



AGENDA

Engineering and Operations Committee Meeting

**Board Room
3707 Old Highway 395
Fallbrook, CA 92028**

**Tuesday, August 4, 2026
1:00 PM**

- 1. CALL TO ORDER – Directors Irvine and Hoffman**
(Hamilton - Alternate)
- 2. PUBLIC COMMENT**
- 3. DISCUSSION ITEMS**
 - A. Termination of the District's Water Tank Maintenance Contract and Addenda with USG Water Solutions (Districtwide)
 - B. Status Update on the Existing Morro Tank
 - C. Notice Of Completion and Acceptance of the Paving Restoration for the La Canada Road Pipeline Replacement Project (Division 3)
 - D. Eagles Perch Project Update
- 4. ADJOURN**

ATTEST TO POSTING:

/s/Terese Quintanar
Terese Quintanar
Secretary of the Board

7/28/2026 10:39 AM
Date and Time of Posting
Outside Display Cases

Rainbow Municipal Water District (RMWD) provides remote attendance options solely as a matter of convenience to the public. RMWD will not stop or suspend its in-person public meeting should a technological interruption occur with respect to the Zoom or call-in line listed on the agenda. We encourage members of the public to attend meetings in person at 3707 Old Highway 395, Fallbrook, CA 92028, or remotely utilizing the options below:

For Online Participation:

Go to: <https://rainbowmwd.zoom.us/j/84694737361>

If members of the public attending virtually would like to ask a question or make a comment on any item listed on this agenda, please utilize the "Raise Hand" button, located at the bottom of the screen. We will be alerted that they would like to speak. When called upon, please unmute the microphone and ask the question or make comments in no more than three minutes.

For Call-in Only:

Call: (669) 900-6833, or (669) 444-9171, or
(309) 205-3325, or (312) 626-6799, or
(564) 217-2000, or (689) 278-1000
Meeting ID: 846 9473 7361

*Those who have joined by dialing a number on their telephone can dial *9 to alert us of a request to speak and *6 to unmute, once called upon by the presiding officer.*

In accordance with the requirements of California Government Code Section 54954.2, this agenda has been posted at the District's Administrative offices not less than 72 hours prior to the meeting date and time above. All public records relating to each agenda item, including any public records distributed less than 72 hours prior to the meeting to all, or a majority of all, of the members of the District's Board, are available for public inspection in the office of the District Secretary, 3707 Old Highway 395, Fallbrook, CA 92028

If you have special needs because of a disability that makes it difficult for you to participate in the meeting or you require assistance or auxiliary aids to participate in the meeting, please contact the District Secretary (760) 728-1178 by at least noon on the Friday preceding the meeting. The District will attempt to make arrangements to accommodate your disability.

BOARD ACTION

BOARD OF DIRECTORS

August 18, 2026

SUBJECT

CONSIDER TERMINATION OF THE DISTRICT'S WATER TANK MAINTENANCE CONTRACT AND ADDENDA WITH USG WATER SOLUTIONS (DISTRICTWIDE)

BACKGROUND

Rainbow Municipal Water District (District) entered into an agreement for annual tank maintenance and inspection with Utility Services Company Inc. (USC) in December 2003 (see attached contract). The annual work included maintaining interior and exterior tank coatings for corrosion prevention and alternating visual inspections and washdowns for the District's 12 welded steel tanks. A 2010 addendum to the agreement extended the expiration date to June 30, 2016. Since then, the agreement has been renewed on a yearly basis for maintenance, rehabilitation, and inspection services. From 2003 to present day, Utility Services Company Inc. has changed its name multiple times due to acquisition and/or restructuring. USC became Suez, then Veolia, and most recently USG Water Solutions (USG).

In 2015, the District and USC entered into an additional 10-year agreement for annual maintenance and inspection for the 6.0 million gallon (MG) pre-stressed concrete Pala Mesa tank, which was not included in the original 2003 agreement. In 2018, the Board approved an addendum to the original agreement for the construction of tank safety improvements. The safety improvements included the construction of metal stairways to the sides of the tanks and the installation of railing systems around the tops of the tanks. The fall prevention work was scheduled to be completed over a seven-year period.

Subsequent to approval of the 2018 addendum, District staff identified 10 tanks that needed additional security upgrades. The recommended work included the construction of security caging/fencing at the base of the newly installed stairways, and new electrical conduits. The proposed work would be completed over a five-year period. The Board approved the 2020 addendum at the August 2020 meeting.

In 2024, staff met with USG to assess the status of the program and the possibility of moving the work in-house. A review of the 20 plus years of the agreement, staff noted the following conclusions:

1. The exterior of the tanks have been maintained in good condition throughout the course of the contract. The anticipated schedule for rehabilitation in the original contract (exterior re-coating every eight to nine years) has been generally adhered to either through exterior touch-ups or full recoats.
2. The visual inspections of the tanks have been frequent and generally adequate. However, Operations staff has identified certain omissions of maintenance issues in the inspection reports provided to the District by USG.
3. The washdowns have been adequate, but less regular than the visual inspections and the scheduling appears to be somewhat sporadic.

4. The interior re-coatings have been deferred much longer than anticipated in the original contract agreement, for the larger steel tanks (4.0MGs and larger), which make up the most significant cost associated with tank maintenance. The contract estimated an interior coating life cycle of 10 to 11 years; however, the actual interior recoating schedule is averaging 16.6 years between coatings. Deferring interior coatings has the potential for significant long-term costs due to the high potential for corrosion of the tank structure and reduced service life of the tank itself.

At the August 2024 Board meeting, staff presented options to terminate the contract with USG or negotiate new terms to address the District's concerns. The Board approved termination if the negotiations failed. Following months of meetings, the District and USG were able to come to acceptable terms to address the District's concerns and schedule of work. The amendment provided a four (4) year schedule to recoat the interiors of eight (8) tanks. Of the existing twelve (12) steel tanks, these tanks have been deferred the longest. The amendment further adds an annual meeting to discuss the proposed schedule, and language to how the tanks must be coated. The agreement continued to be year-to-year with the anniversary date on December 10th. At the November 2024 meeting, the Board approved an amended agreement to continue tank maintenance with USG.

DESCRIPTION

Since issuing an extension of the maintenance agreement in 2024, USG has failed to meet construction schedule and provide adequate reports for inspections.

As part of staff's analysis, cost comparisons were developed to assess any benefit to either extending the tank maintenance contract or cancelling the contract and taking over the work in-house. As summarized in the table below, the cost analysis estimates the District would save nearly \$4M over the 15-year rehabilitation period by bringing the tank maintenance and rehabilitation in-house.

Contract Maintenance Cost	District Maintenance Cost*	Estimate District Savings*
\$16,040,000	\$12,340, 000	\$3,700,000

Note: Both Contract and District Maintenance costs include 5% annual escalation
Includes funding allocation for NACE certification of District Inspector and outside services related to coatings specifications preparation

In addition, over the next four years, the District would retain approximately \$3.2M in revenue to accelerate interior tank coatings that continue to be deferred by USG. Accelerating preventative maintenance and rehabilitation of these tanks lowers future costs by minimizing metal loss/deterioration of the existing structure. Staff is well positioned to take on this task. Engineering staff would lead the planning, scheduling, and oversight of major rehabilitation efforts utilizing a specialty coatings contractor (via competitive bid) for interior or exterior re-coating work as needed. Operations staff is prepared to assume the washdown and inspection responsibilities, which are required for each tank every three to five years. Alternatively, a re-negotiated contract with USG or other qualified vendor could be pursued.

Should the Board favor termination of the agreement, the following are the provisions to do so:

"This contract is subject to cancellation by the Owner only if intent to cancel is received by the Company ninety (90) days prior to the anniversary date. Notice of Cancellation is to be delivered by registered mail and signed by three (3) authorized voting officials of the Owner's management and/or Commissioners."

The anniversary date for the original agreement is December 10th. If the District intends to terminate the contract, notification must be received by USG no later than September 10th. Both the 2018 and 2020 agreement addenda apply to the original agreement terms and conditions to cancelations. The 2015

Pala Mesa agreement has a similar cancellation provision; however, Pala Mesa has an anniversary date of April 1st. It is staff's recommendation to terminate all agreements with USG in September 30, 2026, and assume tank maintenance and rehabilitation activities.

The original payout terms for early cancelation of the original agreement expired in 2016, and the agreement has been on a year-to-year basis. No remaining agreement balances will be assessed to cancel the agreement. For the 2015 agreement (Pala Mesa Tank), 2018 and 2020 addenda, the remainder of the agreement fees must be paid to USG within 30 days of cancellation. The remaining balance due to USG is \$228,257.63 as of June 30, 2026.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Four: Fiscal Responsibility

ENVIRONMENTAL

In accordance with California Environmental Quality Act (CEQA) guidelines Section 15378, the action before the Board does not constitute a "project" as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

1) Option 1:

- Approve termination of the current tank maintenance contract and addenda with USG Water Solutions, and instruct three (3) Board members to sign the notice of termination. Authorize the District to pay out the remaining balances on the 2018 and 2020 Addenda, and the remaining balance on the Pala Mesa Maintenance Agreement for an amount not-to-exceed the current balance of \$228,257.63.
- Make a finding that the action before the Board does not constitute a "project" as defined by CEQA.

2) Option 2:

- Provide other direction to staff.

STAFF RECOMMENDATION

Staff recommends Option 1.



Chad Williams
Engineering & CIP Manager

08/18/2026

Attachment(s):

1. Original 2003 Agreement
2. Draft Termination Letter



COPY

**RAINBOW MUNICIPAL WATER DISTRICT
3707 S. HIGHWAY 395, FALLBROOK, CALIFORNIA 92028
TELEPHONE: (760) 728-1178 FAX: (760) 728-2575**

MAINTENANCE CONTRACT

AGREEMENT

THIS AGREEMENT is made on this 10th day of December, 2003, by and between RAINBOW MUNICIPAL WATER DISTRICT OF SAN DIEGO COUNTY, a public agency of the State of California, with its headquarters at Fallbrook, California, hereinafter designated as the "District" and Utility Service Co., Inc., located at 5618 W. 79th Street, Los Angeles, CA 90045 represented by Steven E. Bishop, hereinafter designated as the "Contractor", Telephone: (310) 649-5573.

Project Description – Provide labor and materials to maintain twelve (12) steel water tanks. Scope and fee attached as Exhibit "A". All work to be performed in accordance with Exhibit "A", and Exhibit "B".

Workers' Compensation Insurance - By his/her signature hereunder, Contractor certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing the performance of the work of this agreement.

Indemnification - To the fullest extent permitted by law, Contractor shall indemnify and hold harmless and defend Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers, and each of them from and against:

- a. Any and all claims, demands, causes of action, damages, costs, expenses, losses or liabilities, in law or in equity, of every kind or nature whatsoever for, but not limited to, injury to or death of any person including Rainbow Municipal Water District and/or Contractor, or any directors, officers, employees, or authorized volunteers of Rainbow Municipal Water District or Contractor, and damages to or destruction of property of any person, including but not limited to, Rainbow Municipal Water District and/or Contractor or their directors, officers, employees, or authorized volunteers, arising out of or in any manner directly or indirectly connected with the work to be performed under this agreement, however caused, regardless of any negligence of Rainbow Municipal Water District or its directors, officers, employees, or authorized volunteers, except the sole negligence or willful misconduct or active negligence of Rainbow Municipal Water District or its directors, officers, employees, or authorized volunteers;

- b. Any and all actions, proceedings, damages, costs, expenses, penalties or liabilities, in law or equity, of every kind or nature whatsoever, arising out of, resulting from, or on account of the violation of any governmental law or regulation, compliance with which is the responsibility of Contractor;
- c. Any and all losses, expenses, damages (including damages to the work itself), attorneys' fees, and other costs, including all costs of defense, which any of them may incur with respect to the failure, neglect, or refusal of Contractor to faithfully perform the work and all of the Contractor's obligations under the agreement. Such costs, expenses, and damages shall include all costs, including attorneys' fees, incurred by the indemnified parties in any lawsuit to which they are a party.

Contractor shall defend, at Contractor's own cost, expense and risk, any and all such aforesaid suits, actions, or other legal proceedings of every kind that may be brought or instituted against Rainbow Municipal Water District or its directors, officers, employees, or authorized volunteers.

Contractor shall pay and satisfy any judgment, award or decree that may be rendered against Rainbow Municipal Water District or its directors, officers, employees, or authorized volunteers, in any and all such suits, actions, or other legal proceedings.

Contractor shall reimburse Rainbow Municipal Water District or its directors, officers, employees, or authorized volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided.

Contractor's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the Rainbow Municipal Water District, or its directors, officers, employees, or authorized volunteers.

GENERAL CONDITIONS

Laws, Regulations and Permits - The Contractor shall give all notices required by law and comply with all laws, ordinances, rules and regulations pertaining to the conduct of the work. The Contractor shall be liable for all violations of the law in connection with work furnished by the Contractor. If the Contractor observes that the drawings or specifications are at variance with any law or ordinance, rule or regulation, he/she shall promptly notify the Rainbow Municipal Water District engineer in writing and any necessary changes shall be made by written instruction or change order. If the Contractor performs any work knowing it to be contrary to such laws, ordinances, rules or regulations and without giving notice to the Rainbow Municipal Water District engineer, the Contractor shall bear all costs arising therefrom.

Safety - The Contractor shall execute and maintain his/her work so as to avoid injury or damage to any person or property. The Contractor shall comply with the requirements of the specifications relating to safety measures applicable in particular operations or kinds of work.

In carrying out his/her work, the Contractor shall at all times exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed, and be in compliance with all applicable federal, state and local statutory and regulatory requirements including California Department of Industrial Relations (Cal/OSHA) regulations; and the U.S.

Department of Transportation Omnibus Transportation Employee Testing Act. Safety precautions, as applicable, shall include but shall not be limited to: adequate life protection and life saving equipment; adequate illumination; instructions in accident prevention for all employees, such as the use of machinery guards, safe walkways, scaffolds, ladders, bridges, gang planks, confined space procedures, trenching and shoring, fall protection, and other safety devices; equipment and wearing apparel as are necessary or lawfully required to prevent accidents, injuries, or illnesses; and adequate facilities for the proper inspection and maintenance of all safety measures.

The Contractor shall be responsible for the safeguarding of all utilities. At least two working days before beginning work, the Contractor shall call the Underground Service Alert (USA) in order to determine the location of sub-structures. The Contractor shall immediately notify the Rainbow Municipal Water District and the utility owner if he/she disturbs, disconnects, or damages any utility.

In accordance with Section 6705 of the California Labor Code, the Contractor shall submit to the Rainbow Municipal Water District specific plans to show details of provisions for worker protection from caving ground during excavations of trenches of five feet or more in depth. The excavation/trench safety plan shall be submitted to and accepted by the Rainbow Municipal Water District prior to starting excavation. The trench safety plan shall have details showing the design of shoring, bracing, sloping or other provisions to be made for worker protection from the hazard of caving ground. If such a plan varies from the shoring system standards established by the Construction Safety Orders of the California Department of Industrial Relations (Cal/OSHA), the plan shall be prepared by a California registered civil or structural engineer. As part of the plan, a note shall be included stating that the registered civil or structural engineer certifies that the plan complies with the Cal/OSHA Construction Safety Orders, or that the registered civil or structural engineer certifies that the plan is not less effective than the shoring, bracing, sloping or other provisions of the Safety Orders. In no event shall the Contractor use a shoring, sloping, or protective system less effective than that required by said Construction Safety Orders. Submission of this plan in no way relieves the Contractor of the requirement to maintain safety in all areas. If excavations or trench work requiring a Cal/OSHA permit are to be undertaken, the Contractor shall submit his/her permit with the excavation/trench work safety plan to the Rainbow Municipal Water District before work begins.

The names and telephone numbers of at least two medical doctors practicing in the vicinity and the telephone number of the local ambulance service shall be prominently displayed adjacent to telephones.

Commercial General Liability and Automobile Liability Insurance - The Contractor shall provide and maintain the following commercial general liability and automobile liability insurance:

Coverage - Coverage for commercial general liability and automobile liability insurance shall be at least as broad as the following:

1. Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001)
2. Insurance Services Office (ISO) Business Auto Coverage (Form CA 0001), covering Symbol 1 (any auto)

Limits - The Contractor shall maintain limits no less than the following:

1. General Liability - One million dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit or products-completed operations aggregate limit is used, either the general aggregate limit shall apply separately to the project/location (with the ISO CG 2503, or ISO CG 2504, or insurer's equivalent endorsement provided to the Rainbow Municipal Water District) or the general aggregate limit and products-completed operations aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability - One million dollars (\$1,000,000) for bodily injury and property damage each accident limit.

Required Provisions - The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The Rainbow Municipal Water District, its directors, officers, employees, and authorized volunteers are to be given insured status (via ISO endorsement CG 2010, CG 2033, or insurer's equivalent for general liability coverage) as respects: liability arising out of activities performed by or on behalf of the Contractors; products and completed operations of the Contractor; premises owned, occupied or used by the Contractor; and automobiles owned, leased, hired or borrowed by the Contractor. The coverage shall contain no special limitations on the scope of protection afforded to the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers.
2. For any claims related to this project, the Contractor's insurance shall be primary insurance as respects the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers. Any insurance, self-insurance, or other coverage maintained by the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers shall not contribute to it.
3. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers.
4. The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
5. Each insurance policy required by this agreement shall state, or be endorsed to state, that coverage shall not be canceled by the insurance carrier or the Contractor, except after thirty (30) days (10 days for non-payment of premium) prior written notice by U.S. mail has been given to the Rainbow Municipal Water District.

Such liability insurance shall indemnify the Contractor and his/her sub-contractors against loss from liability imposed by law upon, or assumed under contract by, the Contractor or his/her sub-contractors for damages on account of such bodily injury (including death), property damage, personal injury, completed operations, and products liability.

The general liability policy shall cover bodily injury and property damage liability, owned and non-owned equipment, blanket contractual liability, completed operations liability, explosion, collapse, underground excavation, and removal of lateral support.

The automobile liability policy shall cover all owned, non-owned, and hired automobiles.

All of the insurance shall be provided on policy forms and through companies satisfactory to the Rainbow Municipal Water District.

Deductibles and Self-Insured Retentions - Any deductible or self-insured retention must be declared to and approved by the Rainbow Municipal Water District. At the option of the Rainbow Municipal Water District, the insurer shall either reduce or eliminate such deductibles or self-insured retentions.

Acceptability of Insurers - Insurance is to be placed with insurers having a current A.M. Best rating of no less than A:VII or equivalent or as otherwise approved by the Rainbow Municipal Water District.

Workers' Compensation and Employer's Liability Insurance - The Contractor and all sub-contractors shall insure (or be a qualified self-insured) under the applicable laws relating to workers' compensation insurance, all of their employees working on or about the construction site, in accordance with the "Workers' Compensation and Insurance Act", Division IV of the Labor Code of the State of California and any Acts amendatory thereof. The Contractor shall provide employer's liability insurance with limits of no less than \$1,000,000 each accident, \$1,000,000 disease policy limit, and \$1,000,000 disease each employee.

Responsibility for Work - Until the completion and final acceptance by the Rainbow Municipal Water District of all the work under and implied by this agreement, the work shall be under the Contractor's responsible care and charge. The Contractor shall rebuild, repair, restore and make good all injuries, damages, re-erections, and repairs occasioned or rendered necessary by causes of any nature whatsoever.

The Contractor shall provide and maintain builder's risk insurance (or installation floater) covering all risks of direct physical loss, damage or destruction to the work in the amount specified in the General Conditions, to insure against such losses until final acceptance of the work by the Rainbow Municipal Water District. Such insurance shall insure at least against the perils of fire and extended coverage, theft, vandalism and malicious mischief, and collapse.¹ The Rainbow Municipal Water District, its directors, officers, employees, and authorized volunteers shall be named insureds on any such policy. The making of progress payments to the Contractor shall not be construed as creating an insurable interest by or for the Rainbow Municipal Water District or be construed as relieving the Contractor or his/her subcontractors of responsibility for loss from any direct physical loss, damage or destruction occurring prior to final acceptance of the work by the Rainbow Municipal Water District.

¹ Addition of earthquake and flood should be considered if loss potential from these perils is significant.

The Contractor shall waive all rights of subrogation against the Rainbow Municipal Water District, its directors, officers, employees, or authorized volunteers.

Evidences of Insurance - Prior to execution of the agreement, the Contractor shall file with the Rainbow Municipal Water District a certificate of insurance (Acord Form 25-S or equivalent) signed by the insurer's representative evidencing the coverage required by this agreement. Such evidence shall include an additional insured endorsement signed by the insurer's representative and evidence of waiver of rights of subrogation against the Rainbow Municipal Water District (if builder's risk insurance is applicable). Such evidence shall also include confirmation that coverage includes or has been modified to include Required Provisions 1-5.

The Contractor shall, upon demand of the Rainbow Municipal Water District, deliver to the Rainbow Municipal Water District such policy or policies of insurance and the receipts for payment of premiums thereon.

Continuation of Coverage - If any of the required coverages expire during the term of this agreement, the Contractor shall deliver the renewal certificate(s) including the general liability additional insured endorsement and evidence of waiver of rights of subrogation against the Rainbow Municipal Water District (if builder's risk insurance is applicable) to the Rainbow Municipal Water District at least ten (10) days prior to the expiration date.

Sub-Contractors - In the event that the Contractor employs other contractors (sub-contractors) as part of the work covered by this agreement, it shall be the Contractor's responsibility to require and confirm that each sub-contractor meets the minimum insurance requirements specified above.

Note: This agreement is binding on the assigns of the District and on the assigns, successors and representatives of the District and the Contractor.

RAINBOW MUNICIPAL WATER DISTRICT
OF SAN DIEGO COUNTY

CONTRACTOR:



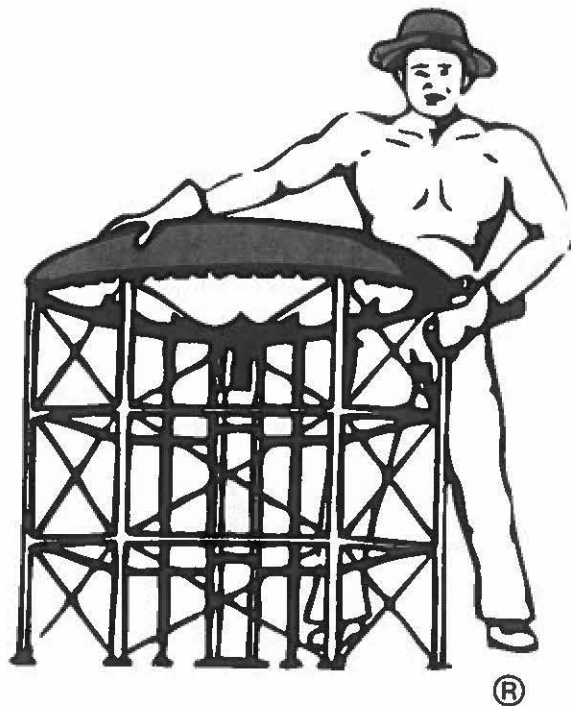
Name G.L. ENSMINGER
Title General Manager
Date 12/10/03

BY 

NAME JEFF GEORGE
TITLE Vice President
DATE 12/10/03

UTILITY SERVICE co., inc.

WATER TANK MAINTENANCE CONTRACT

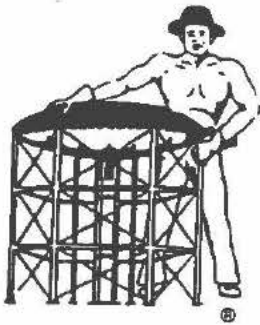


Owner RAINBOW MUNICIPAL WATER DISTRICT

Tank Size TWELVE [12] TANKS

Location FALLBROOK, CALIFORNIA

Date NOVEMBER 17, 2003



UTILITY SERVICE co., inc.

535 Courtney Hodges Blvd.
P.O. Box 1354 • Perry, GA 31069

Phone (478) 987-0303
(800) 223-3695

Fax (478) 987-2991
www.utilityservice.com

WATER TANK MAINTENANCE CONTRACT

This agreement entered into, by, and between Rainbow Municipal Water District hereinafter known as the Owner, and Utility Service Co., Inc. hereinafter known as the Company.

The Owner agrees to employ the Company to provide the professional service needed to maintain its Twelve [12] Water Tanks located at Fallbrook, California.

This agreement binds the Company to total responsibility for the care and maintenance of the above described water storage tanks. Care and maintenance shall include but not be limited to the following:

The Company will annually inspect and service the tanks beginning in the year 2003. The tanks and towers will be thoroughly inspected to ensure that the structures are in a sound, water tight condition.

Biennially, beginning with the first washout/inspection in See Attached Schedule, the tanks will be completely drained and cleaned to remove all mud, silt, and other accumulations that might be harmful to the tanks or their contents. This cleaning will utilize high pressure equipment with chemical injection. After cleaning is completed, the interior will be thoroughly inspected and disinfected prior to returning to service.

The Company shall furnish all specialized services including engineering and inspection services needed to carry out any and all repairs to the tanks and towers needed during the term of this contract. These repairs include steel replacement, steel parts, expansion joints, water level indicators, sway rod adjustments, manhole covers/gaskets, and other component parts of the tanks or towers.

The Company will clean and repaint the interior and/or exterior of the tanks at such time as complete repainting is needed. The need for interior painting is to be determined by the thickness of the existing liner and its protective condition. The need for exterior painting is to be determined by the appearance and protective condition of the existing paint.

When painting is needed, all products and procedures will be equal to or exceed the requirements of the San Diego Air Pollution Control District, the American Water Works Association, and the Steel Structures Painting Council as to surface preparation, coating materials, and disinfection.

When interior renovation is needed, procedures as outlined in A.W.W.A.-D102 specifications for cleaning and coating of potable water tanks will be followed. Only material approved for use in potable water tanks will be used on any interior surface area.

At the time the exterior requires painting, the Company agrees to utilize a coating system which best suits the site conditions, environment, and general location of the tanks.

The Company will install an anti-climb device on the access ladder to prevent unauthorized persons from climbing the towers.

A lock will be installed on the roof hatch of the tanks to prevent any unauthorized entry to the water tanks. Keys to the tanks will be retained by the Owner and the Company.

The Company will provide emergency service to handle any problems with the tanks at no additional cost to the Owner. Reasonable travel time must be allowed for the repair unit to reach the tank site.

The Company will furnish relief valves, if needed, to install in the water system so the Owner can pump direct and maintain water pressure while the tanks are being serviced.

The Company will furnish current certificates of insurance coverage to the Owner at the time any work is performed or upon renewal of any policy.

The Owner shall have the right to continue this contract for an indefinite period of time providing the annual fee is paid in accordance with the terms of payment. The annual base fee for the twelve [12] tanks is established at \$715,000.00 during the initial ten [10] years of the Maintenance Program due to upfront renovations completed in Year 1 through Year 4. The annual fee in Years 11 and 12 is established at \$508,672.00.

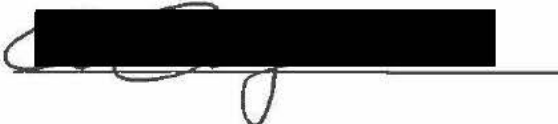
In year 2015 and each third year thereafter, the annual fee will be adjusted to reflect the current cost of service. The adjustments, either up or down, shall be limited to a maximum of 5% annually. The adjustment is based off of the established base fee of \$508,672.00.

It is agreed that future mandated environmental, health, or safety requirements which cause significant changes in the cost of tank maintenance will be just cause for modification of this agreement. The Company is accepting these tanks under program based upon existing structure and components [ANY MODIFICATIONS TO THE TANKS, INCLUDING ANTENNA INSTALLATIONS, SHALL BE APPROVED BY UTILITY SERVICE CO., INC. PRIOR TO IMPLEMENTATION AND MAY WARRANT AN INCREASE IN THE ANNUAL FEE]. This contract does not include the cost for containment or disposal of any hazardous waste materials, nor resolution to operational problems due to cold weather, Acts of God, or other conditions which are beyond the Owners and Company control.

This contract is subject to cancellation by the Owner only if intent to cancel is received by the Company ninety [90] days prior to the anniversary date. Notice of Cancellation is to be delivered by registered mail and signed by three [3] authorized voting officials of the Owner's management and/or Commissioners.

This Agreement signed this 10TH day of December, 2003.

OWNER:

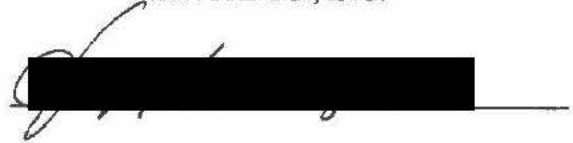


by G.L. Ensminger, G.M.
title

witness 

seal:

UTILITY SERVICE CO., INC.



by Jeff George, Vice President
title

witness 

seal:

Addenda to Contract Number Twelve [12] Tanks, Dated 11-17-03

No. 1

PAYMENT TERMS: *All applicable taxes are the responsibility of the Owner and in addition to the stated costs and fees in this contract.* The annual fee shall be due and payable quarterly at \$178,750.00. The first quarterly fee is due November 1, 2003.

No. 2

Should the Owner elect to cancel the contract prior to the tenth year anniversary, any outstanding balance for completed work is due and payable within thirty [30] days of cancellation.

Owner

by

date

witness

Utility

date

witness

The above signatories certify that they are duly authorized to sign this Contract and the Addenda on behalf of the entities represented.

The Company reserves the right to assign any outstanding receivables from this Contract to its Bank or other Lending Institutions as collateral for any Loans or Lines of Credit.

SEAL

SEAL

RAINBOW MUNICIPAL WATER DISTRICT FALLBROOK, CALIFORNIA PROJECTED WORK SCHEDULE

TANK	1	2	3	4	5	6	7	8	9	10
CONSUITA	INT, EXT, R	VIS	W/O	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
GOMEZ	INT, EXT, R	VIS	W/O	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
GOPHER	INT, EXT, R	VIS	W/O	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
U1	EXT,W/O, R	INT	VIS	W/O	VIS	W/O	VIS	W/O	EXT	W/O
MORRO	EXT,W/O, R	INT	VIS	W/O	VIS	W/O	VIS	W/O	EXT	W/O
RAINBOW	EXT,W/O, R	VIS	INT	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
VALLECITOS	EXT,W/O, R	VIS	INT	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
TURNER	EXT,W/O, R	VIS	INT	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
RICE	EXT,W/O, R	VIS	INT	VIS	W/O	VIS	W/O	VIS	EXT, W/O	VIS
MAGEE	EXT,W/O, R	VIS	VIS	INT	VIS	W/O	VIS	W/O	EXT	W/O
HUTTON	EXT,W/O, R	VIS	VIS	INT	VIS	W/O	VIS	W/O	EXT	W/O
U-2	EXT,W/O, R	VIS	VIS	INT	VIS	W/O	VIS	W/O	EXT	W/O

EXT = EXTERIOR RENOVATION, ON 8 TO 9 YEAR CYCLES

INT = INTERIOR RENOVATION, ON 10 TO 11 YEAR CYCLES

R = REPAIRS

W/O = WASHOUT OR DIVE INSPECTION

VIS = NACE CERTIFIED INSPECTION, TANK IN SERVICE

**RAINBOW MUNICIPAL WATER DISTRICT
FALLBROOK, CALIFORNIA
TWELVE [12 TANKS AND INITIAL ANNUAL FEES**

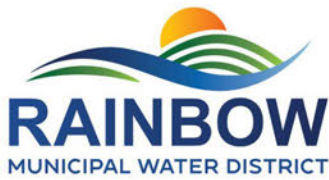
NAME OF TANK	ANNUAL FEE
-CONSUITA	\$101,495
GOMEZ	\$65,007
GOPHER	\$72,876
HUTTON	\$70,753
MAGEE	\$58,470
MORRO	\$68,825
RAINBOW	\$70,308
VALLECITOS	\$16,501
TURNER	\$67,700
RICE CANYON	\$72,309
U-1	\$16,825
U-2	\$33,931
TOTAL	\$715,000

October 29, 2003

EXHIBIT 'B'

The following is a list of additional conditions, requirements and/or clarifications for the water tank maintenance contract between Rainbow Municipal Water District and Utility Service Co., Inc. entitled Twelve (12) Tanks, dated 10-13-03.

1. The Owner, Rainbow Municipal Water District, shall be named as additional insured for liability and workers compensation insurance.
2. The Company will perform all work in compliance with CalOSHA safety regulations, including confined space access safety requirements.
3. The Company will provide full access to facilities being maintained for the Owner's Engineers, Operators, and Inspectors during all phases of the work.
4. The Company will perform all structural repairs requiring welding only with welders certified in the State of California.
5. Prior to each tank repair/coating activity, the Company will provide to the Owner, material data sheets with written installation recommendations from the materials manufacturer.
6. All work performed by the Company will be in strict conformance with all applicable Rainbow Municipal Water District Standards as stated in the April 2003 Standards Manual.



3707 Old Highway 395, Fallbrook, CA 92028
760.728.1178 | RAINBOWMWD.CA.GOV

VIA REGISTERED MAIL

August 19, 2026

USG Water Solutions
2240 East Cedar Street
Ontario, CA 91761

Re: Notices of Cancellations

This serves as notice of cancellation of the December 10, 2003 agreement for services between Rainbow Municipal Water District and your company, then known as Utility Services Company, Inc. That agreement was extended to June 30, 2016 by an amendment in 2010 and has been on a year-to-year renewal since that expiration date.

This shall also serve as notice of cancellation of the following:

- 1) The 10-year agreement executed in 2015 for the Pala Mesa tank;
- 2) The 2018 seven-year addendum for safety improvements at the tanks; and
- 3) The August 2020 five-year agreement for additional safety upgrades as the tanks.

In accordance with the terms of the agreements, payment will be forthcoming for any sums due under the 2015, 2018, and 2020 agreements.

Title: President

Title: Vice-President

Title: Director



RAINBOWMWD.CA.GOV

INFORMATIONAL ITEM

BOARD OF DIRECTORS

August 18, 2026

SUBJECT

STATUS UPDATE ON THE EXISTING MORRO TANK (DIVISION 2)

BACKGROUND

The Rainbow Municipal Water District (District) owns and operates the Morro Tank, a welded steel potable water storage tank constructed in 1972. The tank has a nominal storage capacity of 4.0 million gallons and is an important component of the District's water storage and distribution system.

Shortly after construction, the Morro Tank site has experienced ongoing ground movement and related tank distress. Previous investigations dating back to the early 1980s identified differential settlement, uplift, slope creep, and progressive site instability at and around the tank site. These conditions are primarily associated with expansive and compressible fill soils, uneven fill depths beneath the tank, and movement of the adjacent slope. Due to these long-standing concerns, the tank is currently operated at a maximum of 50 percent of its original capacity (two million gallons).

To better understand the current condition of the tank and develop long-term planning recommendations, the District retained Atlas (geo tech), Peterson Structural Engineers (structural), and KDM Meridian (land survey) to perform a multidisciplinary condition assessment. The assessment included geotechnical exploration and monitoring, precision survey monitoring, a limited structural condition assessment, and a structural analysis of the existing tank in accordance with current code requirements.

The purpose of the assessment was to determine whether the tank can continue to be operated safely in the near term, evaluate whether retrofit is a practical long-term option, or if the tank will require demolition and reconstruction. The District and its consultants were able to develop planning-level replacement alternatives and cost estimates for future Capital Improvement Project (CIP) planning.

DISCUSSION

The assessment confirmed that the Morro Tank and the surrounding site continue to experience ongoing movement. The geotechnical and survey monitoring data indicate that the tank and supporting ground are moving together over time, consistent with the long history of settlement, slope creep, and tank tilting previously documented at the site. The assessment also found that the tank has age-related deterioration, including corrosion and coating deterioration. In addition, it was determined that the tank does not meet current seismic and structural code requirements, which further limit its ability to be operated at full capacity.

Based on the assessment, continued operation at approximately 50 percent capacity is recommended in the near term. While catastrophic failure is not considered imminent under current operating conditions, the combined effects of ongoing ground movement, code deficiencies, and the tank's age

pose an increasing operational and seismic risk over time. Replacement of the tank is therefore recommended within the next five (5) to ten (10) years.

The assessment also considered whether the existing tank could be retrofitted. While retrofit is technically possible, it would require major foundation improvements, ground stabilization, roof replacement, wall strengthening, and other structural upgrades. These improvements would be complex and costly to construct because they need to be performed while working around and beneath the existing tank. Even after completion, the retrofit would leave residual risk due to the existing site conditions and age of the tank. For these reasons, retrofit is not recommended as the preferred long-term solution.

Demolition and replacement offer a more reliable long-term approach by enabling the District to construct a new, code-compliant tank while addressing foundation and slope-stability concerns through a more straightforward, common construction sequencing. A summary comparison of retrofit and replacement is provided below:

Category	Retrofit Existing Tank	Replace with New Tank
Primary Goal	Restore full operational capacity and achieve compliance with current seismic and structural code requirements.	Provide a new, fully code-compliant tank
Structural Approach	Add perimeter foundation with deep pile elements, ground improvement, and major structural upgrades/retrofits	Construct a new tank designed to current standards
Geotechnical Work	Extensive subgrade stabilization beneath and around existing tank	Either remove/replace fill or bypass it with deep foundations
Constructability	<u>Highly complex</u> ; requires working around and beneath existing tank	More straightforward; clear construction sequencing
Residual Risk	High due to aging structure, existing soils, and complexity.	Low when combined with proper foundation and slope remediation
Service Life	+25 years	50 – 75+ years
Cost Effectiveness	High cost with limited long-term benefit	Higher upfront cost but better long-term value
Overall Recommendation	<u>Not recommended</u>	<u>Recommended</u>
Other considerations	We are not aware of this level of retrofit being successfully performed or attempted on an existing tank; this would likely be a first-of-its-kind approach	Other tank types such as a prestressed concrete tank could be considered for full replacement. Prestressed concrete tanks typically have higher initial construction costs, but have historically proven to be a more durable and cost-effective long-term solution
Estimated Construction Cost	<u>\$10.6M</u>	<u>\$10.8M – 13.9M</u>

Planning-level construction cost estimates determined that retrofitting the existing tank would cost approximately \$10.6 million, while complete steel tank replacement options that also address the soil conditions range from approximately \$10.8 million to \$13.9 million. Although replacement has a similar or moderately higher initial construction cost, it provides a longer service life, lower residual risk, and better long-term value for the District.

Staff will bring this back as a new CIP programmed into the five-year CIP program during the next scheduled budget workshop. There is no requested action at this time, and the District will continue to operate the tank at 50 percent capacity. The ongoing monitoring effort is concluded, and no further assessments are scheduled at this time.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Two: Asset Management

ENVIRONMENTAL

In accordance with California Environmental Quality Act (CEQA) guidelines Section 15378, the action before the Board does not constitute a “project” as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

Information only with no fiscal impact.

STAFF RECOMMENDATION

Continue to operate the tank at 50 percent capacity and create a new CIP within the next five to ten years.

Chad Williams
Engineering & CIP Program Manager

08/18/2026

Morro Tank Condition Assessment

By: RMWD, Peterson Structural Engineers, Atlas, & KDM
Meridian

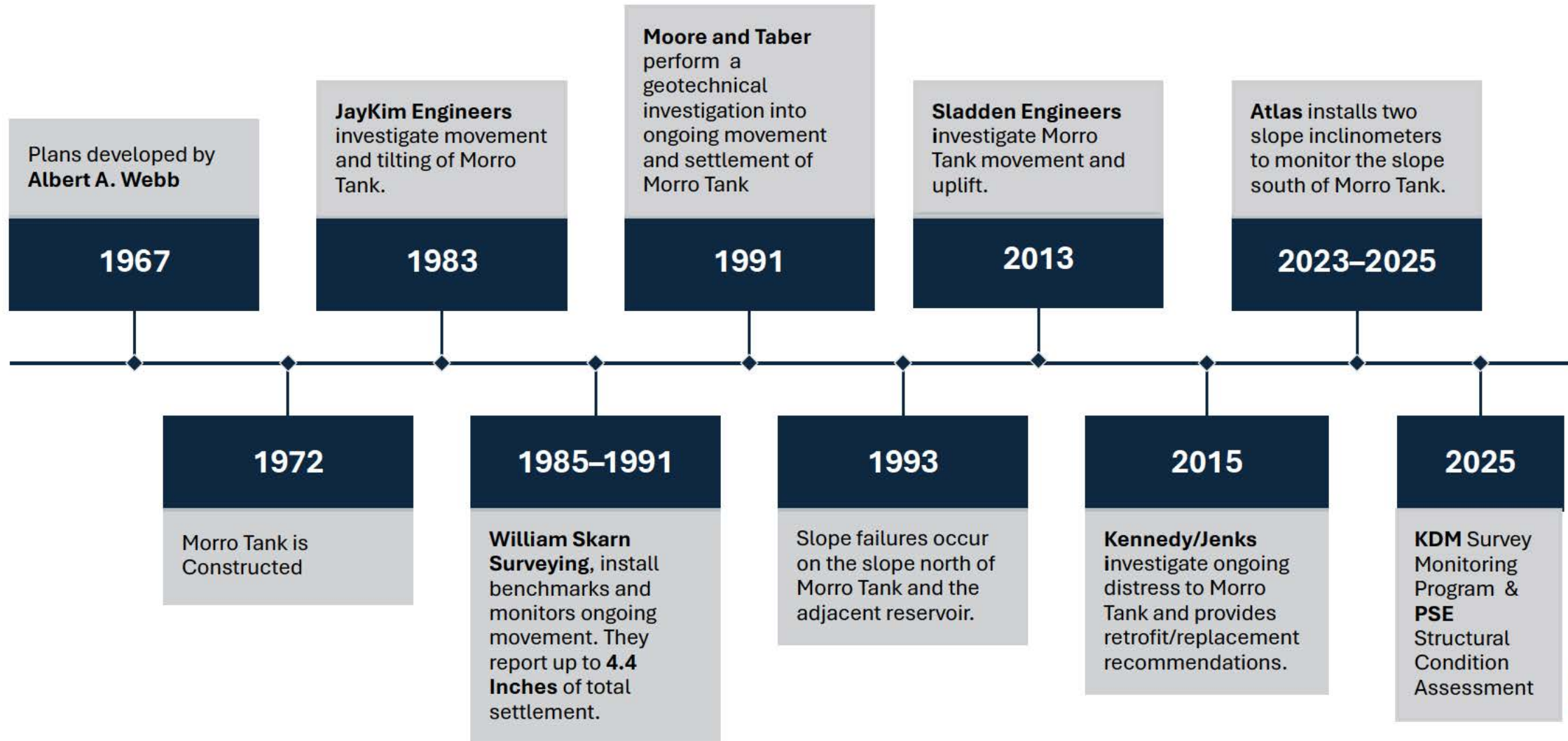


Background

- Constructed in 1972
- **Distress was observed within a few years of construction**, leading to periodic investigations beginning in the **early 1980s** and continuing to now.
- Past assessments consistently documented:
 - Differential settlement
 - Uplift
 - Slope creep
 - Progressive site instability
- As a result of these conditions and prior study findings, the tank currently operates at **approximately 50% of its 4.0 MG capacity**.



Timeline



Current Investigation 2023-2025

Consultant	Scope of Study
	- Subsurface Exploration - Drilling two deep borings (approximately 100.5 to 102.5 ft deep) - Excavating five test pits (approximately 5 to 10 ft deep) - The borings were converted into slope inclinometers and monitored monthly from January 2023 through December 2024. - Re-engaged in October 2025 to support in evaluating tank retrofit and replacement options.
	- Implement a high-precision survey monitoring program at the Morro Tank site. - Objective: to quantify vertical settlement and horizontal movement of the tank and surrounding features and to independently verify ground movement identified by geotechnical instrumentation. - Monitored Tank from March 2025 to October 2025 - Supplemental Survey - Tank Chime Elevations - Tank Wall Plumbness survey
	- Limited Structural Condition Assessment - On-site visual inspection in October 2025 will Tank was in-service - Limited Structural Analysis per current codes & Standards - Seismic Overturning, Freeboard, wall shell hoop/compression stresses, bearing pressure, sliding - Evaluated tank performance at multiple operating water levels to understand sensitivity to operating constraints. - Develop conceptual retrofit and replacement options

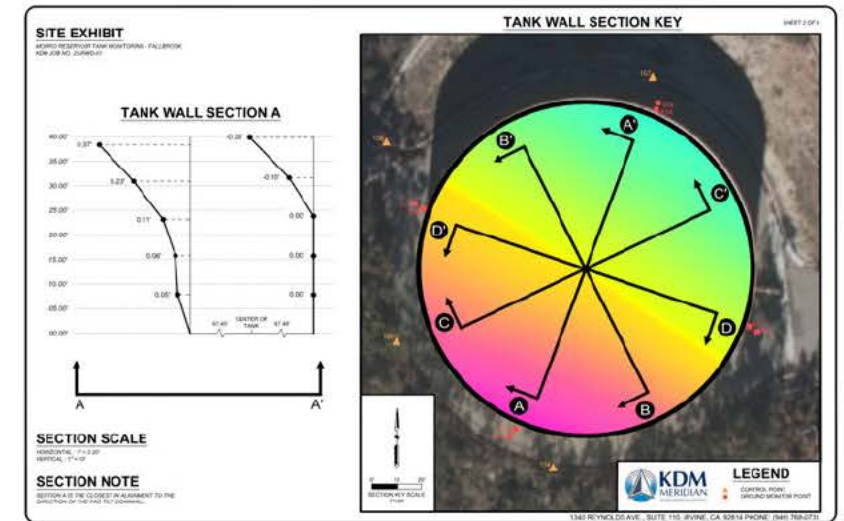
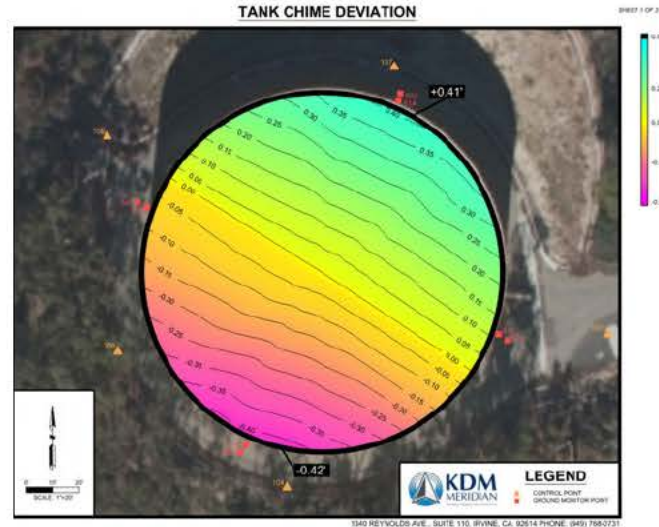
Investigation Findings

- The Morro Tank is experiencing ongoing ground movement and does **not meet current seismic code requirements at full capacity.**
- Expansive soils and uneven fill have caused long-term **settlement, slope creep, and tank tilting**, which are still occurring.
- Monitoring confirms **the tank and ground are moving together**, despite past stabilization efforts.
- The tank remains in service at 50% capacity and shows **age-related deterioration and code deficiencies.**
- Structural analysis shows **significant seismic deficiencies** at higher water levels.

Investigation Findings (continued)

- Survey Results

- Differential Settlement (see chime figure)
- Tank Floor and Wall Tilting downhill (see Tank Wall Section)



- Conditions

- Rust
- Deterioration
- Ponding
 - Roof
 - Floor



Roof Edge (ponding)



Roof Interior (rust) - from 2025 USG Inspection Report



Tank Chime (deterioration)



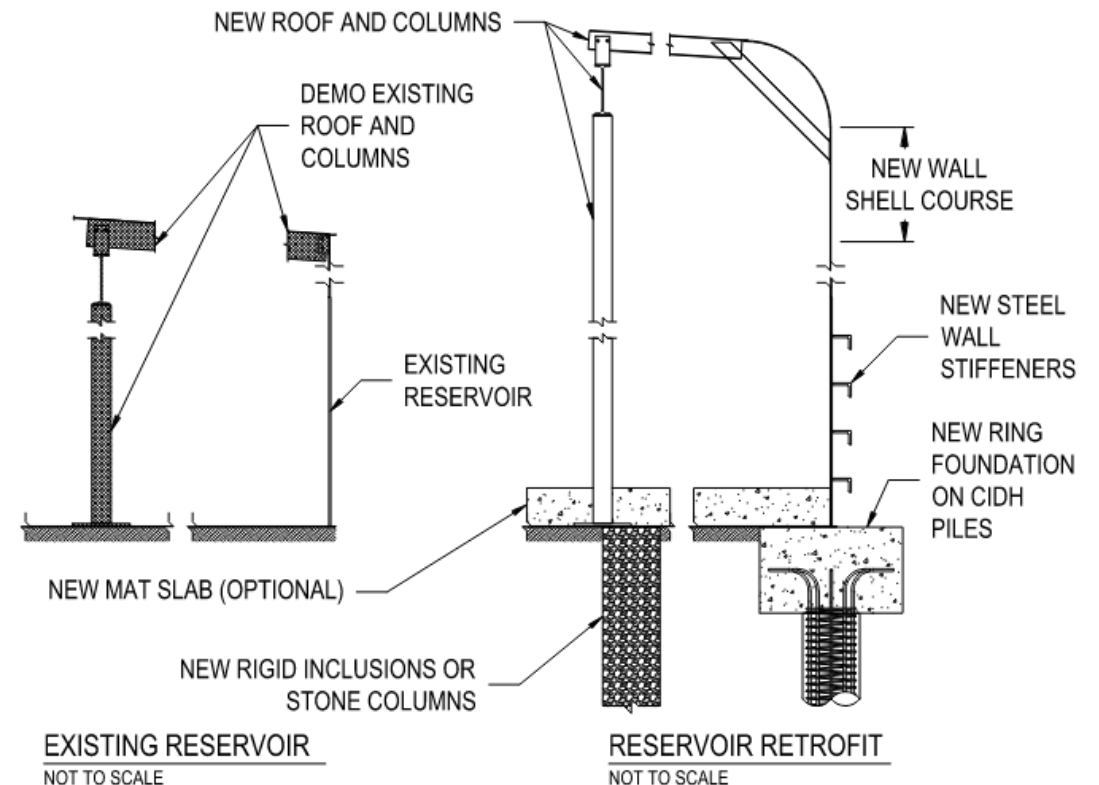
Conclusion

- **Risk:** While catastrophic failure is not considered imminent, the combined effects of ongoing soil movement, code non-compliance, and advanced age represent an increasing operational and seismic risk over time.
- **Short-Term Recommendation:** Continue to operate tank at 50% capacity in the near term to manage risk
- **Long-Term Recommendation:** Replace tank within the next 5-10 years
- **Retrofit Consideration:** While technically feasible, retrofit is not recommended. See next slide for more details.



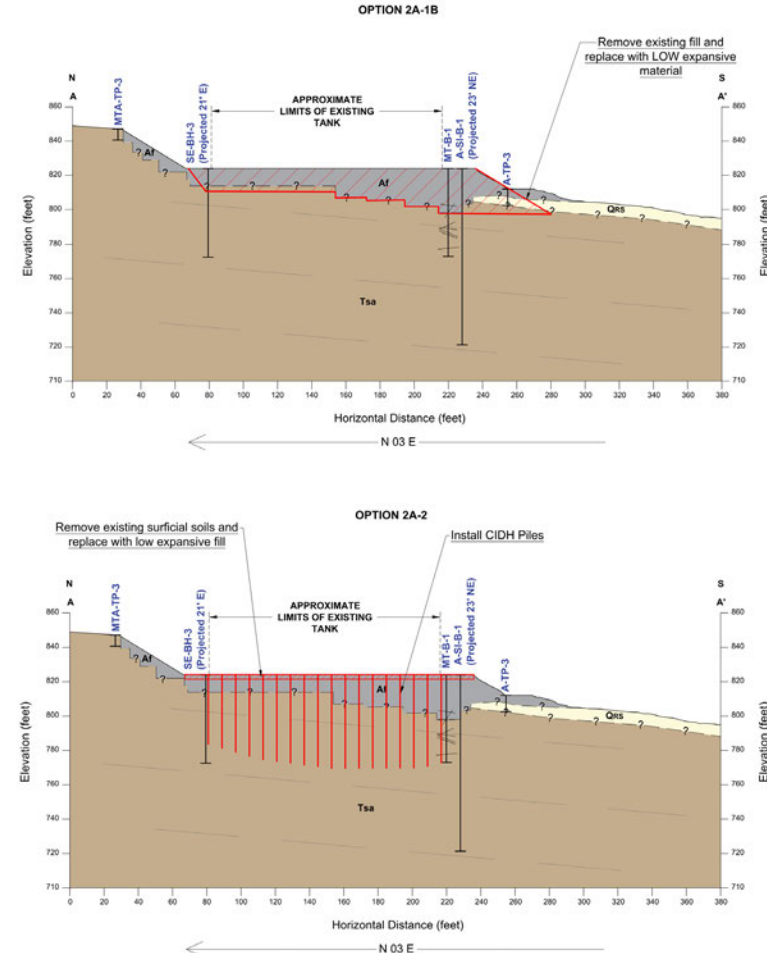
Retrofit

- **Foundation and Subgrade Improvements**
 - New perimeter ring foundation with CIDH piles
 - Interior Rigid Inclusion or Stone Columns
- **Structural Upgrades**
 - Raising tank height 4–6 ft
 - Full roof removal and replacement
 - Wall shell strengthening
- **Conclusion**
 - Retrofit options are complex, costly, and high-risk
 - Extended service life still less than new tank.



Replacement

- **New Foundation System**
 - Shallow Foundation
 - Remove existing fill to bedrock, replace with controlled fill/slurry, and regrade slopes
 - Deep Foundation
 - Retain existing fill, support tank on piles founded in bedrock, and add buttress fill over the southerly slope
- **New Welded Steel Tank**
 - Designed to current codes and standards
 - Supported on either foundation option above



Retrofit vs Replacement Summary

Category	Retrofit Existing Tank	Replace with New Tank
Primary Goal	Restore full operational capacity and achieve compliance with current seismic and structural code requirements.	Provide a new, fully code-compliant tank
Structural Approach	Add perimeter foundation with deep pile elements, ground improvement, and major structural upgrades/retrofits	Construct a new tank designed to current standards
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Cost Effectiveness	High cost with limited long-term benefit	Higher upfront cost but better long-term value
Overall Recommendation	<u>Not recommended</u> as a long-term solution.	<u>Recommended</u> within the next 5–10 years
Other considerations	We are not aware of this level of retrofit being successfully performed or attempted on an existing tank; this would likely be a <u>first-of-its-kind approach</u>	Other tank types such as a prestressed concrete tanks could be considered for full replacement. Prestressed concrete tanks typically have higher initial construction costs, but have historically proven to be a more durable and cost-effective long-term solution
Estimate Cost	<u>\$10.6M</u>	<u>\$10.8M – 13.9M</u>

Estimated Project Cost Comparison

Options	Retrofit Estimate	Replacement Option Estimates (min to max)			
		1	2	3	4
1A: Retrofit - Ring Foundation, CIDH Piles, Rigid Inclusions	X				
1B: Retrofit – Structural Upgrades	X				
2A-1a: New Tank - Shallow Foundation on Compacted Fill & Slurry		X			
2A-1b: New Tank - Shallow Foundation on Compacted Fill				X	
2A-2: New Tank - Mat Pile Cap and CIDH piles			X		X
2B: New Welded Steel Tank		X	X	X	X
3A-1:Regrading/Buttressing the Existing Slope – Optional			X		
3A-2: Adding Tieback Supports to the Existing Slope – Optional					X
Cost Estimate	\$10.6M	\$10.8M	\$10.9M	\$11.2M	\$13.9M

Questions



CONSENT CALENDAR

BOARD OF DIRECTORS

August 18, 2026

SUBJECT

NOTICE OF COMPLETION AND ACCEPTANCE OF THE PAVING RESTORATION FOR THE LA CANADA ROAD PIPELINE REPLACEMENT PROJECT (DIVISION 3)

BACKGROUND

The Rainbow Municipal Water District (District) owns and operates the La Canada Road pipeline which was installed in 1997. The proposed project was to replace 4,000 Linear Feet (LF) of existing 8-inch steel pipeline within La Canada Road from Hillrise Road and Via Monserate. The pipeline replacement work was conducted by In-house District staff. This project also included the installation of two (2) new pressure reducing stations. District staff completed the pipeline replacement and installation of the pressure reducing stations on April 30, 2026.

In 2025, the District contracted with Omnis Consulting, Inc. to provide plans and specifications for paving and street improvements. This portion of the work requires specialty services from Contractors specializing in Hot Mix Asphalt Concrete (Hot Mix AC) paving as the District was going to outsource the paving restoration work to a Contractor. Following a public bidding process, LC Paving and Sealing, Inc. (LC Paving) was awarded a paving contract by the District's Board of Directors at the April 2026 meeting.

DESCRIPTION

LC Paving commenced the paving restoration work in May 2026, one Change Order was issued for a no-cost contract extension which was approved by the General Manager as it was within their signing authority. The paving restoration work was completed on July 9, 2026.

CONTRACT SUMMARY			
Original Contract Amount	Previous Change Orders	Additional Contract days	Total Contract Amount
\$345,366	CO-01: (\$0.00)	20 Days	\$345,366

The paving restoration portion of the project was constructed per the approved plans and specifications, inspected, tested according to the District's standards and are ready for acceptance. Upon acceptance by the Board, the improvements become part of the District's water and wastewater system and staff will take over operation of the newly constructed facilities. Warranty related maintenance falls under the purview of the Contractor until such time that the warranty period ends. Installation costs of \$345,366 will be added to the District's Total Valuation along with all other costs associated with the project and a one (1) year warranty phase will commence upon the filing of the Notice of Completion (NOC).

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Strategic Focus Area Two: Asset Management.

ENVIRONMENTAL

Under the California Environmental Quality Act (CEQA), this project qualified for a Notice of Exemption that was filed with the County of San Diego on June 9, 2026. It qualified for a Statutory Exemption, state code number Section 21080.21. The board made the finding on April 28, 2026. No additional action.

BOARD OPTIONS/FISCAL IMPACTS

The construction costs of the improvements, totaling \$345,366 will be added to the District's asset valuation. The final amount of other costs associated with the project will be added to the District's asset valuation once year-end financials have been completed.

Option 1:

- Accept the paving restoration for the La Canada Road Pipeline Replacement project.
- Approve filing the Notice of Completion.
- Add installation costs of \$345,366 to the District's valuation.

Option 2:

- Provide other direction to staff.

STAFF RECOMMENDATION

Staff recommends Option 1.



Chad Williams
Engineering & CIP Program Manager

08/18/2026

Attachment(s): Project Site Map

LA CANADA PIPELINE REPLACEMENT PROJECT DISTRICT PROJECT NO. 600093

