

EXHIBIT C

RESERVES

In recognition of the long term benefits associated with certain OM&R activities, expenditures meeting the criteria established below shall be made from reserve funds accumulated for such purposes.

Reserve Categories:

Extraordinary OM&R

Major non-routine maintenance improvements, modifications, replacements or repairs with long term benefits, exceeding one year, that have a total cost greater than \$20,000, including labor and labor related costs (e.g., liner replacement, structure painting, road repairs/rehab, building and structure construction and/or remodeling, pump/generator rewinds and repairs).

Equipment and Vehicles:

Mobile or stationary equipment with a purchase price exceeding \$15,000 (e.g., pumps, compressors, trailers, generators, motors, control mechanisms);

Heavy equipment with a purchase price exceeding \$20,000 (e.g., dump trucks, cranes, loaders, excavators, motor graders, forklifts, tractors, belly dumps);

Passenger/utility vehicles with a purchase price exceeding \$15,000 (e.g., sedans, pickups, utility vehicles, vans); and Office and electronic equipment and computer software with an annual aggregate purchase price exceeding \$20,000 (e.g., computers and peripherals, copiers, printers, telecommunications, radios, electronic instrumentation-excepting replacement parts, upgrades or peripherals with a purchase price of less than \$1,000, e.g., monitors, modems, keyboards, hard drives, RAM, mother boards, printer drums, repairs)

Emergency Reserves:

As mandated per Article 13 of the General Form Agreement for the Transfer of the Operation, Maintenance, and Replacement, and Certain Financial and Administrative Activities of the Delta-Mendota Canal and Related Works, between the United States Department of Interior Bureau of Reclamation and the San Luis & Delta-Mendota Water Authority.

Other:

As may be recommended for the OM&R of the Project Facilities by the Finance Committee and determined as necessary and approved by the Board of Directors of the San Luis & Delta-Mendota Water Authority

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RESERVE CRITERIA

In recognition of the long-term benefits associated with certain OM&R activities, expenditures meeting the criteria established below will be made from Reserve funds accumulated for such purposes, consistent with Section VI.F. of the SLDMWA OM&R Cost Recovery Plan.

1. Reserve Categories:

A. Major Non-Routine Maintenance/Extraordinary OM&R:

- i. Major non-routine maintenance improvements, modifications, replacements, or repairs, additions, or modernizations with long term benefits, exceeding one year, that have a total cost greater than **\$60,000**, including labor and labor related costs for projects identified on the Ten-Year Plan.
- ii. For any Extraordinary OM&R project for which SLDMWA's estimated total project cost is greater than 50% of the current year's routine OM&R Budget, excluding power and Reserves costs, the Planning Committee will review, evaluate, and establish a recommendation for the allocation of costs of any Extraordinary OM&R project.

B. Equipment: Replacement of mobile/stationary equipment and heavy equipment identified on the Ten-Year Plan with a total replacement cost greater than **\$30,000**.

Equipment types and examples are as follows:

- i. Heavy Equipment (Off-Road – Unlicensed): Motor graders, loaders, backhoes, excavators, dozers, skid-steers, cranes, tractors, implements (i.e., discs, mowers, etc.), man-lifts, forklifts, etc.
- ii. Heavy Equipment (On-Road – Licensed): Truck/tractors, spray trucks, dump trucks, water trucks, boom trucks, utility trucks heavier than 1.5 ton, heavy transport trailers, tilt trailers, flatbed trailers, trailer-mounted pumps/generators/compressors, belly dump trailers, etc.
- iii. Shop Support Stationary Equipment: Machine Shop equipment, Electric Shop test equipment, Vehicle Maintenance Shop equipment, Sandblast and

Paint Shop equipment, etc.

- C. Vehicles: Replacement of light passenger/utility vehicles identified on the Ten-Year Plan that have a total replacement cost (including labor) greater than **\$25,000** (e.g., sedans, pickups, utility vehicles, vans, etc.).
- D. Office & Computer/Network Equipment: Replacement of office and electronic equipment and computer software identified on the Ten-Year Plan with an annual aggregate replacement cost greater than **\$20,000**.
- E. Facility Infrastructure Rehabilitation/Replacement: Improvement, modification, replacement, repair, addition, or modernization projects on the SLDMWA Project Facilities identified on the Ten-Year Plan that have a total cost greater than **\$30,000**, including labor and labor-related costs. The typical types of projects for this category, include but are not limited to:
- i. Roofing Systems repair or replacement,
 - ii. Building Interior/Exterior Components repair, remodel/upgrade,
 - iii. Building HVAC Systems replacement,
 - iv. Building Electrical & Communication Systems modernization,
 - v. Building Plumbing Systems replacement,
 - vi. Building/Facility Fire Protection & Security Systems replacement/modernization,
 - vii. O&M Shop Support Equipment/Systems replacement/modernization, and
 - viii. Facility Pavement & Grounds repairs/replacement & upgrades.
- F. Supervisory Control and Data Acquisition (SCADA): Improvements, modifications, replacements, repairs, additions, or modernizations of SCADA system and associated hardware and software identified on the Ten-Year Plan with a total replacement cost (including labor) greater than **\$35,000**.
- G. NOTES:
- i. Each Reserve Category requires the development and management of a

specific Ten-Year Plan for the category's replacement, additions, rehabilitation, and modernization needs.

- ii. These cost thresholds will apply beginning on the Effective Date of the Cost Recovery Plan. Prospectively, during the annual budget development process, staff will work with the OM&R Technical Committee to evaluate any necessary increases to the cost thresholds, utilizing the USBR Operations and Maintenance Cost Index and other available tools.

2. Emergency Reserves: SLDMWA will establish and maintain an Emergency Reserve Fund consistent with Article 14 of the SLDMWA Transfer Agreement.

3. Other: The Finance & Administration Committee may recommend necessary changes to the Reserve Categories or the accumulation of additional Reserve funds (e.g. to fund debt/financed OM&R Costs).

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