

## Proposed 2025 Program Budget Amendment: Payment of Award

### Overview

The Board of Directors was briefed in closed session on the outcome of the arbitration on the matter of Warrem v. SANDAG. Based on the arbitrator's ruling, additional FY 2026 funding will be needed to pay the award. Staff is seeking approval to use the Contingency Reserve to fund the associated costs.

### Key Considerations

Consistent with [Board Policy No. 030](#), Contingency Reserve may be used for one-time, non-recurring purposes, including the following potential uses: (1) opportunities to advance urgent, high-priority needs; (2) unanticipated needs relating to a crucial existing commitment; and (3) unforeseen withdrawal or cutback of a revenue source. Costs associated with the payment of this award represent an unanticipated need relating to a crucial existing commitment. These costs are an authorized use of Contingency Reserve funds and other fund sources are not available to support this effort.

The remaining uncommitted balance in the Contingency Reserve fund would be approximately \$5.5 million, or 5% of the amended FY 2026 Overall Work Program (OWP) Budget, which is below the minimum target of 10% established by Board Policy No. 030. Any amount recovered from available insurance will be used to reimburse the Contingency Reserve. Additionally, per the adopted FY 2026 SANDAG budget, \$700,000 is projected to be added to the Contingency Reserve at the end of FY 2026.

### Next Steps

Pending Board approval, the FY 2027 OWP Budget will program additional contributions to the Contingency Reserve to return it to the minimum target inclusive of this proposed amendment.

**Dawn Vettese, Chief Financial Officer**

### Action: **Approve**

The Board of Directors is asked to approve the allocation of \$4,216,250 from the Contingency Reserve in FY 2026 to fund costs associated with an award in arbitration.

### Fiscal Impact:

Approval of the proposed budget amendment will add \$4,216,250 to the FY 2026 Program Budget in Overall Work Program Project No. 8000100.

### Schedule/Scope Impact:

None.