VALLEY CENTER MUNICIPAL WATER DISTRICT
AGENDA
Regular Meeting of the Board of Directors
Monday, November 2, 2026 — 2:00 P.M.

The VCMWD Board of Directors welcomes the public to attend its meetings both in-person at its Board Room and virtually via livestream. *Please note that in the event of technical issues that disrupt the meeting livestream or receipt of public comments by phone or email, the meeting will continue, unless otherwise required by law, such as when a Director is attending the meeting virtually pursuant to certain provisions of the Brown Act.*

Instructions for members of the public who wish to address the Board of Directors:

Members of the public can address the Board of Directors during "Public Comments" or on specific agenda items, may do so as instructed below. All comments will be subject to a limit of three (3) minutes.

- Making Public Comment for In-Person Attendance: Members of the public who wish to observe or to address the Board may join the Board Members at the noticed, physical location. A Request to Speak slip must be submitted to the Board Secretary prior to start of the meeting *(if possible).*
- Phone Comments During the Meeting: Before the meeting, or before public comment period for the item closes during the meeting, submit a telephone number by email to the Board Secretary at publiccomments@vcmwd.org, together with the agenda item number, and the Board Secretary will call when the Board is ready to hear public comments; *or*
- Emailed Comments: Before the meeting, or before public comment period for that item closes at the meeting, email your comments to the Board Secretary at publiccomments@vcmwd.org and they will be read aloud during the public comment period; *or*
- Written Comments: Written comments can also be physically dropped off or mailed in advance of the meeting at the District's Administrative Office located at 29300 Valley Center Rd., Valley Center, CA 92082, for receipt no later than 1:00 pm on meeting day.

These public comment procedures supersede any District public comment policies and procedures to the contrary. If modifications or accommodations from individuals with disabilities are required, such persons should provide a request at least 24 hours in advance of the meeting by email to the Board Secretary at boardsecretary@vcmwd.org.

Meeting Broadcast: Members of the public may watch the meeting electronically by visiting the District's website at vcmwd.org/Board/Board-Documents and then clicking the link listed below "live stream" on the page.

Meeting Documents: Board Meeting Packets (*except for closed session materials*) will be made available to the public once distributed to the Board. Please visit the District's website at vcmwd.org/Board/Board-Documents for Agenda and related Board Meeting Documents.

ROLL CALL

APPROVAL OF AGENDA

At its option, the Board may approve the agenda, delete an item, reorder items and add an item to the agenda (Government Code Section 54954.2).

PUBLIC COMMENTS

Comments and inquiries from the audience will be received on any matter not on the agenda, but within the jurisdiction of the Board. Comments and inquiries pertaining to an item on the agenda will be received during the deliberation of the agenda item (Government Code Section 54954.3).

CONSENT CALENDAR ITEMS

Consent calendar items will be voted on together by a single motion unless separate action is requested by a Board member, staff or member of the audience.

1. **Minutes of the Regular Board Meeting Held Monday, October 5, 2026;**
2. **Treasurer's Report for the Month Ending September 30, 2026;**
3. **Audit Demands and Wire Disbursements;**
4. **Expense Reimbursement Disclosures for July 1, 2026, through September 30, 2026;** *and*
5. **VertexOne WaterSmart Software Renewal.**

ACTION / DISCUSSION

6. Cole Grade Road Pipeline Replacement Phase 1 Project: Update, Budget Amendment, and Reimbursement Agreement Amendments:

Staff will provide an update on the Cole Grade Road Pipeline Replacement Phase 1 Project and request adoption of Resolution No. 2026-39 approving a Fiscal Year 2026-27 budget amendment and authorizing amendments to the Reimbursement Agreement with the County of San Diego that reduce project costs.

a. Report by District Engineer
b. Discussion
c. Audience comments/questions
d. Motion to adopt Resolution No. 2026-39 approving a mid-year amendment to the Fiscal Year 2026-27 Annual Budget to transfer $642,659 to the Cole Grade Road Pipeline Replacement Phase 1 Project and authorizing the General Manager to negotiate and execute amendments to the Reimbursement Agreement with the County of San Diego that reduce project costs.

7. Water Fund Financial Outlook and Direction on the Development of Proposed Rate Increases:

The Board will receive an update on the Water Fund's financial outlook and consider providing input and direction to staff on the development of proposed water rate increases for future Board consideration in accordance with Proposition 218.

a. Report by General Manager
b. Discussion
c. Audience comments/questions
d. If desired, provide direction to staff on the development of proposed water rate increases for future Board consideration in accordance with Proposition 218.

8. **Wastewater Fund Financial Outlook and Direction on the Development of Proposed Rate Increases:**

   The Board will receive an update on the Wastewater Fund's financial outlook and consider providing input and direction to staff on the development of proposed wastewater rate increases for future Board consideration in accordance with Proposition 218.

   a. Report by General Manager
   b. Discussion
   c. Audience comments/questions
   d. If desired, provide direction to staff on the development of proposed wastewater rate increases for future Board consideration in accordance with Proposition 218.

ORAL / WRITTEN REPORTS

9. **Legislative, Regulatory, & Outreach Update;**

10. **San Diego County Water Authority (SDCWA) Board Meeting Summary;**

11. **General Information;**

DISTRICT GENERAL COUNSEL'S REPORT

BOARD OF DIRECTORS' AGENDA AND AB1234 REPORTING*

** Directors must provide brief reports on meetings/events attended in the performance of their official duties for which compensation or reimbursement is provided. Authority: Government Code Section 53232.3.*

CLOSED SESSION

12. **Closed Session will be held regarding the following two (2) items:**

- **Government Code §54956.9(d)(2) − Conference with Legal Counsel, Anticipated Litigation - Significant exposure to litigation:** Two potential cases.

- **Government Code §54957 − Public Employee Performance Evaluation:**
  Unrepresented Employee: General Manager

ADJOURNMENT

NOTICE TO THE PUBLIC

This agenda was posted at least 72 hours before the meeting in a location freely accessible to the public. No action may be taken on any item not appearing on the posted agenda, except as provided by Government Code Section 54954.2. Any written materials provided to a majority of the Board of Directors within 72 hours prior to the meeting regarding any item on this agenda will be available for public inspection on the District's website. The agenda is available for public review on the District's website, **http://www.vcmwd.org**.

For questions or request for information related to this agenda contact Coral Hutchins, *Board Secretary*, at (760) 735-4517 or **publiccomments@vcmwd.org**. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to the Board Secretary at least 48 hours before the meeting, if possible.

— End of Agenda —

VALLEY CENTER MUNICIPAL WATER DISTRICT
MINUTES
Regular Meeting of the Board of Directors
Monday, October 5, 2026 — 2:00 P.M.

The Valley Center Municipal Water District Board of Directors' meeting was called to order by President Ferro at 2:00 p.m. at District headquarters, 29300 Valley Center Road, Valley Center, California, and broadcast online via livestream.

ROLL CALL

Board Members Present: *Directors Ferro, Stehly, Ness, Baker (departed at 4:04 p.m.), and Atkins (arrived at 2:06 p.m.).*
Board Members Absent: *None.*
Staff Members Present: *General Manager Leahy, Director of Finance & Administration Pugh, District Engineer Rocco, Director of Operations and Facilities Lovelady, Board Secretary Hutchins, Special Projects and Regulatory Compliance Manager Nichols, and General Counsel de Sousa.*
Special Presenters Present: *Dana Friehauf, ACWA Region 10 Vice Chair; and Nancy Phan, Principal Consultant, Water Resources Economics (remote participation).*

PUBLIC COMMENT(S)

President Ferro reviewed the procedures for public participation. Board Secretary Hutchins reported that no non-agenda public comments had been received.

SPECIAL PRESENTATIONS

1. **ACWA Resolution Honoring Gary T. Arant:**

   Dana Friehauf, ACWA Region 10 Vice Chair, presented ACWA Resolution No. 2026-05 honoring former General Manager Gary T. Arant. The resolution recognized his nearly 53 years of public service in California's water industry, including more than 36 years with the District, and his leadership, mentorship and commitment to the Valley Center community.

   Ms. Friehauf and Board members recalled Mr. Arant's contributions to ACWA and regional water reliability. No public comments were received on this item.

   Action: Presentation received; no Board action was taken.

CONSENT CALENDAR ITEMS

Consent Calendar items will be voted on together by a single motion unless separate action is requested by a Board member, staff or member of the audience.

2. **Minutes of the Regular Board Meeting Held Monday, September 21, 2026;**
3. **Audit Demands;**
4. **Treasurer's Report for the Month Ending August 31, 2026;**
5. **Adopt Resolution No. 2026-37 Requesting Approval of Amendments to the District's Conflict of Interest Code Appendix;** *and*

6. **Adopt Resolution No. 2026-38 Declaring the Meadows 35 Property as Exempt Surplus Land and Authorizing the Transfer of District Property Interests and Easements to the Adjacent Property Owner.**

Action: Upon motion by Ness, seconded by Baker; and carried with five (5) affirmative votes, the previously listed consent calendar items were approved.

ACTION / DISCUSSION

7. Updated: Water and Wastewater Financial Outlook and Rate Strategy:

Director of Finance and Administration Pugh introduced Nancy Phan of Water Resources Economics, who reviewed updated financial models and proposed rate components for the Water Fund, Lower Moosa and Woods Valley Ranch. The presentation reviewed previous direction provided by the Board to increase the water and wastewater funds revenue to meet financial policies, pay-go pipeline replacement projects, apply rate increases on fixed charges, return to the Board to present sample bills of the proposed increases.

For the water fund, staff proposed increasing the monthly capital improvement charge from $5.00 to $15.50 for a three-quarter-inch meter, with the same percentage adjustment across meter sizes. Illustrated total bill increases were approximately 13.8 percent for a domestic/commercial customer, 5.6 percent for a small agricultural customer and 4.5 percent for a large agricultural customer. These examples included both local and pass-through costs and depended on the usage, meter size and pumping zone shown.

For Lower Moosa, staff proposed increasing the capital improvement charge from $12.00 to $24.24 per equivalent dwelling unit. An alternative would delay treatment plant upgrades and debt issuance by two years, spread revenue adjustments over four years and begin with a $19.20 capital charge. The consultant estimated approximately $650,000 in added construction inflation under that alternative.

For Woods Valley Ranch, the presentation reviewed proposed July 2027 rate adjustments and the need to improve operating cost recovery and debt coverage.

Public speaker, Mr. Prickett expressed concern about advance access to the detailed rate information, customer costs and acceleration of the original capital-charge phase-in. Staff and General Counsel explained that the proposed rates and a draft Proposition 218 notice would return for further Board review before notice mailing and a public hearing.

Board discussion addressed slower phasing of the water capital charge, clearer explanations of dollar impacts and outside-agency costs, and documentation of District savings and efficiencies. Directors requested additional background on capital needs and the consequences of delaying Lower Moosa improvements. Staff discussed ongoing collection-system needs, longer-term master planning and the effect of delayed rate action on recovery of wholesale costs.

Action: By consensus, the Board directed staff to return with additional historical and financial explanations, District cost containment information, Water Fund capital-charge phasing alternatives and the Lower Moosa alternative presented. No additional Woods Valley Ranch alternatives were requested. Staff would return at the next meeting or the following meeting, depending on preparation time. No rates or Proposition 218 notice were approved, and no formal motion or vote was taken.

8. Gary T. Arant Legacy Award and Ordinance:

General Manager Leahy presented the proposed Gary T. Arant Legacy Award, developed following the Board's request to honor Mr. Arant's dedication to public service. Ordinance No. 2026-14 adds Section 7.9 to Article 7 of the District's Administrative Code to establish the award.

The annual award will recognize an employee whose service demonstrates leadership, mentorship, responsible stewardship and commitment to the District and its customers. Ms. Leahy proposed presenting the award in October in conjunction with Water Professionals Appreciation Week. No public comments were received.

Action: Upon motion by Atkins, seconded by Stehly; Ordinance No. 2026-14 was adopted with five (5) affirmative votes.

ORDINANCE NO. 2026-14
ORDINANCE OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT
AMENDING THE ADMINISTRATIVE CODE
TO ADD SECTION 7.9 TO ARTICLE 7 AND ESTABLISH
THE GARY T. ARANT LEGACY AWARD

Was adopted by the following vote, to wit:

AYES: Directors Ferro, Stehly, Baker, Atkins and Ness
NOES: None
ABSENT: None

9. Regular Board Meeting Schedule Discussion:

General Manager Leahy presented information requested by Director Atkins on the history of the District's regular meeting schedule, regional meeting times, public participation and the potential effects of moving meetings to a later hour. The existing schedule is the first and third Monday of each month at 2:00 p.m.

The Board discussed work and commuting schedules, attendance at other public meetings, and participation through in-person, telephone and written comments. Staff described the difference between viewing the livestream and participating remotely and offered to investigate interactive online options. No platform purchase or implementation was directed.

Staff outlined potential after-hours overtime and meal costs, using an upper-end fully burdened overtime rate for nonexempt staff. The estimates depended on meeting timing, duration and staffing. General Manager Leahy stated that had no recommendation regarding the Board meeting time and would accommodate the Board's preference, noting that the determination of a meeting time that best serves the Board and its constituents rests with the Board. Directors discussed the importance of controlling costs.

No public comments were received on this item.

Action: The Board received the information. No motion or vote was taken. Board Meetings will continue to be held on the first and third Monday of each month, at 2:00 pm.

ORAL / WRITTEN REPORTS

10. General Information:

General Manager Leahy recognized Water and Wastewater Professionals Appreciation Week and thanked District staff. She planned to present the first Gary T. Arant Legacy Award at the end-of-month staff meeting, with future presentations during the appreciation week. The award's form remained to be determined within the current adopted budget. She also reported that shared-services support for social media was being explored and that the anticipated public safety power shutoff event had not occurred. Board members acknowledged staff's readiness over the weekend. No public comments were received.

Action: Informational item only; no Board action was taken.

11. San Diego County Water Authority (SDCWA) Board Meeting Summary:

The Board received the written summary of the September 17, 2026 SDCWA Board meeting and an oral update on water exchange agreements and their financial implications for member agencies.

The update described annual exchange volumes of 20,000 acre-feet with Western Municipal Water District, 12,500 acre-feet with Eastern Municipal Water District and 5,000 acre-feet with the City of Burbank, totaling 37,500 acre-feet. The presentation explained how the exchanges reduce exposure to unused take-or-pay supplies amid declining regional water sales.

Discussion also addressed potential future exchanges, local supply projects and revised projections for wholesale rate increases. The presenter cautioned that the exchanges reduce existing supply obligations and should not be interpreted as a guarantee of lower customer rates.

No public comments were received on this item.

Action: Informational item only; no Board action was taken.

DISTRICT GENERAL COUNSEL'S ITEM(S)

General Counsel de Sousa reported that she had no report.

BOARD OF DIRECTORS' AB 1234 REPORTS ON MEETINGS ATTENDED

Director Atkins reported attending the SDCWA Citizens Water Academy. The report covered presentations on regional water supplies and infrastructure, a water-rate budgeting exercise, and a tour of Olivenhain Reservoir. The director also described inviting the Champagne Village community manager to participate. No Board action was taken.

CLOSED SESSION

At any time during the regular session, the Board may adjourn to closed session to consider litigation, personnel matters, or to discuss with legal counsel matters within the attorney-client privilege. Discussion of litigation is within the attorney-client privilege and may be held in closed session (per Government Code § 54956.9).

A Closed Session was called by President Ferro at 4:04 P.M. pursuant to the following two (2) items:

- **Government Code § 54956.9(d)(2) - Conference with Legal Counsel, Anticipated Litigation:** One potential case

- **Government Code § 54957 - Public Employee Performance Evaluation:**
  Unrepresented Employee: General Manager

General Counsel de Sousa stated that there was no reportable action.

Reconvene: The Board reconvened in open session at 5:07 P.M. General Counsel de Sousa that there was no reportable action.

ADJOURNMENT

Action: Upon motion by Stehly, seconded by Ness; the regular meeting of the Board of Directors was adjourned at 5:07 p.m. by four (4) affirmative votes from Directors Ferro, Stehly, Atkins and Ness, with Director Baker absent. Board Secretary Hutchins noted that Director Baker had departed at 4:04 p.m.

ATTEST:

Coral L. Hutchins, *Board Secretary*

ATTEST:

Enrico P. Ferro, *President*

VALLEY CENTER MUNICIPAL WATER DISTRICT
TREASURER'S REPORT - SUMMARY
September 30, 2026

ACTIVE DEPOSITS	Cost Basis
Checking Accounts	$829,606.13
Deposits with Fiscal Agents	
TOTAL ACTIVE DEPOSITS	**$829,606.13**

INVESTMENTS	Market Value	Average Yield	Percent	
Money Market Funds	$19,612,260.72	3.91%	52.168%	$19,614,581.02
CAMP Term	$3,014,843.84	4.20%	7.979%	$3,000,000.00
U.S. Treasury Notes	1,969,416.70	2.00%	5.280%	1,985,329.26
Federal Agencies Securities	11,390,652.21	4.06%	31.251%	11,749,930.02
Certificates of Deposit, insured	1,241,845.17	4.62%	3.322%	1,249,215.53
TOTAL INVESTMENTS	**$37,229,018.64**	**3.90%**	**100.000%**	**$37,599,055.83**

TOTAL ALL FUNDS	**$38,428,661.96**
TOTAL ALL FUNDS (PRIOR MONTH - AUGUST 2026)	$38,781,358.57

Maturity Analysis of Investments

	Percent	Cost Basis
Money Market Funds	52.168%	$19,614,581.02
Maturity within one year	9.293%	3,493,983.36
Maturity later than one year	38.539%	14,490,491.45
Total Investments	100.000%	$37,599,055.83

Weighted Average Days to Maturity 505

Maximum permitted single investment maturity is 5 years.

Yield Comparatives

Security	Term	Yield	Security	Term	Yield
LAIF	1 day	3.908%	12 mo. rolling T Bond	1 year	3.773%
T Bills	3 months	4.090%	T Bonds	1 year	4.370%
T Bills	6 months	4.180%	T Bonds	2 years	4.650%

Sufficient funds are available to meet the next six month's expenditure requirements. All investments are in compliance with the District's adopted statement of investment policy. Market values for the Governmental / Federal Securities and Certificates of Deposit were provided by Zions Capital Advisors.

10/22/26

Reviewed by James V. Pugh, Treasurer

10/22/26

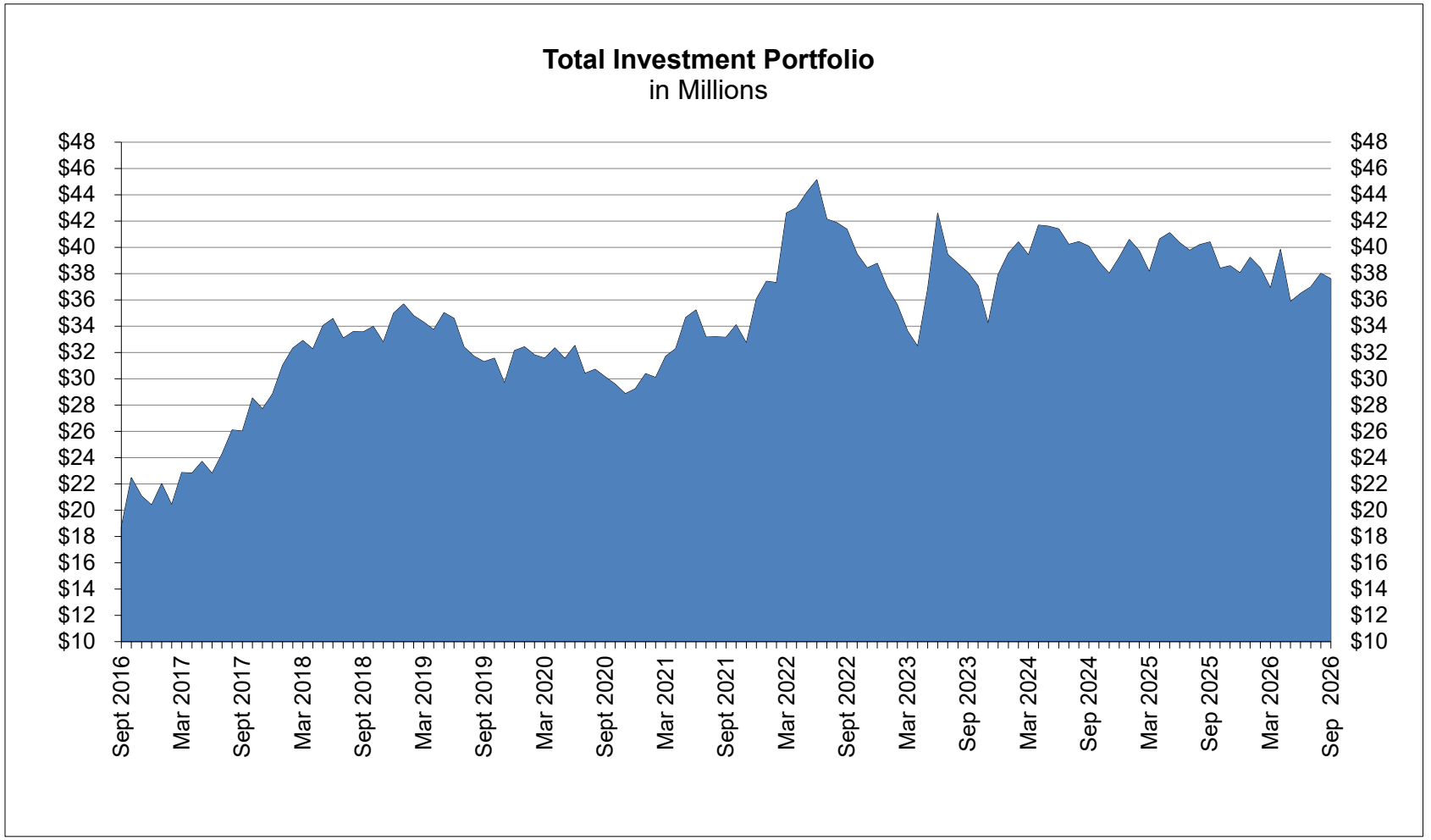
Received by Lindsey Leahy, General Manager — Date

VALLEY CENTER MUNICIPAL WATER DISTRICT
TREASURER'S REPORT - DETAIL
September 30, 2026

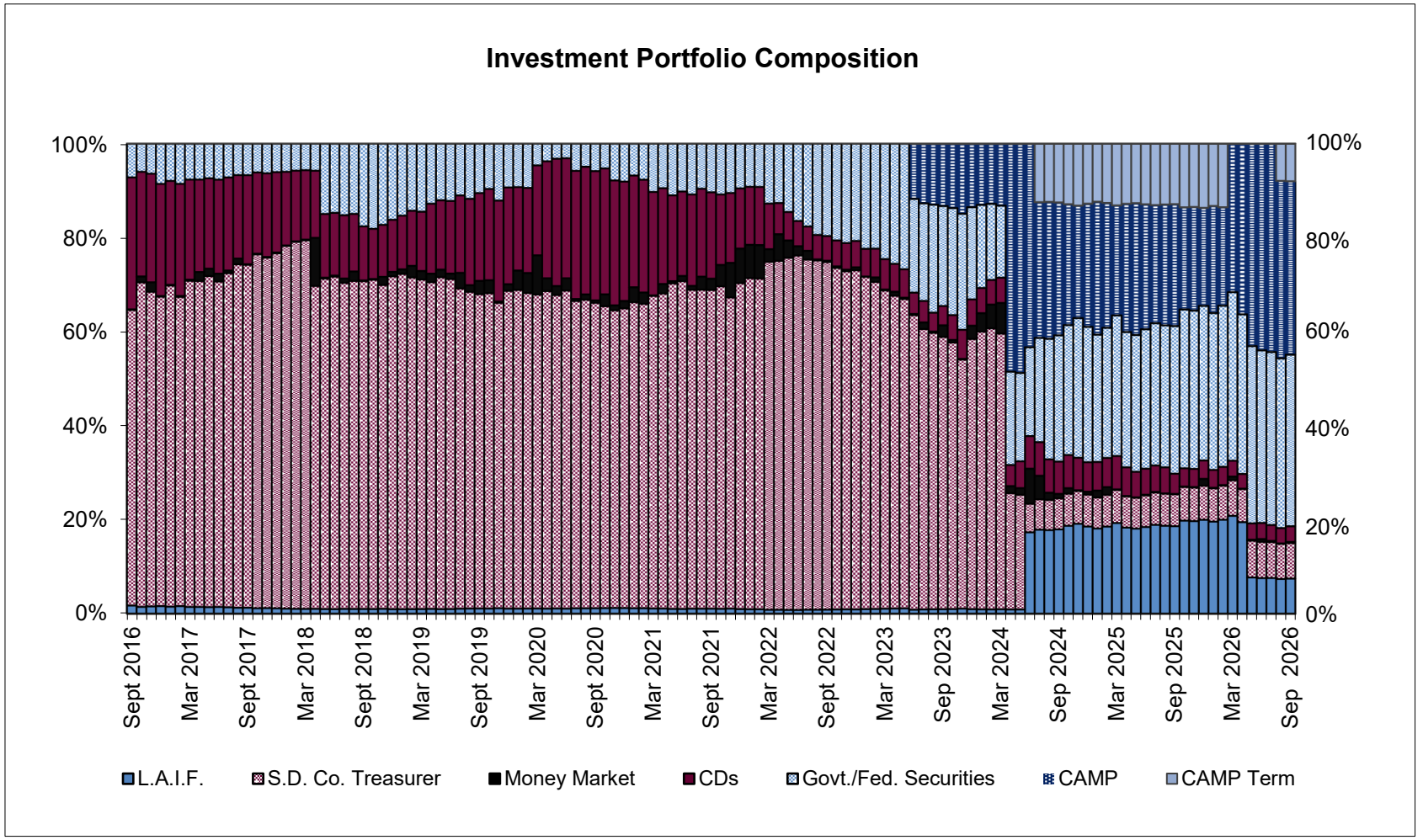
ACTIVE DEPOSITS						**Cost Basis**
Checking Accounts:						
California Bank & Trust						$813,688.85
California Bank & Trust						$4,500.00
California Bank & Trust						$10,017.28
Petty Cash						$1,400.00
						$829,606.13

INVESTMENTS	**Face Value or Rating**	**Purchase Date**	**Maturity Date**	**Market Value**	**Current Yield**	
Money Market Funds:						
Local Agency Investment Fund				$2,802,294.02	3.91%	$2,802,294.02
County of San Diego Investment Fund				$2,807,644.87	4.10%	2,845,641.10
Zions Institutional Liquidity Management				$92,560.62	3.78%	92,560.62
CAMP				$13,909,761.21	3.87%	13,874,085.28
				$19,612,260.72	3.91%	$19,614,581.02
CAMP Term:						
CAMP Term	3,000,000	8/18/2026	8/16/2027	3,014,843.84	4.20%	3,000,000.00
				$3,014,843.84	4.20%	$3,000,000.00
U.S. Treasury Notes:						
U S Treasury Notes 0.500%	1,275,000	7/10/2026	10/31/2027	1,219,666.99	0.52%	1,216,130.86
Federal Natl Mtg Assn 4.250%	500,000	3/30/2026	3/24/2031	485,559.12	4.26%	499,316.50
Federal Natl Mtg Assn 4.500%	270,000	4/1/2026	3/28/2031	264,190.59	4.50%	269,881.90
				$1,969,416.70	2.00%	$1,985,329.26
Federal Agencies Securities - CB&T, a subsidiary of Zion Bank						
Federal Home Ln Mtg Corp 3.725%	1,036,000	2/17/2026	1/14/2028	1,021,080.13	3.73%	$1,035,876.92
Federal Home Ln Mtg Corp 4.0850%	530,000	9/29/2025	9/18/2030	513,579.97	4.09%	529,355.55
Federal Home Ln Mtg Corp 4.125%	525,000	1/2/2026	12/16/2030	503,472.89	4.13%	524,952.01
Federal Home Ln Mtg Corp 4.070%	255,000	1/9/2026	12/17/2030	245,753.56	4.07%	255,000.00
Federal Home Ln Mtg Corp 4.150%	600,000	1/29/2026	1/28/2031	568,411.27	4.15%	599,890.95
Federal Home Ln Mtg Corp 4.100%	425,000	3/19/2026	3/19/2031	409,351.70	4.10%	425,000.00
Federal Home Ln Mtg Corp 4.250%	365,000	3/24/2026	3/24/2031	353,095.53	4.25%	365,000.00
Federal Home Loan Banks 1.05%	250,000	10/15/2021	10/15/2026	249,694.21	1.05%	250,000.00
Federal Home Loan Banks 3.500%	250,000	4/4/2024	2/25/2027	248,988.11	3.59%	243,983.36
Federal Home Loan Banks 4.700%	1,000,000	7/30/2024	7/30/2029	986,770.50	4.70%	1,000,000.00
Federal Home Ln Mtg Corp 4.500%	263,000	7/15/2025	5/23/2030	257,504.96	4.50%	262,983.32
Federal Home Loan Banks 4.040%	320,000	8/20/2025	8/20/2030	308,189.29	4.04%	320,000.00
Federal Farm Cr Bks 4.270%	419,000	8/27/2025	8/20/2030	405,678.05	4.27%	419,000.00
Federal Natl Mtg Assn 4.000%	800,000	9/10/2025	9/10/2030	770,749.91	4.00%	800,000.00
Federal Home Ln Mtg Corp 4.200%	480,000	10/21/2025	10/17/2030	464,100.84	4.20%	480,000.00
Federal Natl Mtg Assn 4.100%	320,000	11/14/2025	11/4/2030	303,021.93	4.10%	319,853.82
Federal Home Loans Banks 4.000%	620,000	12/8/2025	11/12/2030	589,343.70	4.01%	619,200.84
Federal Home Loans Banks 4.000%	1,235,000	2/26/2026	2/26/2031	1,174,279.67	4.00%	1,234,719.65
Federal Home Loans Banks 4.500%	330,000	3/30/2026	3/25/2031	322,024.56	4.50%	330,000.00
Federal Farm Cr Bks 4.330%	1,025,000	4/15/2026	4/15/2031	985,486.44	4.33%	1,025,000.00
Federal Home Loans Banks 3.775%	710,000	8/27/2026	7/13/2028	710,074.99	3.77%	710,113.60
				$11,390,652.21	4.06%	$11,749,930.02
Certificates of Deposit - CB&T, a subsidiary of Zion Bank						
Federal Svgs Bk Chicago Il 4.700%	250,000	6/26/2024	6/26/2028	249,815.28	4.70%	250,000.00
First Fndtn Bk Irvine Ca 4.600%	250,000	5/10/2024	5/10/2029	248,084.38	4.60%	250,000.00
Toyota Finl Svgs Bk Hend Nv 4.600%	250,000	5/14/2024	5/14/2029	248,071.88	4.60%	250,000.00
Customers Bk Phoenixville Pa 4.700%	250,000	6/11/2024	6/11/2029	248,641.63	4.71%	249,607.16
Sallie Mae Bk Murray Utah 4.500%	250,000	7/17/2024	7/17/2029	247,232.00	4.51%	249,608.37
				$1,241,845.17	4.62%	$1,249,215.53
TOTAL INVESTMENTS				**$37,229,018.64**	**Average 3.902%**	**$37,599,055.83**
TOTAL ALL FUNDS						**$38,428,661.96**

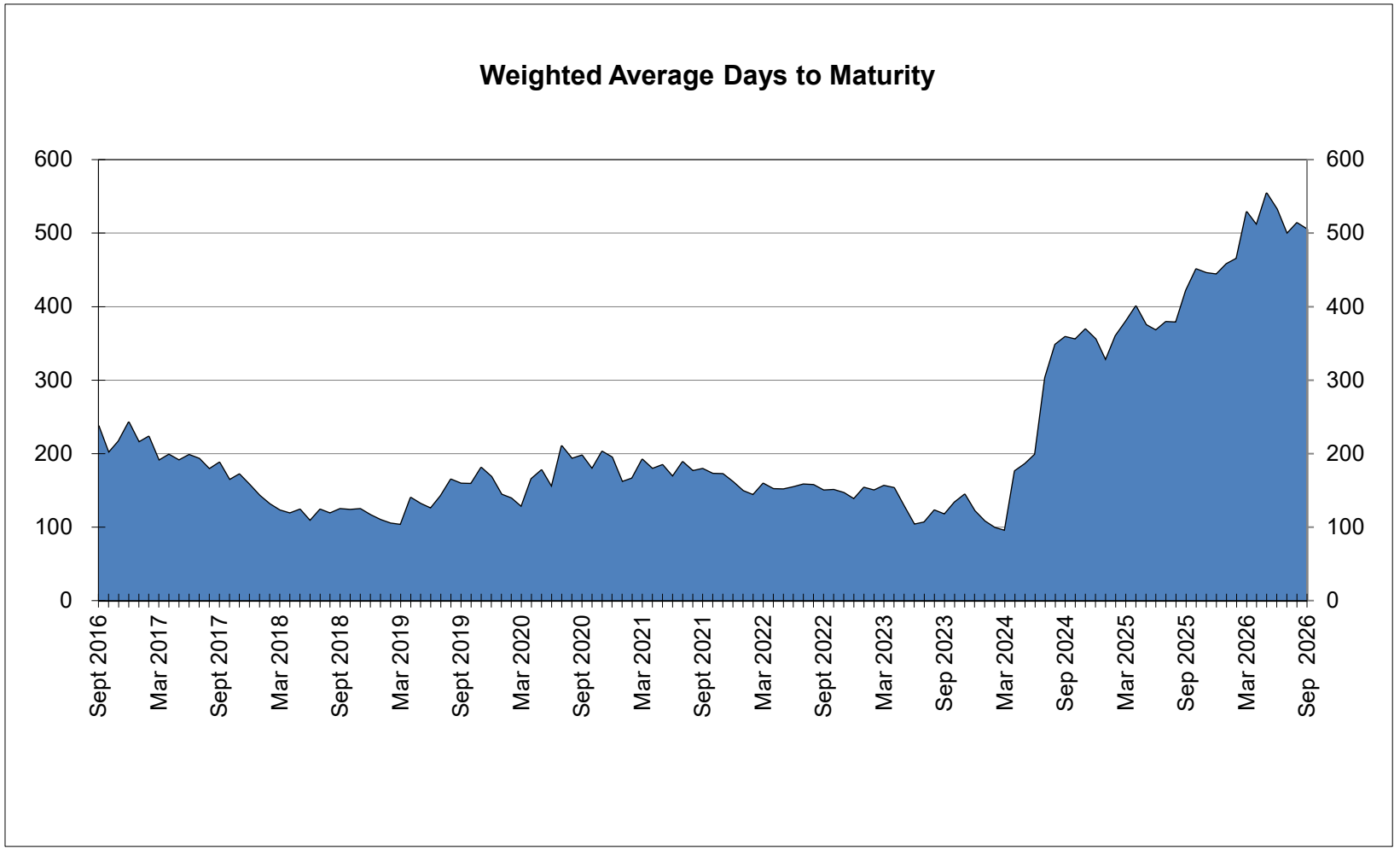
VALLEY CENTER MUNICIPAL WATER DISTRICT
TREASURER'S REPORT - GRAPHS
September 30, 2026



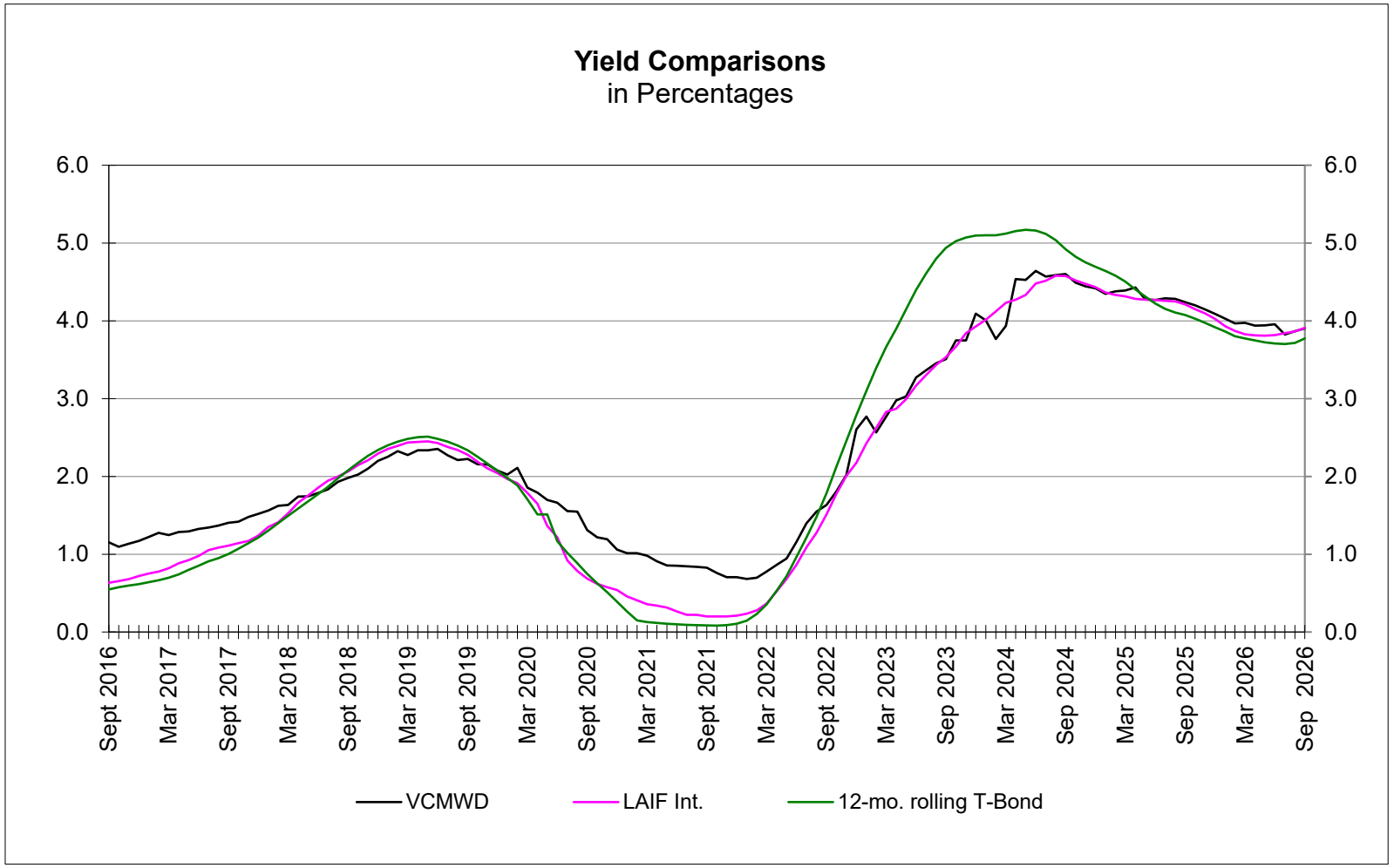
VALLEY CENTER MUNICIPAL WATER DISTRICT
TREASURER'S REPORT - GRAPHS
September 30, 2026



VALLEY CENTER MUNICIPAL WATER DISTRICT
TREASURER'S REPORT - GRAPHS
September 30, 2026



VALLEY CENTER MUNICIPAL WATER DISTRICT
TREASURER'S REPORT - GRAPHS
September 30, 2026



VALLEY CENTER MUNICIPAL WATER DISTRICT
TREASURER'S REPORT - TRANSACTIONS
JULY 1, 2026 THROUGH JUNE 30, 2027

INVESTMENTS PURCHASED

Purchase Date	Security	Maturity Date	Cost	Face Value	Expected Yield
CAMP, CB&T, a subsidiary of Zion Bank					
7/10/2026	U S Treasury Notes 0.5000%	10/31/2027	1,275,000.00	1,216,130.86	0.500%
8/27/2026	Federal Home Loans Banks 3.775%	7/13/2028	710,000.00	710,113.60	3.775%

INVESTMENTS MATURED

Purchase Date	Security	Maturity Date	Cost	Face Value	Yield to Maturity
CAMP, CB&T, a subsidiary of Zion Bank					
7/9/2024	Federal Home Loan Banks 5.00%	7/9/2026	1,000,000.00	1,000,000.00	5.000%
8/26/2024	Federal Farm Credit Bks 3.790%	8/26/2026	600,000.00	600,000.00	3.790%

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD SEPTEMBER 26, 2026 THROUGH OCTOBER 02, 2026

OCTOBER

CHECK #	PAYEE	DESCRIPTION	AMOUNT
ACH	ACWA/JPIA	Blue Cross Medical Premiums - October 2026	86,454.01
ACH	Alpha Analytical Laboratories, Inc.	Testing	1,014.00
ACH	Barbara Baker	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	David Bean	Medicare Part B Reimbursement - 3rd Qtr 2026	1,217.40
ACH	Velma Blake	Medicare Part B and Medical Reimbursement - 3rd	523.17
ACH	Carole Bull	Medicare and Medical Reimbursement - 3rd Qtr 20	1,112.70
ACH	Clearway Energy LLC	Solar Power Lake Turner - August 2026	26,325.66
ACH	Terill Finton	Medicare and Medical Insurance Reimbursement -	980.04
ACH	Dale G Gertzen	Medicare Part B and Medical Reimbursement - 3rd	1,110.57
ACH	Christine Gootee	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Hasa, Inc.	Materials - Field	2,129.36
ACH	Catherine Hicks	Medicare Part B Reimbursement - 3rd Qtr 2026	1,582.50
ACH	Patric Jewell	Medicare Part B and Medical Reimbursements - 3r	3,523.32
ACH	Doug & Sarah Johnson	Medicare Part B Reimbursement - 3rd Qtr 2026	811.60
ACH	Kaiser Foundation Health Plan Inc	Medical Premiums/Purchaser ID 104350 - October	77,381.12
ACH	Richard Learue	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Anthony LoPresti	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Janine LoPresti	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Palomar Termite & Pest Control	Pest Control - September 2026	90.00
ACH	Judy Pumar	Medicare and Medical Reimbursement - 3rd Qtr 20	1,152.96
ACH	Mike Pumar	Medicare and Medical Reimbursement - 3rd Qtr 20	1,152.96
ACH	Pamela Regan	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Thomas Regan	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Self Insured Services Company LLC	Reimbursement Request For Dental Funding Datec	251.42
ACH	John Stetson	Medicare and Medical Insurance Reimbursement -	2,491.86
ACH	Kathleen Stetson	Medicare and Medical Insurance Reimbursement -	2,491.86
ACH	United Parcel Service, Inc.	Shipping	37.34
ACH	Phil Valenzuela	Medical and Medicare Part B Reimbursement - 3rd	1,461.87
ACH	Waterline Technologies Inc	Materials - Field	614.71
ACH	Dennis and Laura Williams	Medicare Part B Reimbursement - 3rd Qtr 2026	1,208.40
ACH	Annette Wooten	Medicare Part B Reimbursement - 3rd Qtr 2026	1,217.40
173941	Adobe Inc.	License Renewal	3,454.56
173942	AT&T	Services	705.95
173943	Atlas Technical Consultants LLC	Services	9,960.00
173944	Babcock Laboratories, Inc	Testing	1,573.00
173945	Barbara Barnett	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
173946	Gerald Barnett	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
173947	Calvin Brewer	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
173948	Broadpoint Properties	Refund Check 007462-000	337.33
173949	California Bank & Trust	Credit Cards - Meals, Travel, Meetings	3,301.71
173950	California Bank & Trust	Credit Cards - Meals, Travel, Meetings	1,543.82
173951	California Bank & Trust	Credit Cards - Meals, Travel, Meetings	1,147.56
173952	California Bank & Trust	Credit Cards - Meals, Travel, Meetings	2,264.89
173953	California Bank & Trust	Credit Cards - Meals, Travel, Meetings	137.76

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD SEPTEMBER 26, 2026 THROUGH OCTOBER 02, 2026

OCTOBER

CHECK #	PAYEE	DESCRIPTION	AMOUNT
173954	Gordon Clarke	Refund Check 011470-000	30.33
173955	County of San Diego	Permits - Record Number DEH2004-HUPFP-2034(	1,273.00
173956	Covey Farms	Refund Check 011357-000	760.00
173957	DIRECTV	Dish Service 09/24/26-10/23/26	94.99
173958	Lorena Espinoza	Janitorial Service - September 2026	1,875.00
173959	Fleetpride	Vehicle Maintenance	110.91
173960	Ronald Gilbert	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
173961	iDrains LLC	Services	2,240.00
173962	Inductive Automation, LLC	PriorityCare Support Plan Renewal 10/11/26-10/11	15,060.00
173963	International Consulting UNLTD	Materials - Field	4,249.06
173964	Cynthia Jeffrey	Medicare Reimbursement - 3rd Qtr 2026	1,186.86
173965	Christine Johnson	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
173966	Anne Masley	Medicare Part B Reimbursement - 3rd Qtr 2026	1,217.40
173967	Mutual of Omaha	Life Insurance - October 2026	2,764.12
173968	Nova Services	Old Castle Road Phase 2	1,382.64
173969	Occupational Health Centers of Califor	Medical Services	219.00
173970	Pacific Pipeline Supply	Materials - Field	442.03
173971	Pavement Recycling Systems Inc	Refund Check 021348-000	436.07
173972	Polydyne Inc.	Chemicals	1,907.01
173973	Powerland Equipment Inc.	Materials - Field	255.13
173974	Reliance Standard Life Insurance	Life Insurance Premiums - October 2026	10,090.53
173975	Republic Services Inc.	Hazardous Waste Removal	1,970.82
173976	Maksim and Ala Rudziankov	Refund Check 019405-000	61.45
173977	San Diego Gas & Electric	Gas Services - September 2026	29,867.29
173978	San Diego Gas & Electric	Electric Services	163,979.96
173979	Suzanne Schmidt Traner	Refund Check 011511-000	86.61
173980	Self Insured Services Company	Medical & Dental Insurance Premiums - Septembe	697.00
173981	Uline Inc.	Janitorial Supplies	207.14
173982	Waxie Sanitary Supply	Breakroom Supplies	1,085.92
173983	James Wooten	Medicare Part B Reimbursement - 4th Qtr 2025, 1s	2,381.10
	TOTAL		493,998.58

Approved By: _____
General Manager

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Director of Finance & Administration

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD OCTOBER 03, 2026 THROUGH OCTOBER 09, 2026

OCTOBER

CHECK #	PAYEE	DESCRIPTION	AMOUNT
ACH	Alpha Analytical Laboratories, Inc.	Testing	1,106.00
ACH	BlueTriton Brands Inc	Deliveries - September 2026	118.83
ACH	Complete Office of California, Inc	Office Supplies	475.75
ACH	Daniel Dentino	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Linda Westler Dentino	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Diamond Environmental Services, LP	Services	1,695.40
ACH	Troy Goswick	Medicare Part B Reimbursement - 3rd Qtr 2026	1,217.40
ACH	Annette Grabbe	Medicare and Medical Reimbursement - 3rd Qtr 20	852.30
ACH	Wally Grabbe	Medicare and Medical Reimbursement - 3rd Qtr 20	852.30
ACH	Grainger, Inc	Materials - Field	2,412.56
ACH	Hawthorne Machinery Co	Materials - Field	10.97
ACH	International City Mgmt Association Re	Plan# 801966 MissionSquare Remittance 09/18/26	4,951.08
ACH	Jankovich Company	Materials - Field	2,781.02
ACH	Dave Mancino	Medicare Part B Reimbursement - 3rd Qtr 2026	578.70
ACH	Betty Randolph	Medicare Part B Reimbursement - 3rd Qtr 2026	486.96
ACH	Franchot Randolph	Medicare Part B Reimbursement - 3rd Qtr 2026	486.96
ACH	Rockwell Construction Services, LLC	Water System SCADA/HMI Migration	2,205.00
ACH	Self Insured Services Company LLC	Reimbursement Request For Dental Funding Date	894.80
ACH	Underground Service Alert/SC	Services - September 2026	382.67
ACH	United Way of San Diego County	Account# 8497 Employee Contributions 09/18/26-	20.00
ACH	Valley Center Municipal Water District	Employee Contributions 09/18/26-10/02/26 - Barga	584.25
ACH	VCMWD Employees Association	Employee Contributions 09/18/26-10/02/26 - Social	558.00
ACH	Larry Watson	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Katherine Wilson	Medicare Part B Reimbursement - 3rd Qtr 2026	426.09
173984	APCD - County of San Diego	Permits	782.00
173985	Asbury Environmental Services	Hazardous Waste Removal	306.00
173986	ASCO Power Services Inc	Materials - Field	199.76
173987	Babcock Laboratories, Inc	Testing	145.00
173988	Bavco	Materials - Field	2,968.16
173989	Bidell Gas Compression Inc.	Materials - Field	360.27
173990	Cleverbridge Inc.	Materials - IT. Ref: 542379571	2,895.00
173991	Collicutt Energy	Materials - Field	174.21
173992	Corodata Media Storage, Inc.	Record Storage - September 2026	254.19
173993	Corodata Records Management	Record Storage - September 2026	194.34
173994	County of San Diego	Repeater Site Rent Acct# 7019 - Palomar Mountair	956.00
173995	Doane and Hartwig Water Systems, In	Materials - Field	44,247.94
173996	EDCO Waste & Recycling Service	Trash Services - September 2026	1,005.75
173997	Fallbrook Public Utility District	Cost Share Reimbursement - September 2026	8,333.33
173998	Fidelity Security Life Insurance Compa	Vision Plan Premium - October 2026. Group ID: 1(	1,014.25
173999	Fidelity Security Life Insurance Compa	Vision Plan Premium - October 2026. Group ID: 1(	206.55
174000	HealthEquity Inc.	Employee Contributions 09/18/26-10/02/26	777.57
174001	Home Depot Credit Services	Materials - Field	238.26
174002	iDrains LLC	Services	2,605.00
174003	Motion Industries	Materials - Field	1,934.22

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD OCTOBER 03, 2026 THROUGH OCTOBER 09, 2026

OCTOBER

CHECK #	PAYEE	DESCRIPTION	AMOUNT
174004	National Safety Compliance, Inc	DQF Online Monthly Fee	454.85
174005	Occupational Health Centers of Califor	Medical Services	376.00
174006	Pacific Pipeline Supply	Materials - Field	6,141.45
174007	Polydyne Inc.	Chemicals	1,907.01
174008	San Diego Gas & Electric	Electric Services	91,272.57
174009	SC Commercial, LLC	Oil and Gasoline	2,207.60
174010	Southwest Answering Service, Inc	Answering Service 09/03/26-09/30/26	642.83
174011	Valley Center Materials	Materials - Field	378.69
174012	Water Resources Economics LLC	Financial Assessment	11,347.50
174013	Waukesha-Pearce Industries, Inc.	Materials - Field	694.79
	TOTAL		209,944.23

Approved By: _____
General Manager

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Director of Finance & Administration

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD OCTOBER 10, 2026 THROUGH OCTOBER 16, 2026

OCTOBER

CHECK #	PAYEE	DESCRIPTION	AMOUNT
ACH	Paul Adrian	Reimbursement For Difference In DMV Renewal	13.00
ACH	Alpha Analytical Laboratories, Inc.	Testing	1,363.00
ACH	BluePath Finance Solar III LLC	Lower Moosa Canyon Solar - September 2026	4,316.70
ACH	BluePath Finance Solar V LLC	VCMWD Corporate Center - September 2026	2,890.44
ACH	Cristi Bush	Medicare Part B Reimbursement - 3rd Qr 2026	527.70
ACH	Diamond Environmental Services, LP	Services	5,637.17
ACH	Farmer Brothers Co.	Breakroom Supplies	312.26
ACH	Grainger, Inc	Materials - Field	227.31
ACH	Hasa, Inc.	Materials - Field	1,977.27
ACH	HD Supply Facilities Maintenance Ltd.	Materials - Field. Customer# 19969	3,367.69
ACH	IntelePeer Holdings Inc.	Services - September 2026	830.27
ACH	Irene Klimas	Medicare Part B Reimbursement - 3rd Qr 2026	608.70
ACH	Thad Klimas	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Ismael Navarro	Safety Boot Reimbursement	219.98
ACH	O'Reilly Auto Enterprises, LLC	Vehicle Maintenance	2,807.28
ACH	Pamer & Pamer LLC	Services - Pump Load From Treatment Plant	1,580.00
ACH	Partners In Control Inc.	Water System SCADA/HMI	13,508.55
ACH	Self Insured Services Company LLC	Reimbursement Request For Dental Funding Date	4,272.81
ACH	Francesca Shough	Medicare Part B Reimbursement - 3rd Qtr 2026	1,217.40
ACH	State Water Resources Control Board	2020 Pipelines - DWSRF Contract D2102015, Proj	324,174.63
ACH	Stehly Brothers Drilling Inc	Materials - Field	4,738.69
ACH	David Tilley	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Deborah Tilley	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
ACH	Robert Truesdale	Medical Insurance Reimbursement - 3rd Qtr 2026	1,160.88
ACH	United Parcel Service, Inc.	Shipping	48.78
174014	AED Brands LLC	Materials - Field	986.79
174015	Asbury Environmental Services	Hazardous Waste Removal	595.28
174016	AT&T	Services	2,851.08
174017	Babcock Laboratories, Inc	Testing	320.00
174018	Bavco	Materials - Field	2,996.92
174019	Big Ben Inc.	Old Castle Pipeline PH-2	79,669.37
174020	Blackhawk Environmental Inc.	Services	3,570.00
174021	Bob Turner's Crane Service, Inc.	Services	1,545.80
174022	Boncor Water Systems, LLC	Services For Acct# 412732	390.00
174023	Broadpoint Properties	Refund Check 017863-000	209.46
174024	CA-NV Section AWWA	Cross Connection Specialist Renewal - Ismael Nav	140.00
174025	CW Southwest, LLC	Materials - Field	1,737.06
174026	CWEA	Renewal For Collections System Maintenance Gra	128.00
174027	Paul Benfante and Michelle Cyganik	BP Refund - Permit# 2026-0083	2,086.00
174028	DIRECTV	Moosa Dish Service	64.99
174029	Ferguson Waterworks #1083	Materials - Field	3,248.66
174030	GovConnection, Inc.	Services - IT	442.71
174031	HealthEquity Inc.	Monthly Fees - October 2026	20.65
174032	William Jones	Refund Check 011426-000	81.13

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD OCTOBER 10, 2026 THROUGH OCTOBER 16, 2026

OCTOBER

CHECK #	PAYEE	DESCRIPTION	AMOUNT
174033	Esther T. May	Medicare Part B Reimbursement - 3rd Qtr 2026	608.70
174034	Fernando Michael Nieves	Refund Check 012306-001	1,570.35
174035	OneSource Distributors, LLC	Materials - Field	245.48
174036	Palomar Broadband Inc.	Services	69.95
174037	Pitney Bowes Inc	Postage Meter Rental 06/29/26-09/28/26	146.27
174038	Rincon Band of Luiseno Indians	Monitoring Services - September 2026	1,622.72
174039	James Sedillo	Safety Boot Reimbursement	196.76
174040	Stericycle, Inc.	Record Destruction	511.13
174041	SWRCB	Renewal For Distribution Grade 2 - Ismael Navarro	100.00
174042	Veolia Water Technologies, Inc.	Materials - Field	5,022.37
174043	Westair Gases & Equipment Inc.	Materials - Field	193.22
	TOTAL		488,997.46

Approved By: _____
General Manager

_____
Director of Finance & Administration

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD OCTOBER 17, 2026 THROUGH OCTOBER 23, 2026

OCTOBER

CHECK #	PAYEE	DESCRIPTION	AMOUNT
ACH	ACWA/JPIA	Blue Cross Medical Premiums - November 2026	95,834.62
ACH	ACWA-JPIA	Worker's Comp Premium 1st Qtr 2026-2027 (07/(	31,215.66
ACH	Alpha Analytical Laboratories, Inc.	Testing	580.00
ACH	Best Best & Krieger LLP	Legal Services - September 2026	29,108.99
ACH	Clearway Energy LLC	Solar Power Lake Turner - September 2026	22,381.41
ACH	Diamond Environmental Services, LP	Services	1,830.60
ACH	Grainger, Inc	Materials - Field	1,203.08
ACH	International City Mgmt Association Re	Plan# 801966 MissionSquare Remittance 10/02/2(	4,951.40
ACH	Kaiser Foundation Health Plan Inc	Medical Premiums/Purchaser ID 104350 - Novem	77,381.12
ACH	Pamer & Pamer LLC	Services - Pump Load From Treatment Plant	1,975.00
ACH	Paymentus Corporation	Transaction Fees - September 2026	13,343.80
ACH	Prudential Overall Supply	Customer No. 6782625 Uniform Rentals - Septen	3,705.06
ACH	Self Insured Services Company LLC	Reimbursement Request For Dental Funding Date	1,078.65
ACH	Daniel Shubin	Safety Boot Reimbursement	226.22
ACH	United Way of San Diego County	Account# 8497 Employee Contributions 10/02/26-	20.00
ACH	Valley Center Municipal Water District	Employee Contributions 10/02/26-10/16/26 - Barg	584.25
ACH	VCMWD Employees Association	Employee Contributions 10/02/26-10/16/26 - Socia	558.00
ACH	Westflex, Inc.	Materials - Field	351.15
174044	A-1 Irrigation, Inc	Materials - Field	3,303.57
174045	Aaron Mehandroo LLC	Vehicle Maintenance	113.55
174046	ACWA	2027 Annual Agency Dues	28,285.00
174047	All-American Septic Pumping & Servic	Septic Services	2,000.00
174048	AT&T Mobility	Services - Account No. 287290784385	4,210.65
174049	Babcock Laboratories, Inc	Testing	2,364.00
174050	Bidell Gas Compression Inc.	Materials - Field	8,771.70
174051	Collicutt Energy	Materials - Field	136.23
174052	County of San Diego	Permits	2,360.00
174053	Electrical Sales, Inc	Materials - Field	468.90
174054	Freeway Trailer Sales	Materials - Field	147.31
174055	HealthEquity Inc.	Employee Contributions 10/02/26-10/16/26	777.57
174056	iDrains LLC	Services	5,575.00
174057	Infosend	A/R Processing, Mail & Postage	4,846.20
174058	Occupational Health Centers of Califo	Medical Services	192.00
174059	Rancho California Water District	CropSwap 15% Cost Share - Q3 2026	13,545.05
174060	San Diego County Water Authority	Capacity & Water Treatment Fees - 1st Qtr FY20	24,059.00
174061	SanGIS/County of San Diego	DAMOA Agreement	1,000.00
174062	Self Insured Services Company	Medical & Dental Insurance Premiums - October 2	697.00
174063	Snap-On Incorporated	Materials - Field	203.42
174064	Veolia Water Technologies, Inc.	Materials - Field	5,007.74

VALLEY CENTER M.W.D.
DISBURSEMENTS
FOR PERIOD OCTOBER 17, 2026 THROUGH OCTOBER 23, 2026

OCTOBER

CHECK #	PAYEE	DESCRIPTION	AMOUNT
174065	Xylem Water Solutions U.S.A. Inc	Materials - Field	10,563.81
	TOTAL		404,956.71

Approved By: _____
General Manager

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Director of Finance & Administration

VALLEY CENTER MUNICIPAL WATER DISTRICT
ELECTRONIC DISBURSEMENTS
FOR PERIOD SEPTEMBER 1, 2026 THROUGH SEPTEMBER 30, 2026

DATE	PAYEE	DESCRIPTION	AMOUNT
BANK TRANSFERS:			
ACH:			
09/10/26	Direct Deposit	DIRECT DEP PAYROLL 08/21/26-09/04/26	249,695.35
09/11/26	IRS	P/R TAX 08/21/26-09/04/26	53,419.22
09/11/26	EDD	P/R TAX 08/21/26-09/04/26	17,653.08
09/11/26	EXPERTPAY	GARNISHMENT 08/21/26-09/04/26	780.00
09/11/26	PEBSCO/NATIONWIDE	DEFERRED COMPENSATION 08/21/26-09/04/26	18,721.29
09/11/26	CALPERS	CALPERS CONTRIBUTIONS 08/21/26-09/04/26	69,112.50
09/11/26	CALPERS	MONTHLY UNFUNDED ACCRUED LIABILITY - September	262,380.83
09/18/26	CALPERS	GASB-68 Reporting Service Fee	350.00
09/24/26	Direct Deposit	DIRECT DEP PAYROLL 09/04/26-09/18/26	243,675.75
09/25/26	IRS	P/R TAX 09/04/26-09/18/26	51,303.40
09/25/26	EDD	P/R TAX 09/04/26-09/18/26	16,678.74
09/25/26	EXPERTPAY	GARNISHMENT 09/04/26-09/18/26	780.00
09/25/26	PEBSCO/NATIONWIDE	DEFERRED COMPENSATION 09/04/26-09/18/26	18,883.97
09/25/26	CALPERS	CALPERS CONTRIBUTIONS 09/04/26-09/18/26	68,815.28
ONE TIME WIRES:			
09/17/26	VTL Valley Center Ranch LLC	Phase 3 Security Deposit	187,885.55
RECURRING WIRES:			
09/04/26	SDCWA	WATER DELIVERY - JULY 2026	3,625,207.80
09/30/26	CAMP	TEMPORARY INVESTMENT	3,100,000.00
		TOTAL	7,985,342.76

APPROVED BY:

GENERAL MANAGER

DIRECTOR OF FINANCE

November 2, 2026

TO: **Honorable President and Board of Directors**

FROM: **Lindsay Leahy, General Manager**

SUBJECT: **GOVERNMENT CODE §53065.5**

PURPOSE:

Disclosure of reimbursements paid by the District to employees for the quarter ended September 30, 2026.

SUMMARY:

Government Code §53065.5 requires the District "...disclose any reimbursement paid by the district... of at least $100.00 for each individual charge for services or product received. 'Individual charge' includes, but is not limited to, one meal, lodging for one day, transportation or a registration fee paid to any employee or member of the governing body of the district...".

Backup documentation is available upon request.

RECOMMENDATION:

Information item only

PREPARED BY:

James V. Pugh
Director of Finance & Administration

SUBMITTED BY:

Lindsay Leahy
General Manager

Attachments

VALLEY CENTER MUNICIPAL WATER DISTRICT
EXPENSE REIMBURSEMENT FORM

(Please Print)

CLAIMANT'S NAME: Mario Cortes DATE(S): 8/12/2026

PURPOSE: Tri State Seminar, Las Vegas, August 3 - August 6, 2026

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
6/22/26	Tri State Seminar Registration		99.00	99.00
8/3/26	Hotel August 3 through August 6, 2026		505.44	505.44
8/4/26	Lunch - Mario	25.74		25.74
8/4/26	Dinner - Cliff, Mario, Payton and Brayden	86.36		86.36
8/5/26	Dinner - Mario	21.37		21.37
8/6/26	Breakfast - Mario, Cliff, Payton, Ismael and Brayden	98.98		98.98
8/6/26	Lunch - Mario and Cliff	25.61		25.61
	Mileage :	miles @ $ 0.700 /mile (effect. 1/1/25)		
Comments:	Total	258.06	604.44	862.50
01-04-31-50037	Less Advance	600.00		
	Less Personal Expenses			
Vendor# 11688 Acct#_____	Net Expense Reimbursement	-341.94		
Vendor#_____ Acct# 01-01-01-50035	**Board of Directors Only:** Per Diem: ____ Days @$100/day			
	Total Request	-341.94		862.50

GC53065.5 Reporting

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached.

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD.

Claimant's Signature Date

Approved for Payment 9/9/26 Date

ACCOUNTING USE ONLY:

Audited By: BL JP

If reimbursed from Petty Cash:

Recipient Signature: _____ Date Paid: _____

Custodian: _____ Amount Paid: _____

Account #: _____ *Rev. 1/7/09*

VALLEY CENTER MUNICIPAL WATER DISTRICT
EXPENSE REIMBURSEMENT FORM

(Please Print)

CLAIMANT'S NAME: Alondra Garcia DATE(S): July 14-16, 2026

PURPOSE: Esri User Conference (GIS Conference)

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
5/19/2026	Esri UC Conference Admission	0.00		0.00
7/14/2026	Parking	25.00		25.00
7/14/2026	Lunch	35.00		35.00
7/15/2026	Parking	25.00		25.00
7/15/2026	Breakfast	10.71		10.71
7/15/2026	Lunch	12.93		12.93
7/16/2025	Parking	25.00		25.00
7/16/2026	Breakfast	11.49		11.49
7/16/2026	Lunch	16.29		16.29
5x43	Mileage : 215 miles @ $ 0.725 /mile (effect. 1/1/26)	155.88		155.88
Comments:	Total	317.30		317.30
	Less Advance			
	Less Personal Expenses			
Vendor# 11922 Acct# 01-03-28-50037	Net Expense Reimbursement	317.30		
Vendor# Acct# 01-01-01-50035	**Board of Directors Only:** Per Diem: Days @$100/day			
	Total Request	317.30		317.30

GC53065.5 Reporting Amount

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached.

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD.

Claimant's Signature 7/22/26 Date

Approved for Payment 7/23/26 Date

ACCOUNTING USE ONLY:

Audited By: BB JD

If reimbursed from Petty Cash:

Recipient Signature: _____

Custodian: _____

Date Paid: _____

Amount Paid: _____

Account #: _____

Rev. 1/7/09

ACH

PAID

JUL 24 2026

VALLEY CENTER MUNICIPAL WATER DISTRICT
EXPENSE REIMBURSEMENT FORM

(Please Print)

CLAIMANT'S NAME: Coral Hutchins DATE(S): July, August, & September 2026

PURPOSE: Errands

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
7/1/2026	San Marcos County Office & Back			
7/28/2026	Costco & Back for Staff Meeting Goodies			
8/5/2026	Ralphs & Back for Popsicles			
8/17/2026	Ralphs & Back for Board Meeting Snacks			
8/24/2026	Costco & Back for Staff Meeting Goodies			
9/14/2026	County Voter List Fee for Division 2	45.99		45.99
	Mileage : 119.8 miles @ $ 0.725 /mile (effect. 1/1/26)	86.86		86.86
Comments:	Total	132.85		132.85
	Less Advance			
	Less Personal Expenses			
Vendor# 11614 Acct# 01-01-01-50037	Net Expense Reimbursement	132.85		
Vendor# Acct# 01-01-01-50035	**Board of Directors Only:** Per Diem: Days @$100/day			
	Total Request	132.85		132.85

GC53065.5 Reporting

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached.

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD.

Claimant's Signature 9-14-2026 Date

Approved for Payment 9/14/2026 Date

ACCOUNTING USE ONLY:
Audited By: BJ JD

If reimbursed from Petty Cash:

Recipient Signature: _____ Date Paid: _____

Custodian: _____ Amount Paid: _____

Account #: _____ Rev. 1/7/09

ACH

SEP 18 2026

VALLEY CENTER MUNICIPAL WATER DISTRICT
EXPENSE REIMBURSEMENT FORM

(Please Print)
CLAIMANT'S NAME: Marlene Martinez DATE(S): 7/14, 7/15 - 7/16

PURPOSE: To attend the Esri User's Conference & Water Utilities Meetup

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
	Esri User Conference - Complimentary Registration			
7/14	Parking - San Diego Convention Center	25.00		25.00
7/14	Breakfast	15.40		15.40
7/14	Lunch	35.00		35.00
7/15	Parking - San Diego Convention Center	25.00		25.00
7/15	Breakfast	11.80		11.80
7/15	Dinner	50.00		50.00
7/16	Parking - San Diego Convention Center	25.00		25.00
7/16	Breakfast	11.80		11.80
7/16	Lunch	35.00		35.00
69 x 3	Mileage : 207 miles @ $ 0.725 /mile (effect. 1/1/25)	150.08		150.08
Comments:	Total	384.08		384.08
	Less Advance			
	Less Personal Expenses			0.00
Vendor# 1022 Acct# 01-03-28-50037	Net Expense Reimbursement	384.08		
Vendor# Acct# 01-01-01-50035	**Board of Directors Only:** Per Diem: Days @$100/day			
	Total Request	384.08		384.08

GC53065.5 Reporting

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached.

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD.

MMartinez 7/23/2026
Claimant's Signature Date

Approved for Payment 7/23/26
Date

ACCOUNTING USE ONLY:
Audited By: BZ SD

If reimbursed from Petty Cash:
Recipient Signature:
Custodian:

Date Paid:
Amount Paid:
Account #:

Rev. 1/7/09

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JUL 24 2026

VALLEY CENTER MUNICIPAL WATER DISTRICT
EXPENSE REIMBURSEMENT FORM

(Please Print)

CLAIMANT'S NAME: Ismael Navarro DATE(S): 8/12/2026

PURPOSE: Tri State Seminar, Las Vegas, August 4 - August 7, 2025

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
6/22/26	Tri State Seminar Registration		99.00	99.00
8/3/26	Hotel August 3 through August 6, 2026		505.45	505.45
8/5/26	Breakfast - Ismael, Cliff, Mario, Payton and Brayden	112.35		112.35
8/5/26	Lunch - Ismael, Cliff and Payton	60.34		60.34
8/5/26	Dinner - Ismael, Cliff, Mario and Payton	126.81		126.81
	Mileage :	miles @ $ 0.700 /mile (effect. 1/1/25)		
Comments:	Total	299.50	604.45	903.95
01-04-31-50037 ✓	Less Advance	600.00		
	Less Personal Expenses			0.00
Vendor#____ Acct#____	Net Expense Reimbursement	-300.50		
Vendor#____ Acct# 01-01-01-50035	**Board of Directors Only:** Per Diem: ____ Days @$100/day			
	Total Request	-300.50		903.95

GC53065.5 Reporting

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD

Claimant's Signature Date

Approved for Payment 8/20/26 Date

ACCOUNTING USE ONLY:
Audited By: BT DS

If reimbursed from Petty Cash:

Recipient Signature: _____ Date Paid: _____

Custodian: _____ Amount Paid: _____

Account #: _____

Rev. 1/7/09

VALLEY CENTER MUNICIPAL WATER DISTRICT
EXPENSE REIMBURSEMENT FORM

(Please Print)

CLAIMANT'S NAME: Cliff Reeh DATE(S): 8/12/2026

PURPOSE: Tri State Seminar, Las Vegas, August 3 - August 6, 2026

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
6/22/26	Tri State Seminar Registration		99.00	99.00
8/3/26	Hotel August 3 through August 6, 2026		505.45	505.45
8/3/26	Lunch - Cliff, Ismael, Mario and Payton	48.72		48.72
8/3/26	Dinner - Cliff, Ismael, Mario, Payton and Brayden	132.71		132.71
	Mileage : [ ] miles @ $ 0.700 /mile (effect. 1/1/25)			
Comments:	Total	181.43	604.45	785.88
01-04-31-50037 ✓	Less Advance	600.00		
	Less Personal Expenses			0.00
Vendor#____ Acct#____	Net Expense Reimbursement	-418.57		
Vendor#____ Acct# 01-01-01-50035	**Board of Directors Only:** Per Diem: [ ] Days @$100/day			
	Total Request	-418.57		785.88

GC53065.5 Reporting

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD

8-13-26
Claimant's Signature Date

8/20/26
Approved for Payment Date

ACCOUNTING USE ONLY:
Audited By: BJ DD

If reimbursed from Petty Cash:

Recipient Signature: _____

Custodian: _____

Date Paid: _____

Amount Paid: _____

Account #: _____

Rev. 1/7/09

VALLEY CENTER MUNICIPAL WATER DISTRICT
EXPENSE REIMBURSEMENT FORM

(Please Print)

CLAIMANT'S NAME: Payton Rutherford DATE(S): 8/12/2026

PURPOSE: Tri State Seminar, Las Vegas, August 3 - August 6, 2026

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
6/22/26	Tri State Seminar Registration		99.00	99.00
8/3/26	Hotel August 3 through August 6, 2026		505.45	505.45
8/4/26	Lunch - Payton, Cliff and Ismael	75.05		75.05
8/6/26	Lunch - Payton and Ismael	32.95		32.95
	Mileage : miles @ $ 0.700 /mile (effect. 1/1/25)			
Comments: 01-04-31-50037 ✓	Total	108.00	604.45	712.45
	Less Advance	600.00		
	Less Personal Expenses			0.00
Vendor#_____ Acct#_____	Net Expense Reimbursement	-492.00		
Vendor#_____ Acct# 01-01-01-50035	**Board of Directors Only:** Per Diem: ____ Days @$100/day			
	Total Request	-492.00		712.45

GC53065.5 Reporting

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD

Claimant's Signature 8/17/26 Date

Approved for Payment 8/20/26 Date

ACCOUNTING USE ONLY:

Audited By: BT JD

If reimbursed from Petty Cash:

Recipient Signature: _____ Date Paid: _____

Custodian: _____ Amount Paid: _____

Account #: _____

Rev. 1/7/09

VALLEY CENTER MUNICIPAL WATER DISTRICT
EXPENSE REIMBURSEMENT FORM

(Please Print)

CLAIMANT'S NAME: Brayden Stansel DATE(S): 8/12/2026

PURPOSE: Tri State Seminar, Las Vegas, August 3 - August 6, 2026

Date	Description of Expense (meeting, lodging, car rental, meals)	Employee Paid Expenses	District Paid Expenses	Total for GC53065.5 Reporting
6/22/26	Tri State Seminar Registration		99.00	99.00
8/3/26	Hotel August 3 through August 6, 2026		505.45	505.45
8/4/26	Breakfast - Brayden, Ismael, Cliff, Payton and Mario	108.13		108.13
8/4/26	Lunch - Brayden	47.58		47.58
8/5/26	Lunch - Brayden	33.03		33.03
	Mileage : 594 miles @ $ 0.725 /mile (effect. 1/1/26)	430.65		430.65
Comments:	Total	619.39	604.45	1,223.84
01-04-31-50037	Less Advance	600.00		
	Less Personal Expenses	12.58		12.58
Vendor# 11794 Acct#	Net Expense Reimbursement	6.81		
Vendor# Acct# 01-01-01-50035	**Board of Directors Only:** Per Diem: Days @$100/day			
	Total Request	6.81		1,211.26

GC53065.5 Reporting

VCMWD does not reimburse for spouse/guest expenses or alcoholic beverages. Receipts for hotel, transportation, parking, taxi, meals and any additional claim for reimbursement must be attached

The undersigned makes the foregoing claim against VCMWD and states the expenses/per diem requested is correct and said claim is presented in good faith and heretofore not been paid by VCMWD

Claimant's Signature 9-21-2026 Date

Approved for Payment 9/21/26 Date

ACCOUNTING USE ONLY:

Audited By: BL JD

If reimbursed from Petty Cash:

Recipient Signature:

Custodian: B Damico

Date Paid: 10/13/2026

Amount Paid: $ 6.81

Account #: 01-04-31-50037 Rev. 1/7/09

November 2, 2026

TO: **Honorable President and Board of Directors**

FROM: **Lindsay Leahy, General Manager**

SUBJECT: **REQUEST TO APPROVE MASTER SERVICES AGREEMENT AND RELATED COSTS FOR THE VERTEXONE WATERSMART SOFTWARE**

PURPOSE:

To request approval of the Master Services Agreement and related order costs for the renewal of VertexOne WaterSmart Software.

SUMMARY:

On September 20, 2021, the Board of Directors approved the purchase and implementation of VertexOne WaterSmart Software. The initial contract was for five years and expired on September 21, 2026.

The software is an online account platform that provides customers with the ability to track their daily or near-real-time water usage. It also provides customers with access to:

- Water consumption trends;
- Monthly and yearly consumption for compliance with future water use efficiency requirements;
- Automated electronic leak alerts; and
- Ability to view and pay their bills online.

There are currently 7,121, or 69%, of the District's customers currently utilizing the software platform.

FINANCIAL IMPACT:

The following table shows the past and future annual costs associated with the initial and renewed contract. Future costs will be included in the annual budget process.

	Fiscal Year					
	2022	2023	2024	2025	2026	Total
Initial Contract	$34,600	$34,600	$34,600	$34,600	$34,600	$173,000
	2027	2028	2029	2030	2031	Total
Contract Renewal	$38,055	$39,197	$40,373	$41,584	$42,831	$202,040

RECOMMENDATION:

Staff recommends the approval of the Master Services Agreement and related order costs for the renewal of VertexOne WaterSmart Software and authorize the General Manager to execute the agreement.

PREPARED BY:

James V. Pugh
Director of Finance & Administration

APPROVED BY:

Lindsay Leahy
General Manager

Attachments:
Master Services Agreement
Order Form



Valley Center
Municipal Water District

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VertexOne Master Services Agreement

This VertexOne Master Services Agreement is comprised of the VertexOne General Terms set for the below ("General Terms"), and all Attachments, Order Form(s), and Statement(s) of Work that are incorporated by reference into the VertexOne Master Agreement (collectively, the "Agreement"), and is entered into by VertexOne Software, LLC, a Delaware limited liability company with a mailing address of 1321 Upland Dr., Suite 8389, Houston, TX 77043 ("VertexOne") and Valley Center Municipal Water District, CA with its principal office address at 29300 Valley Center Road, Valley Center, CA 92082 ("Client").

The following documents to the extent they are attached and incorporated by reference herein ("Attachments") shall be read and construed as part of the Agreement. In the event of ambiguity or contradiction between different parts, precedence shall be given in the order listed: (i) Order Form(s); (ii) General Terms; and (iii) Statement(s) of Work, and (iv) any other Attachment(s).

PROPRIETARY AND CONFIDENTIAL

This document and the information contained herein is Confidential and Proprietary, contains VertexOne trade secrets, and is not for use by or disclosure to anyone except VertexOne, its affiliates and authorized representatives, and Client, except under written agreement between the parties, or as otherwise required by law.

VertexOne Master Agreement General Terms

1. Definitions.

"**Affiliate**" means any entity that directly or indirectly Controls, is Controlled by, or is under common Control with that entity, and shall include any such entity that meets such test whether before or after the Effective Date. Control means control of greater than 50% of the voting rights or equity interests of a party.

"**Applicable Law**" means any applicable law, statute, regulation, rule, notice, judgment, order, instruction or award of any court or other Competent Authority and any applicable official request or requirement with which either or both of the parties is or are legally required to comply, in each case as amended from time to time.

"**Authorized Users**" means employees, agents, consultants, contractors, or vendors authorized by Client to use the Software, subject to the terms and conditions of this Agreement.

"**Change**"and "**Changes**" means a change/changes to a Statement of Work, Attachment or Order Form.

"**Change Request Proposal**" means a proposed solution and estimate sent to Client after a request for a Change has been received.

"Client Data" means any data (including any Client Personal Data as defined in any applicable Order Form), contained in documents, text, drawings, diagrams, images, messages (together with any database made up of any of those), embodied in any medium, that are supplied to VertexOne by or on behalf of Client, or which VertexOne is required to generate, process, store or transmit pursuant to this Agreement, or any data that is initiated or authorized by the Client.

"**Confidential Information**" means any business, technical, or other information that one party or its Affiliates, or the Recipient's employees, Affiliates, agents, or professional advisors (the "Delegates") of such party or its Affiliates ("Disclosing Party") discloses to the other party or its Affiliates, or the Delegates of such party or its Affiliates ("Recipient") under the Agreement, and that is marked as confidential or would normally be considered confidential information under the circumstances. Confidential Information does not include information that is independently developed by the recipient, is shared with the recipient by a third party without confidentiality obligations or is or becomes public through no fault of the recipient.

"**Indemnified Materials**" means the products, information, and materials provided by either the Client or VertexOne under this Agreement.

"**Intellectual Property Right(s)**" means all copyrights and other intellectual property rights, however arising and in any media whether or not registered, including copyright, patents, trademarks, service marks, trade names, registered and unregistered designs, trade secrets, any applications for the protection or registration of those rights, and renewals and extensions of those rights, throughout the world

"**Liability**" means any liability, whether under contract, tort (including negligence), or otherwise, regardless of whether foreseeable or contemplated by the parties.

"**Order Form**" means an ordering document specifying the Services to be provided hereunder that is entered into between VertexOne and Client or any of VertexOne's Affiliates, including any addenda, attachments, schedules, and supplements thereto.

"**Personnel**" mean all employees, agents, consultants, or subcontractors of VertexOne or Client, as applicable.

"**Services**" has the meaning described in the applicable Order Forms, Statement of Work, or Attachments.

PROPRIETARY AND CONFIDENTIAL

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"**Software**" means any web-based or offline software application that is provided by VertexOne.

"**Statement(s) of Work**" means an Attachment that contains a description of applicable Software or Services to be provided by VertexOne to Client, as well as any milestones, deliverables, and Client obligations.

"**Territory**" means the United States and Canada, or any other jurisdiction identified in the Order Form.

"**Third-Party Materials**" means any software programs or services that are made available by third parties that are provided to Client under this Agreement.

"**URL**" means a uniform resource locator address to a site on the internet and includes any general terms arising from a URL mentioned in this Agreement, an Attachment, Order Form, or Statement of Work.

2. VertexOne Responsibilities.

1. Provision of Services; Access and Use. After the parties complete and execute one or more Order Forms, or Statement of Work, and subject to payment of all applicable fees, VertexOne will provide the Services to Client in accordance with the Agreement and hereby grants Client, during the Term, a non-exclusive, non-transferable right to access and use (and permit Authorized Users to access and use) the Software and Services solely for Client's internal business purposes within the Territory and in the quantity specified in the applicable Order Form.
2. Compliance with Law. Each party will comply with all laws and regulations applicable to its provision, receipt, or use of the Services, as applicable. Each Party will remain responsible for its own regulatory compliance. This Agreement is not intended to and shall not be deemed to delegate any regulatory requirement.
3. VertexOne shall promptly correct any defect or substitute Services, Software, or products to achieve the functionality and benefits originally specified in the Order Form or Statement of Work. If VertexOne makes such correction or substitution, VertexOne shall have no further liability with respect to said defect(s).

3. Client Obligations.

1. Client will perform responsibilities and shall fulfill them with the necessary due care and skill within the timescales specified in this Agreement and any applicable Attachments, or if no timescales are specified, as instructed by VertexOne consistent with this Agreement. Client shall provide: (i) all timely and reasonable assistance to VertexOne as reasonably requested or required by VertexOne in order for VertexOne to be able to provide (and for Client to be able to receive) the Services, and (ii) all Internet and technology requirements required to access, connect to, and receive the VertexOne Services.
2. Restrictions on Use. Client shall not (directly or indirectly): (a) copy or reproduce the Software except as permitted under this Agreement; (b) modify, reverse engineer or disassemble the Software or decompile, attempt to derive the source code or underlying ideas or algorithms of any part of the Software or use the Software for any competitive purpose; (c) interfere with or disrupt the integrity or performance of the Software; (d) attempt to gain unauthorized access to the Software or its related systems or networks, or perform unauthorized penetrating testing on the Software.

PROPRIETARY AND CONFIDENTIAL

This document and the information contained herein is Confidential and Proprietary, contains VertexOne trade secrets, and is not for use by or disclosure to anyone except VertexOne, its affiliates and authorized representatives, and Client, except under written agreement between the parties, or as otherwise required by law.

4. Payment Terms.

1. Payment. VertexOne will invoice Client for the applicable fees and Services, as set forth in the Order Form and Statements of Work ("Fees"). Unless otherwise agreed upon in this Agreement, Client will pay VertexOne all invoiced amounts by thirty (30) days after receipt of the invoice (the "Payment Due Date"). Client shall notify VertexOne of any disputed invoices within ten (10) days of receipt of the Invoice, and if such notice is not provided the invoice will be deemed accepted.
2. Taxes. Client is responsible for paying all taxes associated with its purchases hereunder. If VertexOne has the legal obligation to pay or collect taxes, VertexOne will invoice Client and Client will pay that amount unless Client provides VertexOne with a valid tax exemption certificate authorized by the appropriate taxing authority.
3. Overdue Payments. If Client's payment is overdue, then VertexOne shall be entitled but not obligated to suspend services due to delinquent payments, and any late payments shall be subject to an additional charge of the lesser of 1.5% per month or the maximum permitted by law.
4. Upon use of the Software beyond the Term or Subscription End Date, VertexOne shall apply a twenty-five percent (25%) increase to the Fees and may in its sole discretion add new charges (including charges to account for increases or decreases in transaction volume). If Client has agreed to a renewal (in an Order Form or Statement of Work) before the Subscription End Date, or the first day of the hold-over period, the relevant Order Form or Statement of Work associated with such renewal shall prevail. Client understands that pricing is contingent on timely renewal and failure to timely renew requires VertexOne to allocate resources in a manner that incurs additional cost. If a renewal is agreed after the extension or hold-over period, no refund or credit against future fees will be given.

5. Intellectual Property.

1. Intellectual Property Rights. Except as expressly described in the Agreement, Order Form, or Statement of Work, the Agreement does not grant either party any rights, implied or otherwise, to the other's content or Intellectual Property. As between the parties, Client retains all Intellectual Property Rights in Client Data, and VertexOne retains all Intellectual Property Rights in the VertexOne data, Services and Software.
2. Client Data. Client hereby grants VertexOne the limited, non-exclusive right to view and use the Client Data solely for the purpose of providing the Services hereunder in the Territory. VertexOne will maintain commercially reasonable administrative, physical, and technical safeguards for protection of the security, confidentiality, and integrity of Client's Data. VertexOne has provide to Client a copy of its current security protocols with respect to the protection of Client's Data and VertexOne will not change such protocols in a manner that provides a less rigorous level of protection during the term of this Agreement. Those safeguards will include, but will not be limited to, measures for preventing access, use, modification, or disclosure of Client Data by VertexOne personnel except (a) to provide the Services and prevent or address service or technical problems, (b) as compelled by law in accordance with this Agreement, or (c) as Client expressly permits in writing.
3. Deliverables and Derivatives. Client acknowledges that as between Client and VertexOne, VertexOne shall retain ownership of all Intellectual Property Rights in and to deliverables hereunder and the derivative works (whether independently or jointly conceived), this shall include all Software and Services delivered through the Change Management Process, regardless of whether or not incorporated

PROPRIETARY AND CONFIDENTIAL

This document and the information contained herein is Confidential and Proprietary, contains VertexOne trade secrets, and is not for use by or disclosure to anyone except VertexOne, its affiliates and authorized representatives, and Client, except under written agreement between the parties, or as otherwise required by law.

in any Software, and Client shall acquire no right or interest in the same. Notwithstanding this Section, each Order Form or Statement of Work may specifically identify work for hire as defined under the U.S. Copyright Act.

4. Third-Party Materials. The Software and Services may include Third-Party Materials subject to their respective licenses and terms and conditions as indicated in the Attachments, where applicable; and VertexOne shall not be liable to Client for any liabilities arising therefrom.
5. Aggregated Data; Feedback. Client hereby gives its permission to VertexOne to (i) use any feedback or suggestions received by VertexOne from Client or Authorized Users, and (ii) to use and disclose, on an anonymous and/or aggregated basis, any data pertaining to Client end customers, including without limitation derivative data and data combined with the data of other utilities, for purposes of project evaluation and any research, product development, marketing, or other legitimate business purposes. This Section shall survive any termination or expiration of the Agreement. Any anonymization or aggregation of data will strip any geolocation data such that the data cannot be re-identified based on search criteria.

6. Confidentiality.

Use and Disclosure of Confidential Information. The Recipient will only use the Disclosing Party's Confidential Information to exercise its rights and fulfill its obligations under the Agreement, and will use reasonable care to protect against the disclosure of the Disclosing Party's Confidential Information. Notwithstanding any other provision in the Agreement, the Recipient may disclose the Disclosing Party's Confidential Information (a) to its Personnel and Delegates who have a need to know and who are bound by confidentiality obligations at least as protective as those in this Section 6 (Confidentiality); (b) with the Disclosing Party's consent; or (c) as strictly necessary to comply with law, provided the Recipient promptly notifies the Disclosing Party prior to such disclosure, unless (i) the Recipient is legally prohibited from doing so. The Recipient will comply with the Disclosing Party's reasonable requests to oppose disclosure of its Confidential Information. The parties acknowledge that applicable California law may restrict the disclosure of Client's utility usage data in combination with customer identifying information, and VertexOne agrees to comply with such applicable law in its handling of Client Data.

7. Marketing and Publicity.

With the prior written consent of Client, that shall not be unreasonably withheld, VertexOne may identify Client as a customer and use Client's logo and trademark on VertexOne's marketing materials.

8. Representations and Warranties.

Each party warrants, represents, and covenants that: it has the full capacity and authority to enter into and to perform this Agreement, this Agreement is executed by a duly authorized representative of that party; and there are no actions, suits, or proceedings or regulatory investigations pending or to that party's knowledge, threatened against or affecting that party before any statutory or regulatory authority which is permitted by statute to issue rules and regulations in the United States (the "Competent Authority") that might affect the ability of that party to meet and carry out its obligations under this Agreement. Except for any warranties specifically identified in this Agreement, both parties agree that the warranties set out in this section are in lieu of and exclude all other terms. EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION, THERE ARE NO OTHER EXPRESS WARRANTIES OR

PROPRIETARY AND CONFIDENTIAL

This document and the information contained herein is Confidential and Proprietary, contains VertexOne trade secrets, and is not for use by or disclosure to anyone except VertexOne, its affiliates and authorized representatives, and Client, except under written agreement between the parties, or as otherwise required by law.

REPRESENTATIONS, AND THERE ARE NO IMPLIED WARRANTIES OR REPRESENTATIONS, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

9. Indemnification.

1. VertexOne Indemnification Obligations. Subject to the Liability Cap in Section 10.1(c) (Limited Liabilities), VertexOne will defend Client and its Affiliates participating under the Agreement ("**Client Indemnified Parties**"), and indemnify them against approved settlements or any finally awarded cost or damages ("**Indemnified Liabilities**") in any formal legal proceeding, claim, demand, action, or investigation initiated by an unaffiliated third party before a court or government tribunal (including any appellate proceeding) (a "**Third-Party Legal Proceeding**") to the extent arising from an allegation that the Client Indemnified Parties' use of VertexOne-provided Software or Services (hereinafter the "**VertexOne Indemnified Materials**") infringes the third party's Intellectual Property Rights.
2. Client Indemnification Obligations. Subject to the Liability Cap in Section 10.1(c) (Limited Liabilities),Client will defend VertexOne and its Affiliates and indemnify them against Indemnified Liabilities in any Third-Party Legal Proceeding to the extent arising from (a) an allegation that the VertexOne Indemnified Party's use of any Client Data or any other Client-provided materials (hereinafter the "**Client Indemnified Materials**") infringes the third party's Intellectual Property Rights; (b) any losses, damages, costs or expenses and other liabilities (including reasonable legal fees) (the "**Losses**") suffered by or claims made against VertexOne as a result of Client's misuse of the Services; and (c) any Losses arising out of or relating to Client's misuse of Client Data or Client's acts or omissions relating to Client Data.
3. Indemnification Exclusions. Sections 9.1 (VertexOne Indemnification Obligations) and 9.2 (Client Indemnification Obligations) will not apply to the extent the underlying allegation arises from (a) the indemnified party's breach of the Agreement or (b) the gross negligence or willful misconduct, in each case of the other party or their agents. Moreover, Section 9.1 (VertexOne Indemnification Obligations) will not apply in the event that a claim arises from or relates to: (a) any modification, alteration or conversion of the VertexOne Indemnified Materials not created or approved in writing by VertexOne; (b) any combination or use of the VertexOne Indemnified Materials with any computer, hardware, software, data or service not required by the Documentation or this Agreement; (c) or VertexOne's compliance with specifications, requirements or requests of Client.
4. Indemnification Conditions. Sections 9.1 (VertexOne Indemnification Obligations) and 9.2 (Client Indemnification Obligations) are conditioned on the following:
    a. The indemnified party must promptly notify the indemnifying party in writing of any allegation(s) and cooperate reasonably with the indemnifying party to resolve the allegation(s).
    b. The indemnified party must tender sole control of the indemnified portion of the Third-Party Legal Proceeding to the indemnifying party, subject to the following: (i) the indemnified party may appoint its own non-controlling counsel, at its own expense; and (ii) any settlement, will require the indemnified party's prior written consent.
5. Remedies.
    a. If VertexOne reasonably believes the Services might infringe a third party's Intellectual Property Rights, then VertexOne will, at its sole option and expense, (i) procure the right for Client to continue using the Services, (ii) modify the Services to make them non-infringing without materially reducing their functionality, or (iii) replace the Services with a non-infringing, functionally equivalent alternative.

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b. If VertexOne does not believe the remedies in Section 9.5 (a) are commercially reasonable, then VertexOne may disable access to or use of the Services or components of the Services or terminate the impacted Services.
c. The provisions contained in Section 9.1 and this Subsection 9.5 are the Client's sole and exclusive remedy for any alleged infringement by VertexOne of a third party's Intellectual Property Rights.

10.Liability.

1. Limited Liabilities.
   a. SUBJECT TO SECTION 10.2 (UNLIMITED LIABILITIES), NEITHER PARTY WILL HAVE ANY LIABILITY ARISING OUT OF OR RELATING TO THE AGREEMENT FOR ANY
      i. INCIDENTAL, INDIRECT, EXEMPLARY, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES; OR
      ii. LOST REVENUES, PROFITS, SAVINGS, DATA, CAPITAL, LOSSES BY REASON OF COST OF CAPITAL, OR GOODWILL,

   b. EVEN IF SUCH DAMAGES WERE FORESEEABLE OR A PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND REGARDLESS OF THE LEGAL OR EQUITABLE PRINCIPLE ON WHICH THE CLAIM IS BASED.

3. 2. Each party's total aggregate Liability for damages arising out of or relating to the Agreement is limited to the Fees that Client paid under the applicable Services Order, Order Form, or Statement of Work during the 12-month period before the event giving rise to Liability (the "Liability Cap"). For claims covered by the insurance maintained by VertexOne pursuant to Section 12.4, such insurance shall be the first source of recovery. To the extent such claims are not fully covered by insurance, any remaining liability shall be subject to the Liability Cap set forth in Section 10.1(c).Unlimited Liabilities. Nothing in the Agreement excludes or limits either party's Liability for: (a) its gross negligence; (b) its fraud or fraudulent misrepresentation; (c) its breach caused or contributed to or by any licenses granted by VertexOne; or (d) its payment obligations under the Agreement.

11. Term and Termination.

1. Agreement Term. The Agreement is effective from the date of the last party's signature of the General Terms (the "Effective Date") until it expires or is terminated in accordance with its terms (the "Term").
2. Termination for Breach.
   a. Termination of an Order Form or Statement of Work. Either party may terminate an Order Form, or Statement of Work if the other party is in material breach of the applicable Order Form, or Statement of Work and fails to cure that breach within 30 days after receipt of written notice. Payments following termination by Client for VertexOne's uncured material breach of an Order Form, or Statement of Work will be governed by Section 11.3.2 or the terms of the applicable Order Form, or Statement of Work.
   b. Termination of the Agreement. Either party may terminate this Agreement if the other party (i) is in material breach of the Agreement and fails to cure that breach within 30 days after receipt of written notice, or has submitted a plan for cure of breach accepted in writing by the non-breaching

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party within such 30 day period (ii) ceases its business operations, or (iii) becomes subject to insolvency proceedings and such proceedings are not dismissed within 90 days.

3. Effects of Termination.
    1. In the event of expiration or termination of this Agreement for any reason, each party shall return to the other party (as applicable) any assets, equipment, Software, data, documentation, information, and other material of whatever kind and in whatever form belonging to the other party which it has no legal right to retain. VertexOne will provide data back to the Client in a mutually agreed upon format.
    2. In the event of expiration or termination of this Agreement for any reason, Client shall pay to VertexOne all unpaid Fees and any other sums due under this Agreement in accordance with the payment terms expressed in this Agreement. Such payment shall not prejudice all other rights each party may have against the other.
    3. Expiration or termination of this Agreement for any reason shall not affect the rights and liabilities subsisting at the date of such termination or expiration, or any Order Forms or Statement of Work intended to apply and/or to continue in force after expiration or termination.

12. Miscellaneous. Assignment Neither party may assign this Agreement or any of its rights and obligations under this Agreement without the prior consent of the other party which consent shall not be unreasonably delayed, withheld or conditioned; provided, however, that either party may assign or delegate its rights and obligations under this Agreement, in whole or in part, without the other party's consent to (i) an Affiliate, or (ii) to an entity that acquires all or substantially all of the assets of such party or which is the successor in a merger or acquisition involving such party.

2. Sub-Contractors and Other Personnel
    a. VertexOne shall be entitled to subcontract any part of its rights or obligations under this Agreement without Client's prior consent to any Affiliate or third party provided that it remains liable for the acts and omissions of such Affiliate or third party as if they were its own. Client acknowledges that, and consents to, some of the Services being delivered by VertexOne through other companies in VertexOne.
    b. Client is and shall remain liable for the acts and omissions of Client Personnel in connection with this Agreement as if they were Client's own.
3. Force Majeure. Other than obligations to make payments when due, neither party will be liable for failure or delay in performance of its obligations to the extent caused by circumstances beyond its reasonable control, including acts of God, natural disasters, terrorism, riots, or war (a "Force Majeure Event"). If there is a Force Majeure Event, then the excused party will promptly provide written notice to the other party and will use commercially reasonable efforts to recommence performance.
4. Insurance. VertexOne shall maintain in force for the Term the following insurance policies with reputable insurance companies to cover its relevant potential liabilities in connection with this Agreement:
    a. Commercial General Liability Insurance issued on a standard ISO Commercial General Liability policy form (CG 0001) or its equivalent in an amount of at least one million dollars ($1,000,000) per occurrence and two million dollars ($2,000,000) in the aggregate; and
    b. Professional Liability Insurance including errors, omissions, and cyber coverage in an amount of at least five million dollars ($5,000,000) five million dollars ($5,000,000) per claim; and in the aggregate and
    c. Automobile Liability Insurance including hired and non-owned vehicles in an amount of at least one million dollars ($1,000,000) per accident, such insurance shall be maintained subject to commercially reasonable availability in the insurance market; and

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d. Worker's compensation insurance in such form, and in such amounts, as may be required by law from time to time.

5. No Agency. VertexOne is an independent contractor and shall not be considered an officer, agent, or employee of Client.
6. No Waiver. Neither party will be treated as having waived any rights by not exercising (or delaying the exercise of) any rights under the Agreement.
7. Severability. If any part of the Agreement is invalid, illegal, or unenforceable, the rest of the Agreement will remain in effect, and the parties shall negotiate in good faith a valid replacement provision that most closely reflects the original intent.
8. No Third-Party Beneficiaries. The Agreement does not confer any rights or benefits to any third party unless it expressly states that it does.
9. Dispute Resolution Procedure. The parties will attempt in good faith to resolve within 30 days any dispute or claim arising out of or in relation to this Agreement before filing a formal legal proceeding before a court or government tribunal. Nothing in this Section (Dispute Resolution Procedure) shall prevent either party from instigating immediate legal proceedings to avoid irreparable damage or to preserve the status quo.
10. Notice; Governing Law. Notices shall be given to each party at their respective addresses as first stated in the preamble of this Agreement. All Notices will be in writing and will be deemed to have been duly given (a) three (3) days after being sent by registered or certified mail, return receipt requested and postage prepaid; or, (b) one (1) day after deposit with a nationally recognized overnight delivery or express courier service. Notices can also be sent via electronic mail to the following email addresses: legaldl@vertexone.ai for VertexOne and vvelasquez@vcmwd.org for the Client. This Agreement shall be governed by the laws of the State of Texas without regard to choice or conflicts of law rules, and to the exclusive jurisdiction of the applicable courts of Dallas County with respect to any dispute, claim, action, suit or proceeding (including non-contractual disputes or claims) arising out of or in connection with this Agreement.
11. Entire Agreement. The Agreement states all terms agreed between the parties and supersedes any prior or contemporaneous agreements between the parties relating to the subject matter of the Agreement. In entering into the Agreement, neither party has relied on, and neither party will have any right or remedy based on, any statement, representation, or warranty (whether made negligently or innocently), except those expressly described in the Agreement. The Agreement includes URL links to other terms, which are incorporated by reference into the Agreement. Any amendment to this Agreement shall be in writing.
12. Counterparts. The parties may execute the Agreement in counterparts, including facsimile, PDF, and other electronic copies, which taken together will constitute one instrument.
13. Affiliates: Notwithstanding any provision of this Master Agreement to the contrary, either Party may enter into an Order Form or Statement of Work using an Affiliate of the named Party to this Agreement, and terms of this MSA shall incorporate automatically by reference.

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IN WITNESS WHEREOF, this Agreement is hereby executed to be effective as of the Effective Date.

VertexOne Software, LLC:	**Valley Center Municipal Water District:**
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

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ORDER FORM

Prepared By:	Brad Travis
Email:	brad.travis@vertexone.net
Phone:	VertexOne Software, LLC
Legal Entity:	

Client Name:	Valley Center Municipal Water District, CA	Offer Valid Through:	4/1/2026
Contact Name:	Vanessa Velasquez	Effective Date:	9/23/2026
Email:	vvelasquez@vcmwd.org	Contract Term (months):	60
Phone:	(760) 735-4543	Contract End Date:	9/22/2031
		Payment Frequency:	Annually in Advance
		Payment Terms:	Net 30

Year 1

VertexOne Product	VertexOne SKU	Unit of Measure	Contractual Minimum	Unit Fee	Amount	Monthly SaaS Fee
VertexOne Digital Base	EV1000	Active Accounts	1.00	$16,875.00000	$16,875.00	$1,406.25
VXsmart for Water Saas	EV2001	Managed Meters	10,300.00	$0.75000	$7,725.00	$643.75
Premium Integration - Payments Base	EF2003	Each	1.00	$6,600.00000	$6,600.00	$550.00
Premium Integration - Payments Variable	EV2003	Managed Meters	10,300.00	$0.01238	$127.51	$10.63
Premium Integration - Bill PDF Base	EF2004	Each	1.00	$6,600.00000	$6,600.00	$550.00
Premium Integration - Bill PDF Variable	EV2004	Managed Meters	10,300.00	$0.01238	$127.51	$10.63

Year 2

VertexOne Product	VertexOne SKU	Unit of Measure	Contractual Minimum	Unit Fee	Amount	Monthly SaaS Fee
VertexOne Digital Base	EV1000	Active Accounts	1.00	$17,381.25000	$17,381.25	$1,448.44
VXsmart for Water Saas	EV2001	Managed Meters	10,300.00	$0.77250	$7,956.75	$663.06
Premium Integration - Payments Base	EF2003	Each	1.00	$6,798.00000	$6,798.00	$566.50
Premium Integration - Payments Variable	EV2003	Managed Meters	10,300.00	$0.01275	$131.33	$10.94
Premium Integration - Bill PDF Base	EF2004	Each	1.00	$6,798.00000	$6,798.00	$566.50
Premium Integration - Bill PDF Variable	EV2004	Managed Meters	10,300.00	$0.01275	$131.33	$10.94

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Year 3

VertexOne Product	VertexOne SKU	Unit of Measure	Contractual Minimum	Unit Fee	Amount	Monthly SaaS Fee
VertexOne Digital Base	EV1000	Active Accounts	1.00	$17,902.68750	$17,902.69	$1,491.89
VXsmart for Water Saas	EV2001	Managed Meters	10,300.00	$0.79568	$8,195.50	$682.96
Premium Integration - Payments Base	EF2003	Each	1.00	$7,001.94000	$7,001.94	$583.50
Premium Integration - Payments Variable	EV2003	Managed Meters	10,300.00	$0.01313	$135.24	$11.27
Premium Integration - Bill PDF Base	EF2004	Each	1.00	$7,001.94000	$7,001.94	$583.50
Premium Integration - Bill PDF Variable	EV2004	Managed Meters	10,300.00	$0.01313	$135.24	$11.27

Year 4

VertexOne Product	VertexOne SKU	Unit of Measure	Contractual Minimum	Unit Fee	Amount	Monthly SaaS Fee
VertexOne Digital Base	EV1000	Active Accounts	1.00	$18,439.76813	$18,439.77	$1,536.65
VXsmart for Water Saas	EV2001	Managed Meters	10,300.00	$0.81955	$8,441.37	$703.45
Premium Integration - Payments Base	EF2003	Each	1.00	$7,211.99820	$7,212.00	$601.00
Premium Integration - Payments Variable	EV2003	Managed Meters	10,300.00	$0.01353	$139.36	$11.61
Premium Integration - Bill PDF Base	EF2004	Each	1.00	$7,211.99820	$7,212.00	$601.00
Premium Integration - Bill PDF Variable	EV2004	Managed Meters	10,300.00	$0.01353	$139.36	$11.61

Year 5

VertexOne Product	VertexOne SKU	Unit of Measure	Contractual Minimum	Unit Fee	Amount	Monthly SaaS Fee
VertexOne Digital Base	EV1000	Active Accounts	1.00	$18,992.96117	$18,992.96	$1,582.75
VXsmart for Water Saas	EV2001	Managed Meters	10,300.00	$0.84413	$8,694.54	$724.54
Premium Integration - Payments Base	EF2003	Each	1.00	$7,428.35815	$7,428.36	$619.03
Premium Integration - Payments Variable	EV2003	Managed Meters	10,300.00	$0.01394	$143.58	$11.97
Premium Integration - Bill PDF Base	EF2004	Each	1.00	$7,428.35815	$7,428.36	$619.03
Premium Integration - Bill PDF Variable	EV2004	Managed Meters	10,300.00	$0.01394	$143.58	$11.97

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ORDER TOTAL $202,039.47

Transactional Fees

Price Component	Price	Note
System Generated Notifications	$0.00	Unlimited notifications are included at no-cost to Client
On Demand Notifications Composition and Initiation Fee	$0.005	Per On Demand communication (Email, SMS, Print and/or Call) generated by VertexOne
Electronic Document Archival Notifications and Document Images (up to 24 months)	$ 0.005	One-time charge, per item archived within VertexOne. This applies to all documents that incur composition fees (detailed above) or documents uploaded by Client staff and/or Client end-customers.
VertexOne SMS Gateway Transactional Fee	*Cost + 10%*	Per SMS sent
VertexOne Print & Consumable Transactional Fee	*Cost + 10%*	All services bill to VertexOne by VertexOne print vendors exclusively for printed Welcome Letters, Home Water Reports and/or Leak Alerts

Rate Card

Rate Card	Price	Note
VertexOne Blended Rate	$ 225.00	Per hour for professional services

Terms and Conditions

Introduction

This order replaces and supersedes any other previous Order Forms, and/or understandings between VertexOne Software, LLC and Valley Center Municipal Water District, CA ("Client") Agreement dated TBD, pertaining to the subject matter herein and for the products listed above. Notwithstanding the foregoing, Client shall remain responsible for any and all amounts already due and/or payable for the products listed above up to the Billing Start Date of this Order. In the event of a conflict between the Agreement and this Order Form, the Order Form shall control. VertexOne pricing is presented in USD.

Timely Renewal Policy

If Client uses the Software beyond the Subscription End Date, VertexOne may apply a twenty-five percent (25%) increase to the Fees and may, in its sole discretion, add new charges (including charges to account for increases or decreases in transaction volume). If Client has agreed to a renewal (in an Order Form or Statement of Work) before the Subscription End Date or the first day of the hold-over period, the relevant Order Form or Statement of Work associated with such renewal shall prevail. Client understands that pricing is contingent on timely renewal and failure to timely renew requires VertexOne to allocate resources in a manner

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that incurs additional cost. If a renewal is agreed after the hold-over period, no refund or credit against future fees will be given.

Change Management Policy

Where either Party sees the need for a change, Client may request or VertexOne may recommend such Change in accordance with the Change Management Process outlined in Exhibit A. Either Party may also seek additional information or suggest reasonable modifications to a proposed change. Additional work falling under the Change Management Policy will be billed at the VertexOne Blended Rate, excluding travel expenses. The VertexOne Blended Rate is subject to Annual Escalation increases per the Agreement terms.

Transactional Fees

Transactional Fees are determined by the volume of Services consumed and will be invoiced on the first full business day of the month following the provision of the Service, or the first full business day of the month following the availability of invoices or tracking data required to determine the payment amount.

As an express condition of the Client's use of Services, the Client agrees to pay the transactional Fees. Any undisputed amount owing under this section not paid in accordance with its due date shall be a default and subject to the rights and remedies set out in the Agreement.

Signatures

VertexOne		Client	
Name:	_____	Name:	_____
Title:	_____	Title:	_____
Date:	_____	Date:	_____
Signature:	_____	Signature:	_____

November 2, 2026

TO: **Honorable President & Board of Directors**

FROM: **Lindsay Leahy, General Manager**

SUBJECT: **STATUS REPORT AND BUDGET ADJUSTMENT REQUEST FOR THE COLE GRADE PIPELINE REPLACEMENT PHASE I PROJECT [PROJECT NO. 01-06-78-51690]**

PURPOSE:

Provide a status update on the Cole Grade Pipeline Replacement Phase I project, request an amendment to the Fiscal Year 2026-27 (FY 2026-27) Budget, and authorize the General Manager to negotiate and execute any amendments to the Reimbursement Agreement that result in deductions to the overall project cost to the District.

SUMMARY:

The Cole Grade Road Pipeline Replacement Project was established in FY 2016-17 to fund preliminary design, coordination with the County of San Diego (County), and the solicitation of engineering services for the final design. The project involves replacing the remaining sections of the original cement mortar-lined and tar-wrapped steel pipe installed, circa mid-1950s, in Cole Grade Road. The replacement was delayed to align with the County's planned road improvements, which may have impacted the pipeline's alignment, depth, and appurtenance locations. Coordinating the pipeline replacement with the County's roadwork was intended to be more cost-effective and less disruptive for the District's customers compared to relocating the facilities under a separate District contract.

The road widening project has been split into two phases: Phase I from Cool Valley Road to Pauma Heights Road and Phase II from Fruitvale Road to Cool Valley Road. A reimbursement agreement was negotiated with the County to address the District's portion of the construction to be completed as part of the County's Phase I project (Reimbursement Agreement). The final agreement language was approved by the Board on March 16, 2026.

Phase I of the project generally consists of the installation of approximately 160 linear feet of 16-inch diameter PVC buried polyvinyl chloride (PVC) potable waterline including: valves, air vacuum assemblies, and fire hydrants. Work includes abandonment of an existing water service and installation of 100 linear feet of 16-inch diameter fusible PVC in a bridge deck. The fusible PVC pipe will be connected by a two-flex tend on either side of the bridge and will be located in pre-cast concrete vaults. All work is located within Cole Grade Road, an existing developed County public right of way.

The County finalized the construction plans for the Phase I improvements and advertised the project for bids, which included an additive alternate for the pipeline replacement work. The County opened bids on August 7, 2026. Three bids were received from Hazard-TC JV, Palm Engineering Construction Company, Inc., and Dick Miller, Inc. The project was advertised with award to be based on the total bid amount, including all additive alternates. Below is a summary of the bids received:

CONTRACTOR	TOTAL BID AMOUNT
Engineer's Estimate	***$27,296,590.00***
Palm Engineering Construction Company, Inc	$26,933,333.00
Hazard-TC JV	$31,847,641.80
Dick Miller, Inc	$29,203,485.00

The District's portion of the work was included as Additive Alternate #2 and the submitted bids are presented below:

CONTRACTOR	ADDITIVE ALTERNATE #2 BID AMOUNT	CORRECTED BID AMOUNT
Engineer's Estimate	***$1,163,100.00***	
Palm Engineering Construction Company, Inc	$1,605,700.00	
Hazard-TC JV	$2,301,300.00	
Dick Miller, Inc	$3,420,480.00	$1,376,876.00

The total amount listed on Dick Miller, Inc.'s Additive Alternate No. 2 was incorrect and did not match the total of the bid items. The corrected amount listed is for Additive Alternate No. 2 only. It does not include possible mathematical corrections to the base bid or any other additive alternates, as those were not evaluated by District staff. With the correction identified by District staff, Dick Miller Inc.'s total corrected bid amount was $27,159,881.00.

The County received a bid protest from Hazard-TC JV which identified multiple items within the two apparent low bid packages, including mathematical errors, rendering the bids incomplete and nonresponsive. County staff have indicated to District staff that they plan to award the project to Hazard-TC JV as the lowest responsive, responsible bidder. County staff indicated that they have reviewed their engineer's estimate for the County's portion of the work and found that the Hazard-TC JV bid is in-line with current unit pricing and that rebidding the project could result in higher bids despite receiving two other bids that were consistent with the engineer's estimate.

The Reimbursement Agreement includes a provision that would allow the District to remove its portion of the project and either self-perform the work or hire a third-party

contractor to complete the work. The provision allows the District up to 12 months to complete the work. District staff evaluated the possibility of invoking this provision of the agreement. It was determined that District crews could not self-perform the work based on staffing levels. To bid the work to a third-party contractor, staff would need to repackage the design plans and technical specifications and advertise for construction. The process would take approximately five months to complete, leaving seven months to complete construction. This is feasible unless there are any long lead times for materials. Staff evaluated the cost estimate to account for additional items such as mobilization, traffic control, and paving, were not required when the work was included in the County's contract. In addition, grading work would be required to install the water service laterals and meters in their ultimate location per the County's widening plans. There are portions of the work that cannot be completed prior to the road widening, such as the mainline installation through a new bridge structure. This would require coordination during construction of the bridge. However, there are unknown factors such as the timeline for the bridge construction and how long that would put the District's contractor on hiatus, as well as what the coordination efforts would add to the project cost. These factors introduce risk of claims for delay and interference by either or both contractors, creating potential liability for the District.

The complications of coordinating construction between different contractors and the impact to the public that would be caused by adding up to a year of additional construction lead staff to believe that constructing the project under the County's contract is the better approach. It also makes more fiscal sense, even though the responsive bid received by the County is significantly higher than the engineer's estimate. The uncertainty of a separate bid and the potential increased costs associated with separating the District's project may result in little or no cost savings while creating additional coordination complications and extended construction timelines.

In addition to evaluating completion of the District work as a separate project, District staff considered cost savings measures that could be applied if the project remains part of the County's contract. District and County staff talked through the scope of work for the water improvements and discussed cost saving options through reduction or modification of scope. While none of the initial options discussed were determined to be agreeable to both parties, value engineering the work after award of the contract remains an option. If any portions of the scope of work are altered or removed via value engineering, an amendment to the Reimbursement Agreement may be necessary. Authorizing the General Manager to negotiate and execute any amendments to the Reimbursement Agreement that result in deductions to the overall project cost will be beneficial to the project and minimize project delays.

FUNDING:

This project was originally established in FY 2015-16. Additional appropriations have occurred since that time, including most recently in FY 2025-26 to add $730,000 in anticipation of construction.

Per the Reimbursement Agreement executed for the project, the District must place a deposit with the County for construction of the District's improvements. The deposit includes 50% of the construction cost, 10% of the construction cost for contingency, and 15% of the construction cost for County administration costs. The table below provides the deposit amounts based on the Hazard-TC JV bid.

Reimbursement Agreement	Deposits Required
Construction (50%)	$1,150,650
County Admin (15%)	$345,195
Contingency (10%)	$230,130
Total	**$1,725,975**

The County's contract allows 370 working days, approximately 18.5 months, with construction anticipated to begin this fiscal year and continue through FY 2027-28. Additional funding is necessary for the required construction deposits with the County, District staff coordination and inspection, and design revisions with the assistance of the design consultant. The attached budget table outlines the $642,569 in anticipated funding needs for this fiscal year. Funding for the mid-year budget adjustment is available via budget transfer from the following sources:

Project Name	Project Number	Amounts
Wohlford Estates Participation	01-06-78-51023	$28,315
Reidy Canyon & West Bear Ridge Reservoir Coating Repair	01-06-78-51401	$112,220
Paradise Mtn Pump Station Demo Inner Connection	01-06-78-51451	$150,000
Participation, Upsizing & Unspecified Replacement	01-06-78-51020	$200,517
Capital Improvement Charge Reserve		$151,607
	Total	**$642,659**

The Wohlford Estates Participation and Reidy Canyon & West Bear Ridge Reservoir Coating Repair projects were completed and closed at the end of FY 2025-26. The Paradise Mountain Pump Station Demolition Inner Connection project was a duplicate project for one listed in the operating budget. The pipeline upsizing project account is intended to cover costs associated with participation in developer projects and unanticipated costs from County roadway improvement projects. The project account will not be completely depleted, leaving $100,000 to cover other unanticipated project expenses throughout the fiscal year.

A total of $1,638,996, necessary for completion of the Phase I improvements, will be requested as part of the FY 2027-28 annual budget.

RECOMMENDATION:

Staff recommends the Board of Directors adopt Resolution No. 2026-39 amending the FY 2026-27 Annual Budget to transfer funds in the amount of $642,659 to the Cole Grade Road Pipeline Replacement Phase I project as part of San Diego County's Cole Grade Road Improvements Phase I construction contract and authorize the General Manager to negotiate and execute any amendments to the Reimbursement Agreement for value engineering and/or deductive change orders that result in reduced project costs.

PREPARED BY:

Melody Rocco, P.E.
District Engineer

SUBMITTED BY:

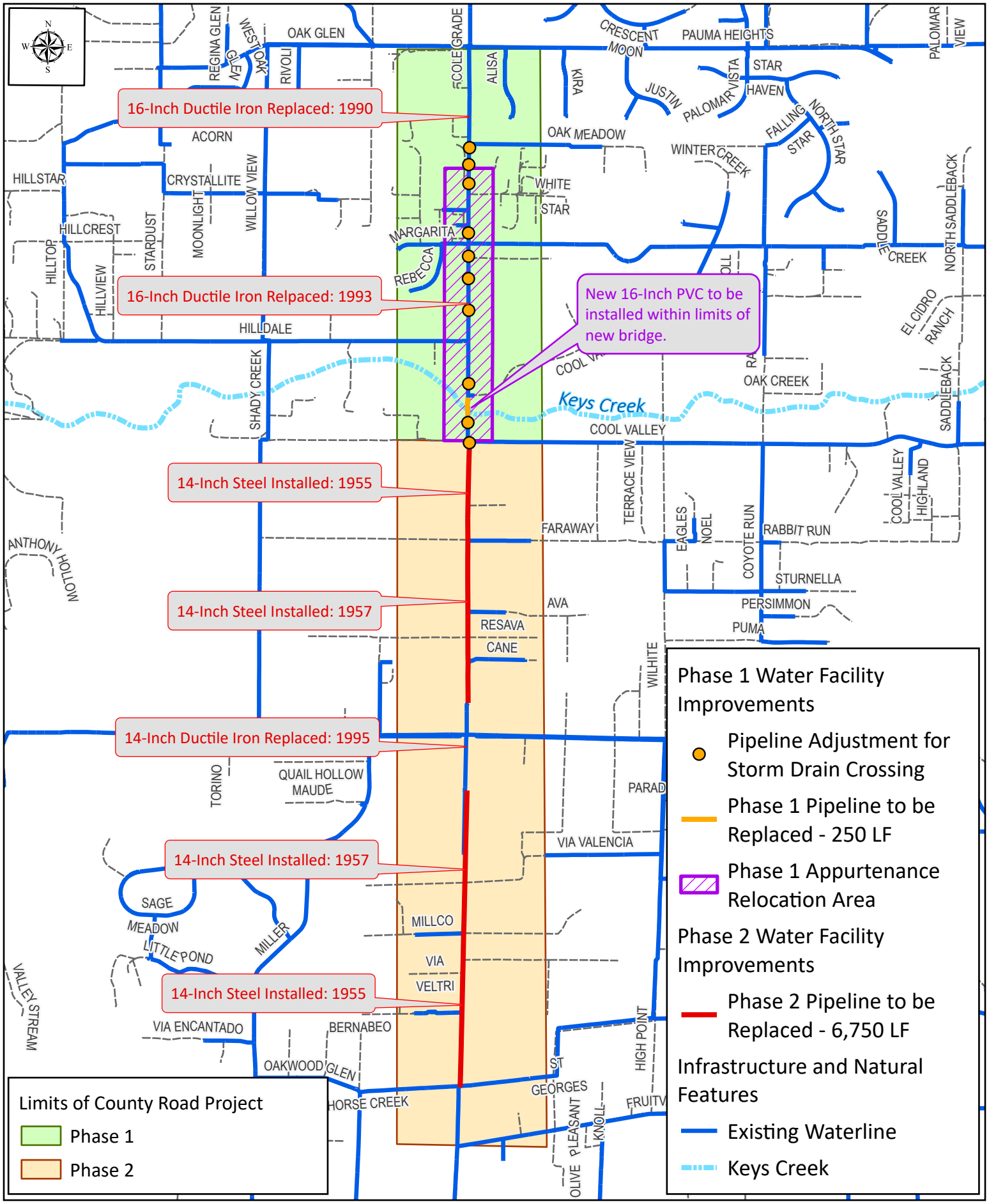
Lindsay Leahy
General Manager

Attachments:

- Budget Table
- Exhibit Map
- Resolution No. 2026-39
- Mid-Year Capital Project Request Form

Budget Table

Cole Grade Road Pipeline Replacement Phase 1						
Project Budget	**Prior Budget**	**Estimated Remaining Budget**	**Proposed Budget Adjustment**	**Revised Budget 2026-2027**	**Future Budget Allocation**	**Estimated Total Project Cost**
Staff	202,900	1,492	**178,412**	179,905	280,355	661,668
Consultant	286,254	142,205	**0**	142,205	87,926	374,180
Construction	913,500	913,500	**237,150**	1,150,650	1,150,650	2,301,300
County Administration	127,500	127,500	**217,695**	345,195		345,195
Miscellaneous	9,091	1,171		1,171	5,000	14,091
Contingency	266,755	266,755	**9,401**	276,156	115,065	391,221
Total Project	**1,806,000**	**1,452,622**	**642,659**	**2,095,281**	**1,638,996**	**4,087,655**



VALLEY CENTER MUNICIPAL WATER DISTRICT

COLE GRADE ROAD
Pipeline Replacement Project

2/7/2025
Y:\GISProjects\ColeGradeRd\ProProjects\ColeGradeRd.aprx
Source: SANGIS, SANDAG, VCMWD

RESOLUTION NO. 2026-39

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT APPROVING A MID-YEAR AMENDMENT TO THE FISCAL YEAR 2026-27 ANNUAL BUDGET TO PROVIDE FUNDING FOR THE COLE GRADE ROAD PIPELINE REPLACEMENT PHASE 1 PROJECT

WHEREAS, the Board of Directors of the Valley Center Municipal Water District ("District") adopted Resolution No. 2026-24 on July 6, 2026, adopting the Fiscal Year 2026–27 (FY 2026-27) Annual Budget;

WHEREAS, the FY 2026-27 Annual Budget included the Cole Grade Road Pipeline Replacement Phase 1 Project as a capital project with no additional anticipated funding;

WHEREAS, the Cole Grade Road Pipeline Replacement Phase 1 Project consists of the installation of approximately 160 linear feet of 16-inch PVC waterline, including valves, air vacuum assemblies, and fire hydrants, from Cool Valley Road to Pauma Heights Road, within Cole Grade Road, an existing County of San Diego ("County") public right of way due to a County road widening project;

WHEREAS, the District and the County entered into a Reimbursement Agreement for the waterline work to be incorporated into the County road widening project;

WHEREAS, the County advertised the road widening project, received three bids, and two were deemed non-responsive;

WHEREAS, the third bid received was determined by the County to be a responsive bid from a responsible bidder, but is significantly higher than the engineer's estimate listed in the bid documents;

WHEREAS, the FY 2026-27 Annual Budget established a project budget of $1,872,023;

WHEREAS, the current budget is not sufficient for the new estimated total cost of the project through this fiscal year, which is approximately $2,095,281;

WHEREAS, staff desires to include sufficient funding authority in the FY 2026-27 Annual Budget to begin constructing the project improvements as part of the County road widening project;

WHEREAS, the Wohlford Estates Participation project (01-06-78-51023) is complete and $28,315 is available to cover a portion of the proposed budget adjustment;

WHEREAS, the Reidy Canyon & West Bear Ridge Reservoir Coating Repair project (01-06-78-51401) is complete and $112,220 is available to cover a portion of the proposed budget adjustment;

WHEREAS, the Paradise Mountain Pump Station Demolition Inner Connection project (01-06-78-51451) is a duplicate project for one listed in the Operating budget allowing the release of $150,000 to cover a portion of the proposed budget adjustment;

WHEREAS, the Participation, Upsizing & Unspecified Replacement project (01-06-78-51020) is a project fund used for participation in developer projects and unanticipated costs from County roadway improvement projects with $200,517 in funding available to cover a portion of the proposed budget adjustment;

WHEREAS, $151,607 is available in the Capital Improvement Charge Reserve fund to cover the remainder of the proposed budget adjustment;

WHEREAS, the new estimated total cost of the project is $4,087,655;

WHEREAS, additional funding for the remaining balance necessary to complete the project will be requested in a future annual budget;

WHEREAS, amending the FY 2026-27 Annual Budget to include funding for this fiscal year for the Cole Grade Road Pipeline Replacement Phase 1 Project is necessary and in the best interest of the District; and

WHEREAS, value engineering the project scope and any possible deductive change orders to the scope of work after the County awards the construction contract may require amending the Reimbursement Agreement.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Board of Directors of Valley Center Municipal Water District as follows:

1. The District finds and determines that the preceding recitals are true and correct.

2. The FY 2026-27 Annual Budget, as originally adopted by Resolution No. 2026-24 on July 6, 2026, is hereby amended to transfer funds in the amount of $28,315 from the Wohlford Estates Participation project (01-06-78-51023), $112,220 from the Reidy Canyon & West Bear Ridge Reservoir Coating Repair project (01-06-78-51401), $150,000 from the Paradise Mountain Pump Station Demolition Inner Connection project (01-06-78-51451), $200,517 from the Participation, Upsizing & Unspecified Replacement project (01-06-78-51020), and $151,607 from the Capital Improvement Charge Reserve fund for a total amount of $642,659 to the Cole Grade Road Pipeline Replacement Phase 1 Project (01-06-78-51690).

3. The approved budget amendment authorizes expenditures for the County Reimbursement Agreement including construction, construction administration,

and contingency, as well as District expenses for construction management, inspection, and related project expenses.

4. The General Manager, or designee, is authorized and directed to take all actions necessary to implement this budget amendment, including making the appropriate accounting adjustments and proceeding with project financing activities consistent with Board direction.

5. The General Manager is authorized to negotiate and execute any amendments to the Reimbursement Agreement that result in a deduction to the project cost.

6. This resolution shall take effect immediately upon its adoption.

PASSED, AND ADOPTED this 2nd day of November, 2026, by the following vote of the Board of Directors of the Valley Center Municipal Water District:

Enrico Ferro, ***Board President***

ATTEST:

Coral Hutchins, ***Board Secretary***

Attachment:
Mid-Year FY 2026-27 Capital Project Request

Valley Center Municipal Water District

ACCOUNT NO.: 01-06-78-51690
DEPARTMENT: **Engineering**

CAPITAL PROJECT REQUEST — MID-YEAR 2026-27

Cole Grade Road Pipeline Replacement Phase 1

Continuing Project	Type	Source of Funding	Master Plan Project ID	Strategic Plan	
	Replacement	Local Funds		Standard	Goal
			CV011	8, 9	II

PROJECT DESCRIPTION:

The County of San Diego (County) has initiated the Cole Grade Road Widening project between Fruitvale Road and Pauma Heights Road. The widening project will convert portions of Cole Grade Road from a two-lane road with no center median into a two-lane road with a striped two way left turn lane median. The District's involvement includes relocation and replacement of facilities within this corridor in coordination with the County's project. The project is organized into two phases, Phase 1 was initiated in 2016, and is currently pending award by the County with construction beginning in mid FY 2026-2027. Phase 2 design will be initiated once construction on Phase 1 starts.

Phase 1 - Includes the section between Pauma Heights and Cool Valley Road. The County plans to construct a new bridge at Keys Creek which crosses near Cool Valley Road, with District replacing approximately 250 linear feet (LF) of 16-inch waterline within the new bridge. The remainder of the work includes relocating appurtenances to the new edge of ROW. Staff is requesting additional funding for construction of the Phase 1 improvements based on the bid results received by the County.

The following table summarizes the project funding requirements and expense allocations:

Cole Grade Road Pipeline Replacement Phase 1						
Project Budget	**Prior Budget**	**Estimated Remaining Budget**	**Proposed Budget Adjustment**	**Revised Budget 2026-2027**	**Future Budget Allocation**	**Estimated Total Project Cost**
Staff	202,900	1,492	**178,412**	179,905	280,355	661,668
Consultant	286,254	142,205	**0**	142,205	87,926	374,180
Construction	913,500	913,500	**237,150**	1,150,650	1,150,650	2,301,300
County Administration	127,500	127,500	**217,695**	345,195		345,195
Miscellaneous	9,091	1,171		1,171	5,000	14,091
Contingency	266,755	266,755	**9,401**	276,156	115,065	391,221
Total Project	**1,806,000**	**1,452,622**	**642,659**	**2,095,281**	**1,638,996**	**4,087,655**

November 2, 2026

TO: **Honorable President & Board of Directors**

FROM: **Lindsay Leahy, General Manager**

SUBJECT: **WATER FUND FINANCIAL OUTLOOK AND DIRECTION ON THE DEVELOPMENT OF PROPOSED RATE INCREASES**

PURPOSE:

To provide the Board of Directors with additional historical and financial information regarding the District's aging infrastructure, deferred capital investments, and the long-term consequences of continued underfunding of the Capital Improvement Program (CIP). Staff is seeking Board direction on the level of additional revenue to be generated to support the District's capital replacement needs.

BACKGROUND:

Throughout 2026, the Board has reviewed the District's financial outlook, operating and capital budgets, and proposed water rate adjustments. These discussions have included the need to maintain adequate reserves, recover increasing wholesale water and operating costs, and establish a sustainable funding source for the replacement of aging infrastructure.

On July 6, 2026, the Board adopted the FY 2026/27 Operating and Capital Budget, which included projected increases of 8.7% in operating revenue and 17.6% in pumping charges.

At its August 17th meeting, the Board provided additional direction on the CY 2027 rate strategy, including an additional 2.6% local revenue adjustment, a preference for recovering additional revenues through existing fixed charges, and funding pipeline replacement projects on a pay-as-you-go (PAYGO) basis. The financial model also assumed annual water sales of 12,000 acre-feet and a $20 million debt issuance in 2029.

At the October 5th meeting, staff presented updated financial projections and proposed rate adjustments, including an increase in the Water Capital Improvement Charge. The Board requested additional information regarding historical capital investment, infrastructure replacement needs, cost containment efforts, and alternatives for phasing the proposed capital charge increase.

Based on these prior discussions, staff is proceeding with the understanding that the Board has sufficiently reviewed the proposed MWD/SDCWA wholesale charges, 8.7% operating revenue adjustment, and 17.6% pumping charge adjustment. Accordingly, the remaining policy consideration is the appropriate level of additional funding for the District's Capital Improvement Program. Formal approval of all proposed rates and charges remains subject to the applicable Proposition 218 process.

DISCUSSION:

Historical Water Infrastructure Investment

The District was formed in 1954 to provide imported water to the Valley Center community, which historically consisted predominantly of agricultural customers. Much of the District's water distribution infrastructure was constructed during the early decades of its existence and remains in service today.

The District currently operates and maintains approximately 342 miles of water pipeline, of which approximately 46% is at least 60 years old and 60% is at least 50 years old. While actual service life varies by material, condition, and operating environment, the District's infrastructure is reaching an age where increased replacement investment is necessary.

Historically, the District has prioritized limiting customer rate increases while balancing rising wholesale water costs and operating expenses. Over time, this has contributed to the deferral of capital investments. **During the past 20 years, the District has replaced approximately eight miles of water pipeline, an average of less than half a mile annually.** This is substantially below the estimated long-term replacement rate necessary to renew the District's distribution system over its useful life.

The District's historical master plans and capital budgets identify approximately 70 projects that have been deferred an average of 13 years. The estimated cost of completing these projects has increased by approximately $120.4 million when comparing their original cost estimates with current estimates. These increases demonstrate the significant financial consequences of delaying infrastructure investments. Continued deferral further exposes the District to construction cost escalation while extending the period in which aging infrastructure remains in service.

Operational and Financial Consequences

Deferring capital investments does not eliminate the need to replace aging infrastructure. Rather, it shifts the financial obligation into future years, when construction costs are likely to be higher and existing facilities may require additional maintenance and emergency repairs.

Between 2006 and 2026, District staff responded to 246 water mainline failures, incurring approximately $2.49 million in direct repair costs. While emergency repairs are necessary to maintain service, they generally do not address the broader need to replace infrastructure that has reached the end of its useful life.

Continued reliance on emergency repairs also places additional demands on District personnel and resources, potentially diverting staff from scheduled preventative maintenance and other system improvements.

An equally important consideration is the allocation of infrastructure costs between current and future ratepayers. Customers receiving water service today are utilizing and contributing to the wear of infrastructure that will ultimately require replacement. When sufficient revenues are not collected to fund the ongoing renewal of these assets, the

financial responsibility is transferred to future customers, who will bear the additional costs of replacing infrastructure used by previous generations.

Establishing a sustainable capital replacement funding program allows the District to distribute the costs of maintaining its infrastructure more appropriately over time, rather than placing a disproportionate burden on future ratepayers.

Capital Improvement Program Funding

The District's updated financial model identifies an estimated $1.5 million annual funding gap for the Capital Improvement Program beginning in FY 2027/28. The proposed Water Capital Improvement Charge adjustment is intended to recover this additional revenue and support ongoing infrastructure replacement.

Consistent with previous Board direction, staff has evaluated alternatives for recovering the additional revenue through existing fixed charges, providing a more predictable funding source that is less dependent on fluctuations in water sales.

The Board must determine whether to fully fund the proposed capital replacement program or phase in the additional revenue over a longer period. A phased approach would reduce the immediate financial impact on customers but would also require corresponding reductions or deferrals in planned capital expenditures unless alternative funding sources are identified.

While deferral may provide short-term rate relief, it also extends the period during which infrastructure replacement remains underfunded, increases exposure to future construction cost escalation, and shifts a greater portion of the replacement obligation to future ratepayers, and continues to redirect operations staff to emergency repairs deferring scheduled preventative maintenance work.

FISCAL IMPACT:

The proposed additional revenue would support the District's Capital Improvement Program and reduce reliance on reserves and other limited funding sources for infrastructure replacement.

The financial impacts to customers will vary depending on the level of funding and implementation schedule selected by the Board. Staff has developed alternatives illustrating the associated changes in the Water Capital Improvement Charge, the resulting customer bill impacts, and the implications for the District's capital funding needs.

Staff are proposing two alternatives to either the Water CIP Charge or the Water Meter Service Charge. The first, is a $10.50 per month increase to either charge, which would fully fund the CY 2027 Capital Improvement Program and meet the Board’s preferred funding scenario, 1B from the October 5, 2026 Board Meeting.

The second scenario is a phased-in approach which increases either charge by $5.00 per month. This scenario does not fully fund the CIP and would cause projects to be delayed.

The increased construction cost caused by the delay is estimated to be approximately $1,610,000.

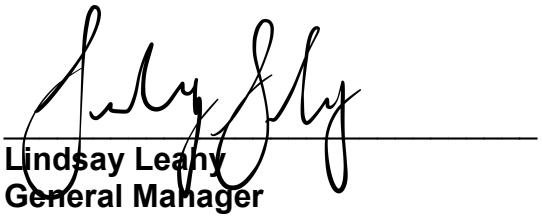
Any reduction or delay in the proposed revenue adjustments would require a corresponding modification to the CIP funding strategy, including potential project deferrals and associated future cost increases.

RECOMMENDATION:

Staff recommends that the Board of Directors review the historical infrastructure and financial information presented and provide direction regarding the desired level of funding for the District's Capital Improvement Program, including whether to fully fund the identified annual revenue requirement or phase in the proposed Water Capital Improvement Charge adjustment.

Based on the Board's direction, staff will finalize the proposed rate structure and return at a future Board meeting with a draft Proposition 218 notice for Board consideration and approval.

SUBMITTED BY:



Lindsay Leahy
General Manager

November 2, 2026

TO: **Honorable President & Board of Directors**

FROM: **Lindsay Leahy, General Manager**

SUBJECT: **WASTEWATER FUND FINANCIAL OUTLOOK AND DIRECTION ON THE DEVELOPMENT OF PROPOSED RATE INCREASES**

PURPOSE:

To provide the Board of Directors with additional historical and financial information regarding the District's wastewater infrastructure, capital investment needs, and the financial consequences of deferring planned improvements. Staff is seeking Board direction on the level and timing of additional revenue necessary to support the Lower Moosa Canyon Wastewater Fund's Capital Improvement Program (CIP).

BACKGROUND:

Throughout 2026, the Board has reviewed the financial outlook, operating and capital budgets, and proposed rate adjustments for the District's two wastewater funds: Lower Moosa Canyon and Woods Valley Ranch. These discussions have included the need to recover increasing operating costs, establish appropriate operating reserves, maintain adequate debt coverage, and provide sustainable funding for aging infrastructure.

On July 6, 2026, the Board adopted the FY 2026/27 Operating and Capital Budget, which included projected operating revenue increases of 3.8% for Lower Moosa Canyon and no revenue increase for Woods Valley Ranch.

At its August 17 meeting, the Board directed staff to develop operating reserve policies for both wastewater funds and further evaluate the proposed rate scenarios. For Lower Moosa Canyon, the Board requested additional analysis of Scenario 2, including the allocation of revenue between the monthly service charge and Capital Improvement Charge and the resulting customer bill impacts. For Woods Valley Ranch, the Board identified Scenario 1 as the working scenario, including additional revenue adjustments in 2027 and 2028 and smaller annual adjustments thereafter.

At the October 5 meeting, staff presented updated financial projections and proposed rate adjustments for both wastewater funds. The Board requested additional information regarding historical capital investment, cost containment efforts, and alternatives for phasing the proposed Lower Moosa Canyon capital improvements and associated rate adjustments. No additional alternatives were requested for Woods Valley Ranch.

Based on these prior discussions, staff is proceeding with the understanding that the Board has sufficiently reviewed the proposed Woods Valley Ranch rate adjustments and the previously discussed Lower Moosa Canyon operating revenue adjustment. Accordingly, the remaining policy consideration is the appropriate level and timing of

additional capital funding for Lower Moosa Canyon. Formal approval of all proposed rates and charges remains subject to the applicable Proposition 218 process.

DISCUSSION:

Historical Moosa Wastewater Infrastructure Investment

The District operates two wastewater treatment systems serving separate service areas, each with its own operating and capital funding requirements.

The Lower Moosa Canyon Water Reclamation Facility was constructed in 1974 and has been in operation for more than 50 years. The facility currently treats approximately 0.3 million gallons per day and supports a collection system consisting of approximately 23 miles of gravity sewer, 5.8 miles of pressurized main, three lift stations, and more than 100 low-pressure pumps.

While the District has continued to invest in rehabilitation and maintenance of the facility, much of the original infrastructure has reached an age where additional replacement and modernization are necessary.

Between 2022 and 2025, the District completed approximately $1.85 million in improvements to the Lower Moosa Canyon facility, including upgrades to the SCADA system, aeration piping, clarifiers, and chlorine contact tank. These improvements were financed primarily through loans from the District's Water and Woods Valley Ranch funds.

The District’s Moosa Capital Reserve balance is approximately $479,000. The existing Lower Moosa Canyon Capital Improvement Charge generates approximately $356,500 annually, while current annual debt service totals approximately $389,600. As a result, the District is drawing approximately $33,000 annually from capital reserves to meet existing debt obligations, leaving no recurring capital charge revenue available for additional infrastructure replacement.

Future Capital Improvement Needs

The District's Capital Improvement Program identifies additional improvements necessary to maintain the reliability and continued operation of the Lower Moosa Canyon wastewater system. These include rehabilitation of the Meadows Lift Station and significant improvements to the Lower Moosa Canyon Water Reclamation Facility, including replacement of aging electrical, mechanical, and treatment equipment.

The current financial model anticipates approximately $9.5 million in additional financing for the planned treatment facility improvements. Assuming a 30-year financing term and 5% interest rate, the estimated annual debt service would be approximately $612,000.

In addition to these major facility improvements, the District faces ongoing capital replacement needs throughout its wastewater collection system, including pipeline

rehabilitation, manhole lining, and lift station improvements that are not currently fully funded.

Deferring these projects does not eliminate the underlying infrastructure replacement obligations. Rather, it extends the period in which aging infrastructure remains in service and exposes the District to increasing construction costs, potential equipment failures, and additional operational risks.

An important consideration is the allocation of these costs between current and future ratepayers. Customers receiving wastewater service today benefit from and contribute to the consumption of the remaining useful life of existing infrastructure. When sufficient revenues are not collected to support its ongoing replacement, the financial responsibility is transferred to future customers, who will bear the increased costs of infrastructure utilized by previous generations.

Establishing a sustainable capital funding program allows the District to distribute these obligations more appropriately over time while reducing reliance on emergency repairs, reserves, and future borrowing.

Lower Moosa Canyon WRF Capital Improvement Program Funding

The District's updated financial model identifies an estimated $373,500 annual capital funding gap beginning in 2027. To address this gap, staff previously presented alternatives for increasing revenue through the Capital Improvement Charge.

The proposed full-funding scenario would increase the monthly Capital Improvement Charge equivalent dwelling unit (EDU) in 2027, with an additional adjustment in 2028.

Alternatively, the Board could phase in the additional revenue over four years, beginning in 2027. Under this alternative, planned treatment facility improvements and associated debt issuance would be deferred approximately two years. While the phased approach would reduce the immediate financial impact on customers, the updated financial analysis estimates approximately $1 million in additional project costs associated with the delay. Continued deferral would also postpone other necessary infrastructure improvements and extend the District's reliance on aging facilities.

The Board must determine whether to fully fund the proposed capital improvement program or phase in additional revenue over a longer period, recognizing the corresponding financial and operational consequences.

Woods Valley Ranch Wastewater Fund

The Woods Valley Ranch Water Reclamation Facility began operation in 2005 and serves a separate wastewater service area with its own operating expenses, debt obligations, and capital requirements.

Previous Board discussions have focused on improving operating cost recovery, maintaining adequate reserves, and meeting debt coverage requirements. At its August 17th meeting, the Board identified Scenario 1 as the working rate scenario, including additional revenue adjustments in 2027 and 2028, followed by smaller annual

adjustments through 2037, with no additional adjustment to the Woods Valley Ranch Expansion Fund.

At the October 5th meeting, the Board did not request additional Woods Valley Ranch rate alternatives. Accordingly, staff considers the proposed Woods Valley Ranch rate structure sufficiently reviewed for purposes of proceeding to the next stage of the rate consideration process.

FISCAL IMPACT:

The proposed additional revenue for Lower Moosa Canyon would support planned wastewater treatment facility improvements, associated debt obligations, and future infrastructure replacement needs.

The financial impact to customers will depend on the level of capital funding and implementation schedule selected by the Board. Staff has developed alternatives illustrating changes to the monthly service and Capital Improvement Charges, corresponding customer bill impacts, and estimated additional costs associated with delaying planned improvements.

Staff are proposing two alternatives to either the Moosa CIP charge or the Moosa Service Charge. The first, is a $12.24 per month increase to either charge, which would fully fund the CY 2027 Capital Improvement Program and meet the Board's preferred funding Scenario 2, from the October 5, 2026 Board Meeting.

The second scenario is a phased-in approach which increases either charge by $7.20 per month. This scenario does not fully fund the CIP and would cause projects to be delayed. Under this alternative, planned treatment facility improvements and associated debt issuance would be deferred approximately two years.

Additional details to the proposed scenarios will be included in the PowerPoint presentation to the Board.

A reduction or delay in the proposed revenue adjustments would require corresponding changes to the capital funding strategy, including deferral of planned projects, additional construction cost escalation, and potential limitations on the District's ability to finance necessary improvements.

The proposed Woods Valley Ranch rate adjustments would support improved operating cost recovery, financial reserves, and debt coverage consistent with previous Board direction.

RECOMMENDATION:

Staff recommends that the Board of Directors review the historical infrastructure and financial information presented and provide direction regarding the desired level and timing of capital improvement funding for the Lower Moosa Canyon Wastewater Fund,

including whether to fully fund the identified capital revenue requirement or phase in the proposed adjustments over a longer period.

Based on the Board's direction, staff will finalize the proposed rate structures for both wastewater funds and return at a future Board meeting with a draft Proposition 218 notice for Board consideration and approval.

SUBMITTED BY:



Lindsay Leahy
General Manager

November 2, 2026

TO: **Honorable President and Board of Directors**

FROM: **Lindsay Leahy, General Manager**

SUBJECT: **LEGISLATIVE, REGULATORY AND OUTREACH UPDATE – November 2026**

PURPOSE:

To provide the Board of Directors with an update on current and developing legislative and regulatory matters that may impact District operations and an upcoming customer outreach event.

SUMMARY:

Below is an update on current legislative and regulatory matters being monitored by the District through its active participation with the Association of California Water Agencies (ACWA), the California Special Districts Association (CSDA), the American Water Works Association (AWWA), the California Municipal Utilities Association (CMUA), the San Diego County Water Authority's (SDCWA) legislative liaison group, and the District's state and federal lobbyists.

STATE UPDATES

- The 2025-2026 Legislative Session has concluded
- The 2027-2028 Legislative Session begins December 7, 2026

Senate Bill 122 – Taxation

Senate Bill (SB) 122, signed by Governor Newsom on June 29, 2026, as part of the state budget trailer bill process, expands California's sales and use tax to include digital products, including electronically delivered software and Software-as-a-Service (SaaS) subscriptions, which were previously generally exempt from taxation unless delivered on physical media. The legislation maintains certain exemptions, including custom-developed software.

This expansion creates additional operating costs for public agencies that increasingly rely on digital platforms for essential services. In response, the California Special Districts Association (CSDA) plans to sponsor legislation during the next legislative session to establish a tax exemption for utilities, recognizing the potential for increased costs to further strain water and wastewater agency budgets and contribute to rate pressures. The District has joined the CSDA coalition to support such an exemption.

Assembly Bill 2568 – Water District Director Compensation

Assembly Bill 2568 (AB 2568) authorizes water districts serving at least 90,000 residents to increase allowable board member compensation from ten (10) to fifteen (15) days per calendar month, provided the governing board annually adopts a written policy supported by substantial

evidence demonstrating the need for additional compensation. This item is provided for information only, as AB 2568 applies only to water districts serving at least 90,000 residents and therefore does not apply to the District.

Non-Functional Turf Ban – Assembly Bill 1597

Assembly Bill (AB) 1572 prohibits the use of potable water to irrigate nonfunctional turf (NFT) at commercial, industrial, and institutional (CII) properties, including homeowner association (HOA) common areas. NFT generally includes grass that serves no recreational or community purpose, such as turf in street medians, rights-of-way, and decorative landscaped areas. Exemptions include residential lawns, functional turf used for recreation or community activities, such as sports fields and picnic areas, cemeteries, and landscapes irrigated with recycled water. The prohibition will be phased in beginning January 1, 2027, with water suppliers responsible for notifying affected customers, implementing applicable compliance and enforcement measures, and fulfilling reporting requirements.

As part of the Shared Services initiative, the District is partnering with Fallbrook Public Utility District and Rainbow Municipal Water District to host a landscape workshop geared towards helping our customers plan for turf removal requirements, gain insight into AB 1572 requirements and explore sustainable landscape options and rebates (workshop flyer attached).

FEDERAL UPDATES

Federal Elections

House seats are on the ballot this year, along with 35 Senate seats, including California's 48th Congressional District, where Representative Darrell Issa is not seeking reelection.

Although the District's EPA Community Grant funding request has been included in proposed appropriations legislation, final congressional approval remains pending. If funding is not enacted before the current lame duck session adjourns, the District may need to seek renewed support from the incoming representative and resubmit its funding request during the next appropriations cycle. This could delay or jeopardize anticipated federal funding for the District's project. The District's federal lobbyist continues to closely monitor the appropriations process, and the District will work with the incoming congressional representative to maintain support for its funding request and advance through the federal funding process.

Federal Permitting Reform

On September 30, 2026, bipartisan leadership from the U.S. Senate Environment and Public Works and Energy and Natural Resources Committees introduced S. 5653, the Bipartisan American Affordability and Jobs Act of 2026. The legislation seeks to streamline environmental reviews, establish more predictable permitting timelines, reduce regulatory delays and litigation, and accelerate the development of critical infrastructure projects.

The proposal includes reforms to the National Environmental Policy Act, Clean Water Act, Endangered Species Act, and National Historic Preservation Act. Key provisions would establish more definitive environmental review timelines, improve coordination among federal

agencies, limit certain legal challenges, and provide greater certainty for previously approved projects.

The District is monitoring progress of S. 5653 as any District projects receiving federal funding, such as EPA Community Grants, are subject to lengthy and complex permitting processes that can delay infrastructure improvements, increase project costs, and create uncertainty in capital improvement planning. Additionally, permitting reforms may also benefit regional water supply and energy infrastructure projects that support Southern California's imported water system.

Federal Legislative Positions as of October 26, 2026

Valley Center Municipal Water District Federal Legislative Positions			
Number / Author	**Summary**	**District Position**	**Status (What's Changed)**
H.R. 2766 (Fallon) & S. 2014 (Cornyn)	Special District Fairness and Accessibility Act: Establish the first federal definition of "special district" and require federal agencies to recognize eligible special districts as units of local government when administering federal financial assistance.	Support	**No Change** H.R. 2766 approved by House Oversight and Government Reform Committee. Awaiting consideration by full House. S. 2014 is Senate companion bill; not yet considered by full Senate.
H.R. 7078 (Schweikert)	The Equal Access to the Colorado River Act	Oppose	**No Change** Pending in House Committee on Natural Resources.
S. 3923 (Cruz)	Weather Research and Forecasting Innovation Reauthorization Act	Support	**No Change** Approved by Senate Commerce, Science, and Transportation Committee. Remains pending before full Senate.
S. 3737 (Padilla)	"GROW SMART Act." Funds innovative agricultural water efficiency demonstration projects and voluntary partnerships between agricultural and municipal water users	Support	**No Change** Pending before Senate Environment and Public Works Committee.
S. 3738 (Padilla)	"MORE WATER Act." expand federal investment in water recycling, water conveyance, groundwater storage, and other water infrastructure projects to improve drought resilience and long-term water supply reliability.	Support	**No Change** Pending before the Senate Environment and Public Works Committee.

S.5368 (Schiff)	Water Cyber Shield Act of 2026: cybersecurity protections for America's water infrastructure	Support	**No Change** Pending before Senate Environment and Public Works Committee.
S. 5653 (Capito & Moore)	Bipartisan American Affordability and Jobs Act of 2026	Support	Pending before Senate Committee on Energy and Natural Resources.

RECOMMENDATION:

No action required, informational item only.

PREPARED BY:

Alisa Nichols
Special Projects and Regulatory Compliance Manager

SUBMITTED BY:

Lindsay Leahy
General Manager

Attachment 1 – NFT Flyer



Transforming Lawns: A Sustainable Approach

Thursday, November 5, 2026
9:00 - 11:30 a.m.

Fallbrook Public Utility District
990 E. Mission Rd., Fallbrook, CA 92028
Breakfast & light refreshments to be served

Join us for an in-person workshop on turf replacement and gain insight on how nonfunctional turf will impact your community. You will learn how to transform a landscape into a beautiful, sustainable, and water-efficient environment.

The workshop will guide you through:

- Selecting climate-appropriate plant types
- Soil preparation and irrigation strategies
- Turf removal options and rebates
- Exploring sustainable landscape functions
- AB 1572 and your local water district
- An on-site native garden tour after the workshop

The workshop is open to all customers, homeowner associations, landscape professionals, nurseries, and property managers.

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Presented By:

The Metropolitan Water District of Southern California

Fallbrook Public Utility District

RAINBOW MUNICIPAL WATER DISTRICT

Valley Center Municipal Water District — Water Conservation / A Way of Life

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VALLEY CENTER MUNICIPAL WATER DISTRICT
Legislative Update – October 2026

LEGISLATIVE UPDATE

Federal

Six days before the November 3 midterm elections, Washington is defined by a campaign that increasingly points toward a change in control of at least one chamber of Congress and a post-election session that must resolve nearly every major funding and policy decision the current Congress deferred. Congress returns November 9 with fewer than 25 scheduled session days to fund the government past December 11, finish the Water Resources Development Act, and decide the fate of a bipartisan permitting deal, with the election results shaping which items move and on what terms.

2026 MIDTERM ELECTIONS / NATIONAL OUTLOOK

The political environment has moved decisively toward Democrats over the past two months. Nonpartisan handicappers now rate Democrats as favored to win the House and view the Senate as genuinely in play. The Cook Political Report's most recent ratings place 17 House seats in the Toss Up column, 12 of them held by Republicans and five by Democrats, with Democrats needing a net gain of only three seats to reach the 218 required for a majority. In the Senate, where Republicans hold a 53 to 47 majority, Cook now projects Democratic gains of between two and six seats; four would produce a majority, and Republican-held seats in Alaska, Iowa, Kansas, Maine, North Carolina, Ohio, and Texas are all rated competitive. Both parties privately acknowledge the House is likely to flip; the size of the Democratic majority and the outcome in the Senate remain open questions.

The drivers are national. The President's approval stands at 37 percent in the New York Times polling average, and cost of living is the dominant issue: an AP-NORC poll in late September found 65 percent of adults attribute higher prices to the President's policies and 69 percent say his handling of the cost of living has been worse than expected. Higher fuel prices from the conflict with Iran, the effect of tariffs on the agricultural economy, and the President's recent decisions on Russia have each become liabilities for Republican candidates, who retain a financial advantage and are relying on a final surge of outside spending to limit losses. More than 3.2 million ballots had been cast nationally by mid-October, running heavily Democratic in states that report party registration.

CALIFORNIA DELEGATION / 48TH CONGRESSIONAL DISTRICT

California is central to the House outcome. The map adopted under Proposition 50 was designed to create as many as five additional Democratic-leaning districts, and those seats are now among the party's most important pickup opportunities. Of greatest interest to the District is the redrawn 48th Congressional District, the inland North San Diego County seat long represented by Rep. Darrell Issa, who chose not to seek reelection under the new lines. San Diego County Supervisor Jim Desmond, the Republican nominee, faces San Diego City Councilmember Marni von Wilpert, the Democratic nominee, in what analysts call the most competitive of the five redrawn seats. The new lines shifted the district roughly 18 points toward Democrats, public polling has shown a statistical tie, and House Majority PAC reduced its San Diego advertising reservations in mid-October on the view that Ms. von Wilpert has become the favorite. Whichever candidate prevails, the District will have a new representative in January, and we will work to establish early relationships with the incoming member and staff on the District's priorities.

A CHANGE IN CONTROL: IMPLICATIONS FOR WATER PRIORITIES

A Democratic House would reshape the committees of greatest relevance to the District. Transportation and Infrastructure, which writes WRDA and oversees the Army Corps of Engineers, would pass from retiring Chair Sam Graves to Rep. Rick Larsen of Washington; Natural Resources, with jurisdiction over the Bureau of Reclamation and western water, would be led by Rep. Jared Huffman of California, a long-standing advocate for water recycling, drought resilience, and Reclamation investment in the state; and the Appropriations Committee would return to Rep. Rosa DeLauro, with the Energy and Water Development Subcommittee that funds Reclamation and the Corps likely chaired by Rep. Marcy Kaptur of Ohio. In the Senate, Energy and Natural Resources Chair Mike Lee is expected to move to the Judiciary Committee regardless of the outcome, opening that gavel.

Three practical effects follow. Divided government would move appropriations back toward negotiated, bipartisan bills, historically favorable to water infrastructure accounts, while making the proposed OMB grant-review rule a point of sustained oversight. Democratic leadership of the water committees would bring renewed emphasis on recycling, reuse, drought resilience, and agricultural water conservation programs such as WaterSMART and Title XVI that align closely with the District's priorities. The executive branch, however, would not change: Interior, Reclamation, EPA, and USDA would continue under current leadership, so program implementation and grant decisions would remain with the present Administration even as oversight intensifies. If Republicans retain control, the current structure largely carries forward.

FEDERAL APPROPRIATIONS / GOVERNMENT FUNDING

The continuing resolution signed September 2 funds agencies at current-year levels through December 11, and no full-year fiscal year 2027 bills have been enacted; the House passed three of twelve before leaving and the Senate none. The Bureau of Reclamation, the Army Corps of

Engineers, and EPA therefore remain at prior-year levels, and the stopgap's suspension of the proposed OMB rule subjecting grant awards to political-appointee review remains in effect for its duration.

The realistic options in December are a negotiated omnibus or another continuing resolution into the new Congress, against an unfavorable fiscal backdrop: the fiscal year 2026 deficit was $1.99 trillion and net interest costs exceeded $1 trillion for the first time. Separately, a federal court on October 13 temporarily barred the Administration from using appropriated funds to carry out its reorganization of USDA, including the relocation of Natural Resources Conservation Service and Rural Development functions; because those appropriations expire in December, the question returns to Congress in the funding bill.

WATER RESOURCES DEVELOPMENT ACT (WRDA) OF 2026

WRDA remains the federal legislation of greatest near-term interest to water agencies, and its status is unchanged since our last report: both committee-approved bills, H.R. 9497 and S. 4949, await floor action. The Senate measure reauthorizes the Clean Water and Drinking Water State Revolving Funds, the source of the low-interest financing the State Water Resources Control Board makes available to California agencies. We continue to expect a final bill in December, likely within the year-end package. WRDA has been enacted on a bipartisan basis in every cycle since 2014 and the election is unlikely to derail it, though a change in control could affect which chamber's provisions prevail.

PERMITTING REFORM

Senate negotiators released the bipartisan American Affordability and Jobs Act on September 30, and Senate Republican leadership has committed to a floor vote in early November. The bill would narrow what qualifies as a major federal action under NEPA, impose a 150-day statute of limitations on permit challenges, set enforceable agency deadlines, and protect projects relying on already-issued permits, changes that could materially shorten review timelines for federally funded or permitted water infrastructure. It faces real obstacles in the lame duck, including post-election attendance in a narrowly divided House, the President's reliability as a partner if Republicans lose a chamber, and growing opposition from tribal organizations and some House Democrats over changes to Section 106 consultation under the National Historic Preservation Act.

USDA CONSERVATION INNOVATION GRANTS / FEDERAL FUNDING OPPORTUNITIES

On October 23, USDA announced $65 million in fiscal year 2026 Conservation Innovation Grant awards to 34 projects nationally, up to $50 million for 16 On-Farm Conservation Innovation Trials and up to $15 million for 18 CIG Classic projects, crediting the increased conservation funding in last year's reconciliation law for the size of the round. The District's application was not among those selected. We are requesting a debrief from NRCS and will use that feedback, along with the profiles of the funded projects, to strengthen the District's position for the fiscal

year 2027 solicitation expected in the spring. The announcement confirms the program remains well funded and that agricultural water conservation and irrigation efficiency remain priority categories, both aligned with the District's Crop Swap and conservation objectives.

Other federal programs remain potential funding sources for the District's water supply, conservation, and infrastructure priorities, including the Bureau of Reclamation's WaterSMART and Title XVI programs, the State Revolving Funds and EPA's WIFIA credit program, and USDA's rural water and waste disposal programs. The in-depth funding memorandum mapping these programs against the District's priorities, referenced in our last report, will be provided under separate cover.

CONGRESSIONAL OUTLOOK / LAME DUCK

Congress returns November 9 with 20 scheduled House session days and 22 Senate days before year's end, and leaders have signaled the calendar may expand. The December 11 funding deadline is the forcing event and the most likely vehicle for WRDA and other year-end priorities. The agenda also includes the defense authorization, the permitting bill, a farm bill that Senate Agriculture Chair Boozman hopes to complete by year's end, and a possible Republican reconciliation package carrying farm assistance and defense funding. If Democrats win either chamber, that reconciliation effort likely ends when the new Congress convenes January 3, and the lame duck becomes a negotiation over a bipartisan funding agreement rather than a party-line push. We will keep the District apprised as the session takes shape and flag developments affecting its funding and policy interests.

CALIFORNIA

With the November 3 general election less than a week away, Sacramento is preparing for a significant political transition as Governor Gavin Newsom completes his final months in office and California prepares to welcome a new administration in January. Although the Legislature has concluded its 2026 session and the Governor has completed action on legislation, the coming months will be particularly important for water agencies as the state implements the 2026–27 budget, develops expenditure plans for Proposition 4, and begins preparing the first budget of the next administration.

For Valley Center Municipal Water District, our priorities remain focused on securing additional funding for the Regional CropSWAP Program, protecting agricultural water supplies, supporting investments in water conservation and infrastructure, and maintaining strong relationships with the Legislature and incoming administration. The November election will also determine the District's representation in the State Senate, with one of the region's most competitive legislative contests taking place in the 40th Senate District.

STATE BUDGET / PROPOSITION 4

California enters the next budget cycle facing continued fiscal challenges despite adoption of a balanced 2026–27 state budget in June. The enacted budget includes approximately $251.5 billion in General Fund expenditures, but the state's fiscal position remains constrained by an ongoing imbalance between revenues and expenditures. The Legislative Analyst's Office estimates the budget relies on substantial prior-year resources to balance the current fiscal year, leaving the incoming Governor and Legislature with difficult decisions as they prepare the 2027–28 spending plan.

Against this backdrop, Proposition 4, the $10 billion climate and natural resources bond approved by voters in November 2024, remains one of the most significant funding opportunities for water agencies. The 2026–27 budget authorizes approximately $2.7 billion in additional Proposition 4 expenditures, including $1.09 billion for safe drinking water, drought, flood protection, and water resilience. Approximately $1.48 billion remains available for future appropriations within that water-related category, providing opportunities for additional investments in water supply reliability, conservation, recycling, and drought resilience.

The challenge for water agencies is that Proposition 4 funding is not automatically available to individual projects. The Legislature must appropriate funding, and implementing departments must establish program guidelines, eligibility requirements, and application procedures. Competition for these resources will be substantial, particularly given the state's limited General Fund capacity and the significant number of water infrastructure and resilience projects seeking assistance.

We will continue monitoring Proposition 4 implementation through the Department of Water Resources, State Water Resources Control Board, and other administering agencies, with particular attention to programs that could support agricultural water conservation and regional water supply reliability. We also intend to evaluate opportunities for the District and its regional partners to pursue both competitive grant funding and targeted budget appropriations.

CROP SWAP / 2027–28 STATE BUDGET

Securing additional state funding for the Regional CropSWAP Program remains one of our highest priorities heading into the 2027 legislative session. The program has demonstrated the value of providing direct financial assistance to agricultural customers who transition to less water-intensive crops, improve irrigation efficiency, and adopt agricultural practices that reduce long-term water demand while preserving the economic viability of farming in North San Diego and western Riverside counties.

The Regional CropSWAP Program, which includes Valley Center Municipal Water District, Fallbrook Public Utility District, Rainbow Municipal Water District, Rancho California Water District, and other regional partners, previously received $5 million in state grant funding.

Those resources have been fully allocated, and additional state investment is necessary to continue the program and expand participation among agricultural customers.

Our strategy for the 2027–28 budget will focus on positioning CropSWAP as a proven, regionally coordinated water conservation program that delivers measurable public benefits. In addition to reducing agricultural water demand, the program helps preserve agricultural production, reduces pressure on imported water supplies, and provides a practical approach to improving long-term water supply reliability without requiring the construction of major new infrastructure.

We anticipate pursuing two complementary funding strategies. The first is a direct state budget appropriation supporting continued implementation and expansion of the Regional CropSWAP Program. The second is identifying Proposition 4 funding categories and implementing programs that may accommodate agricultural water conservation, irrigation efficiency, and crop conversion activities.

The next several months will be important for refining the funding request, documenting program results, and developing a coordinated advocacy strategy with regional partners and legislative representatives. Given the state's fiscal constraints, demonstrating the program's water savings, regional benefits, existing administrative structure, and readiness to deploy additional funding will be essential.

The Governor's January budget proposal will provide the first indication of the new administration's funding priorities, while the spring budget subcommittee process and May Revision will offer additional opportunities to advance the request. We intend to begin engaging legislative offices and administration officials early in the process to position CropSWAP for consideration during the 2027 budget negotiations.

BILLS OF INTEREST / GOVERNOR'S ACTIONS

Governor Newsom has completed action on legislation passed during the 2026 legislative session, including several measures with significant implications for California's public water agencies. The final decisions reflect continued legislative interest in water affordability, water rights, infrastructure investment, and the operational responsibilities of local water providers.

Two measures sponsored by the Association of California Water Agencies were signed into law and will take effect in 2027. SB 1153 (Caballero) provides additional legal clarity concerning the relationship between water supply or pressure limitations and wildfire-related damages, addressing an important liability concern for water agencies. AB 2180 similarly provides clarification related to water rate-setting and agency responsibilities, helping strengthen the legal framework under which public water suppliers operate.

The Governor also vetoed several bills of interest to water agencies. AB 2218 (Kalra), which proposed changes to state water policy concerning California Native American tribes, was

opposed by water agencies and other stakeholders because of concerns regarding its potential effects on existing water rights and water management processes. The Governor's veto avoids the immediate uncertainty associated with the proposal, although similar policy discussions could return in 2027.

Water affordability also remained a prominent legislative issue. The Governor vetoed AB 2739 (Soria), which would have established a Water Affordability and System Stabilization Fund and related assistance program, as well as SB 1125 (Menjivar), which proposed a water rate assistance program for qualifying low-income households. These decisions leave unresolved the broader question of how California will address drinking water affordability without shifting additional financial obligations onto local water providers and their ratepayers.

The Governor additionally vetoed SB 872 (McNerney), which sought to establish funding mechanisms for Delta levee improvements and canal subsidence projects. While the measure did not advance, the underlying need for investments in the State Water Project and water conveyance infrastructure remains significant for Southern California agencies dependent on imported supplies.

Looking ahead, we expect many of these issues to return during the 2027 legislative session. Water affordability, infrastructure financing, regulatory compliance, water rights, and climate resilience are likely to remain central subjects of legislative debate. We will continue monitoring proposals that could affect the District's operations, costs, agricultural customers, or access to state funding.

2026 GOVERNOR'S RACE / PREPARING FOR A NEW ADMINISTRATION

California's gubernatorial election is approaching with former Attorney General and U.S. Secretary of Health and Human Services Xavier Becerra, the Democratic nominee, holding a substantial advantage over Republican nominee Steve Hilton. Recent statewide polling has consistently placed Becerra ahead by double-digit margins, making him the clear favorite to succeed Governor Newsom when the new administration takes office in January.

The two candidates have presented different approaches to the state's water challenges. Hilton has emphasized increasing water storage, expanding conveyance infrastructure, and reducing regulatory barriers that he argues have constrained water development. Becerra has taken a less prescriptive approach, emphasizing reliable and affordable water supplies, modernization of infrastructure, and the importance of balancing agricultural, environmental, and urban water needs. He has not yet released a detailed water policy agenda.

For the District, the significance of the election extends well beyond the Governor's office. A new administration will make important appointments to the Natural Resources Agency, Department of Water Resources, State Water Resources Control Board, and other entities responsible for developing and implementing water policy and funding programs. These

appointments, together with the administration's first budget proposal, will help establish the direction of California water policy over the next four years.

Assuming Becerra prevails, we expect substantial continuity in the state's broader climate and environmental priorities, although there may be opportunities to influence how the new administration approaches agricultural water conservation, infrastructure investment, and water affordability. We intend to engage the transition process and incoming administration to ensure that the unique needs of North San Diego County's agricultural water customers are understood and that CropSWAP is recognized as a practical model for regional water conservation.

40th SENATE DISTRICT – SENATOR BRIAN JONES TERMS OUT

The election will also determine the next representative of the 40th State Senate District, where Republican Kristie Bruce-Lane faces Democrat Mara Elliott in the race to succeed termed-out Senate Republican Leader Brian Jones. The district includes significant portions of inland and northern San Diego County, including communities directly relevant to the District and its regional partners.

The contest is one of California's more competitive Senate races. The district's voter registration is closely divided, with Democrats representing approximately 35 percent of registered voters, Republicans 34 percent, and voters without a party preference approximately 24 percent.

Bruce-Lane, a nonprofit leader and victims advocate, emerged from the primary with support from Assemblymember Carl DeMaio and Reform California, prevailing over the preferred candidate of outgoing Senator Jones. Her campaign has focused on reducing the cost of living, limiting taxes and regulatory burdens, and improving public safety. Elliott, the former San Diego City Attorney, has emphasized affordability, public safety, and government accountability and has received significant support from Democratic organizations and organized labor.

Both parties and allied organizations are investing resources in the contest, reflecting its importance to the composition of the next Legislature. Elliott benefits from the district's changing political profile and substantial support from Democratic-aligned organizations, while Bruce-Lane retains a viable path to victory through Republican voters and independent voters concerned about affordability and state regulation. The race remains competitive, and the outcome will be particularly important for water agencies that have worked closely with Senator Jones during his tenure.

Regardless of the result, we will prioritize establishing an early relationship with the incoming Senator and staff, with particular emphasis on the District's agricultural water needs, CropSWAP funding, water supply reliability, and the importance of maintaining affordable water service for the region.

LOOKING AHEAD

The November 3 election will mark the beginning of an important transition period in Sacramento. Over the following two months, attention will turn to the organization of the new Legislature, the selection of committee leadership and membership, and the formation of the incoming Governor's administration. The Legislature is scheduled to convene in December for organizational purposes before returning in January to begin the 2027 session.

Our immediate priorities will be to finalize the District's 2027 legislative and budget objectives, advance the Regional CropSWAP funding strategy, monitor the implementation of Proposition 4, and establish relationships with newly elected state officials and administration representatives. We will also continue coordinating with regional water agencies to identify opportunities for joint advocacy and funding requests.

The release of the Governor's proposed 2027–28 budget in January will be the next major milestone. While the state's fiscal outlook remains challenging, the availability of Proposition 4 bond funding and the transition to a new administration create meaningful opportunities to advance programs that deliver measurable water savings and strengthen long-term regional water supply reliability.

We will keep the District apprised of election results, legislative leadership changes, administration appointments, and developments affecting state funding opportunities as the 2027 legislative session approaches.

SUMMARY OF FORMAL BOARD OF DIRECTORS' MEETING
OCTOBER 22, 2026

1. Adopt positions on various bills.
The Board adopted a position of Support on S. 5352, the Desalination Reauthorization Act (Padilla and Cornyn).

2. Monthly Treasurer's Report on Investments and Cash Flow.
The Board noted and filed the monthly Treasurer's Report.

3. Establish 2027 Board meeting dates.
The Board approved the March regular Board meeting date of March 18, 2027, combined the November and December Board meeting dates to November 18, 2027, and approved the 2027 Board meeting dates calendar.

4. Contract Amendment for SageView Advisory Group, LLC, for investment consulting services for the Water Authority's deferred compensation plans.
The Board authorized the General Manager to amend the SageView Advisory Group, LLC, (SageView) professional services contract to extend the agreement term for an additional two years, in the amount of $92,685, for continued investment consulting services for deferred compensation plans, increasing the authorized contract amount from $127,000 to $219,685.

5. Amend contract for janitorial services with Ace Janitorial Services, Inc.
The Board approved Amendment 1 to the contract for janitorial services with Ace Janitorial Services, Inc., with such non-material modifications as approved by the General Manager or General Counsel, increasing the authorized amount from $94,800 to $189,600, extending the termination date through November 30, 2027, and authorized the General Manager, or designee, to execute the amendment.

6. Service contract with Cobech Traffic Control, Inc. for traffic control services.
The Board awarded a service contract to Cobech Traffic Control, Inc. (Cobech) to provide traffic control services for a period of two years, with an option to extend the contract for an additional two years, for a total not-to-exceed amount of $950,000.

7. Notice of Completion for the Pipeline 3 Repair in Del Sur
The Board accepted and ratified Change Order 1 for $163,608; and
accepted the Pipeline 3 Repair in Del Sur project as complete and authorized the General Manager, or designee, to record the Notice of Completion and release funds held in retention to J.F. Shea Construction, Inc. in accordance with the contract and applicable law.

8. Operations and Maintenance Department Facility Tenant Improvements project.
The Board increased the Operations and Maintenance Department Facility lifetime project budget by the amount of $16,999,744; and awarded a construction contract to SOLPAC Construction Inc., dba Soltek Pacific Construction Company in the amount of $26,739,000 for the Operations and Maintenance Center (OMC) tenant improvements project; and approved Amendment 2 with such

non-material modifications as approved by the General Manager, or General Counsel, to the professional services contract with Ferguson Pape Baldwin Architects Inc. (FPBA) for architectural design, engineering, and construction management services increasing the authorized cumulative amount from $2,466,894, to $3,619,699, extending the termination date through October 31, 2028, and authorized the General Manager, or designee, to execute the amendment.

9. Resolution declaring the fee interest in San Diego County Water Authority Parcel ESC-001 as exempt surplus land.
The Board adopted Resolution 2026-21, declaring the fee interest in San Diego County Water Authority Parcel ESC-001 (Property) as exempt surplus land; and authorized the General Manager to dispose of the Property for no less than the fair market value in accordance with the San Diego County Water Authority Administrative Code, Chapter 7 and the State Surplus Lands Act.

10. The Board approved the minutes of the Formal Board of Directors' meeting of September 17, 2026.

11. The Board approved Resolution 2026-22, appointing Director Jimmy Ayala as a representative of the Board of Directors of the Metropolitan Water District of Southern California.

11. General Information

12. Closed Session