



STAFF REPORT

Meeting Type: Board of Directors
Title: Rate Setting Update for Capital Improvement Program
From: Alex Anaya, Director of Engineering
Through: Shaun Horne, General Manager
Meeting Date: November 04, 2026

TYPE OF ITEM: Action X Information

RECOMMENDATION: Receive staff update on the rate setting process in relation to the Capital Improvement Program

SUMMARY: The Districts Capital Improvement Program (CIP) is essential in ensuring ongoing resiliency and system reliability of all the District's water infrastructure. Renewal and replacement of aging infrastructure is necessary to ensure continued delivery of water across the service area. Staff will present an overview of the capital program over the past four years and the upcoming four years.

DISCUSSION: The Districts Capital Improvement Program (CIP) is essential in ensuring ongoing resiliency and system reliability of all the District's water infrastructure. Renewal and replacement of aging infrastructure is necessary to ensure continued delivery of water across the service area. The increased rates over the past four years has allowed the District to start making investments in large capital assets including starting construction of the Pine Mountain Tunnel Replacement (Gibson Tanks) Project, Tocaloma Pump Station, Kastania Pump Station along with making substantial design and planning progress on other critical projects such as the facility assessments of the Administration, Corporation Yard and Warehouse, Hind Tanks Replacement, and the SoulaJue Pump Station Electrification.

These investments have not only made measurable headway in reducing some of these larger capital project backlogs but have also helped reduce the overall risk to the system by eliminating or reducing high risk, high consequence of failure in these critical assets. In addition, increases in our core capital work such as pipeline replacement have been made to start reducing the remaining aging pipelines that in many cases are leak prone and seismically deficient, ensuring that the system remains resilient and reliable during earthquakes, fires and other natural disasters.

While notable advancements in key areas have been made to the District's infrastructure investments, a sizable portion of infrastructure across all asset categories remain to be rehabilitated or replaced. Staff will review how continued capital investments to the District's aging infrastructure will ensure the

District can enhance its future water supply, reliably deliver water to its customers and systematically upgrade all asset categories in a thoughtful and sustainable manner.

ENVIRONMENTAL REVIEW: Not applicable.

FISCAL IMPACT: None.

ATTACHMENT(S): None.