



METRO TAC AGENDA
(Technical Advisory Committee to Metro JPA/Commission)

TO: MetroTAC Representatives

CC: Metro JPA Directors (for information only)

DATE: January 15, 2025

TIME: 11:00 a.m. to 1:30 p.m.

LOCATION: Metro TAC is holding its January meeting via Zoom. An e-mail containing information on how to participate in the meeting will be distributed to the Metro TAC members e-mail list consisting of the appointed Primary and Alternate for the Participating Agency and approved San Diego City Staff. Please remember, MetroTAC is NOT a public meeting so please do not distribute the meeting link.

-
1. **ACTION:** Review and Approve MetroTAC Action Minutes for the Meeting of November 20, 2024 (**Attachment**)
 2. **ACTION:** Consideration and Possible Action to Approve the Meeting Calendar for 2025 (Blake Behringer) (**Attachment**)
 3. **ACTION:** Appointment of New Metro TAC Chair and Vice Chair (Blake Behringer/Karyn Keze)
 4. **PRESENTATION:** Pump Station 2 Year-In-Review (Charles Gasti/Jong Choi) (**Attachment**)
 5. **PRESENTATION:** Five-Year Financial Outlook (Adam Jones) (**Attachment**)
 6. **DISCUSSION:** Pure Water Project Tour (Doug Campbell/Karyn Keese)
 7. **UPDATE:** Metro Wastewater (General) (Standing Item) (Lisa Celeya)

8. **UPDATE:** Pure Water Program Update (Standing Item) (Doug Owen)
 - a. 2024 Pure Water Program Annual Report (Doug Campbell) **(Attachment)**
 - b. Quarterly Phase 1 Construction Report (Doug Owens) **(Attachment)**
9. **UPDATE:** Metro Wastewater Financial (Standing Item) (Adam Jones)
10. **UPDATE:** JPA Executive Director (Standing Item) (Karyn Keze) **(Attachment)**
 - a. JPA Treasurer's Report Ending December 31, 2024
 - b. Phase 2 Survey
11. **UPDATE:** Metro Commission/JPA Board Meeting Recap (Standing Item) (Karyn Keze)
12. Review of Items to be Brought Forward to the Regular Metro Commission/Metro JPA Meeting (**February 6, 2025**)
13. Other Business of Metro TAC
14. Adjournment (**To the next Regular Meeting February 19, 2025**)

Metro TAC 2025 Meeting Schedule

| | | |
|-------------|-----------|--------------|
| January 15 | May 21 | September 17 |
| February 19 | June 18 | October 15 |
| March 19 | July 16 | November 19 |
| April 16 | August 20 | December 17 |

Metro TAC



(Technical Advisory Committee to Metro JPA/Commission)

ACTION MINUTES

DATE OF MEETING: November 20, 2024
TIME: 11:00 AM
LOCATION: ZOOM Electronic Meeting

Metro TAC Chair Nichols called the meeting to order at 11:05 a.m.

MEETING ATTENDANCE:

Members Present

Michael Benozza, Chula Vista (absent)
Leon Firsht, Coronado (absent)
Joe Bride, Del Mar (absent)
Blake Behringer, El Cajon
Eric Minicilli, Imperial Beach
Joe Kuhn, La Mesa
Izzy Murguia, Lemon Grove
Carmen Kasner, National City
Lito Santos, Otay WD
Peejay Tubongbanua, Padre Dam MWD (absent)
Paul Clarke, Padre Dam MWD
Troy DePriest, Poway
Alisa Nichols, Poway – Metro TAC Chair
Sumedh Bahl, County of San Diego

San Diego City Staff/Consultants

Adam Jones, City of San Diego
Doug Campbell, City of San Diego
Edgar Patino, City of San Diego
Anh Nguyen, City of San Diego
Keli Balo, City of San Diego
Orelia DeBaal, City of San Diego
Andrea Demich, City of San Diego
Nicole Roesler, City of San Diego
Doug Owen, Stantec, City of San Diego
Ben Kuhnel, Stantec, City of San Diego

JPA Staff/Consultants Present

Karyn Keze, JPA Executive Director, Keze Group
Dexter Wilson, Dexter Wilson Engineering
Kathleen Noel, Dexter Wilson Engineering
Lee Ann Jones-Santos, Metro JPA Treasurer
Rod Greek, Metro JPA CPA
Lori Anne Peoples, Metro JPA Board Secretary

Daphnie Munoz, Principal, CLA (CliftonLarsonAllen)
John Gavares, The Gavares Group

1. **ACTION: Review and Approve Metro TAC Action Minutes for the Meeting of October 16, 2024**

ACTION: Motion by Sumedh Bahl, seconded by Eric Minicilli the minutes be approved. Motion carried unanimously.

2. **PRESENTATION: Metro Wastewater JPA Two Year Audit Ending June 30, 2023**

JPA Executive Director Keze noted that this audit had already gone to the JPA as it was time sensitive due to JPA law and they had approved it. This stopped the clock from ticking on legal reporting requirements.

Daphnie Munoz, CLA, provided a brief verbal overview of her presentation included in the agenda package.

Sumedh Bahl, County of San Diego, made inquiry as to what he perceived was an error in the numbers on page 5 of the audit. Daphnie noted it and will make the correction.

3. **PRESENTATION: Public Utilities Department Integrated Master Plan Update**

Anh Nguyn, City of San Diego, provided a brief verbal overview of his presentation included in the agenda package.

JPA Executive Director Keze inquired as to what the City would be doing until the Master Plan CIP list was finalized and Keli Balo, City of San Diego, responded that all critical projects were being captured in the annual Metro Five-Year forecasts and updates would be provided to the TAC and JPA in the quarterly reports.

Adam Jones, City of San Diego, stated that what was being funded and how would be included in their CIP presentations and the Five-Year Forecast which will be forthcoming in the January/February timeframe to TAC and the JPA.

4. **PRESENTATION: 2024 Metro Wastewater Draft JPA Strategic Plan**

JPA Executive Director Keze introduced John Gavares of The Gavares Group whom the JPA hired to assist in the updating of the Strategic Plan. The Strategic Plan is a document being created by an AdHoc committee of the Board of Directors, who have met 5 times.

John Gavares provided a verbal overview of his presentation included in the agenda package and noted that the Board was focused on current objectives. He then thanked Karyn and Lori for their assistance in setting up the meetings and circulating the survey, as well as those who responded to the survey and attended several of the workshops.

5. **PRESENTATION: Phase 2 Pure Water Program Metro JPA Survey**

Doug Owen gave a verbal summary of his presentation, which was included in the agenda package. He reported that the City of San Diego is proceeding with planning for Phase 2. He

confirmed that the recommendations outlined in the letter from the JPA to the City will be incorporated into the study. Additionally, a survey is being developed to help the City understand the long-term planning perspectives of the PAs and how Phase 2 may impact future Metro Wastewater flows. Doug stated that the City will formally distribute the survey and requested that the PAs submit their responses by January 17, 2025.

6. UPDATE: Metro Wastewater (General) (Standing Item)

Doug Campbell reported that Pumps 2 and 5 at Pump Station 2, which had been out of service for several years, have been operational since last week. He expressed his gratitude to the City's Wastewater and the Engineering/CIP team for their efforts in achieving this milestone. Doug also highlighted that this progress enables the power reliability project to move forward to finalization.

Dexter Wilson, Wilson Engineering, requested a tour sometime during the month of December so he would be better able to present information to the JPA in January.

7. UPDATE: Pure Water Program Update (Standing Item)

Doug Owen stated that next month he will provide a construction progress update. He then provided a photo presentation of the work that has been done at the Public Works Facility and Pump Station as well as the North City Water Reclamation Plant, EQ Basin, and Metro Biosolids (MBC) facility.

8. UPDATE: Metro Wastewater Financial (Standing Item)

Adam Jones, City of San Diego, stated that the City had signed an engagement letter update with MGO to extend the multi-year audit process to June 2025. Further that he is in the process of finalizing and releasing the City of San Diego's Cost of Service Study which included new recycled water rates and the Five- Year Wastewater Outlook Reports.

9. UPDATE: JPA Executive Director (Standing Item)

JPA Executive Director Keze stated that her report was included in the agenda package.

10. UPDATE: Metro Commission/JPA Board Meeting Recap (Standing Item)

Metro TAC Chair Alisa Nichols stated that the JPA had seen the items presented to TAC and they had an additional special meeting to approve the sending of a letter of support to the Bureau of Reclamation Water Resources and Planning Office, for the San Diego Integrated Regional Water Management Program's Landscape Efficiency and Direct Installation Project to USBR's WaterSMART Grants: Water and Energy Efficiency Grant for Fiscal Year 2024 and Fiscal Year 2025.

Alisa then announced that this would be her last meeting as she had accepted another position and would be leaving Poway on December 13th. She noted that a new TAC Chair was needed as would be a new Alternate for the RAC. She stated she enjoyed working with everyone and had learned a lot about wastewater.

JPA Executive Director Keze praised Alisa's leadership as TAC Chair and wished her the best in her new position, which was echoed by the other TAC members and JPA staff.

They both then wished everyone a Happy Thanksgiving.

11. **Review of Items to be Brought Forward to the Regular Metro Commission/Metro JPA Meeting (December 5, 2024)**

JPA Executive Director Keze stated that only the Strategic Plan item would move forward for action to the JPA.

12. **Other Business of Metro TAC**

There was none.

13. **Adjournment** (To the next Regular Metro TAC Meeting December 18, 2024)

Metro TAC Chair Alisa Nichols adjourned the meeting at 12:28 p.m.

2025 Metro JPA/Comm and Metro TAC Meeting Schedule

METRO JPA/COMMISSION

January 2, 2025 CANCELLED

February 6, 2025

March 6, 2025

April 3, 2025

May 1, 2025

June 5, 2025 & SANDIST (follows JPA)

July 3, 2025

August 7, 2025

September 4, 2025

October 2, 2025

November 6, 2025

December 4, 2025

METROTAC

January 15, 2025

February 19, 2025

March 19, 2025

April 16, 2025

May 21, 2025

June 18, 2025

July 16, 2025

August 20, 2025

September 17, 2025

October 15, 2025

November 19, 2025

December 17, 2025

Public Utilities

Pump Station 2 - Year in Review

Public Utilities: Charles Gastil, P.E.

Engineering & Capital Projects: Jong Choi, P.E. & Eric Rubalcava, P.E.

January 15, 2024





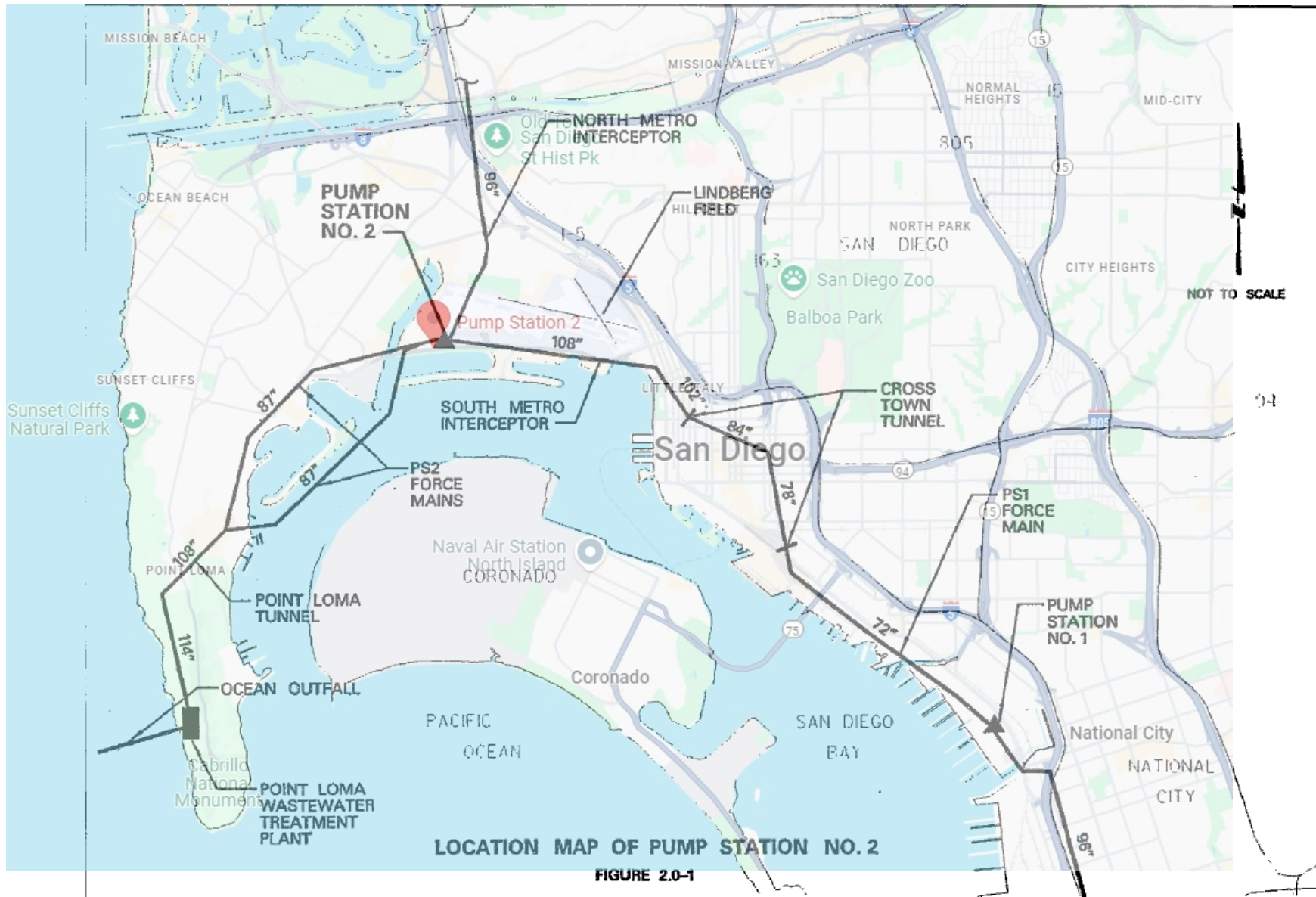
PS2 CIP Projects

- Pump Station 2 Sluice Gate 2 Emergency Repair
- B-24150 Pump Station 2 Emergency Repair
- S-00312 Pump Station 2 – Power Reliability and Surge Protection
- Design of Pump Station 2 Improvement and Modernization

PS2 PUD Maintenance Repairs

- Liquid rheostat rebuilds
- Rotating assembly overhauls
- Wetwell cleaning
- Flowmeter replacement
- Bleach tank replacement
- Forcemain repair

Pump Station 2 – System Map



Pump Station 2





Equipment Status from Headworks to the Wetwells

| Pump Station 2 | Status FEB 2024 | Status JAN 2025 | FEB 2024 Condition |
|-----------------------|-----------------|-----------------|--|
| Channel 1 | Available | Available | |
| Channel 2 | Out of Service | Available | Sluice gate broken – parts being fabricated. C2 traveling screen badly damaged but operational. |
| Channel 3 | Out of Service | Available | S1 traveling screen nonfunctional. |
| Wetwell #1 | Available | Available | Wetwell concrete erosion – in CIP. |
| Wetwell #2 | Available | Available | Wetwell concrete erosion – in CIP. |
| Suction Valve #1 - #8 | Available | Available | |



Equipment Status from Suction Valves to Forcemains

| Pump Station 2 | Status FEB 2024 | Status JAN 2025 | FEB 2024 Condition |
|-------------------------|-----------------|-------------------------|--|
| Pump 1 | Available | Available | Liquid rheostat worn but functional. |
| Pump 2 | Out of Service | Available (Manual only) | Pump unable to run. Unable to find cause, but suspected to be motor or drive. |
| Pump 3 | Available | Available | Liquid rheostat worn but functional. |
| Pump 4 | Available | Out of Service for CIP | Scheduled for gas -> electric conversion by CIP. Gas engine APCD permit to expire. |
| Pump 5 | Out of Service | Available (Manual only) | Cone valve nonfunctional – out for repair. Gas -> electric conversion in progress by CIP. VFD installation incomplete. |
| Pump 6 | Available | Available | Rotating assembly worn from lack of screening, but functional. Liquid rheostat worn but functional. |
| Pump 7 | Available | Available | Discharge gate valve unable to seal, from lack of screening. Rotating assembly worn from lack of screening, but functional. |
| Pump 8 | Available | Available | Rotating assembly had become damaged in December from lack of screening - replaced by PUD O&M JAN 2024. |
| Forcemain 1 (Bayside) | Available | Available | |
| Forcemain 2 (Rosecrans) | Available | Available | |



Pump Station 2 Sluice Gate 2 Emergency Repair

Completed

1. Installed a new actuator, including motor, drive, and shaft (MAR 2024)





B-24150 Pump Station 2 Emergency Repair

Completed

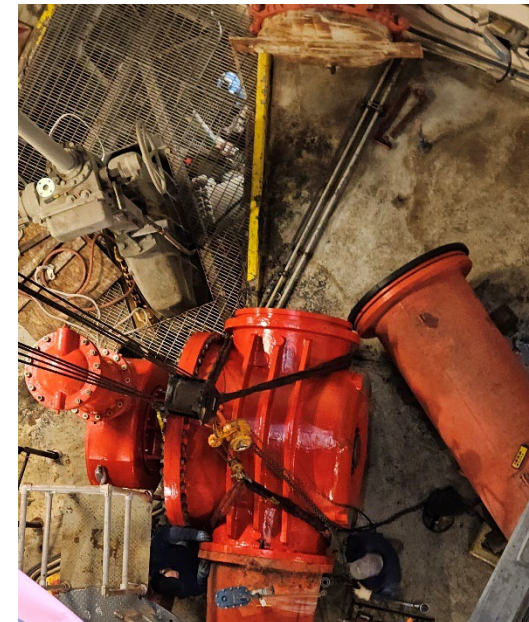
1. Overhauled two mechanical traveling screens and purchased one new screen (Oct 2024)
2. Bypass channel bar screen replaced (Aug 2024)
3. Sluice Gate #1 repaired (Aug 2024)
4. All liquid rheostat cooling water main pipes replaced (Oct 2024)
5. Pump #2 motor diagnosed and repaired (Nov 2024)
6. Discharge Valve #7 overhauled (Dec 2024)



B-24150 Pump Station 2 Emergency Repair

Pending

1. 2 x 42" Discharge valve overhauls:
Spare 42" Valve under overhaul, to
replace #5 Valve in May 2025; then #5
Valve to be overhauled
2. Cone Valve #7 overhaul scheduled for
removal in May 2025, and
reinstallation in Dec 2025



PUD Operations and Maintenance

Completed

1. Rebuilt liquid rheostats for Pumps #1, #3, #6 (May – Dec 2024)
2. Overhauled rotating assemblies for Pumps #4, #6, #7, and #8 (Jan – Dec 2024)
3. Repaired and overhauled Pump #5 cone valve (Mar 2024)
4. Wetwell #1 cleaned (Oct 2024)



PUD Operations and Maintenance

Completed

5. Replaced flowmeters for all eight pumps and two forcemains with ultrasonic flow meters (Oct 2024)
6. Repaired Forcemain #2 (Rosecrans) leak (Sept 2024)
7. Demolished bleach tank (Dec 2024)

Pending

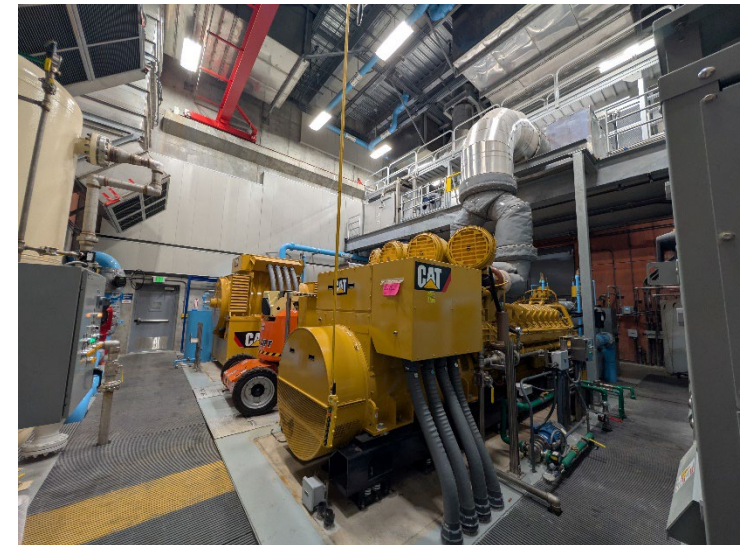
1. New bleach tank installation (Jan 2024)



S-00312 Pump Station 2 – Power Reliability and Surge Protection

Completed

1. Area 5 & 6 - Building upgrades for ADA-compliant office space and restrooms (Jan 2019)
2. Area 7 - New power generator building housing (4) new generators (2 diesel and 2 natural gas) (Jan 2023)
3. Area 8 - New storage facility for backup fuel/oil storage (Dec 2021)



S-00312 Pump Station 2 – Power Reliability and Surge Protection

Underway

1. Area 4 - Heat exchanger upgrades (expected Jan 2025)
2. Site improvements including landscaping, hardscaping, and fencing (expected Feb 2025)
3. Area 1 - Pump 4 and 5 motor replacement and upgrade to variable frequency drives (expected Mar 2025)



Pump Station 2 Improvement and Modernization – In Design

Project scope and goals

1. Rehab structure of Wetwells #1 & #2
2. Repair liner and concrete in the influent channel
3. Repair corroded supports for mechanical screens
4. Repair cooling tower pads
5. Replace all eight main pumps
6. Replace six pump motors and drives
7. Refurbish or replace all major valves

Expedited:

1. Install emergency structural bracing for Wetwell #1



PHOTO 1: DESCENT FROM SLUICE GATE LEVEL (EL -28) TO SUMP LEVEL (EL -41)



PHOTO 2: VIEW DOWN WET WELL 1 FROM ABOUT 30' EAST OF INTAKE TO PUMP 4



CIP Projects Budget and Schedule

| Project | End date | Budget |
|---|---------------|--------------|
| Pump Station 2 – Power Reliability and Surge Protection | July 2025 | \$76,100,800 |
| Pump Station 2 Improvement and Modernization | December 2029 | \$59,809,880 |
| Pump Station 2 Emergency Repair | January 2026 | \$4,200,000 |



Equipment Status from Headworks to the Wetwells

| Pump Station 2 | Status FEB 2024 | Status JAN 2025 | Repairs Since |
|-----------------------|-----------------|-----------------|---|
| Channel 1 | Available | Available | Sluice Gate #1 - Repairs to actuator and stem guide completed OCT 2024. Bypass Channel #1 - New fixed screen installed AUG 2024. |
| Channel 2 | Out of Service | Available | New sluice gate motor, drive, and shaft installed MAR 2024 The C2 screen was badly damaged but operational. C2 traveling screen spare installed and original screen shipped for overhaul OCT 2024. |
| Channel 3 | Out of Service | Available | S1 traveling screen spare installed MAR 2024 |
| Wetwell #1 | Available | Available | Wetwell is severely eroded. Consultant designing emergency bracing. Consultant designing repairs under CIP project. |
| Wetwell #2 | Available | Available | Wetwell is moderately eroded. Consultant designing repairs under CIP project. |
| Suction Valve #1 - #8 | Available | Available | |



Equipment Status from Suction Valves to Forcemains

| Pump Station 2 | Status FEB 2024 | Status JAN 2025 | Repairs Since |
|-------------------------|-----------------|------------------------|---|
| Pump 1 | Available | Available | Liquid rheostat overhauled by PUD O&M JUL 2024. Liquid rheostat cooling lines replaced SEP 2024. Flowmeters replaced by OCT 2024. |
| Pump 2 | Out of Service | Available | Motor and Drive Repaired, further repairs to DCS in progress NOV 2024. Flowmeters replaced OCT 2024. DCS reintegration underway. |
| Pump 3 | Available | Available | Cone valve actuator repair APR 2024 Liquid rheostat overhauled by PUD O&M MAY 2024 Liquid rheostat cooling lines replaced OCT 2024. Flowmeters replaced OCT 2024. |
| Pump 4 | Available | Out of Service for CIP | Rotating assembly and shaft replaced by PUD O&M MAR 2024 Motor replacement & VFD installation via Power Reliability CIP. Estimated in service by end of JAN 2024. Flow meter replaced OCT 2024. |
| Pump 5 | Out of Service | Available | Cone valve overhauled MAR 2024. Motor replacement, RA shaft alignment, and VFD installation from Power Reliability CIP NOV 2024. Flow meter replaced OCT 2024. Commissioning and DCS integration underway. |
| Pump 6 | Available | Available | Rotating assembly replaced by PUD O&M FEB 2024. Liquid rheostat overhauled by PUD O&M DEC 2024 Liquid rheostat cooling lines replaced OCT 2024. Flow meter replaced OCT 2024. |
| Pump 7 | Available | Available | Discharge gate valve replaced DEC 2024. Rotating assembly replaced by PUD O&M DEC 2024. Flow meter replaced OCT 2024. |
| Pump 8 | Available | Available | Rotating assembly replaced by PUD O&M JAN 2024. Flow meter replaced OCT 2024. |
| Forcemain 1 (Bayside) | Available | Available | Flow meter replaced OCT 2024. |
| Forcemain 2 (Rosecrans) | Available | Available | Small leak repaired by PUD O&M OCT 2024. Flow meter replaced OCT 2024. |



Questions?



The City of
SAN DIEGO
PUBLIC UTILITIES DEPARTMENT
FISCAL YEAR 2026-2030
FIVE-YEAR FINANCIAL OUTLOOK



Todd Gloria

Mayor

Eric K. Dargan

Chief Operating Officer

Kris McFadden

Deputy Chief Operating Officer

Juan Guerreiro

Director

Lisa M. Celaya

Executive Assistant Director

Carl Smith

Assistant Director

Adam Jones

Deputy Director

Disclaimer:

The City files its disclosure documents, including official statements, audited financial statements, annual comprehensive financial reports, annual financial information, material event notices, and voluntary disclosures with the Municipal Securities Rule Making Board's Electronic Municipal Market Access ("EMMA") system. The Five-Year Financial Outlook ("Outlook") is utilized by the City as a planning tool and as such, is not filed on EMMA and therefore should not be relied upon by investors to make any investment decisions. The City will provide the Outlook to the rating agencies, its bond insurers and other interested parties for informational purposes and welcomes and encourages their careful review of this document. All readers are cautioned that the numbers presented in the Outlook represent the City's best estimates for the next five years based on facts and factors currently known to the City and may differ materially from actual results. As of the date any reader reviews the Outlook, the City makes no representation that there is not a material difference between the City's actual performance as of such date and the financial data presented in the Outlook. Certain statements herein constitute forward-looking statements or statements which may be deemed or construed to be forward-looking statements. Forward-looking statements involve and are subject to known and unknown risks, uncertainties and other factors which could cause the City's actual results, performance (financial or operating) or achievements to differ materially from future results, performance (financial or operating) or achievements expressed or implied by such forward-looking statements. All forward-looking statements herein are expressly qualified in their entirety by the above-stated cautionary statement. The City disclaims any obligation to update forward-looking statements contained in the Outlook. Fiscal Year 2024 activity reflects unaudited activity and is subject to change. Final activity will be published in the City's Annual Comprehensive Financial Report.

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MISSION STATEMENT

To provide reliable water utility services that protect the health of our communities and the environment

VISION STATEMENT

A world-class water utility for a world-class city

EXECUTIVE SUMMARY

The Public Utilities Department (PUD or Department) Fiscal Year 2026-2030 Five-Year Financial Outlook (PUD Outlook or Outlook) is provided to guide long-range planning and serve as the framework for the development of the Fiscal Year (FY) 2026 Proposed Budget for the Water and Wastewater Funds. The purpose of this report is to provide an overview of the Public Utilities Department's long-range needs and to guide programmatic decisions.

The PUD Outlook focuses on the overall fiscal condition of the Water and Wastewater Funds and assesses impacts to revenues and expenditures from regional water and wastewater demands. It also explores a funding strategy to finance major capital investments in Water and Wastewater System infrastructure and the Pure Water Program construction. The PUD Outlook quantifies new costs that are critical to accomplishing PUD's strategic goals over the next five-year period. These goals include:

Goal 1: Reliable Water and Wastewater Services

- Asset Management
- Infrastructure Investment

Goal 2: Water Quality and Environmental Protection

- Water Quality and Compliance
- Environmental Protection

Goal 3: Customer Satisfaction and Community Engagement

- Customer Service
- Community Engagement

Goal 4: Organizational Excellence

- Rate Structure Optimization
- Workforce Planning & Development

The PUD Outlook is not a budget, and projected revenues and expenditures in any given year of the PUD Outlook may not correspond exactly to those in future Proposed Budgets. Nevertheless, the PUD Outlook can serve as a planning tool to assist in budget decisions and the allocation of resources to meet PUD's strategic goals that are critical to providing the community with a reliable and high-quality water and wastewater service. The PUD Outlook also provides the City Council, key stakeholders, and the public with information to facilitate discussions during the development of the FY 2026 Budget.

As enterprise funds, the Water and Wastewater Funds differ from the General Fund in that their services are supported with revenue derived from rates charged to customers. These rates are determined through a process prescribed by state law, which requires a cost-of-service analysis and Council approval of any rate adjustments at a public hearing. The cost of service studies for the Water System and Wastewater System are being released simultaneously with the PUD Outlook. The cost of service studies address proposed rate adjustments for a four year period, through FY 2029. The PUD Outlook identifies the overall system needs, whereas the cost of service analysis allocates those needs to establish applicable rate recovery by the different user classes.

During this Outlook period, both the Water and Wastewater systems are facing significant changes attributed to the significant increases in costs for water purchases, capital construction projects, chemicals and energy. Separate but noteworthy impacts to the Water system include lower water

consumption due to weather in FY 2023 and FY 2024. To account for these changes corresponding adjustments have been made in adjustments to capital spending, utilization of rate stabilization reserves, stored water usage and modifications to future rate assumptions ensuring there is enough revenue to support the systems' continued operations.

SUMMARY OF KEY FINANCIAL DATA

This section presents a summary of the PUD Outlook, and the overall fiscal condition of the Water and Wastewater Systems. Tables 1.1 and 1.3 summarize revenues projected to support operations, Capital Improvements Program (CIP) related expenditures, and key financial metrics for the Water and Wastewater Systems, respectively. Further details on CIP expenses and revenue sources for those expenses is also provided.

Additional detail on each line item in these summaries can be found in the corresponding sections of this report. Baseline operating expenditures are those expenditures that are sufficient to allow PUD to continue providing its existing level of service without expanding any operational programs. Critical operating expenditures are those associated with expanded operations for PUD; a significant portion of these critical operating expenditures are associated with Phase 1 of the Pure Water Program coming online and regulatory compliance. CIP expenditure projections are also detailed in Tables 1.2 and 1.4 and are split into Pure Water CIP expenditures and Baseline CIP expenditures, which consist of capital expenditures on all non-Pure water related capital improvements, which includes pipelines, pump stations and storage infrastructure. Revenue projections include revenue that will be required to adequately cover operating expenses, CIP expenses, and to meet financial metrics necessary to operate the systems.

Water and Wastewater Systems

Overall, the PUD Outlook for both the Water and Wastewater Systems forecasts baseline operating expenditures to grow over the next five years; however, increases in critical operating expenditures are expected as PUD begins operations and maintenance of Phase 1 of the Pure Water Program as well as debt service expenditures for constructing Pure Water Phase 1. Conversely, CIP expenditures during the Outlook period are expected to peak in FY 2025 due to Pure Water Phase 1 and then gradually decrease through FY 2030, as Phase 1 construction of the Pure Water Program nears completion, and efforts shift to planning for Phase 2 of Pure Water.

In addition to Pure Water, the City's network of nine dams is expected to become another core expenditure program with expenditures ramping up in the next five to 20 years. This will impact both the operating and capital budget. This Outlook builds on earlier budget adds proposed by the Mayor and approved by City Council in what is expected to be over a billion dollar program. As expected in prior Outlooks, new data has influenced the size and scope of the portfolio of Dam projects included in this Outlook, which is expected to increase as more projects are identified and completed.

For the Water System, water purchase expenses are expected to increase during the Outlook period, while volumes are expected to decline due to the additional use of stored water from prior years' rain events and availability of local water supply produced from Phase 1 of Pure Water coming online.

Expenses from reduced purchases will be offset by a sharp rise in costs, driven by wholesale price and forecasted price increases by the County Water Authority (CWA).

Revenues for both the Water and Wastewater Systems are projected to increase over the next five years, primarily due to increased rates to support the operations as forecasted in FY 2026 through FY 2030. The PUD Outlook also anticipates the transfer of funds to and from the Rate Stabilization Fund for each system to smooth revenue needs through the Outlook period, which would otherwise require additional rate increases or a reduction in expenditures. Both systems expect to deviate from target levels of rate stabilization reserves levels, which will be brought back to target levels with future rate adjustments.

PUD continues to project the use of financing to fund the CIP, including the Pure Water Program, as illustrated in Tables 1.2 and 1.4.

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Table 1.1 - Water System Fiscal Year 2026-2030 Financial Outlook
(\$ in Millions)

| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Water Sales | \$694.8 | \$789.8 | \$910.6 | \$1,031.0 | \$1,146.5 | \$1,272.8 |
| Capacity Charges | \$15.0 | \$15.0 | \$15.0 | \$15.0 | \$15.0 | \$15.0 |
| Revenue from Use of Property | \$6.1 | \$6.1 | \$6.1 | \$6.1 | \$6.1 | \$6.1 |
| Other Revenue | \$21.6 | \$38.2 | \$37.5 | \$27.0 | \$28.3 | \$31.9 |
| TOTAL SYSTEM REVENUES | \$737.7 | \$849.1 | \$969.2 | \$1,079.1 | \$1,195.9 | \$1,325.7 |
| Salaries & Wages | \$81.6 | \$85.7 | \$88.4 | \$91.1 | \$93.8 | \$96.7 |
| Fringe Benefits | \$48.6 | \$49.5 | \$50.5 | \$51.5 | \$52.6 | \$52.8 |
| Water Purchases | \$272.6 | \$311.5 | \$329.8 | \$357.3 | \$383.1 | \$418.5 |
| Other Non-Personnel Expenditures | \$182.5 | \$186.8 | \$192.0 | \$197.5 | \$202.2 | \$206.2 |
| BASELINE OPERATING EXPENDITURES | \$585.3 | \$633.6 | \$660.7 | \$697.3 | \$731.8 | \$774.2 |
| CRITICAL OPERATING EXPENDITURES | N/A | \$43.1 | \$83.7 | \$83.2 | \$67.7 | \$71.9 |
| Contribution to CIP | (\$31.1) | \$100.7 | \$66.0 | \$163.3 | \$76.9 | \$186.2 |
| Debt Service | \$121.8 | \$145.1 | \$176.4 | \$187.1 | \$214.1 | \$220.0 |
| (Use of) / Contribution to Reserves | (\$10.0) | (\$12.2) | (\$1.1) | \$16.3 | \$30.6 | \$40.0 |
| NON-OPERATING EXPENDITURES | \$80.8 | \$233.5 | \$241.3 | \$366.8 | \$321.5 | \$446.2 |
| TOTAL EXPENDITURES | \$666.1 | \$910.1 | \$985.7 | \$1,147.3 | \$1,121.0 | \$1,292.3 |
| Impact to Fund Balance | \$73.5 | (\$61.0) | (\$16.6) | (\$68.2) | \$74.9 | 33.5 |
| Debt Service Coverage Ratio | 1.33 x | 1.34 x | 1.33 x | 1.52 x | 1.71 x | 2.00 x |
| Assumed Rate Increase¹ | 14.2% | 13.7% | 14.5% | 11.5% | 11.0% | 11.0% |

¹ City Council has approved an 8.7% rate increase for water effective January 1, 2025, an additional 5.5% increase is proposed for Spring 2025 to account for San Diego County Water Authority's January 1, 2025 price increase. Revenues in the PUD Outlook reflect the impact of those increases from the effective date in that fiscal year.

**Table 1.2 - Water System Fiscal Year 2026-2030 Financial Outlook
Summary of Capital Improvements Program Key Financial Data
(\$ in Millions)**

| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|

| | | | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Baseline CIP | \$163.2 | \$271.9 | \$445.2 | \$446.7 | \$415.9 | \$440.8 |
| Pure Water CIP | \$313.9 | \$130.5 | \$38.6 | \$12.6 | \$4.4 | \$0.3 |
| TOTAL CIP EXPENDITURES | \$477.1 | \$402.4 | \$483.8 | \$459.3 | \$420.4 | \$441.1 |

| | | | | | | |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sources of Funds | | | | | | |
| Bonds/Commercial Paper | \$229.1 | \$160.0 | \$340.0 | \$230.0 | \$240.0 | \$150.0 |
| State Revolving Funds | \$24.2 | \$45.1 | \$68.4 | \$66.0 | \$103.5 | \$104.8 |
| WIFIA | \$254.9 | \$96.6 | \$9.3 | \$0 | \$0 | \$0 |
| Grants | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cash | (\$31.1) | \$100.7 | \$66.0 | \$163.3 | \$76.9 | \$186.2 |
| REVENUE SOURCES | \$477.1 | \$402.4 | \$483.8 | \$459.3 | \$420.4 | \$441.1 |

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| Table 1.3 - Wastewater System Fiscal Year 2026-2030 Financial Outlook (\$ in Millions) | | | | | | |
|---|----------------|----------------|-----------------|------------------|----------------|------------------|
| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Sewer Service Charges | \$322.9 | \$335.9 | \$358.8 | \$385.5 | \$418.0 | \$452.6 |
| Capacity Charges | \$22.5 | \$33.0 | \$34.0 | \$35.0 | \$36.1 | \$37.1 |
| Grants | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Other Revenue | \$141.5 | \$137.0 | \$141.4 | \$141.1 | \$141.1 | \$144.3 |
| TOTAL SYSTEM REVENUES | \$486.9 | \$505.9 | \$534.2 | \$561.7 | \$595.2 | \$634.0 |
| Salaries & Wages | \$82.5 | \$86.7 | \$89.3 | \$92.0 | \$94.8 | \$97.7 |
| Fringe Benefits | \$46.9 | \$47.9 | \$48.8 | \$49.8 | \$50.8 | \$51.0 |
| Other Non-Personnel Expenditures | \$211.0 | \$216.2 | \$222.4 | \$228.9 | \$235.0 | \$239.3 |
| BASELINE OPERATING EXPENDITURES | \$340.5 | \$350.7 | \$360.6 | \$370.7 | \$380.6 | \$388.1 |
| CRITICAL OPERATING EXPENDITURES | N/A | \$7.4 | \$17.6 | \$17.7 | \$18.4 | \$18.4 |
| Contribution to CIP | (\$69.4) | (\$58.8) | (\$123.1) | \$340.2 | (\$116.3) | \$168.7 |
| Debt Service | \$113.2 | \$107.9 | \$141.0 | \$138.6 | \$159.9 | \$148.0 |
| (Use of) / Contribution to Reserves | (\$12.8) | \$7.4 | (\$37.1) | (\$10.6) | (\$19.5) | \$21.4 |
| NON-OPERATING EXPENDITURES | \$31.1 | \$56.5 | (\$19.2) | \$468.2 | \$24.2 | \$338.2 |
| TOTAL EXPENDITURES | \$371.6 | \$414.7 | \$359.0 | \$856.6 | \$423.2 | \$744.7 |
| Impact to Fund Balance | \$115.3 | \$91.2 | \$175.2 | (\$295.0) | \$172.0 | (\$110.7) |
| Debt Service Coverage Ratio | 1.38 x | 1.30 x | 1.37 x | 1.35 x | 1.36 x | 1.39 x |
| Assumed Rate Increase² | 3.0% | 7.0% | 6.0% | 8.0% | 8.0% | 8.0% |

² City Council has approved a 3.0% rate increase for wastewater effective January 1, 2025. All rate increases reflect the value effective on the date of the rate increase. Revenues in the PUD Outlook reflect the impact of those increases from the effective date in that fiscal year.

**Table 1.4 - Wastewater System Fiscal Year 2026-2030 Financial Outlook
Summary of Capital Improvements Program Key Financial Data
(\$ in Millions)**

| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Baseline CIP | \$215.1 | \$285.6 | \$350.0 | \$398.4 | \$241.4 | \$195.7 |
| Pure Water CIP | \$261.1 | \$43.6 | \$20.0 | \$16.9 | \$17.2 | \$15.0 |
| TOTAL CIP EXPENDITURES | \$476.2 | \$329.2 | \$370.1 | \$415.3 | \$258.6 | \$210.7 |

| | | | | | | |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sources of Funds | | | | | | |
| Bonds | \$300.0 | \$225.0 | \$375.0 | \$0 | \$320.0 | \$0 |
| State Revolving Funds | \$223.1 | \$130.0 | \$84.2 | \$40.1 | \$18.9 | \$4.8 |
| Grants | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cash | (\$46.9) | (\$25.8) | (\$89.1) | \$375.2 | (\$80.2) | \$205.9 |
| REVENUE SOURCES | \$476.2 | \$329.2 | \$370.1 | \$415.3 | \$258.6 | \$210.7 |

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REPORT OUTLINE

The PUD Outlook is organized into two main sections: Water System and Wastewater System. The Water System is comprised of the Water Utility Fund and the Wastewater System is comprised of the Metropolitan and Municipal Sewer Funds, collectively known as the Sewer Revenue Funds.

Similar to the organization of the Five-Year Financial Outlook for the General Fund, the PUD Outlook provides a brief overview of the Water and Wastewater Systems and the impacts of the Pure Water Program, as well as a discussion of projected operating and capital expenditures, projected revenues, and potential rate adjustments. This Outlook also reflects the impacts of the commissioning of Phase 1 of the Pure Water Program which factors in the cost competitive, reliable and sustainable increase in local water supplies as well as the debt service for the project. The PUD Outlook is presented in a different order than the General Fund Outlook; expenditures are discussed first, followed by a discussion of revenue. This is due to the nature of rate forecasts, which are driven by the need to support operations and achieve key financial metrics.

The Water System and Wastewater System sections of the PUD Outlook include additional details on the projections for the next five years of ongoing revenues and expenditures that were displayed in Table 1.1 – Water System Fiscal Year 2026-2030 Financial Outlook, and Table 1.3 – Wastewater System Fiscal Year 2026-2030 Financial Outlook, respectively. Each section begins with a discussion of operating expenditures. ‘Baseline’ projections for operating expenditures represent those necessary to support current service levels provided by PUD. Unaudited Expenditures³ for FY 2024 are presented for context but FY 2025 projections are the starting point for personnel and non-personnel baseline expenditures unless otherwise noted. As noted earlier, the PUD Outlook projections in any given year may not correspond exactly to the revenues and expenditures in future Proposed Budgets.

For this PUD Outlook, the primary Critical Operating Expenditures associated with implementing the Pure Water Program have been called out separately from baseline expenditures⁴. The Critical Operating Expenditures are discussed within each expenditure category. In some cases, expenditures are allocated in both water and wastewater funds. For instance, the Pure Water Program is displayed in both Water and Wastewater sections as both systems benefit. Previous Critical Operating Expenditures that were identified in prior PUD Outlooks and the FY 2025 budget were incorporated as baseline expenses in the PUD Outlook. All expenditures projected in this report will be further refined during the budget development process for each respective fiscal year.

Projections for CIP expenditures and funding sources are also provided, with Pure Water CIP expenses and funding sources broken out from the Department’s baseline capital program which covers pumps, treatment plants, pipelines, and reservoirs, among other capital infrastructure.

³ The City’s Annual Comprehensive Financial Report (ACFR) includes the financial statements of all funds of the City, is prepared in accordance with Generally Accepted Accounting Principles, including those standards established by the Governmental Accounting Standards Board and portions of it at audited by an independent audit. The financial activity presented in this report was prepared in advance of the 2024 ACFR.

⁴ Note – this presentation differs from PUD’s financial disclosure documents. Critical Operating Expenditures in the PUD Outlook are broken out from Baseline Operating Expenditures to show programmatic additions to Department operations. Disclosure documents do not show these expenditures separately.

Finally, each section includes revenue projections and a discussion of the projected water and wastewater rates that are assumed in those revenue projections. Rate adjustments are determined through a process prescribed by state law and require a cost of service analysis and City Council approval at a public hearing.

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OVERVIEW OF THE WATER AND WASTEWATER SYSTEMS

The City of San Diego is a major metropolis, ranked as the eighth largest city by population in the United States and the second largest city in California. The City's total population is over 1.4 million. The City's climate is semiarid with cycles of multi-year droughts. Average rainfall does not provide adequate local water supplies for the City and is supplemented with water imported from outside the region.

The City's Water and Wastewater Systems are maintained and operated by the City of San Diego (City) Public Utilities Department. The Public Utilities Department (PUD) provides water to the City of San Diego as well as to the cities of Del Mar, Coronado and Imperial Beach, primarily from two water sources: (1) local supplies, which provide on average 10 - 15% of water needs, and (2) the San Diego County Water Authority (CWA), which provides 85 - 90% of water needs. The City's Water System extends over 404 square miles, with average (FY 2019–2023) potable water deliveries of approximately 158,000 acre-feet (AF) per year. PUD's extensive raw water system includes nine reservoirs, which capture rain and local runoff from rainfall and store purchased imported water. The water is then sent to PUD's three water treatment plants for treatment and distribution. While PUD expects water conservation efforts to continue, it also expects the demand for potable water to follow changes in population and the single largest variable for yearly water demands is the weather patterns each fiscal year.

The City's Wastewater System owns and operates wastewater treatment plants that serve the City as well as other agencies of other cities and districts outside San Diego City boundaries (Participating Agencies). The Wastewater System serves over 2.3 million regional customers by providing wastewater collection, treatment, and disposal services. The Wastewater System is comprised of two sub-systems, the Municipal Sub-System and the Metropolitan ("Metro") Sub-System. The Municipal Sub-System is a sewage collection system for the City's customers and consists of all elements required for the collection and conveyance of wastewater generated by the service area, which currently consists of approximately 275,000 accounts. The Metropolitan Sub-System is a regional sewage treatment and disposal system that serves the City and twelve other Participating Agencies near the City. The Wastewater System covers approximately 450 square miles, including most of the City, and stretches from Del Mar and Poway to the north, Alpine and Lakeside to the east, and San Ysidro to the south. The communities and agencies served by the PUD Wastewater System form the third largest metropolitan area in the State, surpassed only by the Los Angeles and San Francisco metropolitan areas. The Point Loma Wastewater Treatment Plant serves as a regional treatment facility handling sanitary waste from both Municipal Sub-System and Metropolitan Sub-System customers. Additionally, the Wastewater System operates and maintains two water reclamation plants (North City and South Bay), and a solids management facility (Metropolitan Biosolids Center).

Regional Water Supply

In any given year, the City uses local water supplies to meet 10 - 15% of demand and relies on imported water from the CWA to meet the other 85 - 90% of demand. The CWA is a wholesale water agency that provided approximately 295,069 AF of imported and desalinated water to its member agencies in FY 2024, including 118,578 AF supplied to PUD. CWA currently acquires the majority of its water from three main sources: conserved water from the Imperial Irrigation District, water from the Metropolitan Water District (MWD), and desalinated water. MWD obtains its water from the Colorado River through the United States Bureau of Reclamation, and from northern California via the State Water Project through the California Department of Water Resources (DWR). MWD is one of 29 public water agencies that have long-term contracts for water service from DWR, and it is the largest agency in terms of the number of people its water serves (approximately 19 million).

Both CWA and MWD are actively engaged in developing strategies for enhancing long-term water supply reliability in the face of challenges related to drought and decreased reliance on Colorado River water. These strategies encompass storage initiatives and the pursuit of supplementary water sources, such as water transfers, with the aim of reducing dependence on imported water. These efforts gain significance in light of the dwindling water resources from both the State Water Project, responsible for transporting water from Northern California to Southern California, and the Colorado River, which provides water to the basin states of Arizona, California, Colorado, New Mexico, Nevada, Utah, and Wyoming. Furthermore, there is a looming threat of unilateral cuts to Colorado River allocations by the Federal government if the basin states fail to take decisive actions to curtail water consumption.

In response to the ongoing water challenges in California, the Governor unveiled a long-term strategy aimed at bolstering the state's water supply resilience. This multifaceted plan entails the expansion of reservoir storage capacity and a significant upscaling of water recycling efforts throughout the state, all designed to augment the long-term viability of California's water resources. In the short-term the State and the southwest have benefited from a historically wet winter in FY 2023 and FY 2024, which has augmented local supplies as well as recharged a portion of the Colorado Watershed, but these short-term gains pale in comparison to the long-term declines in water supply for the southwest region.

PUD operates a recycled water system that supplies a portion of the San Diego region, with non-potable recycled water. Recycled water is wastewater treated to a level that makes it safe for a variety of uses including irrigation, dust suppression and soil compaction at construction sites, in cooling towers, in ornamental fountains, and office building toilet and urinal flushing; that system is supplied by two water reclamation plants – the North City Water Reclamation Plant (NCWRP) and South Bay Water Reclamation Plant (SBWRP). The City supplies recycled water to retail customers and three wholesale customers: the City of Poway, the Olivenhain Municipal Water District, and the Otay Water District. Recycled water is a joint venture between the Water (for distribution) and Wastewater (for treatment) Systems. Recycled water revenue is split between the two utilities once debt for the recycled water distribution network is paid off, which occurred in FY 2023.

Participating Agencies

Pursuant to the Regional Wastewater Disposal Agreement, the Metropolitan Sub-System provides “wholesale” treatment and disposal services, including some sewage transportation, to the cities of Chula Vista, Coronado, Del Mar, El Cajon, Imperial Beach, La Mesa, National City, and Poway; the Lemon Grove Sanitation District; Otay Water District; Padre Dam Municipal Water District; and County of San Diego (on behalf of Winter Gardens Sewer Maintenance District and the Alpine Lakeside and Spring Valley Sanitation Districts). These cities and districts are collectively referred to as the Participating Agencies.

The Regional Wastewater Disposal Agreement requires the Participating Agencies to pay their respective share of planning, design, and construction of Metropolitan Sub-System facilities, as well as costs related to the operation and maintenance of the Metropolitan Sub-System. Since FY 2011, the Participating Agencies have constituted approximately 33% of the total Metropolitan Sub-System costs. Recently, the City of El Cajon, San Diego County and the Padre Dam Municipal Water District, formed the East County Advanced Water Purification Joint Powers Authority, which is expected to divert up to 25% of the Participating Agencies flow away from the Metropolitan Sub-System when the Advanced Water Purification Project goes live during the Outlook period.

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Pure Water Program

Background

The Pure Water Program will provide a safe, secure, cost competitive, and sustainable local drinking water supply for San Diego. Advanced water purification technology will be used to produce a potable water source from recycled water. The City and its regional partners face significant issues with water supply and wastewater treatment primarily due to the increasing cost of imported water and the increasingly stringent regulations on wastewater treatment and disposal. The region's reliance on imported water causes the water supply to be vulnerable to shortages and susceptible to price increases beyond the control of the City.

The Pure Water Program is a 20-year (2015-2035) multi-phased water and wastewater capital improvements program that is expected, upon full implementation by the end of Calendar Year (CY) 2035, to create up to 83 million gallons per day (mgd) of locally controlled water, which will provide nearly half of the City's total potable water needs. The Pure Water Program will divert treated wastewater from the Point Loma Wastewater Treatment Plant's (PLWTP) ocean outfall and recycle a valuable and limited resource that is currently discharged to the ocean.

In 2017, the City received a renewal of the Modified Permit for the PLWTP and agreed to identify opportunities to maximize recycling of wastewater for potable and non-potable uses. The City submitted its renewal application on March 24, 2022, 180 days prior to the expiration of the current permit, which is jointly issued by the EPA and the San Diego Regional Water Quality Control Board. The modified permit was administratively extended by the EPA on September 27, 2022. Administrative extension of NPDES permits by the State of California (through the San Diego Regional Water Quality Control Board) are automatic upon expiration (and upon submittal of a timely renewal application) prior to adoption of a subsequent permit. It is anticipated that continuation of the Pure Water Program will be reflected in future permits, which will eliminate the need for the City to make over \$1.8 billion in upgrades to the PLWTP that would otherwise be necessary, based on the City's 2018 cost estimate.

Phase 1 of the Pure Water Program is estimated to cost approximately \$1.63 billion. The Water and Wastewater Funds will share in these expenditures according to allocating cost based on completed design and engineering studies. Approximately \$986 million (60%) is allocated to the Water Utility Fund and approximately \$705 million (40%) is allocated to the Sewer Revenue Fund. Total cost allocations will continue to be adjusted as any potential change orders are issued for the project. Final cost allocation will be done in the fiscal year following substantial completion of the project.

Project Update

Pure Water Phase 1 is the largest construction effort the City has ever taken on and significant progress has been made towards completion. Each of the eleven construction contracts (early site work contract has been completed) have been awarded and construction is currently estimated to be about 70% through construction. Although Phase 1 is being constructed through ten individual construction contracts via eight independent prime contractors and numerous subcontractors; it is one interconnected project. The Morena Pump Station dewatering changed condition has delayed the pump station's completion by more than a year which is expected to be complete in early FY 2027.

The strategy referred to as “Partial Flow Commissioning” was conceived when the significance of the Morena Pump Station delay became apparent. Partial Flow Commissioning accelerates the start of Pure Water production compared to waiting for the Morena Projects to complete by gradually producing potable reuse water.

To achieve Pure Water Phase 1 full production of 30 mgd, a partial flow commission schedule has been developed. Partial Flow Commissioning will mitigate Morena Pump Station’s impact on the timeline for producing 30 mgd of purified water. Based on current contractor forecast schedules, purified water production can begin nine to 12 months sooner than waiting for the Morena Projects to complete before proceeding with system-wide commissioning. Currently, the North City Water Reclamation Plant receives more wastewater than is needed to meet recycled water customer demands; the surplus can be used to produce between 8 and 18 mgd of purified water.

Following Partial Flow Commissioning activities, purified water deliveries to the Miramar Reservoir will be started at 7.5 mgd. After demonstrating to the regulators that all water quality and other permit requirements are sufficiently met, purified water deliveries could be increased to 10 mgd. At that point additional wastewater via the Morena Projects will be needed to further increase production and reach Phase 1’s ultimate goal of producing 30 mgd of purified water by December 31, 2027. A more detailed update on the Pure Water program was provided to the Environment Committee on September 12, 2024.

Cost of Service Analysis

Pursuant to State law, PUD uses a cost of service process to determine how to set its rates to ensure they meet PUD’s overall revenue requirements. Cost of service studies detail projected expenditures determine the total revenue required to cover those expenditures and allocate those revenue needs based on the demands each customer class places on PUD’s systems. Revenue requirements not only support operating and capital costs but are set to ensure appropriate reserve and debt service coverage ratios.

The City concluded a cost of service study and rate case for the Wastewater System in September 2021, which included rate adjustments for FY 2022 through FY 2025, as approved by the City Council. The City concluded a cost of service study and rate case for the Water System in September 2023, which included rate adjustments for FY 2024 and FY 2025. At the Public Hearing, the City Council modified the proposed rate adjustments by splitting the December 1, 2023 rate increase of 10.2% into two: 5.2% effective December 1, 2023 and 5.0% effective July 1, 2024. New cost of service studies and rate cases for both systems have been drafted and been released in conjunction with this Outlook covering a four year period(FY 2026 through FY 2029).

Council’s approval of the draft rate case would provide a maximum authority for the rate increases through FY 2029 for both Systems. Any adjustments in assumptions utilized to support the rate adjustments, will require mitigating actions, including the additional use of rate stabilization reserves, modifications to the capital spending plan, and/or higher projected rate adjustments in years beyond FY 2029. This and future PUD Outlook’s will define these actions in the financial sections of the report.

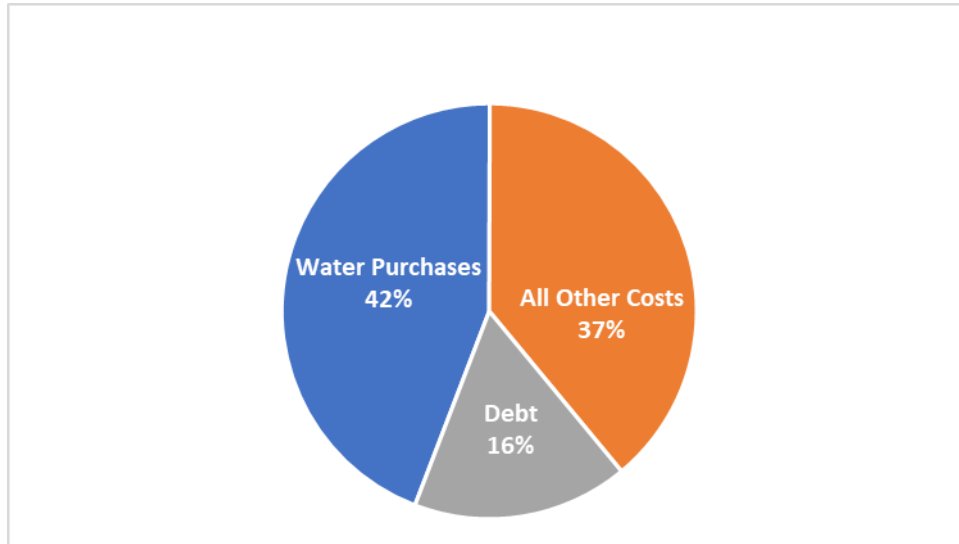
WATER SYSTEM

This section discusses baseline expenditure projections, upcoming critical operational expenditures, and projected capital improvements program needs and financing options for the next five years for the Water Utility Fund. An overview of Water System revenue projections is also included.

Water System Expenditures

Water Utility Fund expenditures are comprised of both personnel and non-personnel expenditures including debt service and other non-discretionary payments. The largest single expenditure of the Water Utility Fund is for water purchases representing approximately 42% of FY 2025 budgeted operating expenditures. as shown in Figure 1.5.

Figure 1.5 Fiscal Year 2025 Budget for Water Operations and Maintenance



These expenditures are therefore discussed separately. The following sections discuss in detail each expenditure category and include a description of the category, projected growth rates, and a discussion of any related critical strategic expenditures. Strategic critical expenditures identified in prior Outlooks are now included in baseline expenditures for the FY 2026-2030 Outlook, including positions associated with dam safety, distributed control system and customer support.

Water Purchases

The City has historically purchased approximately 85-90% of its water through CWA. Water purchases contribute to the largest expense in the Water Utility Fund and make up approximately 47% of the Water Utility Fund's operating budget. CWA charges a volumetric rate that includes both a commodity

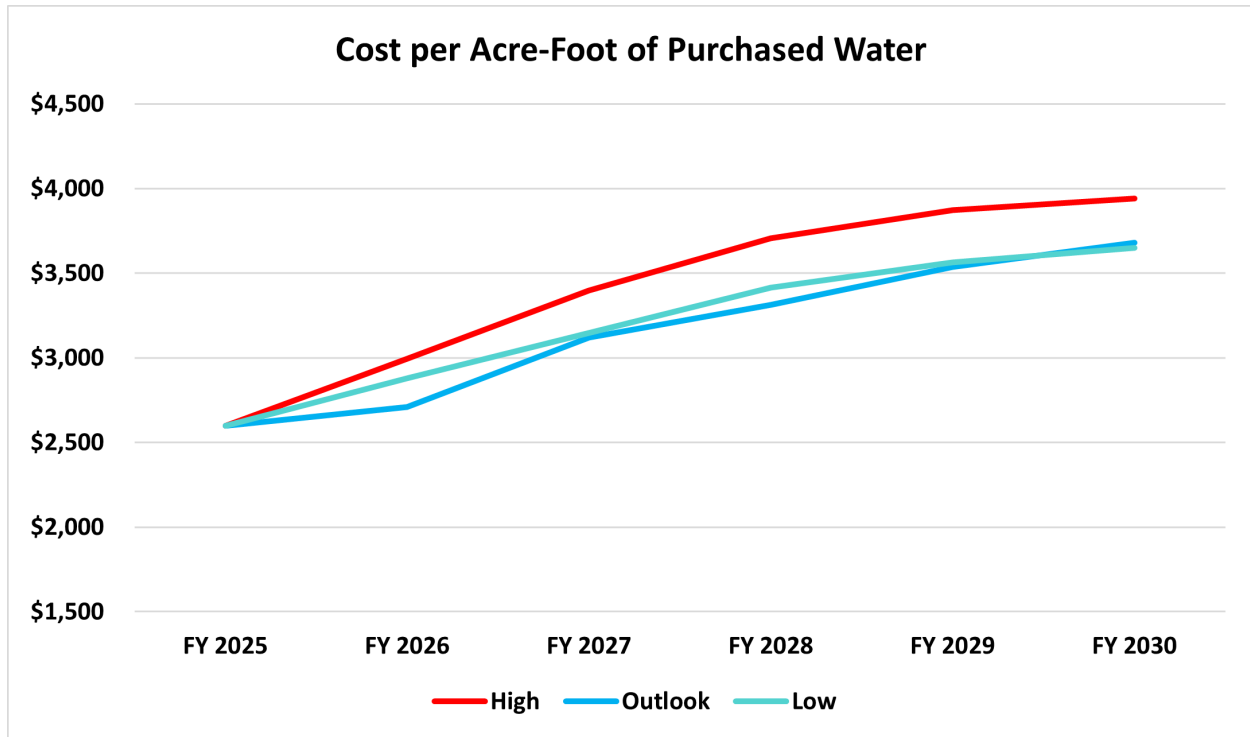
rate and a transportation rate. In addition to the rate charged by acre-foot, CWA and MWD also levy fixed charges on their member agencies.

| Table 2.1 – Water Purchases - Baseline Expenditures | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| (\$ in Millions) | | | | | | | |
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Projections | \$247.0 | \$272.6 | \$311.5 | \$329.8 | \$357.3 | \$383.1 | \$418.5 |
| Acre-Feet | 128,603 | 116,012 | 114,992 | 105,689 | 107,888 | 108,287 | 113,687 |

Table 2.1 presents projected costs for purchasing water from CWA. As a result of the significant rain events that occurred in Fiscal Year 2023 and Fiscal Year 2024, the Outlook assumes less water purchases as demands are depressed and the water stored in the City's reservoirs is used instead of buying from CWA. In Fiscal Year 2022, the City purchased approximately 167,000 acre-feet of untreated water from CWA. Since then, the city has decreased purchases in favor of local sources due to available local reservoir supplies and rapidly increasing costs to purchase untreated water. The City experienced a 14% rate increase in Calendar Year 2025 and expects an increase of 16.4% in Calendar Year 2026, 7% per year through Calendar Year 2029, and 5% in Fiscal Year 2030. The Pure Water Program is expected to begin supplying water at the end of Fiscal Year 2026. The Outlook assumes that, during the forecasted period, approximately 60-70% of water supplies will be purchased from CWA as more reservoir supplies are utilized in Fiscal Years 2025 and 2026 until the Pure Water Program provides supplies. From a financial perspective, the Outlook assumes a conservative approach for forecasting the impact from Pure Water being operational. If water from Pure Water is delivered earlier, the costs for water purchases will be reduced.

During the forecast period, PUD is forecasting to spend \$311.5M to \$418.5M per year to buy water from CWA and is dependent on the rate increases projected by CWA. In November 2024, CWA released a Five-Year Financial Forecast which identified high and low rates and charges forecasts. Figure 1.6 below shows the impact of these scenarios vs the assumptions used in the PUD Outlook. These costs included both the variable costs tied to purchasing each acre-foot of water as well as fixed charges that are divided by total amount of water purchased.

Figure 1.6 High/Low and Outlook Cost Per Acre-Foot of Purchased Water



The PUD Outlook assumes a mid-range forecast based on prior CWA guidance. However, new guidance issued right before the Outlook was finalized shifted the projection toward the lower end of the range, as reflected in Figure 1.6, which is based on CWA's updated guidance from their November 2024 Five-Year Financial Forecast. There is a strong likelihood that the actual rate increases will differ from these assumptions for several reasons:

1. CWA's guidance is based on "all-in" rate increases, but actual rate adjustments are made across multiple rate and charge categories. For the City of San Diego, these include four fixed charges (Storage, Customer Service, Supply Reliability, and Infrastructure Access) as well as a volumetric rate based on water consumption. Depending on how each category increases, the impact on the City may vary. For example, an increase in fixed charges would likely have a more significant financial impact than a similar increase in volumetric rates.
2. Historically, CWA has aimed to keep their rates within the high and low forecast ranges. Therefore, opting for lower rate increases in the earlier years does not prevent CWA from raising rates later to align with the higher projections. This approach was demonstrated in 2024 when rates shifted from the lower end in 2023 to match the higher forecast originally projected in the 2021 Financing Plan. CWA is expected to update its long-range financing plan in FY 2026. The City has already seen in Figure 1.6 that the latest updates are vastly different from prior guidance, which adds more uncertainty into the City's projections.

3. In 2023, CWA modified its rate structure and is currently reviewing it for further adjustments. The PUD Outlook does not factor in the potential outcomes of this review. However, any changes to the fixed charges could significantly affect the City. Additional fixed charges would increase costs that are assumed to decline as Pure Water comes online.
4. A recent significant challenge for CWA is the level of forecasted water demands in comparison with take-or-pay obligations the agency has secured. Since the 1990's CWA has secured over 300,000 acre-feet of water under take-or-pay obligations, meaning they must either sell or store this amount each year, or pay the difference between demand and what they are obligated to buy. As CWA dips below the take-or-pay obligations, the water sold or stored increases the cost per acre-foot, potentially adding hundreds of dollars to the price of each acre-foot without any new immediate benefit.

Personnel Expenditures

Personnel expenditures include salaries, wages, and fringe benefits. Salaries and wages are comprised of regular salaries and wages, hourly wages, special pay, overtime, and pay in lieu of annual leave. Fringe benefits include pension payment or Actuarially Determined Contribution (ADC), flexible benefits, retiree health or Other Post-Employment Benefits (OPEB), workers' compensation, Supplemental Pension Savings Plan (SPSP), and other fringe benefits. Projected FY 2025 Water Utility Fund salaries, wages, and fringe benefits are \$130.2 million and includes 1,004.21 full-time equivalent (FTE) positions. Table 2.2 displays unaudited actuals for FY 2024 and projections through FY 2030 for Water System personnel expenditures.

| Table 2.2 – Baseline Personnel Expenditures (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Salary and Wages | \$77.6 | \$81.6 | \$85.7 | \$88.4 | \$91.1 | \$93.8 | \$96.7 |
| Fringe | \$46.1 | \$48.6 | \$49.5 | \$50.5 | \$51.5 | \$52.6 | \$52.8 |

The salary and wages category incorporates only those expenditures associated with staff included in the FY 2025 Adopted Budget. FY 2025 salaries and wages increased by 7.8%, vs the 5.1% assumed in prior Outlooks. This increase compounds throughout the years included in the Outlook. Position adds identified for FY 2026-2030 to support critical expenditures are discussed below. the PUD Outlook accounts for all current negotiated MOUs and an assumed 3.05 percent salary increase for pending MOU negotiations in future years and assumes PUD specific special salary adjustments. Any future negotiated wage increases that deviate from the 3.05 percent assumption will impact future year personnel costs included in the Outlook period and increase the rate revenue requirement.

The Outlook assumes that the decrease in vacancy rates observed over the last two years, which is approximately 12% of the salaries and wages budget, will continue. This reduction in vacancy savings puts pressure on covering other costs. As vacancies decline, more funds are required to cover full staffing levels, which increases salary and benefits expenditures. This means that a larger portion of the budget must be allocated to personnel costs, leaving less flexibility for other operational needs.

The overall impact is a potential strain on the budget's ability to cover essential services, maintenance, and capital investments without requiring additional funding or adjustments to other cost areas.

The Department's fringe budget has been increased based on its past proportional relationship between it and salaries and wages category.

Critical Operating Expenditures

| Table 2.3 - Critical Strategic Expenditures – Personnel (\$ in Millions) | | | | | | |
|---|----------------------|--------------|--------------|--------------|--------------|--------------|
| Request | FTE/Exp | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Customer Support Training Program | FTE | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| | Expense | \$0.5 | \$0.5 | \$0.5 | \$0.5 | \$0.5 |
| Maintain Water Distribution Water Quality | FTE | 5.0 | 11.00 | 15.00 | 15.00 | 15.00 |
| | Expense | \$0.5 | \$1.1 | \$1.6 | \$1.7 | \$1.7 |
| Pure Water Phase 1 | FTE | 1.12 | 1.99 | 2.99 | 2.99 | 2.99 |
| | Expense | \$0.1 | \$0.2 | \$0.4 | \$0.4 | \$0.4 |
| Regulatory Compliance and Equipment | FTE | 2.75 | 5.00 | 7.00 | 8.00 | 9.00 |
| | Expense | \$0.3 | \$0.5 | \$0.7 | \$0.8 | \$0.9 |
| Street Preservation Ordinance | FTE | 4.70 | 9.40 | 14.10 | 14.10 | 14.10 |
| | Expense | \$0.4 | \$0.8 | \$1.2 | \$1.2 | \$1.2 |
| | Total FTE | 14.07 | 27.89 | 39.59 | 40.59 | 41.59 |
| | Total Expense | \$1.3 | \$2.7 | \$3.9 | \$4.1 | \$4.3 |

Table 2.3 identifies personnel expenditures, including fringe benefits, for the addition of staff to support new departmental programs and critical needs, as detailed below:

- The addition of a full-time trainer will provide essential support for the growing Customer Support Division (CSD) Training Program. Enhanced training equips customer support staff with the skills needed to handle complex inquiries effectively and consistently. A well-trained team improves the accuracy of interactions, builds trust among residents, and boosts overall satisfaction. This dedicated resource ensures the division can adapt to evolving customer needs and implement new policies or technologies seamlessly, ultimately strengthening the department's service quality.
- The Maintain Water Distribution Water Quality program focuses on addressing the backlog of valves requiring overhaul, replacement, or addition to the distribution system. Valves are critical for maintaining system pressure, controlling nitrification, and ensuring reliable service to over 276,000 potable water connections. Effective valve management supports long-term water system integrity by maintaining water quality and infrastructure reliability. These efforts ensure the system is robust enough to meet current and future water demands.

- Funding is allocated for the operation and maintenance of new and expanded Pure Water facilities, including staffing needs. Positions are being ramped up gradually to ensure personnel are fully trained to operate and maintain these facilities when they come online. A total of 19.24 FTEs from the Water System (of 22.00 total FTEs) will be required when Pure Water Phase 1 becomes fully operational.
- Funding is allocated for laboratory staffing needed to meet new and updated discharge regulations, ensuring ongoing compliance with state and federal standards.
- The Street Preservation Ordinance governs street restoration following work in the public right-of-way. Funding will support the Trench Restoration and Repair Program for Public Utilities projects, which is being transferred from the Transportation Department to Public Utilities starting in Fiscal Year 2025.

Supplies

The Supplies category includes costs for chemicals, water meters, pipe fittings, asphalt road materials, machine parts, and low value assets. Table 2.4 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Supplies category.

| Table 2.4 - Baseline Supplies (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | 0.6% | 2.8% | 2.8% | 2.8% | 3.0% | 3.0% |
| Projection ¹ | \$30.0 | \$30.2 | \$31.0 | \$31.9 | \$32.8 | \$33.7 | \$34.8 |

¹Figure excludes expenditures associated with water purchases

The Supplies category includes various components. The baseline projection for Supplies includes an adjustment for anticipated cost growth over the Outlook period, forecasted increases are more in line with long-term inflation increases. This projection accounts for general cost trends and incorporates a slightly higher adjustment for chemicals. In prior years, the City experienced significant cost increases for key chemicals, such as chlorine, which substantially impacted supplies expenses. While the rate of increase moderated in more recent fiscal years, costs are not expected to revert to pre-spike levels. Given the importance of these chemicals in the treatment process, the Department would prioritize the use of other resources to ensure sufficient supplies of treatment chemicals were available in any applicable fiscal year and will continue closely monitoring these costs.

Critical Operating Expenditures

| Table 2.5 - Critical Strategic Expenditure – Supplies (\$ in Millions) | | | | | |
|---|--------------|---------------|---------------|---------------|---------------|
| Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Pure Water Phase 1 Operations | \$5.1 | \$11.6 | \$14.6 | \$14.6 | \$14.6 |
| Maintain Water Distribution Water Quality | \$0.02 | \$0.04 | \$0.06 | \$0 | \$0 |
| Street Preservation Ordinance | \$0.2 | \$0.8 | \$1.2 | \$1.2 | \$1.2 |
| Total Expense | \$5.5 | \$12.4 | \$15.8 | \$15.5 | \$15.5 |

Table 2.5 identifies increased expenditures in the Supplies category for critical expenditures. Pure Water supply expenses are anticipated to become necessary as facilities come online, and include chemical costs, consumables, pumps, and other materials necessary for operation and maintenance of facilities and equipment. The supplies for Street Preservation Ordinance support trench restoration and repair include asphalt/concrete and include spare parts and valves for the water distribution and water quality teams.

Contracts and Services

Contracts and Services are a non-personnel expense category that include the cost of contractual services, professional consultant fees, general government services billing, City services billings, fleet vehicle usage and assignment fees, rental expenses, security services, and other contractual expenses. Table 2.6 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Contracts and Services category.

| Table 2.6 - Baseline Contracts and Services (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | (12.1%) | 1.9% | 2.8% | 2.8% | 2.0% | 2.0% |
| Projection ¹ | \$125.7 | \$110.5 | \$112.7 | \$115.8 | \$119.1 | \$121.4 | \$123.9 |

¹Figure excludes expenditures associated with water purchases.

The Contracts and Services baseline projection is increased by long term CPI trends of between 2 and 3 percent each year. Adjustments are based on known and anticipated events, including prior critical strategic expenditures and prior spending levels. The growth rate will ultimately be dependent on actual level of expenditures. In addition, the decrease from 2024 to 2025 is due to additional transfers from the Water Fund to the Metropolitan Wastewater Fund, per their revenue sharing agreement for recycled water, which covered two years in Fiscal Year 2024.

Critical Operating Expenditures

| Table 2.7 - Critical Strategic Expenditure – Contracts and Services (\$ in Millions) | | | | | |
|---|---------------|---------------|---------------|--------------|---------------|
| Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Pure Water Phase 1 Operations | \$1.1 | \$2.3 | \$2.1 | \$2.1 | \$2.1 |
| Pure Water Phase 2 | \$1.0 | \$1.0 | \$1.0 | \$1.0 | \$1.0 |
| Dam Safety Program | \$22.5 | \$24.7 | \$21.0 | \$6.0 | \$10 |
| Maintain Water Distribution Water Quality | \$0.2 | \$0.2 | \$0.2 | \$0.2 | \$0.2 |
| Street Preservation Ordinance | (\$0.8) | (\$1.7) | (\$1.7) | (\$1.7) | (\$1.7) |
| Total Expense | \$24.0 | \$26.5 | \$22.6 | \$7.6 | \$11.6 |

Table 2.7 identifies increased contractual expenditures associated with increased support for Phase 1 of the Pure Water Program for operational contracts, and the on ramping of costs for planning and studies required for Phase 2 of Pure Water. In addition

- The Dam Safety critical strategic add addresses three different aspects of the City's Reservoir Dam system: ongoing maintenance, short-term repairs and long-term improvements of existing dams. It is estimated that the City's dam system has at least \$1 billion of short and long-term projects needed to safely operate and maintain these assets, which are critical for local water storage in the region. Given the size, scale, timeline and specialization of this work this request includes costs for repairs, replacements and additional condition assessments needed to inform the long-term capital rehabilitation, repair and replacement costs.
- The Street Preservation Ordinance request includes contract repair funding to address trench restoration and repairs. The adds are a negative at the bottom-line level due to the decreases in charges from the Transportation Department which shows as a contract expense. As work moves in-house, Transportation Department charges decrease but PUD sees corresponding increases in other categories likes supplies and personnel. The Outlook assumes PUD fully in-housing trench repairs by the end of Fiscal Year 2027.

Information Technology

The Information Technology category includes both discretionary expenses and non-discretionary allocations to the Water Utility Fund. The Information Technology category includes the costs related to hardware and software maintenance, help desk support, and other information technology (IT) services. Table 2.8 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Information Technology category.

| Table 2.8 - Baseline Information Technology (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | 42.7% | 2.8% | 2.8% | 2.8% | 2.0% | 2.0% |
| Projection | \$12.5 | \$17.8 | \$18.3 | \$18.8 | \$19.3 | \$19.7 | \$20.1 |

The projections include estimates of IT costs and systems critical to treatment plant and distribution system operations. The baseline discretionary costs are then increased for anticipated cost growth over the Outlook period, forecasted increases are more in line with long-term inflation increases. The majority of the growth between Fiscal Year 2024 and Fiscal Year 2025 is seen in centralized IT costs maintained by the Department of IT. It is covering the increase in expenses from work not competed in the prior year being completed in the next fiscal year.

| Table 2.9 - Critical Strategic Expenditures - Information Technology (\$ in Millions) | | | | | |
|--|--------------|--------------|--------------|---------------|---------------|
| Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Regulatory Compliance and Equipment | \$0.0 | \$0.4 | \$0.1 | \$0.1 | \$0.1 |
| Total Expense | \$0.0 | \$0.4 | \$0.1 | \$40.5 | \$40.5 |

Table 2.9 identifies increased Information Technology associated with Laboratory Information Management System (LIMs) and long-term software costs.

Energy & Utilities

The Energy & Utilities category includes the Water Utility Fund's costs for electricity, water services, fuel, and other utility and energy expenses. Table 2.10 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Energy & Utilities category.

| Table 2.10- Baseline Energy & Utilities (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | 12.5% | 4.0% | 3.7% | 3.8% | 4.5% | 0.4% |
| Projection | \$16.8 | \$18.9 | \$19.7 | \$20.4 | \$21.2 | \$22.1 | \$22.2 |

The Energy & Utilities category includes various costs including prior critical strategic expenditures. The rates for this category are based on general levels of price increases, with the assumptions that prior increases have captured the large-scale increases seen in prior years.

Critical Operating Expenditures

| Table 2.11 - Critical Strategic Expenditures - Energy & Utilities (\$ in Millions) | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Pure Water Phase 1 Operations | \$10.1 | \$40.5 | \$40.5 | \$40.5 | \$40.5 |
| Total Expense | \$10.1 | \$40.5 | \$40.5 | \$40.5 | \$40.5 |

Table 2.11 identifies increased energy and utility expenditures associated with the Pure Water Program. These expenditures are necessary as new and expanding Pure Water facilities come online and include increased electricity, water, and natural gas expenditures necessary for the daily operation of facilities.

Other Expenditures

Expenses included in this category are transfers to other funds, capital expenses, taxes, and other miscellaneous expenditures. Debt service obligations, including payments for bonds, commercial paper, State Revolving Fund (SRF) loans and WIFIA payments, are excluded from this category and are discussed in the Water System Capital Improvements Program section of this report. The remaining expenses include taxes paid on real estate owned outside of the city, transportation allowances, revegetation expenses that are not capital in nature, and citywide preservations of benefits expenses. These expenses change year to year based on actual bills but are generally budgeted at stable levels. Table 2.12 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Other Expenditures category.

| Table 2.12 - Baseline Other Expenditures (\$ in Millions) | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | 216.6% | 0% | 0% | 0% | 0% | 0% |
| Projection | \$0.2 | \$0.6 | \$0.6 | \$0.6 | \$0.6 | \$0.6 | \$0.6 |

The current forecasts exclude the additional costs of transitioning the PUD fleet to electric vehicles, a process that requires coordination with the General Services Department for charging infrastructure and vehicle acquisitions. A detailed cost analysis and implementation plan will need to be developed in future Outlooks to ensure accurate budget planning and alignment with sustainability goals.

Critical Strategic Expenditures

| Table 2.13 – Critical Strategic Expenditure – Other Expenditures (\$ in Millions) | | | | | |
|--|---------------|---------------|--------------|--------------|---------------|
| Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Dam Safety Program | \$0.0 | \$0.0 | \$0.2 | \$0.0 | \$0.0 |
| Pure Water Phase 1 Operations | \$1.5 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Maintain Water Distribution Water Quality | \$0.7 | \$0.2 | \$0.1 | \$0.0 | \$0.0 |
| Total Expense | \$2.15 | \$ 0.2 | \$0.3 | \$0.0 | \$ 0.0 |

Table 2.13 identifies increased other expenditures. Significant expenditures are associated with capital equipment, including vehicles and equipment for newly added positions, that are largely one-time in nature.

Reserves Contributions

The City has established accounts within the Water Utility Fund for four reserve funds: The Emergency Operating Reserve (Operating Reserve), the Secondary Purchase Reserve, the Rate Stabilization Fund Reserve (Rate Stabilization Fund), and the Emergency Capital Reserve (Capital Reserve). The Department maintains these reserve funds in accordance with the City's Reserves Policy (the City Reserves Policy).

Table 2.14 details reserve targets and projected funding levels. Reserves are projected to be fully funded throughout the PUD Outlook period, except for the rate stabilization reserve.

| Table 2.14 - Reserve Targets and Estimated Funding Levels (\$ in Millions) | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Operating Reserve Target (\$) | \$60.0 | \$70.0 | \$79.5 | \$81.2 | \$79.9 | \$82.0 |
| Operating Reserve Level (\$) | \$60.3 | \$70.0 | \$79.5 | \$81.2 | \$81.2 | \$82.0 |
| Secondary Purchase Reserve Target (\$) | \$16.4 | \$18.7 | \$19.8 | \$21.4 | \$23.0 | \$25.1 |
| Secondary Purchase Reserve Level (\$) | \$16.7 | \$18.7 | \$19.8 | \$21.4 | \$23.0 | \$25.1 |
| Rate Stabilization Fund Target (\$) | \$30.1 | \$35.6 | \$40.3 | \$46.4 | \$52.4 | \$58.2 |
| Rate Stabilization Fund Level (\$) | \$35.7 | \$11.7 | \$0 | \$13.0 | \$42.0 | \$79.0 |
| Capital Reserve Target (\$) | \$5.0 | \$5.0 | \$5.0 | \$5.0 | \$5.0 | \$5.0 |
| Capital Reserve Level (\$) | \$5.0 | \$5.0 | \$5.0 | \$5.0 | \$5.0 | \$5.0 |

The Rate Stabilization Reserve Fund is funded above targeted levels until Fiscal Year 2026. This is due to several one-time revenue sources from prior years, including the sale of the stadium site, one-time grant funding and legal settlements from the MWD that have allowed the City to make large contributions to the rate stabilization reserve. Saving one-time revenue for use in a reserve is a financial best practice so that the funds can be used to provide one-time operating revenue to offset or mitigate the need for sudden or dramatic rate increases in the future. The PUD Outlook projects use of the Rate Stabilization Reserve Fund in FY 2025 through FY 2027. In FY 2026, the rate stabilization reserve is projected to dip below target level but forecasted to return to target levels by FY 2030. The use of the reserves allows for a more gradual increase in rate increases than would otherwise be required to meet financial targets. In accordance with the reserve policy, a plan to address this dip below the target will be included in the next COSS.

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Water System Capital Improvements Program

The Water System Capital Improvement Program (CIP) addresses the City's critical infrastructure needs to ensure the continuous availability of safe drinking water for all customers. It focuses on sustainability, reliability, aging infrastructure, cost efficiency, and regulatory compliance. With more than 275 projects in various stages of planning, design, and construction, the program aims to extend the life of aging assets, minimize service interruptions, ensure water quality, and strengthen overall system performance. Over the next five years, the CIP will prioritize the completion of Phase 1 of the Pure Water Program, launching the citywide smart metering program, upgrading treatment facilities, and replacing pipelines.

Key Program Highlights:

- **Pure Water Program:** Phase 1 will see significant progress, including the substantial completion of the North City Pure Water Facility, the Pure Water Pipeline, and the Miramar Subaqueous System. Upgrades to the Miramar and Morena Boulevard Pump Stations will also enhance the City's capacity to produce local drinking water.
- **Transmission Pipelines:** Transmission pipelines (16 inches in diameter and larger) transport water from treatment plants to reservoirs, pump stations, pressure zones, and customers. Projects such as the Alvarado 2nd Extension Pipeline and the Lakeside Valve Station Replacement aim to improve system-wide reliability, reduce risks of leaks, and enhance water delivery.
- **Distribution Pipelines:** Distribution pipelines (smaller than 16 inches) deliver water to consumers, meeting pressure, fire flow, and demand criteria. Replacement and rehabilitation projects target extending pipeline service life, minimizing leaks, and ensuring reliability. The City proactively replaces 35 miles of water mains annually to reduce main breaks, though these efforts are carefully balanced with rate impacts, as pipelines are the utility's largest assets. Water and sewer pipeline projects are strategically combined to reduce community disruptions.
- **Storage Facilities (Reservoirs and Dams):** Reservoirs and dams provide essential water storage for drinking, irrigation, and fire suppression while maintaining system pressure. Planned projects include the design of the Lake Hodges Dam Replacement and other safety initiatives to comply with regulatory standards and ensure continued safe operations.
- **Water Treatment Plants:** Treatment facilities help remove contaminants through processes including filtration, sedimentation, and disinfection, making water clean and safe to drink. The City has three water treatment facilities: Miramar (144 MGD capacity), Alvarado (120 MGD), and Otay (34 MGD). Each of the treatment plants is located downstream of a surface reservoir and contains clear wells for storage of treated water. Planned upgrades at treatment plants will ensure compliance with regulatory permits, increase reliability, and improve safety. Anticipated projects include modernizing chemical dosing systems and upgrading aging infrastructure.
- **Pump Stations:** The City's 49 pump stations are critical in transporting water from lower elevation areas to higher points within the city's water system, enabling efficient flow throughout the distribution system to customers. Upgrades to pump stations

throughout the city will improve energy efficiency and ensure reliable water delivery through pipelines, reservoirs, and treatment plants.

- **Miscellaneous Projects:** Initiatives such as the Smart Metering Project, water system monitoring and control system upgrades, pressure reducing station replacements, and solar energy installations support the modernization of water infrastructure, improving operational resilience and aligning with the City's Climate Action Plan and sustainability goals.

Table 3.1 shows categories of projects with the estimated cost of expenditures contained in the CIP for the period of FY 2026 through FY 2030. The City's Adopted Budget includes multi-year project pages for non-routine and large projects. The PUD Outlook includes a high-level summary of the CIP to understand the financial impact on the Water System; the City's Five-Year Capital Infrastructure Planning Outlook provides additional information on the capital infrastructure needs for the entire city.

| Table 3.1 - Summary of Projected CIP Projects Fiscal Year 2026-2030 | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| (\$ in Millions) | | | | | | | | |
| Water CIP Projects | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | Outlook Total |
| Pure Water Program | \$205.1 | \$291.4 | \$130.5 | \$38.6 | \$12.6 | \$4.4 | \$0.3 | \$179.3 |
| Transmission Pipelines | \$28.7 | \$40.5 | \$70.9 | \$133.9 | \$115.2 | \$148.7 | \$159.5 | \$628.3 |
| Pipelines | \$100.0 | \$115.1 | \$136.3 | \$215.1 | \$219.6 | \$145.6 | \$112.4 | \$829.0 |
| Storage Facilities | \$6.7 | \$12.6 | \$22.6 | \$31.8 | \$26.7 | \$42.9 | \$69.8 | \$193.7 |
| Water Treatment Plants | \$8.7 | \$9.8 | \$11.3 | \$15.1 | \$31.8 | \$38.8 | \$59.9 | \$156.9 |
| Pump Stations | \$3.8 | \$5.1 | \$11.7 | \$7.3 | \$7.9 | \$9.8 | \$28.0 | \$64.7 |
| Miscellaneous Projects | \$2.3 | \$2.6 | \$19.1 | \$42.0 | \$45.5 | \$30.2 | \$11.2 | \$148.1 |
| Total | \$355.4 | \$477.1 | \$402.4 | \$483.8 | \$459.3 | \$420.4 | \$441.1 | \$2,207.0 |

Capital Improvements Program (CIP) Financing Plan

Table 3.2 describes the projected sources of funds to finance the Water System CIP during the PUD Outlook period for FY 2026 through FY 2030; FY 2024 and FY 2025 activity are provided for reference and are not a part of the PUD Outlook period.

PUD anticipates incurring approximately \$1.5 billion of additional debt obligations for the Baseline Water System CIP and \$105.9 million of additional obligations for the Pure Water CIP over the PUD Outlook period. The City is projecting an increase in borrowing rates, related to the Federal Reserve's attempts to combat inflation, and the increase in federal borrowing costs for risk-free treasury offerings. Capacity fees and cash are anticipated to fund an additional \$593.2 million.

Although grant funding is currently not reflected during the PUD Outlook period, the Department is actively applying for additional grant funding and continually searching for new grant opportunities. Any grant funding awarded will be used to offset cash funding. The City has identified many grant opportunities in recent federal bills but would note that a large portion of funding has been restricted to specific agencies, for smaller jurisdictions or capping the value of the grants at relatively low dollar values. Please note fiscal years that show the use of negative cash reflect reimbursement of prior cash expenditures from grant, bonds, or loans.

| Table 3.2 - Sources of Funds for the Water Capital Improvement Program | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| (\$ in Millions) | | | | | | | | |
| Source of Funds | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | Outlook Total |
| Pure Water CIP | | | | | | | | |
| Commercial Paper/ Bonds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| WIFIA Loans | \$183.5 | \$254.9 | \$96.6 | \$9.3 | \$0 | \$0 | \$0 | \$105.9 |
| SRF Loans | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Grants | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cash | \$21.6 | \$59.0 | \$33.9 | \$29.3 | \$12.6 | \$4.4 | \$0.3 | \$80.4 |
| Total | \$205.1 | \$313.9 | \$130.5 | \$38.6 | \$12.6 | \$4.4 | \$0.3 | \$500.3 |
| Baseline CIP | | | | | | | | |
| Revenue Bonds/ Commercial Paper | \$122.7 | \$229.1 | \$160.0 | \$340.0 | \$230.0 | \$240.0 | \$150.0 | \$1,120.0 |
| SRF Loans | \$0 | \$24.2 | \$45.1 | \$68.4 | \$66.0 | \$103.5 | \$104.8 | \$387.9 |
| Grants | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Capacity Fees/Cash | \$27.6 | (\$90.1) | \$66.8 | \$36.8 | \$150.7 | \$72.4 | \$186.0 | \$512.8 |
| Total | \$150.3 | \$163.2 | \$271.9 | \$445.2 | \$446.7 | \$415.9 | \$440.8 | \$2,020.6 |
| Total Funding | \$355.4 | \$477.1 | \$402.4 | \$483.8 | \$459.3 | \$420.4 | \$441.1 | \$2,207.0 |

The City expects several large projects to be financed over the Outlook period, including Phase 1 & 2 of Pure Water and the dam rehabilitation projects. The City has secured financing of up to \$733.5 million for the Water System's share of the Pure Water Program Phase 1 through the EPA's Water Infrastructure Finance and Innovation Act (WIFIA) Loan Program which will provide funding through FY 2027. Additional funding for the Water System's portion of Pure Water CIP (including Phase 2) expenses includes \$80.4 million in cash. The Department has assumed that similar to Phase 1 of Pure Water, Pure Water Phase 2 and Dam Rehabilitation will initially be cash funded, with the potential to be reimbursed through loans and grants.

For the Water System's baseline CIP, the Department anticipates financing the costs of certain projects in the amount of \$387.9 million through SRF loans the City has already secured or for which it plans to apply for. The proceeds from additional SRF loans are assumed to provide funding in FY 2026 through FY 2030. SRF loans are one of the least expensive sources of financing available to the City.

Debt Service Coverage Ratios

As the Water System makes use of various financing instruments to fund its CIP, it is important that it maintain good financial metrics to ensure its creditworthiness and its ability to issue debt at advantageous terms. One of the key components to measuring the Water System's credit quality is its debt service coverage ratio (DSCR). The DSCR is a measure of a system's ability to make payments on its existing and projected debt service and compares the system's net operating revenues against its debt service payments.

While variations in revenues and expenditures will result in varying DSCRs in given years, the Department generally targets a DSCR of 1.5x, a financial target that gives the Department the ability to maintain high credit quality leading to continued low borrowing rates. Additionally, the Department's bond covenants require it to maintain a minimum DSCR of 1.2x for its senior debt and 1.1x for its aggregate debt. The projected DSCRs over the PUD Outlook period are displayed in Table 3.3. The DSCR is projected to dip below target level but is forecasted to return to target levels by FY 2028. The 1.97x coverage ratio in Fiscal Year 2030 is expected to decrease, all else being equal, when the Pure Water Phase 2 and dams financing plans are complete, since they will likely result in additional long-term debt being issued. Maintaining robust coverage levels must be balanced against rate affordability to minimize the burden on customers. Striking this balance requires thoughtful financial planning, ensuring the utility remains resilient while rates are kept as fair and equitable as possible. This approach supports long-term infrastructure investments and service reliability without disproportionately impacting ratepayers.

| Table 3.3 - Projected Debt Service Coverage Ratios (\$ in Millions) | | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Net System Revenues | \$162.3 | \$194.5 | \$235.4 | \$283.9 | \$365.9 | \$440.5 |
| Debt Service | \$121.8 | \$145.1 | \$176.4 | \$187.1 | \$214.1 | \$220.0 |
| Debt Service Coverage Ratio | 1.33 x | 1.34 x | 1.33 x | 1.52 x | 1.71 x | 2.00 x |

Water System Revenues

The primary revenue sources of the Water Utility Fund are generated from water sales, capacity fees, interest earnings, and rental income. This section discusses each revenue category, and includes a description of revenue sources, projected growth rates, and a discussion of future revenue streams and how they impact the Water Utility Fund.

Water Sales

Background. The majority of Water Utility Fund revenue is generated from water sales, which makes up over 90% of the Water Utility Fund's total revenue. City utility bills include water and sewer charges and storm drain fees, but only receipts from water charges are revenues to the Water Utility Fund. The water charge is comprised of two parts: a fixed monthly service charge and a commodity charge that is based on the volume of water used. The fixed service charge is based on the size of a customer's meter, which provides an approximation of the amount of water the customer could have delivered to the customer's property.

The commodity charge is determined using a set rate based upon each hundred cubic feet (HCF), or approximately 750 gallons, of water consumed. The City has a tiered commodity charge structure for single family residential (SFR) customers that is broken down by water usage within each rate block. The remaining retail customers – Multi-Family Residential (MFR), Non-Residential, Temporary Construction, and Irrigation – are billed under a uniform commodity charge for their respective customer classification.

Water Service Charge Rate Increases. PUD last released a Water System cost of service study in 2022, which produced a two-year rate case (the 2023 Rate Case). The 2023 Rate Case was based on comprehensive forecasted annual operations and maintenance costs, capital cost expenditures and purchased water costs that increase every January 1 from CWA. The 2023 Rate Case covered FY 2024 through FY 2025 and was approved by the City Council in September 2023. City Council approved a maximum authority of rate increases of 5% December 1, 2023, 5.2% July 1, 2024, and 8.7% January 1, 2025.

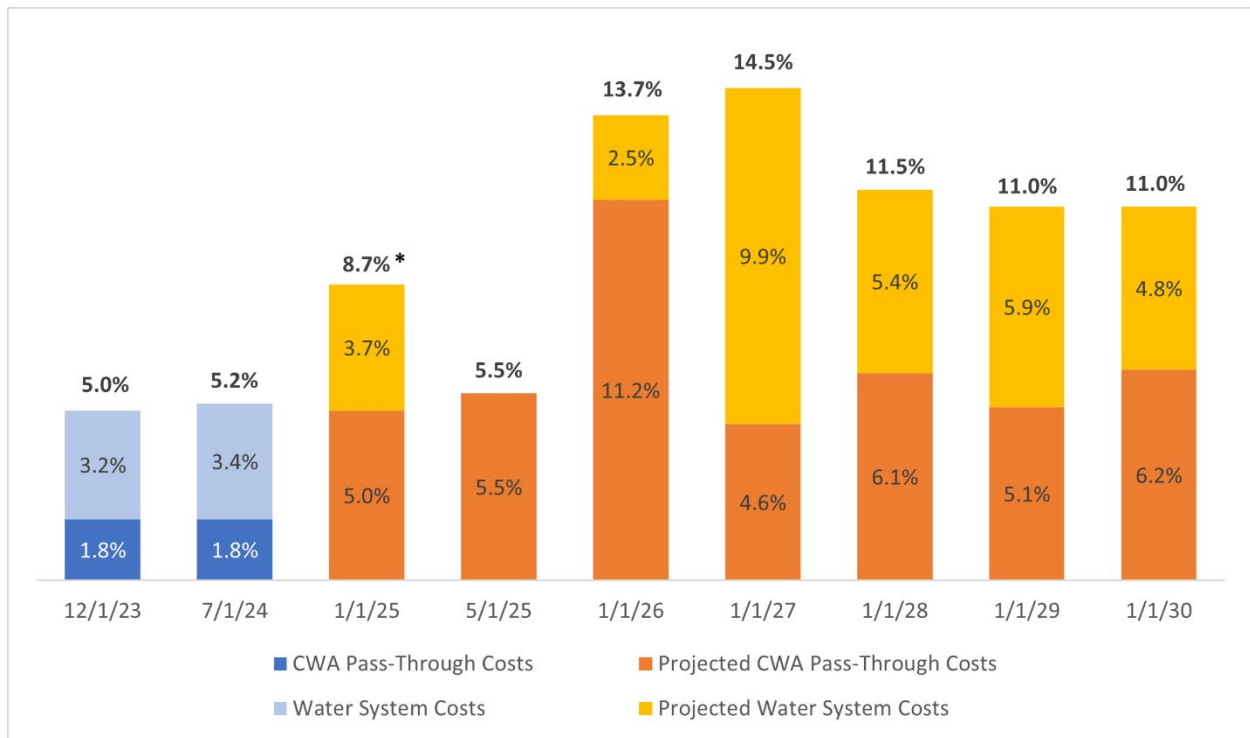
Based on the revenue required to support projected expenditures, fund reserves appropriately, and achieve the target financial metrics, this Outlook includes projected water rate revenue adjustments on a system-wide basis of 5.5% on May 1, 2025; 13.7% on January 1, 2026 ; 14.5% on January 1, 2027,

11.5% on January 1, 2028; 11.0% on January 1, 2029; and 11.0% on January 1, 2030. The January 1, 2030 increase is not included in PUD's current rate case and would be decided by a future City Council. Actual rate increases and the individual customer class impact will be subject to finalization of the cost of service study for future rate periods and City Council consideration.

May 2025 Pass Through Increase. Near the end of FY 2024, the City became aware that CWA intended to significantly increase rates for wholesale purchased water in FY 2025. Although the City had accounted for a rate increase from CWA when developing FY 2025 retail water rates in 2023, the increase was larger than expected. The City's cost to purchase water from January through June of 2025 will now be higher than the previously expected wholesale rates; therefore, PUD proposes an additional pass through rate increase of 5.5% in May 2025 to recover this cost, subject to council approval.

Overall, roughly one half of these rate adjustments are necessary to pay for increased CWA water rates, as indicated in Figure 4.1. Increases in revenue necessary to support PUD water operations range from 2.5% to 9.9% in each year.

Figure 4.1 – Water Service Charge Rate Increases



*Rate has been noticed to customers but has not been implemented at the time of this report's release on 12/4/2024

Forecast. Table 4.2 presents FY 2024 unaudited actuals and forecasted revenues through FY 2030 from water sales. The growth rates reflect overall revenue growth and include revenue impacts of all proposed rate adjustments. Other Water Sales includes revenue from the MWD's Local Resources Program, which provides credits for development of local water supplies, tied to the Pure Water production timeline. Upon full production, the incentives are expected to be \$11.4 million per year for 25 years. They also wholesale water sold to Cal American Water and recycled water.

| Table 4.2 - Water Sales Revenue Projections (\$ in Millions) | | | | | | | |
|---|---------|---------|----------|---------|---------|-----------|-----------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Potable Water | | | | | | | |
| YOY Growth | N/A | 17.7% | 14.2% | 14.6% | 13.2% | 11.5% | 11.3% |
| Projection | \$554.4 | \$652.6 | \$745.1 | \$854.1 | \$966.7 | \$1,077.9 | \$1,199.4 |
| Other Water Sales | | | | | | | |
| YOY Growth | N/A | 37.0% | 5.515.7% | 26.5% | 13.9% | 6.7% | 7.0% |
| Projection | \$30.9 | \$42.3 | \$44.6 | \$56.5 | \$64.3 | \$68.6 | \$73.4 |

Economic Trends. While PUD continues to promote water conservation, the demand for water within the City's service area is projected to remain relatively flat, with small increases for population growth. The City updated its Urban Water Management Plan (UWMP) in 2021, which projected single-family residential water use to increase by 0.62% over the period of 2030 to 2045. Growth is anticipated in the multi-family residential water use as forecasted in the UWMP which reflects an increase by 34% over the period of 2030 to 2045. The average demand over the last five years has not grown significantly, with some small growth in demand largely caused by increases in population.

As seen in the City's sales, it is common for water use to fluctuate from year to year. Weather has a significant effect on sales; in rainy years, like FY 2023 and FY 2024, sales are lower. Although the City has experienced higher than expected water sales in early FY 2025, staff believes that this level of water sales is unlikely in the future. Forecasted water sales assume a return to approximately the average water use since FY 2019.

Sensitivity Analysis. While these projections represent PUD's best estimate of water sales revenues throughout the PUD Outlook period, actual results will depend on the factors discussed above. Assuming the above rates, every 1,000 acre-foot reduction in water sales volumes/sales, revenues could decrease by approximately \$3 million, which would require an approximately 0.5% increase in the rate levels projected in this Outlook.

Water Capacity Charges

Background. Capacity charges are development fees included in permits for new or expanded water connections and are based on an estimate of the increase in water consumption as measured by equivalent dwelling units (EDUs). Capacity charge proceeds are used to construct, improve, and

expand the Water System to accommodate the additional business of such added dwellings or commercial or industrial units.

Pursuant to State law, capacity charges can be used only to pay costs associated with capital expansion, bonds, contracts, or other indebtedness of the Water System related to expansion. Because capacity charges are primarily collected on the issuance of new construction permits within the City, revenues obtained from such charges vary based upon construction permitting activity.

In February 2007, the Mayor and City Council approved increasing the water capacity charge by 19.5% to \$3,047 per EDU, which was estimated to provide full cost recovery for Water System expansion projects.

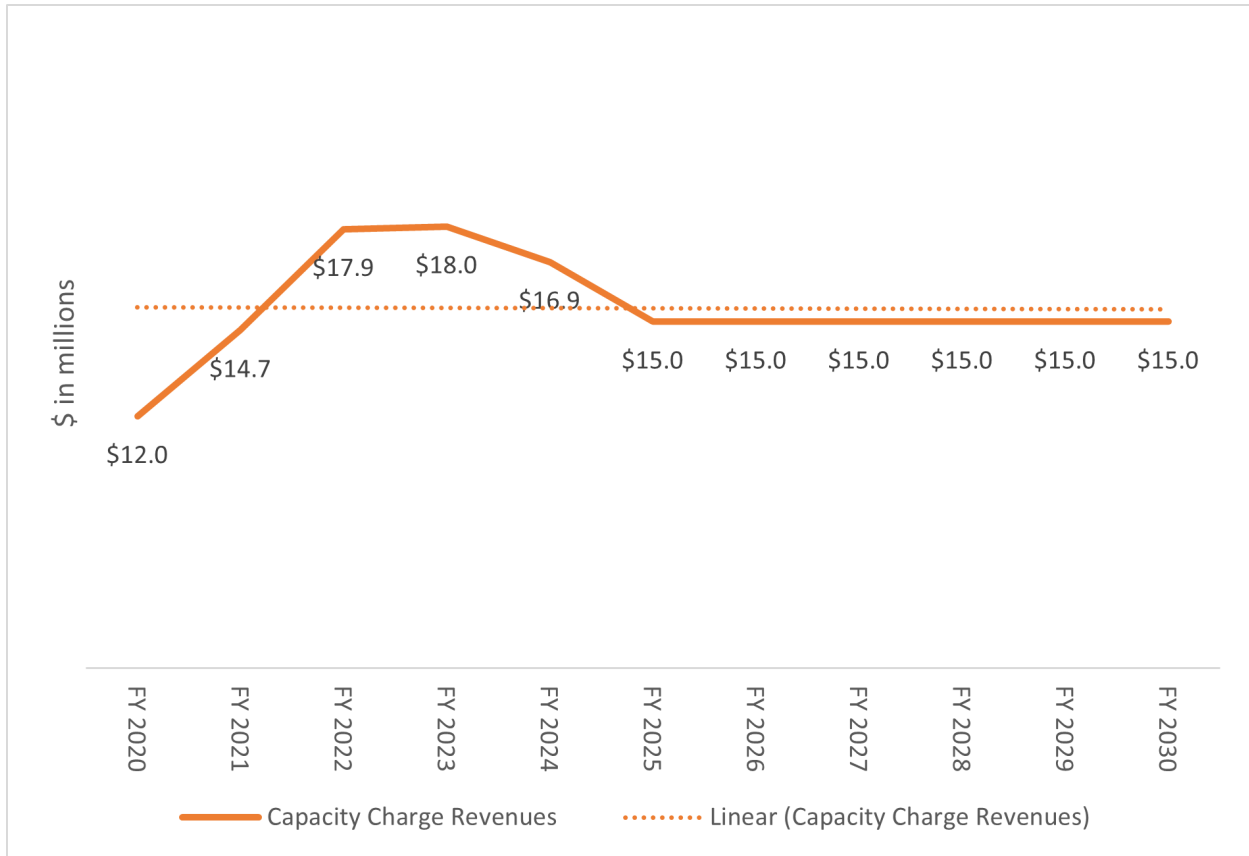
AB 2536 (2022) "Development fees: impact fee nexus studies: connection fees and capacity charges" became law on July 19, 2022. This bill increased the requirements for connection and capacity charges effective January 1, 2022, to be in alignment with other development impact fees, which have more specific reporting and project listing requirements than what had previously required. The City had planned to include a proposal to increase capacity charges in the COSS, but as a result of these new requirements, adjustments to water capacity fees will be addressed in a future nexus study, done separately from the cost of service study.

Forecast. Table 4.3 displays the FY 2024 unaudited actuals and projections through FY 2030 for water capacity charges. This revenue source represents less than 2% of the Water System's overall revenue receipts.

| Table 4.3 - Capacity Charges (\$ in Millions) | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | (23.9%) | 0% | 0% | 0% | 0% | 0% |
| Projection | \$19.7 | \$15.0 | \$15.0 | \$15.0 | \$15.0 | \$15.0 | \$15.0 |

Projected revenues for capacity charges are determined using historical spending patterns observed from FY 2020 through FY 2023, as illustrated in Figure 4.4. During the period spanning FY 2016 to FY 2023, the average capacity fee revenue stood at approximately \$15.0 million. While capacity charge revenues increased in Fiscal Year 2023 and 2024, the projections for the Outlook period are based on the assumption that development activity will return to historical levels.

Figure 4.4 - Water Capacity Charge Revenue Forecast



Economic Trends. As previously mentioned, water capacity charges are primarily based on new water connections related to new construction and are directly influenced by population growth and residential and commercial development. The current population for the City of San Diego is 1.4 million. San Diego's population grew by approximately 7% between the 2000 Census and the 2010 Census and 6.6% between 2010 and 2020. As population continues to change in the region, the demand for housing is also expected to change in order to meet population demands.

According to SANDAG's 2013 study, multi-family units will make up over half of the new housing that will need to be built over the next 30 years. As a result, SANDAG forecasts that 40% of the total units in the region will be multi-family by 2030.

The uncertainty surrounding any recessionary impacts on residential construction contribute to generally flat capacity fee revenue projections over the next five years.

Revenue from Use of Property

Revenue from Use of Property includes revenues from non-agricultural lease of land, such as the San Diego Zoo Safari Park; storage by private companies on utility-owned lands; agricultural leases of land in San Pasqual Valley; and telecom leases for cell towers on utility-owned properties.

Table 4.5 displays the FY 2024 unaudited actuals and projections through FY 2030 for use of property. This revenue source represents less than 1% of the Water System's overall revenue receipts.

| Table 4.5 - Revenue from Use of Property (\$ in Millions) | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | (1.0%) | 0% | 0% | 0% | 0% | 0% |
| Projection | \$6.2 | \$6.1 | \$6.1 | \$6.1 | \$6.1 | \$6.1 | \$6.1 |

Actual revenues in this category can vary slightly each year as new lease agreements are entered into while other lease agreements expire; however, the projections are kept flat.

Other Revenue

The Other Revenue category includes refunds or reimbursements from private parties for damages to utility-owned equipment, buildings, or fire hydrants; refunds from vendors; reimbursements from services provided to other City departments/funds; receipts from the sale of recycled materials or equipment (paper, computers, metal); grant revenue; and interest earnings on pooled investments.

Table 4.6 displays the FY 2024 unaudited actuals and projections through FY 2030 for the other revenue category. This revenue source traditionally represents 2.0% of the Water System's overall revenue receipts.

| Table 4.6 - Other Revenue (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | (42.0%) | 76.7% | (2.0%) | (27.9%) | 4.8% | 12.5% |
| Projection | \$37.3 | \$21.6 | \$38.2 | \$37.5 | \$27.0 | \$28.3 | \$31.9 |

Fiscal Year 2024 had many one time events that resulted in an excess amount of other revenue, with the largest being land sales and work done by Public Utilities crews to assist other city departments. The spikes in revenues in Fiscal Year 2026 and Fiscal Year 2027 are the return of fund balance from the Department's Fleet Replacement funds, which were determined to be in excess of current needs due to vehicles procurement timelines.

Other Assumptions and Considerations

Litigation

The City's Water System is currently involved in litigation in *Patz v. City of San Diego* regarding the use of tiered water rate structure for single-family residential customers. The lawsuit alleges that the City's rates for water service do not reflect the actual cost to provide the water service to each parcel in violation of Article XIII D of the California Constitution (Proposition 218). The City contends that its water rates are strictly based on cost of service principles and compliant with Proposition 218.

On September 13, 2021, the court ruled in favor of plaintiffs on the Proposition 218 claim and on March 25, 2022; the petitioner class was awarded \$79.5 million in refunds based on estimated overcharges from August 14, 2014 to March 31, 2022. In addition, the class was also awarded pre and post judgement interest and refunds would increase \$644,000 each month until the rates were put in compliance with the order. The City disagrees with the ruling and filed an appeal on April 1, 2022. Single family residences are the largest customer class of the Water System and a ruling against the City will have a wide-ranging impact of the rates charged to that customer group moving forward. The PUD Outlook has assumed the liability through the end of Calendar Year 2023, when new rates went into effect that are not covered under the litigation. The City expects a ruling on the appeal in Fiscal Year 2025.

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WASTEWATER SYSTEM

The Wastewater System is comprised of the Metropolitan and Municipal Utility Funds, collectively known as the Sewer Revenue Funds. This section discusses the Wastewater System’s baseline expenditure projections, upcoming critical operational expenditures, projected capital improvement program needs and financing options for the next five fiscal years. Wastewater System revenues are also discussed.

Wastewater System Expenditures

The Wastewater System expenditures are comprised of both personnel and non-personnel expenditures including debt service and other non-discretionary payments. The following sections will discuss in detail each expenditure category and will include a description of the expenditures, projected growth rates, and a discussion of critical strategic expenditures.

The following are some of prior strategic critical expenditures that are now included in the baseline for FY 2026-2030:

- Cost increases for Treatment Chemicals
- Positions to support system resiliency; and
- Positions and resources for customer service support.

Personnel Expenditures

Personnel expenditures include the salaries and wages category as well as fringe benefits category. The salaries and wages category is comprised of regular salaries and wages, special pays, overtime, step increases, and vacation pay in lieu, whereas the fringe benefits category includes pension payments or Actuarially Determined Contribution (ADC), flexible benefits, retiree health or Other Post-Employment Benefits (OPEB), workers’ compensation, Supplemental Pension Savings Plan (SPSP), and other fringe benefits. The FY 2025 Adopted Budget for the Sewer Funds salaries, wages, and fringe benefits was \$129 million and included 969.54 FTEs. Table 5.1 displays the FY 2024 unaudited actuals and projections through FY 2030 for personnel expenditures.

| Table 5.1 – Baseline Personnel (\$ in Millions) | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Salary and Wages | \$74.2 | \$82.5 | \$86.7 | \$89.3 | \$92.0 | \$94.8 | \$97.7 |
| Fringe | \$43.2 | \$46.9 | \$47.9 | \$48.8 | \$49.8 | \$50.8 | \$51.0 |

The salary and wages category incorporates only those expenditures associated with staff included in the FY 2025 Adopted Budget. FY 2025 salaries and wages increases were more (7.8%, vs the 5.1% assumed in prior Outlooks). This increase compounds throughout the years included in the Outlook. Position adds identified for FY 2026-2030 to support critical expenditures are discussed below. the

PUD Outlook accounts for all current negotiated MOUs and an assumed 3.05 percent salary increase for pending MOU negotiations in future years and assumes PUD specific special salary adjustments. Any future negotiated wage increases that deviate from the 3.05 percent assumption will impact future year personnel costs included in the Outlook period and increase the rate revenue requirement. The Outlook assumes that the decrease in vacancies rates seen in the last two years are consistent at around 12% of the salaries and wages budget. The Department’s fringe budget has been increased based on its past proportional relationship between fringe and salaries and wages categories.

Critical Strategic Expenditures

| Table 5.2 - Critical Strategic Expenditure – Personnel (\$ in Millions) | | | | | | |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|
| Request | FTE/Exp | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Pure Water Phase 1 Operations | FTE | 4.88 | 6.01 | 6.01 | 6.01 | 6.01 |
| | Expense | \$0.6 | \$0.6 | \$0.6 | \$0.6 | \$0.6 |
| Regulatory Compliance | FTE | 3.25 | 4.00 | 4.00 | 4.00 | 4.00 |
| | Expense | \$0.4 | \$0.5 | \$0.5 | \$0.5 | \$0.5 |
| Training Program | FTE | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| | Expense | \$0.1 | \$0.1 | \$0.1 | \$0.1 | \$0.1 |
| Street Preservation Ordinance | FTE | 5.30 | 10.60 | 15.90 | 15.90 | 15.90 |
| | Expense | \$0.4 | \$0.9 | \$1.3 | \$1.4 | \$1.4 |
| | Total FTE | 13.93 | 21.11 | 26.41 | 26.41 | 26.41 |
| | Total Expense | \$1.3 | \$2.0 | \$2.5 | \$2.5 | \$2.6 |

Table 5.2 identifies increased personnel expenditures, including fringe benefits, for the addition of staff to support various key Department functions. This includes laboratory and industrial discharge staff for regulatory compliance and staff for street repaving program needs.

The identified funding needs for the Pure Water Phase 1 are for the operation and maintenance of new and expanding Pure Water facilities under Phase 1. The Wastewater System is responsible for all work done before secondary treatment or ocean discharge standard of treatment. Pure Water positions are gradually being ramped up so personnel are fully trained to operate and maintain the facilities when they come online. A total of 6.01 FTEs from the Wastewater System (are anticipated to be required when Pure Water becomes fully operational through this period.

Supplies

The Supplies category includes costs for chemicals, machine parts, electrical materials, laboratory supplies, and pipe fittings. Table 5.3 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Supplies category.

| Table 5.3 - Baseline Supplies (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | (8.0%) | 2.8% | 2.8% | 2.8% | 3.0% | 3.0% |
| Projection | \$51.0 | \$47.2 | \$48.5 | \$49.8 | \$51.2 | \$52.8 | \$54.4 |

The Supplies category includes various components. The baseline projection for Supplies includes an adjustment for anticipated cost growth over the Outlook period, forecasted increases are more in line with long-term inflation increases between 2% and 3%. This projection accounts for general cost trends and incorporates a slightly higher adjustment for chemicals. In prior years, the City experienced significant cost increases for key chemicals, such as chlorine, which substantially impacted supplies expenses. While the rate of increase moderated in more recent fiscal years, costs are not expected to revert to pre-spike levels. Given the importance of these chemicals in the treatment process, the Department would prioritize the use of other resources to ensure sufficient supplies of treatment chemicals were available in any applicable fiscal year and will continue closely monitoring these costs.

Critical Strategic Expenditures

| Table 5.4 - Critical Strategic Expenditures - Supplies (\$ in Millions) | | | | | |
|--|---------------|--------------|--------------|--------------|--------------|
| Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Street Preservation Ordinance | \$0.1 | \$0.2 | \$0.3 | \$0.3 | \$0.3 |
| Total Expense | \$ 0.1 | \$0.2 | \$0.3 | \$0.3 | \$0.3 |

Table 5.4 identifies increased expenditures associated with the Street Preservation Ordinance. These expenditures are necessary for supplies needed for trench restoration and repair and include asphalt/concrete and slurry seal.

Contracts and Services

Contracts and Services are a non-personnel expense category that includes the cost of professional consultant fees, general government services billing, rent, city services billings, fleet vehicle usage and assignment fees, contractual services, and other contractual expenses. Table 5.5 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Contracts and Services category.

| Table 5.5 - Baseline Contracts and Services (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Growth Rate | N/A | 5.0% | 1.7% | 2.8% | 2.8% | 2.0% | 2.0% |
| Projection | \$98.6 | \$103.1 | \$104.9 | \$107.8 | \$110.9 | \$113.1 | \$115.3 |

The Contracts and Services baseline projection is increased by the long-term trends in CPI growth of 2-3%. Adjustments are based on known and anticipated events, including prior critical strategic expenditures and prior spending levels. The 5.0% growth rate for Fiscal Year 2025 will ultimately be dependent on actual level of expenditures in Fiscal Year 2024, which will be re-forecasted in the Mid-Year Monitoring Report.

Critical Strategic Expenditures

| Table 5.6 - Critical Strategic Expenditure - Contracts and Services (\$ in Millions) | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Pure Water Phase 2 | (\$1.0) | (\$1.0) | (\$1.0) | (\$1.0) | (\$1.0) |
| Pure Water Phase 1 | \$3.6 | \$2.4 | \$1.7 | \$2.1 | \$2.1 |
| Regulatory Compliance | \$0.2 | \$0.1 | \$0.3 | \$0.3 | \$0.3 |
| Strategic Assessments and Upgrades | \$1.2 | \$0.4 | \$0 | \$0 | \$0 |
| Street Preservation Ordinance | (\$0.3) | (\$0.7) | (\$0.7) | (\$0.7) | (\$0.7) |
| Total Expense | \$3.7 | \$1.5 | \$0.2 | \$0.5 | \$0.4 |

Table 5.6 identifies increased contractual expenditures associated with support for Phase 1 of the Pure Water Program, including the standing up of the new Morena Pump Station. The decrease in Phase 2, reflect changes in the projected cost allocation between Water and Metropolitan Wastewater Funding.

Regulatory compliance contains requests for consulting services needed in Fiscal Year 2028 to support the NPDES permit renewal process, which occurs every 5 year and odor control repair work at the North City and South Bay Reclamation plants.

Strategic Assessments and Upgrades includes investments in studies in master planning, condition assessments, wastewater modeling and energy plans related to the City's Municipal Sewer system as well as upgrades to programmable logic controllers for Metropolitan sewer facilities.

The Street Preservation Ordinance request includes contract repair funding to address trench restoration and repairs. The bottom-line reductions in costs are associated to the decreases in charges from the Transportation Department, as work moves in-house, which are categorized as internal contract charges. The Outlook assumes PUD fully in-housing trench repairs by the end of Fiscal Year 2027.

Information Technology

The Information Technology category includes both discretionary expense and non-discretionary allocations. The Information Technology category includes the costs related to hardware and software maintenance, help desk support, and other information technology (IT) services. Table 5.7 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Information Technology category.

| Table 5.7 - Baseline Information Technology (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | (0.0%) | 2.8% | 2.8% | 2.8% | 2.0% | 2.0% |
| Projection | \$14.5 | \$14.5 | \$14.9 | \$15.3 | \$15.7 | \$16.0 | \$16.4 |

The projections include estimates of IT costs and systems critical to treatment plant and collection operations, which accounts for the majority of the increase between Fiscal Year 2027 and Fiscal year 2030. The baseline discretionary costs are then increased by the long-term trend of 2-3% CPI to reflect over the Outlook period.

Critical Strategic Expenditures

| Table 5.8 - Critical Strategic Expenditures – Information Technology (\$ in Millions) | | | | | |
|--|------------|--------------|--------------|--------------|--------------|
| Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Regulatory Compliance | \$0 | \$0.4 | \$0.1 | \$0.1 | \$0.1 |
| Total Expense | \$0 | \$0.4 | \$0.1 | \$0.1 | \$0.1 |

Table 5.8 identifies increased information technology expenditures to upgrade the Laboratory Information Management System (LIMS) in Fiscal Year 2027. The upgrade will streamline laboratory operations, reporting, and data accuracy while enhancing accessibility to support compliance with regulatory standards.

Energy & Utilities

The Energy & Utilities category includes costs for electricity, water services, fuel, and other utility and energy expenses. Table 5.9 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Energy & Utilities category.

| Table 5.9 - Baseline Energy & Utilities (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | 18.8% | 4.0% | 3.7% | 3.8% | 4.5% | 0.4% |
| Projection | \$33.7 | \$40.0 | \$41.6 | \$43.1 | \$44.8 | \$46.8 | \$47.0 |

The Energy & Utilities category includes various costs including prior critical strategic expenditures. The majority of the rates for each category are based on the historical increase in energy above the long-term inflation levels. Fuel growth rates are developed by the General Services Department. The Sustainability and Mobility Department prepared the forecasts for electric and gas services. The General Fund Five Year Outlook expands on how these forecasts were developed. The sewer system projects steady increases in baseline energy expenses.

Critical Strategic Expenditures

| Table 5.10 - Critical Strategic Expenditures - Energy & Utilities (\$ in Millions) | | | | | |
|---|--------------|---------------|---------------|---------------|---------------|
| Request | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Pure Water Phase 1 Operations | \$1.8 | \$12.9 | \$14.5 | \$14.8 | \$14.8 |
| Total Expense | \$1.8 | \$12.9 | \$14.5 | \$14.8 | \$14.8 |

Table 5.10 identifies increased energy and utility expenditures for the Wastewater System. Expenditures for Pure Water are necessary as new and expanding Pure Water facilities come online and include expenditures for the Morena Pump Station, North City Water Reclamation Plant, and the Metropolitan Biosolids Center.

Other Expenditures

Expenses included in this category are transfers to other funds, capital expenses, and other miscellaneous expenditures. Debt service obligations, including bond and State Revolving Fund (SRF) loan payments, are excluded from this category, and are discussed in detail within the Wastewater System Capital Improvements Program section of this report. Table 5.11 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Other Expenditures category.

| Table 5.11 - Baseline Other Expenditures (\$ in Millions) | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | (7.8%) | 0% | 0% | 0% | 0% | 0% |
| Projection | \$6.9 | \$6.3 | \$6.3 | \$6.3 | \$6.3 | \$6.3 | \$6.3 |

No growth rate was applied to Other Expenditures as the expenses in this category do not typically recur on an annual basis. Due to the small expenses in this category, minor changes under \$100,000, such as equipment purchases, can result in large percentage changes. The current forecasts do not consider the additional costs associated with converting PUD fleet to electric; the Department is currently working on developing that forecast which requires coordination with the General Services Department for charging infrastructure and vehicle procurement.

There are no critical strategic adds for Other Expenditures for this Outlook period.

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Reserves Contributions

The City has established accounts within the Sewer Revenue Fund for three reserve funds: the Emergency Operating Reserve (Operating Reserve), the Rate Stabilization Fund Reserve (Rate Stabilization Fund), and the Emergency Capital Reserve (Capital Reserve). The Department operates these reserve funds in accordance with the City's reserve policy. At the end of FY 2024, the Sewer Revenue Fund is estimating total reserves of approximately \$170.6 million. Table 5.13 details reserve targets and projected funding levels. Reserves, except the Rate Stabilization Fund, are projected to be fully funded throughout the PUD Outlook period.

The PUD Outlook projects use of the Rate Stabilization Reserve Fund in FY 2027 through FY 2029. In FY 2029 and FY2030, rate stabilization reserve is projected to dip below target level and expected to return to target levels by FY 2031. The use of the reserves allows for a more gradual increase in rate increases than would otherwise be required to meet financial targets. In accordance with the reserve policy, a plan to address this dip below the target will be included in the next COSS.

| Table 5.13 - Reserve Target Levels and Estimated Funding Levels (\$ in Millions) | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Operating Reserve Target (\$) | \$65.3 | \$68.7 | \$72.6 | \$74.6 | \$76.6 | \$78.0 |
| Operating Reserve Level (\$) | \$65.3 | \$68.7 | \$72.6 | \$74.6 | \$76.6 | \$78.0 |
| Rate Stabilization Fund Target (\$) | \$19.9 | \$21.5 | \$22.3 | \$23.6 | \$25.1 | \$26.9 |
| Rate Stabilization Fund Level (\$) | \$81.3 | \$85.3 | \$44.3 | \$27.3 | \$4.3 | \$24.3 |
| Capital Reserve Target (\$) | \$10.0 | \$10.0 | \$10.0 | \$10.0 | \$10.0 | \$10.0 |
| Capital Reserve Level (\$) | \$10.0 | \$10.0 | \$10.0 | \$10.0 | \$10.0 | \$10.0 |

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Wastewater System Capital Improvements Program

The Wastewater System Capital Improvement Program (CIP) is structured to meet the city's critical wastewater infrastructure needs with a focus on sustainability, cost efficiency, and regulatory compliance. The program consists of more than 250 projects across various stages of planning, design, and construction, aimed at extending the service life of infrastructure, reducing the risk of system failures, and ensuring compliance with environmental permits.

Over the next five years, the CIP will include substantial completion of Pump Station 1 Modernization to extend facility service life and reduce the likelihood of service disruptions. The City takes a proactive approach to award 40 miles sewer pipeline work annually to reduce breaks and improve reliability, but this work is weighed against the impacts on rates, as pipelines are the utilities largest asset.

Table 6.1 shows categories of projects with the estimated cost of expenditures contained in the CIP for the period of FY 2026 through FY 2030. The City's Adopted Budget includes multi-year project pages for individual capital projects. The PUD Outlook includes a high-level summary of the CIP to understand the financial impact on the Wastewater System; the City's Five-Year Capital Infrastructure Planning Outlook provides additional information on the capital infrastructure needs for the entire city. Included under the Miscellaneous projects include solar installations, laboratory improvements and the smart metering program.

| Table 6.1 - Summary of Projected CIP Projects Fiscal Year 2026-2030 (\$ in Millions) | | | | | | | | |
|--|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|------------------|
| Wastewater CIP Projects | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | Outlook Total |
| Pure Water Program | \$150.8 | \$261.1 | \$43.6 | \$20.0 | \$16.9 | \$17.2 | \$15.0 | \$112.6 |
| Trunk Sewers | \$18.9 | \$35.1 | \$62.4 | \$64.5 | \$84.0 | \$31.2 | \$23.8 | \$ 266.0 |
| Municipal Pump Station | \$0.3 | \$1.0 | \$2.4 | \$6.8 | \$14.2 | \$14.7 | \$22.5 | \$ 60.6 |
| Sewer Pipelines | \$87.6 | \$127.0 | \$130.5 | \$167.2 | \$161.5 | \$96.8 | \$102.6 | \$ 658.6 |
| Miscellaneous Projects | \$9.5 | \$2.3 | \$28.3 | \$56.4 | \$74.6 | \$44.6 | \$5.8 | \$209.7 |
| Sewer Treatment Plants | \$37.5 | \$40.8 | \$33.4 | \$20.4 | \$24.7 | \$21.4 | \$19.7 | \$119.5 |
| Large Sewer Pump Station | \$4.9 | \$8.8 | \$28.6 | \$34.8 | \$39.3 | \$32.8 | \$21.2 | \$ 156.8 |
| Total | \$309.6 | \$476.2 | \$329.2 | \$370.1 | \$ 415.3 | \$258.6 | \$210.7 | \$1,583.8 |

Capital Improvements Program (CIP) Financing Plan

Table 6.2 below describes the projected sources of funds to finance the Wastewater System CIP during the PUD Outlook period for FY 2026 through FY 2030; FY 2024 and FY 2025 activity are provided for reference and are not a part of the PUD Outlook period.

PUD anticipates incurring approximately \$920.0 million of additional bond debt obligations for the Baseline Wastewater System CIP and \$216.7 million of additional SRF obligations for the Pure Water CIP, and \$61.3 million for the Baseline Wastewater System CIP over the PUD Outlook period. Additional amounts will be funded with capacity fee revenue and cash. The City is projecting an increase in borrowing rates, due to the Federal Reserve's attempts to combat inflation and the increase in federal borrowing costs for risk-free treasury offerings. Although grant funding is currently not reflected during the PUD Outlook period, the Department is actively applying for additional grant funding and continually searching for new grant opportunities. Any grant funding awarded will be used to offset cash funding. The City has identified many grant opportunities in recent federal bills but a large portion of funding has been restricted to specific agencies, for smaller jurisdictions, or grant awards being capped at relatively low dollar values. Please note fiscal years that show the use of negative cash reflect reimbursement of prior cash expenditures from grant, bonds, or loans.

| Table 6.2 - Revenues Sources for the Wastewater Capital Improvement Program | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| (\$ in Millions) | | | | | | | | |
| Revenue Sources | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | Outlook Total |
| <i>Pure Water CIP</i> | | | | | | | | |
| SRF Loans | \$204.2 | \$218.2 | \$119.0 | \$66.9 | \$22.3 | \$7.2 | \$1.2 | \$216.7 |
| Grants | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Capacity Fees/Cash | (\$53.4) | \$42.9 | (\$75.5) | (\$46.9) | (\$5.5) | \$10.0 | \$13.8 | (\$104.0) |
| Total | \$150.8 | \$261.1 | \$43.6 | \$20.0 | \$16.9 | \$17.2 | \$15.0 | \$112.6 |
| <i>Baseline CIP</i> | | | | | | | | |
| Revenue Bonds | \$3.9 | \$300.0 | \$225.0 | \$375.0 | \$0 | \$320.0 | \$0 | \$920.0 |
| SRF Loans | \$2.9 | \$4.9 | \$11.0 | \$17.3 | \$17.7 | \$11.7 | \$3.7 | \$61.3 |
| Grants | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Capacity Fees/Cash | \$151.9 | (\$89.8) | \$49.6 | (\$42.2) | \$380.6 | (\$90.2) | \$192.1 | \$489.9 |
| Total | \$158.8 | \$215.1 | \$285.6 | \$350.0 | \$398.4 | \$241.4 | \$195.7 | \$1,471.2 |
| Total Funding | \$309.6 | \$476.2 | \$329.2 | \$370.1 | \$415.3 | \$258.6 | \$210.7 | \$1,583.8 |

The City anticipates financing approximately \$667 million of the Wastewater System's portion of Pure Water Phase 1 and \$216.7 in the Outlook period through low-interest State Revolving Fund (SRF) loans which will provide funding through FY 2030. The SRF proceeds will reimburse not only projected expenditures for FY 2026 through FY 2028, but also expenditures from prior years. Because SRF loans are provided on a reimbursable basis, cash is initially used to fund construction before reimbursements are received; this is reflected in the Table 6.2 by negative cash values for Pure Water financing in FY 2024 through FY 2028. The Department has assumed, like with Phase 1 of Pure Water, Phase 2 will initially be cashed funded and will seek reimbursement through loans and grants.

As noted in the discussion of the Water System CIP, SRF loans are one of the least expensive sources of financing available to the City. If the City is not awarded the SRF loans projected over this PUD Outlook period, it will need to seek financing sources that carry higher interest rates.

The City anticipates financing approximately \$920 million of the Wastewater System for Baseline CIP through revenue bonds over the Outlook period. It is expected that a total of \$489.9 million will come from capacity fees and cash on a pay-as-you-go-basis.

Debt Service Coverage Ratio

Similar to the Water System, as the Wastewater System makes use of various financing instruments to fund its capital program, it is important that it maintain good financial metrics to ensure its creditworthiness and its ability to issue debt at advantageous terms. One of the key components to measuring the Wastewater System’s credit quality is its debt service coverage ratio (DSCR). The DSCR is a measure of a system’s ability to make payments on its existing and projected debt service and compares the system’s net operating revenues against its debt service payments.

While variations in revenues and expenditures will result in varying DSCRs in given years, the Department generally targets a DSCR of 1.5x, a financial target that gives the Wastewater system the ability to maintain high credit quality leading to continued low borrowing rates. Additionally, the Department’s bond covenants require it to maintain a minimum DSCR of 1.2x for its senior debt and 1.1x for its aggregate debt. Table 6.3 displays the projections through FY 2030.

| Table 6.3 - Estimated Debt Service Coverage Ratios (\$ in Millions) | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Net System Revenues | \$156.8 | \$140.1 | \$192.6 | \$187.7 | \$216.9 | \$205.8 |
| Debt Service | \$113.2 | \$107.9 | \$141.0 | \$138.6 | \$159.9 | \$148.0 |
| Debt Service Coverage Ratio | 1.38 x | 1.30 x | 1.37 x | 1.35 x | 1.36 x | 1.39 x |

Throughout the Outlook period, DSCR is projected to dip below the 1.5x target level but is forecasted to remain well above minimum levels required by bond covenants. The changes in net system revenue are discussed in the expenditures and revenues sections of this report. Maintaining robust coverage levels must be balanced against rate affordability to minimize the burden on customers. Striking this balance requires thoughtful financial planning, ensuring the utility remains resilient while rates are kept as fair and equitable as possible. This approach supports long-term infrastructure investments and service reliability without disproportionately impacting ratepayers.

Wastewater System Revenue

The following section provides details of revenue projections for the Sewer Revenue Funds. The primary revenue sources of the Wastewater System are generated from wastewater service charges, capacity fees, interest earnings from the investments of available funds, and revenues from the Participating Agencies. This section will discuss in detail each revenue category and will include a

description of the revenue source, projected growth rates, and a discussion of future revenue streams and how they impact the Wastewater System.

Sewer Service Charges

Background. PUD manages and operates the Wastewater System with funds derived primarily from service charges that are deposited in the Sewer Revenue Funds and are used for the operation, maintenance and capital improvements of the Metropolitan Sub-System and the Municipal Sub-System.

The City establishes fees based upon the costs incurred by the City to collect, treat and discharge wastewater and cover debt service on capital improvements.

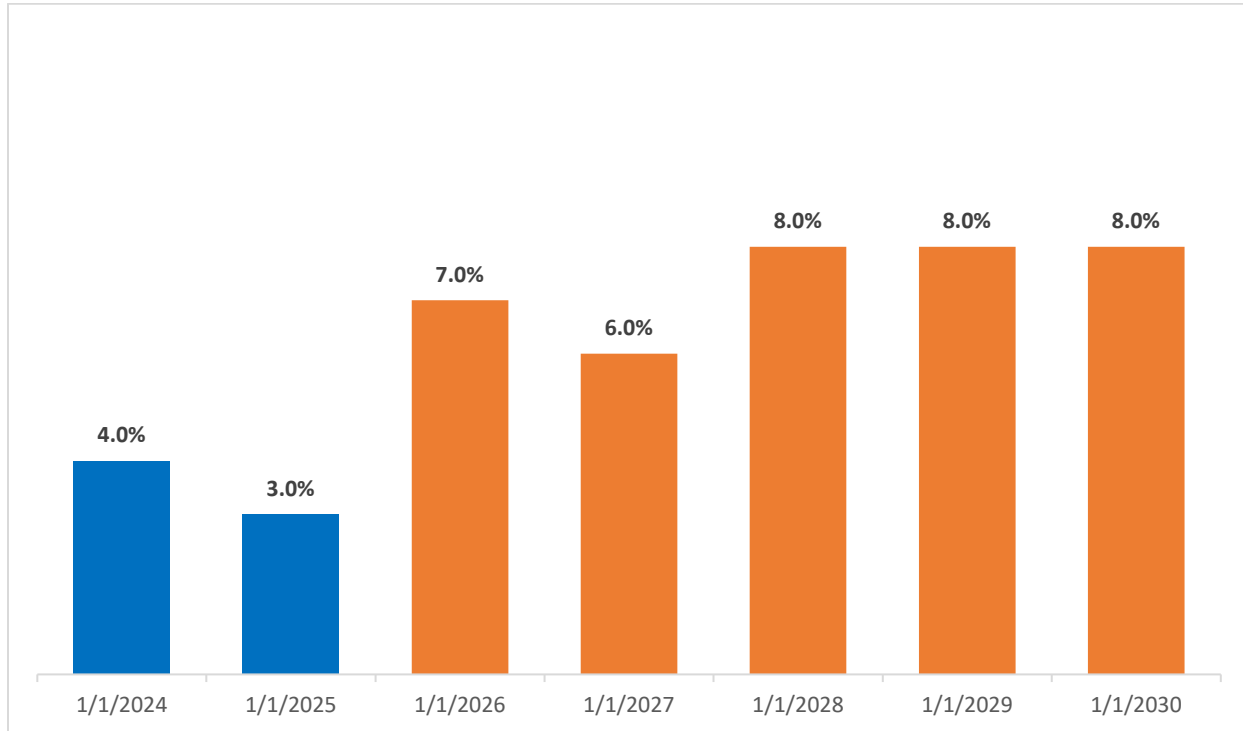
Sewer service charges are based on the characteristics of the wastewater discharged by each wastewater user. All wastewater users are charged based upon the amount of flow, and the solids and organic material which they discharge into the Sewer System. As sewage discharge is not metered, water consumption is used to approximate each customer's sewage flow.

Sewer service charge revenues are comprised of two parts: a base fee and a sewer service charge (flow charge). The base fee is a fixed service fee charged to all customers to recover certain fixed and indirect costs. The flow charge is based on the amount (flow) and strength of the wastewater discharged to the system and incorporates allowances for system return that differs by customer class. This adjustment factor recognizes that not all water consumed discharges to the Wastewater System. The flow charge for both Single Family Residential (SFR) and Multi-Family Residential (MFR) customers include a 95% return to sewer factor, while Commercial/Industrial (C/I) customers average between a 73% and 79% return to sewer factor, which varies depending on the type of business. Additionally, the flow charge for SFR customers is based on the least amount of water used during the previous winter and includes a water usage cap of 20 HCF.

Wastewater Service Charge Rate Increases. The City Council approved the Department's Wastewater Rate Case in September of 2021 (the 2021 Rate Case). The 2021 Rate Case covered increases for four years from January 1, 2022, to January 1, 2025. Based on the revenue required to support projected expenditures, fund reserves appropriately, and achieve target financial metrics, this Outlook includes projected increases of 7.0% on January 1, 2026, 6.0% on January 1, 2027, 6.0% on January 1, 2028, and 8.0% on January 1, 2029. Actual rate increases and the impact on individual customer classes will be subject to the finalization of the 2024 cost of service study for City Council consideration.

The figure below shows the maximum rate increases that have been approved for Fiscal Years 2024 and 2025 (blue) and projected future rate increase (orange).

Figure 7.1 – Wastewater Rate Increases assumed in the Outlook



Forecast Table 7.2 provides the FY 2024 unaudited actuals and projections through FY 2030 for wastewater sewer service charge revenue, which accounts for approximately 69% of the Sewer Revenue Funds’ total receipts during the Outlook period. The forecast assumes a 0.25% annual increase in accounts and incorporates rate adjustments starting January 1, 2025, with additional increases each January through 2029. These rate adjustments are projected at the maximum authorized levels for each year, as outlined above.

| Table 7.2 - Sewer Service Charge Revenue (\$ in Millions) | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | 10.1% | 4.0% | 6.8% | 7.4% | 8.4% | 8.3% |
| Projection | \$293.2 | \$322.9 | \$335.9 | \$358.8 | \$385.5 | \$418.0 | \$452.6 |

Economic Trends. The demand for sewer services within the City’s service area closely tracks with population growth and overall water use. While the average demand over the last five years has not

grown significantly, some small increases in demand have been driven by population growth. The Wastewater forecasts assume that the reduction in water usage, as noted in the water section of this report, will primarily come from outdoor water usage, which does not significantly impact expected sewer flows. As a result, sewer service demand remains relatively steady, following population trends. The City’s Urban Water Management Plan (UWMP) projects that single-family residential water use will increase slightly by 0.62% between 2030 and 2045, with multi-family residential use growing more significantly by 34% over the same period.

Sensitivity Analysis. While these projections represent PUD’s best estimate of wastewater revenues throughout the PUD Outlook period, actual results will depend on various factors, including population trends and water use patterns. The potential revenue impact from reduction of rate increases ranges from \$2 to \$4 million for each percent subtracted from the projected rate increases, depending on when sewer service charges are adjusted.

Wastewater Capacity Charges

Background. Capacity charges are development fees within permits for new or expanded wastewater connections and are based on an estimate of the increase in wastewater discharge as measured by equivalent dwelling units (EDU). Capacity charge proceeds are used to construct, improve and expand the Wastewater System to accommodate the additional impacts of such added dwellings or commercial or industrial units.

As with water capacity charges, wastewater capacity charges can be applied only for the purpose of paying costs associated with capital expansion, bonds, contracts, or other indebtedness of the Wastewater System related to expansion. Because capacity charges are primarily collected on new construction within the City, revenues obtained from such charges vary based upon construction activity.

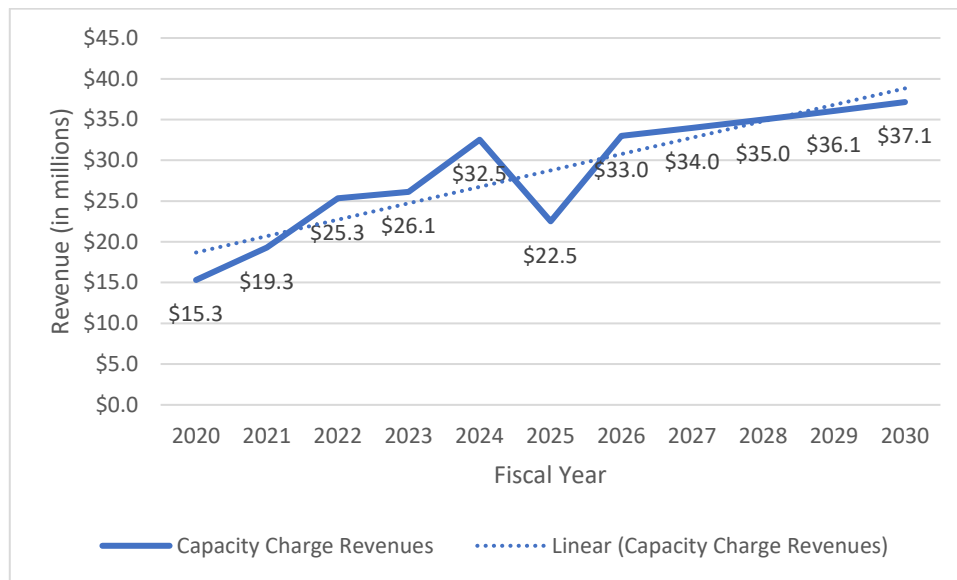
In September 2021, the City Council approved raising the capacity charge to \$5,154 per EDU, which was estimated to provide for full cost recovery for Wastewater System expansion projects.

Forecast. Table 7.3 displays the FY 2024 unaudited actuals and projections through FY 2030 for wastewater capacity charge revenue. This revenue source represents approximately 6% of the Wastewater System’s net system revenues.

| Table 7.3 - Capacity Charge Revenue (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | (30.8%) | 46.7% | 3.0% | 3.0% | 3.0% | 3.0% |
| Projection | \$32.5 | \$22.5 | \$33.0 | \$34.0 | \$35.0 | \$36.1 | \$37.1 |

Projected revenues for wastewater capacity charges use conservative growth estimates based on past revenues. The projections for 2025 are assuming a small slow down in permit activity, which is appropriate because wastewater revenues are less volatile than water revenues, the wastewater system projects a quicker return to historical trends to ensure the volatility of development doesn't result in an over dependence on capacity fee revenue. Figure 7.4 shows historical and projected revenues.

Figure 7.4 - Wastewater Capacity Charge Revenue Forecast



Economic Trends. As previously mentioned, wastewater capacity charges are primarily based on new wastewater connections related to new construction and are directly influenced by population growth and residential and commercial development. As discussed in the Water Capacity Charges section of this report, the current population for the City of San Diego is 1.4 million. San Diego's population grew by approximately 7% between the 2000 Census and the 2010 Census and 6.6% between 2010 and 2020. As population changes in the region, the demand for housing and business creation is also expected to change proportionate to population demands. Long-term projections mirror those of Water Capacity Charges by remaining flat. For a more detailed discussion on population and housing growth, refer to the Water Capacity Charges section of this report.

Other Revenue

The primary component of the Other Revenue category is revenue received from Participating Agencies (PAs) for use of the City's wastewater treatment system. As discussed earlier, PAs are other cities and districts that collect wastewater from their customers and send it to the City's wastewater treatment facilities. Currently, each PA pays for its actual impact on the Wastewater System based on a measurement of the strength and flow of wastewater.

Revenue from the PAs averages \$108.5 million per year over the PUD Outlook period, which is well above prior years’ revenues of \$95 million, and represents approximately 77% of net system revenues in the Other Revenue category over the Outlook period. This percentage could change as the East County Advanced Water Purification Joint Powers Authority (ECAWP JPA), which includes the City of El Cajon, County of San Diego and the Padre Dam Municipal Water District, start directing sewer flow to their advanced water purification facility.

Currently, the City and the Metro JPA are in negotiations on modifications to its billing structure. As mentioned before the existing billing methodology is based on the strength and flow of wastewater. However, as agencies develop local supply projects, flows will significantly decrease. This decrease in wastewater flows would be during average, dry weather periods; however, during higher volume rainfall events (commonly referred to as “peak” events) a significant increase in wastewater flows would need to be transported by the wastewater system. As such the system needs to be maintained and operated at all times, regardless of low or high-volume flows. To address this change in how the system will be utilized, a rate structure that equitably treats all agencies flows is being considered. Changes to the rate structure are anticipated to be finalized during the Outlook period and any impact would be included in future Outlooks.

The Other Revenue category also includes revenue received for the sale of recycled water, interest on pooled investments, reimbursements from services provided to other City departments/funds, grants revenue, and other miscellaneous revenues.

Table 7.5 displays the FY 2024 unaudited actuals and projections through FY 2030 for the Other Revenue category.

| Table 7.5 - Other Revenue Projections (\$ in Millions) | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| YOY Growth | N/A | (2.2%) | (3.1%) | 3.2% | (0.2%) | 0% | 2.3% |
| Projection | \$144.6 | \$141.5 | \$137.0 | \$141.4 | \$141.4 | \$141.4 | \$144.3 |

During this Outlook period, the Metropolitan Sewer System will see an increase in recycled water revenue, as outlined in the water section of this report. Additionally, PUD will return a portion of the fund balance from the Department’s Fleet Replacement funds, which were determined to be in excess of current needs due to vehicle procurement timelines. However, these revenue increases will be impacted by reduced interest earnings on lower fund balances in the sewer system funds and diversions of flows and revenue from ECAWP JPA members

Other Assumptions and Considerations

Litigation

The City of San Diego Pump Station 2 is a critical pump station handling a significant portion of sewage flows from the City of San Diego and Participating Agencies that comprise the Metro Wastewater Joint Powers Authority (JPA). Over 80% of the total Metro system sewage flows into Pump Station 2, which pumps it to the Point Loma Wastewater Treatment Plant.

On January 16, 2023, a sanitary sewer overflow (SSO) event took place which released an estimated 9.7 million gallons of wastewater from the collection system at 30 spill locations upstream of Pump Station 2. The spill event was reported to the State Water Resources Control Board CIWQS system on January 16, 2023 and a Notice of Violation issued. This SSO occurred during a significant storm event that eventually led to a declaration of emergency for San Diego County by the Federal Emergency Management Agency (FEMA) on January 9, 2023. Inflow and infiltration of stormwater into the sewer system resulted in greatly increased flows to Pump Station 2. As flows approached the pumping capacity of the station, level sensors positioned at the maximum operating level of the wet wells became inundated and sent a false “empty” signal. The system shut down all pumps in the station, and the pumps were restarted sequentially over the course of about an hour, during which the SSO occurred. The City is currently negotiating with the San Diego Regional Water Quality Control Board on the Administrative Civil Liability for this SSO event to resolve that notice. The City expects a settlement to be finalized in Fiscal Year 2025 that will result in several million dollars in fines.

An Administrative Civil Liability related to a second large SSO event that occurred during the historic storm on January 22, 2024, is expected to be negotiated during Fiscal Year 2026.

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Phase 1 Pure Water Construction Report

30-Sep-24

| Construction Package | Contractor Intermediate Substantial Completion | Contractor Substantial Completion ⁽³⁾ | Percent Complete (G = F / E) | Bid Award ⁽¹⁾ (A) | Change Orders ⁽²⁾ (B) | Total Contract (Including Change Orders) | | | Paid to Date ⁽²⁾ (F) | Construction Company |
|---|--|--|------------------------------|------------------------------|----------------------------------|--|----------------------|----------------------------|---------------------------------|---|
| | | | | | | Water (C) | Wastewater (D) | Total Contract (E = A + B) | | |
| Early Sitework | July 27, 2021 | July 27, 2021 | 100% | \$16,403,300 | \$1,184,211 | \$4,546,855 | \$13,040,656 | \$17,587,511 | \$17,587,511 | Shimmick |
| NC Pure Water Facility & NC Pure Water Pump Station | September 25, 2024 | May 1, 2025 | 74% | \$356,681,930 | \$19,075,794 | \$375,757,724 | \$0 | \$375,757,724 | \$279,567,103 | Shimmick |
| Morena Wastewater Pump Station | July 7, 2025 | February 3, 2026 | 72% | \$110,386,350 | \$28,427,063 | \$58,674 | \$138,754,740 | \$138,813,413 | \$99,270,084 | Flat Iron West |
| Morena Northern Alignment & Tunnels | April 30, 2025 | May 22, 2025 | 69% | \$95,243,645 | \$18,038,900 | \$21,956,264 | \$91,326,282 | \$113,282,546 | \$78,417,233 | OHL USA, Inc |
| NC Pure Water Pipeline and Dechlorination Facility & Subaqueous Pipeline ⁽⁴⁾ | October 14, 2024 | March 6, 2026 | 73% | \$123,456,027 | -\$2,413,478 | \$121,042,549 | \$0 | \$121,042,549 | \$88,892,597 | W.A. Rasic Construction Company, Inc. |
| NCWRP Expansion & PWF Influent Conveyance | September 12, 2025 | April 16, 2026 | 54% | \$255,138,000 | \$8,383,632 | \$139,570,251 | \$123,951,381 | \$263,521,632 | \$141,782,038 | Kiewit Infrastructure West Co. |
| NC MBC Improvements | September 27, 2024 | August 7, 2025 | 81% | \$40,086,690 | \$4,452,312 | \$0 | \$44,539,002 | \$44,539,002 | \$35,944,024 | PCL Construction, Inc. |
| NCWRP EQ Basins | April 24, 2025 | June 26, 2025 | 57% | \$11,886,000 | \$441,637 | \$0 | \$12,327,637 | \$12,327,637 | \$6,979,701 | Kiewit Infrastructure West Co. |
| Morena Conveyance Southern & Middle | May 13, 2025 | October 3, 2025 | 48% | \$129,753,895 | \$4,255,690 | \$29,377,408 | \$104,632,177 | \$134,009,585 | \$64,526,215 | Sukut Construction, LLC |
| Miramar Reservoir Pump Station Improvements | October 21, 2024 | November 21, 2024 | 75% | \$12,692,000 | \$517,257 | \$13,209,257 | \$0 | \$13,209,257 | \$9,898,634 | Shimmick |
| Miramar Reservoir Automated In-Water Quality Monitoring System (AIWQMS) | October 15, 2026 | October 15, 2026 | 54% | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 | \$538,435 | Soundnine Inc. |
| Penasquitos Pump Station Oxygenation System | January 3, 2024 | April 8, 2025 | 23% | \$4,391,767 | \$0 | \$0 | \$4,391,767 | \$4,391,767 | \$1,030,100 | Blue Pacific Engineering & Construction |
| | | | 67% | \$1,157,119,604 | \$82,363,018 | \$706,518,980 | \$532,963,642 | \$1,239,482,622 | \$824,433,676 | |

Total Approved Change Orders Excluding Scope Removal Change Orders⁴: \$103,100,958

1. Bid Award values are entered when Notice-of-Intent to Award has been issued.
2. Change order and paid-to-date amounts through September 30, 2024.
3. Projected Substantial Completion is based on the current construction contract date, inclusive of any time-related change orders.
4. Deductive Change Order amounts cannot "refund" Pooled Contingency. North City Pure Water Pipeline had a deductive change order of \$20,737,940 resulting from de-scoping an asbestos-cement replacement group job.

Highlighted projects are necessary for partial flow commissioning.



Monthly Executive Director's Report December 2024 - Revised

The purpose of this report is to provide an update on the activities, progress, and outcomes related to the JPA's initiatives, including the development of the 2024 Draft Strategic Plan. It aims to ensure transparency, document key discussions and decisions, and keep all stakeholders informed of ongoing efforts and upcoming milestones.

During December, the Executive Director and the Executive Team focused primarily on the adoption of the Metro Wastewater JPA's Strategic Plan, their annual website update, and Metro Pump Station 2 CIP. A significant portion of the team's efforts also centered on fostering collaboration between the City of San Diego's legal team and the JPA's legal counsel to finalize the draft language for the Second Amended and Restated Agreement (SARA).

Key Tasks and Updates:

1. Adieu and Welcome

We extend our heartfelt congratulations to Director Duncan on his recent election as Mayor of Coronado. With this new role and its increased responsibilities, Director Duncan will be stepping down from his appointment to the Metro Wastewater JPA/Commission (Metro JPA). His dedicated service, particularly as an active member of the Pure Water/SARA AdHoc committee, has been invaluable, and his contributions will be greatly missed.

At the same time, we are excited to welcome Amy Steward as Director Duncan's replacement on Metro JPA. Additionally, we are pleased to introduce Jessica "Jessyka" Heredia representing Lemon Grove and Michael Inzunza from Chula Vista as new alternate Directors from their agencies.

We look forward to collaborating with all of you and are here to support you as you transition into your new roles. Please don't hesitate to reach out if there's anything we can do to assist you.

Please remember to let our Board Secretary and myself know if you have new members representing your agencies. There is required paperwork to assume office and we want to make sure that everyone is welcomed and supported.

2. Increase in Mileage Reimbursement

The Internal Revenue Service has announced that the optional standard mileage rate for automobiles driven for business will increase by 3 cents in 2025. Beginning Jan. 1, 2025, the standard mileage rates for the use of a car, van, pickup or panel truck will be: 70 cents per mile driven for business use, up 3 cents from 2024.

Remember that Directors may claim mileage from their place of residence, business or City Hall to the Board Meetings on the per diem sheet that is passed around at each Board/Commission meeting. The new mileage rate will be used starting with the January 9 Board/Commission meeting.

3. Pure Water Program Annual Progress Report for 2024

In accordance with the “Cooperative Agreement in Support of Pure Water San Diego,” the City of San Diego staff and consultants annually prepare a Progress Report. Significant milestones were reached this year as the overall project reached 70% completion for construction activities. The City continues to coordinate closely with the regulatory authorities on their review of a number of required submittals and high-level planning for the Phase 2 Central Area project as that study continues. The City of San Diego plans to begin commissioning of the Phase 1 facilities by the end of 2025. Below is a link to the Pure Water Program Annual Progress Report for 2024:

<https://www.sandiego.gov/sites/default/files/2024-12/pw-art-annual-report-121624-v12-1.pdf>

4. Upcoming North City Pure Water Construction Tours:

Tours of the Pure Water Construction at North City are planned to be scheduled after the March and April JPA meetings per request of several Board members at the December Meeting. These are being coordinated by Doug Campbell, City of San Diego, and the JPA’s Executive Director. Each tour will be limited to 12 participants, as carts are used for most of the tour, including primary Board Members and TAC representatives. Further coordination discussions will occur at the January JPA/Commission and TAC meetings. To comply with Brown Act restrictions each tour will include no more than 6 Directors. Our Board Secretary will be coordinating the tour arrangements.

5. Informational Reports and Website Reminder:

- The JPA maintains a website where valuable information about the Metro System, the Pure Water Program and the JPA can be easily accessed at <https://www.metrojpa.org/home>.

- During the months of December and January the website is being updated to include the most current information. This is an annual process we go through each year. If there is anything that you would like to see us include on our website, please contact us at karyn@kezegroup.com .

6. **2025 Draft Strategic Plan:**

- The JPA's 2025 Draft Strategic Plan was presented to the Board at their December meeting and was unanimously approved. A copy of the approved Strategic Goals and Objectives will be included in the New Director's Manual on the JPA's website in Section 6 once the website update is completed.
- During early 2025 these Goals and Objectives will be incorporated into a revised Strategic Plan and brought forward to Metro TAC and the Metro JPA Board for review and approval.

Purpose of the Strategic Plan:

The purpose of the Strategic Plan is to establish a clear vision, set priorities, and guide the Metro Wastewater JPA's efforts in achieving its goals. It serves as a roadmap for decision-making, resource allocation, and collaboration among stakeholders, ensuring that the JPA continues to operate efficiently, address emerging challenges, and meet the needs of its member agencies effectively.

7. **Final Draft Second Amended and Restated Agreement (SARA) Language Review:**

SARA Review and Revisions: The City of San Diego's Attorney's Office has completed an initial review of SARA. During December the JPA's Attorney continued to meet with the City's attorneys to address language and philosophical differences, laying the groundwork for further staff discussions and alignment. While 90% of the City's revisions have been accepted by the JPA's Attorney the last 10% are still being discussed. Hopefully these will be resolved in January and a draft SARA document will be distributed in January to the Metro TAC members and Metro JPA Directors for review.

Purpose: This process is essential to ensure that the SARA reflects a unified approach and meets the strategic and operational needs of all stakeholders.

8. **FAB Implementation:**

Exhibit B Capacity Refinement for FAB Cost Allocations: The JPA Executive Team continues to work closely with Public Utilities Department (PUD) staff (FAB working group) and their consultant to refine and finalize the FAB cost allocations and billing model. The new Exhibit B capacity figures provided by Metro TAC members, were incorporated into the model in December and a final draft model

is being reviewed by the FAB working group. The FAB working group continues to meet bi-weekly.

Purpose: This collaborative effort is critical to achieving accurate and equitable cost allocations across all participating agencies.

9. JPA Policies and Procedures Manual

The Executive Director, the Treasurer, and Staff Accountant have created a draft Policies and Procedures Manual and met several times to review and revise during December. The fourth draft of the manual has been sent to the JPA's legal counsel for review and their input. The manual is on schedule to be reviewed by the Finance Committee at their January meeting.

Purpose of a Policies and Procedures Manual: The purpose of a Policies and Procedures Manual is to provide a clear and comprehensive framework for organizational operations. It establishes standardized guidelines and processes to ensure consistency, compliance with regulations, and effective communication. The manual serves as a reference for management and stakeholders, promoting accountability, efficiency, and alignment with the organization's mission and goals.

10. Inflow and Infiltration (I&I) Study:

The I&I committee met on December 12th and discussed the progress on action items from the previous meeting including an evaluation of the existing rain gauge locations and meter basins. For the next meeting on January 23rd the committee plans to discuss any progress on gathering the necessary data for the study including further rain gauge locations and rainfall data from several storms.

11. Pump Station 2 Tour

On December 17th, the engineering and legal Executive Team members received a tour of Pump Station 2 from City of San Diego staff. The tour was very informative, and the Executive Team was pleased to see the progress the City has made towards completing the Pump Station 2 Power Reliability Project and other station rehabilitation projects. There are now 5 power sources available at the site including three connections to SDG&E on three different grids, two natural gas generators rated for continuous operation, and two emergency diesel generators. As reported at the last JPA meeting, the City has also solved issues with a couple of pumps that were previously offline and is making considerable progress towards having all eight pumps back in service.

Upcoming Meetings:

- **Special Metro JPA/Commission Meeting:**
 - **Date:** January 9, 2025
 - **Format:** In-Person, MOC Auditorium
 - **Main Topics:** Pump Station 2 and Closed Session
- **Metro TAC Meeting:**
 - **Date:** January 15, 2025
 - **Format:** Zoom
 - **Main Topics:** Pump Station 2 Update and Metro Wastewater Five-Year Forecast
- **Metro JPA Finance Committee Meeting**
 - **Date:** January 28, 2025
 - **Format:** Hybrid, MOC Conference Room
 - **Main Topics:** Draft Policies & Procedures Manual; FY 2026 JPA Budget Planning