



**LINCOLN-SMD 1 WASTEWATER AUTHORITY
MEETING AGENDA**

Regular Meeting of the Board of Directors

Lincoln City Hall, Third Floor Council Chambers
600 Sixth Street, Lincoln, CA 95648

February 13, 2026 at 10:00 a.m.

The public may also observe and participate in the meeting via Zoom at the following
videoconferencing link:

https://us06web.zoom.us/webinar/register/WN_L2bYfOdARYiQxL2vDwckAQ

Board of Directors

CITY OF LINCOLN

John Reedy, Vice Chair
Holly Andreatta

COUNTY OF PLACER

Shanti Landon, Chair
Cindy Gustafson

General Manager and Secretary

Jim Mulligan

Legal Counsel

Wes Miliband

PRELIMINARY MATTERS

- A. CALL TO ORDER
- B. PLEDGE OF ALLEGIANCE
- C. ROLL CALL
- D. PUBLIC COMMENT ON NON-AGENDA ITEMS

Any member of the public wishing to address the Board of Directors regarding items not on the Agenda within the Authority's subject matter jurisdiction should do so at this time. With respect to items on the Agenda, the Board will receive public comments at the time the item is opened for discussions, prior to any vote or other Board action. A three-minute time limit is requested. Please complete a speaker card and submit it to the General Manager at the meeting.



ACTION CALENDAR

1. CONSENT ITEMS

It is recommended by the General Manager that these items, which are expected to be routine in nature and without controversy, be received and acted upon by the Board without discussion. If any Board member or interested party requests that an item be removed from the Consent Calendar for discussion, it will be considered separately. The consent calendar may be approved by a single motion to approve, followed by a second and then a call for vote.

1.1 Approval of Minutes – 1/9/26 Regular Meeting

2. GENERAL MANAGER'S REPORT AND UPDATE (Discussion, No Action) – A PowerPoint and verbal report will be provided to include the following:
 - GM Work in Progress
 - December 2025 Operations Fund Income Statement
3. OPERATIONS REPORT (Discussion, No Action) – A written and verbal report will be provided.
4. RECEIVE THE LISWA INDEPENDENT AUDITORS REPORT AND BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025 – A verbal report will be provided. Recommendation is for the Board to receive the Auditor's Report.
5. DRAFT FINANCIAL PLAN AND FUNDING STRATEGY (Discussion, No Action) – A PowerPoint and verbal report will be provided
6. LEGAL REPORT – A verbal report from General Counsel pertaining to relevant legislative, case, or related developments that have occurred.
7. DIRECTOR'S COMMENTS
8. CLOSED SESSION MATTERS - CONVENE TO CLOSED SESSION FOR MATTER(S) LISTED ON THE AGENDA

Public Employee Evaluation
(Government Code § 54957(b)(1))
Title: General Manager, Board Secretary, Authority Engineer

ADJOURNMENT

THE FOLLOWING INFORMATION IS PROVIDED TO ASSIST WITH PUBLIC PARTICIPATION:

Americans with Disabilities Act (ADA): In compliance with the ADA, if you need special assistance to participate in this meeting or other services in conjunction with this meeting, please contact the Lincoln City Clerk's Office at (916) 434-2490. The meeting room is wheelchair accessible and disabled parking is available. Notification at least 24 hours prior to the meeting or time when services are needed will assist staff in assuring reasonable arrangements can be made to provide accessibility to the meeting or service.



Agenda Availability: The main posting location of the LiSWA Agenda is on the public kiosk outside the entrance of Lincoln City Hall, 600 6th Street, Lincoln, California. Agenda Packets are available for review at the Lincoln City Clerk's Office, 600 6th Street, Lincoln, California.



**LINCOLN-SMD 1 WASTEWATER AUTHORITY
MEETING MINUTES**

Regular Meeting of the Board of Directors

January 9, 2026 at 10:00 a.m.

Board of Directors

CITY OF LINCOLN

Holly Andreatta, Chair
John Reedy

COUNTY OF PLACER

Shanti Landon, Vice-Chair
Cindy Gustafson

General Manager and Secretary

Jim Mulligan

Legal Counsel

Wes Miliband

PRELIMINARY MATTERS

A. CALL TO ORDER

The meeting was called to order at 10:02 am.

B. PLEDGE OF ALLEGIANCE

The pledge was led by Director Andreatta.

C. ROLL CALL

Directors Present:

Shanti Landon, Chair
John Reedy, Vice Chair
Holly Andreatta, Director
Cindy Gustafson, Director

Staff present:

Jim Mulligan, General Manager and Board Secretary
Wes Miliband, Legal Counsel
Kelye McKinney, Authority Engineer



Not-Listed Agenda Item

Governing Board.

The Authority will be governed by a four-member Board of Directors, which is hereby established, consisting of two Directors for each Member. One of the Directors from the County must be a Supervisor whose district includes the City of Lincoln.

Appointment of Directors. Each Member Agency shall designate and appoint, by a formal action of its governing body, two members of its governing body to act as its representatives on the Board, and an alternate. The Directors will serve at the pleasure of the appointing authority, and may be removed or replaced at any time, with or without cause, in the sole discretion of the appointing Member's governing body. An elected Director will cease to be a member of the Board when that Director ceases to hold office on the legislative body of the Member that appointed him or her.

Chair Andreatta nominates Director Landon for Chair and Director Reedy for Vice Chair.

Motion to approve by Director Gustafson, Second by Director Andreatta, Approved 4-0

D. PUBLIC COMMENT ON NON-AGENDA ITEMS

There were no public comments on non-agenda items.

ACTION CALENDAR

1. CONSENT ITEMS

It is recommended by the General Manager that these items, which are expected to be routine in nature and without controversy, be received and acted upon by the Board without discussion. If any Board member or interested party requests that an item be removed from the Consent Calendar for discussion, it will be considered separately. The consent calendar may be approved by a single motion to approve, followed by a second and then a call for vote.

1.1 Approval of Minutes – 12/12/25 Regular Meeting

Motion to approve by Director Gustafson, Second by Director Andreatta, Approved 4-0

2. GENERAL MANAGER'S REPORT AND UPDATE (Discussion, No Action) – A PowerPoint and verbal report will be provided to include the following:

A PowerPoint and verbal report were provided discussing financial report and work in progress

- GM Work in Progress

GM, Jim Milligan explains that depending on the outcome of the filter design and TAG review, they may present to the BOD, as requested, in February.

- November 2025 Operations Fund Income Statement



3. OPERATIONS REPORT (Discussion, No Action) – A written and verbal report will be provided.

Gary Hengst gives PowerPoint presentation on operations.

Director Reedy asks what other facilities do to catch debris.

Gary Hengst explains this mechanism they made is unique but have seen other aeration sites completely covered.

Director Gustafson states the industry used to lobby and inform the public against 'flushible' wipes.

Director Andreatta states there should more outreach programs as they cause a lot of damage.

Gary Hengst agrees and explains that screens are only 85% effective.

Director Gustafson asks how much rain was received and how it affected the plant operations.

Gary Hengst explains 14mgd was received at the facility.

Gary Hengst explains a power outage caused by a motor control center (MCC) panel system failure but reacted quickly by using a backup generator.

GM, Jim Mulligan explains that the Improvement Project includes auxiliary power.

Director Reedy asks if replacing the system would save money long term and for a written report/debrief of the power outage including flow of events, identifying operational tasks performed to mitigate the problem and lessons learned.

4. LEGAL REPORT – A verbal report from General Counsel pertaining to relevant legislative, case, or related developments that have occurred.

No report today.

5. DIRECTOR'S COMMENTS

No Director's comments.

6. CLOSED SESSION MATTERS - CONVENE TO CLOSED SESSION FOR MATTER(S) LISTED ON THE AGENDA

Session closed at 10:26 am.

Open session reconvened at 10:52 am

No reportable action from closed session.

ADJOURNMENT

The meeting was adjourned at 10:52 am.



GENERAL MANAGER'S REPORT

**LiSWA Regular Board Meeting
February 13, 2026**





Agenda

- GM Work in Progress
- LiSWA December 2025 Operations Income Statement



General Manager's Report

GM Work in Progress

- Groundwater Monitoring Well Study: On schedule for Transmission to State in February
- WWTRF Improvement Project:
 - Alternate filter design proposal reviewed and approved by TAG
 - Project presentation to the Board scheduled for March along with consultant amendment related to structural code updates, alternate filter design
 - SRF Loan application: Ongoing
 - Draft Financial Plan and Funding Strategy: Presentation on this agenda
- WWTRU Revised Policy: Revised policy WWTRU counts agreed to by TAG and LiSWA
- Annual Audit: Presentation on this agenda
- RFP Development: Facility Master Plan; Pipeline Video Survey

Lincoln-Sewer Maintenance District 1 Wastewater Authority
Operations Fund Income Statement
July through December 2025

Modified Accrual Book	Jul - Dec 25	Budget	Variance	% of Budget
Income				
42010 - Investment Income				
RC0560 - Investment Income	\$ 566,516.11			
Total 42010 - Investment Income	\$ 566,516.11			
42030 - Short Term Rents				
RC0600 Short Term Rents	\$ 52,831.29	\$ 69,090.00	\$ (16,258.71)	76.47%
Total 42030 - Short Term Rents	\$ 52,831.29	\$ 69,090.00	\$ (16,258.71)	76.47%
46230 - Sanitation Services				
RC2230 - Operations	\$ 4,662,398.40	\$ 9,682,614.00	\$ (5,020,215.60)	48.15%
Total 46230 - Sanitation Services	\$ 4,662,398.40	\$ 9,682,614.00	\$ (5,020,215.60)	48.15%
46240 - Sanitation Serv Other				
RC2190 - Capital / Debt	\$ 2,203,872.66	\$ 4,576,882.00	\$ (2,373,009.34)	48.15%
RC2190 - Sewer Connection Fees	\$ 2,072,593.40	\$ 2,500,000.00	\$ (427,406.60)	82.9%
Total 46240 - Sanitation Serv Other	\$ 4,276,466.06	\$ 7,076,882.00	\$ (2,800,415.94)	60.43%
46360 - General Reimbursement				
RC2680 - Other	\$ 1,894.11	\$ 55,000.00	\$ (53,105.89)	3.44%
Total 46360 - General Reimbursement	\$ 1,894.11	\$ 55,000.00	\$ (53,105.89)	3.44%
48030 - Miscellaneous				
RC3010 - Reclaimed Water		\$ 30,000.00	\$ (30,000.00)	
Total 48030 - Miscellaneous		\$ 30,000.00	\$ (30,000.00)	
Total Income	\$ 9,560,105.97	\$ 16,913,586.00	\$ (7,353,480.03)	56.52%
	\$ 9,560,105.97	\$ 16,913,586.00	\$ (7,353,480.03)	56.52%
Expense				
52020 - Goods				
SC2029 Chemicals	\$ 282,900.60	\$ 558,249.00	\$ (275,348.40)	50.68%
Total 52020 - Goods	\$ 282,900.60	\$ 558,249.00	\$ (275,348.40)	50.68%
52040 - Communication Services				
SC2085 - Telephone		\$ 10,000.00	\$ (10,000.00)	
Total 52040 - Communication Services		\$ 10,000.00	\$ (10,000.00)	
52080 - Insurance Services				
SC2140 - Insurance Services	\$ 291,749.51	\$ 250,000.00	\$ 41,749.51	116.7%
Total 52080 - Insurance Services	\$ 291,749.51	\$ 250,000.00	\$ 41,749.51	116.7%
52160 - Maintenance - Service				
SC2270 - Maintenance	\$ 22,033.74	\$ 171,260.00	\$ (149,226.26)	12.87%
SC2270 - WWTRF Maintenance	\$ 520,789.68	\$ 320,816.00	\$ 199,973.68	162.33%
Total 52160 - Maintenance - Service	\$ 542,823.42	\$ 492,076.00	\$ 50,747.42	110.31%
52240 - Member, Reg, Warr				
SC2550 - Prof Membership		\$ 10,800.00	\$ (10,800.00)	
Total 52240 - Member, Reg, Warr		\$ 10,800.00	\$ (10,800.00)	
52360 - Prof/Special Services				
SC2940 - Consulting	\$ 228,543.32		\$ 228,543.32	100.0%

Lincoln-Sewer Maintenance District 1 Wastewater Authority
Operations Fund Income Statement
July through December 2025

Modified Accrual Book	Jul - Dec 25	Budget	Variance	% of Budget
SC2940 - Consulting WWTRF	\$ 35,443.05		\$ 35,443.05	100.0%
SC2950 - Engineering WWTRF	\$ 19,032.20	\$ 475,000.00	\$ (455,967.80)	4.01%
SC3030 - Security WWTRF	\$ 360.00			
52360 - Prof/Special Services - Other		\$ 1,248,988.00	\$(1,248,988.00)	
Total 52360 - Prof/Special Services	\$ 283,378.57	\$ 1,723,988.00	\$(1,440,609.43)	16.44%
52370 - Prof/Special Services				
SC3130 - Legal	\$ 48,253.00	\$ 150,000.00	\$ (101,747.00)	32.17%
Total 52370 - Prof/Special Services	\$ 48,253.00	\$ 150,000.00	\$ (101,747.00)	32.17%
52380 - Prof/Special Services				
SC3150 - Grounds Maintenance	\$ 8,850.00			
SC3310 - Operations	\$ 1,375,049.52	\$ 2,581,418.00	\$(1,206,368.48)	53.27%
SC3320 - Environ, Ecological	\$ 11,739.21			
Total 52380 - Prof/Special Services	\$ 1,395,638.73	\$ 2,581,418.00	\$(1,185,779.27)	54.07%
52390 - Prof/Special Services				
SC4705 - Internal Services	\$ 70,000.00			
52390 - Prof/Special Services - Other		\$ 75,000.00	\$ (75,000.00)	
Total 52390 - Prof/Special Services	\$ 70,000.00	\$ 75,000.00	\$ (5,000.00)	93.33%
52400 - Information Technology				
SC3360 - IT Services	\$ 36,708.75	\$ 150,000.00	\$ (113,291.25)	24.47%
Total 52400 - Information Technology	\$ 36,708.75	\$ 150,000.00	\$ (113,291.25)	24.47%
52450 - Prof/Special Services				
SC3480 - Short Term Rental	\$ 34,091.93	\$ 64,000.00	\$ (29,908.07)	53.27%
Total 52450 - Prof/Special Services	\$ 34,091.93	\$ 64,000.00	\$ (29,908.07)	53.27%
52510 - Commissioner's Fees		\$ 9,600.00	\$ (9,600.00)	
52570 - Advertising		\$ 7,500.00	\$ (7,500.00)	
52800 - Utilities				
SC4340 - Utilities	\$ 565,294.62	\$ 2,237,200.00	\$(1,671,905.38)	25.27%
Total 52800 - Utilities	\$ 565,294.62	\$ 2,237,200.00	\$(1,671,905.38)	25.27%
52810 - Goods				
SC4456 - Sewage Treatment	\$ 467,807.19	\$ 968,024.00	\$ (500,216.81)	48.33%
Total 52810 - Goods	\$ 467,807.19	\$ 968,024.00	\$ (500,216.81)	48.33%
53190 - Taxes and Assessments				
SC4870 - Taxes and Assessments	\$ 10,392.67	\$ 90,000.00	\$ (79,607.33)	11.55%
Total 53190 - Taxes and Assessments	\$ 10,392.67	\$ 90,000.00	\$ (79,607.33)	11.55%
53390 - Cost Plan Allocation	\$ 4,435.50			
54450 - Capital Asset Equipment	\$ 151,274.44	\$ 1,712,000.00	\$(1,560,725.56)	8.84%
59000 - Debt Payments		\$ 2,705,200.00	\$(2,705,200.00)	
Total Expense	\$ 4,184,748.93	\$ 13,795,055.00	\$(9,610,306.07)	30.34%
Net Ordinary Income	\$ 5,375,357.04	\$ 3,118,531.00	\$ 2,256,826.04	172.37%
Other Income/Expense				
Other Expense				
Depreciation Expenses	\$ 3,256,257.30			

Lincoln-Sewer Maintenance District 1 Wastewater Authority
Operations Fund Income Statement
 July through December 2025

Modified Accrual Book	Jul - Dec 25	Budget	Variance	% of Budget
Total Other Expense	\$ 3,256,257.30		\$ 3,256,257.30	100.0%
Net Other Income	\$(3,256,257.30)		\$(3,256,257.30)	100.0%
Net Income	\$ 2,119,099.74	\$ 3,118,531.00	\$ (999,431.26)	67.95%
Footnotes	Modified Accrual Book			
	52360 2940, 2950 WWTRF / 54450 - On Balance Sheet as CIP and/or Capital Assets			

January 2026 LWWTRF Operations Report

2-13-26

Highlights

-219.798 Million Gallons (MG) of influent, 2.571 MG of effluent was sent to reclamation and 243.624 MG of effluent was sent to Auburn Ravine this month.

-- Repaired two leaks on the potable water system this month. (Photos 1 & 2)

-Contract negotiations are underway with a new fire system inspection company and plans are being developed to improve the fire system.

-Twelve government reports were prepared this month with no violations to report except the two contract lab errors from last year.

-Annual biosolids production shows an annual savings of \$103,000 by improving average Total Solids from 17.8% to 18.6% and savings from switching to the Jacobs national Polydyne account.

Compliance

-There were **no** compliance issues this month.

Major Equipment Out of Service

Equipment	Failure Date	Redundancy	Problem	Solution	Estimated Repair Cost	Estimated Return to Service Date
Filter Feed Pump #2	3-25-24	1 of 4	Motor windings are broken down. Failed in wet weather.	Spare pump is on order.	\$170,437	TBD
Oxidation Ditch 1A Recycle Wall Pump	10-06-25	1 of 2	Gearbox failed on pump.	Replace with new Wilo wall pump. Cleaning entire ditch.	\$39,674	1/30/26
RAS Pump 1C	9-10-25	1 of 2	Seal failure	Seal repair parts are on order	\$10,000	12-15-25

Equipment	Failure Date	Redundancy	Problem	Solution	Estimated Repair Cost	Estimated Return to Service Date
Yard Goat/Truck	7-16-25	1 of 1	Electrical and many other issues	Replace with electric yard goat	\$295,000	1-1-25
Centrifuge #3	8-19-25	1 of 2	Down for Major Service	Parts are on order and Scroll is getting repaired	\$60,000+ original service fee	2-15-26
Influent Pump 2A	11-13-25	1 of 6	Motor seal failure	Replaced with spare pump.	TBD	TBD
Admin AC unit #4 which cools the server room.	12-3-25	1 of 1	Blower Fan went out.	Replace with mini split and portable unit for backup.	\$19,675	TBD
Oxidation Ditch Splitter Mixer #1	1-4-26	1 of 2	Gear box and motor failure	Replace mixer and purchase a spare.	\$11,844 each	5-1-26

Table 1.

Month/Year	Influent Flow	Effluent Discharged to Auburn Ravine	Total Reclamation Irrigation Flow s	Reclamation Irrigation Flow s to Warm Springs	Reclamation Irrigation Flow s to Pivots	Reclamation Irrigation Flow s to Machado	Reclamation Irrigation Flow s to the City	Tertiary Storage Net Flow (+Influent) (- Effluent)	Precipitation
	MGD	MGD	MGD	MGD	MGD	MGD	MGD	MGD	inches/day
Jan '25	178.80	184.88	2.10	.00	.00	.00	2.10	-5.58	2.28
Feb '25	237.81	201.09	2.13	.00	.00	.00	2.13	18.88	4.41
Mar '25	198.09	286.40	2.31	.00	.00	.00	2.31	-88.99	2.28
Apr '25	167.50	83.91	25.73	15.60	8.10	.00	2.03	45.06	.21
May '25	155.60	34.78	42.22	12.09	27.18	.00	2.95	60.32	.00
Jun '25	144.27	139.80	38.33	10.51	22.90	.00	4.92	-25.97	.00
Jul '25	147.26	87.98	61.62	27.46	30.28	.00	3.88	-14.35	.00
Aug '25	147.98	94.57	68.30	21.80	43.31	.00	3.18	-29.77	.00
Sep '25	144.42	74.53	39.24	17.85	15.99	.00	5.40	45.86	.00
Oct '25	158.53	162.34	2.79	.00	.00	.00	2.79	28.97	2.14
Nov '25	188.21	260.26	2.09	.00	.00	.00	2.09	-80.16	3.65
Dec '25	208.97	68.97	2.77	.00	.00	.00	2.77	77.95	3.09
Jan '26	219.80	243.62	2.57	.00	.00	.00	2.57	-4.29	3.62

Table 2.

Month/Year	Influent INF-001 (Daily Averages)				
	Flow	BOD5	BOD5 Load	TSS	TSS Load
	MGD	mg/L	Lbs	mg/L	Lbs
Jan '25	5.77	154.00	6924.00	242.00	10732.00
Feb '25	8.49	164.00	11869.00	208.00	14997.00
Mar '25	6.39	240.00	12757.00	266.00	14339.00
Apr '25	5.58	300.00	14239.00	289.00	13517.00
May '25	5.02	271.00	11229.00	284.00	11750.00
Jun '25	4.81	218.00	8656.00	345.00	13717.00
Jul '25	4.75	254.00	10008.00	317.00	12491.00
Aug '25	4.77	240.00	9504.00	334.00	13243.00
Sep '25	4.81	242.00	9588.00	289.00	11506.00
Oct '25	5.11	173.00	7349.00	147.00	6335.00
Nov '25	6.27	148.00	7591.00	153.00	7911.00
Dec '25	6.74	189.00	8070.00	138.00	5881.00
Jan '26	7.09	163.00	8920.00	155.00	8615.00



Photo 1.

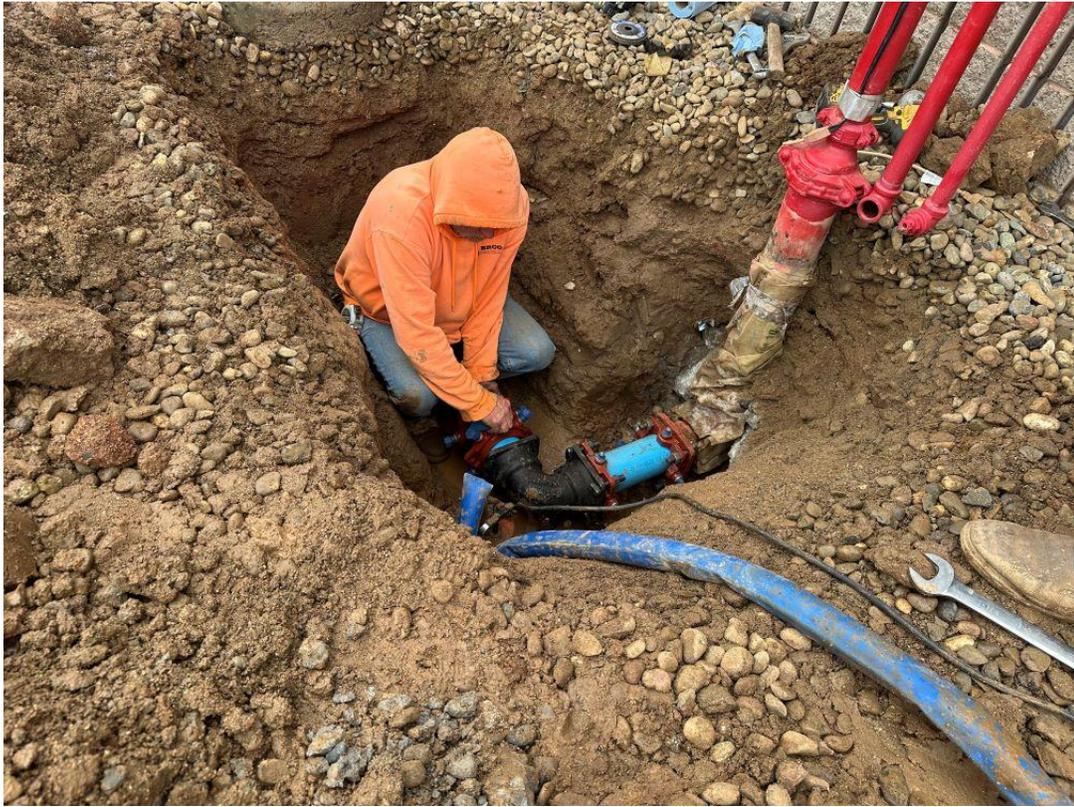
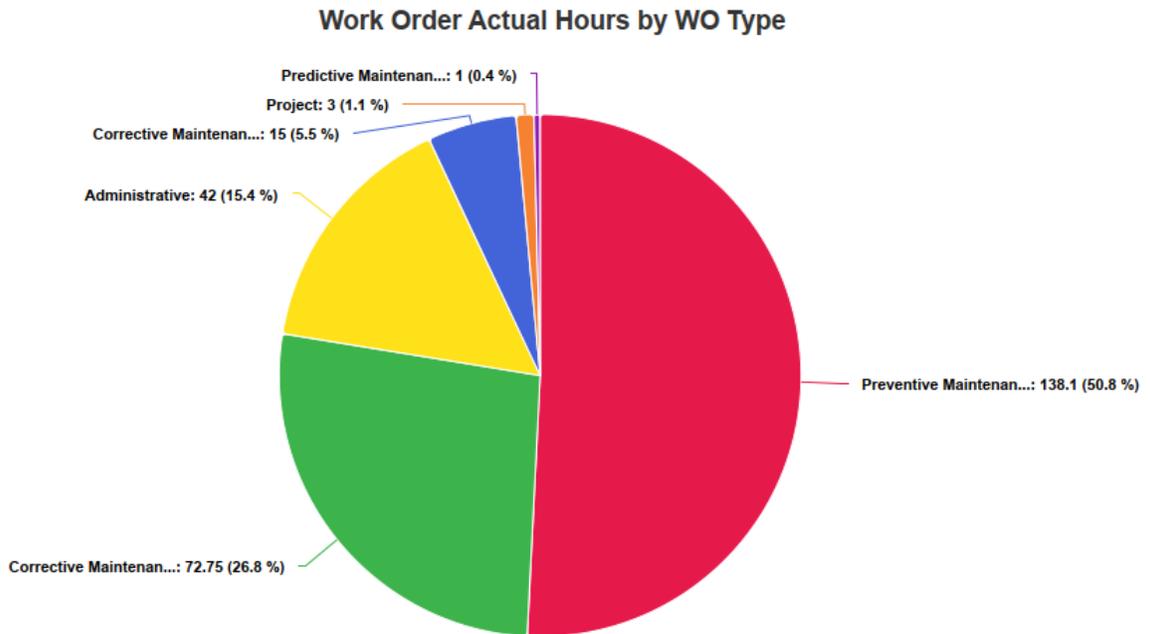


Photo 2.





January 16, 2026

To the Board of Directors
Lincoln-Sewer Maintenance District 1 Wastewater Authority
Lincoln, CA 95648

We have audited the financial statements of the Lincoln-Sewer Maintenance District 1 Wastewater Authority (hereafter, LiSWA) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 5, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LiSWA are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2025. We noted no transactions entered into by LiSWA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report that no misstatements were identified during the course of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.



To the Board of Directors
Lincoln-Sewer Maintenance District 1 Wastewater Authority
Lincoln, CA 95648

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 16, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to LiSWA’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LiSWA’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Future GASB Pronouncements

The following Government Accounting Standards Board (GASB) pronouncements will be effective for the 2025-2026 fiscal year’s audit and should be reviewed for proper implementation by management:

GASB Statement No. 103, *Financial Reporting Model Improvements*.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

The following are GASB projects that are ongoing and will be implemented as applicable in future fiscal years:

Comprehensive Project, *Revenue and Expense Recognition*.

Major Project, *Going Concern Uncertainties and Severe Financial Stress*.

Major Project, *Infrastructure Assets*.

Practice Issue, *Subsequent Events*.



To the Board of Directors
Lincoln-Sewer Maintenance District 1 Wastewater Authority
Lincoln, CA 95648

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of LiSWA and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

LSL, LLP

Sacramento, California



LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY

Independent Auditors' Report and Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

Focused
on YOU



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LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lincoln-Sewer Maintenance District 1 Wastewater Authority
Lincoln, CA 95648

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Lincoln-Sewer Maintenance District 1 Wastewater Authority (hereafter, LiSWA) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise LiSWA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LiSWA as of June 30, 2025, and the changes in financial position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards for California Special Districts. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LiSWA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LiSWA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or



To the Board of Directors
Lincoln-Sewer Maintenance District 1 Wastewater Authority
Lincoln, CA 95648

the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LiSWA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LiSWA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed on the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026, on our consideration of LiSWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LiSWA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LiSWA's internal control over financial reporting and compliance.

LSL, LLP

Sacramento, California
January 16, 2026

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

This section of the Lincoln-Sewer Maintenance District 1 Wastewater Authority (LiSWA) financial statements presents a discussion and analysis of LiSWA's financial performance for the fiscal year ended June 30, 2025. It should be read in conjunction with the basic financial statements following this section.

Financial Highlights

- Total assets of LiSWA exceeded total liabilities as of June 30, 2025, by approximately \$236.6 million (net position), which comprised of \$208.2 million in restricted net investment in capital assets, \$18.9 million in restricted net position for capital improvements/expansion of sewer capacity, and \$9.5 million in unrestricted net position.
- Total charges for services of approximately \$9.1 million represented sewer service fees received from the City of Lincoln and the County of Placer (the Members). This amount decreased by approximately \$9.0 million compared to the \$18.1 million from the prior period, the decrease is due to the balance from the prior period included an additional 7 months of activities (from inception).
- Total nonoperating revenue of approximately \$8.1 million mostly represented sewer connection fees and the capital component of sewer service fees received from the Members.

Overview of the Financial Statements

The discussion and analysis in this section are intended to serve as an introduction to LiSWA's basic financial statements. LiSWA's basic financial statements are comprised of two parts:

- 1) Financial statements, and
- 2) Notes to the basic financial statements.

The basic financial statements are designed to provide readers with a broad overview of LiSWA's finances, using accounting methods similar to those of a private-section business. These statements provide both long-term and short-term information about LiSWA's overall financial status.

The *Statement of Net Position* presents information on all LiSWA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of LiSWA is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how LiSWA's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., sewer service fees receivable).

The financial statements can be found on pages 11 through 13 of this report.

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Financial Statements

As noted earlier, net position, over time, may serve as a useful indicator as to whether LiSWA's financial position is improving or deteriorating. In the case of LiSWA, assets exceeded liabilities by approximately \$236.6 million as of June 30, 2025.

The following table summarizes the condensed statement of net position as of June 30, 2025, and June 30, 2024:

	Statement of Net Position		<u>Increase / (Decrease)</u>	
	<u>2025</u>	<u>2024</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$ 28,831,161	\$ 21,866,868	\$ 6,964,293	31.8%
Capital assets, net	<u>210,020,248</u>	<u>215,506,595</u>	<u>(5,486,347)</u>	-2.5%
Total assets	<u>238,851,409</u>	<u>237,373,463</u>	<u>1,477,946</u>	0.6%
Current liabilities	733,771	2,089,505	(1,355,734)	-64.9%
Noncurrent liabilities	<u>1,536,026</u>	<u>1,740,829</u>	<u>(204,803)</u>	-11.8%
Total liabilities	<u>2,269,797</u>	<u>3,830,334</u>	<u>(1,560,537)</u>	-40.7%
Net investment in capital assets	208,199,932	213,053,306	(4,853,374)	-2.3%
Restricted	18,897,190	11,939,056	6,958,134	58.3%
Unrestricted	<u>9,484,490</u>	<u>8,550,767</u>	<u>933,723</u>	10.9%
Total net position	<u>\$ 236,581,612</u>	<u>\$ 233,543,129</u>	<u>\$ 3,038,483</u>	1.3%

As of June 30, 2025, total assets increased by approximately \$1.5 million or 0.6% mainly due to increases in current assets of \$7.0 million or 31.8% offset by a decrease in capital assets of \$5.5 million or 2.5%. The increase in current assets was primarily due to the increase in cash and investments resulting from the Authority's receipt of prior year's outstanding receivables and an increase in prepaid expenses in the current year, there were none in the prior year. The decrease in capital assets was mostly attributable to depreciation, offset by construction in progress and equipment additions.

Total liabilities decreased by \$1.6 million or 40.7%. This decrease was comprised of payments made on prior year outstanding accounts payable of approximately \$1.4 million and the current year loan payment of approximately \$204.8 thousand to Pacific Gas & Electric (PG&E).

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

The following table summarizes the Authority's statement of revenues, expenses, and changes in net position for the fiscal year ended June 30, 2025, and from inception through June 30, 2024:

	Statement of Activities			
	2025	Inception to June 30, 2024	Increase / (Decrease)	
			Dollar Change	Percentage Change
Operating revenues				
Sewer service fees	\$ 9,055,164	\$ 18,073,437	\$ (9,018,273)	-49.9%
Miscellaneous revenue	16,166	34,075	(17,909)	-52.6%
Total operating revenues	<u>9,071,330</u>	<u>18,107,512</u>	<u>(9,036,182)</u>	-49.9%
Operating expenses				
Professional services	4,864,517	10,606,570	(5,742,053)	-54.1%
Depreciation	6,483,111	3,755,565	2,727,546	72.6%
Other expenses	<u>2,738,449</u>	<u>2,830,710</u>	<u>(92,261)</u>	-3.3%
Total operating expenses	<u>14,086,077</u>	<u>17,192,845</u>	<u>(3,106,768)</u>	-18.1%
Operating income (loss)	<u>(5,014,747)</u>	<u>914,667</u>	<u>(5,929,414)</u>	-648.3%
Total nonoperating revenues (expenses)	<u>8,053,230</u>	<u>12,238,608</u>	<u>(4,185,378)</u>	-34.2%
Capital contributions	<u>-</u>	<u>220,389,854</u>	<u>(220,389,854)</u>	-100.0%
Change in net position	3,038,483	233,543,129	(230,504,646)	-98.7%
Net position, beginning of year	<u>233,543,129</u>	<u>-</u>	<u>233,543,129</u>	N/A
Net position, end of year	<u>\$ 236,581,612</u>	<u>\$ 233,543,129</u>	<u>\$ 3,038,483</u>	1.3%

LiSWA's total operating revenues, operating expenses, and total nonoperating revenues decreased by approximately \$9.0 million or 49.9%, \$3.1 million or 18.1%, and \$4.2 million or 34.2%, respectively, compared to the prior period mostly attributable to balances from the prior period included additional seven months of activities from inception of November 2022. Operating expenses decreased was also offset by the increase in depreciation expense in fiscal year 2025.

The decrease in capital contributions was due to the City of Lincoln transferred land, land easement, equipment, buildings and improvements, and infrastructure to LiSWA at inception, there were none in the current year.

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Capital Assets

As of June 30, 2025, LiSWA's net capital assets was approximately \$210.0 million (net of accumulated depreciation). During fiscal year 2025, net capital assets decreased by approximately \$5.5 million or 2.5% mainly due to the on-going improvements to the Wastewater Treatment and Reclamation Facility (WWTRF) and the acquisition of capital equipment, offset by current year depreciation. The following table presents a summary of capital assets as of June 30, 2025:

	Capital Assets		Increase / (Decrease)	
	2025	2024	Dollar Change	Percentage Change
Land	\$ 7,020,000	\$ 7,020,000	\$ -	0.0%
Intangible assets	162,000	162,000	-	0.0%
Construction in progress	1,208,580	654,306	554,274	84.7%
Buildings and improvements	23,300,571	23,300,571	-	0.0%
Equipment	13,045,178	12,602,688	442,490	3.5%
Infrastructure	175,522,595	175,522,595	-	0.0%
Total	<u>220,258,924</u>	<u>219,262,160</u>	996,764	0.5%
Less accumulated depreciation	<u>(10,238,676)</u>	<u>(3,755,565)</u>	<u>(6,483,111)</u>	172.6%
Total capital assets, net	<u>\$ 210,020,248</u>	<u>\$ 215,506,595</u>	<u>\$ (5,486,347)</u>	-2.5%

More detailed information about LiSWA's capital assets is presented in Note 4 to the basic financial statements.

Long-Term Liabilities

As of June 30, 2025, the total outstanding loan balance to PG&E, including the current loan payable balance, was approximately \$1.7 million.

More detailed information about LiSWA's long-term liabilities is presented in Note 5 to the basic financial statements.

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Economic Factors and Next Year's Budget

The main economic factor that can affect LiSWA is the growth of the communities it serves. The customer base has a history of steady growth, and LiSWA is monitoring this to ensure adequate capacity is available at the WWTRF; capacity-increasing capital projects are scheduled with this in consideration. Next year's budget is not expected to have significant changes for operations as LiSWA just entered into a five-year agreement for the operations of the facility with a fixed price contract. The biggest exposure to larger expenses is the new operator finding improvements needed to bring the facility up to standards. One additional likely difference would be budgeting appropriately for the borrowing and disbursement of funds for the upcoming WWTRF Improvement Project.

Requests for Information

This financial report is designed to provide a general overview of LiSWA's finances for all those with interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lincoln-Sewer Maintenance District 1 Wastewater Authority, Jim Mulligan, 1245 Fiddyment Road, Lincoln, California 95648.

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Basic Financial Statements

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LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY

**Statement of Net Position
June 30, 2025
(With Comparative Totals as of June 30, 2024)**

	2025	2024
Assets		
Current Assets:		
Cash and investments	\$ 27,235,460	\$ 14,587,345
Accounts receivable	992,267	7,233,624
Interest receivable	82,126	45,899
Prepaid expenses	521,308	-
Total current assets	28,831,161	21,866,868
Noncurrent Assets:		
Non-depreciable capital assets	8,390,580	7,836,306
Depreciable capital assets, net	201,629,668	207,670,289
Total noncurrent assets	210,020,248	215,506,595
Total assets	238,851,409	237,373,463
Liabilities		
Current Liabilities:		
Accounts payable	528,968	1,884,702
Loan payable	204,803	204,803
Total current liabilities	733,771	2,089,505
Noncurrent Liabilities:		
Loan payable	1,536,026	1,740,829
Total liabilities	2,269,797	3,830,334
Net Position		
Net investment in capital assets	208,199,932	213,053,306
Restricted for capital improvements and expansion	18,897,190	11,939,056
Unrestricted	9,484,490	8,550,767
Total net position	\$ 236,581,612	\$ 233,543,129

The notes to the basic financial statements are an integral part of this statement.

LINCOLN SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2025

(With Comparative Totals from Inception to the Period Ended June 30, 2024)

	2025	From Inception to June 30, 2024
Operating Revenues		
Charges for services	\$ 9,055,164	\$ 18,073,437
Miscellaneous revenue	16,166	34,075
Total operating revenues	9,071,330	18,107,512
Operating Expenses		
Professional services	4,864,517	10,606,570
Depreciation	6,483,111	3,755,565
Utilities	1,553,538	2,268,097
Chemicals	536,754	-
Repair and maintenance	296,701	4,690
Insurance	224,813	421,039
Rentals	61,771	61,591
Taxes and assessments	59,871	61,614
Other	5,001	13,679
Total operating expenses	14,086,077	17,192,845
Operating income	(5,014,747)	914,667
Nonoperating Revenues		
Capital sewer service and connection fees	6,958,134	11,939,056
Short-term lease revenue	67,340	69,090
Investment earnings	1,027,756	230,462
Total nonoperating revenues	8,053,230	12,238,608
Income before capital contributions	3,038,483	13,153,275
Capital contributions	-	220,389,854
Changes in net position	3,038,483	233,543,129
Net position, beginning of year	233,543,129	-
Net position, end of year	\$ 236,581,612	\$ 233,543,129

The notes to the basic financial statements are an integral part of this statement.

LINCOLN SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025
(With Comparative Totals from Inception to the Period Ended June 30, 2024)**

	2025	From Inception to June 30, 2024
Cash Flows from Operating Activities:		
Cash receipts from customers	\$ 15,312,687	\$ 10,873,888
Cash paid to suppliers for goods and services	(9,051,838)	(12,060,235)
Net cash provided by (used for) operating activities	6,260,849	(1,186,347)
Cash Flows from Noncapital Financing Activities:		
Lease revenue received	67,340	69,090
Net cash provided by noncapital financing activities	67,340	69,090
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(1,424,935)	(146,649)
Proceeds from note payable	-	2,048,034
Principal paid on long-term debt	(204,803)	(102,402)
Cash receipt from contribution of easement sale	-	1,782,000
Cash receipts from capital sewer and connection fees	6,958,134	11,939,056
Net cash provided by capital and related financing activities	5,328,396	15,520,039
Cash Flows from Investing Activities:		
Interest received and fair value adjustment	991,530	184,563
Net cash provided by investing activities	991,530	184,563
Net Increase in Cash and Cash Equivalents	12,648,115	14,587,345
Cash and Cash Equivalents - beginning of Period	14,587,345	-
Cash and Cash Equivalents - End of Period	\$ 27,235,460	\$ 14,587,345
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating income (loss)	\$ (5,014,747)	\$ 914,667
Adjustments to reconcile operating income to net cash used for operating activities:		
Depreciation	6,483,111	3,755,565
(Increase) decrease in accounts receivable	6,241,357	(7,233,624)
(Increase) decrease in prepaid expenses	(521,308)	-
Increase (decrease) in accounts payable	(927,564)	1,377,045
Net cash provided by (used for) operating activities	\$ 6,260,849	\$ (1,186,347)
Schedule of Non-Cash Investing and Capital and Related Financing Activities:		
Investment fair value adjustment	\$ 268,387	\$ 178,509
Capital asset purchased payable	79,487	507,657

The notes to the basic financial statements are an integral part of this statement.

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 1 – Reporting Entity

Organization

Lincoln-Sewer Maintenance District 1 Wastewater Authority (LiSWA or the Authority) was formed by a Joint Exercise of Powers Agreement (JPA) on November 30, 2022, by two local agencies; the City of Lincoln and the County of Placer (Members). LiSWA is a separate and distinct entity from both the Members.

The purpose of LiSWA is to exercise the common powers of the Members to own, acquire, expand, manage, maintain, operate, and control facilities for the collection and transmission, treatment, reclamation, recycling, reuse, sale and disposal of water, wastewater, and recycled water, and any related byproducts to provide the essential public service of wastewater conveyance, treatment, and disposal for properties located within the City of Lincoln and the County of Placer.

LiSWA is governed by a four-member Board of Directors made up of two Directors from each Member. One of the Directors from the County of Placer must be a Supervisor whose district includes the City of Lincoln.

Note 2 – Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

LiSWA follows the County of Placer's financial policies and procedures, where applicable. LiSWA uses the accounting principles applicable to enterprise funds, the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized in the period in which liabilities are incurred, regardless of the timing of related cash flows.

LiSWA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with LiSWA's operations. The principal operating revenues of LiSWA are sewer service fees and connection fees. The principal operating expenses of LiSWA are related to professional services, depreciation, utilities and insurance. Nonoperating revenues and expenses consist of those revenues and expenses that are related to capital, financing and investing activities. Nonoperating revenues include connection fees, the capital component of the sewer service fees, short-term rental income, and interest revenue. When both restricted and unrestricted resources are available for use, it is LiSWA's policy to use restricted resources first.

Cash and Investments

Pursuant to the JPA, LiSWA maintains cash in the Placer County Treasury where it is pooled with other County funds, certain special districts and all public school districts. The County Treasurer's Investment Pool is subject to oversight by the Placer County Treasurer's Review Panel. LiSWA's share of the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned at the end of each month based upon the relationship of its average daily cash balance of the total of the pooled account.

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2025

Note 2 – Summary of Significant Accounting Policies (Continued)

The County's pooled investments are stated at fair value. The value of LiSWA's pool shares that may be withdrawn is determined on an amortized cost basis, which approximates fair value. Cash and cash equivalents include investments with original maturities of three months or less. For purposes of the statement of cash flows, LiSWA's cash and investments held in the County Treasurer's Investment Pool is considered cash and cash equivalents. The County's Annual Comprehensive Financial Report (ACFR), containing information relating to the County's cash and investments by risk category, can be obtained from the County Auditor-Controller's Office.

Receivables

Accounts receivable are mainly comprised of sewer service fees from the Members. LiSWA does not record an allowance for doubtful accounts for sewer service fees as LiSWA expects to collect 100% of the fees.

Prepaid Expenses

Prepaid expenses are comprised of prepayment for operations, maintenance and management services and payment for a pump, which was not received as of June 30, 2025.

Capital Assets

Capital assets, which include land, intangible assets in the form of land conservation easements, construction in progress, building and improvements, equipment, and infrastructure are reported in the statement of net position. Purchased capital assets are recorded at cost. Donated capital assets are recorded at acquisition value on the date of donation. LiSWA follows Placer County's capital asset capitalization policy. All land and non-depreciable intangible asset (i.e., easement) acquisitions are capitalized regardless of value. Capitalization thresholds are \$5,000 for equipment, \$100,000 for buildings and improvements and infrastructure.

Depreciation on capital assets is based on the straight-line method. The estimated useful lives are 10 to 50 years for buildings and improvements, 2 to 25 years for equipment, and 10 to 65 years for infrastructure.

Noncurrent Liabilities

LiSWA reports a loan payable to PG&E as a noncurrent liability in the statement of net position.

Net Position

The statement of net position reports the following types of net position:

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt and accounts payable that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- Restricted – Restricted net position consists of restricted assets reduced by liabilities related to those assets. This category represents external restrictions imposed by grantors, contributors, law or regulations of other governments. LiSWA's restricted net position represents connection fees and the capital component of the sewer service fees set aside for capital purposes.

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 2 – Summary of Significant Accounting Policies (Continued)

- Unrestricted – This category represents resources of LiSWA not restricted for any project or other purpose.

Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Totals

The Authority's financial statements include prior period comparative information, which should be read in conjunction with Authority's financial statements from inception to the period ended June 30, 2024, from which the information was derived.

Current Governmental Accounting Standards Board (GASB) Pronouncement

The Authority adopted GASB Statement No. 102, Certain Risk Disclosures, effective fiscal year ended June 30, 2025. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The implementation of this Statement does not have an impact on the Authority's financial statements for the fiscal year ended June 30, 2025.

Note 3 – Cash and Investments

Cash and investments shown on the statement of net position represent LiSWA's share in the County Treasurer's Investment Pool, which is not rated by the credit rating agencies. The weighted average to maturity of the County Treasurer's Investment Pool was 659 days as of June 30, 2025. Additional information regarding the County Pool, including the investment portfolio and related interest rate risk, credit risk, custodial credit risk, and concentration of credit risk, is presented in Note 2 of the County's ACFR. LiSWA has not formally adopted an investment policy that addresses any of the risks previously noted as LiSWA follows the County's investment policy.

The County Pool is subject to regulatory oversight by the Placer County Treasurer's Review Panel, as required by Section 27134 of the California Government Code. The County Pool is not registered with the U.S. Securities and Exchange Commission (SEC) as an investment company.

Fair Value Measurement

The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As LiSWA participates in the County Pool, an external investment pool, it is not subject to the fair value hierarchy. Deposits and withdrawals from the County Pool are made on an amortized cost basis, which approximates fair value. Accordingly, LiSWA's proportionate share of cash and investments in the County Pool as of June 30, 2025, which totaled \$27,235,460, is valued at net asset value and is not defined as a Level 1, Level 2, or Level 3 input.

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 4 – Capital Assets

The Authority's changes in capital assets for the fiscal year ended June 30, 2025 were as follows:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets, not being depreciated				
Land	\$ 7,020,000	\$ -	\$ -	\$ 7,020,000
Intangible assets	162,000	-	-	162,000
Construction in progress	<u>654,306</u>	<u>841,774</u>	<u>(287,500)</u>	<u>1,208,580</u>
Total capital assets, not being depreciated	<u>7,836,306</u>	<u>841,774</u>	<u>(287,500)</u>	<u>8,390,580</u>
Capital assets, being depreciated				
Building and improvements	23,300,571	-	-	23,300,571
Equipment	12,602,688	442,490	-	13,045,178
Infrastructure	<u>175,522,595</u>	<u>-</u>	<u>-</u>	<u>175,522,595</u>
Total capital assets, being depreciated	<u>211,425,854</u>	<u>442,490</u>	<u>-</u>	<u>211,868,344</u>
Less accumulated depreciation for:				
Building and improvements	(408,223)	(699,810)	-	(1,108,033)
Equipment	(490,686)	(886,176)	-	(1,376,862)
Infrastructure	<u>(2,856,656)</u>	<u>(4,897,125)</u>	<u>-</u>	<u>(7,753,781)</u>
Total accumulated depreciation	<u>(3,755,565)</u>	<u>(6,483,111)</u>	<u>-</u>	<u>(10,238,676)</u>
Total capital assets, being depreciated, net	<u>207,670,289</u>	<u>(6,040,621)</u>	<u>-</u>	<u>201,629,668</u>
Total capital assets	<u>\$ 215,506,595</u>	<u>\$ (5,198,847)</u>	<u>\$ (287,500)</u>	<u>\$ 210,020,248</u>

Note 5 – Long-Term Liabilities

In November 2023, LiSWA was granted a loan from PG&E for \$2,048,034 with a 0% interest rate and a loan term of 120 months. The loan proceeds were to be used for provision of energy efficiency/demand response equipment and services as part of PG&E's incentive program. The energy efficient improvements were completed by the City of Lincoln prior to the creation of LiSWA, and the related capital asset was transferred to LiSWA.

A summary of changes in long-term debt for the fiscal year ended June 30, 2025, for LiSWA is as follows:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
Loan payable	<u>\$ 1,945,632</u>	<u>\$ -</u>	<u>\$ (204,803)</u>	<u>\$ 1,740,829</u>	<u>\$ 204,803</u>

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 5 – Long-Term Liabilities (Continued)

The following is a schedule of total debt service requirements to maturity as of June 30, 2025:

<u>Fiscal Year Ending June</u>	<u>Principal</u>
2026	\$ 204,803
2027	204,803
2028	204,803
2029	204,803
2030	204,803
2031-2034	716,814
Total	\$ 1,740,829

Note 6 – Risk Management

LiSWA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; pollution; and natural disasters. Purchasing insurance is one of the tools LiSWA uses to mitigate risk. LiSWA's deductibles and maximum coverage are as follows:

Coverage	Deductible	Maximum per Occurrence
Commercial general liability:		
Each occurrence	\$ 25,000	\$ 1,000,000
Aggregate		3,000,000
Commercial crime	1,000	varies
Public officials and management liability	25,000	3,000,000
Business auto	1,000	1,000,000
Commercial excess liability		4,000,000
Property	100,000	100,000,000
Boiler and machinery	100,000	100,000,000
Pollution liability	250,000	2,000,000

Note 7 – Concentration of Volume of Business

The County of Placer and the City of Lincoln, related parties, are the major customers of LiSWA and constitute over 98% of the total outstanding accounts receivable balance and 100% of charges for services and capital sewer service and connection fees revenues for the period of ended June 30, 2025.

Note 8 – Related Party Transactions

LiSWA uses the County of Placer and City of Lincoln for services, such as engineering, accounting, information technology, etc. Expenses paid to the County and City of Lincoln for the period ended June 30, 2025, totaled \$265,001.

LINCOLN-SEWER MAINTENANCE DISTRICT 1 WASTEWATER AUTHORITY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2025

Note 9 – Commitments and Contingencies

LiSWA may be involved in various legal proceedings from time to time in the normal course of business. In management's opinion, LiSWA is not involved in any legal proceeding that will have a material adverse effect on the financial position or the changes in financial position of LiSWA.

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Other Report

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Lincoln-Sewer Maintenance District 1 Wastewater Authority
Lincoln, CA 95648

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lincoln-Sewer Maintenance District 1 Wastewater Authority (hereafter, LiSWA), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise LiSWA's basic financial statements, and have issued our report thereon dated January 16, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LiSWA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LiSWA's internal control. Accordingly, we do not express an opinion on the effectiveness of LiSWA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LiSWA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Board of Directors
Lincoln-Sewer Maintenance District 1 Wastewater Authority
Lincoln, CA 95648

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LiSWA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LiSWA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LSL, LLP

Sacramento, California
January 16, 2026

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MEMORANDUM

LINCOLN-SMD1 WASTEWATER AUTHORITY

TO: LISWA BOARD OF DIRECTORS
FROM: KELYE MCKINNEY, AUTHORITY ENGINEER
SUBJECT: DRAFT FINANCIAL PLAN AND FUNDING STRATEGY

DATE: FEBRUARY 13, 2026

RECOMMENDED ACTION

No action. For discussion and board direction.

BACKGROUND

LiSWA created an initial financial model in 2023 to set the basis for wastewater service rates to its member entities. The LiSWA Board approved a plan setting the rates to member agencies initiating in Fiscal Year Ending 2023 (FYE23) through FYE27. The rates included an annual 3% increase year over year.

LiSWA entered into an agreement with Raftelis on August 8, 2025 to provide professional financial services to support the development of:

- A 10-year Proforma Cash Flow Model and Nexus Study for financing applications
- An updated Cost-of-Service Study, to be completed following adoption of a revised “Unit Definition for Cost-of-Service Calculation and Reporting Policy”

LiSWA has been working closely with Raftelis, LiSWA’s Municipal Advisor (Ken Dieker, Del Rio Advisors, LLC) and member agency staff from the Technical Advisory Group (TAG) in development of the financial model. The model is needed to support funding efforts for the WWTRF Improvements Project and to set forth a financial plan that LiSWA can follow in support of its operational needs and in implementing its Capital Improvement Program (CIP). The model includes consideration of the Board approved Reserve Policy.

Raftelis and Del Rio Advisors are providing a presentation to the LiSWA Board to present the underpinnings of the model, describe the findings of several funding scenarios that have been prepared, present a draft recommended financial plan, and present a recommended funding strategy.

LiSWA staff are seeking Board questions, comments, and direction regarding the recommended financial plan and funding strategy. With Board direction, LiSWA will continue to refine the model, develop the Cost-of-Service Study necessary to support the plan, and pursue funding as required to support advancing the CIP in accordance with the recommended strategies.

ATTACHMENTS

Presentation Materials

Lincoln-Sewer Maintenance District 1 Wastewater Authority

Presentation – Draft Financial Plan and Funding Strategies

February 13, 2026





Agenda



Study Goals and Objectives



Need for a Financial Plan



Financial Plan Draft Scenarios



Financial Plan Funding Options



Feedback and Next Steps

Study Goals and Objectives

- **Long-Term Financial Projections for the Agency**
 - › Develop cash flow model to project operating expenses, revenue requirements, and debt service based on various draft funding scenarios
- **Financial Sustainability**
 - › Identify any necessary changes in revenue requirements to ensure LiSWA can cover operations, maintenance, and major capital projects
- **Financial Model Operational Flexibility**
 - › Create a user-friendly Excel tool that LiSWA can use internally to evaluate actual performance against projections and adjust variables in the future

Need for a Financial Plan

- **Significant Capital Improvement Needs**
 - › LiSWA is actively moving towards Phase 1 construction for the WWTRF Improvement Project
- **LiSWA needs a robust financial roadmap to secure large-scale funding**
 - › Lenders and bondholders require a Proforma Cash Flow Model to demonstrate fiscal sustainability of the Agency
- **Goal: Robust funding strategy to meet revenue requirements**
 - › Develop the financial model to evaluate the trade-offs between 'pay-as-you-go' funding, reserve drawdowns, and debt issuance to meet capital funding needs for Phase I. A portion of Phase II is estimated in the 10-year model

Historical Rate Revenue Adjustments

- Board adopted 3% annual rate revenue adjustments from FY 2023 through FY 2027

PROPOSED WASTEWATER RATES AND CHARGES

	Recommended Rate per EDU per Month			
FYE	Effective Date	Operations Rate	Capital/Debt Rate	Total Rate
2023	12/01/2022	\$ 22.79	\$ 10.77	\$ 33.56
2024	07/01/2023	\$ 23.47	\$ 11.09	\$ 34.56
2025	07/01/2024	\$ 24.18	\$ 11.42	\$ 35.60
2026	07/01/2025	\$ 24.90	\$ 11.77	\$ 36.67
2027	07/01/2026	\$ 25.65	\$ 12.12	\$ 37.77

Financial Plan – Key Considerations

- Maintaining fiscal sustainability through proactive revenue adjustments to keep pace with rising operational and maintenance costs
- Approximately \$58.9 million in capital improvement needs identified for FY 2027 through FY 2031
 - › Includes approximately \$48.8 million for Phase 1 of WWTRF Improvement Project
- Utilize the financial model to perform a sensitivity analysis
 - › Goal: Mitigating existing customer impacts by balancing self-funding capabilities with strategic external borrowing

Financial Plan – Key Assumptions

- All financing assumed for 30 years at 5.50% (conservative to bond market)
- Assume 2025 actuals and 2026 budget which includes the 3% increase in FY 26
- Estimated split: 63% Capacity and 37% R&R
- Inflationary revenue increases at 3.00% for FY 27 (as approved) and 3% each year thereafter during projection period
 - › Good fiscal policy to at least approve rates at some assumed inflation percentage since each year as we know, costs seldom go down
 - › Compounding is extremely powerful - if no revenue increases assumed, may require significant revenue increases in future years to catch up
- Treatment plant upgrades and expansion are multi-generational projects
 - › Unreasonable to ask current customers to pay 100% for a project
 - › More important to have some borrowing component to ask future generations to pay for a project they utilize

Financial Plan Draft Scenarios

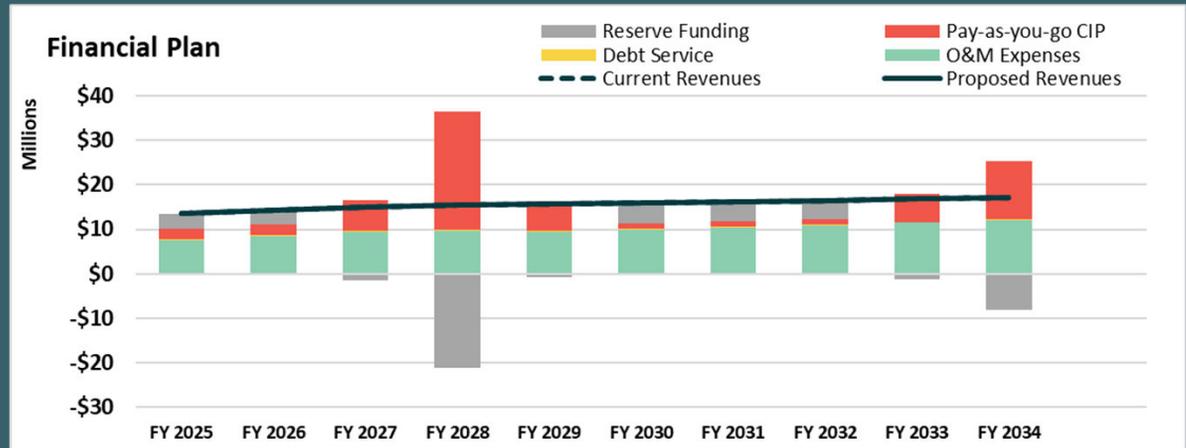


Financial Plan Analysis – Scenario Summary

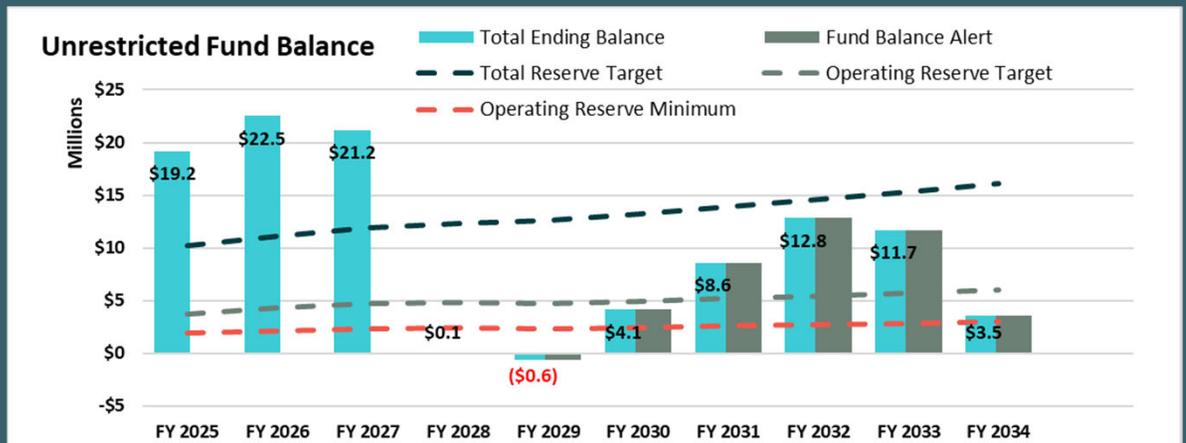
- **Scenario 1:** No Annual Revenue Adjustment (starting in FY 27)
No External Funding
- **Scenario 2:** 3% Annual Revenue Adjustment
No External Funding
- **Scenario 3:** 5% Annual Revenue Adjustment
No External Funding
- **Scenario 4:** 3% Annual Revenue Adjustment
\$5 Million External Funding (30 years at 5.50%)
- **Scenario 5:** 3% Annual Revenue Adjustment
\$13 Million External Funding (30 years at 5.50%)

Scenario 1: No Annual Revenue Adjustment No External Funding

Sources and Uses of Funds

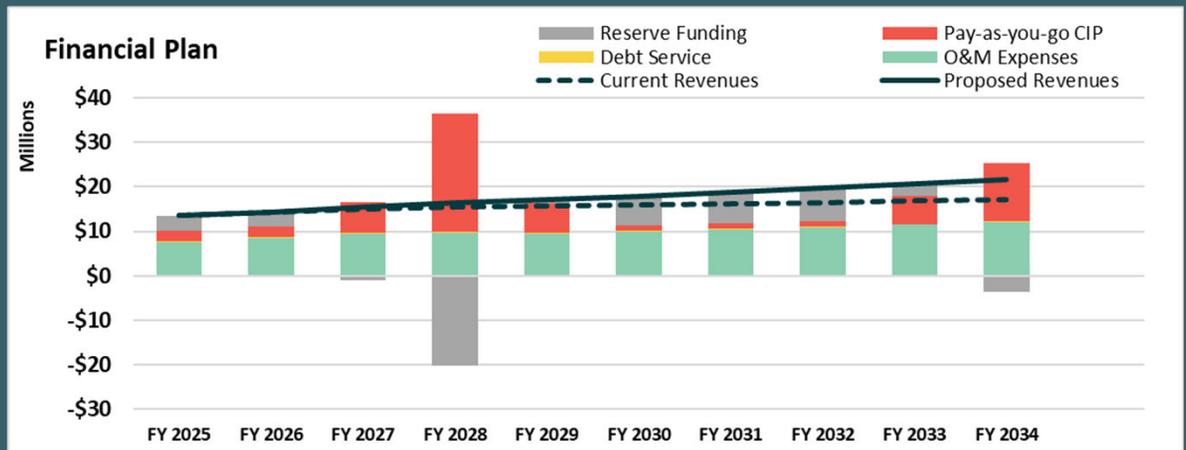


Ending Fund Balance and Target Reserves

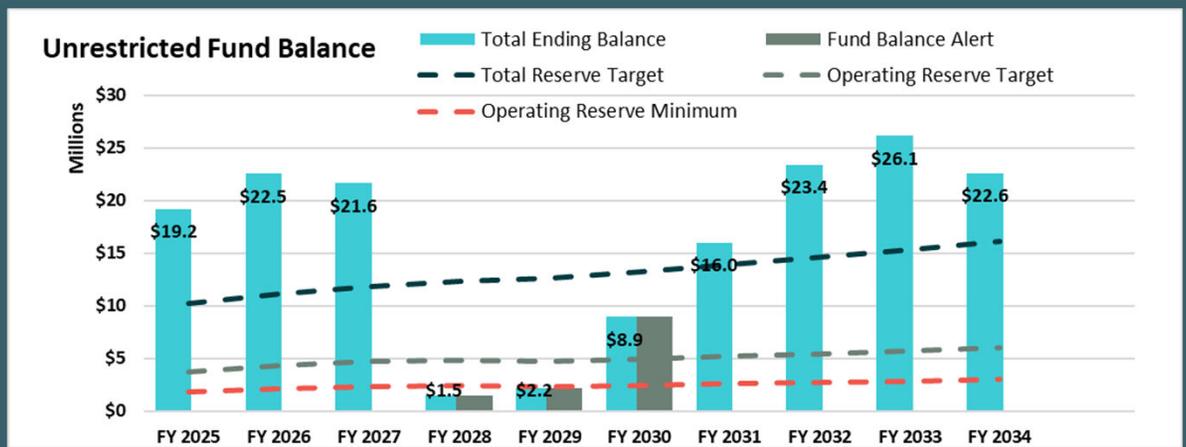


Scenario 2: 3% Annual Revenue Adjustment No External Funding

Sources and Uses of Funds

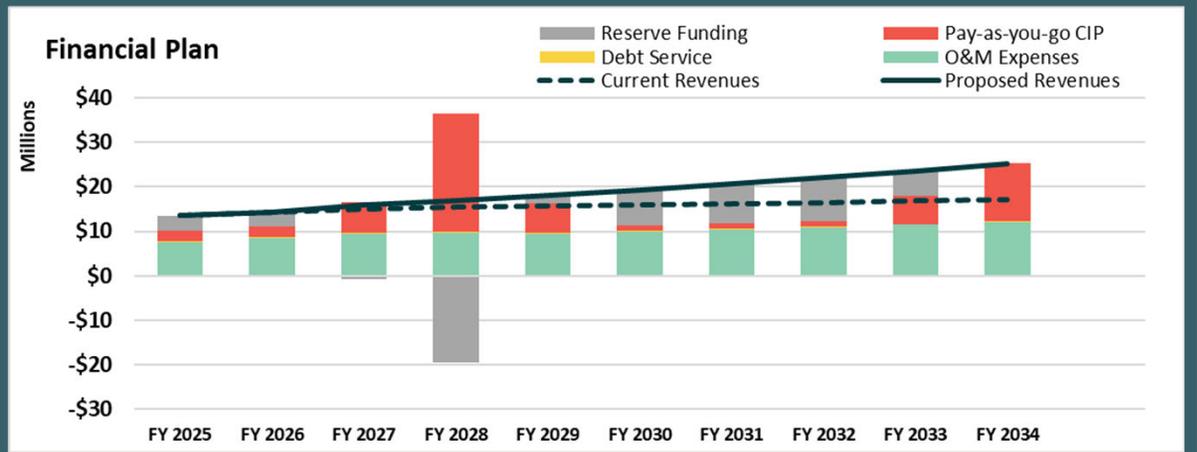


Ending Fund Balance and Target Reserves

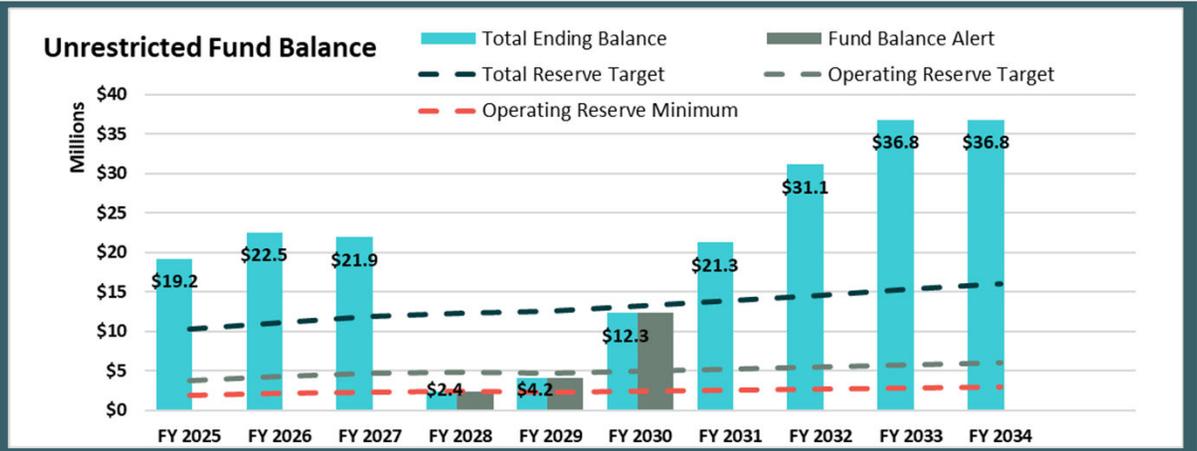


Scenario 3: 5% Annual Revenue Adjustment No External Funding

Sources and Uses of Funds

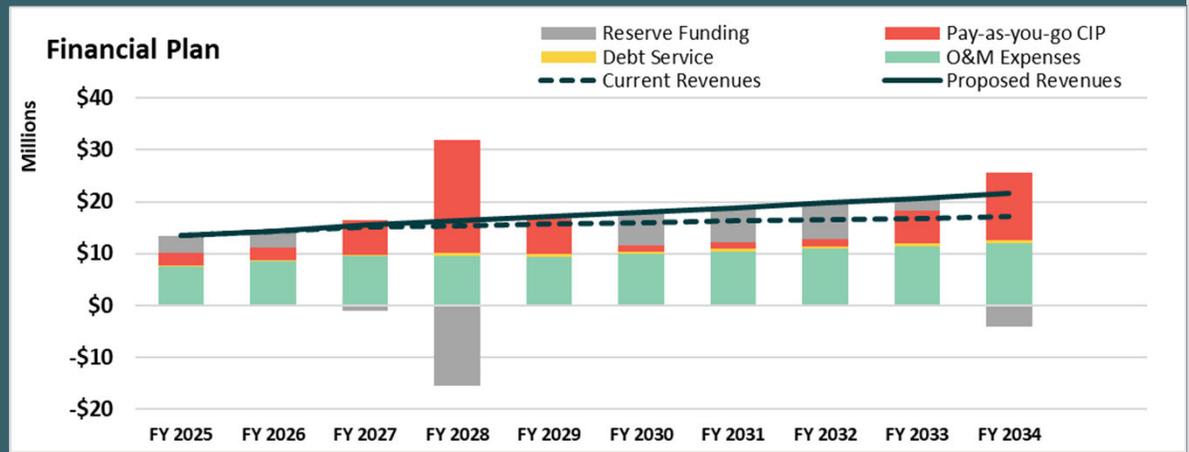


Ending Fund Balance and Target Reserves

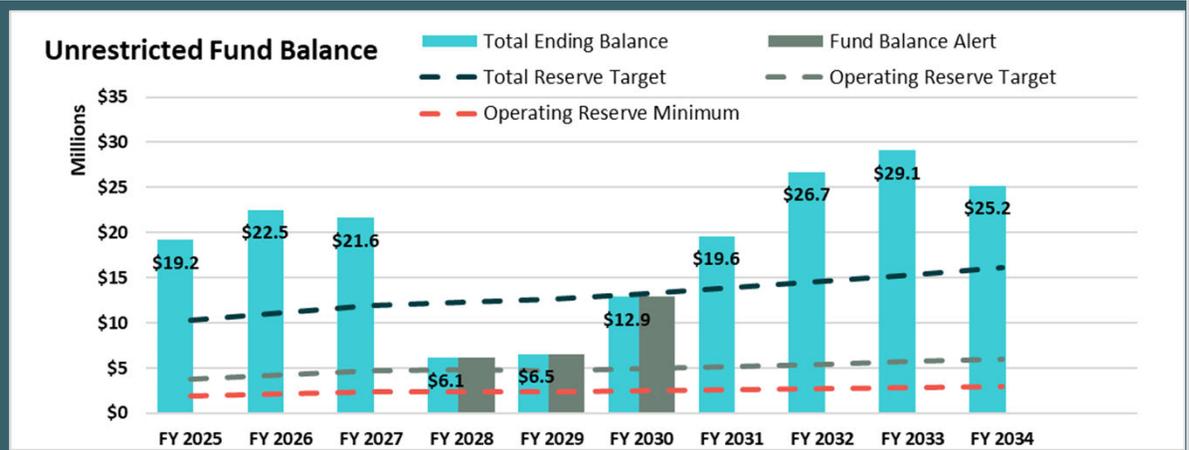


Scenario 4: 3% Annual Revenue Adjustment \$5 Million External Funding (30 years at 5.50%)

Sources and Uses of Funds

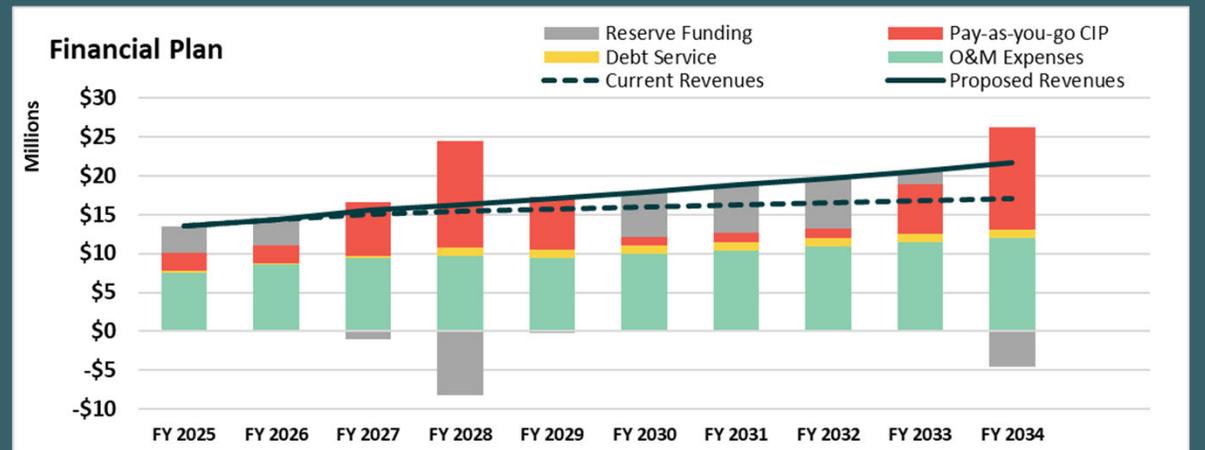


Ending Fund Balance and Target Reserves

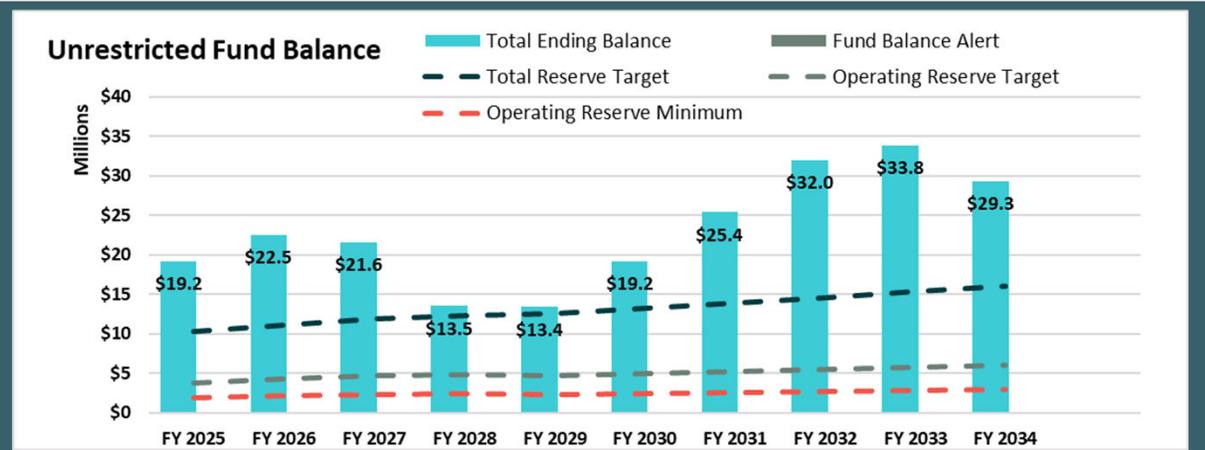


Scenario 5: 3% Annual Revenue Adjustment \$13 Million External Funding (30 years at 5.50%)

Sources and Uses of Funds



Ending Fund Balance and Target Reserves



Financial Plan – Draft Recommendation

Recommend proceeding with Draft Scenario 5

- **Mitigate ratepayer impacts to maximum 3% annual increases by:**
 - › Balancing self-funding capabilities (while meeting operating reserve targets)
 - › With strategic external borrowing (~\$13 million) for Phase 1 of WWTRF Expansion Project
 - › Would need future rate study beyond currently approved rates through FY 27
 - › May adopt revenue increases for period shorter than five years and reevaluate or adopt maximum increases for five years with plans to not implement full increases depending on operations
- **Provides sustainable financial roadmap for LiSWA for funding of the future Phase 2 for WWTRF Expansion Project**
 - › Roadmap to fund via reserves (existing user share) in combination with future connection fees (future user share)
 - › Would need Wastewater Facility Master Plan with future growth projections for facility needs and associated cost estimates

Financial Plan Funding Options



Funding Options - Summary

- **State Water Resources Control Board (“SRF”)**
- **Water Infrastructure Financing Innovation Act (“WIFIA”)**
- **United States Department of Agriculture (“USDA”)**
- **California Infrastructure Economic Development Bank (“I-Bank”)**
- **Municipal Bonds (Public Offering)**

Funding Options - SRF

State Water Resources Control Board (“SRF”) (rate as of January 23, 2026, set periodically)

- › Current interest rate 2.20%, 30-year amortization after end of construction
- › Current excess demand for SRF with two years or greater to secure funding
- › LiSWA has begun the application process with environmental discussions
- › Could delay project start or would require interim funding with approval of SWRCB
- › No interest until funds drawn
- › No prepayment period or penalty
- › First reimbursement can take up to 180 days

Funding Options - WIFIA

- **Water Infrastructure Financing Innovation Act (“WIFIA”)** (rate as of January 23, 2026, varies daily)
 - › Current interest rate assuming 20-year average life is 4.77%, amortization up to 35 years past the end of construction
 - › Could take six months to a year for the application and approval process, may require interim funding to not delay project (allowed)

Funding Options - USDA

- **United States Department of Agriculture (“USDA”)** (rates for first quarter 2026)
 - › USDA has three-tier interest rate system: Poverty, Intermediate or Market ranging from 2.875% to 4.75% respectively, 40-year amortization
 - › LiSWA service territory does not meet MHI for Poverty or Intermediate so restricted to Market rate currently at 4.75%
 - › Requires interim funding since will not reimburse until project completion
 - › No prepayment period or penalty

Funding Options – I-Bank

- **California Infrastructure Economic Development Bank (“I-Bank”)** (rates as of January 23, 2026, proprietary formula)
 - › Interest rates range from 4.57% (A rated) to 4.86% (BBB rated) both of which include a 15bp annual servicing fee, amortization up to 30 years
 - › Very lengthy loan application process
 - › Could delay project start, would need to confirm viability of interim funding
 - › 10-year prepayment period without penalty

Funding Options – Municipal Bonds

- **Municipal Bonds (Public Offering)** (rates as of January 23, 2026, varies daily)
 - › Current public offering interest rates range from 4.35% (AA rated), 4.65% (A rated) and 4.95% (BBB rated), flexible amortization up to 30 years
 - › Can start and close financing within 120 days
 - › May be used to repay interim funding
 - › Requires official statement and bond rating
 - › 10-year prepayment period without penalty
 - › Could consider shorter amortization of bonds and / or direct placement to a commercial bank with term of 15 years or less (maximum 20 years)

Financial Plan Funding Strategies



Funding Strategies - Summary

- **Option One**: Continue to pursue SRF as the least expensive option (currently 2.20%)
- **Option Two**: Scrap SRF and pursue WIFIA financing (currently 4.77%, rate varies daily)
- **Option Three**: Scrap both SRF and WIFIA and pursue bond financing (currently 4.35%-AA, 4.65%-A, 4.95%-BBB, rates vary daily)

Funding Strategy – Option 1

- **Option One: Continue to pursue SRF as the least expensive option (currently 2.20%)**
 - › If SRF continues to drag out (can be two years or more), consider interim financing with SWRCB approval
 - › If SWRCB will allow interim financing, spend the interim proceeds on the project and continue working with SRF staff to close the loan agreement
 - › Pay off the interim financing with the first SRF reimbursement (can also take out interim financing with bond financing), first reimbursement can take up to 180 days
 - › Callable anytime without prepayment penalty
 - › No interest until funds are drawn

Funding Strategy – Option 2

- **Option Two: Scrap SRF and pursue WIFIA financing (currently 4.77%, rate varies daily)**
 - › WIFIA allows interim financing, can also take out with bond financing
 - › No interest until funds are drawn (reduces the borrowing cost)
 - › Callable at anytime without prepayment penalty
 - › Should take less time to close the loan (6 to 12 months), can use parts of current SRF application
 - › Government shutdown could impact application
 - › Current administration shying away from California projects however, we understand California projects in the queue are now moving forward

Funding Strategy – Option 3

- **Option Three: Scrap both SRF and WIFIA and pursue bond financing (currently 4.35%-AA, 4.65%-A, 4.95%-BBB, rates vary daily)**
 - › Can close the bond financing within 120 days (target to close around contract execution or first draw)
 - › No bureaucracy overseeing draws and immediate reimbursement
 - › Interest payable on full amount after closing
 - › 10-year call protection without prepayment penalty
 - › Could look to shorten the term of the financing from 30 years to either 15 or 20 years through either public offering or direct placement to reduce overall interest cost but would increase annual debt service

Funding Strategy – Draft Recommendation

Recommend proceeding with Option 1: Continue to pursue SRF as the least expensive option (currently 2.20%)

- Least expensive but longest timeline (est. 2 years or more)
- Pursue interim financing and continue working with SRF staff to close the loan agreement

Board Consideration

- Should LiSWA staff on a parallel path put in an application for WIFIA funding (est. \$20K) which is much faster than SFR funding?
 - › Higher interest rate than SRF
 - › Timeline could slowdown from possible government shutdown

Feedback and Next Steps



Funding Options - Summary

- **State Water Resources Control Board (“SRF”)** (rate as of January 23, 2026, set periodically)
 - › Current interest rate 2.20%, 30-year amortization after end of construction
 - › Current excess demand with up to two years or greater to secure funding
 - › LiSWA has begun the application process with environmental discussions
 - › Could delay project start or would require interim funding with approval of SRF
 - › No interest until funds drawn
 - › No prepayment period or penalty
- **Water Infrastructure Financing Innovation Act (“WIFIA”)** (rate as of January 23, 2026, varies daily)
 - › Current interest rate assuming 20-year average life is 4.77%, amortization up to 35 years past the end of construction
 - › Could take six months to a year for the application and approval process, may require interim funding to not delay project (allowed)
 - › No interest until funds drawn, no prepayment period or penalty
- **United States Department of Agriculture (“USDA”)** (rates for first quarter 2026)
 - › USDA has three-tier interest rate system: Poverty, Intermediate or Market ranging from 2.875% to 4.75%, 40-year amortization
 - › LiSWA service territory does not meet MHI for Poverty or Intermediate so restricted to Market rate currently at 4.75%
 - › Requires interim funding since will not reimburse until project completion
 - › No prepayment period or penalty
- **California Infrastructure Economic Development Bank (“I-Bank”)** (rates as of January 23, 2026, proprietary formula)
 - › Interest rates range from 4.57% (A rated) to 4.86% (BBB rated) both of which include a 15bp annual servicing fee, amortization up to 30 years
 - › Very lengthy loan application process
 - › Could delay project start, would need to confirm viability of interim funding
 - › 10-year prepayment period without penalty
- **Municipal Bonds (Public Offering)** (rates as of January 23, 2026, varies daily)
 - › Current public offering interest rates range from 4.35% (AA rated), 4.65% (A rated) and 4.95% (BBB rated), flexible amortization up to 30 years
 - › Can start and close financing within 120 days
 - › May be used to repay interim funding
 - › Requires official statement and bond rating
 - › 10-year prepayment period without penalty
 - › Could consider shorter amortization of bonds and / or direct placement to a commercial bank with term of 15 years or less (maximum 20 years)

Funding Strategies – Summary

- Option One: Continue to pursue SRF as the least expensive option (currently 2.20%)
 - › If SRF continues to drag out (can take up to two years), consider interim financing with SWRCB approval
 - › If SWRCB will allow interim financing, spend the interim proceeds on the project and continue working with SRF staff to close the loan agreement
 - › Pay off the interim financing with the first SRF reimbursement (can also take out interim financing with bond financing), first reimbursement can take up to 180 days
 - › Callable anytime without prepayment penalty
 - › No interest until funds are drawn
- Option Two: Scrap SRF and pursue WIFIA financing (currently 4.77%, rate varies daily)
 - › WIFIA allows interim financing, can also take out with bond financing
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 - › Callable at anytime without prepayment penalty
 - › Should take less time to close the loan (6 to 12 months), can use parts of current SRF application
 - › Government shutdown could impact application
 - › Current administration shying away from California projects however, we understand California projects in the queue are now moving forward
- Option Three: Scrap both SRF and WIFIA and pursue bond financing (currently 4.35%-AA, 4.65%-A, 4.95%-BBB, rates vary daily)
 - › Can close the bond financing within 120 days (target to close around contract execution or first draw)
 - › No bureaucracy overseeing draws and immediate reimbursement
 - › Interest payable on full amount after closing
 - › 10-year call protection without prepayment penalty
 - › Could look to shorten the term of the financing from 30 years to either 15 or 20 years through either public offering or direct placement to reduce overall interest cost but would increase annual debt service