In response to COVID-19 (coronavirus), the Governor’s state of emergency and subsequent executive orders, and the County of Santa Cruz's to shelter-in-place order, Soquel Creek Water District’s June 2, 2020 Board Meeting will be held remotely via Zoom.

Members of the public are encouraged to join the meeting remotely through the meeting link or phone number:

- **Meeting Link**: [https://us02web.zoom.us/j/86850477896](https://us02web.zoom.us/j/86850477896)
- **Phone Number**: +1 669 900 6833 / Webinar ID: 868 5047 7896

If you are participating via meeting link (i.e. web platform), and experience technological difficulties, then please re-join the meeting via phone number.

**Request to Speak Form for Remotely Conducted Board Meetings**
To facilitate effective and efficient remote Board Meetings, people wishing to address the Board during a Board Meeting on an item not listed on the agenda (Oral Communications – Item 5.0), or any item listed on the agenda, will need to submit a [Request to Speak Form](mailto:emmao@soquelcreekwater.org) to the Board Clerk via email (emmao@soquelcreekwater.org). Request to Speak forms must be submitted by 3 pm, on the day of the Board Meeting.

**MISSION**
We are a public agency dedicated to providing a safe, high quality, reliable, and sustainable water supply to meet our community’s present and future needs in an environmentally sensitive and economically responsible manner.

**BOARD MEETING PROCEDURES**
The Board President serves as the chairperson to guide Board Meetings following agenda order listed below:
1. Call to Order and Roll Call
2. Public Hearing
3. Announcement by Board Members of Items Removed from Consent
4. Consent Agenda
5. Oral and Written Communications
6. Reports
7. Administrative Business
8. Closed Session

Note that the agenda order is subject to change.

**MEETING INFORMATION AND ACCESSIBILITY**
Agenda Packets are available on the District’s website: [https://www.soquelcreekwater.org/who-we-are/board-meetings-standing-committees](https://www.soquelcreekwater.org/who-we-are/board-meetings-standing-committees).
1. **CALL TO ORDER AND ROLL CALL**

2. **PUBLIC HEARING** – None

3. **ANNOUNCEMENT BY BOARD MEMBERS OF ITEMS REMOVED FROMConsent Agenda**

   **CONSENT AGENDA PROCEDURE**

   Consent Agenda items include routine business that do not call for discussion. One vote is taken for all Consent Agenda items. Only a Board Member may request that the Board President remove items from Consent to Regular agenda for discussion. A public member may request that a Board Member pull an item from the Consent Agenda prior to the start of the meeting. It is requested that public members provide an explanation with requests to remove Consent Agenda Items – this helps the Board determine if an item should remain on consent or be pulled for discussion. Any Consent Agenda items that are removed for discussion will be considered at the end of Administrative Business. For Consent Agenda items not removed for discussion, public members may provide comment for up to two (2) minutes, or the length of time established by the Board President, at the beginning of the Consent Agenda.

4. **CONSENT AGENDA (Pg. 4)**

   4.1 Approval of Minutes - None
   4.2 Board Planning Calendar
   4.3 Special Board Assignments Status Report
   4.4 Small Claims Report for May 2020
   4.5 Consider Approval of Scope of Work for Professional Consulting Services Related to Funding Support for the Pure Water Soquel Program
   4.6 Approval of General Manager Employment Agreement
   4.7 Alta Drive Trench Paving Repair Project, CWO 20-0121, Bid Award and Notice of Exemption

5. **ORAL AND WRITTEN COMMUNICATIONS (Pg. 53)**

   Oral Communications provides the opportunity for public members to speak on any item of interest (for items not on the Agenda), within the jurisdiction of the District. Public members may provide comment for up to three (3) minutes, or the length of time established by the Board President. Individuals may speak only once during Oral Communications.

   **REGULAR AGENDA PROCEDURE**

   Regular agenda items are considered one by one. Public members may address the Board on a specific agenda item during the District’s consideration of it. Public members may provide comment for up to two (2) minutes per item, or the length of time established by the Board President. Individuals may speak only once per item.

6. **REPORTS** – None

7. **ADMINISTRATIVE BUSINESS (Pg. 54)**

   7.1 Conditional and Unconditional Will Serves – None
   7.2 Draft 2020/21 Budget
   7.3 Resolution Authorizing and Directing Execution of a Revolving Credit Agreement with CoBank, and Authorizing and Directing Additional Actions With Respect Thereto
   7.4 Pure Water Soquel - Seawater Intrusion Prevention Recharge Wells Project, Bid Award and Approval of Scope of Work for Construction Oversight, CWO 20-3000
   7.5 Approve Bid Award and Authorize General Manager to Sign Professional Services Agreement and Purchase Order with Water Systems Consulting, Inc. to Prepare 2020 Urban Water Management Plan

   **CLOSED SESSION PROCEDURE**

   The Board may conduct a Closed Session on particular agendas as necessary. Closed Sessions are not open to the public. Matters discussed during Closed Session include existing and pending litigation, personnel matters and real
property negotiations. Actions taken by the Board during Closed Session will be announced during open session following the adjournment of the closed session.

8. **CLOSED SESSION**

8.1 Conference with Legal Counsel – Pending Litigation Pursuant to Government Code Section 54956.9(d)
123-TCP
San Bernardino Superior Court Case No. CGC-16-554039, Judicial Council Coordination Proceeding No. 4435
(Soquel Creek Water District v. The Chemical Company, et al.)

8.2 Conference with Legal Counsel – Existing Litigation Pursuant to Government Code Section §54956.9(d)(1)
Steinbruner vs. Soquel Creek Water District et al., Santa Cruz County Superior Court Case No. 19 CV00181; CA Sixth District Court of Appeals Case No. 19AP00031
Steinbruner v. California Coastal Commission, et al., San Francisco Superior Court, Case No. Unspecified.

9. **ADJOURNMENT**
Consent Agenda items include routine business that do not call for discussion. One vote is taken for all Consent Agenda items. Only a Board Member may request that the Board President remove items from Consent to Regular agenda for discussion. A public member may request that a Board Member pull an item from the Consent Agenda prior to the start of the meeting. It is requested that public members provide an explanation with requests to remove Consent Agenda Items – this helps the Board determine if an item should remain on consent or be pulled for discussion. Any Consent Agenda items that are removed for discussion will be considered at the end of Administrative Business. For Consent Agenda items not removed for discussion, public members may provide comment for up to two (2) minutes, or the length of time established by the Board President, at the beginning of the Consent Agenda.

4. **CONSENT AGENDA**
   4.1 Approval of Minutes – None
   4.2 Board Planning Calendar
   4.3 Special Board Assignments Status Report
   4.4 Small Claims Report for May 2020
   4.5 Consider Approval of Scope of Work for Professional Consulting Services Related to Funding Support for the Pure Water Soquel Program
   4.6 Approval of General Manager Employment Agreement
   4.7 Alta Drive Trench Paving Repair Project, CWO 20-0121, Bid Award and Notice of Exemption
## Board Planning Calendar

All items and dates noted are subject to change; some items may not be listed.

### April 2020

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<td>Board Meeting – Remote</td>
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<td>COVID-19 Update &amp; Emergency Proclamation</td>
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<td>Finance Standing Committee (4-5 pm) – CANCELED</td>
<td>Public Outreach Standing Committee (10:30-11:30 am) – CANCELED</td>
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## Board Planning Calendar

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<td>Annual System Water Production Status Report</td>
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<td>Community Survey Presentation by FM3</td>
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<td>Discuss Economic Conditions, Funding Forecasts and Budget Formulation, and Review/Seek Input on FY 2020/21 Draft Budget Projections</td>
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<td>Soquel Drive Cast Iron Main Replacement Project CEQA Exemption / Call for Bids Resolution for November 2020 Election</td>
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## Board Planning Calendar

*All items and dates noted are subject to change; some items may not be listed.*

### June 2020

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<td><strong>Board Meeting - Remote</strong>&lt;br&gt;Committee Reports&lt;br&gt;Management Update&lt;br&gt;Review of Board Meeting Efficiency</td>
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FY – Fiscal Year. SWIC – Seawater Intrusion Control Loan. UWMP – Urban Water Management Plan.
### Board Planning Calendar

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ADMINISTRATION

a. **Potential Standing Committee Schedule Change** – Director Christensen requested that an item be agendized to discuss a potential change to the Water Resources Management and Infrastructure (WRMI) committee meeting schedule (to be held after 5 pm). This will be presented to the Board and discussed after the full WRMI committee meets. (Assigned Jan. 15, 2019, Projected completion – to be determined.)

b. **Ways to Increase Board Meeting Efficiency** – The Board requested that an item be agendized to continue the effort to enhance and increase the efficiency of Board Meetings. Director Jaffe specifically requested that the following procedures be reviewed: (1) the process for removing consent agenda items for discussion, and (2) appropriate time allowances for public comment. (Assigned Jan. 21, 2020, Completed – February 4, 2020, 3-month evaluation in June 2020).

c. **Review of Board Packet Distribution** – Director LaHue requested that an item be agendized to discuss the District’s policy regarding copy fees for the provision of printed agendas and agenda packets to the public. (Assigned Jan. 21, 2020, Completed – February 4, 2020, 3-month evaluation in June 2020).

SPECIAL PROJECTS & OUTREACH

No items.

FINANCE

a. **Aid for Low Income Customers** - Since the Board has expressed an interest in ways to help low income customers with their water bills, it is noted that the State Water Resources Control Board (SWRCB) adopted Resolution No. 2016-0010 which has a section for potential future programs to assist low-income customers with paying water rates. Assembly Bill (AB) 401 (Dodd, 2015), referred to as the Low-Income Water Rate Assistance Act, requires the State Water Board, in collaboration with relevant stakeholders and the State Board of Equalization, to have developed a plan, no later than January 1, 2018, to fund and implement the Low-Income Water Rate Assistance Program. The Act required the State Water Board to report to the Legislature no later than February 1, 2018, on its findings regarding the program’s feasibility, financial stability, and desired structure, and include any recommendations for legislative action. The final report on AB 401(attached) was published in February 2020 and recommends a state-wide program that utilizes three different methods to assist customers with paying their water bills.

The first method would be to offer a direct credit on the customer’s water bill with the amount of the credit determined by how much individual water agencies charge single family residential customers for 6 hundred cubic feet (CCF) of water (4,488 gallons). If the bill for 6 CCF of water is less than $62 the proposed credit is 20% of the water bill. If the bill for 6 CCF is between $62 and $83 the credit would be 35% of the water bill, and if the bill for 6 CCF is greater than $83 the proposed credit is 50% of the water bill. Currently the District charges $82.71 for 6 CCF of water, which would require low income customers to receive a 35% credit on the water bill if the SWRCB’s recommendations are implemented. Future rate increases would place the District in the 50% credit category. What is not certain at this time is whether each agency can adapt their billing
practices to deliver the credit directly on the water bill or whether an alternate delivery method through the PG&E CARE program or CalFRESH is feasible.

The second method would assist renters who are not directly billed by the water agency for water service. This assistance would take the form of a state income tax credit and would not be administered directly by the water agency.

The third method is to provide crisis assistance to help prevent drinking water service shutoffs for low income households with past due bills. This method would be similar to the Low Income Heating and Energy Assistance Program (LIHEAP) and could be used in conjunction with either of the other two methods. It is expected that the cost of implementing the proposed methods would be funded through progressive taxes such as personal or business income taxes or a tax on bottled water.

These rate assistance programs would be available to low income customers defined in AB 401 as those households with incomes less than 200% of the federal poverty level based on household size. The 200% federal poverty threshold for a 4-person household is $52,400 for 2020.

Although the SWRCB has published their final report, the State legislature has not yet implemented any of the recommendations contained in the report. District staff will continue to monitor AB 401 and will plan to implement the provisions of the bill as directed by the State.

b. **Discussion of Rate Structure** – At the October 15, 2019 meeting, the Board requested that an item be agendized to discuss and evaluate the current rate structure. This is scheduled for the May 5, 2020 Board Meeting. This is discussed in the May 5, 2020 Board packet, but a fuller discussion will be conducted (if the Board desires) at a later date. (Assigned Oct. 15, 2019, Projected completion – early 2020.)

e. **Pure Water Soquel (PWS) Grants/Loans** – Vice-President Lather requested that an item be presented at a future meeting with additional information about the grants/loans and the reimbursement process. This will be incorporated into the rate discussion on May 5, 2020. (Assigned Dec. 17, 2019, Projected completion – Spring 2020.)

**CONSERVATION and CUSTOMER SERVICE FIELD (CCSF)**

a. **Evaluation of WDO Program Future** – President Daniels requested staff agendize the topic of the future of the WDO program when a supplemental supply is known. (Assigned June 5, 2018, Projected completion – to be determined.)

b. **Automated Metering Infrastructure (AMI) Review** – At Director Jaffe’s request, the Board directed staff to provide an update six months after Phase 1 of the AMI installation is complete. (Assigned April 2, 2019, Projected update approximately July 2020.)

**ENGINEERING**

No items.

**OPERATIONS & MAINTENANCE**

a. **District Facility Aesthetics** – Director Jaffe requested that an item be agendized to discuss the aesthetics of District facilities. (Assigned Jan. 21, 2020, Projected completion – due to COVID-19, summer to fall 2020.)

**HUMAN RESOURCES**

No items.
MISCELLANEOUS ITEMS

No items.

RESERVE LIST

(Items mentioned at a Board meeting, yet not prioritized by the Board.)

a. **Aquifer Indicator** - At the Feb. 7, 2017 Board meeting, Director Jaffe asked that staff develop a simple indicator to educate the public on our overdraft problem. This request is like a previous request by Director Daniels.

b. **New District Name** - Agendize a conversation about a District name change – on hold due to higher priorities. (Assigned Pre-2016; Project completion: Unknown, maybe after the supplemental project(s) are executed.)

c. **WDO Go Green Evaluation** - The Board gave staff direction to evaluate the Water Demand Offset (WDO) Go Green program to determine whether some of the existing voluntary options should be mandatory for new water services, and whether new options should be added to the Go Green Program. (Assigned June 7, 2016, Projected completion dependent on how the WDO program implementation and other projects proceed.) President LaHue requested that a discussion regarding the Go Green reduction options be agendized. (Assigned February 5, 2019, Projected completion – to be determined).
## ACWA Joint Powers Insurance Authority
### Monthly Small Claims Report

**District Name:** SOQUEL CREEK WATER DISTRICT  
**Month/Year:** May 2020  
**Prepared by:** EMMA OLIN

<table>
<thead>
<tr>
<th>Claim No.</th>
<th>Date/Time of Incident</th>
<th>Date Claim Received</th>
<th>Claimant’s Name (and driver/if auto claim)</th>
<th>Brief Description of What Happened</th>
<th>Amount of Settlement</th>
<th>Date Settled</th>
<th>Release Attached?</th>
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<tr>
<td>20-02</td>
<td>2/9/20</td>
<td>2/24/20</td>
<td>James Tremblay</td>
<td>Damage to Pressure Reducing Valve During New Meter Installation</td>
<td>1,051.49</td>
<td>5/15/20</td>
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| CONSENT AGENDA ITEM 4.4 |
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| Page 12 of 371 |
CONSENT AGENDA ITEM 4.4

SOQUEL CREEK WATER DISTRICT
VENDOR: TREMB001 JAMES TREMBLAY
DATE  INVOICE #  PO #  DESCRIPTION
05/11/2020  051120  SETTLEMENT - DAMAGED PRV

CONSENT AGENDA ITEM 4.4

5/11/2020  051120  SETTLEMENT - DAMAGED PRV

CHECK TOTAL  1,051.49

PAY

---One Thousand Fifty One Dollars and 49/100 Cents---

TO THE

JAMES TREMBLAY
2117 PENASQUITAS DR
APTOS, CA 95003-5820

ORDER OF

CHECK DATE  05/15/2020
PAY THIS AMOUNT  $1,051.49

SANTA CRUZ COUNTY BANK
48294

SOQUEL CREEK WATER DISTRICT

05/15/2020  48294  1,051.49

05/15/2020  48294  1,051.49
CHECK REQUEST

Payable To:

James Tremblay
Name
2117 Penasquitas Dr.
Address
Aptos
City
CA
State
95003
Zip Code

Amount Requested: $1,051.49

Reason:

Settlement of small claim for damaged PRV. - Scan a copy of the check and attach to the backup documentation for me to send to ACWA.

☐ Mail Directly to Payee  ☐ Mail with Attachment to Payee  ☑ Give Check to Requester  ☐ Other

Requested By: LS Date: 5/11/2020

Approved By: Date: 5/11/20

Accounting: Date:

<table>
<thead>
<tr>
<th>Charge GL Account</th>
<th>Vendor Number</th>
<th>Requested Check Disbursement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-5970-402-04</td>
<td></td>
<td>5/15/2020</td>
</tr>
</tbody>
</table>

IN MOST CASES CHECKS CAN BE DISBURSED ON A FRIDAY IF THE CHECK REQUEST IS RECEIVED BY 10:00 A.M. ON TUESDAY
RELEASE OF ALL CLAIMS

The undersigned, Releasor, being of lawful age, for valuable consideration, receipt of which is hereby acknowledged, does hereby and for my heirs, executors, administrators, successors and assigns, releases and forever discharges the Soquel Creek Water District, its agents, servants, employees, successors, heirs, executors and administrators of and from any and all claims, actions, causes of action, demands, rights, damages, costs, loss of service, expenses and other compensation whatsoever, which the undersigned now has or which may hereafter accrue on account of or in any way growing out of that incident described in that certain claim filed by the undersigned against the Soquel Creek Water District concerning events alleged to have occurred on February 9, 2020 (as represented by the receipts from Geo. H. Wilson totaling $1,051.49).

It is understood and agreed that this settlement is the compromise of a doubtful and disputed claim, and that any consideration given to the undersigned is not to be construed as an admission of liability on the part of the party or parties hereby released.

It is further understood and agreed that all rights under Section 1542 of the Civil Code of California and any similar law of any state or territory of the United States are hereby expressly waived. Said section reads as follows:

1542. Certain claims not affected by general release. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The undersigned further declares and represents that no promise, inducement or agreement not herein expressed has been made to the undersigned, and that this Release contains the entire agreement between the parties hereto, and that the terms of this Release are contractual and not a mere recital.

THE UNDERSIGNED HAS READ THE FOREGOING RELEASE AND FULLY UNDERSTANDS IT. Signed and delivered this 25 day of April, 2020.

Releasor:
Agent for Owner: James Tremblay
Service Address: 2117 Penasquitas Dr., Aptos

Witness:
April 17, 2020

MEMO TO: Shelley Flock

Subject: Claim of Damage from James Tremblay, 2117 Penasquitas Dr, Aptos CA

Attached is a Claim from James Tremblay, for $1,051.49 due to damage to a pressure reducing valve during new meter installation on February 9, 2020. Since the amount of damages being claimed is less than $2,500.00, the District has the option to investigate and settle in-house as opposed to forwarding to JPIA for resolution.

Please investigate the merits of the claimant’s allegations and recommend to me a course of action by April 28, 2020.

☒ District is responsible, recommend paying the claim in full
☐ District is partially responsible. Recommend paying $________
☐ District is not responsible. Recommend the claim be forwarded to JPIA for resolution

Additional Comments:

Staff had repaired a spud leak at this service and when water was restored (carefully), the customer’s PRV blew out.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Leslie Strohm  Shelley Flock 4/22/20
Finance and Business Services Mgr  Conservation/Cust Service Field Manager
Claim Form

(A claim shall be presented by the claimant or by a person acting on his behalf.)

<table>
<thead>
<tr>
<th>NAME OF DISTRICT:</th>
<th>SOUTHERN CALIFORNIA WATER DISTRICT</th>
</tr>
</thead>
</table>

1. Claimant name, address (mailing address if different), phone number, social security number, e-mail address, and date of birth.

<table>
<thead>
<tr>
<th>Name:</th>
<th>James Tremblay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address(es):</td>
<td>2117 Penasquitas Dr, Aptos, CA 95003</td>
</tr>
<tr>
<td>Phone Number:</td>
<td>(831) 769-2213</td>
</tr>
<tr>
<td>Social Security No.:</td>
<td>[obscured]</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:j.tremblay@agmail.com">j.tremblay@agmail.com</a></td>
</tr>
<tr>
<td>Date of Birth:</td>
<td>[mm/dd/yy]</td>
</tr>
</tbody>
</table>

2. List name, address, and phone number of any witnesses.

<table>
<thead>
<tr>
<th>Name:</th>
<th>[redacted]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address:</td>
<td>[redacted]</td>
</tr>
<tr>
<td>Phone Number:</td>
<td>[redacted]</td>
</tr>
</tbody>
</table>

3. List the date, time, place, and other circumstances of the occurrence or transaction, which gave rise to the claim asserted. Tell What Happened (give complete information):

<table>
<thead>
<tr>
<th>Date:</th>
<th>[09/09/2020]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time:</td>
<td>[9 AM]</td>
</tr>
<tr>
<td>Place:</td>
<td>Claimant's name</td>
</tr>
<tr>
<td>What Happened:</td>
<td>When meter replaced the PRV, it was damaged (top requested blank) and not able to be adjusted to pressure and meet requirements.</td>
</tr>
</tbody>
</table>

NOTE: Attach any photographs you may have regarding this claim.

4. Give a general description of the indebtedness, obligation, injury, damage, or loss incurred so far as it may be known at the time of presentation of the claim.

   DAMAGES TO PRV WHEN INSTALLING NEW METER AND ATTEMPTING TO ADJUST OLD PRV

5. Give the name or names of the public employee or employees causing the injury, damage, or loss, if known.

   [redacted] |

6. The amount claimed if it totals less than ten thousand dollars ($10,000) as of the date of presentation of the claim, including the estimated amount of any prospective injury, damage or loss, insofar as it may be known at the time of the presentation of the claim, together with the basis of computation of the amount claimed. If the amount claimed exceeds ten thousand dollars ($10,000), no dollar amount shall be included in the claim. However, it shall indicate whether the claim would be a limited civil case.

   [redacted] |

Date: | 20 FEB 2020 |
Time: | 2000 |
Signature: | [redacted] |

ANSWER ALL QUESTIONS. OMITTING INFORMATION COULD MAKE YOUR CLAIM LEGALLY INSUFFICIENT!
CONSENT AGENDA ITEM 4.4

PLUMBING
REPLACE BROKEN PRV

01/09/2020 - 5115
What was found: The pressure relief valve (PRV) was broken and needed to be replaced.

What was fixed: Cut out the old line that had the valve. Re-plumbed it with a new ball valve, hose bibb, sch 80 pvc fittings and PRV. Insulated everything per customers request. Soquel Creek Water turned the water back on and tested operation, all satisfactory at this time.

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Units</th>
<th>Unit Price</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PVC PIPE</td>
<td>20.00</td>
<td>1.06</td>
<td>21.14</td>
</tr>
<tr>
<td>BUSHING</td>
<td>1.00</td>
<td>1.63</td>
<td>1.63</td>
</tr>
<tr>
<td>ADAPTER</td>
<td>1.00</td>
<td>2.29</td>
<td>2.29</td>
</tr>
<tr>
<td>ADAPTER</td>
<td>4.00</td>
<td>3.95</td>
<td>15.81</td>
</tr>
<tr>
<td>MEGATAPE</td>
<td>1.00</td>
<td>4.93</td>
<td>4.93</td>
</tr>
<tr>
<td>HOSE BIBB</td>
<td>1.00</td>
<td>14.86</td>
<td>14.86</td>
</tr>
<tr>
<td>CEMENT</td>
<td>1.00</td>
<td>17.23</td>
<td>17.23</td>
</tr>
<tr>
<td>THERMOSEAL</td>
<td>1.00</td>
<td>24.08</td>
<td>24.08</td>
</tr>
<tr>
<td>BALL VALVE</td>
<td>1.00</td>
<td>37.71</td>
<td>37.71</td>
</tr>
<tr>
<td>PRESSURE VALVE</td>
<td>1.00</td>
<td>256.18</td>
<td>256.18</td>
</tr>
<tr>
<td><strong>Total Material</strong></td>
<td></td>
<td></td>
<td><strong>395.86</strong></td>
</tr>
</tbody>
</table>

Labor

<table>
<thead>
<tr>
<th>Description</th>
<th>Units</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOURLY LABOR</td>
<td>4.00</td>
<td>620.00</td>
</tr>
</tbody>
</table>

Sub Total 1,015.86
Sales Tax 35.63
**TOTAL $1,051.49**
MEMO TO THE BOARD OF DIRECTORS

Subject: Consent Agenda Item No. 4.5

Title: Consider Approval of Scope of Work for Professional Consulting Services Related to Funding Support for the Pure Water Soquel Program

Attachment(s):

Purpose
To obtain approval for a scope of work for contract modifications for fiscal year (FY) 2019–2020 for continued professional funding support services related to the implementation of Pure Water Soquel.

Background
The District’s goal, based on community input, is to develop a new water supply to aid in the replenishment of the critical overdraft condition of the groundwater basin, provide a seawater barrier from contamination into the District's drinking water wells, and meet the state mandate of basin sustainability by 2040. Since 2015, the District has been evaluating and now implementing a purified recycled water project, known as Pure Water Soquel (PWS), to address the water challenges mentioned above.

Current efforts related to PWS in fiscal year (FY) 2019-20 include permitting, data collection, design, continuing regional collaboration and partnerships, public outreach and education, and furthering funding opportunities.

The District Board approved a scope of work and budget for funding support services for FY 2019-2020 with Gutierrez Consultants on June 18, 2019. The original scope and budget anticipated seeking and securing potential funding opportunities from the State Water Resources Control Board (SWRCB), Department of Water Resources (DWR), US Bureau of Reclamation (USBR), and the Federal Environmental Protection Agency (EPA).

Over the last year, the District made great strides in being selected/awarded for several funding programs and the level of effort has exceeded what was originally anticipated and a contract amendment (see Attachment 1) is needed and described below.

Discussion
The District has focused and made it a priority to apply for low-interest loans and grant funding for Pure Water Soquel (PWS) to aid in reducing project costs and thus benefiting our ratepayers. The success with and commitment from state and federal agencies to invest in PWS, not only helps our ratepayers, but demonstrates support from these agencies and belief in the District's actions to ensure our region's groundwater sustainability.

During FY 2019-2020, effort has been put toward:
- SWRCB Prop 1 $2M Planning Grant
- SWRCB Prop 1 $50M Implementation Grant
- SWRCB Seawater Intrusion Control (SWIC) Low-Interest Loan
- EPA Water Infrastructure Finance and Innovation Act (WIFIA) Low-Interest Loan
As described in Attachment 1, with (a) the completion of the Prop 1 Planning Grant deliverable and reporting, (b) the award, preparation and execution of the Prop 1 Implementation Grant before the end of June 30, 2020, and (c) the assistance on the applications and loan negotiations for both the SWIC and WIFIA loans, additional effort from Gutierrez Consultants is needed through the end of this FY. In addition, as these three funding awards each have unique funding requirements, Gutierrez Consultants is also assisting District staff with contracts and invoice compliance related to grant and loan terms.

Fiscal Impact
Funds to cover the additional support for funding assistance support related to the contract amendment for Gutierrez Consultants are available in the FY 2019–20 budget.

POSSIBLE BOARD ACTION(S)

1. By MOTION, authorize the Board President to amend the existing professional consultant services agreement with Montgomery & Associates, approve the FY 2019–2020 Scope of Work as presented by Gutierrez and Consultants, and authorize the General Manager to sign a purchase order in the amount not to exceed $20,000.

By ______________________________
Eileen Eisner Streller
Assistant Engineer II

By ______________________________
Melanie Mow Schumacher, PE
Special Projects-Communications Manager
May 25, 2020

Ms. Melanie Schumacher, P.E.
Special Projects-Communications Manager
Soquel Creek Water District
PO Box 1550
Capitola, CA 95010

Re: Fiscal Year 2019-2020 Contract Amendment

Dear Ms. Schumacher:

Per our discussions, I'm providing this proposal to amend the Fiscal Year 2019-2020 contract for funding assistance. While the original scope and budget anticipated potential funding opportunities from the State Water Resources Control Board (SWRCB), Department of Water Resources (DWR), US Bureau of Reclamation (USBR), and the Environmental Protection Agency (EPA), the District has successfully secured funding from three of the four programs and the level of effort required to expedite the negotiation and execution of the financial agreements has exceeded the original proposal. Additionally, this amendment includes the scope and budget associated with consultant contracting and invoicing to ensure compliance with funding agreements. The increased level of effort is summarized below.

**SWRCB Proposition 1 Groundwater Quality Grant Program – Planning Grant**
The District was awarded a $2 million planning grant from the SWRCB Proposition 1 Groundwater Grant Program. The grant partially funds the engineering studies, preliminary design and environmental documentation of the Pure Water Soquel Project. The term of the grant was extended several months to allow adequate completion of the required grant deliverables and final grant invoicing and reporting. This amendment will fund the additional effort required for the extended term and additional reporting.

**SWRCB Proposition 1 Groundwater Quality Grant Program – Implementation Grant**
The District was awarded a $50 million implementation grant from the SWRCB Proposition 1 Groundwater Grant Program. The grant application funds the final design and construction of the Pure Water Soquel Project. The SWRCB conducted an expedited contract negotiation process to ensure an executed grant agreement before the end of the State fiscal year, June 30, 2020. This amendment will fund the additional effort required for the expedited negotiation and execution of the grant agreement.

**SWRCB Seawater Intrusion Control Loan**
The District was awarded a $36 million low interest loan from the SWRCB Seawater Intrusion Control Loan. The loan funds the final design and construction of the Pure Water Soquel Project. The SWIC
loan was not originally scoped or budgeted. This amendment will fund the effort required for the SWIC application, loan negotiation and execution.

**US EPA Water Infrastructure Finance and Innovation Act (WIFIA) Application**
The District was invited to submit a low interest loan application to the US EPA Water Infrastructure Finance and Innovation Act (WIFIA). The low interest loan will finance design and construction activities of the Pure Water Soquel Project. The full WIFIA loan application was not originally scoped or budgeted. This amendment will fund the effort required for the WIFIA application, loan negotiation and execution.

**General Funding Support**
The three funding awards each have significant and unique funding requirements. This amendment will fund the effort required to support the District with funding compliance, including consultant contracting and invoicing to ensure consistency with the grant terms.

**Budget and Schedule**
Gutierrez Consultants is requesting a budget increase not to exceed $20,000 to complete the additional work through June 30, 2020. The billing rate will remain at the contracted rate of $237 per hour. I look forward to continuing our successful relationship.

Sincerely,
GUTIERREZ CONSULTANTS

Lidia Gutierrez, President
MEMO TO THE BOARD OF DIRECTORS

Subject: Consent Agenda Item No. 4.6

Title: Approval of General Manager Employment Agreement

Attachment(s):

1. Employment Agreement for General Manager

Attached for the Board’s review and approval is an employment agreement drafted by District Counsel for Ron Duncan as General Manager. The agreement is based on the positive results of the General Manager’s 360-degree review and Board discussions in closed session.

POSSIBLE BOARD ACTION(S)

By MOTION, approve the attached contract as presented.

By ____________________________
Josh Nelson
District General Counsel
EMPLOYMENT AGREEMENT

THIS AGREEMENT is between the Soquel Creek Water District, a California county water district (“SqCWD”) and Ron Duncan (“Employee”). It is effective on the latest date next to the signatures on the last page (“the Effective Date”).

This Agreement is entered into on the basis of the following facts, among others:

A. Employee was duly appointed as the General Manager of the SqCWD beginning January 1, 2016, and has been serving in that capacity continuously since that date.

B. The SqCWD and Employee desire to continue this employment relationship, subject to the terms and conditions set forth in this new Agreement pertaining to compensation and benefits, performance evaluations, and related matters.

BASED UPON THE FOREGOING, SQCWD AND EMPLOYEE AGREE AS FOLLOWS:

1. Employee Appointed. SqCWD appoints and employs Employee as General Manager, and Employee continues to accept the appointment and employment effective immediately.

2. Duties of Employee. Employee shall perform the duties established for the General Manager by State law, the applicable job description, the direction of the Board of Directors, or as otherwise provided by law, policies, ordinances, or regulations.
   
   (a) Full Energy and Skill. Employee shall faithfully, diligently, and to the best of Employee's abilities, perform all duties that may be required under this Agreement. Employee agrees that Employee has a duty of loyalty and a general fiduciary duty to SqCWD. Employee shall devote the whole of Employee's working time, skill, experience, knowledge, ability, labor, energy, attention, and best effort exclusively to SqCWD’s business and affairs.

   (b) No Conflict. Employee shall not engage in any employment, activity, consulting service, or other enterprise, for compensation or otherwise, which is actually or potentially in conflict with, inimical to, or which interferes with the performance of Employee’s duties. Further, Employee shall not, during the term of this Agreement, individually, as a partner, joint venture, officer or shareholder, invest or participate in any business venture conducting business in the corporate limits of SqCWD, except as authorized by the Board of Directors.

   (c) Outside Activities. Employee shall not spend more than 8 hours per month in teaching, consulting, expert witness testimony, speaking, or other non-SqCWD connected business for which compensation is paid without express prior consent of the Board of Directors. Employee will take personal leave (i.e. vacation time) for all outside activities of this nature.

3. Hours of Work. Employee is an exempt employee but is expected to engage in those hours of work that are necessary to fulfill the obligations of Employee’s position. It is recognized that Employee must devote a great deal of time to the business of the SqCWD
outside of the SqCWD’s customary office hours, and to that end Employee’s schedule of work each day and week shall vary in accordance with the work required to be performed and in accordance with any specific direction provided by the Board of Directors.

4. **Term.** The term of this Agreement shall be from the Effective Date through June 30, 2023, unless terminated earlier by either party in accordance with the provisions set forth in Paragraph 8 or by the event of the death or permanent disability of Employee. The Agreement shall be automatically extended for additional one-year period(s) unless either party provides a notice of non-renewal to the other party by June 30, 2022 and future June 30th in future years.

5. **Annual Evaluation.** Each year on or about March 1st, or at a time mutually agreed upon by the SqCWD and Employee, the Board of Directors shall conduct an evaluation of Employee’s performance and provide guidance and direction regarding the goals and objectives which Employee shall be tasked with implementing moving forward.

6. **Compensation.**

   (a) **Salary.** Employee shall receive the base annual salary of Two Hundred Twenty-Two Thousand Nine Hundred Thirty-Nine Dollars and Sixty-Four Cents ($222,939.64), payable in this Agreement on a pro-rata basis in the same manner as all full time SqCWD employees, and subject to all applicable payroll taxes and withholdings.

   (b) **Annual Salary Adjustments.** The Board of Directors may provide for a salary adjustment to Employee at any time in its discretion. In addition, Employee shall receive the same basic salary cost of living adjustment provided to other management employees during the term of this Agreement as part of their Memorandum of Understanding between SqCWD and management employees.

7. **Regular Benefits and Allowances.** Except as otherwise set forth in this Agreement, the Employee shall receive those benefits provided to other management employees as part of their Memorandum of Understanding between SqCWD and management employees, including, but limited to, enrollment in the California Public Employees Retirement System under its current rules and requirements, sick leave, and medical, vision, dental, and life insurance benefits.

8. **Additional Benefits and Allowances.** In addition to the benefits specified in section 7, Employee shall receive the following additional benefits and allowances.

   (a) **Vacation and Administrative Lease.** Employee shall be entitled to vacation accrual based on his prior employment with the Santa Cruz Port District as is currently the case. In addition, he shall shall accrue administrative leave at a rate of fourteen (14) days per year on a pro-rated basis each pay period. Administrative leave is in lieu of personal leave granted to other employees of SqCWD. Employee shall be subject to any sick, vacation or administrative leave cap and cash out provisions as provided to other management employees.

   (b) **Holidays.** Employee shall be entitled to all holidays observed by SqCWD.
9. **Termination of Employment.**

(a) **No Property Interest.** Employee understands and agrees that Employee has no constitutionally-protected property or other interest in Employee’s employment as General Manager. Employee understands and agrees that Employee works at the will and pleasure of the Board of Directors, and that Employee may be terminated, or asked to resign, at any time, with or without cause, by a majority vote of the Board of Directors. Notice of termination shall be provided to Employee in writing. “Termination,” as used in this Agreement, shall also include 1) a request that Employee resign; 2) a reduction in salary or other financial benefits in a significant amount which is inconsistent with a reduction in salary or financial benefits for other management employees; 3) a material reduction in the powers and authority (excluding placement on paid administrative leave); or 4) the elimination of Employee’s position. The Board of Directors may not terminate this Agreement without cause within one hundred twenty (120) days of a Board of Directors election where two or more non-incumbents are elected.

(b) **Notice Required Of Employee.** Employee may voluntarily terminate employment at any time by giving not less than sixty (60) days’ written notice.

(c) **Severance Pay.** If Employee is asked to resign or is terminated, then subject to the requirements of this Section, Employee shall be eligible to receive a cash payment equivalent to the sum of Employee’s then-current monthly salary multiplied by twelve (12). Eligibility for such severance payment is expressly conditioned upon Employee’s execution of (i) a waiver and release of any and all of Employee’s claims against SqCWD, SqCWD elected and appointed officials, employees, and agents, and (ii) a covenant not to sue. All normal payroll taxes and withholdings as required by law shall be made with respect to any amounts paid under this section.

(d) **Ineligibility for Severance Under Certain Conditions.** If the termination of Employee is the result of gross mismanagement and/or an act or acts of moral turpitude, Employee shall not be entitled to receive any severance pay. Any determination regarding ineligibility for severance shall be made by a third party hearing officer retained by SqCWD for such purpose. This provision in no way limits or restricts the other provisions of this Section 9.

10. **Statutory Requirements.** This Agreement shall be deemed to incorporate by reference the provisions of Sections 53243 et seq. of the Government Code, as it may be amended or renumbered.

11. **Payment of Expenses of Employment.** The SqCWD shall pay the following usual and customary employment expenses:

(a) The cost of any fidelity or other bonds required by law for the General Manager.

(b) Subject to Section 10 of this agreement, the cost to defend and indemnify Employee in accordance with the requirements and limitations of the California Government Claims Act (Government Code §810 et seq.), or otherwise. Notwithstanding the foregoing, SqCWD’s obligation to defend and indemnify Employee shall extend only to the entry
of a final judgment by the trial court, and shall not extend to providing defense or indemnity in connection with an appeal of the judgment, unless otherwise specifically provided by law. SqCWD will determine, in its sole discretion, whether to compromise and settle any such claim or suit against Employee and the amount of any settlement or judgment rendered thereon.

(c) The reasonable dues for Employee's membership in professional organizations associated with Employee’s position. The SqCWD will allow Employee reasonable time away from the SqCWD to participate in the annual conferences of these organizations.

(d) The cost of attending conferences or other events (i.e. retirement dinners, out-of-town meetings, professional seminars, etc.) necessary for the proper discharge of Employee’s duties. The Board of Directors may grant Employee a SqCWD credit card for necessary and proper reimbursements.

12. Miscellaneous.

(a) Notices. Notices given under this Agreement shall be in writing and shall be:

(i) served personally; or

(ii) sent by Federal Express, or some equivalent private overnight delivery service.

Notices shall be deemed received at the earlier of actual receipt or one (1) business days following deposit in an overnight delivery service. Notices shall be directed to the addresses shown below, provided that a party may change such party's address for notice by giving written notice to the other party in accordance with this subsection.

SQCWD:

Soquel Creek Water District
Attn: President
5180 Soquel Drive
Soquel, CA 95073

P.O. Box 1550
Capitola, CA 95010
Phone: (831) 475-8500

EMPLOYEE:

________________________________________
________________________________________
________________________________________
(b) Compliance with Government Code §§53243, 53243.1, & 53243.2. If Employee is convicted of a crime involving an abuse of his office or position, all of the following shall apply:

(i) if Employee is provided with administrative leave pay pending an investigation, Employee shall be required to fully reimburse the SqCWD for such amounts paid;

(ii) if the SqCWD pays for the criminal legal defense of Employee (which would be in its sole discretion, as it is not generally required to pay for a criminal defense), Employee shall be required to fully reimburse SqCWD such amounts paid; and

(iii) if this Agreement is terminated, any cash settlement related to the termination that Employee may receive from the SqCWD shall be fully reimbursed to the SqCWD or void if not yet paid to Employee.

For this subsection, “abuse of office or position” means either (1) an abuse of public authority, including waste, fraud, and violation of the law under color of authority, or (2) a crime against public justice, including but not limited to a crime described in Title 7 (commencing with Section 92) of Part 1 of the Penal Code.

(c) Entire Agreement/Amendment. This Agreement constitutes the entire understanding and agreement between the parties as to those matters contained in it, and supersedes any and all prior or contemporaneous agreements, representations and understandings of the parties. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by the parties and attached hereto.

(d) Attorney's Fees. If any legal action or proceeding is brought to enforce or interpret this Agreement, the prevailing party, as determined by the court, shall be entitled to recover from the other party all reasonable costs and attorney's fees, including such fees and costs as may be incurred in enforcing any judgment or order entered in any such action.

Nothing in this subsection shall be read to prevent the parties from agreeing to some alternative method of dispute resolution. If such a method is agreed to, any final determination shall include an award of attorney's fees and costs by the presiding officer.

(e) Severability. In the event any portion of this Agreement is declared void, such portion shall be severed from this Agreement and the remaining provisions shall remain in effect, unless the result of such severance would be to substantially alter this Agreement or the obligations of the parties, in which case this Agreement shall be immediately terminated.

(f) Waiver. Any failure of a party to insist upon strict compliance with any term, undertaking, or condition of this Agreement shall not be deemed to be a waiver of such term, undertaking, or condition. To be effective, a waiver must be in writing, signed and dated by the parties.
(g) **Representation by Counsel.** The parties acknowledge and agree that they were, or had the opportunity to be, represented individually by legal counsel with respect to the matters that are the subject of this Agreement and that they are fully advised with respect to their respective rights and obligations resulting from signing this Agreement.

(h) **Governing Law and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. Employee and SqCWD agree that venue for any dispute shall be in Santa Cruz County, California.

(i) **Section Headings.** The headings on each of the sections and subsections of this Agreement are for the convenience of the parties only and do not limit or expand the contents of any such section or subsection.

(j) **No Assignment.** Employee may not assign this Agreement in whole or in part.

Dated: ________________  
SOQUEL CREEK WATER DISTRICT

By _________________________  
Bruce Daniels, President

Dated: ________________  
EMPLOYEE

________________________  
Employee
MEMO TO THE BOARD OF DIRECTORS

Subject: Consent Agenda Item No. 4.7

Title: Alta Drive Trench Paving Repair Project, CWO 20-0121, Bid Award and Notice of Exemption

Attachment(s):
1. Resolution 20-20
2. Bid Results and Bid Summary
3. Civil Plans
4. Letter from County of Santa Cruz Department of Public Works
5. Preliminary Environmental Assessment
6. Notice of Exemption

In early January 2019, a District customer local to Alta Drive contacted the County of Santa Cruz Board of Supervisors to request the Public Works Department repair the trench and road failures in Alta Dr., La Selva. Public Works Director Matt Machado had the road evaluated by County Staff and they determined much of the apparent road failures were due to the District’s water main trenches settling causing an uneven driving surface. There are also other parts of the road that are failing that are not due to the District facilities in the road. The project encompasses Alta Drive between La Selva Drive and 177 Alta Drive. The project was unfunded in FY 19/20, but $260k is included in the draft FY 20/21 budget.

The District is a guest in the County right of way, and according to the Standard Maintenance Agreement in place, the District is responsible for maintaining utility trenches in an acceptable condition. In this situation, District Staff was also asked to consider repaving the entire street in lieu of just patching the water main trench. The project was put out to bid and five base bids (trench patch only) were received as listed:

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Base Bid- 4ft wide trench patch</th>
<th>Overlay Roadway- 84,500 square feet 1,056 tons hot mix asphalt (3,520 LF x 24ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earthworks Paving Contractors, Inc.</td>
<td>$236,040</td>
<td>$296,840</td>
</tr>
<tr>
<td>Granite Construction Company</td>
<td>$261,115</td>
<td>-</td>
</tr>
<tr>
<td>Don Chapin Company</td>
<td>$274,000</td>
<td>-</td>
</tr>
<tr>
<td>Pacific Underground Construction, Inc.</td>
<td>$286,300</td>
<td>-</td>
</tr>
<tr>
<td>Lewis &amp; Tibbits, Inc.</td>
<td>$312,020</td>
<td>-</td>
</tr>
</tbody>
</table>

With guidance from Public Works, a bid spec for an overlay was generated and Earthworks Paving Contractors, Inc. provided a proposal for $296,840 for the entire project using the overlay option. This proposal is $60,800 more than the base bid. The County of Santa Cruz has indicated they can contribute $45k towards the overlay option, leaving the District to pay an additional $15,800. While this option is more than the minimum necessary, it also comes with a commitment from the County to manage all future trench/road issues so long as they are not associated with a service line leak or main break. Both District and County Staff are recommending the overlay option, providing the community and rate payers an improved roadway, and the relief for future road problems associated with water trenches. Another compelling reason to work with the County on this option is the fact...
that District already committed $28,350 in 2006 repairing 3,600 square feet (1,200 LF) on this same road.

The table below summarizes the funding contributions for the recommended overlay option:

<table>
<thead>
<tr>
<th>Base Bid</th>
<th>Overlay Option</th>
<th>Total Recommended Project Amount</th>
<th>District Contribution</th>
<th>County Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>$236,040</td>
<td>+$60,800</td>
<td>$296,840</td>
<td>$251,840</td>
<td>$45,000</td>
</tr>
</tbody>
</table>

The District’s contribution is within the proposed budget amount of $260,000 included in FY 20/21, thus no additional funds are necessary when factoring in the County’s contribution. The District will Contract with Earthworks Paving Contractors, Inc. for the entire amount of $296,840 with the County reimbursing the District $45,000 upon project completion.

Taking no action on this project would trigger a response from the Public Works Department to bid the trench paving repair work as their own project and bill the District for the final costs.

**POSSIBLE BOARD ACTION(S)**

1. By MOTION and roll call vote, approve the Preliminary Environmental Assessment and finding of a Categorical Exemption for the Alta Drive Trench Repair Project and direct Staff to file a Notice of Exemption; and

2. By MOTION and roll call vote, approve the Alta Drive Trench Repair Project with pavement overlay option; and

3. By MOTION and roll call vote, adopt **Resolution No. 20-20** awarding the Contract for the Alta Drive Trench Paving Repair Project to Earthworks Paving Contractors, Inc., CWO 20-0121 in the amount of $296,840; and

4. By MOTION direct staff to invoice the County of Santa Cruz in the amount of $45,000 for contribution to the overlay option.

By ___________________________________________
Taj A. Dufour, P.E.
Engineering Manager/Chief Engineer
BEFORE THE BOARD OF DIRECTORS OF THE SOQUEL CREEK WATER DISTRICT

RESOLUTION OF AWARD OF CONTRACT FOR THE SEAWATER INTRUSION PREVENTION RECHARGE WELLS PROJECT FOR PURE WATER SOQUEL
CWO 20-0121

WHEREAS, independent bids were submitted on the 23rd day of April 2020 to the District's Engineering Manager, in order to evaluate said proposals or bids received and to furnish said engineer's evaluation showing that the bid hereafter mentioned is the lowest qualified responsible bid for the construction of said work of improvement; and

WHEREAS, said evaluation has been made by said engineer.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Soquel Creek Water District:

1. Reject all of said bids or proposals except the following, in the amount and for the work specified:

   $296,840.00
   Earthworks Paving Contractors, Inc.
   310A Kennedy Drive
   Capitola, CA 95010

2. The Board of Directors hereby finds that the aforesaid bidder is the lowest qualified responsible bidder for the Granite Way Well Site Infrastructure Improvements Project-Rebid and hereby awards the Contract for said work to said bidder at the total amount set forth in said bid and in Paragraph 1 thereof.

3. The Board further finds that irregularities, if any, in the bidding are minor in nature and do not affect the best interests of the District, and hereby waives all such irregularities. Specific to this bid is waiving the requirement to submit a bid bond at the time of bid. Said bid bond was submitted 2 working days after the bid date.

4. The President and Clerk of said Board of Directors are hereby authorized to make and enter into a written contract with said successful bidder and to receive and approve all bonds in connection therewith, and the Clerk of said District is hereby directed to attest the signature and affix the corporate seal of said District.

PASSED AND ADOPTED this 2nd day of June 2020, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:  

APPROVE:

__________________________
Dr. Bruce Daniels, President

ATTEST:

__________________________
Emma Olin, Board Clerk
Bid Opening Summary Sheet

Project: ALTA DRIVE PAVING REPAIR PROJECT
CWO: 20-0121

Summary: Bid Acceptable; License Current Active; Bid Bond Acceptable

Contractor: Earthworks Paving Contractors, Inc.
Ric Straus, Stephanie Straus; Owners

Proposal Total: $236,040.00
Engineering Estimate: $174,010.00

Subs: NONE

Bid Bond Status: Valid: Contractors Bonding and Insurance Company (A+, XII)
Contractors License: Acceptable, #807689, expires 5/31/2022
DIR Registration No: 1000006686, Expires 6/30/2021

Include:
1. photo copy of bidders proposal (itemized cost proposal)
2. license verification from (www.cslb.ca.gov)
3. bond company's rating from (www.ambest.com)
4. bond company is registered in CA from (www.fms.treas.gov)
5. bond company is listed with Calif. Dept. of Insurance
6. Bid Results in ascending order
Name of Bidder: **Earthworks**

**SECTION 00310**

**BID SCHEDULE**

**CWO 20-0121**

**ALTA DRIVE TRENCH PAVING REPAIR PROJECT**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Estimated Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Replace 1&quot; Polybutylene service lines with HDPE SDR-9 service lines per SqCWD Standard Detail S-3</td>
<td>42</td>
<td>EA</td>
<td>2,620.00</td>
<td>110,040.00</td>
</tr>
<tr>
<td>2</td>
<td>AC Pavement Removal, Compact Existing Base, and Repave Longitudinal Trench ~48-inches wide X 4-inches deep per SCCPW Standard EP-1</td>
<td>2,500</td>
<td>LFT</td>
<td>32.00</td>
<td>80,000.00</td>
</tr>
<tr>
<td>3</td>
<td>AC Pavement Removal, Compact Existing Base, and Repave Cross Trenches ~20-ft X 8-ft wide X 4-inches deep per SCCPW Standard EP-2</td>
<td>8</td>
<td>EA</td>
<td>2,000.00</td>
<td>16,000.00</td>
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<tr>
<td>4</td>
<td>AC Pavement Removal, Compact Existing Base, and Repave Longitudinal &amp; Cross Trench Spot Patching per SCCPW Standard EP-1</td>
<td>500</td>
<td>SQ-FT</td>
<td>24.00</td>
<td>12,000.00</td>
</tr>
<tr>
<td>5</td>
<td>Reset water valve / blow-off box per SqCWD Standard Detail S-6</td>
<td>18</td>
<td>EA</td>
<td>1,000.00</td>
<td>18,000.00</td>
</tr>
</tbody>
</table>

**Total Base Bid (Items 1 through 4): $236,040.00**

Two hundred thirty-six and forty dollars

Soquel Creek Water District

Alta Drive Trench Paving Repair Project

BID SCHEDULE

February 2020
### Business Information

**EARTHWORKS PAVING CONTRACTORS INC**  
310A KENNEDY DRIVE  
CAPITOLA, CA 95010  
Business Phone Number:(831) 475-1223

<table>
<thead>
<tr>
<th>Entity</th>
<th>Corporation</th>
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<tbody>
<tr>
<td>Issue Date</td>
<td>05/06/2002</td>
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<tr>
<td>Expire Date</td>
<td>05/31/2022</td>
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</table>

### License Status

This license is current and active.

All information below should be reviewed.

### Classifications

A. GENERAL ENGINEERING CONTRACTOR

### Bonding Information

**Contractor's Bond**

This license filed a Contractor's Bond with **AMERICAN CONTRACTORS INDEMNITY COMPANY**.  
Bond Number: SC6052494  
Bond Amount: $15,000  
Effective Date: 01/01/2016

**Bond of Qualifying Individual**

The qualifying individual RICHARD WAYNE STRAUS certified that he/she owns 10 percent or more of the voting stock/membership interest of this company; therefore, the Bond of Qualifying Individual is not required.  
Effective Date: 05/06/2002

### Workers' Compensation

This license has workers compensation insurance with the **TRAVELERS PROPERTY CASUALTY COMPANY OF AMERICA**.  
Policy Number: UB7K425315  
Effective Date: 07/01/2019  
Expire Date: 07/01/2020

### Other

- Personnel listed on this license (current or disassociated) are listed on other licenses.
<table>
<thead>
<tr>
<th>Registration Number</th>
<th>Legal Entity Name</th>
<th>Registration Start Date</th>
<th>Registration Expiration Date</th>
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<td></td>
<td></td>
<td></td>
<td>310 A KENNEDY DRIVE CAPITOLA United States of America 95010</td>
</tr>
</tbody>
</table>

DBA Name: Parking/Highway/Improvement
### Contractors Bonding and Insurance Company

**AMB #: 002719  NAIC #: 37206  FEIN #: 911082952**

**Domiciliary Address**  
9025 North Lindbergh Drive  
Peoria, Illinois 61615  
United States

**Web:** www.ricorp.com  
**Phone:** 309-692-1000  
**Fax:** 309-689-8676

**AM Best Rating Unit:** AMB #: 003883 - RLI Group

Assigned to insurance companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.

View additional news, reports and products for this company.

Based on AM Best’s analysis, 058480 - RLI Corp. is the AMB Ultimate Parent and identifies the topmost entity of the corporate structure. View a list of operating insurance entities in this structure.

#### Best's Credit Ratings

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<th>Financial Strength Rating</th>
<th>View Definition</th>
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<tr>
<td>Rating:</td>
<td>A+ (Superior)</td>
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<tr>
<td>Affiliation Code:</td>
<td>g (Group)</td>
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<td>Financial Size:</td>
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<td>Category:</td>
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<td>Outlook:</td>
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<td>Action:</td>
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<td>Effective Date:</td>
<td>November 07, 2019</td>
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<tr>
<td>Initial Rating Date:</td>
<td>June 30, 1985</td>
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**Best’s Credit Rating Analyst**

Rating Office: A.M. Best Rating Services, Inc.  
Associate Director : Edin Imsirovic  
Director: Jacalene Lentz, CPA

**Note:** See the Disclosure information Form or Press Release below for the office and analyst at the time of the rating event.

#### Disclosure Information

- Disclosure Information Form  
- View AM Best's Rating Disclosure Form  
- Press Release
<table>
<thead>
<tr>
<th>Rating History</th>
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</thead>
<tbody>
<tr>
<td>AM Best has provided ratings &amp; analysis on this company since 1985.</td>
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### Financial Strength Rating

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<td>10/25/2018</td>
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<td>A+</td>
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<tr>
<td>6/4/2015</td>
<td>A+</td>
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### Long-Term Issuer Credit Rating

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<th>Rating</th>
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<tbody>
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<td>10/25/2018</td>
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<td>9/29/2017</td>
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<td>aa</td>
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### Best's Credit & Financial Reports

- **Best's Credit Report**: financial data included in Best's Credit Report reflects the data used in determining the current credit rating(s) for AM Best Rating Unit: AMB #: 003883 - RLI Group.
- **Best's Credit Report - Archive**: reports which were released prior to the current Best's Credit Report.
- **Best's Financial Report**: financial data included in Best's Financial Report reflects the most current data available to AM Best, including updated financial exhibits and additional company information, and is available to subscribers of Best's Insurance Reports.

View additional news, reports and products for this company.
COMPANY PROFILE

Company Information

CONTRACTORS BONDING AND INSURANCE COMPANY
9025 N. LINDBERGH DRIVE
PEORIA, IL 61615

Old Company Names

CONTRACTORS BONDING AND INSURANCE COMPANY DBA CBIC
BONDING AND INSURANCE COMPANY 12/31/1992

Agent For Service

LISA SIRMAN
801 S Figueroa Street, Suite 900
Los Angeles CA 90017-2527

Reference Information

NAIC #: 37206
California Company ID #: 3000-7
Date Authorized in California: 05/31/1985
License Status: UNLIMITED-NORMAL
Company Type: Property & Casualty
State of Domicile: ILLINOIS

Lines Of Business

The company is authorized to transact business within these lines of insurance. For an explanation of any of these terms, please refer to the glossary.

AUTOMOBILE
BOILER AND MACHINERY
BURGLARY
FIRE
LEGAL INSURANCE
LIABILITY
MARINE
MISCELLANEOUS
PLATE GLASS
SPRINKLER
SURETY
List of Certified Companies

Download the complete listing of Certified Companies PDF, or browse the list below.

Also, see Supplemental Changes to Circular 570

Last updated January 27, 2020

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

A

Updated July 1, 2019

ACCREDITED SURETY AND CASUALTY COMPANY, INC.

(NAIC #26379)

BUSINESS ADDRESS: PO Box 140855, Orlando, FL 32814.

PHONE: (407) 629-2131.

UNDERWRITING LIMITATION b/: $6,684,000.

SURETY LICENSES c,f/: AL, AK, AZ, AR, CA, CO, CT, DE, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY.

INCORPORATED IN: Florida.

ACE American Insurance Company

(NAIC #22667)
Continental Insurance Company (The)  
(NAIC #35289)  
BUSINESS ADDRESS: 151 N Franklin St., CHICAGO, IL 60606.  
PHONE: (312) 822-5000.  
UNDERWRITING LIMITATION b/: $160,006,000.  
SURETY LICENSES c,f/: AL, AK, AZ, AR, CA, CO, CT, DE, DC, FL, GA, GU, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MP, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VT, VA, WI, WA, WV, WI, WY.  
INCORPORATED IN: Pennsylvania.

CONTRACTORS BONDING AND INSURANCE COMPANY  
(NAIC #37206)  
BUSINESS ADDRESS: 9025 N. Lindbergh Drive, Peoria, IL 61615.  
PHONE: (309) 692-1000.  
UNDERWRITING LIMITATION b/: $11,413,000.  
SURETY LICENSES c,f/: AL, AK, AZ, AR, CA, CO, CT, DE, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY.  
INCORPORATED IN: Illinois.

Cooperativa de Seguros Multiples de Puerto Rico  
(NAIC #18163)  
BUSINESS ADDRESS: PO BOX 363846, SAN JUAN, PR 00936 - 3846.  
PHONE: (787) 622-3575 x-2512.  
UNDERWRITING LIMITATION b/: $12,545,000.  
SURETY LICENSES c,f/: PR.  
INCORPORATED IN: Puerto Rico.

CorePointe Insurance Company  
(NAIC #10499)  
BUSINESS ADDRESS: PO Box 812319, Boca Raton, FL 33481.
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<thead>
<tr>
<th>Bid Item</th>
<th>Description</th>
<th>Est. Quantity</th>
<th>Unit Price</th>
<th>Item Total</th>
<th>Unit Price</th>
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<th>Item Total</th>
<th>Unit Price</th>
<th>Item Total</th>
<th>Unit Price</th>
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<tbody>
<tr>
<td>1</td>
<td>Replace 1&quot; Polybutylene service lines with HDPE SDR-9 service lines per SqCWD Standard Detail S-3</td>
<td>42</td>
<td>EA</td>
<td>$1,980.00</td>
<td>$83,160.00</td>
<td>$2,620.00</td>
<td>$110,040.00</td>
<td>$2,642.00</td>
<td>$110,964.00</td>
<td>$3,200.00</td>
<td>$134,400.00</td>
<td>$2,850.00</td>
</tr>
<tr>
<td>2</td>
<td>AC Pavement Removal, Compact Existing Base, and Repave Longitudinal Trench ~48-inches wide X 4-inches deep per SCCPW Standard EP-1</td>
<td>2,500</td>
<td>LFT</td>
<td>$28.20</td>
<td>$70,500.00</td>
<td>$32.00</td>
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<tr>
<td>3</td>
<td>AC Pavement Removal, Compact Existing Base, and Repave Cross Trenches ~20-ft X 8-ft wide X 4-inches deep per SCCPW Standard EP-2</td>
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<td>4</td>
<td>AC Pavement Removal, Compact Existing Base, and Repave Longitudinal &amp; Cross Trench Spot Patching per SCCPW Standard EP-1</td>
<td>500</td>
<td>SQ-FT</td>
<td>$9.70</td>
<td>$4,850.00</td>
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<tr>
<td>5</td>
<td>Reset water valve / blow-off box per SqCWD Standard Detail S-6</td>
<td>18</td>
<td>EA</td>
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**BID TOTALS:** $174,010.00 $236,040.00 $261,115.00 $274,000.00 $286,300.00 $312,020.00

**APPARENT LOW BIDDER:** Earthworks Paving Contractors, Inc.

**BID AMOUNT:** $236,040.00
Overlay option, see Earthworks bid sheet for details.
$168,800.00 for 84,500 SF
$108,000 for all trench patching
$60,800 difference.

## Base Bid

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Estimated Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Replace 1&quot; Polybutylene service lines with HDPE SDR-9 service lines per SqCWD Standard Detail S-3</td>
<td>42</td>
<td>EA</td>
<td>2,620.00</td>
<td>110,040.00</td>
</tr>
<tr>
<td>2</td>
<td>AC Pavement Removal, Compact Existing Base, and Repave Longitudinal Trench ~48-inches wide X 4-inches deep per SCCPW Standard EP-1</td>
<td>2,500</td>
<td>LFT</td>
<td>32.00</td>
<td>80,000.00</td>
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<tr>
<td>3</td>
<td>AC Pavement Removal, Compact Existing Base, and Repave Cross Trenches ~20-ft X 8-ft wide X 4-inches deep per SCCPW Standard EP-2</td>
<td>8</td>
<td>EA</td>
<td>1,000.00</td>
<td>16,000.00</td>
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<td>4</td>
<td>AC Pavement Removal, Compact Existing Base, and Repave Longitudinal &amp; Cross Trench Spot Patching per SCCPW Standard EP-1</td>
<td>500</td>
<td>SQ-FT</td>
<td>24.00</td>
<td>12,000.00</td>
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<tr>
<td>5</td>
<td>Reset water valve / blow-off box per SqCWD Standard Detail S-6</td>
<td>18</td>
<td>EA</td>
<td>1,000.00</td>
<td>18,000.00</td>
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$296,840.00 w/Overlay vs $236,040.00 for trench patch.
Difference = $60,800

Two hundred thirty-six and forty dollars

(amt in words)

Soquel Creek Water District
Alta Drive Trench Paving Repair Project

February 2020

00310-1

BID SCHEDULE
Earthworks Paving Contractors, Inc.

CA807689A
310A Kennedy Drive
Capitola CA 95010

Name / Address
Soquel Creek Water District
5180 Soquel Drive
Soquel CA 95073

Ship To
Alta Drive Overlay

---

<table>
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<tr>
<th>Description</th>
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<tr>
<td>OVERLAY ROADWAY 84,500 SF</td>
<td>168,800.00</td>
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<td>Clean and tack existing roadway.</td>
<td></td>
</tr>
<tr>
<td>Place 2&quot; of 1/2&quot; asphaltic concrete compacting 1056 tons feathering edges.</td>
<td></td>
</tr>
<tr>
<td>Raise G5 boxes to grade.</td>
<td></td>
</tr>
<tr>
<td>Restripe as existing and reinstall blue reflectors.</td>
<td></td>
</tr>
</tbody>
</table>

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Exclusions & Clarifications:
1. Costs based on current material pricing and is subject to adjustment.
2. Handling of unsuitable or hazardous material (including soils of over-optimum moisture content)
3. Not responsible for final drainage pattern of slopes less than 1.5%.
4. Deposits & progress payments at Earthworks discretion.
5. Excludes permits, fee & inspections unless otherwise specified.

---

Total

$168,800.00

Ric Straus, President

Accepted By:

831-475-1223  Office@earthworkspaving.us  www.earthworkspaving.us
**ATTACHMENT 3 - CONSENT AGENDA ITEM 4.7**

**ALTA DRIVE**

42 WATER SERVICE LINES TO BE REPLACED.
11,800 (+/-) SQ-FT. OF TRENCH PAVING REPAIR
RESET 18 VALVE COVER BOXES

**ALTERNATE BID:**
42 WATER SERVICE LINES TO BE REPLACED.
1.2-INCH MIN. LEVELING ASPHALT Overlay FROM
LA SELVA DR. TO 173 ALTA DR. ~ 84,500 SQ-FT
RAISE & RESET 18 VALVE BOX COVERS

---

**Vicinity Map**

![Vicinity Map](image)

**Not to Scale**

---

**Water Works Notes:**

1. All work performed shall be in accordance with the Engineer's specifications and procedures. The Contractor shall provide a copy of the最新的 WORK is subject to change without notice. The Contractor shall perform all work to the satisfaction of the Engineer. All work shall be completed in a timely manner and in accordance with the Engineer's specifications. All work shall be performed in a professional manner and in accordance with all applicable laws and regulations. The Contractor shall be responsible for ensuring that all work is completed in a timely manner and in accordance with the Engineer's specifications. The Contractor shall be responsible for ensuring that all work is completed in a professional manner and in accordance with all applicable laws and regulations.

2. The Contractor shall provide a copy of the最新的WORK is subject to change without notice. The Contractor shall perform all work to the satisfaction of the Engineer. All work shall be completed in a timely manner and in accordance with the Engineer's specifications. All work shall be performed in a professional manner and in accordance with all applicable laws and regulations. The Contractor shall be responsible for ensuring that all work is completed in a timely manner and in accordance with the Engineer's specifications. The Contractor shall be responsible for ensuring that all work is completed in a professional manner and in accordance with all applicable laws and regulations.

---

**Key Map**

![Key Map](image)

**Scale 1" = 500'**

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<table>
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<th>Sheet</th>
<th>Key Map</th>
</tr>
</thead>
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<td>Alta Drive Trench Paving Repair</td>
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<tr>
<td>9-2</td>
<td>Alta Drive Trench Paving Repair</td>
</tr>
<tr>
<td>9-3</td>
<td>Alta Drive Trench Paving Repair</td>
</tr>
<tr>
<td>9-4</td>
<td>Alta Drive Trench Paving Repair</td>
</tr>
</tbody>
</table>
ATTACHMENT 3 - CONSENT AGENDA ITEM 4.7

REMOVE ASPHALT 48" WIDE X 500 LF X 4 INCHES IN TWO LOCATIONS FROM CENTER OF FAILED TRENCH NEAR 5, 7, 11-17 ALTA DR. COMPACT AND RE-PAVE PER SANTA CRUZ COUNTY STANDARD DETAIL EP-1 (TYPICAL OF ENTIRE PROJECT). PLACE IN 2 INCH LIFTS.
RESET VALVE BOXES PER SCWD STANDARD DETAIL 5-6 (TYPICAL OF 18).

LONGITUDINAL & CROSS TRENCH SPOT PATCHING. REMOVE 4 INCH DEEP ASPHALT FROM FAILED TRENCH PER ENGINEER'S DIRECTION. COMPACT AND RE-PAVE PER SANTA CRUZ COUNTY STANDARD DETAIL EP-1 or EP-2. RESET VALVE BOXES PER SCWD STANDARD DETAIL 5-6 (TYPICAL OF 18).

REMOVE ASPHALT 8-FT WIDE X ~20-FT LF X 4 INCHES FROM FAILED CROSS TRENCH PER ENGINEER'S DIRECTION. COMPACT AND RE-PAVE PER SANTA CRUZ COUNTY STANDARD DETAIL EP-2 CROSS TRENCH DETAIL. PLACE IN 2 INCH LIFTS. (TYPICAL OF 8).
REMOVE ASPHALT 48" WIDE X 2,050 LF X 4 INCHES FROM CENTER OF FAILED TRENCH FROM 173 ALTA DR TO DEE SHELTON DR. COMPACT AND RE-PAVE PER SANTA CRUZ COUNTY STANDARD DETAIL EP-1 (TYPICAL OF ENTIRE PROJECT). PLACE IN 2 INCH LIFTS.
RESET VALVE BOXES PER SCWD STANDARD DETAIL 5-6 (TYPICAL OF 8).

REMOVE ASPHALT 8-FT WIDE X 20-FT LF X 4 INCHES FROM FAILED CROSS TRENCH PER ENGINEER'S DIRECTION. COMPACT AND RE-PAVE PER SANTA CRUZ COUNTY STANDARD DETAIL EP-2 CROSS TRENCH DETAIL. PLACE IN 2 INCH LIFTS. (TYPICAL OF 8).
REMOVE ASPHALT 8'-FT WIDE X ~20'-FT LF X 4 INCHES FROM FAILED CROSS TRENCH PER ENGINEER'S DIRECTION. COMPACT AND RE-PAVE PER SANTA CRUZ COUNTY STANDARD DETAIL EP-2 CROSS TRENCH DETAIL. PLACE IN 2 INCH LIFTS. (TYPICAL OF 8).

REMOVE ASPHALT 48" WIDE X 2,050 LF X 4 INCHES FROM CENTER OF FAILED TRENCH FROM 173 ALTA DR TO DEE SHELDON DR. COMPACT AND RE-PAVE PER SANTA CRUZ COUNTY STANDARD DETAIL EP-1 (TYPICAL OF ENTIRE PROJECT). PLACE IN 2 INCH LIFTS. RESET VALVE BOXES PER SCDW STANDARD DETAIL S-6 (TYPICAL OF 18).
County of Santa Cruz

DEPARTMENT OF PUBLIC WORKS
701 OCEAN STREET, ROOM 410, SANTA CRUZ, CA 95060-4070
(831) 454-2160 FAX (831) 454-2365 TDD (831) 454-2123

ATTACHMENT 4 - CONSENT AGENDA ITEM 4.7

MATT MACHADO
DEPUTY CAO
DIRECTOR OF PUBLIC WORKS

Error in date s/b 2020
January 21, 2010

SOQUEL CREEK WATER DISTRICT
ATTN: Mike Wilson
5180 Soquel Drive
Soquel, CA 95073

SUBJECT: SPECIAL CONDITION TO MAINTENANCE AGREEMENT ON ALTA DRIVE

Dear Mr. Wilson:

As a condition of operating within the County Right of Way, Soquel Creek Water District is subject to a Pavement Life Performance Warranty in which the Water District is responsible for maintenance of the pavement within the district's trench influence area.

In 2019 the County notified the District that pavement repairs were required along the District's trench alignment on Alta Drive in Aptos between the limits of La Selva Drive and 173 Alta Drive. Such repairs would require excavation along the trench alignment and replacement of the asphalt roadway. Upon evaluating this section of roadway, the County believes that the roadway pavement would be better served with an overlay in lieu of trench excavation and restoration. The County approached the District with this concept and the District indicated an interest in this option, the purpose of this letter is to outline the conditions of this option for the District's consideration.

In this option, in place of trench excavation and replacement, the District would instead apply a leveling asphalt overlay to the subject section of roadway, the following are the general requirements of this overlay: The overlay shall consist of a ½” Maximum-Medium Gradation asphalt, and shall have a minimum thickness of 0.1’ (1.2”) in all locations. The asphalt shall be applied with a screed paving machine and shall be applied such that the pavement mat has a consistent grade on either side of crown if the road is crowned, or at a consistent grade across the road if the road is sloped entirely to one side. Edges of the overlay may be feathered as needed to conform to existing driveways or constraints along the edge of roadway pavement. The County would assist in furnishing any specifications needed by the District for this work item.

Upon completion of this overlay, Public Works would assume responsibility of any pavement maintenance work in the section of road which received the overlay which may be necessary due
result of wear or roadway deterioration, this shall include any pavement deterioration due to normal trench settlement. Should the District excavate into this section of road at a future date for work on their facilities, or should repair work be required for pavement failure due to failure of water lines, responsibility for pavement maintenance in any affected areas would return to the District. Grade adjustment of utility lids due to resurfacing work performed by the County would remain the responsibility of the District and would not be affected by this agreement.

If the District is interested in pursuing this option, please coordinate with our Encroachments section in the planning of your repair work.

Yours truly,

MATT MACHADO
Deputy CAO
Director of Public Works

By:  

Casey Carlson
Civil Engineer

CRC: dm

Copy to:  Travis Rieber, Encroachment Inspector
Road Superintendent

Alta Drive 1-10-20.doc
PRELIMINARY ENVIRONMENTAL ASSESSMENT

SOQUEL CREEK WATER DISTRICT
5180 Soquel Drive
Soquel, CA 95073

Name of Project: Alta Drive Trench Repair Project

Location: Alta Drive, La Selva Beach

Entity or Person Undertaking Project: Soquel Creek Water District

Staff Determination:
District staff, having undertaken and completed a preliminary review of this project in accordance with the District’s resolution 13-14 adopting CEQA Guidelines pursuant to California Code of Regulations, Title 14, 15022(d), has concluded that this project does not require further environmental assessment because:

1. _____ The proposed action does not constitute a project within the meaning of Section 28.

2. _____ The project is a Ministerial Project under Section 7.

3. _____ The project is an Emergency Project under Section 32.

4. _____ The project constitutes a Feasibility or Planning Study under Section 33.

5. X The project is Categorically Exempt under Article 19. **Categorical Exemptions**, Section 15302, Class 2(c). The project does not meet any of the exceptions for taking a categorical exemption, as defined under Section 15300.2. Specifically, the project would not: (1) result in damage to scenic resources; (2) cause a substantial adverse effect to special-status species; (3) be located on a hazardous waste site under Section 65962.5 of the Government Code; (4) cause a substantial adverse change in the significance of a historical resource; (5) cause a significant cumulative impact; or (6) have the potential to result in any other significant environmental impacts.

6. _____ The project involved another public agency which constitutes the Lead Agency.

Name of Lead Agency: Soquel Creek Water District

06-02-20
Date

Taj Dufour, Engineering Manager/Chief Engineer
Notice of Exemption

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

From: (Public Agency): Soquel Creek Water District
5180 Soquel Creek Water District
Soquel, CA 95073

County Clerk
County of: Santa Cruz

Project Title: Alta Drive Trench Repair Project, CWO 20-0121
Project Applicant: Soquel Creek Water District
Project Location - Specific: All of Alta Drive
Project Location - City: La Selva Beach
Project Location - County: Santa Cruz

Description of Nature, Purpose and Beneficiaries of Project:
Replacing 42 water service laterals and repaving the roadway. Project will serve and benefit Soquel Creek Water District customers.

Name of Public Agency Approving Project: Soquel Creek Water District
Name of Person or Agency Carrying Out Project: Taj Dufour, Engineering Manager

Exempt Status: (check one):

☐ Ministerial (Sec. 21080(b)(1); 15268);
☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));
☐ Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
☒ Categorical Exemption. State type and section number: Section15302, Replacement or Reconstruction, Class 2, (C) Replacement or reconstruction of existing utility systems and/or facilities involving negligible or no expansion of capacity.
☐ Statutory Exemptions. State code number: _______________________________

Reasons why project is exempt:
The Alta Drive Trench Repair Project qualifies as a class 2 project replacing aging infrastructure. The Project is located in an area that is not environmentally sensitive.

Lead Agency Contact Person: Taj Dufour Area Code/Telephone/Extension: 831-475-8501 ext 123

If filed by applicant:
1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? ☒Yes ☐ No

Signature: ___________________________ Date: 06-02-20 Title: Engineering Manager

☒ Signed by Lead Agency ☐ Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code. Date Received for filing at OPR: ____________
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Revised 2011
ORAL AND WRITTEN COMMUNICATIONS

PUBLIC COMMENT
Public members are encouraged to provide thoughtful oral comments during Board Meetings. Those wishing to provide public comment should come to the podium and be recognized by the Board President. The maximum time set aside for public comment will be set at 15 minutes unless extended by the Board President. Speakers must address the entire Board and will not be permitted to engage in dialogue with Board Members (or other members of the public), while making their public comment. To encourage the efficient use of time, speakers are encouraged not to be repetitive, and simply to acknowledge support of positions already stated.

Public members may address the Board while adhering to the following procedures:

- **Consent/Regular Agenda**
  Public members may address the Board on a specific agenda item during the District's consideration of it. Public members may provide comment for up to two (2) minutes per item, or the length of time established by the Board President. Individuals may speak only once per item.

- **Oral Communications – Item 5.0 (Items not on the Agenda)**
  Oral Communications provides the opportunity for public members to speak on any item of interest (for items not on the Agenda), within the jurisdiction of the District. Public members may provide comment for up to three (3) minutes, or the length of time established by the Board President. Individuals may speak only once during Oral Communications. The Board may not take action on Oral Communications but may direct that the issue discussed be agendized for a future meeting.

Organized groups wishing to make a presentation are asked to contact the Board Clerk prior to the Board Meeting.

WRITTEN COMMUNICATIONS
All written communications provided to the Board will be made available to the public at the District office and website.

**Written communications** to the Board can be submitted via email, regular mail and/or delivered to the District Office:
- Email: bod@soquelcreekwater.org
- Mail: Board of Directors, P.O. Box 1550, Capitola, CA 95010
- District Office: Board of Directors, 5180 Soquel Drive, Soquel, CA 95073

**Deadlines for Submittal:**
- Written correspondence received by **4:00 pm**, on the Wednesday prior to a regular Board Meeting, will be distributed to the Board and made available on the District’s website at the time the Agenda is posted.
- Written correspondence received **after 4:00 pm**, on the Wednesday prior to a regular Board Meeting, will be distributed to the Board and made available on the District’s website at the earliest opportunity. Please note that written correspondence received after **9:00 am** on the Monday immediately preceding a Board Meeting may not have time to reach Board members, nor be read by them prior to consideration of an item.
- Written correspondence received at the Board Meeting will be distributed to the Board and made available on the District’s website at the earliest opportunity.

Please note that all correspondence addressed to the Board becomes a public record. Please do not include any private information in your correspondence that you do not want made available to the public.
MEMO TO THE BOARD OF DIRECTORS

Subject: Agenda Item No. 7.2
Title: Draft 2020/21 Budget

Attachment(s):
1. Draft 2020/21 Budget

The Draft Budget was presented and reviewed by the Board at the Regular Board Meeting on May 5, 2020. As mentioned in the memo at the May 5th Board Meeting, the total projects funded from the Capital Facilities Reserve (CFR) has been updated to include two Variable Frequency Drive (VFD) projects that were expected to be funded from the CFR in 2019/20. Those projects have instead been rolled over for funding in 2020/21. This will bring the total funding from the CFR in FY2020/21 to $880,000 rather than the $740,000 shown in the previously presented budget worksheets.

The format of the Draft 2020/21 Budget reflects the criteria of the Government Finance Officers Association (GFOA) best practices for budget presentation and incorporates feedback received on last year’s budget from the GFOA award program reviewers. This format also aligns the Budget document with the District’s Strategic Plan and develops the framework for comprehensive, long-term strategic initiatives.

Staff intends to submit the 2020/21 Budget to the GFOA for the Distinguished Budget Presentation Award again this year. The performance metrics (pages 40-43 of the budget document) will be updated with current metrics at the end of the 2019/20 fiscal year, prior to GFOA submission. Additional metrics from other departments will be added. Likewise, the easy navigation feature will be added after the budget has been finalized.

POSSIBLE BOARD ACTION(S)

1. By MOTION, direct staff to make further revisions to the Draft 2020/21 Budget as needed and bring back the Draft 2020/21 Budget for final adoption at the June 16, 2020, meeting; or

2. By MOTION, incorporate any minor designated modifications and adopt the Draft 2020/21 Budget as final; or

3. Take no action.

By___________________________________
Ryan Kinney
Supervising Accountant

By___________________________________
Leslie Strohm
Financial and Business Services Manager
Soquel Creek Water District

Operating and Capital Improvement Budget
Fiscal Year 2020/21

Cover photography courtesy of Diane Holmes
How to Navigate this Budget Document

**Bookmarks**
This document has bookmarks that take you directly to the document subsections.

**Table of Contents**
Click on any line in the Table of Contents to navigate directly to that page.

**Quick Return Link**
Click on the upper right hand corner of any page to return directly to the Table of Contents.
The Soquel Creek Water District has been awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association of the United States and Canada (GFOA) for the 2018/19 Budget. This award represents a commitment by the District’s governing body and staff to meet the highest principles of governmental budgeting and to develop a budget document that serves as a policy document, a financial plan, an operations guide, and a tool for effective communications. At the time of this submission the 2019/20 Budget was still under review.
Contact Us

Office Address:
Soquel Creek Water District
5180 Soquel Drive
Soquel, CA 95073

Mailing Address:
Soquel Creek Water District
P.O. Box 1550
Capitola, CA 95010

Office Hours:
8am - 5pm Monday - Friday

Ph  831.475.8500
Fax  831.475.4291

Website:
www.soquelcreekwater.org

Email:
custserv@soquelcreekwater.org

<table>
<thead>
<tr>
<th>BOARD MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bruce Daniels, President</td>
</tr>
<tr>
<td><a href="mailto:BruceD@soquelcreekwater.org">BruceD@soquelcreekwater.org</a></td>
</tr>
<tr>
<td>Rachèl Lather, Vice-President</td>
</tr>
<tr>
<td><a href="mailto:RachelL@soquelcreekwater.org">RachelL@soquelcreekwater.org</a></td>
</tr>
<tr>
<td>Bruce Jaffe</td>
</tr>
<tr>
<td><a href="mailto:BruceJ@soquelcreekwater.org">BruceJ@soquelcreekwater.org</a></td>
</tr>
<tr>
<td>Carla Christensen</td>
</tr>
<tr>
<td><a href="mailto:CarlaC@soquelcreekwater.org">CarlaC@soquelcreekwater.org</a></td>
</tr>
<tr>
<td>Tom LaHue</td>
</tr>
<tr>
<td><a href="mailto:TomL@soquelcreekwater.org">TomL@soquelcreekwater.org</a></td>
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<tr>
<th>GENERAL MANAGER</th>
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<tbody>
<tr>
<td>Ron Duncan</td>
</tr>
<tr>
<td>831.475.8500</td>
</tr>
<tr>
<td><a href="mailto:rond@soquelcreekwater.org">rond@soquelcreekwater.org</a></td>
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<th>ENGINEERING MANAGER</th>
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<tbody>
<tr>
<td>Taj Dufour</td>
</tr>
<tr>
<td>831.475.8501 ext 123</td>
</tr>
<tr>
<td><a href="mailto:tajd@soquelcreekwater.org">tajd@soquelcreekwater.org</a></td>
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</thead>
<tbody>
<tr>
<td>Christine Mead</td>
</tr>
<tr>
<td>831.475.8501 ext 129</td>
</tr>
<tr>
<td><a href="mailto:christinem@soquelcreekwater.org">christinem@soquelcreekwater.org</a></td>
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<tr>
<th>CONSERVATION &amp; CUSTOMER SERVICE FIELD MANAGER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shelley Flock</td>
</tr>
<tr>
<td>831.475.8501 ext 156</td>
</tr>
<tr>
<td><a href="mailto:shelleyf@soquelcreekwater.org">shelleyf@soquelcreekwater.org</a></td>
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</thead>
<tbody>
<tr>
<td>Melanie Schumacher</td>
</tr>
<tr>
<td>831.475.8501 ext 153</td>
</tr>
<tr>
<td><a href="mailto:melanies@soquelcreekwater.org">melanies@soquelcreekwater.org</a></td>
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<th>FINANCE &amp; BUSINESS SERVICES MANAGER</th>
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<tr>
<td>Leslie Strohm</td>
</tr>
<tr>
<td>831.475.8501 ext 132</td>
</tr>
<tr>
<td><a href="mailto:leslies@soquelcreekwater.org">leslies@soquelcreekwater.org</a></td>
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<tbody>
<tr>
<td>Traci Hart</td>
</tr>
<tr>
<td>831.475.8501 ext 153</td>
</tr>
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<td><a href="mailto:tracih@soquelcreekwater.org">tracih@soquelcreekwater.org</a></td>
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<th>BOARD SECRETARY</th>
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<tr>
<td>Emma Olin</td>
</tr>
<tr>
<td>831.475.8501 ext 126</td>
</tr>
<tr>
<td><a href="mailto:emmao@soquelcreekwater.org">emmao@soquelcreekwater.org</a></td>
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</tbody>
</table>
What Matters to Us

OUR MISSION

We are a public agency dedicated to providing a safe, high quality, reliable, and sustainable water supply to meet our community’s present and future needs in an environmentally sensitive and economically responsible manner.

WATER RESOURCE MANAGEMENT AND SUSTAINABILITY
Implement sustainable and environmentally protective solutions to meet the water supply needs of our customers and the community.

INFRASTRUCTURE AND DELIVERY
Maintain a reliable water infrastructure and delivery of high-quality, safe water.

FISCAL RESPONSIBILITY
Ensure fiscal responsibility.

COMMUNITY ENGAGEMENT AND TRUST
Establish and foster excellent relationships and communication with our customers, key stakeholders, and the community to build trust in our agency.

CUSTOMER SERVICE
Provide exceptional customer service.

WORKFORCE AND ORGANIZATIONAL EXCELLENCE
Expand employee development, maintain workforce excellence, and support strong board governance.
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June 2, 2020

To the Board of Directors:

On behalf of our District team, I am pleased once again to present the Soquel Creek Water District’s (SqCWD) fiscal 2020/21 operating and capital improvement budget. This budget best identifies the financial resources anticipated over the next fiscal year to advance the values and vision of the District and its customers and presents the financial health of the District in a clear and concise manner to the Board of Directors and the public. 2020 marks an unusual period in budgeting and financial planning with the advent of the coronavirus (COVID-19) global pandemic and the impacts on the economy from the State of California’s shelter in place (SIP) order. The District has taken a prudent approach to budgeting that allows for some flexibility in the event economic conditions worsen.

Careful planning over the last several years has placed the District in a strong financial position despite the uncertain economic environment. Reserves have remained stable, debt coverage continues to improve, and the financial policies put in place in 2017 have provided resources to bolster infrastructure maintenance during a period where some capital improvement spending is being deferred until a supplemental supply project is completed. Prudent spending and a maintaining a stable revenue stream are key to preserving this healthy financial performance.

With the COVID-19 pandemic impacting communities around the world, Californians were directed in March 2020 to stay at home except for those whose work is considered essential, such as those in health care, food supply, and health and safety personnel. Because water is an essential service, water professionals have been working around the clock to ensure that safe, reliable water service continues to flow to area homes and businesses. During this time, District operations have continued uninterrupted. The District has taken steps to ensure worker safety, including rotating shifts in operations and maintenance and deploying those who can to work from home. In a recent study conducted for the American Water Works Association, it was projected that water agencies could see a 16.9% financial impact from COVID-19. While the full financial effect of the pandemic is not yet known, the District anticipates a smaller impact than many agencies due to customer demographics. Most of the reduction in water use is expected to come from the commercial sector, which comprises only about 11% of the District’s customer base. In fact, overall water use for March and April has risen slightly over the prior fiscal year in response to the SIP mandates. In addition, the District has only a small percentage of economically disadvantaged households. Being a coastal community, many of the District’s customers are vacation or second homes, now occupied by those who prefer to shelter in place in a coastal environment. However, unemployment rates in Santa Cruz County could reach as high as 19% by summer. Measures have been put into place to support District customers who may be struggling financially from the impacts of COVID-19. The District has suspended shut offs for delinquent accounts and is waiving late fees for those who have been impacted by the virus. Extended payment plans and short-term payment arrangements are also available. Every effort will be made to sustain revenues while ensuring District customers receive the help they need during this unprecedented health crisis.
A significant component of the District’s finance plan and strategic focus, until project completion in 2022, is the Pure Water Soquel Advanced Purified Groundwater Replenishment Project. The District has been evaluating the feasibility of the project since 2013 as one element of the Community Water Plan. For many years, groundwater levels in our area have been dropping and remain too low to protect against further seawater intrusion. The State of California has identified our groundwater basin as one of 21 basins in the state to be critically overdrafted. Pure Water Soquel (PWS) will use purified recycled water to replenish the groundwater basin and prevent seawater intrusion from moving further inland and help achieve sustainability. The project includes a tertiary treatment facility at the Santa Cruz Wastewater Treatment Plant and an Advanced Water Purification facility mid-county at the Chanticleer Avenue site that the District purchased in March 2020. The purified water will be conveyed to three seawater intrusion prevention wells, also in the mid-county area, where the purified water will infiltrate into the groundwater basin to increase protective water levels and create a barrier against seawater intrusion. The Pure Water Soquel project is expected to cost anywhere from $90 to $142 million, net of contingencies, based on early engineering estimates. The District has aggressively pursued various funding opportunities to support the project and lower costs for the rate payer. In November 2019, the District was awarded a $50 million Proposition 1 implementation grant from the State Water Resources Control Board and up to $36 million in low-interest loans from the State’s Seawater Intrusion Control (SWIC) program. At the federal level, the Environmental Protection Agency (EPA) invited the SqCWD to apply for low-interest financing through the Water Infrastructure Finance and Innovation Act (WIFIA). Efforts are underway to apply for $78 million in funding through this program. An application has also been submitted for up to $20 million in grants from the Bureau of Reclamation’s Title XVI grant. The goal is to minimize the cost to ratepayers through state and federal funding and complete construction of the project by 2022/23 to meet the State mandate of groundwater basin sustainability by 2040. PWS is the main project in the Santa Cruz Mid-County Groundwater Agency (MGA) Groundwater Sustainability Plan (GSP) to restore basin sustainability.

SqCWD revenues are comprised primarily of money collected from ratepayers for water service. The District completed a 10-year finance plan and water rate study in 2018 and held a public hearing in February 2019 to adopt a 5-year rate plan. The District relies on volumetric-based rates for the majority of annual water revenues. The remainder of water revenues are collected from the monthly service charge per metered connection. Water consumption is rebounding slowly but continues to trend lower than forecasted in the finance plan. Therefore, revenue assumptions for the 2020/21 budget were conservatively based on actual water use from the previous twelve months rather than water use predictions included in the finance plan. The District does not predict any significant consumption impacts from COVID-19 at this time.

Since the finance plan cost projections form the basis for water rates, the 2020/21 budget is closely monitored against the assumptions laid out in the finance plan. As a result of prudent cost controls, operating expenditures are 3.7% lower than projected in the finance plan. However, operating revenues are also lower than projected two years ago in the finance plan by 5.32%. Capital improvement spending is higher than projected in the finance plan, but 2020/21 project funding includes $2.7 million in rollover projects that were not able to be completed in 2019/20 as well as robust capital spending as construction on PWS gets underway. The District is expected to borrow $57.7 million through various debt mechanisms this year to fund PWS construction. Since project construction costs are likely to be higher than the mid-range assumption used in the finance plan, ending reserves are $7.97 million lower than projected in 2018. However, borrowing later means the debt coverage ratio is higher in the budget than the finance plan: 2.78 compared to 1.86.

The District’s strategic plan defines the District’s priorities and, as in previous years, guides the development of the budget. One of the cornerstones of the strategic plan is to implement sustainable and environmentally protective solutions to meet the water supply needs of our community and this is the driving force behind the PWS project. This budget message highlights some of the additional goals and priorities for the coming year and identifies their alignment with the strategic plan.
• The Community Water Plan serves as a multi-pronged approach to achieve water supply sustainability by 2040, as mandated by California’s Sustainable Groundwater Management Act. As mentioned previously, after years of evaluation and a robust community input process, the District has chosen to pursue construction of the Pure Water Soquel Advanced Purified Groundwater Replenishment Project. But we believe long-term sustainability is made more successful through diversification. Therefore, another component of the Community Water Plan that will receive funding in 2020/21 is ongoing work with the City of Santa Cruz on a surface water transfer project. The District’s current pilot agreement with the City of Santa Cruz to purchase up to 300 acre-feet (af) of water annually ends in December 2020, so only a portion of the 300 af is budgeted for purchase this year. However, it is hoped that, through further negotiation, the purchase terms of this agreement can be amended to include water purchases in future years.

• Stormwater recharge is another sustainability project included in the Community Water Plan that is receiving funding in the 2020/21 budget. The District has been partnering with the County of Santa Cruz on a 2019 Integrated Regional Water Management grant from the State of California for a stormwater recharge project at Seascape Golf Course in Aptos. The grant has been awarded, so the District will provide $60,000 in cost sharing in both 2020/21 and 2021/22 to support this project. Project design and permitting is scheduled for 2020/21, with construction slated to begin the following budget year.

• The District, along with the County of Santa Cruz, City of Santa Cruz, Central Water District and private well owners, is a partner agency of the groundwater management/sustainability entity called the Santa Cruz Mid-County Groundwater Agency (MGA). The Sustainable Groundwater Management Act (SGMA), passed by the state in 2014, requires the formation of a Groundwater Sustainability Agency (GSA) and development of a Groundwater Sustainability Plan (GSP) to achieve basin sustainability by 2040. The GSP was completed in 2019, and the District continues to support the efforts of this agency to sustainably manage the groundwater basin. The MGA was awarded a Proposition 68 Sustainable Groundwater Management Grant to support the GSP and basin management. As the reimbursement from this grant is projected to be received in 2020/21, no contribution from member agencies is necessary this budget year.

• Repair and replacement of District water mains is an ongoing priority because main breaks can cause service outages that inconvenience customers. In addition, a great deal of water can be lost while District staff respond to these unexpected, emergency breaks. Phase IV of the Soquel Drive Main Replacement project, which is a rollover from the 2019/20 budget, proposes to replace 5,100 lineal feet of 50-year-old main between Cabrillo College and State Park Drive, an area that has experienced repeated breaks in the past. Construction was delayed but is now expected to be completed in 2020/21. This project is being funded with remaining 2013 Certificate of Participation (COP) funds. Other main replacement projects that will begin the design phase in 2020/21 are the St. Andrews Drive/Wingfoot Drive/Baltusrol Drive main replacement and the Huntington Drive Transmission Line main replacement, both in Aptos.

• The District is committed to maintaining the existing water distribution infrastructure in top condition and has included funding in 2020/21 to recoat the Fairway Tank, install variable frequency drives at Rosedale and Garnet, and upgrade booster pump stations at Aquaview and Fairway.

• An Advanced Metering Infrastructure (AMI) project was initiated in late 2018/19 to upgrade the District’s existing radio read meters with new registers. The AMI system is designed to monitor the entire distribution network daily to identify leaks and notify...
customers to minimize water loss. Finding leaks earlier can mean a less expensive repair and a lower water bill for the customer. In addition, customers can receive more timely feedback on their water use and make adjustments to more effectively conserve water. While the goal was to replace 1,200 meter registers a month and have all the fixed network infrastructure in place by June 2020, COVID-19 SIP orders delayed the completion of this project. Funds totaling $580,000 have been rolled over into the 2020/21 budget to complete this project. The AMI project will ultimately be paid for through developer-paid Water Demand Offset (WDO) funds. However, funding will be temporarily borrowed from the Capital Facilities Reserve until additional WDO fees are collected to replenish what was borrowed.

- The District hopes to begin construction of a long-planned 410,000 gallon concrete water storage tank off Quail Run in Aptos. Construction of this tank will span two fiscal years and will be funded through new debt issued as part of the larger PWS funding. This project is a rollover from prior budget years and will help with water conveyance reliability and resiliency in Service Area II. If any funds are remaining from the 2013 COP debt issue after completion of the Soquel Drive Main Replacement project they will be used on the Quail Run Tank project.

- In conjunction with the AMI project, the District will be introducing a new customer water use engagement portal called WaterSmart. WaterSmart will provide customers access to their hourly, daily and monthly water consumption and enable them to set customized alerts for continuous usage that could indicate leaks. Conservation is working closely with the Finance and Billing department to roll out an integrated bill payment site so customers can access their water use information and pay their bills in one convenient location. The new payment site will include a pay-by-text feature that will enable customers to receive secure text messages containing their billing details and to conveniently make their water bill payments directly via text.

- The District will carry on work on a 1,2,3-Trichloropropane (TCP) treatment plant at the Country Club well. The State Water Resources Control Board established a new maximum contaminant level (MCL) in 2017, and the Country Club well was taken offline until a treatment option could be developed. District staff will continue efforts on a treatment plant that will enable this important drinking water well to be placed safely back in service.

- In addition to the regular and special scheduled Board meetings, the District has three standing committees comprised of community representatives, two directors, and staff. These three standing committees meet regularly and are designed to engage the public and encourage collaboration between customers and elected officials in the areas of water resources management and system infrastructure, public outreach, and finance and administration.

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- Commitment to community engagement continues in 2020/21 through conservation focused community outreach events such as student video and poster contests, water smart gardening programs, Water Wise house calls, and water efficiency audits. Some of these activities have been adapted to work remotely while the COVID-19 restrictions against face-to-face interactions are in place.
As part of the Tyler Incode 10 software system conversion for finance and utility billing that occurred in 2019, the finance department will roll out the Socrata Open Finance portal and make it available on the District’s website. This software will make it easier for the public to interact with the District’s financial information through direct access to spending details and budget performance, increasing citizen transparency. This project was expected to finish in 2019/20 but involved extra efforts to comply with American Disability Act (ADA) requirements.

Maintaining an effective information technology network is critical to District operations, especially in light of COVID-19 and the deployment of remote work scenarios. Last year, funds were committed to replacing aging servers no longer covered by warranty, and in 2020/21 the work will continue to replace and upgrade the network switches.

The District has included funds in the 2020/21 budget to replace aging mobile equipment, including the small dump truck and the valve exercise trailer.

The District continues to provide resources for staff to pursue education, training and professional development opportunities and to maintain a reputation for excellence in their respective fields.
The 2020/21 operating budget is $14.1 million, the capital improvement project (CIP) budget is $66.5 million, and non-operating expenses are budgeted at $4.8 million. Relative to the 2019/20 budget, this represents an increase in the operating budget of $1.5 million (12%) due primarily to the addition of the Fairway Tank recoat as a maintenance expense and the addition of the new AWIA Risk and Resilience project. The CIP budget is an increase of $43.7 million (192.3%) as construction of the Pure Water Soquel project gets underway, and non-operating expenses are increasing $2.9 million (150.4%) with the introduction of new debt obligations. The total use of District funds for 2020/21 is $85.4 million.

The District expects to receive $28.6 million in unrestricted operating revenue in fiscal 2020/21. This revenue is supplemented by a $740,000 drawdown of the Capital Facilities Reserve, $5.6 million in projected grant revenues, and $70.8 million in beginning reserves and debt proceeds, to provide total resources of $100.1 million to fund the fiscal 2020/21 budget. Total operating resources increased by $52.1 million over the 2019/20 budget, primarily due to the issuance of $57.7 million in new debt.
Significant Aspects of the Budget

- Staffing has increased by two Full Time Equivalents (FTE) to 47.8 FTE, however one of these two temporary Water Resource Planner positions was already approved by the Board and filled in July 2019.

- Personnel salaries increased by 6% from the 2019/20 budget, primarily as a result of scheduled salary increases under the terms of negotiated labor contracts and the changes to staffing identified above.

- Personnel benefits increased by 12.4% from the 2019/20 budget, down from an increase of 13.6% the prior year, primarily due to anticipated increases in healthcare premiums and retirement contributions.

Budgeted Staff FTE 7-year Comparison

![Budgeted Staff FTE 7-year Comparison](image)

Budgeted Use of Funds 7-year Comparison

![Budgeted Use of Funds 7-year Comparison](image)
• Overall base operating expenses have increased by 12% from the prior year budget. The largest increases are a result of preparation of the UWMP and the AWIA Risk Assessment, the addition of a biennial tank recoat at Fairway, the addition of biennial election costs, as well as increases in lab testing, tree removal, insurance, and postage costs.

• Annual projected water use, for the purpose of conservatively forecasting revenue, is 1.9% less than that projected for the 2019/20 budget. Water sales revenue based on the amount of water used is expected to increase by $449,600 (3.2%) compared to the prior year. Service charge revenue based on meter size is expected to increase $626,700 (8.2%) over the prior year.

• The budget for operating projects has increased by $497,100 (70.1%) over the 2019/20 budget. Source of supply projects have decreased as the District was not required to make a member agency contribution to the Santa Cruz Mid-County Groundwater Agency this year because of the expectation of grant funding. However, infrastructure maintenance projects, such as the Fairway Tank recoat, assessment of the Rio Del Mar and Sumner Railroad Crossing, and repair of the Ironwood Tank roof corrosion, combined with the AWIA Risk Assessment project, have increased spending on operating projects.

• The Capital Improvement Project (CIP) Budget has increased by $43.7 million (192.3%) over
the 2019/20 budget. The focus of the CIP budget is initiating construction of the treatment and conveyance components for PWS. The budget for PWS for 2020/21 is $55.2 million, with an additional $59.1 million planned for 2021/22. The finance plan proposed deferring the majority of other capital improvements until completion of PWS, but some smaller projects have been included in the 2020/21 budget. In addition, the Soquel Drive Main Replacement project and a portion of the Quail Run Tank construction have been budgeted with the funds remaining from the 2013 Certificates of Participation (COP). It is anticipated the Soquel Drive Main Replacement project will be nearly completed this year, after being deferred for several years. Completion of the bulk of the Quail Run Tank, another project that has been deferred for several years, will happen in 2021/22. Final completion of the Automated Metering Infrastructure (AMI) project is also included in the 2020/21 budget. It is projected that this project will wrap up in summer 2020. Because of its potential to save a considerable amount of water, the AMI project will be funded through Water Demand Offset (WDO) fees, with temporary funding from the Capital Facilities Reserve until the remainder of the WDO fees needed to complete the project are collected. The Capital Facilities Reserve will also be utilized to install variable frequency drives at the Rosedale and Garnet well sites, upgrade the booster pumps at the Austrian well, and upgrade the booster stations at Aquaview and Fairway tanks.

- A handful of projects have been included on the Unfunded Projects list. These projects have the potential to be moved to funded status if projects on the funded list are delayed or discontinued. The total amount in Unfunded Projects for 2020/21 is $1.8 million, and includes replacing security cameras at remote facilities, replacing an operations vehicle, beginning design work on a number of main replacement projects, upgrading the Central Water District intertie at Soquel Drive, upgrading the Cunnison Lane connection to the Fairway pressure system, and acquisition of the Aptos Creek Well property.

- The debt service coverage ratio is projected to remain stable from 2019/20 to 2020/21 at 2.78.
• Ending reserves, net of debt proceeds and restricted purpose revenue has increased $5.2 million from the prior year, primarily because of the reimbursement of $5.9 million in grant proceeds that will be used to retire interim debt. The District's Operating Contingency Reserve (OCR) Policy requires that 40% of projected operating costs be maintained in reserves to ensure continuity in the event of business disruption. Therefore, as operating costs escalate the amount required to be held in reserve increases. Conversely, as operating costs decrease the amount required to be held in reserves decreases. Because the operating budget increased from the prior year, the amount necessary for OCR also increased by $604,000 in 2020/21. The reserve target for OCR (including $2 million in rate stabilization reserves) is just under $5.7 million for 2020/21. The balance remaining in the Capital Facilities Reserve after drawing down funds for 2020/21 capital improvement spending is $2.1 million. $2.1 million has been allocated to the AMI project on a temporary basis and will be returned to the Capital Facilities Reserve as WDO funds become available.

ORGANIZATION OF THE BUDGET

This Budget Transmittal Letter provides the Board with a broad overview of the budget and strategic issues.

The Budget Overview chapter offers demographic, policy, and organizational background on the District, details on the strategic plan and long-range planning, as well as information on accounting policies and the budget process.

The Operating Budget chapter presents in-depth analysis on revenues, expenses, and performance for each District department.

The Project Budget chapter provides a detailed look at both the funded and unfunded Operating Projects and Capital Improvement Projects that are included in the fiscal 2020/21 budget, their funding sources, their impact on operations, and the value they provide to the community. A table providing details on grant awards has been included for better transparency of the specific project elements that are to be reimbursed through grant proceeds.

The last chapters include information on Non-Operating Revenues and Expenses, Reserves, and Debt Coverage. A glossary of terms has been included for easy reference. Included in the Appendix are policies and supplemental information pertinent to information presented in the 2020/21 Budget.

ACKNOWLEDGEMENTS

I would like to thank the management staff for their efforts in developing a budget that reflects the values, goals, and strategic direction of the District, and appreciation to the Board of Directors for their leadership and support of sound fiscal policies. This year marks an important step forward in securing our water future, and it would not be possible without the convergence of sound financial planning and the hard work of a talented and dedicated workforce. I am eternally grateful to the staff of Soquel Creek Water District for their energy and passion for public service. A special note of thanks goes to the Finance Department for their diligence in gathering, analyzing, and presenting the District’s financial information clearly and accurately. And perhaps most importantly, thank you to our valued customers, for whom it is an honor to serve.

Respectfully,

Ron Duncan, General Manager
About the Budget

There is a fundamental legal requirement for local government agencies in California to adopt a budget. A well-designed budget document, however, serves numerous roles. The budget has traditionally been seen as a financial planning tool, but it is also a policy document, an operational tool, and a means of communication between an agency and its stakeholders.

**Financial Plan** – A budget provides the authority to collect revenue and spend funds. Its purpose is to provide a structural balance between revenues and expenditures so that agencies maintain fiscal stability. It forecasts what revenues and reserves are anticipated to sustain operations throughout the next year, and identifies the programs and activities the agency has pledged to support. It also provides a mechanism for long-term financial planning so that government agencies can anticipate capital improvements, debt financing, investment opportunities, and revenue needs.

**Policy Document** – Budget decisions reflect the principles of an agency and link those principles to day-to-day activities. Budget funding forms a concrete link between the conceptual goals identified in strategic planning and the tangible projects that make those goals a reality. It also sets policy on the use and retention of reserves. Finally, the budget process provides a continual opportunity to reassess plans, evaluate goals, and strategize the means for achieving them.

**Operational Tool** – The budget directs the operational activities of an agency. It forms the basis for setting staffing levels, selecting projects for funding, investing in infrastructure and improvements, and making daily decisions about the purchase of supplies and services.

**Communications** – The budget is a tool for elected officials to communicate their goals and priorities to agency staff and to the community in general. It also gives agency staff the opportunity to share their priorities and challenges with various stakeholders. It provides a transparent look into agency activities, and the reason those activities are undertaken.
Budget Overview

An introductory section that contains a narrative about the District and its accounting and financial policies, budget structure, budget process, and strategic planning initiatives.
Soquel Creek Water District (SqCWD) is located in mid-Santa Cruz County, and provides potable drinking water and groundwater resource management to portions of the City of Capitola and the unincorporated communities of Aptos, La Selva Beach, Rio Del Mar, Seascape, Seacliff Beach and Soquel. SqCWD serves over 40,000 residents through approximately 14,400 connections, of which 94 percent are residential. In addition to providing residential water service, the District supplies water to area businesses supporting 18,000 jobs, 22 parks, and 18 schools. Over the years, the service area has changed from a rural agricultural and summer-resort water use area to a permanent, year-round, urbanized water use area. Santa Cruz County is also an important vacation and recreation area, having a spectacular coastline, accessible beaches, and forested mountains, all in close proximity to the San Francisco Bay Area in Northern California.

Located less than two hours south of San Francisco, the mid-Santa Cruz County area is renowned for its scenic beauty and first class surfing. The historic, picturesque community of Soquel draws tourists to its antique shops and family-owned wineries, while the City of Capitola was named as one of Sunset magazine’s best beach towns and as one of the ten best beaches in California by USA Today. Capitola Village is listed on the National Register of Historic Places as the Pacific coast’s oldest seaside resort town, and is home to the annual Capitola Rod and Custom Classic Car Show and the Capitola Art and Wine Festival. Capitola’s wharf is also the finish point for the annual six-mile Wharf to Wharf Race, widely acclaimed as “the best little road race in California”.

Further along the bay, the unincorporated area of Aptos, including the communities of Rio Del Mar, Seacliff Beach, and Seascape, hosts the annual Santa Cruz American Music Festival and the World’s Shortest Fourth of July Parade. Also located in the Aptos area is the Forest of Nisene Marks State Park, whose verdant redwood forest is popular with hikers and mountain bikers. Aptos Village features quaint wooden walkways and false-fronted shops reminiscent of the old West, and is home to the county’s oldest hotel, the historic 140-year-old Bayview Hotel. State beaches include Seacliff State Beach, which features the remains of the cement ship, the SS Palo Alto, New Brighton State Beach, and Manresa State Beach. The southernmost tip of the District’s service area is anchored by the quaint coastal community of La Selva Beach.
Soquel Creek Water District (SqCWD) is located in mid-Santa Cruz County, California, on the northern edge of Monterey Bay. We provide potable drinking water and groundwater resource management to portions of the City of Capitola and the unincorporated communities of Aptos, Soquel, La Selva Beach, Rio Del Mar, Seascape, and Seacliff Beach.
**Population**

The population within the area directly served by SqCWD’s distribution system has grown from approximately 15,920 in 1964 (SqCWD, 2005 UWMP) to approximately 40,234 in 2015. The Association of Monterey Bay Area Governments (AMBAG) estimates historical and forecasted population, housing and employment from 2010 through 2035 based on analysis of 2010 United States Census (US Census) data, California Department of Finance (DOF) data, and AMBAG’s forecast data developed with the Santa Cruz Local Agency Formation Commission (LAFCO), cities, counties, and other agencies. (Association of Monterey Bay Area Governments, June 11, 2014). AMBAG used this data to estimate historical and forecasted population, housing and employment specifically for SqCWD’s service area as shown in Table 1.1. Forecasted population growth in the SqCWD service area is expected to be fairly flat, growing less than 13% over the next twenty years. As 2020 is both a census year and an UWMP preparation year, it is expected these numbers will be updated in the 2021/22 budget.

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**Table 1.1.** SqCWD 2010-2035 Population, Housing Units and Area Employees

Source: Association of Monterey Bay Area Governments, June 2014

**Employment**

The unemployment rate for Santa Cruz County was 7.9 percent in March 2020, up one full percentage point from 6.9% in March 2019. This compares with an unadjusted employment rate of 5.3% for California and 4.4% for the nation during the same time period (State of California EDD, 2020). It is expected that the unemployment rate will be much higher for April and May as the full effects of the COVID-19 pandemic are reported. Per capita personal income (PCPI) for Santa Cruz County was $69,355 in 2018, the most recent year that data was available. Per capita personal income for Santa Cruz County was 109.1% of California PCPI, and 127.4% of national PCPI. **Table 1.2**

The top employers in the SqCWD service area are Pajaro Valley Unified School District and Cabrillo College (County of Santa Cruz CAFR, 2019). Other notable employers include City of Capitola, Seascape Beach Resort, Gayle’s Bakery and Rosticceria, and Shadowbrook Restaurant.

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**Table 1.2.** Santa Cruz County Per Capita Income

Weather

Santa Cruz County has a mild, Mediterranean climate characterized by cool, wet winters and dry summers. The close proximity to the Monterey Bay can result in coastal fog in the mornings and evenings, especially in the summer. On average, there are almost 300 sunny days per year in Santa Cruz County (www.santacruzca.org). Temperatures range from an average low of 41 degrees in January to an average high of 76 degrees in August and September. Average annual precipitation is 31.36 inches, with most of the rainfall occurring between November and April. **Figures 1.1 – 1.3** (www.city-data.com).

Housing

The median sale price of homes in Santa Cruz County metropolitan areas was $883,000 in the fourth quarter of 2019, with the minimum qualifying income to own a median priced home being $173,600. (California Association of Realtors, May 2020). The percentage of homes that were affordable to median income families was 17.3% in 2019, a 0.9% increase from the prior year. The average rent for a two bedroom house was $2,877 a month. (Santa Cruz County Assessment Project, 2019). The percentage of the population that owns a home varies by community, with Rio Del Mar, Aptos and Soquel exceeding the national average. The beachside communities of Capitola and Sealiff had home ownership levels lower than the national average. **Figure 1.4** (2010 US Census).

The City of Capitola’s housing stock is comprised of approximately 60 percent multifamily residential units, which distinguishes it from other areas in the SqCWD service area that are predominantly single family residences. Most of the housing stock is between 30 and 40 years of age (City of Capitola 2015-2023 Housing Element). Service connection growth is typically minimal, especially given the impacts of potential growth on the District’s overdrafted groundwater resources. The only significant development underway at this time is the Aptos Village Redevelopment Project, a mixed use development which includes a proposed 65,000 square feet of commercial space and 69 homes. Development of the Aptos Village Project required participation in the District’s Water Demand Offset (WDO) program, whereby the developer offset twice the amount of anticipated water use through water saving retrofits elsewhere in the District. See more on the District’s WDO program in the revenue section of the budget under Developer Fees.
In 1955 there was a historic flood in the Santa Cruz area which destroyed the Soquel Drive Bridge and caused widespread damage along Soquel Creek. In response, local citizens founded Soquel Creek County Water District in 1961 by local ballot measure to provide flood control and water conservation services. The District provided these services for the next three years until 1964, at which point the District acquired Monterey Bay Water Company and became exclusively a water purveyor. With this transition, the District’s previous flood control services were transferred to the County of Santa Cruz. In 1983, “County” was dropped from the name and the District became known simply as Soquel Creek Water District. Despite having “Soquel Creek” in its name, the District’s sole source of water supply is groundwater; literally no water is provided by Soquel Creek.

It was in 1981 that SqCWD also assumed responsibility for monitoring and managing the sustainability of the groundwater basin. This is a critical responsibility because the District relies on two groundwater aquifers in the Santa Cruz Mid-County groundwater basin to provide 100 percent of the water currently supplied to its customers. The two primary aquifers are the Purisima Aquifer Formation, which provides two-thirds of the District’s water supply for Capitola, Soquel and Aptos, and the Aromas Red Sands Aquifer, which supplies the remaining one-third of water to the Seascape, Rio Del Mar and La Selva Beach communities. While the District is the primary user of these aquifers, they are also shared with other pumpers, including the City of Santa Cruz, Central Water District, City of Watsonville, Pajaro Valley Water Management Agency, a few small water mutuals, and private well owners. Over the decades, more water has been extracted from this shared groundwater basin than has been naturally replenished by rainfall, causing a state of critical overdraft that leaves the basin vulnerable to seawater intrusion along the coastline. Seawater intrusion has been detected in coastal monitoring wells in Aptos, Seascape, La Selva Beach, and Pleasure Point. If the overdrafting of the basin continues and seawater is allowed to move further inland, it will contaminate production wells and destroy what is currently the District’s only source of water supply.

In 2016/2017, in order to gain more information about the seawater intrusion occurring along the coast, the local Groundwater Sustainability Agency (GSA), the Santa Cruz Mid-County Groundwater Agency (of which the District is a joint member), commissioned SkyTEM to conduct a helicopter survey of the groundwater/seawater interface. In order to conduct the survey,
SkyTEM flew a helicopter carrying mapping equipment offshore from La Selva Beach to Pleasure Point. The resulting data was analyzed by a Danish firm who has used this airborne technology successfully in parts of Europe. This was the first time such a survey has been conducted offshore in the United States. The study confirmed that seawater contamination is significant at the north and south ends of the District, and that seawater intrusion is very close to shore in areas of the coastline where data was not previously available.

In addition to mapping the groundwater/seawater interface, the District has developed numerous studies and comprehensive planning efforts over the years to protect its production wells from seawater intrusion and assure a sustainable water supply for its customers. Components of the District’s Integrated Resources Plan (IRP 1999 and 2006) include an innovative conservation program, efforts to drill new wells to redistribute pumping inland and away from coastal wells, enhanced water quality monitoring and treatment, and pursuit of a supplemental water supply to augment existing groundwater resources.

Another potential source of supplemental water to help alleviate seawater intrusion was explored in 2007 in collaboration with the City of Santa Cruz. The agencies evaluated the feasibility of a 2.5 million gallon per day desalination facility in Santa Cruz and further refined its planning efforts with the 2012 IRP Update. However, after seven years of evaluating, pursuing, and investing in the joint seawater desalination project, the City of Santa Cruz decided to forego continued work on the project which made it necessary for SqCWD to evaluate other supplemental water supply options.

SqCWD’s approach to updating its IRP included numerous public meetings and opportunities for community members to provide input. Thus, in 2013, the IRP evolved to be renamed the Community Water Plan. The Community Water Plan serves as the District’s action-oriented roadmap to protect the endangered groundwater resources, ensure water supply reliability and resiliency to our customers, and prepare for climate change and other future challenges. The Community Water Plan promotes water conservation and water neutral development, and evaluates new potential water supply options, with the ultimate goal of achieving State-mandated basin sustainability by 2040.

In developing the Community Water Plan with its customers, the District found that the three qualities that are most important to the community for a future water supply source are high-quality drinking water, timeliness in developing a project, and year-round reliability. Using these criteria, the District has developed a portfolio of potential supplemental supply options, including groundwater replenishment using advanced water purification, surface water transfers, deep water desalination, and stormwater capture. It appears less likely that deep water desalination will be a timely option so the focus of the 2020/21 budget is on the other three alternatives.

A Community Survey was conducted in January 2020 by FM3 Research to explore knowledge, attitudes and opinions about water-related issues facing the region and to better understand customers’ awareness and concerns about water supply and their attitudes towards the District and its supplemental supply efforts. The results show strong support for investment in infrastructure and in the Pure Water Soquel project.

Support investment in infrastructure to ensure a safe, reliable water supply

Support taking strong action now to address the issues of over-drafting and seawater contamination

Are comfortable with Pure Water Soquel
Service Area

The District’s service area encompasses seven miles of shoreline along the northeastern curve of the Monterey Bay and extends one to three miles inland into the foothills of the Santa Cruz Mountains (Figure 2.1). It is bordered on the west by the City of Santa Cruz (SCWD), while Central Water District (CWD) and the Pajaro Valley Water Management Agency (PVWMA) are to the east. The majority of the District’s service area includes the unincorporated communities of Soquel, Aptos, Rio Del Mar, Seascape, and La Selva Beach with the City of Capitola being the only incorporated area in the District.

The District’s service areas are further subdivided into four distribution system service areas. These areas are served by a system of seventeen production wells. Due to slope instability beneath the raw water transmission main, Aptos Creek Well was taken offline in October 2015. The Country Club Well was removed from service in 2017 until a treatment plant for 1,2,3-Trichloropropane (TCP) can be designed and constructed. In 2020 the Granite Way Well was drilled in Aptos Village as part of the Well Master Plan to redistribute pumping away from coastal wells. Funds have been included in the 2020/21 budget to continue treatment for ammonia at the O’Neill Ranch Well.

The District supplies water through a distribution system that includes eighteen storage tanks, over 160 miles of water mains, and approximately 14,400 service connections. The primary infrastructure replacement project included in the 2020/21 budget is the Soquel Drive Main Replacement Phase IV, which has been identified as high priority project because of repeated main breaks along those sections of water pipe between Haas Drive and Ledyard Way in Aptos. This project has spanned several fiscal years and, after some delays in 2018 and 2019, construction is now expected to begin in July 2020. Funds have also been included in the 2020/21 budget to recoat the Fairway Tank and upgrade booster pump stations at Aquaview and Fairway Tanks. Maintaining existing infrastructure is a strategic goal of the District.
Governance

Soquel Creek Water District is a special district established by the State of California. Special districts are a form of local government and are created by the community to fulfill a specific purpose. As such, the five-member Board of Directors is elected by voters who reside in the District’s service area. Terms of office are for four-years and elections are held every two years for either two or three of the five board members. Directors must be registered voters in the District at the time of election and during their term in office. The directors are responsible for policy decisions, which govern the operations of the District. Funds have been included in the budget for November 2020 election costs.

The Board of Directors typically meets the first and third Tuesday of each month. Meetings are open to everyone and comments from the public are heard at each meeting. Meetings are most often held at the Capitola City Council Chambers.

The Board of Directors currently oversee three standing committees that are tasked to review, study and discuss proposals and issues of specific concern, to advise the Board of Directors at large, and to provide feedback and direction to staff. The standing committees include Water Resources Management and Infrastructure, Public Outreach, and Finance and Administrative Services. Membership on the standing committee includes two directors, up to two representatives from the community, and related staff.

The Board also participates in regional agency meetings, including the Santa Cruz County Flood Control and Water Conservation District and the Santa Cruz Mid-County Groundwater Agency (SCMGA). The goal of the SCMGA is to manage basin resources under the mandate of the California Sustainable Groundwater Management Act, which requires a basin-wide sustainable management plan by local authorities by 2020 and achievement of basin sustainability by 2040. The District has partnered with the County of Santa Cruz, Central Water District, the City of Santa Cruz, and private well pumpers to form the Santa Cruz Mid-County Groundwater Agency (SCMGA) Joint Powers Authority (JPA).
Organizational Structure

The District consists of 47.8 full-time equivalent employees assigned to seven departments:

- Administration (includes the General Manager and Executive Secretary/Board Clerk)
- Operations and Maintenance
- Human Resources
- Conservation and Customer Service Field
- Special Projects and Communications
- Finance and Business Services
- Engineering

![Organizational Structure Diagram]
Accounting and Budget Structure

Since SqCWD operates similarly to a private business, where fees are collected in exchange for a service, generally accepted accounting principles (GAAP) require the District to account for its activities as an enterprise fund. An enterprise fund is a proprietary-type fund, which is different from a governmental-type fund wherein activities are funded primarily through taxes or other general purpose revenues. SqCWD operations are supported entirely by fees collected from customers (the District receives no revenue from taxes) in exchange for providing water service, which qualifies as a business-type activity and, therefore, requires enterprise fund accounting.

One of the characteristics of an enterprise fund is that GAAP requires the use of full accrual accounting for its activities. Consequently, the budget is based on the same accrual approach as the District’s audited financial statements. Revenues are recognized on the financial statements in the accounting period in which they are earned and expenses are recognized when incurred, even though this may be different from when the cash for those transactions may have been received or paid. The differences between the budget and the annual financial statements include the following:

- For budget purposes, debt proceeds are shown as non-operating revenue, and debt service principal payments are reported as non-operating expenses. On the financial statements debt proceeds are reflected as a liability, while payment of the debt principal is reported as a reduction of that liability.

- Depreciation expense, which is a non-cash expense, is not included in the budget but is reported on the financial statements.

- Grant proceeds and capacity charges are reported as operating revenue in the budget, but reported in the financial statements as capital contributions.

- In the budget, Water Demand Offset fees are shown as revenue in the year collected, but are reclassified to the balance sheet in the financial statements and held as a liability until spent.

SqCWD’s fiscal year begins July 1 and ends on June 30 of the following year. A balanced budget is prepared annually for the upcoming fiscal year and is required to be adopted by July 1 of each fiscal year. A balanced budget is one where current revenues are equal to or greater than current expenditures. The District includes in its definition of a balanced budget the use of reserves to augment current revenues. The rate stabilization reserve or operating contingency reserve may be utilized to balance the budget upon approval by a majority of the District Board of Directors.
Budget Components

The District’s annual budget is made up of two major components: the Operating Budget and the Project Budget, which includes both projects that are recognized in the District’s operating expense accounts (Operating Projects) as well as projects that will be capitalized and depreciated over their useful life (Capital Improvement Projects). The Operating Budget includes revenue and expenditures the District produces and incurs in the course of its daily operations providing water service to its customers. The Operating Budget also includes non-operating revenues and expenditures created through investments or debt service. The Project Budget encompasses studies that are undertaken to support operations or to determine feasibility of future capital improvement projects, maintenance projects, the acquisition or construction of major capital facilities, infrastructure improvements, and the acquisition or replacement of large equipment.

Budget Process

The creation of the District’s budget usually begins with the Operating Budget. This work typically commences in February with forecasting the projected operating revenues for the upcoming fiscal year. Forecasts operating revenue is based on anticipated water sales and predicted beginning reserves. To develop the projected operating expenditures, each District department determines their operating budget spending requirements for the upcoming fiscal year based on a review of prior year spending forecasts. Incremental changes to the prior year allocations are considered in light of revenue expectations, and the operating budget picture is developed using input from District managers and supervisors.

Once the operating revenue and expenditures have been developed, the amount of Pay-Go funds available for spending on the Project Budget can be determined. With that information available, the next stage in the development of the budget involves identifying and selecting projects for funding. Each department provides a list of proposed Operating Projects or Capital Improvement Projects (CIP) that are anticipated over the next two fiscal years. A funding mechanism is then identified and evaluated for each project. The District has funds remaining from Certificates of Participation (COP) borrowed in 2013 that are allocated to previously identified capital projects, which will rollover into the 2020/21 fiscal year. Additional debt financing is expected in 2020/21 to support the Pure Water Soquel supplemental supply project. Grant funds have also been awarded, or are expected to be awarded, for partial funding of the Pure Water Soquel project. Other sources of funding include developer fees paid for Water Capacity and Water Demand Offset Credits, both of which have restrictions on the types of projects that qualify for funding from those sources. The remaining projects will be funded through Pay-Go funding, which simply means any current revenues or reserves not already allocated to the Operating Budget.
In recent years, the budget team used a Priority-Based Budget (PBB) model in order to evaluate each project according to weighted criteria. A prioritized list of projects for Pay-Go funding was then established using the rankings developed for each project based on the weighted criteria. However, in September 2018, the District finalized an updated 10-year finance plan and established water rates designed to maintain the District’s ongoing operations as well as support construction of a multi-million dollar supplemental supply project. Since development of a finance plan, and the water rates established to support that plan, was completed so recently, it seems prudent to use the assumptions and projects identified in the finance plan to determine the projects selected for funding in 2020/21. It is expected that future budget processes will reinstate the PBB model.

While accountability is a primary component of the District’s budget process, flexibility has become increasingly important as well. Therefore, once budget funds are allocated, any remaining projects are presented to the Board for approval as unfunded projects that have the potential for funding if currently funded projects are delayed, reduced in scale, or determined during preliminary study to be infeasible. The directors have given staff the flexibility for escalating unfunded projects to funded status as long as the project is identified in the budget and any changes to project assignment are reported at the next regularly scheduled board meeting.

After the preliminary budget is formulated, the draft budget is presented to the Board of Directors at a public Board meeting to discuss budget assumptions, procedures, reserve requirements, and to evaluate project selections. The directors provide input to be incorporated into the draft budget, which is typically brought back to a regularly scheduled board meeting in May or early June. After Board review and discussion of the draft budget, it is either accepted at that Board meeting with minor revisions or the final budget document is presented to the Board of Directors for approval at the next regularly scheduled Board meeting, as long as final budget adoption occurs before the fiscal year ends on June 30.

The budget may only be amended during the course of the fiscal year by Board action. This process typically involves requests by staff to the Board for additional funding from operating contingency reserves. The Board considers the requests of staff at regularly scheduled meetings and approves or rejects the requests by motion and majority vote. In years where revenue falls significantly short of budget expectations, comprehensive mid-year revisions to the budget may become necessary.
2020/21 Budget Planning Calendar

2020/21 Budget planning calendar was disrupted due to the COVID-19 global pandemic which resulted in District staff working and meeting remotely. Some functions were performed one-on-one as time permitted.

February 12, 2020
Meeting with finance department to map budget timeline and expectations. Set up Tyler Incode 10 budget projection tool for departmental budget input.

February 18, 2020
Meeting with department managers to discuss staffing changes and workforce planning.

Feb 20-28, 2020
Meeting with department managers to walk through the use of the new budget projection tool to enter departmental operating budget requests.

March 2, 2020
Developed revenue forecast and compared to finance plan.

March 3, 2020
Met with department managers regarding revenue projections and reviewed departmental budget requests.

March 6, 2020
Meeting with IT consultant to review technology budget projections for 2020/21.

March 11, 2020
Meeting with Santa Cruz Mid-County Groundwater Agency (MGA) representative to review MGA budget projections (District contributes 70% of this budget).

March 13, 2020
Meeting with Pure Water Soquel project manager to discuss budget updates.

April 16, 2020
Meeting to prepare for budget presentation.

April 21, 2020
Meeting with department managers to review final list of operating and CIP projects for budget inclusion.

May 5, 2020
Budget Presentation / Board of Directors Input / Public Meeting.

May 6-28, 2020
Formulate draft budget.

June 2, 2020
Board of Directors meeting / Review or Adopt Draft Budget.

June 16, 2020
Board of Directors meeting / Adopt Draft Budget (if needed).

December 15, 2020
Mid-year budget revision process begins (if needed).

January 19, 2021
Review list of unfunded projects for possible escalation to funded status (if needed).
Financial Policies

The SqCWD financial policies include many of the District’s financial management practices that are used for operational and strategic decision making. These policies also allow the Board of Directors and community stakeholders to monitor how effectively the District is managing its financial responsibilities as well as providing a means for holding the District fiscally accountable. Financial policies are reviewed annually to incorporate minor changes to existing policy or major shifts in financial priorities at the discretion of the Board of Directors. Full copies of these financial policies are included in the budget appendix.
Investment Policy

The investment policy is intended to provide a guideline for the prudent investment of surplus cash, reserves, trust funds, and restricted monies and to outline a policy for maximizing the efficiency of the District’s cash management system in compliance with Section 53646 of the Government Code of California. The policy applies to all financial assets of the District as accounted for in the audited financial statements, with the exception of the proceeds remaining from the 2013 Certificates of Participation, which are authorized for investment as defined in the Trust Agreement dated July 1, 2013.

In accordance with the strategic goal of fiscal responsibility, the primary objectives of the District’s investment activities, in order of priority, are: safety of principal through the mitigation of both credit and market risk; maintenance of the liquidity necessary to meet cash flow needs; and, lastly, return on investment. The District reviews the investment policy annually and may adjust the policy as investment objectives change.

Reserve Policy

The Reserve Policy encompasses both the Operating Reserve and the Capital Facilities Reserve.

The purpose of the operating reserve policy is to ensure that the District will have sufficient funding at all times to meet annual operating costs, and supports the strategic goal of maintaining fiscal responsibility. The Operating Reserve is a combination of operating contingency reserves and rate stabilization reserves that, when combined, approximate 40% of the operating costs identified in the annual budget. Adequate reserves, along with sound financial policies, provide financial flexibility in the event of unanticipated expenditures or revenue fluctuations.

The Capital Facilities Reserve was added to the SqCWD Reserve Policy in June 2017 as part of an overall commitment to the strategic goal to maintain a reliable water infrastructure to ensure the delivery of high-quality, safe water. The Capital Facilities Reserve is funded as gains in net position are realized, and can be amended in response to internal and external changes upon approval of the Board. The funds will be allocated for the maintenance, repair or replacement of water system infrastructure, and the balance in the reserve fund will be evaluated annually as part of the budget process.
Purchasing Policy

The SqCWD purchasing policies are designed to assure that the District receives maximum value for each dollar spent, to clearly define the authority of District staff to procure supplies and services, and to establish the internal controls necessary to ensure financial transactions are properly recorded. The District revised the purchasing policy in August 2018 after input by managers and District counsel. The purpose of the revisions was to align the purchasing policy with the Office of Management and Budget’s (OMB) Uniform Guidance for federal grant recipients. In addition to OMB Uniform Guidance 2 Code of Federal Regulations (CFR), the purchasing policy was also updated to comply with California Public Contract Code (PCC) Sections 1100-9203 and Section 20100, and California Labor Code Section 1720. By adopting the tenets of these codes, the District is able to ensure all project-related procurements meet federal and state requirements for funding reimbursement and that best purchasing practices are in place to ensure all purchases are spending public funds in the most effective manner possible.

The District requires the use of purchase orders on any purchases of supplies or services over $9,000 (which is the District’s micro-purchase threshold), excluding expenditures covered by annual maintenance agreements, regulatory permits, insurance premiums, or utility payments. The General Manager has approval authority for any purchases authorized through the budget process that are less than $50,000. Any purchases in excess of $50,000 require prior approval by the Board of Directors.

The purchase of major services, other than architectural, engineering, environmental, land surveying, and construction management services over $150,000 are evaluated through submission of a Request for Qualifications (RFQ), and a review and selection committee may be appointed.

SqCWD public works projects include all work, construction, alteration, repair, maintenance, and improvement to capital assets and infrastructure. Public works projects over $150,000 require prior approval by the Board and must undergo a formal bid process. No contractors or subcontractors may be awarded a contract for a public works project unless registered with the California Department of Industrial Relations’ Public Works Contractor Registration Program.

Debt Management Policy

The Debt Management Policy ensures fiscal responsibility and establishes policies for the responsible issuance and utilization of debt. The District recognizes that debt can provide access to funds essential to support infrastructure and capital projects, but realizes that general parameters need to be established to maintain appropriate debt limits and debt coverage levels, and to protect the credit rating of the District. Adherence to a debt management policy communicates to rating agencies and the capital markets that an organization is well managed and is committed to meeting its financial obligations.

The District’s debt management policy allows the use of debt for the acquisition, refurbishment, replacement, or expansion of capital assets with a minimum useful life equivalent to the term of debt service, or for restructuring existing debt. Debt is not to be used to fund operating or routine maintenance costs.

Although debt covenants typically identify a minimum level of debt coverage, the District has identified a minimum debt coverage ratio goal of 170% (1.7).
Strategic Planning

Strategic planning involves establishing a vision for the future and a clear mission statement to provide direction. It defines what the organization stands for and what is has pledged to accomplish. In April and May of 2015, SqCWD held department meetings and a community public meeting to get initial input on what is important to our employees, ratepayers, and community members in terms of what Soquel Creek Water District should embody. In addition, a strategic planning workshop was held in May 2015 for the Board of Directors, management, interested employees, and community at-large members to update the District’s mission statement and values. At the meeting, stakeholders were able to formulate values and organizational goals which emphasize a commitment to conservation, groundwater sustainability, and a search for supplemental water supplies. The Community Water Plan was identified during the strategic planning process as a key strategy for engaging customers in long-range water supply planning efforts. A comprehensive strategic plan was developed utilizing an appreciative inquiry approach that is based on the positive principle: positive questions will lead to positive change.

The District expanded its strategic planning efforts in 2017 to include workforce resource planning. Led by the Human Resources Manager, department managers met to analyze personnel gaps and to develop long-term strategies and prioritize decisions surrounding staffing levels and allocation of resources. Work in this area has had a positive impact on the organizational structure and employee engagement. Soquel Creek Water District was recognized as one of the Bay Area’s Top Workplaces for 2019 based solely on employee feedback gathered through an anonymous, third-party survey.

In March 2018, the District became one of only 27 agencies in the nation to participate in a pilot program on Financial Sustainability hosted by the Government Finance Officers Association (GFOA). The goal is to achieve financial sustainability through leadership and a focus on long-range strategic planning based on the economic principle of common pool resource theory. Local agencies face challenges such as limited budget resources, deferred infrastructure maintenance, and increasing personnel costs that require cooperative solutions. The program maps out a framework for establishing a long-term vision, building trust, creating open communication, and encouraging cooperation through collective decision-making.
Mission

Who are we?

Soquel Creek Water District is a public agency dedicated to providing a safe, high quality, reliable, and sustainable water supply to meet our community’s present and future needs in an environmentally sensitive and economically responsible manner.
In support of this mission, a set of five core values were developed and approved by the Board in July 2015 which represent the District’s culture and address the question “What do we stand for?”. These values, and the corresponding core value questions, are designed to be applied to every Board policy decision or day-to-day business activity undertaken to determine if the decision/action is in conformance with our core values.

**Fairness, Honesty and Ethics**
- Does the decision/action treat all concerned fairly, honestly and ethically?

**Customer Service**
- Does the decision/action reflect high-quality customer service?

**Environmental Stewardship**
- Does the decision/action consider the impact to the environment and ways to protect it?

**Collaboration**
- Does the decision/action promote collaboration with others?

**Commitment and Dedication**
- Does the decision/action show commitment and dedication to support the mission of the District?
Goals

What do we aim to achieve?

There are six primary strategic organizational goals that exemplify what the District aims to achieve in its day-to-day business activities as well as its long term planning efforts. These goals form the basis for operating and capital budget priorities and decision-making and are referenced often throughout the budget process.

Water Resource Management and Sustainability

- Implement sustainable and environmentally protective solutions to meet the water supply needs of our customers and the community.

Infrastructure and Delivery

- Maintain a reliable water infrastructure and delivery of high-quality, safe water.

Community Engagement and Trust

- Establish and foster excellent relationships and communication with our customers, key stakeholders, and the community to build trust in our agency.

Fiscal Responsibility

- Ensure fiscal responsibility.

Customer Service

- Provide exceptional customer service.

Workforce and Organizational Excellence

- Expand employee development, maintain workforce excellence, and support strong board governance.
Performance

What have we achieved?

The District has recently begun collecting performance data to better align operational performance with organizational goals and values. The following measurements are preliminary and will continue to evolve as more data is added and new performance metrics are identified.

Water Resource Management and Sustainability

Customer Service

Environmental Stewardship

Number of Ultra-High Efficiency Toilet Rebates

<table>
<thead>
<tr>
<th>Year</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>232</td>
<td>455</td>
<td>323</td>
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</table>

Estimated Water Savings from Toilet Rebates (gallons per year)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
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<tbody>
<tr>
<td>453,600</td>
<td>889,600</td>
<td>631,500</td>
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</tr>
</tbody>
</table>

Square Footage of Turf Removed/Replaced

<table>
<thead>
<tr>
<th>Year</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
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<tbody>
<tr>
<td>78,325</td>
<td>60,340</td>
<td>70,361</td>
<td></td>
</tr>
</tbody>
</table>

Estimated Water Savings from Turf Replacement (gallons per year)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>470,000</td>
<td>362,000</td>
<td>422,200</td>
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</tbody>
</table>

Total Number of Rebates for Water-Conserving Fixtures and Measures

<table>
<thead>
<tr>
<th>Year</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>564</td>
<td>588</td>
<td>478</td>
<td></td>
</tr>
</tbody>
</table>

The Conservation Rebate Program has been successful in enabling customers to install water-saving fixtures in their homes and businesses. The toilet rebate program has been so successful that the number of toilets eligible for replacement has begun to decline.
The Operations and Maintenance Department works to ensure the delivery of high-quality water to District customers is not interrupted. As infrastructure ages, the time spent on repairing distribution mains and service connections can increase. Regular maintenance of the water system and replacement of older infrastructure can reduce the need for repair, but it is hard to predict where and when the next issue will occur.

The District has over 160 miles of water mains and approximately 14,400 service connections.

The performance focus is on minimizing the impact of system repairs on customers by ensuring that, despite the number of main breaks and service connection issues, water outages and boil water notices are infrequent occurrences.
Customer service metrics involve virtually every department across the organization. Building relationships and establishing trust in our community is a core value component.

The Operations and Maintenance Department, in conjunction with the Customer Service Field Crew, investigate customer water quality complaints. Ongoing maintenance and repair of the water system helps mitigate complaints and improves the customer experience.

Conservation staff offer free Water Wise visits to homes and businesses to help customers use water more efficiently and lower monthly water bills. They offer water efficiency tips, look for leaks, install water saving devices, and provide irrigation advice.

The billing team provides bill payment reminders, bill payment options, and extended payment arrangements to ensure the number of customers shut off for non-payment is kept to a minimum.
The District has committed to prefunding pension and other post-employment benefits (OPEB) to ensure adequate resources are available to meet retirement obligations as they come due. Funding status changes over time based on investment performance and staffing levels. The District invests pension benefits with the California Public Employees’ Retirement System (CalPERS) and deposits OPEB funds in a Section 115 trust with the California Employers’ Retirement Benefit Trust (CERBT).

Forecasting revenue is a key component of the budget process, and the District frequently monitors actual water use compared to budgeted water use to ensure future forecasts accurately calculate enough revenue to cover budgeted expenses.
Strategic Budget Initiatives

The tables on the following pages list the District’s 2020/21 strategic budget initiatives, both funded and unfunded, according to the values and organizational goals they support. Initiatives often support multiple values and goals simultaneously, but in the interest of clarity each program was assigned a core value and primary goal.

**Water Resource Management and Sustainability**

- Implement sustainable and environmentally protective solutions to meet the water supply needs of our customers and the community.

**Collaboration**

- Santa Cruz Mid-County Groundwater Agency
- Stormwater Recharge Coordination with County
- Pure Water Soquel (PWS) Project
- Surface Water Transfers with City of Santa Cruz
- Seawater Intrusion Prevention Wells
- Assist City of Santa Cruz with Recycled Water Study
- Obtain GSP Approval for the MGA

**Commitment and Dedication**

- 2020 Urban Water Management Plan
- Water Loss Audit Program

**Customer Service**

- Conservation Rebate Program
- WaterFluence Dedicated Irrigation Water Budget Program
- Develop New Meter Testing Program

**Environmental Stewardship**

- Stormwater Recharge at Seascape Golf Club
- Soquel Creek Monitoring and Adaptive Management Plan
- PWS Diversion of Effluent from Monterey Bay
Maintain a reliable water infrastructure and delivery of high-quality, safe water.

- **Infrastructure and Delivery**
  - Monitor and maintain a reliable water infrastructure.

- **Commitment and Dedication**
  - Project oversight and cooperation.

- **Collaboration**
  - Work with City of Santa Cruz on O&M Agreement for Tertiary Treatment Facility.

- **Customer Service**
  - Address Cross Connection Survey Recommendations.

- **Environmental Stewardship**
  - St. Andrews/Wingfoot/Baltusrol Main Replacement
  - Huntington Drive Transmission Line Replacement
  - Rio Del Mar at Sumner Main Assessment

- **Environmental Stewardship**
  - O'Neill Well and Treatment Plant Tree Mitigation

- **Soquel Drive Cast Iron Main Replacement Phase IV**
- **Quail Run Tank Project**
- **Variable Frequency Drives at Rosedale and Garnet Sites**
- **St. Andrews/Wingfoot/Baltusrol Main Replacement**
- **Huntington Drive Transmission Line Replacement**
- **Rio Del Mar at Sumner Main Assessment**
- **1,2,3-TCP Treatment Plant Permitting and Design**
- **Advanced Metering Infrastructure (AMI) Upgrade Project**
- **NO-DES Main Flushing and Recycling Program in Service Area 2**
- **Alta Drive Service Installation and Trench Paving Repair**
- **Ammonia Treatment at O'Neill Ranch Well**
- **Complete AMI Installation**
- **O'Neill Well and Treatment Plant Tree Mitigation**
- **Vaidehi Campbell Memorial Garden**
Establish and foster excellent relationships and communication with our customers, key stakeholders, and the community to build trust in our agency.

- Water Education Programs and Student Assemblies
- Standing Committees for Water Resources Management and Infrastructure, Public Outreach, and Finance and Administrative Services
- #inthisTogether Campaign
- Launch Educational Campaign on the Value of Tap Water

- Community Outreach and Engagement
- Water Wise Housecalls and Water Audits
- Public Workshops
- Water Harvest Festival
- Socrata Open Finance Portal
- Valve Insertions to Isolate Sections of Mains and Avoid Disruption of Service to Customers
- Implement Virtual Water Wise Academy

- Green Business Certification Program
- Groundwater Well Monitoring and Mitigation Program
- Plant Coastal Live Oak Trees for O’Neill Tree Mitigation
- Increase Customer Participation in Rebate Program

- CSDA Transparency Certification Program
- GFOA Distinguished Budget Presentation Award Program
- GFOA Certificate of Achievement for Excellence in Financial Reporting
- Update Guiding Principles and Strategic Plan
- AWIA Risk and Resilience Assessment
- Conduct Board Meetings that Meet Brown Act Requirements
- Prepare 1st Popular Financial Report (PAFR)
Provide exceptional customer service.

- Provide Necessary Support and Inspection for the Aptos Village Plan
- Provide Engineering Support and Inspection for New Water Services
- Review Staff Evaluation Process

- Complete Low Pressure Surveys and Prepare As-Builts Within One Month of Completion
- Continue Improvements to Website
- Implement Pay-By-Text Feature for Customers
- Improve Web-Pay Experience

- Introduce WaterSmart Customer Engagement Portal
- Provide Hourly/Daily Water Use to Dedicated Irrigation Customers

- Alta Drive Trench Pavement Repair
- Opt Out Program for AMI Meters
Ensure fiscal responsibility.

- Computer Network Switches Replacement Project
- Fairway Tank Recoat
- Repair Ironwood Tank Roof Corrosion
- La Selva Acres Appraisal
- State and Federal Grant Opportunities for PWS
- Prefunding Other Post-Employment Benefits (OPEB)
- Prefunding Pension Unfunded Liability

- Replace Aging Fleet Vehicles/Mobile Equipment
- Upgrade Austrian Booster Pumps
- Upgrade Aquaview and Fairway Booster Stations
- Mitigate Tree Risks as District Facilities

- Annual Financial Statement Audit
- Review Consultant Contracts
- RFP for IT Services
- Prepare for 2021 Labor Negotiations
- GFOA Financial Sustainability Pilot Program
- Test Large Meters In-House
- Revise Leak Adjustment Policy

Expand employee development, maintain workforce excellence, and support strong board governance.

- Employee Educational Incentive Program
- Employee Training and Professional Development
- Participation in Leadership Santa Cruz
- Board Training and Professional Development
- WISKI Water Quality Module
- Board Policy Handbook
- District Culture and Staff Engagement Survey
In order to create synergy between long-range financial planning and annual budget assumptions, SqCWD has integrated financial planning as an essential part of recent budget formulations. Traditionally, by focusing annually on just the budget process and balancing the budget one year at a time, short-term reactions are emphasized while long-term strategies are minimized. To mitigate that effect, it is essential to pair traditional budgeting with a long-range perspective and develop a strategic plan, which the District began in 2015 and plans to update in 2020. However, strategic planning typically focuses on program goals rather than financial capacity. Therefore, long-range financial planning needs to be integrated into the District strategic planning framework in order to set realistic boundaries on what the District can sustainably accomplish and to allocate resources based on agreed upon priorities.

To facilitate this integration, the District has participated in a program offered by the Government Finance Officers Association (GFOA). The Financial Sustainability framework is based on the concept that a government and all of its financial resources are commonly owned by the citizens, and the utilization of those resources requires cooperation to avoid depleting them beyond what is sustainable. Applying common pool resource thinking to the budget process moves beyond numbers and addresses decision-making behaviors, understanding that if everyone is involved in using resources, then everyone should be involved in sustaining them. The financial sustainability framework utilizes six leadership strategies to encourage sustainable thinking:

1. Convince participants that collective efforts yield benefits - establish a shared vision.
2. Build long-term horizons into financial planning.
3. Create open communication among all participants.
4. Help participants build trustworthy reputations through shared values and transparency.
5. Ensure that key stakeholders remain engaged - give them a voice.
6. Maintain capabilities to reinforce cooperative behavior.
Alongside the leadership strategies are seven institutional design principles that provide a framework for cooperation, ranging from defining boundaries to encouraging participation in decision-making, and from conflict resolution to collaboration with other agencies. The District has started the process of assessing its current position within the framework, and is working to develop strategies to foster financially sustainable decision-making among all stakeholders. The sustainability framework evolved out of the financial crisis in 2007, and becomes relevant once again during the current economic situation created by COVID-19. Preparing for economic uncertainty before it happens is a fundamental reason for long-term planning.

In April 2020 the District implemented an advanced financial modeling software called Synario that allows a comparison between different financial assumptions over the following five years. This allows for near-term planning within the context of the longer term assumptions so any necessary course corrections can be swiftly enacted. This becomes more and more important during periods of economic uncertainty.

Looking Back to See the Future

As part of the long-range financial planning process, the District looked backwards at trends in actual revenue and spending behavior from 2009 to 2019 based on the Comprehensive Annual Financial Reports (CAFR). What became apparent was that, historically, expenditure growth has significantly outpaced revenue growth, despite regular rate increases, due in part to declines in water consumption. The focus on debt-financed capital improvements and short-term balanced budgets had a notable impact on the District’s debt coverage ratios. This trend analysis also showed that the cost escalation used in prior long-range financial plans did not adequately reflect spending realities. These trends were considered when setting assumptions for the 2018 Raftelis finance plan and rate study.

An updated trend analysis in 2018/19 shows that operating expenses continue to exhibit less volatility and increased linearly as the District shifted the focus...
from short-term budgeting to long-term financial planning (Figure 3.1, previous page). To illustrate, 2018/19 operating expenses increased 10.88% over the prior year. When added to increases in non-operating expenses associated with debt payments, the overall increase in expenses in 2018/19 crept up to 15.05%. At the same time, 2018/19 operating revenue increased only 2.07% over the prior year, expanding the gap that had thought to be closing between operating revenue and operating expenses. Water consumption continues to remain static and the rate increase that was enacted late in 2018/19 did not have time to significantly impact revenues.

A closer look at expenditure types illustrates that operating expenses such as wages and benefits are less volatile than base operating expenses (net of personnel costs), and much less volatile than capital improvement spending. Wages increased in 2018/19 only 3.34% over the prior year. Direct benefit costs increased 13.48%, leading to a total increase in 2018/19 personnel expenses of 10.87% and maintaining the upward trend seen over the past several years. Operating expenses, net of personnel expenses tracked closely with personnel costs, increasing 10.88% over the prior year.
The District’s debt coverage ratio, a key indicator of the ability to borrow funds in the future, has slowly begun to rebound as a result of financial practices enacted over the last few years, including long-term financial planning. The debt coverage ratio in the 2018/19 CAFR was 2.30, a decrease from 3.09 the prior year but higher than the 1.91 low reported in 2015/16.

While the District believes the estimates and projections included in the finance plan are reasonable, any long-range plan is subject to a great degree of uncertainty. The District retained Raftelis Financial Consultants in 2018 to revise the 10-year finance plan as a precursor to a water rate study. As part of their projections, Raftelis considered annual base year revenues and expenses, model reserve balances, capital planning, economic pressures, debt service projections, and inflationary assumptions. A couple of different scenarios were developed to incorporate the Pure Water Soquel (PWS) supplemental supply project, which was still in the design stages. While the Raftelis finance plan used in the rate study assumed a $90 million PWS project with no grant funding, the District has since been awarded a Proposition 1 Implementation Grant, a low-interest loan from the Seawater Intrusion Control Program, and has been invited to apply for low-interest financing from the federal Water Infrastructure Finance and Innovation Act (WIFIA). These funding awards should help balance any increases in PWS costs that were not fully defined in the early design phases of the project.

Capital expenditures in 2018/19, however, rose 91.55% compared to the prior year as the District’s Pure Water Soquel project gained momentum with approval of the project and the final Environmental Impact Report (EIR) in December 2018. By looking at capital expenditures over time it becomes apparent that the spending increases coincide with the 2011 and 2013 issuances of Certificates of Participation (COP) to fund investment in water system infrastructure (Figure 3.2, previous page).

Direct benefits as a percentage of payroll, after steadily decreasing for many years, rose in 2019 to 50.24%, mostly because health premiums kept low in response to concerns over the tax on higher premium plans contained in the Affordable Care Act began to rebound once the tax was not enacted (Figure 3.3). However, changes in the CalPERS discount rate are expected to drastically increase benefits as a percentage of payroll, unless the District chooses to mitigate those increases by adopting a long-range planning policy to prefund the accrued pension liability. It is not yet known what effects the COVID-19 economic downturn will have on future discount rates. $500,000 has been included in the 2020/21 budget, as it was in 2018/19 and 2019/20, to prefund the accrued pension liability, but no formal policy has been adopted to commit the District to prefunding in the future. The same argument can be made for Other Post-Employment Benefits (OPEB), which is comprised of health benefits for retirees. Like accrued pension liabilities, the cost of unfunded OPEB liabilities can be proactively mitigated by adopting a prefunding policy as part of a long-term financial plan. So far the District has been proactive in voluntarily prefunding both the pension and OPEB liabilities, which has kept the funding status fairly stable.
Key Assumptions Used in the 2018 Raftelis Finance Plan

To fully evaluate the 2020/21 budget in comparison to the 2018 finance plan, it is important to understand the key assumptions Raftelis used to develop the finance plan. The assumptions in the 2018 plan were as follows:

2018 Revenue Assumptions

- Water Sales and Service Charges show growth commensurate with the anticipated rate increases necessary to keep pace with increases in the District’s cost of service. Rates must be maintained at a level sufficient to maintain adequate reserves, balance the budget, and maintain a minimum target debt coverage ratio of 1.7. The District has adopted a 5-year rate schedule through 2023.

- Conservative growth estimates have kept District service connection forecasts static. As a result, Water Capacity Charges, Water Demand Offset Purchases, and Installation Fees show no revenue increases past 2019.

- Water consumption has remained fairly static after a slight rebound post-drought. For the purposes of long-term planning, water consumption is not projected to increase after fiscal year 2019. Any increases that may occur only strengthen, not weaken, the District’s financial outlook. This is the most conservative path to ensure adequate revenue for long-term borrowing.

- Other Operating Revenue is projected to increase by 2% each year.

- The interest earnings rate has been projected to increase by 1% annually, thereby increasing projected interest income.

- No increases are projected for Other Non-Operating Revenue.

- The District is proactively pursuing state and federal grants, and expects to see funding levels increase in the near term to support supplemental supply and capital infrastructure projects. However, to be conservative, future grant awards have not been relied upon for the purpose of financial planning. Therefore, any grants that are received can directly alleviate increases in project costs or debt borrowing.

2018 Operating Expense Assumptions

- Personnel salaries (including the Personnel Allocation to CIP) are projected to increase an average of 6% each year.

- Benefit increases are anticipated to be 5% annually. Direct benefits as a percentage have payroll have declined annually since pension reform in 2013, and the District has been proactive in managing pension and Other Post Employment Benefit (OPEB) liabilities, but any changes in the Affordable Care Act might adversely affect healthcare premiums.

- Other Post-Employment Benefits (OPEB) are projected to increase 5% annually.

- The costs to operate the advanced purified groundwater replenishment treatment plant (Pure Water Soquel) would not be a factor until construction of the plant is completed in what is expected to be 2023. Projected operating costs have been set at $2.4 million for the first year of operation and increase roughly 2.5% each year after.

- All other operating expenses are projected to increase by 3% annually, except for treatment chemicals and power (5%).

2018 Capital Planning Assumptions

- District CIP Projects are from the Twenty Year CIP 2017-2037, excluding well monitoring and mitigation projects, treatment plant filter surveillance and inspections, and tank inspections and recoats budgeted as operating expenses.

- The Pure Water Soquel Advanced Purified Groundwater Replenishment project is budgeted for project design work to begin in 2019/20 and construction anticipated as early as 2021/22.

- Costs for the Santa Cruz Mid-County Groundwater Agency (MGA) have been projected through 2023. After 2023, it is possible that District contributions to the MGA may diminish as the MGA develops other revenue streams.
Future Debt Issuance & Debt Service Projections

- The District’s debt service on the 2012 Refunding Bonds was repaid in full in 2017/18, however the debt was structured so that repayment of the 2011 Certificates of Participation (COP) would escalate after payment of the Refunding Bonds was complete.

- Debt financing of the preliminary design costs for the Pure Water Soquel (PWS) project is expected to begin in 2019/20. Borrowing for full-scale construction is anticipated in 2020/21. The timing of this project and its funding needs will be reviewed annually as the District is actively pursuing grants for this project. Debt service on future debt has been calculated at roughly 3% interest on a 30-year instrument as opportunities for low-interest federal and state loan programs become available. Issuance costs are projected at 1%.

- The District has included the $7 million Quail Run Tank as well as PWS in the capital improvement projects for which funds will be borrowed.

2018 Raftelis Finance Plan Forecast Compared to 2020/21 Budget Projections

The proposed 2020/21 budget is being compared to the 2018 finance plan developed by Raftelis Financial to ensure rates remain sufficient to fund operations. Obviously planning projections are more accurate in the near term and less accurate as years pass, but because the finance plan was the basis for water rates it is important to track and mitigate any divergence between projected and proposed revenues and expenses.

Beginning reserves are $16.3 million lower than originally forecasted because the finance plan projected borrowing $28.5 million in 2019/20 for development of Pure Water Soquel. This borrowing has been deferred to 2020/21.

Budgeted 2020/21 operating revenue is expected to be $1.3 million lower than what was anticipated in the finance plan due to lower than anticipated water
use. Water use is still above sustainable levels but is lower than had originally been projected. It is not yet known what the full impact of the COVID-19 order to shelter-in-place will have on residential water use, but commercial water use is expected to decline. Commercial customers make up only 11-12% of the District’s overall customer base.

Operating expenses are budgeted to be $544,000 lower than projected in the 2018 finance plan. District staff have worked diligently to control expenditures, especially since water sales are lower than expected.

2020/21 capital expenditures are budgeted to be $66.5 million rather than the $41.7 million projected in the finance plan. Both the Soquel Drive Main Replacement project and the Quail Run Tank construction were delayed one year and are now expected to begin in 2020/21. In response to COVID-19 shelter-in-place orders, the Advanced Metering Infrastructure (AMI) project was temporarily suspended, which also resulted in rollover funding for 2020/21. Additionally, construction timelines and cost estimates continue to be refined for the PWS project, which impacts the 2020/21 capital budget.

Budgeted debt payments are lower than expected as much of the funding from state and federal awards has deferred repayment terms. The finance plan projected new debt issuances of $28.5 million to finance PWS and the Quail Run Tank in both 2019/20 and 2020/21, and instead those borrowings have been consolidated into $57.7 million in debt borrowing for 2020/21.

Decreases in operating expenditures, specifically operating projects, decrease the amount needed in contingency reserves. In addition, the amount in the Capital Facilities Reserve has been reduced by infrastructure spending over the last two years, although it is expected that these reserves will be replenished once the AMI project receives additional funding from the Water Demand Offset (WDO) program. Earlier construction timelines and shifting cost projections for PWS have also increased capital spending for the proposed budget year. Consequently, Ending Reserves in the proposed 2020/21 budget are $7.9 million less than projected in the finance plan.

Overall, the District’s 2020/21 budget still aligns with the finance plan projections, with the main differences attributable to timing. The budgeted debt coverage ratio is 2.79 compared to the finance plan’s 1.86. This places the District in a strong financial position for borrowing for supplemental supply and infrastructure projects.
The District has two outstanding long-term debt obligations, which include the 2011 Certificates of Participation and the 2013 Certificates of Participation. The description of the two debt instruments is listed below:

### Existing Debt Service

<table>
<thead>
<tr>
<th></th>
<th>FYE 2019</th>
<th>FYE 2020</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$9,577,000</td>
<td>$10,737,493</td>
<td>$29,332,991</td>
<td>$20,936,801</td>
<td>$22,127,108</td>
</tr>
<tr>
<td>Proposed Debt Service</td>
<td>$4,100,000</td>
<td>$18,200,000</td>
<td>$41,050,000</td>
<td>$20,000,000</td>
<td>$13,345,816</td>
</tr>
<tr>
<td>PAYGO</td>
<td>$2,444,200</td>
<td>$28,787,879</td>
<td>$28,787,879</td>
<td>$20,202,020</td>
<td>$18,181,818</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$2,444,200</td>
<td>$3,958,736</td>
<td>$5,424,873</td>
<td>$6,456,365</td>
<td>$7,382,988</td>
</tr>
<tr>
<td>Net Cash Change</td>
<td>$1,160,493</td>
<td>$18,595,498</td>
<td>$(8,396,190)</td>
<td>$1,190,307</td>
<td>$10,650,459</td>
</tr>
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<td>$9,577,000</td>
<td>$10,737,493</td>
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<td>$20,936,801</td>
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<td>$5,424,873</td>
<td>$6,456,365</td>
<td>$7,382,988</td>
</tr>
<tr>
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<td>$18,595,498</td>
<td>$(8,396,190)</td>
<td>$1,190,307</td>
<td>$10,650,459</td>
</tr>
</tbody>
</table>

### Non-Rate Revenue

<table>
<thead>
<tr>
<th></th>
<th>FYE 2019</th>
<th>FYE 2020</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Debt Service</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$18,000</td>
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<tr>
<td>Proposed Debt Service</td>
<td>$0</td>
<td>$1,468,736</td>
<td>$2,937,473</td>
<td>$3,968,165</td>
<td>$4,895,788</td>
</tr>
<tr>
<td>PAYGO</td>
<td>$2,444,200</td>
<td>$28,787,879</td>
<td>$28,787,879</td>
<td>$20,202,020</td>
<td>$18,181,818</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$2,444,200</td>
<td>$3,958,736</td>
<td>$5,424,873</td>
<td>$6,456,365</td>
<td>$7,382,988</td>
</tr>
<tr>
<td>Net Cash Change</td>
<td>$1,160,493</td>
<td>$18,595,498</td>
<td>$(8,396,190)</td>
<td>$1,190,307</td>
<td>$10,650,459</td>
</tr>
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</table>

### Capital Projects

<table>
<thead>
<tr>
<th></th>
<th>FYE 2019</th>
<th>FYE 2020</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well Master Plan and Sources</td>
<td>$6,555,000</td>
<td>$6,555,000</td>
<td>$6,555,000</td>
<td>$6,555,000</td>
<td>$6,555,000</td>
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<tr>
<td>Water Treatment</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Main Replacements</td>
<td>$0</td>
<td>$1,600,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Tank Recoats &amp; Maintenance</td>
<td>$0</td>
<td>$6,600,000</td>
<td>$735,000</td>
<td>$3,600</td>
<td>$0</td>
</tr>
<tr>
<td>Service Area II Water</td>
<td>$1,600,000</td>
<td>$60,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Mains/Transmission</td>
<td>$6,555,000</td>
<td>$1,600,000</td>
<td>$60,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Service Area III &amp; IV Water Mains/Transmission</td>
<td>$0</td>
<td>$215,000</td>
<td>$200,000</td>
<td>$725,000</td>
<td>$0</td>
</tr>
<tr>
<td>Supplemental Supply Projects</td>
<td>$16,350,000</td>
<td>$32,800,000</td>
<td>$23,050,000</td>
<td>$12,300,000</td>
<td>$12,300,000</td>
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<tr>
<td>Additional Annual CIP</td>
<td>$250,000</td>
<td>$260,000</td>
<td>$270,400</td>
<td>$281,216</td>
<td>$0</td>
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<tr>
<td>Total Inflated Capital Projects w/o Supplemental</td>
<td>$6,555,000</td>
<td>$1,850,000</td>
<td>$8,935,000</td>
<td>$1,570,400</td>
<td>$1,045,816</td>
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<tr>
<td>Total Inflated Capital Projects w/ Supplemental</td>
<td>$6,555,000</td>
<td>$18,200,000</td>
<td>$41,735,000</td>
<td>$24,620,400</td>
<td>$13,345,816</td>
</tr>
</tbody>
</table>
The amount of grant revenues shown in this table reflects grants that have been awarded as of the date that the Study was performed.

4.1.2. OPERATING AND MAINTENANCE (O&M) EXPENSES

The utility also derives revenues from other non-rate sources. These revenues consist of other operating, miscellaneous, and non-operating revenues and are summarized in Table 4-8.

The overall adequacy of water revenues is measured by comparing the projected annual revenue required from rates with shown by the horizontal black and blue lines respectively.

Figure 4-2

Table 4-6: Projected Water Usage by Class and Tiers

<table>
<thead>
<tr>
<th>Class</th>
<th>FYE 2018</th>
<th>FYE 2019</th>
<th>FYE 2020</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential - SFR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>492,000</td>
<td>477,240</td>
<td>477,240</td>
<td>477,240</td>
<td>477,240</td>
<td>477,240</td>
</tr>
<tr>
<td>Tier 2</td>
<td>206,727</td>
<td>200,525</td>
<td>200,525</td>
<td>200,525</td>
<td>200,525</td>
<td>200,525</td>
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<tr>
<td>Tier 3</td>
<td>78,012</td>
<td>75,672</td>
<td>75,672</td>
<td>75,672</td>
<td>75,672</td>
<td>75,672</td>
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<tr>
<td>Tier 4</td>
<td>35,192</td>
<td>34,136</td>
<td>34,136</td>
<td>34,136</td>
<td>34,136</td>
<td>34,136</td>
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<tr>
<td>Total SFR</td>
<td>811,931</td>
<td>787,573</td>
<td>787,573</td>
<td>787,573</td>
<td>787,573</td>
<td>787,573</td>
</tr>
<tr>
<td>Residential - MFR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>162,264</td>
<td>157,396</td>
<td>157,396</td>
<td>157,396</td>
<td>157,396</td>
<td>157,396</td>
</tr>
<tr>
<td>Tier 2</td>
<td>62,487</td>
<td>60,612</td>
<td>60,612</td>
<td>60,612</td>
<td>60,612</td>
<td>60,612</td>
</tr>
<tr>
<td>Tier 3</td>
<td>12,355</td>
<td>11,984</td>
<td>11,984</td>
<td>11,984</td>
<td>11,984</td>
<td>11,984</td>
</tr>
<tr>
<td>Tier 4</td>
<td>1,620</td>
<td>1,571</td>
<td>1,571</td>
<td>1,571</td>
<td>1,571</td>
<td>1,571</td>
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<tr>
<td>Total MFR</td>
<td>238,726</td>
<td>231,564</td>
<td>231,564</td>
<td>231,564</td>
<td>231,564</td>
<td>231,564</td>
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<tr>
<td>Commercial &amp; Irrigation</td>
<td>251,519</td>
<td>243,973</td>
<td>243,973</td>
<td>243,973</td>
<td>243,973</td>
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<tr>
<td>Total Water Sales (hcf)</td>
<td>1,302,176</td>
<td>1,263,111</td>
<td>1,263,111</td>
<td>1,263,111</td>
<td>1,263,111</td>
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<tr>
<td>Total Water Sales (AF)</td>
<td>2,989 AF</td>
<td>2,900 AF</td>
<td>2,900 AF</td>
<td>2,900 AF</td>
<td>2,900 AF</td>
<td>2,900 AF</td>
</tr>
</tbody>
</table>

Table 4-8: Projected Other Revenues, Non-Rate

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>FYE 2019</th>
<th>FYE 2020</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Revenues</td>
<td>$345,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Miscellaneous Revenues</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
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<tr>
<td>Grant Revenues8</td>
<td>$1,520,000</td>
<td>$500,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Contributed Revenue</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$18,000</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$200,000</td>
<td>$202,000</td>
<td>$204,020</td>
<td>$206,060</td>
<td>$208,121</td>
</tr>
<tr>
<td>Fees Water Capacity</td>
<td>$170,000</td>
<td>$170,000</td>
<td>$170,000</td>
<td>$170,000</td>
<td>$170,000</td>
</tr>
<tr>
<td>Total Non-Operating Revenues</td>
<td>$2,258,000</td>
<td>$910,000</td>
<td>$412,020</td>
<td>$414,060</td>
<td>$416,121</td>
</tr>
</tbody>
</table>

Revenue Adjustments & Debt Coverage

- Revenue Adjustment
- Alert balances
- Debt Coverage Requirement
- Debt Coverage
## 2018 Raftelis Finance Plan - Operating Expenses

### O&M Expense Summary

<table>
<thead>
<tr>
<th>Department</th>
<th>FYE 2019</th>
<th>FYE 2020</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wells</td>
<td>$471,900</td>
<td>$493,741</td>
<td>$516,686</td>
<td>$540,796</td>
<td>$566,132</td>
</tr>
<tr>
<td>Groundwater Management</td>
<td>$4,959,200</td>
<td>$719,602</td>
<td>$742,240</td>
<td>$951,188</td>
<td>$976,522</td>
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<tr>
<td>Groundwater Management</td>
<td>$54,400</td>
<td>$56,134</td>
<td>$57,926</td>
<td>$59,779</td>
<td>$61,693</td>
</tr>
<tr>
<td>Boosters</td>
<td>$246,600</td>
<td>$261,186</td>
<td>$276,641</td>
<td>$293,017</td>
<td>$310,368</td>
</tr>
<tr>
<td>Grounds</td>
<td>$105,300</td>
<td>$110,658</td>
<td>$116,309</td>
<td>$122,269</td>
<td>$128,656</td>
</tr>
<tr>
<td>Power</td>
<td>$578,000</td>
<td>$606,900</td>
<td>$637,245</td>
<td>$667,107</td>
<td>$702,563</td>
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<tr>
<td>Water Treatment</td>
<td>$496,800</td>
<td>$523,379</td>
<td>$551,450</td>
<td>$581,100</td>
<td>$612,419</td>
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<tr>
<td>Labs</td>
<td>$83,000</td>
<td>$85,490</td>
<td>$88,055</td>
<td>$90,696</td>
<td>$93,417</td>
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<td>Hypochlorite</td>
<td>$30,000</td>
<td>$31,500</td>
<td>$33,075</td>
<td>$34,729</td>
<td>$36,465</td>
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<tr>
<td>Mains</td>
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<td>$21,560</td>
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<tr>
<td>Tanks</td>
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<td>$131,662</td>
<td>$136,843</td>
<td>$142,252</td>
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<tr>
<td>Hydrants</td>
<td>$30,900</td>
<td>$32,409</td>
<td>$33,998</td>
<td>$35,672</td>
<td>$37,435</td>
</tr>
<tr>
<td>Service Meters</td>
<td>$626,300</td>
<td>$660,173</td>
<td>$695,967</td>
<td>$733,795</td>
<td>$773,774</td>
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<tr>
<td>As-Built</td>
<td>$30,000</td>
<td>$31,800</td>
<td>$33,708</td>
<td>$35,730</td>
<td>$37,874</td>
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<tr>
<td>Stores</td>
<td>$15,100</td>
<td>$15,916</td>
<td>$16,778</td>
<td>$17,689</td>
<td>$18,652</td>
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<tr>
<td>Reading</td>
<td>$129,900</td>
<td>$137,394</td>
<td>$145,329</td>
<td>$153,730</td>
<td>$162,626</td>
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<td>Billing</td>
<td>$498,400</td>
<td>$516,634</td>
<td>$535,612</td>
<td>$555,368</td>
<td>$575,938</td>
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<tr>
<td>Customer Maintenance</td>
<td>$396,000</td>
<td>$419,640</td>
<td>$444,695</td>
<td>$471,249</td>
<td>$499,393</td>
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<tr>
<td>Collections</td>
<td>$66,100</td>
<td>$69,811</td>
<td>$73,737</td>
<td>$77,891</td>
<td>$82,285</td>
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<td>Engineering</td>
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<td>$540,738</td>
<td>$572,995</td>
<td>$607,180</td>
<td>$643,408</td>
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<td>Office</td>
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<td>$719,982</td>
<td>$757,748</td>
<td>$797,611</td>
<td>$839,692</td>
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<td>Conferences</td>
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<td>$117,420</td>
<td>$120,943</td>
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<td>$128,308</td>
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<td>$55,125</td>
<td>$57,881</td>
<td>$60,775</td>
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<tr>
<td>Fleet</td>
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<td>$133,861</td>
<td>$139,801</td>
<td>$146,034</td>
<td>$152,577</td>
</tr>
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<td>Health &amp; Safety</td>
<td>$82,100</td>
<td>$86,204</td>
<td>$90,530</td>
<td>$95,089</td>
<td>$99,896</td>
</tr>
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<td>Safety Leave</td>
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<td>$3,165</td>
<td>$3,339</td>
<td>$3,524</td>
<td>$3,719</td>
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<tr>
<td>Conservation</td>
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<td>$869,599</td>
<td>$908,757</td>
<td>$949,873</td>
<td>$993,055</td>
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<tr>
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<td>$550,224</td>
<td>$573,498</td>
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<td>Special Projects</td>
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<td>$35,124</td>
<td>$37,052</td>
<td>$39,091</td>
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<td>Grants</td>
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<td>Public Records Requests</td>
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<td>$9,328</td>
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<td>Computers</td>
<td>$250,600</td>
<td>$258,118</td>
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<td>$848,460</td>
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<td>Professional Organizations</td>
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<td>$65,199</td>
<td>$67,155</td>
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<tr>
<td>Director Fees</td>
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<td>$186,270</td>
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<td>$9,548</td>
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<td>Retiree Medical</td>
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<td>$735,000</td>
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<td>Pension</td>
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<td>$952,229</td>
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<td>Insurance</td>
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<td>$286,650</td>
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<td>Outside Services</td>
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<td>$332,690</td>
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<td>$363,539</td>
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<td>Property Taxes</td>
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<td>$15,300</td>
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<td>$15,918</td>
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<td>Depreciation</td>
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<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Non-Operating Expense</td>
<td>$0</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Capital Expenses</td>
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<td>$543,000</td>
<td>$1,200,800</td>
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<td>$1,201,065</td>
</tr>
<tr>
<td><strong>Total O&amp;M</strong></td>
<td><strong>$16,553,800</strong></td>
<td><strong>$13,416,371</strong></td>
<td><strong>$14,684,898</strong></td>
<td><strong>$14,891,839</strong></td>
<td><strong>$16,188,746</strong></td>
</tr>
</tbody>
</table>
Figure 4-1: Proposed Water Revenue Adjustments

Figure 4-2 illustrates the Operating Financial Plan in a graphic format. It compares existing and proposed revenues with projected expenses. The expenses represent O&M expenses including water production costs, other operating expenses (including capitalized expenses), and reserve funding. Total revenues at existing and proposed rates are shown by the horizontal black and blue lines respectively.

Figure 4-2 shows that current revenue from existing rates, in black, will not meet future total expenses (inclusive of reserve funding).

Figure 4-3 shows the District's ending balance by fiscal year. The green bars indicate the ending balance, while the green line indicates the target balance. With the proposed financial plan, the District achieves reserve target balances in all years of the plan.

Figure 4-4 shows the total CIP of the District during the Study period. The blue bars indicate R&R projects while the grey bars indicate supplemental supply project related capital. The orange dots indicate the total value of CIP in a given year.

Figure 4-4 shows the total CIP of the District during the Study period, by funding source. The dark grey bars represent debt funded capital while the green bars indicate rate funded capital on a pay-as-you-go (PAYGO) basis. The green dots indicate the total value of CIP in a given year.
### Budget Summary

#### Statement of Revenues, Expenses and Changes in Reserves

**Fiscal Year 2020/21 Budget**

<table>
<thead>
<tr>
<th>Category</th>
<th>2018/19 Budget</th>
<th>2018/19 Actual</th>
<th>2019/20 Budget (Proposed)</th>
<th>Increase (Decrease) Over PY</th>
<th>% Change Over PY</th>
</tr>
</thead>
</table>

#### Beginning Reserves

- **Beginning Cash Reserves**: $8,327,000
- **Water Demand Offset Fee Drawdown**: $205,925
- **Certificates of Participation (COP) Carryover**: 6,350,000
- **Less: COP Encumbered for Next FY**: (2,200,000)
- **New Debt Issuance (Proposed)**: 28,500,000
- **Less: Debt Encumbered for Next FY**: (19,220,000)

**Total Beginning Reserves**: $12,477,000

#### Operating Revenue

**Unrestricted Revenue**

- **Water Sales**: $12,982,400
- **Service Charges**: 7,017,000
- **Penalties and Delinquent Fees**: 80,000
- **Agency Reimbursements**: 18,000
- **Installation/Connection Fees**: 15,000
- **Awarded Grants**: 1,520,000
- **Water Capacity Fees**: 170,000
- **Water Demand Offset Purchases**: 330,000

**Total Operating Revenue**: $22,132,400

#### Operating Expense

- **Source of Supply**: $5,437,800
- **Pumping**: 916,300
- **Water Quality and Treatment**: 601,000
- **Transmission and Distribution**: 1,743,000
- **Customer Service and Outreach**: 1,634,100
- **Engineering**: 567,400
- **Conservation**: 884,000
- **Facilities and Equipment**: 437,700
- **Administrative and General Support**: 4,332,500

**Total Operating Expense**: $16,553,800

#### Capital Improvement Projects

- **Source of Supply**: $747,000
- **Pumping**: 140,000
- **Water Quality and Treatment**: 285,000
- **Transmission and Distribution**: 4,465,000
- **Customer Service and Outreach**: 208,000
- **Facilities and Equipment**: 716,000

**Total Capital Improvement Projects**: $6,555,000

#### Non-Operating Revenue (Expense)

- **Interest Income**: $200,000
- **Interest Expense - New Debt Issuances**: -
- **Interest Expense - Certificates of Participation**: (1,464,200)
- **PERS Unfunded Actuarial Pension Liability Paydown**: (500,000)
- **Other Non-Operating Revenue (Expense)**: 5,000
- **Gain on Disposal of Fixed Assets**: -

**Total Non-Operating Revenue (Expense)**: $(1,759,200)

#### Debt Principal

- **Principal Payment - Certificates of Participation**: 980,000

**Total Debt Principal**: $980,000

#### Less: Restricted Purpose Revenue

- **Water Capacity Fees**: (170,000)
- **Water Demand Offset Purchases**: (330,000)

**Increase (Decrease) in Reserves**: $(4,215,600)

#### Ending Reserves

- **Operating Contingency Reserve**: 4,622,000
- **Rate Stabilization Reserve**: 2,000,000
- **Capital Facilities Reserve, Net of Drawdown**: 1,202,000
- **General Reserve**: 437,400

**Total Ending Reserves**: $8,261,400

**NOTE**: The highlighted column represents actual financial performance in 2018/19, which typically differs from budget expectations due to accrual accounting.
Operating Budget

A more detailed look at the revenues and rate setting practices of the District, as well as expenditures by department and spending classification, and personnel staffing levels.
SqCWD operates as an enterprise fund, meaning the operations of the District are handled like a business even though the District is a non-profit, local government agency. The costs of providing water service and protecting groundwater resources are financed by rates and fees charged to District customers. The District receives no revenue from taxes. Operating revenues, therefore, consist primarily of water sales and monthly service charges. Additional operating revenues include restricted use revenues such as water capacity fees and connection fees paid by developers, and any grant revenue the District may be awarded.
Setting water rates is a balancing act. Under the substantive requirements of California Constitution article XIII D, section 6, (Proposition 218), the rates have been designed to collect the appropriate revenue from each customer class based on the cost of providing them service. Rate consultants are continually balancing the known (service costs) against the unknown (how much water will be used over the next few years). Rates are based on the cost to provide service to customers given an anticipated level of demand for water. District customers decreased their water use significantly from 2014 to 2016 in response to state-wide drought mandates and a robust District conservation program designed to protect the groundwater aquifers from further seawater intrusion. This created a gap between the amount of water customers were projected to use and the amount they actually used. This translated into a shortfall in collected revenue, which required the District to revise its 2015/16 Budget and impose fiscal constraints on spending in the 2016/17 and 2017/18 budgets. Water use increased slightly in 2017/18 as state drought restrictions were lifted, however water use has rebounded slowly, although use still remains above the levels necessary to reverse seawater intrusion. The 2020/21 budget reflects an increase in water sales revenue of $449,600 compared to the prior year due to the adoption of new rates recommended in the 2018 rate study conducted by Raftelis Financial. However, the projected water use for the 2020/21 budget is based on actual water use over the previous 12 months and is lower than projected in the 2018 finance plan by 3.26%, and lower than budgeted water use in 2019/20 by 1.92%. These factors combine to achieve a 3.16% increase in water sales revenue rather than the 9% forecasted in the 2018 finance plan.

District customers are divided into five distinct customer classes: Single Family, Multi Family, Commercial, Irrigation/Outdoor Use, and Private Fire. Rates are comprised of a fixed monthly service charge for each customer class based on meter size, as well as a water quantity charge for the amount of water used during the billing period. The rate structure is a two-tiered inclining rate structure for Single Family and Multi Family water quantity charges. Commercial and Irrigation/Outdoor Use customers are billed a uniform rate for each unit of water used. Private fire service customers are billed a monthly service charge, but are not billed a water quantity charge for consumption. The allocation of the amount of revenue collected from the fixed monthly service charge for each account is 40% and is designed to enhance revenue stability.

The District has five Water Shortage Emergency Stages that are consistent with the District’s 2015 Urban Water Management Plan (UWMP). The implementation of any given stage is dependent on Board action, which will consider factors such as cumulative rainfall, the degree to which groundwater levels are being recharged, and the condition of the overdrafted groundwater aquifers. Each stage is associated with both water conservation goals and increased District spending to fund conservation programs necessary to achieve water curtailment targets. The result is to reduce water revenue and increase spending, necessitating an emergency rate increase to mitigate financial losses. These emergency stages will be reviewed during formulation of the 2020 UWMP.

The State of California Department of Water Resources has declared portions of the Santa Cruz Mid-County groundwater basin to be in critical overdraft. The District declared a Stage 3 Groundwater Emergency in June 2014 and enacted Stage 3 Emergency Rates in April 2015. The Board of Directors voted in April 2019 to remain in a Stage 3 Groundwater Emergency because of critical basin overdraft, but chose to discontinue billing Stage 3 Emergency Rates because of the rate increases already enacted under the 2018 rate study.
Water Sales Revenue

Water sales revenue for 2020/21 is expected to be $14.7 million. The District adopted a new 5-year rate plan in February 2018, and the next scheduled rate increase is to take effect January 2021. The rates used to calculate water sales revenue are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Single Family</th>
<th>Multi Family</th>
<th>Commercial</th>
<th>Irrigation/Outdoor Use</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020 Water Quantity Charge</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 - 1-5.99 units</td>
<td>$7.01</td>
<td>$7.01</td>
<td>$11.77</td>
<td>$11.77</td>
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<tr>
<td>Tier 2 - 6+ units</td>
<td>$31.82</td>
<td>$31.82</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Single Family</th>
<th>Multi Family</th>
<th>Commercial</th>
<th>Irrigation/Outdoor Use</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2021 Water Quantity Charge</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 - 1-5.99 units</td>
<td>$7.65</td>
<td>$7.65</td>
<td>$12.83</td>
<td>$12.83</td>
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<tr>
<td>Tier 2 - 6+ units</td>
<td>$34.69</td>
<td>$34.69</td>
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</table>

Budgeted Water Sales 5-year Comparison

Budgeted Water Use 5-year Comparison
### SOQUEL CREEK WATER DISTRICT
WATER SALES REVENUE
FISCAL YEAR 2020/21 BUDGET

<table>
<thead>
<tr>
<th></th>
<th>SINGLE FAMILY RESIDENTIAL WATER USE*</th>
<th>MULTI-FAMILY RESIDENTIAL WATER USE*</th>
<th>NON RESIDENTIAL WATER USE*</th>
<th>TOTAL PROJECTED WATER USE*</th>
<th>CUMULATIVE USE</th>
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</thead>
<tbody>
<tr>
<td>JULY</td>
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<td>26,423</td>
<td>126,818</td>
<td>10.07%</td>
</tr>
<tr>
<td>AUGUST</td>
<td>77,371</td>
<td>24,566</td>
<td>29,074</td>
<td>131,011</td>
<td>20.47%</td>
</tr>
<tr>
<td>SEPTEMBER</td>
<td>77,854</td>
<td>24,371</td>
<td>28,411</td>
<td>130,636</td>
<td>30.84%</td>
</tr>
<tr>
<td>OCTOBER</td>
<td>73,276</td>
<td>23,570</td>
<td>24,050</td>
<td>120,896</td>
<td>40.43%</td>
</tr>
<tr>
<td>NOVEMBER</td>
<td>69,805</td>
<td>22,429</td>
<td>22,618</td>
<td>114,852</td>
<td>49.55%</td>
</tr>
<tr>
<td>DECEMBER</td>
<td>57,260</td>
<td>19,458</td>
<td>14,755</td>
<td>91,473</td>
<td>56.81%</td>
</tr>
<tr>
<td>JANUARY</td>
<td>51,274</td>
<td>18,309</td>
<td>13,233</td>
<td>82,816</td>
<td>63.38%</td>
</tr>
<tr>
<td>FEBRUARY</td>
<td>51,067</td>
<td>17,114</td>
<td>12,918</td>
<td>81,099</td>
<td>69.82%</td>
</tr>
<tr>
<td>MARCH</td>
<td>49,714</td>
<td>16,279</td>
<td>13,493</td>
<td>79,486</td>
<td>76.13%</td>
</tr>
<tr>
<td>APRIL</td>
<td>51,223</td>
<td>18,636</td>
<td>15,540</td>
<td>85,399</td>
<td>82.91%</td>
</tr>
<tr>
<td>MAY</td>
<td>62,573</td>
<td>20,794</td>
<td>104,709</td>
<td>91.22%</td>
<td></td>
</tr>
<tr>
<td>JUNE</td>
<td>66,711</td>
<td>21,957</td>
<td>110,587</td>
<td>100.00%</td>
<td></td>
</tr>
</tbody>
</table>

**Total Water Use**

|                | 764,717                               | 251,289                             | 243,776                    | 1,259,782                   |

*Water use is measured in units of a hundred cubic feet (Ccf), which is the equivalent of 748 gallons.*

<table>
<thead>
<tr>
<th></th>
<th>SINGLE FAMILY RESIDENTIAL WATER SALES</th>
<th>MULTI-FAMILY RESIDENTIAL WATER SALES</th>
<th>NON RESIDENTIAL WATER SALES</th>
<th>TOTAL PROJECTED WATER SALES</th>
<th>CUMULATIVE USE</th>
</tr>
</thead>
<tbody>
<tr>
<td>JULY</td>
<td>1,061,075</td>
<td>208,561</td>
<td>310,999</td>
<td>1,580,634</td>
<td>10.77%</td>
</tr>
<tr>
<td>AUGUST</td>
<td>1,083,229</td>
<td>223,887</td>
<td>342,201</td>
<td>1,649,317</td>
<td>22.01%</td>
</tr>
<tr>
<td>SEPTEMBER</td>
<td>1,099,764</td>
<td>228,822</td>
<td>334,397</td>
<td>1,662,983</td>
<td>33.34%</td>
</tr>
<tr>
<td>OCTOBER</td>
<td>992,349</td>
<td>206,584</td>
<td>283,069</td>
<td>1,482,001</td>
<td>43.44%</td>
</tr>
<tr>
<td>NOVEMBER</td>
<td>922,466</td>
<td>192,557</td>
<td>266,214</td>
<td>1,381,237</td>
<td>52.85%</td>
</tr>
<tr>
<td>DECEMBER</td>
<td>637,485</td>
<td>154,165</td>
<td>173,666</td>
<td>965,315</td>
<td>59.42%</td>
</tr>
<tr>
<td>JANUARY</td>
<td>522,953</td>
<td>142,959</td>
<td>155,752</td>
<td>821,665</td>
<td>65.02%</td>
</tr>
<tr>
<td>FEBRUARY</td>
<td>484,410</td>
<td>138,872</td>
<td>165,738</td>
<td>789,020</td>
<td>70.40%</td>
</tr>
<tr>
<td>MARCH</td>
<td>457,538</td>
<td>128,699</td>
<td>173,115</td>
<td>759,352</td>
<td>75.57%</td>
</tr>
<tr>
<td>APRIL</td>
<td>567,237</td>
<td>149,812</td>
<td>199,378</td>
<td>916,428</td>
<td>81.82%</td>
</tr>
<tr>
<td>MAY</td>
<td>815,710</td>
<td>182,329</td>
<td>273,818</td>
<td>1,271,856</td>
<td>90.48%</td>
</tr>
<tr>
<td>JUNE</td>
<td>916,507</td>
<td>199,364</td>
<td>281,221</td>
<td>1,397,092</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

**Total Water Sales**

|                | 9,560,700                             | 2,156,600                            | 2,959,600                   | 14,676,900                  |

---

**Soquel Creek Water District Budget 2020/21**

**Page 119 of 371**
**Service Charge Revenue**

Revenue from monthly service charges, based on approximately 14,400 water service connections and 1,400 fire service connections in active billing status in any given month is expected to be $8.3 million. The rates used to calculate service charge revenue are based on meter size as follows:

### 2020 Monthly Service Charge

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Single Family</th>
<th>Multi Family</th>
<th>Commercial</th>
<th>Irrigation/Outdoor Use</th>
<th>Private Fire</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot; Restricted</td>
<td>$23.48</td>
<td>$23.48</td>
<td>$23.48</td>
<td>$30.38</td>
<td></td>
</tr>
<tr>
<td>5/8&quot;</td>
<td>$40.40</td>
<td>$40.40</td>
<td>$40.40</td>
<td>$54.20</td>
<td></td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>$40.40</td>
<td>$40.40</td>
<td>$40.40</td>
<td>$54.20</td>
<td></td>
</tr>
<tr>
<td>1&quot;</td>
<td>$91.13</td>
<td>$91.13</td>
<td>$91.13</td>
<td>$125.63</td>
<td>$1.31</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td></td>
<td></td>
<td>$175.68</td>
<td>$244.69</td>
<td>$3.78</td>
</tr>
<tr>
<td>2&quot;</td>
<td></td>
<td></td>
<td>$429.33</td>
<td>$601.86</td>
<td>$8.04</td>
</tr>
<tr>
<td>3&quot;</td>
<td></td>
<td></td>
<td>$852.08</td>
<td>$1,197.13</td>
<td>$23.33</td>
</tr>
<tr>
<td>4&quot;</td>
<td></td>
<td></td>
<td>$1,697.59</td>
<td>$2,387.68</td>
<td>$49.72</td>
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<tr>
<td>6&quot;</td>
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<td></td>
<td>$2,712.20</td>
<td>$3,816.35</td>
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<td></td>
<td>$4,741.42</td>
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<td>$307.70</td>
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</table>

### 2021 Monthly Service Charge

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Single Family</th>
<th>Multi Family</th>
<th>Commercial</th>
<th>Irrigation/Outdoor Use</th>
<th>Private Fire</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot; Restricted</td>
<td>$25.60</td>
<td>$25.60</td>
<td>$25.60</td>
<td>$33.12</td>
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<tr>
<td>5/8&quot;</td>
<td>$44.04</td>
<td>$44.04</td>
<td>$44.04</td>
<td>$59.08</td>
<td></td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>$44.04</td>
<td>$44.04</td>
<td>$44.04</td>
<td>$59.08</td>
<td></td>
</tr>
<tr>
<td>1&quot;</td>
<td>$99.34</td>
<td>$99.34</td>
<td>$99.34</td>
<td>$136.94</td>
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<td>$191.50</td>
<td>$266.72</td>
<td>$4.13</td>
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<tr>
<td>2&quot;</td>
<td></td>
<td></td>
<td>$467.97</td>
<td>$656.03</td>
<td>$8.77</td>
</tr>
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<td>3&quot;</td>
<td></td>
<td></td>
<td>$928.77</td>
<td>$1,304.88</td>
<td>$25.43</td>
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<tr>
<td>4&quot;</td>
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<td></td>
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<td>METER SIZE</td>
<td>PROJECTED NUMBER OF ACCOUNTS</td>
<td>2020 RATE</td>
<td>2021 RATE</td>
<td>2020/21 BUDGETED REVENUE</td>
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<tr>
<td>----------------------------</td>
<td>------------------------------</td>
<td>-----------</td>
<td>-----------</td>
<td>--------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>SINGLE FAMILY RESIDENTIAL</strong></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>5/8-INCH RESTRICTED</td>
<td>11</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>5/8-INCH AND 3/4-INCH</td>
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<td></td>
</tr>
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<td>5/8-INCH RESTRICTED</td>
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<td>$23.48</td>
<td>$25.60</td>
<td>$2,600</td>
<td></td>
</tr>
<tr>
<td>5/8-INCH AND 3/4-INCH</td>
<td>468</td>
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<td>44.04</td>
<td>235,400</td>
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<td>91.13</td>
<td>99.34</td>
<td>124,800</td>
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</tr>
<tr>
<td>1.5-INCH</td>
<td>38</td>
<td>175.68</td>
<td>191.50</td>
<td>83,100</td>
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</tr>
<tr>
<td>2-INCH</td>
<td>13</td>
<td>429.33</td>
<td>467.97</td>
<td>69,500</td>
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<tr>
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<td>928.77</td>
<td>53,000</td>
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<td><strong>IRRIGATION/OUTDOOR USE</strong></td>
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<tr>
<td>5/8-INCH RESTRICTED</td>
<td>3</td>
<td>$30.38</td>
<td>$33.12</td>
<td>$1,100</td>
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</tr>
<tr>
<td>5/8-INCH AND 3/4-INCH</td>
<td>143</td>
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<tr>
<td>1-INCH</td>
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<td>244.69</td>
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<td>18</td>
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<tr>
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<td>1,197.13</td>
<td>1,304.88</td>
<td>44,700</td>
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</tr>
<tr>
<td>4-INCH</td>
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<td>2,387.68</td>
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</tr>
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<td><strong>PRIVATE FIRE PROTECTION</strong></td>
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<td>$1.31</td>
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<td>1335</td>
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<td>8.77</td>
<td>133,700</td>
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<tr>
<td>4-INCH</td>
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<td>49.72</td>
<td>54.20</td>
<td>58,800</td>
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</tr>
<tr>
<td>6-INCH</td>
<td>63</td>
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<td>157.40</td>
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</tr>
<tr>
<td>8-INCH</td>
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<td>307.70</td>
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</tr>
<tr>
<td><strong>Subtotal Service Charges</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Contingency for Suspended Accounts</strong></td>
<td>(435,500)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Total Service Charge Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td>$8,273,500</td>
<td></td>
</tr>
</tbody>
</table>
Penalty and Delinquent Fees

The District charges a fee to recover the costs of payments returned by the bank. Fees are also charged to cover the cost to remind customers of overdue bills and collect payment on delinquent accounts. These fees are typically not a significant source of revenue for the District. The District enacted Senate Bill 998 (SB998) in May 2019, which has not had a significant impact on fee revenue but increased collection costs because of the extended timeline before accounts can be shut off for non-payment.

Agency Reimbursements

SqCWD and the City of Santa Cruz (City) have partnered in a monitoring and adaptive management plan for the O’Neill Ranch well project. The purpose of this monitoring and mitigation program is to assess the impacts of the District’s groundwater pumping on Soquel Creek streamflows, as well as the effect on private wells near O’Neill Ranch and the City of Santa Cruz’s Beltz well. The City of Santa Cruz has agreed to reimburse SqCWD for the shared costs of this program. It is also anticipated that the City will share in the costs associated with any water transfer studies that may be necessary to ensure that there will not be any water quality blending issues when the District purchases water from the City.

Grants

SqCWD recognizes the important role grants play in mitigating the impact of capital project costs, including the supplemental supply projects identified in the Community Water Plan, on customer water rates. The District has included budget funds to assist with identifying and applying for both state and federal grants, and will make this a priority for any future funding strategies.

The District was awarded a $2 million Proposition 1 Groundwater Quality Planning Grant from the State Water Resources Control Board (SWRCB) in 2018 for an analysis of the seawater intrusion prevention wells that will be used in conjunction with the Pure Water Soquel (PWS) project. The funds from this grant have been received. The District has also been awarded a $50 million Proposition 1 Implementation Grant from the SWRCB for PWS, and it is expected that $5.6 million in grant funds will be received in 2020/21. An application for a Title XVI Grant from the federal Bureau of Reclamation has been submitted but no information on award was available at the time of budget preparation.
Developer Fees

Developer fees consist of Water Capacity charges and installation fees. Water Capacity charges allocate a portion of the cost of both existing and future water system facilities and infrastructure to new development; thus, the revenue generated by these charges is restricted to certain capital improvements. Because the District is not typically an area with robust development opportunities, developer installation fees are typically not a large source of revenue for the District. $170,000 in Water Capacity Fees are expected in 2020/21.

Since the District has little capacity to serve new customers due to an overdrafted groundwater basin, Water Demand Offset (WDO) Resolution 16-08 was created to avoid a moratorium on development and to extend existing water supplies until a supplemental water supply can be developed. Applicants for new water service are currently required to offset twice the amount of water the new development is expected to use so there is no impact on the currently limited water supply, instead achieving a “net positive impact”. The cost of a WDO offset credit is valued at $55,000 per acre-foot (af) of anticipated water use, and a typical single family home needs to purchase credits equal to 0.413 af (approximately $22,715).

The WDO program was revised in 2016 so that 50% of the cost of the offset credit was allocated towards an enhanced toilet rebate program administered by the District, and the remaining 50% was allocated towards the installation of long-term water offset generating projects, but the enhanced toilet rebate program ended at the end of fiscal year 2018/19. The WDO funds are now to be used to install the Advanced Metering Infrastructure (AMI) project, which will provide long-term water savings. $300,000 in revenue from the purchase of WDO credits is anticipated in 2020/21.

<table>
<thead>
<tr>
<th></th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unrestricted Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$14,227,300</td>
<td>$14,676,900</td>
<td>$449,600</td>
<td>3.16%</td>
</tr>
<tr>
<td>Service Charges</td>
<td>7,646,800</td>
<td>8,273,500</td>
<td>626,700</td>
<td>8.20%</td>
</tr>
<tr>
<td>Penalties and Delinquent Fees</td>
<td>40,000</td>
<td>50,000</td>
<td>10,000</td>
<td>25.00%</td>
</tr>
<tr>
<td>Agency Reimbursements</td>
<td>61,000</td>
<td>30,000</td>
<td>(31,000)</td>
<td>-50.82%</td>
</tr>
<tr>
<td>Installation/Connection Fees</td>
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<td>15,000</td>
<td>-</td>
<td>0.00%</td>
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<tr>
<td>Awarded Grants</td>
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<td>5,088,900</td>
<td>1017.78%</td>
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<tr>
<td><strong>Restricted Purpose Revenue</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Water Capacity Fees</td>
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<td>170,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Water Demand Offset Purchases</td>
<td>598,000</td>
<td>300,000</td>
<td>(298,000)</td>
<td>-49.83%</td>
</tr>
<tr>
<td><strong>Total Operating Revenue</strong></td>
<td>$23,258,100</td>
<td>$29,104,300</td>
<td>$5,846,200</td>
<td>25.14%</td>
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</tbody>
</table>
Operating Expenses

Personnel Costs

SqCWD has three distinct bargaining units, governed by separate Memorandums of Understanding (MOU). These agreements were all negotiated in 2017 and will be renegotiated in 2021. The MOU between the District and the Mid-Management Employees Bargaining Group is a four-year agreement that will expire on July 31, 2021. The Management Employees Bargaining Group MOU was also renegotiated as a four-year agreement to remain in effect until July 31, 2021. The Office and Field Employees Bargaining Group is the largest bargaining unit and is represented by the Service Employees International Union (SEIU), Local 521. This labor agreement took effect on February 1, 2017, and will expire January 31, 2021.

Since SqCWD is a service organization, personnel salaries and benefits comprise 67% of base operating expenses. Personnel salaries increased by 6% from the prior year due to scheduled salary increases and recruitment costs to replace retiring employees. Staffing levels increased to 47.8 Full Time Equivalents (FTE) with the addition of two temporary term Water Resource Planner positions. (Figure 4.1, next page)

Personnel benefits increased by 12.4% compared to the prior year. The largest cost component of District personnel benefits is health coverage, which increased 10.8% over the prior year and is expected to increase more significantly in future years as health premiums continue to rise. The District contributes to the California Public Employees Retirement System (CalPERS), a multiple-employer defined benefit pension plan, for retirement benefits. District Tier 1 and Tier 2 (classic) employees hired before January 1, 2013, are contracted under a retirement formula of 2.5% at 55. The Public Employees’ Pension Reform Act (PEPRA) went into effect January 1, 2013, with a retirement formula of 2% at 62. All employees hired after 12/31/12 who are not previous members of CalPERS are covered under PEPRA. Retirement benefits increased 16.1% but will decrease over the long-term as Tier 1 and 2 pension-eligible employees retire and are replaced with employees subject to reduced benefits under PEPRA. Other personnel costs include personnel development, water certification and safety training, and Other Post-Employment Benefits (OPEB).
Other Post-Employment Benefits are health benefits the District offers to retirees who meet certain criteria at the time of retirement. Historically, these benefits were funded on a pay-as-you-go basis, but in 2011 the Board of Directors approved pre-funding OPEB through the California Employers’ Retiree Benefits Trust (CERBT). Employer contributions and investment returns held in this irrevocable trust will be used to pay future retiree health care costs and reduce the District’s actuarial accrued liability for OPEB. The District funds annual OPEB costs at an amount equal to the actuarially determined contribution (ADC) through a combination of pay-as-you-go expenses and contributions to the CERBT. The ADC was formerly known as the actuarially determined annual required contribution (ARC).

ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal expenses each year and to amortize any unfunded actuarial liabilities over a period not to exceed twenty years. The District last updated its Actuarial Valuation for OPEB liabilities in August 2019. The District has included $869,500 of funding in the 2020/21 budget to cover the ADC as well as additional paydown of the net OPEB liability. Governmental Accounting Standards Board (GASB) 75 requires the recognition of the Net OPEB liability on the Statement of Net Position. The Net OPEB liability is the difference between the money the District has set aside to fund retiree health benefits and the projected expenses related to OPEB for both current and retired employees. The Net OPEB liability for the measurement dates June 30, 2018 and 2019 was $4 million and a little over $3.6 million respectively, representing the District’s commitment to paying down the unfunded liability.
Soquel Creek Water District
Organizational Chart Proposed
Fiscal Year 2020/21
Revised: 5/19/20 (47.8 FTE)
### Personnel Salaries - Contingencies

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash-out Contingency</td>
<td>$83,800</td>
<td>$125,600</td>
<td>$125,600</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Recruitment Contingency</td>
<td>-</td>
<td>30,000</td>
<td>-</td>
<td>(30,000)</td>
<td>-100.00%</td>
</tr>
<tr>
<td>Certification Stipends</td>
<td>7,800</td>
<td>7,200</td>
<td>7,200</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Special Pay Contingency/On Call &amp; Travel</td>
<td>45,500</td>
<td>30,400</td>
<td>30,400</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Excess Leave Payout per MOU</td>
<td>12,400</td>
<td>12,500</td>
<td>12,500</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Overtime Contingency</td>
<td>62,100</td>
<td>31,100</td>
<td>33,200</td>
<td>2,100</td>
<td>6.75%</td>
</tr>
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</table>

**Total Personnel Salary Contingencies**

$211,600 $236,800 $208,900 $(27,900) -11.78%

### Personnel Benefits - Contingencies

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition Reimbursement</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td>-</td>
<td>0.00%</td>
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<tr>
<td>GASB 68 Annual Reports</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>-</td>
<td>0.00%</td>
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<tr>
<td>PERS UAL Mandatory Contribution</td>
<td>446,300</td>
<td>545,000</td>
<td>629,100</td>
<td>84,100</td>
<td>15.43%</td>
</tr>
</tbody>
</table>

**Total Personnel Benefit Contingencies**

$458,300 $557,000 $641,100 $84,100 15.10%

### Other Post Employment Benefits (OPEB)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retiree Health Benefits</td>
<td>$362,400</td>
<td>$361,200</td>
<td>$369,500</td>
<td>$8,300</td>
<td>2.30%</td>
</tr>
<tr>
<td>OPEB GASB 75 Funding of Net OPEB Liability</td>
<td>337,600</td>
<td>438,800</td>
<td>500,000</td>
<td>61,200</td>
<td>13.95%</td>
</tr>
</tbody>
</table>

**Total Other Post Employment Benefits**

$700,000 $800,000 $869,500 $69,500 8.69%

Total Non-Departmental Expenses

$1,369,900 $1,593,800 $1,719,500 $125,700 7.89%
### Base Operating Expenses

#### Personnel
- **Salaries - 5 Elected**
  - 2018/19: $32,700
  - 2019/20: $32,700
  - 2020/21: $41,300
  - Increase: $8,600 (26.30%)

- **Benefits - 5 Elected**
  - 2018/19: $99,300
  - 2019/20: $126,900
  - 2020/21: $131,800
  - Increase: $4,900 (3.86%)

- **Professional Development**
  - 2018/19: $9,000
  - 2019/20: $8,200
  - 2020/21: $12,600
  - Increase: $4,400 (53.66%)

#### Administrative
- **Election**
  - 2018/19: $45,000
  - 2019/20: -
  - 2020/21: $46,100
  - Increase: $46,100

**Total Base Operating Expense**
- 2018/19: $186,000
- 2019/20: $167,800
- 2020/21: $231,800
- Increase: $64,000 (38.14%)

**Total Departmental Budget Oversight**
- 2018/19: $186,000
- 2019/20: $167,800
- 2020/21: $231,800
<table>
<thead>
<tr>
<th>OPERATIONS &amp; MAINTENANCE</th>
<th>ENGINEERING</th>
<th>CONSERVATION &amp; CUSTOMER SERVICE FIELD</th>
<th>SPECIAL PROJECTS &amp; COMMUNICATIONS</th>
<th>ADMINISTRATION</th>
<th>FINANCE &amp; BUSINESS SERVICES</th>
<th>HUMAN RESOURCES</th>
<th>DIRECTORS</th>
<th>NON-DEPARTMENTAL</th>
<th>TOTALS</th>
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</thead>
<tbody>
<tr>
<td>Base Operating Expenses</td>
<td></td>
<td></td>
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<tr>
<td>Personnel Salaries</td>
<td>$ 1,637,900</td>
<td>$ 780,300</td>
<td>$ 644,000</td>
<td>$ 639,600</td>
<td>$ 306,000</td>
<td>$ 879,300</td>
<td>$ 173,300</td>
<td>$ 41,300</td>
<td>$ 208,900</td>
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<td>224,200</td>
<td>206,100</td>
<td>216,100</td>
<td>86,500</td>
<td>298,300</td>
<td>51,000</td>
<td>131,800</td>
<td>641,100</td>
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<td>Personnel Development and Safety</td>
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<td>19,400</td>
<td>10,000</td>
<td>22,400</td>
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<td>31,800</td>
<td>17,500</td>
<td>12,600</td>
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<td>Other Post Employment Benefits (OPEB)</td>
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<td>869,500</td>
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<td>Source of Supply</td>
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<td>678,000</td>
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<td>Water Quality and Treatment</td>
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<td>208,500</td>
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<td>Transmission and Distribution</td>
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<td>27,500</td>
<td>236,900</td>
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<td>Conservation</td>
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<td>373,700</td>
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<td>148,000</td>
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<td>Administrative and General Support</td>
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<td>72,200</td>
<td>33,200</td>
<td>290,800</td>
<td>755,300</td>
<td>21,400</td>
<td>46,100</td>
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<td>$ 1,227,700</td>
<td>$ 1,405,400</td>
<td>$ 1,148,200</td>
<td>$ 703,100</td>
<td>$ 2,273,000</td>
<td>$ 263,200</td>
<td>$ 231,800</td>
<td>$ 1,719,500</td>
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<td>Operating Projects</td>
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<tr>
<td>Source of Supply</td>
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<td>90,000</td>
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<td>Transmission and Distribution</td>
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<td>790,000</td>
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<tr>
<td>Facilities and Equipment</td>
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<td>266,100</td>
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<td>Total Operating Projects</td>
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<tr>
<td>Total Operating Expenses</td>
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<td>$ 703,100</td>
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<td>$ 263,200</td>
<td>$ 231,800</td>
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</tr>
<tr>
<td>(Funded Through Pay-Go)</td>
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<td>Transmission and Distribution</td>
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<tr>
<td>Facilities and Equipment</td>
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<td>163,000</td>
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<tr>
<td>Total Capital Improvement Projects (Pay-Go)</td>
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<td>$ 2,060,000</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 18,100</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 1,146,100</td>
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</tr>
<tr>
<td>(Funded Through Capital Facilities Reserve)</td>
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<tr>
<td>Pumping</td>
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<td></td>
<td>160,000</td>
</tr>
<tr>
<td>Transmission and Distribution/Conservation</td>
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<td>580,000</td>
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<tr>
<td>Total Capital Improvement Projects (CFR)</td>
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<td>$ 580,000</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 18,100</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 1,146,100</td>
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</tr>
<tr>
<td>(Funded Through Certificates of Participation - COP)</td>
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</tr>
<tr>
<td>Transmission and Distribution</td>
<td>5,837,400</td>
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<td></td>
<td></td>
<td>5,837,400</td>
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<tr>
<td>Total Capital Improvement Projects (COP)</td>
<td>$ 5,837,400</td>
<td>$ 5,837,400</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 18,100</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 1,146,100</td>
<td></td>
</tr>
<tr>
<td>(Funded Through New Debt Issuance)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source of Supply</td>
<td>$ 2,462,600</td>
<td>$ 55,190,800</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>55,190,800</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>2,462,600</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,462,600</td>
</tr>
<tr>
<td>Total Capital Improvement Projects (New Debt)</td>
<td>$ 2,462,600</td>
<td>$ 55,190,800</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 18,100</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 1,146,100</td>
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</tr>
<tr>
<td>Total Capital Improvement Projects</td>
<td>$ 343,000</td>
<td>$ 10,360,000</td>
<td>$ 580,000</td>
<td>$ 55,190,800</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 181,000</td>
<td>$ 1,146,100</td>
<td></td>
</tr>
</tbody>
</table>

Soquel Creek Water District Budget 2020/21
Operations & Maintenance Department

Operations & Maintenance Mgr
1 FTE

Operations & Maint Spvr
1 FTE

Water Qual Prog Coord
1 FTE

Water Sampling Tech
1 FTE

Equip/Utilities Mechanic
1 FTE

Water Sys Operator Lead
1 FTE

Water Sys Op/Inst Tech
1 FTE

Water Systems Operator II
1 FTE

Water Systems Operator II
1 FTE

Water Systems Operator II
1 FTE

Operations & Maint Wkr
1 FTE

Lead Water Dist. Operator
1 FTE

Lead Water Dist. Operator
1 FTE

Sr. Water Dist. Operator
1 FTE

Water Distribution Optr II
1 FTE

Water Distribution Optr II
1 FTE

Water Distribution Optr I
1 FTE

Water Distribution Optr I
1 FTE
The Operations and Maintenance (O & M) department is responsible for efficiently operating and maintaining the District’s water system and facilities 24-hours a day. The operations team is responsible for the daily operations of the water system and ensuring that production wells are effectively drawing water, the water meets all quality standards, the reservoir tanks are full, and the system is maintaining adequate pressure. The water distribution crew have a wide range of duties, including repairing and replacing valves and hydrants, flushing mains to maintain water quality, locating services and mains for contractors, and repairing leaking service lines and distribution mains. O & M staff also maintain and repair the District fleet and equipment, monitor and test water quality, maintain an inventory of repair and replacement parts, and monitor the groundwater basin for seawater intrusion.

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Operations &amp; Maintenance 2019/20 Accomplishments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water Resource Management and Sustainability</strong></td>
<td>• Cleaned Monterey backwash water basin to allow structural inspection</td>
</tr>
<tr>
<td></td>
<td>• Completed flushing of Service Area 1 mains</td>
</tr>
<tr>
<td></td>
<td>• Conducted water transfer monitoring pre- and post-transfer and during water transfers from the City of Santa Cruz</td>
</tr>
<tr>
<td></td>
<td>• Implemented flow-through cell use for groundwater monitoring</td>
</tr>
<tr>
<td></td>
<td>• Prepared third-party validated water audit for State of California</td>
</tr>
<tr>
<td></td>
<td>• Provided support for the seawater intrusion prevention well pilot study</td>
</tr>
</tbody>
</table>

<p>| Infrastructure and Delivery                     | • Acquired replacement pumps and variable frequency drives (VFDs) at Austrian booster facility       |
|                                               | • Installed air gaps on Seascape Tank overflow line, and Altivo and Sells wells pump-to-waste discharge lines |
|                                               | • Installed automatic transfer switches at Mar Vista and Austrian booster pumps and Aptos Junior High well |
|                                               | • Installed VFDs at Rosedale and Garnet wells                                                     |
|                                               | • Repaired Aptos Junior High 2 well motor and installed a foot valve                              |
|                                               | • Replaced backwash reclaim water tank roof at Aptos Junior High water treatment plant            |
|                                               | • Replaced SCADA servers                                                                          |</p>
<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Operations &amp; Maintenance 2019/20 Accomplishments</th>
</tr>
</thead>
</table>
| **Infrastructure and Delivery, con’t** | • Replaced backwash water reclaim pump at Garnet water treatment plan  
• Replaced 148 feet of water main on Huntington Drive  
• Upgraded backwash logic at Main Street and T. Hopkins water treatment plants  
• Repaired 14 main leaks in 2019 |
| **Community Engagement and Trust** | • Acquired 200 kilowatt portable generator and two standby generators for Public Safety Power Shutoffs  
• Completed triennial Lead and Copper Rule customer tap monitoring  
• Conducted an ammonia mitigation study at O’Neill Ranch well  
• Performed over 26,000 water quality tests, testing for over 180 compounds  
• Provided uninterrupted water service during two Public Safety Power Shutoffs  
• Received triennial sanitary survey from Division of Drinking Water  
• Received zero drinking water monitoring and reporting violations |
| **Fiscal Responsibility** | • Performed thermal imaging survey of all electrical panels  
• Performed tree risk surveys at all District facilities and mitigated high-priority risks  
• Replaced two aging fleet vehicles |
| **Customer Service** | • Produced and treated 1.05 billion gallons of drinking water in 2019  
• Repaired 67 service leaks in 2019 |
| **Workforce and Organizational Excellence** | • Prepared standard operating procedures for groundwater monitoring program  
• Reorganized the O&M department staffing model to foster leadership and improve succession planning  
• Upgraded SCADA automation software  
• Staff trainings included cross-connection control, pump testing, safety risk management, PFAS regulations, Asbestos-Cement Pipe, proposed Lead and Copper Rule revisions, CPR |
## 2020/21 Strategic Initiatives

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Operations &amp; Maintenance 2020/21 Strategic Initiatives</th>
</tr>
</thead>
</table>
| **Infrastructure and Delivery** | • Flush service area 2  
• Repair Ironwood Tank roof corrosion  
• Perform bench-scale and full-scale testing of hypochlorite dilution at O’Neill Ranch well  
• Repair Bonita and Altivo wellhead corrosion  
• Replace Austrian, Fairway and Aquaview booster pumps  
• Replace backwash step switches at two more treatment plants  
• Replace Tannery isolation valve  
• Address cross-connection survey recommendations |

| **Community Engagement and Trust** | • Continue valve insertions to allow District to isolate sections of water mains for maintenance without wide-spread disruption of service to customers  
• Perform Risk and Resilience Assessment of all facilities  
• Perform triennial perchlorate, Volatile Organic Compounds (VOC) and Synthetic Organic Compounds (SOC) monitoring |
<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Operations &amp; Maintenance 2020/21 Strategic Initiatives</th>
</tr>
</thead>
</table>
| Fiscal Responsibility          | • Mitigate medium-priority tree risks at District facilities  
                                 | • Replace aging valve exerciser trailer and small dump truck |
| Workforce and Organizational Excellence | • Increase functional use of Computerized Maintenance and Management System (CMMS)  
                                         | • Install shade structure over bulk sodium hypochlorite tank and along south and west fencelines  
                                         | • Acquire backup telemetry radios  
                                         | • Replace air conditioner in shop office |
## Base Operating Expenses

<table>
<thead>
<tr>
<th>Personnel</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries - 17 FTE</td>
<td>$1,566,100</td>
<td>$1,650,900</td>
<td>$1,637,900</td>
<td>$13,000</td>
<td>-0.79%</td>
</tr>
<tr>
<td>Benefits - 17 FTE</td>
<td>534,200</td>
<td>573,000</td>
<td>627,400</td>
<td>54,400</td>
<td>9.49%</td>
</tr>
<tr>
<td>Professional Development</td>
<td>25,000</td>
<td>25,500</td>
<td>14,900</td>
<td>(10,600)</td>
<td>-41.57%</td>
</tr>
<tr>
<td>Health &amp; Safety</td>
<td>18,000</td>
<td>15,000</td>
<td>15,500</td>
<td>500</td>
<td>3.33%</td>
</tr>
</tbody>
</table>

### Source of Supply

<table>
<thead>
<tr>
<th>Category</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wells</td>
<td>$32,000</td>
<td>$32,600</td>
<td>$47,100</td>
<td>$14,500</td>
<td>44.88%</td>
</tr>
<tr>
<td>Groundwater Management</td>
<td>$53,000</td>
<td>$40,400</td>
<td>$189,000</td>
<td>$148,600</td>
<td>367.82%</td>
</tr>
<tr>
<td>Rain &amp; Stream Gages</td>
<td>$51,000</td>
<td>$28,000</td>
<td>$34,100</td>
<td>$6,100</td>
<td>21.79%</td>
</tr>
</tbody>
</table>

### Operating Projects

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boilers</td>
<td>$7,000</td>
<td>$9,000</td>
<td>9,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Groundkeeping</td>
<td>$17,000</td>
<td>$67,000</td>
<td>$79,000</td>
<td>$12,000</td>
<td>17.91%</td>
</tr>
<tr>
<td>Pumping Power</td>
<td>$576,000</td>
<td>$602,000</td>
<td>$590,000</td>
<td>$12,000</td>
<td>-1.99%</td>
</tr>
</tbody>
</table>

### Water Treatment

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Treatment</td>
<td>$28,000</td>
<td>$28,100</td>
<td>$28,500</td>
<td>-</td>
<td>-0.06%</td>
</tr>
<tr>
<td>Permits &amp; Compliance</td>
<td>$58,000</td>
<td>$56,000</td>
<td>$65,000</td>
<td>$9,000</td>
<td>16.07%</td>
</tr>
<tr>
<td>Labs</td>
<td>$83,000</td>
<td>$66,200</td>
<td>$83,000</td>
<td>$16,800</td>
<td>25.38%</td>
</tr>
<tr>
<td>Hypochlorita</td>
<td>$30,000</td>
<td>$34,000</td>
<td>$32,000</td>
<td></td>
<td>-5.88%</td>
</tr>
</tbody>
</table>

### Transmission & Distribution

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mains</td>
<td>$128,000</td>
<td>$77,000</td>
<td>$83,000</td>
<td>$6,000</td>
<td>7.79%</td>
</tr>
<tr>
<td>Paving &amp; Backfill</td>
<td>$100,000</td>
<td>$164,000</td>
<td>$150,000</td>
<td></td>
<td>-8.54%</td>
</tr>
<tr>
<td>Tanks</td>
<td>$22,000</td>
<td>$40,200</td>
<td>$43,000</td>
<td>$2,800</td>
<td>6.97%</td>
</tr>
<tr>
<td>Hydrants</td>
<td>$11,500</td>
<td>$11,500</td>
<td>$15,000</td>
<td>$3,500</td>
<td>30.43%</td>
</tr>
<tr>
<td>Services &amp; Meters</td>
<td>$65,000</td>
<td>$79,000</td>
<td>$31,000</td>
<td></td>
<td>-57.76%</td>
</tr>
<tr>
<td>Stores</td>
<td>$3,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

### Facilities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Plant</td>
<td>$47,500</td>
<td>$41,000</td>
<td>$41,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Fuel</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$60,000</td>
<td>$10,000</td>
<td>20.00%</td>
</tr>
<tr>
<td>Fleet Maintenance</td>
<td>$55,000</td>
<td>$52,000</td>
<td>$47,000</td>
<td></td>
<td>-9.62%</td>
</tr>
<tr>
<td>Arborist Evaluation</td>
<td>$15,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AVWA Risk Resilience Assessment</td>
<td></td>
<td></td>
<td>$150,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Total Operating Expenses

Total Operating Expenses: $3,992,500

### Capital Improvement Projects

(Funded Through Pay-Go)

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation for Pre-1914 Water Purchase from City of Santa Cruz</td>
<td>$96,100</td>
<td>$160,000</td>
<td>$90,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clearing of Cross-Country and Creek Main Crossings</td>
<td>$30,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ironwood Tank Repairs</td>
<td>$66,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repair Ironwood Tank Roof Corrosion</td>
<td></td>
<td>$15,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Roof, Gutters and Seal on Operations and Maintenance Building</td>
<td>$60,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Gutters on Shop Building</td>
<td>$30,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arborist Evaluation</td>
<td>$15,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AVWA Risk Resilience Assessment</td>
<td></td>
<td></td>
<td>$150,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Capital Improvement Projects (Pay-Go): $797,000

### Capital Improvement Projects (Funded Through Capital Facilities Reserve)

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automatic Transfer Switches at 4 Sites</td>
<td>$25,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Install Sounding Tube at Ledyard Well</td>
<td>7,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Install Variable Frequency Drive for New Boosters at Austrian</td>
<td>$40,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Backwash Tank Roofs at Rosedale Well</td>
<td>$50,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Backwash Tank Roofs at Tannery and Man</td>
<td>$35,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ammonia Treatment at O'Neill Ranch Well</td>
<td>$20,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Customer Service Field Vehicle Unit #23</td>
<td>$17,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portable Generator 200kw</td>
<td>$110,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Small Dump Truck Unit #26</td>
<td>$75,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Valve Exercise Trailer</td>
<td>$88,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Capital Improvement Projects (Pay-Go): $767,000

### Total Capital Improvement Projects (Drawdown)

Total Capital Improvement Projects (Drawdown): $217,000

### Water Quality and Treatment

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replace Backwash Tank Roofs at AHS</td>
<td>$40,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Backwash Tank Roofs at AHS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Water Quality and Treatment: $40,000

### Total Capital Improvement Projects

Total Capital Improvement Projects: $217,000

### Total Departmental Budget Oversight

Total Departmental Budget Oversight: $4,755,500
Engineering Manager 1 FTE

GIS Analyst 1 FTE

Associate Engineer 1 FTE

Construction Inspector 1 FTE

Associate Engineer 1 FTE

Engineering Technician 1 FTE

Engineering Department
The primary responsibilities of the Engineering department are the design, construction, and inspection of the water system and general District facilities. They coordinate and inspect the efforts of developers to expand the water system. Engineering also maintains District infrastructure drawings and maps and assists with setting various fees and charges, such as developer connection fees. The Engineering department is responsible for Geographic Information Systems (GIS) and the development of valuable tools for more efficient and effective access, linking, analysis, and maintenance of information for and about the District and its service connections. Some notable accomplishments for the Engineering Department in the prior fiscal year are shown below.

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Engineering 2019/20 Accomplishments</th>
</tr>
</thead>
</table>
| **Water Resource Management and Sustainability** | • Completed Granite Way well site infrastructure, obtained Water Supply Permit amendment from State Division of Drinking Water, installed landscape screening  
• Supported PureWater Soquel design and construction procurement contracts  
• Supported Santa Cruz Mid-County Groundwater Agency mapping for Groundwater Sustainability Plan utilizing GIS  
• Coordinated with Operations & Maintenance to initiate City of Santa Cruz surface water purchase including water quality sampling program  
• Coordinated with City of Santa Cruz on Aquifer Storage and Recovery pilot project at Beltz #9  
• Supported Hydrometrics with data management and data QA/QC in WISKI for private well monitoring programs, cooperative groundwater management monitoring program, and shallow well/creek Monitoring and Mitigation Program  |
| **Infrastructure and Delivery** | • Quail Run Tank ready for construction pending funding availability  
• Completed sewer lateral installation at Ledyard Well  
• Finalized design for Soquel Drive Cast Iron Main Replacement Project and expanded scope to include Haas Drive and a pressure reducing valve for Mar Vista Drive  
• O’Neill Well Ammonia Mitigation-Ongoing coordination with Operations, completed Phase I data review and alternatives analysis |
<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Engineering 2019/20 Accomplishments</th>
</tr>
</thead>
</table>
| **Community Engagement and Trust** | • Managed record keeping for 944 cross connection certification tests  
• Completed construction oversight for main relocation for Capitola Library  
• Ongoing administration and service installation oversight for the Aptos Village Planned Development |
| **Customer Service** | • Currently managing 89 open construction work orders  
• Administered 61 meter drop ins (7 commercial, 29 domestic, 24 fire and 1 master meter)  
• Created 12 new construction work orders and closed 17 existing construction work orders |
| **Workforce and Organizational Excellence** | • Maintained and updated GIS and Database management-related programs (Field Mapplet, Mapplet, Digital Library, WISKI, Leak records)  
• Provided GIS support for the migration from Springbrook to Tyler Incode billing software, ongoing updates related to mapping and datasets for as-built drawings |
## 2020/21 Strategic Initiatives

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Engineering 2020/21 Strategic Initiatives</th>
</tr>
</thead>
</table>
| **Water Resource Management and Sustainability** | • Negotiate with the City of Santa Cruz for an extension of the water purchase agreement to 2025  
• Continue to pursue 50/50 cost sharing with City of Santa Cruz for water quality sampling and reporting in conjunction with the water purchase agreement  
• Obtain Division of Drinking Water authorization to implement testing recommendations for ammonia mitigation at O’Neill Ranch well  
• Implement recommendations from Corona Environmental Consulting to minimize hypochlorite age, temperature and use diluted dose to mitigate ammonia levels at O’Neill Ranch well  
• Negotiate and acquire necessary easements for conveyance and seawater intrusion prevention (SWIP) wells for Pure Water Soquel  
• Administer construction contracts for Twin Lakes Church SWIP well rehabilitation  
• Administer construction contracts for Willowbrook and Monterey SWIP wells  
• Negotiate construction contract for conveyance and treatment portions of Pure Water Soquel, begin construction |
| **Infrastructure and Delivery** | • Relocate conflicting utilities and secure easements for construction of the Quail Run tank  
• Begin construction of Quail Run tank in fall/winter 2020/21  
• Award contract and begin construction of the Soquel Drive Cast Iron Main Replacement project, Phase IV  
• Complete survey and design of main replacement project for St. Andrews Drive, Wingfoot Drive, St. Andrews Way, and Baltrusol Drive  
• Perform a condition assessment for critical crossings at Stockton Avenue bridge, Rio Del Mar at Highway 1, Rio Del Mar at Sumner railroad bridge, Estates Drive at Highway 1 and Mar Vista Drive at Highway 1  
• Perform safety evaluation and handrail design for Fairway Tank recoat and rehabilitation, begin construction fall/winter 2020/21 |
<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Engineering 2020/21 Strategic Initiatives</th>
</tr>
</thead>
</table>
| **Community Engagement and Trust**            | • Demolish abandoned structure at Chanticleer site  
• Continue the California Environmental Quality Act (CEQA) and Coastal Development permit process and complete design of the 1,2,3-TCP treatment plant at Country Club well  
• Identify sites for planting 64 coastal live oak trees as part of the O’Neill Well tree mitigation program by August 2020; complete planting of the trees by end of 2020 |
| **Customer Service**                          | • Continue to provide the necessary support and inspection for the Aptos Village Plan and final phase meter coordination  
• Coordinate and inspect County of Santa Cruz road improvements at Aptos Creek Road and Soquel Drive  
• Close out the Abbey Road Subdivision project  
• Begin construction of the Alta Drive service replacements and trench pavement repair  
• Provide engineering support and inspection for new water service installations  
• Provide ongoing GIS support for the Community Water Plan and Pure Water Soquel, water service installations, backflow, and hydrologic modeling  
• Complete low pressure booster surveys and prepare as-builts within one month of completion  
• Provide support to the Austrian, Seascape, Aquaview, and Fairway booster upgrade projects for O&M |
| **Workforce and Organizational Excellence**    | • Ongoing maintenance and data population of the WISKI database  
• Update and calibrate Distribution Model and plan for Service Area 3 improvements  
• Implement WISKI Water Quality Module  
• Update Standard Engineering Specifications  
• Complete entry of as-builts into Arc-Map/Mapplet |
### Base Operating Expenses

#### Personnel
<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 Budget</th>
<th>2019/20 Budget</th>
<th>2020/21 Budget (Proposed)</th>
<th>Increase (Decrease) Over Py</th>
<th>% Change Over Py</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries - 6 FTE</td>
<td>$655,100</td>
<td>$749,700</td>
<td>$780,300</td>
<td>$30,600</td>
<td>4.08%</td>
</tr>
<tr>
<td>Benefits - 6 FTE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Development</td>
<td>$171,500</td>
<td>$201,200</td>
<td>$224,200</td>
<td>$23,000</td>
<td>11.43%</td>
</tr>
<tr>
<td>Source of Supply</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wells</td>
<td>$59,500</td>
<td>$60,000</td>
<td>$61,000</td>
<td>$1,000</td>
<td>1.67%</td>
</tr>
<tr>
<td>Transmission &amp; Distribution</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering Supplies &amp; Services</td>
<td>$9,000</td>
<td>$8,300</td>
<td>$8,500</td>
<td>$200</td>
<td>2.41%</td>
</tr>
<tr>
<td>Engineering Consulting</td>
<td>$55,000</td>
<td>$55,000</td>
<td>$55,000</td>
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<td>0.00%</td>
</tr>
<tr>
<td>Administrative</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Office Supplies &amp; Services</td>
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<td>$2,100</td>
<td>$1,800</td>
<td>(300)</td>
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</tr>
<tr>
<td>Computer Supplies and Services</td>
<td>$64,000</td>
<td>$65,500</td>
<td>$74,900</td>
<td>$9,400</td>
<td>14.35%</td>
</tr>
<tr>
<td>Professional Organizations</td>
<td>$200</td>
<td>$500</td>
<td>$500</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total Base Operating Expense</strong></td>
<td><strong>$1,032,900</strong></td>
<td><strong>$1,164,300</strong></td>
<td><strong>$1,227,700</strong></td>
<td><strong>$63,400</strong></td>
<td><strong>5.45%</strong></td>
</tr>
</tbody>
</table>

#### Operating Projects

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 Budget</th>
<th>2019/20 Budget</th>
<th>2020/21 Budget</th>
<th>Increase (Decrease) Over Py</th>
<th>% Change Over Py</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipe Loop and Corrosion Control Study at 3 Sites</td>
<td>$250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weir Repair on Upper Soquel Creek</td>
<td>$60,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Well and Treatment Plant Filter Vessel Surveillance and Inspection</td>
<td>$48,000</td>
<td>$48,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modify Wastewater Discharge at Estates Backwash Tank</td>
<td>$30,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apts Creek Road/Soquel Drive County Improvements</td>
<td>$50,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raise Valve Boxes for La Selva County Paving</td>
<td>$50,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fairway Tank Recoat</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rio Del Mar Blvd at Railroad Crossing and Sumner Assessment</td>
<td></td>
<td></td>
<td>$760,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O’Neill Ranch Well Mitigation - Coastal Live Oaks</td>
<td></td>
<td></td>
<td>$90,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>La Selva Acres Appraisal</td>
<td></td>
<td></td>
<td>$8,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Projects</strong></td>
<td><strong>$488,000</strong></td>
<td><strong>$48,000</strong></td>
<td><strong>$873,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>$1,520,900</strong></td>
<td><strong>$1,212,300</strong></td>
<td><strong>$2,100,700</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Capital Improvement Projects (Funded Through Pay-Go)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 Budget</th>
<th>2019/20 Budget</th>
<th>2020/21 Budget</th>
<th>Increase (Decrease) Over Py</th>
<th>% Change Over Py</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer Lateral at Ledyard</td>
<td>$15,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upgrade Seacape Booster Pumps</td>
<td>$100,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,2,3-TCP Treatment Feasibility Study</td>
<td>$200,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>St. Andrews Drive, Wingfoot, Baltusrol Main Replacement</td>
<td></td>
<td></td>
<td>$1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Huntington Drive Transmission Line Replacement</td>
<td></td>
<td></td>
<td>$600,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alta Drive Service Installation and Trench Paving Repair</td>
<td></td>
<td></td>
<td>$260,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O’Neill Well and Treatment Plant Tree Mitigation</td>
<td>$96,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Capital Improvement Projects (Pay-Go)</strong></td>
<td><strong>$411,000</strong></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

#### Capital Improvement Projects (Funded Through Certificates of Participation-COP)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 Budget</th>
<th>2019/20 Budget</th>
<th>2020/21 Budget</th>
<th>Increase (Decrease) Over Py</th>
<th>% Change Over Py</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granite Way Production Well Design &amp; Completion</td>
<td>$700,000</td>
<td>$600,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Area 3 to 4 Intertie and PRV Station Design &amp; Construction</td>
<td>$850,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quail Run Buried Concrete Tank Design and Construction</td>
<td>$100,000</td>
<td></td>
<td></td>
<td>$537,400</td>
<td></td>
</tr>
<tr>
<td>Soquel Drive Main Replacement Phase IV</td>
<td>$2,500,000</td>
<td>$2,500,000</td>
<td>$5,300,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Capital Improvement Projects (COP)</strong></td>
<td><strong>$4,150,000</strong></td>
<td><strong>$3,100,000</strong></td>
<td><strong>$5,837,400</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Capital Improvement Projects (Funded Through New Debt Issuance)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 Budget</th>
<th>2019/20 Budget</th>
<th>2020/21 Budget</th>
<th>Increase (Decrease) Over Py</th>
<th>% Change Over Py</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quail Run Buried Concrete Tank Construction</td>
<td></td>
<td></td>
<td>$1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Capital Improvement Projects (Debt Issuance)</strong></td>
<td><strong>$1,000,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Capital Improvement Projects</strong></td>
<td><strong>$4,561,000</strong></td>
<td><strong>$4,100,000</strong></td>
<td><strong>$10,360,000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Departmental Budget Oversight</strong></td>
<td><strong>$6,081,900</strong></td>
<td><strong>$5,512,300</strong></td>
<td><strong>$12,460,700</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Conservation & Customer Service Field Department
The Conservation and Customer Service Field (CCSF) department is responsible for assisting District customers to improve water use efficiency, reading and maintaining meters, working with customers to investigate leaks and high consumption alerts, and performing other related field service work. The department oversees a variety of conservation programs, including customer rebates for water efficiency improvements, water budgets for dedicated irrigation customers, water waste enforcement, and water conservation outreach. Highly knowledgeable staff members also provide technical assistance, such as on-site conservation consultations to evaluate water use, install free conservation devices, and provide suggestions to improve water use efficiency. Conservation also oversees new water service applications and manages the District’s Water Demand Offset (WDO) program, which requires new water service applicants to offset twice the amount of water a new development is expected to use so there is no impact on the currently limited supply. The Customer Service Field team is responsible for the monthly collection of meter reads as well as turning services on and off, assisting customers with leaks or other service issues, and maintaining meter equipment and accessibility.

### Organizational Strategic Goal

#### CCSF 2019/20 Accomplishments

<table>
<thead>
<tr>
<th>Water Resource Management and Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Granted over 450 rebates for a large variety of water-conserving fixtures and measures</td>
</tr>
<tr>
<td>• Funded approximately 250 ultra-high efficiency toilet rebates resulting in an estimated water savings of 485,000 gallons per year</td>
</tr>
<tr>
<td>• Provided about 40 turf replacement rebates with about 40,000 square feet of turf removed, resulting in an estimated water savings of 240,000 gallons per year</td>
</tr>
<tr>
<td>• In partnership with the County of Santa Cruz Water Resources staff, completed a study determining the feasibility of and estimated costs for designing stormwater recharge wells at several Seascape Golf Course locations with a goal of helping recharge the groundwater basin. With support from the golf course ownership to construct a recharge project at the most suitable location identified in the study, staff assisted the County with the submittal of a Proposition 1 State grant application. If the grant is awarded, it will provide up to 50% of the project costs.</td>
</tr>
<tr>
<td>Organizational Strategic Goal</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
</tr>
</tbody>
</table>
| Water Resource Management and Sustainability, con’t | • Collaborated with Operations & Maintenance staff to complete the District’s 2018 Water Loss Audit  
• Evaluated the continued use of existing trigger conditions for declaring a long-term water supply shortage stage in accordance with the District’s Water Shortage Contingency Plan  
• Issued a Request for Proposal for a consultant to assist with preparing the District’s 2020 Urban Water Management Plan (UWMP), completion of which is required by the State every five years and identifies how water suppliers will meet expected water demand over a 20-year planning horizon |
| Infrastructure and Delivery                     | • Initiated the District’s metering system upgrade to Automated Metering Infrastructure (AMI), including replacement of each meter’s electronic register component by a contractor and installation of the fixed network equipment (i.e. base station and repeater antennas) needed to collect and transmit meter data to the District  
• Completed approximately 11,000 (of about 15,500 total) AMI register installations  
• Installed about 75% of the fixed network equipment projected to be needed for collecting and transmitting daily reads and leak alerts to the District |
| Community Engagement and Trust                  | • Participated in community events to promote water conservation including the County Fair, the Aptos-La Selva Fire District Open House, and the second annual Water Harvest Festival  
• Conducted approximately 80 free water-wise house and business calls to identify customized options to help customers save water  
• Presented on the Conservation and Customer Service Field department functions and programs to several Water Wise Academy sessions comprised of District customers  
• Reported to the Board and public on annual Water Demand Offset fees collected in accordance with the Mitigation Fee Act requirements  
• Communicated with customers via District outreach publications, the website, and print materials on a variety of conservation and customer service programs including the metering system upgrade project, rebates, free water-wise house and business calls, landscape resources, leak detection and the importance of maintaining meter box access |
<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>CCSF 2019/20 Accomplishments</th>
</tr>
</thead>
</table>
| Fiscal Responsibility        | • Identified recycling opportunities for concrete/metal scrap and product packaging materials from the AMI project which, in addition to meeting one of the District’s key principles of environmental sustainability, saved money by avoiding disposal costs  
  • Applied for a State Proposition 1 grant for a stormwater recharge project at Seascape Golf Course; if awarded, the grant will provide up to 50% of the project costs  
  • Due to project interruptions created by COVID-19, staff negotiated a delayed implementation kick-off date with WaterSmart Software for their Customer Engagement Portal service, which allowed for the deferral of about 50% of the total project costs until next fiscal year |
| Customer Service             | • Followed-up with customers on approximately 1,500 leaks detected by the metering system and/or field staff. About one-third of these leaks were detected by the AMI system which allowed for staff to provide near real-time notification to customers, thus reducing customer bills and water waste.  
  • Investigated about 1,200 cases in which customer water use was significantly higher than normal and worked with customers to identify potential causes and customer follow-up actions  
  • Per customer request and where technically feasible given water capacity needs, staff replaced 20 1” meters with 5/8” meters, allowing customers to save $50 per month on the monthly service charge component of their bill  
  • Installed approximately 50 meters for new domestic and fire services  
  • Adapted the free Water-Wise House or Business Call service to a Water-Wise Phone Call service during the COVID-19 pandemic to continue helping customers identify ways to save water and reduce bills  
  • Implemented a software program to electronically collect data from the metering system upgrade project for direct upload into the billing system, which saved staff time and eliminated the likelihood of manual data entry errors  
  • Evaluated three Customer Engagement Portal software products for our customers to begin using in fall of 2020. The portal will allow customers to see their hourly, daily and monthly water use, and to receive various notifications (e.g., leak alerts, usage or bill amounts over a designated threshold, etc.) via email, text, or phone. |
## Organizational Strategic Goal

### CCSF 2019/20 Accomplishments

### Customer Service, con’t

- Selected WaterSmart Software’s Customer Engagement Portal and completed contracting and procurement. Staff is preparing to start the 90-day implementation process in June and is working with the billing system and AMI system vendors to set-up the data transfer files needed to make water use data available to customers via the Portal in fall of 2020.

- Helped approximately 40 new water service applicants work through the District’s process and requirements, including the Water Demand Offset program and indoor and outdoor/landscape water use efficiency standards, and payment of fees. Responded to over 50 phone/email inquiries from others about the costs and process for obtaining water service for specific properties and development projects.

- Updated the District’s new water service and Water Demand Offset program requirements for Accessory Dwelling Units to comply with Senate Bill 13 that went into effect on January 1, 2020.

### Workforce and Organizational Excellence

- Staff received training on the use of new meter reading software associated with the upgrade to AMI.

- Staff completed training on and successfully transitioned to the new billing and mobile service order system.

- To increase organizational knowledge and gain expertise from all employees, involved all CCSF staff in metering system upgrade planning meetings.

- Participated in northern California utility group meetings on metering and meter testing and networked with other agencies that have competed or are undergoing metering system upgrades.

- Two Customer Service Field staff hired the previous fiscal year successfully passed their probationary periods, secured their distribution system certifications required by the State, and were added to the on-call rotation.

- Continued to pursue internal cross-training of staff to ensure redundancy and maximize productivity.

- Continued to work with the City of Capitola and County of Santa Cruz Planning and Building Departments to collaborate on new Accessory Dwelling Unit requirements and ways to improve communication to our shared new development project applicants.
## 2020/21 Strategic Initiatives

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>CCSF 2020/21 Strategic Initiatives</th>
</tr>
</thead>
</table>
| Water Resource Management and Sustainability| • Initiate preparation of the 2020 Urban Water Management Plan and meet the State’s submittal deadline of July 1, 2021  
• Assist the County of Santa Cruz with securing agreements with Seascape golf course ownership, applying for regulatory permits, performing community outreach, and bidding out the stormwater recharge project construction  
• Develop a new meter testing program in accordance with new State water loss audit requirements and guidelines  
• Recertify the District as a Santa Cruz County Green Business                                                                                                                                 |
| Infrastructure and Delivery                | • In support of the Advanced Metering Infrastructure (AMI) project, oversee completion of approximately 4,500 remaining electronic register installations by contractor, perform approximately 450 whole meter replacements for meters that are nearing the end of their lifecycle, complete installation of the remaining fixed network equipment, trouble-shoot the system in areas not consistently receiving adequate transmission of meter data, and, if needed, install additional fixed network components to increase performance |
| Community Engagement and Trust             | • Continue to communicate with customers about the AMI upgrade via District outreach publications, the website, and print materials  
• Develop a series of customer spotlight articles to highlight customers that are taking action to save water  
• Identify new methods and opportunities to communicate with customers virtually about conservation programs  
• In conjunction with the Santa Cruz County Water Conservation Coalition, launch an educational campaign on the value of local tap water  
• Evaluate ways to increase customer participation in the District’s rebate program                                                                                                                                 |
| Fiscal Responsibility                      | • Conduct future large meter testing using trained in-house staff  
• As AMI is installed and customers begin to receive near real-time notification of leaks, work with Finance to identify appropriate revisions to the leak adjustment policy |

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<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>CCSF 2020/21 Strategic Initiatives</th>
</tr>
</thead>
</table>
| **Customer Service**         | • Roll-out the WaterSmart Customer Engagement Portal for customer use in fall of 2020 and provide assistance to customers on using the portal  
• Make hourly and daily water use from the AMI upgrade available to dedicated irrigation account holders and their designated landscape contractors via the existing Waterfluence Software Portal. Waterfluence allows irrigation customers to see how well they are performing relative to site-specific water budgets that provide targeted amounts of water to maintain vibrant and healthy landscapes.  
• Continue to offer an opt-out program to customers who do not wish to have an electronic water meter and elect to have their water meter read manually for a monthly fee based on cost-of-service  
• Continue to offer, promote, and improve the free Water-Wise Phone Calls service and return to in-person home and business visits when feasible |
| **Workforce and Organizational Excellence** | • Receive training on the WaterSmart Customer Engagement Portal and how to assist customers with the use of the Portal  
• Utilize the analytical capabilities of the Customer Engagement Portal to evaluate various conservation program metrics  
• Receive more advanced training on use of the new billing system, especially as related to water use and conservation reporting  
• Integrate the AMI data into the Waterfluence Software Portal for dedicated landscape irrigation accounts  
• Cross-train with Customer Service Office and Operations & Maintenance staff (for on-call purposes) on use of the Customer Engagement Portal software  
• Evaluate overlapping Customer Service Field and Customer Service Office work processes to identify potential work efficiencies and ways to improve customer service  
• Identify opportunities to share information and lessons learned from the District’s AMI upgrade project with other utilities |
## Base Operating Expenses

### Personnel
- **Salaries** - 7 FTE  
  - 2018/19: $583,700  
  - 2019/20: $602,500  
  - 2020/21 (Proposed): $644,000  
  - Increase/Decrease: $41,500 (6.89%)  
- **Benefits** - 7 FTE  
  - 2018/19: $192,700  
  - 2019/20: $201,900  
  - 2020/21 (Proposed): $206,100  
  - Increase/Decrease: $4,200 (2.08%)  
- **Professional Development**  
  - 2018/19: $8,200  
  - 2019/20: $9,500  
  - 2020/21 (Proposed): $10,000  
  - Increase/Decrease: $500 (5.26%)  

### Transmission & Distribution
- **Services & Meters**  
  - 2018/19: $58,500  
  - 2019/20: $53,500  
  - 2020/21 (Proposed): $71,900  
  - Increase/Decrease: $18,400 (34.39%)  

### Customer Service and Outreach
- **Meter Reading**  
  - 2018/19: $10,000  
  - 2019/20: $5,000  
  - 2020/21 (Proposed): -  
  - Increase/Decrease: $(5,000) (-100.00%)  
- **Outreach Supplies and Services**  
  - 2018/19: $39,500  
  - 2019/20: $29,500  
  - 2020/21 (Proposed): $27,500  
  - Increase/Decrease: $(2,000) (-6.78%)  

### Conservation
- **Conservation Supplies and Services**  
  - 2018/19: $71,300  
  - 2019/20: $149,000  
  - 2020/21 (Proposed): $198,700  
  - Increase/Decrease: $49,700 (33.36%)  
- **Customer Rebates**  
  - 2018/19: $275,000  
  - 2019/20: $235,000  
  - 2020/21 (Proposed): $175,000  
  - Increase/Decrease: $(60,000) (-25.53%)  

### Administrative
- **Office Supplies & Services**  
  - 2018/19: $2,000  
  - 2019/20: $1,500  
  - 2020/21 (Proposed): $1,500  
  - Increase/Decrease: $0.00%  
- **Computer Supplies and Services**  
  - 2018/19: $33,100  
  - 2019/20: $33,100  
  - 2020/21 (Proposed): $67,900  
  - Increase/Decrease: $34,800 (105.14%)  

### Total Base Operating Expense
- **2018/19**: $1,274,000  
- **2019/20**: $1,320,500  
- **2020/21 (Proposed)**: $1,405,400  
- **Increase/Decrease**: $84,900 (6.43%)  

## Operating Projects

### Conservation
- **Update Water Demand Offset (WDO) Program Projected Water Use Factors**  
  - 2018/19: $75,000  
- **Stormwater Recharge Site Analysis**  
  - 2018/19: $50,000  

### Total Operating Projects
- **2018/19**: $125,000  
- **2019/20**: -  
- **2020/21 (Proposed)**: -  

### Total Operating Expenses
- **2018/19**: $1,399,000  
- **2019/20**: $1,320,500  
- **2020/21 (Proposed)**: $1,405,400  
- **Increase/Decrease**: $84,900 (6.43%)  

## Capital Improvement Projects

### Conservation
- **Automated Meter Infrastructure (AMI) Upgrade Project (WDO Funds)**  
  - 2018/19: $1,000,000  
  - 2019/20: $1,500,000  
- **Automated Meter Infrastructure (AMI) Upgrade Project (Capital Facilities Reserve)**  
  - 2018/19: $1,540,800  
  - 2019/20: $580,000  

### Total Capital Improvement Projects (CFR)
- **2018/19**: $1,000,000  
- **2019/20**: $3,040,800  
- **2020/21 (Proposed)**: $580,000  
- **Increase/Decrease**: $2,460,800 (81.33%)  

### Total Departmental Budget Oversight
- **2018/19**: $2,399,000  
- **2019/20**: $4,361,300  
- **2020/21 (Proposed)**: $1,985,400  
- **Increase/Decrease**: -$1,375,900 (-31.62%)  

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**Soquel Creek Water District Budget 2020/21**  
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**ATTACHMENT 1 - ITEM 7.2**  
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Special Projects and Communications Department

- Special Projects & Comms Mgr 1 FTE
  - Assistant Engineer II 1 FTE
  - Water Resources Planner 1 FTE
  - Water Resources Planner 1 FTE
  - Public Outreach Coord 1 FTE
  - Comms Program Specialist 0.8 FTE
The Special Projects and Community Outreach (SPCO) department oversees major planning efforts such as collaboration with other agencies and investigations into potential supplemental supply options, and has taken the lead in developing the Pure Water Soquel Advanced Purified Groundwater Replenishment Project. This department also oversees customer engagement and outreach efforts District-wide, including print media, email blasts, website management, and social media.

In previous budget years, the SPCO department was combined with the Administration department budget, but as departmental responsibilities expand and the PWS project gains momentum, it becomes prudent to separate the department into a separate budget presentation.

### Organizational Strategic Goal

#### SPCO 2019/20 Accomplishments

**Water Resource Management and Sustainability**
- Entered into a project agreement with the City of Santa Cruz for the Pure Water Soquel (PWS) project for the Tertiary Treatment Facility
- Procured, selected and awarded a design-build team for the Treatment facilities project of PWS
- Procured, selected and awarded a design-build team for the Conveyance Infrastructure project of PWS
- Procured, selected and awarded a professional services contract for Operations and Maintenance at Risk (OMAR) during the design phase for the PWS Treatment project
- Completed all activities under the Proposition 1 planning grant and submitted final grant report
- Obtained unanimous approval from the California Coastal Commission for a coastal development permit for the PWS project
- Published the 2019 Community Water Plan progress report

**Infrastructure and Delivery**
- Developed communication and outreach materials for the Water Transfer with the City of Santa Cruz
- Designed a fact sheet for the new Automated Metering Infrastructure (AMI) program
<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>SPCO 2019/20 Accomplishments</th>
</tr>
</thead>
</table>
| Community Engagement and Trust | • Developed communication and outreach plan and materials for PG&E Public Safety Power Shutoffs (PSPS)  
• Assisted with outreach for the Consumer Confidence Report  
• Conducted one-on-one meetings about the Community Water Plan  
• Conducted 15 presentations on Community Water Plan  
• Conducted 16 Kindergarten-College water education classroom presentations at 9 schools  
• Provided 6 water education assemblies at 4 schools  
• Participated in 10 community events  
• Had 10 community people/groups participate in the #inthistogether program  
• Hosted Water Harvest Festival at Anna Jean Cummings Park in October 2019; over 400 people attended throughout the day  
• Released 4 press releases  
• Enrolled 7 people to participate in the Fall 2019 Water Wise Academy  
• Sent out monthly e-mail newsletters which had an open rate of 27.74%, up two points from last fiscal year (industry standard is 25.51%)  
• Redesigned e-blast and named it Quick Sips - Hydration for your Mind after holding a naming contest |
| Fiscal Responsibility | • Was awarded a $50 million Proposition 1 Groundwater implementation grant from the State Water Resources Control Board (SWRCB)  
• Was selected for a $36 million Seawater Intrusion Control low-interest loan from SWRCB  
• Was invited to apply for the Water Infrastructure and Finance Innovation Act (WIFIA) low-interest program administered by the Environmental Protection Agency (EPA)  
• Applied for a Title XVI grant from the Bureau of Reclamation  
• Completed work under the Proposition 1 Groundwater planning grant to receive $2 million |
| Customer Service | • Conducted a public/community survey in 2020 to gain insight and opinions of our customers  
• Evaluated and updated the website to meet ADA compliance |
<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>SPCO 2019/20 Accomplishments</th>
</tr>
</thead>
</table>
| Workforce and Organizational Excellence       | • Hired temporary Water Resources Planner  
• Developed a new intranet for District employees  
• Assisted with various All-Hands meetings  
• Rebecca Rubin, Public Outreach Coordinator, was selected as Regional Vice President (North) for the Central Coast Chapter of WateReuse  
• Melanie Mow Schumacher, Special Projects and Communications Manager, was selected as Chair of the California WateReuse Communications Collaborative Group for 2020 |
## 2020/21 Strategic Initiatives

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>SPCO 2020/21 Strategic Initiatives</th>
</tr>
</thead>
</table>
| **Water Resource Management and Sustainability** | • Work with the Engineering, Operations and Administration departments and the City of Santa Cruz on furthering evaluation of water transfers and a new water purchase agreement  
• Work with the City of Santa Cruz on their Recycled Water Study  
• Assist the Conservation department on the development of the Urban Water Management Plan (UWMP)                                                                                                                  |
| **Infrastructure and Delivery**               | • Complete design of the PWS Conveyance infrastructure project and issue Notice to Proceed (NTP) for construction  
• Complete design of the PWS Treatment Facilities project and issue NTP for construction  
• Complete design of the PWS Seawater Intrusion Prevention Wells and issue NTP for construction  
• Obtain all permits necessary for construction of PWS  
• Work with the City of Santa Cruz on an operations and maintenance agreement for the Tertiary Facility of the PWS project  
• Work on an OMAR agreement for the Advanced Water Purification treatment facility                                                                                                  |
| **Community Engagement and Trust**           | • Present at 12 local community groups in-person or remotely (due to COVID-19)  
• Conduct at least 12 one-on-one meetings in-person or remotely  
• Have 6 community people/groups participate in the #inthistogther program  
• Bring educational trailer to at least 4 community events  
• Continue developing content for Facebook and other social media  
• Issue at least 6 press releases  
• Implement a virtual version of the Water Wise Academy (due to COVID-19)                                                                                                        |
<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>SPCO 2020/21 Strategic Initiatives</th>
</tr>
</thead>
</table>
| **Fiscal Responsibility**             | • Execute Proposition 1 Groundwater implementation grant with SWRCB for PWS project  
                                             • Close and originate low-interest loan from SWRCB through its Seawater Intrusion Control program for PWS project  
                                             • Close and originate low-interest loan from EPA through its WIFIA program for the PWS project  
                                             • Continue to pursue grant award from the Bureau of Reclamation Title XVI program for PWS project  
                                             • Negotiate new agreements with consultants to control project costs and reduce travel (due to COVID-19) |
<p>| <strong>Customer Service</strong>                   | • Continue to refine and enhance website to improve user experience |
| <strong>Workforce and Organizational Excellence</strong> | • Acquire a PWS project trailer for the program management team to work locally |</p>
<table>
<thead>
<tr>
<th></th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personnel</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries - 5.8 FTE</td>
<td></td>
<td></td>
<td>$639,600</td>
<td>$639,600</td>
<td></td>
</tr>
<tr>
<td>Benefits - 5.8 FTE</td>
<td></td>
<td></td>
<td>216,100</td>
<td>216,100</td>
<td></td>
</tr>
<tr>
<td>Professional Development</td>
<td></td>
<td></td>
<td>22,400</td>
<td>22,400</td>
<td></td>
</tr>
<tr>
<td><strong>Customer Service and Outreach</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outreach Supplies and Services</td>
<td></td>
<td></td>
<td>236,900</td>
<td>236,900</td>
<td></td>
</tr>
<tr>
<td><strong>Administrative</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Supplies &amp; Services</td>
<td></td>
<td></td>
<td>400</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Computer Supplies and Services</td>
<td></td>
<td></td>
<td>6,000</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>Special Projects Supplies and Services</td>
<td></td>
<td></td>
<td>26,300</td>
<td>26,300</td>
<td></td>
</tr>
<tr>
<td>Professional Organizations</td>
<td></td>
<td></td>
<td>500</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td><strong>Total Base Operating Expense</strong></td>
<td></td>
<td></td>
<td>$1,148,200</td>
<td>$1,148,200</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Source of Supply</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advanced Purified Groundwater Replenishment Studies</td>
<td>$3,300,000</td>
<td>$3,300,000</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Projects</strong></td>
<td>$3,300,000</td>
<td>$3,300,000</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$3,300,000</td>
<td>$3,300,000</td>
<td>-</td>
<td>$1,148,200</td>
<td></td>
</tr>
<tr>
<td><strong>Capital Improvement Projects</strong></td>
<td>(Funded Through New Debt Issuance)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Source of Supply</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pure Water Soquel Groundwater Replenishment Project</td>
<td>$15,160,000</td>
<td>$15,160,000</td>
<td>$55,190,800</td>
<td>$55,190,800</td>
<td></td>
</tr>
<tr>
<td><strong>Total Capital Improvement Projects (Debt Issuance)</strong></td>
<td>$15,160,000</td>
<td>$15,160,000</td>
<td>$55,190,800</td>
<td>$55,190,800</td>
<td></td>
</tr>
<tr>
<td><strong>Total Departmental Budget Oversight</strong></td>
<td>$3,300,000</td>
<td>$15,160,000</td>
<td>$56,339,000</td>
<td>$56,339,000</td>
<td></td>
</tr>
</tbody>
</table>

* Please note that the Administration and Special Projects/Communication Budgets were combined in FY 2019/20 but have been separated for FY 2020/21
Administration Department
Administration is primarily responsible for maintaining effective and timely communications between the publicly elected five-member Board of Directors and District staff. Responsibilities include prioritizing items that come before the Board for authorization and approval, and assisting staff in the development and conduct of consistent procedures. This department focuses on strategic planning, monitoring organizational performance, and creating more accountability and transparency of District operations.

Administration encompasses primarily the General Manager and the Executive Secretary/Board Clerk. The Executive Secretary/Board Clerk is responsible for ensuring that accurate and sufficient documentation exists to meet legal requirements and enabling various stakeholders to determine when, how, and by whom the Board’s business is conducted. This position is responsible for preparing, publishing, and posting all legal notices and coordinating general election procedures and regulatory filings.

The Administration budget used to be combined with the Special Projects and Communications budget, but it was determined that separating these two functions would bring greater clarity to both as the Pure Water Soquel project gains momentum.

Organizational Strategic Goal Administration 2019/20 Accomplishments

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Administration 2019/20 Accomplishments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water Resource Management and Sustainability</strong></td>
<td></td>
</tr>
<tr>
<td>• Provided support for the District’s Community Water Plan (CWP), which includes water transfers with the City of Santa Cruz, stormwater recharge and the Pure Water Soquel (PWS) project</td>
<td></td>
</tr>
<tr>
<td>• Represented District and made significant progress on the Groundwater Sustainability Plan (GSP) in conjunction with the Santa Cruz Mid County Groundwater Agency (MGA)</td>
<td></td>
</tr>
<tr>
<td>• The GSP was submitted to the state for approval in January 2020</td>
<td></td>
</tr>
<tr>
<td><strong>Community Engagement and Trust</strong></td>
<td></td>
</tr>
<tr>
<td>• Conducted public board meetings, special meetings and committee meetings following Brown Act requirements</td>
<td></td>
</tr>
<tr>
<td>• Responded to all Board communications and inquiries when appropriate</td>
<td></td>
</tr>
<tr>
<td>• Actively promoted collaboration with other agencies and organizations</td>
<td></td>
</tr>
<tr>
<td>Organizational Strategic Goal</td>
<td>Administration 2019/20 Accomplishments</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Fiscal Responsibility                 | • Reviewed Board and administrative procedures and identified and implemented a variety of efficiency measures  
  • Enhanced contract execution processes to ensure efficiency  
  • Made progress on several ongoing negotiations |
| Workforce and Organizational Excellence | • Commemorated the retirement of the District’s legal counsel of 50 years, issued a Request for Proposals (RFP) and successfully transitioned to new general legal counsel to meet the growing needs of the District  
  • Continued to support District departments, managers and staff to excel  
  • Modified work practices and transitioned to holding virtual Board meetings to respond to the COVID-19 pandemic and related Brown Act modifications |
## 2020/21 Strategic Initiatives

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Administration 2020/21 Strategic Initiatives</th>
</tr>
</thead>
</table>
| **Water Resource Management and Sustainability** | • Obtain GSP approval from the State of California  
• Continue to provide support for the District’s Community Water Plan (CWP), including water transfers with the City of Santa Cruz, stormwater recharge and the Pure Water Soquel (PWS) project |
| **Community Engagement and Trust** | • Conduct public board meetings, special meetings and committee meetings following Brown Act requirements  
• Respond to all Board communications and inquiries when appropriate  
• Actively promote collaboration with other agencies and organizations |
| **Fiscal Responsibility** | • Review and implement procedure modifications to enhance Board and administrative efficiency  
• Continue to make progress on ongoing negotiations |
| **Workforce and Organizational Excellence** | • Support and inform District Board  
• Support District departments, managers and staff to excel  
• Coordinate and conduct any District election activities  
• Evaluate and implement best practices in response to the COVID-19 pandemic and related Brown Act modifications |
### Base Operating Expenses

**Personnel**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries - 2 FTE</td>
<td>$737,500</td>
<td>$721,500</td>
<td>$306,000</td>
<td>($415,500)</td>
<td>-57.59%</td>
</tr>
<tr>
<td>Benefits - 2 FTE</td>
<td>$195,900</td>
<td>$197,500</td>
<td>$86,500</td>
<td>($111,000)</td>
<td>-56.20%</td>
</tr>
<tr>
<td>Professional Development</td>
<td>$31,200</td>
<td>$22,000</td>
<td>$16,600</td>
<td>($5,400)</td>
<td>-24.55%</td>
</tr>
</tbody>
</table>

**Customer Service and Outreach**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outreach Supplies and Services</td>
<td>$221,000</td>
<td>$227,600</td>
<td>$1,200</td>
<td>($226,400)</td>
<td>-0.00%</td>
</tr>
<tr>
<td>Public Noticing</td>
<td>$3,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Administrative**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies &amp; Services</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,000</td>
<td>($500)</td>
<td>-33.33%</td>
</tr>
<tr>
<td>Computer Supplies and Services</td>
<td>$12,300</td>
<td>$8,300</td>
<td>$100</td>
<td>($8,200)</td>
<td>-98.80%</td>
</tr>
<tr>
<td>Management Supplies and Services</td>
<td>$39,800</td>
<td>$36,900</td>
<td>$31,800</td>
<td>($5,100)</td>
<td>-13.82%</td>
</tr>
<tr>
<td>Professional Organizations</td>
<td>$58,000</td>
<td>$60,300</td>
<td>$57,900</td>
<td>($2,400)</td>
<td>-3.98%</td>
</tr>
<tr>
<td>Legal Services</td>
<td>$146,000</td>
<td>$150,000</td>
<td>$200,000</td>
<td>$50,000</td>
<td>33.33%</td>
</tr>
</tbody>
</table>

**Total Base Operating Expense**

**Source of Supply**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Cruz Mid County Groundwater Management Agency</td>
<td>$906,000</td>
<td>$501,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deepwater Desal EIR and Comments</td>
<td>$10,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Operating Projects**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>$916,000</td>
<td>$501,000</td>
<td>$600</td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Operating Expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,362,200</td>
<td>$1,928,600</td>
<td>$703,100</td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Departmental Budget Oversight**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,362,200</td>
<td>$1,928,600</td>
<td>$703,100</td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Please note that the Administration and Special Projects/Communication Budgets were combined in FY 2019/20 but have been separated for FY 2020/21
Finance & Business Services Department
The Finance and Business Services (FBS) department is responsible for accounting and finance duties, as well as billing and customer service. The department also has primary responsibility for overseeing Network Systems Administration and Information Systems through the services of a consultant. Finance provides financial and administrative support to all departments, including financial analysis, accounting and payroll, budgeting, capital improvement program analysis and cost tracking, debt and treasury management, forecasting, rate setting, risk management, and purchasing. Accounting responsibilities include accounts payable, payroll processing, grant reporting, cash management, fixed asset management, and income and investment reporting. This department maintains the general ledger and all subsidiary ledgers, and ensures internal controls over all financial functions. They also ensure the District meets all state and federal financial reporting requirements, as well as compliance with General Accepted Accounting Principles (GAAP) and the Government Accounting Standards Board (GASB).

Customer billing is handled by the Customer Service/Billing team, who bill all water-related services as well as miscellaneous accounts receivable, receive and process payments, notify customers of past due accounts and follow through on collection activities. They also assist customers with new account activation, final bills, high consumption issues, leaks, and respond to customer account inquiries.

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Finance and Business Services 2019/20 Accomplishments</th>
</tr>
</thead>
</table>
| Community Engagement and Trust | • Participated in the October 2019 Water Wise Academy hosted by the District  
• Continued to monitor progress by the State Water Resources Control Board on state-wide Water Affordability and Low Income Rate Assistance programs  
• Successfully navigated an audit of the 2018/19 financial statements and prepared the 2018/19 Comprehensive Annual Financial Report (CAFR)  
• Submitted the 2019/20 Budget for the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award  
• Submitted the 2018/19 CAFR to the GFOA for the Certificate of Achievement in Financial Reporting  
•Received the GFOA Certificate of Achievement in Financial Reporting for the 2017/18 CAFR  
• Continued work on Socrata Open Finance to provide interested stakeholders greater access to District financial data and to adapt the interface to comply with Americans with Disabilities Act (ADA) requirements  
• Updated the District’s Investment Policy  
• Provided regular Treasurer’s Reports to the Santa Cruz Mid-County Groundwater Agency (MGA)  
• Secured the services of a new audit firm to conduct the District’s and the MGA’s 2019/20 financial statement audit in compliance with best practices to rotate audit teams every 3 to 5 years |
## Organizational Strategic Goal

### Finance and Business Services

#### 2019/20 Accomplishments

<table>
<thead>
<tr>
<th>Fiscal Responsibility</th>
<th>Customer Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Implemented the Synario financial forecasting tool to allow comparison of various financial assumptions over 5-year period</td>
<td>• Billing representatives utilized Harmony software to help customers conserve water, stop leaks, and educate themselves about water usage</td>
</tr>
<tr>
<td>• Continued escalated pay down of the District’s unfunded pension liability and unfunded liability for Other Post-Employment Benefits (OPEB)</td>
<td>• Reduced processing time for customer leak adjustments</td>
</tr>
<tr>
<td>• Modified accounts payable process to better manage cash flows</td>
<td>• Transitioned to electronic payroll and direct deposit notifications</td>
</tr>
<tr>
<td>• Assisted with review of financial statements of bid respondents for various components of the Pure Water Soquel (PWS) project</td>
<td>• Transitioned to new cloud-based timekeeping and leave request system through which employees can also access W-2s and submit change requests</td>
</tr>
<tr>
<td>• Managed the financial transactions for the MGA and successfully navigated an audit of the financial statements for that entity</td>
<td>• Moved pay dates from Wednesday to Fridays to allow managers and supervisors more time to review and approve timecards</td>
</tr>
<tr>
<td>• Updated the District’s procurement policy to align with federal and state funding statutes</td>
<td>• Streamlined the purchase order process</td>
</tr>
<tr>
<td>• Assisted PWS funding team in providing financial documentation for the Proposition 1 Groundwater grant, as well as the loan applications for the Seawater Intrusion Control program and the Water Infrastructure and Finance Innovation Act (WIFIA)</td>
<td>• Assisted Special Projects and Engineering with acquisition of the Chanticleer property</td>
</tr>
<tr>
<td>• Secured the services of a financial advisor to assist with interim debt financing and debt management</td>
<td>• Assisted Conservation and Customer Service Field with Automated Metering Infrastructure (AMI) meter swaps</td>
</tr>
<tr>
<td>• Initiated both an indicative and a final credit rating in preparation for loan financing</td>
<td></td>
</tr>
<tr>
<td>• Completed an actuarial valuation of the OPEB obligations in compliance with California Employer’s Retiree Benefit Trust</td>
<td></td>
</tr>
<tr>
<td>Workforce and Organizational Excellence</td>
<td>Finance and Business Services 2019/20 Accomplishments</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td>• Successfully met every payroll and PERS reporting deadline</td>
<td>• Successfully met every payroll and PERS reporting deadline</td>
</tr>
<tr>
<td>• Successfully met deadlines for W-2 and 1099 reporting</td>
<td>• Successfully met deadlines for W-2 and 1099 reporting</td>
</tr>
<tr>
<td>• Continued Cybersecurity Awareness Training and conducted simulated phishing attacks to enhance cybersecurity awareness</td>
<td>• Continued Cybersecurity Awareness Training and conducted simulated phishing attacks to enhance cybersecurity awareness</td>
</tr>
<tr>
<td>• Completed replacement of computers and laptops as part of the Windows 10 initiative</td>
<td>• Completed replacement of computers and laptops as part of the Windows 10 initiative</td>
</tr>
<tr>
<td>• Transitioned to reporting PERS through an electronic upload interface from new Tyler Incode ERP system</td>
<td>• Transitioned to reporting PERS through an electronic upload interface from new Tyler Incode ERP system</td>
</tr>
<tr>
<td>• Successful implementation of new Tyler Incode ERP system for finance and utility billing</td>
<td>• Successful implementation of new Tyler Incode ERP system for finance and utility billing</td>
</tr>
<tr>
<td>• Successfully rolled out accounting and billing remote work functions in response to COVID-19, including phone support for customers through the GloCom system</td>
<td>• Successfully rolled out accounting and billing remote work functions in response to COVID-19, including phone support for customers through the GloCom system</td>
</tr>
<tr>
<td>• Worked with network administrator to assist other departments in remote work deployment and asset disposition</td>
<td>• Worked with network administrator to assist other departments in remote work deployment and asset disposition</td>
</tr>
<tr>
<td>• Led the field on implementation of State of California Senate Bill 998 (SB998) and provided our documentation as templates for many other agencies throughout the state</td>
<td>• Led the field on implementation of State of California Senate Bill 998 (SB998) and provided our documentation as templates for many other agencies throughout the state</td>
</tr>
<tr>
<td>• Transitioned to electronic monthly reconciliation of all bank accounts using the Tyler Incode bank reconciliation module</td>
<td>• Transitioned to electronic monthly reconciliation of all bank accounts using the Tyler Incode bank reconciliation module</td>
</tr>
<tr>
<td>• Engaged in training on GASB 87 changes in lease accounting</td>
<td>• Engaged in training on GASB 87 changes in lease accounting</td>
</tr>
<tr>
<td>• Expanded the scope of miscellaneous accounts receivable to allow for greater internal controls and accuracy over financial reporting</td>
<td>• Expanded the scope of miscellaneous accounts receivable to allow for greater internal controls and accuracy over financial reporting</td>
</tr>
</tbody>
</table>
### 2020/21 Strategic Initiatives

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Finance and Business Services 2020/21 Strategic Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community Engagement and Trust</strong></td>
<td>• Submit the 2020/21 Budget to the GFOA for the Distinguished Budget Presentation Award</td>
</tr>
<tr>
<td></td>
<td>• Submit the 2019/20 CAFR to the GFOA for the Certificate of Excellence in Financial Reporting</td>
</tr>
<tr>
<td></td>
<td>• Continue to work with stakeholders on the GFOA Financial Sustainability program and perform a sustainability self-assessment</td>
</tr>
<tr>
<td></td>
<td>• Roll out the Socrata Open Finance portal and expand transparency of financial information and reporting</td>
</tr>
<tr>
<td></td>
<td>• Prepare a Popular Financial Report (PAFR) to improve transparency and accessibility to the District’s financial information</td>
</tr>
<tr>
<td></td>
<td>• Revise the monthly and quarterly Finance Status Reports to enable more efficient report preparation and improve access to financial information for all stakeholders</td>
</tr>
<tr>
<td><strong>Fiscal Responsibility</strong></td>
<td>• Review leak adjustment policy in consideration of impacts of Advanced Metering Infrastructure (AMI)</td>
</tr>
<tr>
<td></td>
<td>• Initiate a review of the Fair Labor Standards Act (FLSA) regular rate payroll computations to ensure District compliance</td>
</tr>
<tr>
<td></td>
<td>• Issue Requests for Proposal (RFP) for information technology services</td>
</tr>
<tr>
<td></td>
<td>• Improve financial reporting of capital expenditures by changing accounting method for engineering service deposits</td>
</tr>
<tr>
<td></td>
<td>• Successfully complete fiscal year 2019/20 audit with new audit firm</td>
</tr>
<tr>
<td><strong>Customer Service</strong></td>
<td>• Utilize the forms feature in Tyler Incode 10 for electronic data submission across various platforms</td>
</tr>
<tr>
<td></td>
<td>• Implement a pay-by-text feature to make bill paying easier</td>
</tr>
<tr>
<td></td>
<td>• Finish up work with Tyler Technologies to perform remaining mass meter swaps in support of the AMI project</td>
</tr>
<tr>
<td></td>
<td>• Work with the WaterSmart AMI portal to integrate a new payment system that will enhance customer interaction with both the AMI system and the online payment system</td>
</tr>
<tr>
<td>Organizational Strategic Goal</td>
<td>Finance and Business Services 2020/21 Strategic Initiatives</td>
</tr>
<tr>
<td>------------------------------</td>
<td>-------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Workforce and Organizational Excellence | • Continue to engage staff in additional cybersecurity trainings and increase awareness of cybersecurity risk through phishing campaigns  
• Send staff to the 2020 Tyler Connect conference for in-depth training on the finance and billing ERP system and any peripherals that support additional functionality  
• Successfully integrate new payment processor with Tyler Incode ERP system  
• Become more proficient with reporting capabilities of Tyler Incode and QBE reports |
<table>
<thead>
<tr>
<th>Section</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Operating Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries - 9 FTE</td>
<td>$798,700</td>
<td>$846,900</td>
<td>$879,300</td>
<td>$32,400</td>
<td>3.83%</td>
</tr>
<tr>
<td>Benefits - 9 FTE</td>
<td>$258,200</td>
<td>$278,100</td>
<td>$298,300</td>
<td>$20,200</td>
<td>7.26%</td>
</tr>
<tr>
<td>Professional Development</td>
<td>$27,000</td>
<td>$27,700</td>
<td>$31,800</td>
<td>$4,100</td>
<td>14.80%</td>
</tr>
<tr>
<td>Customer Service and Outreach</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing and Supplies</td>
<td>$144,000</td>
<td>$175,200</td>
<td>$175,900</td>
<td>$700</td>
<td>0.40%</td>
</tr>
<tr>
<td>Postage</td>
<td>$105,000</td>
<td>$80,000</td>
<td>$91,100</td>
<td>$11,100</td>
<td>13.88%</td>
</tr>
<tr>
<td>Customer Maintenance and Collections</td>
<td>$5,000</td>
<td>$25,000</td>
<td>$6,300</td>
<td>(18,700)</td>
<td>-74.80%</td>
</tr>
<tr>
<td>Uncollectible Accounts</td>
<td>$7,500</td>
<td>$30,000</td>
<td>$30,000</td>
<td>$ -</td>
<td>0.00%</td>
</tr>
<tr>
<td>Outreach Supplies and Services</td>
<td>$10,000</td>
<td>$3,000</td>
<td>$5,000</td>
<td>$2,000</td>
<td>66.67%</td>
</tr>
<tr>
<td>Administrative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Supplies and Services</td>
<td>$74,000</td>
<td>$76,700</td>
<td>$82,600</td>
<td>$5,900</td>
<td>7.69%</td>
</tr>
<tr>
<td>Office Utilities</td>
<td>$109,300</td>
<td>$104,400</td>
<td>$113,700</td>
<td>$9,300</td>
<td>8.91%</td>
</tr>
<tr>
<td>Computer Supplies and Services</td>
<td>$98,500</td>
<td>$109,500</td>
<td>$102,900</td>
<td>(6,600)</td>
<td>-6.03%</td>
</tr>
<tr>
<td>Professional Organizations</td>
<td>$700</td>
<td>$900</td>
<td>$600</td>
<td>(300)</td>
<td>-33.33%</td>
</tr>
<tr>
<td>Insurance</td>
<td>$273,000</td>
<td>$279,500</td>
<td>$292,000</td>
<td>$12,500</td>
<td>4.47%</td>
</tr>
<tr>
<td>Property Taxes/Sewer Assessment</td>
<td>$15,000</td>
<td>$17,000</td>
<td>$20,000</td>
<td>$3,000</td>
<td>17.65%</td>
</tr>
<tr>
<td>Accounting Services/Audit</td>
<td>$32,000</td>
<td>$33,000</td>
<td>$32,500</td>
<td>(500)</td>
<td>-1.52%</td>
</tr>
<tr>
<td>Network Administration</td>
<td>$90,000</td>
<td>$104,000</td>
<td>$111,000</td>
<td>$7,000</td>
<td>6.73%</td>
</tr>
<tr>
<td>Total Base Operating Expense</td>
<td>$2,047,900</td>
<td>$2,190,900</td>
<td>$2,273,000</td>
<td>$82,100</td>
<td>3.75%</td>
</tr>
<tr>
<td>Operating Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilities and Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Network Switches Replacement</td>
<td>$18,100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Projects</td>
<td>$2,066,000</td>
<td>$2,190,900</td>
<td>$2,291,100</td>
<td>$101,200</td>
<td>4.55%</td>
</tr>
<tr>
<td>Capital Improvement Projects (Funded Through Pay-Go)</td>
<td>$227,000</td>
<td>$225,000</td>
<td>$225,000</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total Capital Improvement Projects (Pay-Go)</td>
<td>$2,274,900</td>
<td>$2,215,900</td>
<td>$2,291,100</td>
<td>$76,200</td>
<td>3.39%</td>
</tr>
<tr>
<td>Total Departmental Budget Oversight</td>
<td>$2,274,900</td>
<td>$2,215,900</td>
<td>$2,291,100</td>
<td>$76,200</td>
<td>3.39%</td>
</tr>
</tbody>
</table>
The Human Resources (HR) department is a one-person operation with the HR manager overseeing all responsibilities for providing administrative and operational human resources support to District employees, retirees, directors, and all eligible dependents through HR services, benefits administration, and safety mitigation. Duties include managing the District’s workforce and employee development, conflict resolution, recruitment, training, and negotiating MOUs with District bargaining units. Benefits administration involves coordination and education on District health, dental, vision, and life insurance benefits; short and long term disability programs; employee assistance programs; flexible spending accounts (FSA); and retirement benefits such as deferred compensation and the CalPERS pension program.
<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Human Resources 2019/20 Accomplishments</th>
</tr>
</thead>
</table>
| Customer Service             | • Hosted employee recognition events: Manager-hosted breakfasts, Employee Recognition and Service Awards mixer, Public Service Recognition Week, including taco day, pizza party and Superbowl activities  
• Implemented Tyler Human Resources (HR) record-keeping to house electronic HR/Payroll employee data  
• Worked with an employee-represented committee to prepare draft revisions of sections 1 through 5 of the Employee Handbook, including additional new policies  
• Drafted a Cell Phone/Device Use Policy  
• Hosted staff celebrations/activities in 2019/20 including Employee Service Award Recognition at Aptos Community Center, Pizza Parties and Taco Days on the District campus, All Staff End-of-Year Celebration at New Bohemia, Superbowl staff games and prizes |
| Workforce and Organizational Excellence | • Posted 7 job announcements between July 2019 and May 2020 with an average time-to-offer of 31.6 days and an average time-to-fill of 44.1 days (includes 2 internal-only recruitments, 1 rehire/appointment and 1 active-list appointment)  
• Completed the second District-wide staff culture and engagement survey with a 76% response rate  
• Ran a pilot and implemented a departmental reorganization of the Operations and Maintenance department resulting in the creation of 2 new job descriptions and the update of 5 others  
• Created 1 new and 2 updated job descriptions in the Special Projects and Communications department  
• Scheduled time to establish goals for 2020/21 labor negotiations  
• Utilized staff survey data to inform targets for labor negotiations |
### 2020/21 Strategic Initiatives

<table>
<thead>
<tr>
<th>Organizational Strategic Goal</th>
<th>Human Resources 2020/21 Strategic Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal Responsibility</strong></td>
<td>• Prepare for labor negotiations for 2021 employee contract expirations; start SEIU negotiations in fall 2020 with a completion target of January 2021 and other bargaining groups in winter 2021 with a completion target of July 2021</td>
</tr>
</tbody>
</table>
| **Customer Service**          | • Review and consideration of staff evaluation process changes  
• Host staff celebrations and activities |
| **Workforce and Organizational Excellence** | • Continue to refine a structured District workforce and succession plan  
• Continue schedule to revise outdated job descriptions by completing at least 10 updates  
• Complete sections 6-10 and appendices of Employee Handbook Human Resources Policies; roll out all revisions to staff  
• Continue the District’s engagement and culture focus using annual survey data to develop focus areas and celebration factors |
## Base Operating Expenses

### Personnel

<table>
<thead>
<tr>
<th>Item</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries - 1 FTE plus temp intern</td>
<td>$160,700</td>
<td>$169,200</td>
<td>$173,300</td>
<td>$4,100</td>
<td>2.42%</td>
</tr>
<tr>
<td>Benefits - 1 FTE</td>
<td>41,700</td>
<td>46,400</td>
<td>51,000</td>
<td>4,600</td>
<td>9.91%</td>
</tr>
<tr>
<td>Professional Development</td>
<td>7,600</td>
<td>7,800</td>
<td>7,800</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Health &amp; Safety</td>
<td>9,400</td>
<td>9,700</td>
<td>9,700</td>
<td>-</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

### Administrative

<table>
<thead>
<tr>
<th>Item</th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies &amp; Services</td>
<td>300</td>
<td>-</td>
<td>2,100</td>
<td>2,100</td>
<td>133.33%</td>
</tr>
<tr>
<td>Computer Supplies and Services</td>
<td>1,500</td>
<td>1,500</td>
<td>3,500</td>
<td>2,000</td>
<td>133.33%</td>
</tr>
<tr>
<td>Human Resources Supplies &amp; Services</td>
<td>9,700</td>
<td>10,300</td>
<td>11,700</td>
<td>1,400</td>
<td>13.59%</td>
</tr>
<tr>
<td>Professional Organizations</td>
<td>4,400</td>
<td>6,100</td>
<td>4,100</td>
<td>(2,000)</td>
<td>-32.79%</td>
</tr>
</tbody>
</table>

Total Base Operating Expense: $235,300  $251,000  $263,200  $12,200  4.86%

Total Departmental Budget Oversight: $235,300  $251,000  $263,200
Project Budget

Details on the project selection process, funded and unfunded projects, operating projects, and capital improvement projects by funding source and classification.
SqCWD has two major project categories. Operating projects are projects that are not part of normal operating costs, have a clearly defined scope, and require a significant use of funds, but will not become a capitalized asset subject to depreciation. They are sometimes referred to as capital outlay as opposed to capital improvements if they relate to maintenance of a capital asset. Ultimately they are reported as operating expenses on the financial statements. These projects typically include feasibility studies and other preliminary project costs, consultant studies, programs undertaken in collaboration with other agencies, and programs to repair or maintain existing facilities. They are typically funded through operating revenues on a pay-as-you-go basis, however grant financing has been secured for some of the District’s feasibility and pilot studies.

In contrast, Capital Improvement Projects (CIP) include the purchase, construction, addition, or replacement of District facilities, infrastructure and equipment. They are capitalized upon completion and depreciated based on the useful life of the asset. They are funded through a combination of pay-as-you-go, debt financing, and the use of funds restricted for the purpose of infrastructure expansion or replacement.
Project Selection

In previous budget years, each proposed operating or capital improvement project was evaluated based on a set of 10 weighted criteria and was assigned a priority ranking of 1, 2, or 3 based on whether they could be deferred with or without incurring additional risk or cost to the District. Because of the recent and significant work on project selection that went into development of the 2018 finance plan by Raftelis Financial Consultants, the District chose to utilize the finance plan projections to inform development of the 2020/21 budget rather than the traditional priority-based ranking exercise.

The Soquel Drive Cast Iron Main Replacement project and a portion of the Quail Run Tank project will be funded through funds remaining from the 2013 Certificates of Participation (COP). However, there is the potential that the 2011 and 2013 COPs will be refunded in 2020/21, which may require the diversion of other funds for these projects. The remaining portion of the Automated Meter Infrastructure (AMI) project will be funded through a temporary drawdown of the Capital Facilities Reserve. As more WDO fees are collected, the amount borrowed from the Capital Facilities Reserve for completion of the AMI project will be returned. The Capital Facilities Reserve will also be used to install variable frequency drives at Rosedale and Garnet well sites, as well as upgrading the booster pumps/stations at Austrian, Aquaview and Fairway. The finance plan recommended the issuance of new debt in 2020/21 to fund the Pure Water Soquel (PWS) project as well as construction of the Quail Run Tank. The remaining projects on the funded projects list will be funded through Pay-Go funding.

There are a number of projects unfunded at this time, but staff is requesting they be included in the budget as alternate projects to be considered in the event higher priority projects are delayed. The 2020/21 unfunded projects total $1.8 million and include the following deferred projects:

- Aptos Creek Well Property Acquisition
- Main replacements on Mar Vista Drive, Moosehead Drive, Bishop Lane, and Post Office Drive in Aptos
- Cunnison Lane connection to the Fairway Pressure System
- Coating Inspection at Cornwell
- Security camera replacements
- Replacement of Operations vehicle
Pure Water Soquel

Pure Water Soquel is a groundwater replenishment and seawater intrusion prevention project that involves taking already treated municipal wastewater from the City of Santa Cruz, purifying it through advanced water purification methods, and creating a barrier against seawater intrusion by replenishing groundwater levels through strategically located recharge wells.

The project is estimated to cost $90-$140 million based on early engineering estimates, which are subject to revision during the design and construction phases. The District has received, and continues to pursue, state and federal funding opportunities to mitigate the financial impact to District ratepayers.

Some of the project benefits include:

- Helps prevent seawater intrusion from moving farther inland and contaminating drinking water wells.
- Provides a diversified water portfolio that is available year-round and is drought-resistant to supplement our overdrafted groundwater supply.
- Using proven technology, provides purified water that meets all state and federal water quality criteria and is cleaner than most bottled water.
- Eliminates one-quarter of the 8 million gallons a day (average) of treated wastewater that goes out into the Pacific Ocean. Instead of being discharged to the ocean, it can be put to beneficial reuse by storing it underground for environmental protection and long-term water supply sustainability.
- The project will prevent the loss of over $900 million in economic benefit to the community.
## Operating Projects

### Source of Supply
- Santa Cruz Mid County Groundwater Management Agency: $501,000, $250,000
- Pre-1914 Water Purchase from City of Santa Cruz: $160,000, 90,000
- Well and Treatment Plant Filter Vessel Surveillance and Inspection: 48,000

### Transmission and Distribution
- Fairway Tank Recoat: 760,000
- Rio Del Mar Blvd at Railroad Crossing and Summer Assessment: 15,000
- Stockton Avenue Bridge Condition Assessment: 5,000
- Repair Ironwood Tank Roof Corrosion: 15,000

### Facilities and Equipment
- O‘Neill Ranch Well Mitigation - Coastal Live Oaks: 90,000
- AWA Risk Resilience Assessment: 150,000
- La Selva Acres Appraisal: 8,000
- Computer Network Switches Replacement: 18,100

### Total Operating Projects
- Total Operating Projects: $709,000, $1,146,100, $255,000

## Capital Improvement Projects Funded Through Pay-Go

### Source of Supply
- Escalona SC-3AA Monitoring Well: $200,000
- Rehabilitate Production Well: 128,000
- Aptos Creek Well Site Property Acquisition: 100,000

### Pumping
- Seaside Booster Station Upgrade: 120,000

### Water Quality and Treatment
- 1,2,3-TCP Treatment Feasibility Study & Treatment: 200,000, 1,600,000
- Ammonia Treatment at O‘Neill Ranch Well: 20,000

### Transmission and Distribution
- St. Andrews Drive, Wingfoot, Ballarat Main Replacement: 1,000,000, 2,200,000
- Huntington Drive Transmission Line Replacement: 600,000, 1,450,000
- Alta Drive Service Installation and Trench Paving Repair: 260,000
- Mar Vista Drive to Mesa Drive Main Replacement: 200,000
- Moosehead Drive Main Replacement: 100,000
- Cunison Lane Connection to Fairway Pressure System: 700,000
- Bishop Lane Main Replacement: 110,000
- Post Office Drive Aptos Main Replacement: 250,000
- Upgrade Central Water District Inter tie at Sequoia Drive: 200,000

### Facilities and Equipment
- Computer Server Replacement Project: 25,000
- Replace Construction and Maintenance Vehicle Unit #5: 70,000
- Replace Customer Service Field Unit #29: 37,000
- Portable Generator 200kw: 110,000
- Replace Security Cameras: 50,000
- Replace Small Dump Truck Unit #26: 75,000
- Replace Operations Vehicle Unit #30: 37,000
- Replace Valve Exercise Trailer: 88,000

### Total Capital Improvement Projects (Pay-Go)
- Total Capital Improvement Projects (Pay-Go): $242,000, $2,243,000, $7,445,000

## Capital Improvement Projects Funded Through Water Demand Offset Fees

### Conservation
- Automated Meter Infrastructure (AMI) Upgrade Project: $1,500,000

### Total Capital Improvement Projects (WDO)
- Total Capital Improvement Projects (WDO): $1,500,000, - $, - $, - $, - $

## Capital Improvement Projects Funded Through Capital Facilities Reserve (CFR)

### Pumping
- Install Variable Frequency Drive at Rosedale (rolled over from prior year): $70,000, 70,000
- Install Variable Frequency Drive at Garnet (rolled over from prior year): 70,000, 70,000
- Upgrade Austrian Booster Pumps (rolled over from prior year): 20,000, 20,000
- Aquaview Booster Station Upgrade: 30,000, 60,000
- Fairway Booster Station Upgrade: 50,000, 80,000

### Water Quality and Treatment
- Replace Backwash Tank Roofs at AHS: 40,000

### Conservation
- Automated Meter Infrastructure (AMI) Upgrade Project - Temporary Funding: 1,540,000, 580,000

### Total Capital Improvement Projects (CFR)
- Total Capital Improvement Projects (CFR): $1,740,800, 880,000, - $, - $

## Capital Improvement Projects Funded Through Certificates of Participation (COP)

### Source of Supply
- Granite Way Production Well Design & Completion: $600,000

### Transmission and Distribution
- Quail Run Buried Concrete Tank Design and Construction: 537,400
- Soquel Drive Cast Iron Main Replacement Phase IV (rolled over from prior year): 5,300,000

### Total Capital Improvement Projects (COP)
- Total Capital Improvement Projects (COP): $2,100,000, 5,837,400, - $, - $

## Capital Improvement Projects Funded New Debt Issuance

### Source of Supply
- Pure Water Soquel Advanced Purified Groundwater Replenishment Project: $15,160,000, $55,190,800, $59,144,100

### Transmission and Distribution
- Quail Run Buried Concrete Tank Design and Construction: 1,000,000, 2,462,600, 4,708,000

### Total Capital Improvement Projects (New Debt)
- Total Capital Improvement Projects (New Debt): $16,160,000, $57,653,400, $63,844,100

### Total Capital Improvement Projects
- Total Capital Improvement Projects: $22,742,800, $68,613,800, $71,289,100

### Total Projects Recommended for Funding
- Total Projects Recommended for Funding: $23,451,800, $67,755,900, $72,544,100
Funded Operating Projects

Source of Supply

Santa Cruz Mid-County Groundwater Management Agency (MGA)
SqCWD has collaborated with the City of Santa Cruz, the County of Santa Cruz, Central Water District, and private well owners in the Mid-County Basin area to form the Santa Cruz Mid-County Groundwater Agency (MGA) as part of a state mandate to develop a Groundwater Sustainability Plan (GSP) and achieve basin sustainability by 2040. Although the District has not budgeted a contribution to the MGA in 2020/21 because of grant funding the MGA expects to receive in the next fiscal year, it is expected that the District will resume member contributions in future years.

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
<th>2020/21</th>
<th>2021/22</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$250,000</td>
<td>$250,000</td>
<td></td>
</tr>
</tbody>
</table>

Fiscal Impact on Future Operating Costs:
the District has a commitment to fund 70% of the MGA budget annually

Pre-1914 Water Purchase from the City of Santa Cruz
Surface water transfers involve taking excess winter river water that is treated at the City of Santa Cruz (City) Graham Hill Treatment Plant and delivering it to the District through the O’Neill Ranch Intertie. The District has entered into a Cooperative Water Transfer and Purchase Agreement with the City allowing for the purchase of excess winter water from the City’s North Coast streams, which are available under pre-1914 water rights. The water transfer pilot agreement expires at the end of 2020 so no funding is anticipated at this time for 2021/22. The District hopes to be able to negotiate an extension to this agreement until 2025. The District has been actively evaluating the compatibility of the City’s surface water with the District’s distribution system and hopes to continue this water transfer effort.

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
<th>2020/21</th>
<th>2021/22</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$90,000</td>
<td></td>
<td>$90,000</td>
</tr>
</tbody>
</table>

Fiscal Impact on Future Operating Costs:
if an extension of the pilot agreement is negotiated, the District will budget for the purchase of 300 acre feet of water annually
Transmission and Distribution

Fairway Tank Recoat
The Fairway Tank is due to be recoated (interior and exterior); it was last recoated in 2001/02. The project will protect the steel structure, increase reliability and ensure the reservoir will continue to provide storage for every day water use, emergency storage, and fire protection for Service Areas 1 and 2 in the Soquel and Aptos areas.

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
<th>2020/21</th>
<th>2021/22</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$760,000</td>
<td></td>
<td>$760,000</td>
</tr>
</tbody>
</table>

Fiscal Impact on Future Operating Costs: potential for slight reduction in costs due to optimization of existing asset

Rio Del Mar Blvd at Railroad Crossing and Sumner Assessment
The District has budgeted to conduct a condition assessment for a critical pipeline crossing traversing Highway One and the railroad lines in Service Area 3.

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
<th>2020/21</th>
<th>2021/22</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$15,000</td>
<td></td>
<td>$15,000</td>
</tr>
</tbody>
</table>

Fiscal Impact on Future Operating Costs: depending on the results of the assessment, could result in future capital improvement project

Repair Ironwood Tank Roof Corrosion
The Department of Drinking Water Sanitary Survey recommended repairs to the Ironwood Tank roof.

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
<th>2020/21</th>
<th>2021/22</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$15,000</td>
<td></td>
<td>$15,000</td>
</tr>
</tbody>
</table>

Fiscal Impact on Future Operating Costs: potential for slight reduction in costs due to optimization of existing asset
**Facilities and Equipment**

### O’Neill Ranch Well Mitigation - Coastal Live Oaks

There is a monitoring and mitigation program requirement for the District to plant trees to replace the ones removed as part of the construction of the O’Neill Ranch Well and Treatment Plant. The Coastal Live Oak seedlings must be planted in the greater Soquel watershed. Funds have been budgeted in 2020/21 to finalize this portion of the O’Neill Well mitigation program. This project has been included in prior budgets but has not been completed as sites for planting had yet to be identified.

### AWIA Risk and Resilience Assessment

The America’s Water Infrastructure Act (AWIA) requires community drinking water systems serving more than 3,300 people to develop or update risk assessments and emergency response plans. This assessment must be submitted by June 30, 2021.

### La Selva Acres Appraisal

The District will appraise 0.052 acres of vacant surplus land in La Selva Beach near Alta Drive and Dee Sheldon Drive. The District hopes to sell this land after appraisal.

### Computer Network Switches Replacement

Last fiscal year the District replaced outdated servers. This year information system infrastructure upgrades include replacement of the network switches that connect the devices on the District’s computer network to send and receive data.
Funded Capital Projects

Source of Supply

Pure Water Soquel Advanced Purified Groundwater Replenishment
Pure Water Soquel is a groundwater replenishment and seawater intrusion prevention project that involves using advanced purification of already treated municipal wastewater from the City of Santa Cruz to restore groundwater levels in the mid-county basin. The project is expected to be finished in 2022 and cost approximately $90 - $140 million based on preliminary estimates, but cost estimates may be revised. The District plans to borrow funds for construction of this project in 2020/21, but will also receive state and federal funding.

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
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</thead>
<tbody>
<tr>
<td>2020/21</td>
</tr>
<tr>
<td>$55,190,800</td>
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</tbody>
</table>

Fiscal Impact on Future Operating Costs: Operating costs for the PWS plant are expected to start at $3.8 million in 2024 and increase annually by 5%.
Install Variable Frequency Drive at Rosedale Well

This project proposes to install a variable frequency drive at the Rosedale well site to start this critical well with a mobile generator during power outages, to replace the old motor starter, and to reduce pressure transients. This project will be funded through the Capital Facilities Reserve. This project was rolled over from 2019/20.

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
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<tbody>
<tr>
<td>2020/21</td>
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<tr>
<td>$70,000</td>
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</tbody>
</table>

Fiscal Impact on Future Operating Costs:
none; should result in cost savings

Install Variable Frequency Drive at Garnet Well

This project proposes to install a variable frequency drive at the Garnet well site to reduce pressure transients that can cause water hammers that are contributing to main breaks and water loss in the southwest corner of the District. This project will be funded through the Capital Facilities Reserve. This project was not completed in 2019/20 and was rolled over to the 2020/21 fiscal year.

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<tr>
<th>Planned Expenditure Schedule</th>
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<tr>
<td>2020/21</td>
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<tr>
<td>$70,000</td>
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</tbody>
</table>

Fiscal Impact on Future Operating Costs:
none; should result in cost savings
Upgrade Booster Pumps at Austrian
The existing pumps and pump control valves were installed in 1978. Due to age, the pumps and control valves are obsolete and repair parts cannot be found. If both pumps fail at the same time, customers fed by the Park Wilshire Tank will be out of water. This project will be funded through the Capital Facilities Reserve. This project was also rolled over from 2019/20.

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<thead>
<tr>
<th>Planned Expenditure Schedule</th>
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<tbody>
<tr>
<td>2020/21</td>
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<tr>
<td>$20,000</td>
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</tbody>
</table>

Fiscal Impact on Future Operating Costs:
none; should result in cost savings

Aquaview Booster Station Upgrade
The Aquaview Boosters fill the District’s Larkin Valley Reservoir, serving Alta Drive, upper Mar Monte Avenue, Aqua View Drive, Morehouse Drive, Robak Drive, and Dans Drive. The project will include replacing the aging booster pumps with more modern equipment and electrical controls.

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
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<tbody>
<tr>
<td>2020/21</td>
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<tr>
<td>$80,000</td>
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</tbody>
</table>

Fiscal Impact on Future Operating Costs:
none; show result in cost savings

Fairway Booster Station Upgrade
The Fairway Boosters fill the District’s Ironwood Tank, and serve Fairway Drive, Ironwood Drive, De Bernardo Lane, Upper Cunnison Lane, Crestline Drive, and Stance Avenue. The project will include replacing the aging booster pumps with more modern equipment and electrical controls.

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<tr>
<th>Planned Expenditure Schedule</th>
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<tr>
<td>2020/21</td>
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<tr>
<td>$60,000</td>
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</tbody>
</table>

Fiscal Impact on Future Operating Costs:
none; show result in cost savings
### Water Quality and Treatment

#### 1,2,3-TCP Treatment Feasibility Study & Treatment

A new Maximum Contaminant Level (MCL) for 1,2,3-Trichloropropane (TCP) of 5 parts per trillion (ppt) was established by the State Water Resources Control Board, Division of Drinking Water in 2018. The District’s Country Club well has been taken offline because it currently exceeds the MCL. A study is being conducted to evaluate 1,2,3-TCP treatment options in order to restore use of this important drinking water well.

**Fiscal Impact on Future Operating Costs:**
operating costs for a treatment facility are not known at this time

#### Ammonia Treatment at O’Neill Ranch Well

Funds have been included in 2020/21 to initiate new treatment options for ammonia levels at the O’Neill Ranch well.

**Fiscal Impact on Future Operating Costs:**
future operating costs have not been determined

### Transmission and Distribution

#### St. Andrews, Wingfoot and Baltusrol Main Replacement

The District is proposing replacing mains along St. Andrews Drive, Wingfoot Drive, and Baltusrol Drive in Aptos. Surveying and design work would begin in 2020/21, with construction scheduled for 2020/21 and 2021/22.

**Fiscal Impact on Future Operating Costs:**
potential for slight reduction in costs due to optimization of existing asset

#### Huntington Drive Transmission Line Replacement

Funds have been included in the 2020/21 budget to initiate planning and design on the replacement of 4,180 linear feet (lf) of existing 6-inch pipe with a 12-inch transmission main on Huntington Drive, installing 1,560 lf of new 12-inch pipe, and adding 545 lf of new 8-inch pipe from Huntington Drive to the Polo Well water main. A pressure reducing valve will also be added in Polo Grounds Park. This is an area that experiences frequent main breaks.

**Fiscal Impact on Future Operating Costs:**
potential for slight reduction in costs due to optimization of existing asset
Soquel Drive Cast Iron Main Replacement Phase IV
This project will replace 5,100 lineal feet of 50 year-old 8-inch cast iron water main between Cabrillo College and State Park Drive. Numerous leaks have been documented on this stretch of high pressure aging water main. This project was planned for 2018/19 and 2019/20 but was delayed and has been rolled over to 2020/21. Construction is expected to begin in August 2020 and end in 2022. This project is likely being funded from the remaining 2013 Certificates of Participation (COP) funds, unless those debt obligations are refunded in which case other funds will be allocated for this main replacement.

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<th>Planned Expenditure Schedule</th>
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<td></td>
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<tr>
<td>2020/21</td>
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<tr>
<td>$2,500,000</td>
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Fiscal Impact on Future Operating Costs:
potential for slight reduction in costs due to optimization of existing asset

Quail Run Buried Concrete Tank Construction
Funding in 2020/21 includes initiation of construction for a new 410,000 gallon pre-stressed concrete water storage tank in Service Area II. Design portions of this project were funded from the remaining 2013 Certificates of Participation (COP) funds, but funding for tank construction will be rolled into a new debt issuance. This project has also been delayed and rolled over to 2020/21.

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<th>Planned Expenditure Schedule</th>
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<td>2020/21</td>
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<tr>
<td>$3,000,000</td>
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Fiscal Impact on Future Operating Costs:
$200 annually for electrical power; $1,000 annually for other expenses
**Conservation**

**Alta Drive Service Installation and Trench Repair**
This project proposes replacing 42 services along Alta Drive as well as either overlay or trench patch paving 2,500 linear feet of failing asphalt and resetting water valves as necessary.

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<th>Planned Expenditure Schedule</th>
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<tr>
<td>2020/21</td>
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<tr>
<td>$260,000</td>
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**Fiscal Impact on Future Operating Costs:**
potential for slight reduction in costs due to optimization of existing asset

**Advanced Metering Infrastructure (AMI) Upgrade Project**
A large number of the District’s Automated Meter Reading (AMR) registers were no longer transmitting electronic meter read data from the meter box to the receiver in the field service vehicle due to battery failure, so in 2019/20 the District began installation of AMI registers and a fixed network to transmit meter data to the District. The project was temporarily suspended due to the COVID-19 shelter-in-place order, but funds have been included in the 2020/21 budget to complete installation of the fixed network infrastructure and replace the remaining registers. The District intends to have all meter registers upgraded by September 2020. This project is being funded through the Water Demand Offset (WDO) program, but the remaining funds will be temporarily borrowed from the Capital Facilities Reserve until the rest of the WDO fees have been collected through new development projects in the District's service area.

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<th>Planned Expenditure Schedule</th>
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<tr>
<td>2020/21</td>
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<tr>
<td>$580,000</td>
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**Fiscal Impact on Future Operating Costs:**
may be some impact on annual software maintenance costs and data transmission.
Fleet Replacements
Funds have been included in 2020/21 to replace Unit #26, the small dump truck. The dump bed is worn, pins are bent, the main ram needs replacement, and the hydraulic system has been replaced once before. Replacement of this unit is critical as it is now used to tow the mini excavator.

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<thead>
<tr>
<th>Planned Expenditure Schedule</th>
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<td>2020/21</td>
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<tr>
<td>$75,000</td>
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</table>

Fiscal Impact on Future Operating Costs:
the cost of maintenance on new vehicles will be lower than maintenance of the vehicles that are being replaced

Replace Valve Exercise Trailer
The obsolete equipment that logs valve exercising history on the existing 15-year-old unit is broken and cannot be repaired. We are currently unable to log torque and turn history on valves. A replacement trailer can connect to a laptop to upload this history to Field Mapplet. The replacement would also have a pressure washer so it can be used to clean out meter boxes.

<table>
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<tr>
<th>Planned Expenditure Schedule</th>
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<tr>
<td>2020/21</td>
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<tr>
<td>$88,000</td>
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</tbody>
</table>

Fiscal Impact on Future Operating Costs:
the cost of maintenance on new mobile equipment will be lower than maintenance of the equipment that is being replaced
### Soquel Creek Water District

#### Unfunded Projects

**Fiscal Year 2020/21 Budget**

<table>
<thead>
<tr>
<th>Source of Supply</th>
<th>2019/20 Budget</th>
<th>2020/21 Budget (Forecast)</th>
<th>Future Funding Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unfunded Capital Improvement Projects</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Source of Supply</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aptos Creek Well Property Acquisition</td>
<td>$100,000</td>
<td></td>
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<tr>
<td><strong>Water Quality and Treatment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modify Wastewater Discharge at Estates</td>
<td>$30,000</td>
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<tr>
<td><strong>Transmission and Distribution</strong></td>
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<td></td>
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<tr>
<td>Repave Alta Drive Trench</td>
<td>$230,000</td>
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<tr>
<td>St. Andrews, Wingfoot and Baltusrol Main Replacement</td>
<td>$300,000</td>
<td>$2,200,000</td>
<td></td>
</tr>
<tr>
<td>Mar Vista Drive to Mesa Drive Main Replacement</td>
<td></td>
<td>$200,000</td>
<td></td>
</tr>
<tr>
<td>Moosehead Drive Main Replacement</td>
<td></td>
<td>$100,000</td>
<td>$1,150,000</td>
</tr>
<tr>
<td>Cunnison Lane Connection to Fairway Pressure System</td>
<td></td>
<td>$700,000</td>
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<tr>
<td>Bishop Lane Main Replacement</td>
<td></td>
<td>$110,000</td>
<td></td>
</tr>
<tr>
<td>Post Office Drive Aptos Main Replacement</td>
<td></td>
<td>$250,000</td>
<td></td>
</tr>
<tr>
<td>Upgrade Central Water District Intertie at Soquel Drive</td>
<td></td>
<td>$200,000</td>
<td></td>
</tr>
<tr>
<td>Coating Inspection at Cornwall Tank</td>
<td></td>
<td>$10,400</td>
<td></td>
</tr>
<tr>
<td><strong>Facilities and Equipment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Valve Exercise Trailer</td>
<td>$88,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Security Cameras</td>
<td>$50,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace Operations Vehicle Unit #30</td>
<td>$37,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Unfunded Projects</strong></td>
<td>$648,000</td>
<td>$1,757,400</td>
<td>$3,350,000</td>
</tr>
</tbody>
</table>
Unfunded Capital Projects

Source of Supply

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020/21</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>$100,000</td>
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</tbody>
</table>

Fiscal Impact on Future Operating Costs: none

Aptos Creek Well Property Acquisition
This involves the purchase of property that is currently leased for a production well in Service Area II. A purchase would allow for future replacement of the well, which is currently offline, as well as saving money on a long-term lease.

Transmission and Distribution

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
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<tbody>
<tr>
<td>2020/21</td>
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<tr>
<td>---</td>
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<tr>
<td>$200,000</td>
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</tbody>
</table>

Fiscal Impact on Future Operating Costs: potential for slight reduction in costs due to optimization of existing asset

Mar Vista Drive to Mesa Drive Main Replacement
The District is proposing replacing a small 600 linear foot section of main on Mar Vista Drive up to Mesa Drive to improve pressure in that area. The current 2-inch steel main will be replaced with 6-inch pipe.

<table>
<thead>
<tr>
<th>Planned Expenditure Schedule</th>
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</thead>
<tbody>
<tr>
<td>2020/21</td>
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<tr>
<td>---</td>
</tr>
<tr>
<td>$100,000</td>
</tr>
</tbody>
</table>

Fiscal Impact on Future Operating Costs: potential for slight reduction in costs due to optimization of existing asset

Moosehead Drive Main Replacement
This main replacement project has been planned for quite some time but has been continually deferred due to higher priority projects. The existing main is 2-inch steel. The District is proposing replacing 2,300 linear feet with 6-inch pipe and replace 45 services. Planning and design of this project could commence in 2020/21 if funding were to become available.
Cunnison Lane Connection to Fairway Pressure System
The District is proposing to replace the main from Hardin Way through the north side of the Cunnison well site to Cunnison Lane. This section of main is a connection to the Fairway Pressure System.

Fiscal Impact on Future Operating Costs:
potential for slight reduction in costs due to optimization of existing asset

Bishop Lane Main Replacement
This is a very small main section that includes replacement of 4 services.

Fiscal Impact on Future Operating Costs:
potential for slight reduction in costs due to optimization of existing asset

Post Office Drive Aptos Main Replacement
The District is proposing to replace a small section of 2-inch steel main along Post Office Drive in Aptos with 6-inch pipe.

Fiscal Impact on Future Operating Costs:
potential for slight reduction in costs due to optimization of existing asset

Upgrade Central Water District Intertie at Soquel Drive
The District is proposing to upgrade the Soquel Drive intertie with Central Water District with 8-inch pipe.

Fiscal Impact on Future Operating Costs:
potential for slight reduction in costs due to optimization of existing asset

Coating Inspection at Cornwell Tank
The District is proposing a coating inspection at the recently repaired Cornwell Tank. This was a project that was submitted too late to make the funded project list but will likely be completed in 2020/21 from existing budget funds.

Fiscal Impact on Future Operating Costs:
one
## Facilities and Equipment

### Planned Expenditure Schedule

<table>
<thead>
<tr>
<th></th>
<th>2020/21</th>
<th>Future</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Replace Security Cameras</strong></td>
<td>$50,000</td>
<td></td>
<td>$50,000</td>
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</tbody>
</table>

**Fiscal Impact on Future Operating Costs:**
none; possible cost savings from risk mitigation

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<thead>
<tr>
<th></th>
<th>2020/21</th>
<th>Future</th>
<th>Total</th>
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<tbody>
<tr>
<td><strong>Replace Operations Vehicle Unit #30</strong></td>
<td>$37,000</td>
<td></td>
<td>$37,000</td>
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</table>

**Fiscal Impact on Future Operating Costs:**
the cost of maintenance on new vehicles will be lower than maintenance of the vehicles that are being replaced

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*The security equipment is no longer supported by up-to-date software. The remote cameras cannot be viewed any longer, access to a mobile viewer was lost a number of years ago. Propose replacing the existing security cameras with either an outright purchase or a lease that includes security monitoring services.*

*Propose replacing operations vehicle Unit #30. This vehicle has a loose front end and the interior is worn. The seat is very worn and poses an ergonomic risk to the occupant. This purchase was already deferred from 2019/20.*
## 20 Year Capital Improvement Budget

### Water Main Plan & Sources

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<tr>
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<tr>
<td>Monterey Way Well Monitoring &amp; Migration</td>
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<td>$250,000</td>
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<td>Monterey Way Well Monitoring &amp; Migration</td>
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### Water Treatment

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### Main Replacements

|-------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|

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**ATTACHMENT 1 - ITEM 7.2**
## ATTACHMENT 1 - ITEM 7.2

### 20 Year Capital Improvement Budget

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<tbody>
<tr>
<td></td>
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### Notes

- **ATTACHMENT 1 - ITEM 7.2**
- **Soquel Creek Water District Budget 2020/21**
- **Page 140 of 216**
- **Soquel Creek Water District Budget 2020/21**
- **Page 194 of 371**
### 20 Year Capital Improvement Budget

#### Water Service Replacement Projects

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Non-Operating Budget

Details on debt service, treasury management, and reserves.
Debt Service

SqCWD funds capital improvement requirements primarily on a pay-as-you-go basis, but there have been instances when the District has issued debt to fund significant capital projects. The District’s debt instruments are secured by net revenues derived from the operation of the water system. The District has agreed not to issue or incur any additional debt obligations that may be superior to the installment payments or parity obligations under existing debt covenants. The District has no legal debt limit, but has adopted a financial policy for prudent debt management.

The District is proposing new debt issuance for 2020/21. The State Water Resources Control Board has awarded the District a low-interest loan for up to $36 million at 1.3% for the Pure Water Soquel (PWS) project. The District is also in the process of applying for a federal low-interest loan from the Water Infrastructure and Financing Innovation Act (WIFIA). It will be necessary to secure interim debt financing to maintain cash flows while waiting for reimbursements from state and federal awards, with the intention of retiring the interim debt once state and federal funding is received. The District may also consider refunding the existing Series 2011 and 2013 Certificates of Participation.
2011 Certificates of Participation

On June 2, 2011, the District issued 2011 Certificates of Participation (COP) in the original principal amount of $16,800,000. The 2011 COPs were used to fund water system capital improvement projects, a debt service reserve fund for the 2011 certificates, and costs of issuance. The 2011 COPs have $16,800,000 of principal outstanding and mature on March 1 of each year from March 1, 2020, through final maturity on March 1, 2036. The 2011 COPs have a cash-funded reserve fund with a reserve requirement of $1,461,780. Projects funded with proceeds from the 2011 COPs include the Polo Grounds Treatment Plant, O’Neill Ranch Well, Soquel Drive Main Replacement, Oakhill Drive and Poplar Court Main Replacement, Seascape Tank Recoat, Monte Toyon Tank Recoat, Depot Hill Main Replacement, Monitoring Wells at Aptos Creek and Seacliff, and partial funding of the McGregor Drive and Aptos Pump Stations.

2013 Certificates of Participation

On July 16, 2013, the District issued 2013 Certificates of Participation (COP) in the original principal amount of $17,520,000. The 2013 COPs were used to fund water system capital improvement projects and pay costs of issuance in connection with the issuance of the certificates. The 2013 COPs have $14,365,000 of principal outstanding as of March 31, 2020. The certificates mature on March 1 of each year from March 1, 2014, through final maturity on March 1, 2043. Projects funded with proceeds from the 2013 COPs include the O’Neill Ranch Treatment Plant, the McGregor Drive Pump Station, the Aptos Pump Station, and the Clubhouse Drive Water Main Replacement. Projects included in the 2020/21 budget to be funded with the remaining 2013 COPs include a portion of the Quail Run Tank project and the Soquel Drive Cast Iron Main Replacement.
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<th>PROPOSED NEW DEBT SERVICE</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>PRINCIPAL</td>
<td>INTEREST</td>
<td>TOTAL</td>
<td>PRINCIPAL</td>
<td>INTEREST</td>
<td>TOTAL</td>
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<tr>
<td>2020/21</td>
<td>$720,000</td>
<td>$738,800</td>
<td>$1,458,800</td>
<td>$385,000</td>
<td>$643,600</td>
<td>$1,028,600</td>
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<td>750,000</td>
<td>710,000</td>
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<tr>
<td>2022/23</td>
<td>780,000</td>
<td>680,000</td>
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<tr>
<td>2023/24</td>
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<td>648,800</td>
<td>1,458,800</td>
<td>435,000</td>
<td>595,600</td>
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</tr>
<tr>
<td>2024/25</td>
<td>845,000</td>
<td>616,600</td>
<td>1,461,600</td>
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<tr>
<td>2025/26</td>
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<tr>
<td>2026/27</td>
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<tr>
<td>2027/28</td>
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<td>505,000</td>
<td>1,460,000</td>
<td>505,000</td>
<td>522,200</td>
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<tr>
<td>2028/29</td>
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<td>462,000</td>
<td>1,457,000</td>
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<tr>
<td>2029/30</td>
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<td>2031/32</td>
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<td>1,459,900</td>
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<tr>
<td>2032/33</td>
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<tr>
<td>2033/34</td>
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<td>1,458,800</td>
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<td>384,500</td>
<td>1,029,500</td>
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<td>2034/35</td>
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<td>1,460,700</td>
<td>670,000</td>
<td>356,300</td>
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<tr>
<td>2035/36</td>
<td>1,390,000</td>
<td>69,500</td>
<td>1,459,500</td>
<td>700,000</td>
<td>326,100</td>
<td>1,026,100</td>
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<tr>
<td>2036/37</td>
<td>1,455,000</td>
<td>294,600</td>
<td>1,024,600</td>
<td>730,000</td>
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</tr>
<tr>
<td>2037/38</td>
<td>1,520,000</td>
<td>261,700</td>
<td>1,031,700</td>
<td>770,000</td>
<td>261,700</td>
<td>1,031,700</td>
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<tr>
<td>2038/39</td>
<td>1,585,000</td>
<td>223,300</td>
<td>1,033,300</td>
<td>810,000</td>
<td>223,300</td>
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<tr>
<td>2039/40</td>
<td>1,650,000</td>
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<td>1,032,700</td>
<td>850,000</td>
<td>182,700</td>
<td>1,032,700</td>
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<tr>
<td>2040/41</td>
<td>1,715,000</td>
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<td>1,030,300</td>
<td>890,000</td>
<td>140,300</td>
<td>1,030,300</td>
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<tr>
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<td>1,030,800</td>
<td>935,000</td>
<td>95,800</td>
<td>1,030,800</td>
</tr>
<tr>
<td>2042/43</td>
<td>1,845,000</td>
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<td>1,030,500</td>
<td>980,000</td>
<td>49,000</td>
<td>1,030,500</td>
</tr>
<tr>
<td>2033/35</td>
<td>4,895,800</td>
<td></td>
<td></td>
<td>4,895,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2034/36</td>
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<td></td>
<td></td>
<td>4,895,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2035/37</td>
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<td></td>
<td></td>
<td>4,895,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2036/38</td>
<td>4,895,800</td>
<td></td>
<td></td>
<td>4,895,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2037/39</td>
<td>4,895,800</td>
<td></td>
<td></td>
<td>4,895,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2038/40</td>
<td>4,895,800</td>
<td></td>
<td></td>
<td>4,895,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2039/41</td>
<td>3,427,100</td>
<td></td>
<td></td>
<td>3,427,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2040/42</td>
<td>1,958,300</td>
<td></td>
<td></td>
<td>1,958,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2041/43</td>
<td>927,600</td>
<td></td>
<td></td>
<td>927,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$16,105,000</td>
<td>$7,248,600</td>
<td>$23,353,600</td>
<td>$14,365,000</td>
<td>$9,285,200</td>
<td>$23,650,200</td>
</tr>
</tbody>
</table>
Debt Coverage

The 2020/21 budget includes a little over $5.4 million in debt service payments, comprised of a little over $1 million in payments against principal and $4.3 million in interest payments. The District is required, by the terms of the debt agreements, to collect rates, fees and charges during the fiscal year sufficient to yield net revenues which are at least 120% (1.2) of the amount of the fiscal year’s required debt service payments. This represents the base minimum debt coverage requirement, however, and is not intended to reflect a healthy financial position. This calculation is represented as the debt coverage ratio, and is simply the District’s operating and non-operating revenue for the fiscal year less any operating and non-operating expenses, divided by the total annual debt service payment. There are a couple of expenditures that are excluded from the debt coverage calculation. Non-cash expenses such as depreciation and amortization are excluded because they are not part of the budget. Any personnel costs that are attributed to work done on the capital improvement program are subtracted from operating expenses. In addition, the cost of customer conservation rebates are excluded from operating expenses when calculating the debt coverage ratio, because this is a voluntary program that the District could easily suspend in the event it was necessary to maintain debt service coverage.

The District adopted a Debt Management Policy in June 2017 that established a minimum debt coverage target ratio of 170% (1.7).
Debt Service Coverage Calculation

<table>
<thead>
<tr>
<th></th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sources of Funds, Less Reserve Fund Expenditures</td>
<td>$22,337,400</td>
<td>$23,465,100</td>
<td>$29,209,300</td>
</tr>
</tbody>
</table>

Operating Expenses and Excludable Items

<table>
<thead>
<tr>
<th></th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>$16,553,800</td>
<td>$12,628,800</td>
<td>$14,080,900</td>
</tr>
<tr>
<td>Excludable Items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing Costs Related to Capital Projects</td>
<td>(395,000)</td>
<td>(448,000)</td>
<td>(321,100)</td>
</tr>
<tr>
<td>Conservation Rebate Program</td>
<td>(275,000)</td>
<td>(235,000)</td>
<td>(175,000)</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$15,883,800</td>
<td>$11,945,800</td>
<td>$13,584,800</td>
</tr>
</tbody>
</table>

Non-Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS Unfunded Actuarial Pension Liability Paydown</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

Net Income Before Debt Service

<table>
<thead>
<tr>
<th></th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,953,600</td>
<td>$11,019,300</td>
<td>$15,124,500</td>
<td></td>
</tr>
</tbody>
</table>

Debt Service

<table>
<thead>
<tr>
<th></th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of Participation</td>
<td>$2,444,200</td>
<td>$2,490,000</td>
<td>$2,487,400</td>
</tr>
<tr>
<td>New Debt Issuance</td>
<td></td>
<td>$1,468,700</td>
<td>$2,937,500</td>
</tr>
<tr>
<td>Total Debt Service</td>
<td>$2,444,200</td>
<td>$3,958,700</td>
<td>$5,424,900</td>
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</table>

Debt Coverage Ratio

<table>
<thead>
<tr>
<th></th>
<th>2018/19 BUDGET</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Coverage Ratio</td>
<td>2.44</td>
<td>2.78</td>
<td>2.79</td>
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</tbody>
</table>

Trends in Budgeted Debt Coverage Ratio
Treasury Management

It is the policy of SqCWD to invest public funds in a manner which will provide the maximum security with the best investment return, while meeting daily cash flow needs and conforming to all state and local statutes governing the investment of public funds. The primary objectives of the District’s investment policy, in order of priority, are safety, liquidity and return on investment. The District may invest in government securities and debt obligations, such as Treasury Bills, Certificates of Deposit that are fully insured by the Federal Deposit Insurance Corporation (FDIC), Local Agency Pools such as the State of California Local Agency Investment Fund (LAIF), and other instruments as defined in the District’s investment policy. No more than 50% of the District’s total investment portfolio may be invested in a single security type or with a single financial institution other than U.S. Treasury securities and authorized pools.

To the extent possible, the District attempts to match investments with anticipated cash flow requirements. Over the last few budget cycles there has been an anticipated need to utilize reserve funds, so the District has kept most of its investments fairly liquid. There is currently $5.4 million invested in CDs with $2.2 million maturing in 2020/21 and the remaining balance maturing in staggered intervals through November 2023. Such a structure allows the District to receive a higher rate of return while preserving the liquidity of these funds. The bulk of the remaining treasury is invested with LAIF until such time as anticipated cash flow needs allow for longer investment maturities.
Other Non-Operating Revenues (Expenses)

In addition to debt obligations and interest earned on investments, non-operating revenue includes small amounts received from any gain on the disposal of fixed assets, which are typically used equipment sold for the highest bid. Other non-operating revenue includes any miscellaneous revenue the District may receive, such as rents or the sale of small equipment such as meters and parts.

The District has budgeted $500,000 in non-operating expense for the paydown of the Unfunded Actuarial Pension Liability through the California Public Employees Retirement System (CalPERS).

<table>
<thead>
<tr>
<th>Non-Operating Revenue (Expense)</th>
<th>2019/20 BUDGET</th>
<th>2020/21 BUDGET (PROPOSED)</th>
<th>INCREASE (DECREASE) OVER PY</th>
<th>% CHANGE OVER PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>$202,000</td>
<td>$100,000</td>
<td>$(102,000)</td>
<td>-50.50%</td>
</tr>
<tr>
<td>Interest Expense - New Debt Issuances</td>
<td>-</td>
<td>(2,937,500)</td>
<td>(2,937,500)</td>
<td></td>
</tr>
<tr>
<td>Interest Expense - Certificates of Participation</td>
<td>(1,425,000)</td>
<td>(1,382,400)</td>
<td>42,600</td>
<td>-2.99%</td>
</tr>
<tr>
<td>PERS Unfunded Actuarial Pension Liability Paydown</td>
<td>(500,000)</td>
<td>(500,000)</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other Non-Operating Revenue (Expense)</td>
<td>5,000</td>
<td>5,000</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>Gain on Disposal of Fixed Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenue (Expense)</strong></td>
<td><strong>$1,718,000</strong></td>
<td><strong>$4,714,900</strong></td>
<td><strong>$(2,996,900)</strong></td>
<td><strong>174.44%</strong></td>
</tr>
</tbody>
</table>

**Debt Principal**

<table>
<thead>
<tr>
<th>Principal Payment - Certificates of Participation</th>
<th>1,065,000</th>
<th>1,105,000</th>
<th>40,000</th>
<th>3.76%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Debt Principal</strong></td>
<td><strong>$1,065,000</strong></td>
<td><strong>$1,105,000</strong></td>
<td><strong>$40,000</strong></td>
<td><strong>3.76%</strong></td>
</tr>
</tbody>
</table>
Reserve Funds

The 2020/21 budget is projected to have a beginning reserve of $70.8 million and ending reserves of $13 million. Beginning reserves include a carryover of $5.8 million of COP debt proceeds and $57.7 million in proposed new borrowing. Beginning reserves have increased in comparison to the 2019/20 budget with an overall increase from the prior year of $47.2 million. The increase in beginning reserves is due primarily to the postponement of debt issuance in 2019/20 and the new debt issuance proposed for this fiscal year. Ending reserves is $5.1 million higher than the previous year due to the anticipated disbursement of Proposition 1 Implementation grant funds in 2020/21.

The Board adopted Resolution 17-11 in June 2017, which superseded Operating Reserve Policy Administrative Order No. 17 and established a comprehensive Reserve Policy that encompasses the District’s Rate Stabilization Reserve, an Operating Contingency Reserve, and the Capital Facilities Reserve. Any remaining funds are allocated to general reserves to be used in subsequent fiscal years. The District’s Reserve Policy is reviewed annually as part of the budget process.
**Rate Stabilization Reserve**

The District maintains a Rate Stabilization Reserve of $2 million to ensure that short-term revenue shortfalls do not adversely impact the District’s ability to meet critical bond coverage requirements. According to debt agreements, the amounts transferred from the Rate Stabilization Reserve constitute gross revenues for the fiscal year in which they are transferred; thus, if drawn upon, this revenue would positively impact the debt coverage ratio. In addition, any interest earned on the fund can be withdrawn annually and accounted for as gross revenues. The District may increase the amount maintained in the rate stabilization reserve with the issuance of new debt.

**Operating Contingency Reserve**

The Operating Contingency Reserve was established to ensure that the District will have sufficient funding available to meet annual operating costs. The minimum Operating Contingency Reserve (OCR) target, when combined with the Rate Stabilization Reserve, will approximate 40% of operating expenses as outlined in the annual budget. The OCR for fiscal year 2020/21 is expected to be $3.6 million, an increase of $580,000 from the prior year. The increase is due to increases in operating expenditures for 2020/21.

**Capital Facilities Reserve**

In 2017, the Board authorized the formation of the Capital Facilities Reserve and allocated $1 million to establish the reserve. This reserve is used to maintain or repair existing water system infrastructure, such as main replacement projects, tank recoats, filter and media replacements, or other capital facilities preservation or improvement projects. Another $1.2 million was allocated to the reserve after the close of the 2017 fiscal year, and $2.4 million was allocated in December 2018, bringing the beginning balance in this reserve to $4.6 million. $1.7 million of the reserve was utilized in 2019/20 to temporarily fund the Advanced Metering Infrastructure (AMI) project and some smaller Operations and Maintenance projects, and $880,000 will be utilized in 2020/21, leaving the total reserve at just under $2 million at the end of the budget year.
Appendix

Includes a glossary of terms and acronyms and copies of various financial policy documents.
<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACWA</td>
<td>Association of California Water Agencies</td>
</tr>
<tr>
<td>ADC</td>
<td>Actuarially Determined Contribution</td>
</tr>
<tr>
<td>AF</td>
<td>Acre-Feet/Foot</td>
</tr>
<tr>
<td>AMBAG</td>
<td>Association of Monterey Bay Area Governments</td>
</tr>
<tr>
<td>AMI</td>
<td>Advanced Metering Infrastructure</td>
</tr>
<tr>
<td>AMR</td>
<td>Automated Meter Read</td>
</tr>
<tr>
<td>APGRP</td>
<td>Advanced Purified Groundwater Replenishment Project</td>
</tr>
<tr>
<td>ARC</td>
<td>Annual Required Contribution</td>
</tr>
<tr>
<td>CAFR</td>
<td>Comprehensive Annual Financial Report</td>
</tr>
<tr>
<td>CalPERS</td>
<td>California Public Employees Retirement System</td>
</tr>
<tr>
<td>CAP</td>
<td>County Assessment Project</td>
</tr>
<tr>
<td>CCF</td>
<td>Centum Cubic-Feet</td>
</tr>
<tr>
<td>CCSF</td>
<td>Conservation and Customer Service Field</td>
</tr>
<tr>
<td>CEQA</td>
<td>California Environmental Quality Act</td>
</tr>
<tr>
<td>CERBT</td>
<td>California Employers’ Retiree Benefit Trust</td>
</tr>
<tr>
<td>CFRA</td>
<td>California Family Rights Act</td>
</tr>
<tr>
<td>CIP</td>
<td>Capital Improvement Project or Capital Improvement Program</td>
</tr>
<tr>
<td>CMMS</td>
<td>Computerized Maintenance Management System</td>
</tr>
<tr>
<td>COBRA</td>
<td>Consolidated Omnibus Budget Reconciliation Act</td>
</tr>
<tr>
<td>COLA</td>
<td>Cost of Living Adjustment</td>
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<tr>
<td>COP</td>
<td>Certificates of Participation</td>
</tr>
<tr>
<td>CSMFO</td>
<td>California Society of Municipal Finance Officers</td>
</tr>
<tr>
<td>CWD</td>
<td>Central Water District</td>
</tr>
<tr>
<td>DOF</td>
<td>Department of Finance</td>
</tr>
<tr>
<td>DWR</td>
<td>Department of Water Resources</td>
</tr>
<tr>
<td>EDD</td>
<td>Employment Development Department</td>
</tr>
<tr>
<td>EIR</td>
<td>Environmental Impact Review</td>
</tr>
<tr>
<td>EPA</td>
<td>Environmental Protection Agency</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning Software</td>
</tr>
<tr>
<td>FBS</td>
<td>Finance and Business Services</td>
</tr>
<tr>
<td>FDIC</td>
<td>Federal Deposit Insurance Corporation</td>
</tr>
<tr>
<td>FMLA</td>
<td>Family Medical Leave Act</td>
</tr>
<tr>
<td>FSA</td>
<td>Flexible Spending Accounts</td>
</tr>
<tr>
<td>FTE</td>
<td>Full Time Equivalent</td>
</tr>
<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
</tr>
<tr>
<td>GASB</td>
<td>Governmental Accounting Standards Board</td>
</tr>
<tr>
<td>GFOA</td>
<td>Government Finance Officers Association</td>
</tr>
<tr>
<td>GIS</td>
<td>Geographic Information Systems</td>
</tr>
<tr>
<td>GPD</td>
<td>Gallons per Day</td>
</tr>
<tr>
<td>GPM</td>
<td>Gallons per Minute</td>
</tr>
<tr>
<td>GPS</td>
<td>Global Positioning Satellite</td>
</tr>
<tr>
<td>GSA</td>
<td>Groundwater Sustainability Agency</td>
</tr>
<tr>
<td>GSP</td>
<td>Groundwater Sustainability Plan</td>
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<td>HCF</td>
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<td>MGD</td>
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<td>Memorandum of Understanding</td>
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<td>Operations and Maintenance</td>
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<td>Other Post-Employment Benefits</td>
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<td>Public Employees’ Pension Reform Act</td>
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<td>Pajaro Valley Water Management Agency</td>
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<td>Supervisory Control and Data Acquisition</td>
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<td>Trichloropropane</td>
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<td>Water Demand Offset</td>
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<tr>
<td>WIFIA</td>
<td>Water Infrastructure Finance and Innovation Act</td>
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</table>
Glossary of Terms

AC Main – AC stands for asbestos cement and was used for water mains in the 1940s – 1960s.

Accrual Basis of Accounting – Method of accounting that recognizes the financial effect of transactions, and activities when they occur, regardless of the timing of related cash flows. Revenues are recorded when earned and expenses are recognized when incurred.

Acre Foot – an acre foot is enough water to cover an acre of land, about the size of a football field, one foot deep. It is the equivalent of about 326,000 gallons.

Actuarially Determined Contribution (ADC) - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice. Replaced the Annual Required Contribution (ARC) in the 2017 OPEB Actuarial Valuation Report.

Advanced Metering Infrastructure - an integrated system for automated, two-way communication between a utility meter and a data management system via a communications network. These systems can measure, collect and analyze water use and make it available to customers through the internet.

Amortization - the action or process of gradually writing off the initial cost of an asset, or the gradual process of reducing or paying off debt through regular payments.

Annual Required Contribution (ARC) – The annual required contribution is the employer’s periodic required contribution to a defined benefit OPEB plan. The ARC is the sum of two parts: (1) the normal cost, which is the cost for OPEB benefits attributable to the current year of service, and (2) an amortization payment, which is the catch-up payment for past service costs to fund the Unfunded Actuarial Accrued Liability over the next 30 years. Under GASB 45, it is not required that entities actually pay the ARC each year, but it does need to be calculated and disclosed in the public employer’s annual financial statements.

Aquifer – An underground layer of water bearing permeable rock or unconsolidated materials (gravel, sand, silt) from which groundwater can be extracted.

Asset – Anything of value such as an area of land, or a building, or an item of plant or equipment or infrastructure that provides service potential or future economic benefits over a period greater than one year, and has a cost that is material (at least $5,000).

Audit - an official inspection of an organization’s financial transactions, statutory records, documents and financial statement preparation by an independent body to ascertain if they are accurate and in accordance with generally accepted accounting standards.

Automated Meter Reader (AMR) – A method of conveying water meter reads without interfacing directly with the meter or a contact point, normally through radio transmitters.

Balanced Budget – The District’s current operating expenses will be paid from current revenues and reserves carried forward from the prior year.

Beginning Balance – The beginning balance is comprised of residual funds brought forward from the previous fiscal year.

Board of Directors – The five public officials elected to represent the population within the District’s service area. Also referred to as “the Board”.

Bond – A certificate of debt issued by an entity, guaranteeing payment of the original investment, plus interest, by a specified future date.

Bond Covenant – A legally binding term of agreement that specifies the obligations, restrictions, and terms of the bond between the bond issuer and bond holder. Bond covenants are designed to protect the interests of both parties.

Budget – A financial plan showing authorized planned expenditures and their funding sources.

Budget Process – The schedule of key dates.
or milestones, which the District follows in the development, preparation, adoption, and administration of the budget.

**California Environmental Quality Act (CEQA)** – A California statute passed in 1970, shortly after the United States federal government passed the National Environmental Policy Act (NEPA), to institute a statewide policy of environmental protection. CEQA does not directly regulate land uses, but instead requires state and local agencies within California to follow a protocol of analysis and public disclosure of environmental impacts of proposed projects and adopt all feasible measures to mitigate those impacts.

**California Family Rights Act (CFRA)** – CFRA is a state law that generally conforms to the provisions of the Federal Family Medical Leave Act (FMLA) that governs family medical leave. It is applicable to employers with 50 or more employees.

**Capital Improvement Program (CIP)** – Authorized expenditures for tangible and long-term physical improvements or additions of a fixed or permanent nature.

**Capital Project** – Projects budgeted as capital projects fall within the definition of capital expenditures, which means (1) they create or extend the lives of assets, (2) their work products have a useful life of more than one year, and (3) they involve an expenditure of District resources equal to or greater than $5,000.

**Centum Cubic-Feet (CCF)** – The standard rate of billing for water service. The District calculates one CCF as one unit of water. One CCF is equal to 100 cubic feet of water which is 748 gallons.

**Certificates of Participation (COP)** – A security in the form of a bond, which evidences a proportionate participation in a flow of payments between two parties. The District’s COPs are secured by pledge of net revenues.

**Chromium-VI (Cr-VI)** – A form of the metallic element chromium that is found naturally in common minerals. Also known as hexavalent chromium.

**Classic Member** – An existing CalPERS member as of December 31, 2012; or a member that has a break in service of more than six months, but returns to service with the same employer.

**Consolidated Omnibus Budget Reconciliation Act (COBRA)** – COBRA gives employees the right to pay premiums and keep the group health insurance that they would otherwise lose after they quit their jobs, lose their jobs, or reduce their work hours. COBRA benefits are typically available for 18 months.

**Debt Service** – The current year portion of interest costs and current year principal payments incurred on long-term debt.

**Delivery System** – The piping, valves and related infrastructure assets that convey water from one point in the water distribution system to another. For example, a delivery system can take water from the intake to the plant or from plant to the customer.

**Department** – A major organizational unit with overall managerial responsibility for functional programs of the District.

**Depreciation** – The reduction in value of a long lived asset from use or obsolescence. The decline in value is recognized by a periodic allocation of the original cost of the asset to current operations on an income statement.

**Enterprise Fund** – A fund established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through “user charges.”

**Enterprise Resource Planning Software** – A software system that integrates the major processes of an organization such as purchasing, inventory, billing, payroll, finance, and human resources.

**Environment Impact Review (EIR)** – Written record submitted to a deciding authority that identifies and examines the likely environmental effects of the continuing operations of an existing...
facility or those of a proposed project, and proposes measures to avoid, mitigate, or offset the identified effects.

**Expense** – A cost incurred in the operations of the District, most often settled with the payment of cash.

**Federal Deposit Insurance Corporation (FDIC)** – A US government corporation that provides deposit insurance, which guarantees the safety of deposits in member banks up to $250,000 per depositor per bank.

**Fire Service Charge** – A monthly charge assessed to cover the cost of the District providing additional fire flow capacity.

**Fiscal Year (FY)** – A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. (SqCWD’s fiscal year is July 1 through June 30).

**Flexible Spending Accounts (FSA)** – A tax-favored program offered by employers that allows their employees to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars.

**Full-Time Equivalent (FTE)** – A measure of labor requirement equal to the full time use of one worker (e.g., could be one person full time or two people half time).

**Fund** - an accounting entity with a self-balancing set of accounts that is used to record financial resources and liabilities, as well as operating activities, and is segregated in order to carry on certain activities or attain targeted objectives. Funds are used by governments because governments need to maintain very tight control over their resources, and funds are designed to monitor resource inflows and outflows with particular attention to the remaining amount of funds available.

**Generally Accepted Accounting Principles (GAAP)** – A collection of commonly-followed accounting rules and standards for financial reporting.

**Governmental Accounting Standards Board (GASB)** – A private, non-governmental organization that is the source of generally accepted accounting principles (GAAP) used by State and Local governments in the United States.

**Groundwater** – Water produced by pumping from an underground aquifer. SqCWD receives 100% of its current water supply from groundwater.

**Hydrologic** – Of or dealing with the science of occurrence, circulation, distribution, and properties of the waters of the earth and its atmosphere.

**Infrastructure** – The tangible physical components that ensure delivery of reliable, high quality water. Typical components are tanks, water mains, wells, pumping plants, and treatment facilities.

**Integrated Resource Plan (IRP)** – A study developed as a long-term supply plan that will help the District meet water demands in the future.

**Intertie** – An interconnection permitting passage of water between two or more water utility systems.

**Local Agency Formation Commission (LAFCO)** – A public agency with county-wide jurisdiction that regulates, approves, or denies boundary changes proposed by other public agencies or individuals.

**Maximum Contaminant Level (MCL)** – The standards set by the United States Environmental Protection Agency (EPA), or corresponding State agency, for drinking water quality. An MCL is the legal threshold limit on the amount of a substance that is allowed in public water systems under the Safe Drinking Water Act.

**Memorandum of Understanding (MOU)** – A formal agreement between two or more parties, such as between the District and its labor bargaining groups.

**Meter** – A device that measures and records the quantity of a substance, such as water or energy that has passed through it during a specified period.

**Mission Statement** – The District’s core purpose.
Non-Operating Budget – Budgeted income and expenses derived from non-operating type categories, such as interest income and expenses, gain on the sale of assets, rents, and any other income/expenses not associated with the operations of a water system.

Operating Budget – The normal, ongoing operating costs incurred to operate the District, including wages, materials, utilities, professional and outside services, and the revenues generated through operations, such as water sales and service charges, and developer paid fees to connect to the water system.

Operating Project – Individual item purchases or projects that are discrete in nature and warrant transparent attention, but do not qualify as a capital project, often because they do not result in a tangible, fixed asset.

Other Post-Employment Benefits (OPEB) – Benefits, other than pensions, that a state or local government employee receives as part of his or her package of retirement benefits. The District’s OPEB is limited to retiree health benefits.

Pay-Go – A capital financing strategy to pay-as-you-go by cash funding capital projects with current and accumulated revenues rather than borrowing funds that will be repaid with future revenues.

PEPRA Member – A new hire who has no prior membership in any California public retirement system prior to January 1, 2013; or an employee who is rehired by a different CalPERS employer after a break in service of greater than six months.

Potable Water – Water that is suitable for drinking.

Pressure – The amount of force per unit area. In water, this is expressed in pounds per square inch (psi) or an equivalent of the weight of a water column at a specific height (feet) exerted in a confined space.

Pressure Reducing Valve (PRV) – A pressure reducing valve is a relief valve that automatically reduces high incoming water pressure to provide a lower, more functional pressure for residential water use.

Pump – A mechanical device for raising or lifting water, pushing it, and changing flow and pressure.

Pump Station – A structure containing pumps and appurtenant piping, valves, and other mechanical and electrical equipment for pumping raw water.

Regulatory – Something that is required due to a permit requirement, mandated regulation, or legislation.

Reliability – The probability that a system performs a specified function or mission under given conditions for a prescribed time.

Replenish – A hydrologic process where water is moved through layers of sand, dirt, and rock to groundwater.

Reserves – The portion of cash and investments that are held for a specific future use.

Reservoir – The District refers to water storage tanks as reservoirs.

Revenue – Income the District receives from a variety of sources such as rates and charges, fees, and interest earnings.

Service Line – Pipe from the common distribution main to provide water to individual customers for domestic or fire service.

Strategic Plan – The long-term goals, objectives, and performance measurement standards for the District.

Supervisory Control and Data Acquisition (SCADA) – A computer system that monitors and controls real time data from remote locations. The District uses a SCADA system to manage the tanks and pumps throughout the water distribution system.

Sustainability – The use of natural, community, fiscal, or utility resources in a manner that satisfies current needs without compromising future needs or options.
**Tank** – A vessel or container used to hold water or other liquid.

**Transmission Main** – A large water main that transports water from the main supply or source, to a distant area where the water is then further distributed. Finished water transmission mains usually have no or few connections.

**1,2,3-Trichloropropane (TCP)** – A chemical compound that is commonly used as an industrial solvent.

**Urban Water Management Plan (UWMP)** – A plan prepared by California urban water suppliers to support their long-term resource planning and ensure adequate water supplies are available to meet existing and future water demands. The UWMP must be prepared every 5 years. The District is currently finalizing its 2015 UWMP.

**Valve** – A device to regulate or isolate the flow of water.

**Water Distribution System** – A network of pipe, pumps, and storage facilities to transport potable water from the source/treatment facility to the consumer.

**Water Meter** – A device designed to accurately measure flow passing through it. Meters are of various types, materials and function with accuracy within certain flow ranges.

**Water Quality** – Various measures by which materials (contaminants) and appearance (aesthetics) are compared against what are considered appropriate levels for suitably potable water.

**Water Quality Monitoring** – Instrumentation and activities for measuring the quality of water.

**Water Treatment** – Any process that intentionally alters and improves the chemical, biological, or physical characteristics of water.

**Water Treatment Plant** – A facility where water treatment is performed to produce water for a specific end-use.

**Well** – (1) A subsurface source of water that is generally accessed through a drilled casing and pipe into the aquifer. (2) The entire system of the underground water source, pipe casing, pump, etc. Also called a borehole.
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<th>Step 2</th>
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<th>Step 4</th>
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Effective 12/15/19 - (1st PP 2020) COLA 3%
SOQUEL CREEK WATER DISTRICT  
SALARY SCHEDULE - MONTHLY  
MID MANAGEMENT EMPLOYEES  
EFFECTIVE DECEMBER 15, 2019 (1st PP 2020)  
REVISED EFFECTIVE JANUARY 22, 2020

<table>
<thead>
<tr>
<th>Compensation Steps</th>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
<th>Step 6</th>
<th>Step 7</th>
<th>Step 8</th>
<th>Step 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant Engineer I</td>
<td>$6,209</td>
<td>$6,519</td>
<td>$6,845</td>
<td>$7,187</td>
<td>$7,546</td>
<td>$7,924</td>
<td>$8,320</td>
<td>$8,611</td>
<td>$8,783</td>
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<tr>
<td>Assistant Engineer II</td>
<td>$7,135</td>
<td>$7,492</td>
<td>$7,866</td>
<td>$8,260</td>
<td>$8,673</td>
<td>$9,106</td>
<td>$9,562</td>
<td>$9,896</td>
<td>$10,094</td>
</tr>
<tr>
<td>Associate Civil Engineer</td>
<td>$8,774</td>
<td>$9,212</td>
<td>$9,673</td>
<td>$10,157</td>
<td>$10,664</td>
<td>$11,198</td>
<td>$11,758</td>
<td>$12,169</td>
<td>$12,412</td>
</tr>
<tr>
<td>Customer Service Supervisor</td>
<td>$7,064</td>
<td>$7,418</td>
<td>$7,788</td>
<td>$8,178</td>
<td>$8,587</td>
<td>$9,016</td>
<td>$9,467</td>
<td>$9,798</td>
<td>$9,994</td>
</tr>
<tr>
<td>Customer Service Field Supervisor</td>
<td>$6,585</td>
<td>$6,915</td>
<td>$7,260</td>
<td>$7,623</td>
<td>$8,004</td>
<td>$8,405</td>
<td>$8,825</td>
<td>$9,134</td>
<td>$9,316</td>
</tr>
<tr>
<td>Executive Secretary/Board Clerk</td>
<td>$5,799</td>
<td>$6,089</td>
<td>$6,394</td>
<td>$6,714</td>
<td>$7,049</td>
<td>$7,402</td>
<td>$7,772</td>
<td>$8,044</td>
<td>$8,205</td>
</tr>
<tr>
<td>Field Supervisor</td>
<td>$6,585</td>
<td>$6,914</td>
<td>$7,260</td>
<td>$7,623</td>
<td>$8,004</td>
<td>$8,404</td>
<td>$8,825</td>
<td>$9,133</td>
<td>$9,316</td>
</tr>
<tr>
<td>GIS Analyst</td>
<td>$6,542</td>
<td>$6,869</td>
<td>$7,212</td>
<td>$7,573</td>
<td>$7,951</td>
<td>$8,349</td>
<td>$8,766</td>
<td>$9,073</td>
<td>$9,255</td>
</tr>
<tr>
<td>Human Resources Technician</td>
<td>$5,398</td>
<td>$5,668</td>
<td>$5,951</td>
<td>$6,249</td>
<td>$6,561</td>
<td>$6,889</td>
<td>$7,234</td>
<td>$7,487</td>
<td>$7,636</td>
</tr>
<tr>
<td>Management Analyst</td>
<td>$6,542</td>
<td>$6,869</td>
<td>$7,213</td>
<td>$7,573</td>
<td>$7,952</td>
<td>$8,349</td>
<td>$8,767</td>
<td>$9,074</td>
<td>$9,255</td>
</tr>
<tr>
<td>Operations Supervisor</td>
<td>$7,327</td>
<td>$7,693</td>
<td>$8,078</td>
<td>$8,482</td>
<td>$8,906</td>
<td>$9,351</td>
<td>$9,818</td>
<td>$10,162</td>
<td>$10,365</td>
</tr>
<tr>
<td>Operations &amp; Maintenance Supervisor</td>
<td>$7,680</td>
<td>$8,064</td>
<td>$8,467</td>
<td>$8,890</td>
<td>$9,335</td>
<td>$9,801</td>
<td>$10,292</td>
<td>$10,652</td>
<td>$10,865</td>
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<tr>
<td>Supervising Accountant</td>
<td>$7,638</td>
<td>$8,020</td>
<td>$8,421</td>
<td>$8,842</td>
<td>$9,284</td>
<td>$9,749</td>
<td>$10,236</td>
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<tr>
<td>Water Resources Planner-Limited Term</td>
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<td>$6,869</td>
<td>$7,212</td>
<td>$7,573</td>
<td>$7,951</td>
<td>$8,349</td>
<td>$8,766</td>
<td>$9,073</td>
<td>$9,255</td>
</tr>
</tbody>
</table>

Effective 12/15/19 - (1st PP 2020) COLA 3%

1.03
## Compensation Steps

<table>
<thead>
<tr>
<th>Position</th>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
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<th>Step 7</th>
<th>Step 8</th>
<th>Step 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservation/CS Field Manager</td>
<td>$9,706</td>
<td>$10,191</td>
<td>$10,701</td>
<td>$11,236</td>
<td>$11,798</td>
<td>$12,388</td>
<td>$13,007</td>
<td>$13,462</td>
<td>$13,597</td>
</tr>
<tr>
<td>Engineering Manager/Chief Engineer</td>
<td>$10,677</td>
<td>$11,210</td>
<td>$11,771</td>
<td>$12,359</td>
<td>$12,977</td>
<td>$13,626</td>
<td>$14,308</td>
<td>$14,808</td>
<td>$14,956</td>
</tr>
<tr>
<td>Financial/Business Services Mgr</td>
<td>$9,706</td>
<td>$10,191</td>
<td>$10,701</td>
<td>$11,236</td>
<td>$11,798</td>
<td>$12,388</td>
<td>$13,007</td>
<td>$13,462</td>
<td>$13,597</td>
</tr>
<tr>
<td>Human Resources Mgr</td>
<td>$9,706</td>
<td>$10,191</td>
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<td>$12,388</td>
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<td>$13,462</td>
<td>$13,597</td>
</tr>
<tr>
<td>Operations &amp; Maintenance Manager</td>
<td>$9,706</td>
<td>$10,191</td>
<td>$10,701</td>
<td>$11,236</td>
<td>$11,798</td>
<td>$12,388</td>
<td>$13,007</td>
<td>$13,462</td>
<td>$13,597</td>
</tr>
<tr>
<td>Manager of Special Projects &amp; Communications</td>
<td>$10,677</td>
<td>$11,210</td>
<td>$11,771</td>
<td>$12,359</td>
<td>$12,977</td>
<td>$13,626</td>
<td>$14,308</td>
<td>$14,808</td>
<td>$14,956</td>
</tr>
</tbody>
</table>

Effective 12/15/19 - (1st PP 2020) COLA 3%

1.030

| General Manager                               | $18,578|
Soquel Creek Water District
5180 Soquel Drive,
Soquel, CA 95073

ANNUAL STATEMENT OF INVESTMENT POLICY
Effective from July 1, 2017 to June 30, 2018

This statement is rendered to the Soquel Creek Water District Board to comply with Section 53646 of the Government Code of California. It is intended to provide a guideline for the prudent investment of surplus cash, reserves, trust funds and restricted monies and to outline a policy for maximizing the efficiency of the District’s cash management system.

1.0 Policy

It is the policy of Soquel Creek Water District to invest public funds in a manner which will provide the maximum security with best investment return, while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds, such as the Government Code of California Section 53601, et. seq. (Appendix B & C) and the Indenture of Trust dated February 1, 2004 for the Soquel Creek Water District’s 2004 Water Revenue Bonds and Water Revenue Refunding Bonds, Series 2012 (Appendix A).

2.0 Scope

This investment policy applies to all financial assets of the Soquel Creek Water District as accounted for in the Annual Audited Financial Report with the exception of the proceeds from the District’s 2011 Certificates of Participation and the 2013 Certificates of Participation. The proceeds from the 2011 Certificates of Participation may be invested in Authorized Investments as defined in the Trust Agreement dated May 1, 2011 (Appendix F). The proceeds from the 2013 Certificates of Participation may be invested in Authorized Investments as defined in the Trust Agreement dated July 1, 2013 (Appendix G). This policy applies to all funds under the Financial and Business Services Manager’s span of control unless specifically exempted by statute or ordinance. The Soquel Creek Water District accounts for its operations as an Enterprise Fund.

2.1 Funds

Surplus Revenue Fund (Wells Fargo Bank)
Local Agency Investment Fund (LAIF: State of California)
Certificates of Deposit (Various Institutions)
2011 Reserve Fund (Bank of New York)
2012 Reserve Fund (First Republic Bank)
3.0 **Prudence**

As an investment standard, any investment shall be made with “judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”¹ All transactions shall be undertaken in the best interest of Soquel Creek Water District, and certainly not in the interest of broker-dealers.

3.1 The standard of prudence to be used by investment officials shall be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. (Appendix D)

4.0 **Objective**

The primary objectives, in priority order, of Soquel Creek Water District’s investment activities shall be:

4.1 **Safety:** Safety of principal is the foremost objective of the investment policy. Investments of the Soquel Creek Water District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Funds will be invested among a variety of securities offering independent returns and financial institutions. The District shall seek to preserve principal by mitigating both credit and market risk.

4.2 **Liquidity:** The Soquel Creek Water District’s investment portfolio will remain sufficiently liquid to enable the Soquel Creek Water District to meet all operating requirements which might be reasonably anticipated.

4.3 **Return on Investments:** The Soquel Creek Water District’s investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the Soquel Creek Water District’s investment risk constraints and the cash flow characteristics of the portfolio.

¹ Prudent Person Rule set forth in the California Uniform Prudent Investor Act.
5.0 **Delegation of Authority**

Authority to manage the Soquel Creek Water District’s investment program is derived from the Government Code of the State of California, Section 53600 et seq. The authority to invest public funds is expressly delegated to the Board of Directors for the subsequent redelegation to the General Manager. Under the general supervision of the General Manager, daily management responsibility has been delegated to the Financial and Business Services Manager who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Financial and Business Services Manager. The Financial and Business Services Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate employees, and their procedures in the absence of the Financial and Business Services Manager.

6.0 **Ethics & Conflicts of Interest**

Officers and employees involved in the investment process shall refuse honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom investment activities are conducted and shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Soquel Creek Water District, particularly with regard to the time of purchases and sales. Additionally the District’s officers and employees shall annually file the applicable financial disclosures *as required* by the Fair Political Practices Commission.

7.0 **Authorized Financial Dealers and Institutions**

The Financial and Business Services Manager will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained as needed of approved security brokers/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule - Appendix E). No public deposit shall be made except in a qualified public depository as established by state laws.
All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Financial and Business Services Manager with the following: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state/province registration, certification of having read Soquel Creek Water District’s investment policy.

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Financial and Business Services Manager.

An annual review of the financial condition of each financial institution and broker/dealer in which the Soquel Creek Water District invests will be conducted by the Financial and Business Services Manager.

The District shall not select brokers or dealers who individually, or as a firm, have made political contributions within the last four years, which exceed the amount, set forth in Municipal Securities Regulatory Board (MSRB) Rule G-37. For 2016, the limit is $250 and applies to any member of the District’s governing board or any candidate for that office.

All accounts shall be established and maintained in the Soquel Creek Water District’s accounting records at all times in accordance with the State Controller’s Uniform System of Accounts as authorized by Section 53892 of the Government Code.

8.0 Authorized & Suitable Investments

From the governing body perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle.

The Soquel Creek Water District is empowered by statute to invest in the following types of securities:

1. Government securities and debt obligations issued by the US Government or its agencies and are the highest quality investments available in terms of safety and liquidity. Among these are Treasury Bills and Notes; Government National Mortgage Association (Ginnie Mae); Federal National Mortgage Association (Fannie Mae); Federal Land Bank (FLB); and Federal Farm Credit Banks. These investments are, however, subject to the prohibition against inverse floaters, range notes, interest-only strips derived from a pool of mortgages, and securities that could result in zero-interest accrual in Section 53601.6. The District will require safekeeping documentation of the treasury instruments in an acceptable safekeeping account in the District’s name. All interest will be deposited into the account or accounts that will best ensure the preservation of capital.
2. Certificates of Deposit (CD) must be fully insured by the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Securities Investor Protection Corporation (SIPC), or fully collateralized to 110% of market value of principal and accrued interest for governmental securities and 150% of market value of principal and accrued interest for first mortgage collateral. Further to be considered by the District:
   a. The bank or savings and loan must be located in California.
   b. It must have been in existence at least five years.
   c. Eligibility for deposits shall be limited to those financial institutions that maintain a rating equivalent to Moody’s or Standard & Poor’s rating of “A” or higher.

Funds invested through a CD Placement Service are not subject to (a), (b), or (c) above, however each individual CD will be limited to the amount that is fully insured by the FDIC, NCUA, SIPC, or fully collateralized as discussed above.

The maximum to be invested with any one institution will be up to the federally insured amount with the exception of the District’s Santa Cruz County Bank Account No. XXXXX981 designated to be the District’s Depository, and accounts held with the Bank of New York (BNY) Mellon Trust Company, Los Angeles as the District’s Trustee for the 2011 Certificates of Participation and the First Republic Bank Debt Service Fund for the 2012 Refunding Bonds. Interest earned on all accounts will be paid monthly unless the principal sum is under the federally insured maximum and deposited into the account or accounts that will best ensure the preservation of capital.

3. The State Local Agency Investment Fund for the Investment of the 2011 Certificates of Participation, the 2012 Water Revenue Bonds, and the 2013 Certificates of Participation.

The District does not buy stocks; it does not speculate; it does not deal in futures, options, or security loan agreements; it does not invest or place funds in other than the areas outlined above.

9.0 Investment Pools

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will provide the following information:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
• A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
• A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
• A schedule for receiving statements and portfolio listings.
• Whether reserves, retained earnings, etc. are utilized by the pool/fund.
• A fee schedule, and when and how it is assessed.
• Whether the pool/fund is eligible for bond proceeds and/or whether it will accept such proceeds.

10.0 Collateralization

Collateralization will be required on any Certificate of Deposit not fully insured by the Federal Depository Insurance Corporation (FDIC), National Credit Union Administration (NCUA) or Securities Investment Protection Corporation (SIPC). In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest for governmental securities and 150% of market value of principal and accrued interest for first mortgage collateral.

Collateral will always be held by an independent third party with whom the entity has a current written custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the Soquel Creek Water District and retained.

The right of collateral substitution is not granted.

11.0 Safekeeping and Custody

All security transactions entered into by the Soquel Creek Water District shall be conducted on a delivery-versus-payment (DVP) basis and held in safekeeping pursuant to a safekeeping agreement.

All financial institutions providing safekeeping services for the District shall be required to provide reports or safekeeping receipts directly to the Financial and Business Services Manager to verify securities taken into their possession.

12.0 Diversification

The Soquel Creek Water District will diversify its investments by security type and institution. No more than 50% of the Soquel Creek Water District’s total investment portfolio may be invested in a single security type or with a single financial institution other than U.S. Treasury securities and authorized pools. The maximum allowable percentage for each type of security is set forth as follows:
<table>
<thead>
<tr>
<th>Security</th>
<th>Maximum % of Portfolio</th>
<th>Maximum Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury &amp; Agency Securities</td>
<td>100%</td>
<td>5 years</td>
</tr>
<tr>
<td>Local Agency Pools</td>
<td>100%</td>
<td>N/A</td>
</tr>
<tr>
<td>Bankers Acceptances</td>
<td>40%</td>
<td>180 days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No more than 30% of the surplus funds may be in Bankers Acceptances in any one commercial bank</td>
</tr>
<tr>
<td>Commercial Paper – Non-Pooled Funds</td>
<td>25%</td>
<td>270 days</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No more than 10 percent of the agency’s money may be invested in any one issuer’s commercial paper</td>
</tr>
<tr>
<td>Negotiable Certificate of Deposit</td>
<td>30% (combined with placement service CDs)</td>
<td>5 years</td>
</tr>
<tr>
<td>CD Placement Service</td>
<td>30%</td>
<td>5 years</td>
</tr>
<tr>
<td>Medium Term Corporate Notes</td>
<td>30%</td>
<td>5 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“A” Rating</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>20%</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No more than 10% of surplus funds may be invested in any one mutual fund</td>
</tr>
<tr>
<td>Collateralized Mortgage Obligations</td>
<td>20%</td>
<td>5 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“AA” Rating</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>20%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: California Government Code Sections 53601 & 53635 (a-n)
Note: The government code requires that specific criteria for the selection of both mutual funds and money market funds be met.

### 13.0 Maximum Maturities

To the extent possible, the Soquel Creek Water District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Soquel Creek Water District will not directly invest in securities maturing more than one year from the date of purchase, with the exception of government securities and debt obligations issued by the US Government or its agencies. Government securities may be purchased for a period not to exceed three years.

Reserve funds may be invested in securities exceeding three years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the governing body may grant express authority to make investments either specifically or as a part of an investment program approved by the governing body that exceeds this five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
14.0  **Internal Control**

The Financial and Business Services Manager shall establish an annual process of independent review by an external auditor. This independent analysis shall review internal control, account activity and compliance with policies and procedures.

15.0  **Performance Standards**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

15.1 Market Yield (Benchmark): The Soquel Creek Water District’s investment strategy is passive. Given this strategy, the basis used by the Financial and Business Services Manager to determine whether market yields are being achieved shall be the 6-month U.S. Treasury Bill and the Federal Funds rate. These indices are considered benchmarks for low risk investment transactions and therefore comprise a minimum standard for the portfolio’s rate of return.

16.0  **Reporting**

In accordance with Section 53646(b) (1-4) of the Government Code of California, the Financial and Business Services Manager shall provide to the Board of Directors monthly investment reports, which provide a clear picture of the status of the current investment portfolio. The management report may include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies if applicable.

Schedules in the monthly report will include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category to include investment type, issuer, maturity, par value, and dollar amount invested
- Average life and final maturity of all investments listed
- A listing of funds that are under the management of contracted parties
- Market Value as of the date of the report and the source of the valuation
- Percentage of the Portfolio represented by each investment category
- A citation of compliance with the investment policy or an explanation for non-compliance
- A statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why money will not be available if that is the case (Statement of Cash Flows)
17.0 **Investment Policy Adoption**

The Soquel Creek Water District’s Investment Policy shall be *adopted* by resolution of the Soquel Creek Water District’s Board of Directors. The policy shall be reviewed annually by the Board of Directors no later than the second Board Meeting each July of the year to which it applies and any modifications made thereto must be approved by the Board of Directors.
Glossary

Agencies: Federal agency securities.

Asked: The price at which securities are offered.

Bankers’ Acceptance (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Benchmark: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investments.

Bid: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

Bond Proceeds: The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

Broker: A broker brings buyers and sellers together for a commission.

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

CD Placement Services: A large sum of money is deposited into one bank that in turn places the funds in CDs issued by other banks in the same network in increments less than the current FDIC maximum so that both principal and interest are eligible for complete FDIC protection.

Collateral: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Coupon: (a) The annual rate of interest that a bond’s issuer promises to pay the bondholder on the bond’s face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

Credit Risk: The risk of loss due to failure of the issuer of a security.

Custodian: A Bank or other financial institution that keeps custody of stock certificates and other assets.
Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Debenture: A bond secured only by the general credit of the issuer.

Delivery versus Payment/Receipt: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Discount: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Securities: Non-interest bearing money market instruments that are issued at discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Farm Credit System (FCS): Nationwide cooperative system of banks and associations providing credit to farmers, agricultural concerns, and related businesses. The system is comprised of the Banks for Cooperatives, which makes loans to farmer-owned marketing, supply, and service cooperatives, and rural utilities; the Farm Credit Banks, which make short and intermediate term farm loans secured by real estate; and the Federal Farm Credit Banks Funding Corp., which acts as a conduit through which the FCS issues debt in the credit markets. The Farm Credit Banks were created by merger of the old Federal Intermediate Credit Banks, making intermediate term farm loans, and the Federal Land Banks. The Farm Credit System, originally capitalized by the federal government, is now self-funding and owned by its member-borrowers.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g. S & L's, small business firms, students, farmers, farm cooperatives, and exporters.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per deposit.

Federal Funds Rate: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal Home Loan Banks (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and
insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

**Federal National Mortgage Association (FNMA or Fannie Mae):** FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation’s purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA’s securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**Federal Open Market Committee (FOMC):** Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**Federal Reserve System:** The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**Government National Mortgage Association (GNMA or Ginnie Mae):** Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. The security holder is protected by the full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

**Liquidity:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. Short-term securities, such as Treasury bills that are easily sold to other investors at relatively narrow spreads between bid and asked quotes, and in reasonably large trading volumes, are said to be highly liquid.

**Local Agency Investment Fund (LAIF):** The aggregate of all funds from local State of California agencies that are placed in the custody of the State Treasurer for investment and reinvestment.

**Market Risk:** Market value fluctuations due to overall changes in the general level of interest rates.
Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market: The market in which short-term debt instruments (bills, commercial paper, bankers’ acceptances, etc.) are issued and traded.

National Credit Union Administration (NCUA): Independent federal agency established by federal law in 1970 to charter and supervise federal credit unions.

Offer: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

Open Market Operations: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve’s most important and most flexible monetary policy tool.

Par Value: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

Portfolio: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

Principal: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prudent Person Rule: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Qualified Public Depositories: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes
under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**Rate of Return:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

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

**Secondary Market:** A market made for the purchase and sale of outstanding issues following the initial distribution.

**Security:** A document indicating ownership or creditor ship, a stock certificate or bond.

**Securities & Exchange Commission:** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**Securities Investor Protection Corporation (SIPC):** Nonprofit, government sponsored membership corporation chartered in 1970 to protect the customer of insured broker-dealers, up to $500,000 per account.

**SEC Rule 15C3-1:** See Uniform Net Capital Rule.

**Structured Notes:** Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**Student Loan Marketing Association (SLMA):** Publicly traded corporation established in 1972 to increase the availability of student loans by purchasing loans in the secondary market. The corporation, also known as Sallie Mae, guarantees college education loans under the federal Guaranteed Student Loan Program, and under the Health Education Assistance Program.

**Time Deposits:** Interest bearing deposits at a savings institution that has a specific maturity date.

**Treasury Bills:** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.
**Treasury Bonds:** Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than ten years.

**Treasury Notes:** Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

**Trustee or trust company or trust department of a bank:** A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

**Uniform Net Capital Rule:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one-reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**Yield:** The rate of annual income return on an investment, expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.
References*

A. Indenture of Trust dated February 1, 2004 relating to $9,035,000 Soquel Creek Water District 2004 Water Revenue Bonds - Article I, pp. 3-5

B. Government Code of California Section 53600-53609

C. Government Code of California Section 53630-53649

D. Probate Code of California Section 16045-16054 The Prudent Investor Rule

E. Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule)

E. Soquel Creek Water District Investment Procedures

F. Trust Agreement dated May 1, 2011 relating to $16,800,000 Soquel Creek Water District 2011 Certificates of Participation – Article I, pp. 2-3

G. Trust Agreement dated July 1, 2013 relating to $17,520,000 Soquel Creek Water District 2013 Certificates of Participation – Article I, pp. 2-3

*Documents available upon request
Reserves are essential to ensuring fiscal responsibility, a key organizational goal of the District. They can also provide the savings necessary to balance budgets during periods of fiscal constraint, allow for emergency preparedness, assist in maintaining stable water service rates, provide for a well-maintained infrastructure, and demonstrate a commitment to investing in the future. The Government Finance Officers Association recommends adopting a policy governing the amount of resources to be held in reserve and conditions under which those reserves can be used. A reserve policy is central to a strategic, long-term approach to financial management.

This Policy will be reviewed annually during the budget process to ensure conformance with the District’s goals and objectives and compliance with any changes in regulations or standards.

The District maintains reserves in two categories: Operating Reserves (encompassing the Operating Contingency Reserve and the Rate Stabilization Reserve) and Capital Facilities Reserves.

Operating Reserve

Purpose

The purpose of the Soquel Creek Water District’s Operating Reserve Policy is to ensure that the District will at all times have sufficient funding available to meet annual operating costs. Operating Reserves will be managed in a manner that allows the District to fund costs consistent with the annually updated Budget and Capital Improvement Program as well as the Ten-Year Financial Plan. Adequate reserves along with sound financial policies provide financial flexibility in the event of unanticipated expenditures or revenue fluctuations.
Definitions and Goals

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The minimum Operating Reserve Fund target when combined with the Rate Stabilization Reserve will approximate 40% of Operating Costs as outlined in the annual Budget. Depreciation will not be included in the calculation of operating expenses.

The District’s goal is to replenish funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. To the extent possible, the District will control operating expenditures and direct budget surpluses to replenish the fund balance.

Accounting for Reserve

The Operating Reserve Fund will be recorded in the financial records as a Board designated operating reserve. The Reserve Fund will be funded in cash or cash equivalent funds which will be commingled with the general cash and investment accounts of the District. All investment accounts will be in accordance with the District’s Investment Policy which is reviewed annually.

Funding of Reserves

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Annual contributions will be designated during the budget process to maintain a target minimum of 40% of Operating Costs.

Use of Funds

The use of Operating Reserve funds will be for unanticipated operating costs or revenue shortfalls and also for repairs or improvements and fixed asset
acquisitions. Staff will identify the need to access the reserves and will submit written requests to the Board at a public meeting. Reserve Fund requests will include the amount of funds needed, confirmation that the use is consistent with the purpose of the reserve funds as described in this Policy, and the reason for the shortfall. The funds can only be used with specific Board approval.

A schedule of approved reserve funds requests will be maintained by the Financial and Business Services Manager and presented monthly to the Board as part of the Income & Investment Report.

Capital Facilities Reserve

Purpose

The purpose of the Soquel Creek Water District’s Capital Facilities Reserve Policy is to ensure that the District is committed to funding the repair, maintenance, or replacement of the water system’s infrastructure assets. Adequate reserves, along with sound financial policies, provide financial flexibility and a commitment to long-term financial planning. Establishing a capital facilities reserve allows the cost of large infrastructure expenditures to be spread over time rather than impacting just one budget year when the assets necessary to operate the District need to be repaired or replaced.

Definitions and Goals

The Capital Facilities Reserve is defined as a designated reserve fund set aside by action of the Board of Directors. The reserve can be reviewed and adjusted in response to internal and external changes upon approval of the Board.

The District’s goal is to set aside reserves to repair and maintain the District’s water system infrastructure in alignment with the primary strategic goal of maintaining a reliable water infrastructure to ensure the delivery of high-quality, safe drinking water to District customers. At the same time, setting aside reserves helps accomplish the strategic goal of fiscal responsibility and financial sustainability.
Accounting for Reserves

The Capital Facilities Reserve will be recorded in the financial records as a Board designated operating and capital improvement reserve. The reserve fund will be funded in cash or cash equivalent funds which will be commingled with the general cash and investment accounts of the District. All investment accounts will be in accordance with the District’s Investment Policy, which is reviewed annually.

Funding of Reserves

The Capital Facilities Reserve will be funded with gains in unrestricted net position as determined annually by the audited financial statements. The amount of net gain allocated to the reserve will be at the discretion of the Board of Directors. In addition, the Board of Directors may, from time to time, direct that a specific source of revenue be set aside for the Capital Facilities Reserve.

Use of Funds

The use of the Capital Facilities Reserve will be for the maintenance, repair or replacement of water system infrastructure. Examples of projects eligible for use of the funds include, but are not limited to, main replacements, tank recoats, filter and media replacements, pump replacements, and other projects that preserve the District’s existing water system assets.

Staff will identify the need to access the reserves and will submit written requests to the Board at a public meeting. The funds can only be used with specific Board approval. Reserve fund requests will include the amount of funds needed, confirmation that the use is consistent with the purpose of the reserve funds as described in this policy, and a description of the capital investment. Use of the Capital Facilities Reserve funds for a specific project or projects may also be requested and approved by the Board during the budget appropriation process.

A schedule of approved reserve funds requests will be maintained by the Financial and Business Services Manager.
SOQUEL CREEK WATER DISTRICT
DEBT MANAGEMENT POLICY

Purpose
The purpose of this Debt Management Policy (the “Policy”) is to establish debt management objectives for the effective governance, management, and administration of debt. This Policy is intended to improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. It also provides guidance in regards to the type of debt that may be issued, types and amounts of permissible debt, and the method of sale that may be used.

Background / General Statement
The Soquel Creek Water District (the “District”) is committed to fiscal sustainability by employing long-term financial planning efforts, maintaining appropriate reserve levels, and employing prudent financial management practices. Debt levels and their related annual costs are important long-term obligations that must be managed with available resources. Adherence to a debt management policy communicates to rating agencies and the capital markets that an organization is well managed and should meet its obligations in a timely manner.

This Policy has been developed based on the Government Finance Officers Association Best Practices – Debt Management Policy; and in accordance with California Government Code Section 8855(i), effective January 1, 2017.

Authority and Responsibility
A. Board of Directors
The Board of Directors approves the Policy and any revisions to the Policy, and all debt issuances.

B. Finance and Business Services Manager
The Finance and Business Services Manager of the District (the “Finance Manager”) is responsible for managing and coordinating all activities related to the structure, issuance, reporting, communicating, and administration of long-term debt obligations. This includes contracting for professional services
to assist in maintaining legal requirements and minimizing debt costs.

C. General Manager

The General Manager reviews the Policy and debt issuances prior to requesting Board approval.

Legal and Financial Requirements

The District is classified as an Enterprise Fund and is not subject to California Government Code Section 43605 relating to property value assessments. Debt issuances of the District may be restricted by debt covenants in existing indebtedness documents.

Acceptable and Prohibited Uses of Debt

The District will consider financing for the acquisition, substantial refurbishment, replacement or expansion of physical or intangible assets, including land improvements. The primary purpose of debt is to finance the following items:

A. Acquisition of a capital asset with a minimum useful life equivalent to the term of debt service.

B. Construction or reconstruction of a facility.

C. Acquisition of land, right of way, or long-term easements.

D. Refunding, refinancing, or restructuring debt, subject to refunding objectives in accordance with the Debt Issuance Practices Section of this Policy.

E. Interim cash flow financing, such as a line of credit, to support major construction projects that are funded through reimbursable grants or loans.

F. Long-term debt financing shall not be used to fund operating or maintenance costs.

Approved Debt Instruments

Prior to the issuance of debt, the District will carefully consider overall long-term affordability of the proposed issuance. The District shall not assume additional debt without conducting an objective analysis of the District’s ability to assume and support additional debt service payments. Consideration will be given to long-term revenue and expenditure trends, the impact on operational flexibility, debt coverage requirements, and the overall impact to rate payers. Types of debt authorized under
this policy include:

A. Revenue Bonds

Payment for revenue bonds is secured by fees for water service. The District is responsible for establishing and collecting sufficient revenue through rates to retire the debt.

B. Certificates of Participation

Certifications of Participation (COP) provide debt financing through a lease agreement, installment sale agreement or contract of indebtedness. These certificates are issued for capital improvements or land acquisition. It is typical for the asset being acquired to act as the security for the debt service payments on the certificates; however, in some instances revenue is pledged as security for payment. Regardless of the debt surety, the District is ultimately liable for all debt service.

C. Federal and State Government Loans

Government loans provide an important source of funds for capital financing at a low interest rate. Both the State and rating agencies require the District to disclose all incurred debt as they determine whether the District is able to meet required debt service coverage ratios.

D. Lines of Credit

A line of credit provides readily accessible funds to assist with cash flow. The District would typically use a line of credit to support significant projects that are funded by reimbursable grants, loans, or through Board-approved third party agreements.

E. Loans

The District may enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source, or sources of repayment. In the event the District chooses to proceed with a direct loan or private placement of debt, the District will issue a request for proposal seeking bids from responsible and credit-worthy financial institutions. The request for bids shall include a description of the project and terms and conditions of the financing in accordance with prudent financial and industry standards. The District may award solely based upon true-interest cost but may take into consideration call features, debt service structure, and the requirement of any reserve fund prior to making any award.
F. Refunding Bonds

Refunding bonds can be issued to replace and refinance outstanding revenue bond obligations. The use of refunding is often driven by the desire to lower interest rates and reduce payment amounts on older, more expensive debt.

Integration of Debt and Capital Improvement Budget

The Finance Manager is responsible for developing and maintaining a multi-year finance model, which takes into consideration operating revenues and expenses; the capital improvement program; and debt covenant and reserve requirements. This model is used in the annual budget process, as well as to evaluate “pay as you go” or debt financing strategies to fund capital improvements.

Policy Goals and Objectives Related to Debt

The District has adopted a strategic goal to “ensure fiscal responsibility.” To assist in realizing this goal, the District seeks to maintain the highest possible credit ratings consistent with its current operating and capital needs. Consideration will be given to published ratings agency guidelines regarding best financial practice and guidelines for structuring its capital funding and debt strategies.

The District has identified a target debt coverage ratio of 1.7 (170%).

Debt Structuring Practices

A. Term

The District will structure its debt issuances so that the maturity of the debt is no greater than the economic or useful life of the capital project to be financed. Whenever possible, and to save on interest costs, the District should consider shorter-term borrowings where appropriate.

B. Repayment

Typically, the District desires level debt service payments over the term of the debt. The cost of capital, financial risk, current economic conditions, future financial flexibility, credit rating, and available cash flow will be evaluated to determine the most appropriate method of debt amortization for the issue.
C. Redemption Features

Redemption provisions and call features shall be evaluated in the context of each bond sale to enhance marketability of bonds; ensure flexibility related to potential early redemption; and to foster refunding transactions. The potential for additional costs, such as a call premium and potentially higher interest rates, will be evaluated in the decision to redeem bonds.

D. Fixed versus Variable Rate Debt

The District’s practice is to issue fixed rate debt. Such debt provides absolute certainty, at the time of the bond sale, as to the level of principal and interest owed annually.

Specific conditions may arise where the District would consider variable interest bonds; however significant consideration should be given to the interest rate risk over the term of the financing. For variable rate debt, the variable rate may be based on one of a number of commonly used interest rate indices. Applicable issuances may include, but are not limited to, public marketed indexed notes, indexed notes or loans placed directly with financial institutions and other alternate variable rate and market access products as well as traditional variable rate demand obligations backed by liquid securities. Prior to the issuance of variable rate debt, the savings and other possible advantages compared to borrowing at a fixed rate will be subject to evaluation and comparative analysis.

Credit Enhancement

A credit enhancement may be used to establish or improve a credit rating on a District debt obligation. Types of credit enhancements include bond insurance, surety policies, or letters of credit. The Finance Manager will consider the use of a credit enhancement if it reduces the overall cost of a proposed financing.

Debt Issuance Practices

A. Professional Assistance

The Finance Manager shall be responsible for the solicitation and selection of financial professional services that are necessary to issue and manage debt. Such services, depending on the type of financing, may include financial advisory, underwriting, bond counsel, disclosure counsel, trustee, verification agent, arbitrage consulting, and special tax consulting. The District’s attorney will also work with bond counsel on the issuance of debt, including
any obligations under state and federal securities laws. The goal in selecting service providers, whether through a competitive process or, when appropriate, a sole source selection, is to achieve an appropriate balance between service and cost. The selection of consulting services will be consistent with the District’s Purchasing Policy.

B. Method of Sale

In the event of an issuance of bonds or COP by the District, the Finance Manager will select the method of sale that best fits the type of bonds being sold, the prevailing market conditions, and the desire to structure bond maturities to enhance the overall performance of the entire debt portfolio. The following general methods can be used for the issuance of bonds:

- Competitive Sale – Bids for the purchase of bonds are opened at a specified place and time and are awarded to the underwriter or syndicate whose confirming bid represents the lowest true interest cost to the District.

- Negotiated Sale – The District selects the initial buyer of the bonds in advance of the sale date. The initial buyer is usually an investment banking firm, or a syndicate of investment banking firms interested in reoffering the bonds to investors through an underwriting process. This type of sale allows the District to discuss different financing techniques with the underwriter in advance of the sale date, and is particularly appropriate for complex or unique bonds that may require education and marketing to the investment community.

- Private placement – This method involves selling the District’s bonds to a limited number of sophisticated investors. Bonds are not sold to the general investor community. District staff will perform due diligence in comparing interest costs and fees in private placement to those using a competitive or negotiated sale. The District may use a placement agent to assist in identifying likely investors.

- Refunding criteria – Periodic reviews of outstanding debt will be undertaken to identify refunding opportunities. Refunding will be considered if and when there is a net economic benefit of refunding. Refundings which are non-economic may be undertaken to achieve District objectives relating to changes in covenants, call provisions, operational flexibility, tax status, issuer, or debt service profile.
In general, refundings which produce a net present value savings of at least 2.5% of the refunded debt will be considered economically viable. The net present value assessment shall factor in all costs, including issuance, escrow, and foregone interest earning of any contributed funds on hand. Any potential refinancing shall additionally consider whether an alternative refinancing opportunity with higher savings is reasonably expected in the future. Refundings with a negative savings will not be considered unless there is a compelling public policy objective that is accomplished by retiring the debt. The District will also consider the amount of uniform savings associated with the refunding. This calculation will review the realized savings in approximately equal annual amounts over the life of the refunded bonds. In addition, the Finance Manager may consult with a financial advisor to model other savings structures to meet the District’s financial needs.

**Debt Management Practices**

A. **Investment of Bond Proceeds**

The proceeds of bond sales may be invested until used for the intended project in order to maximize utilization of public funds. The investments will be made to obtain the highest level of safety and will be guided by the District’s Investment Policy and bond indenture guidelines. The Finance Manager will provide investment guidance to a Trustee or management firm holding bond proceeds whether for a project or debt service reserve funds.

B. **Primary and Secondary Market Disclosures**

The Finance Manager is responsible for providing annual disclosure information to established national information repositories for maintaining compliance with disclosure requirements by state and national regulatory bodies. This includes providing ongoing disclosure information to the Municipal Securities Rulemaking Board’s (MSRB’s) Electronic Municipal Market Access system. Disclosures shall include the Annual Budget, the Comprehensive Annual Financial Report ("CAFR"), enumerated events defined by regulation or bond covenants; and any other information required by the bond indenture or regulatory body.

The Finance Manager may also employ the services of a firm to assist with financial disclosure requirements.

C. **Arbitrage Rebate Monitoring and Filing**

The District will, unless otherwise justified, use bond proceeds within the
established timeframe pursuant to the bond ordinance, contract, or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of bond proceeds above the interest paid on the debt. If arbitrage occurs, the District will pay the amount of arbitrage to the Federal Government as required by Internal Revenue Service Regulation 1.148-11. The District will maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements as designated by the Federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebate earnings to the federal government in a timely manner.

D. Federal and State Law Compliance Practices

The Finance Manager is responsible for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies, including the Government Accounting Standards Board, the National Federation of Municipal Analysts, the Securities and Exchange Commission, and Generally Accepted Accounting Principles.

E. Compliance with Bond Covenants

In addition to financial disclosure and arbitrage compliance, the District is responsible for verifying compliance with all activities, agreements, and requirements outlined in the bond documents on an ongoing basis. This typically includes: ensuring an annual budget allocation to meet debt service payments; ensuring relevant fees are levied and collected at a level sufficient to meet indenture requirements and debt service payments; guaranteeing the timely payment of debt service to a trustee or paying agent; and maintaining compliance with insurance, reserves, and other mandates.

Ongoing Market and Investor Relation Efforts

The District is committed to providing full and complete financial disclosure to rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, accurate financial information. This information will be communicated through budget documents, periodic financial documents and annual CAFRs. A minimum of three years of annual budgets and CAFRs are placed on the District’s website.
Internal Control Procedures Related to Intended Use

The District references the following internal controls to ensure all bond proceeds are expended for their intended use.

- Review approved use of bond proceeds with department representatives who are authorized to initiate contracts and spend funds to ensure expenditures are consistent with the terms of the bond sale.
- Educate staff responsible for preparing purchase orders and processing payments as to items that can be paid using bond proceeds, as well as the proper account coding.
- Require the Finance Manager to review draw-down requests.

It is intended that this segregation of duties and redundancy will assist in assuring that all expenditures are consistent with the bond documents.

Debt Record Keeping

The Finance and Business Services Department is responsible for maintaining the documentation listed within this Section for the term of each bond issue. With respect to tax-exempt bonds, records should be generally retained for three years following the final maturity of the bonds.

- A copy of the legal documents, closing transcripts, bond counsel opinion, and other relevant documentation
- Any credit enhancements or other elections made with the debt issuance
- Official Statements
- Resolutions
- Trustee certificates
- Any titles or assets purchased with bond proceeds
- Draw requests and supporting material, including contract and expense records
- Documentation pertaining to the investment of bond proceeds, which include purchase and sale of securities, rebate calculations, and investment income and related items
- Evidence of all sources of payment or security for the bonds
The District may maintain all records in a hard-copy or electronic format. All general ledger records, debt payment information, and purchasing order data are maintained in the District’s financial software system. If the District chooses to store image copies in an electronic format, they must be in compliance with Section 4.01 of Internal Revenue Service Revenue Procedure 97-22. This Section requires an electronic storage system for image files that contains a retrieval system for indexing, storing, preserving, and retrieving, and reproducing all transferred information. The system must also ensure reasonable controls and quality assurances to ensure the integrity, accuracy, and reliability of the system. Detailed requirements can be found in Section 4.01 of Internal Revenue Service Revenue Procedure 97-22.

**Use of Derivatives**

This policy prohibits the use of derivative instruments, such as interest rate swaps, to hedge variable rate debt.
Reference:
California Public Contract Code (PCC) Sections 1100 – 9203 and Section 20100

Supersedence:
This policy supersedes all previous procurement procedures or standards, including District Procedure 8 Evaluation and Selection of Consultants.

Purpose/Background:
The purpose of this policy is to establish guidelines for the solicitation and selection of all purchases and procurement contracts entered into by Soquel Creek Water District (SqCWD). The California Constitution requires that public resources be used solely to serve the needs of an agency’s constituents. The procedures set forth in this document are designed to assure customers that the District is receiving maximum value for each dollar spent, to clearly define the purchasing authority of District staff, to ensure compliance with federal procurement standards applicable to projects receiving federal grants, and to maintain the fiscal integrity of the District’s annual audited financial statements.

Any exceptions to this policy must be approved by the Board of Directors. The Board of Directors may, by majority vote and in accordance with its fiduciary responsibilities, approve expenditures in any amount and for any length of term that are not otherwise inconsistent with any applicable law or contract.
Sections:

1. GENERAL PROCUREMENT STANDARDS
   A. Code of Conduct
   B. Fair Competition
   C. Solicitation Procedures
   D. Environmentally Preferable Purchasing Guidelines

2. PURCHASING CYCLE
   A. New Vendor Procedure
   B. Purchasing Authority
   C. Purchase Requisitions/Orders
   D. Invoice Processing
   E. Expense Reimbursement
   F. Payment Methods
   G. Petty Cash

3. PROCUREMENT METHODS
   A. Micro-Purchases
   B. Small Purchases
   C. Sealed Bids
   D. Competitive Proposals
   E. Noncompetitive Negotiation
   F. Time and Materials Contracts
   G. Contract Cost and Price
   H. Contract Change Orders

4. CONTRACTING
   A. General Services
   B. Professional Services
   C. Public Works Projects
   D. Alternative Project Delivery Methods

5. FEDERAL FUNDING REQUIREMENTS
   A. Contract Provisions
   B. Federal Awarding Agency or Pass-Through Entity Review
   C. Contracting with Small and Minority Business, Women’s Business Enterprises, and Labor Surplus Area Firms

APPENDIX A – Organizational Conflict of Interest Policy for Design-Build Projects
GENERAL PROCUREMENT STANDARDS

Code of Conduct (CFR §200.318[c]):

The purpose of the Code of Conduct is to give guidance to District staff so that they may conduct themselves in a manner that will be compatible with the best interests of SqCWD and maintain compliance with California Government Code §1090, et seq. As representatives of the District, all employees are expected to conduct themselves in a professional and ethical manner, maintaining high standards of integrity and the use of good judgment. Employees are expected to be principled in their business interactions and act in good faith with individuals both inside and outside the District.

The following Code of Conduct shall govern the performance, behavior and actions of the District, including employees, appointed or elected officials, volunteers, consultants, or agents (collectively referred to as "District staff") who are engaged in any aspect of procurement, including, but not limited to, purchasing goods and services, awarding contracts and grants, and the administration and supervision of contracts or subcontracts:

- No employee, appointed or elected official, volunteer, consultant, or agent of the District shall participate in the selection, award, or administration of a contract if a conflict of interest exists under applicable law. The General Manager, at his/her sole discretion, may also require any employee, official, volunteer, consultant or agent of the District to refrain from participation in the selection, award, or administration of a contract to avoid the appearance of conflict of interest.

- A conflict would arise if the employee, a Board member, any member of his or her immediate family, his or her partner or partner’s immediate family, or an organization which employs or is about to employ any of the parties indicated herein, has a real or apparent financial or other interest in, or receives tangible personal benefit from, the firm selected for an award. It is imperative that the employee disclose to the General Manager as soon as possible the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties. (Immediate family members are defined as a spouse, domestic partner, legal guardian, son, daughter, mother, father, sister, brother, grandparents, or grandchild. Adopted, half, and step members are also included in immediate family).

- No employee, appointed or elected official, volunteer, consultant, or agent of the District shall do business with, award contracts to, or show favoritism toward a member of his or her immediate family, his or her partner or partner’s immediate family, or to any company, vendor, contractor, or parties to subcontractors who either employ or has any relationship to a family member; or award a contract or bid which violates the spirit or intent of federal, state and local procurement laws and policies established to maximize free and open competition among qualified vendors.

- District staff may not solicit, accept or agree to accept any gratuity for themselves, their immediate families or others that would or could result in personal gain. Personal gain may result not only in cases where an employee or immediate family member has a significant interest in a firm, or subcontractor or a firm, with which the District does business but also when an employee or immediate family member receives any gift or special consideration.
as a result of any transaction or business dealings involving SqCWD. The following items
are not considered gratuities:

- Discounts or concessions routinely available to the general public
- Items less than twenty-five dollars ($25) that are turned over to the District for
general District use
- Inexpensive advertising items bearing the name of the vendor, such as pens, cups,
candy, calendars, etc that have a monetary value of less than twenty-five dollars
($25)

- Disciplinary actions, up to and including termination for cause, will apply to any violation of
these conflict of interest standards, in accordance with District policy, and/or, as applicable,
a collective bargaining agreement, employment contract, or contract for services.

Fair Competition (CFR §200.319):

District staff must discharge their duties impartially to assure fair competition among responsible
vendors. All vendors will be treated equally and fairly at all times by all District staff, with equal
information given to each vendor who participates in the procurement process. Prequalified lists of
persons or firms, or products used in acquiring goods or services, are to be kept current and include
enough qualified sources to ensure maximum open and fair competition.

- District staff may not place unreasonable restrictions on competition, including any of the
following:
  - Placing unreasonable requirements on vendors to qualify for a procurement
  - Requiring unnecessary experience and bonding
  - Noncompetitive pricing practices between vendors or affiliated companies
  - Awarding noncompetitive contracts to consultants that are on retainer contracts
  - Organizational conflicts of interest
  - Specifying a brand name product instead of allowing an equal product to be offered
    (brand names may be specified in instances where no grant funding is applicable to
    the project as long as the procurement remains competitive)
  - Non-compliance with sole source restrictions
  - Precluding potential bidders from qualifying during the solicitation
  - Any arbitrary action in the procurement process

- District staff shall ensure that any vendor that develops or drafts specifications,
requirements, statements of work, invitation for bids, requests for qualifications, or
requests for proposals for a procurement is excluded from competing in that procurement.

- Procurements shall be conducted in a manner that prohibits the use of statutorily or
administratively imposed state or local geographical preferences in the evaluation of bids or
proposals, except in those cases where applicable federal statutes expressly mandate or
encourage geographic preference. Nothing in this section preempts state licensing laws.
When contracting for architectural and engineering (A/E) services, geographic location may
be a selection criterion provided its application leaves an appropriate number of qualified
firms, given the nature and size of the project, to compete for the contract.
• All solicitations will incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standard to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a brand name or equivalent description may be used as a means to define the performance or other relevant requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated.

• Bids and proposals shall identify all the requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

Solicitation Procedures (CFR §200.318(d-i)):

The District has established written procurement procedures to provide oversight over the conservative utilization of resources, including federal funds.

• Acquisition of unnecessary or duplicative items must be avoided. Consideration should be given to consolidating or dividing procurements to obtain a more economical purchase. When appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

• To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services, the District shall enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

• Encourage the procurement of federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

• Value engineering clauses may be used in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.

• Contracts shall only be awarded to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

• Records will be maintained sufficient to detail the history of the procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. The Board Clerk will be the repository for said records which shall be maintained according to the District's written record retention schedule.
• The District alone will be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the District of any contractual responsibilities under its contracts. A federal awarding agency will not substitute its judgment for that of the District unless the matter is primarily a federal concern. Violations of law will be referred to the local, state, or federal authority having proper jurisdiction.

Environmentally Preferable Purchasing Guidelines:

Soquel Creek Water District was certified as a Green Business by the Monterey Bay Area Green Business Program in 2017. The District is committed to the conservation of environmental resources and will support, whenever practical and possible, the purchase of recycled and environmentally preferable products. The following guidelines were adopted as a requirement of Monterey Bay Area Green Business certification and to conserve natural resources, minimize environmental impacts, reduce hazards to workers and our community, and reduce materials going to the landfill.

Reducing Waste at the Source

1. Purchase durable, reusable or refillable products whenever feasible.
2. Print multi-page documents on both sides. Set your printer default for double-sided.
3. Avoid polystyrene (Styrofoam) products for the kitchen and shipping departments.
4. Use pitchers to provide water. Avoid purchase of single-serving plastic water bottles for use by staff or guests.
5. Purchase remanufactured or used products when feasible.
6. Reduce packaging. Reusable, recyclable or compostable packaging is preferred.

Buying Recycled Content Products

1. Office paper and envelopes shall contain at least 30% recycled content.
2. Janitorial (restroom & kitchen) paper towels shall contain at least 40% recycled content and tissues and toilet paper with a minimum of 20% recycled content.
3. Request that printing vendors use recycled content paper.
4. In the break room, purchase reusable flatware, or disposable plastic ware with bioware or use reusable utensils, plates and cups.

Saving Energy, Water, and other Natural Resources

1. Use efficient interior lighting, indoors and out – At least as efficient as T-8 fluorescent bulbs for overhead lighting, and compact fluorescent bulbs (CFL) for task lighting. Consider LED lighting for even greater efficiency.
3. Purchase water-saving toilets (1.28 gallons/flush), hand wash faucet aerators (0.5 gallons per minute) commercial dish rinse nozzles (1.6 gpm) and shower heads (2.0 gpm).
4. Purchase wood products (lumber and paper) with Forest Stewardship Council certification.
5. Purchase bio-based products - products made from plant-based material. Look for paper, bags, food & beverage containers, and cutlery that are biodegradable and compostable. Products from non-wood, bio-based sources are preferred.
Avoiding Toxics
1. Purchase safer cleaning products including those that bear logos such as Green Seal, EcoLogo or Design for the Environment, or receive a high rating on www.goodguide.com.
2. Use only non-aerosol containers.
3. Avoid added antibacterial agents such at triclosan in hand, dish and general cleaners.
4. If contracting with a pest control service, specify Integrated Pest Management or choose a contractor that is certified in IPM, such as those listed at www.EcoWiseCertified.com.
5. When maintaining the building, use products with low or no volatile organic compounds (VOCs), and low or no formaldehyde. Example products include paint, carpeting, adhesives, furniture and window components.

Contracting for Services
Where possible and appropriate, consider using businesses certified or accredited by a 3rd party environmental certification program such as the Monterey Bay Area Green Business Program, Monterey Bay Friendly Landscaping, EcoWise and Build It Green.

Green Building
Building and renovations shall follow Green Building Practices for design, construction, and operation, where appropriate, as described in the LEED™ Rating System.

Where possible and appropriate, try to use reclaimed building materials.

When determining whether a product is environmentally preferable the following environmental attributes should be considered:

- Biodegradable
- Carcinogen-free
- Chlorofluorocarbon (CFC)-free
- Compostable
- Carbon Neutral
- Durable
- Energy efficient
- Heavy metal free (e.g., no lead, mercury, cadmium)
- Less hazardous
- Locally manufactured
- Low volatile organic compound (VOC) content
- Low-toxicity
- Made from rapidly renewable materials
- Recyclable
- Recycled content
- Reduced greenhouse gas emissions
- Reduced packaging
- Refurbished
- Resource efficiency
- Reusable
- Upgradeable
- Water efficient
PURCHASING CYCLE

New Vendor Procedure:

- Before making purchases by any method, other than Petty Cash, the vendor needs to be approved and set up in the District's financial software. New vendors must fill out, sign, and submit an IRS W9 Request for Taxpayer Identification Number form and provide complete vendor contact information, including an email address for the party responsible for receiving purchase orders or invoices.

- The District’s standard payment terms are Net 30, meaning a check must be issued to the vendor no more than thirty days after the invoice date. In specific instances the District and vendor may have agreed to alternate terms and payment must be made within those terms to receive a discount. It is important for the District's credit profile that all invoices are approved and entered in a timely manner and paid within agreed upon terms.

- All requests for credit applications or credit references must be referred to the Finance and Business Services Department.

Purchasing Authority:

The following purchase authority thresholds apply for all expenditures approved in the fiscal year budget. Any expenditures which are not budgeted must be approved by the Board of Directors.

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<thead>
<tr>
<th>Less than $9,000</th>
<th>$9,001 to $25,000</th>
<th>$25,001 to $50,000</th>
<th>Over $50,001</th>
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<tr>
<td>• Department Manager Approval</td>
<td>• Finance Manager Approval</td>
<td>• General Manager Approval</td>
<td>• Board of Directors Approval</td>
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<tr>
<td>• No Purchase Order Required</td>
<td>• Purchase Order Required</td>
<td>• Purchase Order Required</td>
<td>• Purchase Order Required</td>
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Purchase Requisitions/Orders:

The purpose of a purchase requisition is to obtain written authorization before the purchase is made or work commences on a project. Purchases over $9,000 made without a purchase order are considered unauthorized purchases and employees making such purchases may be subject to disciplinary action. If a vendor requires a purchase order number for purchases less than $9,000, a purchase requisition can be submitted through the District’s financial software system.

- Purchase orders begin with a purchase requisition created using the District’s financial software and require the following information:
• Purchase requisitions are initiated by each department and, if already approved in the annual budget, go through a workflow for approvals depending on the dollar amount of the requisition.
  1. Requisition entry
  2. Review and approval by Department Manager
  3. Review and approval by Finance and Business Services Manager if greater than $9,000 but less than $25,000
  4. Review and approval by General Manager if over $25,000 (purchases over $50,000 require approval from the Board of Directors before a purchase order can be generated)
  5. Return to Accounts Payable to generate a purchase order
  6. Purchase orders are distributed to the initial requestor, department manager, and a copy is emailed to the vendor. If no email address is provided it is the responsibility of the requestor to provide a copy of the purchase order to the vendor.

• The following items do not require the use of a purchase order, but are sometimes covered under a contract or agreement:
  o Annual maintenance payments
  o Annual lease payments or lease agreements
  o California Division of Drinking Water – Water Permit
  o Debt payments and administration
  o Employee benefits
  o Insurance
  o Memberships/Dues
  o Postage
  o Refunds/Rebates
  o Utility payments

• All items purchased, whether a purchase requisition is required or not, must be approved in the annual budget. Purchases not covered under an existing budget allocation must be approved through the Operating Contingency Reserve (OCR) by the Board of Directors prior to purchase.

• Splitting purchases is prohibited. Splitting purchases means the intentional separation of a District purchase or project into smaller portions to avoid any of the provisions of the procurement process, including but not limited to purchase requisition submission,
purchasing requisition approval limits, quote/bid requirements, or prevailing wage requirements for public works projects.

- Blanket purchase orders must be established with vendors from whom numerous regular purchases are made which, annually, exceed the $9,000 purchase order threshold. A list of active blanket purchase orders will be maintained by Accounts Payable and reviewed by Department Managers on an annual basis for best pricing and any necessary changes in vendors.

- Changes to contract amounts or quantities ordered, regardless of dollar amount, must be submitted as a change order to the original purchase order and will be subject to the same purchase approvals as the original purchase order. Submit requests for change orders directly to Accounts Payable, do not submit a separate purchase requisition.

**Invoice Processing:**

- All invoices must be approved for payment by the Department Manager.

- When an invoice is received, the department that requested the services and/or purchased the supplies is required to check the calculations on the invoice to ensure accuracy. If the period the work was completed is not reflected on the invoice it must be noted on the document to ensure the invoice is posted to the correct fiscal period. Quantities and prices listed on the invoice are to be compared with the quantities and prices on the quote or purchase order before submitting the invoice to accounts payable for payment.

- Packing lists or bills of lading, signed and dated by the receiver with the date the goods arrived at the District, must accompany the signed invoice. The receiver should be personally knowledgeable of the delivery or receipt of the products.

- Invoices for services must be signed by an individual who can attest that the services have been satisfactorily completed.

- If the purchase did not require a purchase order, the appropriate general ledger budget account number or project account number must be noted on the invoice.

- A check request form and appropriate backup documentation are required for instances where no formal invoice is available.

**Expense Reimbursement:**

- Reasonable expenses incurred for pre-approved travel or necessary miscellaneous purchases while on District business may be reimbursed. Expenses shall be submitted to the Department Manager for approval on a signed expense report or check request form.

- Detailed receipts are required for all reimbursements through Accounts Payable.
• Reimbursement for meals is subject to the per meal limits established by the U.S. General Services Administration (GSA) Meals and Incidental Expense (M&IE) Breakdown by geographic location. Tips are excluded from the meal limits. Exceptions to GSA limits must be approved by the General Manager for a specific purpose.

• Reimbursement for tips or gratuities may not exceed 20% of the cost of the meal or service performed.

• Per diem reimbursement for meals without a receipt are processed through Payroll and are considered taxable income by the IRS.

• Refer to the Memorandum of Understanding (MOU) applicable to the employee’s job classification for more information on expense reimbursement.

Payment Methods:

• Checks are routinely issued for payment of outstanding invoices on Fridays. To be included in the weekly check run, invoices or check requests must be received in Accounts Payable by Tuesday of that same week. The day of the week checks are issued may be adjusted in weeks where a holiday disrupts the normal payment schedule.

• Supervisors and Department Managers may make credit card purchases ONLY when the vendor will not except a purchase order, when a documented emergency renders the purchase order process infeasible, or when payment must be made in advance, i.e. signing up for training or travel. All credit card purchases must be pre-approved by a Department Manager and the Finance and Business Services Manager or General Manager (depending on threshold for purchasing authority), regardless of the dollar amount of the purchase. All supporting documentation for the purchase shall be forwarded to Accounts Payable, noting the date the credit card purchase was made.

Petty Cash:

• Expenses $50 or less incurred by employees for District purposes may be reimbursed from Petty Cash. All expenses must include a receipt and be approved by the Department Manager before submission for reimbursement.
Micro-Purchases (≤ $9,000) (2 CFR §200.320[a]):

- Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold as set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 and adjusted periodically for inflation.

- To the extent practicable, the District must distribute micro-purchases equitably among qualified suppliers.

- Micro-purchases may be awarded without a purchase order and without soliciting competitive quotations if the expenditure is approved in the annual budget and the District considers the price to be reasonable.

- As of the date of this policy, the federal micro-purchase threshold is $10,000. The District has adopted a lower threshold for micro-purchases of $9,000, which is allowed under Uniform Guidance.

- Exceptions to the micro-purchase threshold include items not included in the annual budget.

- Public works projects that qualify as micro-purchases may still be subject to wage rate requirements established by the California Department of Industrial Relations (DIR) or, in the case of federally funded construction projects, the Davis-Bacon Act (see section on Public Works Projects and Federal Funding Requirements).

- Purchased materials, supplies, components or chemicals that will be in contact with drinking water must be NSF 60/61 certified.

Small Purchases (≤ $150,000) (2 CFR §200.320[b]):

- Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified acquisition threshold as set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 and periodically adjusted for inflation.

- Small purchases require submission of a purchase requisition through the District’s financial software system.
• If small purchase procedures are used, price or rate quotations shall be obtained from at least three (3) qualified sources, evidence of which must be submitted with the purchase requisition. Exceptions include items where there is clearly and legitimately only one or two sources capable of supplying the item, or in the event of a documented emergency.

• As of the date of this policy, the federal simplified acquisition threshold is $250,000; however, to maintain effective internal controls and mitigate audit risk the District has adopted a lower small purchase threshold of $150,000 for purchases already approved in the annual budget.

• For purchases exceeding the General Manager’s purchase authority of fifty thousand ($50,000), Board of Director’s approval is required before a purchase order will be issued.

• Purchased of materials, supplies, components or chemicals that will be in contact with drinking water must be NSF 60/61 certified and a certification form must accompany the purchase requisition.

Sealed Bids (> $150,000) (2 CFR §200.320[c]):

Competitive sealed bids are publicly solicited and a firm fixed-price contract is awarded to the responsible bidder whose bid, conforming to all the material terms and conditions of the Invitation for Bids (IFB), is the lowest in price. Upon obtaining bids, purchases must be approved by the Board of Directors prior to issuing a purchase order. Purchases of materials, supplies, components or chemicals that will be in contact with drinking water must be NSF 60/61 certified and a certification form must accompany the purchase requisition.

According to 2 CFR §200.320(c)(1), this method is appropriate when the following conditions exist:

1. A complete, adequate and realistic specification or purchase description is available, which can exist for some construction projects, vehicle or inventory purchases.

2. Two or more responsible bidders are willing and able to compete effectively for the business.

3. The procurement lends itself to a firm fixed-price contract (lump sum or unit) and the selection of the successful bidder can be made principally on the basis of price.

If the sealed bid method is used, the following conditions, as set down in 2 CFR §200.320(c)(2) apply:

1. The Invitation for Bids (IFB) must be publicly advertised.

2. Bids must be solicited from an adequate number of known suppliers, and bidders must be provided a sufficient response time prior to the date set for opening bids.

3. The IFB, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond.
4. All bids will be publicly opened at the time and place prescribed in the IFB.

5. A firm fixed-price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost and life cycle costs shall be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually employed.

6. Any and all bids may be rejected if there is a sound documented reason.

**Competitive Proposals (> $150,000) (2 CFR §200.320[d]):**

This procurement method requires formal solicitation, includes fixed-price or cost-reimbursement contracts, and is used when sealed bids are not appropriate. The solicitation will usually include evaluative factors other than price and these factors should be spelled out in the solicitation document, as well as how the factors will be weighted in final consideration of bids.

If this method is used, the following requirements apply:

1. Requests for Proposals (RFP) must be publicized and identify all evaluation factors and their relative importance.

2. Proposals must be solicited from an adequate number of qualified sources so as to ensure competition.

3. The methods for conducting technical evaluations of the proposals received and for selecting recipients may include, but are not limited to, oral interviews, reference checks, past performance, availability to perform work, and appropriate certifications as determined by project scope.

4. Written procedures are required for all RFP technical evaluations and must be retained in the event of a single audit.

5. Any response that takes exception to any mandatory items in this proposal process may be rejected and not considered.

6. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the District, with price and other qualitative factors considered.

A review and selection committee may be appointed to evaluate and rank the proposals and may be comprised as follows:

- The committee may include the General Manager or management designee, appropriate staff members, qualified members from another agency, or qualified and unbiased members of the professional discipline being considered

- Board member(s) may participate if so authorized at the time of RFP approval
• The number of committee members and consultants to be interviewed shall be at the General Manager’s discretion unless the Board provides specific direction.

Architectural and Engineering Services
Competitive proposal procedures must be used for qualifications-based procurement of architectural, landscape architectural, engineering, environmental, land surveying, and construction management services (collectively “A/E” professional services) whereby competitors’ qualifications are evaluated through a Request for Qualifications (RFQ) and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. This qualification method, where price cannot be used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services, even when A/E firms are a potential source to perform the proposed service.

Intergovernmental Contracts
The District has determined that contracts with other governmental agencies can be excluded from the competitive bidding/proposal requirements.

Inventory Purchases
Inventory purchases must be made through a pre-qualified supplier with the exception of sole source inventory items such as hydrants or meters. Pre-qualified suppliers are those who have submitted a competitive price quote on 100 of the most frequently purchased inventory items and agree to honor that pricing for a minimum of one year, unless extenuating circumstances arise. Pre-qualified suppliers will be reviewed annually by the Storekeeper and approved by the Operations and Maintenance Manager. Inventory orders, regardless of price, require a purchase requisition in order to receive items in the inventory system.

Noncompetitive Negotiation (2 CFR §200.320[f]):
Also known as sole-source procurement, this procurement method may be appropriate only when one or more of the following criteria are met:

• The item is available only from a single source. The District must document why the individual or firm it has selected has the unique capability required and documentation must be retained for audit purposes.

• The General Manager deems an emergency exists and determines that the public health, safety or welfare of the community would be affected if the normal solicitation procedures were followed. All emergency purchases which would otherwise require formal solicitation must be submitted to the Board of Directors for ratification at the next regular Board meeting after purchase is authorized.

• In the event federal funding is utilized, the federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the District.

• After solicitation of a number of sources, competition is deemed inadequate and no other recourse for procurement is available.
Time and Materials Contracts (2 CFR §200.318[j]):

A time and materials contract may not be used for a federally funded procurement unless 1) the contract includes a not-to-exceed price that the contractor exceeds at its own risk; and 2) the Board has determined that no other type of contract is suitable and the reasons for unsuitability are well documented. A time and materials type contract refers to a contract whose cost is the sum of the actual cost of materials plus direct labor hours charged at a fixed hourly rate that include wages, administrative expenses and profit. Because the contract price is likely open-ended, this type of contract provides no positive profit incentive for cost control or labor efficiency. A higher degree of oversight is required in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

Contract Cost and Price (> $150,000) (2 CFR §200.323):

A price analysis is the process of comparing total price among comparable offers, whereas a cost analysis is the process of reviewing individual elements of cost that make up the overall price. If it is requested that costs are broken out in the submission of bid or proposal, each of the elements must be analyzed to determine whether it is fair, reasonable and beneficial to the overall deliverable. As part of the selection process, some form of cost or price analysis must be performed and documented in connection with every procurement in excess of the District's small purchase threshold ($150,000), including contract modifications.

- The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, independent estimates shall be made prior to receiving bids and proposals.

- For federally funded contracts, profit shall be negotiated as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor’s investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

- Costs or prices based on estimated costs for contracts under the federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the District under Subpart E- Cost Principles of Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

- The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.

Contract Change Orders:

The General Manager is authorized to execute contract change orders (CCO) for projects in progress within the following guidelines:
• The total of all CCO's may not exceed the amount approved in the budget or amended by the Board for the project

• Each CCO must be within the Board authorized scope of work for the contract. Out-of-scope (supplemental agreements) must be separately bid or separately authorized by the Board of Directors

• Projects must be in construction, defined as the time period between Notice to Proceed and final completion/beneficial occupancy

• The General Manager shall report to the Board, on the next available agenda, all CCO's executed under this authority

CONTRACTING

General Services:

The purchase of general services (other than professional services, as defined below) under a service contract or agreement requires two signatures (Department Manager and Finance/General Manager) and may not exceed a two-year term.

Professional Services:

Professional services are those services requiring a high degree of professional, educational or technical skill such as services rendered by architects, landscape architects, engineers, environmental engineers, environmental planners, surveyors, construction managers, economists, bond counsel, bond underwriters, financial advisors, appraisers, actuaries, attorneys, auditors, software service providers, web designers, and others. Professional services may be procured for three-year contracts, with an option to extend into one or two additional years as long as contract performance is satisfactory and pricing remains competitive. Longer contracts preclude competitive procurement standards and are discouraged on that basis. Professional services associated with a public works project may be approved for a multi-year contract that coincides with the term of the project at the discretion of the Board of Directors. In instances where a shorter term contract could result in significant disruption of District operations, such as legal services or information/communication technology services, the District may approve an extended contract.

The General Manager or management designee is authorized to negotiate a contract detailing scope of work and fair and reasonable compensation with the firm whose competitive proposal ranked highest during the evaluative process. If the District is unable to negotiate a satisfactory contract with the highest ranked firm, negotiations may be formally terminated and the firm dismissed from further consideration. Negotiations may continue with subsequently ranked firms until an agreement is reached. The substance of previous negotiations will not be divulged by District staff in discussions with subsequently ranked firms, and the submittals of unsuccessful candidates will be considered confidential. If no agreement is reached the District may consider republicizing the procurement. Choosing less than qualified consultants is not in the public interest and not consistent with the obligation of the District to protect the health, safety and welfare of the public.
When engaging professional services for a federally funded non-construction project, provision 2 CFR §200.308[c][1][vi] states, “Unless described in the application and funded in the approved federal awards, the subawarding, transferring or contracting out of any work under a federal award” requires prior approval from the granting agency.

PUBLIC WORKS PROJECTS

Prevailing Wage Requirements:

Public works projects are defined, for prevailing wage purposes, in California Labor Code Section 1720 to include construction (including design, inspection or surveying), alteration, demolition, installation, or repair, paid for in whole or in part out of public funds. No contractors or subcontractors may be awarded a contract for a public works project unless registered with the California Department of Industrial Relations’ Public Works Contractor Registration Program.

District Responsibilities:

1. Register project with the Department of Industrial Relations (DIR) by filing a PWC-100 form within 5 days of the award of the contract (failure to provide timely submission can jeopardize state funding)
2. Obtain prevailing wage rates from DIR
3. Notify potential contractors that they must register with DIR prior to bidding
4. Certify proof of contractor registration before awarding bid
5. Require contractors to post jobsite notices on public works requirements
6. Ensure contractor is paying prevailing wages in compliance with public works laws
7. Report any suspected violations to the Labor Commissioner

Contractor Responsibilities:

1. Register with the Department of Industrial Relations (DIR) as a public works contractor
2. Pay prevailing wages on any project over $1,000
3. Follow apprenticeship requirements for any project over $30,000
4. Maintain and submit certified payroll records

A small project exemption exists for maintenance projects that do not exceed $15,000 or new construction, demolition, alteration or repair projects that are less than $25,000. Contractors who work exclusively on small projects that qualify for exemption are not required to register as a public works contractor or file electronic certified payroll reports but are still required to maintain certified payroll records and provide them to the Labor Commissioner’s office and the District on request. The District does not need to file a PWC-100 form for exempt projects.

Surety (Bonding) Requirements:

For public works construction contracts or subcontracts the District has established the following sureties:
1. A bid guarantee from each bidder equivalent to ten percent (10%) of the bid price. The bid guarantee must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.

2. A faithful performance bond on the part of the contractor for no less than 100 percent (100%) of the contract amount. A performance bond is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

3. Required for contracts and subcontracts exceeding $25,000: A payment bond on the part of the contractor for no less than 100 percent (100%) of the contract amount. A payment bond is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract. The District must approve the bond before work begins and is not allowed to release payment to the contractor without an approved payment bond. This threshold is less than the District's threshold for sealed bids or competitive proposals but exceeds the threshold for small purchases requiring competitive pricing. A design professional is not considered a direct contractor in this instance and is therefore exempt from the bond requirement.

4. A maintenance bond on the part of the contractor for no less than ten percent (10%) of the contract amount or $2,000, whichever is greater, to remain in effect for a minimum of two years after the completion and acceptance of work performed under the contract. A maintenance bond protects the District against defects and faults in materials, workmanship, and design.

Federally funded contracts exceeding $250,000 require, at a minimum, the bonding requirements listed under items 1, 2, and 3 (2 CFR §200.325).

**Alternative Project Delivery Methods:**

The Board may authorize the use of alternative methods of procurement of public works projects in excess of $1 million, including, without limitation, the design-build approach, subject to all applicable laws and requirements. The solicitation of projects utilizing alternative methods of procurement requires a competitive process, which may include award based on sealed bid or competitive proposal. District staff, contractors and consultants involved in design-build projects are subject to the District's conflict of interest policy for design-build projects (attached as Appendix A).
FEDERAL FUNDING REQUIREMENTS


All contracts using federal funding shall comply with the following provisions as applicable:

1. Contracts for more than the federally mandated simplified acquisition threshold (currently set at $250,000), must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

2. All contracts in excess of $10,000 must address termination for cause and for convenience by the District including the manner by which it will be effected and the basis for settlement.


4. Davis-Bacon Act: Construction contracts in excess of $2,000 shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148). Contractors must be required to pay laborers and mechanics wages not less than the prevailing wage as determined by the Secretary of Labor and must be required to pay wages not less than once a week. Each bid solicitation published by the District must contain the current prevailing wage determination. Any award of the contract must be conditioned on contractor’s acceptance of that wage determination and suspected or reported violations of this act shall be immediately reported to the Federal awarding agency. [Projects controlled by the District must comply with State of California Department of Industrial Relations (DIR) requirements, including contractor and project registration, certified payroll reporting, and payment of California’s prevailing wage rates, if they exceed corresponding Davis-Bacon rates, regardless of federal funding provisions].

5. Copeland “Anti-Kickback” Act: Applies to construction contracts in excess of $2,000. It prohibits kickbacks in construction contracts funded with Federal monies. Contractors and subcontractors or subrecipients shall be prohibited from inducing any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled and suspected or reported violations shall be immediately reported to the Federal awarding agency.

6. Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708): Where applicable, all contracts awarded by the District in excess of $2,000 for construction contracts and in excess of $2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with sections 102 and 107 of the Contract Work Hours and Safety Standards Act (40 USC §§327-333), as supplemented by the Department of Labor regulations (29 CFR Part 5). Under §102 of the act, each contractor shall be
required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies, material or articles ordinarily available on the open market or to contracts for transportation or transmission of intelligence.

7. **Rights to Inventions Made Under a Contract or Agreement**: If the federal award meets the definition of “funding agreement” under 37 CFR §401.2 (a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that “funding agreement,” the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements.”

8. **Clean Air Act & Federal Water Pollution Control Act**: Contracts and sub grants in excess of $150,000 must contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act, as amended. Suspected or reported violations must be reported to the federal awarding agency and the regional office of the Environmental Protection Agency (EPA).

9. **Energy Policy and Conservation Act**: Mandatory standards and policies relating to energy efficiency that are contained in a state energy conservation plan issued in compliance with the Energy Policy and Conservation Act must be followed as appropriate.

10. **Debarment and Suspension**: A contract award must not be made to parties listed on the System for Award Management’s (SAM) “List of Parties Excluded from Federal Procurement or Non-Procurement Programs,” in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 and 12689 “Debarment and Suspension.” SAM exclusions contain the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

11. **Byrd Anti-Lobbying Amendment**: Contractors that apply or bid for an award of $100,000 or more must certify that they will not and have not used federal funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any federal contract, grant or any other award. Contractors must also disclose any lobbying with non-federal funds that takes place in connection with obtaining any federal award.

12. **Procurement of Recovered Materials (2 CFR §200.322)**: A non-federal entity that is a state agency, or agency of a political subdivision of a state, and its contractors must comply with Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in
the guidelines of the EPA at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase of the items exceeds $10,000 or the value of the quantity acquired during the preceding fiscal year exceeded $10,000. Other requirements include procuring solid waste management services in a manner that maximizes energy and resource recovery and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

Federal Awarding Agency or Pass-Through Entity Review (>$250,000) (2 CFR §200.324):

1. The District shall make available, upon request of the federal awarding agency or pass-through entity, technical specifications on proposed procurements where the federal awarding agency or pass-through entity believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the District desires to have the review accomplished after a solicitation has been developed, the federal awarding agency or pass-through entity may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.

2. The District will make available upon request, for the federal awarding agency or pass-through entity pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:
   a. Procurement procedures or operations fails to comply with the procurement standards in this part
   b. The procurement is expected to exceed the simplified acquisition threshold ($250,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation
   c. The procurement, which is expected to exceed the simplified acquisition threshold, specifies a “brand name” product
   d. The proposed contract is more than the simplified acquisition threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement
   e. A proposed contract modification changes the scope of a contract or increases the contract amount by more than the simplified acquisition threshold

3. The District is exempt from the pre-procurement review in item 2 of this section if the federal awarding agency or pass-through entity determines that its procurement systems comply with the standards of this part.

4. The District may request that its procurement system be reviewed by the federal awarding agency or pass-through entity to determine whether its system meets these standards in order for its system to be certified. Generally, these reviews must occur where there is continuous high-dollar funding, and third-party contracts are awarded on a regular basis.
5. The District may self-certify its procurement system. Such self-certification must not limit the federal awarding agency’s right to survey the system. Under a self-certification procedure, the federal awarding agency may rely on written assurances from the District that it is complying with these standards. The District must cite specific policies, procedures, regulations, or standards as being in compliance with these requirements and have its system available for review.


All necessary affirmative steps will be taken to assure that minority business, women’s business enterprises, and labor surplus area firms are used when possible.

Affirmative steps include:

- Placing qualified small and minority businesses and women’s business enterprises on solicitation lists
- Assuring that small and minority businesses and women’s business enterprises are solicited whenever they are potential sources
- Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses and women’s business enterprises
- Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses and women’s business enterprises
- Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce
- Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) of this section
Organizational Conflict of Interest Policy for Design-Build Projects

**PURPOSE**
This policy establishes the organizational conflict of interest guidelines applicable to design-build projects.

**APPLICABILITY**
This policy applies to all persons or entities that have entered into or wish to enter into contracts with the Soquel Creek Water District ("District") to perform design–build work.

**POLICY**
Persons or entities participating as proposers ("Proposers;") on a design-build project or joining a design-build team may not have an organizational conflict of interest.

Organizational conflicts of interest are created by circumstances arising out of prospective Proposers’ existing or past activities, business or financial interests, familial relationships, contractual relationships, or organizational structure (e.g., parent entities, subsidiaries, affiliates) that result in (i) impairment or potential impairment of consultants’ or contractors’ ability to render impartial assistance or advice to the District or of their objectivity in performing work for the District, (ii) an unfair competitive advantage for any bidder or Proposer with respect to the District’s procurement, or (iii) a perception or appearance of impropriety with respect to any of the District’s procurements or contracts or perception or appearance of unfair competitive advantage with respect to a procurement by the District (irrespective of whether such perception is accurate).

This Policy neither purports to address every situation that may arise in the context of the District’s procurements and contracts, nor to mandate a particular decision or determination by the District. The District retains the ultimate and sole discretion to determine, on a case by case basis, whether an organizational conflict of interest exists. An organizational conflict of interest may exist in the following instances:

a. A Proposer is the District’s general engineering or architectural consultant for the design-build project, or a subconsultant for the District’s general engineering or architectural consultant that has already provided services for the design-build project.

b. A Proposer has assisted or is assisting the District in the management of the design-build project, including the preparation of the request for proposals, evaluation criteria, or any other aspect of the procurement.

c. A Proposer has conducted preliminary design services for the design-build project such as conceptual layouts, preliminary design, or preparation of bridging documents.

d. A Proposer performed design work related to the design-build project for other stakeholders in the design-build project.

e. A Proposer performed design work on a previous contract that specifically excludes the Proposer from participating as a Proposer or joining any design-build team for the design-build project.
f. A Proposer is under contract with any other entity or stakeholder to perform oversight of the design-build project.

g. Any circumstances that would violate California Government Code Section 1090, et seq.

The District may be required to comply with requirements and regulations applicable to federally funded procurements and contracts. Nothing in this Policy is intended to limit, modify or otherwise alter the effect of other relevant federal, state, or local regulations, statutes or rules.

Persons or entities responsible for preparing documents under the California Environmental Quality Act (“CEQA”) are required to comply with all state laws and regulations applicable to such services, including requirements relating to organizational conflicts of interest. For federally funded projects subject to NEPA compliance, persons or entities involved in the preparation of an Environmental Impact Statement (EIS) must disclose whether or not they have a financial or other interest in the outcome of the project. A person or entity involved in the preparation of an EIS may not propose on work connected with the project before the EIS is completed. (See 40 CFR 1506.5(c).)

Proposers’ Obligations
Proposers having a conflict must immediately make a full written disclosure of the conflict to the District’s General Manager, or management designee, and shall have a continuing obligation to do so until they are no longer Proposers.

If a Proposer determines that a potential conflict of interest exists, the Proposer’s disclosure will not necessarily disqualify the Proposer from being awarded a contract. The Proposer must submit proposed measures to avoid, neutralize, or mitigate all potential or actual conflicts. The District, at its sole discretion, will determine whether an organizational conflict of interest exists and whether the proposed measures are sufficient to overcome the conflict or potential conflict and whether the Proposer may continue with the procurement process.

Obligations After Contract Award
The successful Proposer to whom the contract is awarded (“Design-Builder”) has an ongoing obligation to monitor and disclose conflicts or potential conflicts of interest. The District has the right to ongoing enforcement of this policy. If an organizational conflict of interest is discovered after the contract has been awarded, the Design-Builder must make an immediate and full written disclosure to the District that includes a description of the action that the Design-Builder has taken or proposes to take to avoid or mitigate the conflict. If an organizational conflict of interest is determined to exist and the Design-Builder was aware of the organizational conflict of interest prior to award of the contract and did not disclose the conflict, the District may terminate the contract. If a conflict of interest arises after the contract award and the Design-Builder’s proposed measures to avoid or mitigate the conflict are determined by the District to be inadequate to protect the District, the District may terminate the contract. If the contract is terminated, the District assumes no obligation, responsibility or liability to reimburse all or part of the costs incurred or alleged to have been incurred by the Design-Builder, and the District shall be entitled to pursue any and all appropriate legal remedies.

Incorporation by Reference
This policy shall be incorporated by reference into all design-build contracts executed by the District.
MEMO TO THE BOARD OF DIRECTORS

June 2, 2020

Subject: Agenda Item No. 7.3

Title: Resolution Authorizing and Directing Execution of a Revolving Credit Agreement with CoBank, and Authorizing and Directing Additional Actions With Respect Thereto

Attachment(s):
1. Resolution No. 20-21
2. Form of Credit Agreement with CoBank
3. Form of Fee and Pricing Agreement with CoBank

Introduction
The Pure Water Soquel Project (the Project) is Soquel Creek Water District’s groundwater replenishment and seawater intrusion prevention project. The District anticipates funding the Project on a long-term basis through a combination of grants and low-interest financing available from the State of California, including the State’s Seawater Intrusion Control Fund (SWIC), and the federal government’s Water Infrastructure Finance and Innovation Act (WIFIA) program. The Credit Agreement with CoBank will allow the District to finance short-term cash flow needs prior to receiving draws from the grants and low-interest financing sources.

RFP Solicitation Process; CoBank
In March 2020, the District hired Piper Sandler & Co., as financial advisor, to advise the District on various financial aspects of the Project, including securing interim financing and assisting with the WIFIA loan application and funding process. Since the funds secured through interim financing will be repaid with disbursements from the grants and low-interest loans, Piper Sandler recommended that the District utilize a revolving credit agreement structure for the District’s interim financing needs.

A revolving credit agreement functions similar to a credit card. Funds can be drawn and will accrue interest and may be repaid at any time. When payments are made by the borrower, those funds can become available for borrowing again. Interest is charged on the funds that are withdrawn, and often a lower interest rate or fee is charged for the privilege of having the remaining funds on standby.

Other options that were considered included Bond Anticipation Notes (BANs) and fixed-rate bonds. BANs are short-term debt issuances or bridge loans issued in anticipation of a larger bond issuance, which in the District’s case wouldn’t be a bond issuance but rather the grants and low-interest SWIC and WIFIA loans that would be used to repay the BANs. The second option considered was issuance of a fixed-rate bond with a ten-year term and an option to prepay in three or five years. Both options are less flexible than a revolving credit agreement and were, therefore, deemed not as beneficial to the District and its customers.

Based on a request for proposals distributed by Piper Sandler to numerous banks and other financial institutions active in California public finance transactions, CoBank ACB was selected as the best lender to provide the interim financing solution via a revolving credit agreement structure.

CoBank is a national cooperative bank that provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. It is a member of the Farm Credit System, a nationwide network of banks and retail lending
associations chartered to support the borrowing needs of U.S. agriculture and the nation’s rural economy. In addition to serving its direct retail borrowers, the bank also provides wholesale loans and other financial services to 21 affiliated Farm Credit associations serving approximately 70,000 farmers, ranchers and other rural borrowers in 23 states around the country. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and maintains an international representative office in Singapore.

**Key Terms and Conditions of the Credit Agreement**

Drafts of the Credit Agreement, and related Fee and Pricing Agreement, with CoBank are attached. The key terms are as follows:

- **Commitment**: The Commitment is the amount of loans the District may have outstanding at a given time. Initially, this is $25 million, and increases to $75 million once the State Water Resources Control Board grant and loan funding agreements are finalized. If for some reason these agreements are not finalized within 1 year, CoBank’s commitment under the Credit Agreement terminates, and the District could seek to negotiate an extension with CoBank.

- **Drawn Rate**: The Drawn Rate is the interest rate paid by the District on loans outstanding. It is a variable interest rate, equal to one-month LIBOR, plus 0.75%.

- **Undrawn Rate**: For amounts of the Commitment that are not drawn by the District, the District will pay an undrawn fee of 0.75%.

- **Pledge/Source of Repayment**: The District covenants to repay amounts drawn under the Credit Agreement via a pledge of the Net Revenues of the Water System (i.e., Gross Revenues less Maintenance and Operation Expenses). Initially, this pledge is subordinate to the pledge securing the District’s existing 2011 Certificates of Participation and 2013 Certificates of Participation. However, once those obligations are refunded, or the Credit Agreement with CoBank is restructured to provide for repayment of principal over a number of years instead of one-time upon termination of the Credit Agreement, the pledge converts into a parity pledge of Net Revenues.

- **Other Representations, Warranties and Covenants**: The Credit Agreement includes certain other representations and warranties of the District and covenants and agreements between the parties, which are customary for this type of transaction, including with respect to events of default, the incurrence of additional debt, maintaining rates and charges at certain minimum levels, periodic reporting to CoBank, and complying with applicable law.

Entrance into the Credit Agreement on the terms contained therein is consistent with the District’s Debt Management Policy. Although the District’s typical practice is to issue long-term fixed-rate debt, because such debt provides absolute certainty as to the level of principal and interest owed annually, interim financing is an appropriate time to utilize variable-rate debt. LIBOR is a commonly used short-term variable rate index. Because certain Project costs are anticipated to be paid via a combination of grants and low-interest loans which will be available in the coming years, it would not be advantageous for the District to issue long-term bonds for those costs.

Jones Hall, serving as bond counsel to the District, as well as Piper Sandler, serving as financial advisor, have reviewed the Credit Agreement and related legal documents. Jones Hall is undertaking
Board of Directors  
June 2, 2020  
Page 3 of 3

its necessary diligence on the transaction and anticipates issuing its approving legal opinion on the transaction, including the tax-exempt nature of the interest payable to CoBank.

The drafts of the Credit Agreement and Fee and Pricing Agreement are in substantially final form, and the Resolution delegates authority to the General Manager or a designee to finalize and execute the agreements and related documents. The remaining points to be finalized in the Credit Agreement consist of (i) inserting the closing (effective) date and related dates, (ii) finalizing the definition of “Debt Service” for purposes of the additional debt tests, (iii) finalizing the amount of SWIC and WIFIA funding amounts, and (iv) determining the amount of the Commitment that would be available to the District on the closing date. The Fee and Pricing Agreement must be updated to include final bank counsel fees.

**Good-Faith Estimates of Borrowing Costs**

In accordance with Government Code Section 5852.1, based on good faith estimates prepared by the District’s financial advisor, the following information is being obtained and disclosed to the Board of Directors prior to entrance into the Credit Agreement:

- the estimated true interest cost of amounts to be borrowed under the Credit Agreement (being the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Credit Agreement) is 1.25%,

- the estimated finance charge associated with the Credit Agreement (being the sum of all fees and charges paid to third parties) is $200,000,

- the estimated proceeds expected to be received by the District under the Credit Agreement, net of proceeds for finance charges described above paid from proceeds of the Credit Agreement and any reserves or capitalized interest paid or funded with the Credit Agreement is $74,800,000, and

- the estimated total payment amount under the Credit Agreement (being the sum of debt service plus finance to be paid to final maturity, plus any financing costs not paid from proceeds of the Credit Agreement) is $77,817,500.

**Next Steps; Schedule**

CoBank’s credit committee has approved the terms of the Credit Agreement, and the various legal documents are in close to final form. Therefore, if Board approval is obtained on June 2, the documents should be finalized relatively quickly. At this time, the estimated closing (effective) date for the Credit Agreement is June 11.

**POSSIBLE BOARD ACTION(S)**

1. Approve Resolution 20-21; or

2. Provide staff with guidance on alternatives to the action.

By ____________________________

Leslie Strohm  
Financial and Business Services Manager
RESOLUTION NO. 20-21

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SOQUEL CREEK WATER DISTRICT

AUTHORIZING AND DIRECTING EXECUTION OF A REVOLVING CREDIT AGREEMENT
WITH A MAXIMUM COMMITMENT OF $75,000,000 WITH COBANK, AND AUTHORIZING
AND DIRECTING ADDITIONAL ACTIONS WITH RESPECT THERETO

The Board of Directors of the SOQUEL CREEK WATER DISTRICT (“District”) at its June 2, 2020 meeting, made the following findings:

RECITALS

WHEREAS, the District owns and operates a system for the supply, treatment and distribution of water within the service area of the District (the “Water System”); and

WHEREAS, the District is undertaking a groundwater replenishment and seawater intrusion prevention project for the Water System known as the “Pure Water Soquel Project,” as well as other capital improvements (collectively, the “Project”); and

WHEREAS, the District anticipates funding the Project on a long-term basis through a combination of grants and low-interest financing available from the State of California and the federal government’s Water Infrastructure Finance and Innovation Act (“WIFIA”) program; and

WHEREAS, the District desires to finance short-term cash flow needs prior to receiving draws from the grants and low-interest financing from the State of California and the WIFIA program; and

WHEREAS, the District is a county water district duly organized and existing under the County Water District Law (Division 12 (commencing with Section 30000) of the California Water Code) (the “Water Law”), which enumerates specific powers, rights and authorizations of the District, including the power to borrow money pursuant to Part 6 of the Water Law; and

WHEREAS, the District has determined that it is in the best interests of the District at this time to provide for the interim financing of some or all of the costs of the Project through entrance into a Credit Agreement (the “Credit Agreement”) with CoBank, ACB (the “Bank”), under which amounts may be drawn and repaid by the District from time-to-time; and

WHEREAS, the information required to be obtained and disclosed by the Board of Directors in accordance with Government Code Section 5852.1 with respect to the Credit Agreement is set forth in the staff report accompanying this Resolution; and

WHEREAS, in connection with the foregoing, it is in the public interest and for the public benefit that the District approve, authorize and direct District staff to accomplish the financing contemplated by the Credit Agreement, subject to the parameters set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the SOQUEL CREEK WATER DISTRICT as follows:

ATTACHMENT 1 - ITEM 7.3

ATTACHMENT 1 - ITEM 7.3

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SECTION 1. Approval of Credit Agreement. For the purpose of providing interim financing for a portion of the costs of the acquisition and construction of the Project, the Board of Directors hereby authorizes and approves the borrowing of funds by the District from the Bank under the Credit Agreement. Amounts due under the Credit Agreement shall be payable by the District from the net revenues of the Water System and subject to the other terms and conditions set forth in the Credit Agreement as finally executed and delivered by the District; provided, that the maximum amount that may be drawn by the District under the Credit Agreement at any one time shall not exceed $75,000,000 and the tax-exempt interest rate on drawn amounts shall be calculated based on the one-month London Interbank Offered Rate (LIBOR) index, plus a spread of 0.75%, or substitute index and spread as described in the Credit Agreement. Subject to the foregoing, the General Manager or a designee (each, an “Authorized Officer”) is hereby authorized and directed for and in the name and on behalf of the District to execute, and the Board Clerk is hereby authorized and directed to attest the Credit Agreement, substantially in the form on file with the Board Clerk, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions.

SECTION 2. Approval of Related Financing Documents. The Board of Directors hereby authorizes and approves the execution and delivery of the additional financing documents required by, and as described in, the Credit Agreement, including a Fee and Pricing Agreement substantially in the form on file with the Board Clerk, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. Each Authorized Officer is further authorized and directed to execute and deliver to the Bank a Promissory Note, evidencing the obligation of the District to the Bank under the Credit Agreement, the form of which is attached as an exhibit to the Credit Agreement. Such documents shall be consistent with the terms and conditions set forth in the Credit Agreement as finally executed and delivered by the District.

SECTION 3. Engagement of Professional Services. In connection with entrance into the Credit Agreement and the financing described in this Resolution, the firm of Piper Sandler & Co. is hereby designated to serve as financial advisor to the District, and the firm of Jones Hall, A Professional Law Corporation, is hereby designated to serve as special counsel to the District. Compensation to said firms may be payable from the proceeds obtained by the District under the Credit Agreement.

SECTION 4. Official Actions. The General Manager, the Finance and Business Services Manager, the Board Clerk and all other officers of the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution, including a Master Agreement for Cash Management and Transaction Services with the Bank. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

SECTION 5. Effective Date. This Resolution shall take effect immediately upon its adoption.
ADOPTED, SIGNED AND APPROVED by the Board of Directors of the SOQUEL CREEK WATER DISTRICT this 2nd day of June 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

_______________
Dr. Bruce Daniels
President of the Board of Directors
Soquel Creek Water District

ATTEST:

_______________
Emma Olin
Clerk of the Board of Directors
Soquel Creek Water District
CREDIT AGREEMENT

by and between

SOQUEL CREEK WATER DISTRICT

and

COBANK, ACB

Dated as of [CLOSING DATE], 2020

Relating to
$75,000,000
Aggregate Principal Amount
Soquel Creek Water District, California
Water Revenue Term Revolving Obligation

CoBank CIF # 00131859
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EXHIBIT A FORM OF NOTE
EXHIBIT B FORM OF REQUEST FOR LOAN
EXHIBIT C FORM OF NOTICE OF TERMINATION
CREDIT AGREEMENT

This CREDIT AGREEMENT, dated as of [CLOSING DATE], 2020 (together with all amendments, modifications and supplements hereto, this “Agreement”), is entered into by and between the SOQUEL CREEK WATER DISTRICT, a county water district duly organized and existing under and pursuant to the laws of the State of California (the “Borrower”), and COBANK, ACB, a federally-chartered instrumentality of the United States (together with successors and assigns, the “Bank”).

RECITALS

A. The Borrower wishes to obtain a revolving line of credit (the “Line of Credit”) from the Bank to pay the costs of the Project, including the acquisition, construction and installation of capital improvements to its Water System, pending permanent financing through the Funding Sources described herein.

B. All obligations of the Borrower to reimburse the Bank for payments made by the Bank under the Line of Credit and to pay all other amounts payable to the Bank arising under or pursuant to this Agreement or the promissory note to be issued to the Bank hereunder (all such obligations are hereinafter collectively referred to as the “Payment Obligations”) are created under and will be evidenced by this Agreement and such promissory note and will be secured by a pledge of and lien on the Pledged Revenues all in accordance with the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing Recitals and other consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce the Bank to extend to the Borrower the Line of Credit, the Borrower and the Bank hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. The following terms shall have the following meanings as used herein:

“2011 Certificates” shall mean the Borrower’s 2011 Certificates of Participation (Capital Projects), issued in the original principal amount of $16,800,000 and presently outstanding in the principal amount of $16,105,000.

“2013 Certificates” shall mean the Borrower’s 2013 Certificates of Participation (Capital Projects), issued in the original principal amount of $17,520,000 and presently outstanding in the principal amount of $14,365,000.

“Act” means the County Water District Law (Division 12 (commencing with Section 30000) of the California Water Code).

“Additional Agreement” has the meaning set forth in Section 7.15 hereto.

“Additional Revenues” means:
(i) An allowance for Net Revenues from any additions to or improvements or extensions of the Water System to be made with the proceeds of such Parity Obligations, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of such Fiscal Year or such twelve (12) month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation, all as shown in the written report of an Independent Consultant engaged by the Borrower; and

(ii) An allowance for earnings arising from any increase in tolls, rates and charges which have been adopted by the Board of Directors of the Borrower prior to the incurring of such additional indebtedness but which, during all or any part of such Fiscal Year or such twelve (12) month period, was not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in tolls, rates and charges had been in effect during the whole of such Fiscal Year or such twelve (12) month period, all as shown in the written report of an Independent Consultant engaged by the Borrower.

“Additional Rights” has the meaning set forth in Section 7.15 hereof.

“Agreement” has the meaning set forth in the introductory paragraph.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower from time to time concerning or relating to bribery or corruption, including, without limitation, the United States Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

“Applicable Percentage” has the meaning set forth in the Fee and Pricing Agreement.

“Approving Opinion” means, with respect to any action relating to the Loans or the Note, the occurrence of which requires an opinion of Bond Counsel, an opinion delivered by Bond Counsel to the effect that such action (a) is permitted by this Agreement, the Note and the Act, and (b) will not adversely affect the exclusion of interest on the Loans or the Note from gross income of the holders thereof for purposes of federal income taxation.

“Authorized Representative” means the Borrower’s Board President, General Manager, Finance and Business Services Manager, Board Clerk, or any other person designated by the Borrower as an Authorized Representative pursuant to a resolution of the Borrower; provided, that a copy of such resolution shall have been provided to the Bank.

“Available Commitment” means, on any date, an amount equal to the Maximum Commitment on such date adjusted from time to time as follows: (a) downward in an amount equal to the principal of any Loan made by the Bank; and (b) upward in an amount equal to the principal amount of any Loan that is prepaid.
“Balloon Indebtedness” means, with respect to any Parity Obligation or Subordinate Debt 25% of more of the principal or other face amount of which matures or becomes due on the same date or within a 12-month period (with mandatory sinking fund payments deemed to be payments of matured principal), that portion of such Parity Obligation or Subordinate Debt which matures or becomes due on such date or within such 12-month period.

“Bank” has the meaning set forth in the introductory paragraph.

“Bank Term-Out Financing” shall mean any transaction between the Borrower and the Bank by which the Payment Obligations are refinanced as a Parity Obligation over a term of years as described in Section 7.23, the terms of which are acceptable to and subject to the approval of the Bank in its sole and absolute discretion.

“Bond Counsel” means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys, which is admitted to practice law before the highest court of any state in the United States of America or the District of Columbia and nationally recognized and experienced in legal work relating to the issuance of tax-exempt obligations.

“Borrower” has the meaning set forth in the introductory paragraph.

“Borrowing” means the incurrence of a Loan by the Borrower.

“Borrowing Date” has the meaning set forth in Section 3.2 hereof.

“Business Day” means any day on which the Bank and the Federal Reserve Banks are open for business.

“Change in Law” means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any Law, including, without limitation Risk-Based Capital Guidelines, (b) any change in any Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, ruling, guideline, regulation or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (i) the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 and all requests, rules, rulings, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, rulings, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States of America or foreign regulatory authorities shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and regulations (including temporary and proposed regulations) from time to time promulgated thereunder, or any successor statute thereto.

“Commitment” means the agreement of the Bank pursuant to Section 2.1 hereof to make Loans for the account of the Borrower.
“Commitment Amount” means: (i) $25,000,000 from the Effective Date to and including the date (the “SWRCB Delivery Date”) on which the Borrower has delivered to the Bank copies of the fully-executed SWRCB Funding Agreements and other evidence reasonably acceptable to the Bank that the SWRCB Funding is committed and available to the Borrower, and (ii) $75,000,000 from the SWRCB Delivery Date to the Termination Date.

“Commitment Expiration Date” means June 30, 2024, or on such later date as the Bank may, in its sole discretion, authorize in writing. Notwithstanding the foregoing, unless prior to [CLOSING DATE], 2021, either (i) the COP Refunding has been accomplished, or (ii) there have been delivered to the Borrower the SWRCB Funding Agreements, the WIFIA Funding Agreements, and other evidence reasonably acceptable to the Bank that the SWRCB Funding and the WIFIA Funding are committed and available to the Borrower, then the Commitment Expiration Date shall be [CLOSING DATE PLUS 90 DAYS], 2021.

“Construction Progress Report” shall have the meaning provided in Section 7.2(d).

“COP Refunding” means the anticipated refunding of the 2011 Certificates and 2013 Certificates through the issuance of Parity Obligations, in connection with which the lien of the holder of the Note (or any replacement instrument delivered to the Bank in connection with the COP Refunding) on Net Revenues shall be elevated to the status of a Parity Obligation as described in Section 4.1(c) and 7.21 below.

“Debt” means all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed; (h) all unfunded amounts under a loan agreement, letter of credit, or other credit facility for which the Borrower would be liable, if such amounts were advanced under the credit facility; and (i) obligations of the Borrower under any Swap Contract.

“Debt Service,” when used with respect to any Debt, means, as of any date of calculation, and with respect to any applicable period, the sum of (a) the interest due on such Debt during such period, (b) the principal (including mandatory sinking fund payments) due on such Debt during such period, and (c) any other regularly scheduled payments due on such Debt (e.g., annual fees); provided, however, that for purposes of such calculation:

(i) unless a different subsection of this definition applies for purposes of determining maturities or amortization, in determining the amount due in each period, payment shall be assumed to be made in accordance with any amortization schedule established for such Debt;
(ii) Balloon Indebtedness shall be treated as if it were to be amortized in substantially equal annual installments over a term of 20 years assuming an annual interest rate equal to the Bond Buyer 20 bond index;

(iii) for any Debt bearing interest at a variable interest rate for which a Swap Contract is not in place, the interest rate on such Debt for periods when the actual interest rate cannot be determined shall be assumed to be equal to the average of [the One-Month LIBOR Index Rate for the 5 years preceding such date of calculation], or if that index is no longer published, the interest rate on such Debt shall be calculated based upon the index that, following consultation with the Borrower’s municipal advisor, the Bank and the remarketing agent, if any, for the applicable series of Debt, the Borrower determines most closely approximates [the One-Month LIBOR Index Rate]; and

(iv) for any Debt bearing interest at a variable interest rate for which a Swap Contract is in place providing for a synthetic fixed interest rate to maturity or for a specific term, the interest rate on such Debt shall be assumed to be the synthetic fixed interest rate specified in such Swap Contract for such term.

“Debt Service Coverage Ratio” has the meaning provided in Section 7.14(b).

“Default” means any condition or event which, with the giving of notice or lapse of time or both would unless cured or waived become an Event of Default.

“Default Rate” has the meaning set forth in the Fee and Pricing Agreement.

“Determination of Taxability” means (a) any determination, decision, decree or advisement by the Commissioner of Internal Revenue, or any District Director of the Internal Revenue Service or any court of competent jurisdiction to the effect that interest on any Loan or the Note is Taxable, or (b) the delivery to the Bank of an opinion of Bond Counsel to the effect that interest on any Loan or the Note is Taxable. A “Determination of Taxability” also shall be deemed to have occurred on the first to occur of the following:

(i) the date when the Borrower files any statement, supplemental statement, or other tax schedule, return or document, which discloses that interest on any Loan or the Note is Taxable;

(ii) the effective date of any federal legislation enacted or federal rule or regulation promulgated after the Effective Date which has the effect that interest on any Loan or the Note is Taxable; or

(iii) if upon sale, lease or other deliberate action within the meaning of Treas. Reg. § 1.141-2(d), the failure to receive an Approving Opinion.

“Effective Date” means the first day on which all of the conditions set forth in Section 3.1 hereof have been satisfied or waived by the Bank, which date is anticipated to be [CLOSING DATE], 2020.
“Environmental Laws” means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment, including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean up or other remediation thereof.

“Eurocurrency Liabilities” will have the meaning as set forth in FRB Regulation D.

“Event of Default” means any event or circumstance specified in Section 9.1 hereto.

“Fee and Pricing Agreement” means the Fee and Pricing Agreement of even date herewith between the Bank and the Borrower.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30.

“Fitch” means Fitch Ratings, Inc.

“FRB Regulation D” means Regulation D as promulgated by the Board of Governors of the Federal Reserve System, 12 CFR Part 204, as amended.

“Funding Agreements” shall mean, collectively, the SWRCB Funding Agreements, the WIFIA Funding Agreements, and the Other Funding Agreements.

“Funding Sources” shall mean, collectively, the SWRCB Funding, the WIFIA Funding, and the Other Funding.

“Governmental Authority” means the government of the United States of America or any other nation or any state or political subdivision thereof or any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank), or any arbitrator, mediator or other Person with authority to bind a party at law.

“Gross Revenues” means, for any period of computation, all gross charges received for, and all other gross income and revenues derived by the Borrower from, the ownership or operation of the Water System or otherwise arising from the Water System during such period, including but not limited to (a) all fees, tolls, assessments, rates and charges prescribed by the Board of Directors of the Borrower for the services and facilities of the Water System furnished by the Borrower, (b) all receipts derived from the investment of funds held by the Borrower or any trustee under the Installment Sale Agreement, (c) transfers from (but exclusive of any transfers to) the Rate Stabilization Fund (as defined in the Installment Sale Agreement), and (d) all moneys received by
the Borrower from other public entities whose inhabitants are served pursuant to contracts with the Borrower.

“Indemnified Parties” and “Indemnified Party” each has the meaning set forth in Section 5.2 hereto.

“Independent Consultant” means a consultant or firm of such consultants appointed by the Borrower and who, or each of whom, is judged by the Borrower to have experience in matters relating to the Water System and the financing of the Project, as appropriate and who, or each of whom:

(1) is independent of the Borrower;

(2) does not have any substantial interest, direct or indirect in the Borrower; and

(3) is not connected with the Borrower as an officer or employee of the Borrower, but who may be regularly retained to make annual or other reports to the Borrower.

“Installment Payments” means all installment payments payable by Borrower pursuant to the provisions of the Installment Sale Agreement.

“Installment Sale Agreement” means, collectively, (1) the Installment Sale Agreement dated as of May 1, 2011, between the Borrower and the PPFC, relating to the 2011 Certificates, (2) the Installment Sale Agreement dated as of July 1, 2013, between the Borrower and the PPFC relating to the 2013 Certificates, and (3) any similar installment sale agreement relating to Parity Obligations, including without limitation Parity Obligations issued for the purpose of effecting the COP Refunding and/or the Bank Term-Out Financing, as applicable, in each case as the same may be amended, modified, extended or restated from time to time.

“Kroll” means Kroll Bond Rating Agency.

“Law” or “Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“LIBOR Rate” has the meaning set forth in Section 5.5(a)(ii).

“Loan” or “Loans” has the meaning set forth in Section 2.1.

“Loan Documents” means this Agreement, the Note, the Fee and Pricing Agreement, the Resolution, the MACMAT and any documents related thereto and any amendments, restatements, modifications and replacements thereof.

“Long Term Debt” has the meaning provided in Section 7.14(b).
“MACMAT” means the Master Agreement for Cash Management and Transaction Services between the Borrower and the Bank, dated on or about the Effective Date, including all exhibits thereto, as the same may be amended or modified from time to time.

“Maintenance and Operation Expenses” means the reasonable and necessary costs spent or incurred by the Borrower for maintaining and operating the Water System, calculated in accordance with sound accounting principles, and all reasonable and necessary expenses of management and repair and other expenses to maintain and preserve the Water System in good repair and working order, and including all reasonable and necessary administrative costs of the Borrower attributable to the Water System and the this Agreement, such as salaries and wages and the necessary contribution to retirement of employees, overhead, insurance, taxes (if any), expenses, compensation and indemnification of any trustee, and fees of auditors, accountants, attorneys or engineers, and including all other reasonable and necessary costs of the Borrower or charges required to be paid by it to comply with the terms of this Agreement, but excluding: (i) depreciation, replacement and obsolescence charges or reserves therefor; (ii) the costs of the Borrower’s meter replacement program; (iii) the costs of the Borrower’s conservation rebate and incentive program; (iv) staffing costs related to capital projects; and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

“Material Adverse Change” means the occurrence of any event or change in circumstance that results in a material adverse effect on (a) the condition (financial or otherwise), results of operations or projections of revenues of the Water System, (b) the Pledged Revenues, (c) the validity and binding effect of any Loan Document, (d) the ability of the Borrower to timely perform its obligations under the Loan Documents or (e) the rights and remedies of the Bank under the Loan Documents.

“Material Adverse Effect” means (a) a material adverse effect on the condition (financial or otherwise), results of operations or projections of revenues of the Water System, (b) an impairment of the Pledged Revenues, (c) an impairment of the validity and binding effect of any Loan Document, (d) a material impairment of the ability of the Borrower to timely perform its obligations under the Loan Documents or (e) an impairment of the rights and remedies of the Bank under the Loan Documents.

“Maximum Annual Parity Debt Service” means, for any period of calculation, the maximum amount of Parity Debt Service due during such period.

“Maximum Commitment” means, on any date, the applicable Commitment Amount minus the aggregate amount of all reductions thereof effected pursuant to Section 9.2(b). The Maximum Commitment shall be reduced to zero upon the expiration or termination of the Commitment in accordance with the terms hereof.

“Moody’s” means Moody’s Investors Service, Inc.

“Net Revenues” means Gross Revenues less Maintenance and Operation Expenses.

“Note” has the meaning set forth in Section 2.3.

“OFAC” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.
“One-Month LIBOR Index Rate” is defined as a rate (rounded upward to the nearest 1/100th and adjusted for reserves required on Eurocurrency Liabilities for banks subject to FRB Regulation D or required by any other federal law or regulation) per annum equal at all times to the Applicable Percentage above the higher of: (1) zero percent (0.000%); or (2) the rate reported at 11:00 a.m. London time for the offering of one (1) month U.S. dollars deposits, by Bloomberg Information Services (or any successor or substitute service providing rate quotations comparable to those currently provided by such service, as determined by the Bank from time to time, for the purpose of providing quotations of interest rates applicable to dollar deposits in the London interbank market) on the first U.S. Banking Day in each week, with such rate to change weekly on such day. The rate will be reset automatically, without the necessity of notice being provided to the Bank, the Borrower, or any other party, on the first U.S. Banking Day of each succeeding week, and each change in the rate will be applicable to all balances subject to this option. Information about the then-current rate will be made available upon telephonic request.

“Other Funding” means all other sources of funds required or expected to be used by the Borrower, in addition to the SWRCB Funding and the WIFIA Funding, to fund the Project, including, without limitation, Borrower equity and funding from the United States Bureau of Reclamation.

“Other Funding Agreements” means, collectively, the agreement or agreements governing the Other Funding, as the same may be amended from time to time. For clarity, there are no “Other Funding Agreements” with respect to Borrower equity.

“Parity Debt Service” means, for any period of calculation, Debt Service on Parity Obligations during such period.

“Parity Obligations” means (i) the 2011 Certificates, (ii) the 2013 Certificates; (iii) any obligations issued to effect the COP Refunding, and (iv) any installment payments, leases, loans or other evidences of indebtedness payable from the Net Revenues on a parity with the 2011 Certificates and 2013 Certificates (or obligations issued to effect the COP Refunding), which may include the anticipated WIFIA Funding Agreements as and to the extent the same are permitted to be payable from the Net Revenues on a parity with the 2011 Certificates or 2013 Certificates (or obligations issued to effect the COP Refunding).

“Parity Obligation Instruments” means the Installment Sale Agreement and any other resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement, loan agreement or other instrument under which any Parity Obligation is issued or incurred.

“Participant” means any entity to which the Bank has granted a participation in the obligations of the Bank hereunder and of the Borrower hereunder and under the Note.

“Patriot Act” has the meaning set forth in Section 10.11.

“Payment Obligations” has the meaning provided in the Recitals hereto.

“Person” shall mean any individual, partnership, firm, corporation, limited liability company, association, joint venture, trust or other entity, or any government (or political subdivision or agency, department or instrumentality thereof).
“Pledge Conversion Date” means the first date on which either of the following has occurred: (a) the COP Refunding or (b) the Bank Term-Out Financing.

“Pledged Revenues” means (a) from the Effective Date to the Pledge Conversion Date, if any, the Net Revenues remaining after payment or setting aside of Net Revenues by the Borrower sufficient to pay Debt Service on all Parity Obligations when due and payable and (b) on and after the Pledge Conversion Date, if any, the Net Revenues.

“PPFC” means the Public Property Financing Corporation of California.

“Project” means a groundwater replenishment and seawater intrusion prevention project for the Water System known as the “Pure Water Soquel Project,” as well as other capital improvements, all of which is intended to be, and is eligible to be, permanently financed through the Funding Sources.

“Qualified Engineer” means a consulting engineer of recognized skill and experience in the field of engineering matters related to the construction and maintenance of systems similar to the Water System who is selected by the Borrower and approved by the Bank and who may be an employee of the Borrower. “Rating Agencies” means Fitch, Kroll, Moody’s and S&P and “Rating Agency” means Fitch, Kroll, Moody’s or S&P.

“Recipient” has the meaning set forth in Section 5.8(a) hereof.

“Request for Loan” has the meaning set forth in Section 2.2 hereof.

“Resolution” means resolution no. [_____] adopted by the Board of Directors of the Borrower on [June 2], 2020, together with any other resolutions or proceedings taken by such Board or the Borrower in connection with the execution and delivery of this Agreement, the Fee and Pricing Agreement, the Note and the other Loan Documents.

“Risk-Based Capital Guidelines” means (a) the risk-based capital guidelines in effect in the United States of America on the Effective Date, including transition rules, and (b) the corresponding capital regulations promulgated by regulatory authorities outside the United States of America including transition rules, and any amendment to such regulations adopted prior to the Effective Date.


“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC), the European Union, Her Majesty’s Treasury, or other relevant sanctions authority.

“Sanctioned Country” means at any time, a country or territory which is itself the subject or target of any Sanctions (including, without limitation, Cuba, Iran, North Korea, Sudan and Syria).

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations...
Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in clauses (a) and (b).

“Subordinate Debt” has the meaning provided in Section 8.2(c).

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“SWRCB” means the California State Water Resources Control Board.

“SWRCB Funding” means, collectively, not less than $50,000,000 of grant funding anticipated to be received by the Borrower for the Project from SWRCB, and not less than $30,000,000 of long-term loan funding anticipated to be received by the Borrower from SWRCB, all as described in the SWRCB Funding Agreements.

“SWRCB Funding Agreements” means, collectively, the agreement or agreements between the Borrower and SWRCB governing the SWRCB Funding, as the same may be amended from time to time.

“Taxable” means that interest paid or to be paid on a Loan or the Note is or will be includable for federal income tax purposes in the gross income of the Bank or any other holder of the Loans or the Note.

“Taxable Date” means the date on which interest on any Loan or the Note is first includable in gross income of the Bank or any holder of the Loans or the Note (including, without limitation, any previous holder) thereof as a result of a Determination of Taxability.

“Taxable Period” has the meaning set forth in Section 5.8(a) hereof.

“Taxable Rate” means, for any date of determination, the rate of interest per annum equal to the product of the interest rate on the Loans then in effect multiplied by a fraction, the numerator of which is one, and the denominator of which is the difference obtained by subtracting from one the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time, expressed as a decimal.
“Taxes” has the meaning provided in Section 5.9(b) hereto.

“Termination Date” means the earlier of (i) the Commitment Expiration Date, and (ii) the date the Commitment terminates by its terms in accordance with Section 9.2 hereof.

“United States” or “U.S.” means the United States of America.

“U.S. Banking Day” means a day on which the Bank is open for business and banks are open for business in New York, New York.

“Water System” means the existing water system of the Borrower, comprising all facilities for the transportation, treatment and distribution of water for the residential, commercial and industrial consumers of water in the territory of the Borrower, together with all additions, extensions and improvements thereto, including the Project.

“WIFIA Application” means the application submitted to the Borrower to the United States Environmental Protection Agency applying for and requesting the WIFIA Funding under the Water Infrastructure Finance and Innovation Act.

“WIFIA Funding” means the approximately $[________ ] of loan funding anticipated to be received by the Borrower for the Project from the United States Environmental Protection Agency as described in the WIFIA Funding Agreements.

“WIFIA Funding Agreements” means, collectively, the agreement or agreements governing the WIFIA Funding, as the same may be amended from time to time.

Section 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a consistent basis.

Section 1.3. Interpretation. The following rules shall apply to the construction of this Agreement unless the context requires otherwise: (i) the singular includes the plural, and the plural the singular; (ii) words importing any gender include the other gender; (iii) references to statutes are to be construed as including all statutory provisions consolidating and amending, and all regulations promulgated pursuant to, such statutes; (iv) references to “writing” include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible font; (v) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation;” (vi) references to the introductory paragraph, recitals, articles, sections (or clauses or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Agreement unless otherwise indicated; (vii) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not prohibited by the terms of this Agreement; (viii) section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose; (ix) references to Persons include their respective permitted successors and assigns; and (x) in the computation of a period of time from a specified date to a later specified
date, the word “from” means “from and including” and the words “to” and “until” each means “to but excluding.” All references to “funds” herein shall include all accounts and subaccounts therein unless the context clearly requires otherwise.

ARTICLE II
REVOLVING LOANS

Section 2.1. Loans; Use of Proceeds. Subject to the terms and conditions of this Agreement, the Bank agrees to make advances from time to time on any Business Day (each, a “Loan”), commencing on the Effective Date and ending on the Termination Date, in amounts not to exceed at any time outstanding the Available Commitment; provided, that (i) the Bank shall not be required to make more than one Loan on any Business Day, and (ii) each Loan requested shall be in an amount not less than $250,000. Each Loan shall be made solely for the purpose of providing funds to pay or reimburse the Borrower for payment of the costs of the acquisition, construction and installation of the Project pending receipt of funding for the same from the Funding Sources. The aggregate amount of all Loans made shall not exceed the applicable Available Commitment (calculated after giving effect to any Loan to be made on such date) at 9:00 am (Denver, Colorado time) on such date. Within the limits of this Section 2.1, the Borrower may borrow, repay and reborrow Loans. Upon any prepayment of a Loan, the Available Commitment shall be reinstated as set forth in the definition thereof.

Section 2.2. Procedure For Borrowing.

(a) In the event the Borrower desires to incur a Loan, the Borrower shall deliver to the Bank a written request for advance in the form attached hereto as Exhibit B with blanks appropriately completed and executed by an Authorized Representative (each, a “Request for Loan”) no later than 12:00 p.m. (Denver, Colorado time) on the Business Day of proposed borrowing date. A Request for Loan received by the Bank after 12:00 p.m. (Denver, Colorado time) on a Business Day shall be considered received on the next Business Day.

(b) The proceeds of each Loan shall be made available by the Bank by wire transfer of immediately available funds to the Borrower in accordance with the instructions set forth in the MACMAT.

(c) The initial Loan is expected to be made on the Effective Date in the amount of $INITIAL ADVANCE] based on an initial Request for Loan submitted by the Borrower in accordance with and subject to the terms of this Agreement; thereafter, additional Loans may be requested under Section 2.2(a) at any time on or after July 2, 2020, pursuant to additional Requests for Loan submitted by the Borrower in accordance with and subject to the terms of this Agreement.

Section 2.3. Note. The Loans shall be evidenced by a promissory note of the Borrower made in favor of the Bank in substantially the form set forth in Exhibit A hereto (as amended or supplemented from time to time, the “Note”) to be issued on the Effective Date, payable to the Bank in a principal amount up to the Available Commitment on the Effective Date and otherwise duly completed. All Loans made by the Bank and all payments and prepayments made on account of principal thereof shall be recorded by the Bank in its records.

Section 2.4. Interest; Default Rate.
(a) Interest shall accrue on each Loan from and including the date such Loan is made to and including the date the Bank is reimbursed in full therefor at the One-Month LIBOR Index Rate.

(b) Accrued interest on each Loan shall be due and payable semiannually in arrears on the 1st day of March and September of each year, commencing on September 1, 2020, on each date of prepayment, and on the Termination Date.

(c) Notwithstanding anything to the contrary contained herein, from and after any Taxable Date, the interest rate on the Loans shall be established at a rate equal to the Taxable Rate.

(d) Any and all amounts remaining unpaid when due under this Agreement shall bear interest at the Default Rate until repaid and shall be payable upon demand. Any such amounts which constitute interest remaining unpaid when due shall be added to principal, and such interest shall, in turn, bear interest at the Default Rate until repaid and shall be payable upon demand. Any sum payable by the Borrower to the Bank hereunder upon the occurrence or during the continuance of any Event of Default hereunder shall bear interest at the Default Rate.

Section 2.5. Repayment of Loans. The principal of each Loan shall be repaid in full on the Termination Date.

Section 2.6. Prepayment of Loans. The Borrower: (a) may prepay all or any portion of the Note without prepayment premium; and (b) will prepay the loan(s) hereunder in full upon receipt by the Borrower of its final disbursement of funds from the SWRCB Funding and the WIFIA Funding. Full repayment under this provision will evidence the Borrower’s request for cancellation of the Commitment. All prepayments of principal shall include accrued interest to the date of prepayment and all other amounts due pursuant to this Agreement.

ARTICLE III
CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent. The obligations of the Bank to make the Commitment available hereunder shall be subject to the fulfillment of each of the following conditions precedent on or before the Effective Date in a manner satisfactory to the Bank in its sole discretion:

(a) The Bank shall have received fully executed originals of this Agreement, the Fee and Pricing Agreement and the Note and fully executed and, where required, acknowledged copies of the other Loan Documents certified by an Authorized Representative as true, correct and complete copies of such other Loan Documents.

(b) The Bank shall have received a duly completed and executed copy of the MACMAT and, as applicable, any other banking service agreement, including any agreement relating to the provision by the Bank of cash management services, as required by the Bank from time to time. The Bank will be entitled to rely on (and will incur no liability to the Borrower in acting on) any request or direction furnished in accordance with the terms thereof.
The Bank shall have received a copy of the Resolution of the Borrower authorizing the execution and delivery of this Agreement, the Fee and Pricing Agreement, and the Note, certified as of the Effective Date by the Secretary to the Borrower.

The Bank shall have received certified copies of all approvals, authorizations and consents (and if applicable, copies of any certifications and documentation required to be delivered to such parties, regardless of whether consent is required) of any trustee, or holder of any indebtedness or obligation of the Borrower or any Governmental Authority necessary for the Borrower to enter into each of the Loan Documents and the transactions contemplated herein and therein, if any.

The following statements shall be true and correct on the Effective Date, and the Bank shall have received a certificate incorporating by reference the definitions of the capitalized terms defined in this Agreement, signed by an Authorized Representative, dated the Effective Date, certifying the name, incumbency and specimen signature of each individual authorized under the Resolution to sign this Agreement, the Fee and Pricing Agreement, the Note and the other Loan Documents and the other documents or certificates to be delivered by the Borrower pursuant hereto or thereto, on behalf of the Borrower on which the Bank may conclusively rely until a revised certificate is similarly delivered and also stating that:

1. the representations and warranties of the Borrower contained in each of the Loan Documents and each certificate, letter, other writing or instrument delivered by the Borrower to the Bank pursuant hereto or thereto are true and correct on and as of the Effective Date as though made on and as of such date;

2. no Default or Event of Default has occurred and is continuing or would result from the execution and delivery of this Agreement or the making of the Commitment;

3. no default or event of default with respect to the Parity Obligations then-outstanding or under any Parity Obligation Instrument, however designated, has occurred and is continuing or would result from the execution and delivery of this Agreement or the making of this Commitment; and

4. there has been no Material Adverse Change since June 30, 2019 and the Borrower has not become aware of the occurrence of any event or circumstance which could reasonably be expected to have a Material Adverse Effect.

The Bank shall have received an opinion addressed to the Bank and dated the Effective Date of counsel to the Borrower as to the due adoption of the Resolution and the due authorization, execution and delivery, validity and enforceability with respect to the Borrower of this Agreement, the Fee and Pricing Agreement and the Note and the other Loan Documents, and such other matters as the Bank may reasonably request, in form and substance satisfactory to the Bank.

The Bank shall have received an opinion addressed to the Bank and dated the Effective Date of Bond Counsel (i) as to the due authorization, execution and delivery, validity and enforceability with respect to the Borrower of this Agreement and the Note, (ii) as to the validity of the pledge of the Pledged Revenues to secure the Payment Obligations as described in
Section 4.1 hereof, (iii) to the effect that interest on the Loans and the Note will not be included in gross income of the Bank thereof for federal tax purposes, and (iv) addressing such other matters as the Bank may reasonably request, in form and substance satisfactory to the Bank.

(h) The Bank shall have received a copy of the most recent unaudited financial statements for the Water System and the audited financial statements for the Water System for Fiscal Years ending June 30, 2019, 2018 and 2017, a copy of the Borrower’s investment policy in effect on the Effective Date and a copy of the most recent annual operating budget of the Water System.

(i) All necessary action on the part of the Borrower shall have been taken to create a valid pledge of and lien on the Pledged Revenues to secure the Payment Obligations as described in Section 4.1 hereof.

(j) The Bank shall have received evidence satisfactory to the Bank that the Borrower maintains with responsible insurers all such insurance on the Water System required by Section 7.12 hereof and evidence satisfactory to the Bank that the Bank will receive thirty (30) days’ prior written notice of any cancellation of any such insurance policy and evidence satisfactory to the Bank that all premiums necessary to be paid for the effectiveness of such insurance have been paid by the Borrower.

(k) The fees and expenses of the Bank and its counsel shall have been paid or the Bank shall be reasonably satisfied that payment will be made promptly after demand therefor after the Effective Date.

(l) All other legal matters pertaining to the execution and delivery of each of the Loan Documents and the adoption and implementation of the Resolution shall be reasonably satisfactory to the Bank and its counsel.

(m) The Bank shall have received such other documents, certificates, opinions, approvals and filings with respect to this Agreement, the Fee and Pricing Agreement, the Note, the other Loan Documents, and the Pledged Revenues, as the Bank may reasonably request.

Section 3.2. Conditions Precedent to Each Loan. The obligation of the Bank to make a Loan on any date (the “Borrowing Date”) is subject to satisfaction of the following conditions: (i) the Bank shall have timely received a duly completed and executed Request for Loan, (ii) all representations and warranties of the Borrower as set forth in Article VI hereof are true and correct on the Borrowing Date as though made on the Borrowing Date and no Default or Event of Default shall have occurred and be continuing on the Borrowing Date (both before and after giving effect to the making of the requested Loan on the Borrowing Date), and (iii) the Commitment and the obligation of the Bank to make Loans hereunder shall not have terminated pursuant to Section 9.2 hereof. Unless specifically stated by the Borrower in a Request for Loan, delivery to the Bank of a Request for Loan shall be deemed to constitute a representation and warranty by the Borrower that on the date of such Request for Loan and on the Borrowing Date each such condition is satisfied.
ARTICLE IV
SECURITY AND PLEDGE

Section 4.1. Security and Pledge.

(a) Pledge of Pledged Revenues. To secure the payment of all Payment Obligations, the Borrower hereby pledges, places a lien upon, grants to the Bank a security interest in, and assigns to the Bank the Pledged Revenues.

(b) Priority Prior to Pledge Conversion Date. From the Effective Date to the Pledge Conversion Date, if any, such lien as it relates to Net Revenues is senior to all liens other than the lien of the Installment Sale Agreement and the Parity Obligation Instruments securing the payment of the Parity Obligations.

(c) Priority From and After Pledge Conversion Date. From and after the Pledge Conversion Date, if any, such lien as it relates to Net Revenues will be a Parity Obligation, equal in status and priority to the lien of the Installment Sale Agreement and Parity Obligation Instruments securing the payment of the Parity Obligations.

(d) General. No filing, registering, recording or publication of this Agreement or any other Loan Document is required to establish the pledge hereunder or to perfect, protect or maintain the lien created hereby on the Pledged Revenues. The pledge and lien hereby granted shall remain effective for so long as any Payment Obligations remain unpaid. No obligations of the Borrower are entitled to the benefit of a prior lien and charge on any portion of the Pledged Revenues (other than the payment of the Parity Obligations, but only prior to the Pledge Conversion Date).

ARTICLE V
LIABILITY, INDEMNITY AND PAYMENT

Section 5.1. Liability of the Borrower. The Borrower and the Bank agree that the obligation of the Borrower to pay the Payment Obligations are contractual obligations of the Borrower payable solely from the Pledged Revenues, shall not constitute a pledge of the full faith and credit of the Borrower or a general obligation of the Borrower. The obligations of the Borrower to pay the Payment Obligations shall not be affected by, and the Bank shall not be responsible for, among other things, (i) the validity, genuineness or enforceability of this Agreement, the Note or documents, notices or endorsements relating thereto (even if this Agreement or any documents, notices endorsements relating thereto should in fact prove to be in any and all respects invalid, fraudulent or forged), (ii) the use to which the amounts disbursed by the Bank may be put, or any other circumstances or happenings whatsoever, whether or not similar to any of the foregoing.

Section 5.2. Indemnification by the Borrower.

(a) To the fullest extent permitted by law, the Borrower agrees to indemnify, defend and hold harmless the Bank, the Participants and their respective officers, directors, employees, representatives and agents (collectively, the “Indemnified Parties” and, individually, an “Indemnified Party”), from and against any and all claims, damages, penalties, actions,
judgments, suits, disbursements, losses, liabilities, costs or expenses whatsoever (including reasonable attorneys’ fees) which any of them may incur (or which may be claimed against any of them by any Person) as a result of, or arising out of, or in any way related to, or by reason of or in connection with (i) the execution, delivery and performance of the Loan Documents, (ii) the application of the proceeds of Loans, (iii) any breach by the Borrower of any warranty, covenant, term or condition in, or the occurrence of any default under, any of the Loan Documents, together with all reasonable expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default, (iv) any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain the Bank from paying any amount under this Agreement (other than actions or proceedings instituted by or on behalf of the Bank), (v) any investigation, litigation or other proceeding (whether or not the Bank or any Participant is a party thereto) related to the entering into and/or each performance of any of the Loan Documents or the use of the proceeds of any Loan, or (vi)(A) any condition of the Water System, including without limitation, any environmental condition, (B) the construction, reconstruction, improvement, use, occupancy, conduct or management of or any work or anything whatsoever done or omitted to be done in or about the Water System or (C) any accident, injury or damage whatsoever to any person occurring in or about the Water System; provided, that the Borrower shall not be required to indemnify the Bank for any claims, damages, penalties, actions, judgments, suits, disbursements, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank (as determined by a final order of a court of competent jurisdiction) in determining whether a Request for Loan presented hereunder complied with the terms hereof.

(b) The obligations of the Borrower hereunder shall include, but not be limited to (i) the burden and expense of defending all claims, suits and administrative proceedings (with counsel chosen by the Borrower and reasonably approved by the Indemnified Parties), even if such claims, suits or proceedings are groundless, false or fraudulent, (ii) conducting all negotiations of any description, and (iii) paying and discharging, when and as the same become due, any and all claims, damages, penalties, actions, judgments, suits, disbursements, losses, liabilities, costs or expenses due from or rendered against the Indemnified Parties.

(c) The Borrower’s obligations under this Section shall survive the termination of the Loan Documents and payment of all Loans hereunder.

Section 5.3. Increased Costs.

(a) If any Change in Law shall:

(i) subject the Bank or any Participant to any tax, charge, fee, deduction or withholding of any kind with respect to its loans, loan principal, commitments or other obligations, or its deposits, reserves other liabilities or capital attributable thereto (other than any tax measured by or based upon the overall net income of the Bank or any Participant);

(ii) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by the Bank or any Participant (except any reserve requirement reflected in the One-Month LIBOR Index Rate);
(iii) change the basis of taxation of payments due the Bank or any Participant under this Agreement or any other Loan Document (other than a change in taxation of the overall net income of the Bank or a Participant); or

(iv) impose upon the Bank or any Participant or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by the Bank or any participation therein,

and the result of any of the foregoing is to increase the cost to the Bank or any Participant of making or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by the Bank or any such Participant hereunder (whether of principal, interest or any other amount), then, upon the written request of the Bank, the Borrower shall not later than 30 days after notice and demand pay to the Bank or such Participant, as the case may be, such an amount or amounts as will compensate the Bank or such Participant for such additional costs incurred or reduction suffered. A certificate setting forth in reasonable detail such additional costs incurred or reduction as a result of any event mentioned in this paragraph shall be submitted by the Bank or such Participant to the Borrower and such certificate shall, in the absence of manifest error, be conclusive as to the amount thereof.

(b) In addition to the foregoing, if after the Effective Date the Bank or any Participant shall have determined that any Change in Law affecting the Bank or such Participant or any lending office of the Bank or such Participant or such Bank’s or such Participant’s holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on the Bank’s or such Participant’s capital or on the capital of the Bank’s or such Participant’s holding company, if any, as a consequence of this Agreement, the Commitment or the Loans made by the Bank to a level below that which the Bank or such Participant or the Bank’s or such Participant’s holding company could have achieved but for such Change in Law (taking into consideration the Bank’s or such Participant’s policies and the policies of the Bank’s or such Participant’s holding company with respect to capital adequacy), then, from time to time upon the written request of the Bank, the Borrower shall not later than 30 days after notice and demand pay to the Bank or such Participant, as the case may be, such additional amount or amounts as will compensate the Bank or such Participant or the Bank’s or such Participant’s holding company for any such reduction suffered. A certificate setting forth in reasonable detail such reduction in the rate of return on capital, or such capital increase, of the Bank or such Participant or the Bank’s or such Participant’s holding company as a result of any event mentioned in this paragraph shall be submitted by the Bank or such Participant to the Borrower and such certificate shall, in the absence of manifest error, be conclusive as to the amount thereof.

(c) Notwithstanding anything in this Section to the contrary, if such costs are to be incurred on a continuing basis and the Bank or a Participant shall so notify the Borrower in writing as to the amount thereof, such costs shall be paid by the Borrower monthly in arrears.

(d) The Borrower’s obligations under this Section shall survive the termination of the Loan Documents and payment of all Loans hereunder.

Section 5.4. Illegality. If the Bank determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for the Bank or its applicable
lending office to perform any of its obligations hereunder or make, maintain or fund or charge
interest with respect to any Borrowing or to determine or charge interest rates based upon the
London interbank market, or any Governmental Authority has imposed material restrictions on the
authority of the Bank to purchase or sell, or to take deposits of, U.S. dollars in the London interbank
market, then, on notice thereof by the Bank to the Borrower, any obligation of the Bank to issue,
make, maintain or fund with respect to any Borrowing shall be suspended until the Bank notifies
the Borrower that the circumstances giving rise to such determination no longer exist. Upon
receipt of such notice, the Borrower shall, upon demand from the Bank, prepay all Loans. Upon
any such prepayment, the Borrower shall also pay accrued interest on the amount so prepaid.

Section 5.5. Inability to Determine Rates.

(a) Temporary Inability.

(i) Except in the case of circumstances described in Section 5.5(b), if
in connection with any request for a Loan, (A) the Bank determines that (1) U.S. dollar deposits
are not being offered to banks in the London interbank market as necessary for the establishment
of the One-Month LIBOR Index Rate, or (2) adequate and reasonable means do not exist for
determining the One-Month LIBOR Index Rate with respect to a proposed Loan (in each case with
respect to clause (A) above, “Impacted Loans”), or (B) the Bank determines that for any reason
the One-Month LIBOR Index Rate with respect to a proposed Loan does not adequately and fairly
reflect the cost to the Bank of funding such Loan, the Bank will promptly so notify the Borrower.
Thereafter, (x) the obligation of the Bank to make or maintain Loans shall be suspended (to the
extent of the affected Loans) until the Bank revokes such notice. Upon receipt of such notice, the
Borrower may revoke any pending request for a Borrowing (to the extent of the affected Loans).

(ii) If at any time the generally recognized administrator of interest rates
offered for U.S. dollars on the London interbank market (a “LIBOR Rate”) ceases to provide
quotations for LIBOR Rates, or if such administrator or any person having authority over such
administrator or with respect to LIBOR Rates generally announces that LIBOR Rates will cease
to be provided within a period not exceeding 90 days, or if the Bank otherwise determines that
LIBOR Rates have been, or are likely within a period not exceeding 90 days to be, discontinued,
or that LIBOR Rates do not, or are likely within a period not exceeding 90 days not to, adequately
and fairly reflect the cost to the Bank of making or maintaining loans hereunder, then the Bank
may, after consultation with but without the consent of the Borrower, amend this Agreement and
any other Loan Document to (1) replace any interest rate in this Agreement based upon the LIBOR
Rate with a replacement benchmark rate deemed appropriate by the Bank in good faith and in its
sole discretion, (2) adjust the margins applicable to the determination of interest rates under this
Agreement (whether up or down) as deemed appropriate by the Bank in good faith and in its sole
discretion to compensate for differences between the LIBOR Rate and such replacement
benchmark rate, and (3) after consultation with but without the consent of the Borrower, effect
such other technical, administrative and operational changes to the Loan Documents as the Bank
in good faith and in its sole discretion deems appropriate to reflect the adoption and
implementation of such replacement rate. The Bank shall give the Borrower not less than five
days’ notice of any such amendment prior to the effective date thereof.
(b) **Non-Temporary Inability.** Notwithstanding the foregoing, if prior to the commencement of any interest period proposed to be subject to a LIBOR Rate, the Bank determines (which determination shall be conclusive and binding absent manifest error) that:

1. either dollar deposits are not being offered to banks in the London interbank market or that adequate and reasonable means do not exist for ascertaining a LIBOR Rate for such interest period; or

2. a LIBOR Rate for such interest period will not adequately and fairly reflect the cost to the Bank of making or maintaining the loans for such interest period;

then the Bank shall give notice thereof to the Borrower as promptly as practicable thereafter and, until the Bank notifies the Borrower that the circumstances giving rise to such notice no longer exist, and the Bank shall, after consultation but without the consent of the Borrower, select an alternate rate of interest to apply to any and all balances upon the expiration of the interest period applicable thereto, which rate of interest shall be commercially reasonable and generally consistent with the then-prevailing market convention, if any, for replacement of a LIBOR Rate in bilateral loan transactions.

Section 5.6. **Calculation of Interest and Fees; Maximum Interest Rate; Default Rate.**

(a) Interest and fees payable hereunder shall be calculated on the basis of a year of 360 days based on the actual number of days elapsed.

(b) Any and all amounts remaining unpaid when due under this Agreement, the Fee and Pricing Agreement and/or the Note and other Loan Documents shall bear interest at the Default Rate until repaid and shall be payable upon demand. Any such amounts which constitute interest remaining unpaid when due shall be added to principal, and such interest shall, in turn, bear interest at the Default Rate until repaid and shall be payable upon demand. Any sum payable by the Borrower to the Bank hereunder upon the occurrence or during the continuance of any Event of Default hereunder shall bear interest at the Default Rate.

(c) To the extent permitted by law, in the event that a rate of interest required to be paid by the Borrower under this Agreement, the Fee and Pricing Agreement, the Note or any other Loan Document shall exceed a maximum rate established by law, any subsequent reduction in the rate of interest required to be paid by the Borrower hereunder, under the Fee and Pricing Agreement, under the Note or any other Loan Document will not reduce the rate of interest below the maximum rate established by law until the total amount of interest accrued equals the amount of interest which would have accrued if the rate of interest required hereunder, under the Fee and Pricing Agreement, under the Note or under any other Loan Document (without giving effect to this paragraph) had at all times been in effect. Upon the date on which all amounts payable on the Loans or other Payment Obligations are due and payable, and otherwise immediately upon the Termination Date, in consideration for the limitation of the rate of interest otherwise payable under this Agreement, the Fee and Pricing Agreement, the Note or any other Loan Document, the Borrower shall pay to the Bank a fee equal to the amount of all such unpaid interest which would have accrued if the rate of interest required hereunder, under the Fee and Pricing Agreement, under
the Note or under any other Loan Document (without giving effect to this paragraph) had at all times been in effect.

(d) All amounts paid pursuant to this Agreement shall be non-refundable and shall be paid in immediately available funds.

Section 5.7. Fees and Expenses; Fee and Pricing Agreement. The Borrower agrees to pay the fees and expenses in the amounts, at the times and to the Person or Persons set forth in the Fee and Pricing Agreement which, by this reference, is incorporated herein as if set forth herein in its entirety.

Section 5.8. Determination of Taxability.

(a) In the event a Taxable Date occurs, in addition to (but not in duplication of) the amounts required to be paid pursuant to the Loan Documents, the Borrower hereby agrees to pay to the Bank or, if the Loans and/or the Note are held by any other Person, such other Person as applicable (the Bank and/or such other Person, the “Recipient”), on demand therefor (i) an amount equal to the difference between (A) the amount of interest paid to the Recipient during the period in which interest on the Loans and/or the Note is includable in the gross income of the Recipient beginning on the Taxable Date (the “Taxable Period”) and (B) the amount of interest that would have been paid to the Recipient during such Taxable Period had the Loans and/or the Note borne the Taxable Rate, and (ii) an amount equal to any interest, penalties or charges owed by the Recipient as a result of interest of the Loans and/or the Note becoming includable in the gross income of the Recipient, together with any and all attorneys’ fees, court costs, or other out of pocket costs incurred by the Recipient in connection therewith.

(b) Subject to the provisions of subsections (c) and (d) below, the Recipient shall afford the Borrower the opportunity, at the Borrower’s sole cost and expense, to contest (i) the validity of any amendment to the Code which causes the interest on the Loans and/or the Note to be includable in the gross income of the Recipient or (ii) any challenge to the validity of the tax exemption with respect to the interest on the Loans and/or the Note, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals).

(c) As a condition precedent to the exercise by the Borrower of its right to contest set forth in subsection (b) above, the Borrower shall, on demand, immediately reimburse the Recipient for (i) any and all expenses (including attorneys’ fees for services that may be required or desirable, as determined by the Recipient in its sole discretion) that may be incurred by the Recipient in connection with any such contest, and (ii) any and all penalties or other charges payable by the Recipient for failure to include such interest in its gross income.

(d) The obligations of the Borrower under this Section shall survive the termination of this Agreement and the payment in full of the Loans and the Note.

Section 5.9. Form and Method of Payments; Late Payment; Net Payments.

(a) The Borrower’s obligation to repay each Loan will be evidenced by the Note. The Bank will maintain a record of all Loans, the interest accrued thereon, and all payments made with respect thereto, and such record will, absent proof of manifest error, be conclusive
证据的未偿还本金和利息。付款在票据下将由银行指定的自动清算系统（ACH）或其它类似现金处理过程进行，除非另有约定。自动清算系统（ACH）付款应在丹佛当地时间下午12点前发出通知。如借款人计划于下午3点后付款，应于次日以银行指定的账户方式支付。

(b) 所有付款将免费清偿，不扣除或预扣任何现有或未来的税款、税金、税项、费用、评估或其他成本，无论现在或将来由任何管辖权或其政治分支机构或征税机关颁布（但不包括任何税款，除非该税款是在总体净收入的基础上征收的），所有利息、罚款或其他类似负债，包括但不限于“税款”；提供，然而，借款人将不承担任何与税款相关的责任，除非（i）银行或其参与者根据适用法律应享受任何税收减免，或者（ii）根据任何票据的条款，所有利息和其它金额将有效连接到银行或其参与者，从事与美国一个行业或业务相关的贸易或业务。如果任何税款被征收或征收，借款人同意支付全部税款，并在银行或其参与者要求时，赔偿银行或其参与者请求，因银行或其参与者所支付税款而支付的金额。

Section 5.10. Liability of the Bank. Neither the Bank nor any of its officers, directors, employees, representatives or agents shall be liable or responsible for (i) the use which may be made of any Loans or this Agreement or for any acts, omissions, errors, interruptions, delays in transmission, dispatch or delivery of any message or advice, however transmitted, of the Bank in
connection with this Agreement or the Note, (ii) any action, inaction or omission which may be taken by the Bank in connection with this Agreement or the Note, (iii) the validity, sufficiency or genuineness of documents, or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, (iv) payment by the Bank against presentation of documents which do not comply with the terms of this Agreement or a Request for Loan, including failure of any documents to bear any reference or adequate reference to this Agreement, or (v) any other circumstances whatsoever in making or failing to make payment under this Agreement or pursuant to a Request for Loan, except for acts or events described in the immediately preceding clauses (i) through (v), to the extent, but only to the extent, of any direct, as opposed to special, indirect, consequential or punitive, damages (the right to receive special, indirect, consequential or punitive damages being hereby waived) suffered by it which the Borrower proves were caused by (x) the Bank’s willful misconduct or gross negligence in determining whether documents presented under this Agreement comply with the terms of this Agreement or (y) the Bank’s failure to pay hereunder after the presentation to it of a Request for Loan strictly complying with the terms and conditions of this Agreement, in each case as determined by a final order of a court of competent jurisdiction. The Borrower further agrees that any action taken or omitted by the Bank under or in connection with this Agreement or the related documents, if done without gross negligence, shall be effective against the Borrower as to the rights, duties and obligations of the Bank and shall not place the Bank under any liability to the Borrower. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 5.11. Obligations Unconditional. The Borrower’s obligation to repay the Loans and to perform and observe all of its other obligations under the Loan Documents shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have against the Bank, any Participant, or any other Person, including, without limitation, any defense based on the failure of any non-application or misapplication of the proceeds of Loans hereunder, and irrespective of the legality, validity, regularity or enforceability of this Agreement, the Note or any or all other Loan Documents, and notwithstanding any amendment or waiver of (other than an amendment or waiver signed by the Bank explicitly reciting the release or discharge of any such obligation), or any consent to, or departure from, this Agreement, the Note or any or all other Loan Documents or any exchange, release, or non-perfection of any collateral securing the obligations of the Borrower under the Loan Documents and any other circumstances or happening whatsoever, whether or not similar to any of the foregoing; provided, however, that nothing contained in this Section 5.11 shall abrogate or otherwise affect the rights of the Borrower pursuant to Section 5.10 hereof.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into and perform this Agreement, the Borrower represents and warrants as of the Effective Date, as of the date of each Request for Loan and as of each Borrowing Date, with respect to itself, this Agreement and certain matters as follows:

Section 6.1. Organization Existence. The Borrower is a county water district duly organized and validly existing under the laws of the State of California, including the Act.
Section 6.2. **Power and Authority.** The Borrower has and had at the time of adoption, execution, delivery, issuance, sale or performance full power, right and authority to (i) execute, deliver and perform its obligations hereunder, under the Fee and Pricing Agreement and under the Note and each of the other Loan Documents, and any and all instruments and documents required to be executed, adopted or delivered pursuant to or in connection herewith or therewith, (ii) pledge the Pledged Revenues to the Bank as security for the Payment Obligations, (iii) pay the Payment Obligations at the times and in the manner set forth herein, (iv) own and operate the Water System, and (v) perform each and all of the matters and things herein and therein provided for and the Borrower has complied with the laws of the State of California in, all matters relating to such execution, delivery and performance.

Section 6.3. **Due Authorization.** This Agreement, the Fee and Pricing Agreement, the Note and each of the other Loan Documents and the performance by the Borrower of its obligations hereunder and thereunder have been duly authorized by the Borrower.

Section 6.4. **Necessary Actions Taken.** The Borrower has taken all actions necessary to be taken by it (i) for the adoption, execution, adoption and delivery by the Borrower of any and all such other instruments and the taking of all such other actions on the part of the Borrower as may be necessary or appropriate for the effectuation and consummation of the transactions on the part of the Borrower contemplated by the Loan Documents or in connection herewith or therewith and (ii) to authorize or approve, as appropriate, the execution or adoption, issuance and delivery of, and the performance of its obligations under and the transactions contemplated by, each of the Loan Documents and the payment of the Payment Obligations at the times and in the manner set forth herein.

Section 6.5. **Binding Effect.** The Resolution has been duly adopted and is in full force and effect. This Agreement, the Fee and Pricing Agreement, the Note and each of the other Loan Documents has been duly authorized, executed and delivered by the Borrower and each constitutes a legal, valid and legally binding obligation of the Borrower, which obligation is enforceable in accordance with its terms, and the payment of the Payment Obligations is, and shall continue to be, a contractual obligation of the Borrower for which the Pledged Revenues are pledged as provided in the Loan Documents, except to the extent that enforceability may be limited by (a) the effect of any applicable bankruptcy, insololvency, reorganization, moratorium or similar law affecting creditors’ rights generally, and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). There is no consent, approval, authorization or other order of, filing with, registration with, or certification by, any regulatory authority having jurisdiction over the Borrower and no election or referendum of or by any Person, organization or public body whatsoever required in connection with any of the foregoing actions or the performance by the Borrower of its obligations under the Loan Documents that has not be obtained. Following the expiration of any period during which the Resolution may be subject to referendum under State of California law, there are no provisions of State of California law which would allow, as of the date hereof or any date subsequent hereto, any public vote or referendum, the results of which could invalidate this Agreement, the Note or any other Loan Document or invalidate, limit or condition the obligation of the Borrower to pay the Payment Obligations to the Bank or any other obligation or pledge undertaken hereunder or in connection with the transactions contemplated by the Loan Documents.
Section 6.6. **No Contravention.** The adoption of the Resolution and the execution and delivery of this Agreement, the Fee and Pricing Agreement, the Note and each of the other Loan Documents, and compliance with the provisions hereof and thereof, do not and will not conflict with or result in a violation of the Constitution or the laws of the State of California, including the Act and any debt limitations or other restrictions or conditions on the debt-issuing power of the Borrower, and do not and will not conflict with or result in a violation of, or breach of, or constitute a default under, any law, judgment, order, decree or administrative regulation or any ordinance, judgment, decree, contract, loan agreement, note, bond, resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the Borrower is a party or by which it or any property of the Borrower is bound and do not and will not result in the imposition or creation of any lien, charge, or encumbrance upon or invalidate or adversely affect in any way the Pledged Revenues. The Borrower has not received any notice, not subsequently withdrawn, given in accordance with the remedy provisions of any bond resolution or ordinance, trust indenture, guarantee or agreement or state law pertaining to bonds or notes, of any default or event of default of the Borrower which has not been cured.

Section 6.7. **Compliance with Law; Employee Benefit Plan Compliance.** The current collection of the Pledged Revenues and the management of the Water System and the accounting and recordkeeping therefor are in material compliance with all applicable state and federal laws and all applicable resolutions, ordinances and rules of the Borrower. The Borrower is in material compliance with the terms of the employee benefit plans in which the Borrower or any of its employees participate. Neither the Borrower nor any employee benefit plan maintained by the Borrower, or to which the Borrower contributes (or has contributed) or is required to contribute, is subject to the Employee Retirement Income Security Act of 1974, as amended.

Section 6.8. **Compliance; No Breach.** The Borrower is in compliance with the terms and conditions of each of the Loan Documents, and no breach of the terms hereof or thereof has occurred and is continuing, and no Default or Event of Default has occurred and is continuing.

Section 6.9. **No Default.** No default by the Borrower has occurred and is continuing in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued by the Borrower with a lien on any portion of the Pledged Revenues. No bankruptcy, insolvency or other similar proceedings pertaining to the Borrower or any agency or instrumentality of the Borrower are pending or contemplated. The Borrower is not in default under any other contract, loan agreement, note, bond, resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the Borrower is a party or by which it or any property of the Borrower is bound, which default could have a Material Adverse Effect.

Section 6.10. **No Public Vote or Referendum; Pending Legislation and Decisions.** To the best knowledge of the Borrower, there is no public vote or referendum pending, proposed or concluded, the results of which could in any way adversely affect the transactions contemplated by the Loan Documents, or the validity or enforceability of the Loan Documents. To the knowledge of the Borrower, there is no amendment, or proposed amendment to the Constitution of the State of California or any State of California law or any administrative interpretation of the Constitution of the State of California or any State of California law, or any legislation that has passed either house of the legislature of the State of California, or any judicial decision interpreting
any of the foregoing, the effect of which could in any way adversely affect the transactions contemplated by the Loan Documents, or the validity or enforceability of the Loan Documents.

Section 6.11. **No Immunity.** The Borrower is not entitled to raise the defense of sovereign or governmental immunity in connection with any legal proceedings to enforce or collect upon this Agreement or the Note or the transactions contemplated hereby or thereby, including the payment of the Payment Obligations.

Section 6.12. **Litigation.** There is no action, suit, inquiry, investigation or proceeding at law or in equity pending, or to the best knowledge of the Borrower, threatened, against or affecting the Borrower or the Water System before any court, governmental agency, authority, arbitrator or administrative or governmental body which (i) could result in a Material Adverse Effect, (ii) which in any manner draws into question the validity or enforceability of this Agreement, the Note or any other Loan Document, the pledge of the Pledged Revenues or the priority of any lien in favor of the Bank, (iii) which in any way affects the existence, organization or powers of the Borrower or any elected official thereof to execute and deliver any of this Agreement, the Note or the other Loan Documents or perform the obligations thereunder or contemplated thereby, (iv) affects the title of any official of the Borrower to such Person’s office, (v) seeks to restrain or enjoin the collection or the pledge of the Pledged Revenues to pay the Payment Obligations at the times and in the manner set forth in the Loan Documents, (vi) in any way contests or affects the validity or enforceability of any of this Agreement, the Note or the other Loan Documents, (vii) contests in any way the powers or authority of the Borrower with respect to any of this Agreement, the Note or the other Loan Documents, or (viii) which could materially adversely affect the ability of the Borrower to timely comply with its obligations under or in respect of any of this Agreement, the Note or the other Loan Documents or in connection with the transactions contemplated hereby or thereby.

Section 6.13. **Disclosure.** Neither the Loan Documents nor any other document, certificate or statements (including the unaudited financial statements, budgets, projections and cash flows, and the WIFIA Application, each as provided to the Bank on or prior to the Effective Date) of the Borrower and the Water System furnished to the Bank by or on behalf of the Borrower in connection with the transactions contemplated hereby, or thereby contains any untrue statement of any material fact or omits to state any material fact necessary so as to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

Section 6.14. **Financial Information.** The Borrower has delivered to the Bank a copy of the audited financial statements for the Water System for the most recently completed Fiscal Year. These together with related notes, fairly present the condition (financial or otherwise), results of operations and projections of revenues of the Water System as of the date and for the periods therein set forth. All such financial statements have been prepared in accordance with generally accepted accounting principles for government entities consistently applied. There has been no Material Adverse Change since the last day of the Fiscal Year set forth in such financial statements. The Borrower has no material contingent liabilities or other material contracts or commitments relating to the Water System which are not reflected in such financial statements or in the notes thereto. The annual operating budget of the Water System and any supplements thereto for the current Fiscal Year, a true and complete copy of which has been delivered to the Bank, fairly
presents the anticipated income and expenses of the Water System and the Pledged Revenues for such Fiscal Year.

Section 6.15. **Official Signatures.** The Authorized Representative, on behalf of the Borrower, has full power and authority to execute, deliver and perform under each of the Loan Documents. Any agreement, certificate or request signed by or on behalf of any Authorized Representative and delivered to the Bank shall be deemed a representation and warranty by the Borrower to the Bank as to the truth, accuracy and completeness of the statements made by the Borrower therein.

Section 6.16. **Incorporation of Representations and Warranties by Reference.** The Borrower hereby makes to the Bank the same representations and warranties made by the Borrower in the Installment Sale Agreement, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Bank with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to the Installment Sale Agreement shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the prior written consent of the Bank.

Section 6.17. **Swap Contracts.** The Borrower has not entered into any Swap Contract under which a termination payment would be required to be paid from any portion of the Pledged Revenues on basis senior to, or on parity with, the lien on the Pledged Revenues securing the Payment Obligations.

Section 6.18. **Insurance.** The Borrower currently maintains insurance with respect to the Water System of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, public agencies with similar public water systems. The Borrower maintains with responsible insurers all such insurance on the Water System required by Section 7.12 hereof.

Section 6.19. **Usury.** The terms of this Agreement, the Fee and Pricing Agreement, the Note and the other Loan Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 6.20. **Security.** The Payment Obligations are payable from and secured by a valid pledge of and lien on the Pledged Revenues as set forth herein. No filing, registering, recording or publication of this Agreement is required to establish the pledge hereunder or to perfect, protect or maintain the lien created hereby on the Pledged Revenues. No obligations of the Borrower are entitled to the benefit of a prior lien and charge on any portion of the Pledged Revenues other than as provided in Section 4.1. No portion of the Pledged Revenues is subject to any lien or security interest granted by or contractual obligation incurred by the Borrower other than the lien of the Parity Obligation Instruments.

Section 6.21. **Investment Policy.** The Borrower has delivered to the Bank a true and complete copy of its investment policy. All investments of the Borrower have been and are made in accordance with such investment policy and applicable Laws.
Section 6.22. Water System. The Borrower has maintained the Water System in good working order and repair, and there has been no material adverse change in the condition (financial or otherwise), results of operations or projections of revenues of the Water System, and no event has occurred and no circumstance exists which could result in a Material Adverse Effect on the condition (financial or otherwise), results of operations or projections of revenues of the Water System.

Section 6.23. Environmental Matters. In the ordinary course of its business, the Borrower conducts an ongoing review of Environmental Laws on the business, operations and properties of the Water System, in the course of which it identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for cleanup or closure of properties presently or previously owned or operated, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of such review the Borrower has reasonably concluded that Environmental Laws are unlikely to have a Material Adverse Effect.

Section 6.24. Anti-Corruption Laws and Sanctions. None of the Borrower or, to the knowledge of the Borrower, any of its officers, employees, agents or representatives is a Sanctioned Person or currently the subject or target of any Sanctions.

ARTICLE VII
AFFIRMATIVE COVENANTS OF THE ISSUER

So long as the Commitment is outstanding and until all Payment Obligations shall have been paid in full, the Borrower shall do the following:

Section 7.1. Maintenance of Existence. The Borrower shall maintain its existence as a county water district duly organized and existing under and pursuant to the Act and the other laws of the State of California, and its rights, franchises and privileges material to the operation of the Water System.

Section 7.2. Reports, Certificates and Other Information. The Borrower shall furnish or cause to be furnished to the Bank copies of the following:

(a) As soon as available, and in any event within 180 days after the close of each Fiscal Year of the Borrower, the complete audited financial statements of the Borrower and the Water System including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, prepared in accordance with generally accepted accounting principles, consistently applied, together with (i) an opinion of an independent certified public accountant (acceptable to the Bank), which opinion shall not contain a “going concern” or other material qualification, to the effect that such financial statements fairly present the financial,
changes in financial position and results of operations of the Borrower for such the last day of such Fiscal Year and for such Fiscal Year, and were prepared in accordance with generally accepted accounting principles, consistently applied, and (ii) a certificate of an Authorized Representative to the effect that no Default or Event of Default has occurred and is continuing, and certifying as to compliance with the covenants set forth in Sections 7.14 and 8.2 and including a calculation showing the Borrower’s compliance with Section 7.14 for such Fiscal Year;

(b) As soon as available, and in any event within 60 days after the close of each of the first three (3) fiscal quarters of the Borrower, the unaudited financial statements of the Borrower and the Water System including the balance sheet as of the end of such quarter and the related statements of revenues, expenses and cash flows and changes in fund balance for such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding quarter of the preceding Fiscal Year all in reasonable detail, prepared in accordance with generally accepted accounting principles, consistently applied.

(c) As soon as available for each Fiscal Year, and in any event no later than 60 days following the filing or adoption thereof, a copy of a balanced annual operating budget for the Borrower and the Water System for such Fiscal Year and a certificate of an Authorized Representative to the effect that such annual operating budget includes all amounts reasonably anticipated to be necessary to make all debt service payments in respect of all Debt of the Borrower due in such Fiscal Year;

(d) With each Request for Loan, but in no event more than 15 days after the end of each quarter, commencing with the 15th day of the month following the month in which the Effective Date occurs, a construction progress report for Project in reasonable detail acceptable to the Bank, reflecting the Project construction progress and status, budgeted and actual expenses to date, sources of funding, and remaining costs of the Project being funded on an interim basis by the Note (the “Construction Progress Report”).

(e) As soon as available, any disclosure documents distributed in connection with the original issuance or incurrence of any Parity Obligations;

(f) Promptly upon obtaining knowledge or notice of any Default or Event of Default (and in any event no later than five days thereafter), a certificate signed by an Authorized Representative specifying in reasonable detail the nature and period of existence thereof and what action (if any) the Borrower has taken or proposes to take with respect thereto;

(g) As soon as practicable, written notice to the Bank of all litigation served against the Borrower or threatened against the Borrower in writing and all proceedings before any court or Governmental Authority which, in each case, directly or indirectly could result in a Material Adverse Effect;

(h) Copies of any filings (including annual reports and notice of events described in the United States Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C), if any) the Borrower files in the normal course of affairs with any nationally recognized municipal securities repository (currently EMMA) with respect to any Parity Obligations pursuant to any continuing disclosure agreement;
(i) Copies of all material documents, notices, approvals and agreements relating to any of the Funding Sources, promptly as and when received, including, without limitation, the Funding Agreements when executed and any and all notices delivered or received under the Funding Agreements; and

(j) Such other information regarding the affairs and condition of the Borrower, the Water System or the Funding Sources as the Bank may from time to time reasonably request.

Section 7.3. **Maintenance of Books and Records.** The Borrower shall keep proper books of record and account in respect of the Water System in which full, true and correct entries in accordance with the Borrower’s budget basis accounting principles and reporting practices (and any applicable accounting principles and reporting practices required in connection with the SWRCB Funding, the WIFIA Funding, or the Other Funding) shall be made of all dealings or transactions in relation to its activities.

Section 7.4. **Access to Books and Records.** To the extent permitted by law, the Borrower shall permit any Person designated by the Bank to visit any of the offices of the Borrower to examine the books and financial records relating to the Water System, including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Water System with its principal officials, all at such reasonable times and as often as the Bank may reasonably request.

Section 7.5. **Compliance with Documents.** The Borrower shall perform and comply with each and every covenant and agreement required to be performed or observed by it herein and in the Note and in each of the other Loan Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable against the Borrower. To the extent that any such incorporated provision permits the Borrower or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the Borrower or any other party, for purposes of this Agreement, such provision shall be complied with only if it is specifically waived by the Bank in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank which shall only be evidenced by the Bank’s written approval of the same. No termination or amendment to such covenants and agreements or defined terms or release of the Borrower with respect thereto made pursuant to the Loan Documents shall be effective to terminate or amend such covenants and agreements and defined terms or release of the Borrower with respect thereto as incorporated by reference herein without the prior written consent of the Bank. Notwithstanding any termination or expiration of any such Loan Document, the Borrower shall continue to observe the covenants therein contained for the benefit of the Bank until the termination of this Agreement. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

Section 7.6. **Environmental Compliance.** The Borrower shall comply with all Environmental Laws applicable to the construction, ownership or use of the Water System and
shall cause, to the extent possible, its tenants and other Persons occupying or using its facilities to comply with such Environmental Laws, shall timely pay or cause to be paid all costs and expenses incurred in such compliance, and shall keep or cause to be kept all of its facilities free and clear of any liens imposed pursuant to such Environmental Laws, unless the same are being contested in good faith and by appropriate legal proceedings and such contest shall operate to stay the material adverse effect of any such non-compliance.

Section 7.7. **Further Assurances.** From time to time hereafter, the Borrower shall execute and deliver such additional instruments, certificates or documents, and shall take all such actions as the Bank may reasonably request for the purposes of implementing or effectuating the provisions of the Loan Documents or for the purpose of more fully perfecting or renewing the Bank’s rights with respect to the rights, properties or assets subject to such documents (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by the Borrower which may be deemed to be a part thereof). Upon the exercise by the Bank of any power, right, privilege or remedy pursuant to the Loan Documents which requires any consent, approval, registration, qualification or authorization of any Governmental Authority, the Borrower shall, to the extent permitted by law, execute and deliver all necessary applications, certifications, instruments and other documents and papers that the Bank may be required to obtain for such governmental consent, approval, registration, qualification or authorization.

Section 7.8. **Application of Proceeds of Loans.** The Borrower shall cause the proceeds from Loans made hereunder to be applied only to pay or reimburse the Borrower for payment of the costs of the acquisition, construction and installation of the Project pending receipt of the Funding Sources, and not (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (b) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (c) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Section 7.9. **Payment of Obligations; Removal of Liens.** The Borrower shall pay (a) all Debt and other obligations of the Borrower with respect to the Water System in accordance with the terms thereof and (b) all assessments or other governmental charges as the same respectively become due, all taxes, assessments (general or special) and governmental charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to any portion of the Pledged Revenues or any interest thereon and promptly discharge or cause to be discharged all liens, encumbrances and charges on such property and assets. The Borrower shall include in each of the annual operating budgets for the Water System all amounts reasonably anticipated to be necessary to make payments due to the Bank hereunder or under the Note or the other Loan Documents.

Section 7.10. **Compliance with Law.** The Borrower shall comply with and observe the obligations and requirements set forth in the Constitution of the State of California and in all statutes and regulations binding upon it relating to the Water System and the Loan Documents. The Borrower shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Borrower or any of its employees participate. The Borrower will maintain in effect and enforce policies and procedures designed to ensure
compliance by the Borrower, and its respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

Section 7.11. Compliance with Obligations. The Borrower shall comply with and observe the obligations and requirements arising in connection with any Parity Obligations.

Section 7.12. Insurance; Reconstruction of Water System; Application of Insurance Proceeds. The Borrower shall at all times maintain with responsible insurers all such insurance on those portions of the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. All policies of insurance required to be maintained hereunder shall provide that Bank shall be given thirty (30) days’ prior written notice of any intended cancellation thereof or reduction of coverage provided thereby. The Borrower shall provide to the Bank evidence that all such insurance with respect to the Water System is in effect promptly upon renewal thereof. If any useful part of the Water System is damaged or destroyed, such part will be restored for use or will be replaced. The money collected from insurance against accident to or destruction of the Water System will be used for repairing or rebuilding or replacing the damaged or destroyed Water System, unless the Borrower shall file with the Bank a written certificate of a Qualified Engineer to the effect that such reconstruction or replacement is not in the interests of the Borrower and the Bank. The proceeds of any insurance paid on account of such damage or destruction, other than business interruption loss insurance or public liability insurance, shall be deposited by the Borrower in a special account, held in trust by the Borrower, and made available for, and to the extent necessary applied to, the cost of such reconstruction or replacement, if any. Pending such application, such proceeds may be invested by the Borrower in accordance with its investment policy in effect from time to time in investments which mature not later than such times as shall be necessary to provide moneys when needed to pay such cost of reconstruction or replacement. Any balance of such proceeds of insurance not required by the Borrower for the purposes aforesaid shall be deposited into a separate segregated fund for Maintenance and Operation Expenses.

Section 7.13. Investment Policy. The Borrower shall comply with its investment policy in effect from time to time.


(a) The Borrower will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues at least equal to 120% of the Parity Debt Service payable in such Fiscal Year. For clarity, proceeds of Parity Obligations or Subordinate Debt would not be included within “Net Revenues” during any applicable period.

Section 7.15. Other Agreements. While this Agreement remains in effect, if the Borrower executes and delivers a final agreement or amends an existing agreement (each, an “Additional Agreement”) relating to Debt of the Water System secured by Pledged Revenues on a parity basis with, or subordinate to, the Loans and such Additional Agreement provides greater collateral than the collateral provided to the Bank in this Agreement, more restrictive covenants than are provided to the Bank in this Agreement, and/or events of default and/or remedies that are more favorable than are provided to the Bank in this Agreement (collectively, the “Additional Rights”), then the
Borrower shall provide the Bank with a copy of such Additional Agreement and the Additional Rights shall be automatically deemed incorporated into this Agreement and the Bank shall have the benefit of the Additional Rights. The Borrower shall promptly cooperate with the Bank to enter into an amendment of this Agreement to include such Additional Rights.

Section 7.16. Preservation of Lien. The Borrower shall take all necessary action to defend, maintain and preserve the lien on and security interest in the Pledged Revenues securing the Payment Obligations and the payment and performance of the Borrower’s obligations hereunder and under the Note and the other Loan Documents.

Section 7.17. Sovereign Immunity. The Borrower agrees not to assert any defense of sovereign immunity, if available, in any proceeding initiated by the Bank to enforce any of the obligations of the Borrower hereunder or under any other Loan Document. To the extent that the Borrower has or hereafter may acquire under any applicable Law any right to immunity from set off or legal proceedings, including but not limited to a writ of mandamus ordering a levy of taxes by the Borrower, on the grounds of sovereignty or otherwise, the Borrower, to the extent permitted by law, hereby irrevocably waives such rights to immunity for itself and agrees not to invoke any defense of immunity in respect of its obligations arising under or related to this Agreement, the Note or the other Loan Documents.

Section 7.18. Maintenance of Water System. The Borrower shall at all times operate or cause to be operated the Water System properly and in an efficient and economical manner, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Water System may be properly and advantageously conducted. The Borrower shall pay (a) all indebtedness and obligations of the Borrower in accordance with the terms thereof and (b) all assessments or other governmental charges as the same respectively become due, all taxes, assessments (general or special) and governmental charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to the Water System or Gross Revenues or any interest thereon and promptly discharge or cause to be discharged all liens, encumbrances and charges on such property and assets.

Section 7.19. Rating. The Borrower shall maintain at all times at least one long-term credit rating issued by a Rating Agency.

Section 7.20. Funding Sources. The Borrower shall in good faith and with due diligence take all actions within its power and control to finalize and execute the Funding Agreements to secure the Funding Sources on or before [ONE YEAR AFTER EFFECTIVE DATE], 2021.

Section 7.21. Tax Covenants.

(a) Generally. The Borrower shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Loans to become includable in gross income for federal income tax purposes.
(b) **Private Activity Bond Limitation.** The Borrower shall assure that the proceeds of the Loans are not so used as to cause the Loans to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(c) **Federal Guarantee Prohibition.** The Borrower shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Loans to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) **No Arbitrage.** The Borrower shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Loans which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Effective Date would have caused the Loans to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

(e) **Arbitrage Rebate.** The Borrower shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Loans.

(f) **Acquisition, Disposition and Valuation of Investments.** Except as otherwise provided in the following sentence, the Borrower covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Loans (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code). For purposes of this subsection (f), the term “Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Borrower and related parties do not own more than 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

Section 7.22. **COP Refunding.** The Borrower covenants and agrees with the Bank that it shall as soon as reasonably practicable take all steps necessary to effectuate the COP Refunding, taking into consideration market conditions, federal and State tax law considerations and other relevant information, in a manner that is economically advantageous to the Borrower and which will permit the rights of the holder of the Note to be a Parity Obligation, and in connection with
the closing of the COP Refunding, the Borrower agrees to execute and deliver (or to cause to be executed and delivered, as applicable) to the Bank all documents and instruments (along with an opinion of Bond Counsel) reflecting that the Note (or a replacement Parity Obligation Instrument representing the obligations of the Borrower under the Note) are Parity Obligations, if any.

Section 7.23. Bank Term-Out Financing. If, by the date that is 180 days prior to the Termination Date, the Borrower does not reasonably believe that either (1) the Funding Sources will be available to the Borrower at such times and in such amounts as are necessary to fully repay the Payment Obligations and satisfy all other obligations of the Borrower under this Agreement and the other Loan Documents prior to the Termination Date or (2) the COP Refunding will occur prior to the Termination Date, the Borrower shall immediately notify the Bank in writing and shall describe, in reasonable detail, the reasons and circumstances under which such notice is given. Upon receipt of such notice the Bank may, in its sole and absolute discretion (but shall in no event be obligated to): (a) make a proposal to the Borrower for Bank Term-Out Financing for the long-term refinancing of the remaining Payment Obligations as a Parity Obligation or on other terms acceptable to the Bank, or (b) make an alternative proposal to the Borrower to address the Borrower’s interim funding needs, such as a short-term extension of the Termination Date pending the Borrower’s securing and collection of the Funding Sources or other sources with which to repay the Payment Obligations. Any proposal made by the Bank (if any) shall be subject in any case to credit approval of the Bank and any additional agreements, fees, documents or other requirements which may be imposed by the Bank in connection therewith.

ARTICLE VIII
NEGATIVE COVENANTS OF THE ISSUER

As long as the Commitment is outstanding and until all of the Payment Obligations shall have been paid in full, the Borrower shall not do any of the following, without the prior written consent of the Bank:

Section 8.1. Changes in Obligations. The Borrower shall not repeal, modify, amend or supplement any provision of any Parity Obligation Instrument that could have a Material Adverse Effect.

Section 8.2. Additional Parity Obligations and Subordinate Debt.

(a) From the Effective Date to the Pledge Conversion Date, if any, Borrower shall not issue or incur any Parity Obligations other than in compliance with the terms of the Installment Sale Agreement and the terms of any Parity Obligation Instruments in effect immediately prior to the issuance of such Parity Obligations[ treating Debt Service on the Commitment as a Parity Obligation]. In the event the Borrower issues or incurs Parity Obligations or other Debt, the Borrower shall deliver to the Bank of a copy of the certificate required to be delivered to the applicable trustee pursuant to the applicable Parity Obligation Instrument, if any, together with a copy of the calculations supporting the certifications of the Borrower contained in said certificate, which copy of the certificate shall be delivered to the Bank concurrent with its delivery to the applicable trustee.
(b) Following the Pledge Conversion Date, if any, the Borrower shall not issue or incur any Parity Obligations, unless (i) the Net Revenues of the Water System, calculated on sound accounting principles, as shown by the books of the Borrower for the latest Fiscal Year or any more recent 12-month period selected by the Borrower ending not more than 60 days prior to the adoption of the Parity Obligation Instrument pursuant to which such Parity Obligation is issued or incurred, plus as the option of the Borrower, Additional Revenues, are at least equal to 120% of Maximum Annual Parity Debt Service, (ii) no Default or Event of Default has occurred and is continuing or would result from such issuance or incurrence and (iii) the Bank shall have received a certificate of an Authorized Representative certifying that the conditions precedent to the issuance of such Parity Obligations set forth in clause (i) and (ii) above, and the conditions precedent to such Parity Obligations set forth in the Parity Obligation Instruments have been satisfied and setting forth a calculation to such effect. For clarity, proceeds of Parity Obligations or Subordinate Debt would not be included within “Net Revenues” during any applicable period.

(c) The Borrower shall not issue or incur any Debt secured by Net Revenues after the Effective Date that is subordinate to the Payment Obligations (“Subordinate Debt”) unless (i) Net Revenues as shown by the books of the Water System for the most recent Fiscal Year for which audited financial statements are available, or as shown by the books of the Water System for any more recent 12-month period selected by the Borrower ending not more than 60 days prior to the incurrence of the Subordinate Debt, plus as the option of the Borrower, Additional Revenues, are at least equal to 100% of the sum of (A) Maximum Annual Parity Debt Service, plus (B) maximum annual Debt Service on all Subordinate Debt (including, to the extent not accounted for in clause (A), Debt Service due under this Agreement assuming the Commitment is fully drawn), (ii) no Default or Event of Default has occurred and is continuing or would result from such issuance or incurrence and (iii) the Bank shall have received a certificate of an Authorized Representative certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in clause (i) and (ii) above, and the conditions precedent to such Subordinate Debt set forth in the Parity Obligation Instruments, have been satisfied and setting forth a calculation to such effect, if applicable. For clarity, proceeds of Parity Obligations or Subordinate Debt would not be included within “Net Revenues” during any applicable period.

Section 8.3. Swap Termination Payments. The Borrower shall not enter into any Swap Contract under which a termination payment would be required to be paid from any portion of the Pledged Revenues on a basis senior to or on parity with the lien on the Pledged Revenues securing the Payment Obligations.

Section 8.4. No Impairment. The Borrower will neither take any action, nor cause or permit any other Person to take any action, under the Loan Documents inconsistent with the rights of the Bank under this Agreement including, without limitation, the Payment Obligations and pledge of the Pledged Revenues. The Borrower will not agree to any amendment, modification or supplement to any Loan Document to which it is a party, nor shall the Borrower waive or consent to any waiver of any condition under any Loan Document. The Borrower will not take any action, nor cause or permit any other Person to take any Action, which is inconsistent with or will interfere with or impair the Funding Sources or in violation of any of the Funding Agreements.

Section 8.5. References to the Bank. Unless otherwise required by applicable Laws, the Borrower shall not refer to the Bank in any official statement, offering memorandum or private
placement memorandum (other than a factual description of this Agreement without a specific reference to the Bank), in each case with respect to notes or securities of the Borrower.

Section 8.6. Only Authorized Uses of Revenues by the Borrower. The Borrower shall not transfer, or permit the transfer, of any Gross Revenues, for any purpose other than to pay Maintenance and Operation Expenses, the payment of all Parity Obligations, Payment Obligations, other Debt secured by Pledged Revenues on a parity or subordinate basis, and, thereafter, for any lawful purpose of the Water System.

Section 8.7. No Sale, Assignment, Transfer or Pledge. The Borrower shall not sell, mortgage or otherwise dispose of the Water System or any portion thereof essential to the proper operation of the Water System or to the maintenance of Gross Revenues. The Borrower shall not enter into any lease or agreement which materially impairs the operation of the Water System or any part thereof necessary to secure adequate Net Revenues for the payment of Payment Obligations or payment and performance of the Borrower’s obligations under this Agreement, the Note or the other Loan Documents.

Section 8.8. Consolidation or Merger. The Borrower shall not permit the Water System to consolidate with or merge into another Person or water system or permit one or more other Persons or water systems to consolidate with or merge into it or acquire all or substantially all of the property and assets of any other Person.

Section 8.9. Accounting Methods and Fiscal Year. The Borrower shall not adopt, permit or consent to any change in accounting practices other than as required by generally accepted accounting principles and will not adopt, permit or consent to any change in its Fiscal Year. Without limitation of the foregoing, the Borrower shall comply with any applicable accounting principles and reporting practices required in connection with the Funding Sources or by applicable Laws.

Section 8.10. No Priority Claim. The Borrower shall not incur, assume or permit any pledge, lien, charge or encumbrance on any portion of the Pledged Revenues with a claim to payment of higher priority than the claim of the Payment Obligations or any of the Borrower’s obligations under this Agreement, the Note or the other Loan Documents (other than the claim of the Installment Sale Agreement and the Parity Obligation Instruments, but only prior to the Pledge Conversion Date, if any).

ARTICLE IX
DEFAULTS AND REMEDIES

Section 9.1. Events of Default. The occurrence of any of the following events (including the expiration of any specified time) shall constitute an “Event of Default” unless waived by the Bank in writing:

(a) The Borrower fails to pay, or cause to be paid, when due (i) any principal and interest due hereunder or under the Note, or (ii) any other amounts due hereunder or under the Note or any other amounts due to the Bank under any other Loan Document; or
(b) (i) The Borrower fails to perform or observe any term, covenant or agreement contained in Section 7.1, 7.2(f), 7.6, 7.8, 7.9, 7.12, 7.14, 7.16, 7.17, 7.18, 7.19 or Article VIII hereof or (ii) the Borrower fails to perform or observe any term, covenant or agreement contained in this Agreement (other than those referred to in Section 9.1(a) and (b)(i)) and any such failure is irremediable or, if remediable, remains unremedied for 30 days after notice thereof to the Borrower or 30 days after the Borrower obtains actual knowledge thereof, whichever occurs first; or

(c) (i) A default occurs with respect to the payment of any Debt secured by Net Revenues or any interest or premium thereon as and when the same shall become due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) (including any amount due in respect of any other obligation owed to the Bank as and when the same shall become due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise)); or (ii) a default occurs under any mortgage, agreement or other instrument relating to any Debt secured by Net Revenues, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the Borrower under any such mortgage, agreement or other instrument which results in such Debt becoming, or being capable of becoming, immediately due and payable or any such Debt is otherwise required to be prepaid (other than by a regularly scheduled required prepayment or an optional prepayment) prior to the stated maturity thereof; or

(d) Any representation or warranty on the part of the Borrower contained in any Loan Document or in any certificate, letter or other writing or instrument furnished or delivered by the Borrower to the Bank pursuant hereto or thereto or in connection herewith or therewith, shall at any time prove to have been incorrect in any material respect when made or deemed made or when effective or when reaffirmed, as the case may be, whether by misstatement or omission; or

(e) Any material provision of this Agreement, the Note or the other Loan Documents shall at any time for any reason cease to be valid and binding on the Borrower or shall be declared to be null and void by any court or Governmental Authority having jurisdiction over the Borrower, or the validity or the enforceability of any material provision of this Agreement, the Note or the other Loan Documents shall at any time be contested by the Borrower in a judicial or administrative proceeding or the Borrower shall deny that it has any or further liability or obligation under any material provision of this Agreement, the Note or the other Loan Documents, or the validity or enforceability of any material provision of this Agreement, the Note or the other Loan Documents shall be contested by any Governmental Authority having jurisdiction over the Borrower; or

(f) The Borrower fails to pay when due one or more final, nonappealable judgments or orders rendered against the Water System for the payment of money individually or in the aggregate in excess of $3,000,000 and for which insurance proceeds shall not be available and such judgments or orders shall continue unstayed, undischarged, unbonded or unsatisfied for a period of sixty (60) days; or

(g) (i) The Borrower imposes a debt moratorium, debt restructuring, debt adjustment or comparable restriction on repayment when due and payable of the principal of or
interest on any Debt secured by Net Revenues (including Pledged Revenues), or (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the Borrower seeks to have an order for relief entered with respect to the Water System or seeking to adjudicate the Borrower or the Water System insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to the Water System or the Debts of the Water System, or (iii) the Borrower seeks appointment of a receiver, trustee, custodian or other similar official for the Water System or for any substantial part of the property of the Water System, or the Borrower shall make a general assignment of the properties and assets of the Water System for the benefit of its creditors, or (iv) there shall be commenced against the Borrower or the Water System any case, proceeding or other action of a nature referred to in clause (ii) and the same shall remain undismissed, or (v) there shall be commenced against the Borrower or the Water System any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within sixty (60) days from the entry thereof, or (vi) the Borrower takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv), (v) above, or (vii) the Borrower or the Water System shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its Debts secured by Net Revenues (including Pledged Revenues) as they become due; or

(h) The Bank fails to have an enforceable lien on and security interest in the Pledged Revenues with the priority as contemplated by Section 4.1 hereof; or

(i) Any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established under the Installment Sale Agreement shall become subject to any writ, judgment, warrant or attachment, execution or similar process; or

(j) The occurrence and continuation of a “default,” an “event of default” or an event of nonperformance under, or the occurrence of an event which results or permits the early termination of, any of the Loan Documents (other than this Agreement) after the expiration of any applicable grace period (other than as specified in another Event of Default under this Section 9.1); or

(k) The Borrower’s accountant delivers a qualified opinion with respect to the Water System’s status as an on-going concern; or

(l) Any Rating Agency shall withdraw any rating, or shall downgrade the long-term, unenhanced rating assigned by it to Parity Obligations to a level below “[___]” in the case of Moody’s, “[___]” in the case of S&P, “[___]” in the case of Kroll, and “[___]” in the case of Fitch; or

(m) The occurrence of any event (other than as specified in another Event of Default under this Section 9.1) which has resulted in a Material Adverse Change, or which may result in Material Adverse Effect.
Section 9.2. Rights and Remedies Upon Default.

(a) Concurrent with the occurrence of any Event of Default specified in Section 9.1(g) and without further action, (i) the Commitment shall automatically and immediately terminate and the Maximum Commitment shall automatically and immediately be reduced to zero and will no longer be reinstated and, thereafter, the Bank will have no further obligation to make Loans hereunder and (ii) all amounts due hereunder and under the Note shall automatically and immediately become due and payable.

(b) Upon the occurrence and during the continuance of any Event of Default, including any Event of Default specified in Section 9.1(g), the Bank, in its discretion, may do any or all of the following:

(i) By notice to the Borrower, declare all Loans, Loans, the Note and interest thereon, immediately due and payable; and/or

(ii) By notice to the Borrower (which may be in the form of Exhibit C attached hereto), reduce the Maximum Commitment to zero (or to any other amount determined by the Bank in its sole discretion) and thereafter the Bank will have no further obligation to make Loans hereunder and/or terminate the Commitment; and/or

(iii) Petition a court of competent jurisdiction to issue a mandamus order to the Borrower to compel specific performance of the covenants of the Borrower contained in any of the Loan Documents; and/or

(iv) Provide written notice of the occurrence of an Event of Default to the Borrower and exercise any rights and remedies available to the Bank at law, equity hereunder or under any Loan Document.

Except as expressly provided in this Section 9.2, procurement, demand, protest and all other notices of every kind are hereby expressly waived. Nothing in this Article IX is intended to impair the rights of the holders of any Parity Obligations. The Bank acknowledges and agrees that its right to receive payment of the Payment Obligations is, prior to the Pledge Conversion Date, if any, expressly subordinate to the right of the holders of Parity Obligations to receive payment when due and payable.

ARTICLE X
MISCELLANEOUS

Section 10.1. Evidence of Debt. The Bank shall maintain in accordance with its usual practices an account or accounts evidencing the indebtedness resulting from each Loan made from time to time hereunder and the amounts of principal and interest payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be conclusive evidence (absent manifest error) of the existence and amounts of the obligations therein recorded.

Section 10.2. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the parties hereto shall in any event be effective unless
the same shall be in writing and signed by such parties, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 10.3. Addresses for Notices. All notices, requests, demands, directions and other communications (collectively “notices”) under the provisions of this Agreement shall be in writing (including facsimile communication), unless otherwise expressly permitted hereunder, and shall be properly addressed and sent by registered or certified mail or by express courier for next Business Day delivery and shall be deemed received as follows: (a) if by registered or certified mail, five (5) days after mailing; (b) if by express courier, on the next Business Day; and (c) if by facsimile, when confirmation of transmission is obtained if prior to 5:00 p.m. local time on a Business Day, and otherwise, on the next Business Day; provided that service of a notice prescribed by any applicable Law shall be considered complete when the requirements of such applicable Law are met. Notices by electronic mail (email) shall not constitute notice under this Agreement and are only to be used in addition to notice given as prescribed under subsections (a), (b) or (c) of this Section. All notices shall be sent to the applicable party at the following address or in accordance with the last unrevoked written direction from such party to the other party hereto.

(i) If to the Borrower:

Soquel Creek Water District
5180 Soquel Drive
Soquel, CA  95073
Phone: 831-475-8500 x144
E-mail: rond@soquelcreekwater.org

(ii) If to the Bank:

For general correspondence purposes:

CoBank, ACB
P.O. Box 5110
Denver, Colorado  80217-5110
Attention: Credit Information Services
Fax No.: (303) 224-6101

For direct delivery purposes, when desired:

CoBank, ACB
6340 South Fiddlers Green Circle
Greenwood Village, Colorado  80111-1914
Attention: Credit Information Services
Fax No.: (303) 224-6101

Section 10.4. Survival of this Agreement. All covenants, agreements, representations and warranties made in this Agreement shall survive the extension by the Bank of the Commitment and shall continue in full force and effect so long as the Commitment shall be unexpired or any sums drawn or due thereunder or any other obligations shall be outstanding and unpaid, regardless
of any investigation made by any Person and so long as any amount payable hereunder remains unpaid. The agreement of the Borrower to indemnify the Bank under Section 5.2 hereof shall continue in full force and effect notwithstanding a termination of the Commitment or the fulfillment of all Payment Obligations. The obligations of the Borrower under Sections 5.2, 5.3 and 10.5 shall also continue in full force and effect notwithstanding a termination of the Commitment or the fulfillment of all Payment Obligations. Whenever in this Agreement the Bank is referred to, such reference shall be deemed to include the successors and assigns of the Bank and all covenants, promises and agreements by or on behalf of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of the Bank. The rights and duties of the Borrower may not be assigned or transferred without the prior written consent of the Bank, and all obligations of the Borrower hereunder shall continue in full force and effect notwithstanding any assignment by the Borrower of any of its rights or obligations under any of the Loan Documents or any entering into, or consent by the Borrower to, any supplement or amendment to, or termination of, any of the Loan Documents. In addition, the Bank may collaterally assign and pledge, without the consent of the Borrower, all or any portion of the obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned obligations made by the Borrower to the Bank in accordance with the terms of this Agreement shall satisfy the Borrower’s obligations hereunder in respect of such assigned obligation to the extent of such payment. No such collateral assignment shall release the Bank from its obligations hereunder.

Section 10.5. Costs, Expenses and Taxes. The Borrower agrees (i) to pay on demand all costs and expenses (including fees and disbursements of the Bank’s counsel) of the Bank in connection with the preparation, execution, delivery, filing, enforcement and administration of any of the Loan Documents and any other instruments or agreements which may be delivered pursuant to or in connection with any waiver or amendment of, or the giving of any consent under, any of the Loan Documents and such other instruments or agreements and (ii) to pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of any of the Loan Documents and such other instruments and agrees to indemnify and hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 10.6. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 10.7. Governing Law; Waiver of Jury Trial.

(a) THIS AGREEMENT, THE FEE AND PRICING LETTER AND THE NOTE SHALL BE DEEMED TO BE A CONTRACT UNDER, AND TOGETHER WITH ANY DISPUTES OR CONTROVERSIES ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE FEE AND PRICING LETTER AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF
THE STATE OF CALIFORNIA AND APPLICABLE FEDERAL LAW, WITHOUT REGARD TO CHOICE OF LAW RULES.

(b) Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable Law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement, the Fee and Pricing Agreement or the Note or the transactions contemplated hereby or thereby (whether based on contract, tort or any other theory). If and to the extent the foregoing waiver of the right to a jury trial is unenforceable for any reason, the parties hereto hereby consent to the adjudication of any and all claims pursuant to judicial reference as provided in California Code of Civil Procedure Section 638, and the judicial referee shall be empowered to determine any and all issues in such reference whether fact or law. Each party hereto acknowledges and represents that it and the other parties hereto have been induced to enter into this Agreement, the Fee and Pricing Agreement and the Note by, among other things, the mutual waivers and certifications in this Section, and that it has reviewed this waiver and consent, and knowingly and intentionally waives its jury trial rights and consents to judicial references following the opportunity to consult with legal counsel of its choice on such matters. In the event of litigation, a copy of this Agreement may be filed as a written consent to a trial by the court or to judicial reference under California Code of Civil Procedure Section 638 as provided herein.

(c) The covenants and waivers made pursuant to this Section shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement.

Nothing in this Section shall affect the right of the Bank to serve legal process in any other manner permitted by law or affect the right of the Bank to bring any suit, action or proceeding against the Borrower or its property in the courts of any other jurisdiction.

Section 10.8. Participations by the Bank; Assignment to the Federal Reserve Bank. The Bank may grant participations herein or in any of its rights and security hereunder. Any such participant is referred to in this Agreement as a “Participant” In connection with any proposed participation, the Bank may disclose to the proposed Participant any information that the Borrower is required to deliver to the Bank pursuant to this Agreement. The Borrower agrees that the provisions of this Agreement shall run to the benefit of each Participant and its participations or interests herein and the Bank may enforce such provisions on behalf of any such Participant. The foregoing notwithstanding, no participation shall in any way affect any of the obligations of the Bank hereunder, and the Borrower shall have no obligation to deal in any manner with any such Participant. The Bank may assign and pledge all or any portion of the Payment Obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned Payment Obligations made by the Borrower to the Bank in accordance with the terms of this Agreement shall satisfy the Borrower’s obligations hereunder in respect of such assigned Payment Obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.
Section 10.9. **Headings.** Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 10.10. **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, taken together; shall constitute but one and the same Agreement.

Section 10.11. **Patriot Act.** The Bank hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Patriot Act”), it is required to obtain, verify and record information that includes the name and address of the Borrower and other information that will allow the Bank to identify the Borrower in accordance with the Patriot Act.

Section 10.12. **No Advisory or Fiduciary Relationship.** In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees that: (a) (i) the services regarding this Agreement provided by the Bank and any affiliate thereof are arm’s-length commercial transactions between the Borrower, on the one hand, and the Bank and its affiliates, on the other hand, (ii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (b) (i) the Bank and its affiliates each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be, acting as an advisor, agent or fiduciary for the Borrower and (ii) neither the Bank nor any of its affiliates has any obligation to the Borrower with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (c) the Bank and its affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower, and neither the Bank nor any of its affiliates has any obligation to disclose any of such interests to the Borrower. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Bank or any of its affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transactions contemplated hereby.

Section 10.13. **Integration.** This Agreement constitutes the entire agreement between the Bank and the Borrower regarding the Commitment and the Loans, and all prior oral or written communications between the Borrower and the Bank shall be of no further effect or evidentiary value.

[Remainder of page intentionally left blank.]
IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

SOQUEL CREEK WATER DISTRICT

By:_____________________________
Name:__________________________
Title:___________________________

Attest:

By:_____________________________
Name:__________________________
Title:___________________________
COBANK, ACB

By: __________________________
Name: __________________________
Title: __________________________

-Signature Page-
Credit Agreement
EXHIBIT A

[FORM OF NOTE]

$75,000,000
Dated [CLOSING DATE], 2020
Santa Cruz County, California
CoBank Note No. 00131859 T01

For value received, SOQUEL CREEK WATER DISTRICT (the “Borrower”) promises to pay to the order of COBANK, ACB, and its successors and assigns (the “Bank”) at 6340 South Fiddlers Green Circle, Greenwood Village, Colorado 80111-1914, the amount of SEVENTY-FIVE MILLION AND 00/100 DOLLARS ($75,000,000) or, if less, the aggregate unpaid principal amount of all Loans made by the Bank from time to time pursuant to the Credit Agreement, dated as of [CLOSING DATE], 2020 (together with any amendments or supplements thereto, the “Agreement”), by and between the Borrower and the Bank, on the dates and in the amounts provided for in the Agreement.

The Borrower promises to pay interest on the unpaid principal amount of all Loans on the dates and at the rates provided for in the Agreement. All payments of principal and interest shall be made to the Bank in lawful money of the United States of America in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Agreement.

This Note is the Note referred to in the Agreement and is entitled to the benefits thereof and of the Loan Documents referred to therein. As provided in the Agreement, this Note is subject to prepayment, in whole or in part. In case an Event of Default (as defined in the Agreement) shall occur and be continuing the principal of and accrued interest on this Note may be declared due and payable in the manner and with the effect provided in the Agreement.

The Bank agrees, by acceptance of this Note, that before disposing of this Note it will make a notation in its records of all Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid; provided, however, that the failure to make any such notation shall not limit or otherwise affect the obligation of the Borrower hereunder with respect to payments of principal of and interest on this Note.

This Note is payable solely from the Pledged Revenues in accordance with the Agreement, and this Note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of the Borrower. The holder hereof shall not have the right to demand payment of this obligation from any sources or properties of the Borrower except the Pledged Revenues.
THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

SOQUEL CREEK WATER DISTRICT

Attest

By: ____________________________  By: ____________________________
Name: __________________________ Name: __________________________
Title: __________________________ Title: __________________________
EXHIBIT B

[FORM OF REQUEST FOR LOAN]

REQUEST FOR LOAN

CoBank, ACB
6340 South Fiddlers Green Circle
Greenwood Village, Colorado 80111-1914

Ladies and Gentlemen:

The undersigned, an Authorized Representative, refers to the Credit Agreement, dated as of [CLOSING DATE], 2020 (together with any amendments or supplements thereto, the “Agreement”), by and between Soquel Creek Water District (the “Borrower”) and CoBank, ACB (the “Bank”) (the terms defined therein being used herein as therein defined) and hereby requests, pursuant to Section 2.2 of the Agreement, that the Bank make a Loan under the Agreement in a principal amount not to exceed the Available Commitment, and in that connection sets forth below the following information relating to such Loan (the “Proposed Loan”):

1. The aggregate amount of the Proposed Loan is $__________________;

2. The date of borrowing of the Proposed Loan is ______________________ (the “Borrowing Date”), which is a Business Day.

3. The funds requested to be drawn will be used solely for approved Project expenses reimbursable under the SWRCB Funding Agreements or the WIFIA Funding Agreement, as applicable.

4. All conditions to loans set forth in the Agreement, the SWRCB Funding Agreements and the WIFIA Funding Agreements have been fulfilled, no Potential Default or Event of Default under the Agreement has occurred and is continuing, and all warranties and representations contained in the Loan Documents are true and correct on the date of this Request for Loan.

5. The Borrower has no offset, counterclaim, or defense against the loans or any other amount due under the Agreement.

6. All representations and warranties of the Borrower as set forth in the Agreement are true and correct on the date hereof as though made as of the date hereof and no Default or Event of Default has occurred and is continuing on the date hereof.

7. Attached is a current Construction Progress Report as described in Section 7.2(d) of the Agreement.

8. All representations and warranties of the Borrower as set forth in Article VII of the Agreement will be true and correct on the Borrowing Date as though made on the Borrowing Date.
and no Default or Event of Default shall have occurred and be continuing on the Borrowing Date (both before and after giving effect to the making of the requested Loan on the Borrowing Date).

The proposed Loan shall be made by the Bank by wire transfer of immediately available funds to the Borrower in accordance with the MACMAT.

[No further text on this page]
IN WITNESS WHEREOF, this Request for Loan has been executed and delivered by an Authorized Representative as of the __________ day of ________________, 20__. 

Very truly yours,

SOQUEL CREEK WATER DISTRICT

By: ________________________________
Name: ______________________________
Title: ______________________________
EXHIBIT C

[FORM OF NOTICE OF TERMINATION]

NOTICE OF TERMINATION

Soquel Creek Water District
Water Department

_____________________________

_____________________________

Attention: Manager

Ladies and Gentlemen:

We refer to the Credit Agreement dated as of [CLOSING DATE], 2020 (together with any amendments or supplements thereto, the “Agreement”) by and between the Soquel Creek Water District (the “Borrower”) and CoBank, ACB (the “Bank”). Any term below which is defined in the Agreement shall have the same meaning when used herein.

We hereby notify you that an Event of Default has occurred under Section ___ of the Agreement. As a result, unless and until you have been advised otherwise by us:

1. The Maximum Commitment [has been automatically] [is hereby] reduced to [$0.00] [$__________] and will no longer be reinstated and the Bank has no further obligation to make Loans under the Agreement.

2. The Commitment [has been automatically] [is hereby] terminated.

3. [All amounts due under the Agreement and the Note are immediately due and payable.]

IN WITNESS WHEREOF, we have executed and delivered this Notice of Termination as of the ____________ day of _______________, 20__. 

Very truly yours,

COBANK, ACB

By: ________________________________
Name: ______________________________
Title: ______________________________

1 Insert applicable cross reference.
FEE AND PRICING AGREEMENT

This FEE AND PRICING AGREEMENT, dated as of [CLOSING DATE], 2020 (together with all amendments, modifications and supplements hereto, this “Fee Agreement”), is entered into by and between the SOQUEL CREEK WATER DISTRICT, a county water district duly organized and existing under and pursuant to the laws of the State of California (the “Borrower”) and COBANK, ACB, a national banking association (the “Bank”).

RECITALS

A. The Borrower and the Bank are entering into a Credit Agreement of even date herewith (the “Agreement”), pursuant to which the Bank will make available to the Borrower a line of credit in an aggregate principal amount equal to the Commitment Amount.

B. In connection with the entry into the Agreement, the Borrower and the Bank desire to enter into this Fee Agreement to set forth certain matters related to fees, rates and expenses.

NOW, THEREFORE, in consideration of the foregoing Recitals and other consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower and the Bank hereby agree as follows:

1. Any capitalized term herein that is defined in the Agreement shall have the same meaning when used herein as therein defined. This Fee Agreement shall become on the Effective Date.

2. The Borrower agrees to make the following payments at the following times:

   (a) An undrawn fee (the “Undrawn Fee”) for each day calculated by multiplying (x) the Available Commitment at 3:00 p.m. (Denver, Colorado time) on such date (calculated after giving effect to any Loan made on such date and any Loan(s) prepaid or repaid on such day), by (y) the applicable Undrawn Fee Rate (as defined below) in effect for such day, expressed as a decimal, and by (z) a fraction equal to 1/360. As used herein, “Undrawn Fee Rate” means 0.75%.

   (b) At the time any amendment, waiver or supplement of the Agreement, this Fee and Pricing Agreement or any other Loan Document is requested, a fee of $2,500 plus reasonable attorneys’ fees and expenses, which fee shall be earned and payable whether or not any such amendment, waiver or supplement is executed or consent granted.

   (c) The fees and expenses of Sherman & Howard L.L.C., counsel to the Bank, shall be paid on the Effective Date in an amount equal to the actual costs incurred, estimated at $[_______] and not to exceed $[_______].

3. All amounts paid pursuant to this Fee and Pricing Agreement shall be non-refundable. All payments to be made by the Borrower to the Bank pursuant to this Fee and Pricing
Agreement shall be made in accordance with Section 5.6 of the Agreement, which Section 5.6 is by this reference incorporated herein in its entirety except that references to “this Agreement” contained in Section 5.6 in the Agreement shall be changed to “this Fee and Pricing Agreement” upon incorporation. The Borrower’s obligation to pay all amounts owing to the Bank under this Fee and Pricing Agreement shall be subject to Section 5.9 of the Agreement.

4. As used in the Agreement:

“Applicable Percentage” means 0.75%.

“Default Rate” means, for any day following and during the continuance of an Event of Default, the One-Month LIBOR Index Rate plus 4.00%.

5. This Fee and Pricing Agreement may not be amended or waived except by an instrument in writing signed by the Borrower and the Bank. This Fee and Pricing Agreement may be executed in any number of counterpart, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Fee and Pricing Agreement by electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

6. This Fee and Pricing Agreement is entered into with the understanding that the Borrower will take reasonable steps consistent with its customary practices to ensure that neither this Fee and Pricing Agreement nor any of its terms shall be disclosed, directly or indirectly, to any other person except (a) to the Borrower’s officers, directors, employees, accountants, attorneys, agents, trustees and advisors who are directly involved in the consideration of this matter on a confidential and need-to-know basis; (b) under compulsion of law (whether by interrogatory, subpoena, civil investigative demand or otherwise) or by order of any court or governmental or regulatory body; or (c) to any person requesting a copy of this Fee and Pricing Agreement as a public record, provided that, in the case of clauses (b) and (c), the Borrower shall (to the extent permitted) give the Bank reasonable prior notice of such disclosure and an opportunity to restrain such disclosure.

[Remainder of page intentionally left blank.]
IN WITNESS WHEREOF, the parties have caused this Fee Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

Attest

SOQUEL CREEK WATER DISTRICT

By: ____________________________
Name: __________________________
Title: __________________________

COBANK, ACB

By: ____________________________
Name: __________________________
Title: __________________________
June 2, 2020

MEMO TO THE BOARD OF DIRECTORS

Subject: Agenda Item No. 7.4

Title: Pure Water Soquel - Seawater Intrusion Prevention Recharge Wells Project, Bid Award and Approval of Scope of Work for Construction Oversight, CWO 20-3000

Attachment(s):
1. Resolution 20-19 Bid Award to Zim Industries, Inc.
2. Bid Withdrawal from Nor-Cal Pump & Well Drilling, Inc.
3. Bid Results and Bid Summary for Zim Industries, Inc.

On April 7, 2020, the District released bid documents to install Seawater Intrusion Prevention (SWIP) Wells at Willowbrook Ln., Monterey Ave., and redevelop the Twin Lakes Church SWIP well. Three bids from qualified drilling contractors were submitted on May 19, 2020 as follows:

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Bid Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nor-Call Pump and Well Drilling, Inc.</td>
<td>$1,733,916.00* (Bid Withdrawn)</td>
</tr>
<tr>
<td>Engineer’s Estimate</td>
<td>$1,846,982.50</td>
</tr>
<tr>
<td>Zim Industries, Inc.</td>
<td>$2,222,008.00</td>
</tr>
<tr>
<td>Pacific Coast Well Drilling, Inc.</td>
<td>$3,316,362.50</td>
</tr>
</tbody>
</table>

At the time of the bid, the apparent low bidder’s bid was $488,092 below the next bidder. On May 27th at 10:33am Nor-Cal Pump & Well Drilling, Inc. provided the District written notice of bid withdrawal, citing errors were made. While each bidder submits a 10% bidder’s bond at the time of the bid, the District may not make a claim on Nor-Cal Pump & Well Drilling’s bid bond as the bid withdrawal request conforms to the requirements of the relief of bidder statutes in the Public Contract Code (PCC). The mistake is a clerical error made in filling out the bid and as such qualifies as the type of mistake a bidder can seek relief from under those statutes. The criteria the bidder must meet to withdraw their bid is covered under PCC 5107:

- A mistake was made.
- He or she gave the public entity written notice within five working days, excluding Saturdays, Sundays, and state holidays, after the opening of the bids of the mistake, specifying in the notice in detail how the mistake occurred.
- The mistake made the bid materially different than he or she intended it to be.
- The mistake was made in filling out the bid and not due to error in judgment or to carelessness in inspecting the site of the work, or in reading the plans or specifications.

Since all above criteria has been met, the District must allow Nor-Cal Pump & Well Drilling to withdraw their bid and cannot make a claim on the bid bond. The next lowest bidder is Zim Industries, Inc. (Zim) submitting a bid of $2,222,008. Zim has been engaged in the contracting business for 37 years and has been drilling wells similar to the subject project for 27 years. Zim successfully drilled the District’s O’Neill Ranch Well in 2012 and District Staff recommends the Board award the Contract for the Seawater Intrusion Prevention Recharge Wells Project to Zim Industries, Inc.
The detailed description of work includes:

- Mobilization and Demobilization
- Clearing and grubbing including site grading and access
- Installing Noise Control Barriers
- Drilling and installing 48" Surface Casing borehole with 38" conductor casings
- Drilling 750 ft & 500 ft x 18" Diameter Pilot Holes
- Geophysical Logging
- Reaming 440 ft & 250 ft x 34" Diameter Borehole
- Reaming 330 ft & 270 ft x 24" Diameter Borehole
- Caliper Surveys
- Installing 16” Diameter SS Blank Casing
- Installing 16” Diameter SS Well Screen
- Installing 4” Diameter Camera Port Pipes and Casing Entrance Boxes
- Installing 3” Diameter Sounding Pipes and Casing Entrance Boxes
- Installing 3” Diameter Glass Bead Feed Tubes
- Placing Glass Bead Filter Pack
- Grouting Surface Seal
- Development with jetting, swabbing and airlifting
- Installing and Removing Test Pump with 2 ½ -Inch Diameter Access Tube
- Development and Test Pumping
- Spinner/Flow Profile Logging
- Final Water Quality Testing
- Install/Remove Injection Equipment
- Spinner/Injection Flow Profile Logging
- Television Well Survey
- Plumbness and Alignment Testing
- Injection Well Disinfection and Capping
- Site Clean Up
- And all other incidental work.

Construction oversight will be performed by Montgomery & Associates (M&A) while Project Management will be performed by Brown & Caldwell (Bill Leever) and the District (Skyler Murphy). The scope of work for the construction monitoring and oversight is included as Attachment 4. Montgomery & Associates will staff the project with qualified field staff and the demolition work will be overseen by Water System’s Consulting, Inc. who prepared the site demo plan at Monterey Well Site and is also designing the site civil infrastructure for all three SWIP wells. Work is scheduled to be on or around July 1st while school is out at the Montessori School, adjacent to the Willowbrook Well Site. The environmental impact assessment was completed and certified by the Board through the project Environmental Impact Report on 12/18/18.

District Staff performed an independent cost analysis to validate the attached M&A proposal and that analysis concluded the costs are in line with expected costs and provides a fair estimate to complete the scope of work. As appropriate, funding from the State Water Resources Control Board’s Prop 1 Groundwater Grant and its Seawater Intrusion Control Loan, and the Federal Environmental Protection Agency’s (EPA) Water Infrastructure Finance and Innovation Act Loan (WIFIA) will be used to pay for this project.

**POSSIBLE BOARD ACTION(S)**

1. Review the bid results, bid analysis, memo attachments and contract documents for the Seawater Intrusion Prevention Recharge Wells Project, Construction Work Order (CWO) 20-3000; and
2. By MOTION, and roll-call vote, accept and identify Zim Industries, Inc. as the lowest qualified responsive, responsible bidder for the Seawater Intrusion Prevention Recharge Wells Project, Construction Work Order (CWO) 20-3000; and

3. By MOTION, and by roll-call vote, adopt Resolution No. 20-19 for award of contract to Zim Industries, Inc. for the Seawater Intrusion Prevention Recharge Wells Project, Construction Work Order (CWO) 20-3000; and

4. By MOTION, and roll-call vote, authorize the General Manager to sign a purchase order to Zim Industries, Inc. in the amount of $2,222,008; and

5. By MOTION, and roll-call vote, approve the scope of work from Montgomery & Associates to perform construction management services and authorize the General Manager to sign a purchase order for a not to exceed amount of $559,296; or

6. Take no action.

By ____________________________
Taj A. Dufour, P.E.
Engineering Manager/Chief Engineer
BEFORE THE BOARD OF DIRECTORS OF THE SOQUEL CREEK WATER DISTRICT

RESOLUTION OF AWARD OF CONTRACT FOR THE SEAWATER INTRUSION PREVENTION RECHARGE WELLS PROJECT FOR PURE WATER SOQUEL CWO 20-3000

WHEREAS, independent bids were submitted on the 19th day of May 2020 to the District’s Engineering Manager, in order to evaluate said proposals or bids received and to furnish said engineer's evaluation showing that the bid hereafter mentioned is the lowest qualified responsible bid for the construction of said work of improvement; and

WHEREAS, said evaluation has been made by said engineer.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Soquel Creek Water District:

1. Reject all of said bids or proposals except the following, in the amount and for the work specified:

   $2,222,008.00
   Zim Industries, Inc.
   4532 E. Jefferson Ave.
   Fresno, CA 93725

2. The Board of Directors hereby finds that the aforesaid bidder is the lowest qualified responsible bidder for the Granite Way Well Site Infrastructure Improvements Project-Rebid and hereby awards the Contract for said work to said bidder at the total amount set forth in said bid and in Paragraph 1 thereof.

3. The Board further finds that irregularities, if any, in the bidding are minor in nature and do not affect the best interests of the District, and hereby waives all such irregularities. Specific to this bid is waiving the requirement to submit a bid bond at the time of bid. Said bid bond was submitted 2 working days after the bid date.

4. The President and Clerk of said Board of Directors are hereby authorized to make and enter into a written contract with said successful bidder and to receive and approve all bonds in connection therewith, and the Clerk of said District is hereby directed to attest the signature and affix the corporate seal of said District.

PASSED AND ADOPTED this 2nd day of June 2020, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

APPROVE:

Dr. Bruce Daniels, President

ATTEST:

Emma Olin, Board Clerk
May 27, 2020

Soquel Creek Water District
5180 Soquel Drive
Soquel, CA 95073

Attention: Taj Dufour, PE – Engineering Manager/Chief Engineer

Subject: Soquel Creek Water District CWO 20-3000

Mr. Dufour,

This letter serves as our request to withdraw our bid for the abovementioned project. After getting informed on the items discussed during the conference call between Nar Heer, Alberto Vasquez, Bill Leever and Taj Dufour, as well as specifically reviewing the bid item costs submitted, we have determined a clerical error was made on one of the bid items. The unit price for Bid Item B-1 of $64,620 is incorrect. The correct unit price should have been $364,620.00. This significant error combined with the other items of concern presented by Mr. Leever, resulted in this request.

If you have any questions, please give me a call at (530) 674-5861. We greatly appreciate the opportunity in bidding this project and the professionalism district staff has demonstrated to Nor-Cal Pump throughout this bidding process.

Sincerely,

Hari Heer

Hari Heer
Vice President
Bid Opening Summary Sheet

Project: SEAWATER INTRUSION PREVENTION RECHARGE WELLS PROJECT
CWO: 20-3000

Summary: Bid Acceptable; License Current Active; Bid Bond Acceptable

Contractor: Zim Industries, Inc.
Curt B. Zimmer, President

Proposal Total: $2,222,008.00
Engineering Estimate: $1,846,982.50

Subs:
Pacific Surveys, LLC (Geophysical Logging, Video Survey, Etc.)
DIR Registration No: 1000014306, Expires 6/30/2020

5C Holdings, Inc., (Drilling Conductor Casing Borehole)
DIR Registration No: 1000028859, Expires 6/30/2020

Dr. Well Water Well Services, Inc., (Blast Perforating Well Casing)
DIR Registration No: 10000009302, Expires 6/30/2020

Bid Bond Status: Valid: Everest Reinsurance Company (A+, XV)
Contractors License: Acceptable, #440537, Class A, C57, C61/D21, Expires 6/30/2021
DIR Registration No: 1000003978, Expires 6/30/2020

Include:
1. photo copy of bidders proposal (itemized cost proposal)
2. license verification from (www.cslb.ca.gov)
3. bond company’s rating from (www.ambest.com)
4. bond company is registered in CA from (www.fms.treas.gov)
5. bond company is listed with Calif. Dept. of Insurance
6. Bid Results in ascending order
### Section 00310

**BID SCHEDULE**

**CWO 20-3000**

**SEAWATER INTRUSION PREVENTION RECHARGE WELLS PROJECT**

**BID SCHEDULE A: TWIN LAKES CHurch**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Estimated Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-1</td>
<td>Mobilize, install, and demobilize pump, equipment, and appurtenances for development (assume up to 1,500 gallons per minute, assume intake at 212 feet bgs)</td>
<td>1</td>
<td>LS</td>
<td>27,000</td>
<td>27,000</td>
</tr>
<tr>
<td>A-2</td>
<td>Perform a color video camera survey</td>
<td>1</td>
<td>LS</td>
<td>1,400</td>
<td>1,400</td>
</tr>
<tr>
<td>A-3</td>
<td>Perform two stages of well development by mechanical and chemical procedures including jetting, swabbing and airlifting</td>
<td>140</td>
<td>HR</td>
<td>4170</td>
<td>65,800</td>
</tr>
<tr>
<td>A-4</td>
<td>Furnish, install, and remove test pump, discharge equipment, and monitoring equipment including sounding tubes</td>
<td>1</td>
<td>LS</td>
<td>13,700</td>
<td>13,700</td>
</tr>
<tr>
<td>A-5</td>
<td>Perform pump development by pumping and surging as specified</td>
<td>40</td>
<td>HR</td>
<td>320</td>
<td>12,800</td>
</tr>
<tr>
<td>A-6</td>
<td>Perform step-drawdown test by pumping</td>
<td>1</td>
<td>LS</td>
<td>3,200</td>
<td>3,200</td>
</tr>
<tr>
<td>A-7</td>
<td>Conduct a flow velocity (spinner-log) survey</td>
<td>1</td>
<td>LS</td>
<td>4,800</td>
<td>4,800</td>
</tr>
<tr>
<td>A-8</td>
<td>Perform a color video camera survey</td>
<td>1</td>
<td>LS</td>
<td>1,400</td>
<td>1,400</td>
</tr>
<tr>
<td>A-9</td>
<td>Complete final disinfection and capping</td>
<td>1</td>
<td>LS</td>
<td>3,200</td>
<td>3,200</td>
</tr>
</tbody>
</table>

**Bid Schedule A Total (Items 1 through 9): $** 133,300

**in words:** one hundred and thirty-three thousand and three hundred dollars.

<table>
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<tr>
<th>Item No.</th>
<th>Description</th>
<th>Estimated Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-10</td>
<td>Standby Time (When Requested by District) @ Twin Lakes Church</td>
<td>0</td>
<td>HR</td>
<td>250</td>
<td></td>
</tr>
</tbody>
</table>

Soquel Creek Water District
SWIP Recharge Wells Project
00310-1
BID SCHEDULE
April 2020
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Estimated Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-1</td>
<td>Mobilization/Demobilization &amp; Cleanup including disposal of drill cuttings and drilling fluid additives in accordance with all applicable laws and regulations</td>
<td>1</td>
<td>LS</td>
<td>227,800</td>
<td>227,800</td>
</tr>
<tr>
<td>B-2</td>
<td>Site Clearing and Grubbing to include Tree and Root Removal</td>
<td>1</td>
<td>LS</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>B-3</td>
<td>Furnish, Install, Maintain, &amp; Remove Noise Control Barrier Walls</td>
<td>1</td>
<td>LS</td>
<td>43,200</td>
<td>43,200</td>
</tr>
<tr>
<td>B-4</td>
<td>Drill minimum 48-inch diameter surface casing/sanitary seal borehole, install 38-inch O.D. by 1/2-inch wall mild steel conductor casing, and install cement grout sanitary seal to a minimum depth of 50 feet below ground surface (bgs)</td>
<td>50</td>
<td>LF</td>
<td>6,10</td>
<td>30,500</td>
</tr>
<tr>
<td>B-5</td>
<td>Drill by reverse circulation methods a 17.5-inch nominal diameter pilot borehole from bottom of conductor to 800 feet bgs</td>
<td>750</td>
<td>LF</td>
<td>80</td>
<td>6,000</td>
</tr>
<tr>
<td>B-6</td>
<td>Perform Downhole Geophysical Surveys: Spontaneous Potential, Single-Point, 64-inch Long &amp; 16-inch Short Normal Resistivity, Focused (Guard) Resistivity, Gamma-Ray, Sonic Velocity and Nuclear Magnetic Resonance</td>
<td>1</td>
<td>LS</td>
<td>16,000</td>
<td>16,000</td>
</tr>
<tr>
<td>B-7</td>
<td>Ream pilot borehole to 34-inches diameter from bottom of conductor to 440-feet bgs and to 24-inches diameter from 440-feet to 770-feet bgs using reverse circulation methods</td>
<td>720</td>
<td>LF</td>
<td>50</td>
<td>36,000</td>
</tr>
<tr>
<td>B-8</td>
<td>Conduct caliper survey</td>
<td>1</td>
<td>LS</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td>B-9</td>
<td>Furnish and install 16-inch I.D., 3/8-inch wall 304L Stainless Steel blank sump</td>
<td>10</td>
<td>LF</td>
<td>530</td>
<td>5,300</td>
</tr>
<tr>
<td>B-10</td>
<td>Furnish and install 16-inch I.D. 304L Stainless Steel Wire Wrap well screen (assume 0.060-inch slot)</td>
<td>300</td>
<td>LF</td>
<td>71,400</td>
<td></td>
</tr>
<tr>
<td>B-11</td>
<td>Furnish and install 16-inch I.D., 3/8-inch wall 304L Stainless Steel blank casing</td>
<td>453</td>
<td>LF</td>
<td>530</td>
<td>240,090</td>
</tr>
<tr>
<td>Item No.</td>
<td>Description</td>
<td>Estimated Quantity</td>
<td>Unit</td>
<td>Unit Price</td>
<td>Total</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>------</td>
<td>------------</td>
<td>----------</td>
</tr>
<tr>
<td>B-12</td>
<td>Furnish and install 3-inch 304L Stainless Steel glass bead feed tube</td>
<td>433</td>
<td>LF</td>
<td>34</td>
<td>14,722</td>
</tr>
<tr>
<td>B-13</td>
<td>Furnish and install 3-inch 304L Stainless Steel sounding tube</td>
<td>383.5</td>
<td>LF</td>
<td>40</td>
<td>15,340</td>
</tr>
<tr>
<td>B-14</td>
<td>Furnish and install 4-inch 304L Stainless Steel camera port tube</td>
<td>403</td>
<td>LF</td>
<td>72</td>
<td>29,016</td>
</tr>
<tr>
<td>B-15</td>
<td>Furnish and install Sigmund Lindner (SiLi) glass filter pack beads (assume 451011R-SiLi-NA beads) supplied in super sacks, filter pack envelope material, including 10-foot thick fine-grained transition sand on top of filter pack</td>
<td>360</td>
<td>LF</td>
<td></td>
<td>220</td>
</tr>
<tr>
<td>B-16</td>
<td>Furnish and install annular seal</td>
<td>405</td>
<td>LF</td>
<td>100</td>
<td>40,500</td>
</tr>
<tr>
<td>B-17</td>
<td>Perform two stages of well development by mechanical and chemical procedures including jetting, swabbing and airlifting</td>
<td>95</td>
<td>HR</td>
<td>470</td>
<td>44,650</td>
</tr>
<tr>
<td>B-18</td>
<td>Mobilize, install, and demobilize pump, equipment, and appurtenances for pumping development (assume up to 1,500 gallons per minute, assume intake at 300 feet bgs)</td>
<td>1</td>
<td>LS</td>
<td>18,000</td>
<td>18,000</td>
</tr>
<tr>
<td>B-19</td>
<td>Perform pump development by pumping and surging as specified</td>
<td>60</td>
<td>HR</td>
<td>320</td>
<td>19,200</td>
</tr>
<tr>
<td>B-20</td>
<td>Perform step-drawdown test by pumping</td>
<td>1</td>
<td>LS</td>
<td>3,800</td>
<td>3,800</td>
</tr>
<tr>
<td>B-21</td>
<td>Perform constant-rate discharge test by pumping, including water quality sample collection and analysis</td>
<td>1</td>
<td>LS</td>
<td>12,680</td>
<td>12,680</td>
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<tr>
<td>B-22</td>
<td>Conduct a flow velocity (spinner-log) survey</td>
<td>1</td>
<td>LS</td>
<td>6,500</td>
<td>6,500</td>
</tr>
<tr>
<td>B-23</td>
<td>Perform a color video camera survey</td>
<td>1</td>
<td>LS</td>
<td>1,100</td>
<td>1,100</td>
</tr>
<tr>
<td>B-24</td>
<td>Conduct well alignment/deviation tests by gyroscopic methods</td>
<td>1</td>
<td>LS</td>
<td>2,700</td>
<td>2,700</td>
</tr>
<tr>
<td>B-25</td>
<td>Complete final disinfection and capping</td>
<td>1</td>
<td>LS</td>
<td>3,800</td>
<td>3,800</td>
</tr>
</tbody>
</table>

Bid Schedule B Total (Items 1 through 25): $1,020,798

one million and twenty thousand seven hundred and ninety-eight dollars

(amount in words)
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Estimated Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-26</td>
<td>Standby Time (When Requested by District) @ Willowbrook</td>
<td>0</td>
<td>HR</td>
<td></td>
<td>250</td>
</tr>
<tr>
<td>B-27</td>
<td>Furnish and install bentonite seal at the bottom of the reamed borehole, ¾-inch bentonite chips or approved equivalent (at District's Option)</td>
<td>0</td>
<td>LF</td>
<td></td>
<td>180</td>
</tr>
<tr>
<td>Item No.</td>
<td>Description</td>
<td>Estimated Quantity</td>
<td>Unit</td>
<td>Unit Price</td>
<td>Total</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>-------</td>
<td>------------</td>
<td>--------</td>
</tr>
<tr>
<td>C-1</td>
<td>Mobilization/Demobilization &amp; Cleanup including disposal of drill cuttings and drilling fluid additives in accordance with all applicable laws and regulations</td>
<td>1</td>
<td>LS</td>
<td>$216,000</td>
<td>$216,000</td>
</tr>
<tr>
<td>C-2</td>
<td>Perform site demolition activities, including mobilization/demobilization, dust control, protection of utilities, demolition of sheds and tanks, removal of piping and conduit, relocation of power pole, fire hydrant assembly and site grading/fill</td>
<td>1</td>
<td>LS</td>
<td>$204,700</td>
<td>$204,700</td>
</tr>
<tr>
<td>C-3</td>
<td>Destroy Monterey Production well by blast perforation</td>
<td>1</td>
<td>LS</td>
<td>$39,000</td>
<td>$39,000</td>
</tr>
<tr>
<td>C-4</td>
<td>Protection of wash water recovery tank</td>
<td>1</td>
<td>LS</td>
<td>$42,000</td>
<td>$42,000</td>
</tr>
<tr>
<td>C-5</td>
<td>Furnish, Install, Maintain, &amp; Remove Noise Control Barrier Walls</td>
<td>1</td>
<td>LS</td>
<td>$22,400</td>
<td>$22,400</td>
</tr>
<tr>
<td>C-6</td>
<td>Drill minimum 48-inch diameter surface casing/sanitary seal borehole, install 38-inch O.D. by 1/2-inch wall mild steel conductor casing, and install cement grout sanitary seal to a minimum depth of 50 feet bgs</td>
<td>50</td>
<td>LF</td>
<td>$10</td>
<td>$30,500</td>
</tr>
<tr>
<td>C-7</td>
<td>Drill by reverse circulation methods a 17.5-inch nominal diameter pilot borehole from bottom of conductor to 550 feet bgs</td>
<td>500</td>
<td>LF</td>
<td>$80</td>
<td>$40,000</td>
</tr>
<tr>
<td>C-8</td>
<td>Perform Downhole Geophysical Surveys: Spontaneous Potential, Single-Point, 64-inch Long &amp; 16-inch Short Normal Resistivity, Focused (Guard) Resistivity, Gamma-Ray, Sonic Velocity and Nuclear Magnetic Resonance</td>
<td>1</td>
<td>LS</td>
<td>$16,000</td>
<td>$16,000</td>
</tr>
<tr>
<td>C-9</td>
<td>Ream pilot borehole to 34-inches diameter from bottom of conductor to 250-feet bgs and to 24-inches diameter from 250-feet to 520-feet bgs using reverse circulation methods</td>
<td>470</td>
<td>LF</td>
<td>$70</td>
<td>$32,900</td>
</tr>
</tbody>
</table>

Soquel Creek Water District  
SWIP Recharge Wells Project  
BID SCHEDULE  
April 2020  
00310-5
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Estimated Quantity</th>
<th>Unit</th>
<th>Unit Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-10</td>
<td>Conduct caliper survey</td>
<td>1</td>
<td>LS</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td>C-11</td>
<td>Furnish and install 16-inch I.D., 3/8-inch wall 304L Stainless Steel blank sump</td>
<td>10</td>
<td>LF</td>
<td>530</td>
<td>5,300</td>
</tr>
<tr>
<td>C-12</td>
<td>Furnish and install 16-inch I.D. 304L Stainless Steel Wire Wrap well screen (assume 0.060-inch slot)</td>
<td>250</td>
<td>LF</td>
<td>236</td>
<td>57,500</td>
</tr>
<tr>
<td>C-13</td>
<td>Furnish and install 16-inch I.D., 3/8-inch wall 304L Stainless Steel blank casing</td>
<td>253</td>
<td>LF</td>
<td>530</td>
<td>134,090</td>
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<tr>
<td>C-14</td>
<td>Furnish and install 3-inch 304L Stainless Steel glass bead feed tube</td>
<td>233</td>
<td>LF</td>
<td>34</td>
<td>7,950</td>
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<tr>
<td>C-15</td>
<td>Furnish and install 3-inch 304L Stainless Steel sounding tube</td>
<td>234</td>
<td>LF</td>
<td>48</td>
<td>9,828</td>
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<tr>
<td>C-16</td>
<td>Furnish and install 4-inch 304L Stainless Steel camera port tube</td>
<td>251</td>
<td>LF</td>
<td>90</td>
<td>23,590</td>
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<tr>
<td>C-17</td>
<td>Furnish and install Sigmund Lindner (SiLi) glass filter pack beads (assume 451011R-SiLi-NA beads) supplied in super sacks, filter pack envelope material, including 10-foot thick fine-grained transition sand on top of filter pack</td>
<td>310</td>
<td>LF</td>
<td>250</td>
<td>77,500</td>
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<tr>
<td>C-18</td>
<td>Furnish and install annular seal</td>
<td>205</td>
<td>LF</td>
<td>100</td>
<td>30,500</td>
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<tr>
<td>C-19</td>
<td>Perform two stages of well development by mechanical procedures including jetting, swabbing and airlifting</td>
<td>80</td>
<td>HR</td>
<td>470</td>
<td>37,600</td>
</tr>
<tr>
<td>C-20</td>
<td>Mobilize, install, and demobilize pump, equipment, and appurtenances for pumping development (assume up to 1,500 gallons per minute, assume intake at 220 feet bgs)</td>
<td>1</td>
<td>LS</td>
<td>9,500</td>
<td>9,500</td>
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<tr>
<td>C-21</td>
<td>Perform pump development by pumping and surging as specified.</td>
<td>60</td>
<td>HR</td>
<td>320</td>
<td>19,200</td>
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<tr>
<td>C-22</td>
<td>Perform step-drawdown test by pumping</td>
<td>1</td>
<td>LS</td>
<td>3,200</td>
<td>3,200</td>
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<tr>
<td>C-23</td>
<td>Perform constant-rate discharge test by pumping, including water quality sample collection and analysis</td>
<td>1</td>
<td>LS</td>
<td>12,680</td>
<td>12,680</td>
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<td>C-24</td>
<td>Conduct a flow velocity (spinner-log) survey</td>
<td>1</td>
<td>LS</td>
<td>6,500</td>
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<td>C-25</td>
<td>Perform a color video camera survey</td>
<td>1</td>
<td>LS</td>
<td>1,100</td>
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<td>Item No.</td>
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<tr>
<td>C-26</td>
<td>Conduct well alignment/deviation tests by gyroscopic methods</td>
<td>1</td>
<td>LS</td>
<td>2,700</td>
<td>2,700</td>
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<tr>
<td>C-27</td>
<td>Complete final disinfection and capping</td>
<td>1</td>
<td>LS</td>
<td>3,200</td>
<td>3,200</td>
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Bid Schedule C Total (Items 1 through 27): $1,067,910

(amount in words)

| C-28    | Standby Time (When Requested by District) @ Monterey                         | 0                  | HR   | 250        |         |
| C-29    | Furnish and install bentonite seal at the bottom of the reamed borehole, ¾-inch bentonite chips or approved equivalent (at District's Option) | 0                  | LF   | 180        |         |
| C-30    | Re-Mobilization to the site (at District's Option) @ Monterey               | 0                  | LS   | 45,000     |         |

Bid Schedule Total (Schedules A, B & C): $2,222,008

(amount in words)
Contractor's License Detail for License # 440537

DISCLAIMER: A license status check provides information taken from the CSLB license database. Before relying on this information, you should be aware of the following limitations.

- CSLB complaint disclosure is restricted by law (B&P 7124.6) if this entity is subject to public complaint disclosure click on link that will appear below for more information. Click here for a definition of disclosable actions.
- Only construction related civil judgments reported to CSLB are disclosed (B&P 7071.17).
- Arbitrations are not listed unless the contractor fails to comply with the terms.
- Due to workload, there may be relevant information that has not yet been entered into the board’s license database.

Data current as of 5/28/2020 9:43:14 AM

Business Information

ZIM INDUSTRIES INC
dba BAKERSFIELD WELL & PUMP CO

4532 E JEFFERSON AVE
FRESNO, CA 93725
Business Phone Number: (559) 834-1551

Entity: Corporation
Issue Date: 06/01/1983
Expire Date: 06/30/2021

License Status

This license is current and active.

All information below should be reviewed.

Classifications

- A - GENERAL ENGINEERING CONTRACTOR
- C-61 / D21 - MACHINERY AND PUMPS
- C57 - WELL DRILLING

Bonding Information

Contractor's Bond

This license filed a Contractor's Bond with THE GUARANTEE COMPANY OF NORTH AMERICA USA.
Bond Number: 12059112
Bond Amount: $15,000
Effective Date: 01/01/2016

Bond of Qualifying Individual

The qualifying individual ROBERT JAMES ZIMMERER certified that he/she owns 10 percent or more of the voting stock/membership interest of this company; therefore, the Bond of Qualifying Individual is not required.
Effective Date: 11/20/1987

Workers' Compensation

This license has workers compensation insurance with the AMERICAN ZURICH INSURANCE COMPANY.
Policy Number: WC831166116
Effective Date: 03/01/2019
Expire Date: 03/01/2021

Click here for a definition of disclosable actions.

ATTACHMENT 3 - ITEM 7.4
Page 351 of 371
Everest Reinsurance Company

Mailing Address
P.O. Box 830
Liberty Corner, New Jersey 07938-0830
United States

Web: www.everest.re.com
Phone: 908-604-3000
Fax: 908-604-3450

AM Best Rating Unit: AMB #: 058455 - Everest Re Group, Ltd.

Based on AM Best's analysis, 058455 - Everest Re Group, Ltd. is the AMB Ultimate Parent and identifies the topmost entity of the corporate structure. View a list of operating insurance entities in this structure.

Best's Credit Ratings

Financial Strength Rating View Definition
Rating: A+ (Superior)
Affiliation Code: g (Group)
Financial Size Category: XV ($2 Billion or greater)
Outlook: Stable
Action: Affirmed
Effective Date: May 02, 2019
Initial Rating Date: June 30, 1978

Long-Term Issuer Credit Rating View Definition
Long-Term: aa-
Outlook: Stable
Action: Affirmed
Effective Date: May 02, 2019
Initial Rating Date: June 02, 2004

Rating History

AM Best has provided ratings & analysis on this company since 1978.

Financial Strength Rating

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<td>2/10/2017</td>
<td>A+</td>
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<tr>
<td>9/9/2015</td>
<td>A+</td>
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<td>7/25/2014</td>
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Long-Term Issuer Credit Rating

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<td>aa-</td>
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<tr>
<td>7/25/2014</td>
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</table>

Disclosure Information

Disclosure Information Form
View AM Best's Rating Disclosure Form
Press Release
AM Best Affirms Credit Ratings of Everest Re Group, Ltd. and Its Subsidiaries
May 02, 2019

Note: Credit Ratings on this company are European Union Endorsed
Erie Insurance Company

(NAIC #26263)

BUSINESS ADDRESS: 100 ERIE INSURANCE PLACE, ERIE, PA 16530.

PHONE: (814) 870-2000.

UNDERWRITING LIMITATION b/: $37,647,000.

SURETY LICENSES c,f/: DC, IL, IN, KY, MD, MN, NY, NC, OH, PA, TN, VA, WV, WI.

INCORPORATED IN: Pennsylvania.

Euler Hermes North America Insurance Company

(NAIC #20516)

BUSINESS ADDRESS: 800 Red Brook Blvd, Owings Mills, MD 21117.

PHONE: (410) 753-0753.

UNDERWRITING LIMITATION b/: $17,842,000.

SURETY LICENSES c,f/: AL, AK, AZ, CA, CO, CT, DE, DC, GA, HI, ID, IL, IN, IA, KS, KY, LA, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY.

INCORPORATED IN: Maryland.

Everest Reinsurance Company

(NAIC #26921)

BUSINESS ADDRESS: P.O. Box 830, Liberty Corner, NJ 07938 - 0830.

PHONE: (908) 604-3000.

UNDERWRITING LIMITATION b/: $365,059,000.

SURETY LICENSES c,f/: AL, AK, AZ, AR, CA, CO, CT, DE, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MP, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY.

INCORPORATED IN: Delaware.

Evergreen National Indemnity Company

(NAIC #12750)
COMPANY PROFILE

Company Information

EVEREST REINSURANCE COMPANY
PO BOX 830
LIBERTY CORNER, NJ 07938-0830
800-438-4375

Old Company Names

PRUDENTIAL REINSURANCE COMPANY 04/10/1996

Agent For Service

Melissa DeKoven
2710 Gateway Oaks Drive, Suite 150N
Sacramento CA 95833-3505

Reference Information

NAIC #: 26921
California Company ID #: 2259-0
Date Authorized in California: 10/24/1977
License Status: UNLIMITED-NORMAL
Company Type: Property & Casualty
State of Domicile: DELAWARE

Lines Of Business

The company is authorized to transact business within these lines of insurance.
For an explanation of any of these terms, please refer to the glossary.

- AIRCRAFT
- AUTOMOBILE
- BOILER AND MACHINERY
- BURGLARY
- COMMON CARRIER LIABILITY
- CREDIT
- DISABILITY
- FIRE
- LIABILITY
- MARINE
- MISCELLANEOUS
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<th>Unit Price</th>
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<tr>
<td>A-1</td>
<td>Mobilize, install, and demolish pump, equipment, and appurtenances for development (assume up to 1,500 gallons per minute, assume intake at 212 feet bgs)</td>
<td>1</td>
<td>LS</td>
<td>$35,000.00</td>
<td>$35,000.00</td>
<td>$35,878.00</td>
<td>$35,878.00</td>
<td>$27,000.00</td>
<td>$27,000.00</td>
<td>$13,500.00</td>
<td>$13,500.00</td>
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<tr>
<td>A-2</td>
<td>Perform a color video camera survey</td>
<td>1</td>
<td>LS</td>
<td>$2,000.00</td>
<td>$2,000.00</td>
<td>$1,290.00</td>
<td>$1,290.00</td>
<td>$1,400.00</td>
<td>$1,400.00</td>
<td>$2,250.00</td>
<td>$2,250.00</td>
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<tr>
<td>A-3</td>
<td>Perform two stages of well development by mechanical and chemical procedures including jetting, swabbing and airlifting</td>
<td>140</td>
<td>HR</td>
<td>$350.00</td>
<td>$49,000.00</td>
<td>$475.00</td>
<td>$66,500.00</td>
<td>$470.00</td>
<td>$65,800.00</td>
<td>$860.00</td>
<td>$120,400.00</td>
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<tr>
<td>A-4</td>
<td>Furnish, install, and remove test pump, discharge equipment, and monitoring equipment including sounding tubes</td>
<td>1</td>
<td>LS</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td>$13,500.00</td>
<td>$13,500.00</td>
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<tr>
<td>A-5</td>
<td>Perform pump development by pumping and surging as specified</td>
<td>40</td>
<td>HR</td>
<td>$300.00</td>
<td>$12,000.00</td>
<td>$275.00</td>
<td>$11,000.00</td>
<td>$320.00</td>
<td>$12,800.00</td>
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<tr>
<td>A-6</td>
<td>Perform step-drawdown test by pumping</td>
<td>1</td>
<td>LS</td>
<td>$3,000.00</td>
<td>$3,000.00</td>
<td>$2,400.00</td>
<td>$2,400.00</td>
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<td>$3,200.00</td>
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<td>$3,850.00</td>
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<td>A-7</td>
<td>Conduct a flow velocity (spinner-log) survey</td>
<td>1</td>
<td>LS</td>
<td>$5,000.00</td>
<td>$5,000.00</td>
<td>$3,485.00</td>
<td>$3,485.00</td>
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<td>$4,800.00</td>
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<tr>
<td>A-8</td>
<td>Perform a color video camera survey</td>
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<td>LS</td>
<td>$2,000.00</td>
<td>$2,000.00</td>
<td>$1,290.00</td>
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<td>$1,750.00</td>
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<tr>
<td>A-9</td>
<td>Complete final disinfection and capping</td>
<td>1</td>
<td>LS</td>
<td>$3,500.00</td>
<td>$3,500.00</td>
<td>$2,350.00</td>
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<td>$3,200.00</td>
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<tr>
<td>A-10</td>
<td>Standby Time (at District’s Option)</td>
<td>0</td>
<td>HR</td>
<td>$300.00</td>
<td>$450.00</td>
<td>$250.00</td>
<td>$400.00</td>
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**TOTAL SCHEDULE A**: $121,500.00 | $137,693.00 | $133,300.00 | $175,750.00

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<tbody>
<tr>
<td>B-1</td>
<td>Mobilization/ Demobilization &amp; Cleanup including disposal of drill cuttings and drilling fluid additives in accordance with all applicable laws and regulations</td>
<td>1</td>
<td>LS</td>
<td>$55,000.00</td>
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<td>B-2</td>
<td>Site Clearing and Grubbing to include Tree and Root Removal</td>
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<td>LS</td>
<td>$10,000.00</td>
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<td>$19,500.00</td>
<td>$19,500.00</td>
</tr>
<tr>
<td>B-3</td>
<td>Furnish, Install, Maintain, &amp; Remove Noise Control Barriere Walls</td>
<td>1</td>
<td>LS</td>
<td>$50,000.00</td>
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<td>$43,200.00</td>
<td>$195,500.00</td>
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<tr>
<td>B-4</td>
<td>Drill minimum 48-inch diameter surface casing/sanitary seal borehole, install 38-inch O.D. by 1/2-inch wall mild steel conductor casing, and install cement grout sanitary seal to a minimum depth of 50 feet below ground surface (bgs).</td>
<td>50</td>
<td>LF</td>
<td>$480.00</td>
<td>$24,000.00</td>
<td>$575.00</td>
<td>$28,750.00</td>
<td>$610.00</td>
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<td>LF</td>
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<tr>
<td>B-5</td>
<td>Drill by reverse circulation methods a 17.5-inch nominal diameter pilot borehole from bottom of conductor to 800 feet bgs</td>
<td>750</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>B-6</td>
<td>Perform Downhole Geophysical Surveys: Spontaneous Potential, Single-Point, 64-inch Long &amp; 16-inch Short Normal Resistivity, Focused (Guard) Resistivity, Gamma-Ray, Sonic Velocity and Nuclear Magnetic Resonance.</td>
<td>1</td>
<td>LS</td>
<td>$30,000.00</td>
<td>$30,000.00</td>
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<td>$4,550.00</td>
<td>$16,000.00</td>
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<tr>
<td>B-7</td>
<td>Ream pilot borehole to 34-inches diameter from bottom of conductor to 440-feet bgs and to 24-inches diameter from 440-feet to 770-feet bgs using reverse circulation methods</td>
<td>720</td>
<td>LF</td>
<td>$100.00</td>
<td>$72,000.00</td>
<td>$80.00</td>
<td>$57,600.00</td>
<td>$50.00</td>
<td>$36,000.00</td>
<td>$115.00</td>
<td>$82,800.00</td>
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<tr>
<td>B-8</td>
<td>Conduct caliper survey</td>
<td>1</td>
<td>LS</td>
<td>$3,500.00</td>
<td>$3,500.00</td>
<td>$4,550.00</td>
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<td>$6,500.00</td>
<td>$6,500.00</td>
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<tr>
<td>B-9</td>
<td>Furnish and install 16-inch I.D., 3/8-inch wall 304L Stainless Steel blank sump</td>
<td>10</td>
<td>LF</td>
<td>$350.00</td>
<td>$3,500.00</td>
<td>$490.00</td>
<td>$4,900.00</td>
<td>$530.00</td>
<td>$5,300.00</td>
<td>$650.00</td>
<td>$6,500.00</td>
</tr>
<tr>
<td>B-10</td>
<td>Furnish and install 16-inch I.D. 304L Stainless Steel Wire Wrap well screen (assume 0.060-inch slot)</td>
<td>300</td>
<td>LF</td>
<td>$260.00</td>
<td>$78,000.00</td>
<td>$189.00</td>
<td>$56,700.00</td>
<td>$238.00</td>
<td>$71,400.00</td>
<td>$240.00</td>
<td>$72,000.00</td>
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<tr>
<td>B-11</td>
<td>Furnish and install 16-inch I.D., 3/8-inch wall 304L Stainless Steel blank casing</td>
<td>453</td>
<td>LF</td>
<td>$350.00</td>
<td>$158,550.00</td>
<td>$490.00</td>
<td>$221,970.00</td>
<td>$530.00</td>
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<td>$575.00</td>
<td>$260,475.00</td>
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<tr>
<td>B-12</td>
<td>Furnish and install 3-inch 304L Stainless Steel glass bead feed tube</td>
<td>433</td>
<td>LF</td>
<td>$50.00</td>
<td>$21,650.00</td>
<td>$48.00</td>
<td>$20,784.00</td>
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<td>B-13</td>
<td>Furnish and install 3-inch 304L Stainless Steel sounding tube</td>
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<td>Furnish and install 4-inch 304L Stainless Steel camera port tube</td>
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<td>B-15</td>
<td>Furnish and install Sigmund Linder (SiLi) glass filter pack beads (assume 451011R-SiLi-NA beads) supplied in super sacks, including 10-foot thick fine-grained transition sand on top of filter pack</td>
<td>360</td>
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<td>Furnish and install annular seal</td>
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<td>Perform two stages of well development by mechanical and chemical procedures including jetting, swabbing and airlifting</td>
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<td>B-18</td>
<td>Mobilize, install, and demobilize pump, equipment, and appurtenances for pumping development (assume up to 1,500 gallons per minute, assume intake at 300 feet bgs)</td>
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<td>Perform pump development by pumping and surging as specified</td>
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<td>Perform step-drawdown test by pumping</td>
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<td>Perform constant-rate discharge test by pumping, including water quality sample collection and analysis</td>
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<td>LS</td>
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<td>Conduct a flow velocity (upstream-log) survey</td>
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<td>Perform a color video camera survey</td>
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<td>B-24</td>
<td>Conduct well alignment/deviation tests by gyroscopic methods</td>
<td>1</td>
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### MONTEREY WELL, BID SCHEDULE C

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<tr>
<td>C-1</td>
<td>Mobilization/ Demobilization &amp; Cleanup including disposal of drill cuttings and drilling fluid additives in accordance with all applicable laws and regulations</td>
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<td>Perform site demolition activities, including mobilization/demobilization, dust control, protection of utilities, demolition of sheds and tanks, removal of piping and conduit, relocation of power pole, fire hydrant assembly and site grading/fill.</td>
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<td>Destroy Monterey Production well by blast perforation</td>
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<td>C-5</td>
<td>Furnish, Install, Maintain, &amp; Remove Noise Control Barrier Walls</td>
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<td>C-6</td>
<td>Drill minimum 48-inch diameter surface casing/sanitary seal borehole, install 38-inch O.D. by 1/2-inch wall mild steel conductor casing, and install cement grout sanitary seal to a minimum depth of 50 feet below ground surface (bgs).</td>
<td>50</td>
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<td>Drill by reverse circulation methods a 17.5-inch nominal diameter pilot borehole from bottom of conductor 550 feet bgs</td>
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<td>C-8</td>
<td>Perform Downhole Geophysical Surveys: Spontaneous Potential, Single-Point, 64-inch Long &amp; 16-inch Short Normal Resistivity, Focused (Guard) Resistivity, Gamma-Ray, Sonic Velocity and Nuclear Magnetic Resonance.</td>
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<td>C-9</td>
<td>Ream pilot borehole to 34-inches diameter from bottom of conductor to 250-feet bgs and to 24-inches diameter from 250-feet to 520-feet bgs using reverse circulation methods</td>
<td>470</td>
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<td>Furnish and install 16-inch I.D., 3/8-inch wall 304L Stainless Steel blank sump</td>
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<td>Furnish and install 16-inch I.D. 304L Stainless Steel Wire Wrap well screen</td>
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<td>Furnish and install 3-inch 304L Stainless Steel sounding tube</td>
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<td>Furnish and install 4-inch 304L Stainless Steel camera port tube</td>
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<td>Furnish and install Sigmund Linder (SiLi) glass filter pack beads</td>
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<td>C-18</td>
<td>Furnish and install annular seal</td>
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<td>C-19</td>
<td>Perform two stages of well development by mechanical and chemical procedures</td>
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<td>C-22</td>
<td>Perform step-drawdown test by pumping</td>
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<td>Perform constant-rate discharge test by pumping, including water quality</td>
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<td>sample collection and analysis</td>
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<td>C-24</td>
<td>Conduct a flow velocity (spinner-log) survey</td>
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<td>Perform a color video camera survey</td>
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<td>Conduct well alignment/deviation tests by gyroscopic methods</td>
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<td>Complete final disinfection and capping</td>
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**TOTAL SCHEDULE C** $846,330.00 $754,792.00 $1,067,910.00 $1,522,520.00

**BID SCHEDULES A + B + C TOTALS** $1,846,982.50 Total $1,733,916.00 Total $2,222,008.00 Total $3,316,362.50

*Bid Withdrawn*

**APPARENT LOW BIDDER**

**TOTAL BID AMOUNT SCHEDULES A + B + C** $2,222,008.00

**ATTACHMENT 3 - ITEM 7.4**

**Zim Industries, Inc.**
May 27, 2020

Mr. Taj Dufour
Engineering Manager/Chief Engineer
Soquel Creek Water District
PO Box 1550
Capitola, CA 95010-1550

SUBJECT: PROPOSAL FOR CONSTRUCTION MANAGEMENT SERVICES AT THE TWIN LAKES CHURCH, MONTEREY AND WILLOWBROOK WELL SITES

Dear Mr. Dufour:

Montgomery & Associates (M&A) is pleased to present Soquel Creek Water District (District) with this proposal for construction management services associated with the Twin Lakes Church, Monterey, and Willowbrook well sites. These Seawater Intrusion Prevention (SWIP) wells are being completed as part of the District’s Pure Water Soquel (PWS) program. Construction management services for monitoring wells associated with the SWIP wells are not included in this proposal.

SCOPE OF WORK
The Scope of Work (SOW) outlined below includes construction management and reporting for the following activities:

- Redevelopment and testing of the Twin Lakes Church SWIP Well
- Destruction of the inactive Monterey Production Well
- Construction and testing of the Monterey SWIP Well
- Construction and testing of the Willowbrook SWIP Well

These activities are further detailed in M&A’s April 2020 Technical Specifications: Redevelopment of Twin Lakes Church SWIP Well, Destruction of Monterey Production Well, and Construction, Development and Testing of Monterey and Willowbrook SWIP Wells (technical specifications).

M&A is partnering with Water Systems Consulting, Incorporated (WSC) and Martin Feeney to complete this SOW. WSC, as a subconsultant to M&A, will provide review of Contractor submittals required in Appendix C of the technical specifications and final field structural review of the Monterey site backwash tank following contractor demobilization. Martin Feeney, as a subconsultant to M&A, will provide limited senior hydrogeological technical review in consideration of his local expertise.

TASK 1: PROJECT MANAGEMENT
M&A will provide project management throughout the duration of the SOW. Items included in Task 1 are:

- Coordination with the District and their representatives
- Attendance at project meetings
• Budget management
• Schedule management
• Submittal review and Request for Information support
• Support for grant management, including as needed correspondence with State Water Resources
  Control Board Division of Financial Assistance (DFA) and the Prop 1 implementation grant
  Technical Advisory Committee (TAC)

This task assumes a contract duration of 12 months, monthly progress reports with invoice submittals, and
up to three in-person meetings at the District offices.

Assumptions:
• One combined project kick-off, pre-construction, and project safety meeting will be held to
discuss schedule, expectations, and construction management concepts. This meeting will include
the project manager and lead field hydrogeologist.
• Monthly progress reports will include the anticipated activities for the next reporting period and
photographic documentation of project progress.
• Weekly phone conference meetings will be held with the District, its representative, and project
manager.
• Weekly summary of activities, to include a comparison of actual field hours worked against field
hours budgeted herein.
• Contractor submittals will be reviewed, and recommended responses provided for District
consideration and submittal back to contractor.

**TASK 2: CONSTRUCTION MANAGEMENT**

M&A will provide construction management services to observe and document the SOW previously
described. This task is organized into three subtasks, one for each well site:

• Subtask 2.1 – Twin Lakes Church SWIP Well
• Subtask 2.2 – Monterey SWIP Well
• Subtask 2.3 – Willowbrook SWIP Well

This organization by subtask will allow accurate tracking of well specific details, level of effort, and
schedules.

M&A will provide construction management for activities listed below, including level of observation.
Many activities are consistent between sites; activities specific to a subtask are noted as such:

• Mobilization: Part-time observation to verify project set-up
• Well Destruction (Monterey site, subtask 2.2): Full-time observation
• Conductor Casing Installation: Full-time observation
• Installation of Soundwalls: Part-time observation to verify set-up
• Pilot Borehole Drilling and Geophysical Logging: Full-time observation
• Reaming: Part-time observation
• Caliper Survey: Full-time observation
• Well Construction: Full-time observation
• Mechanical and Chemical Development: Full-time observation, excluding rest periods for chemical development
• Installation of the Test Pump
• Test Pump Development: Full-time observation
• Step Test: Full-time observation
• Constant Rate Test, Sample Collection and Spinner Survey: Full-time observation
• Recovery Test: Part-time observation to include full-time for first 2 hours, then periodic thereafter
• Video, Plumbness, and Alignment Surveys: Full-time observation
• Chlorination: Part-time observation to verify compliance with technical specifications

Costs are not included herein for construction management of non-intrusive activities including but not limited to the following:

• Grubbing and Grading (Willowbrook site)
• Site Demolition (Monterey site)
• Borehole Circulation while waiting for materials
• Cement cure wait periods
• Rig Down
• Pump Rig Mobilization
• Pulling the Test Pump
• Brushing and Bailing
• Bacteriological Sampling
• Capping and Securing of Wells
• Demobilization and Site Restoration

Assumptions:

• M&A can reasonably rely on the accuracy, timeliness, and completeness of the information provided by the District, including the Contractor’s submittals and project control schedule.
• M&A employees have no authority to exercise any control over the Contractor or their employees in connection with their work or any health and safety precautions and have no duty for
inspecting, noting, observing or correcting health or safety deficiencies of the Contractor or any other persons at the site except M&A employees. M&A will promptly notify the District of any observed or perceived health and safety deficiencies by the Contractor or any other persons at the site.

- M&A’s presence at a construction site does not make its employees in any way responsible for those duties that belong to the District and/or the Contractor or other entities, and does not relieve the Contractor or any other entity of their obligations, duties, and responsibilities, including but not limited to methods, means, techniques, sequences, and procedures necessary for coordinating and completing construction work in accordance with the contract documents and any health or safety required.

- The presence of M&A employees at the construction sites is to provide the District a greater degree of confidence that the completed work will conform generally to the construction documents and that the integrity and the design concept as reflected in the construction documents has been implemented and preserved by the Contractor. M&A neither guarantees the performance of the Contractor nor assumes responsibility for Contractor’s failure to perform work in accordance with contract documents.

- The Contractor is responsible for testing, maintaining, and recording drilling fluid properties. M&A will observe and record results as appropriate. Deviations to the specifications will be reported to the District within 24-hours of being observed.

- Contractor will collect groundwater samples and perform laboratory analysis associated with this project.

- M&A will not be present during non-drilling activities unless noted herein.

- M&A staff will observe and approve the well brush to be used following removal of the test pump.

- Contractor will be contracted directly to the District.

- Fieldwork will be conducted during 12-hour workdays on a standard 5-day workweek, except during pilot borehole drilling, geophysical logging, caliper logging, well construction, mechanical and chemical development, and constant-rate pump testing. M&A assumes a 24-hour work schedule for these activities, including weekends. Expenses for M&A staff hotel stays are included in this proposal.

- Borehole reaming activities assume 8 hours per 24-hour period to periodically visit the site and observe progress. Expenses for these activities include hotel stays.

- M&A staff will perform construction management activities consistent with enforcing specifications and will not direct Contractor means or methods.

- Equipment rentals and fieldwork consumable purchases may be required. These may include but are not limited to, field vehicles, pressure transducers, field notebooks and chip trays. Costs for these items are included herein.

- Contractor is responsible for the containment, profiling, and disposal of all waste generated during the project.

- Costs for sieve analysis, including those for filter pack media, are the responsibility of the Contractor.
M&A will submit a field report to the District for each day M&A staff are onsite. It is anticipated reports will be sent by email and the format, content and distribution of these reports will be agreed upon prior to mobilization to the field.

The Task 2 costs provided herein are estimated based on anticipated durations for each activity. Actual durations are subject to Contractor performance and are not controlled by M&A. As such, actual costs are subject to increase or decrease based on actual durations, or by District request for modified observation schedules.

**TASK 3: DATA ANALYSIS AND REPORTING**

M&A will prepare reports and/or technical memorandums to document field activities, testing, and findings at each well site. Reports specific to each well site will facilitate timely reporting as each site’s activities are completed. Eight reports and/or technical memorandums will be completed, as detailed below.

*Well Design Technical Memorandums*

A well design technical memorandum will be written for the Monterey SWIP and Willowbrook SWIP wells to document the final well design for contractor material ordering and construction purposes. A total of two technical memorandums will be prepared.

- Monterey SWIP Well Design Technical Memorandum
- Willowbrook SWIP Well Design Technical Memorandum

Well design technical memorandums will be completed and submitted for District review within 24 hours after receipt of electronic geophysical results, sieve analysis data (if completed), and any other relevant data. Technical memorandums will include a final well construction schematic, casing schedule, tubing schedule, annular materials schedule, and tubing orientation. A vertically scaled graphic containing observed lithology, geophysical results and aquifer unit identification will be included with each submittal. Well design reports will be submitted electronically in PDF format.

*Discharge Reports*

It is understood that the District's NPDES permit will be used to discharge pumped groundwater at each site. M&A will be responsible for the permit’s reporting requirements which will include collecting data and preparing a discharge report. Time allocated for data collection is included under the field observation in Task 2; costs for discharge reporting are included in this task. The following three reports will be written:

- Discharge Report - TLC
- Discharge Report - Monterey
- Discharge Report - Willowbrook

Discharge reports will be completed in compliance with NPDES permits for content and submittal timelines and transmitted to the District for their NPDES submittal requirements. Discharge reports will be submitted electronically in PDF format.

*SWIP Well Reports*
A report will be prepared for each well site following activities at each site. A total of three reports will be prepared:

- Report of Twin Lakes Church SWIP Well Redevelopment and Pump Testing
- Report of Monterey SWIP Well Drilling, Construction and Testing, and Monterey Production Well Destruction
- Report of Willowbrook SWIP Well Drilling, Construction and Testing

Reports will include a description of the work completed, description of the methods and procedures used, up to 20 figures, up to 10 summary tables, results and discussion of drilling and testing activities, conclusions and recommendations, and up to 25 appendices (including relevant contractor submittals).

Assumptions:

- The District will provide M&A copies of all contractor submittals after District approval. District is responsible for tracking, cataloguing, and approving Contractor submittals.
- Draft well reports will be prepared for District comment. Final well reports will be prepared from comments received on the draft.
- California Drinking Water Source Assessment Program reporting is not required for these activities.
- A final version of each report will be submitted to the District, to include one hard copy and one PDF copy on DVD, including raw data files.

**TASK 4: INDIRECT COSTS**

This budget item covers indirect costs not covered by the Prop 1 implementation grant. These will primarily be travel expenses such as mileage, lodging, and transportation. Task 2, Construction Management, will be the main task for which these costs will be incurred but meetings associated with Task 1, Project Management, will also be supported.

**COSTS**

The estimated costs by task are summarized below and detailed in the attached table. These costs reflect a 10% markup to subconsultant labor only; a markup for subconsultant expenses or their subcontractors is not included in the total estimated cost.

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ATTACHMENT 4 - ITEM 7.4
If you have any questions, do not hesitate to contact me.

Sincerely,

Bill DeBoer, P.G., C.Hg.
Senior Hydrogeologist
# Cost Estimate for Construction Management Services at the Twin Lakes Church, Monterey, and Willowbrook Well Sites

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<th>Bill DeBoer Scientist 6</th>
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<td><strong>TOTAL COST</strong></td>
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June 2, 2020

MEMO TO THE BOARD OF DIRECTORS

Subject: Agenda Item No. 7.5

Title: Approve Bid Award and Authorize General Manager to Sign Professional Services Agreement and Purchase Order with Water Systems Consulting, Inc. to Prepare 2020 Urban Water Management Plan

Background
Every 5 years, urban water suppliers with more than 3,000 service connections or that supply greater than 3,000 acre-feet of water per year, must prepare an Urban Water Management Plan (UWMP) and submit it to the California Department of Water (DWR). The UWMP is meant to be a comprehensive overview of the District and support long term resource planning to ensure that adequate water supplies are available to meet existing and future demand. Key components of the UWMP include supply and demand projections for the next 30 years and the Water Shortage Contingency Plan (WSCP). The 2020 UWMP is due to DWR July 1, 2021. The District issued a Request for Proposal to Provide Professional Services to Prepare the 2020 UWMP on April 24, 2020.

Consultant Selection Process
Staff received three proposals by the due date on May 15, 2020 from Water Systems Consulting, Inc., Schaaf & Wheeler Consulting Engineers, and Luhdorff & Scalmanini Consulting Engineers. A selection committee comprised of three staff members (Shelley Flock, Alyssa Abbey, and Roy Sikes) reviewed the technical proposals from each firm for: qualifications as they relate to this project, ability to provide the required services in a timely matter, the firm’s reputation for integrity and competence, and innovative ideas and added value beyond meeting the minimum regulatory requirements.

Water Systems Consulting, Inc. (WSC) was selected as the firm best suited to complete the District’s 2020 UWMP based on the selection criteria. WSC was the firm that completed the District’s 2015 UWMP. After making a qualifications-based selection of WSC, staff opened WSC’s sealed bid in the amount of $83,375. For reference, one bid was approximately $8,000 lower than WSC’s and the other was approximately $20,000 higher.

Contracting & Budget
WSC requested several minor changes to the District’s Standard Professional Services Agreement (Agreement) and staff sent the requested changes to District Legal Counsel for review and approval. As of the writing of this memo, the Agreement has not been finalized and staff recommends Board approval of the bid award contingent upon a successful negotiation. Please note that the UWMP preparation has been included in the 2020/2021 budget for Conservation services and that the WSC proposal is less than the budgeted amount.
POSSIBLE BOARD ACTION(S)
1. By MOTION, approve the bid award to prepare the District’s 2020 UWMP to Water Systems Consulting, Inc. contingent upon successful negotiation of Agreement terms and conditions; and

2. By MOTION, authorize the General Manager to sign the Agreement and a purchase order in the amount not to exceed $83,375; or

3. Take no action.

By ________________________________
Alyssa Abbey
Staff Analyst

By ________________________________
Shelley Flock
Conservation & Customer Service Field Manager