

Borrego Springs Watermaster
Regular Board Meeting
March 18, 2026 @ 3:30 p.m.

*****IN PERSON at the Borrego Water District*****

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Instructions for Public Comment

The public may address the Board on items within the Watermaster’s Jurisdiction that are included or not included on the meeting agenda.

To address the Board on items that are not included on the meeting agenda, the public may request to speak during **Agenda Item II – Public Correspondence**. Comments may be limited to three minutes per speaker.

To address the Board on items that are included on the meeting agenda, the Board Chairperson will call for public comments immediately following the agenda item’s staff report presentation and prior to Board discussion.

AGENDA

Items with supporting documents in the Board Package are denoted with a page number.

I. OPENING PROCEDURES (Chair)

- A. Call to Order and Begin Meeting Recording
- B. Pledge of Allegiance
- C. Roll Call
- D. Approval of Agenda

II. PUBLIC CORRESPONDENCE/COMMENT (Chair)

The Board may direct staff to include topics brought forward during Public Correspondence and Comment on a future meeting agenda. No action or discussion is otherwise taken by the Board. Written correspondence includes items received between February 12, 2026 and March 12, 2026.

- A. Correspondence Received – *None received.*
 - i. March 12, 2026 Letter from UCI – *please click on this link or visit the Watermaster’s website to access the letter.....* [SUPPLEMENTAL HANDOUT II.A](#)

B. Public Comment

III. CONSENT CALENDAR (Chair)

Action Item: All items may be approved with a single motion

- A. Approval of Minutes: Regular Meeting – February 18, 2026Page 3
- B. Approval of February 2026 Financial Report.....Page 7

IV. ITEMS FOR BOARD CONSIDERATION AND POSSIBLE ACTION

- A. Consideration of Approval of WY 2025 Financial Audit (ADAMS).....Page 11
- B. Consideration of Approval of the WY 2025 Annual Report for the Borrego Springs Subbasin (ADAMS).....Page 49
- C. Consideration of Approval of Insurance Renewal Package (ADAMS)Page 51
- D. Consideration of Approval of TAC and EWG Meeting Agendas (MALONE)Page 115
- E. Watermaster Staffing Approach for WY 2027 (and Beyond) (ADAMS).....Page 117

V. REPORTS

- A. Legal Counsel Report – *verbal*
- B. Technical Consultant Report.....Page 119
 - Status update: Review of the UCI GDE Study Report
- C. Executive Director ReportsPage 123
 - First Installment of Pumping Assessments for WY 2026
 - Annual Meter Verification
 - Spring 2026 Semi-Annual Monitoring
 - BPA and Party Updates
- D. Chairperson’s Report – *verbal*

VI. APPROVAL OF AGENDA ITEMS FOR APRIL 15, 2026 BOARD MEETINGPage 125

VII. BOARD MEMBER COMMENTS

VIII. NEXT MEETINGS OF THE BORREGO SPRINGS WATERMASTER

- A. Regular Board Meeting – Wednesday, April 15, 2026 at 3:00 pm
- B. Regular Board Meeting – Wednesday, May 20, 2026 at 3:00 pm

IX. ADJOURNMENT

MINUTES
BORREGO SPRINGS WATERMASTER BOARD MEETING
Conducted Virtually via GoToMeeting
Wednesday, February 18, 2026, 3:00 p.m.

The following individuals were present at the meeting:

Directors Present	Chair Tyler Bilyk – Agricultural Sector
	Vice Chair Jim Bennett – County of San Diego
	Treasurer Shannon Smith – Recreational Sector
	Secretary Gina Moran – Borrego Water District (BWD)
	Jim Dax – Community Representative (alternate)
Watermaster Staff Present	James M. Markman, Legal Counsel
	Samantha Adams, Executive Director, West Yost
	Andrew Malone, Lead Technical Consultant, West Yost
	Lauren Salberg, Staff Geologist, West Yost
Others Present	David Garmon
	Diane Johnson, BWD Board Member
	Geoff Poole, BWD General Manager
	George Peraza, DWR
	Jesica Clabaugh, BWD Finance Officer
	Kathy Dice, Board Alternate - BWD
	Laurel Brigham, UCI
	Dr. Nilmini Silva-Send, UCSD School of Law
	Rich Pinel, Board Alternate - Recreational Sector
	Steve Anderson, BB&K, representing BWD
	Tammy Baker, BWD Board Member
	Travis Huxman, UCI
	Trey Driscoll, Intera, TAC Member representing BWD

Please visit the [Watermaster’s Website](#)¹ to access the Agenda Packet, recording, and presentation for the February 18, 2026 Meeting. The following meeting minutes identify the start time each agenda item discussion (hours, minutes, seconds: 00:00:00), which can be used as a reference to find and listen to the details of each topic discussed in the [meeting recording](#) for specifics and context.

I. Opening Procedures

- | | |
|--|----------|
| A. Chair Bilyk called the meeting to order at 3:01 PM at which time the meeting recording was started. | 00:00:00 |
| B. Chair Bilyk led the meeting participants in the Pledge of Allegiance. | 00:00:03 |
| C. Samantha Adams, Executive Director (ED) called roll and confirmed that a quorum of all members of the Board were present. | 00:00:32 |
| D. Approval of Agenda. The Board discussed the agenda topics for the February 18, 2026 Board meeting. | 00:01:13 |

¹ <https://borregospringswatermaster.com/past-watermaster-meetings/>

Motion: Motioned by Director Moran, seconded by Director Smith to approve the Agenda, excluding Agenda Item IV.D.ii. 00:02:39

Motion carried unanimously by roll-call vote (5-0-0).

II. Public Correspondence

A. *Correspondence Received.* Chair Bilyk referenced the correspondence included in the agenda package. 00:03:04

B. *Public Comments.* Chair Bilyk called for public comments. There were no public comments. 00:03:21

III. Consent Calendar

Chair Bilyk called for discussion on the Consent Calendar items included in the February 18, 2026 agenda package. 00:03:51

- There were no public comments.
- Board discussion ensued to determine action and the Board directed Watermaster Staff to share the budget tracking spreadsheet for the GDE Study Report and provide monthly updates to the Board.

Motion: Motioned by Director Dax, seconded by Director Moran, to approve the Consent Calendar. 00:12:36

Motion carried unanimously by roll-call vote (5-0-0).

IV. Items for Board Consideration and Possible Action

A. *Hearing to Receive Comments on the WY 2025 Annual Report for the Borrego Springs Subbasin.* Lauren Salberg gave an overview of the WY 2025 Annual Report for the Borrego Springs Subbasin that was noticed and distributed to the public on January 26, 2026 and was linked in the agenda package. 00:13:09

- Public comments were made by Trey Driscoll and Diane Johnson.
- Board discussion ensued, and the Board directed Watermaster Staff to (i) prepare a redline version of the WY 2025 Annual Report, and (ii) agendize a discussion on the scope and budget for future Annual Reports for the April 2026 Board meeting.

B. *Consideration of Amending Watermaster Insurance Coverage to Reduce Premium Costs.* ED Adams and Director Smith gave a presentation summarizing the memo included in the agenda package. 00:42:29

- There were no public comments.
- Board discussion ensued, and the Board directed Watermaster Staff to obtain quotes for the two options presented and discuss the quotes at the March 2026 Board meeting.

- C. *Consideration of an Application for New De Minimis Pumping.* Andy Malone provided a summary of the memo included in the agenda package. 00:55:33
- Public comment was made by Tammy Baker, David Garmon, Diane Johnson, and Steve Anderson.
 - Board discussion ensued, including Legal Counsel input, to determine action.
- Motion:** Motioned by Director Smith, seconded by Chair Bilyk, to deny the application for a new De Minimis well. 01:48:13
- Motion carried by majority vote (3-2-0). Directors Moran and Dax voted no.*
- D. *5-Year GMP Assessment Report: Assessment of Basin Conditions to Demonstrate Progress Towards Sustainability.* ED Adams provided a summary of the memo included in the agenda package. 01:50:10
- There were no public comments.
 - Board discussion ensued throughout the presentation, and no Board action was taken.
- V. **Reports.**
- A. *Legal Counsel Report.* Mr. Markman reported that he will be speaking to a class at the University of San Diego School of Law about the adjudication in Borrego Springs. 02:27:17
- Public comment was made by Tammy Baker with a question amending the Judgment (in relation to the 5-Year GMP Assessment).
 - No action was taken by the Board.
- B. *Technical Consultant Report.* Mr. Malone reported on the items listed in the agenda package memo (see slides 49 through 54 of the [Board presentation slides](#)). 02:31:14
- Public comment was made by David Garmon and Travis Huxman.
 - Board discussion ensued and the Board provided Staff with guidance on running the upcoming joint TAC-EWG meeting, specifically permitting UCI to comment during the public comment period at the start and end of the meeting, and that the TAC-EWG can direct specific questions to UCI throughout the discussion.
- C. *Executive Director Report.* ED Adams reported on the items listed in the agenda package memo (see slides 55 through 58 of the [Board presentation slides](#)). 03:04:32
- Public comment was made by Diane Johnson.
 - Board discussion ensued, and no action was taken by the Board.
- D. *Chairperson's Report.* Chair Bilyk thanked the Board for their willingness to participate in tough discussions. He reminded the Board that they are an extension of the Court and their duty is to implement the Judgment. 03:16:44

VI. Approval of Agenda Items for March 18, 2026 Board Meeting

ED Adams reviewed the list of potential agenda items for the next several Board meetings listed in the agenda package. 03:17:50

- There were no public comments.
- Board discussion ensued to determine action.

Motion: Motioned by Director Moran seconded by Vice Chair Bennett, to approve the following agenda for the March 18, 2026 Regular Board Meeting: 03:21:37

- Consideration of Approval of WY 2025 Financial Audit
- Consideration of Approval of WY 2025 Annual Report
- Consideration of Approval of April 2026 TAC and EWG Meeting Agendas
- Consideration of Approval of Insurance Renewal Package
- GDE Study Report Review (TAC/EWG Report out)
- Process and Schedule to Assess Watermaster Staffing Approach for WY 2027 (and beyond)

Motion carried unanimously by roll-call vote (5-0-0).

VII. Board Member Comments

Chair Bilyk called for comments. 03:22:05

- Director Smith commented on the topics of Best Available Science and the TAC's review of the GDE Study Review Report.
- Vice Chair Bennett commented on not including manganese as a proposed constituent of concern in the 5-Year GMP Assessment Report.

VIII. Next Meetings of the Borrego Springs Watermaster

Chair Bilyk reviewed the meetings listed in the agenda package. 03:24:16

IX. Adjournment

Chair Bilyk adjourned the meeting at 6:25 PM. 03:24:53

Recorded by:
Lauren Salberg, Staff Geologist, West Yost

Attest:
Gina Moran, Secretary of the Board

**Borrego Springs Watermaster
Profit & Loss for Fiscal Year 2025-2026
October 2025 through February 2026**

	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26	TOTAL
Ordinary Income/Expense						
Income						
DWR Grant Reimbursement ^t	0.00	0.00	0.00	263,282.30	0.00	263,282.30
Pumping Assessment	0.00	175,024.32	0.00	0.00	0.00	175,024.32
WY 2025 - Expected Grant Reimb ^v	0.00	0.00	0.00	(266,268.25)	0.00	(266,268.25)
Total Income	0.00	175,024.32	0.00	(2,985.95)	0.00	172,038.37
Expense						
Audit	0.00	161.00	0.00	6,489.00	0.00	6,650.00
Bank Service Charges	25.00	0.00	0.00	25.00	26.00	76.00
Consulting Services	78,630.25	69,187.07	40,445.00	61,329.45	59,958.10	309,549.87
Consulting Services- Meter Read [*]	215.00	322.50	161.25	161.25	170.25	1,030.25
Insurance	3,946.02	3,946.02	3,946.02	3,946.02	3,946.02	19,730.10
Interest Expense	1,044.69	0.00	0.00	0.00	0.00	1,044.69
Legal	5,000.00	4,855.00	3,445.00	3,500.00	5,745.00	22,545.00
Total Expense	88,860.96	78,471.59	47,997.27	75,450.72	69,845.37	360,625.91
Net Ordinary Income	(88,860.96)	96,552.73	(47,997.27)	(78,436.67)	(69,845.37)	(188,587.54)
Net Income	(88,860.96)	96,552.73	(47,997.27)	(78,436.67)	(69,845.37)	(188,587.54)

^t Reflects actual reimbursement received from DWR.

^v Reflects reversal of estimated reimbursement amounts.

^{*} Represents Consulting services by West Yost that are not grant reimbursable.

**Borrego Springs Watermaster
Balance Sheet for Fiscal Year 2025-2026
As of February 28, 2026**

	Feb 28, 26
ASSETS	
Current Assets	
Checking/Savings	
US Bank	917,578.28
Total Checking/Savings	917,578.28
Accounts Receivable	
Accounts Receivable	3,791.99
Total Accounts Receivable	3,791.99
Other Current Assets	
Prepaid Expenses	11,838.01
Total Other Current Assets	11,838.01
Total Current Assets	933,208.28
TOTAL ASSETS	933,208.28
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	109,180.10
Total Accounts Payable	109,180.10
Other Current Liabilities	
Accrued Payables	65,551.95
Assessment Prepayment	149.94
Total Other Current Liabilities	65,701.89
Total Current Liabilities	174,881.99
Total Liabilities	174,881.99
Equity	
Retained Earnings	946,913.83
Net Income	-188,587.54
Total Equity	758,326.29
TOTAL LIABILITIES & EQUITY	933,208.28

Item III.B

2:18 PM

**Borrego Springs Watermaster
Expense Distribution Detail**

03/11/26

February 2026

Accrual Basis

Type	Date	Num	Memo	Account	Amount
RWG Law					
General Journal	02/01/2026	125R	RWG Estimate for January 1, 2026 to January 31, 2026	Legal	(6,000.00)
Bill	02/17/2026	257149	Services rendered through January 31, 2026	Legal	6,745.00
General Journal	02/28/2026	127	RWG Estimate for February 1, 2026 to February 28, 2026	Legal	5,000.00
Total RWG Law					5,745.00
West Yost & Associates					
General Journal	02/01/2026	125R	WY Estimate for January 1, 2026 to January 31, 2026	Consulting Services	(61,037.70)
General Journal	02/01/2026	125R	WY Estimate for January 1, 2026 to January 31, 2026	Consulting Services- Meter Read	(161.25)
Bill	02/27/2026	2066190	West Yost Consulting Services January 1, 2026 to January 31, 2026	Consulting Services	60,720.10
Bill	02/27/2026	2066190	West Yost Consulting Services January 1, 2026 to January 31, 2026	Consulting Services- Meter Read	55.25
General Journal	02/28/2026	127	WY Estimate for February 1, 2026 to February 28, 2026	Consulting Services	60,275.70
General Journal	02/28/2026	127	WY Estimate for February 1, 2026 to February 28, 2026	Consulting Services- Meter Read	276.25
Total West Yost & Associates					60,128.35
TOTAL					65,873.35

Borrego Springs Watermaster

Register: US Bank

From 02/01/2026 through 02/28/2026

Sorted by: Date, Type, Number/Ref

Date	Number	Payee	Account	Memo	Payment	C	Deposit	Balance
2/5/2026			-split-	Deposit		X	28,154.24	992,298.01
2/10/2026	2220	C.J. Brown & Company CPAs	Accounts Payable	Audit services rendered during the month of January 2026	6,489.00	X		985,809.01
2/10/2026	2221	RWG Law	Accounts Payable	Services rendered through November 30, 2025	3,945.00			981,864.01
2/10/2026	2222	West Yost & Associates	Accounts Payable	Services from November 1, 2025 to November 30, 2025	66,914.00	X		914,950.01
2/13/2026			Bank Service Charges	Service Charge	26.00	X		914,924.01
2/20/2026			Undeposited Funds	Deposit		X	183.26	915,107.27
2/27/2026			-split-	Deposit		X	2,471.01	917,578.28

**Borrego Springs Watermaster
Board of Directors Meeting
March 18, 2026
AGENDA ITEM IV.A**

To: Board of Directors
From: Samantha Adams, Executive Director
Date: March 13, 2026
Subject: Consideration of Approval of the Financial Audit for WY 2025

-
- | | | |
|---|--|--|
| <input checked="" type="checkbox"/> Recommended Action | <input type="checkbox"/> Provide Direction to Staff | <input type="checkbox"/> Information and Discussion |
| <input type="checkbox"/> Fiscal Impact | <input type="checkbox"/> Cost Estimate: \$ | |
-

Recommended Action

Approve the WY 2025 Financial Audit prepared by C.J. Brown & Company, CPAs and include with the *Water Year 2025 Annual Report for the Borrego Springs Subbasin*

Fiscal Impact: None

Background and Discussion

Section E.5 of the Judgment requires the Watermaster to file an Annual Report with the Court. Among other topics, the Annual Report must include a financial audit of all assessments and expenditures by Watermaster during the reporting period.

Watermaster contracted with C.J. Brown & Company, CPAs to perform the financial audit for WY 2025. This is the third financial audit performed by C.J. Brown & Company, CPAs, who were approved by the Watermaster Board to perform the audit during the November 19, 2025 Board meeting.

The WY 2025 Financial Audit by C.J. Brown & Company, CPAs is enclosed for review and approval. The draft audit was reviewed by the Watermaster Treasurer, Director Smith, and the enclosed version incorporates Director Smith’s comments and feedback.

A representative from C.J. Brown & Company will give a brief overview of the audit and be available to answer questions.

Enclosures

- WY 2025 Financial Report by C.J. Brown & Company, CPAs
- Borrego Springs Watermaster Management Report by C.J. Brown & Company, CPAs

Borrego Springs Watermaster
Annual Financial Report
For the Fiscal Years Ended September 30, 2025 and 2024



Borrego Springs, California

Our Mission Statement

"To manage groundwater resources of the Borrego Springs Subbasin in accordance with the April 8, 2021 judgment"

Board of Directors as of September 30, 2025

Name	Title	Elected/ Appointed	Current Term
Tyler Bilyk	Chair	Appointed	Ongoing
Jim Bennett	Vice-Chair	Appointed	Ongoing
Shannon Smith	Director	Appointed	Ongoing
Mark Jorgensen	Director	Appointed	Ongoing
Gina Moran	Director	Appointed	Ongoing

**Borrego Springs Watermaster
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Borrego Springs Watermaster
Annual Financial Report
For the Fiscal Years Ended September 30, 2025 and 2024

**Borrego Springs Watermaster
Annual Financial Report
For the Fiscal Years Ended September 30, 2025 and 2024**

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Financial Section

Independent Auditor's Report

Board of Directors
Borrego Springs Watermaster
Borrego Springs, California

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the Borrego Springs Watermaster (Watermaster), which comprises the statement of net position as of September 30, 2025 and 2024, and the related statement of revenues, expenses, and changes in net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Watermaster'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 respective financial position of the Borrego Springs Watermaster as of September 30, 2025 and 2024, and the respective changes in net position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Watermaster, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the Watermaster'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.

Independent Auditor's Report, continued

Auditor's 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 auditor's report that includes our opinions. 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 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 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, 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 the Watermaster'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 the Watermaster'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 on pages 4 through 6, 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.

Independent Auditor's Report, continued**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2026, on our consideration of the Watermaster'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 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 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 the Watermaster's internal control over financial reporting and compliance. This report can be found on pages 19 and 20.

C.J. Brown & Company, CPAs

Cypress, California

March 18, 2026

Borrego Springs Watermaster
Management's Discussion and Analysis
For the Fiscal Years Ended September 30, 2025 and 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Borrego Springs Watermaster (Watermaster) provides an introduction to the financial statements of the Watermaster for the year ended September 30, 2025 (with summarized comparative information for fiscal year ended September 30, 2024). We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

2025 Financial Highlights

- In 2025, the Watermaster's net position decreased 14.92% or \$166,002 to \$946,914.
- In 2025, the Watermaster's total revenues decreased 10.78% or \$151,749 to \$1,256,473.
- In 2025, the Watermaster's total expenses increased 5.29% or \$71,460 to \$1,422,475.

Using This Financial Report

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows provide information about the activities and performance of the Watermaster using accounting methods similar to those used by private sector companies.

The Statements of Net Position include all of the Watermaster's investments in resources (assets), and obligations to creditors (liabilities). They also provide the basis for evaluating the results of operations, evaluating the capital structure of the Watermaster, and assessing the liquidity and financial flexibility of the Watermaster. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the Watermaster's operations over the past year and can be used to determine if the Watermaster has successfully recovered all of its costs through its rates and other charges. In addition to tracking cost recovery performance, these statements can also be used to evaluate the results of operations and creditworthiness. The final required financial statements are the Statements of Cash Flows, which provide information about the Watermaster's cash receipts and cash payments during the reporting period. The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Watermaster

One of the most important questions asked about the Watermaster's finances is, "Is the Watermaster better off or worse off as a result of this year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Watermaster in a way that helps answer this question. These statements include all assets, and liabilities, using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Watermaster's *net position* and changes in them. You can think of the Watermaster's net position – the difference between assets less liabilities – as one way to measure the Watermaster's financial health, or *financial position*. Over time, *increases or decreases* in the Watermaster's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Borrego Springs Watermaster
Management's Discussion and Analysis, continued
For the Fiscal Years Ended September 30, 2025 and 2024

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 10 through 18.

Statements of Net Position

Condensed Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Assets:			
Current assets	\$ 1,046,163	1,829,591	(783,428)
Total assets	<u>1,046,163</u>	<u>1,829,591</u>	<u>(783,428)</u>
Liabilities:			
Current liabilities	99,249	716,675	(617,426)
Total liabilities	<u>99,249</u>	<u>716,675</u>	<u>(617,426)</u>
Net position:			
Unrestricted	946,914	1,112,916	(166,002)
Total net position	<u>\$ 946,914</u>	<u>1,112,916</u>	<u>(166,002)</u>

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Watermaster, assets exceeded liabilities by \$946,914, as of September 30, 2025.

At the end of fiscal year 2025, the Watermaster reflected a positive balance in its unrestricted net position of \$946,914, that may be utilized in future years. See note 3 for further discussion.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 1,256,473	1,408,222	(151,749)
Total revenues	<u>1,256,473</u>	<u>1,408,222</u>	<u>(151,749)</u>
Expenses:			
Operating expenses	1,364,658	1,285,873	78,785
Non-operating expense	57,817	65,142	(7,325)
Total expenses	<u>1,422,475</u>	<u>1,351,015</u>	<u>71,460</u>
Change in net position	(166,002)	57,207	(223,209)
Net position, beginning of year	<u>1,112,916</u>	<u>1,055,709</u>	<u>57,207</u>
Net position, end of year	<u>\$ 946,914</u>	<u>1,112,916</u>	<u>(166,002)</u>

Borrego Springs Watermaster
Management's Discussion and Analysis, continued
For the Fiscal Years Ended September 30, 2025 and 2024

Statements of Revenues, Expenses, and Changes in Net Position, continued

In 2025, net position decreased 14.92% or \$166,002 to \$946,914, as a result of ongoing operations.

In 2025, total revenues decreased 10.78% or \$151,749 to \$1,256,473, primarily due to decreases of \$109,791 in administrative assessments, and \$42,514 in grant revenues.

In 2025, total expenses increased 5.29% or \$71,460 to \$1,422,475, primarily due to increase of \$154,443 in consulting services, which was offset by decreases of \$44,070 in grant expenditures, and \$32,044 in legal fees.

Conditions Affecting Current Financial Position

Management is unaware of any other conditions which could have a significant impact on the Watermaster's current financial position, net position, or operating results based on past, present, and future events.

Requests for Information

This financial report is designed to provide the Watermaster's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the Watermaster's finances and to demonstrate the Watermaster's accountability with an overview of the Watermaster's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Watermaster's Executive Director, at West Yost, 25 Edelman, Suite 120, Irvine, California 92618.

Basic Financial Statements

Borrego Springs Watermaster
Statements of Net Position
September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 738,997	839,255
Accounts receivable	9,330	17,601
Grants receivable (note 3)	266,268	944,099
Prepaid expenses	<u>31,568</u>	<u>28,636</u>
Total current assets	<u>1,046,163</u>	<u>1,829,591</u>
Total assets	<u>1,046,163</u>	<u>1,829,591</u>
Current liabilities:		
Accounts payable and accrued expenses (note 3)	<u>99,249</u>	<u>716,675</u>
Total current liabilities	<u>99,249</u>	<u>716,675</u>
Total liabilities	<u>99,249</u>	<u>716,675</u>
Net position: (note 4)		
Unrestricted	<u>946,914</u>	<u>1,112,916</u>
Total net position	<u>\$ 946,914</u>	<u>1,112,916</u>

See accompanying notes to the basic financial statements

Borrego Springs Watermaster
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended September 30, 2025 and 2024

	2025	2024
Operating revenues:		
Administrative assessments	\$ 348,220	458,011
Grant revenues	901,228	943,742
Meter read revenues	7,025	6,469
Total operating revenues	1,256,473	1,408,222
Operating expenses:		
Grant expenditures	900,028	944,098
Meter read expenses	4,759	3,428
Consulting services	344,625	190,182
Legal fees	70,826	102,870
Reimbursements	-	4,261
Insurance	44,420	41,034
Total operating expenses	1,364,658	1,285,873
Operating (loss) income	(108,185)	122,349
Non-operating expenses:		
Other expenses	(57,817)	(65,142)
Total non-operating expenses	(57,817)	(65,142)
Change in net position	(166,002)	57,207
Net position, beginning of year	1,112,916	1,055,709
Net position, end of year	\$ 946,914	1,112,916

See accompanying notes to the basic financial statements

Borrego Springs Watermaster
Statements of Cash Flows
For the Fiscal Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash receipts from parties to the judgment	\$ 356,491	490,831
Cash receipts from grants	1,579,059	885,676
Cash payments for programs, vendors and suppliers	<u>(1,977,991)</u>	<u>(1,361,724)</u>
Net cash (used in) provided by operating activities	<u>(42,441)</u>	<u>14,783</u>
Cash flows from non-capital financing activities:		
Other non-operating expenses	<u>(57,817)</u>	<u>(65,142)</u>
Net cash used in non-capital financing activities	<u>(57,817)</u>	<u>(65,142)</u>
Net decreases in cash and cash equivalents	(100,258)	(50,359)
Cash and cash equivalents, beginning of year	<u>839,255</u>	<u>889,614</u>
Cash and cash equivalents, end of year	<u>\$ 738,997</u>	<u>839,255</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ <u>738,997</u>	<u>839,255</u>
Total cash and cash equivalents	<u>\$ 738,997</u>	<u>839,255</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:		
Operating (loss) income	\$ <u>(108,185)</u>	<u>122,349</u>
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	8,271	32,820
Grants receivable	677,831	(58,066)
Prepaid expenses	(2,932)	(1,921)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>(617,426)</u>	<u>(80,399)</u>
Total adjustments	<u>65,744</u>	<u>(107,566)</u>
Net cash (used in) provided by operating activities	<u>\$ (42,441)</u>	<u>14,783</u>

See accompanying notes to the basic financial statements

Borrego Springs Watermaster
Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

In January 2020, a complaint seeking a comprehensive adjudication of the groundwater rights of the Basin was filed by the Borrego Water District in the Superior Court for San Diego County, pursuant to Code of Civil Procedure (CCP) sections 830, et seq (Borrego Water District v. All Persons Who Claim a Right to Extract Groundwater in the Borrego Valley Groundwater Subbasin, et., San Diego Superior Court case no. 37-2020-0005776-CU-TT-CTL). The proposed Stipulated Judgment was filed with the Court pursuant to a Settlement Agreement that was signed by Settling Parties that are responsible for over 90 percent of the groundwater pumping in the Basin. The Settlement Agreement also provided for the establishment of an Interim Borrego Springs Watermaster to assume responsibility for the sustainable management of the Basin pursuant to the terms of the Judgment until finalized by the Court. The Interim Borrego Springs Watermaster held its first meeting on March 31, 2020.

On April 8, 2021, the honorable Judge Peter Wilson of the CA Superior Court for the County of Orange granted the motion for entry of the Stipulated Judgment (Judgment) which adjudicated the groundwater rights of the Borrego Spring Subbasin, As stated in Section II.F of the Judgment, the Court found that the Physical Solution for the Basin, which is comprised of the Judgment and Groundwater Management Plan for the Borrego Springs Subbasin, is consistent with California Water Code (CWC) Section 10737.8 and is prudent, legal durable means to achieve sustainable groundwater management within the Basin intended by Sustainable Groundwater Management Act.

The Basin has a surface area of approximately 98 square miles or 62,776 acres. The western and southwestern boundary of the Basin is defined by the contact of poorly to moderately consolidated sediments with the plutonic and metamorphic basement of Pinyon Ridge and the San Ysidro Mountains. The northern and eastern boundaries are defined by the mapped trace of the Coyote Creek fault that trends northwest-southeast. East of the Coyote Creek fault lies Coyote Mountain, the Borrego Badlands, and the Ocotillo-Clark Valley Groundwater Basin. The southeastern boundary of the Plan Area is defined by the location of San Felipe Creek, which also marks the northern boundary of the Ocotillo Wells Groundwater Subbasin.

To administer the Judgment, the Court directed appointment of the Watermaster (a five-member board). The court appointed Watermaster Board is made up of five members: The Watermaster normally conducts monthly general meetings of the Board which are held on the second Thursday of the month.

B. Basis of Accounting and Measurement Focus

The Watermaster reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Watermaster is that the cost of administering the Judgment on a continuing basis be financed or recovered primarily through various assessments. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the Watermaster. Exchange transactions are those in which each party receives and gives up essentially equal value. Management and administration expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

Borrego Springs Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended September 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The Watermaster's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Watermaster solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Watermaster's proprietary fund.

The Watermaster has adopted the following GASB pronouncements in the current year:

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement did not have a material impact to the financial statements.

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Please refer to Note 5 for a detailed discussion.

D. Assets, Liabilities, and Net Position

1. Use of Estimates

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

2. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of three months or less.

Borrego Springs Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended September 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities, and Net Position, continued

3. Accounts Receivable and Allowance for Uncollectible Accounts

The Watermaster makes assessments pursuant to the Judgment in the normal course of operations. Management has determined that all amounts are considered collectible. As a result, the Watermaster has not recorded an allowance for doubtful accounts as of September 30, 2025 and 2024, respectively.

4. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Unrestricted** – Consists of the net amount of assets, and liabilities that are not included in the determination of the net *investment in capital assets* or *restricted* components of net position.

5. Administrative Assessments

Administrative assessments are levied on the parties to the judgment in an amount sufficient to fund the costs of administering the judgment. During the year ended September 30, 2025, the assessment was \$24.06 per acre foot.

6. Budgetary Policies

In accordance with the Judgment, the Watermaster shall prepare a watermaster budget for each year, hold hearings thereon, and adopt a final Watermaster Budget. The annual Watermaster budget will be determined by the Watermaster in an amount necessary to fulfill the duties of Watermaster as prescribed by the Judgment and a reasonable reserve, all of which will be subject to review and revision by the Court. Following the adoption of the Watermaster budget, expenditures within the budgeted items may thereafter be made by Watermaster in the exercise of powers herein granted, as a matter of course. The annual budget process to determine the budget for the each year will be as follows:

June 30th – Watermaster publishes the Watermaster budget for ensuing Water Year.

July 31st – Any challenge to the budget by a Party must be initiated by notice to the Watermaster.

August 30th – Mediation of any challenge to the budget is completed pursuant to Section VII.A(1) of Judgment.

October 15th – Any challenge to the budget by a party unresolved by mediation will be heard by the Court.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of September 30 are classified in the accompanying financial statements as follows:

	2025	2024
Cash and cash equivalents	\$ <u>738,997</u>	<u>839,255</u>
Total cash and cash equivalents	\$ <u><u>738,997</u></u>	<u><u>839,255</u></u>

Cash and cash equivalents as of September 30 consist of the following:

	2025	2024
Deposits held with financial institutions	\$ <u>738,997</u>	<u>839,255</u>
Total cash and cash equivalents	\$ <u><u>738,997</u></u>	<u><u>839,255</u></u>

Borrego Springs Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended September 30, 2025 and 2024

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Watermaster's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Watermaster's name.

(3) Grants Receivable

On December 13, 2022, the Borrego Water District (District) entered into a Proposition 68 grant agreement in the amount of \$6,115,833 with the Department of Water Resources. The Watermaster entered into a subgrantee agreement with the District in the amount of \$2,738,590. The grant agreement will assist in financing projects associated with the Sustainable Groundwater Management Grant Program on a reimbursable basis. Watermaster's scope of work consists of Component 6: Biological Restoration of Fallowed Lands (in the amount of \$755,340), and Component 7, Monitoring, Reporting and Groundwater Management Plan (in the amount of \$1,983,250).

As of September 30, 2025 and 2024, grants receivable amounted to \$266,268, and \$944,099, respectively.

On December 12, 2022 and January 23, 2023, the Watermaster entered into agreements with two of its consultants, West Yost and Land IQ, LLC respectively, that provide for extended payment terms for services performed by these firms, including the work contemplated by the subgrantee agreement. The extended payment terms provide for a maximum deferral of payments totaling \$550,000 and \$200,000 for West Yost and Land IQ, LLC, respectively until January 2026, along with customary provisions for repayment with a simple interest rate of the Wall Street Journal Prime Rate plus 2% divided by 12 at the time the interest charge is calculated.

The terms of the subgrantee agreement require work to be completed and reimbursed conditioned upon receipt by Borrego Water District (District) of grant funds from Department of Water Resources (DWR). The time between when the costs are incurred and when the Watermaster will receive reimbursement from the District is expected to exceed six months. Additionally, the Watermaster may expend amounts to execute the grant projects it believes are reimbursable under the subgrantee agreement for which reimbursement may not be received. As a result, the execution of the grant work could result in the need for additional assessment of the parties that may exceed annual assessment levels.

As of September 30, 2025, the Watermaster's accounts payable amounted to \$99,249. Of the total amount, the Watermaster's balance due to West Yost amounted to \$82,143, respectively.

As of September 30, 2024, the Watermaster's accounts payable amounted to \$716,675. Of the total amount, the Watermaster's balance due to West Yost and Land IQ, LLC amounted to \$538,380 and \$160,487, respectively.

Borrego Springs Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended September 30, 2025 and 2024

(4) Net Position

Calculation of net position was as follows:

	2025	2024
Unrestricted net position		
Non-spendable net position		
Prepaid expenses	\$ 31,568	28,636
Total non-spendable net position	31,568	28,636
Spendable net position		
Unrestricted	31,568	28,636
Total spendable net position	31,568	28,636
Total unrestricted net position	915,346	1,084,280
Total net position	\$ 946,914	1,112,916

(5) Certain Risk Disclosures

Watermaster assesses concentrations and constraints known prior to the issuance of the financial statements that may make it vulnerable to the risk of a substantial impact. A concentration is defined as a lack of diversity related to a significant inflow or outflow of resources. The following disclosures address concentrations meeting the criteria for disclosure under GASB 102, including descriptions of the concentration, associated events that could cause a substantial impact, and actions taken or planned to mitigate the risks. These risks are known to the Watermaster prior to the issuance of these financial statements, make the Watermaster vulnerable to substantial impacts, and involve events that have occurred or begun to occur, or are at least reasonably possible to occur within three years of issuance.

Credit concentration risk related to assessable parties

The Watermaster's primary source of revenue is derived from assessments levied on pumpers within the Borrego Springs Groundwater Subbasin, pursuant to the Stipulated Judgment entered on April 8, 2021, and the associated Groundwater Management Plan (GMP). These assessments are based on Baseline Pumping Allocations (BPAs) and actual pumping volumes, with fees set annually to fund the Watermaster's operations, monitoring, and sustainability efforts under the Sustainable Groundwater Management Act (SGMA). As of September 30, 2025, the assessable parties consist of a limited number of pumpers, primarily in the agricultural, recreational (e.g., golf courses), and municipal sectors.

This represents a concentration because the top 10 pumpers represent 89% of the pumping assessment. A lack of diversity in the payer base exposes the Watermaster to credit risk, as the failure of one or more major pumpers to pay assessments could result in a substantial shortfall in revenue, potentially impairing the Watermaster's ability to fulfill its mandates, such as groundwater monitoring, reporting to the Department of Water Resources (DWR), and enforcement of pumping reductions to achieve the Subbasin's sustainable yield of approximately 7,952 acre-feet per year by 2040.

Borrego Springs Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended September 30, 2025 and 2024

(5) Certain Risk Disclosures, continued

Associated Events and Potential Substantial Impacts

Prior to issuance of these financial statements, the Watermaster identified the following events and its potential substantial impacts:

- Events such as financial distress, bankruptcy, or cessation of operations by major pumpers have begun to occur in the Subbasin due to the required 75% reduction in pumping over the 20-year GMP implementation period (from historical overdraft levels). It is reasonably possible that within the next three years, additional pumpers may face similar challenges, exacerbated by ongoing drought conditions, rising operational costs, or market shifts that lead to decreases in financial results which increase the risk for bankruptcy or cessation of operations in the industries where pumpers operate.
- If pumpers fail to elect to purchase carryover allocations (i.e., unused BPAs from prior years or transferred from other parties), this could lead to a reduction in overall assessable pumping volumes, thereby increasing the unit cost of assessments revenue per acre foot. For example, in Water Year 2025, assessments were set at \$24.06 per acre-foot that included assessment against 12,908.99-acre feet of carryover election by pumpers. If the carryover election was not made by these pumpers, the assessment rate would have been \$213.45 per acre feet. A significant decline in carryover elections by pumpers will result in higher per acre foot assessments, which increase financial burdens on pumpers and increase the risks associated with financial distress and cessation of operations. A reduction in carryover election by pumpers does not result in a revenue shortfall, a reduction in carryover election, results in an increase to the per acre foot cost of pumping.

Actions Taken

Prior to issuance of these financial statements, the Watermaster executed the following mitigating actions:

- The Watermaster monitors pumper compliance through metering and annual reporting, with enforcement mechanisms under the Stipulated Judgment, including penalties for non-payment establishing a lien for non-payment and foreclosure of the lien pursuant to state law.
- Budget planning includes an unallocated contingency reserve equivalent to a reserve target of 9 months of the annual operating budget expenditures to buffer against revenue shortfalls.

These disclosures are based on information known as of the date of issuance and will be reassessed annually. No other concentrations or constraints met the criteria for disclosure under GASB 102.

(6) Risk Management

The Watermaster is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Watermaster is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the Watermaster as of September 30, 2025.

The following is a summary of insurance policies carried by the Watermaster as of September 30, 2025:

- Commercial General Liability: \$3,000,000 General Aggregate Limit (Other than Products/Completed Operations); \$3,000,000 Products/Completed Operations Aggregate Limit (Any One Person or Organization); \$1,000,000 Personal and Advertising Injury Limit; \$1,000,000 Each Occurrence Limit; \$1,000,000 Rented To You Limit; \$10,000 Medical Expenses Limit (Any One Person); and \$1,000,000 Hired and Non-Owned Auto Liability Coverage.

Borrego Springs Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended September 30, 2025 and 2024

(6) Risk Management, continued

- Commercial Excess Liability: Limits of Liability are \$1,000,000 Retained Limit, \$1,000,000 Each Occurrence, \$1,000,000 General Aggregate Limit, \$1,000,000 Products/Completed Operations to Aggregate.
- Public Officials and Management Liability: \$3,000,000 Aggregate Limit of Liability Coverage; \$1,000,000 Each Wrongful or Offense Limit (if Occurrence); N/A Each Claim Limit (if Claims-Made).
- Settled claims have not exceeded any of the coverage amounts in any of the last three years and there were no reductions in the Watermaster's insurance coverage during the years ended September 30, 2025, 2024 and 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of September 30, 2025, 2024 and 2023.

(7) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to September 30, 2025, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

**Borrego Springs Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended September 30, 2025 and 2024**

(7) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 105

In December 2025, the GASB issued Statement No. 105 – *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained.

That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

(8) Commitments and Contingencies

Grant Awards

Grant funds received by the Watermaster are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Watermaster believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the Watermaster is subject to claims and litigation from outside parties. After consultation with legal counsel, the Watermaster believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Contracts

The Watermaster has a variety of agreements with outside parties. As of September 30, 2025, the Watermaster’s open balance on contract commitments is \$8,791 shown as follows:

<u>Vendor</u>	<u>Project Name</u>	<u>Total Approved Contract</u>	<u>Billed to Date</u>	<u>Remaining balance</u>
West Yost	Admin and Technical Services	\$ 339,833	336,528	3,305
	Component 7 - Monitoring,			
West Yost	Reporting, and GMP Update	662,233	660,481	1,752
	Component 6 - Biological			
West Yost	Restoration of Fallowed Lands	20,812	17,219	3,593
	Biological Restoration of Fallowed			
Land IQ	Lands	736,480	736,339	141
	Total	\$ 1,759,358	1,750,567	8,791

Borrego Springs Watermaster
Notes to the Financial Statements, continued
For the Fiscal Years Ended September 30, 2025 and 2024

(9) Subsequent Events

Events occurring after September 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of March 18, 2026, which is the date the financial statements were available to be issued. The Watermaster is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

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Report on Internal Controls and Compliance

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Borrego Springs Watermaster
Borrego Springs, California

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 Borrego Springs Watermaster (Watermaster) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprises the Watermaster's basic financial statements, and have issued our report thereon dated March 18, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Watermaster's internal control over financial reporting (internal control) to determine the 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 the Watermaster's internal control. Accordingly, we do not express an opinion on the effectiveness of the Watermaster'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Watermaster'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 determination of financial statement amounts. 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*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

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 the Watermaster's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Watermaster's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

Cypress, California

March 18, 2026

Borrego Springs Watermaster

Management Report

September 30, 2025

Borrego Springs Watermaster

Management Report

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CONFIDENTIAL

Board of Directors
Borrego Springs Watermaster
Borrego Springs, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Borrego Springs Watermaster (Watermaster) as of and for the year ended September 30, 2025, 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, we considered the Watermaster’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 the entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Watermaster’s internal control over financial reporting.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Watermaster, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company, CPAs
Cypress, California
March 18, 2026

APPENDIX

Borrego Springs Watermaster

Audit/Finance Committee Letter

September 30, 2025

Board of Directors
Borrego Springs Watermaster
Borrego Springs, California

We have audited the financial statements of the Borrego Springs Watermaster (Watermaster) for the year ended September 30, 2025, and have issued our report thereon dated March 18, 2026.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 20, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Watermaster solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated March 18, 2026.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Borrego Springs Watermaster

Page 2

Required Risk Assessment Procedures per Auditing Standards

As auditors of the Watermaster, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Watermaster is included in Note 1 to the financial statements. As of and for the year ended September 30, 2025, the Watermaster implemented the provisions of GASB Statement No. 102 – *Certain Risk Disclosures*. There have been no other initial selection of accounting policies and no other changes in significant accounting policies or their application during 2025. No other matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on 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 markedly from management’s current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

Management’s estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Watermaster’s financial statements relate to:

The disclosure of fair value of cash and cash equivalents in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Borrego Springs Watermaster

Page 3

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Watermaster's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 18, 2026.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Watermaster, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Watermaster's auditors.

Conclusion

We appreciate the cooperation extended to us by the West Yost Team: Samantha Adams, Executive Director, Leah Ehresman, Controller, and Maria Mendoza-Tellez, Project Accountant III, in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the Watermaster.

C.J. Brown & Company, CPAs

Cypress, California

March 18, 2026

**Borrego Springs Watermaster
Board of Directors Meeting
March 18, 2026
AGENDA ITEM IV.B**

To: Board of Directors
From: Samantha Adams, Executive Director
Date: March 13, 2026
Subject: Consideration of Approval of the *Water Year 2025 Annual Report for the Borrego Springs Subbasin*

<input checked="" type="checkbox"/> Recommended Action	<input type="checkbox"/> Provide Direction to Staff	<input type="checkbox"/> Information and Discussion
<input type="checkbox"/> Fiscal Impact	<input type="checkbox"/> Cost Estimate: \$	

Recommended Action

Approve the *Water Year 2025 Annual Report for the Borrego Springs Subbasin* and file it with the Court and DWR.

Fiscal Impact: None

Background and Previously Related Actions by the Board

Pursuant to Section IV.E.G of the Judgment, the Watermaster is required to prepare and file an Annual Report with the Court not later than April 1 following the end of each Water Year (WY).¹ Watermaster is also required to file the Annual Report with the California State Department of Water Resources (DWR) pursuant to the requirements of the Sustainable Groundwater Management Act (SGMA), specifically Article 7, Section 356.2. The Annual Report must also be submitted to the DWR by April 1.

The draft Annual Report was published on January 26, 2026. The Watermaster held a hearing to receive comments on the draft Annual Report during the February 18, 2026 Board Meeting. Additional written comments were accepted through February 23, 2026.

Discussion

The [draft Final Annual Report](#) has been updated to address the comments received (1) from the February 18, 2026 hearing and (2) in writing. A [redline version of the draft Final Annual Report](#) was

¹ At its October 13, 2022 regular Board meeting, the Board voted to amend the Judgment to extend the filing deadline of the Annual Report to April 1st to allow sufficient time to complete, review, and respond to comments on the draft Annual Report. A motion to amend the Judgment to extend the Annual Report filing deadline to April 1st was filed with the Superior Court of Orange County on January 13, 2023 and was approved at an April 20, 2023 hearing.

prepared to clearly identify the revisions made since the release of the draft Report and how comments were addressed in the draft Report. These changes include:

- *Appendix I – Response to Comments* has been added to the draft Final WY 2025 Annual Report to document the comments received and how the comment was: (i) addressed as recommended, (ii) addressed with modifications, including a description of the modification(s) to the comment, or (iii) not addressed, with a brief description why the comment was not addressed. Appendix I also includes attachments of the comments received.²
- Two of the appendices to the WY 2025 Annual Report are now provided as digital appendices and can be accessed online only using the following links:
 - Appendix G. Groundwater-Level Time Histories:
<https://borregospringswatermaster.com/wp-content/uploads/2026/03/Digital-Appendix-G.-GWL-Time-Series.pdf>
 - Appendix H. Groundwater-Quality Time Histories:
<https://borregospringswatermaster.com/wp-content/uploads/2026/03/Digital-Appendix-H.-GWQ-Time-Series.pdf>

Next Steps

The next steps are as follows:

- If approved at the March 18, 2026 meeting, Watermaster Staff will incorporate any final Board comments and file the final WY 2025 Annual Report with the Court and DWR no later than April 1, 2026.
- If deemed necessary, a Special Meeting can be called by the Chair later in the month for final approval by the Board if additional substantial edits to the report are directed.

Enclosures

Due to length of the document, the Draft Final Water Year 2025 Annual Report for the Borrego Springs Subbasin is available online. The report can be accessed at the following link:

<https://borregospringswatermaster.com/wp-content/uploads/2026/03/R-940-Water-Year-2025-Annual-Report-260303.pdf>

² If comments were received in the form of a redline version of the draft WY 2025 Annual Report, these were not attached to Appendix I due to size.

**Borrego Springs Watermaster
Board of Directors Meeting
March 18, 2026
AGENDA ITEM IV.C**

To: Board of Directors
From: Samantha Adams, Executive Director
Date: March 13, 2026
Subject: Consideration of Approval of Insurance Renewal Package

-
- | | | |
|---|--|--|
| <input checked="" type="checkbox"/> Recommended Action | <input type="checkbox"/> Provide Direction to Staff | <input type="checkbox"/> Information and Discussion |
| <input type="checkbox"/> Fiscal Impact | <input type="checkbox"/> Cost Estimate: \$ | |
-

Recommended Action

Consider approval of an amended level of insurance coverage to reduce the Watermaster’s annual premium costs and direct Staff to bind coverage.

Fiscal Impact: Approval would reduce the Watermaster’s annual premium by either \$9,586 or \$18,717.

Background and Previously Related Actions by the Board

The Judgement, Rules and Regulations, and contractual obligations require Watermaster to maintain liability insurance. The Watermaster’s current insurance policy is provided by Inland Counties Insurance Services, Inc. (Inland). In May 2025 the Watermaster’s insurance renewal cost for ensuing year was \$47,352.

The Watermaster formed a Budget Subcommittee (committee) to identify opportunities to reduce annual expenditures and achieve cost savings for the Pumpers responsible to pay Annual Pumping Assessments. The committee is comprised of Directors Smith and Moran, and facilitated by the Executive Director. At the February 18, 2026 Board meeting the Subcommittee presented the Board with options for cost savings related to the insurance policy and the Board directed Staff to obtain two quotes from Inland for consideration at higher deductible levels of \$50,000 and \$100,000.

Discussion

Inland provided insurance renewal quotes for two deductible options, with all other coverages remaining the same as prior years:

- Option 1: Increase the policy deductible from \$25,000 to \$50,000 per occurrence. The quoted cost is \$37,766, a **savings of \$9,586**.

- Option 2: Increase the policy deductible from \$25,000 to \$100,000 per occurrence. The quoted cost is \$28,634, a **savings of \$18,717**.

The quotes are enclosed for review.

Next Steps

Once approved, Staff will work with Inland to bind coverage in accordance with the selected policy quote.

Enclosures

Package Proposal eff. 05.19.2026_50K ded

Package Proposal eff. 05.19.2026_100K ded



**WATER/WASTEWATER PROPOSAL
PACKAGE/AUTO/EXCESS**

**INSURANCE PROPOSAL
PREPARED FOR:**

Borrego Springs Watermaster

PROPOSED EFFECTIVE DATE:

5/19/2026 - 5/19/2027

PRESENTED BY:

Inland Counties Insurance Services, Inc. DBA Roberge & Fries Insurance Agency

PROGRAM MANAGER

Allied Public Risk, LLC
CA DBA: Allied Community Insurance Services, LLC
CA License No. 0L01269
National Producer No. 17536322
www.alliedpublicrisk.com
(858) 866-8966

PREMIUM SUMMARY

NOTE: This proposal is prepared from information supplied to us on the application submitted by your insurance broker. It may or may not contain all terms requested on the application. Please review carefully and let us know if any additional information is required. In addition, this proposal may contain unintentional errors or omissions. We encourage you to bring them to our attention for review. This proposal does not amend, or otherwise affect or alter, the provisions of coverage in the policy. This proposal does not guarantee coverage for specific claims or losses under the policy. The availability of coverage depends on the terms and conditions outlined in the issued policy, the facts surrounding any potential claims, and relevant legal requirements. Specimen policies are available from your insurance broker.

SECTION	COVERAGE		PREMIUM
1	PROPERTY (Including Equipment Breakdown, if granted)	\$	Excluded
2	INLAND MARINE	\$	Excluded
3	COMMERCIAL CRIME (Including Faithful Performance, if granted)	\$	Excluded
4	COMMERCIAL GENERAL LIABILITY	\$	31,425.00
5	PUBLIC OFFICIALS & MANAGEMENT LIABILITY (Including Wrongful Acts, Employment Practices, or Employee Benefits, if granted)	\$	1,148.00
6	BUSINESS AUTO	\$	Excluded
7	COMMERCIAL EXCESS LIABILITY (Including Commercial General Liability, Wrongful Acts, Employment Practices, Employee Benefits, Business Auto, and Employers Liability, if granted)	\$	3,509.00
	Total Annual Premium (excludes state-imposed taxes, surcharges, and fees)	\$	36,082.00
	Terrorism Premium	\$	391.00
	Risk Management Services Fee	\$	250.00
	State-Imposed Taxes, Surcharges, & Fees	\$	0.00
	State Surplus Lines Taxes & Fees	\$	1,043.78
	TOTAL AMOUNT DUE*	\$	37,766.78

*Payment is due in accordance with the producer agreement.

NOTES:

THIS IS A NON-ADMITTED QUOTE FOR ALL LINES EXCEPT AUTO AND EXCESS, IF APPLICABLE.

Renewal terms provided are PER EXPIRING and premium/terms are subject to change based on renewal information submitted.

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

Section 1. PROPERTY (Included in the proposal? No)

CARRIER:	Munich Re Specialty Insurance affiliate company A+ XV (Superior) A.M. Best Rating NON-ADMITTED
FORM:	Proprietary

LIMITS

Total Insured Values: (Real Property & Business Personal Property)	N/A
Loss of Income (aka: Business Income)	N/A
Extra Expense	N/A
Equipment Breakdown	N/A
Earthquake (Each Occurrence, earth movement excluded)	N/A
*Flood Zone Low/Moderate [N/A] (Each Occurrence)	N/A
*Flood Zone High [N/A] (Each Occurrence)	N/A
Wind/Hail	N/A

* Munich/APR cannot warrant or provide information as to what zone(s) a specific location/address is situated in. Flood zones can and do change. It is ultimately the responsibility of the insured and their insurance advisor to determine if the flood zones and flood limits proposed are adequate for their needs.

DEDUCTIBLES

Property Deductible (per occurrence)	N/A	Flood Zone Low/Moderate (%) Deductible (per occurrence/each affected item)	N/A
Equipment Breakdown Deductible (per occurrence) – aboveground and less than 50 feet belowground	N/A	Flood Zone High (\$) Deductible (per occurrence)	N/A
Equipment Breakdown Deductible (per occurrence) – greater than 50 feet belowground	N/A	Flood Zone High (%) Deductible (per occurrence/each affected item)	N/A
Earthquake (\$) Deductible (per occurrence, earth movement excluded)	N/A	Wind/Hail ¹ (\$) Deductible (per occurrence / per premises)	N/A
Earthquake (%) Deductible (per occurrence, earth movement excluded)	N/A	Wind/Hail ¹ (%) Deductible (per occurrence /(reference form for applicability))	N/A
Flood Zone Low/Moderate (\$) Deductible (per occurrence)	N/A	Lightning Deductible (per occurrence)	N/A

¹N/A for Wind/Hail deductible means no special deductible applies.

COVERED LOCATIONS:

Per Statement of Values: Blanket coverage applies unless otherwise noted.

SCHEDULE OF PROPERTY LIMITS – INDIVIDUAL LIMITS

LOC./BLDG NUM	BUILDING DESCRIPTION	BUILDING VALUE	CONTENTS VALUE	TOTAL INSURED VALUE	VALUATION	COINS. %
---------------	----------------------	----------------	----------------	---------------------	-----------	----------

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued. Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

COINSURANCE: N/A

POLICY HIGHLIGHTS:

- Broad Definition of Covered Property
- Option for Special Property Floater
- Form: Special Form (including Theft)
- Proprietary Coverage Extensions

VALUATION:

- Replacement Cost: Real Property & Business Personal Property (All Buildings subject to Property Valuation²)
- Actual Loss Sustained: Loss of Income (aka: Business Income)
- Optional Extended Business Income & Extra Expense (12 months or \$1,000,000, whichever is less)

²Functional Replacement Cost and/or Actual Cash Value are available for older and lower valued buildings.

SELECTED OPTIONAL COVERAGES:

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

SPECIAL COVERAGES

Newly Acquired or Under Construction Real Property and Related Personal Property: Pays up to \$1,000,000 for your newly acquired real property or under construction “real property” intended for use in your “operations” acquired or where construction began after policy inception. This applies to “real property” you buy, lease, rent, or construction, including temporary structures. An additional \$500,000 limit of insurance applies to “personal property” located at new premises.

Equipment Breakdown³: Pays up to the limit in the declarations for direct physical damage to covered real property or personal property and loss of income sustained and extra expense incurred that is the result of an accident or electronic circuitry impairment. The most paid under any one equipment breakdown is the limit for real property and personal property for the applicable premises. The most paid for loss of income or extra expense in any one equipment breakdown is the limit of insurance shown in the declarations under C. Loss of Income and D. Extra Expense, respectively. The limits in this extension are part of and not in addition to the limits applicable in Section I – Coverages.

Under this extension, the following coverages also apply to loss caused by or directly resulting from an accident or electronic circuitry impairment. However, with respect to coverage (9) Service Interruption below, coverage will apply only to the direct result of an accident and will not apply to the direct result of an electronic circuitry impairment. The coverages described in (1) through (10) below do not provide additional amounts of insurance, they are part of and not in addition to the applicable limits of insurance:

- (1) **Data Restoration** – Pays up to your reasonable and necessary cost to research, replace and restore lost electronic data. The most we will pay for loss, damage, or expense for electronic data restoration including actual loss of income you sustain and necessary extra expense you incur is **\$500,000**.
- (2) **Expediting Expenses** – With respect to your covered real property and personal property that is damaged, we will pay the reasonable cost to make temporary repairs; and expedite permanent repairs or permanent replacement. The most we will pay for loss or expense under this coverage is **\$100,000**.
- (3) **Extra Expense** – Extra expense is extended to apply to extra expense incurred as a result of an accident or electronic circuitry impairment covered under this extension, and subject to the policy limit.
- (4) **Green** – Subject to more extensive provisions outlined in the policy, we will pay additional costs for the repair, replacement, disposal, etc. and/or damages as they relate to items associated with a recognized environmental standards program. The most we will pay for any qualifying loss, damage, or expense under this coverage, including actual loss of Business Income you sustain and any necessary Extra Expense you incur is **\$100,000**.
- (5) **Hazardous Substances** – Pays for the additional cost to repair or replace covered real property or personal property because of contamination by a hazardous substance. This includes the additional expense to clean up or dispose of such property. This does not include contamination of perishable goods by refrigerant. The most we will pay for loss, damage, or expense under this coverage, including actual loss of income you sustain and necessary extra expense you incur is **\$250,000**.
- (6) **Loss of Income** – Loss of Income is extended to apply to loss of income sustained as a result of an accident or electronic circuitry impairment covered under this extension, and subject to the policy limit as show in the Equipment Breakdown Coverage Supplemental Declarations.
- (7) **Off-Premises Equipment Breakdown** – Subject to more extensive provisions outlined in the policy, this extends coverage to apply to an accident or electronic circuitry impairment for the following types of equipment used in the insured’s firefighting, ambulance or rescue operations, whether mobile/portable or permanently mounted on a vehicle, anywhere in the policy territory: 1) mobile cascade units; 2) mobile electrical generators; 3) portable pumping units; and 4) portable extrication devices, such as jaws-of-life. For equipment other than that used in your firefighting, ambulance or rescue operations, we will pay for physical damage to transportable covered equipment that, at the time of the accident or impairment is not at a covered location, among other offerings. The most we will pay is **\$25,000**.

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

- (8) Public Relations** – Subject to you sustaining an actual loss of income covered under this extension, this pays for reasonable costs for professional services to create and disseminate communications, when the need for such communications arises direction for the interruption of your business. Communication must be directed to the media, public, or your customers/clients/members. Costs are subject to being incurred during the period of restoration + 30 days. The most we will pay for loss or expense under this coverage is **\$5,000**.
- (9) Service Interruption** – Subject to more extensive provisions outlined in the policy, any insurance provided for loss of income, extra expense, data restoration or spoilage is extended to apply to your loss, damage, or expense caused by a failure or disruption of service.
- (10) Spoilage** – We will pay for physical damage to perishable goods due to spoilage; for physical damage to perishable goods due to contamination from the release of refrigerant; and/or any necessary expenses you incur to reduce the amount of loss under this coverage. Valuation and replacement conditions apply. The most we will pay for loss, damage or expense under this coverage is **\$100,000**.

³Please consult the exact policy language for all provisions that apply to each of the above Equipment Breakdown coverage.

Pollution Remediation Expenses: Pays up to \$25,000 (covered cause of loss) or \$100,000 (specified cause of loss) for remediation expenses incurred as a result of an actual, alleged, or threatened presence of pollution conditions at a premises described in the Declarations from a Covered Causes of Loss or Specified Cause of Loss occurring during the policy period and reported within 180 days. Covered Causes of Loss means risks of direct physical loss unless the loss is excluded or limited by the Property Coverage Form. Limits may be increased for a charge.

Specified Cause of Loss means the following: fire, lightning, windstorm or hail, explosion, riot or civil commotion, vehicles or aircraft, smoke, sonic boom, vandalism and malicious mischief, sprinkler leakage, sinkhole collapse, volcanic action, falling objects, weight of ice, snow or sleet, or water damage. Water damage means only accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam.

Property In Transit or Off Premises: Pays up to \$100,000 for direct physical loss or damage to covered property (real and personal property) while in transit or while temporarily off premises caused by a covered cause of loss, including your covered computer hardware while off premises.

SCADA Upgrades: Pays up to \$100,000 to upgrade your scheduled SCADA system after direct physical loss from a Covered Cause of Loss. The upgrade is in addition to its replacement cost. SCADA means the Supervisory Control and Data Acquisition system used in water and wastewater treatment and distribution to monitor leaks, waterflow, water analysis, and other measurable items necessary to maintain operations.

Unintentional Errors: Pays up to \$250,000 for any unintentional error or omission you make in determining or reporting values or in describing the covered property or covered locations.

Personal Effects: Pays up to \$25,000 for direct physical loss or damage to personal effects owned by you, your officers, managers, elected or appointed officials, employees, or volunteer workers caused by a covered cause of loss at your premises. Will pay up to "replacement cost."

Lock Replacement: Pays up to \$25,000 for lock, lock cylinder, & key replacement after theft at insured premises or damage to a lock as a result of a covered cause of loss at an insured premises. No deductible applies.

Foundations: Your real property includes foundations located at a described premise.

KEY DEFINITIONS

Covered Equipment: Means covered real property and personal property that generates, transmits, or utilizes energy or which, during normal usage, operates under vacuum or pressure, other than the weight of its contents. Covered equipment may utilize conventional design and technology or new or newly commercialized design and technology.

None of the following is covered equipment: (a) structures, foundation, cabinet or compartment; (b) insulating or refractory material; (c) sewer piping, buried vessels or piping, piping forming or part of a sprinkler or fire suppression system; (d) water piping other than boiler feedwater piping, boiler condensate return piping or water piping form as part of a refrigerating or air conditioning system; (e) vehicle or any equipment mounted on a vehicle; (f) satellite, spacecraft or any equipment mounted on a satellite or spacecraft; (g) dragline, excavation, or construction equipment; (h) equipment manufactured by you for sale; or (h) electronic data.

Electronic Circuitry: Means microelectronic components, including but not limited to circuit boards, integrated circuits, computer chips, and disk drives.

Electronic Circuitry Impairment:

- (a) Means a fortuitous event involving electronic circuitry within covered equipment to suddenly lose its ability to function as it had been functioning immediately before such event. This definition is subject to the conditions specified in (b), (c), and (d) below.
- (b) We shall determine that the reasonable and appropriate remedy to restore such covered equipment's ability to function is the replacement of one or more electronic circuitry components of the covered equipment.
- (c) The covered equipment must be owned or leased by you or operated under your control.
- (d) None of the following is an electronic circuitry impairment:
- (i) Any condition that can be reasonably remedied by:
 - 1) Normal maintenance, including but not limited to replacing expendable parts, recharging batteries or cleaning;
 - 2) Rebooting, reloading, or updating software or firmware; or
 - 3) Providing necessary power or supply.
 - (ii) Any condition caused by or related to:
 - 1) Incompatibility of the covered equipment with any software or equipment installed, introduced, or networked within the prior 30 days; or
 - 2) Insufficient size, capability, or capacity of the covered equipment;
 - 3) Exposure to adverse environmental conditions, including but not limited to change in temperature or humidity, unless such conditions result in an observable loss of functionality. Loss of warranty shall not be considered an observable loss of functionality.

Outdoor Property: Fixed or permanent structures including but not limited to:

- › Docks, wharves, piers, pilings, or bulkheads;
- › Dumpsters, concrete trash containers, or permanent recycling bins;
- › Electric utility power transmission and distribution lines, poles and related equipment owned by the insured;
- › Exterior signs not located at a premises;
- › Fences and retaining walls;
- › Historical markers and flagpoles;
- › Hydrants, not associated with a sprinkler system;
- › Lighting towers;
- › Playground equipment, park shelters, pedestrian-only bridges, picnic tables, water fountains or coolers, benches, dugouts, bleachers, or scoreboards;
- › Storage sheds, garages, pavilions, or other similar buildings or structures not located at a premises; or
- › Traffic lights, streetlights, traffic signs, parking meters, or bus shelters.

Personal Property: Means all property used in your operations other than real property, including but, not limited to:

- › Furnishings and office equipment
- › Building contents;
- › Computer equipment;
- › Communication systems;

- Materials, supplies (including your inventory of vehicle parts and supplies) while held on your premises awaiting installation;
- Base stations and dispatching systems, provided the property is on your premises and also provided you own the property, or the property is in your custody or control, and you are responsible for it, even though it belongs to someone else;
- Value of your right to use improvements made as a tenant, if you have paid for alterations or additions to any building or structure that you do not own (improvements must be at a premises).

Pollution Conditions (Wording differs in the State of Indiana – please refer to the policy for exact verbiage):

The discharge, dispersal, release, seepage, migration, or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, hazardous materials, waste materials (including medical, infectious and pathological wastes) or electromagnetic fields into or upon land or any structures thereon, the atmosphere, or any watercourse or body of water including groundwater.

Real Property: The items at a premises described in the Declarations.

This includes:

- Aboveground piping;
- Aboveground and belowground “penstock”;
- Additions under construction;
- Air cascade units that are not designed to be used off “premises”;
- All appurtenant buildings or structures other than playground equipment, park shelters, pedestrian-only bridges, picnic tables, water fountains or coolers, benches, dugouts, bleachers, or scoreboards;
- Alterations and repairs to the buildings or structures;
- Completed additions;
- Exterior signs, meaning neon, automatic, mechanical, electric or other signs either attached to the outside of a building or structure, or standing free in the open;
- Foundations;
- Materials, equipment, supplies and temporary structures you own or for which you are responsible, on the “premises” or in the open (including property inside “vehicles”) within 1,000 feet of the “premises”, used for making additions, alterations or repairs to buildings or structures at the “premises”;
- Outdoor fixtures;
- Paved surfaces such as sidewalks, bike paths, walkways, patios or parking lots;
- Permanently installed fixtures, machinery, and equipment;
- “Personal property” used for the maintenance and service of buildings or structures, including tools, lawn care equipment, and free-standing appliances for refrigerating, ventilating, cooking, dishwashing and laundering;
- Submersible pumps, pump motors and engines; or
- Underground piping located on or within 100 feet of a “premises” described in the Declarations.

Remediation Expenses: Expenses incurred for or in connection with the investigation, monitoring, removal, disposal, treatment, or neutralization of pollution conditions to the extent required by: (1) federal, state or local laws, regulations or any subsequent amendments thereof enacted to address pollution conditions; and (2) a legally executed state voluntary program governing the cleanup of pollution conditions.

Tools and Equipment: All tools and equipment, together with attached devices, accessories and trailers, that are used in your operations. Tools and equipment include, but are not limited to, hand tools, mechanics tools, power tools, meter readers, generators, air compressors, welders, trash pumps, trenchers, saws, jackhammers, maintenance or diagnostic equipment including specialized audio-visual equipment and its associated laptop, as well as recreational equipment, such as outdoor portable seating, temporary stands, food service trailers not licensed for road use, or portable restrooms.

Tools and equipment also include mobile equipment such as, but not limited to, bulldozers, mobile equipment that travels on crawler treads, tractors, loaders, backhoes, excavators, graders, or road surfacing equipment, and equipment whether self-propelled or not, maintained primarily to provide mobility to permanently mounted cranes, shovels, loaders, diggers, and drills. Tools and equipment also include snowplows, salt spreaders, and other similar equipment when not attached to a vehicle.

PROPERTY SUBLIMITS	
Coverage	Limit
Accounts Receivable	\$50,000
Arson, Theft, or Vandalism Information Reward	\$25,000
Building Glass — Tenant	Lesser of replacement cost or amount liable under contract
Claim Expense	\$20,000
Commandeered Property (RC + loss of use)	For the time you officially use the commandeered property + reasonable return time.
Damage to Building from Theft	\$100,000
Debris Removal Expenses	25% + \$100,000
Equipment Breakdown	Building + BPP Limit + Loss of Income & Extra Expense
Fine Arts	\$50,000 (appraised) \$25,000 (unappraised — subject to \$1,500/item max)
Fire Department Charges	\$25,000
Fire Extinguishing Equipment Recharge Costs	“Necessary and reasonable” (per policy)
Limited Coverage for Fungus, Wet Rot or Dry Rot	\$25,000
Lock Replacement	\$25,000
Newly Acquired or Under Construction Real Property (Coverage A) and Related Personal Property (Coverage B)	Coverage A: \$1,000,000 Coverage B: \$500,000
Non-owned Detached Trailers	\$50,000
Ordinance Coverage Coverage A: Undamaged Real Property Coverage B: Demolition Coverage C: Increased Cost	Coverage A: Limit of Insurance (applicable to that item) Coverage B and Coverage C: Greater of 100% of direct physical loss or \$1,000,000
Outdoor Property	
Personal Effects	\$25,000
Pollution Remediation Expense (covered cause of loss)	\$25,000
Pollution Remediation Expense (specified cause of loss)	\$100,000
Preservation of Property	Included
Real Property or Personal Property in Transit or Off-Premises	\$100,000
Software	\$500,000
Spoilage Due to Off Premises Electric Service Interruption	\$50,000
Supplementary Provisions for Coverage C: “Loss of Income” and Coverage D “Extra Expense”	Included
Trees, Shrubs, Plants and Lawns (max \$1,000 any one item)	\$25,000
Utility Services — Direct Damage	
Valuable Papers and Records	\$50,000
Water Contamination Notification Expense	\$25,000 (annual aggregate)
Water Sewer Backup	

NOTES:
THIS IS A NON-ADMITTED QUOTE.
Property coverage is excluded.

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

Section 2. INLAND MARINE (Included in the proposal? No)

CARRIER:	Munich Re Specialty Insurance affiliate company A+ XV (Superior) A.M. Best Rating NON-ADMITTED
FORM:	Proprietary

LIMITS	
Coverage A: Blanket Tools and Equipment: (Unscheduled, Maximum \$10,000 any one item)	N/A
Coverage B: Scheduled Equipment:	N/A
Coverage C: Blanket Emergency Services Equipment:	N/A

COVERAGE EXTENSIONS — Adds or extends the coverage under Section I — Coverages. Unless stated otherwise in the policy, a) each extension is limited to direct physical loss or damage cause by or resulting from a covered cause of loss; b) the limits in each extension are in addition to the limits applicable in Section I — Coverages; and c) All other applicable terms and conditions of the coverage form apply to each extension. (**whichever comes first)

Debris Removal Expenses	Max \$15,000 (per occurrence)
Employee Tools (no deductible applies)	Max \$25,000 (per occurrence)
Emergency Services and Law Enforcement Personal Effects (Coverage C extension, no deductible applies)	Replacement Cost
Rented or Borrowed Equipment	
<ul style="list-style-type: none"> ■ Coverage A: Blanket Tools and Equipment and Coverage C: Blanket Emergency Services Equipment (\$1,000 deductible applies) ■ Coverage B: Scheduled Equipment (Extended to equipment not owned by you, \$1,000 deductible applies) 	<p>**Replacement Cost or \$10,000 (per occurrence)</p> <p>**Actual Cash Value or \$N/A (per occurrence)</p>
Newly Acquired Scheduled Equipment (Coverage B extension, \$1,000 deductible applies)	30 days on Replacement Cost (not to exceed purchase price)
Personal Watercraft and Watercraft (Coverage A & C extension only)	**Replacement Cost or \$25,000 (per occurrence)
Rental Reimbursement for Scheduled Equipment (Coverage B extension, no deductible applies)	Max \$10,000 (per occurrence)
Unmanned Aircraft (\$500 deductible applies)	Max \$25,000 (per occurrence)
Fire Department Charges (no deductible applies)	Max \$1,000 (per occurrence)
Fire Extinguishing Recharge Costs (no deductible applies)	Necessary and Reasonable Costs (extinguishing equipment must be for the protection of your inland marine equipment)

DEDUCTIBLES	
Coverage A: Blanket Tools and Equipment	N/A
Coverage B: Scheduled Equipment	N/A
Coverage C: Blanket Emergency Services Equipment	N/A

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued. Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

POLICY HIGHLIGHTS:

- Blanket Coverages: "Tools and Equipment" and "Emergency Services Equipment"
- Suite of Coverage Extensions available in the core form.
- Deductible Waiver in certain circumstances for Coverages A & B.

VALUATION:

- Coverage A: Blanket Tools and Equipment: Replacement Cost
- Coverage B: Scheduled Equipment: Replacement Cost or Actual Cash Value
- Coverage C: Blanket Emergency Services Equipment: N/A

NOTES:

THIS IS A NON-ADMITTED QUOTE.
Inland Marine coverage is excluded.

Section 3. COMMERCIAL CRIME (Included in the proposal? No)

CARRIER: Munich Re Specialty Insurance affiliate company
 A+ XV (Superior) A.M. Best Rating
 NON-ADMITTED

FORM: Proprietary

LIMITS							
Coverage Group	Employee Theft	Forgery or Alteration	Theft of Money & Securities (Inside the Premises)	Robbery or Safe Burglary (Inside the Premises)	Outside the Premises	Computer & Funds Transfer Fraud	Money Orders & Counterfeit Money
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

DEDUCTIBLE	
N/A	(each claim)

POLICY HIGHLIGHTS:
 Separate Limits Apply to Each Coverage
 Broad Definition of Employee
 Non-auditable

NOTES:
THIS IS A NON-ADMITTED QUOTE.
Crime coverage is excluded.

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
 Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

Section 4. COMMERCIAL GENERAL LIABILITY (Included in the proposal? Yes)

CARRIER: Munich Re Specialty Insurance affiliate company
 A+ XV (Superior) A.M. Best Rating
 NON-ADMITTED

FORM: Proprietary, Occurrence, Defense Outside

LIMITS

General Aggregate	\$3,000,000
Products & Completed Operations Aggregate	\$3,000,000
Each Occurrence	\$1,000,000
Personal & Advertising Injury Limit	\$1,000,000
Damage to Premises Rented to You	\$1,000,000
Medical Payments	\$10,000

DEDUCTIBLE (Including Expenses)

\$50,000 (each occurrence)

SELECTED OPTIONAL COVERAGES

Hired/Non-Owned Auto Liability
 Failure to Supply Water Liability
 Each Location Aggregate

POLICY HIGHLIGHTS:

- Duty to Defend w/ Defense Costs In Addition to Limits
- Broad Definition of Insured – including, but not limited to Employees, Volunteers, Elected or Appointed Officials
- Host Liquor Liability, Unless Otherwise Excluded
- Owned (Up to 100 HP – higher available by endorsement) & Nonowned Watercraft
- Blanket Additional Insured
- Water & Wastewater Testing Errors and Omissions
- Failure to Supply (No ISO limitation)
- Lead (potable water)
- Waterborne Asbestos (potable water)
- Product Recall
- Impaired Property
- Fungi & Bacteria
- Non-auditable

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
 Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

SPECIAL COVERAGES

Asbestos: Exclusion exception wherein coverage is provided for bodily injury or property damage arising out of potable water which is supplied to others.

Contractual Liability - Railroads: Coverage is provided for any contract or agreement that indemnifies a railroad for bodily injury or property damage arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing. Available via endorsement only.

Damage to Impaired Property or Property Not Physically Injured: Exclusion exception wherein the Damage to Impaired Property or Property Not Physically Injured exclusion does not apply to potable water, non-potable water, or wastewater as well as any loss of use of other property arising out of a sudden and accidental physical injury to the insured's product or work after it has been put to its intended use.

Failure to Supply: Coverage is provided for bodily injury or property damage arising out of the failure of any Insured to adequately supply water.

Fungi or Bacteria: Exclusion exception wherein the Fungi or Bacteria exclusion does not apply to a) any fungi or bacteria that are on or are contained in a good or product intended for consumption; or b) any injury or damage arising out of or caused by your water, irrigation, or wastewater intake, outtake, reclamation, treatment, or distribution process.

Lead: Exclusion exception to Lead, Electromagnetic Radiation, Nuclear exclusion that creates an exception for potable water you supply to others for claims involving the toxic properties of lead, or any material or substance containing lead.

Recall of Products, Work or Impaired Property: Exclusion exception where in the Recall of Products, Work or Impaired Property exclusion does not apply to potable water, non-potable water, or wastewater.

Pollution: The pollution exclusion contains the following exceptions:

- To bodily injury if sustained within a building owned or occupied by an insured and caused by smoke, fumes, vapor, or soot if produced or originating from certain equipment.
- To bodily injury or property damage arising out of heat, smoke, fumes from a hostile fire occurring or originating from certain premises, sites, or locations as outlined in the policy.
- To bodily injury or property damage that occurs as a result of your operations (unless otherwise specifically excluded) including:
 - › Potable water supplied to others;
 - › Chemicals used in your water/wastewater treatment process;
 - › Chemicals you use, apply or store for your ownership, maintenance, or operation of swimming pools;
 - › The use, application or storage of road salt or similar substances designed and used for snow/ice removal;
 - › Natural gas or propane gas you use in your water or wastewater treatment process;
 - › Urgent response for the protection of property, human life, health or safety conducted away from premises you own, rent or occupy;
 - › Training operations;
 - › Water runoff from the cleaning of equipment use in emergency service activities;
 - › Storage or application of pesticides/herbicides if such storage or application meets all standards of any statute, ordinance, regulation or license requirement of any federal, state or local government; or
 - › Fuels, lubricants or other operating fluids needed to perform the normal electrical, hydraulic or mechanical functions necessary for the operation of "mobile equipment" subject to additional policy terms.
 - › To bodily injury or property damage if such bi/pd is caused by the escape of back-up of sewage or wastewater from any sewage treatment facility or fixed conduit that you own, operate, lease, control.

Water & Wastewater Testing Errors and Omissions: Coverage is provided for damages arising out of an act, error, or omission which arises from your water or wastewater testing.

Who is Insured: Coverage is extended to Scheduled Named Insureds comprising individuals, spouses, partnerships, joint ventures, corporations, trusts, limited liability companies, public entities, operating authorities, boards, commissions, districts, governmental units, nonprofit entities, and other organizations. Insureds also include: elected or appointed officials; employees or volunteer workers; real estate managers; temporary custodians; legal representatives; medical directors; mutual aid agreements; Good Samaritans; owners of commandeered equipment; blanket additional insureds; and newly acquired or formed entities.

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
 Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

KEY DEFINITIONS**Insured Contract:**

- › A contract for a lease or premises (see full terms and conditions).
- › A sidetrack agreement;
- › Any easement or license agreement, except in connection with construction or demolition operations on or within fifty (50) feet of a railroad;
- › An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;
- › An elevator maintenance agreement;
- › That part of any other contract or agreement pertaining to your operations (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for bodily injury or property damage to a third person or organization (see full terms and conditions).

Suit: Means a civil proceeding in which damages because of bodily injury, property damage, personal and advertising injury, medical incident, law enforcement wrongful act, or a water or wastewater professional activity to which this insurance applies are alleged. Suit includes: a) An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or 2) Any other civil alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

NOTES:

THIS IS A NON-ADMITTED QUOTE.

Section 5. PUBLIC OFFICIALS & MANAGEMENT LIABILITY
(Included in the proposal? Yes)

CARRIER: Munich Re Specialty Insurance affiliate company
A+ XV (Superior) A.M. Best Rating
NON-ADMITTED

FORM: Occurrence
Defense Costs Outside the Limits of Liability

LIMITS			
Coverage A: Wrongful Acts	\$	1,000,000	Each Wrongful Act or Offense
- Employment Practices		Excluded	
- Employee Benefits Liability		Excluded	
Coverage B: Injunctive Relief	\$	5,000	Each Action
Aggregate Limit	\$	3,000,000	Coverage A & B Combined

WRONGFUL ACTS DEDUCTIBLE	EMPLOYMENT PRACTICES DEDUCTIBLE
\$50,000 (each Wrongful Act or Offense Including Expenses)	N/A (each Wrongful Act or Offense Including Expenses)
WRONGFUL ACTS RETROACTIVE DATE (CLAIMS-MADE)	EMPLOYMENT PRACTICES RETROACTIVE DATE (CLAIMS-MADE)
N/A	N/A

EMPLOYEE BENEFITS LIABILITY RETROACTIVE DATE (CLAIMS-MADE)
N/A

- POLICY HIGHLIGHTS:**
- Duty To Defend
 - Broad Definition of Named Insured
 - Third Party Offense Coverage
 - Non-auditable

SELECTED OPTIONAL COVERAGES:

KEY DEFINITIONS

Employment Practices: Injury, including consequential bodily injury, arising from any of your employment practices including, but not limited to:

- › Discrimination;
- › Harassment;
- › Retaliation;
- › Any actual or alleged wrongful dismissal, discharge, or termination (either actual or constructive) of employment, including breach of an implied employment contract or an implied covenant of good faith and fair dealing in an employment contract;
- › Any actual or alleged wrongful hiring, demotion, discipline, evaluation, supervision and investigation of an employee or intentional interference with an employment contract;
- › Any actual or alleged wrongful deprivation of a career opportunity, to promote an employee or the wrongful failure to employ;
- › Any actual or alleged false arrest, false imprisonment, false detention or malicious prosecution, liable, slander, defamation, disparagement or invasion of the right of privacy, as respects employment practices;
- › The violation of any federal, state, or local statutes, rules or regulations applicable to employers;
- › The development, implementation, and enforcement of any and all practices, policies and procedures governing any aspect of employment practices;

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

Injunctive or Declaratory Relief: (a) means equitable relief sought through the demand for the issuance of a permanent, preliminary, or temporary injunction, restraining order, or similar prohibitive write against, or order for specific performance by, an insured; or (b) any request that a court make a finding of law or fact, provided such action is filed during the policy period.

Wrongful Act: means any actual or alleged error, act, omission, neglect, misfeasance, nonfeasance, or breach of duty, including violation of any civil rights law, by any insured in discharge of their duties individually or collectively that results directly but unexpectedly and unintentionally in damages to others.

NOTES:

THIS IS A NON-ADMITTED QUOTE.

All coverages for Inverse Condemnation, EPLI and EBLI are excluded.

Section 6. BUSINESS AUTO (Included in the proposal? No)

CARRIER: Munich Re Specialty Insurance affiliate company
A+ XV (Superior) A.M. Best Rating

FORM: ISO & Proprietary

PORTFOLIO

Coverage	Symbol	Limit
Combined Single Limit for Bodily Injury & Property Damage (each accident)	N/A	N/A
Hired Auto Liability	N/A	N/A
Non-Owned Auto Liability	N/A	N/A
“No-Fault” or Statutory Personal Injury Protection (each person)	N/A	N/A
Medical Payments	N/A	N/A
Uninsured / Underinsured Motorists	N/A	N/A
Hired Physical Damage	N/A	N/A
Physical Damage – Comprehensive	N/A	N/A
Physical Damage – Collision	N/A	N/A

DEDUCTIBLE

Liability:	N/A (per accident)
Comprehensive:	N/A (each covered auto)
Collision:	N/A (each covered auto)

FLEET COVERAGE ENHANCEMENTS & COVERAGE EXTENSIONS (As Applicable)

- › Commercial Auto 360 Endorsement
- › Pollution Liability – Broadened Coverage for Covered Autos

NOTES:

The Business Auto Coverage requires 17-digit VIN Numbers. The insured’s policy cannot be released without this information.

Auto coverage is excluded. Please refer to GL section for Hired and Nonowned Auto Liability coverage.

Section 7. COMMERCIAL EXCESS LIABILITY (Included in the proposal? Yes)

CARRIER: Munich Re Specialty Insurance affiliate company
A+ XV (Superior) A.M. Best Rating

FORM: Following Form, Non-auditable

LIMITS

\$1,000,000/\$1,000,000

SCHEDULED UNDERLYING COVERAGE FORMS

Commercial General Liability – Included

Auto Liability – Excluded

Public Officials & Management Liability (Wrongful Acts) – Included

Employers’ Liability: (minimum underlying limit requirement of \$500,000 / \$500,000 / \$500,000) – Excluded

Other:

NOTABLE COVERAGES INCLUDED IN THE EXCESS (require minimum underlying limits of \$1,000,000)

Law Enforcement Liability (General Liability) – Excluded

Hired and Non-Owned Auto Liability (General Liability) – Included

Employee Benefit Plans (General Liability) – Excluded

Inverse Condemnation (General Liability) – Excluded

Hired and Non-Owned Auto Liability (Owned Auto) – Excluded

Employment Practices (POML) – Excluded

Employee Benefit Plans (POML) – Excluded

Inverse Condemnation (POML) – Excluded

NOTABLE EXCLUSIONS:

- Workers’ Compensation
- Uninsured Motorists / Underinsured Motorists
- Underlying Limits < \$1,000,000 except for Employer’s Liability

NOTES:

Employers’ Liability subject to MRSI security requirements.
Please provide a copy of the current W/C declarations for review and affirmation of coverage.

Section 8. UNDERWRITING SUBJECTIVITIES AND GENERAL NOTES

CARRIER:	Munich Re Specialty Insurance affiliate company A+ XV (Superior) A.M. Best Rating
INSURED	Borrego Springs Watermaster

GENERAL NOTES

\$50K General Liability and POML (Wrongful Acts) deductibles.

QUOTE SUBJECTIVITIES:

Renewal terms provided are PER EXPIRING and premium/terms are subject to change based on renewal information submitted.

Completed & Signed Supplemental Application (not smaller Renewal App)

Updated Budget

THE FOLLOWING ITEMS ARE DUE AT THE TIME OF BINDING:

- ▶ Signed and Dated WaterPlus Application and Insured FEIN # (required to bind auto).
- ▶ Terrorism: This coverage is included in most jurisdictions (all but 8) without an associated charge for Package (Property/GL). In those instances, a signed selection/rejection is **not** required. In the 8 jurisdictions with an associated charge including the entire State of California for Excess, a signed selection/rejection form is required to be returned at the time of binding.
- ▶ Signed and Dated Uninsured/Underinsured Motorist Selection/Rejection Form.
- ▶ Copy of the latest Dam Inspection reports and insured response to any inspection deficiencies, if applicable and not already provided.
- ▶ Signed Statement of Values (Property, Inland Marine and Auto, as applicable).
- ▶ Provide Name, Phone Number, and Email Address for both the Risk Manager and Boiler & Machinery Inspection contacts.
- ▶ Provide a complete driver schedule including name, date of birth, and license number.

STATE SPECIFICATION NOTATIONS:

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued. Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

Named Insured: Borrego Springs Watermaster

Type of Policy: Property or General Liability

Effective Date: 5/19/2026

Insurance Company: PESLIC

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, you now have a right to purchase insurance coverage for losses resulting from acts of terrorism, *as defined in Section 102(1) of the Act*: The term "act of terrorism" means any act or acts that are certified by the Secretary of the Treasury--in consultation with the Secretary of Homeland Security, and the Attorney General of the United States--to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

Coverage for certified acts of terrorism has been included in your policy. No additional premium has been charged under this policy for such terrorism coverage.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 80% BEGINNING ON JANUARY 1, 2020 OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE, IF ANY, IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION, IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

HOW DOES THE ACT AFFECT YOUR INSURANCE COVERAGE?

You have a policy of insurance issued by us which has no terrorism exclusion attached to it.

- This policy will remain in effect as written for the remainder of the policy period shown in the Declarations of the policy.
- The decision not to include a terrorism exclusion to your policy when it was issued or last renewed was based on a number of reasons, and the continuation or importance of these reasons may or may not have been altered by the passage of the Act.
- In the time between now and the next renewal we will examine and refine our treatment of terrorism under your policy. This means that you may or may not have the same terms offered to you upon renewal and that the premium charged may or may not reflect alteration based upon the terrorism exposure.

WHAT IS THE TERRORISM RISK INSURANCE ACT ?

The following is a partial summary of the Terrorism Risk Insurance Act, as amended, (hereinafter referred to as the Act). Only the provisions of the Act determine the scope of the insurance protection available for the losses covered under the Act. The Act has been extended through December 31, 2027.

The Act provides coverage for property and casualty insurance for "insured losses" as a result of an "act of terrorism." As stated in the Act:

- A. "Insured loss" means any loss resulting from an "act of terrorism" (including an act of war, in the case of worker's compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if such loss:
1. Occurs within the United States; or
 2. Occurs to an air carrier (as defined in section 40102 of title 49, United States Code), to a United States flag vessel (or a vessel based principally in the United States, on which US income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs, or at the premises of any United States mission.
- B. "Act of terrorism" means any act or acts that are certified by the Secretary of Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States:
1. To be an act of terrorism;
 2. To be a violent act or an act that is dangerous to:
 - a. Human life;
 - b. Property; or
 - c. Infrastructure;
 3. To have resulted in damage within the United States, or outside of the United States in the case of:
 - a. An air carrier or vessel described in paragraph (5)(B) of Section 102 of the Act; or
 - b. The premises of a United States mission; and

4. To have been committed by an individual or individuals, as part of an effort to coerce the civilian populations of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- C. Section 102 (1)(B) of the Act states “no act shall be certified by the Secretary as an act of terrorism if:
1. The act is committed as part of the course of a war declared by the Congress, except that this clause shall not apply with respect to any coverage for workers' compensation; or
 2. Property and casualty insurance losses resulting from the acts, in the aggregate, do not exceed \$5,000,000.”
- D. The Act also contains a “program trigger” in Section 103(e)(1)(B), pursuant to which the federal government does not pay compensation for losses resulting from a certified act occurring after December 31, 2007, unless aggregate industry insured losses from such a certified act exceed a certain amount, or “trigger.” For insured losses occurring in 2008 and for all additional calendar years, the program trigger is \$100,000,000 through 2015, \$120,000,000 beginning on January 1, 2016, \$140,000,000 beginning on January 1, 2017, \$160,000,000 beginning on January 1, 2018, \$180,000,000 beginning on January 1, 2019, \$200,000,000 beginning on January 1, 2020, of aggregate industry insured losses.
- E. The Act does not apply to: crop or livestock insurance; private mortgage insurance or title insurance; financial guaranty insurance issued by monoline financial guaranty insurance corporations; insurance for medical malpractice; health or life insurance; flood insurance provided under the National Flood Insurance Act of 1968; commercial automobile insurance; burglary and theft insurance; surety insurance; professional liability insurance (except Directors and Officers Liability); or farm owners multiple peril insurance.
- F. Under the Act for calendar years through December 31, 2027, the federal government will reimburse the insurance company for 80% beginning on January 1, 2020 of its insured losses in excess of a deductible, until aggregate “insured losses” in any calendar year exceed \$100 billion. Each insurer's deductible will be 20% of its direct earned premium for property and casualty insurance (as reported on Page 14 of the company's Annual Statement), over the immediately preceding calendar year.
- For the purposes of determining such deductibles, direct earned premium means only the premiums earned on the commercial lines property and casualty insurance covered by the Act for U.S. risks or vessels, aircraft and foreign missions outside the U.S. covered by the Act.
- Neither the insurance company (having met its statutorily mandated share as described above) nor the federal government will be liable for payment of any portion of “insured losses” under the Act that exceeds \$100 billion in the aggregate during any calendar year.

Named Insured: Borrego Springs Watermaster

Policy No. or Type of Policy: Excess

Effective Date: 5/19/2026

Insurance Company: PESLIC

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, you now have a right to purchase insurance coverage for losses resulting from acts of terrorism, *as defined in Section 102(1) of the Act*: The term "act of terrorism" means any act or acts that are certified by the Secretary of the Treasury--in consultation with the Secretary of Homeland Security, and the Attorney General of the United States--to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 80% BEGINNING ON JANUARY 1, 2020 OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION, IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

We have made the appropriate charge to include insurance coverage for losses arising out of terrorism as defined in the Terrorism Risk Insurance Act, as amended. The premium charged for this coverage is shown on the attached quote letter.

You have the option of accepting or rejecting terrorism coverage under the Act. We will include insurance coverage for losses arising out of certified acts of terrorism as defined in the Act unless you advise us that you want to reject this coverage by signing below and returning this notice to us.

REJECTION OF TERRORISM INSURANCE COVERAGE

I hereby elect to have the exclusion for terrorism coverage attached to my policy. I understand that an exclusion will be attached to my policy and I will have no coverage for losses arising from certified acts of terrorism as defined in the exclusion and in the Terrorism Risk Insurance Act, as amended.

Policyholder/Applicant's Signature

Print Name and Title

Date

TERRORISM RISK INSURANCE ACT

The following is a partial summary of the Terrorism Risk Insurance Act, as amended, (hereinafter referred to as the Act). Only the provisions of the Act determine the scope of the insurance protection available for the losses covered under the Act. The Act has been extended through December 31, 2027.

The Act provides coverage for property and casualty insurance for "insured losses" as a result of an "act of terrorism." As stated in the Act:

- A. "Insured loss" means any loss resulting from an "act of terrorism" (including an act of war, in the case of worker's compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if such loss:
1. Occurs within the United States; or
 2. Occurs to an air carrier (as defined in section 40102 of title 49, United States Code), to a United States flag vessel (or a vessel based principally in the United States, on which US income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs, or at the premises of any United States mission.
- B. "Act of terrorism" means any act or acts that are certified by the Secretary of Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States:
1. To be an act of terrorism;
 2. To be a violent act or an act that is dangerous to:
 - a. Human life;
 - b. Property; or
 - c. Infrastructure;

3. To have resulted in damage within the United States, or outside of the United States in the case of:
 - a. An air carrier or vessel described in paragraph (5)(B) of Section 102 of the Act; or
 - b. The premises of a United States mission; and
 4. To have been committed by an individual or individuals, as part of an effort to coerce the civilian populations of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- C. Section 102 (1)(B) of the Act states “no act shall be certified by the Secretary as an act of terrorism if:
1. The act is committed as part of the course of a war declared by the Congress, except that this clause shall not apply with respect to any coverage for workers' compensation; or
 2. Property and casualty insurance losses resulting from the acts, in the aggregate, do not exceed \$5,000,000.”
- D. The Act also contains a “program trigger” in Section 103(e)(1)(B), pursuant to which the federal government does not pay compensation for losses resulting from a certified act occurring after December 31, 2007, unless aggregate industry insured losses from such a certified act exceed a certain amount, or “trigger.” For insured losses occurring in 2008 and for all additional calendar years, the program trigger is \$100,000,000 through 2015, \$120,000,000 beginning on January 1, 2016, \$140,000,000 beginning on January 1, 2017, \$160,000,000 beginning on January 1, 2018, \$180,000,000 beginning on January 1, 2019, \$200,000,000 beginning on January 1, 2020 of aggregate industry insured losses.
- E. The Act does not apply to: crop or livestock insurance; private mortgage insurance or title insurance; financial guaranty insurance issued by monoline financial guaranty insurance corporations; insurance for medical malpractice; health or life insurance; flood insurance provided under the National Flood Insurance Act of 1968; commercial automobile insurance; burglary and theft insurance; surety insurance; professional liability insurance (except Directors and Officers Liability); or farm owners multiple peril insurance.
- F. Under the Act for calendar years through December 31, 2027, the federal government will reimburse the insurance company for 80% beginning on January 1, 2020 of its insured losses in excess of a deductible, until aggregate “insured losses” in any calendar year exceed \$100 billion. Each insurer's deductible will be 20% of its direct earned premium for property and casualty insurance (as reported on Page 14 of the company's Annual Statement), over the immediately preceding calendar year.

For the purposes of determining such deductibles, direct earned premium means only the premiums earned on the commercial lines property and casualty insurance covered by the Act for U.S. risks or vessels, aircraft and foreign missions outside the U.S. covered by the Act.

Neither the insurance company (having met its statutorily mandated share as described above) nor the federal government will be liable for payment of any portion of “insured losses” under the Act that exceeds \$100 billion in the aggregate during any calendar year.

IMPORTANT NOTICE:

- 1. The insurance policy that you are applying to purchase is being issued by an insurer that is not licensed by the State of California. These companies are called “nonadmitted” or “surplus line” insurers.**
- 2. The insurer is not subject to the financial solvency regulation and enforcement that apply to California licensed insurers.**
- 3. The insurer does not participate in any of the insurance guarantee funds created by California law. Therefore, these funds will not pay your claims or protect your assets if the insurer becomes insolvent and is unable to make payments as promised.**
- 4. The insurer should be licensed either as a foreign insurer in another state in the United States or as a non-United States (alien) insurer. You should ask questions of your insurance agent, broker, or “surplus line” broker or contact the California Department of Insurance at the toll-free number 1-800-927-4357 or internet website www.insurance.ca.gov. Ask whether or not the insurer is licensed as a foreign or non-United States (alien) insurer and for additional information about the insurer. You may also visit the NAIC’s internet website at www.naic.org. The NAIC—the National Association of Insurance Commissioners—is the regulatory support organization created and governed by the chief insurance regulators in the United States.**
- 5. Foreign insurers should be licensed by a state in the United States and you may contact that state’s department of insurance to obtain more information about that insurer. You can find a link to each state from this NAIC internet website: https://naic.org/state_web_map.htm.**

6. For non-United States (alien) insurers, the insurer should be licensed by a country outside of the United States and should be on the NAIC's International Insurers Department (IID) listing of approved nonadmitted non-United States insurers. Ask your agent, broker, or "surplus line" broker to obtain more information about that insurer.

7. California maintains a "List of Approved Surplus Line Insurers (LASLI)." Ask your agent or broker if the insurer is on that list, or view that list at the internet website of the California Department of Insurance: www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm.

8. If you, as the applicant, required that the insurance policy you have purchased be effective immediately, either because existing coverage was going to lapse within two business days or because you were required to have coverage within two business days, and you did not receive this disclosure form and a request for your signature until after coverage became effective, you have the right to cancel this policy within five days of receiving this disclosure. If you cancel coverage, the premium will be prorated and any broker's fee charged for this insurance will be returned to you.

Date: _____

Insured: _____

INSTRUCTIONS

SECTION 1: Please provide the full name, as it is written on the individual's California license, of the individual who performed or supervised the diligent search. If the search was performed under the individual's license number, enter the individual's California license number in section (A) or if the individual was authorized as an endorsee under an organizational license, enter the name of the organization and its California license number in section (B).

SECTION 3: Please provide a complete response to section (A), and if applicable to section (B). Note: The Insurance Commissioner or his designee may require the surplus line broker to conduct additional searches among admitted insurers for similar placements in the future. (California Insurance Code section 1763[b]) An incomplete response will be tagged and may unnecessarily result in a request for a further search to be conducted.

- **SECTION 3(A):** To avoid misidentification among insurers with similar names, please provide the complete name of the admitted insurer as listed in the California Department of Insurance (CDI) Official Publication of Admitted Companies and the insurance company's National Association of Insurance Commissioners (NAIC) number. Please include Insurer contact name and telephone number or email address, or if a website based quoting platform was used, enter the website name.

Please refer to the California Department of Insurance Official Publication of Admitted Companies.

https://interactive.web.insurance.ca.gov/apex_extprd/f?p=144:1

- **SECTION 3(B):** The detailed explanation in section 3(B) must include a description of the steps the broker took to determine whether three insurers write the type of insurance or risk and the reasoning for the determination. A conclusory statement is insufficient.

SIGNATURE: The Surplus Line Association of California (SLA) will accept a wet signature or a digital and electronic signature from the California Secretary of State's Approved List of Digital Signature Certification Authorities. Please refer to the following link:

<https://www.sos.ca.gov/administration/regulations/current-regulations/technology/digital-signatures/approved-certification-authorities/>

IMPORTANT: Persons who are licensed only as an agent are authorized to offer risks only to admitted insurers for which they are appointed agents (California Insurance Code section 1704). Agents are not authorized to offer a risk to admitted insurers for which they are not appointed agents. A search which is limited to only those companies that have appointed the agent may not necessarily constitute a diligent search of the admitted market.

WHAT TO FILE: This report must be filed along with the Confidential Report of Surplus Line Placement. (SL-1 Form). File this Form with signature, and, only if applicable, the Addendum.

WHERE TO FILE: The SL-1 Form and this report are to be filed by the surplus line broker with SLA within 60 days of placement of coverage with non-admitted insurer(s).

MULTIPLE LICENSEES CONDUCTING SEARCH: If two or more licensees conduct a diligent search of admitted insurers, then each licensee must complete a Diligent Search Report (SL-2 Form). All such reports should be attached to the SL-1 Form.

Please refer to the **Coverage Code List** and **Export Code List** under Resources on the Learning Center for the full list of coverages and their respective codes.

<https://learningcenter.slacal.com/resources/filing-requirements-and-procedures/coverage-codes>

<https://learningcenter.slacal.com/resources/filing-requirements-and-procedures/export-list-codes>

Before completing this report, please review the instructions on page 2.

I, _____, hereby submit that I performed or supervised this diligent search, and I am:

①

(A) licensed as an individual agent-broker for the applicable lines of insurance or surplus line broker under California license number _____; **OR**

(B) licensed and an endorsee on the license of _____
 (Full Name of Organization), California license number _____

②

(A) Name of Insured: _____

(B) Description of Risk: _____
 (e.g., Tattoo Parlor, Cannabis Dispensary, Vacant Building, **NOT TYPE OF COVERAGE**)

(C) Type of Insurance or Coverage Code: _____

Describe the diligent efforts made to place this coverage with admitted insurers by completing (A) or, if applicable, (B) below.

③

(A) List the insurers admitted in California who actually write the type of insurance described on lines 2(B) and 2(C) to which you or someone under your supervision submitted the risk described in lines 2(A) through 2(C). Please complete **ALL** sections of the table below.

INSURER ①		INSURER ②		INSURER ③	
NAIC ID	MONTH, YEAR OF DECLINATION	NAIC ID	MONTH, YEAR OF DECLINATION	NAIC ID	MONTH, YEAR OF DECLINATION
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
FULL NAME OF ADMITTED INSURER		FULL NAME OF ADMITTED INSURER		FULL NAME OF ADMITTED INSURER	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
CONTACT INFORMATION		CONTACT INFORMATION		CONTACT INFORMATION	
FULL NAME		FULL NAME		FULL NAME	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
PHONE / EMAIL		PHONE / EMAIL		PHONE / EMAIL	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
OR WEBSITE		OR WEBSITE		OR WEBSITE	
<input type="text"/>		<input type="text"/>		<input type="text"/>	

(B) If you did not list at least three insurers in 3(A) above, describe in detail how you determined that fewer than **THREE** admitted insurers write the type of insurance described on lines 2(B) and 2(C).

④

Is the type of insurance you are reporting as identified in line 2(C) **private passenger automobile liability or health**? Yes No

If you answered "yes," please complete the [Diligent Search Report Addendum](#).

The undersigned licensee hereby certifies that this report is true and correct, and that this risk is not being placed with a non-admitted insurer for the sole purpose of securing a rate or premium lower than the lowest rate or premium available from an admitted insurer.

 (Signature of Licensee Named on Line 1)

 (Date)



A D J U S T E R S , I N C

• CLAIMS ADMINISTRATORS • ADJUSTERS • INVESTIGATORS

Stanford Place I - 8055 East Tufts Avenue, Suite 600, Denver, CO 80237 – Ph: 877-533-1211

CLAIM CALL CENTER

**8055 E. Tufts Ave
Suite 600
Denver, CO 80237**

877-533-1211

**Adam Beltz– Ext 765
Reyleen Wood Ext 699
J. Mayer – Ext 664**

**Karen Zapata – Ext. 326
Subrogation Supervisor**

TO REPORT A NEW CLAIM OR LOSS

- **PHONE** **877-533-1211 Option 3
24 Hour Call Center**

- **E-MAIL** **networknewloss@networkadjusters.com**



**WATER/WASTEWATER PROPOSAL
PACKAGE/AUTO/EXCESS**

**INSURANCE PROPOSAL
PREPARED FOR:**

Borrego Springs Watermaster

PROPOSED EFFECTIVE DATE:

5/19/2026 - 5/19/2027

PRESENTED BY:

Inland Counties Insurance Services, Inc. DBA Roberge & Fries Insurance Agency

PROGRAM MANAGER

Allied Public Risk, LLC
CA DBA: Allied Community Insurance Services, LLC
CA License No. 0L01269
National Producer No. 17536322
www.alliedpublicrisk.com
(858) 866-8966

PREMIUM SUMMARY

NOTE: This proposal is prepared from information supplied to us on the application submitted by your insurance broker. It may or may not contain all terms requested on the application. Please review carefully and let us know if any additional information is required. In addition, this proposal may contain unintentional errors or omissions. We encourage you to bring them to our attention for review. This proposal does not amend, or otherwise affect or alter, the provisions of coverage in the policy. This proposal does not guarantee coverage for specific claims or losses under the policy. The availability of coverage depends on the terms and conditions outlined in the issued policy, the facts surrounding any potential claims, and relevant legal requirements. Specimen policies are available from your insurance broker.

SECTION	COVERAGE		PREMIUM
1	PROPERTY (Including Equipment Breakdown, if granted)	\$	Excluded
2	INLAND MARINE	\$	Excluded
3	COMMERCIAL CRIME (Including Faithful Performance, if granted)	\$	Excluded
4	COMMERCIAL GENERAL LIABILITY	\$	22,710.00
5	PUBLIC OFFICIALS & MANAGEMENT LIABILITY (Including Wrongful Acts, Employment Practices, or Employee Benefits, if granted)	\$	1,012.00
6	BUSINESS AUTO	\$	Excluded
7	COMMERCIAL EXCESS LIABILITY (Including Commercial General Liability, Wrongful Acts, Employment Practices, Employee Benefits, Business Auto, and Employers Liability, if granted)	\$	3,509.00
	Total Annual Premium (excludes state-imposed taxes, surcharges, and fees)	\$	27,231.00
	Terrorism Premium	\$	391.00
	Risk Management Services Fee	\$	250.00
	State-Imposed Taxes, Surcharges, & Fees	\$	0.00
	State Surplus Lines Taxes & Fees	\$	762.31
	TOTAL AMOUNT DUE*	\$	28,634.31

*Payment is due in accordance with the producer agreement.

NOTES:

THIS IS A NON-ADMITTED QUOTE FOR ALL LINES EXCEPT AUTO AND EXCESS, IF APPLICABLE.

Renewal terms provided are PER EXPIRING and premium/terms are subject to change based on renewal information submitted.

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

Section 1. PROPERTY (Included in the proposal? No)

CARRIER:	Munich Re Specialty Insurance affiliate company A+ XV (Superior) A.M. Best Rating NON-ADMITTED
FORM:	Proprietary

LIMITS

Total Insured Values: (Real Property & Business Personal Property)	N/A
Loss of Income (aka: Business Income)	N/A
Extra Expense	N/A
Equipment Breakdown	N/A
Earthquake (Each Occurrence, earth movement excluded)	N/A
*Flood Zone Low/Moderate [N/A] (Each Occurrence)	N/A
*Flood Zone High [N/A] (Each Occurrence)	N/A
Wind/Hail	N/A

* Munich/APR cannot warrant or provide information as to what zone(s) a specific location/address is situated in. Flood zones can and do change. It is ultimately the responsibility of the insured and their insurance advisor to determine if the flood zones and flood limits proposed are adequate for their needs.

DEDUCTIBLES

Property Deductible (per occurrence)	N/A	Flood Zone Low/Moderate (%) Deductible (per occurrence/each affected item)	N/A
Equipment Breakdown Deductible (per occurrence) – aboveground and less than 50 feet belowground	N/A	Flood Zone High (\$) Deductible (per occurrence)	N/A
Equipment Breakdown Deductible (per occurrence) – greater than 50 feet belowground	N/A	Flood Zone High (%) Deductible (per occurrence/each affected item)	N/A
Earthquake (\$) Deductible (per occurrence, earth movement excluded)	N/A	Wind/Hail ¹ (\$) Deductible (per occurrence / per premises)	N/A
Earthquake (%) Deductible (per occurrence, earth movement excluded)	N/A	Wind/Hail ¹ (%) Deductible (per occurrence /(reference form for applicability))	N/A
Flood Zone Low/Moderate (\$) Deductible (per occurrence)	N/A	Lightning Deductible (per occurrence)	N/A

¹N/A for Wind/Hail deductible means no special deductible applies.

COVERED LOCATIONS:

Per Statement of Values: Blanket coverage applies unless otherwise noted.

SCHEDULE OF PROPERTY LIMITS – INDIVIDUAL LIMITS

LOC./BLDG NUM	BUILDING DESCRIPTION	BUILDING VALUE	CONTENTS VALUE	TOTAL INSURED VALUE	VALUATION	COINS. %
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INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued. Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

COINSURANCE: N/A

POLICY HIGHLIGHTS:

- Broad Definition of Covered Property
- Option for Special Property Floater
- Form: Special Form (including Theft)
- Proprietary Coverage Extensions

VALUATION:

- Replacement Cost: Real Property & Business Personal Property (All Buildings subject to Property Valuation²)
- Actual Loss Sustained: Loss of Income (aka: Business Income)
- Optional Extended Business Income & Extra Expense (12 months or \$1,000,000, whichever is less)

²Functional Replacement Cost and/or Actual Cash Value are available for older and lower valued buildings.

SELECTED OPTIONAL COVERAGES:

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

SPECIAL COVERAGES

Newly Acquired or Under Construction Real Property and Related Personal Property: Pays up to \$1,000,000 for your newly acquired real property or under construction “real property” intended for use in your “operations” acquired or where construction began after policy inception. This applies to “real property” you buy, lease, rent, or construction, including temporary structures. An additional \$500,000 limit of insurance applies to “personal property” located at new premises.

Equipment Breakdown³: Pays up to the limit in the declarations for direct physical damage to covered real property or personal property and loss of income sustained and extra expense incurred that is the result of an accident or electronic circuitry impairment. The most paid under any one equipment breakdown is the limit for real property and personal property for the applicable premises. The most paid for loss of income or extra expense in any one equipment breakdown is the limit of insurance shown in the declarations under C. Loss of Income and D. Extra Expense, respectively. The limits in this extension are part of and not in addition to the limits applicable in Section I – Coverages.

Under this extension, the following coverages also apply to loss caused by or directly resulting from an accident or electronic circuitry impairment. However, with respect to coverage (9) Service Interruption below, coverage will apply only to the direct result of an accident and will not apply to the direct result of an electronic circuitry impairment. The coverages described in (1) through (10) below do not provide additional amounts of insurance, they are part of and not in addition to the applicable limits of insurance:

- (1) **Data Restoration** – Pays up to your reasonable and necessary cost to research, replace and restore lost electronic data. The most we will pay for loss, damage, or expense for electronic data restoration including actual loss of income you sustain and necessary extra expense you incur is **\$500,000**.
- (2) **Expediting Expenses** – With respect to your covered real property and personal property that is damaged, we will pay the reasonable cost to make temporary repairs; and expedite permanent repairs or permanent replacement. The most we will pay for loss or expense under this coverage is **\$100,000**.
- (3) **Extra Expense** – Extra expense is extended to apply to extra expense incurred as a result of an accident or electronic circuitry impairment covered under this extension, and subject to the policy limit.
- (4) **Green** – Subject to more extensive provisions outlined in the policy, we will pay additional costs for the repair, replacement, disposal, etc. and/or damages as they relate to items associated with a recognized environmental standards program. The most we will pay for any qualifying loss, damage, or expense under this coverage, including actual loss of Business Income you sustain and any necessary Extra Expense you incur is **\$100,000**.
- (5) **Hazardous Substances** – Pays for the additional cost to repair or replace covered real property or personal property because of contamination by a hazardous substance. This includes the additional expense to clean up or dispose of such property. This does not include contamination of perishable goods by refrigerant. The most we will pay for loss, damage, or expense under this coverage, including actual loss of income you sustain and necessary extra expense you incur is **\$250,000**.
- (6) **Loss of Income** – Loss of Income is extended to apply to loss of income sustained as a result of an accident or electronic circuitry impairment covered under this extension, and subject to the policy limit as show in the Equipment Breakdown Coverage Supplemental Declarations.
- (7) **Off-Premises Equipment Breakdown** – Subject to more extensive provisions outlined in the policy, this extends coverage to apply to an accident or electronic circuitry impairment for the following types of equipment used in the insured’s firefighting, ambulance or rescue operations, whether mobile/portable or permanently mounted on a vehicle, anywhere in the policy territory: 1) mobile cascade units; 2) mobile electrical generators; 3) portable pumping units; and 4) portable extrication devices, such as jaws-of-life. For equipment other than that used in your firefighting, ambulance or rescue operations, we will pay for physical damage to transportable covered equipment that, at the time of the accident or impairment is not at a covered location, among other offerings. The most we will pay is **\$25,000**.

- (8) Public Relations** – Subject to you sustaining an actual loss of income covered under this extension, this pays for reasonable costs for professional services to create and disseminate communications, when the need for such communications arises direction for the interruption of your business. Communication must be directed to the media, public, or your customers/clients/members. Costs are subject to being incurred during the period of restoration + 30 days. The most we will pay for loss or expense under this coverage is **\$5,000**.
- (9) Service Interruption** – Subject to more extensive provisions outlined in the policy, any insurance provided for loss of income, extra expense, data restoration or spoilage is extended to apply to your loss, damage, or expense caused by a failure or disruption of service.
- (10) Spoilage** – We will pay for physical damage to perishable goods due to spoilage; for physical damage to perishable goods due to contamination from the release of refrigerant; and/or any necessary expenses you incur to reduce the amount of loss under this coverage. Valuation and replacement conditions apply. The most we will pay for loss, damage or expense under this coverage is **\$100,000**.

³Please consult the exact policy language for all provisions that apply to each of the above Equipment Breakdown coverage.

Pollution Remediation Expenses: Pays up to \$25,000 (covered cause of loss) or \$100,000 (specified cause of loss) for remediation expenses incurred as a result of an actual, alleged, or threatened presence of pollution conditions at a premises described in the Declarations from a Covered Causes of Loss or Specified Cause of Loss occurring during the policy period and reported within 180 days. Covered Causes of Loss means risks of direct physical loss unless the loss is excluded or limited by the Property Coverage Form. Limits may be increased for a charge.

Specified Cause of Loss means the following: fire, lightning, windstorm or hail, explosion, riot or civil commotion, vehicles or aircraft, smoke, sonic boom, vandalism and malicious mischief, sprinkler leakage, sinkhole collapse, volcanic action, falling objects, weight of ice, snow or sleet, or water damage. Water damage means only accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam.

Property In Transit or Off Premises: Pays up to \$100,000 for direct physical loss or damage to covered property (real and personal property) while in transit or while temporarily off premises caused by a covered cause of loss, including your covered computer hardware while off premises.

SCADA Upgrades: Pays up to \$100,000 to upgrade your scheduled SCADA system after direct physical loss from a Covered Cause of Loss. The upgrade is in addition to its replacement cost. SCADA means the Supervisory Control and Data Acquisition system used in water and wastewater treatment and distribution to monitor leaks, waterflow, water analysis, and other measurable items necessary to maintain operations.

Unintentional Errors: Pays up to \$250,000 for any unintentional error or omission you make in determining or reporting values or in describing the covered property or covered locations.

Personal Effects: Pays up to \$25,000 for direct physical loss or damage to personal effects owned by you, your officers, managers, elected or appointed officials, employees, or volunteer workers caused by a covered cause of loss at your premises. Will pay up to "replacement cost."

Lock Replacement: Pays up to \$25,000 for lock, lock cylinder, & key replacement after theft at insured premises or damage to a lock as a result of a covered cause of loss at an insured premises. No deductible applies.

Foundations: Your real property includes foundations located at a described premise.

KEY DEFINITIONS

Covered Equipment: Means covered real property and personal property that generates, transmits, or utilizes energy or which, during normal usage, operates under vacuum or pressure, other than the weight of its contents. Covered equipment may utilize conventional design and technology or new or newly commercialized design and technology.

None of the following is covered equipment: (a) structures, foundation, cabinet or compartment; (b) insulating or refractory material; (c) sewer piping, buried vessels or piping, piping forming or part of a sprinkler or fire suppression system; (d) water piping other than boiler feedwater piping, boiler condensate return piping or water piping form as part of a refrigerating or air conditioning system; (e) vehicle or any equipment mounted on a vehicle; (f) satellite, spacecraft or any equipment mounted on a satellite or spacecraft; (g) dragline, excavation, or construction equipment; (h) equipment manufactured by you for sale; or (h) electronic data.

Electronic Circuitry: Means microelectronic components, including but not limited to circuit boards, integrated circuits, computer chips, and disk drives.

Electronic Circuitry Impairment:

- (a) Means a fortuitous event involving electronic circuitry within covered equipment to suddenly lose its ability to function as it had been functioning immediately before such event. This definition is subject to the conditions specified in (b), (c), and (d) below.
- (b) We shall determine that the reasonable and appropriate remedy to restore such covered equipment's ability to function is the replacement of one or more electronic circuitry components of the covered equipment.
- (c) The covered equipment must be owned or leased by you or operated under your control.
- (d) None of the following is an electronic circuitry impairment:
- (i) Any condition that can be reasonably remedied by:
 - 1) Normal maintenance, including but not limited to replacing expendable parts, recharging batteries or cleaning;
 - 2) Rebooting, reloading, or updating software or firmware; or
 - 3) Providing necessary power or supply.
 - (ii) Any condition caused by or related to:
 - 1) Incompatibility of the covered equipment with any software or equipment installed, introduced, or networked within the prior 30 days; or
 - 2) Insufficient size, capability, or capacity of the covered equipment;
 - 3) Exposure to adverse environmental conditions, including but not limited to change in temperature or humidity, unless such conditions result in an observable loss of functionality. Loss of warranty shall not be considered an observable loss of functionality.

Outdoor Property: Fixed or permanent structures including but not limited to:

- › Docks, wharves, piers, pilings, or bulkheads;
- › Dumpsters, concrete trash containers, or permanent recycling bins;
- › Electric utility power transmission and distribution lines, poles and related equipment owned by the insured;
- › Exterior signs not located at a premises;
- › Fences and retaining walls;
- › Historical markers and flagpoles;
- › Hydrants, not associated with a sprinkler system;
- › Lighting towers;
- › Playground equipment, park shelters, pedestrian-only bridges, picnic tables, water fountains or coolers, benches, dugouts, bleachers, or scoreboards;
- › Storage sheds, garages, pavilions, or other similar buildings or structures not located at a premises; or
- › Traffic lights, streetlights, traffic signs, parking meters, or bus shelters.

Personal Property: Means all property used in your operations other than real property, including but, not limited to:

- › Furnishings and office equipment
- › Building contents;
- › Computer equipment;
- › Communication systems;

- Materials, supplies (including your inventory of vehicle parts and supplies) while held on your premises awaiting installation;
- Base stations and dispatching systems, provided the property is on your premises and also provided you own the property, or the property is in your custody or control, and you are responsible for it, even though it belongs to someone else;
- Value of your right to use improvements made as a tenant, if you have paid for alterations or additions to any building or structure that you do not own (improvements must be at a premises).

Pollution Conditions (Wording differs in the State of Indiana – please refer to the policy for exact verbiage):

The discharge, dispersal, release, seepage, migration, or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, hazardous materials, waste materials (including medical, infectious and pathological wastes) or electromagnetic fields into or upon land or any structures thereon, the atmosphere, or any watercourse or body of water including groundwater.

Real Property: The items at a premises described in the Declarations.

This includes:

- Aboveground piping;
- Aboveground and belowground “penstock”;
- Additions under construction;
- Air cascade units that are not designed to be used off “premises”;
- All appurtenant buildings or structures other than playground equipment, park shelters, pedestrian-only bridges, picnic tables, water fountains or coolers, benches, dugouts, bleachers, or scoreboards;
- Alterations and repairs to the buildings or structures;
- Completed additions;
- Exterior signs, meaning neon, automatic, mechanical, electric or other signs either attached to the outside of a building or structure, or standing free in the open;
- Foundations;
- Materials, equipment, supplies and temporary structures you own or for which you are responsible, on the “premises” or in the open (including property inside “vehicles”) within 1,000 feet of the “premises”, used for making additions, alterations or repairs to buildings or structures at the “premises”;
- Outdoor fixtures;
- Paved surfaces such as sidewalks, bike paths, walkways, patios or parking lots;
- Permanently installed fixtures, machinery, and equipment;
- “Personal property” used for the maintenance and service of buildings or structures, including tools, lawn care equipment, and free-standing appliances for refrigerating, ventilating, cooking, dishwashing and laundering;
- Submersible pumps, pump motors and engines; or
- Underground piping located on or within 100 feet of a “premises” described in the Declarations.

Remediation Expenses: Expenses incurred for or in connection with the investigation, monitoring, removal, disposal, treatment, or neutralization of pollution conditions to the extent required by: (1) federal, state or local laws, regulations or any subsequent amendments thereof enacted to address pollution conditions; and (2) a legally executed state voluntary program governing the cleanup of pollution conditions.

Tools and Equipment: All tools and equipment, together with attached devices, accessories and trailers, that are used in your operations. Tools and equipment include, but are not limited to, hand tools, mechanics tools, power tools, meter readers, generators, air compressors, welders, trash pumps, trenchers, saws, jackhammers, maintenance or diagnostic equipment including specialized audio-visual equipment and its associated laptop, as well as recreational equipment, such as outdoor portable seating, temporary stands, food service trailers not licensed for road use, or portable restrooms.

Tools and equipment also include mobile equipment such as, but not limited to, bulldozers, mobile equipment that travels on crawler treads, tractors, loaders, backhoes, excavators, graders, or road surfacing equipment, and equipment whether self-propelled or not, maintained primarily to provide mobility to permanently mounted cranes, shovels, loaders, diggers, and drills. Tools and equipment also include snowplows, salt spreaders, and other similar equipment when not attached to a vehicle.

PROPERTY SUBLIMITS	
Coverage	Limit
Accounts Receivable	\$50,000
Arson, Theft, or Vandalism Information Reward	\$25,000
Building Glass — Tenant	Lesser of replacement cost or amount liable under contract
Claim Expense	\$20,000
Commandeered Property (RC + loss of use)	For the time you officially use the commandeered property + reasonable return time.
Damage to Building from Theft	\$100,000
Debris Removal Expenses	25% + \$100,000
Equipment Breakdown	Building + BPP Limit + Loss of Income & Extra Expense
Fine Arts	\$50,000 (appraised) \$25,000 (unappraised — subject to \$1,500/item max)
Fire Department Charges	\$25,000
Fire Extinguishing Equipment Recharge Costs	“Necessary and reasonable” (per policy)
Limited Coverage for Fungus, Wet Rot or Dry Rot	\$25,000
Lock Replacement	\$25,000
Newly Acquired or Under Construction Real Property (Coverage A) and Related Personal Property (Coverage B)	Coverage A: \$1,000,000 Coverage B: \$500,000
Non-owned Detached Trailers	\$50,000
Ordinance Coverage Coverage A: Undamaged Real Property Coverage B: Demolition Coverage C: Increased Cost	Coverage A: Limit of Insurance (applicable to that item) Coverage B and Coverage C: Greater of 100% of direct physical loss or \$1,000,000
Outdoor Property	
Personal Effects	\$25,000
Pollution Remediation Expense (covered cause of loss)	\$25,000
Pollution Remediation Expense (specified cause of loss)	\$100,000
Preservation of Property	Included
Real Property or Personal Property in Transit or Off-Premises	\$100,000
Software	\$500,000
Spoilage Due to Off Premises Electric Service Interruption	\$50,000
Supplementary Provisions for Coverage C: “Loss of Income” and Coverage D “Extra Expense”	Included
Trees, Shrubs, Plants and Lawns (max \$1,000 any one item)	\$25,000
Utility Services — Direct Damage	
Valuable Papers and Records	\$50,000
Water Contamination Notification Expense	\$25,000 (annual aggregate)
Water Sewer Backup	

NOTES:
THIS IS A NON-ADMITTED QUOTE.
Property coverage is excluded.

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

Section 2. INLAND MARINE (Included in the proposal? No)

CARRIER:	Munich Re Specialty Insurance affiliate company A+ XV (Superior) A.M. Best Rating NON-ADMITTED
FORM:	Proprietary

LIMITS	
Coverage A: Blanket Tools and Equipment: (Unscheduled, Maximum \$10,000 any one item)	N/A
Coverage B: Scheduled Equipment:	N/A
Coverage C: Blanket Emergency Services Equipment:	N/A

COVERAGE EXTENSIONS — Adds or extends the coverage under Section I — Coverages. Unless stated otherwise in the policy, a) each extension is limited to direct physical loss or damage cause by or resulting from a covered cause of loss; b) the limits in each extension are in addition to the limits applicable in Section I — Coverages; and c) All other applicable terms and conditions of the coverage form apply to each extension. (**whichever comes first)

Debris Removal Expenses	Max \$15,000 (per occurrence)
Employee Tools (no deductible applies)	Max \$25,000 (per occurrence)
Emergency Services and Law Enforcement Personal Effects (Coverage C extension, no deductible applies)	Replacement Cost
Rented or Borrowed Equipment	
<ul style="list-style-type: none"> ■ Coverage A: Blanket Tools and Equipment and Coverage C: Blanket Emergency Services Equipment (\$1,000 deductible applies) ■ Coverage B: Scheduled Equipment (Extended to equipment not owned by you, \$1,000 deductible applies) 	<p>**Replacement Cost or \$10,000 (per occurrence)</p> <p>**Actual Cash Value or \$N/A (per occurrence)</p>
Newly Acquired Scheduled Equipment (Coverage B extension, \$1,000 deductible applies)	30 days on Replacement Cost (not to exceed purchase price)
Personal Watercraft and Watercraft (Coverage A & C extension only)	**Replacement Cost or \$25,000 (per occurrence)
Rental Reimbursement for Scheduled Equipment (Coverage B extension, no deductible applies)	Max \$10,000 (per occurrence)
Unmanned Aircraft (\$500 deductible applies)	Max \$25,000 (per occurrence)
Fire Department Charges (no deductible applies)	Max \$1,000 (per occurrence)
Fire Extinguishing Recharge Costs (no deductible applies)	Necessary and Reasonable Costs (extinguishing equipment must be for the protection of your inland marine equipment)

DEDUCTIBLES	
Coverage A: Blanket Tools and Equipment	N/A
Coverage B: Scheduled Equipment	N/A
Coverage C: Blanket Emergency Services Equipment	N/A

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued. Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

POLICY HIGHLIGHTS:

- Blanket Coverages: "Tools and Equipment" and "Emergency Services Equipment"
- Suite of Coverage Extensions available in the core form.
- Deductible Waiver in certain circumstances for Coverages A & B.

VALUATION:

- Coverage A: Blanket Tools and Equipment: Replacement Cost
- Coverage B: Scheduled Equipment: Replacement Cost or Actual Cash Value
- Coverage C: Blanket Emergency Services Equipment: N/A

NOTES:

THIS IS A NON-ADMITTED QUOTE.
Inland Marine coverage is excluded.

Section 3. COMMERCIAL CRIME (Included in the proposal? No)

CARRIER: Munich Re Specialty Insurance affiliate company
 A+ XV (Superior) A.M. Best Rating
 NON-ADMITTED

FORM: Proprietary

LIMITS

Coverage Group	Employee Theft	Forgery or Alteration	Theft of Money & Securities (Inside the Premises)	Robbery or Safe Burglary (Inside the Premises)	Outside the Premises	Computer & Funds Transfer Fraud	Money Orders & Counterfeit Money
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

DEDUCTIBLE

N/A (each claim)

POLICY HIGHLIGHTS:

Separate Limits Apply to Each Coverage
 Broad Definition of Employee
 Non-auditable

NOTES:

THIS IS A NON-ADMITTED QUOTE.
 Crime coverage is excluded.

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
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Section 4. COMMERCIAL GENERAL LIABILITY (Included in the proposal? Yes)

CARRIER: Munich Re Specialty Insurance affiliate company
 A+ XV (Superior) A.M. Best Rating
 NON-ADMITTED

FORM: Proprietary, Occurrence, Defense Outside

LIMITS

General Aggregate	\$3,000,000
Products & Completed Operations Aggregate	\$3,000,000
Each Occurrence	\$1,000,000
Personal & Advertising Injury Limit	\$1,000,000
Damage to Premises Rented to You	\$1,000,000
Medical Payments	\$10,000

DEDUCTIBLE (Including Expenses)

\$100,000 (each occurrence)

SELECTED OPTIONAL COVERAGES

Hired/Non-Owned Auto Liability
 Failure to Supply Water Liability
 Each Location Aggregate

POLICY HIGHLIGHTS:

- Duty to Defend w/ Defense Costs In Addition to Limits
- Broad Definition of Insured – including, but not limited to Employees, Volunteers, Elected or Appointed Officials
- Host Liquor Liability, Unless Otherwise Excluded
- Owned (Up to 100 HP – higher available by endorsement) & Nonowned Watercraft
- Blanket Additional Insured
- Water & Wastewater Testing Errors and Omissions
- Failure to Supply (No ISO limitation)
- Lead (potable water)
- Waterborne Asbestos (potable water)
- Product Recall
- Impaired Property
- Fungi & Bacteria
- Non-auditable

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
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SPECIAL COVERAGES

Asbestos: Exclusion exception wherein coverage is provided for bodily injury or property damage arising out of potable water which is supplied to others.

Contractual Liability - Railroads: Coverage is provided for any contract or agreement that indemnifies a railroad for bodily injury or property damage arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing. Available via endorsement only.

Damage to Impaired Property or Property Not Physically Injured: Exclusion exception wherein the Damage to Impaired Property or Property Not Physically Injured exclusion does not apply to potable water, non-potable water, or wastewater as well as any loss of use of other property arising out of a sudden and accidental physical injury to the insured's product or work after it has been put to its intended use.

Failure to Supply: Coverage is provided for bodily injury or property damage arising out of the failure of any Insured to adequately supply water.

Fungi or Bacteria: Exclusion exception wherein the Fungi or Bacteria exclusion does not apply to a) any fungi or bacteria that are on or are contained in a good or product intended for consumption; or b) any injury or damage arising out of or caused by your water, irrigation, or wastewater intake, outtake, reclamation, treatment, or distribution process.

Lead: Exclusion exception to Lead, Electromagnetic Radiation, Nuclear exclusion that creates an exception for potable water you supply to others for claims involving the toxic properties of lead, or any material or substance containing lead.

Recall of Products, Work or Impaired Property: Exclusion exception where in the Recall of Products, Work or Impaired Property exclusion does not apply to potable water, non-potable water, or wastewater.

Pollution: The pollution exclusion contains the following exceptions:

- To bodily injury if sustained within a building owned or occupied by an insured and caused by smoke, fumes, vapor, or soot if produced or originating from certain equipment.
- To bodily injury or property damage arising out of heat, smoke, fumes from a hostile fire occurring or originating from certain premises, sites, or locations as outlined in the policy.
- To bodily injury or property damage that occurs as a result of your operations (unless otherwise specifically excluded) including:
 - › Potable water supplied to others;
 - › Chemicals used in your water/wastewater treatment process;
 - › Chemicals you use, apply or store for your ownership, maintenance, or operation of swimming pools;
 - › The use, application or storage of road salt or similar substances designed and used for snow/ice removal;
 - › Natural gas or propane gas you use in your water or wastewater treatment process;
 - › Urgent response for the protection of property, human life, health or safety conducted away from premises you own, rent or occupy;
 - › Training operations;
 - › Water runoff from the cleaning of equipment use in emergency service activities;
 - › Storage or application of pesticides/herbicides if such storage or application meets all standards of any statute, ordinance, regulation or license requirement of any federal, state or local government; or
 - › Fuels, lubricants or other operating fluids needed to perform the normal electrical, hydraulic or mechanical functions necessary for the operation of "mobile equipment" subject to additional policy terms.
 - › To bodily injury or property damage if such bi/pd is caused by the escape of back-up of sewage or wastewater from any sewage treatment facility or fixed conduit that you own, operate, lease, control.

Water & Wastewater Testing Errors and Omissions: Coverage is provided for damages arising out of an act, error, or omission which arises from your water or wastewater testing.

Who is Insured: Coverage is extended to Scheduled Named Insureds comprising individuals, spouses, partnerships, joint ventures, corporations, trusts, limited liability companies, public entities, operating authorities, boards, commissions, districts, governmental units, nonprofit entities, and other organizations. Insureds also include: elected or appointed officials; employees or volunteer workers; real estate managers; temporary custodians; legal representatives; medical directors; mutual aid agreements; Good Samaritans; owners of commandeered equipment; blanket additional insureds; and newly acquired or formed entities.

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EFFECTIVE DATE: 5/19/2026

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KEY DEFINITIONS**Insured Contract:**

- › A contract for a lease or premises (see full terms and conditions).
- › A sidetrack agreement;
- › Any easement or license agreement, except in connection with construction or demolition operations on or within fifty (50) feet of a railroad;
- › An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;
- › An elevator maintenance agreement;
- › That part of any other contract or agreement pertaining to your operations (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for bodily injury or property damage to a third person or organization (see full terms and conditions).

Suit: Means a civil proceeding in which damages because of bodily injury, property damage, personal and advertising injury, medical incident, law enforcement wrongful act, or a water or wastewater professional activity to which this insurance applies are alleged. Suit includes: a) An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or 2) Any other civil alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

NOTES:

THIS IS A NON-ADMITTED QUOTE.

Section 5. PUBLIC OFFICIALS & MANAGEMENT LIABILITY
(Included in the proposal? Yes)

CARRIER:	Munich Re Specialty Insurance affiliate company A+ XV (Superior) A.M. Best Rating NON-ADMITTED
FORM:	Occurrence Defense Costs Outside the Limits of Liability

LIMITS			
Coverage A: Wrongful Acts - Employment Practices - Employee Benefits Liability	\$	1,000,000 Excluded Excluded	Each Wrongful Act or Offense
Coverage B: Injunctive Relief	\$	5,000	Each Action
Aggregate Limit	\$	3,000,000	Coverage A & B Combined

WRONGFUL ACTS DEDUCTIBLE	EMPLOYMENT PRACTICES DEDUCTIBLE
\$100,000 (each Wrongful Act or Offense Including Expenses)	N/A (each Wrongful Act or Offense Including Expenses)
WRONGFUL ACTS RETROACTIVE DATE (CLAIMS-MADE)	EMPLOYMENT PRACTICES RETROACTIVE DATE (CLAIMS-MADE)
N/A	N/A

EMPLOYEE BENEFITS LIABILITY RETROACTIVE DATE (CLAIMS-MADE)
N/A

- POLICY HIGHLIGHTS:**
- Duty To Defend
 - Broad Definition of Named Insured
 - Third Party Offense Coverage
 - Non-auditable

SELECTED OPTIONAL COVERAGES:

KEY DEFINITIONS

Employment Practices: Injury, including consequential bodily injury, arising from any of your employment practices including, but not limited to:

- › Discrimination;
- › Harassment;
- › Retaliation;
- › Any actual or alleged wrongful dismissal, discharge, or termination (either actual or constructive) of employment, including breach of an implied employment contract or an implied covenant of good faith and fair dealing in an employment contract;
- › Any actual or alleged wrongful hiring, demotion, discipline, evaluation, supervision and investigation of an employee or intentional interference with an employment contract;
- › Any actual or alleged wrongful deprivation of a career opportunity, to promote an employee or the wrongful failure to employ;
- › Any actual or alleged false arrest, false imprisonment, false detention or malicious prosecution, liable, slander, defamation, disparagement or invasion of the right of privacy, as respects employment practices;
- › The violation of any federal, state, or local statutes, rules or regulations applicable to employers;
- › The development, implementation, and enforcement of any and all practices, policies and procedures governing any aspect of employment practices;

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

Injunctive or Declaratory Relief: (a) means equitable relief sought through the demand for the issuance of a permanent, preliminary, or temporary injunction, restraining order, or similar prohibitive write against, or order for specific performance by, an insured; or (b) any request that a court make a finding of law or fact, provided such action is filed during the policy period.

Wrongful Act: means any actual or alleged error, act, omission, neglect, misfeasance, nonfeasance, or breach of duty, including violation of any civil rights law, by any insured in discharge of their duties individually or collectively that results directly but unexpectedly and unintentionally in damages to others.

NOTES:

THIS IS A NON-ADMITTED QUOTE.

All coverages for Inverse Condemnation, EPLI and EBLI are excluded.

Section 6. BUSINESS AUTO (Included in the proposal? No)

CARRIER: Munich Re Specialty Insurance affiliate company
A+ XV (Superior) A.M. Best Rating

FORM: ISO & Proprietary

PORTFOLIO

Coverage	Symbol	Limit
Combined Single Limit for Bodily Injury & Property Damage (each accident)	N/A	N/A
Hired Auto Liability	N/A	N/A
Non-Owned Auto Liability	N/A	N/A
“No-Fault” or Statutory Personal Injury Protection (each person)	N/A	N/A
Medical Payments	N/A	N/A
Uninsured / Underinsured Motorists	N/A	N/A
Hired Physical Damage	N/A	N/A
Physical Damage – Comprehensive	N/A	N/A
Physical Damage – Collision	N/A	N/A

DEDUCTIBLE

Liability:	N/A (per accident)
Comprehensive:	N/A (each covered auto)
Collision:	N/A (each covered auto)

FLEET COVERAGE ENHANCEMENTS & COVERAGE EXTENSIONS (As Applicable)

- › Commercial Auto 360 Endorsement
- › Pollution Liability – Broadened Coverage for Covered Autos

NOTES:

The Business Auto Coverage requires 17-digit VIN Numbers. The insured’s policy cannot be released without this information.

Auto coverage is excluded. Please refer to GL section for Hired and Nonowned Auto Liability coverage.

Section 7. COMMERCIAL EXCESS LIABILITY (Included in the proposal? Yes)

CARRIER: Munich Re Specialty Insurance affiliate company
A+ XV (Superior) A.M. Best Rating

FORM: Following Form, Non-auditable

LIMITS

\$1,000,000/\$1,000,000

SCHEDULED UNDERLYING COVERAGE FORMS

Commercial General Liability – Included

Auto Liability – Excluded

Public Officials & Management Liability (Wrongful Acts) – Included

Employers’ Liability: (minimum underlying limit requirement of \$500,000 / \$500,000 / \$500,000) – Excluded

Other:

NOTABLE COVERAGES INCLUDED IN THE EXCESS (require minimum underlying limits of \$1,000,000)

Law Enforcement Liability (General Liability) – Excluded

Hired and Non-Owned Auto Liability (General Liability) – Included

Employee Benefit Plans (General Liability) – Excluded

Inverse Condemnation (General Liability) – Excluded

Hired and Non-Owned Auto Liability (Owned Auto) – Excluded

Employment Practices (POML) – Excluded

Employee Benefit Plans (POML) – Excluded

Inverse Condemnation (POML) – Excluded

NOTABLE EXCLUSIONS:

- Workers’ Compensation
- Uninsured Motorists / Underinsured Motorists
- Underlying Limits < \$1,000,000 except for Employer’s Liability

NOTES:

Employers’ Liability subject to MRSI security requirements.
Please provide a copy of the current W/C declarations for review and affirmation of coverage.

Section 8. UNDERWRITING SUBJECTIVITIES AND GENERAL NOTES

CARRIER: Munich Re Specialty Insurance affiliate company
A+ XV (Superior) A.M. Best Rating

INSURED Borrego Springs Watermaster

GENERAL NOTES

\$100K General Liability and POML (Wrongful Acts) deductibles.

QUOTE SUBJECTIVITIES:

Renewal terms provided are PER EXPIRING and premium/terms are subject to change based on renewal information submitted.

Completed & Signed Supplemental Application (not smaller Renewal App)

Updated Budget

THE FOLLOWING ITEMS ARE DUE AT THE TIME OF BINDING:

- ▶ Signed and Dated WaterPlus Application and Insured FEIN # (required to bind auto).
- ▶ Terrorism: This coverage is included in most jurisdictions (all but 8) without an associated charge for Package (Property/GL). In those instances, a signed selection/rejection is **not** required. In the 8 jurisdictions with an associated charge including the entire State of California for Excess, a signed selection/rejection form is required to be returned at the time of binding.
- ▶ Signed and Dated Uninsured/Underinsured Motorist Selection/Rejection Form.
- ▶ Copy of the latest Dam Inspection reports and insured response to any inspection deficiencies, if applicable and not already provided.
- ▶ Signed Statement of Values (Property, Inland Marine and Auto, as applicable).
- ▶ Provide Name, Phone Number, and Email Address for both the Risk Manager and Boiler & Machinery Inspection contacts.
- ▶ Provide a complete driver schedule including name, date of birth, and license number.

STATE SPECIFICATION NOTATIONS:

INSURED: Borrego Springs Watermaster
EFFECTIVE DATE: 5/19/2026

DISCLAIMER: Actual coverage is subject to the language of the policies as issued.
Your issued policy may contain limits, exclusions, and limitations that are not detailed in this proposal.

Named Insured: Borrego Springs Watermaster

Type of Policy: Property or General Liability

Effective Date: 5/19/2026

Insurance Company: PESLIC

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, you now have a right to purchase insurance coverage for losses resulting from acts of terrorism, *as defined in Section 102(1) of the Act*: The term "act of terrorism" means any act or acts that are certified by the Secretary of the Treasury--in consultation with the Secretary of Homeland Security, and the Attorney General of the United States--to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

Coverage for certified acts of terrorism has been included in your policy. No additional premium has been charged under this policy for such terrorism coverage.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 80% BEGINNING ON JANUARY 1, 2020 OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE, IF ANY, IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION, IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

HOW DOES THE ACT AFFECT YOUR INSURANCE COVERAGE?

You have a policy of insurance issued by us which has no terrorism exclusion attached to it.

- This policy will remain in effect as written for the remainder of the policy period shown in the Declarations of the policy.
- The decision not to include a terrorism exclusion to your policy when it was issued or last renewed was based on a number of reasons, and the continuation or importance of these reasons may or may not have been altered by the passage of the Act.
- In the time between now and the next renewal we will examine and refine our treatment of terrorism under your policy. This means that you may or may not have the same terms offered to you upon renewal and that the premium charged may or may not reflect alteration based upon the terrorism exposure.

WHAT IS THE TERRORISM RISK INSURANCE ACT ?

The following is a partial summary of the Terrorism Risk Insurance Act, as amended, (hereinafter referred to as the Act). Only the provisions of the Act determine the scope of the insurance protection available for the losses covered under the Act. The Act has been extended through December 31, 2027.

The Act provides coverage for property and casualty insurance for "insured losses" as a result of an "act of terrorism." As stated in the Act:

- A. "Insured loss" means any loss resulting from an "act of terrorism" (including an act of war, in the case of worker's compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if such loss:
1. Occurs within the United States; or
 2. Occurs to an air carrier (as defined in section 40102 of title 49, United States Code), to a United States flag vessel (or a vessel based principally in the United States, on which US income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs, or at the premises of any United States mission.
- B. "Act of terrorism" means any act or acts that are certified by the Secretary of Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States:
1. To be an act of terrorism;
 2. To be a violent act or an act that is dangerous to:
 - a. Human life;
 - b. Property; or
 - c. Infrastructure;
 3. To have resulted in damage within the United States, or outside of the United States in the case of:
 - a. An air carrier or vessel described in paragraph (5)(B) of Section 102 of the Act; or
 - b. The premises of a United States mission; and

4. To have been committed by an individual or individuals, as part of an effort to coerce the civilian populations of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- C. Section 102 (1)(B) of the Act states “no act shall be certified by the Secretary as an act of terrorism if:
1. The act is committed as part of the course of a war declared by the Congress, except that this clause shall not apply with respect to any coverage for workers' compensation; or
 2. Property and casualty insurance losses resulting from the acts, in the aggregate, do not exceed \$5,000,000.”
- D. The Act also contains a “program trigger” in Section 103(e)(1)(B), pursuant to which the federal government does not pay compensation for losses resulting from a certified act occurring after December 31, 2007, unless aggregate industry insured losses from such a certified act exceed a certain amount, or “trigger.” For insured losses occurring in 2008 and for all additional calendar years, the program trigger is \$100,000,000 through 2015, \$120,000,000 beginning on January 1, 2016, \$140,000,000 beginning on January 1, 2017, \$160,000,000 beginning on January 1, 2018, \$180,000,000 beginning on January 1, 2019, \$200,000,000 beginning on January 1, 2020, of aggregate industry insured losses.
- E. The Act does not apply to: crop or livestock insurance; private mortgage insurance or title insurance; financial guaranty insurance issued by monoline financial guaranty insurance corporations; insurance for medical malpractice; health or life insurance; flood insurance provided under the National Flood Insurance Act of 1968; commercial automobile insurance; burglary and theft insurance; surety insurance; professional liability insurance (except Directors and Officers Liability); or farm owners multiple peril insurance.
- F. Under the Act for calendar years through December 31, 2027, the federal government will reimburse the insurance company for 80% beginning on January 1, 2020 of its insured losses in excess of a deductible, until aggregate “insured losses” in any calendar year exceed \$100 billion. Each insurer's deductible will be 20% of its direct earned premium for property and casualty insurance (as reported on Page 14 of the company's Annual Statement), over the immediately preceding calendar year.
- For the purposes of determining such deductibles, direct earned premium means only the premiums earned on the commercial lines property and casualty insurance covered by the Act for U.S. risks or vessels, aircraft and foreign missions outside the U.S. covered by the Act.
- Neither the insurance company (having met its statutorily mandated share as described above) nor the federal government will be liable for payment of any portion of “insured losses” under the Act that exceeds \$100 billion in the aggregate during any calendar year.

Named Insured: Borrego Springs Watermaster

Policy No. or Type of Policy: Excess

Effective Date: 5/19/2026

Insurance Company: PESLIC

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, you now have a right to purchase insurance coverage for losses resulting from acts of terrorism, *as defined in Section 102(1) of the Act*: The term "act of terrorism" means any act or acts that are certified by the Secretary of the Treasury--in consultation with the Secretary of Homeland Security, and the Attorney General of the United States--to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 80% BEGINNING ON JANUARY 1, 2020 OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION, IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

We have made the appropriate charge to include insurance coverage for losses arising out of terrorism as defined in the Terrorism Risk Insurance Act, as amended. The premium charged for this coverage is shown on the attached quote letter.

You have the option of accepting or rejecting terrorism coverage under the Act. We will include insurance coverage for losses arising out of certified acts of terrorism as defined in the Act unless you advise us that you want to reject this coverage by signing below and returning this notice to us.

REJECTION OF TERRORISM INSURANCE COVERAGE

I hereby elect to have the exclusion for terrorism coverage attached to my policy. I understand that an exclusion will be attached to my policy and I will have no coverage for losses arising from certified acts of terrorism as defined in the exclusion and in the Terrorism Risk Insurance Act, as amended.

Policyholder/Applicant's Signature

Print Name and Title

Date

TERRORISM RISK INSURANCE ACT

The following is a partial summary of the Terrorism Risk Insurance Act, as amended, (hereinafter referred to as the Act). Only the provisions of the Act determine the scope of the insurance protection available for the losses covered under the Act. The Act has been extended through December 31, 2027.

The Act provides coverage for property and casualty insurance for "insured losses" as a result of an "act of terrorism." As stated in the Act:

- A. "Insured loss" means any loss resulting from an "act of terrorism" (including an act of war, in the case of worker's compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if such loss:
1. Occurs within the United States; or
 2. Occurs to an air carrier (as defined in section 40102 of title 49, United States Code), to a United States flag vessel (or a vessel based principally in the United States, on which US income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs, or at the premises of any United States mission.
- B. "Act of terrorism" means any act or acts that are certified by the Secretary of Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States:
1. To be an act of terrorism;
 2. To be a violent act or an act that is dangerous to:
 - a. Human life;
 - b. Property; or
 - c. Infrastructure;

3. To have resulted in damage within the United States, or outside of the United States in the case of:
 - a. An air carrier or vessel described in paragraph (5)(B) of Section 102 of the Act; or
 - b. The premises of a United States mission; and
 4. To have been committed by an individual or individuals, as part of an effort to coerce the civilian populations of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- C. Section 102 (1)(B) of the Act states “no act shall be certified by the Secretary as an act of terrorism if:
1. The act is committed as part of the course of a war declared by the Congress, except that this clause shall not apply with respect to any coverage for workers' compensation; or
 2. Property and casualty insurance losses resulting from the acts, in the aggregate, do not exceed \$5,000,000.”
- D. The Act also contains a “program trigger” in Section 103(e)(1)(B), pursuant to which the federal government does not pay compensation for losses resulting from a certified act occurring after December 31, 2007, unless aggregate industry insured losses from such a certified act exceed a certain amount, or “trigger.” For insured losses occurring in 2008 and for all additional calendar years, the program trigger is \$100,000,000 through 2015, \$120,000,000 beginning on January 1, 2016, \$140,000,000 beginning on January 1, 2017, \$160,000,000 beginning on January 1, 2018, \$180,000,000 beginning on January 1, 2019, \$200,000,000 beginning on January 1, 2020 of aggregate industry insured losses.
- E. The Act does not apply to: crop or livestock insurance; private mortgage insurance or title insurance; financial guaranty insurance issued by monoline financial guaranty insurance corporations; insurance for medical malpractice; health or life insurance; flood insurance provided under the National Flood Insurance Act of 1968; commercial automobile insurance; burglary and theft insurance; surety insurance; professional liability insurance (except Directors and Officers Liability); or farm owners multiple peril insurance.
- F. Under the Act for calendar years through December 31, 2027, the federal government will reimburse the insurance company for 80% beginning on January 1, 2020 of its insured losses in excess of a deductible, until aggregate “insured losses” in any calendar year exceed \$100 billion. Each insurer's deductible will be 20% of its direct earned premium for property and casualty insurance (as reported on Page 14 of the company's Annual Statement), over the immediately preceding calendar year.

For the purposes of determining such deductibles, direct earned premium means only the premiums earned on the commercial lines property and casualty insurance covered by the Act for U.S. risks or vessels, aircraft and foreign missions outside the U.S. covered by the Act.

Neither the insurance company (having met its statutorily mandated share as described above) nor the federal government will be liable for payment of any portion of “insured losses” under the Act that exceeds \$100 billion in the aggregate during any calendar year.

IMPORTANT NOTICE:

- 1. The insurance policy that you are applying to purchase is being issued by an insurer that is not licensed by the State of California. These companies are called “nonadmitted” or “surplus line” insurers.**
- 2. The insurer is not subject to the financial solvency regulation and enforcement that apply to California licensed insurers.**
- 3. The insurer does not participate in any of the insurance guarantee funds created by California law. Therefore, these funds will not pay your claims or protect your assets if the insurer becomes insolvent and is unable to make payments as promised.**
- 4. The insurer should be licensed either as a foreign insurer in another state in the United States or as a non-United States (alien) insurer. You should ask questions of your insurance agent, broker, or “surplus line” broker or contact the California Department of Insurance at the toll-free number 1-800-927-4357 or internet website www.insurance.ca.gov. Ask whether or not the insurer is licensed as a foreign or non-United States (alien) insurer and for additional information about the insurer. You may also visit the NAIC’s internet website at www.naic.org. The NAIC—the National Association of Insurance Commissioners—is the regulatory support organization created and governed by the chief insurance regulators in the United States.**
- 5. Foreign insurers should be licensed by a state in the United States and you may contact that state’s department of insurance to obtain more information about that insurer. You can find a link to each state from this NAIC internet website: https://naic.org/state_web_map.htm.**

6. For non-United States (alien) insurers, the insurer should be licensed by a country outside of the United States and should be on the NAIC's International Insurers Department (IID) listing of approved nonadmitted non-United States insurers. Ask your agent, broker, or "surplus line" broker to obtain more information about that insurer.

7. California maintains a "List of Approved Surplus Line Insurers (LASLI)." Ask your agent or broker if the insurer is on that list, or view that list at the internet website of the California Department of Insurance: www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm.

8. If you, as the applicant, required that the insurance policy you have purchased be effective immediately, either because existing coverage was going to lapse within two business days or because you were required to have coverage within two business days, and you did not receive this disclosure form and a request for your signature until after coverage became effective, you have the right to cancel this policy within five days of receiving this disclosure. If you cancel coverage, the premium will be prorated and any broker's fee charged for this insurance will be returned to you.

Date: _____

Insured: _____

INSTRUCTIONS

SECTION 1: Please provide the full name, as it is written on the individual's California license, of the individual who performed or supervised the diligent search. If the search was performed under the individual's license number, enter the individual's California license number in section (A) or if the individual was authorized as an endorsee under an organizational license, enter the name of the organization and its California license number in section (B).

SECTION 3: Please provide a complete response to section (A), and if applicable to section (B). Note: The Insurance Commissioner or his designee may require the surplus line broker to conduct additional searches among admitted insurers for similar placements in the future. (California Insurance Code section 1763[b]) An incomplete response will be tagged and may unnecessarily result in a request for a further search to be conducted.

- **SECTION 3(A):** To avoid misidentification among insurers with similar names, please provide the complete name of the admitted insurer as listed in the California Department of Insurance (CDI) Official Publication of Admitted Companies and the insurance company's National Association of Insurance Commissioners (NAIC) number. Please include Insurer contact name and telephone number or email address, or if a website based quoting platform was used, enter the website name.

Please refer to the California Department of Insurance Official Publication of Admitted Companies.

https://interactive.web.insurance.ca.gov/apex_extprd/f?p=144:1

- **SECTION 3(B):** The detailed explanation in section 3(B) must include a description of the steps the broker took to determine whether three insurers write the type of insurance or risk and the reasoning for the determination. A conclusory statement is insufficient.

SIGNATURE: The Surplus Line Association of California (SLA) will accept a wet signature or a digital and electronic signature from the California Secretary of State's Approved List of Digital Signature Certification Authorities. Please refer to the following link:

<https://www.sos.ca.gov/administration/regulations/current-regulations/technology/digital-signatures/approved-certification-authorities/>

IMPORTANT: Persons who are licensed only as an agent are authorized to offer risks only to admitted insurers for which they are appointed agents (California Insurance Code section 1704). Agents are not authorized to offer a risk to admitted insurers for which they are not appointed agents. A search which is limited to only those companies that have appointed the agent may not necessarily constitute a diligent search of the admitted market.

WHAT TO FILE: This report must be filed along with the Confidential Report of Surplus Line Placement. (SL-1 Form). File this Form with signature, and, only if applicable, the Addendum.

WHERE TO FILE: The SL-1 Form and this report are to be filed by the surplus line broker with SLA within 60 days of placement of coverage with non-admitted insurer(s).

MULTIPLE LICENSEES CONDUCTING SEARCH: If two or more licensees conduct a diligent search of admitted insurers, then each licensee must complete a Diligent Search Report (SL-2 Form). All such reports should be attached to the SL-1 Form.

Please refer to the **Coverage Code List** and **Export Code List** under Resources on the Learning Center for the full list of coverages and their respective codes.

<https://learningcenter.slacal.com/resources/filing-requirements-and-procedures/coverage-codes>

<https://learningcenter.slacal.com/resources/filing-requirements-and-procedures/export-list-codes>

Before completing this report, please review the instructions on page 2.

I, _____, hereby submit that I performed or supervised this diligent search, and I am:

①

(A) licensed as an individual agent-broker for the applicable lines of insurance or surplus line broker under California license number _____; **OR**

(B) licensed and an endorsee on the license of _____
 (Full Name of Organization), California license number _____

②

(A) Name of Insured: _____

(B) Description of Risk: _____
 (e.g., Tattoo Parlor, Cannabis Dispensary, Vacant Building, **NOT TYPE OF COVERAGE**)

(C) Type of Insurance or Coverage Code: _____

Describe the diligent efforts made to place this coverage with admitted insurers by completing (A) or, if applicable, (B) below.

③

(A) List the insurers admitted in California who actually write the type of insurance described on lines 2(B) and 2(C) to which you or someone under your supervision submitted the risk described in lines 2(A) through 2(C). Please complete **ALL** sections of the table below.

INSURER ①		INSURER ②		INSURER ③	
NAIC ID	MONTH, YEAR OF DECLINATION	NAIC ID	MONTH, YEAR OF DECLINATION	NAIC ID	MONTH, YEAR OF DECLINATION
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
FULL NAME OF ADMITTED INSURER		FULL NAME OF ADMITTED INSURER		FULL NAME OF ADMITTED INSURER	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
CONTACT INFORMATION		CONTACT INFORMATION		CONTACT INFORMATION	
FULL NAME		FULL NAME		FULL NAME	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
PHONE / EMAIL		PHONE / EMAIL		PHONE / EMAIL	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
OR WEBSITE		OR WEBSITE		OR WEBSITE	
<input type="text"/>		<input type="text"/>		<input type="text"/>	

(B) If you did not list at least three insurers in 3(A) above, describe in detail how you determined that fewer than **THREE** admitted insurers write the type of insurance described on lines 2(B) and 2(C). _____

④

Is the type of insurance you are reporting as identified in line 2(C) **private passenger automobile liability or health**? Yes No

If you answered "yes," please complete the [Diligent Search Report Addendum](#).

The undersigned licensee hereby certifies that this report is true and correct, and that this risk is not being placed with a non-admitted insurer for the sole purpose of securing a rate or premium lower than the lowest rate or premium available from an admitted insurer.

 (Signature of Licensee Named on Line 1)

 (Date)



A D J U S T E R S , I N C

• CLAIMS ADMINISTRATORS • ADJUSTERS • INVESTIGATORS

Stanford Place I - 8055 East Tufts Avenue, Suite 600, Denver, CO 80237 – Ph: 877-533-1211

CLAIM CALL CENTER

**8055 E. Tufts Ave
Suite 600
Denver, CO 80237**

877-533-1211

**Adam Beltz– Ext 765
Reyleen Wood Ext 699
J. Mayer – Ext 664**

**Karen Zapata – Ext. 326
Subrogation Supervisor**

TO REPORT A NEW CLAIM OR LOSS

- **PHONE** **877-533-1211 Option 3
24 Hour Call Center**

- **E-MAIL** **networknewloss@networkadjusters.com**

**Borrego Springs Watermaster
Board of Directors Meeting
March 18, 2026
AGENDA ITEM IV.D**

To: Board of Directors
From: Andy Malone, Technical Consultant
Date: March 13, 2026
Subject: Consideration of Approval of TAC and EWG Meeting Agendas

-
- | | | |
|---|--|--|
| <input checked="" type="checkbox"/> Recommended Action | <input type="checkbox"/> Provide Direction to Staff | <input type="checkbox"/> Information and Discussion |
| <input type="checkbox"/> Fiscal Impact | <input type="checkbox"/> Cost Estimate: \$ | |
-

Recommended Action

1. Approve the agenda for the joint Technical Advisory Committee (TAC) – Environmental Working Group (EWG) meeting scheduled for April 8, 2026, with any recommended changes.
2. Approve the agenda for the next TAC meeting, with any recommended changes.

Fiscal Impact: None. TAC/EWG meetings were included in the approved Water Year (WY) 2026 budget.

Background and Previously Related Actions by the Board

The TAC and EWG meet at the direction of the Watermaster Board. The Board approved a specific scope of work and budget for the TAC and EWG to perform in WY 2026, which includes periodic meetings to coordinate work and discuss results.

Recommended Agenda for April 2026 Joint TAC-EWG Meeting

A joint TAC/EWG meeting is scheduled for Wednesday, April 8, 2026 from 10 am to 12 pm. The only agenda item will be to discuss the TAC/EWG recommendations for the Board based on TAC/EWG review of the UCI GDE Study Report and the Technical Consultant (TC) review of the report. Ahead of the meeting, the TC will compile and summarize all TAC/EWG feedback into a draft TAC/EWG Recommendation Report and circulate it for TAC/EWG review. At the meeting, the Technical Consultant will present a summary of the draft TAC/EWG Recommendation Report and facilitate discussion for a final recommendation to the Board on the GDE issue. The goal is to provide a final TAC/EWG Recommendation Report to the Board for its May 2026 Board meeting (along with the final TC Recommendation Report).

Recommended Agenda for April 2026 TAC Meeting

The next TAC meeting will be a virtual meeting scheduled for mid-to-late April 2026. The recommended agenda items are:

1. **5-Year GMP Assessment Report and GMP Update.** The TAC will discuss any final comments and recommendations on the draft 5-Year GMP Assessment Report and the draft GMP Update Report.
2. **WY 2027 Budget Discussion.** The TAC will discuss a recommendation for Watermaster's technical scope-of-work and budget for WY 2027. The recommendation will likely include elements of the Board-approved, multi-year scope-of-work to establish the 2030 Sustainable Yield. The TAC recommendations for a technical scope-of-work and budget for WY 2027 will be presented to the Watermaster Board at its May 20, 2026 meeting as part of its consideration of a draft WY 2027 budget.

**Borrego Springs Watermaster
Board of Directors Meeting
March 18, 2026
AGENDA ITEM IV.E**

To: Board of Directors
From: Samantha Adams, Executive Director
Date: March 13, 2026
Subject: Watermaster Staffing Approach for WY 2027 and Beyond

<input type="checkbox"/> Recommended Action	<input checked="" type="checkbox"/> Provide Direction to Staff	<input type="checkbox"/> Information and Discussion
<input type="checkbox"/> Fiscal Impact	<input type="checkbox"/> Cost Estimate: \$	

Recommended Action

Provide direction to Staff on the proposed process and schedule to proceed with evaluating Watermaster staffing for WY 2027 and beyond.

Background and Previously Related Actions by the Board

At its September 2025 Board meeting, upon approval of the WY 2026 Calendar Activities, the Board identified that because the West Yost contract was due to expire by December 31, 2026, it would be prudent to begin a process to determine if the Watermaster should go out bid for administrative/technical services for WY 2027 and beyond.

Since August of 2020, West Yost has provided administrative and technical services, with Samantha Adams serving as the Executive Director and Andy Malone, PG serving as the Technical Consultant. Samantha and Andy are supported by West Yost geologists, scientists, engineers, and accounting professionals to perform the range of technical and services administrative necessary to operate the Watermaster. The contract with West Yost was extended multiple times since 2020 and has a current contract end date of December 31, 2026.

Discussion

Staff recommends the following process for the Board to explore ongoing technical and administrative staffing options:

- April 2026:
 - Conduct Staff performance reviews and determine whether or not to proceed to go out to bid for services
 - If needed, direct Staff to prepare a Request for Proposal (RFP) and proceed with following steps
- May 2026: Review draft RFP and direct its release for bids

- June 2026: Receive and organize proposals for review and ranking by the Board
- July 2026: Discuss proposals and ranking, select candidates for interview, and conduct interviews
- August 2026:
 - Consider approval of contract for services
 - If firm/team other than West Yost is selected, begin transition of services
- September 2026: Review and approve staff transition plan (as needed)
- December 31, 2026: Complete staff transition

Next Steps

Staff is seeking Board input and feedback on the process and schedule to consider bidding for technical and administrative services.

Following the Board meeting, materials in support of the Staff performance reviews will be distributed to the Board.

To: Board of Directors
From: Andy Malone, Technical Consultant
Date: March 13, 2026
Subject: Technical Consultant Report – March 2026

OVERVIEW

The purpose of the monthly Technical Consultant (TC) Report is to share information with the Board on the status of technical efforts being performed, including those with guidance and input from the Technical Advisory Committee (TAC) and Environmental Working Group (EWG). Additional details and topics that may arise after publishing this report will be presented during the Board meeting.

At the March 18, 2026 Board meeting, I intend to report on the following topics:

- Status update: Review of the UCI GDE Study Report

REVIEW OF THE UCI GDE STUDY REPORT AS “BEST AVAILABLE SCIENCE”

On February 26, 2026, the TAC and EWG held a joint meeting to discuss the draft Technical Consultant (TC) Recommendation Report¹ on the UCI GDE Study Report as “best available science.” All meeting materials can be reviewed [here](#).²

The topics of discussion at the joint TAC-EWG meeting included:

- An opening statement on the UCI GDE Study Report by UCI authors, who were also given the opportunity to answer TAC/EWG questions throughout the meeting.
- Presentation by the TC to summarize its technical review of the UCI GDE Study Report as best available science (BAS). Main points covered by the TC:
 - The UCI GDE Study Report represents a significant scientific advancement in understanding of the Mesquite Bosque and indicates that at least portions of the Mesquite Bosque *could* still be functioning as a GDE, particularly in areas where groundwater is shallowest.
 - However, the TC concluded that critical data gaps exist—particularly the role of deep soil moisture in the vadose zone as a water supply for the Mesquite Bosque—preventing a determination that groundwater dependence is conclusively confirmed across the entire Mesquite Bosque, as represented in the UCI GDE Study Report.
 - The UCI GDE Study Report partially met the TC’s criteria/opinion of BAS, and that the data gaps identified must be filled before the Watermaster should consider establishing Sustainable Management Criteria (SMC) for groundwater levels or implementing management actions to address the Mesquite Bosque as a GDE.
 - Watermaster and the pumpers in the Basin are already implementing the most important management action that would benefit the Mesquite Bosque if it is a GDE—the rampdown of

¹ The TC Recommendation Report was distributed to the Board, TAC, and EWG on February 13, 2026 and can be viewed at this [link](#).

² <https://borregospringswatermaster.com/technical-advisory-committee-meetings/>

pumping (which is ahead of schedule) to eliminate Basin overdraft and stabilize groundwater levels.

- TAC and EWG discussion included:
 - Mark Jorgensen (EWG member) emphasized his opinion that the UCI GDE Study Report represents the best available science ever performed on the Mesquite Bosque; that “perched groundwater” is technically still groundwater; and that it may be difficult to obtain grant funding for additional studies.
 - Jan Hendrickx (AAWARE subconsultant) discussed his analysis using a water balance framework, where he determined the Mesquite Bosque does not meet the criteria for classification as a GDE under the applied framework.
 - Tom Watson (Ram’s Hill) described Aquilogic’s assessment of the UCI data which concluded that it was more likely than not that the Mesquite Bosque is not a GDE.
 - Sean Hartman (Ram’s Hill subconsultant) noted that UCI analysis of isotopic data from creosote bushes, which are not thought to be groundwater dependent, did not support the UCI conclusion that the Mesquite trees are groundwater dependent.
 - Leonardo Urrego-Vallowe (AAWARE) noted the uncertainty in Mesquite tree rooting depths.
 - John Peterson (TAC/EWG member) referenced the Clark Lake Valley comparison as a natural experiment showing differing vegetation responses under similar climate.
 - Trey Driscoll (BWD) recommended leveraging existing wells (WWTP and Berkovich) and remote sensing tools for monitoring and also suggested focusing on groundwater-level projections in Borrego Sink and integrating numerical groundwater model results.
 - Jim Bennett (County of San Diego) supported practical monitoring steps such as for groundwater levels and NDVI tracking that may not require grant funding.
- A closing statement by the UCI authors that re-emphasized the multiple lines of evidence that indicate GDE behavior and that mitigation/restoration should also be considered.
- A final public comment by David Garmon that BAS policy does not require all data gaps to be filled before determination and encouraged affirmation of the UCI report as BAS and thinks additional vegetation monitoring is needed.

Next steps were discussed including: a request for TAC/EWG comments on the TC Recommendation Report and recommendations for next steps; preparation of a draft TAC/EWG Recommendation Report; and the next TAC/EWG meeting scheduled for April 8, 2026.

The following table presents the full schedule of activities scoped to review the UCI GDE Study Report along with the current status of each activity.

Schedule	Activities	Status
November 2025	<ul style="list-style-type: none"> Review UCI GDE Study Report Review TAC/EWG comments on UCI GDE Study Report Coordinate with UCI/TAC/EWG 	<ul style="list-style-type: none"> Completed initial review of the UCI GDE Study Report. Received and reviewed all comments on the UCI GDE Study Report from TAC/EWG members, which currently include: County of San Diego, Borrego Water District, AAWARE, and the Community of Borrego Springs. Corresponded with the report authors from UCI to ask and answer questions on the report.
December 2025	<ul style="list-style-type: none"> Begin preparation of Draft TC Recommendation Report 	<ul style="list-style-type: none"> Completed
January 2026	<ul style="list-style-type: none"> Complete Draft TC Recommendation Report 	<ul style="list-style-type: none"> Completed. Draft report sent to TAC/EWG on February 13, 2026.
February 2026	<ul style="list-style-type: none"> TAC/EWG meeting to review Draft TC Recommendation Report Receive TAC/EWG feedback on Draft TC Recommendation Report 	<ul style="list-style-type: none"> Completed. A joint TAC/EWG meeting was held on February 26, 2026.
March 2026	<ul style="list-style-type: none"> Prepare Draft TAC/EWG Recommendation Reports based on TAC/EWG feedback 	<ul style="list-style-type: none"> In progress
April 2026	<ul style="list-style-type: none"> TAC/EWG meeting to discuss Draft TAC/EWG Recommendation Reports Prepare Draft Final TAC/EWG Recommendation Reports based on TAC/EWG feedback 	<ul style="list-style-type: none"> The joint TAC/EWG meeting is scheduled for April 8, 2026.
May 2026	<ul style="list-style-type: none"> Prepare Final TC and TAC/EWG Recommendation Reports Board meeting to discuss Final TC and TAC/EWG Recommendation Reports and recommended next steps 	<ul style="list-style-type: none"> Not yet started
June 2026	<ul style="list-style-type: none"> Board meeting to approve scope of work for next steps, if any, in WY 2026 - 2027 	<ul style="list-style-type: none"> Not yet started

At its February 18, 2026 meeting, the Watermaster Board requested monthly updates on the budget status to perform the approved scope of work to review the UCI GDE Study Report. The budget status as of February 28, 2026, including the total budget, amount spent to-date, and remaining budget, is shown on the budget tracking table on the next page.

WY 2026 Budget to Perform the Approved Scope of Work to Review the GDE Study Report

**Scope and budget approved by the Board at its November 3, November 19, and December 17 2025 meetings*

Task	Approved Budget	Billed to-date in WY 2026						Remaining Budget
		Oct-25	Nov-25	Dec-25	Jan-26	Feb-26 (DRAFT)	Total Spent	
Total	\$53,382	\$3,911.50	\$5,977.75	\$8,689.75	\$5,154.50	\$4,684.00	\$28,417.50	\$24,964.50
EWG Meetings and Address Ad Hoc Requests: <i>GDE Report Review</i>	\$37,640	\$3,911.50	\$5,977.75	\$8,689.75	\$5,154.50	\$4,684.00	\$28,417.50	\$9,222.50
Technical Work to Redetermine the 2030 Sustainable Yield	\$15,742	\$0	\$0	\$0	\$0	\$0	\$0	\$15,742

To: Board of Directors
From: Samantha Adams, Executive Director
Date: March 13, 2026
Subject: Executive Director Report – March 2026

Overview

The purpose of the monthly Executive Director (ED) Report is to share information with the Board on the status of key administrative items, including identifying recommended items for future discussion and action. At our March 18, 2026, Board meeting, I intend to report out on the following items. Some information for each item is provided herein, where available. Additional details and topics that arise after publishing this report may be presented during the meeting.

The March 2026 ED Report topics include:

- First Installment of Pumping Assessments for WY 2026
- Annual Meter Verifications
- Spring 2026 Semi-Annual Monitoring Event
- BPA and Party Updates

Status Updates

First Installment of Pumping Assessments for WY 2026

- The first installment invoices for the WY 2026 Pumping Assessments, totaling \$175,024, were issued in November 2025, with payments due by December 31, 2025.
- As of this writing, a total of \$173,746 has been received and the outstanding balance of payments past-due is \$1,458 (this accounts for checks received/deposited in February that are not reflected in the January Financials report).
- Reminders of past-due payments were sent to Parties the week of March 9th.

Annual Meter Verifications

- The Pumpers were notified in January to complete Annual Meter verifications. Of the 54 wells that require testing, 48 have been tested. Watermaster has not received confirmation of testing at 6 wells. Results for wells with completed testing are expected to be delivered in the next week and will be analyzed for compliance.

Spring 2026 Semi-Annual Monitoring Event

- The spring 2026 semi-annual monitoring event is scheduled for the week of April 27th. A summary of results is expected to be available for the June or July Board meeting.

BPA and Party Updates

- As a reminder from last month, staff received an early notification of a Party's intent to purchase BPA, if a seller can be identified. The Board directed staff to agendize a discussion on

the transfer approval process, specifically to advance the conversation on how to consider approval of transfers that result in a change to the location of pumping.

- There remains one Party that out of compliance with the Judgment and is not in contact with the Watermaster:
 - The current outstanding balance owed to Watermaster is now \$392.56.
 - The assumed annual pumping by this party is 1.20 acre-feet per year based on water-duty methods performed during the development of the GMP.

**Borrego Springs Watermaster
Board of Directors Meeting
March 18, 2026
AGENDA ITEM VI**

To: Board of Directors
From: Samantha Adams, Executive Director
Date: March 13, 2026
Subject: Establishing Agenda for April 15, 2026 Regular Board Meeting

Process

To set the April agenda, the Board will:

1. Review the initial April agenda topics planned by Staff, as listed below
2. Review the May and June tentative topics planned by Staff and previously requested items by Board members, as listed below
3. List out additional items that have arisen during the March 2026 Board meeting (such as during public comment)
4. Call on Directors to request additional items for consideration of inclusion on the April 2026 or other future agenda
5. Consider motion(s) to approve the agenda (the agenda can be approved in a single motion or multiple motions to cover each item). The Agenda/items are approved by majority vote (3 of 5 directors)

Staff's Initial Agenda for April Regular Meeting

The April 15, 2026 Regular meeting (held virtually) will include all standard items of: public correspondence, consent calendar (meeting minutes, financial reports, staff invoices, etc.), verbal Staff and Chair reports, establishing the agenda for the subsequent meeting, Board member comments, listing of future meeting dates, and adjournment. In addition to the standard items, the initial agenda planned by Staff for April 2026 includes the following business items for consideration and possible action:

1. 2nd Quarter WY 2026 Budget Status Review
2. WY 2027 Budget Scoping
 - a. Focus on where to reduce scope of work (such as Annual Report)
3. Transfers Approval Process
4. May 2026 TAC Meeting Agenda
5. Cost Recovery for De Minimis Well Applications

6. GMP Assessment and Workshop: Addressing Comments on 5-Yr Assessment Report and GMP Update
7. CLOSED SESSION: Personnel Review

Staff's Tentative Topics for May and June

May Agenda Topics

1. TAC/EWG Recommendations on GDE Next Steps
2. Report out from April TAC meeting
3. Review of Draft Water Year 2027 Budget
4. Review of Pumping-to-Date in WY 2026
5. GMP Assessment and Workshop: Revised 5-Yr Assessment Report and GMP Update

June Agenda Topics

1. Consideration of Approval of 5-Yr Assessment Report and GMP Update
2. Report out from May TAC meeting
3. Consideration of Approval of the WY 2027 Budget
4. Spring 2026 Semi-Annual Monitoring Report