at the Perdue Plant and at the effluent meter for the Desal Facility. M.E. Simpson provided recommendations for both meters, but for this budget request, the subject is the clearwell effluent meter at the Perdue Plant.

The 42-inch clearwell effluent meter at the 30 million gallon per day (MGD) capacity Perdue Plant often operates below 10 MGD after expansion of the Desal Facility. M.E. Simpson determined that the meter becomes inaccurate at low flow rates below 10 MGD. M.E. Simpson recommended to install a new magnetic style flow meter to replace the existing Venturi meter and indicated that the meter could be reduced to a 30- or 36-inch meter depending on peak demand requirements.

The State requires that the Authority submit, on an annual basis, third-party validated water audits using software developed by the American Water Works Association and the current meter situation at the Perdue Plant has significantly affected the non-revenue water reporting. For the last water audit completed in late 2020, the water audit showed a

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

CLEARWELL EFFLUENT METER REPLACEMENT

(continued from previous page)

negative 2 acre-feet of non-revenue water loss, which is not possible unless water would be entering the Authority’s distribution system from outside sources.

In FY 2021-22, the Authority selected Hazen and Sawyer to provide design alternatives and prepare design plans after selecting the best design alternative. Design is anticipated to be completed in late 2022. Based on preliminary cost information provided by the consultant, an additional funds are needed for construction.

Budget Summary

<u>Prior Year Budget Allocations</u>	
2021-22	\$ 432,000
<u>FY 2022-23 Budget Request</u>	
Additional construction funds	\$ 594,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$594,000
<u>Future Year Budget Projections</u>	
n/a	\$ 0
Total Project Budget	\$1,026,000
<u>Total Project Expenditures as of April 30, 2021</u>	
	\$ 15,361

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

STAIRWAY AND VALVE REPLACEMENT AT LOVELAND DAM

Recommendation

Replace the deteriorated stairway at Loveland Dam that leads to the valve house and replace the guard valve and Howell-Bunger valve inside the valve house.
(SP Objectives: SR5.001.00 and SR5.004.00)

FY 2022-23 Budget Request

\$2,650,000

Discussion

Several years ago, staff identified a cracked concrete section on the access stairway to the valve house at Loveland Dam. Due to safety concerns, in FY 2005-06, staff requested that GEI Consultants (GEI) evaluate the stair section. Based on their analysis, GEI concluded that the stair section had failed at that location and that additional stair sections could be expected to fail and recommended replacement of the entire stairway. The report prepared by GEI provided an evaluation of alternative materials, associated construction costs, and recommendations for replacement. However, the project was put on hold due to funding limitations. Staff has installed a temporary safety harness system to facilitate access to the valve house.

In FY 2020-21, the Governing Board allocated funding for the project and GEI updated the design plans, specifications, and opinion of probable construction cost (OPCC). Draft final design plans and specifications are ready for DSOD review; however, they have not been submitted to DSOD for review because staff intends to submit the plans and specifications to DSOD along with design plans and specifications for replacement of the guard valve and Howell-Bunger valve at Loveland Dam.

On May 14, 2018, DSOD conducted their annual inspection of Loveland Dam and on the inspection report dated October 9, 2018, DSOD recommended to submit a plan and schedule for the refurbishment of the leaking outlet valves. Loveland Dam has only one outlet structure consisting of a 36-inch outlet pipe extending through the dam to the valve house on the downstream face of the dam. Inside the valve house, the 36-inch pipe is equipped with a 36-inch to 30-inch reducing butterfly valve followed by a 30-inch Howell-Bunger valve. The 36-inch butterfly valve is used as a guard valve and the 30-inch Howell-Bunger valve is used to regulate flow out of Loveland Reservoir. During the 2018 DSOD inspection, DSOD noted on their inspection report that the leakage rate from the butterfly valve was apparent when the Howell-Bunger valve was fully open. DSOD estimated the leakage at less than 200 gallons per minute (gpm). With both valves closed, DSOD estimated the leakage at 2-3 gpm and noted that it is not a dam safety issue, but recommended addressing the issue nonetheless.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

STAIRWAY AND VALVE REPLACEMENT AT LOVELAND DAM

(continued from previous page)

During dam surveillance inspections by Authority staff, staff noted corrosion on the outlet structure, including complete failure of a stanchion support for the tip of the Howell-Bunger valve outside the valve house. Authority staff first noticed the complete failure of the stanchion support in 2018. DSOD has not noted the corrosion issues in their inspection reports, but Authority staff recommends that the corrosion issues, and the leakage noted by DSOD, be addressed so the Authority can continue to operate Loveland Dam and Reservoir as intended.

In FY 2020-21, GEI conducted an evaluation of the leakage and corrosion issues at Loveland Dam's valve house and outlet structure. GEI recommended to repair a significantly corroded bypass line on the outlet structure that has the purpose to pressurize the space between the guard and Howell-Bunger valves. In addition, GEI recommended to either repair or replace the leaking valves and noted that due to the complicated logistical challenges and significant expense to repair both valves, it would make economic sense to replace the valves instead of repairing them.

Furthermore, in FY 2021-22, GEI conducted a valve replacement alternatives analysis and recommended to conduct an underwater inspection of the intake structure and outlet conduit and a structural analysis of the valve house floor, to determine adequacy of a new valves and reservoir control method for valve replacement. An underwater inspection of the intake structure took place in January 2022 and GEI recommended designing and replacing a new trash rack on the dam's intake structure. The structural analysis of the valve house floor and the outlet conduit inspection has not been performed yet.

Once the trash rack is replaced and an underwater inspection of the conduit and a structural analysis of the valve house are performed, GEI would be able to confirm their proposed alternatives for reservoir control and valve replacement, or modify their recommendations accordingly. This would then lead to preparation of design plans, construction documents, and an OPCC to replace both the guard valve and Howell-Bunger valve at Loveland Dam, after obtaining any necessary approvals from the Board. Design plans and construction documents to replace both valves would also need to be reviewed and approved by DSOD, in conjunction with the design plans and construction documents to replace the stairway on the downstream face of the dam that provides access to the valve house. The stairway design plans, technical specifications, and an OPCC have already been prepared by GEI. Once approval by DSOD is obtained, then the Authority can advertise the project for construction.

Replacing the guard valve and Howell-Bunger valve at Loveland Dam would most likely be exempt from compliance with the California Environmental Quality Act because the project would qualify as a maintenance activity. However, since this project is being considered in conjunction with other projects at Loveland Dam and Reservoir, such as the

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

STAIRWAY AND VALVE REPLACEMENT AT LOVELAND DAM

(continued from previous page)

proposed improvements to Loveland Reservoir’s boat ramp and anchors for the boat dock and log boom, there is a potential for cumulative environmental impacts that the Authority might need to analyze. However, since this is unknown at this time, the funding request does not include environmental documentation.

Budget Summary

<u>Prior Year Budget Allocations</u>	
2020-21	\$160,000
2021-22	375,000
<u>FY 2022-23 Budget Request</u>	
Design of New Trash Rack	\$ 75,000
Structural Analysis of Valve House	46,000
Additional Funds for Conduit Inspection, Design, and Construction	2,529,000
SWA Labor	0
SWA Labor Benefits and Overhead Allocation	0
Sub-total	\$2,650,000
<u>Future Year Budget Projections</u>	
2023-24 (pending funding source)	TBD
2024-25 (pending funding source)	TBD
Total Project Budget	\$3,185,000
<u>Total Project Expenditures as of April 30, 2021</u>	
	\$ 144,204

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

VALVE REPLACEMENT

Recommendation

Replace non-functional valves. (SP Objective: SR3)

FY 2022-23 Budget Request

\$400,000

Discussion

The Sweetwater 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 5,892 valves which isolate flow 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 - strives to achieve an uninterrupted, long-term water supply through investment, maintenance and innovation. 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 three 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 identified nineteen locations where an additional valve would improve operations of the distribution system. Staff evaluated the proposed locations and developed a plan to install the new valves over a five-year period beginning FY 2022-23.

Thirty-five valves have been identified for replacement and five additional valves were identified to be installed to improve operations of the distribution system. Funding is included in the proposed FY 2022-23 budget.

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

VALVE REPLACEMENT

(continued from previous page)

Budget Summary

<u>Prior Year Budget Allocations</u>	
n/a	Ongoing Project
<u>FY 2022-23 Budget Request</u>	
Replace thirty-five non-functional valves	\$ 149,100
Install five new valves	25,000
SWA Labor	90,000
SWA Labor Benefits and Overhead Allocation	135,900
Sub-total	\$400,000
<u>Future Year Budget Projections</u>	
2023-24	\$400,000
2024-25	400,000
2025-26	400,000
2026-27	400,000
<u>Total Project Budget</u>	
	Ongoing Project
<u>Total Project Expenditures as of April 30, 2022</u>	
	Ongoing Project

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

ANNUAL VEHICLE REPLACEMENT FUND INVESTMENT

Recommendation

Replace automotive fleet vehicles-based life cycle costing. (SP Objective: SR4 and ES8)

FY 2022-23 Budget Request

\$780,000

Discussion

The 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.

Budget Summary

<u>FY 2022-23 Budget Request</u>	
Contribution to fund	\$780,000
<u>Future Year Budget Projections</u>	
2023-24	\$803,400
2024-25	827,500
2025-26	852,300
2026-27	877,900

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

ANNUAL VEHICLE REPLACEMENT FUND INVESTMENT

(continued from previous page)

Vehicle purchases will be based on Life Cycle Costing and replacement of unplanned vehicle failures. The following list are vehicles that are expected to be replaced.

Fiscal Year	Unit	Vehicle	Trade-in	Traditional Cost	Green Upgrade	Net Cost
FY 2022-23	03-34	Sterling LT9500 10 Yard Dump Truck	(4,700)	220,000	-	215,300
	07-51	F150 Pickup	(1,400)	37,500	15,000	51,100
	09-48	F350 Flatbed Truck (Valve/FH Maintenance)	(4,900)	75,000	10,500	80,600
	10-02	Ford Escape Hybrid	(2,700)	47,500	5,000	49,800
	10-07	F350 Utility Truck	(1,900)	43,800	10,500	52,400
	10-09	F250 Utility Truck	(1,800)	43,800	10,500	52,500
	10-19	F350 Utility Truck	(1,900)	43,800	10,500	52,400
	E10-54	Bobcat T180 Compact Track Loader	(6,400)	118,500	-	112,100
	11-60	Ford Escape Hybrid	(2,900)	47,500	5,000	49,600
	12-13	F250 Pickup	(4,000)	41,500	11,000	48,500
	New	Vehicle for Watershed Group	(16,500)	49,700	10,500	43,700
FY 2023-24	11-06	F250 Utility Truck	(3,000)	43,800	10,500	51,300
	11-25	F450 2.5 Yard Dump Truck	(3,900)	75,500	10,500	82,000
	E01-59	Case 521D Loader	(3,600)	157,000	-	153,400
	08-61	Colorado Truck	(1,900)	39,000	15,000	52,100
	08-73	Ford Escape Hybrid	(2,000)	32,100	5,000	35,100
	09-58	F350 Flatbed Truck (Valve/FH Maintenance)	(4,600)	79,100	10,500	85,000
	10-18	Ford Escape Hybrid	(2,500)	32,100	5,000	34,600
	10-64	Ford Escape Hybrid	(2,500)	32,100	5,000	34,600
	12-59	F250 Flatbed w/ Liftgate	(3,300)	56,300	10,500	63,500
	12-68	Ford Escape Hybrid	(3,600)	32,100	5,000	33,500
	13-22	Fusion	(2,800)	28,900	5,000	31,100
FY 2024-25	E13-63	John Deere Gator 855D	(1,800)	18,600	-	16,800
	02-29	Sterling SC7000 Crew Truck	(2,800)	231,700	-	228,900
	06-24	F350 Utility Truck	(2,200)	55,600	10,500	63,900
	09-69	F750 5 Yard Dump Truck	(5,500)	154,600	-	149,100
	11-41	F150 4X4 PICKUP	(2,000)	43,200	6,000	47,200
	11-57	Freightliner 5 Yard Dump Truck	(7,400)	154,600	-	147,200
	12-44	F450 2.5 Yard Dump Truck	(3,900)	78,000	10,500	84,600
	12-50	F250 Pickup 4x4	(1,800)	42,000	10,500	50,700
	13-26	F250 Utility Truck	(3,700)	55,600	10,500	62,400
13-71	GMC Sierra 1500 Pickup	(2,700)	40,500	15,000	53,000	

SWEETWATER AUTHORITY
FY 2022-23 CAPITAL INVESTMENT BUDGET

Project Title

ANNUAL VEHICLE REPLACEMENT FUND INVESTMENT

(continued from previous page)

Fiscal Year	Unit	Vehicle	Trade-in	Traditional Cost	Green Upgrade	Net Cost
FY 2025-26	12-47	Freightliner 5 Yard Dump Truck	(7,700)	159,300	-	151,600
	E14-131	LL Work Boat	(2,800)	28,100	-	25,300
	L14-17	F150 crew cab 4x4	(4,300)	50,700	15,000	52,700
	L14-23	Ford Escape	(2,600)	34,400	5,000	36,800
	L14-46	F150 extra cab	(3,100)	42,000	15,000	54,000
	L14-66	F150	(2,800)	42,000	15,000	54,200
	L15-03	Ford Escape	(3,500)	34,400	5,000	35,900
	L15-45	Ford Escape	(3,100)	34,400	5,000	36,300
	L15-49	Ford Escape	(3,000)	34,400	5,000	36,400
	E18-81	John Deere Gator XUV855M	(4,400)	19,700	-	15,300
	L14-43	F150 extra cab	(3,100)	42,000	15,000	54,000
FY 2026-27	13-14	Ford F650 Crew Truck	(8,700)	245,800	-	237,100
	13-37	F750 Flatbed Truck	(6,500)	124,000	-	117,500
	E13-61	Case 570N XT Skiploader	(6,800)	109,600	-	102,800
	E14-52	John Deere 410K Backhoe	(9,600)	163,500	-	153,900
	L14-31	F450 2.5 Yard Dump Truck	(3,500)	83,400	10,500	90,400
	L14-32	F450 2.5 Yard Dump Truck	(3,500)	83,400	10,500	90,400
	L15-33	F250 Utility Truck	(3,300)	59,600	10,500	66,800
	L15-53	Ford Escape	(2,800)	35,600	5,000	37,800
	L15-56	Ford Escape	(2,500)	35,600	5,000	38,100
	L15-65	Ford Escape	(2,800)	35,600	5,000	37,800
	L16-08	F250 Pickup	(6,000)	59,600	10,500	64,100
	L14-27	F250 Pickup	(2,300)	40,500	10,500	48,700

*Notes to Operating Budget
Fiscal Year 2022-23*

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 2022-23*

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 2022-23

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
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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
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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
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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
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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.



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 104
- Debt Policy, page 106
- Disclosure Procedures Policy, page 116
- Investment Policy, page 121
- Reserve Policy, page 136
- Procurement Policy, page 144



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.



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 and capital project needs. The Authority's overriding goal in issuing debt is to respond to and provide for the infrastructure and capital project needs of its customers 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;
- 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
- Federal and State laws which govern disclosure, sale, and trading of the debt.

Internal Controls

All debt transactions must be approved by the Board. The proceeds of bond 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 will govern objectives and criteria for 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, respectively. To ensure proceeds from bond sales are used in accordance with legal requirements, invoices will be submitted by the Director of Engineering and approved by the Director of Finance for payment. Requisition for the disbursement of bond funds 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.

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 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 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 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-year Capital Investment Projection or Master Plan;
- 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 formally establish parameters to evaluate, issue, and manage the Authority's debt. The policies 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;
- 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 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. 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 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 refunding 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;
- 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 are as follows:

- 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 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 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 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;
- 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 SB 1029 (codified in California Government Code section 8855), signed by then Governor Brown on September 12, 2016, that requires issuers to adopt debt policies addressing each of the five items below.

1. The purposes for which the debt proceeds may be used.
2. The types of debt that may be issued.
3. The relationship of the debt to, and integration with, the issuer’s capital improvement



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program or budget, if applicable.

4. Policy goals related to the issuer's planning goals and objections.
5. 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.



Disclosure Procedures Policy

Introduction

The purpose of these Disclosure Procedures Policy (the “Procedures”) is to memorialize and communicate procedures in connection with 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.

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 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, 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, “Official Statement”). The Official Statement generally consists of: (i) the forepart (which describes the specific transaction including maturity 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 Obligations directly, the Authority's Director of Finance requests the involved 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, the entire draft POS 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. 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. 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, 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 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 the items should be disclosed.

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.



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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 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 underwriters) advising that information contained in the Authority Section of the OS (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.

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 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 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 Obligations, the Authority has entered into contractual agreements (“Continuing Disclosure Certificates”) to provide annual



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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. 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).



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 the employee's 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:

- 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.
- 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



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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.

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.



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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.

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



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(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 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.

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



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Association (FNMA); Federal Farm Credit Bank (FFCB); Tennessee Valley Authority (TVA); 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 (I)). 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; 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 commercial paper may be purchased from 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.



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

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.



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

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.



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- A competitive bid process (two or more brokers/dealers), when practical, will be used to place all investment purchases and sales.

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.

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.

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.

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:



- 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 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

Water Revenue Bond 2017A

The Authority issued the Water Revenue Bond 2017A on November 28, 2017. Proceeds from this debt issue were deposited in a reserve account for use as described in the bond covenant.

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.

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 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.

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

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. 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.

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

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 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.

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.
- 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.



**POLICIES & PROCEDURES
FOR THE GOVERNING BOARD**

**FINANCIAL POLICIES
Policy 517**

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

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.
 - 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 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.

- 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 in the basis for award, then cost shall not exceed 30 percent of the criteria. Other general consulting contracts that are not professional 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 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 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.
 - 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 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, 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 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.