



Central Basin
Municipal Water District

RFP NO.219

REQUEST FOR PROPOSALS

FOR

WHOLESALE WATER AND RECYCLED WATER RATE STUDY

RFP ISSUE: 12/16/2025

RFP DUE: 1/20/2026, Time: 12 PM

Issued by

CENTRAL BASIN MUNICIPAL WATER DISTRICT
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CENTRAL BASIN MUNICIPAL WATER DISTRICT

REQUEST FOR PROPOSAL NO. 219

FOR THE PREPARATION OF A WHOLESALE WATER AND RECYCLED WATER RATE STUDY

I. BACKGROUND

The Central Basin Municipal Water District (“Central Basin” or “District”) is a public water agency that purchases recycled water from the Los Angeles County Sanitation Districts and wholesales it to cities, mutual water companies, investor-owned utilities, and private entities in southeast Los Angeles County.

In addition to wholesale of recycled water, the District owns, operates, and maintains a recycled water distribution system that includes pipelines, pump stations, pressure-reducing stations, and other related infrastructure. Much of this system was constructed in the 1990s and early 2000s, and several facilities are approaching or have exceeded their expected service life.

The District is seeking proposals from qualified firms to conduct a comprehensive cost of service study, update the District’s financial plan, derive new fixed rate utility charges and variable rates. The study will provide an independent assessment of the District’s cost to provide water service and to properly allocate those costs between potable and recycled water in compliance with Proposition 26. The District’s goal is to develop rates and charges which are fair, comply with applicable regulations, and promote its mission of providing a reliable water supply to its service area in a cost-effective manner. The consultant shall review the methodology and development of the revenue requirements to be used in the Study and make recommendations for adjustments to reflect the District’s current costs of service, customer usage patterns, and other factors necessitating adjustments to rates. The District’s goal is to adopt the rate recommendations by July 1, 2026.

II. SCOPE OF WORK

The scope of services will include the following tasks, but the consultant should also identify any other tasks required to complete the study.

Task 1 – Project Management and Meetings

- Meetings - Consultant shall identify the number of recommended Board meetings to complete the study. At a minimum, meetings shall include a kickoff meeting with staff, a Board Workshop to present the updated financial plan, two Board Workshops to review

and finalize rates, one purveyor to present the updated financial plan, two purveyor workshops to review and finalize rates, and attendance at the Public Hearing.

- Provide monthly progress reporting.

Task 2 – Data Collection and Review

- Review financial records, budgets, water demand data, and Capital Improvement Plan.
- Review current revenue requirements, including, but not limited to, water charges and other miscellaneous fees, and propose any necessary modifications.
- Review reserve policy, including operating and capital reserves, and recommend changes to improve the policy and ensure it is consistent with industry standards.

Task 3 – Financial Plan, Revenue Requirements, and Rate Structure Development

- Evaluate all current costs and make recommendations regarding how to allocate overhead costs between potable water and recycled water.
- Provide recommendations for any adjustments to the current rate structure design.
- Update fixed charges and variable rates that are fair and reasonable to Retail customers.
- Provide rate alternatives for fixed charges related to our potable and recycled water systems for consideration by the District Board, reflecting the District's fixed costs for each enterprise.
- Provide recommendations on schedules for rate adjustments.
- Confirm that the recommended rate structures comply with all laws, regulations, and policies.
- Prepare and provide the District with rate models for the proposed water charges in an Excel format that may be used by District staff and train District staff in the use of these models.

Task 4 – Proposition 26 Documentation

- Provide administrative support.

Task 5 – Final Report

- Provide a cost-of-service report to serve as the administrative record supporting the new proposed fixed charges and variable rates.
- Provide final unlocked Excel version of rate model.

III. QUALIFICATIONS

Proposers must meet all the following qualifications:

1. Have a minimum of five (15) years of experience providing water rate study services, preference given to experience in the public utilities or governmental sectors.
2. Demonstrate successful completion of similar projects by firm/project team.
3. Experience working with Prop 26 and 218 California requirements.

IV. PROPOSAL REQUIREMENTS

Proposals must include the following elements:

1. Cover Letter – Introduction of the firm and understanding of the scope (1 page).
2. Qualifications – Overview of the firm’s experience (3 pages max).
3. Project Team – Key personnel/organization chart, roles, and resumes (7 pages max).
4. Work Plan – Approach, methodology, and timeline (8 pages max).
5. Relevant Experience – Examples of similar past work including references (3 pages max).
6. Fee Proposal – Hourly rates and total estimated cost (not-to-exceed amount) (2 pages max).

V. SUBMITTING PROPOSAL

Proposers must email proposals to the following District staff for consideration by 12pm, Tuesday, January 20, 2026.

to Elaine Jeng, P.E., Interim General Manager
elainej@centralbasin.org
cc: Rey Trejo, P.E., Consultant to the District
engineerconsultant@centralbasin.org

VI. SELECTION PROCESS AND EVALUATION CRITERIA

Proposals will be evaluated on the following criteria. Untimely submissions will be disqualified from consideration.

1. Qualifications/Project Team – 50%
 - a. The firm’s experience and performance on a comparable scope
 - b. The firm’s project team experience and availability
2. Understanding and Approach – 35%
 - a. The firm’s understanding and approach to the scope of work
 - b. The firm’s projected schedule for completion
3. Fee proposal – 15%

VII. SCHEDULE

1. 12pm, Tuesday, December 16, 2025 – Release Request for Proposal 219
2. 12pm, Monday, January 5, 2026 – Deadline to submit questions and clarifications. Submit questions and clarifications to Interim General Manager.
3. 12pm, Thursday, January 8, 2026 – Distribute responses to questions and clarifications
4. 12pm, Tuesday, January 20, 2026 – Request for Proposal Due
5. 10am, Monday, January 26, 2026 – Review by the Board of Directors and potential engagement for service.

EXHIBIT A: 2019 Wholesale Water and Recycled Water Rate Study

EXHIBIT B: Sample Agreement (a sample agreement has been provided for your review. If you have questions, comments or request for changes regarding this agreement, please provide them before the deadline to submit questions. If selected, the winning firm will not be able to request any changes to the agreement after the proposal submission deadline)

EXHIBIT A
2019 Wholesale Water and Recycled Water
Rate Study

CENTRAL BASIN

MUNICIPAL WATER DISTRICT

Wholesale Water and Recycled Water Rate Study

Final Report / June 20, 2019



Central Basin
Municipal Water District



June 20, 2019

Mr. Kevin Hunt
General Manager
Central Basin Municipal Water District
6252 Telegraph Road
Commerce, CA 90040

Subject: Wholesale Water and Recycled Water Rate Study Report

Dear Mr. Hunt,

Raftelis is pleased to submit this report on the Water and Recycled Water Rate Study to Central Basin Municipal Water District. The Study analyzes the financial stability of the District by addressing the minimum debt coverage ratio requirements and ending unrestricted reserve target level stated in the District's financial policy documents. The following sections are included in the report:

- Long-range financial plan to determine the revenue needs of the District over the next five years;
- Proposed revenue adjustments to ensure financial stability of the District by improving the debt coverage ratio and contributing to the depleted financial reserves of the District;
- Proposed cost allocation plan to distribute overhead costs between Potable water and Recycled water business lines;
- Revenue requirement analysis for both Potable and Recycled water funds to determine the necessary revenue adjustment by fund;
- Proposed amendments to the existing rate structure based on the revenue requirement and District's staff input.

All assumptions, including increases in operating and capital costs, are based on the District's input and are factored into the rates. The revenues from the rate increase will help to maintain a debt service coverage ratio above the minimum requirement, ensuring the financial stability of the District. In addition, the adjusted rate will provide a moderate annual increase in the depleted unrestricted reserve balances which will get close to their target level at the end of the projection period. The recommendations and findings of the study and various tables supporting the calculation of the rates are included.

It has been a pleasure working with you, and we thank you and Andrew Hamilton, Dorrett Lambey, Angel Nguyen, and other District staff for the support provided over the course of this study.

Sincerely,

Sanjay Gaur
Vice President

227 W. Trade Street, Suite 1400
Charlotte, NC 28202

www.raftelis.com

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ABBREVIATIONS

AF	Acre feet
AWWA	American Water Works Association
CFS	Cubic Feet per Second
CIP	Capital Improvement Program
DCR	Debt Coverage Ratio
FY	Fiscal Year
LRP	The Local Resource Program
MWD	Metropolitan Water District of Southern California
O&M	Operation and Maintenance expenses (O&M Expense)
OPEB	Other Postemployment Benefits
Pass-Through	Revenues/Expenditures directly and entirely passed onto other entities/customers
PAYGO	Pay-As-You-Go
R&R	Repair and Replacement
RTS	Readiness to Serve (MWD fixed charge)
WRD	Water Replenishment District
WQPP	Water Quality Protection Program

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2019

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1. Executive Summary

1.1. Background of the Study

In 2019, the District engaged Raftelis to perform a comprehensive analysis of the projected cash flows in terms of revenues and costs, including debt service payments and capital investments, and to evaluate the company's financial sustainability in the next five years. The study period is fiscal year (FY) 2019-2024. In addition, Raftelis was tasked with developing a rate structure which address revenue stability and equity concerns.

1.2. Agency Background

Central Basin is a public water wholesaler, established in 1952 to mitigate the overpumping of local groundwater by providing imported water. It brings to its water purveyors imported water from the Metropolitan Water District of Southern California (MWD) and recycled water for non-potable purposes, such as irrigation and industry use, from Sanitation District No. 2 of Los Angeles County. Imported water deliveries have two main components: (i) potable water and (ii) replenishment water. Both potable and replenishment water sales have seen a significant decline over the last ten years. Replenishment water rates are based on a contract with the Water Replenishment District (WRD). The District does not anticipate any sales associated with replenishment water over the next five years. Given the volatility associated with potable and replenishment water sales, the District is interested in examining a fixed charge to address revenue stability and equity concerns.

Proposition 26 requires that the District's rates not exceed the costs associated with its activities and that they are fair and reasonable; compliance with these rules ensures exemption from Proposition 26 so that the rates will not be considered a tax. The rates developed as part of this rate study meet the requirements for exemptions under Proposition 26 in that they are designed to recover the costs associated with the District's activities such as providing water services.

Central Basin faces the same challenges as many other water districts, with a large share of fixed costs on the expenditure side and revenues that are based mostly on volumetric rates, which can fluctuate considerably. Besides projected reductions in replenishment water sales, the Local Resource Program (LRP) funding, which serves as a capital funding source to the District for each acre foot of recycled water sold, will decline as well. Current funding will expire in FY 2019 and the new funding contracts will have a substantially lower volume. On the expenditure side, the District's debt schedule is a key challenge as it envisages a significant debt service payment of \$2.2 million per year in FY 2019-2022, increasing to \$3.2 million in FY 2024. In addition, the projected capital investment funding needs for recycled water activities amount to 0.99 million per year, and operating expenditures gradually increase throughout the projection period, mostly driven by inflationary factors.

1.2.1. RESERVE POLICY

The reserve policy of the District aims at providing enough cash for contingencies or ensuring rate stabilization in unforeseen circumstances. Target unrestricted reserve levels and uses are specified in the District's reserve policy documents. Healthy unrestricted reserves are an important signal to clients, rating agencies and financing institutions that the utility is financially viable. The level of unrestricted reserves as of June 30, 2018 was \$7.96 million. Reductions in potable water sales and an anticipated near-term reduction to a negligible amount of replenishment water delivery is estimated to significantly affect the financial stability of the District; revenues will

not be enough to offset expenditures. The projections for FY 2020 show that the ending unrestricted reserve balances will be considerably below the target level.

1.2.2. DEBT COVERAGE RATIO

The total district debt service payments are planned at about \$2.2 million per fiscal year for the period FY 2020-FY 2022, and then to increase to \$3.2 million at the end of the projection period. Debt service payments put a significant pressure on the District's cash balance and on the debt coverage ratio (DCR). The DCR is the calculated ratio between net revenues and debt service payments. It is an important financial stability indicator, closely monitored by rating agencies and financial institutions. A low DCR indicates financial problems and values below 100 percent indicate that the cash flow is insufficient to fund the required debt service. The District's debt agreements have established a minimum required DCR of 115 percent¹.

1.3. Proposed revenue adjustments

Central Basin needs a revenue adjustment to meet the minimum required DCR and target level of unrestricted reserves by FY 2024. The proposed rate increases are planned to become effective at the beginning of fiscal year 2020. As a result of discussions with District staff, the existing monthly meter service charge will remain the same throughout the projection period. The proposed adjustment for potable revenue currently collected by the administrative surcharge is 117 percent in FY 2020. This increase would bring the potable water revenues back to the level covering the operating expenses, after the projected loss of replenishment water revenues and reduction in potable water sales. The revenue adjustment for the period FY 2021 - 2024 is proposed to be 4 percent annually to offset the projected inflation. The recycled water rate revenue adjustment is proposed to be 4 percent annually for the entire projection period to ensure sufficient revenues to support recycled water activities and maintain reserves.

1.4. Budget Allocation

The overall budget of the District does not allow for a detailed assessment of the financial sustainability of each of the two lines of service of the District — provision of potable water versus provision of recycled water to the purveyors. To make such an assessment, each budget item must be allocated to one of the service lines so that the net revenue requirements for each type of water service can be calculated.

The method of allocation used in the report is based on the O&M expenditures and debt service payments, including pass-through costs. This approach ensures that the proportional cost distribution between the sub-funds is based on the actual operating cost related to providing potable versus recycled water. By adopting the proposed revenue adjustments, revenues in the Potable water fund will increase. However, that will not be enough to cover the operating expenditures in every single year of the projection period and to generate net cash surplus that would allow for depleted unrestricted reserves to gradually be rebuilt.

Recycled water fund revenues, after revenue adjustments, will be enough to meet the operating expenditures throughout the projection period. However, due to increasing debt service payments and capital investment funding, there will be years within the projection period where the Recycled water fund's net cash flow will be negative. Despite the negative cash flow in some years, with the proposed revenue adjustments, the ending unrestricted reserve balances will remain above the target unrestricted reserves level.

¹ As specified in the Indenture agreements for 2018 A&B Bonds, 2016 Bond and 2010A Bond.

1.5. Proposed rates

After discussions with District staff, the existing monthly meter charge will remain unchanged at the current level of \$117 per cubic foot per second (CFS). However, Raftelis recommends the introduction of a new fixed charge. This would enhance stability for the revenue flow and would also ensure better alignment between the cost structure and revenue recovery. In addition, as potable fund revenues are projected to be less volatile, the retail agencies would see more predictable water rates.

Raftelis advises that the costs recovered from the new fixed charge are those associated with the Board Services and Water Resources and Planning Departments, since every retail agency benefits from these activities regardless of its level of potable water purchases. These District activities are essential to ensure the availability of additional water supplies to the region and provide water reliability to all water customers located within District boundaries. The District's Board policy recommendation was that the new fixed charge recover 86 percent of the Board Services and Water Resources and Planning Department costs. The new fixed charge is proposed to be based on the number of retail meter connections. The remaining revenue requirements will be recovered by the volumetric potable administrative surcharge per acre foot of water used.

Raftelis recommends that the District continues to apply a volumetric rate for recycled water users. The proposed recycled water rate per acre foot (AF) in FY 2020 is \$759. The District will continue to apply a \$25 handling fee for its out of service area customers, hence the proposed rate for these customers for FY 2020 is \$784.

The table below presents the proposed rates for the projection period, including proposed revenue adjustments.

Table 1-1 Proposed 5-year rates

Line No	Proposed rates	Current	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Potable water						
2	Revenue adjustment admin. surcharge		117%	4%	4%	4%	4%
3	Revenue adjustment meter charge		0%	0%	0%	0%	0%
4	Monthly water meter service charge	\$117	\$117	\$117	\$117	\$117	\$117
5	Annual fixed charge per connection		\$3.61	\$3.76	\$3.92	\$4.08	\$4.25
6	Administrative surcharge per AF	\$135	\$190	\$198	\$206	\$215	\$224
7							
8	Recycled water						
9	Revenue adjustment Recycled water rate		4%	4%	4%	4%	4%
10	In-service area	\$729	\$759	\$790	\$822	\$855	\$890
11	Out-service area	\$754	\$784	\$815	\$847	\$880	\$915

2. Introduction

2.1. Study Background

In 2015, Central Basin Municipal Water District (Central Basin or District) engaged Raftelis to prepare a comprehensive financial plan with the goal of ensuring financial sustainability for the District and rate predictability for its customers. In 2016, the scope of service was expanded and Raftelis developed a tool for overhead cost allocation between Imported and Recycled water business lines, and proposed a new rate structure that reflected the financial needs of the District. In 2017, due to considerable changes in water demand, Raftelis was engaged to update the long-term financial plan of the District.

In 2019, the replenishment water deliveries declined significantly, and the District's projections revealed that it could not rely on those revenues in the future. The District engaged Raftelis to perform a comprehensive analysis of the projected cash flows in terms of revenues and costs, including debt service payments and capital investments, and to evaluate the District's financial sustainability over the next five years. In addition, Raftelis was tasked with developing a rate structure which addressed revenue stability and equity concerns.

2.2. Purpose of the study

The main objectives of the study are:

- To develop a long-range financial plan to determine the revenue needs of the District over the next five years;
- To propose revenue adjustments to ensure financial stability of the District by improving the debt coverage ratio (DCR) and contributing to the depleted financial reserves of the District;
- To propose a cost allocation plan to distribute overhead costs between Potable water and Recycled water business lines;
- To perform revenue requirement analysis for both Potable and Recycled water funds to determine the necessary revenue adjustment by fund;
- To propose amendments to the existing rate structure based on the revenue requirement and District's staff input.

2.3. Agency Background

Central Basin is a public water wholesaler, established in 1952 to mitigate the overpumping of local groundwater by providing imported water. It brings to its water purveyors imported water from the Metropolitan Water District of Southern California (MWD) and recycled water for non-potable purposes, such as irrigation and industry use, from Sanitation District No. 2 of Los Angeles County. Imported water deliveries have two main components: (i) potable water and (ii) replenishment water. Both potable and replenishment water sales have seen a significant decline over the last ten years. Replenishment water sales are based on a contract with the Water Replenishment District (WRD). The District does not anticipate any sales associated with replenishment water over the next five years. Given the volatility associated with potable and replenishment water sales, the District is interested in examining a fixed charge to address revenue stability and equity concerns.

Potable water purchase costs and charges from MWD represent the bulk of the District's costs and are entirely passed through to the purveyors on a per unit basis. These costs and revenues, respectively, will be referred to as “pass-through” cost/revenue throughout the report. The District charges the potable water purveyors a fixed rate based on their MWD turnout meter capacity and a volumetric rate (per acre foot) based on potable water sales, a portion of which is a pass-through charge from MWD and an administrative surcharge that is not a pass-through. There are also fixed and volumetric administrative surcharges on replenishment water, which are specified in the District’s contract with WRD.

Recycled water rates are based on water sales and depend on the service area. There are In-service and Out-service area customers; out-service area sales represent less than 1 percent of total recycled water sales. In addition, the District has an existing agreement with the City of Vernon that jointly developed recycled water facilities and subsequently generated recycled water sales for Central Basin. There is a proposed amendment to the agreement to revise repayment terms that would reduce revenue by about \$180,000 per year starting in FY 2020, according to the District’s Bond Indenture documents. For the simplicity of the analysis, this revenue reduction is included in the operating costs.

Central Basin faces the same challenges as many other water districts, with a large share of fixed costs on the expenditure side and revenues based mostly on volumetric rates which can fluctuate considerably. Besides projected reductions in replenishment water sales, the Local Resource Program (LRP) funding, which provide a capital funding source to the District for each acre foot of recycled water sold, will decline as well. Current funding will expire in FY 2019 and the new funding contracts will have a substantially lower volume. On the expenditure side, a key challenge is related to the District’s debt schedule which calls for a significant debt service payment per year beginning at \$2.2 million in FY 2019 - 2022, increasing to \$3.2 million in FY 2024. In addition, the projected capital investment funding needs for recycled water activities amount to one million per year, and operating expenditures gradually increase throughout the projection period, mostly driven by inflationary factors.

2.4. Legal Background

Proposition 26 was approved by voters in 2010 and amended Article XIII C of the California Constitution. Proposition 26 expanded the definition of what is considered a special tax that cannot be imposed without a supermajority vote. Under the new definition, a tax is any levy, charge, or exaction of any kind imposed by a local government that is not exempted by the language of Proposition 26. Exempt fees and charges do not require voter approval.

The expanded definition of a tax in Proposition 26 placed new burdens on wholesale water purveyors who must routinely increase rates to meet their revenue requirement. As a result of the passage of Proposition 26, wholesale water agencies must demonstrate that their fees and charges are not taxes and are exempt from the language of the Proposition. The newly expanded definition of a tax under Proposition 26 allows for at least two applicable exemptions, as shown in the language of the Proposition below:

"(e) As used in this article, “tax” means any levy, charge, or exaction of any kind imposed by a local government, except the following:

(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.

(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.

...

The local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity."

Thus, in order to avoid being considered a tax, wholesale water purveyors must demonstrate that their charges do not exceed the level necessary to cover the costs of their activities and that the charges levied on a payor have a financial nexus to the costs to serve said payor.

Proposition 26 requires that the District's rates not exceed the costs associated with its activities and services, and that they are fair and reasonable to remain exempt from Proposition 26 and not be considered a tax. The rates developed as part of this rate study meet the exemptions requirements under Proposition 26 in that they are designed to recover the costs associated with providing the services discussed in Section 2.3.

This Study will reasonably assign costs to each of the District's member agencies, commensurate to the respective costs incurred in providing service to them.

2.5. Study Process

The main phases of the study process are listed in the figure below. In the first phase, Raftelis worked with District's staff to develop a long-range financial plan for the whole enterprise by preparing detailed projections of the main revenue sources and expenditure items. The operating revenues and operating and maintenance (O&M) cost estimates are based on projected water and recycled water demand and current rates, while non-operating revenues and costs are projected using District staff estimates or assumed escalation factors based on Staff input and Raftelis' past experience. Debt service payments (including interest) and rate funded Capital Improvement Program (CIP) costs are added to operating costs to generate projections of the annual net cash outflow and respective reserve funding. As the pass-through revenues and expenditures are neutral to the District's financial status, Raftelis has developed the financial plan without pass-through transactions, focusing on the District's core cash flows.

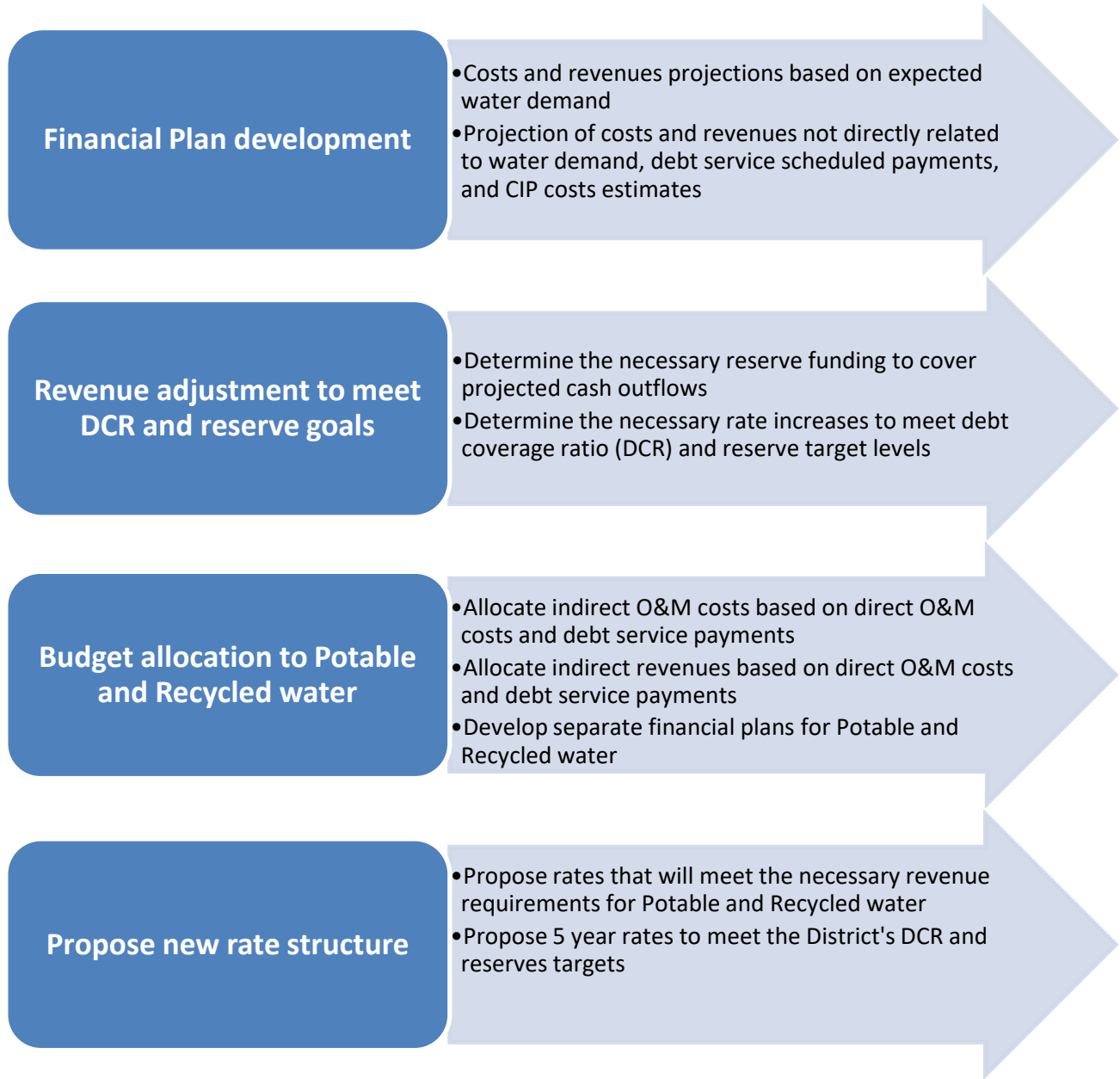
The whole enterprise financial plan projections have revealed the need for revenue adjustments in the second phase of the study to ensure that the District is in healthy financial condition over the next five years. The main financial goals of the District are to keep the debt coverage ratio (DCR) above the minimum required levels defined in debt covenants and to avoid further depletion of the agency's reserves ².

² The District approved the Reserve Policy on April 27, 2015

The third phase of the study proposes a mechanism to allocate the whole enterprise's financial plan between the two main business services of the District: Potable water supply and Recycled water supply. While some of the costs and revenues can be allocated directly to the respective service, there are overhead costs and indirect revenues which need to be distributed based on the cost of service. Hence separate financial plan projections for Potable and Recycled water funds were developed.

The fourth phase includes the calculation of revenue requirements for Potable and Recycled water services and the design of a rate structure to be implemented in the next five years to reach the financial goals of the District.

Figure 2-1 Study process phases



3. Financial Plan

This chapter details the first two phases of the study process discussed above. It presents the projections for revenues, O&M expenses, capital improvement, debt service and reserve requirements for the period FY 2019 - 2024. The financial plan excludes pass-through revenue and expenditure. Projected revenues are compared to costs to assess potential revenue shortages and the need for rates adjustments over the planning horizon.

3.1. Key Assumptions

Various assumptions are used in the report to project future revenues and expenses. They can be divided into two major groups: (i) assumptions related to economic factors such as inflation, labor cost, and interest rates and (ii) assumptions related to the core business of the utility and provided by District staff, such as water sale projections, capital improvement costs, and recycled water purchase costs.

The economic projections are used by the District's staff to estimate costs and revenues indirectly related to water demand. Those projections are mostly based on projected numbers of personnel, average salaries, expected contract costs, pension contributions, etc. The District's staff provided 5-year projections for the following types of costs and revenues:

- **Costs**
 - District administration costs (incl. district overhead administration costs and board services cost);
 - Finance department costs (incl. department administration costs and remarketing fees, arbitrage, trustee fees, etc.);
 - Human resource department costs (incl. CalPERS payments);
 - External affairs department costs (incl. department administration, government relations and public outreach costs);
 - Recycled water engineering and operating department (includes only costs that are not directly related to recycled water purchase costs or recycled water electricity cost);
 - Malburg agreement;
 - Water resource department costs (incl. department administration and water resource planning costs);
 - Information technology department costs;
 - Legal services cost.

- **Revenues**
 - Grant revenues;
 - Replenishment water sales in FY 2019;
 - Handling fees – details in **Table 3-3**;
 - Local Resource Program (LRP) funding revenues - details in **Table 3-2**;
 - Stand By charge (via property tax bill) revenues - the District expects that these revenues will remain unchanged throughout the projection period;
 - Late fee and penalty fees revenue - the District expects that these revenues will remain unchanged throughout the projection period;
 - Miscellaneous revenues.

Interest earnings are calculated based on the estimated beginning and ending unrestricted reserve balances and using the assumed interest on reserves as shown in **Table 3-1**.

Table 3-1 Assumed escalation factors

Line No		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Consumer Price Index	3%	3%	3%	3%	3%	3%
2	Interest on reserves	1%	2%	1%	1%	1%	1%

3.1.1. LOCAL RESOURCE PROGRAM

The Local Resource Program is a Metropolitan Water District of Southern California program which stimulates local water resource development, including recycled water consumption, by providing a capital funding source per acre foot sold. Central Basin’s recycled water sales that are eligible for funding will decline, and the District projects that in FY 2020 the projected revenues from LRP funding will total \$52,000 per year, which represents an 89 percent drop compared to FY 2019.

Table 3-2 Projected revenues from Local Resource Program

	FY 2019	FY 2020	FY 2021	FY 2022	FY2023	FY 2024
Local Resource Program	\$457,956	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000

3.1.2. HANDLING FEES

Metropolitan Water District of Southern California applies two types of fixed charges, Readiness to Serve (RTS) charge and Capacity charge, and a volumetric rate per acre foot (AF) sold to Central Basin. The volumetric rate is a pass-through cost (i.e., it is entirely transferred to the customers of Central Basin). Each of the fixed charges are pass-through costs with approximately an 11.65% markup as the calculation and allocation of the fixed charges is based on a combination of historical water usage and seasonal peaking flows per purveyor. Thus, the District collects handling fees to manage the distribution of the RTS and Capacity charges. In addition, the District will start charging a nominal fee of \$10 per acre foot (up to 4,000 AF) to administer the Water Quality Protection Program (WQPP) in FY 2020. **Table 3-3** presents the projections of fee revenues, provided by the District’s staff.

Table 3-3 Projected handling fee revenues

Line No		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	MWD Readiness to Serve and Capacity Charge handling fees	\$141,000	\$105,750	\$95,175	\$85,658	\$77,092	\$69,383
2	WQPP administration fee	\$0	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
3	Total revenues from fees	\$141,000	\$135,750	\$125,175	\$115,658	\$107,092	\$99,383

3.1.3. WATER DEMAND PROJECTIONS

There are two major types of water that Central Basin provides to the greater Los Angeles region: (i) imported water, which is comprised of two subcategories -- treated water and non-treated water-- and which will be referred to throughout the report as “potable water” and “replenishment water,” respectively, and (ii) recycled water.

Imported water demand projections provided by the District are conservative. Potable water demand is expected to decline by 15 percent in FY 2020 compared to FY 2019 and to remain at this level until FY 2024. The

replenishment water deliveries have fluctuated considerably, posting a sharp reduction in the last two years. Hence, the District’s staff expects replenishment water sales to be negligible throughout the projection period.

Recycled water sales are expected to increase in the future and to stabilize around 6,100 AF in FY 2024. A summary of the water demand projections is presented in **Table 3-4**.

Table 3-4 Water demand projections

Line No		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Potable Water purchase	13,000 AF	11,013 AF	11,013 AF	11,013 AF	\$11,013	11,013 AF
2	Replenishment water purchase	5,340 AF	0 AF	0 AF	0 AF	0 AF	0 AF
3	Total imported water purchase	18,340 AF	11,013 AF	11,013 AF	11,013 AF	11,013 AF	11,013 AF
4	Recycled water sales	4,974 AF	5,440 AF	5,735 AF	5,953 AF	6,124 AF	6,124 AF

3.1.4. PASS-THROUGH REVENUES AND EXPENSES

The water rates and charges applied by MWD to Central Basin are entirely passed through to purveyors and therefore do not have an impact on the financial sustainability of the District. However, a projection of pass-through cash flows for FY 2020 is provided in this report to be used in the proposed budget allocation mechanism in **Section 4**. The estimates in **Table 3-5** are based on FY 2020 projected water demand and MWD-adopted rates. The RTS and Capacity charge amounts have been provided by the District’s staff. Historical data suggests that potable water demand from July to December represents about 57 percent in total annual potable water demand. Water Quality Protection Program revenues and costs are also classified as pass-through flows by the District’s staff. Replenishment water sales are expected to be zero in FY 2020.

Table 3-5 Pass-Through revenue and cost projections

Line No		FY 2020	Notes
1	Potable water rates per AF		
2	July - December Rate	\$1,050	
3	January - June Rate	\$1,078	
4	Potable water consumption	11,013 AF	
5	July - December	6,231 AF	<i>57% in total potable water consumption based on historical data</i>
6	January - June	4,782 AF	
7	Potable water sales revenues	\$11,697,557	<i>Line 2*Line 5 + Line 3*Line 6</i>
8	Readiness to Serve Charge	\$687,637	<i>Provided by District’s staff</i>
9	Capacity Charge	\$572,004	<i>Provided by District’s staff</i>
10	Replenishment water sales	\$0	<i>No replenishment water purchases in FY 2020</i>
11	WQPP	\$164,000	<i>Provided by District’s staff</i>
12	Total Pass-Through Revenues	\$13,121,197	<i>Line 7+Line 8+Line 9+Line 10+Line 11</i>

3.2. Revenue Sources

Currently, Central Basin generates revenue by applying three different charges to the purveyors in the greater Los Angeles region, in addition to the pass-through charges from MWD:

- The *administrative surcharge*, a volumetric charge per AF of potable water sold.
- The *meter charge*, a fixed monthly charge per meter capacity in cubic feet per second (CFS) levied on each purveyor who has an MWD connection.
- A volumetric rate per AF of recycled water sold, only to recycled water customers.

Replenishment water is provided to WRD under a contract which sets the volumetric (per AF) and fixed charges (meter charge) for the duration of the contract.

An additional revenue source is the Standby charge, which is a direct parcel (property) assessment to real estate parcels in the service area. Revenue generated from this charge is about \$3.3 million per year and comprises about 33 percent of projected total revenue in FY 2020.

3.2.1. ADMINISTRATIVE SURCHARGE

Revenues from the administrative surcharge (assuming no revenue adjustment) are projected to decline by 15 percent in FY 2020 due to the expected reduction of potable water demand.

Table 3-6 Administrative surcharge revenue projection

Line No		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Administrative surcharge per AF	\$135	\$135	\$135	\$135	\$135	\$135
2	Potable Water demand	13,000 AF	11,013 AF	11,013 AF	11,013 AF	11,013 AF	11,013 AF
3	Administrative surcharge revenues	\$1,755,000	\$1,486,755	\$1,486,755	\$1,486,755	\$1,486,755	\$1,486,755

3.2.2. MONTHLY METER SERVICE CHARGE

The existing monthly meter service charge is expected to generate \$845,208 per year. In addition, WRD is expected to continue to pay the contracted Monthly service charge which totals \$74,400 per year, despite the zero-replenishment water delivery.

Table 3-7 Existing Monthly meter charge revenue projections

Line No		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Monthly meter charge per CFS	\$117	\$117	\$117	\$117	\$117	\$117
2	Annual meter charge per CFS	\$1,404	\$1,404	\$1,404	\$1,404	\$1,404	\$1,404
3	Projected total annual CFS	602	602	602	602	602	602
4	Meter service charge revenues	\$845,208	\$845,208	\$845,208	\$845,208	\$845,208	\$845,208
5	WRD annual meter service charge	\$74,400	\$74,400	\$74,400	\$74,400	\$74,400	\$74,400
6	Total meter charge revenues	\$919,608	\$919,608	\$919,608	\$919,608	\$919,608	\$919,608

3.2.3. RECYCLED WATER RATE REVENUES

The recycled water rate is levied per acre foot sold. The District adds a \$25 administrative fee for those purveyors outside of the service area. **Table 3-8** documents the projected revenues from recycled water sales under the current rates and the projected recycled water sales during the forecast period.

Table 3-8 Recycled water sales revenue projections

Line No		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Recycled water rate						
2	In-service area	\$729	\$729	\$729	\$729	\$729	\$729
3	Out-service area	\$754	\$754	\$754	\$754	\$754	\$754
4	Recycled water sales projections	4,974 AF	5,440 AF	5,735 AF	5,953 AF	\$6,124	6,124 AF
5	In-service area	4,954 AF	5,420 AF	5,715 AF	5,933 AF	6,104 AF	6,104 AF
6	Out-service area	20 AF	20 AF	20 AF	20 AF	20 AF	20 AF
7	Recycled water sales revenues	\$3,626,546	\$3,966,260	\$4,181,315	\$4,340,237	\$4,464,896	\$4,464,896

3.3. O&M Expenses

Most operating expenditures of the District (excluding pass-through costs) are not related to the volume of water sales. Volume-based expenses are related to recycled water purchase and distribution and represent 12 percent of total O&M expenditures for the whole enterprise in FY 2020 (excluding pass-through). The rest are non-discretionary type expenditures and include salaries, overhead costs, external relations costs, etc. This structure of operating expenditures puts a significant pressure on the District’s financial balance as revenues are predominantly driven by water demand and their fluctuations cannot be easily offset on the expenditure side.

3.3.1. RECYCLED WATER COSTS

The District has a contract with the Los Angeles Sanitation District for purchases of up to 10,500 AF of recycled water per year. In FY 2019, the recycled water demand is estimated to be about 4,974 AF. According to the information provided by Central Basin, the expected recycled water purchase cost will reach \$124.50 per AF in FY 2024. The electricity expenses for recycled water distribution are based on the electricity cost per acre foot and the decline in FY 2020 reflects savings from the implementation of a battery storage system. The recycled water total costs are calculated as the product of recycled water purchase and electricity costs per AF and the estimated recycled water sales from **Table 3-4**. Total Recycled water engineering and operating costs include other costs unrelated to recycled water sales, Malburg agreement, or recycled customer development expenditures.

Table 3-9 Recycled water cost projections

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1 Recycled water cost per AF	\$106.21	\$110.61	\$113.93	\$117.35	\$121	\$124.50
2 Recycled water electricity cost per AF	\$80.00	\$68.60	\$70.66	\$72.78	\$75	\$77.21
3 Recycled water sales (AF)	4,974 AF	5,440 AF	5,735 AF	5,953 AF	\$6,124	6,124 AF
4 Recycled water purchase costs	\$528,305	\$601,737	\$653,398	\$698,583	\$740,209	\$762,415
5 Recycled water electricity costs	\$397,920	\$373,184	\$405,224	\$433,246	\$459,062	\$472,833
6 Projected RW Engineering and Operations department expenditures	\$1,487,926	\$1,726,818	\$1,896,593	\$1,953,011	\$2,011,121	\$2,070,975
7 Malburg agreement costs	\$0	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000
8 Recycled water customer dev't expenditures	\$41,000	\$40,500	\$41,715	\$42,966	\$44,255	\$45,583
9 Engineering & Recycled Water Operations	\$2,455,151	\$2,922,239	\$3,176,930	\$3,307,806	\$3,434,647	\$3,531,806

3.3.2. OTHER O&M EXPENDITURES

The District's staff has provided projections for the rest of the operating expenditures. Board Elections in the District are held every two years, with three, four³ and two board seats thereafter up for election in the next 3 election cycles, respectively. Central Basin, in any fiscal year, may prepay a portion of the cost to conduct elections for the Board of Directors of Central Basin in future years. This allows the District to incur election expenses evenly each year, reducing the bi-annual spike of election expenses that significantly impacts the District's financial statements during the fiscal years when elections occur. Thus, budget expenses for board services incorporate respective election expenses in each fiscal year.

The District staff has allocated some of the salaries to the Capital Improvement Program (CIP) costs, and those salaries are subtracted from the O&M expenditures and added to the projected CIP costs. Debt service payments are not included in the O&M expenditures but are added as a separate cost to calculate the net cash flow change.

Table 3-10 O&M expenditure projections (pass-through excluded)

Line No		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Imported Water Costs	\$0	\$0	\$0	\$0	\$0	\$0
2	District Administration	\$1,932,154	\$1,556,296	\$1,674,873	\$1,950,064	\$1,936,565	\$1,509,062
3	Department Administration	\$595,533	\$630,721	\$649,285	\$666,806	\$685,646	\$705,521
4	Board Services	\$1,336,620	\$925,575	\$1,025,588	\$1,283,258	\$1,250,919	\$803,542
5	Finance Department	\$1,196,993	\$964,530	\$1,009,551	\$1,023,158	\$1,067,622	\$1,082,971
6	Department Administration	\$982,631	\$835,155	\$877,284	\$886,922	\$927,300	\$938,439
7	Standby Charge Administration	\$92,648	\$101,190	\$104,226	\$107,352	\$110,573	\$113,890
8	LOC costs	\$121,713	\$28,185	\$28,042	\$28,883	\$29,749	\$30,642
9	Human Resources	\$939,316	\$922,626	\$1,171,931	\$1,261,391	\$1,339,496	\$1,391,142
10	External Affairs	\$275,466	\$225,403	\$233,355	\$240,163	\$247,176	\$254,400
11	Department Administration	\$271,992	\$199,803	\$206,987	\$213,004	\$219,203	\$225,587
12	Government Relations	\$3,696	\$11,000	\$11,330	\$11,670	\$12,020	\$12,381
13	Communications, Outreach & Events	-\$222	\$14,600	\$15,038	\$15,489	\$15,954	\$16,432
14	Water Resources & Planning	\$636,071	\$657,961	\$772,395	\$723,017	\$744,258	\$766,135
15	Department Administration	\$525,246	\$478,718	\$552,135	\$568,249	\$584,846	\$601,942
16	Water Resources Planning	\$110,825	\$179,243	\$220,260	\$154,768	\$159,411	\$164,194
17	Conservation grant match	\$69,093	\$137,366	\$30,000	\$0	\$0	\$0
18	Engineering & Recycled Water Operations	\$2,455,151	\$2,922,239	\$3,176,930	\$3,307,806	\$3,434,647	\$3,531,806
19	Engineering & RW Operations (excl. RW cost & electricity)	\$1,487,926	\$1,726,818	\$1,896,593	\$1,953,011	\$2,011,121	\$2,070,975
20	Recycled Water Costs	\$528,305	\$601,737	\$653,398	\$698,583	\$740,209	\$762,415
21	Recycled Water Cost for Electricity	\$397,920	\$373,184	\$405,224	\$433,246	\$459,062	\$472,833
22	Malburg agreement cost	\$0	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000
23	Recycled Water Customer Development	\$41,000	\$40,500	\$41,715	\$42,966	\$44,255	\$45,583
24	Salaries allocated to CIP	-\$25,000	-\$49,413	-\$50,895	-\$52,422	-\$53,995	-\$55,615
25	Information Technology	\$743,597	\$839,997	\$875,285	\$905,704	\$938,803	\$966,817
26	Department Administration	\$242,040	\$251,907	\$263,252	\$268,379	\$274,736	\$282,828
27	IT & Building Services	\$501,556	\$588,090	\$612,033	\$637,324	\$664,068	\$683,990
28	Legal Services	\$109,342	\$270,000	\$300,000	\$240,000	\$240,000	\$240,000
29	Utilities - Electricity	-\$20,906	\$0	\$0	\$0	\$0	\$0
30	TOTAL O&M EXPENSES	\$8,311,275	\$8,447,005	\$9,193,425	\$9,598,880	\$9,894,573	\$9,686,719

³ Due to redistricting

3.4. Capital Improvement Program

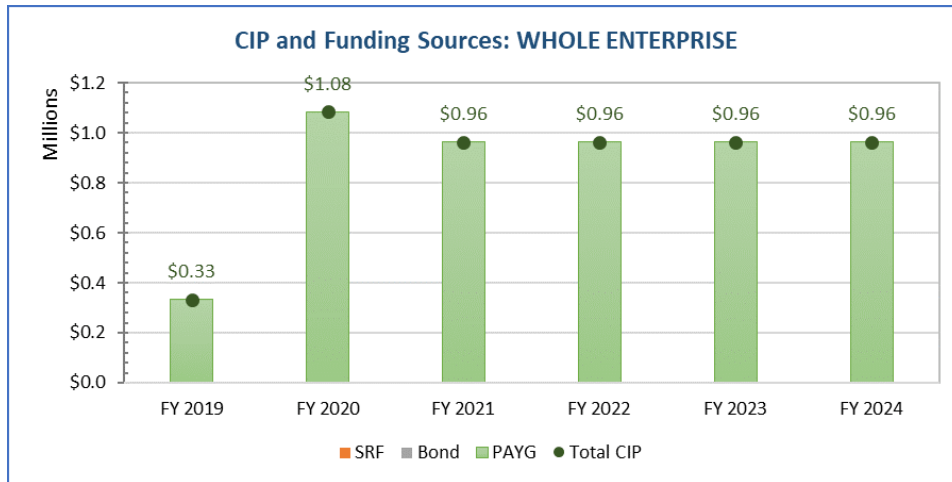
The District's Capital Improvement Program (CIP)⁴ is focused on recycled water distribution, estimated to be \$4.9 million for the projection period. In FY 2020, the CIP is proposed at \$1,083,950 and the rest is distributed evenly over the FY 2021 – FY 2024 period, resulting in \$962,670 per year. Some of the major projects include an upgrade to the Rio Hondo Pump Station and Hollydale Pump Station, Montebello Expansion Project, Gateway Cities Recycled Water Expansion Project, and the La Mirada Recycled Water Expansion Project.

The salaries allocated to the CIP and subtracted from the O&M expenditures are included in the CIP projections. The CIP funding is projected to be entirely funded by rate revenues.

Table 3-11 Capital improvement program

Line No		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Recycled Water Fund CIP (incl. CIP allocated salaries)	\$282,503	\$1,065,825	\$950,170	\$950,170	\$950,170	\$950,170
2	Imported Water CIP (incl. CIP allocated salaries)	\$50,000	\$18,125	\$12,500	\$12,500	\$12,500	\$12,500
3	Total CIP	\$332,503	\$1,083,950	\$962,670	\$962,670	\$962,670	\$962,670

Figure 3-1 Projected Capital improvement program funding



3.5. Debt Service Projections

In 2018 the District issued two bond series: Bond 2018 A and 2018 B. The 2018 Bonds were used to (i) refund the outstanding Adjustable Rate Refunding Revenue Certificates of Participation (2007 Project) Series 2008B; (ii) refund a portion of the outstanding Refunding Revenue Certificates of Participation, Series 2010A; (iii) pay certain costs with respect to the termination of a certain swap agreement of which Central Basin is a party; (iv) fund a Reserve Fund; and (v) pay costs of issuance of the 2018 Bonds.

⁴ The proposed CIP program for FY2020 is recommended for adoption in May 2019. The District has developed a draft CIP program for FY 2021-2024 and it is anticipated that the annual CIP expenses will total \$0.96 million on average. The rate study only considers the fiscal year 2020 CIP program as a basis for the study's recommended rates in FY 2020.

Currently, Central Basin has one outstanding Certificate of Participation (COP) – COP 2010A, with debt service payments scheduled to increase in FY 2024 due to principal payments. Additionally, there are three outstanding bonds series: Bond 2016 with principal repayment starting in FY 2023 and the above-mentioned Bond 2018 A&B with principal repayment starting in FY 2032.

The total annual district debt service payments are projected at about \$2.2 million for the period FY 2020 - FY 2022, and then increase to \$3.2 million at the end of the projection period. Debt service payments put a significant pressure on the District’s cash balance and on the debt coverage ratio (DCR). The DCR is calculated as the ratio between net revenues and debt service payments. It is an important financial stability indicator, closely monitored by rating agencies and financial institutions. A low DCR signals financial problems and values below 100 percent indicate that the cash flow is insufficient to secure the normal debt service. The District’s debt agreements have established a minimum required DCR of 115 percent.⁵

Table 3-12 Debt service payments

Line No	Recycled Water Fund	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	COP 2008	\$130,218	\$0	\$0	\$0	\$0	\$0
2	COP 2010A	\$955,477	\$835,813	\$835,813	\$835,813	\$835,813	\$1,255,513
3	Bond 2016	\$362,000	\$362,000	\$362,000	\$362,000	\$995,750	\$1,002,250
4	Bond 2018 A & B	\$192,177	\$988,338	\$988,338	\$988,338	\$988,338	\$988,338
5	Total debt service	\$1,639,872	\$2,186,150	\$2,186,150	\$2,186,150	\$2,819,900	\$3,246,100

3.6. Unrestricted Reserves Target

The reserve policy of the District aims at providing enough cash for contingencies or ensuring rate stabilization in unforeseen circumstances. Target reserve levels and uses are specified in the District’s reserve policy documents⁶. A healthy level of reserves is an important signal to clients, rating agencies and financing institutions that the utility is financially viable. The level of unrestricted reserves as of June 30, 2018 was \$7,956,865. The reduction in potable water sales and zero replenishment water delivery is estimated to significantly affect the financial stability of the utility as the revenues will not be enough to offset expenditures. The projections for FY 2020, presented in the table below, show that the ending unrestricted reserve balances will be considerably below the target level.

⁵ As specified in the Indenture agreements for 2018 A&B Bonds, 2016 Bond and 2010A Bond.

⁶ District’s Reserve Policy approved on April 27, 2015

Table 3-13 Reserve target and FY2020 projection

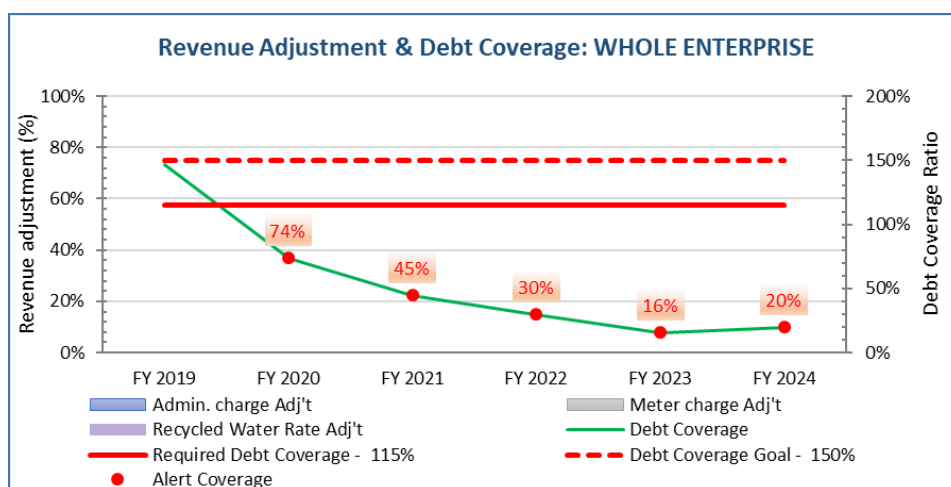
Line No	Unrestricted Reserves	Target Level	FY2020 projected level
1	Cash Flow and Rate Stabilization Reserve	50% of O&M expenditures	\$4,223,502
2	Election Reserve	\$750,000	\$750,000
3	Legal Reserve	\$1,000,000	\$1,000,000
4	Grant Cash Flow	\$0	\$0
5	Building Replacement	\$300,000	\$300,000
6	Emergency	\$1,000,000	\$1,000,000
7	Recycled Water R&R	\$1,000,000	\$1,000,000
8	Recycled Water CIP	\$1,000,000	\$1,000,000
9	Total target reserve		\$9,273,502
10	Projected ending unrestricted reserve⁷		\$6,727,139

3.7. Status Quo Financial Plan

The status quo proforma financial plan summarizes the projected revenues assuming no change in the existing rates and charges. The figures below offer a graphical illustration of the financial position of the District while a detailed table is provided in Appendix A.

A comparison between total revenues and the revenue requirements for the utility operation reveals a significant gap in FY 2019 – 2024. The rising revenue shortfall implies that to continue operation, the District must either increase the rates and charges to meet the requirements, or entirely deplete its reserves. Furthermore, the debt coverage ratio is projected to drop not only below the minimum required level but also below 100 percent, potentially triggering downgrades from rating agencies and sanctions from creditor institutions.

Figure 3-2 Status Quo Debt coverage ratio projection



As noted above, the status quo financial plan reveals that revenues will not be enough to cover operating expenses and debt service payments, and the District will have to draw from its reserves to continue to operate (Figure 3-3).

⁷ Assuming no revenue adjustment

The level of reserves, however, is not sufficient to sustain operations, debt service payments, and the CIP, hence ending unrestricted reserve balances will turn negative in FY 2023 (Figure 3-4).

Figure 3-3 Status Quo operating financial plan projection

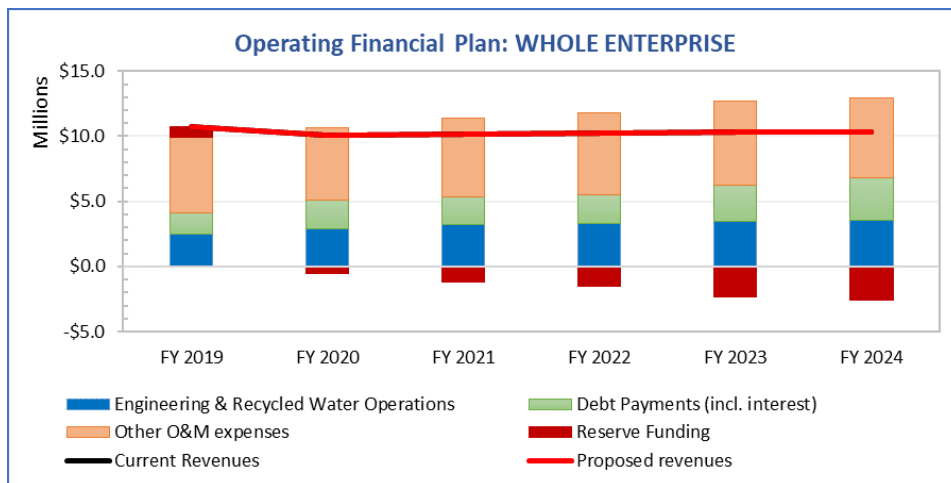
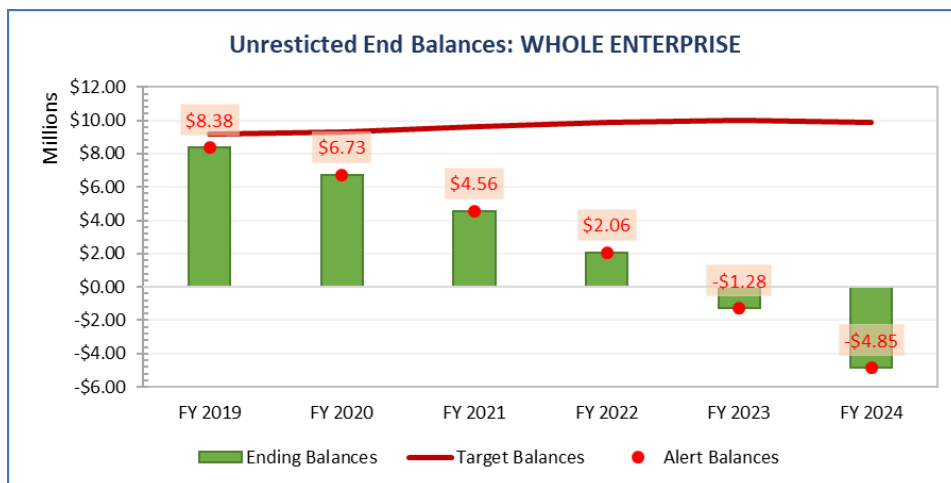


Figure 3-4 Status Quo ending unrestricted reserve balances projection



3.8. Proposed Revenue Adjustment

Central Basin needs a revenue adjustment to meet the minimum required DCR and prevent further reserve depletion by FY 2024. The proposed rate increases are assumed to become effective at the beginning of each fiscal year. Following discussions with District staff, the existing turnout meter monthly service charge will remain the same throughout the projection period. The proposed adjustment for potable revenue currently collected by the administrative surcharge is 117 percent in FY 2020. This increase would bring the potable water revenues back to the level covering the operating expenses after the loss of replenishment water revenues and reduction in potable water sales. Adjustment for potable revenue currently collected by the administrative surcharge for the period FY 2021 - 2024 is proposed to be an additional 4 percent per year to offset projected inflation.

Recycled water rate revenue adjustment is proposed to be 4 percent annually for the entire projection period to ensure sufficient revenues for recycled water.

Table 3-14 Proposed revenue adjustment

Line No		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Potable revenue currently collected by the administrative surcharge		117%	4%	4%	4%	4%
2	Monthly meter service charge (per CFS)		0%	0%	0%	0%	0%
3	Recycled water rate per AF		4%	4%	4%	4%	4%

The financial plan with proposed revenue adjustment is presented in **Table 3-15**. The proposed increase in revenues will be sufficient to cover the projected operating expense, estimated CIP cost, and debt service payments. Although the net cash change will be positive during the first three years of the projection period it will turn negative in FY 2023 and FY 2024. Although below the target level, the District will be able to keep the reserves above \$8M until FY 2024.

The debt coverage ratio is projected to improve as well in FY 2020 with the proposed revenue adjustment, and to remain above the minimum level of 115 percent during the projection period (**Figure 3-5**).

Table 3-15 Whole enterprise proforma with proposed revenue adjustments

	WHOLE ENTERPRISE	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	REVENUES						
2	Potable Imported Water	\$1,762,594	\$3,233,853	\$3,362,903	\$3,497,115	\$3,636,696	\$3,781,860
3	Late Payment Fee	\$7,594	\$7,594	\$7,594	\$7,594	\$7,594	\$7,594
4	Administrative Surcharge	\$1,755,000	\$1,486,755	\$1,486,755	\$1,486,755	\$1,486,755	\$1,486,755
5	Revenue adjustment	\$0	\$1,739,503	\$1,868,554	\$2,002,766	\$2,142,347	\$2,287,511
6	Replenishment Water	\$373,767	\$0	\$0	\$0	\$0	\$0
7	Water Meter Service Charge	\$919,608	\$919,608	\$919,608	\$919,608	\$919,608	\$919,608
8	Recycled Water	\$4,084,502	\$4,176,910	\$4,574,510	\$4,934,176	\$5,275,297	\$5,484,229
9	Recycled Water Sales	\$3,626,546	\$3,966,260	\$4,181,315	\$4,340,237	\$4,464,896	\$4,464,896
10	Revenue Adjustment	\$0	\$158,650	\$341,195	\$541,939	\$758,401	\$967,333
11	Local Resource Program (LRP) Rebate	\$457,956	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000
12	Standby Charges	\$3,286,859	\$3,286,859	\$3,286,859	\$3,286,859	\$3,286,859	\$3,286,859
13	Investment Earnings	\$81,285	\$168,570	\$86,369	\$87,231	\$85,959	\$83,027
14	Administration (handling) fees	\$141,000	\$135,750	\$125,175	\$115,658	\$107,092	\$99,383
15	Grant (Non-Operating Revenue)	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0
16	Miscellaneous	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500
17	TOTAL REVENUE	\$10,708,115	\$11,980,050	\$12,413,924	\$12,849,146	\$13,320,010	\$13,663,465
18	EXPENDITURES						
19	District Administration	\$1,932,154	\$1,556,296	\$1,674,873	\$1,950,064	\$1,936,565	\$1,509,062
20	Finance Department	\$1,196,993	\$964,530	\$1,009,551	\$1,023,158	\$1,067,622	\$1,082,971
21	Human Resources	\$939,316	\$922,626	\$1,171,931	\$1,261,391	\$1,339,496	\$1,391,142
22	External Affairs	\$275,466	\$225,403	\$233,355	\$240,163	\$247,176	\$254,400
23	Water Resources & Planning	\$636,071	\$657,961	\$772,395	\$723,017	\$744,258	\$766,135
24	Conservation grant match	\$69,093	\$137,366	\$30,000	\$0	\$0	\$0
25	Engineering & Recycled Water Operations	\$2,455,151	\$2,922,239	\$3,176,930	\$3,307,806	\$3,434,647	\$3,531,806
26	Salaries allocated to CIP	-\$25,000	-\$49,413	-\$50,895	-\$52,422	-\$53,995	-\$55,615
27	Information Technology	\$743,597	\$839,997	\$875,285	\$905,704	\$938,803	\$966,817
28	Legal Services	\$109,342	\$270,000	\$300,000	\$240,000	\$240,000	\$240,000
29	Utilities - Electricity	-\$20,906	\$0	\$0	\$0	\$0	\$0
30	TOTAL O&M EXPENDITURES	\$8,311,275	\$8,447,005	\$9,193,425	\$9,598,880	\$9,894,573	\$9,686,719
31	NET REVENUE	\$2,396,840	\$3,533,045	\$3,220,499	\$3,250,266	\$3,425,437	\$3,976,746
32	Debt Service (incl. interest payments)	\$1,639,872	\$2,186,150	\$2,186,150	\$2,186,150	\$2,819,900	\$3,246,100
33	CIP	\$332,503	\$1,083,950	\$962,670	\$962,670	\$962,670	\$962,670
34	NET CASH CHANGE	\$424,465	\$262,945	\$71,680	\$101,446	-\$357,132	-\$232,023
35	Unrestricted Funds Beginning Balances	\$7,956,865	\$8,381,330	\$8,644,275	\$8,715,955	\$8,817,401	\$8,460,269
36	Unrestricted Funds Ending Balances	\$8,381,330	\$8,644,275	\$8,715,955	\$8,817,401	\$8,460,269	\$8,228,246
37	Target Balances	\$9,205,638	\$9,273,502	\$9,646,712	\$9,849,440	\$9,997,286	\$9,893,359

Figure 3-5 Proposed revenue adjustment and debt coverage ratio

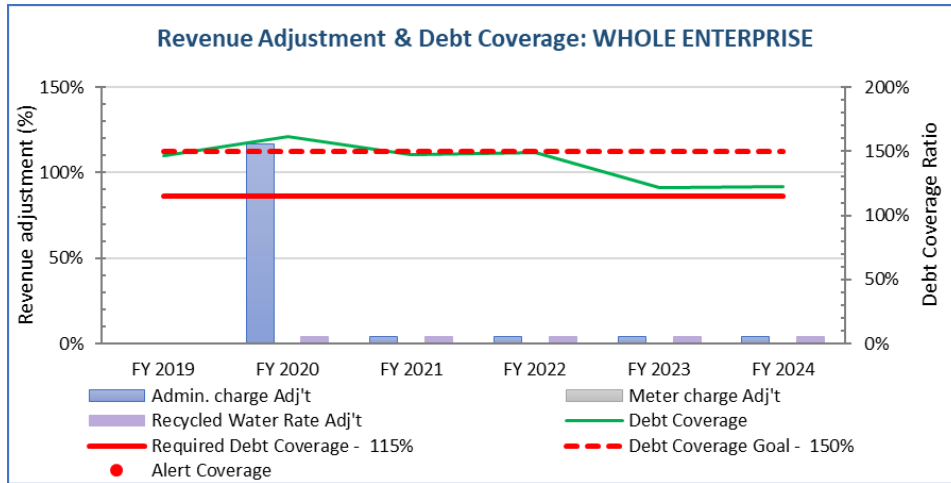


Figure 3-6 Operating financial plan with proposed revenue adjustment

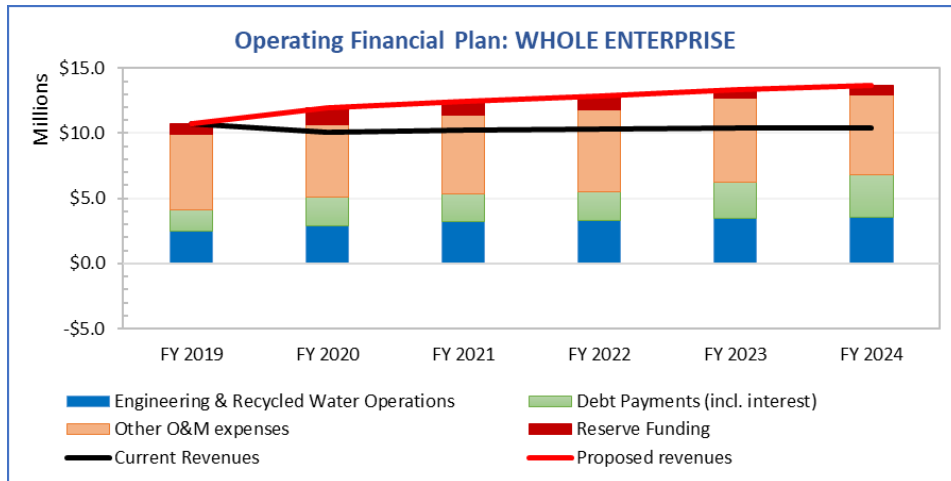
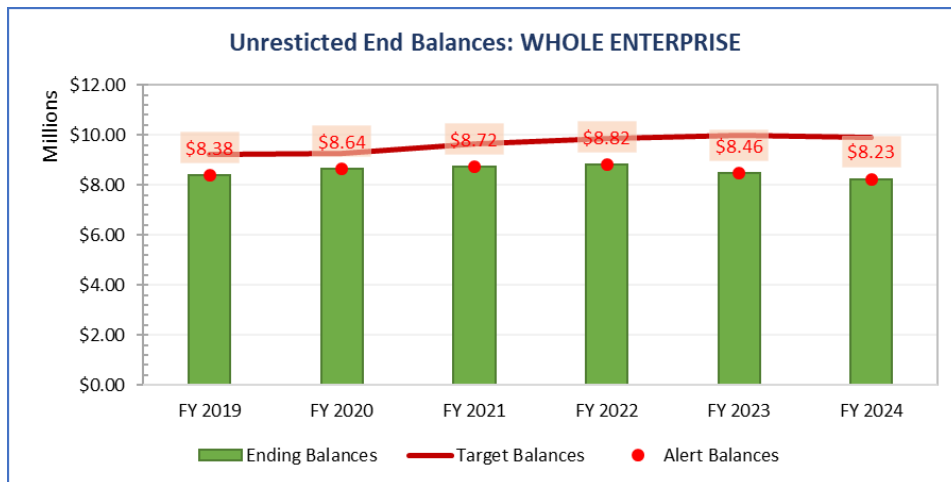


Figure 3-7 Projected ending unrestricted reserve balances with proposed revenue adjustment



4. Budget Allocation

The overall budget of the District does not allow for a detailed assessment of the financial sustainability of each of the two lines of service of the District: provision of potable water and provision of recycled water to the purveyors. To make such an assessment, each budget item must be allocated to one of the service lines and only then the net revenue requirements for each type of water can be calculated.

4.1. Method for Budget Allocation

Given the available information, the method of allocation used in the report is based on costs, which consists of the O&M expenditures (including pass-through costs) and annual debt payment costs. This approach ensures that the cost distribution between the sub-funds is based on the actual operating cost related to providing potable and recycled water. The process starts with the allocation of projected O&M expenditures for FY 2020 to either the Potable water fund or the Recycled water fund, based on extensive inputs from District staff and Raftelis' review of the appropriateness of staff inputs. For example, the cost of purchased potable water is 100 percent allocated to the Potable water fund, while the expenses of Recycled water engineering and operations department are 100 percent allocated to the Recycled water fund. Debt service payments are entirely allocated to the Recycled water fund since the debt was used to finance recycled water system improvements.

Expenses that cannot be directly attributed to any of the two sub-funds (e.g., District administration expenses which pertain to both service lines) are temporarily allocated to the indirect costs group (**Table 4-1**).

Table 4-1 Proposed indirect cost allocation

Line No		FY2020	Notes:
1	Direct Potable Costs	\$13,916,524	<i>The sum of all costs that are 100% allocated to Potable fund</i>
2	Direct Recycled Costs	\$5,237,764	<i>The sum of all costs that are 100% allocated to Recycled water fund</i>
3	Indirect Costs	\$4,600,064	<i>The remaining costs</i>
4	Share of Potable costs in all direct costs	72.7%	<i>Line 1 divided to the sum of lines 1&2</i>
5	Costs allocated to Potable Water	\$17,293,770	<i>Direct cost to Potable fund plus allocated indirect costs</i>
6	Costs allocated to Recycled Water	\$6,460,582	<i>Direct cost to Recycled water fund plus allocated indirect costs</i>

Next, the share of expenses allocated to the Potable water fund in total allocated expenses is calculated. Total allocated expenses represent the sum of previously-allocated imported water and recycled water expenses, leaving indirect costs aside. For FY 2020, the shares of potable water and recycled water expenses in total allocated expenses are estimated at 72.7 percent and 27.3 percent, respectively. The same shares are used to distribute indirect costs, except for the item "Salaries allocated to CIP". Even though these are also indirect costs, they are allocated based on the shares of potable and recycled water CIP in total. Based on data in **Table 3-11**, the share of potable water CIP is less than one percent of total CIP. The detailed O&M and debt service payments allocations for FY 2020 is presented in **Table 4-2**.

Table 4-2 Proposed allocation of O&M expenditures⁸

		FY 2020	Potable (%) allocation	Potable costs (\$)	Recycled (%) allocation	Recycled costs (\$)
1	EXPENDITURES					
2	Imported Water Costs	\$12,957,197		\$12,957,197		\$0
3	Full Service (Pass-through)	\$11,697,557	100%	\$11,697,557	0%	\$0
4	MWD Pass-through - RTS	\$687,637	100%	\$687,637	0%	\$0
5	MWD Pass-through - Capacity	\$572,004	100%	\$572,004	0%	\$0
6	Replenishment	\$0	100%	\$0	0%	\$0
7	District Administration	\$1,556,296		\$1,130,725		\$425,571
8	Department Administration	\$630,721	72.7%	\$458,250	27.3%	\$172,471
9	Board Services	\$925,575	72.7%	\$672,475	27.3%	\$253,100
10	Finance Department	\$964,530		\$606,781		\$357,749
11	Department Administration	\$835,155	72.7%	\$606,781	27%	\$228,374
12	Standby Charge Administration	\$101,190	0%	\$0	100%	\$101,190
13	LOC costs	\$28,185	0%	\$0	100%	\$28,185
14	Human Resources	\$922,626	72.7%	\$670,333	27.3%	\$252,293
15	External Affairs	\$225,403		\$163,766		\$61,637
16	Department Administration	\$199,803	72.7%	\$145,167	27.3%	\$54,636
17	Government Relations	\$11,000	72.7%	\$7,992	27.3%	\$3,008
18	Communications, Outreach & Events	\$14,600	72.7%	\$10,608	27.3%	\$3,992
19	Water Resources & Planning	\$657,961		\$657,961		\$0
20	Department Administration	\$478,718	100%	\$478,718	0%	\$0
21	Water Resources Planning	\$179,243	100%	\$179,243	0%	\$0
22	Conservation grant match	\$137,366	100%	\$137,366	0%	\$0
23	Engineering & Recycled Water Operations	\$2,922,239		\$0		\$2,922,239
24	Engineering & RW Operations (excl. RW cost & electricity)	\$1,726,818	0%	\$0	100%	\$1,726,818
25	Recycled Water Costs	\$601,737	0%	\$0	100%	\$601,737
26	Recycled Water Cost for Electricity	\$373,184	0%	\$0	100%	\$373,184
27	Malburg agreement cost	\$180,000	0%	\$0	100%	\$180,000
28	Recycled Water Customer Development	\$40,500	0%	\$0	100%	\$40,500
29	Water Quality Protection Program (WQPP)	\$164,000	100%	\$164,000	0%	\$0
30	Salaries allocated to CIP	-\$49,413	2%	-\$826	98%	-\$48,587
31	Information Technology	\$839,997		\$610,299		\$229,698
32	Department Administration	\$251,907	72.7%	\$183,023	27.3%	\$68,884
33	IT & Building Services	\$588,090	72.7%	\$427,276	27.3%	\$160,814
34	Legal Services	\$270,000	72.7%	\$196,168	27.3%	\$73,832
35	TOTAL O&M EXPENDITURES	\$21,568,202				
36	DEBT SERVICE PAYMENTS	\$2,186,150	0%	\$0	100%	\$2,186,150
37	TOTAL COSTS USED FOR BUDGET ALLOCATION	\$23,754,352		\$17,293,770		\$6,460,582

A similar approach is used to allocate the District's revenues. Most of the revenues are fully allocated to either the Potable or Recycled water funds. For example, the Standby charge and recycled water sales are 100 percent allocated to the Recycled water fund, while administrative and meter charge revenues are 100 percent allocated to the Potable water fund. The only indirect revenues are Interest earnings and Miscellaneous revenues. They are allocated using the indirect cost allocation percentages.

CIP costs are allocated based on District's input (see **Table 3-11**).

⁸ Including pass-through costs

4.2. Allocation of Target Unrestricted Reserve Balances

The final step in the budget allocation procedure is related to the allocation of target reserve level. The Cash flow and rate stabilization reserve is based on the O&M projections for each of the sub-funds and hence, it is not subject to the budget allocation rules.

Recycled water Repair and Replacement (R&R), recycled water CIP, and emergency reserves are all fully allocated to the Recycled water fund. Election, Legal, and Building Replacement reserves are distributed between the Potable and Recycled funds using the indirect cost allocation shares. The sum of allocated unrestricted reserves (excluding the cash flow and stabilization reserve) by sub-fund is presented in **Table 4-3**.

Table 4-3 Proposed allocation of target unrestricted reserves

Line No	Reserves	Target reserves	Allocation to Potable water fund (%)	Allocation to Potable water fund (\$)	Allocation to Recycled water fund (%)	Allocation to Recycled water fund (\$)
1	Cash Flow and Rate Stabilization Reserve		n.a	n.a	n.a	n.a
2	Election Reserve	\$750,000	73%	\$547,500	27%	\$202,500
3	Legal Reserve	\$1,000,000	73%	\$730,000	27%	\$270,000
4	Grant Cash Flow	\$0	73%	\$0	27%	\$0
5	Building Replacement	\$300,000	73%	\$219,000	27%	\$81,000
6	Emergency	\$1,000,000	0%	\$0	100%	\$1,000,000
7	Recycled Water R&R	\$1,000,000	0%	\$0	100%	\$1,000,000
8	Recycled Water CIP	\$1,000,000	0%	\$0	100%	\$1,000,000
9	Total target reserves (excl. Cash flow & Rate stabilization reserve)	\$5,050,000		\$1,496,500		\$3,553,500

4.3. Potable and Recycled Water Funds Financial Plans

Financial plan projections (excluding pass-through revenues and expenditures) for the Potable and Recycled water funds, including revenue adjustments, are presented in **Table 4-4** and **Table 4-5**. Summary graphs for both sub-funds without revenue adjustments are shown in Appendix B. By adopting the proposed revenue adjustments, revenues in the Potable water fund will increase. However, that will not be enough to cover the operating expenditures in every single year of the projection period and to generate net cash surplus that would allow for depleted unrestricted reserves to gradually be rebuilt.

Recycled water fund revenues, after revenue adjustment, will be at a level sufficient to meet the operating expenditures throughout the projection period. However, due to increasing debt service payments and capital investment funding, there will be years within the projection period when the Recycled water fund's net cash flow will be negative. Despite the negative cash flow in some years, the ending unrestricted reserve balances will remain above the target unrestricted reserves level.

Table 4-4 Potable water fund financial plan with proposed revenue adjustments

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1 REVENUES						
2 Potable Water	\$1,762,594	\$3,233,853	\$3,362,903	\$3,497,115	\$3,636,696	\$3,781,860
3 Late Payment Fee	\$7,594	\$7,594	\$7,594	\$7,594	\$7,594	\$7,594
4 Administrative Surcharge	\$1,755,000	\$3,226,258	\$3,355,309	\$3,489,521	\$3,629,102	\$3,774,266
5 Replenishment Water	\$373,767	\$0	\$0	\$0	\$0	\$0
6 Water Meter Service Charge	\$919,608	\$919,608	\$919,608	\$919,608	\$919,608	\$919,608
7 Investment Earnings	\$59,057	\$122,475	\$62,752	\$63,377	\$62,453	\$60,323
8 Administration (handling) fees	\$141,000	\$135,750	\$125,175	\$115,658	\$107,092	\$99,383
9 Grant (Non-Operating Revenue)	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0
10 Miscellaneous	\$6,176	\$6,176	\$6,176	\$6,176	\$6,176	\$6,176
11 TOTAL REVENUE	\$3,312,203	\$4,467,861	\$4,526,613	\$4,601,934	\$4,732,025	\$4,867,350
12 O&M EXPENDITURES						
13 District Administration	\$1,403,804	\$1,130,725	\$1,216,877	\$1,416,817	\$1,407,009	\$1,096,407
14 Department Administration	\$432,684	\$458,250	\$471,737	\$484,467	\$498,155	\$512,595
15 Board Services	\$971,120	\$672,475	\$745,140	\$932,350	\$908,854	\$583,812
16 Finance Department	\$713,929	\$606,781	\$637,389	\$644,392	\$673,729	\$681,822
18 Human Resources	\$682,459	\$670,333	\$851,465	\$916,462	\$973,209	\$1,010,732
19 External Affairs	\$200,139	\$163,766	\$169,544	\$174,490	\$179,586	\$184,834
20 Water Resources & Planning	\$636,071	\$657,961	\$772,395	\$723,017	\$744,258	\$766,135
21 Conservation grant match	\$69,093	\$137,366	\$30,000	\$0	\$0	\$0
22 Salaries allocated to CIP	-\$418	-\$826	-\$851	-\$877	-\$903	-\$930
23 Information Technology	\$540,259	\$610,299	\$635,937	\$658,038	\$682,086	\$702,440
24 Legal Services	\$79,442	\$196,168	\$217,965	\$174,372	\$174,372	\$174,372
25 TOTAL O&M EXPENSES	\$4,324,778	\$4,172,573	\$4,530,721	\$4,706,712	\$4,833,345	\$4,615,812
26 NET REVENUE	-\$1,012,576	\$295,288	-\$4,108	-\$104,778	-\$101,320	\$251,538
27 Debt Service (incl. interest)	\$0	\$0	\$0	\$0	\$0	\$0
28 CIP	\$50,000	\$18,125	\$12,500	\$12,500	\$12,500	\$12,500
29 NET CASH CHANGE	-\$1,062,576	\$277,163	-\$16,608	-\$117,278	-\$113,820	\$239,038
30 Unrestricted Funds Beginning Balances	\$2,823,293	\$1,760,718	\$2,037,881	\$2,021,273	\$1,903,995	\$1,790,175
31 Unrestricted Reserves Ending Balances	\$1,760,718	\$2,037,881	\$2,021,273	\$1,903,995	\$1,790,175	\$2,029,213
32 Target Balances	\$3,658,889	\$3,582,786	\$3,761,860	\$3,849,856	\$3,913,173	\$3,804,406

Table 4-5 Recycled water fund financial plan with proposed revenue adjustments

		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	REVENUES						
2	Recycled Water	\$4,084,502	\$4,176,910	\$4,574,510	\$4,934,176	\$5,275,297	\$5,484,229
3	Recycled Water Sales	\$3,626,546	\$4,124,910	\$4,522,510	\$4,882,176	\$5,223,297	\$5,432,229
4	Local Resource Program (LRP) Funding	\$457,956	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000
5	Standby Charges	\$3,286,859	\$3,286,859	\$3,286,859	\$3,286,859	\$3,286,859	\$3,286,859
6	Investment Earnings	\$22,227	\$46,096	\$23,618	\$23,853	\$23,505	\$22,704
7	Miscellaneous	\$2,324	\$2,324	\$2,324	\$2,324	\$2,324	\$2,324
8	TOTAL REVENUE	\$7,395,912	\$7,512,189	\$7,887,311	\$8,247,213	\$8,587,985	\$8,796,115
9	EXPENDITURES						
10	District Administration	\$528,350	\$425,571	\$457,996	\$533,248	\$529,556	\$412,655
11	Department Administration	\$162,849	\$172,471	\$177,548	\$182,339	\$187,491	\$192,925
12	Board Services	\$365,501	\$253,100	\$280,448	\$350,909	\$342,065	\$219,729
13	Finance Department	\$483,063	\$357,749	\$372,162	\$378,765	\$393,894	\$401,149
17	Human Resources	\$256,857	\$252,293	\$320,466	\$344,929	\$366,287	\$380,410
18	External Affairs	\$75,326	\$61,637	\$63,811	\$65,673	\$67,591	\$69,566
19	Engineering & Recycled Water Operations	\$2,455,151	\$2,922,239	\$3,176,930	\$3,307,806	\$3,434,647	\$3,531,806
20	Salaries allocated to CIP	-\$24,582	-\$48,587	-\$50,044	-\$51,546	-\$53,092	-\$54,685
21	Information Technology	\$203,337	\$229,698	\$239,348	\$247,666	\$256,717	\$264,377
22	Legal Services	\$29,900	\$73,832	\$82,035	\$65,628	\$65,628	\$65,628
23	Utilities - Electricity	-\$20,906	\$0	\$0	\$0	\$0	\$0
24	TOTAL O&M EXPENDITURES	\$3,986,497	\$4,274,432	\$4,662,704	\$4,892,169	\$5,061,227	\$5,070,907
25	NET REVENUE	\$3,409,415	\$3,237,757	\$3,224,607	\$3,355,044	\$3,526,758	\$3,725,209
26	Debt Service (incl. interest)	\$1,639,872	\$2,186,150	\$2,186,150	\$2,186,150	\$2,819,900	\$3,246,100
27	CIP	\$282,503	\$1,065,825	\$950,170	\$950,170	\$950,170	\$950,170
28	NET CASH CHANGE	\$1,487,040	-\$14,218	\$88,288	\$218,724	-\$243,312	-\$471,061
29	Unrestricted Funds Beginning Balances	\$5,133,572	\$6,620,612	\$6,606,394	\$6,694,682	\$6,913,406	\$6,670,094
30	Unrestricted Reserves Ending Balances	\$6,620,612	\$6,606,394	\$6,694,682	\$6,913,406	\$6,670,094	\$6,199,033
31	Target Balances	\$5,546,748	\$5,690,716	\$5,884,852	\$5,999,584	\$6,084,114	\$6,088,953

5. Revenue Requirements

Revenue requirements from rates and charges for each service are determined using the financial plans for Potable and Recycled water funds from **Section 4.3** of the report. Calculations are based on FY 2020 financial projections and include the proposed rate adjustments. The method for calculating revenue requirements entails estimating the total revenue need, which is obtained by summing all expenditures, including O&M, debt service, CIP costs and reserve funding. Next, the non-operating revenues are subtracted from the revenue requirements to obtain the revenue requirements from rates. Potable water fund revenue requirements are further reduced by the projected revenues from contracted rates (the WRD monthly fixed charge) to derive the revenue requirements from rates that are not subject to existing contracts.

Results are summarized in **Table 5-1** and **Table 5-2**, respectively.

Table 5-1 Revenue requirements for Potable water fund in FY 2020

Line no	REVENUE REQUIREMENTS FY2020	Potable water	Notes:
1	O&M Expenses	\$4,172,573	Table 4-4, Line 25
2	Rate Funded Replacement CIP	\$18,125	Table 4-4, Line 28
3	Reserve Funding (net cash change)	\$277,163	Table 4-4, Line 29
4	TOTAL REVENUE REQUIREMENTS	\$4,467,861	Sum lines 1-3
5			
6	LESS NON-OPERATING REVENUES		
7	Late Payment Fee	\$7,594	Table 4-4, Line 3
8	Interest Revenue	\$122,475	Table 4-4, Line 7
9	Administration (handling) fees	\$135,750	Table 4-4, Line 8
10	Grant (Non-Operating Revenue)	\$50,000	Table 4-4, Line 9
11	Misc. Non-Operating Revenues	\$6,176	Table 4-4, Line 10
12	TOTAL NON-OPERATING REVENUES	\$321,994	Sum lines 7-11
13			
14	LESS CONTRACTED RATES REVENUES	\$74,400	Table 3-7, Line 5
15	REVENUE REQUIREMENTS FROM RATES	\$4,071,466	Line 4 minus Line 12 minus Line 14

Table 5-2 Revenue requirements for Recycled water fund in FY 2020

Line No	REVENUE REQUIREMENTS FY2020	Recycled water	Notes:
1	O&M Expenses	\$4,274,432	Table 4-5, Line 24
2	Debt Service	\$2,186,150	Table 4-5, Line 26
3	Rate Funded Replacement CIP	\$1,065,825	Table 4-5, Line 27
4	Reserve Funding (net cash change)	-\$14,218	Table 4-5, Line 28
5	TOTAL REVENUE REQUIREMENTS	\$7,512,189	Sum lines 1 to 4
6			
7	LESS NON-OPERATING REVENUES		
8	Standby Charges	\$3,286,859	Table 4-5, Line 5
9	Local Resource Program Funding	\$52,000	Table 4-5, Line 4
10	Interest Revenue	\$46,096	Table 4-5, Line 6
11	Misc. Non-Operating Revenues	\$2,324	Table 4-5, Line 7
12	TOTAL NON-OPERATING REVENUES	\$3,387,279	Sum lines 8 to 11
13	REVENUE REQUIREMENTS FROM RATES	\$4,124,910	Line 5 <i>minus</i> Line 12

6. Proposed Rates

Raftelis proposes rate and charge adjustments designed to ensure financial stability and sustainability for the District and equitable treatment of purveyors.

6.1. Potable Water Rates

The revenue requirement from rates for potable water is estimated at \$4,071,466, as outlined above (see **Table 5-1**). After discussions with District’s staff, the existing turnout meter monthly charge will remain unchanged at \$117 per CFS. Therefore, the annual revenue of \$845,208 (**Table 3-7**) is subtracted from the projected rate revenue requirements for FY 2020, and the remaining \$3,262,258 must to be recovered from the proposed potable water charges.

The District wishes to incorporate a fixed charge assessed on each member agency in order to recover Board Services and Water Resources and Planning Department costs. These costs are fixed in nature and incurred on the District independent of the quantity of water conveyed to member agencies. Historically these costs have been covered by water sales that occur both directly to retail agencies and to the Water Replenishment District. However, water sales have significantly declined and there is no expectation for this to increase to historical levels.

Each of the member agencies receives a direct, specific benefit from this charge, as well as services in the form of conservation programs and representation on the board of Metropolitan Water District of Southern California (MWD). By ensuring that the District is able to recover its Board Services and Water Resources and Planning Department costs, member agencies and their customers are given the privilege to vote in Board elections and access the District’s water supply as needed, specific benefits that non-member agencies are not afforded. While an agency may opt to not use Central Basin’s water in a given year, the District still incurs necessary costs in order to make imported water available to member agencies and their customers. With a future of increased instability in water resources and prolonged drought in California, membership in the District assures that member agencies can continue to consistently recharge their groundwater supplies with a safeguard against diminished local supplies.

The Board Services category encompasses costs associated with the District’s eight-member Board of Directors. The Board provides the District with oversight and guidance on its activities. Costs include Board elections as well as activities such as monthly Board and committee meetings. Customers of the member agencies vote for the elected officials, who provide them representation and input in the District’s decisions, and member agencies appoint additional Board members. In turn, Board members represent the District, including its member agencies and their customers, on the board of the regional water importer MWD. Furthermore, Board oversight allows another layer of assurance that the District’s operations efficiently provide reliable availability of imported water.

The Water Resources and Planning Department provides the resource planning and conservation necessary to ensure that water supplies are available to member agencies whenever they need to draw upon imported water supplies. As a member agency of MWD, the District has a duty to meet MWD’s goals and objectives to maintain the reliability of Central Basin’s potable water supply. Crucial duties include:

1. Providing access to and managing state-mandated and MWD-sponsored conservation programs and messaging to residents and businesses to reduce regional water demands;
2. Representing the region at MWD to advocate on Central Basin’s member agencies’ behalf;
3. Analysis of MWD policies and programs to provide input and assist member agencies in implementing in the region;
4. Identification and pursuit of grants to improve the quality of life and sustain local economies throughout the service area.

By participating in these activities and planning for future supplies, the District safeguards the ready availability of water to its member agencies and their customers when they need it. As agencies cannot precisely predict when the need for imported water to supplement groundwater recharge will arise, it is imperative that the District be ready to supply water with little notice.

In 2017, the District began discussing a potential fixed charge with Raffelis in order to properly plan for the reduction in base revenue from the Water Replenishment District’s water purchases. In these discussions, the District considered different ways of proportionally allocating these benefits, privileges, and services across the member agencies. Options for measuring a fair and reasonable proportionality included historical water use by agency, population, and number of hydraulically equivalent meters. The below table summarizes the considerations taken in analyzing all feasible options.

Table 6-1: Considerations for Different Cost Allocation Bases

Basis	Description
Turnout (Wholesale) Meters	Costs Allocated in proportion to the # and size of wholesale meters
Number of Meters	Costs allocated based on number of meters by retail agency
Number of Hydraulically Equivalent Meters	Costs allocated based on number of equivalent meters by retail agency
Historical Water Use by Agency	Cost allocated by retail agency water use
Population	Allocate cost based on population in retail agency area
Fixed Charge for Each Retail Agency	Cost allocated equally amongst all agencies

Ultimately, allocating the costs among the member agencies based on the number of meters served by each agency best balances simplicity with fairness and equity. For example, allocating costs in proportion to the number and size of wholesale meters could provide proportionality, but many agencies’ turnout meters were overbuilt for projected demand that far exceeds the actual needs of each agency. Resultantly, many such meters are used well below

capacity. Furthermore, neither imported water capacity nor historical water use provides the best measure of burdens on, or benefits received from, governmental activities such as Board representation and participation in MWD for the purposes of securing a reliable supply of imported water to be available whenever member agencies may need. Retail meters provide a more accurate reflection of each agency’s customer base reliant on the availability of a long-term reliable and stable water supply, which Central Basin’s imported water helps ensure. The simplicity of this proportional allocation also serves each member agency in avoiding both direct and indirect costs that would be incurred by managing a more complex allocation of cost. Furthermore, this allocation basis provides fairness and equity across all agencies in relation to their ability, and that of their respective customers, to participate in Board elections and appointments.

In FY 2020, the costs associated with Board Services costs allocated to the potable water service and Water Resources and Planning Department are projected to be \$1.33 million. The District’s Board policy recommendation was that the new fixed charge recover 86 percent of the Board Services and Water Resources and Planning Department costs. This calculation process is documented in **Table 6-2**.

Table 6-2 Proposed potable water charges

Line No	Proposed charges calculation	FY 2020	Notes:
1	Revenue requirements	\$4,071,466	Table 5-1 , Line 15
2	To be recovered by:		
3	Monthly meter charge revenues	\$845,208	Table 3-7 , Line 4
4			
5	Retail meter charge revenues	\$1,144,175	Table 4-4 , Line 15 <i>plus</i> Line 20 <i>multiplied by 86%</i>
6	Number of connections	317,746	Provided by District’s staff
7	Proposed annual charge	\$3.61	Line 5 <i>divided to</i> Line 6 ⁹
8			
9	Administrative surcharge revenues	\$2,082,084	Line 1 <i>minus</i> Line 3 <i>minus</i> Line 5
10	Projected water sales	11,013	Table 3-4 , Line 1
11	Proposed administrative surcharge per AF	\$190	Line 9 <i>divided to</i> Line 10 ¹⁰

6.2. Recycled Water Rates

Raftelis recommends that the District continue to apply a volumetric rate for recycled water users. The proposed rate per acre-foot is calculated by dividing the projected revenue requirements from recycled water rates for FY 2020 (**Table 5-2**) by the projected recycled water sales (**Table 3-4**). Therefore, the proposed recycled water rate per AF in FY 2020 is \$759¹¹. The district applies a \$25 handling fee for customers outside its service area, hence the proposed rate for these customers in FY 2020 is \$784.

The next table presents the proposed rates for the projection period, including the revenue adjustment from **Section 3.8**.

⁹ Rounded up to the nearest cent.

¹⁰ Rounded up to the nearest dollar.

¹¹ Revenue requirements for recycled water fund in FY 2020 of \$4,124,910 are divided to the projected sales of 5,440 AF. The rates are rounded up to the nearest dollar.

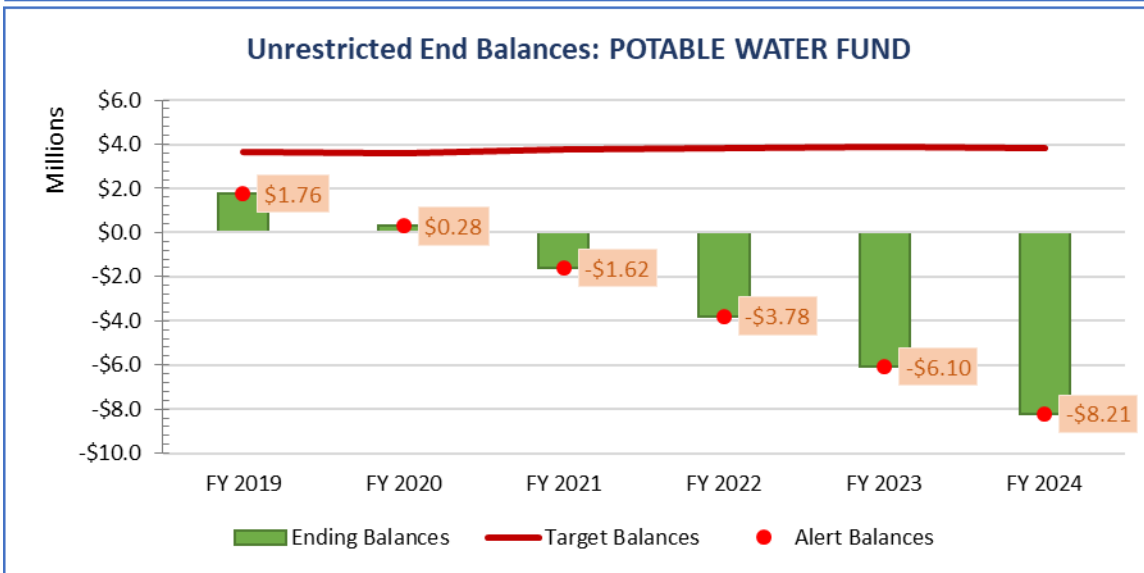
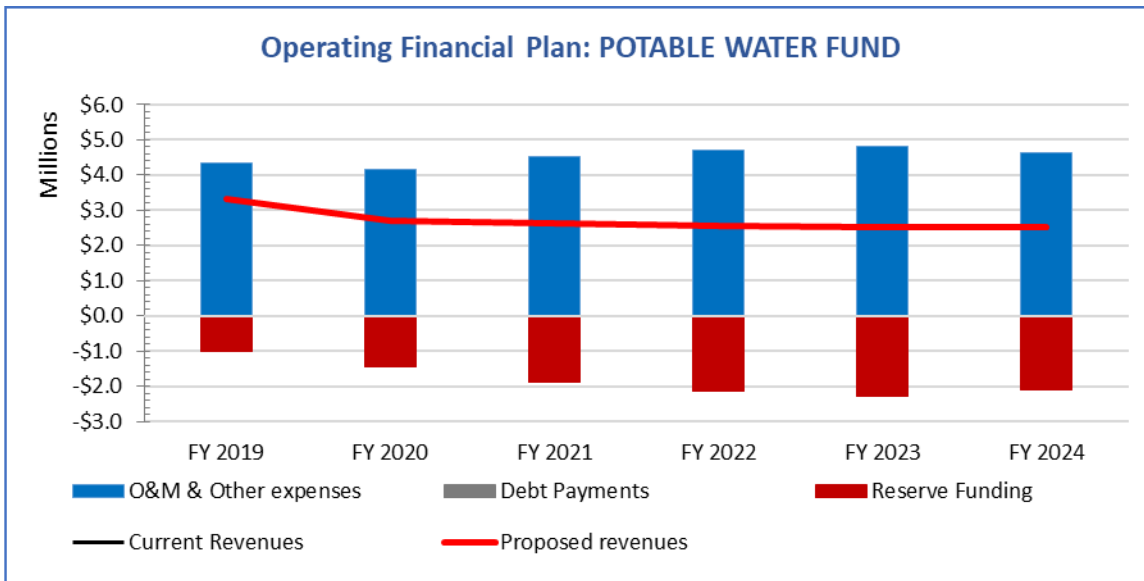
Table 6-3 Proposed 5-year rates

Line No	Proposed rates	Current	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Potable water						
2	Revenue adjustment admin. surcharge		117%	4%	4%	4%	4%
3	Revenue adjustment meter charge		0%	0%	0%	0%	0%
4	Monthly water meter service charge	\$117	\$117	\$117	\$117	\$117	\$117
5	Annual fixed charge per connection		\$3.61	\$3.76	\$3.92	\$4.08	\$4.25
6	Administrative surcharge per AF	\$135	\$190	\$198	\$206	\$215	\$224
7							
8	Recycled water						
9	Revenue adjustment Recycled water rate		4%	4%	4%	4%	4%
10	In-service area	\$729	\$759	\$790	\$822	\$855	\$890
11	Out-service area	\$754	\$784	\$815	\$847	\$880	\$915

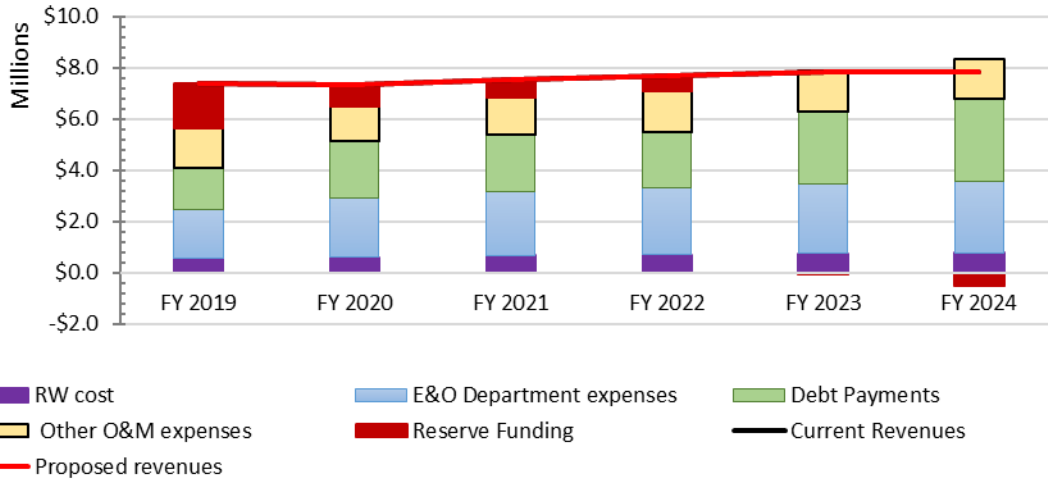
APPENDIX A: WHOLE ENTERPRISE PROFORMA WITHOUT REVENUE ADJUSTMENT

Line No	WHOLE ENTERPRISE	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	REVENUES						
2	Potable Imported Water	\$1,762,594	\$1,494,349	\$1,494,349	\$1,494,349	\$1,494,349	\$1,494,349
3	Late Payment Fee	\$7,594	\$7,594	\$7,594	\$7,594	\$7,594	\$7,594
4	Administrative Surcharge	\$1,755,000	\$1,486,755	\$1,486,755	\$1,486,755	\$1,486,755	\$1,486,755
5	<i>Revenue adjustment</i>	\$0	\$0	\$0	\$0	\$0	\$0
6	Replenishment Water	\$373,767	\$0	\$0	\$0	\$0	\$0
7	Water Meter Service Charge	\$919,608	\$919,608	\$919,608	\$919,608	\$919,608	\$919,608
8	Recycled Water	\$4,084,502	\$4,018,260	\$4,233,315	\$4,392,237	\$4,516,896	\$4,516,896
9	Recycled Water Sales	\$3,626,546	\$3,966,260	\$4,181,315	\$4,340,237	\$4,464,896	\$4,464,896
10	<i>Revenue Adjustment</i>	\$0	\$0	\$0	\$0	\$0	\$0
11	Local Resource Program (LRP) Funding	\$457,956	\$52,000	\$52,000	\$52,000	\$52,000	\$52,000
12	Standby Charges	\$3,286,859	\$3,286,859	\$3,286,859	\$3,286,859	\$3,286,859	\$3,286,859
13	Investment Earnings	\$81,285	\$149,589	\$56,149	\$32,936	\$3,894	\$0
14	Administration (handling) fees	\$141,000	\$135,750	\$125,175	\$115,658	\$107,092	\$99,383
15	Grant (Non-Operating Revenue)	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0
16	Miscellaneous	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500
17	TOTAL REVENUE	\$10,708,115	\$10,062,915	\$10,173,955	\$10,250,146	\$10,337,197	\$10,325,594
18	EXPENDITURES						
19	District Administration	\$1,932,154	\$1,556,296	\$1,674,873	\$1,950,064	\$1,936,565	\$1,509,062
20	Finance Department	\$1,196,993	\$964,530	\$1,009,551	\$1,023,158	\$1,067,622	\$1,082,971
21	Human Resources	\$939,316	\$922,626	\$1,171,931	\$1,261,391	\$1,339,496	\$1,391,142
22	External Affairs	\$275,466	\$225,403	\$233,355	\$240,163	\$247,176	\$254,400
23	Water Resources & Planning	\$636,071	\$657,961	\$772,395	\$723,017	\$744,258	\$766,135
24	Conservation grant match	\$69,093	\$137,366	\$30,000	\$0	\$0	\$0
25	Engineering & Recycled Water Operations	\$2,455,151	\$2,922,239	\$3,176,930	\$3,307,806	\$3,434,647	\$3,531,806
26	Salaries allocated to CIP	-\$25,000	-\$49,413	-\$50,895	-\$52,422	-\$53,995	-\$55,615
27	Information Technology	\$743,597	\$839,997	\$875,285	\$905,704	\$938,803	\$966,817
28	Legal Services	\$109,342	\$270,000	\$300,000	\$240,000	\$240,000	\$240,000
29	Utilities - Electricity	-\$20,906	\$0	\$0	\$0	\$0	\$0
30	TOTAL O&M EXPENDITURES	\$8,311,275	\$8,447,005	\$9,193,425	\$9,598,880	\$9,894,573	\$9,686,719
31	NET REVENUE	\$2,396,840	\$1,615,910	\$980,530	\$651,266	\$442,625	\$638,875
32	Debt Service (incl. interest payments)	\$1,639,872	\$2,186,150	\$2,186,150	\$2,186,150	\$2,819,900	\$3,246,100
33	CIP	\$332,503	\$1,083,950	\$962,670	\$962,670	\$962,670	\$962,670
34	NET CASH CHANGE	\$424,465	-\$1,654,190	-\$2,168,289	-\$2,497,554	-\$3,339,945	-\$3,569,894
35	Unrestricted Funds Beginning Balances	\$7,956,865	\$8,381,330	\$6,727,139	\$4,558,850	\$2,061,297	-\$1,278,648
36	Unrestricted Reserves Ending Balances	\$8,381,330	\$6,727,139	\$4,558,850	\$2,061,297	-\$1,278,648	-\$4,848,542
37	Target Balances	\$9,205,638	\$9,273,502	\$9,646,712	\$9,849,440	\$9,997,286	\$9,893,359

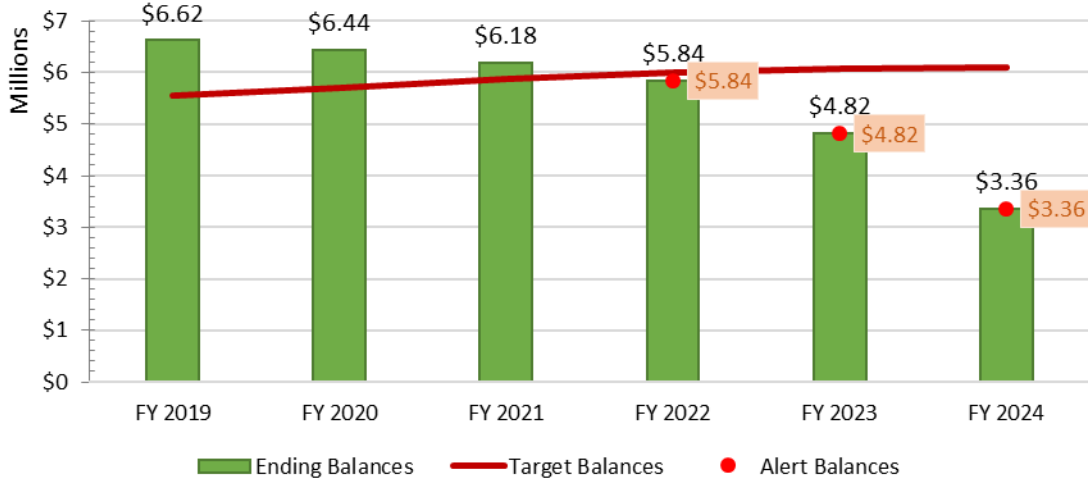
**APPENDIX B: POTABLE WATER AND RECYCLED WATER FUND PROJECTIONS
WITHOUT REVENUE ADJUSTMENT**



Operating Financial Plan: RECYCLED WATER FUND



Unrestricted End Balances: RECYCLED WATER FUND



APPENDIX C:

ADJUSTED RATES BASED ON CBMWD BOARD OF DIRECTORS' MEETING ON JUNE 17, 2019

On June 17, 2019, the CBMWD Board of Directors discussed the proposed rates for FY 2020 and suggested a reduction in the calculated revenue requirement for potable water. In addition, it was decided that the reduction would only be applied toward the revenue requirements by the proposed new fixed charge only. After considering different options, the District's staff suggested reducing O&M expenses by \$229,318, which is the five-year average of the reduction schedule shown below in **Table 6-4**.

Table 6-4 Proposed annual cost reduction by the District's staff

Year	Reduction
FY 2020	\$6,592 ¹²
FY2021	\$285,000
FY 2022	\$285,000
FY 2023	\$285,000
FY 2024	\$285,000
Total	\$1,146,592
5-year average	\$229,318

Raftelis calculated the adjusted revenue requirements and rates based on this decision and the Board's suggested staff reduction for the potable water fund:

Table 6-5 Adjusted revenue requirements for potable water fund in FY 2020

Line no	REVENUE REQUIREMENTS FY2020	Potable water	Notes:
1	O&M Expenses	\$4,172,573	Table 4-4, Line 25
2	Rate Funded Replacement CIP	\$18,125	Table 4-4, Line 28
3	Reserve Funding (net cash change)	\$277,163	Table 4-4, Line 29
4	TOTAL REVENUE REQUIREMENTS	\$4,467,861	Sum lines 1-3
5			
6	LESS NON-OPERATING REVENUES		
7	Late Payment Fee	\$7,594	Table 4-4, Line 3
8	Interest Revenue	\$122,475	Table 4-4, Line 7
9	Administration (handling) fees	\$135,750	Table 4-4, Line 8
10	Grant (Non-Operating Revenue)	\$50,000	Table 4-4, Line 9
11	Misc. Non-Operating Revenues	\$6,176	Table 4-4, Line 10
12	TOTAL NON-OPERATING REVENUES	\$321,994	Sum lines 7-11
13			
14	LESS CONTRACTED RATES REVENUES	\$74,400	Table 3-7, Line 5
15	REVENUE REQUIREMENTS FROM RATES	\$4,071,466	Line 4 <i>minus</i> Line 12 <i>minus</i> Line 14
16	CBMWD Board meeting reduction	-\$229,318	Board meeting, June 17, 2019
17	ADJUSTED REVENUE REQUIREMENTS FROM RATES	\$3,842,148	Line 15 <i>plus</i> Line 14

¹² The reduction is lower, compared to following years, due to projected severance payments.

Table 6-6 Adjusted proposed potable water charges for FY 2020

Line No	Proposed charges calculation	FY 2020	Notes:
1	Revenue requirements	\$4,064,874	Table 6-5 Line 17
2	To be recovered by:		
3	Monthly meter charge revenues	\$845,208	Table 3-7, Line 4
4			
5	Retail meter charge revenues	\$914,857	Table 4-4, Line 15 plus Line 20 multiplied by 86% plus Table 6-5, line 16
6	Number of connections	317,746	Provided by District's staff
7	Proposed annual charge	\$2.88	Line 5 divided to Line 6 ¹³
8			
9	Administrative surcharge revenues	\$2,082,084	Line 1 minus Line 3 minus Line 5
10	Projected water sales	11,013	Table 3-4, Line 1
11	Proposed administrative surcharge per AF	\$190	Line 9 divided to Line 10 ¹⁴

Table 6-7 Adjusted proposed rates after CBMWD Board of Directors' meeting June 17, 2019

Line No	Proposed rates	Current	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1	Potable water						
2	Revenue adjustment admin. surcharge & fixed charge pre connection		117%	4%	4%	4%	4%
3	Revenue adjustment meter charge		0%	0%	0%	0%	0%
4	Monthly water meter service charge	117	\$117	\$117	\$117	\$117	\$117
5	Annual fixed charge per connection	\$0	\$2.88	\$3.00	\$3.12	\$3.25	\$3.38
6	Administrative surcharge per AF	\$135	\$190	\$198	\$206	\$215	\$224
7							
8	Recycled water						
9	Revenue adjustment recycled water rate		4%	4%	4%	4%	4%
10	In-service area	\$729	\$759	\$790	\$822	\$855	\$890
11	Out-service area	\$754	\$784	\$815	\$847	\$880	\$915

¹³ Rounded up to the nearest cent.

¹⁴ Rounded up to the nearest dollar.

RESOLUTION NO. 07-19-987

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CENTRAL BASIN MUNICIPAL WATER DISTRICT ESTABLISHING A RETAIL METER CHARGE

WHEREAS, Central Basin Municipal Water District (Central Basin or District) supplies a reliable source of water to approximately 1.7 million residents throughout 24 cities and unincorporated areas of Southeast Los Angeles County; and

WHEREAS, as a member agency of the Metropolitan Water District of Southern California, Central Basin relies on imported water supplies from the Metropolitan Water District of Southern California; and

WHEREAS, pursuant to California Water Code sections 71614 and 71616, Central Basin is authorized to establish water rates and charges for water which will result in revenues sufficient to meet the operating expenses of the District, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions and enlargements, and cover principal and interest payments and costs associated with bonded debt; and

WHEREAS, on June 25, 2018, the Board of Directors of Central Basin adopted Resolution No. 06-18-959 establishing water rates and charges for the calendar year commencing July 1, 2018 and continuing each calendar year thereafter; and

WHEREAS, there continues to be a need for increasing Central Basin's financial stability as Central Basin received a downgrade in Moody's Investor Services' credit rating to "Baa1" from "A1" in July 2018 and a downgrade in Standard & Poor's credit rating to "BBB+" from "A-" in November 2018; and

WHEREAS, the Board authorized and directed staff to move forward with conducting a water rate study for the purpose of, among other things, studying and making recommendations to the Board regarding establishing the Retail Meter Charge rate consistent with California Proposition 26.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors (Board) of the Central Basin Municipal Water District hereby establishes a Retail Meter Charge to be imposed annually by the District in its annual Water Rates and Charges Resolution for each fiscal year on each of its member agencies based upon the total number of retail water meters served by the member agency which are in service as of January 1 of each year.

BE IT FURTHER RESOLVED that further consideration and authorization by the Board is necessary to establish the Retail Meter Charge rate. The Retail Meter Charge will not be imposed by the District until the rate is approved by the Board.

BE IT FURTHER RESOLVED that Central Basin is authorized, at such time as the General Manager may determine to be necessary, to require supporting documentation from each member agency, signed by an authorized representative of the member agency, to verify the number of retail meters within the member agency's service area which are in service as of January 1. Central Basin also is authorized to conduct random on-site visits with the member agencies to verify data regarding the number of retail meters.

Passed, approved and adopted on this 31st day of July 2019.

Board President

ATTEST:

Board Secretary
(Seal)

RESOLUTION NO. 07-19-988

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
CENTRAL BASIN MUNICIPAL WATER DISTRICT RELATING TO WATER RATES
AND CHARGES COMMENCING FISCAL YEAR 2019-20 AND CONTINUING EACH
FISCAL YEAR THEREAFTER, FOR APPLICABLE TIER 1 AND TIER 2 WATER
PURCHASE ALLOWANCE METHODOLOGY, AND REPEALING
RESOLUTION NO. 06-18-959**

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF CENTRAL BASIN
MUNICIPAL WATER DISTRICT** as follows:

1. Purpose.

The Central Basin Municipal Water District (“Central Basin” or the “District”) purchases water from the Metropolitan Water District of Southern California (“Metropolitan” or “MWD”). The District’s rates, fees and charges reflect the fees paid to MWD for water use more commonly known as “Tier 1” and “Tier 2” level rates. The purpose of this Resolution is to re-establish rates and purchase limits, if applicable, previously set for customers for direct consumptive and replenishment use and not for storage or other uses.

2. Findings.

The Board of Directors finds:

(a) The rates, fees and charges set forth herein will offset the amounts paid by the District for water, the cost of operations and maintenance expenses, capital improvement needs, and an amount necessary for reasonable reserves and debt service.

(b) The revenue produced by the rates, fees and charges set forth herein will be used to provide water and related service to existing customers. Any environmental review requirements by virtue of 14 California Code of Regulations, Section 15273 have been satisfied.

(c) The rates, fees and charges set forth herein reflect the District's reasonable costs to provide water and related service to existing customers, and are allocated in a fair and reasonable manner. These charges are not taxes under Article XIII C of the California Constitution.

3. General.

The District delivers potable and recycled water for direct and indirect use. Customers shall pay the following rates, fees and charges as set forth below and to the limits as may be authorized in "Annual Tier 1 Water Purchase Budgets", if applicable.

Customers shall use water delivered by the District only for reasonable and beneficial purposes. Customers may request an amendment to the amount of water allocated under their Annual Tier 1 Water Budget, if applicable, as set forth in "Annual Tier 1 Water Purchase Budgets".

4. Definitions.

The following terms are defined for the purposes of this resolution:

Customer means a person, firm, or agency that purchases water from the District.

Direct use means the use of water, other than groundwater, for reasonable and beneficial uses.

District or Central Basin means Central Basin Municipal Water District.

Indirect use means the use of water to replenish a groundwater basin through the methods of in-lieu, spreading, or injection.

Metropolitan or MWD means The Metropolitan Water District of Southern California.

Tier 1 means water purchased at the total Tier 1 rate as determined by MWD and charged to the District. This is a per acre-foot (AF) charge for imported water through the MWD water delivery system and includes all rate elements such as the Tier 1 Supply Rate and Power Rate but does not include the Readiness To Serve (RTS) and Capacity

charges. The Tier 1 rate is the primary and least expensive rate for MWD imported water and is charged on all water purchased by the District up to the Tier 1 Allotment.

Tier 2 means water purchased at the total Tier 2 rate as determined by MWD and charged to the District. This is a per AF charge for imported water through the MWD water delivery system and includes all rate elements such as the Tier 2 Supply Rate and Power Rate but does not include the RTS and Capacity charges. The Tier 2 rate is the secondary and more expensive rate for MWD imported water and is charged on all water purchased by the District in excess of the Tier 1 Allotment.

Tier 1 Allotment means the total amount of imported water that can be purchased by the District from MWD at the Tier 1 Rate. This allotment is set by MWD based on policies approved by the MWD Board of Directors and is calculated using historical levels of water purchases by the District. The allotment applies to any imported water purchased by the District on a calendar year basis from MWD using the MWD water delivery system to the District's water meter connections with MWD. MWD has assigned the District a Tier 1 Allotment of 71,770 AF annually for the period January 1, 2015 to December 31, 2024.

Tier 1 Allotment Reserve, if applicable, means the total amount of the Tier 1 Allotment not purposed for Direct Use by District Customers as specified in applicable "Annual Tier 1 Water Purchase Budgets". This remaining portion of the Tier 1 Allotment not allocated for Direct Use is held in reserve for purposes of selling Tier 1 water for replenishment, storage, or other uses. The allotment reserve is set at 35,930 AF annually for the period January 1, 2015 to December 31, 2024 and may be amended from time to time by the District's Board of Directors.

Tier 1 Budget, if applicable, means the amount of water a District customer may purchase on a calendar year basis at the Tier 1 rate notwithstanding any applicable surcharges levied by the District.

Tier 2 Premium means the difference in price between the Tier 1 Supply rate and the Tier 2 Supply rate as determined and assessed by MWD to the District.

Recycled water means water not meeting the criteria established by the California Department of Health Services for domestic use and derived by treatment in a water reclamation plant.

Replenishment Service means the delivery of treated or untreated water by MWD through the methods of in-lieu, spreading, or injection in order to replenish the groundwater basin.

Treated water means water treated by filtration, disinfection and other processes at a Metropolitan treatment facility.

Untreated water means water from MWD that did not undergo the filtration, disinfection and other processes at its treatment facility.

Wheeling charge means cost paid by the District of moving water from sources other than MWD but using the MWD distribution system.

5. Direct Use Potable and Method of Calculating Tier 1 and Tier 2 Water Rates

(a) The amount of Tier 1 and Tier 2 water the District can deliver for direct use and the price is a function of the terms under which MWD delivers water to the District.

(b) A customer may request the District to adjust the customer's Tier 1 Budget, if applicable, each year. The request shall be filed with the General Manager of the District at least 90 days before the end of the calendar year. The District shall act on such requests at least 30 days before the end of the calendar year. The District shall reassign base Tier 1 Budgets to the maximum extent feasible in the District's sole and exclusive determination in order to meet the District's financial goals and ensure adequate supply to its customers. The General Manager shall have authority to grant such requests and reassign Tier 1 Budget amounts between customers should the General Manager determine in his absolute discretion that the reduction of other customer(s) Tier 1 Budgets to meet such requests would be in amounts that would otherwise be unused. Any requests for additional Tier 1 Budget from this annual process that would reduce the Tier 1 Allotment Reserve overall shall be brought before the Board for review and approval prior to General Manager granting any such requests.

However, if applicable, the General Manager shall have sole discretion to increase a customer's Tier 1 Budget and thereby reduce the available Tier 1 Allotment Reserve for a customer's unanticipated and non-recurring water demands such as in the event of an emergency like a customer's groundwater pump failure. Such an increase is limited to the calendar year the customer made the request in and cannot cause the District to exceed its Tier 1 Allotment in total for that year.

(c) For direct delivery of treated imported water not to exceed a customer's applicable Tier 1 Budget, the rates set forth in Attachment 1 are hereby authorized and approved.

(d) For direct delivery of untreated imported water not to exceed a customer's applicable Tier 1 Budget, the rates set forth in Attachment 1 are hereby authorized and approved.

(e) For direct delivery of treated or untreated water in excess of a customer's applicable Tier 1 Budget the customer shall pay the prorated share of Tier 2 Premium costs to the District, as assessed to the District by MWD on a calendar year basis. The prorated Tier 2 Premium costs are based upon the customer's proportional share among all direct use customers of water purchased in excess of the customer's Tier 1 Budget in a calendar year.

(f) The following is an example of the methodology:

- Central Basin MWD buys 72,770 AF from MWD in calendar year 2019 (1,000 AF over Tier 1 Allowance)
- Total amount of imported water direct consumption from customers over their Tier 1 Budget = 4,000 AF
 - Customer #1 – 3,000 AF (75% of total)
 - Customer #2 – 1,000 AF (25% of total)
- Central Basin is charged \$132,000 in Tier 2 premium costs from MWD
 - \$132 Tier 2 premium x 1,000 AF over Tier 1 Allowance
- Customer #1 is charged \$99,000 (\$132,000 x 75%)
- Customer #2 is charged \$33,000 (\$132,000 x 25%)

(g) Any portion of rates that pertain to volumetric imported water rates in this section that are direct pass-through rates charged by MWD to Central Basin which may be revised in the future by MWD are hereby deemed as automatically approved by Central Basin when approved by MWD.

6. Recycled Water

(a) For recycled water delivered by the District, the volumetric rates in Attachment 1 are hereby authorized and approved.

7. Indirect Use: Potable.

(a) The District may obtain water for indirect uses such as groundwater replenishment from Metropolitan and from other sources.

(b) For treated and untreated water obtained from other sources, customers shall pay a price per AF that includes all water acquisition charges, treatment charges (if needed), and wheeling charges plus an administrative surcharge that is equal to the District's administrative surcharge set forth in Attachment 1 or 10% of total costs, whichever is greater.

8. Monthly Water Meter Service Charge.

Effective July 1, 2019, a monthly water service charge amount per cubic-foot per second of potable meter capacity set forth in Attachment 1 shall be assessed to each of the District's retail agencies with MWD meter connections for each service connection capable of delivering imported water, regardless of the amount of water delivered.

9. Annual Fixed Meter Charge Per Retail Connection.

Effective July 1, 2019, an annual fixed meter charge amount per retail meter connection set forth in Attachment 1 shall be assessed and billed on a monthly basis, rounded to the nearest cent, to each of the District's retail agencies regardless of the amount of water delivered by Central Basin to the respective retail agency.

10. Readiness to Serve (RTS) Charge.

Effective July 1, 2019, each retail agency will be assessed a fixed monthly RTS charge to cover MWD RTS charges, inclusive of a 11.65% handling fee. The MWD RTS charge is paid by the District to MWD to recover the cost of the portion of MWD's system capacity that is on standby to provide emergency service and operational flexibility. The RTS charge finances MWD infrastructure projects and is allocated by MWD among their member agencies based upon 10-fiscal year rolling average of firm sales.

For Central Basin, each retail agency will pay a percentage of the RTS charge plus the handling fee specified above based on their proportional share of total direct use potable water purchases over the previous four fiscal years. Attachment 2 to this Resolution shows each retail agency's percentage of the RTS charge for fiscal year 2019-20 based on this methodology.

11. Central Basin Capacity Charge.

Effective July 1, 2019, each retail agency with a MWD connection will be assessed a fixed monthly capacity charge to cover the MWD Capacity Charge, inclusive of a 11.65% handling fee. The MWD Capacity Charge is paid by the District to MWD to recover costs incurred to provide peaking capacity within Metropolitan's distribution system. MWD's Capacity Charge provides a price signal to encourage member agencies to reduce peak day demands on the system and to shift demands that occur during the May 1 through September 30 period into the October 1 through April 30 period. This is intended by MWD to result in more efficient utilization of Metropolitan's existing infrastructure and defers capacity expansion costs.

For Central Basin, each Central Basin customer will pay the per cubic-foot per second rates of its proportional share of MWD system capacity set forth in Attachment 1, calculated based on the customer's highest peak day flow between May 1 and September 30 from the applicable three preceding calendar years, inclusive of the 11.65% handling fee. Attachment 3 and Attachment 4 to this Resolution shows each customer's peak day flow by calendar year based on this methodology.

12. Payments.

(a) The District shall bill each customer for charges incurred under this Resolution during the prior month. All charges shall be billed at the applicable rate. Bills shall be due when issued and shall be delinquent if payment is not received by the District by close of business on the 10th day of the month following the date of billing.

(b) If water is sold by the District to a customer for indirect use, but the water is used for a different purpose, the customer shall pay upon the District's demand the difference between the rates prescribed for the true use and the rates paid.

(c) A customer's prorated Tier 2 Premium charge, as calculated in the manner specified in Sections 5(e) & 5(f), shall be billed annually within 60 days of the District being invoiced for Tier 2 water charges by MWD.

13. Delinquencies.

If a customer is delinquent in payment of charges imposed by the District under this Resolution, an additional charge equal to 2% of such delinquency shall be assessed for each month or portion thereof that the payment remains delinquent.

14. Water Conservation.

(a) A customer may obtain replenishment service using replenishment, treated potable or untreated potable water from Metropolitan as approved by the General Manager of the District. District customers shall comply with terms and conditions established by Metropolitan for replenishment service. Water from any source shall not be delivered for replenishment unless the General Manager determines delivery will benefit the District.

(b) The use of imported water when the use of recycled water is feasible, is a waste and unreasonable use of imported water. If the District makes recycled water available to a customer, but the customer does not use recycled water, the District, upon General Manager's determination, may impose a surcharge on water deliveries of up to 50% of the billing. The proceeds of the surcharge shall be used for any of the following purposes:

(1) Designing and constructing additional facilities within the customer's boundaries or at other locations for the distribution of recycled water;

(2) Designing and constructing plumbing system modifications on retail services within customer's boundaries or at other locations as necessary to distribute recycled water; and

(3) Repayment of prior construction costs for systems to deliver recycled water to the customer or others.

15. Rates, fees, charges, surcharges, water deliveries, applicable base allocations and applicable available water supply for Fiscal Year beginning July 1, 2019 shall be subject to all the provisions of the Central Basin Water Supply Allocation Policy.

16. Other.

This Resolution is effective for rates, fees, charges, surcharges and water delivered on or after July 1, 2019 and repeals Resolution No. 06-18-959.

PASSED, APPROVED AND ADOPTED on July 31st, 2019

President

ATTEST:

Secretary

(SEAL)

Y:\centralbasinboard\cbresos\cb988



Central Basin Municipal Water District
Proposed Water Rates and Charges commencing FY 2019-2020



Rates Effective July 1, 2019			
	Metropolitan Water District Commodity Rate	Central Basin Administrative Surcharge	Grand Total
Non-Interruptible- Treated (<i>Tier 1</i>)	\$1,050/AF	\$190/AF	\$1,240/AF
Non-Interruptible- Untreated (<i>Tier 1</i>)	\$731/AF	\$190/AF	\$921/AF
Non-Interruptible- Untreated WRD Agreement	\$731/AF	\$70/AF	\$801/AF

Rates Effective January 1, 2020			
	Metropolitan Water District Commodity Rate	Central Basin Administrative Surcharge	Grand Total
Non-Interruptible- Treated (<i>Tier 1</i>)	\$1,078/AF	\$190/AF	\$1,268/AF
Non-Interruptible- Untreated (<i>Tier 1</i>)	\$755/AF	\$190/AF	\$945/AF
Non-Interruptible- Untreated WRD Agreement	\$755/AF	\$70/AF	\$825/AF

MWD Non-Interruptible Treated Commodity Rate Components		
	<i>Effective Dates</i>	
	July 1, 2019	January 1, 2020
Supply Rate Tier 1	\$209	\$208
Supply Rate Tier 2	\$295	\$295
System Access Rate	\$326	\$346
Water Stewardship Rate	\$69	\$65
Treatment Rate	\$319	\$323
Power Rate	\$127	\$136
Total Tier 1	\$1,050	\$1,078
Total Tier 2	\$1,136	\$1,165

MWD Capacity Charge ^{1 3}	
<i>Effective July 1, 2019</i>	<i>Effective January 1, 2020</i>
MET \$8,600/cfs per year	MET \$8,800/cfs per year
CB \$4,392/cfs per year	CB \$4,150/cfs per year

Monthly Water Meter Service Charge
\$117/cfs per month ²

RTS Charge ³	
<i>Effective July 1, 2019</i>	<i>Effective January 1, 2020</i>
MET \$48,097/per month	MET \$47,725/per month
<i>Effective July 1, 2019</i>	
CB \$50,865/per month	

CBMWD Recycled Water Rates
<i>Effective July 1, 2019</i>
Volumetric Rate
<i>CBMWD Service Area</i>
\$759/AF
<i>Outside of CBMWD Service Area</i>
\$784/AF

Annual Fixed Meter Charge per Retail Connection
\$2.00 per Retail Connection

⁽¹⁾ Designated amount based on highest peak (per cfs) from the past three summer periods (May 1-Sept. 30)

⁽²⁾ Per cfs as determined by agency's meter capacity

⁽³⁾ Inclusive of applicable 11.65% handling fee

Proposed RTS Purveyor Cost for FY 2019-20

Agency	FY 2019-20		FY 2019-20		FY 2019-20, Average Monthly Payment Amount, including 11.65% Handling Fee
	4 YEAR AVERAGE %	Total Met Pass-through Amount	Total Met Pass-through Amount Plus 11.65% Handling Fee	TOTAL	
City of Bell Gardens	0.23%	\$ 1,347	\$ 1,504	\$ 125	
City of Bellflower	0.01%	\$ 33	\$ 37	\$ 3	
California Water Service Company	13.31%	\$ 76,498	\$ 85,410	\$ 7,117	
City of Cerritos	1.07%	\$ 6,176	\$ 6,896	\$ 575	
City of Commerce	0.00%	\$ -	\$ -	\$ -	
City of Huntington Park	2.10%	\$ 12,070	\$ 13,476	\$ 1,123	
La Habra Heights Water District	0.34%	\$ 1,954	\$ 2,181	\$ 182	
City of Lynwood	0.41%	\$ 2,329	\$ 2,600	\$ 217	
Maywood Mutual Water Co. #1	0.43%	\$ 2,486	\$ 2,776	\$ 231	
Maywood Mutual Water Co. #2	0.16%	\$ 945	\$ 1,055	\$ 88	
Maywood Mutual Water Co. # 3	0.00%	\$ -	\$ -	\$ -	
City of Montebello	1.14%	\$ 6,553	\$ 7,317	\$ 610	
City of Norwalk	0.97%	\$ 5,577	\$ 6,227	\$ 519	
Orchard Dale Water District	0.06%	\$ 366	\$ 409	\$ 34	
City of Paramount	1.08%	\$ 6,217	\$ 6,941	\$ 578	
Liberty Utilities	12.84%	\$ 73,802	\$ 82,400	\$ 6,867	
Rancho Los Amigos	0.00%	\$ 0	\$ 0	\$ 0	
San Gabriel Valley Water Co.	0.00%	\$ 1	\$ 2	\$ 0	
City of Santa Fe Springs	6.72%	\$ 38,653	\$ 43,157	\$ 3,596	
City of Signal Hill	0.58%	\$ 3,350	\$ 3,741	\$ 312	
Golden State Water Company	9.58%	\$ 55,087	\$ 61,505	\$ 5,125	
City of South Gate	0.00%	\$ -	\$ -	\$ -	
Suburban Water Systems	0.08%	\$ 437	\$ 488	\$ 41	
City of Vernon	1.80%	\$ 10,374	\$ 11,582	\$ 965	
Walnut Park Mutual Water Co.	0.00%	\$ -	\$ -	\$ -	
WRD (contractual amount)	47.08%	\$ 270,672	\$ 270,672	\$ 22,556	
TOTAL	100%	\$ 574,929	\$ 610,375	\$ 50,865	

MWD & District Capacity Charge

Breakdown Summary

Central Basin MWD

FISCAL YEAR 2019-20

Central Basin Customers

	2016	2017	2018	PEAK 20
Bellflower Somerset Mutual	0.00	0.01	0.00	0.0
California Water Service- East LA	15.04	13.03	16.01	16.0
City of Bell Gardens	1.82	0.21	0.42	1.8
City of Cerritos	3.59	0.00	0.00	3.6
California Water Service- Commerce	2.17	2.81	2.81	2.8
City of Downey	0.00	0.00	0.00	0.0
City of Huntington Park	2.45	1.25	2.38	2.5
City of Lakewood	0.00	0.00	0.00	0.0
City of Lynwood	2.28	2.64	0.00	2.6
City of Montebello	0.00	0.00	0.00	0.0
City of Norwalk	1.18	1.73	1.59	1.7
City of Paramount	1.24	5.13	9.78	9.8
City of Santa Fe Springs	6.73	6.10	5.85	6.7
City of Signal Hill	0.00	3.57	1.82	3.6
City of South Gate	0.00	0.00	0.00	0.0
City of Vernon	4.88	4.39	0.00	4.9
County LA - Rancho Los Amigos	0.00	0.00	0.00	0.0
Golden State Water Co.	7.29	10.06	6.92	10.1
La Habra Heights Water District	6.22	3.28	4.06	6.2
Maywood Mutual No. 1	1.50	1.64	1.05	0.4
Maywood Mutual No. 2				1.0
Maywood Mutual No. 3				0.2
Orchard Dale Water District	4.71	0.00	0.00	4.7
Park Water Company	12.47	16.53	9.44	16.5
San Gabriel Valley Water Co.	0.00	0.00	0.00	0.0
Suburban Water Systems	0.00	5.22	6.66	6.7
Walnut Park Mutual Water Co.	0.00	0.00		0.0
Water Replenishment District	0.00	0.00	0.00	-
TOTAL	73.57	77.60	68.80	101.8

MWD & District Capacity Charge

Breakdown Summary

Central Basin MWD

FISCAL YEAR 2018-19

Central Basin Customers	2015	2016	2017	PEAK 19
Bellflower Somerset Mutual	0.01	0.00	0.01	0.0
California Water Service- East LA	13.68	15.04	13.03	15.0
City of Bell Gardens	0.70	1.82	0.21	1.8
City of Cerritos	4.12	3.59	0.00	4.1
California Water Service- Commerce	2.02	2.17	2.81	2.8
City of Downey	0.00	0.00	0.00	0.0
City of Huntington Park	2.23	2.45	1.25	2.5
City of Lakewood		0.00	0.00	0.0
City of Lynwood	1.83	2.28	2.64	2.6
City of Montebello	2.38	0.00	0.00	2.4
City of Norwalk	0.98	1.18	1.73	1.7
City of Paramount	8.65	1.24	5.13	8.7
City of Santa Fe Springs	7.63	6.73	6.10	7.6
City of Signal Hill	3.25	0.00	3.57	3.6
City of South Gate	0.00	0.00	0.00	0.0
City of Vernon	4.57	4.88	4.39	4.9
County LA - Rancho Los Amigos	0.00	0.00	0.00	0.0
Golden State Water Co.	19.16	7.29	10.06	19.2
La Habra Heights Water District	0.00	6.22	3.28	6.2
Maywood Mutual No. 1 (3)	2.75	1.50	1.64	0.7
Maywood Mutual No. 2 (3)				1.7
Maywood Mutual No. 3 (3)				0.4
Orchard Dale Water District	0.00	4.71	0.00	4.7
Park Water Company	12.85	12.47	16.53	16.5
San Gabriel Valley Water Co.	0.00	0.00	0.00	0.0
Suburban Water Systems	3.22	0.00	5.22	5.2
Walnut Park Mutual Water Co.	0.00	0.00	0.00	0.0
Water Replenishment District	0.00	0.00	0.00	-
TOTAL	90.03	73.57	77.60	112.4

EXHIBIT B
Sample Agreement

PROFESSIONAL SERVICES AGREEMENT NO: 2026-XX

Between

CENTRAL BASIN MUNICIPAL WATER DISTRICT

And

COMPANY NAME

For

**THE PREPARATION OF THE 2025 URBAN WATER MANAGEMENT PLAN AND
WATER SHORTAGE CONTINGENCY PLAN**

THIS PROFESSIONAL SERVICES AGREEMENT (“Agreement”) is entered into **1ST day of Month 2025**, (“Effective Date”), by and between the CENTRAL BASIN MUNICIPAL WATER DISTRICT, a municipal water district organized under the Municipal Water District Law of 1911 (Water Code Section 71000 *et seq.*) (“DISTRICT”) and **COMPANY NAME** (“CONSULTANT”). The capitalized term “Parties” shall be a collective reference to both DISTRICT and CONSULTANT. The capitalized term “Party” shall refer to either DISTRICT or CONSULTANT interchangeably as appropriate.

RECITALS

THIS AGREEMENT is made and entered into with respect to the following facts:

WHEREAS, the DISTRICT may make contracts to do all acts necessary for the full exercise of its powers pursuant to Water Code Section 71592;

WHEREAS, the DISTRICT requires Information Technology Services (IT Service) to continue operations of DISTRICT’S Information Technology System;

WHEREAS, CONSULTANT represents in its response to the **Request for Proposal No. 218** that it is fully qualified to perform such professional services by virtue of its experience and the training, education and expertise of its principals, employees, agents and subcontractors;

WHEREAS, the execution of this Agreement was approved by the District’s Board of Directors (“Board”) in accordance with the DISTRICT’s procurement procedures through a written **Board Agenda No. X dated November 24, 2025** and;

WHEREAS, CONSULTANT further represents that it is willing to accept responsibility for performing such services in accordance with the terms and conditions set forth in this Agreement;

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, DISTRICT and CONSULTANT agree as follows:

SECTION 1 - SCOPE AND PROSECUTION OF WORK; COMPENSATION

1.1 SCOPE OF WORK: Subject to the terms and conditions set forth in this Agreement and all exhibits attached and incorporated hereto, CONSULTANT agrees to prepare the 2025 Urban Water Management Plan and Water Shortage Contingency Plan (WSCP) and to perform the services and tasks set forth in “**Exhibit A**” (“Scope of Work”) attached and incorporated hereto. CONSULTANT further agrees to furnish to DISTRICT all labor, materials, tools, supplies, equipment, services, tasks and incidental and customary work necessary to competently perform and timely complete the services and tasks set forth in the Scope of Work. For the purposes of this Agreement, the aforementioned services and tasks set forth in the Scope of Work shall hereinafter be referred to generally by the capitalized term “Work.” The Work is inclusive of those tasks that may be identified as being optional under the Scope of Work and such optional work shall not constitute Extra Work under Section 1.5 of this Agreement, below. Neither CONSULTANT nor anyone acting on CONSULTANT’S behalf shall commence with the performance of the Work or any other related tasks until DISTRICT issues a written notice to proceed (“Notice to Proceed”).

1.2 TERM:

This Agreement shall have an initial term commencing **December 1, 2025**, and terminating **July 1, 2026**, (“Initial Term”) unless otherwise earlier terminated pursuant to Section 3, subject to the restrictions and conditions described therein, set forth below.

1.3 COMPENSATION AND COMPENSATION CONTROLS:

- A. CONSULTANT shall perform and complete the Scope of Work in accordance with the hourly rate schedule. CONSULTANT agrees to be compensated at the rate set forth in Exhibit A.
- B. CONSULTANT further agrees that the total aggregate amount of compensation CONSULTANT receives under this Agreement shall not exceed **XXX THOUSAND XXX HUNDRED NINETY-NINE DOLLARS AND 00/100 (\$XX,XXX.00)** (“Contract Price”). Any compensation in excess of the Contract Price must first be approved in writing by the DISTRICT Board of Directors. The Contract Price includes reimbursable pass-through costs.

1.4 PAYMENT OF COMPENSATION:

- A. Following the conclusion of each month during the Initial Term of this Agreement or any extension term, CONSULTANT shall submit an itemized invoice to DISTRICT on a monthly basis for the previous month’s services that includes:
 - i. A detailed description of the services performed to the satisfaction of the Project Manager;
 - ii. Date or period of services;
 - iii. DISTRICT’s Agreement number;
 - iv. The name of the DISTRICT’s Project Manager;
 - v. CONSULTANT’s remittance address and phone number;
 - vi. Support documentation sufficient to validate the charges for each invoice item.
 - vii. When applicable, reimbursable pass-through costs incurred by CONSULTANT during the recently concluded month.
 - viii. DISTRICT’s payment terms are NET 30 days after the receipt of invoice.
 - ix. CONSULTANT shall submit invoices to the following email address:

Central Basin Municipal Water District
Attn: Elaine Jeng, Interim General Manager
P.O. Box 911579
Los Angeles, CA 90091
Email: elainej@centralbasin.org

- B. Within thirty (30) calendar days of receipt of each invoice, DISTRICT shall notify CONSULTANT of any disputed charges, costs or expenses included in the invoice.
- C. DISTRICT shall not withhold applicable taxes or other authorized deductions from payments made to CONSULTANT.

1.5 EXTRA WORK; COMPENSATION FOR EXTRA WORK: At any time during the term of this Agreement, DISTRICT may request that CONSULTANT perform Extra Work. For the purposes of this Agreement, the term “Extra Work” means any additional work, services or tasks not set forth in the Scope of Work but later determined by DISTRICT to be necessary. CONSULTANT shall not undertake nor shall CONSULTANT be entitled to compensation for Extra Work without the prior written authorization of the DISTRICT. Extra Work does not include any labor, materials, tools, supplies, equipment, services, tasks or incidental and customary work undertaken to competently perform and timely complete the Work and related tasks set forth in the Scope of Work.

- 1.6 ACCOUNTING RECORDS: CONSULTANT shall maintain complete and accurate records with respect to all matters covered under this Agreement for a period of three (3) years after the expiration or termination of this Agreement. DISTRICT shall have the right to access and examine such records, without charge, during normal business hours. DISTRICT shall further have the right to audit such records, to make transcripts therefrom and to inspect all program data, documents, proceedings, and activities.
- 1.7 ABANDONMENT BY CONSULTANT: In the event CONSULTANT ceases to perform the work agreed to under this Agreement or otherwise abandons the undertaking contemplated herein prior to the expiration of this Agreement or prior to completion of any or all tasks set forth in the Scope of Work, CONSULTANT shall deliver to DISTRICT immediately and without delay, all materials, records and other work product prepared or obtained by CONSULTANT in the performance of this Agreement. Furthermore, CONSULTANT shall only be compensated for the reasonable value of the services, tasks and other work performed up to the time of cessation or abandonment, less a deduction for any damages, costs or additional expenses which DISTRICT may incur as a result of CONSULTANT's cessation or abandonment.

SECTION 2 - PERFORMANCE OF AGREEMENT

- 2.1 DISTRICT PROJECT MANAGER: The DISTRICT hereby designates its General Manager as the Project Manager to act as the DISTRICT's representative for the performance of this Agreement. The Project Manager shall act on behalf of the DISTRICT for all purposes under this Agreement subject to the restrictions and conditions set forth in Section 3 below. CONSULTANT shall not accept directions or orders from any person other than the Project Manager.
- 2.2 CONSULTANT'S REPRESENTATIVE: CONSULTANT hereby designates **Company Representative's Name** to act as its representative for the performance of this Agreement (hereinafter, "CONSULTANT Representative"). CONSULTANT Representative shall have full authority to represent and act on behalf of the CONSULTANT for all purposes under this Agreement. CONSULTANT Representative or his designee shall supervise and direct the performance of the work, using his best skill and attention, and shall be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of the work under this Agreement. Notice to the CONSULTANT Representative shall constitute notice to CONSULTANT.
- 2.3 NOTICE: Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated:
 - i. by personal delivery;
 - ii. by overnight courier upon written verification of receipt;
 - iii. by certified or registered mail, return receipt requested, upon verification of receipt to the following:

To the DISTRICT:
 Central Basin Municipal Water District
 PO Box 911579
 Los Angeles, CA 90091
 Attn: General Manager
 Phone: (323) 201-5528
 Fax: (323) 201-5550

If to the CONSULTANT:
Company Name
Address
City, CA 91XXX
 Attn: **Company Representative's Name**
 Phone: **(XXX) XXX-XXXX**
 Fax: **(XXX) XXX-XXXX**
 E-mail: **name@company.com**

- 2.4 COORDINATION OF SERVICE; CONFORMANCE WITH REQUIREMENTS: CONSULTANT agrees to work closely with DISTRICT staff in the performance of the work required by this Agreement and CONSULTANT shall be available to DISTRICT staff and the Project Manager at all reasonable times.
- 2.5 STANDARD OF CARE; PERFORMANCE OF EMPLOYEES: CONSULTANT represents, acknowledges and agrees to the following:

- A. CONSULTANT shall perform all work skillfully, competently and to the highest standards applicable to the CONSULTANT's profession;
- B. CONSULTANT shall perform all work in a manner satisfactory to the DISTRICT, as determined by the DISTRICT in its sole discretion;
- C. CONSULTANT shall comply with all applicable federal, state and local laws and regulations, including without limitation, the conflict of interest provisions of Government Code Section 1090 and the Political Reform Act (Government Code Section 81000 et seq.);
- D. CONSULTANT understands the nature and Scope of the Work to be performed under this Agreement as well as any and all schedules of performance;
- E. All of CONSULTANT's employees and agents (including but not limited to CONSULTANT's subcontractors and subconsultants) possess sufficient skill, knowledge, training and experience to perform those services and tasks assigned to them by CONSULTANT; and
- F. All of CONSULTANT's employees and agents (including but not limited to CONSULTANT's subcontractors and subconsultants) possess all licenses, permits, certificates, qualifications and approvals of whatever nature that are legally required to perform the tasks and services contemplated under this Agreement and all such licenses, permits, certificates, qualifications and approvals shall be maintained throughout the term of this Agreement.

The Parties acknowledge and agree that CONSULTANT shall perform, at CONSULTANT's own cost and expense and without any reimbursement from DISTRICT, any services necessary to correct any errors or omissions caused by CONSULTANT's failure to comply with the standard of care set forth under this Section or by any like failure on the part of CONSULTANT's employees, agents, contractors, subcontractors and subconsultants. Such effort by CONSULTANT to correct any errors or omissions shall be commenced immediately upon their discovery by either Party and shall be completed within seven (7) calendars days from the date of discovery or such other extended period of time authorized by the DISTRICT Representatives in writing pursuant to the District's sole and absolute discretion. The Parties acknowledge and agree that DISTRICT's acceptance of any work performed by CONSULTANT or on CONSULTANT's behalf shall not constitute a release of any deficiency or delay in performance. The Parties further acknowledge, understand and agree that DISTRICT has relied upon the foregoing representations of CONSULTANT, including but not limited to the representation that CONSULTANT possesses the skills, training, knowledge and experience necessary to perform the work in a skillful and competent manner equivalent to, the standard of performance generally recognized as being employed by professionals performing the same type of work and services in the State of California.

- 2.6 ASSIGNMENT: The skills, training, knowledge and experience of CONSULTANT are material to DISTRICT's willingness to enter into this Agreement. Accordingly, DISTRICT has an interest in the qualifications and capabilities of the person(s) who will perform the services and tasks to be undertaken by CONSULTANT or on behalf of CONSULTANT in the performance of this Agreement. In recognition of this interest, CONSULTANT agrees that it shall not assign or transfer, either directly or indirectly or by operation of law, this Agreement or the performance of any of CONSULTANT's duties or obligations under this Agreement without the prior written consent of the DISTRICT. In the absence of DISTRICT's prior written consent, any attempted assignment or transfer shall be ineffective, null and void and shall constitute a material breach of this Agreement.
- 2.7 CONTROL AND PAYMENT OF SUBORDINATES: The work shall be performed by CONSULTANT or under CONSULTANT's strict supervision. CONSULTANT will determine the means, methods and details of performing the work subject to the requirements of this Agreement. DISTRICT retains CONSULTANT on an independent contractor basis and not as an employee. CONSULTANT reserves the right to perform similar or different services for others during the term of this Agreement, provided such work does not unduly interfere with CONSULTANT's competent performance under this Agreement in a timely manner or result in the unauthorized disclosure of DISTRICT's confidential or proprietary information. Any additional personnel performing the work under this

Agreement on behalf of CONSULTANT are not employees of DISTRICT and shall at all times be under CONSULTANT's exclusive direction and control. CONSULTANT shall pay all wages, salaries and other amounts due such personnel and shall assume responsibility for all benefits, payroll taxes, social security and Medicare payments and the like. CONSULTANT shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, workers' compensation insurance and the like.

- 2.8 REMOVAL OF EMPLOYEE OR AGENTS: If any of CONSULTANT's officers, employees, agents, contractors, subcontractors or subconsultants is determined by the DISTRICT Representatives to be uncooperative, incompetent, a threat to the adequate or timely performance of the tasks assigned to CONSULTANT, a threat to persons or property, or if any of CONSULTANT's officers, employees, agents, contractors, subcontractors or subconsultants fail or refuse to perform the work in a manner acceptable to the DISTRICT, such officer, employee, agent, contractor, subcontractor or subconsultant shall be promptly removed by Consultant and shall not be re-assigned to perform any of the work.
- 2.9 COMPLIANCE WITH LAWS: CONSULTANT shall keep itself fully informed of and in compliance with all applicable laws, statutes, codes, rules, regulations and ordinances of the federal government of the United States of America, the State of California, the County of Los Angeles or any other local governmental entity to the extent such laws, statutes, codes, rules, regulations or ordinances govern, affect, or apply to the performance of the work.
- 2.10 SAFETY: CONSULTANT shall perform its work so as to avoid injury or damage to any person or property. In performing the work, CONSULTANT shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which any work is to be performed. Consultant shall monitor safety of the site but the General Contractor shall have primary responsibility for overall safety. Consultant shall ensure the General Contractor documents include language that ensures the General Contractor understands its responsibility and has adequate insurance, no less than is required under this agreement.
- 2.11 NON-DISCRIMINATION: In the performance of this Agreement, CONSULTANT shall not discriminate against any employee, agent, subcontractor, subconsultant, or applicant for employment on any ground protected by law, including without limitation, race, color, creed, religion, sex, marital status, sexual orientation, national origin, ancestry, age, genetic information, physical or mental disability or medical condition.
- 2.12 INDEPENDENT CONTRACTOR: The Parties acknowledge, understand and agree that CONSULTANT and all persons retained or employed by CONSULTANT are, and shall at all times remain, wholly independent contractors and are not officials, officers, employees, departments or subdivisions of DISTRICT. CONSULTANT shall be solely responsible for the negligent acts and/or omissions of its employees, agents, contractors, subcontractors and subconsultants. CONSULTANT and all persons retained or employed by CONSULTANT shall have no authority, express or implied, to bind DISTRICT in any manner, nor to incur any obligation, debt or liability of any kind on behalf of, or against, DISTRICT, whether by contract or otherwise, unless such authority is expressly conferred to CONSULTANT under this Agreement or is otherwise expressly conferred by DISTRICT in writing.

SECTION 3 - TERMINATION

- 3.1 TERMINATION WITHOUT CAUSE: DISTRICT may immediately terminate this Agreement at any time for convenience and without cause by giving written notice to CONSULTANT specifying the effective date of such termination. Prior to giving such written notice to CONSULTANT, however, the Project Manager for the DISTRICT shall notify the DISTRICT's General Manager of the intent to give written notice of termination and the General Manager shall, in turn and in accordance with DISTRICT's Administrative Code, promptly notify the DISTRICT's Board of Directors of the intent to give written notice of termination, and the reason(s) for such intent, at least seven (7) days prior to such notice being given to CONSULTANT.

Upon termination for convenience, CONSULTANT shall be compensated only for the work which has been timely and adequately rendered to DISTRICT up to the effective date of the termination, and CONSULTANT shall be entitled to no further compensation. CONSULTANT may not terminate this Agreement except for breach of this Agreement. If this Agreement is terminated as provided herein, DISTRICT may require CONSULTANT to provide all finished or unfinished Documents and Data, as defined in Section 6.1 below, and other information of any kind prepared by CONSULTANT in connection with the performance of the work. CONSULTANT shall be required to provide such documents and other information within ten (10) calendar days of the request. In the event this Agreement is terminated in whole or in part as provided herein, DISTRICT may procure, upon such terms and in such manner as it may determine appropriate, work similar to those terminated.

3.2 3.2 EVENTS OF DEFAULT; BREACH OF AGREEMENT:

- A. In the event either Party fails to perform any duty, obligation, service or task set forth under this Agreement, including Exhibit A (or fails to timely perform or properly perform any such duty, obligation, service or task set forth under this Agreement), an event of default (hereinafter, "Event of Default") shall occur. For all Events of Default, the Party alleging an Event of Default shall give written notice to the defaulting Party (hereinafter referred to as a "Default Notice") which shall specify: (i) the nature of the Event of Default; (ii) the action required to cure the Event of Default; (iii) a date by which the Event of Default shall be cured, which shall not be less than the applicable cure period set forth under Sections 3.2.B and 3.2.C below, or if a cure is not reasonably possible within the applicable cure period, to begin such cure and diligently prosecute such cure to completion. The Event of Default shall constitute a breach of this Agreement if the defaulting Party fails to cure the Event of Default within the applicable cure period or any extended cure period allowed under this Agreement.
- B. CONSULTANT shall cure the following Events of Defaults within the following time periods:
- i. Within three (3) business days of DISTRICT's issuance of a Default Notice for any failure of CONSULTANT to timely provide DISTRICT or DISTRICT's employees or agents with any information and/or written reports, documentation or work product which CONSULTANT is obligated to provide to DISTRICT or DISTRICT's employees or agents under this Agreement. Prior to the expiration of the 3-day cure period, CONSULTANT may submit a written request for additional time to cure the Event of Default upon a showing that CONSULTANT has commenced efforts to cure the Event of Default and that the Event of Default cannot be reasonably cured within the 3-day cure period. The foregoing notwithstanding, DISTRICT shall be under no obligation to grant additional time for the cure of an Event of Default under this Section 3.2(B)(i) that exceeds seven (7) calendar days from the end of the initial 3-day cure period; or
 - ii. Within fourteen (14) calendar days of DISTRICT's issuance of a Default Notice for any other Event of Default under this Agreement. Prior to the expiration of the 14-day cure period, CONSULTANT may submit a written request for additional time to cure the Event of Default upon a showing that CONSULTANT has commenced efforts to cure the Event of Default and that the Event of Default cannot be reasonably cured within the 14-day cure period. The foregoing notwithstanding, DISTRICT shall be under no obligation to grant additional time for the cure of an Event of Default under this Section 5.2B.ii that exceeds thirty (30) calendar days from the end of the initial 14-day cure period. In addition to any other failure on the part of CONSULTANT to perform any duty, obligation, service or task set forth under this Agreement (or the failure to timely perform or properly perform any such duty, obligation, service or task), an Event of Default on the part of CONSULTANT shall include, but shall not be limited to the following: (i) CONSULTANT's refusal or failure to perform any of the services or tasks called for under the Scope of Work; (ii) CONSULTANT's failure to fulfill or perform its obligations under this Agreement within the specified time or if no time is specified, within a reasonable time as determined by the District in its sole discretion; (iii) CONSULTANT's and/or its employees' disregard or violation of any federal, state, local law, rule, procedure or regulation; (iv) the initiation of proceedings under any bankruptcy, insolvency, receivership, reorganization, or similar legislation as relates to CONSULTANT, whether voluntary or involuntary; (v) CONSULTANT's refusal or failure to perform or observe any covenant,

condition, obligation or provision of this Agreement; and/or (vi) DISTRICT's discovery that a statement representation or warranty by CONSULTANT relating to this Agreement is false, misleading or erroneous in any material respect.

- C. DISTRICT shall cure any Event of Default asserted and proven by CONSULTANT within forty-five (45) calendar days of Consultant's issuance of a Default Notice, unless the Event of Default cannot reasonably be cured within the 45-day cure period. Prior to the expiration of the 45-day cure period, DISTRICT may submit a written request for additional time to cure the Event of Default upon a showing that DISTRICT has commenced its efforts to cure the Event of Default and that the Event of Default cannot be reasonably cured within the 45-day cure period. The foregoing notwithstanding, an Event of Default dealing with DISTRICT's failure to timely pay any undisputed sums to CONSULTANT as provided under Section 1.4, above, shall be cured by DISTRICT within five (5) calendar days from the date of CONSULTANT's Default Notice to DISTRICT.
- D. DISTRICT, in its sole and absolute discretion, may also immediately suspend CONSULTANT's performance under this Agreement pending CONSULTANT's cure of any Event of Default by giving CONSULTANT written notice of DISTRICT's intent to suspend CONSULTANT's performance (hereinafter, a "Suspension Notice"). DISTRICT may issue the Suspension Notice at any time upon the occurrence of an Event of Default. Upon such suspension, CONSULTANT shall be compensated only for those services and tasks which have been rendered by CONSULTANT to the reasonable satisfaction of DISTRICT up to the effective date of the suspension. No actual or asserted breach of this Agreement on the part of DISTRICT shall operate to prohibit or otherwise restrict DISTRICT's ability to suspend this Agreement as provided herein.
- E. No waiver of any Event of Default or breach under this Agreement shall constitute a waiver of any other or subsequent Event of Default or breach. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.
- F. The duties and obligations imposed under this Agreement and the rights and remedies available hereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law. In addition to any other remedies available to DISTRICT at law or under this Agreement in the event of any breach of this Agreement, DISTRICT, in its sole and absolute discretion, may also pursue any one or more of the following remedies:
 - i. Upon written notice to CONSULTANT, the DISTRICT may immediately terminate this Agreement in whole or in part as set forth in this Agreement;
 - ii. Upon written notice to CONSULTANT, the DISTRICT may extend the time of performance;
 - iii. The DISTRICT may proceed by appropriate court action to enforce the terms of this Agreement, to recover damages for CONSULTANT's breach of the Agreement, or to terminate this Agreement; or
 - iv. The DISTRICT may exercise any other available and lawful right or remedy. CONSULTANT shall be liable for all legal fees plus other costs and expenses that DISTRICT incurs upon a breach of this Agreement or in the DISTRICT's exercise of its remedies under this Agreement.
- G. In the event DISTRICT is in breach of this Agreement, CONSULTANT's sole remedy shall be the suspension or termination of this Agreement and/or the recovery of any unpaid sums lawfully owed to CONSULTANT under this Agreement for completed services and tasks.

3.3 SCOPE OF WAIVER: No waiver of any default or breach under this Agreement shall constitute a waiver of any other default or breach, whether of the same or other covenant, warranty, agreement, term, condition, duty or requirement contained in this Agreement. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

3.4 SURVIVING ARTICLES, SECTIONS AND PROVISIONS: The termination of this Agreement pursuant to any provision of this Article or by normal expiration of its term or any extension thereto shall not operate to terminate

any Article, Section or provision contained herein which provides that it shall survive the termination or normal expiration of this Agreement.

- 3.5 In no event will the CONSULTANT's aggregate liability arising out of this Agreement exceed the amount of the proceeds received from those insurance coverages specified to be maintained by the CONSULTANT hereunder.

SECTION 4 - INSURANCE REQUIREMENTS

- 4.1 **DUTY TO PROCURE AND MAINTAIN INSURANCE:** As more specifically set forth below under this Article, CONSULTANT agrees that it shall procure and maintain throughout the Initial Term of this Agreement and any extension term (or for such extended period of time as may be required under this Article) insurance against claims for death or injuries to persons or damages to property that may arise from or in connection with CONSULTANT's performance of this Agreement. CONSULTANT shall also procure and maintain all other types of insurance as may be required under this Article, below. DISTRICT shall not, and shall be under no obligation to, issue a Notice to Proceed until CONSULTANT has provided evidence satisfactory to DISTRICT that it has procured all insurance required under this Article.

- 4.2 **REQUIRED COVERAGES:** CONSULTANT agrees that it shall procure and maintain the following insurance coverage, at its own expense, for the duration for this Agreement or any extended period set forth herein. The CONSULTANT shall provide the following coverage:

- A. **Commercial General Liability Insurance:** Commercial General Liability Insurance ("CGL Coverage") as broad as Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001 or equivalent). Such CGL Coverage shall have minimum limits of no less than One Million Dollars (\$1,000,000.00) per occurrence for bodily injury, personal injury, property damage, operations, products and completed operations, and contractual liability and Two Million Dollars (\$2,000,000.00) in the aggregate.
- B. **Automobile Liability Insurance:** Automobile Liability Insurance as broad as Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto). Such Automobile Liability Insurance shall have minimum limits of no less than One Million Dollars (\$1,000,000.00) per accident for bodily injury and property damage.
- C. **Workers' Compensation Insurance/ Employer's Liability Insurance:** CONSULTANT shall procure and maintain Workers' Compensation Insurance affording coverage at least as broad as that required by the State of California with Employer's Liability Insurance with minimum limits of no less than One Million Dollars (\$1,000,000.00) per accident for bodily injury or disease. The Workers' Compensation insurer shall also agree to waive all rights of subrogation against DISTRICT, DISTRICT's governing board of directors and DISTRICT's elected and appointed officials, officers, employees, agents and volunteers for losses paid under the terms of the insurance policy.

- 4.3 The insurance policies required above shall contain or be endorsed to contain the following specific provisions:

- A. **ADDITIONAL INSURED ENDORSEMENT REQUIREMENTS:** The CGL Coverage and the Automobile Liability Insurance shall contain an endorsement naming the DISTRICT, DISTRICT's governing board of directors and DISTRICT's elected and appointed officials, officers, employees, agents and volunteers as additional insured. Additional insured endorsements shall be provided on Commercial General Liability form ISO 20 10 11 85 (or form ISO 20 10 10 01 accompanied by form ISO 20 37 10 01).
- B. **PRIMACY OF CONSULTANT'S INSURANCE:** All policies of insurance provided by CONSULTANT shall be primary to any coverage available to DISTRICT, DISTRICT's governing board of directors and DISTRICT's elected and appointed officials, officers, employees, agents and volunteers. Any insurance or self-insurance maintained by DISTRICT, DISTRICT's governing board of directors and DISTRICT's elected and appointed officials, officers, employees, agents and volunteers shall be in excess of CONSULTANT's insurance and shall not contribute with it.

- C. **WAIVER OF SUBROGATION:** Commercial General Liability & Workers' Compensation Liability Insurance policies shall contain a waiver of transfer rights of recovery ("waiver of subrogation") against the DISTRICT, its Board members, officers, employees, agents and volunteers for any claims arising out of the work of the CONSULTANT.
 - D. The policies may provide coverage which contains deductible or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to the DISTRICT under such policies. The CONSULTANT shall be solely responsible for deductible and/or self-insured retention and the DISTRICT, at its option, may require the CONSULTANT to secure the payment of such deductible or self-insured retentions by a surety bond or an irrevocable and unconditional letter of credit. The insurance policies that contain deductibles or self-insured retentions in excess of \$25,000 per occurrence shall not be acceptable without the prior written approval of the DISTRICT.
 - E. Prior to start of work under the contract, the CONSULTANT shall file with the DISTRICT evidence of insurance as required above from an insurer or insurers certifying to the required coverage. The coverage shall be evidenced on an ACCORD Certificate of Insurance form (latest version) and be signed by an authorized representative of the insurer(s). A copy of form ISO 20 10 11 85 (or form ISO 20 10 10 01 accompanied by form ISO 20 37 10 01) required in above shall be attached to the Certificate of Insurance at the time that it is filed with the DISTRICT. Should the required coverage be furnished under more than one policy of insurance, the CONSULTANT may submit as many certificates of insurance as needed to provide the required amounts. The DISTRICT reserves the right to require certified complete copies of any insurance coverage required by this contract but the receipt of such policy or policies shall not confer responsibility upon the DISTRICT as to sufficiency of coverage.
- 4.4 **REQUIRED CARRIER RATING:** All varieties of insurance required under this Agreement shall be procured from insurers licensed in the State of California and authorized to issue policies directly to California insureds. Except as otherwise provided elsewhere under this Article, all required insurance shall be procured from insurers, who according to the latest edition of the Best's Insurance Guide have an A.M. Best's rating of no less than A:VII. DISTRICT may also accept policies procured by insurance carriers with a Standard & Poor's rating of no less than BBB according to the latest published edition the Standard & Poor's rating guide. As to Workers' Compensation Insurance/ Employer's Liability Insurance, the District Representatives may, in their sole and absolute discretion, authorize in writing lower ratings than those set forth in this Section.
- 4.5 **VERIFICATION OF COVERAGE:** CONSULTANT acknowledges, understands and agrees that DISTRICT's ability to verify the procurement and maintenance of the insurance required under this Article is critical to safeguarding the DISTRICT's financial well-being. Accordingly, CONSULTANT warrants, represents and agrees that it shall furnish DISTRICT with original certificates of insurance and endorsements evidencing the coverage required under this Article on forms satisfactory to DISTRICT in its sole and absolute discretion. The certificates of insurance and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by the DISTRICT if requested. Blanket endorsements shall not be acceptable without the prior written approval of the DISTRICT. All certificates of insurance and endorsements shall be received and approved by DISTRICT as a condition precedent to CONSULTANT's commencement of any work. Upon DISTRICT's written request, CONSULTANT shall also provide DISTRICT with certified copies of all required insurance policies as a condition precedent to the commencement of any work. DISTRICT shall not, and shall be under no obligation to, issue a Notice to Proceed until CONSULTANT fully complies with this Section. The requirements of this Section cannot be waived and any attempted waiver shall be void, invalid and non-binding upon DISTRICT.
- 4.6 **FAILURE TO ADHERE TO INSURANCE PROVISIONS:** In addition to any other remedies DISTRICT may have under this Agreement or at law or in equity, if CONSULTANT fails to comply with any of the requirements set forth in this Article, DISTRICT may, but shall not be obligated to: (i) Order CONSULTANT to stop any and all work under this Agreement or withhold any payment, which becomes due to CONSULTANT hereunder, or both stop work and withhold any payment, until CONSULTANT demonstrates compliance with the requirements hereof; or (ii) terminate this Agreement. DISTRICT's exercise of any of the foregoing remedies, shall be in addition to any other

remedies DISTRICT may have and is not the exclusive remedy for CONSULTANT's to failure to comply with the insurance requirements set forth under this Article.

- 4.7 **SUBCONTRACTORS INSURANCE COVERAGE:** CONSULTANT shall include all persons and entities performing work on its behalf as insureds (including all contractors, agents, subcontractors and subconsultants) or, in the alternative, shall furnish separate certificates of insurance and endorsements for each such persons or entities evidencing their independent procurement of insurance. All coverages for such persons or entities shall be identical to the requirements imposed upon CONSULTANT under this Article. 4.8 **NO LIMITATION ON LIABILITY:** CONSULTANT's procurement of insurance shall not be construed as a limitation of CONSULTANT's liability or as full performance of CONSULTANT's indemnification duties set forth in this Agreement.

SECTION 5 - INDEMNIFICATION

- 5.1 The Parties agree that DISTRICT, DISTRICT's governing board of directors and DISTRICT's elected and appointed officials, officers, employees, agents and volunteers (hereinafter, the "District Indemnitees") shall, to the fullest extent permitted by law, be protected from any and all loss, injury, damage, claim, lawsuit, cost, attorneys' fees, expert fees, litigation costs, or any other cost arising out of or in any way related to the performance of this Agreement. Accordingly, the provisions of this indemnity provision are intended by the Parties to be interpreted and construed to provide the District Indemnitees with the fullest protection possible under the law. CONSULTANT acknowledges that DISTRICT would not enter into this Agreement in the absence of CONSULTANT's commitment to indemnify, defend and protect the DISTRICT as set forth herein.
- 5.2 To the fullest extent permitted by law, CONSULTANT shall indemnify, hold harmless and defend the District Indemnitees from and against all liability, loss, damage, expense, cost (including without limitation reasonable attorneys' fees, expert fees and all other costs and fees of litigation) of every nature arising out of or in connection with CONSULTANT's performance under this Agreement, including but not limited to the negligent acts, errors, omissions or willful misconduct of CONSULTANT or CONSULTANT's officers, employees, agents, contractors, subcontractors or sub consultants or the failure of the same to comply with any of the duties, obligations or standards of care set forth herein. The duty to indemnify, defend and hold harmless under this Article shall not encompass a duty to indemnify, defend or hold harmless for liability, loss, suit, damage, expense, cost caused by the sole negligence or willful misconduct of any or all of the District Indemnitees.
- 5.3 DISTRICT shall have the right to offset against the amount of any compensation due CONSULTANT under this Agreement any amount due DISTRICT from CONSULTANT as a result of CONSULTANT's failure to pay DISTRICT promptly any indemnification arising under this Article and related to CONSULTANT's failure to either (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.
- 5.4 The obligations of CONSULTANT under this Article will not be limited by the provisions of any workers' compensation laws or similar laws. CONSULTANT expressly waives its statutory immunity under such statutes or laws as to the District Indemnitees.
- 5.5 CONSULTANT agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this Article from each and every subcontractor, agent or any other person or entity involved by, for, with or on behalf of CONSULTANT in the performance of this Agreement. In the event CONSULTANT fails to obtain such indemnity obligations from others as required herein, CONSULTANT agrees to be fully responsible and indemnify, hold harmless and defend DISTRICT, DISTRICT's governing board of directors and DISTRICT's elected and appointed officials, officers, employees, agents and volunteers from and against any and all claims and losses, costs or expenses for any damage due to death or injury to any person and injury to any property resulting from any alleged intentional, reckless, negligent, or otherwise wrongful acts, errors or omissions of CONSULTANT's subcontractors or any other person or entity involved by, for, with or on behalf of CONSULTANT in the performance of this Agreement. Such costs and expenses shall include reasonable attorneys' fees and costs incurred by counsel of DISTRICT's choice.

- 5.6 DISTRICT does not and shall not waive any rights that it may possess against CONSULTANT because of the acceptance by DISTRICT, or the deposit with DISTRICT, of any insurance policy or certificate required pursuant to this Agreement. This hold harmless and indemnification provision shall apply regardless of whether or not any insurance policies are determined to be applicable to the claim, demand, damage, liability, loss, cost or expense.
- 5.7 This Article and all provisions contained herein (including but not limited to the duty to indemnify, defend and hold free and harmless) shall survive the termination or normal expiration of this Agreement and is in addition to any other rights or remedies which the DISTRICT may have at law or in equity.

SECTION 6 - MISCELLANEOUS PROVISIONS

- 6.1 **DOCUMENTS & DATA; LICENSING OF INTELLECTUAL PROPERTY:** All Documents and Data shall be and remain the property of DISTRICT without restriction or limitation upon their use or dissemination by DISTRICT. For purposes of this Agreement, the term "Documents and Data" means and includes all reports, studies, analyses, correspondence, plans, drawings, designs, renderings, specifications, notes, summaries, strategies, charts, schedules, spreadsheets, calculations, lists, data compilations, documents or other materials developed and/or assembled by or on behalf of CONSULTANT in the performance of this Agreement and fixed in any tangible medium of expression, including but not limited to Documents and Data stored on paper, digitally, magnetically and/or electronically. CONSULTANT shall require all subcontractors and sub consultants working on behalf of CONSULTANT in the performance of this Agreement to agree in writing that DISTRICT shall be granted the same right to copy, use, reuse, disseminate and retain Documents and Data prepared or assembled by any subcontractor or sub consultant as applies to Documents and Data prepared by CONSULTANT in the performance of this Agreement.
- 6.2 **CONFIDENTIALITY:** All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input recorded data, written information, and other like information either created by, accessed by, or provided to CONSULTANT in connection with the performance of this Agreement shall be held confidentially by CONSULTANT. Such materials shall not, without the prior written consent of DISTRICT, be used by CONSULTANT for any purposes other than the performance of the work. Nor shall such materials be disclosed to any person or entity not connected with the performance of the work. CONSULTANT shall not use DISTRICT's name or insignia, photographs, or any publicity pertaining to the work in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of DISTRICT.
- 6.3 **COOPERATION; FURTHER ACTS:** The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as is reasonably necessary, appropriate or convenient to achieve the purposes of this Agreement.
- 6.4 **SUBCONTRACTING:** CONSULTANT shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without the prior written approval of DISTRICT. Subcontracts (including without limitation subcontracts with sub consultants), if any, shall contain a provision making them subject to all provisions stipulated in this Agreement, including provisions relating to insurance requirements and indemnification.
- 6.5 **PROHIBITED INTERESTS:** CONSULTANT warrants, represents and maintains that it has not employed nor retained any company or person, other than a bona fide employee working solely for CONSULTANT, to solicit or secure this Agreement. Further, CONSULTANT warrants and represents that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for CONSULTANT, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, DISTRICT shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of DISTRICT, during the term of his or her service with DISTRICT, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.
- 6.6 **TIME IS OF THE ESSENCE:** Time is of the essence for each and every provision of this Agreement.

- 6.7 **FORCE MAJEURE:** Any prevention, delay, nonperformance or stoppage due to any of the following causes shall excuse nonperformance for a period equal to such obligations imposed by this Agreement. The causes referred to above are strikes, walkouts, labor disputes, failure of power, irresistible superhuman cause, acts of public enemies of the State or United States, riots, insurrections, civil commotion, inability to obtain labor or material or reasonable substitutes for either, governmental restrictions or regulations or controls (except those reasonably foreseeable in connection with the uses contemplated by this Agreement), casualties not contemplated by insurance provisions of this Agreement, or other causes beyond the reasonable control of the party obligated to perform.
- 6.8 **GOVERNING LAW; VENUE:** This Agreement shall be interpreted and governed according to the laws of the State of California. In the event of litigation between the Parties, venue, without exception, shall be in the Los Angeles County Superior Court of the State of California. If, and only if, applicable law requires that all or part of any such litigation be tried exclusively in federal court, venue, without exception, shall be in the Central District of California located in the City of Los Angeles, California.
- 6.9 **ATTORNEY'S FEES:** If either Party commences an action against the other Party, legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing Party in such litigation shall be entitled to have and recover from the losing Party reasonable attorney's fees, expert fees and all other costs of such action.
- 6.10 **SUCCESSORS AND ASSIGNS:** This Agreement shall be binding on the successors and assigns of the Parties.
- 6.11 **NO THIRD PARTY BENEFIT:** There are no intended third party beneficiaries of any right or obligation assumed by the Parties. All rights and benefits under this Agreement inure exclusively to the Parties.
- 6.12 **CONSTRUCTION OF AGREEMENT:** This Agreement shall not be construed in favor of, or against, either Party but shall be construed as if the Parties prepared this Agreement together through a process of negotiation and with the advice of their respective attorneys.
- 6.13 **SEVERABILITY:** If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.
- 6.14 **AMENDMENT; MODIFICATION:** No amendment, modification or supplement of this Agreement shall be valid or binding unless executed in writing and signed by both Parties, subject to DISTRICT approval. The requirement for written amendments, modifications or supplements cannot be waived and any attempted waiver shall be void and invalid.
- 6.15 **CAPTIONS:** The captions of the various articles, sections and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.
- 6.16 **INCONSISTENCIES OR CONFLICTS:** In the event of any conflict or inconsistency between the provisions of this Agreement and any of the exhibits attached hereto, the provisions of this Agreement shall control.
- 6.17 **ENTIRE AGREEMENT:** This Agreement, including all attached exhibits, is the entire, complete, final and exclusive expression of the Parties with respect to the matters addressed herein and supersedes all other agreements or understandings, whether oral or written, or entered into between DISTRICT and CONSULTANT prior to the execution of this Agreement. No statements, representations or other agreements, whether oral or written, made by any Party which is not embodied herein shall be valid or binding. No amendment, modification or supplement to this Agreement shall be valid and binding unless in writing and duly executed by the Parties pursuant to Section 6.14 above.
- 6.18 **COUNTERPARTS:** This Agreement shall be executed in two (2) original counterparts each of which shall be of equal force and effect. One counterpart shall be delivered to CONSULTANT and the other shall be retained by

DISTRICT. No handwritten or typewritten amendment, modification or supplement to any one counterparts shall be valid or binding unless made to all counterparts in conformity with Section 6.14 above.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date written below, effective as of the date written above.

APPROVED: BY DISTRICT
Central Basin Municipal Water District

By: _____
Elaine Jeng
Interim General Manager

Date: _____

APPROVED: BY CONSULTANT
Company Name

By: _____

Name: _____

Title: _____

Date _____

APPROVED AS TO FORM:

By: _____
Victor Ponto
Burke, Williams & Sorensen, LLP
District's General Counsel

Date: _____