



2023

Operating & Capital Budget



PICTURED: R.E. Badger Wastewater Tank Seismic Retrofit & District Staff & Board Members Receiving Award from the American Society of Civil Engineers San Diego Chapter – 2022 Outstanding Structural Engineering Project – Wastewater Tank and Clearwell Seismic Improvements (not pictured, VP Sandra Johnson)

SANTA FE IRRIGATION DISTRICT

A special district of the State of California



Customers of Santa Fe Irrigation District

We serve the communities of Rancho Santa Fe, Solana Beach, and the majority of Fairbanks Ranch.

Board of Directors

Michael T. Hogan – President, elected representative for District 4

Sandra D. Johnson – Vice-President, appointed representative for District 3

Dana Frieauf – elected representative for District 2

Kenneth B. Westphal – appointed representative for District 1

Andrew Menshek – elected representative for District 5

Executive Management Team

Albert C. Lau, P.E. –General Manager

Rania Amen, P.E. – Engineering Services Manager

Tim Bailey – Water Treatment Plant Manager

Chris Bozir – Distribution System Manager

Seth Gates – Administrative Services Manager



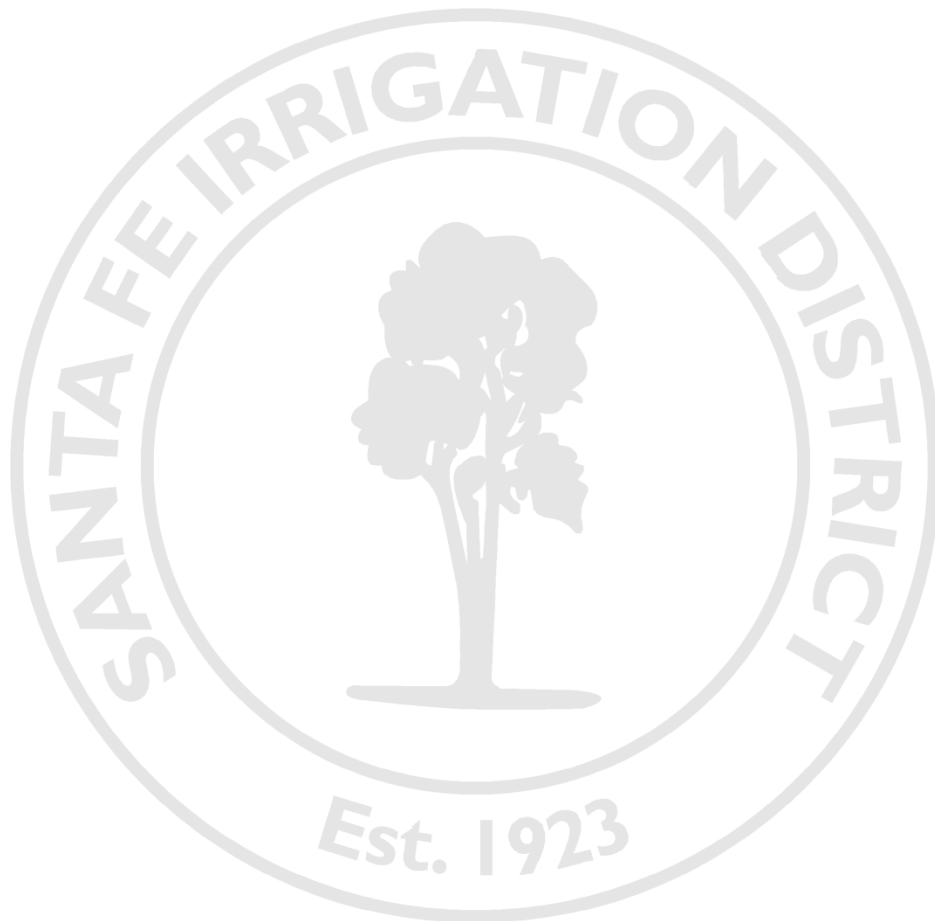


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FISCAL YEAR 2023 BUDGET



TO: SANTA FE IRRIGATION BOARD OF DIRECTORS & MEMBERS OF THE PUBLIC

We are pleased to present the Fiscal Year 2023 (FY23) Operating and Capital Budgets for the period July 1, 2022, through June 30, 2023, for the Santa Fe Irrigation District (District or SFID). As a comprehensive management and financial plan, the budget document describes the services and resources provided by the District to its customers, communicates District policies and guidelines for achieving short and long term objectives, and advances the District's core mission of providing its customers with safe and reliable water. This budget document includes a description of operating and capital programs and identifies major revenue sources and expenditure categories. This is a planning level document and represents management's forecasts based on known circumstances at the time of development. Any comparative change in projected revenues (sources) / expenditures (uses) in this budget document refer specifically to the FY23 Budget as compared to the FY22 Budget, unless stated otherwise.

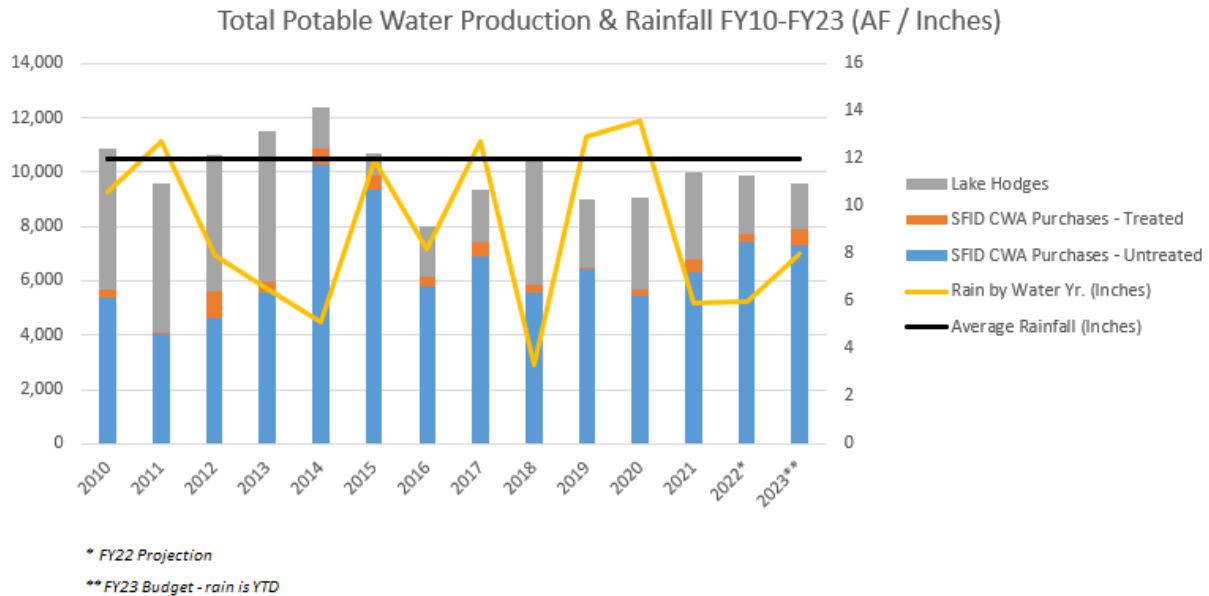
The District's annual budget is comprised of two main budgetary cost centers: 1.) District, and 2.) Joint Facilities. District expenditures are budgeted in-whole for the costs associated with the administration, engineering services, and operations & maintenance of the Santa Fe Irrigation District's distribution system for customers in Fairbanks Ranch, Rancho Santa Fe, and Solana Beach. Joint Facilities expenditures are for the operation and maintenance of the R.E. Badger Filtration Plant, raw water movement facilities from Lake Hodges, and other associated infrastructure. These Joint Facilities expenditures are shared with the San Dieguito Water District (SDWD), which utilizes potable water from the R.E. Badger Filtration Plant to serve the City of Encinitas. Any shared costs between the District and Joint Facilities are budgeted in their respective cost centers, except for administrative and engineering personnel expenditures. These administrative and engineering personnel expenditures are solely budgeted with the District and are then charged as inter-departmental billings to Joint Facilities based on the amount of work staff spends on these other cost center items.

FY23 BUDGET SIGNIFICANT ITEMS

The FY23 Budget development process considered both internal and external factors that drive budget assumptions, projections, and requested appropriations. The following is a summary of FY23 budget drivers that were taken into consideration for recommended appropriation / expenditure levels in addition to driving revenue projections (though it is not all inclusive). Overall, the District is in a very positive financial condition that will allow the Board and Staff to take positive steps in FY23 for customer benefit, a number of which are outlined in this section. However, as during any fiscal year's budget development, a number of unknown impacts are currently developing that Staff will work to update and engage the Board about throughout the year & also keep customers informed about.

WATER SALES / PURCHASES

As a water district, the largest drivers in budget development are the availability of local water from Lake Hodges to reduce imported water purchases & customer consumption levels that dictates purchases / sales of imported water. The amount of water necessary to meet customer demand is directly correlated to local rainfall and temperature. Increases in rainfall & sustained moderate temperatures reduce demand, while conversely, low rainfall and hotter temperatures increase demand. The following graphic illustrates this through the District's total water production, sources, and rainfall totals since 2010.



The FY23 outlook for the southwestern United States from the National Oceanic and Atmospheric Administration (NOAA) / National Weather Service's climate prediction center is of long-term severe / exceptional drought remaining entrenched for the foreseeable future. Eight of the past thirteen years have had rainfall totals that were less than the long-run average level for the San Diego area. This has created a cycle of a few years of higher local and regional water sources, offset by a greater number of years with a lack of local water source and the requirement to import more water from other outside sources. The region has had two straight water years below average levels, with a projected third to occur in the current water year (ending in October 2022), as projected by NOAA. These conditions have also persisted throughout California, resulting in the Governor's executive order to have water agencies review their Water Shortage Contingency Plans for potential implementation of their Level 2 drought response. Implementation of Level 2 drought response would have to be ordered by the State Water Resources Control Board, who are currently debating the requirement for implementation. Level 2 drought response would call for a 20% voluntary reduction in water use, with a mandatory reduction in certain irrigation and ornamental water use (among other items). The District's water shortage contingency plan can be found at the following link [HERE](#).

At their June meeting, the District's Board of Directors approved implementing the water shortage contingency plan's Level 2 drought response items without actually declaring a Level 2 drought. This is in response to the Governor's request, offset by the fact that the SDCWA has enough water available in storage and through supply diversification efforts to mitigate any impacts from the drought for approximately two years. Level 2 Restrictions include the following actions:

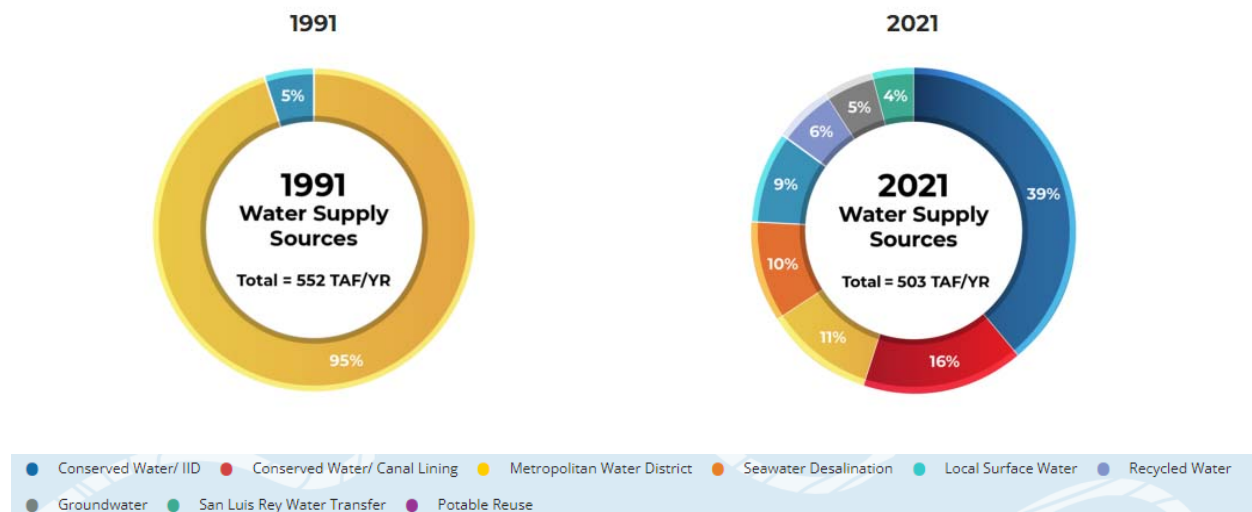
- Irrigation of residential, commercial, nursery and grower's products before 10 a.m. or after 6 p.m. only.
- No watering of paved surfaces (sidewalks, driveways, parking lots, tennis courts or patios, etc.) except when necessary for safety or sanitation hazards.
- Water waste from inefficient landscape irrigation such as runoff, overspray, etc. is prohibited.
- Vehicles should be washed using a bucket and positive shutoff nozzle, mobile high pressure/low volume wash system or at a commercial site that re-circulates water on-site.
- Leaks should be repaired within 5 days of notification by the District.

Additionally, the SWRCB Emergency Regulation prohibits the irrigation of ornamental turf at commercial, industrial, and institutional sites unless recycled water is used. The statewide emergency regulations will remain in effect for one year. SFID has resources and rebates available for customers to be as efficient with this precious resource as possible. Rebates are available for efficient sprinkler nozzles, weather-based irrigation controllers, toilets, and turf removal and replacement with water-efficient landscaping. Customers can also sign up for the SFID water use portal and track their water use and set notifications and alerts for leaks. All information is available at www.sfidwater.org. Additionally, the District has budgeted for a new position in FY23 to aid in working with customers on these regulations and how they impact them. This position, a Water Conservation Technician, will be brought on in the first quarter of FY23.

The District has two primary water sources: 1.) imported water from the San Diego County Water Authority (SDCWA), with their respective primary sources of imported water coming from the California State Water Project (SWP) and the Colorado River, and 2.) local water yield from Lake Hodges. The following is an overview of both of these water sources & anticipated conditions for each.

SDCWA WATER PRICES

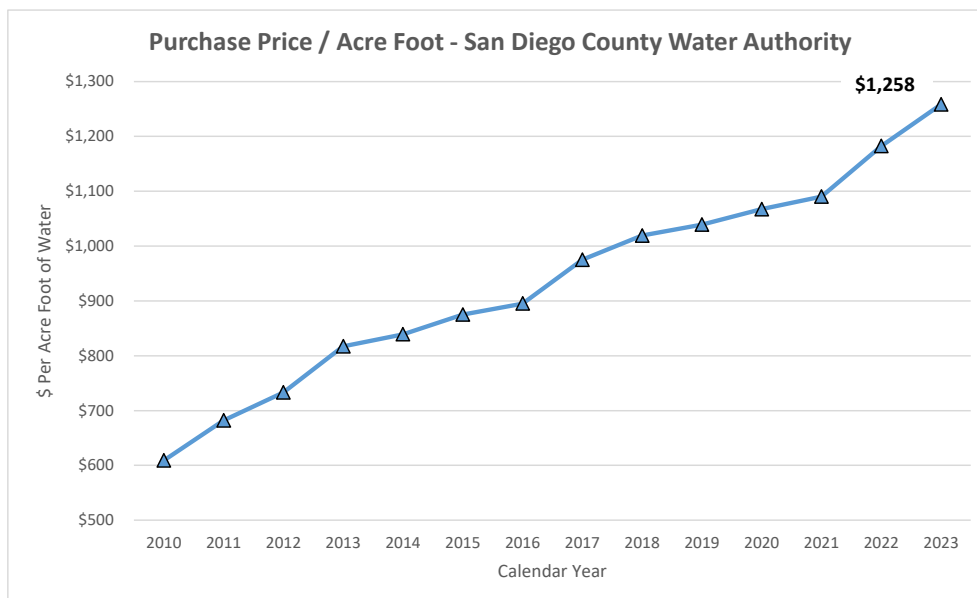
Since the drought of the early 1990's, SDCWA has invested billions of dollars to reduce the San Diego region's reliance on imported water and to ensure emergency supplies in the event of a major aqueduct failure to the north or to the east of the County. Additionally, construction of the Carlsbad Desalination Plant, emergency reservoir storage, and continued growth in the utilization of recycled water have diversified the region's water portfolio. This portfolio is shown as follows.



Source: San Diego County Water Authority

Periodic droughts, in particular the current drought and the more severe drought in 2016, have solidified the public's support of such extensive and expensive investments. However, debt service payments on those projects persist over decades, and the completion of two largest project – the Carlsbad Desalination Plant and the San Vicente Dam Raise – have added a substantial cost to imported water from SDCWA and the Metropolitan Water District of Southern California (MWD). Additionally, SDCWA has faced cost pressures due to member agency conservation, a reduction in sales, take-or-pay commitments, and MWD rate increases, among numerous others. Wholesale water costs have more than doubled over the past ten years, as new water development has come to fruition and infrastructure has been constructed. Alternative local sources of water including recycled and indirect/direct potable reuse will continue to be evaluated to

determine their cost/benefit potential relative to the regional efforts conducted by the SDCWA. Regardless, the prevailing trend has been, and will continue to be, the increasing price of imported water.



As can be seen by the SDCWA price graphic, an AF of imported / untreated water in CY23 is \$1,258 (excluding fixed costs), which is an increase of over 107% since 2010 – averaging 5.7% per year. Though the price of imported water has risen substantially over the years, this price was due to outside factors in addition to choices made by SDCWA to implement water diversification, storage, and production efforts to provide new and more reliable water sources for San Diego County. These efforts will be critical in allowing the region to offset impacts from the continued regional drought. Due to these efforts, SDCWA believes that San Diego County should not be subject to the same future potential water restrictions as the rest of the state of California due to these investments and diversification efforts.

Based on these rising costs, continuing cycles of drought, and potential future legislative changes, the District's strategic plan call managing the long-term costs of water critical to the District. The District has emphasized maximizing local water and working with partners in Lake Hodges to ensure this focus (including continued funding in the FY23 Budget of approximately \$728,000 to make repairs to Lake Hodges Dam). Additionally, this long-term approach includes the potential for growth in recycled / reclaimed water & the potential for a potable reuse program that the District would participate in.

SDCWA WATER SOURCES

SDCWA's anticipated water portfolio for 2022 is approximately 60% from direct agreements made to take Colorado River water, 11% from the Metropolitan Water District of Southern California (MWD) – which takes a varying share from SWP & the Colorado River, and 10% from the Carlsbad desalination plant (with the reaming 19% coming from various sources). In total, over 75% of the water delivered from SDCWA is from the Colorado River, which has continued increasing demands placed on it.

Colorado River Conditions

The water supply forecast for the Colorado River based on runoff is looking increasingly distressed. As of May 2021, NOAA stated the inflows into Lake Powell and Lake Mead will be approximately 50% of normal levels due to reduced snowpack and precipitation. Additionally, storage in the Colorado River system is

becomingly increasingly taxed. As can be seen below, total system storage for the Colorado River is at its lowest point in years, with approximately 5 million AF less in storage than one year ago.

LOWER COLORADO RIVER WATER SUPPLY REPORT – MAY *(source: Bureau of Reclamation)*

Reservoir	Percent Full - Calendar Year (May)						
	2022	2021	2020	2019	2018	2017	2016
Lake Powell	26%	34%	48%	37%	54%	49%	46%
Lake Mead	29%	37%	44%	42%	41%	40%	39%
Lake Mohave	94%	91%	95%	94%	94%	94%	93%
Lake Havasu	95%	96%	90%	91%	93%	93%	94%
Total System	34%	42%	52%	45%	52%	51%	49%

Sierra Nevada Snowpack Survey



Lake Mead



This reduction in storage and inflow is leading water agencies that take Colorado River water to work together extensively on water movement and availability for farming, indoor / outdoor customer use, and hydro-power generation. However, SDCWA has senior rights to Colorado River water due to their agreement(s) with the Imperial Irrigation District, which provides a higher level of certainty of imported water availability. Though SDCWA has these rights, they continue to work with all parties that depend on Colorado River Water to be a good steward of these resources.

State Water Project

California's water year 2021 (September 2020 – October 2021) was the second consecutive below-average year; however, reservoir storage was at 100% of average levels, thereby providing sufficient resources for all SWP customers at that time. However, as the current water year is projected to be a third straight below-average water year, these storage levels are now below average levels with below average levels of run-off anticipated to refill storage.

Reservoir	% of Capacity		Storage*
	4/1/2022	Avg. @ 4/1	
Shasta	47%	78%	4.6
Oroville	55%	74%	3.5
Trinity	30%	73%	2.4
New Melones	37%	63%	2.4
San Luis	46%	60%	2.0
Don Pedro	70%	80%	2.0
McClure	46%	66%	1.0
Pine Flat	66%	68%	1.0
Folsom	92%	83%	1.0
Millerton	75%	72%	0.5
Castaic Lake	42%	79%	0.3
Perris	80%	70%	0.1

*Million AF

LOCAL STORAGE

SDCWA and the region has access to local storage of approximately 312,000 AF, or about 43% of total storage capacity (when not restricted by Division of Safety of Dams). The current storage and where this water is stored is shown as follows.

SAN DIEGO LOCAL STORAGE – MARCH 2022 (source: SDCWA)

Agency	Capacity (AF)	Storage (AF)	% of Capacity
Carlsbad Municipal Water District	600	66	11%
Escondido, City of	5,389	5,042	94%
Fallbrook Public Utility District	1,335	416	31%
Helix Water District	17,985	9,766	54%
Poway, City of	3,432	3,044	89%
Rainbow Municipal Water District	465	77	17%
Ramona Municipal Water District	12,000	1,387	12%
San Diego County Water Authority	24,774	18,200	73%
San Diego, City of *	549,007	254,072	46%
Santa Fe Irrigation District **	883	393	45%
Sweetwater Authority	53,479	14,992	28%
Valley Center Municipal Water District	1,612	925	57%
Vista Irrigation District	51,774	3,994	8%
TOTAL	722,735	312,374	43%

* Includes Lake Hodges - before local water transfers to lower dam

** San Dieguito Reservoir

This storage also provides an additional resource to offset impacts from the continuation of the drought, with a locally controlled water source.

LAKE HODGES & FY22 / FY23

Lake Hodges serves as the local source of water for the District, providing on average approximately 30% of total needed annual supply. Because it relies on precipitation and runoff for its yield, Lake Hodges supplies can vary from year to year. The Hodges Dam was built in 1918 and its condition was rated as “poor” by the California Division of Safety of Dams (DSOD) in 2019. Based on this condition assessment, on August 1, 2019 the DSOD restricted the water levels in Lake Hodges to 13,000 acre feet (AF), or 17,000 AF below the maximum water capacity of Lake Hodges. Total storage for the District and SDWD is 5,000

AF with no restriction. Based on the DSOD restriction, this pool has been reduced to 2,170 AF. However, the District has worked with the City of San Diego (who also has 5,000 AF storage with no DSOD restriction) to ensure that they have the ability to utilize SDCWA facilities to move their local water out of Lake Hodges & to another reservoir, allowing the District the possibility of increased storage above the 2,170 AF restricted level.

Additionally, the Board approved an agreement with SDCWA in September 2020 to allow the District to move Lake Hodges water through SDCWA facilities for storage in Olivenhain Reservoir (as shown in the following picture) at the cost of the current SDCWA transportation rate plus the pumping cost of local water into Olivenhain Reservoir & a monthly storage charge of \$2.35 per AF per month. This agreement would also allow the District to sell this water to SDCWA (if mutually agreeable to all parties) at the MWD full service untreated tier 1 rate in effect at the time of sale, less total cost to pump local water from Lake Hodges to SDCWA's aqueduct. The term of this agreement will be in effect until June 1, 2035, or until the Lake Hodges Dam is repaired and the DSOD allowable storage level is returned to full capacity, whichever occurs first.



A pipeline between Olivenhain Reservoir (left) and Hodges Reservoir (right), can deliver water from Hodges into the Water Authority's aqueduct system.

The City of San Diego, being proactive in the maintenance of Lake Hodges Dam to maintain the DSOD restricted level, hired a firm to evaluate the dam face (wet side) for any other potential maintenance that needed to be completed. Upon inspection, additional concrete spalling and exposed rebar was identified as needing repair; though this was below the surface of the water at approximately 275' elevation. To complete the repairs, the City of San Diego needed to reduce the lake level below this 275' elevation; however, SDCWA facilities can only pump water to approximately 280' elevation, and the only facilities able to pull water below this level (without releasing water into the San Dieguito riverbed) are District facilities connected to the R.E. Badger Treatment Plant / San Dieguito Reservoir. The City of San Diego hopes to have these repairs completed by the beginning of the new water year (October) so as not to reduce any yield of runoff during the period of potential rain events in the region.

This 5' of elevation equals approximately 1,650 AF of water, which is owned by the City of San Diego. Lowering the elevation can only be accomplished through the release of water into the San Dieguito River streambed or by utilizing the District's 275' inlet. Due to current drought conditions, releasing water is not preferable, so the City of San Diego worked with District Staff to complete a letter agreement to allow for the District and SDWD's utilization of this water (946 AF District, 704 AF SDWD).

The letter agreement specifies that any amount of water utilized to lower the lake level to approximately 275' will have to be returned to the City of San Diego on a 0.75 to 1 AF basis through runoff that would be due to the District and SDWD in the future. Based on this, the District and SDWD will be responsible for allowing 1,238 AF of runoff into Lake Hodges to be returned to the City of San Diego (1,650 AF * 75%). Of this 1,238 AF, 710 AF will come from the District and 528 AF from SDWD.

Additionally, to facilitate the drawdown prior to 275' of elevation, the District and SDWD utilized the contractual dead-pool storage of 300AF. This dead-pool storage must normally be kept in the lake to facilitate operation of SDCWA facilities; however, this amount had to be removed from the lake to continue to draw down the level for City of San Diego repairs (171 AF District & 129 AF SDWD).

Based on the amount used of City of San Diego water and dead-pool use, the District and SDWD need to have runoff totaling 1,538 AF (881 AF District & 657 AF SDWD) before any additional local water can be drawn in FY23. These figures are illustrated as follows.

Use	AF	SFID	SDWD
City of San Diego	1,650	946	704
Dead-Pool	300	172	128
Total	1,950	1,118	832

"Re-Pay"	AF	SFID	SDWD
City of San Diego	1,238	709	528
Dead-Pool	300	172	128
Total	1,538	881	656

Difference	AF	SFID	SDWD
	413	236	176

The FY23 Budget proposal originally reflected an anticipated yield of 2,500 AF of water from Lake Hodges. However, the current estimate is that the District will utilize 782 AF of the dead-pool and City of San Diego water in FY22, which will reduce the amount of yield able to be captured in FY23. Based on this, the estimate for local water yield in the FY23 Budget has been revised to 1,718 AF. There is the potential that water yield may be further impacted from the continuation of the drought, delays in the City of San Diego repair timeline, and other unknown events.

COST-OF-SERVICE

The District's current cost-of-service examined revenue sufficiency through calendar year 2022. With the expiration of the current cost-of-service, the District has engaged a qualified consultant to examine the District's revenue sufficiency for another three calendar years. Additionally, the Board of Directors is interested in examining rate structure options for single-family residential and other customers. These options include the potential for creating budget based rates that allocate indoor and outdoor water amounts based on unique customer characteristics. This process will occur during the summer of FY23 and customers are highly encouraged to attend special workshops with the Board of Directors to understand these potential options and how they may impact them. Any future agendas and workshop schedules will be able to be found [HERE](#).

RESERVES & OTHER SOURCES OF FUNDING

RESERVES & SDCWA PASS-THROUGH

The District's Board adopted an updated Reserve Policy in November 2020 that designated one restricted and four unrestricted reserve funds for the District. This updated Policy revised the minimum / maximum reserve amounts able to be held in each fund in addition to establishing a new unrestricted reserve designated by the Board to offset imported water costs when the availability of local water from Lake Hodges exceeds the amount included in the rate setting process (Local Water Fund).

The Local Water Fund was utilized to offset the combined approximate 11% San Diego County Water Authority (SDCWA) imported water cost increase from January 1, 2021 and January 1, 2022 with fund balance generated based on contributions made due to positive levels of local water in FY20 and FY21 above the amounts utilized in the rate setting process. However, this fund balance will be exhausted in the first half of FY23 and the cumulative rate increases from SDCWA in addition to the approximate 6.5% January 1, 2023 increase will be required to be passed onto District customers. This is anticipated to occur beginning January 1, 2023 in conjunction with the outcome(s) from the cost-of-service.

LEGISLATION

There are a number of approved & proposed legislative items on a national & state level that could significantly impact the District and its customers. The U.S. Environmental Protection Agency is proposing to develop drinking water regulations for perfluorooctanesulfonic acid (PFOS) perfluorooctanoic acid (PFOA), while California's State Water Resources Control Board is also developing regulations for PFOS and PFOA and is considering other perfluorinated alkyl substance chemicals. If regulatory action is implemented, the district could be faced with additional operating and infrastructure expenses to comply. It is important to note that the District has tested for the presence of these substances and they have not been detected. Other areas of potential drinking water regulation include the Lead and Copper Rule and new proposed public health goals surrounding individual disinfection byproducts.

Finally, Staff continues to monitor the implementation of Executive Order B-37-16 and Assembly Bill 1668 (among others) which establish permanent statewide limits on residential, commercial and agricultural water use. Implementation of these limits could result in revenue declines due to reduced water sales, however these limits are based on a number of factors that the District continues to engage stakeholders on to ensure the most beneficial possible outcomes for our customers.

LONG RANGE FINANCIAL PLAN

The District maintains a five-year financial forecast that incorporates the District's cost-of-service, current asset management master plan (for the District and Joint Facilities), reserve levels, updated pension / OPEB valuation(s), and operational requirements, among others. District Staff uses this to evaluate impacts on the District's financial strength from Staff proposals and Board actions and how it impacts the funding availability to meet the District's goal & objectives in the Strategic Plan. It is assumed that the District will see annual inflationary pressures of 2-5% on operating expenditures and 4-8% increases in potable water costs, which are projected to be able to be maintained utilizing District reserves combined with minimal increases in potable water costs. The long-term District priorities are:

- Addressing the unfunded liabilities for the District's pension and Other Post Employment Benefit plans through various funding strategies & codified in a funding policy(ies);
- Providing necessary funding for capital replacement and improvements for District and Joint Facilities;
- Having a plan in place to try and smooth potable water rates for customers;

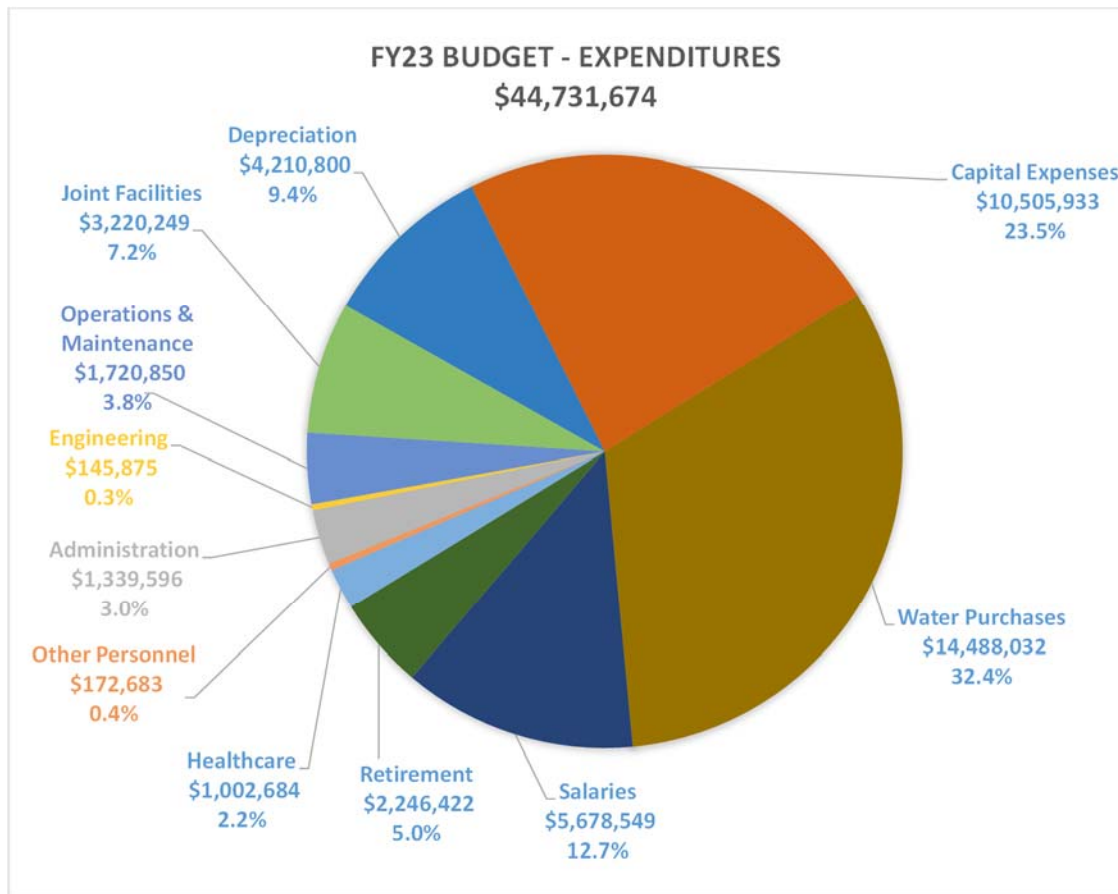
- Explore potential cost-effective ways of mitigating long-term water rate increase including Lake Hodges and potable reuse options;

FY23 BUDGET SUMMARY

The programs and expenditures outlined in the FY23 Budget reflect management's best efforts to advance the mission of the District, maintain day-to-day operations, and ensure a safe and productive workplace for employees.

EXPENDITURES / USES OF FUNDS

Total use of funds (for operating and capital) by expenditure category for FY23 as depicted in the associated pie chart is \$44,731,674, a decrease of approximately \$650,000, or 1.4% from than the FY22 Budget. Expenses can be categorized into five areas: costs associated with capital improvements (infrastructure replacement and refurbishment) at 23.5%, water purchases at 32.4%, personnel expenditures of 20.3% (salaries, retirement, healthcare, and other), departmental / non-personnel expenditures of 14.3% (joint facilities, operations & maintenance, engineering, administration), and depreciation / amortization of 9.4%.



The \$650,000 decrease from the FY22 Budget is due to an approximate:

- \$2.7 million decrease in capital expenditures;
- \$1.2 million increase in water purchase expenditures;
- \$700,000 decrease in departmental operating expenditures;

- \$500,000 increase in personnel expenditures;
- \$500,000 increase in depreciation / amortization.

WATER PURCHASES

SFID WATER PRODUCTION / SOURCES: FY18 – FY23

	SFID	SDCWA		SEJPA	Total Potable	Total Water
	Local	Treated	Untreated	Recycle		
FY18	4,636	283	5,547	568	10,465	11,033
FY19	2,492	57	6,433	518	8,982	9,499
FY20	3,404	258	5,417	513	9,078	9,590
FY21	3,214	700	6,190	640	10,104	10,744
FY22*	2,142	317	7,420	613	9,880	10,492
FY23**	1,718	550	7,332	550	9,600	10,150

* Projection, ** FY23 Budget

Potable Water

As previously outlined, the largest driver of water is projected weather (temperature and rainfall). As can be seen from the water sources over the last five fiscal years, total water demand totaled approximately 10,500 AF at the highest, with approximately 9,000 AF at the lowest – a 17% increase from the low. The FY23 Budget projects 9,600 AF of water demand, with 7,332 AF having to be purchased from SDCWA (untreated). This demand represents a decline due to the persistent dryer weather that is forecasted for the future & the assumption that an aggressive, state-wide conservation messaging will reduce District-wide consumption (as has been seen in prior years). The local yield from Lake Hodges, as previously outlined, is projected to be 1,718 AF due to the District being advanced water from the City of San Diego and dead-pool storage.

SDCWA approved rates effective for January 1, 2023 that equals a 6.4% increase per AF of untreated water, with a 7.8% increase in treated water prices. However, this price increase is moderated in part by a lower increase in total fixed charges paid by the District of 3.5%. Total fixed charges in FY23 are \$3,045,0648. The price increases are outlined as follows.

Variable Charge	CY22	CY23	% Change
M&I Rate	\$ 1,009	\$ 1,085	7.5%
Transportation Rate	173	173	0.0%
Treatment Charge	310	350	12.9%
Price Per AF Untreated	\$ 1,182	\$ 1,258	6.4%
Price Per AF Treated	\$ 1,492	\$ 1,608	7.8%

Fixed Charges / Month	CY22	CY23	% Change
MWD Readiness	\$ 17,941	\$ 18,926	5.5%
MWD Capacity	15,867	11,569	-27.1%
Supply Reliability	55,993	59,158	5.7%
Customer Service	32,579	35,619	9.3%
Storage	82,262	88,136	7.1%
Infrastructure Access	44,775	44,783	0.0%
TOTAL SFID	\$ 249,417	\$ 258,191	3.5%

Recycled / Reclaimed Water

Recycled water demand levels in the FY23 Budget total 550 AF, lower than projected FY22 levels due to conservation messaging. The San Elijo Joint Powers Authority (SEJPA) is the source of recycled / reclaimed water in the District & SEJPA will charge the District \$1770 per AF for reclaimed water, which the District passes on to customers. SEJPA recently completed their cost-of-service process, with annual rate adjustments of 3.9% for FY23 through FY26, as follows:

Item	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026
Total Expenses (\$1,000s)	\$3,483	\$3,397	\$3,043	\$3,010	\$3,724
Contribution To (Use Of) Reserves (\$1,000s)	396	290	1,044	1,138	387
Less: Other Revenues (\$1,000s)	(1,623)	(1,285)	(1,548)	(1,461)	(1,265)
Total Rate Revenue Requirement (\$1,000s)	\$2,256	\$2,402	\$2,540	\$2,688	\$2,846
Usage Subject to Rates (AF)	1,324	1,357	1,381	1,406	1,433
Calculated Rate (\$/AF)	\$1,704	\$1,770	\$1,839	\$1,911	\$1,986

CAPITAL IMPROVEMENT PROGRAM

The FY23 capital budget of \$10.5 million consists of \$900,000 in smaller acquisition purchases (CAP) and \$9.6 million in larger multi-year capital improvement projects (CIP).

The District's Capital Acquisition Program (CAP) funds the purchase and procurement of equipment that has a value of \$7,500 or greater and has a useful life of more than two years. CAP purchases are funded from the Capital Improvement Reserve and generally fall into one of four primary categories: 1) buildings and grounds maintenance and repair; 2) information technology upgrades; 3) replacement of the District's rolling stock, such as vehicles and heavy equipment; and, 4) treatment plant maintenance, repair, and replacement projects. Proposed CAP expenditures for FY23 total \$912,500, with the Santa Fe Irrigation District's portion totaling \$714,688, as summarized in the following table. Capital Acquisition expenditures are primarily funded through non-operating revenues and all joint facilities CAP costs are shared with SDWD proportionate to each agency's ownership percentage, as shown in this budget. Total District-only

CAP projects total \$465,500, with total joint facilities CAP projects totaling \$537,000. Of the joint facilities total, SFID is responsible for \$249,188 and SDWD for \$197,813.

Funding for the CIP has, to date, been on a pay-as-you-go (PAYGO) basis, using a combination of revenues from rates, depreciation expense, non-operating sources such as interest earnings and property taxes, and utilization of the Capital Reserve Fund. The District's CIP budget is split into two groups: District operations, and R.E. Badger Filtration Plant (REB). The District shares ownership of the REB, pump stations, a reservoir, pipelines, and other treatment-related infrastructure (the Joint Facilities) with its business partner, the SDWD. Cost-sharing between SFID and SDWD are based on long-standing contractual agreements on asset ownership percentages.

Total CIP expenditures for FY22 are anticipated to be \$9.6 million, with District only CIP expenditures totaling \$4.7 million and Joint Facilities expenditures of \$4.9 million. The District CIP projects consist primarily of the \$1.8 million for construction to begin on the replacement / relocation of the Government Road Pipeline portion of the distribution system, \$1.1 million for Larrick reservoir upgrades, and \$900,000 for District yard solar and future project planning. The \$4.9 million in Joint Facilities expenditures in FY23 consist of \$1.4 million in pipeline upgrades, \$2.0 million in treatment process replacements and repairs, \$825,000 in pump station repairs, and \$600,000 in plant upgrades.

The FY23 Budget requests \$5.5 million in appropriation approvals to allow staff to engage in contracts to accomplish these projects - \$2.9 million for District projects and \$2.6 million for Joint Facilities. It should be noted that the District does not have any outstanding indebtedness, though Staff will continue to engage the Board in any potential benefits to debt financing the District's capital program through long-range financial planning.

PERSONNEL EXPENDITURES

Total personnel expenditures have increased by approximately \$500,000 from the FY22 Budget. Of this increase, approximately \$200,000 is due to a 4.0% cost-of-living adjustment for all employees (except the General Manager) based on the Board 2018 approved Memorandum of Understanding (MOU). The MOU currently in place included a pay adjustment equal to the San Diego / Carlsbad CPI-U for CY21 effective for July 1, 2022, with a minimum of 2.0% and a maximum of 4.0%. With the CPI-U coming in at over 8%, the max of 4.0% will be utilized. Approximately \$100,000 of the increase from the FY22 Budget is due to the addition of two positions in FY23, outlined in the personnel section of this budget. There is also a \$100,000 increase in the required unfunded liability payments to CalPERS for the District's pension system. Finally, the last largest contributor to the increase in personnel expenses from FY21 Budget levels is due to a projected 10% increase in healthcare costs effective January 1, 2022 – though this increase will be determined in the fall when the District is notified of the new premiums & employee plan election.

DEPARTMENTAL / NON-PERSONNEL EXPENDITURES

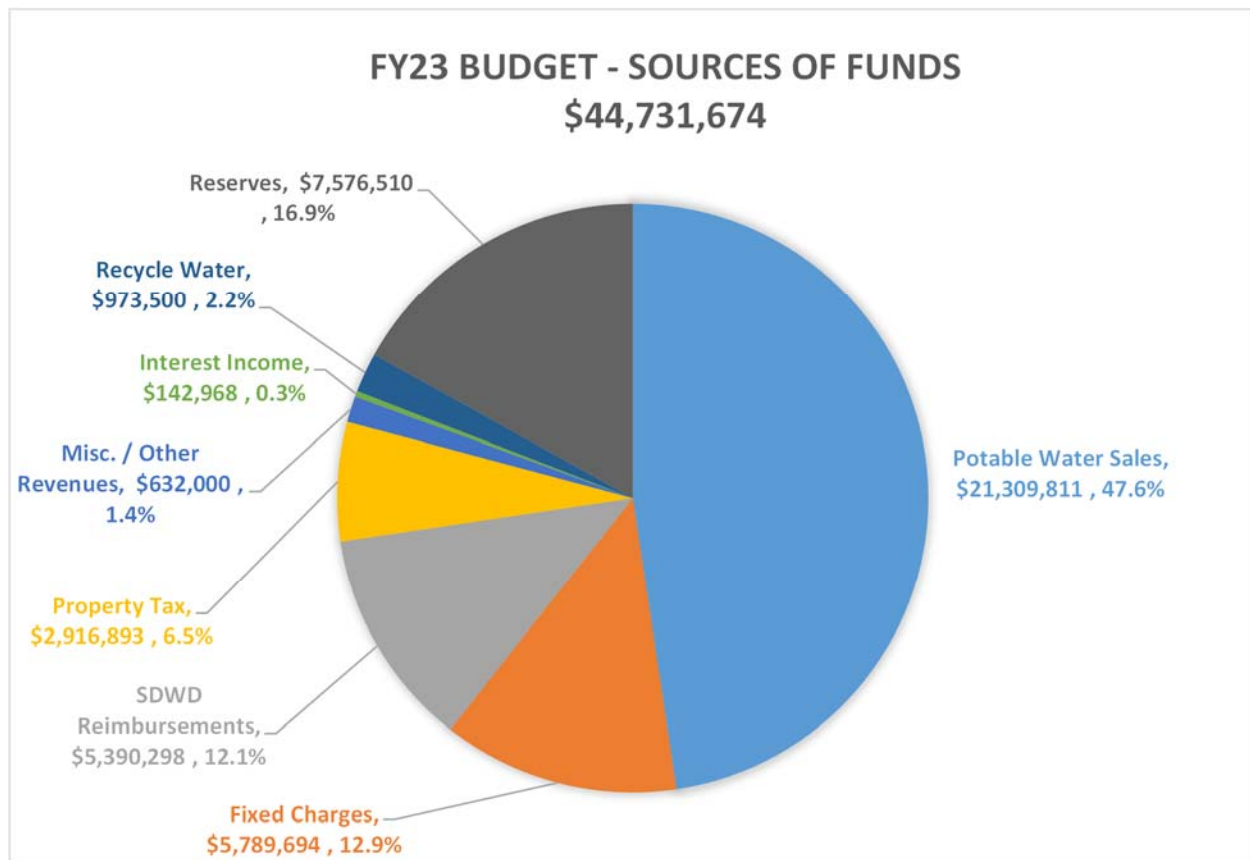
Total non-personnel expenditures for the FY23 Budget (excluding depreciation) total approximately \$6.4 million, a \$600,000 decrease from the FY22 Budget. There are a number of increases & decreases in each of the District's departments which are outlined in their respective sections in this budget document.

DEPRECIATION / AMORTIZATION

The District utilizes expensed depreciation / amortization on an annual basis as one of the main funding mechanisms for the Capital Reserve Fund. Annual depreciation expense is a function based on assets currently in service, their depreciable life, and remaining depreciable balance. Depreciation expense in FY23 is anticipated to increase approximately \$750,000 due to assets placed in service in FY22, including Joint Facilities de-watering and seismic retrofit projects, among other.

REVENUES / SOURCES OF FUNDS

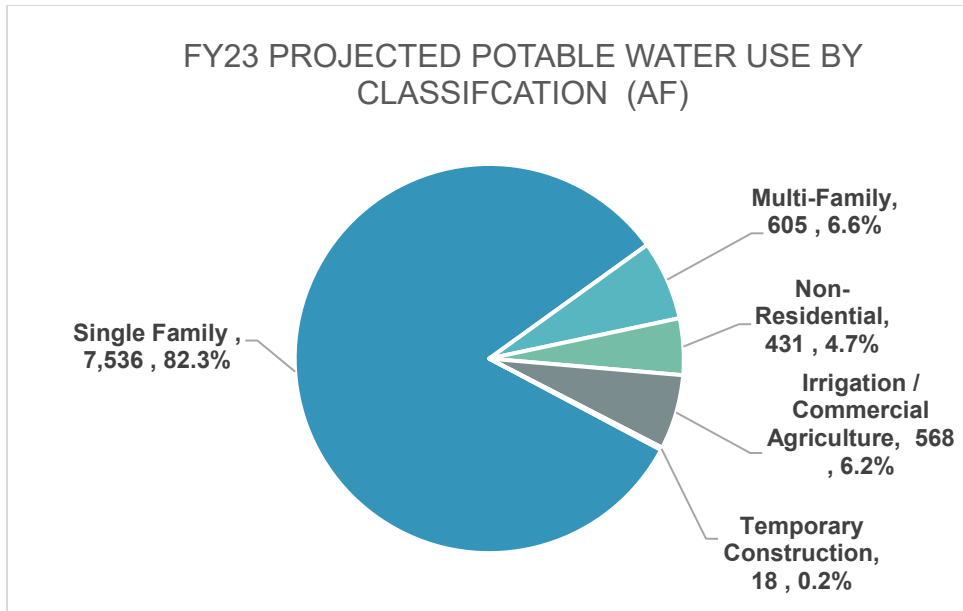
Total sources of funds (for operating and capital) by revenue source for FY23 as depicted in the associated pie chart is \$44,731,674, a decrease of approximately \$650,000, or 1.4% from than the FY22 Budget.. Expenses can be categorized into four major areas: potable water sales at 47.6%, SDWD reimbursements for operating and capital expenditures at 12.1%, fixed meter charges at 12.9%, and reserve utilization of 16.9%, – with all other revenues totaling 10.5%.



POTABLE WATER SALES

Water sales (commodity) revenues for FY23 are projected at \$21.3 million, an increase in revenues of approximately \$450,000 or 2.2% from the FY22 Budget. Volumetrically, the FY23 Budget assumes 9,168 AF of potable water sales, a decrease of 82 AF from the FY22 Budget. The increase in water sales revenue is a function of the FY23 Budget including the District's cost-of-service approved 3% revenue requirement (effective January 1, 2022) and an increase due to the accumulated full pass-through of SDCWA's January 1, 2021 – January 1, 2023 wholesale cost increases.

The projected sales by customer type for FY22 is as follows. The District has four main user classifications for potable water: single-family residential; multi-family residential; non-residential (commercial); and irrigation / agriculture. Two additional potable customer classes, fire line and temporary construction, utilize minimal potable water. There is one additional customer classification for recycled water.



With drought conditions persisting and the potential for continued conservation (whether voluntary or mandated), the District anticipates that water sales have a greater potential for a reduction than any potential increase & this revenue could be considered highly variable in FY23.

SDWD REIMBURSEMENTS

SDWD reimbursements for their proportionate share of Joint Facilities operating expenditures totals approximately \$3.1 million in the FY23 Budget, an increase of approximately \$100,000 due to increased local water expenditures. SDWD reimbursements for their proportionate share of Joint Facilities capital expenditures totals approximately \$2.3 million, a decrease of approximately \$1.8 million due to the seismic retrofit and de-watering capital project expenditures being finalized in FY22.

FIXED METER CHARGES

Fixed charges are the District's fixed fee, which is charged to customers on a bi-monthly and monthly basis for potable water and recycled water, respectively. These fixed charges are projected to total \$5.8 million in FY23, which is a \$80,000 increase or 1.5% from FY22 based on current meter inventories, the 3% SFID rate increase effective January 1, 2021, and a small revenue increase due to an increase in recycle water meter fees effective July 1, 2022 per the District's November 2019 Proposition 218 notice.

PROPERTY TAXES

The District receives a portion of the 1% general assessment for real property in its service territory. Total projected property tax receipts in the FY23 Budget total approximately \$2.9 million, an increase of 4.8% from the FY22 Budget. Property prices and property tax collection rates have increased due to low interest rates and consequently the District's property tax receipts have continued to grow. The FY23 Budget reflects a 2.0% growth, which is the Proposition 13 maximum growth rate, plus additional revenues due to a high level of property sales and reassessments outside of Proposition 13.

OTHER REVENUES

Other revenues include miscellaneous operating revenues (derived primarily from District fees for development activity on a reimbursement basis), capacity charges (payments for new potable meter

connections utilized for capital improvement projects, interest income, and miscellaneous non-operating revenues (rent for the two residential properties on District property, insurance premium refunds from District carrier(s), cell site leases, etc.). These revenues total \$775,000 in the FY23 Budget, which is an approximate \$1.8 million decrease from the FY22 Budget due primarily to the completion of the District's CalOES grant proceeds, which accounts for \$1.4 million of this reduction.

RESERVES

All Local Water Fund balance that remains in FY23 will be utilized to offset imported water price increases from January 1, 2021 and 2022; totaling \$452,321. However, this will only offset approximately four months of water purchases, and full pass-through of SCWA imported water prices is not projected to occur until January 1, 2023. The intervening two months will require approximately \$275,000 of Rate Stabilization Fund balance to be utilized to cover the difference between current potable water prices and the price paid by the District to SDCWA.

Rate Stabilization Funds are utilized to balance operating income and operating expense, including the non-cash expenditure of depreciation and amortization. The total use of Rate Stabilization Fund balance is \$2.9, which is comprised of the following:

- \$275,000 to continue to offset SDCWA price increases to January 1, 2023; and
- Due to City of San Diego water utilized in FY22 that will need to be replenished in FY23, the District deposited approximately \$1.0 million in the Rate Stabilization Fund that will be withdrawn and spent on imported water in FY23 to offset this local water advanced to the District; and
- To expense depreciation and amortization (which pays for capital expenses), \$1.0 million will be transferred to the Capital Improvement and Replacement Fund.

The FY23 Budget includes \$10.5 million in capital spending; of which, SDWD is responsible for \$2.3 million (net of grand proceeds and other income), leaving the District responsible for \$8.2 million. This capital is funded through approximately \$3.4 million in non-operating revenues and a \$4.8 million transfer from the Capital Improvement and Replacement Fund. However, the Capital Improvement and Replacement Fund is replenished in FY23 through the expense of depreciation and amortization of \$4.2 million, leaving a net \$600,000 use of the Capital Improvement and Replacement Fund

CONCLUSION

The Santa Fe Irrigation District FY23 Operating and Capital Budget presents a financial plan for the fiscal year July 1, 2022, through June 30, 2023. This plan best represents the District and staff's continued efforts to maintain the highest standards in all areas of operations and to wisely invest ratepayer funds into long-term capital planning and prudent day-to-day operational spending.

Respectfully submitted,



Albert C. Lau, P.E.
General Manager



Seth M. Gates
Administrative Services Manager



CONSERVATION

INFORMATION FOR CUSTOMERS

As outlined in the introduction to this budget, the persistent drought in the western United States is not forecasted to abate anytime soon. With that, there have been increasing calls for conservation throughout the region to help offset the effects of lack of rainfall and decreasing water sources. With that, the District has instituted Level 2 Drought actions, without declaring actual Level 2 Drought conditions. This is based on the assessment of local water resources from the San Diego County Water Authority, with water diversification efforts and emergency storage levels helping to alleviate impacts from the lack of potential imported water from the State Water Project and Colorado river.

Level 2 Restrictions include the following actions:

- Irrigation of residential, commercial, nursery and grower's products before 10 a.m. or after 6 p.m. only.
- No watering of paved surfaces (sidewalks, driveways, parking lots, tennis courts or patios, etc.) except when necessary for safety or sanitation hazards.
- Water waste from inefficient landscape irrigation such as runoff, overspray, etc. is prohibited.
- Vehicles should be washed using a bucket and positive shutoff nozzle, mobile high pressure/low volume wash system or at a commercial site that re-circulates water on-site.
- Leaks should be repaired within 5 days of notification by the District.

Additionally, the SWRCB Emergency Regulation prohibits the irrigation of ornamental turf at commercial, industrial, and institutional sites unless recycled water is used.

In response to these Level 2 Restrictions, the District wants to ensure that customers know the resource(s) that are available to them to aid in conservation:

- [Free WaterSmart Checkup](#) - This is a free program to our customers that provides a certified irrigation profession to come to your home / business / property to evaluate how you can use outdoor irrigation in an efficient and money-saving way. This includes indoor water-use efficiency consultation for single-family homes. Find out more about this program and apply at the link provided.
- [Information on Commercial Rebates](#)
- [Region-wide Drought Information](#)
- [WaterSmart Fact Sheet w. Indoor & Outdoor tips](#)
- The District will be adding a Water Conservation Technician in FY23 to reach out and work with customers to aid in better understanding these Level 2 Restrictions & any new information as it becomes available. This position will also work on partnering with other local agencies on ways to enhance collaboration on conservation programs, rebates, classes, and other ways to help our customers.

INTRODUCTION

HISTORY

Originally a land grant from Mexico known as Rancho San Dieguito, Rancho Santa Fe and the surrounding areas were purchased in 1906 by the Atchison, Topeka, and Santa Fe Railway Company. Along the coast adjacent to this property, the City of Solana Beach existed as Lockwood Mesa prior to the early 1920s when its first community subdivision was designed. The Santa Fe Irrigation District (District) was established on January 26, 1923, under the California Irrigation District Act, to define its boundaries to include these communities and provide them with irrigation and domestic water service. At that time, the District's service area was largely agricultural, with few residential properties. The communities of Rancho Santa Fe and Solana Beach gradually developed during the first half of the 20th century, experiencing a high level of growth after the construction of the Del Mar Racetrack. The City of Solana Beach incorporated in 1986, while the regions of Rancho Santa Fe and Fairbanks Ranch remain unincorporated land in the County of San Diego.

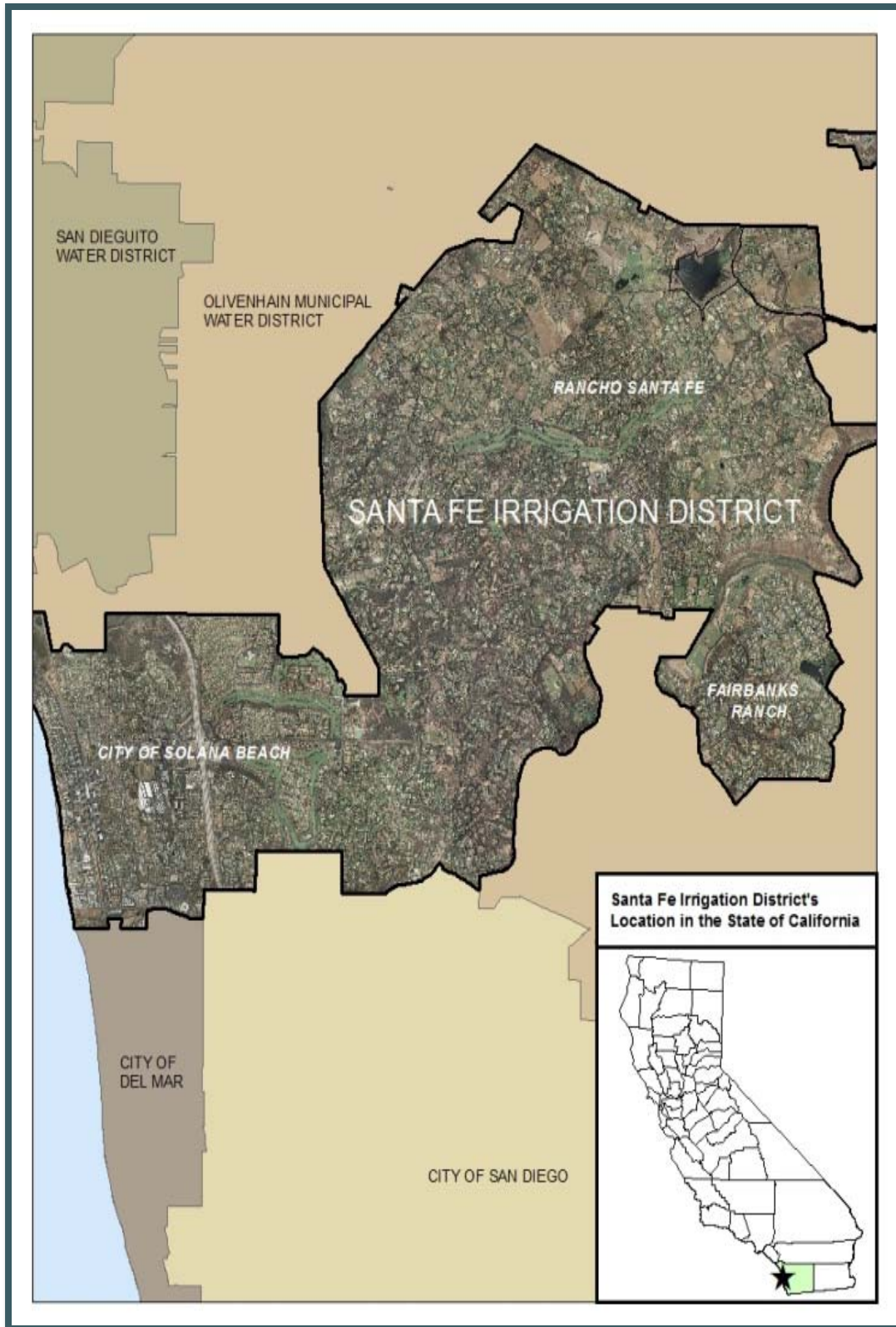
SERVICE AREA

The Santa Fe Irrigation District is situated in northern San Diego County and includes coastal and inland communities. The District map on the following page shows the service area that comprises approximately 10,260 acres (about 16 square miles), 2,850 acres in Solana Beach and 7,410 in the Rancho Santa Fe and Fairbanks Ranch area. Characterized by low-density urban development, these communities include a large number of estates covering more than three acres.

Approximately 89% of the District's total water demand is residential, with the remainder of usage distributed between commercial, outdoor irrigation/agriculture, and institutional/governmental customers. The District serves an approximate population of 20,000, with roughly two-thirds of in the Solana Beach area. The City of Solana Beach is a coastal community in northern San Diego County, known for its design district on Cedros Avenue and access to local beaches. Rancho Santa Fe is recognized as having one of the highest per capita incomes in the United States and provides its residents with a secluded, rural environment with horse trails throughout the community. Fairbanks Ranch is an upscale gated community established in the 1980s.

LOCAL ECONOMY

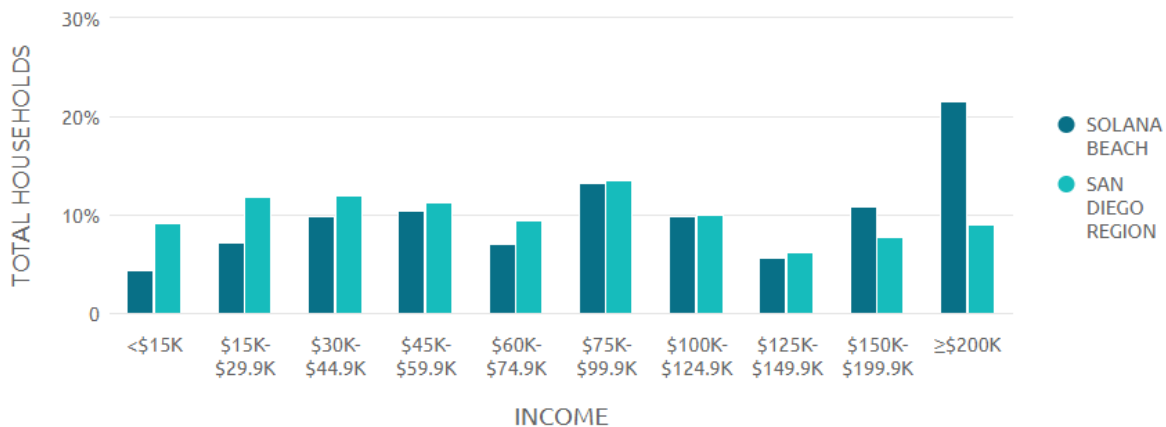
San Diego County is the second most populated county in California. While the District's service area has seen little population growth over the last decade, the region surrounding it has generally experienced much greater growth. The San Diego Association of Governments (SANDAG) estimates that the population for the coastal region of the District will increase by 16.1% by the year 2050 over its 2013 level, while employment will increase by 9.2%. By contrast, the county as a whole is expected to grow by 31.4% by 2050, with an increase in employment of 28.8%.



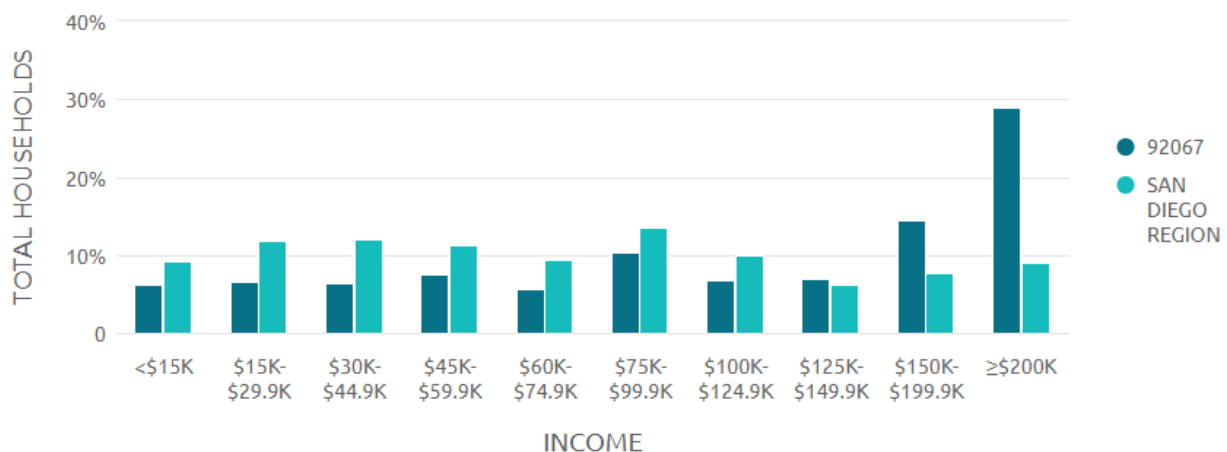
The District's service area is comprised of distinctly differing communities. The coastal region contains medium-density, single-family dwellings with some multiple-family residences. The inland section is primarily low-density residential with large single-family estate lots. Both of these areas are considerably built-out, focusing the District's capital plans on replacement and improvement rather than system expansion. Employment in the District is primarily local government (school district) and leisure / tourism (country club, restaurants, etc.) as the communities that comprise the District are primarily "bedroom communities" with some low density retail interspersed.

The cost of living for the coastal region of the District's service area is more than 200% of the national average while the inland section is more than 300% of the national average. The demographics of the District support this increase in cost of living, as average age and income levels are proportionally higher than the region. San Diego County's median population age was 36.1 in 2019, according to the U.S. Census Bureau. By contrast, SANDAG data defines the District's customer base as relatively affluent and older, with a median age of 42.4 in the City of Solana Beach and a median income of \$114,609 (2019 estimate). Additionally, the District's unincorporated service area (as represented by zip code 92067) has a median age of 41.0 and a median income of \$150,617 (2019 estimate).

Solana Beach Household Income Distribution (source: SANDAG)



Unincorporated Area Household Income Distribution – Zip 92067 (source: SANDAG)



San Diego County benefits from a strong defense, tourism, and bio-sciences based economy. Over the past year, the County's tourism sector suffered greatly due to the ongoing impacts from the pandemic, in addition to retail & education jobs, as shown in the following graphic. Per the California Employment Development Department and US Bureau of Labor Statistics, as of May 2022, the San Diego region (San Diego – Carlsbad – San Marcos) had an unemployment rate of 2.7% compared with 4.3% for California and 3.6% for the United States. This is a marked decline though from one year prior from the pandemic high when the unemployment rate for the region was 16.2% in May 2020 and down from the 6.6% in May 2021.

GOVERNANCE & MANAGEMENT

A five-member Board of Directors elected for four-year terms governs the District. Each Director represents a geographical division of the service area.



Michael T. Hogan – President
Division 4, Term Expires 12/2022



Sandra D. Johnson – Vice President
Division 3, Term Expires 12/2022



Dana Frieauf
Division 2, Term Expires 12/2024



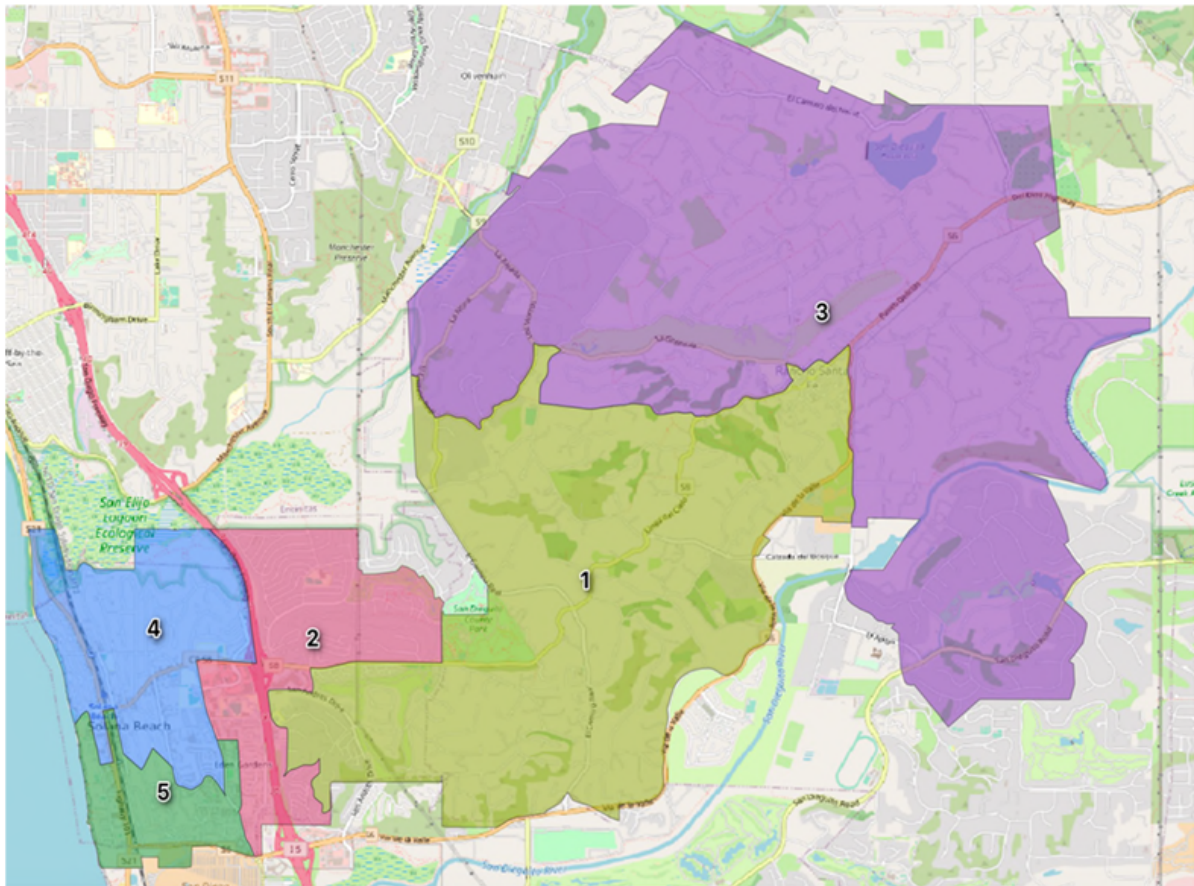
Kenneth B. Westphal
Division 1, Term Expires 12/2022



Andrew Menshek
Division 5, Term Expires 12/2022

A map of the District's divisions is as follows. These boundaries were put into effect in January 2012 after the completion of the nationwide 2010 census. The District re-evaluated division borders in March 2022 with the publication of new census information, ensuring that substantially equal populations are represented in each of the District's divisions.

SFID BOUNDARIES Adopted 03-17-22



The Board contracts directly with the General Manager, which leads the day-to-day operations of the District, with all full and part-time employees under their direction. The Board may amend the District's Administrative Code (which is the District's controlling document) per Staff's recommendation & as required by legislative or other action. Additionally, the Board may adopt certain policies that direct Staff to operate certain parts of District day-to-day operations in a prescribed manner.

FACILITIES

The District has 100% ownership of approximately 160 miles of pipelines and one above-ground storage reservoir with a capacity of 6 million gallons in Solana Beach. Due to the service area's topography, water is gravity fed to customers throughout the District and regulated by multiple pressure-reducing stations. The District shares ownership with the San Dieguito Water District (SDWD) of approximately eight miles of pipelines and transmission mains, two pumping stations, a 13 million gallon treated water reservoir, and a 40 million-gallon-per day (mgd) water treatment and filtration plant, the R.E. Badger Filtration Plant (REB) constructed in 1967. Additionally, the two agencies jointly own the San Dieguito Reservoir with a capacity of 800 acre feet. The infrastructure and various capital assets are referred to as the Joint Facilities. The District operates and maintains the Joint Facilities on behalf of both agencies.

WATER PORTFOLIO

This District is a relatively small agency in terms of service area & volume of water distributed, primarily from imported water sources. However, the District is truly distinguished by its access to local water from Lake Hodges. The District joined the San Diego County Water Authority (SDCWA) in 1948 to augment its local water supply from Lake Hodges by acquiring the right to purchase and distribute imported water throughout its service area. The District currently purchases untreated and treated water from SDCWA.

Prior to becoming a member of SDCWA, the District provided water to its customers solely from Lake Hodges, a local reservoir owned by the City of San Diego. The District and SDWD maintain water rights to Lake Hodges and use this source to supply, on average, approximately 30% of total potable water deliveries annually. The two districts have an agreement with the City of San Diego to reimburse the City for a portion of the annual operating and maintenance costs of the lake & dam, but do not pay for the water itself. Recycled water purchased from the San Elijo Joint Powers Authority (SEJPA) provides a third, locally-controlled source of water to District customers.

ABOUT THE DISTRICT

QUICK DISTRICT FACTS

Service Territory	Solana Beach (2,850 Acres) Rancho Santa Fe (7,410 Acres - Combined) Fairbanks Ranch
Population	20,000 (est.) water distribution 58,000 (est.) water treatment (District / SDWD)
Solana Beach	
Average Age	42.4
Median Income	\$ 114,604
Rancho Santa Fe/Fairbanks Ranch (92067)	
Average Age	41
Median Income	\$ 150,617
San Diego County Unemployment Rate	2.70% May-22
Infrastructure:	
Miles of water mains	157
Reservoirs	2
Treatment capacity	40 million gallons / day
Water Supplied in FY22 (Budget)	
Treated Water - imported	550 Acre Feet
Untreated Water - imported	7,332 Acre Feet
Lake Hodges Water	1,718 Acre Feet
Recycled Water	550 Acre Feet
Total	10,150

Meter Size Inventory

Classification	FY23 Est. Water Use (AF)	# Meters	3/4"	1"	1.5"	2"	3"	4" +
Single Family	7,536	5,543	3,249	1,583	638	70	2	1
Multi-Family	605	466	155	83	137	89	2	-
Non-Residential	431	384	166	90	75	49	2	2
Irrigation / Commercial Agriculture	568	163	35	41	47	35	1	4
Fire Line	-	1,030	95	761	110	64	-	-
Temporary Construction	18	-	-	-	-	-	-	-
Recycled Water	575	55	-	16	3	30	3	3
TOTAL	9,734	7,641	3,700	2,574	1,010	337	10	10

STRATEGIC PLAN

STRATEGIC PLAN – MISSION / VISION / VALUES & GOALS / OBJECTIVES

The District began a new strategic plan development process in January 1, 2020 with Board Member, SFID management, and District employee interviews. These interviews were conducted to determine what each group's priorities were, areas for improvement, and general thoughts about District operations. This process was collaborative discussion between the Board and District management / staff in regards to what policy priorities should be key areas to focus on and how to measure this performance through key performance indicators (KPIs).

The updated mission statement defines who the District is and our approach to meeting the objectives the Board and Staff have developed as part of the business plan that will create outcomes. The vision statement describes the future position of the District and areas for continual improvement and focus. Additionally, all District Staff adopted employee values that defines how everyone should focus their actions & comport themselves as a valued member of the District and in service our customers.

The District has adopted five goals that are what the Staff work towards on a daily basis with clear objectives that are utilized to measure progress and success. **District Staff provided the Board with a progress update on these objectives at their May meeting. Materials on this update can be found [HERE](#)**

MISSION STATEMENT

The mission of SFID is to meet the water supply needs of all its customers—safely, sustainably, reliably, and cost-effectively.

VISION STATEMENT

Santa Fe Irrigation District will proactively ensure:

- Sustainable water supplies — providing, efficiently using, and managing water resources to cost-effectively meet long-term needs.
- Reliable infrastructure — planning, improving, and managing facilities to cost-effectively meet customer needs.
- High performing staff — creative, forward-thinking staff that providing excellent service in an inclusive, team-oriented environment.
- Cost-effective operations — continually improving operations to efficiently deliver quality services.
- Customer focus —transparently communicating and engaging with customers, considering their interests, and exceeding expectations.
- Environmental stewardship —adapting to our changing climate and decreasing our environmental impacts.
- Resiliency — planning and preparing for potentially significant events and threats to mitigate their effects.

DISTRICT EMPLOYEE VALUES

In our actions and decisions, we prioritize:

- Teamwork — our success is built on cooperation, collaboration, and respect for each other, our customers, communities, and neighboring agencies.
- Inclusiveness —our organization is positive and respectful, we embrace diversity, and we listen to every voice.
- Continuous improvement – we are dedicated to excellence and innovation in everything we do.
- Transparency — we communicate freely, report honestly, listen attentively, and make decisions transparently.
- Accountability — we are all responsible—individually and collectively—for providing cost-effective, high-quality service to our customers.
- Sustainability — we are good stewards of our resources and our environment, benefitting current and future customers.

GOALS & OBJECTIVES

These goals & objectives lay in individual District departments, but also cross over multiple departments that create a shared responsibility. These goals & objects create key performance indicators that are listed in the departmental detail section(s) of this budget document.

GOAL 1

Sustainable, Cost-Effective Water Resources

- Minimize long-range water supply costs.
- Assist customers to achieve water-use efficiency goals and mandates.
- Balance long-range water supplies and water use to minimize the need for cutbacks during droughts or regulatory changes.

GOAL 2

Effective Engagement with Customers and Stakeholders

- Understand and exceed customer expectations.
- Engage with customers throughout the service area, educate them on pertinent water issues, and obtain their input to improve service.
- Collaborate with stakeholders to reduce costs and improve service.
- Proactively monitor and engage appropriately in regulations and legislation that may impact SFID and its customers.

GOAL 3

Cost-Effective, Resilient Infrastructure and Operations

- Guide all capital infrastructure upgrades and replacements by utilizing long-range plans. (Long Range Facility Master Plan)
- Utilize a long-range, comprehensive, asset management plan for reliability and long-range cost savings. (Comprehensive Asset Management Plan)
- Plan and prepare to mitigate significant incidents and threats (fires, droughts, earthquakes, cyberattacks, pandemics, etc.).
- Utilize technology to enhance efficiency and effectiveness.
- Ensure excellent water quality and regulatory compliance.

GOAL 4

Motivated, High Performing, Well Supported Staff

- Attract and retain excellent staff.

GOAL 5

Sustainable and Effectively Managed Finances

- Manage finances based on a comprehensive long-range financial plan.
- Pension Liabilities and Post-employment benefits are managed in a sustainable manner.
- Ensure that the District reviews rates and charges for all customers on a regular basis for proper cost recovery and conformance with legal requirements.
- Maintain the credit rating, reserve levels, and other financial metrics identified in approved financial policies.

LONG-RANGE PLAN

The District's Long-Range Plan is a five-year projection of operating costs and capital needs in order to plan for a sound future in water supply and reliability & to accomplish this Strategic Plan. Fiscal sustainability is a necessary factor in the equation for future reliability and is a guiding influence in everything the District does. All District employees are responsible to consider costs involved with activities and try to work as efficiently and effectively as possible. Consideration of controlling costs translates into the future financial viability of the District. Some of these considerations include rate affordability, maintaining reserves, addressing capital needs, and maintaining a credit worthy cash position, among others.

We encourage all readers to review the latest long-range plan, which includes a discussion on guiding factors for the District, assumptions in the forecast, potential need for additional revenues, and other considerations. The FY23 – FY27 Long-Range Plan can be found [HERE](#).

BUDGET DEVELOPMENT

BASIS

The District is operated as an enterprise fund, which is similar to a commercial organization in that it can impose fees for its services and that it uses the full accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when a liability is incurred. The budget is prepared on a cash basis, which means that revenues and expenses are recognized when cash is received and cash is disbursed, and is similar to the financial statements with the following exceptions:

- ✱ Changes in the fair value of investments are not budgeted;
- ✱ In the budget, contributions equal to depreciation and amortization are used to fund capital improvements from operating revenue via deposit into the District's Capital Reserve Fund;
- ✱ Adjustments for certain non-cash Government Accounting Standards Board (GASB) pronouncements (i.e. Statements 68 and 75) that are reflected on financial statements are not included in the budget as they are a non-cash expenditure and therefore no appropriation to make these adjustments are requested.

There is only one fund for both budgeting and for annual financial reporting purposes. Budget control is maintained at the departmental level. The General Manager has the authority to approve appropriation transfers between programs or departments. In no case may total expenses of the District exceed what is appropriated by the Board, without a budget adjustment. Additionally, the transfers may not be made between the operating budget, capital acquisition budget, and the capital improvement project budget. Budgetary transfers may only be made within the operating budget, within projects in the capital acquisition budget, and within projects of the capital improvement budget. Funding for the operating budget and capital acquisition budgets are de-appropriated at year end & do not carry over to the next fiscal year. The capital improvement project budget appropriations do carry-over until completion and / or Board acceptance of final project (to allow contract award).

SANTA FE IRRIGATION DISTRICT - ENTERPRISE FUND

DEPARTMENTS - OPERATING BUDGET

Administrative Services	Engineering & Planning	Joint Facilities (SFID & SDWD Joint Costs)	Operations & Maintenance
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CAPITAL ACQUISITION BUDGET (APPROPRIATIONS FOR CURRENT FISCAL YEAR ONLY)

CAPITAL IMPROVEMENT PROJECTS BUDGET (APPROPRIATIONS MAY SPAN MULTIPLE FY'S)

PROCESS

The District's annual budget process begins in January of every year as staff works to update projections for the then current year budget, which is presented every February to the Board of Directors as the mid-year budget review. This review helps staff determine any fiscal impacts associated with continued District and Joint Facilities operations, changes in capital spending, and estimated year-end reserve levels, among

others. Based on this review, the Administrative Services Department meets with department managers and / or supervisors about these projections, discussing their potential impacts on next fiscal year operations, maintenance, and capital expenditures. Managers then make budget requests for the next fiscal year in consult with their staff, evaluate changes in requirements, the economy or the environment, and establish priorities to determine the funds necessary to support their programs and services.

Several stages of review occur prior to the budget's review by the Board of Directors. The management team meets to discuss industry trends, regulatory requirements, areas of interest within the District boundaries, local / State / federal legislation, and other topics to identify specific needs or areas that may necessitate an increase or decrease in costs. These discussions, in concert with each department manager's budgetary requests, are then reviewed by the General Manager to determine what the best course is for the upcoming year's operations and maintenance budget proposal. District staff also review the status of ongoing capital projects to decide which projects will continue into the next fiscal year and determine the level of spending anticipated for each and corresponding appropriation request. The baseline Capital Improvement Program (CIP) was established by the District's Asset Management Master Plan (AMMP) and the Joint Facilities Master Plan (JFMP). New projects are identified annually, using the baseline program as a guide. The proposed projects for the next fiscal year are evaluated in detail to determine funding sources and planning schedules. Capital acquisitions and projects are added to the budget after reviewing the justification for why these acquisitions and projects are necessary to accomplish the mission, vision, and goals of the District.

The next level of review is performed by SDWD staff. As co-owner of the R.E. Badger Filtration Plant (REB) and related water treatment infrastructure, SDWD must understand and support the Joint Facilities' operating and capital expenditures proposed for the next fiscal year. Staff members from both districts meet to discuss the details before any budget proposal is complete to ensure a cohesive vision for the upcoming fiscal year. Additionally, the Joint Facilities budget is then reviewed by the Joint Facilities Advisory Committee (JFAC), which is comprised of four members - two elected officials from SFID and two elected officials from SDWD (City of Encinitas). JFAC has been established to provide a forum for members of the Board of Directors of the SDWD and SFID to meet, consider, and review matters pertaining to the jointly owned water system facilities and rights to local water supply sources.

The budget preparation calendar for FY23 is shown below. It should be noted that the budgetary changes included in the May revision to the proposed FY23 Budget were reviewed by the Board in May. Additionally, District Staff worked with SDWD Staff to ensure they were apprised and knowledgeable of any proposed changes in the May timeframe.

The FY23 Budget development cycle was as follows:

Step	Feb	Mar	Apr	May	Jun
1 Administration prepares & Board reviews mid-year projections / long-range financial plan	✓				
2 Administration meets with Managers to discuss upcoming budget / long-range projections	✓				
3 Managers refine requests for FY23 Budget		✓			
4 Administration assembles preliminary budget		✓			
5 SDWD Staff reviews budget & provides input for Joint Facilities		✓			
6 Water Resources Committee Reviews proposed CAP & CIP Budgets			✓		
7 Finance & Administration Committee reviews FY23 Proposed Budget in whole			✓		
8 Board holds budget workshop to review FY23 Proposed Budget & provide input			✓		
9 Finance & Administration Committee member presented with budget modifications				✓	
10 Joint Facility Advisory Committee budget review				✓	
11 Board reviews proposed modification to FY23 Budget in whole				✓	
12 Board holds public meeting for final review of budget document & adoption					✓

The District's Board of Directors has established three committees that are responsible for reviewing agenda items prior to board meetings. These committees do the bulk of the review of issues that will be presented to the Board so that an appropriate level of discussion occurs, and the committees can make a recommendation to the Board about those issues. The committees review either all or part of the budget before the final document is approved by the entire Board.

- ✱ The ADMINISTRATIVE AND FINANCE COMMITTEE is responsible for reviewing the budget in total, paying close attention to the total sources and uses of funds, and the effects on the reserve funds. They are typically first introduced to the budget in April, when staff presents a preliminary version and alerts the committee to any significant challenges for the prospective year or changes from the prior year. The Administrative and Finance Committee examines the budget twice more, if necessary, in May and June, prior to the Board's approval and adoption.
- ✱ The WATER RESOURCES COMMITTEE evaluates and discusses the capital budget for both capital acquisitions and projects at least once prior to the June budget adoption.
- ✱ The EXECUTIVE COMMITTEE reviews the personnel budget, looking carefully at organizational structure changes, staffing proposals, benefits costs, and staffing requirements.

The Board of Directors reviews the final draft of the budget in June when staff presents the main policy issues and answers questions. By this time, each of the Directors has had an opportunity to review each portion of the budget at least once and is ready to consider adoption of the budget.

All Committees and Board meetings are public meetings & the District encourages the public to attend to hear about and provide input on the annual budget development process.

ADJUSTMENTS

During the year, if funding for new projects or operating expenditures should be required or existing budget should be insufficient, department managers make requests to the General Manager who will then determine if the request is justified. The request will then be placed on the next appropriate Committee's meeting agenda (unless it is an emergency, in which case it will go to the Board for ratification at the next regular meeting), and the Committee, and subsequently, the Board will consider the allocation of additional appropriations to cover the costs, whose source of funding may need to come from Operating and / or Capital Reserve Fund(s).

Annually, staff prepares a budget status report (mid-year budget review) for the Board in February. At this point, if there are any mid-year budget adjustments that merit consideration, they will be presented to the Board to be reviewed and approved. Funds are then allocated from any additional resources above budgeted levels or from the Operating and / or Capital Reserve Fund(s) to be used for those specific requests for the remainder of the fiscal year.

ASSUMPTIONS & FINANCIAL PLANNING

The District maintains a financial model that is the primary medium to long-term fiscal planning tool which incorporates the ten-year CIP identified in the District's Asset Management Master Plan and Joint Facilities Master Plan. The District's financial model is maintained and updated and is used for fiscal planning and to formulate water rate and budgeting recommendations. The model includes all major assumptions related to the projection of revenues and expenditures, and incorporates information from various sources. This financial model is utilized in concert with the District's cost-of-service process, which is used to make financial projections and determine required resources.

EXPENSES IN FINANCIAL PLAN

Wholesale water rate increases are estimated using cost projections from the San Diego County Water Authority (SDCWA). The District pays the City of San Diego a proportionate share of the costs of operating and maintaining Lake Hodges and Hodges Dam, which are calculated based on terms and conditions of the current agreement with the City. Recycled water costs are negotiated via contract with the San Elijo Joint Powers Authority (SEJPA).

Labor costs are updated according to the terms of the current employee Memorandum of Understanding (MOU) in effect. The current MOU term runs from January 1, 2019 to June 30, 2023. Health care and dental insurance premium increases are based on historical averages and projected marketplace pressure on premiums. Other insurance premium changes (i.e. property, liability) are reviewed in concert with the District's partner for pooled risk sharing, the Association of California Water Agencies Joint Powers Authority (ACWA JPIA). Actual projected increases in medical and insurance premiums are included when available.

Capital project costs from the Asset Management Master Plan are incorporated into the financial model and inflated annually based on the Engineering News Record inflation data for the Southern California region. All other costs in the financial model are typically inflated by the ten-year average CPI, unless more detail is available on cost projections.

REVENUES IN FINANCIAL PLAN

Water rates, as the single largest source of revenue for the District, are evaluated regularly to ensure they meet operating expenses and Board objectives. Based on the District's approved cost-of-service from January 2020, water rates have been updated in the financial plan based on approved rates and structure. Each year, prior to the January 1 increase in water rates due to SFID and SDCWA cost increases, District Staff returns to the Board to discuss the financial standing of the District and need for increases on an annual basis. Property taxes, a relatively large source of non-operating revenue, are allocated to pay for infrastructure replacement and improvement based on current Board direction. Therefore, fluctuations in this fund do not directly influence the operating budget. However, long-term reductions or eventual loss of property tax revenue (though not anticipated) could result in rate increases to make up the gap in funding the capital improvement program or necessitate bond funding in lieu of pay-as-you-go (PAYGO) funding for CIP. The District is currently funding priority capital projects on PAYGO from the Capital Reserve Fund,

which means that funds are collected from various sources (property taxes, depreciation expense, interest income, and a contribution from rates) and accumulated to pay for infrastructure and large equipment purchases. The issuance of debt is another capital financing vehicle available to the District, but has not been utilized since 1999. Long term property tax growth is estimated to be approximately 2% due to Proposition 13 and the District being built-out (with some re-assessment revenue growth during periods of high home sales).

Reserve funds also provide a source of revenue, particularly for capital expenditures. The Reserve Fund Policy in the Financial Policies section of this document describes each of the reserve funds and their sources and uses of funds.

Operating and capital expenses for the Joint Facilities are allocated between the District and the SDWD based on established ownership percentage. Reimbursements from SDWD, from both operating and capital expenses associated with the Joint Facilities, are recognized as revenue in the budget as the full expense for both districts are listed in the budgetary expenditures / uses of funds.

COMPLIANCE WITH FINANCIAL POLICIES

The FY23 Budget, as presented, complies with all District & Board approved financial policies. This includes the District's Budgetary Policy (presenting a balanced budget that defines all sources & use of funds), Reserve Policy (providing adequate funds to be maintain all Board adopted levels), Debt Management Policy (no debt is currently outstanding and is not anticipated to be issued in FY22), Investment Policy (all District funds are properly invested in compliance with Government Code & earing a balance that is budgeted as a resource for utilization in FY22), and Pension Funding Policy.



CHANGES FROM PROPOSAL

APRIL PROPOSAL TO JUNE ADOPTION CHANGES

The following tables outline the changes to the FY23 Budget between the original proposal in April to adoption in June.

OPERATING REVENUES	April Presentation	Adjustment	Explanation	June Revision
Potable Water Sales	\$ 21,254,673	\$ 55,139	Pass-through of SDCWA fixed cost increase (3.5%) and offset by slight decrease in variable cost (\$9/AF	\$ 21,309,811
Recycled Water Sales	973,500	-	No change	973,500
Fixed Charges	5,789,694	-	No change	5,789,694
SDWD Local Water Reimbursement	310,643	-	No change	310,643
SDWD Treatment Reimbursement	2,726,383	24,000	SDWD proportionate share of increased electricity expenses for de-watering facility	2,750,383
Misc Operating Revenue	350,000	-	No change	350,000
Total Operating Revenue	\$ 31,404,892	\$ 79,139		\$ 31,484,031
NON-OPERATING REVENUES				
Capacity Charges	\$ 90,000	\$ -	No change	\$ 90,000
Interest Income	142,968	-	No change	142,968
Property Tax	2,916,893	-	No change	2,916,893
SDWD Capital Reimbursement	2,329,272	-	No change	2,329,272
Grant Revenue - CalOES / FEMA	-	-	No change	-
Misc Non-Operating Revenue	192,000	-	No change	192,000
Total Non-Operating Revenue	\$ 5,671,133	\$ -		\$ 5,671,133
TOTAL REVENUE	\$ 37,076,025	\$ 79,139		\$ 37,155,164
OTHER SOURCES OF FUNDS				
Transfer from Local Water Reserve	\$ 488,217	\$ (35,896)	Based on the assumed faster draw-down of Local Water Fund in FY22 than previously projected	\$ 452,321
Transfer from Capital Reserve Fund	4,346,583	488,217	Re-alignment of reserve utilization based on non-operating revenues / capital spending	4,834,800
Transfer from Undesignated	-	-		-
Transfer from Rate Stabilization / Operating	1,750,424	425,421	Increase due to requirement to purchase additional water from SDCWA	2,175,845
Total Other Sources of Funds	\$ 6,585,224	\$ 877,742		\$ 7,462,966
TOTAL FUNDS AVAILABLE	\$ 43,661,250	\$ 956,881		\$ 44,618,130

OPERATING EXPENSES	April Presentation	Adjustment	Explanation	June Revision
Imported Water Purchases	\$ 11,776,608	\$ 896,880	Increase in expenses based on latest SDCWA costs (no final fixed charge allocations by agency available)	\$ 12,673,488
Local Water Costs	727,500	-	No change	727,500
Recycled Water Purchases	973,500	-	No change	973,500
<u>Personnel Expenses</u>				
Salaries	5,678,549	-	No change	5,678,549
Retirement - CalPERS	1,760,460	-	No change	1,760,460
Healthcare (Medical / Dental)	1,002,684	-	No change	1,002,684
Retiree Healthcare	485,962	-	No change	485,962
Other Personnel Expenses	272,683	-	No change	272,683
(less: capitalized labor)	(100,000)	-		(100,000)
<u>Non-Personnel Expenses</u>				
Administration Expense	1,339,596	-	No change	1,339,596
Engineering Expense	145,875	-	No change	145,875
Operations & Maintenance	1,720,850	-	No change	1,720,850
Joint Facilities	3,160,249	60,000	Increase in electricity costs due to de-watering facility coming online (no expense in last two years)	3,220,249
Capital Contribution (Equal to Depreciation)	4,210,800	-	No change	4,210,800
Total Operating Expenses	\$ 33,155,316	\$ 956,880		\$ 34,112,197
CAPITAL EXPENSES				
Capital Acquisitions	\$ 912,500	\$ -	No change	\$ 912,500
Capital Improvements	9,593,433	-	No change	9,593,433
Total Capital Expenses	\$ 10,505,933	\$ -		\$ 10,505,933
TOTAL EXPENSES	\$ 43,661,250	\$ 956,880		\$ 44,618,130
RESERVE CONTRIBUTION				
Transfer to Local Water Reserve	\$ -	\$ -	No change	\$ -
Transfer to Capital Reserve Fund	-	-	No change	-
Transfer to Operating Fund / Rate Stabilization	-	-	No change	-
Total Reserve Contribution	\$ -	\$ -		\$ -
TOTAL USES OF FUNDS	\$ 43,661,250	\$ 956,880		\$ 44,618,130

Santa Fe Irrigation District
Fiscal Year 2023 Budget Summary
Sources of Funds

OPERATING REVENUES	FY 2021	FY 2022		FY 2023	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Potable Water Sales	\$ 21,884,370	\$ 20,844,496	\$ 21,398,334	\$ 21,309,811	2.2%	-0.4%
Recycled Water Sales	897,379	979,777	1,043,826	973,500	-0.6%	-6.7%
Fixed Charges	5,388,296	5,702,305	5,547,037	5,789,694	1.5%	4.4%
SDWD Local Water Reimbursement	64,008	130,235	130,144	310,643	138.5%	138.7%
SDWD Treatment Reimbursement	2,714,089	2,853,800	2,327,278	2,750,383	-3.6%	18.2%
Misc Operating Revenue	367,279	460,000	369,632	350,000	-23.9%	-5.3%
Total Operating Revenue	\$ 31,315,421	\$ 30,970,612	\$ 30,816,251	\$ 31,484,031	1.7%	2.2%
NON-OPERATING REVENUES						
Capacity Charges	\$ 302,167	\$ 90,000	\$ 90,000	\$ 90,000	0.0%	0.0%
Interest Income	43,528	378,500	125,000	142,968	-62.2%	14.4%
Property Tax	2,645,623	2,783,525	2,859,699	2,916,893	4.8%	2.0%
SDWD Capital Reimbursement	4,161,475	4,158,072	3,045,951	2,329,272	-44.0%	-23.5%
Grant Revenue - CalOES / FEMA	1,831,324	1,337,852	1,481,723	-	-100.0%	-100.0%
Misc Non-Operating Revenue	1,750,886	208,303	469,411	192,000	-7.8%	-59.1%
Total Non-Operating Revenue	\$ 10,735,003	\$ 8,956,251	\$ 8,071,784	\$ 5,671,133	-36.7%	-29.7%
TOTAL REVENUE	\$ 42,050,424	\$ 39,926,864	\$ 38,888,035	\$ 37,155,164	-6.9%	-4.5%
OTHER SOURCES OF FUNDS						
Transfer from Local Water Reserve	-	433,110	471,865	452,321	4.4%	-4.1%
Transfer from Capital Reserve Fund	-	4,259,382	1,194,698	4,834,800	13.5%	304.7%
Transfer from Unassigned Funds	-	-	2,000,000	-		
Transfer from Rate Stabilization/Undesignated Funds	-	758,702	1,058,146	2,289,389	116.4%	116.4%
Total Other Sources of Funds	\$ -	\$ 5,451,194	\$ 4,724,710	\$ 7,576,510	39.0%	60.4%
TOTAL FUNDS AVAILABLE	\$ 42,050,424	\$ 45,378,057	\$ 43,612,745	\$ 44,731,674	-1.4%	2.6%

Note: Totals may not foot due to rounding.

Santa Fe Irrigation District
Fiscal Year 2023 Budget Summary
Uses of Funds

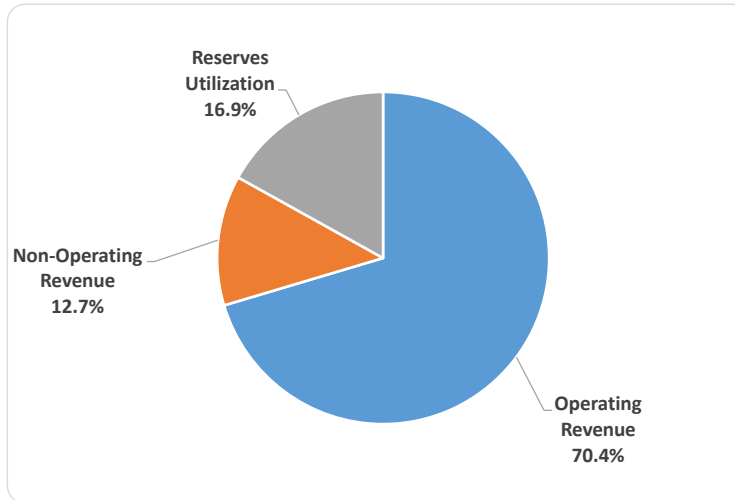
OPERATING EXPENSES	FY 2021 Actual	Budget	FY 2022 Projected	FY 2023 Budget	% Change Bgt to Bgt	% Change Proj to Bgt
<u>Water Expenses:</u>						
Imported Water Purchases	\$ 10,696,792	\$ 11,521,327	\$ 11,947,006	\$ 12,787,032	11.0%	7.0%
Local Water Costs	85,992	305,000	305,000	727,500	138.5%	138.5%
Recycled Water Purchases	958,580	979,777	1,043,826	973,500	-0.6%	-6.7%
<u>Personnel Expenses</u>						
Salaries	5,175,163	5,381,421	5,276,193	5,678,549	5.5%	7.6%
Retirement - CalPERS	1,481,962	1,677,171	3,668,757	1,760,460	5.0%	-52.0%
Healthcare (Medical / Dental)	655,438	880,034	884,746	1,002,684	13.9%	13.3%
Retiree Healthcare	531,716	535,748	535,748	485,962	-9.3%	-9.3%
Other Personnel Expenses	247,635	255,837	227,637	272,683	6.6%	19.8%
(less: capitalized labor)	(148,939)	(120,000)	(70,000)	(100,000)	-16.7%	42.9%
<u>Non-Personnel Expenses</u>						
Administration Expense	975,504	1,451,927	1,214,062	1,339,596	-7.7%	10.3%
Engineering Expense	246,577	260,875	194,733	145,875	-44.1%	-25.1%
Operations & Maintenance	1,588,271	1,701,975	1,606,002	1,720,850	1.1%	7.2%
Joint Facilities	3,593,616	3,646,835	2,667,760	3,220,249	-11.7%	20.7%
Capital Contribution (Equal to Depreciation)	3,242,425	3,684,497	3,920,900	4,210,800	14.3%	7.4%
Total Operating Expenses	\$ 29,330,732	\$ 32,162,424	\$ 33,422,371	\$ 34,225,741	6.4%	2.4%
CAPITAL EXPENSES						
Capital Acquisitions	\$ 1,024,829	\$ 1,277,000	\$ 828,099	\$ 912,500	-28.5%	10.2%
Capital Improvements	11,579,069	11,938,633	8,438,383	9,593,433	-19.6%	13.7%
Total Capital Expenses	\$ 12,603,898	\$ 13,215,633	\$ 9,266,482	\$ 10,505,933	-20.5%	13.4%
TOTAL EXPENSES	\$ 41,934,630	\$ 45,378,057	\$ 42,688,853	\$ 44,731,674	-1.4%	4.8%
RESERVE CONTRIBUTION						
Transfer to Local Water Reserve	\$ 620,697	\$ -	\$ -	\$ -	-	-
Transfer to Capital Reserve Fund	-	-	-	-	-	-
Transfer to Operating / Rate Stab. / Undes. Funds	-	-	923,892	-	0.0%	-100.0%
Total Reserve Contribution	\$ 620,697	\$ -	\$ 923,892	\$ -	-	-100.0%
TOTAL USES OF FUNDS	\$ 42,555,327	\$ 45,378,057	\$ 43,612,745	\$ 44,731,674	-1.4%	2.6%

Note: Totals may not foot due to rounding.

Santa Fe Irrigation District Fiscal Year 2023 Budget Summary

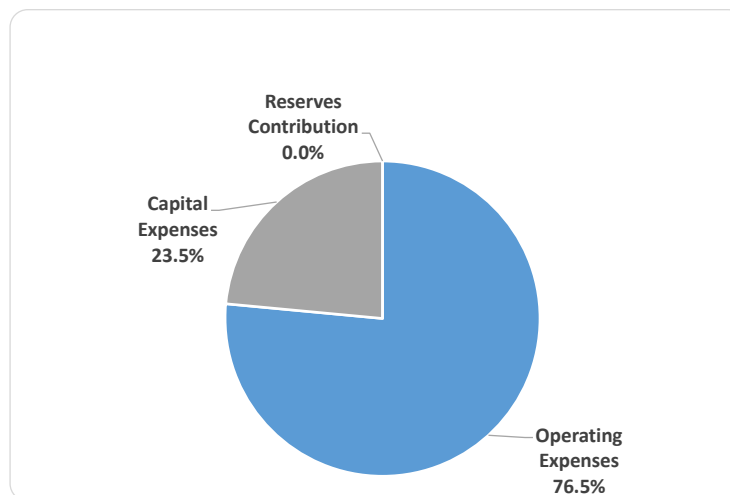
SOURCES OF FUNDS

Operating Revenue	\$ 31,484,031
Non-Operating Revenue	5,671,133
Reserves Utilization	7,576,510
Total Funds Available	\$ 44,731,674



USES OF FUNDS

Operating Expenses	\$ 34,225,741
Capital Expenses	10,505,933
Reserves Contribution	-
Total Expenses	\$ 44,731,674

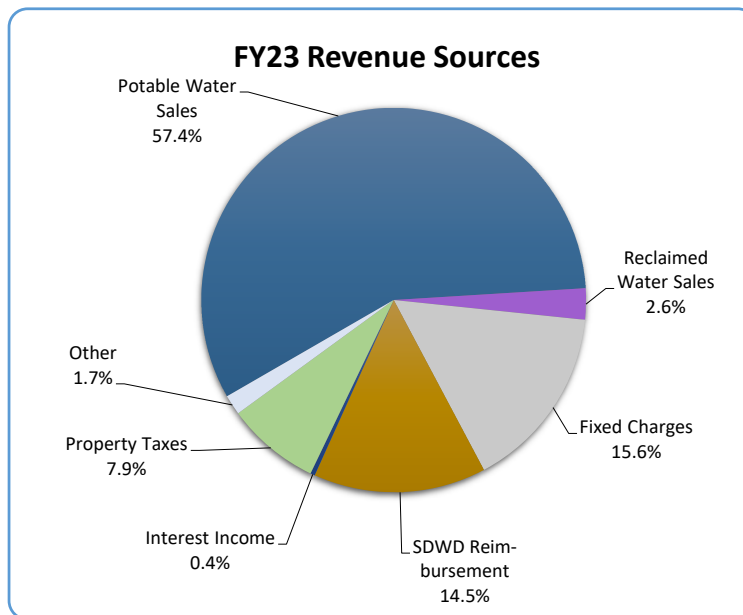


Note: Totals may not foot due to rounding

Revenue Summary Fiscal Year 2023 Budget

Description	FY 2021	FY 2022		FY 2023	% Change	% Change
	Actual	Budget	Projection	Budget	Bgt to Bgt	Proj to Bgt
Potable Water Sales	\$ 21,884,370	\$ 20,844,496	\$ 21,398,334	\$ 21,309,811	2.2%	-0.4%
Recycled Water Sales	897,379	979,777	1,043,826	973,500	-0.6%	-6.7%
Fixed Charges	5,388,296	5,702,305	5,547,037	5,789,694	1.5%	4.4%
SDWD Local Water Reimbursement	64,008	130,235	130,144	310,643	138.5%	138.7%
SDWD Treatment Reimbursement	2,714,089	2,853,800	2,327,278	2,750,383	-3.6%	18.2%
Misc Operating Revenue	367,279	460,000	369,632	350,000	-23.9%	-5.3%
Capacity Charges	302,167	90,000	90,000	90,000	0.0%	0.0%
Interest Income	43,528	378,500	125,000	142,968	-62.2%	14.4%
Property Tax	2,645,623	2,783,525	2,859,699	2,916,893	4.8%	2.0%
SDWD Capital Reimbursement	4,161,475	4,158,072	3,045,951	2,329,272	-44.0%	-23.5%
Grant Revenue - CalOES / FEMA	1,831,324	1,337,852	1,481,723	-	-100.0%	-100.0%
Misc Non-Operating Revenue	1,750,886	208,303	469,411	192,000	-7.8%	-59.1%
TOTALS	\$ 42,050,424	\$ 39,926,864	\$ 38,888,035	\$ 37,155,164	-6.9%	-4.5%

The District receives revenue from a variety of operating and non-operating sources. The table and chart presented summarize projected revenues for FY23. The use and appropriation of revenues are governed by both statutory requirements and District policies. The applicable internal policies are the District Administrative Code, Reserve Fund Policy, and Budget Policy. The District Operating Programs are primarily funded by water sales, fixed charges, and other miscellaneous operating revenues. District Capital Programs (Capital Acquisitions and Improvements) are funded by non-operating revenues and transfers from reserves. The total projected revenue from all sources for FY23 is estimated to be \$37,155,164. Over two-thirds of total revenues for the District is from water sales (variable and fixed charges - 75.6% of the total).

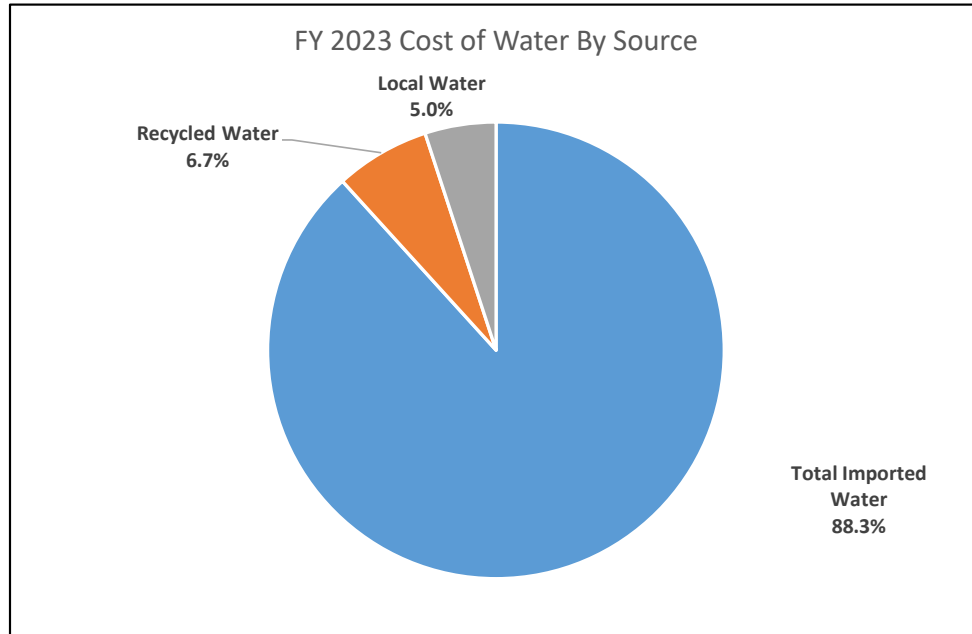


Note: Totals may not foot due to rounding.

Water Expense Summary Fiscal Year 2023 Operating Budget

Commodity Cost Breakdown

	FY 2021	FY 2022		FY 2023	% Change	% Change
WATER SOURCE	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Imported Water:						
Variable Costs	\$ 7,595,857	\$ 8,468,785	\$ 8,894,464	\$ 9,741,384	15.0%	9.5%
Fixed Costs						
Supply Reliability Charge	718,014	691,206	691,206	690,906	0.0%	0.0%
Infrastructure Access Charge	501,852	539,436	539,436	537,348	-0.4%	-0.4%
Customer Service Charge	407,796	402,696	402,696	409,188	1.6%	1.6%
Emergency Storage Charge	1,069,599	1,018,812	1,018,812	1,022,388	0.4%	0.4%
MWD Capacity Charge	169,962	180,480	180,480	164,616	-8.8%	-8.8%
MWD Readiness-to-Serve Charge	233,712	219,912	219,912	221,202	0.6%	0.6%
Total Fixed Costs	3,100,935	3,052,542	3,052,542	3,045,648	-0.2%	-0.2%
Total Imported Water	\$ 10,696,792	\$ 11,521,327	\$ 11,947,006	\$ 12,787,032	11.0%	7.0%
Local Water	85,992	305,000	305,000	727,500	138.5%	138.5%
Total Potable Water	\$ 10,782,784	\$ 11,826,327	\$ 12,252,006	\$ 13,514,532	14.3%	10.3%
Recycled Water	958,580	979,777	1,043,826	973,500	-0.6%	-6.7%
Total Water Costs	\$ 11,741,364	\$ 12,806,104	\$ 13,295,832	\$ 14,488,032	13.1%	9.0%





PERSONNEL

OVERVIEW



The total FY22 Personnel Budget is \$9,200,338 (excluding any capitalized labor), and includes salary and benefit expenses for 51 regular District employees. This figure represents 26.6% of total operating expenses and is an increase of approximately \$470,000 or 5.4% from FY22. This increase is primarily due to an increase in budgeted positions to accommodate new regulations / succession planning, salary expense, and healthcare costs. This section outlines the information behind the FY23 Budget in addition to challenges & assumptions.

SALARIES



Total salaries have increased by approximately \$300,000 or 5.5% from the FY22 Budget. This increase is due primarily to two changes. First, there is a 4.0% general wage adjustment for all District employees (except the General Manager) effective July 1, 2021 per the Memorandum of Understanding (MOU) between the District and the SFID Employees Association & managers. This four-and-a-half year MOU was effective January 1, 2019 and expires June 30, 2023. The MOU stipulated that a general wage adjustment was to be given to all employees each July 1st of each year of the MOU; with the July 1, 2021 increase matching the San Diego consumer price index change for CY20, with a minimum of 2.0% and a maximum of 4.0%. The San Diego CPI for CY21 exceeded 8.0%, so the maximum of 4.0% will be enacted, which accounts for approximately \$200,000 increase from FY22.

Second, there is one additional employee in both the Joint Facilities and Administration departments added to the FY23 Budget. The Joint Facilities department currently has a vacant maintenance position, budgeted at approximately \$100,000. This position will be

transitioned into two Water Treatment Operator I positions, totaling \$153,000, to allow for greater succession planning due to upcoming retirements of long-time treatment operators. This proposal would add \$53,000 in salary expenses to joint facilities (shared with SDWD).

Additionally, the Administration department is proposed to add a limited term Water Conservation Technician to assist in the review and development of water use requirements that will be the foundation for a potential future State-imposed water budget per AB1668. This position's term will be limited to FY25, and then will be eliminated. The salary for this position is estimated at approximately \$84,000.retirement / CalPERS. The total cost for these two position additions is \$137,000.

PENSION

In FY22, the District adopted a Pension Funding Policy (included as an attachment to this budget document). The Policy stipulated creating a level annual unfunded liability contribution and funding of a pension section 115 trust to help stabilize any variations in changes of this level payment. To accomplish this, the District made a \$2.0 million prepayment to CalPERS to reduce the unfunded liability. This is anticipate to increase the funding level of the pension from approximately 75% to almost 85%. The Board also directed Staff to create a 15 year level payment for the unfunded liability. Though this all was completed in FY22, CalPERS was unable to re-amortize the District's unfunded liability until FY24. The District's unfunded liability payment is \$1.2 million, an increase of approximately \$100,000 from FY22. Total PAYGO for CalPERS in FY22 is approximately \$600,000, which is mostly unchanged since FY22 despite payroll increases. This is due to more employees being on the second tier and PEPRAs pension plans in the current year.

OTHER EMPLOYEMENT EXPENDITURES

Healthcare

Total healthcare costs in the FY23 Budget are approximately \$1.0 million, an approximately \$120,000 increase from FY22 or 13.9%. The District faced an approximate 10% increase in medical costs on January 1, 2022. The FY23 Budget estimates a 10% increase in healthcare costs again on January 1, 2023, resulting in an approximate increase of \$100,000. The remaining approximate \$20,000 increase is due to adding two new positions to the FY23 Budget.



Retiree Healthcare

The District currently provides paid post-employment health care coverage for retired employees and eligible dependents that were hired by the District prior to September 28, 2007 (all employees hired after this date do not receive this benefit). The District pays a PAYGO portion for currently retired employees in addition to a contribution to the CalPERS' California Employers' Retirement Benefit Trust (CERBT). The CERT is an irrevocable trust for the contribution of funds to reduce the District's OPEB actuarial liability through and ADC.

The PAYGO and ADC total approximately \$486,000 in FY22, which is \$50,000 decrease from FY22. The District, per Governmental Accounting Standards Board pronouncement 75, engages an actuarial consultant every two years to perform an updated plan valuation. This updated plan valuation has been completed and is the basis for this contribution. Additionally, due to continuing contributions and positive market performance, the District's current funded level for this plan is approximately 85%

ORG CHART



The proposed FY22 organizational chart is presented at the end of this budget section. As shown in the graphic below, budgeted employees are increasing by 2, which is reflective of new regulations and anticipated retirements coming in the current and future fiscal years. The District always reviews vacant position to determine the most pressing needs and determines how to redistribute responsibilities, combined

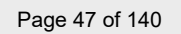
positions, reorganize departments, or withhold filling vacant positions as necessary. As the District moves forward with infrastructure improvements that require long-term and consistent maintenance and protection, it will be important to select the appropriate staff with requisite skills and experience to maximize capital investments to sustain the level of services as directed by the Board.

REGULAR	Actual FTE		Proposed FTE
Departments	FY 2021	FY 2022	FY 2022
Administration	12.0	12.0	13.0
Engineering	4.0	4.0	4.0
Operations*	17.0	17.0	17.0
Joint Facilities	16.0	16.0	17.0
Total	49.0	49.0	51.0

**Includes Utility Worker position that remained vacant in FY21*



22 Year Employee, DJ Garcia, with GM Al Lau at DJ's Retirement Farewell



Personnel Expense Summary
Fiscal Year 2023 Operating Budget

Description	FY 2021	FY 2022		FY 2023	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Salaries & Benefits:						
District Administration	\$ 2,097,021	\$ 2,239,964	\$ 2,801,831	\$ 2,480,400	10.7%	-11.5%
Salaries	1,441,593	1,512,236	1,504,286	1,665,963	10.2%	10.7%
Retirement - CalPERS	405,176	461,128	1,036,899	504,467	9.4%	-51.3%
Healthcare (Medical / Dental)	185,990	206,912	213,706	242,760	17.3%	13.6%
Other	64,262	59,688	46,940	67,210	12.6%	43.2%
District Engineering	723,441	780,553	814,541	713,872	-8.5%	-12.4%
Salaries	516,235	539,099	441,821	493,310	-8.5%	11.7%
Retirement - CalPERS	140,476	159,378	300,591	138,721	-13.0%	-53.9%
Healthcare (Medical / Dental)	50,851	64,421	58,667	63,829	-0.9%	8.8%
Other	15,879	17,656	13,462	18,012	2.0%	33.8%
District Operations	2,184,370	2,419,750	3,018,225	2,522,505	4.2%	-16.4%
Salaries	1,429,548	1,550,436	1,550,436	1,599,434	3.2%	3.2%
Retirement - CalPERS	417,957	485,999	1,079,434	503,316	3.6%	-53.4%
Healthcare (Medical / Dental)	270,960	300,989	311,812	335,473	11.5%	7.6%
Other	65,905	82,326	76,543	84,282	2.4%	10.1%
Joint Facilities Operations	1,368,881	1,534,537	1,917,863	1,860,201	21.2%	-3.0%
Salaries	1,019,004	996,457	996,457	1,191,997	19.6%	19.6%
Retirement - CalPERS	272,615	322,499	703,896	378,917	17.5%	-46.2%
Healthcare (Medical / Dental)	13,481	162,001	166,969	225,395	39.1%	35.0%
Other	63,781	53,580	50,541	63,892	19.2%	26.4%
Joint Facilities Maintenance	831,775	861,230	1,053,764	749,156	-13.0%	-28.9%
Salaries	529,711	543,962	543,962	471,699	-13.3%	-13.3%
Retirement - CalPERS	175,289	172,576	380,779	153,968	-10.8%	-59.6%
Healthcare (Medical / Dental)	101,170	115,196	101,346	98,124	-14.8%	-3.2%
Other	25,605	29,497	27,677	25,365	-14.0%	-8.4%
Joint Facilities Laboratory	122,930	131,350	166,593	141,082	7.4%	-15.3%
Salaries	86,667	91,988	91,988	98,420	7.0%	7.0%
Retirement - CalPERS	22,032	25,462	60,670	27,211	6.9%	-55.1%
Healthcare (Medical / Dental)	9,167	8,865	9,069	10,100	13.9%	11.4%
Other	5,064	5,035	4,866	5,351	6.3%	10.0%
Joint Facilities Administration	231,780	227,079	284,517	247,159	8.8%	-13.1%
Salaries	152,405	147,243	147,243	157,726	7.1%	7.1%
Retirement - CalPERS	48,417	50,130	106,488	53,860	7.4%	-49.4%
Healthcare (Medical / Dental)	23,819	21,651	23,167	27,002	24.7%	16.6%
Other	7,139	8,055	7,619	8,571	6.4%	12.5%
Subtotal Operating Salaries & Benefits	\$ 7,560,198	\$ 8,194,463	\$ 10,057,334	\$ 8,714,376	6.3%	-13.4%
Retiree Health Care Program						
Annual OPEB Trust Contribution / Pay-Go						
District	383,878	386,754	386,754	321,352	-16.9%	-16.9%
Plant	147,838	148,994	148,994	164,610	10.5%	10.5%
Subtotal Retiree Healthcare Program	531,716	\$ 535,748	\$ 535,748	\$ 485,962	-9.3%	-9.3%
Total Personnel Expenses	\$ 8,091,914	\$ 8,730,211	\$ 10,593,082	\$ 9,200,338	5.4%	-13.1%
Direct Labor Charged to CIP	(148,939)	(120,000)	(70,000)	(100,000)	-16.7%	42.9%
Personnel Net of Capitalized Labor	\$ 7,942,975	\$ 8,610,211	\$ 10,523,082	\$ 9,100,338	5.7%	-13.5%

OPERATING PROGRAM

OVERVIEW

This section of the budget document describes the individual department operating expenses from the context of the programs and services that each delivers. Programs and services are developed and adjusted annually to continue the advancement of the District's mission & vision, and will be adjusted in accordance with the District's development of a new Strategic Business Plan. Short-term initiatives identified by the departments are included in the operating program budgets.

The District's operating budget funds day-to-day programs and functions, and includes four main cost centers: Administration, Engineering and Planning, Operations and Maintenance, and Joint Facilities. Major expense items in the operating program budget include water purchases, labor, supplies, professional services, utilities, and repair and maintenance. It is important to note that the Joint Facilities staff operates and maintains the jointly-owned R.E. Badger Filtration Plant (REB), as well as the other water treatment infrastructure. The District and the San Dieguito Water District (SDWD) share ownership of these facilities, funding approximately 60% and 40%, respectively, of the operating cost of the Joint Facilities. A detailed allocation of expenses between the two agencies is included in Appendix A. This section discusses the District's four cost centers and provides an overview of the expenses associated with each.

ADMINISTRATIVE SERVICES – PROGRAMS AND SERVICES

The Administration portion of the budget includes the Board of Directors, the office of the General Manager, and the Administrative Services Department. The Administrative Services Department provides support services for the District's core functions of treating and distributing water to the public.

SERVICES

- ✧ Implements and maintains District policies and procedures
- ✧ Supports activities of the Board of Directors
- ✧ Coordinates District legal activities
- ✧ Manages overall operations and projects of the District
- ✧ Directs and maintains official District documents and archives
- ✧ Creates and administers public outreach activities
- ✧ Administers water conservation programs
- ✧ Oversees District's financial management, including budget, annual financial audit, banking, and required reporting, among others
- ✧ Establishes and maintains customer accounts, and bills and collects revenue for water service
- ✧ Delivers employee services for human resources and payroll
- ✧ Maintains internal accounting processes, such as purchasing and accounts payable
- ✧ Directs and maintains District voice, data, and computer systems (all IT infrastructure)
- ✧ Coordinates and monitors District safety and risk management programs

STAFFING – FULL-TIME EQUIVALENT POSITIONS (FTE)

Positions	Actual FTE		Proposed FTE
	FY 2021	FY 2022	FY 2023
<u>Regular</u>			
General Manager	1.0	1.0	1.0
Executive Assistant	1.0	1.0	1.0
Administrative Manager	1.0	1.0	1.0
Public Communication Officer	1.0	1.0	1.0
Customer Services	2.0	2.0	2.0
Accounting/Finance	2.0	2.0	2.0
Human Resources	1.0	1.0	1.0
Information Systems	2.0	2.0	2.0
Safety	1.0	1.0	1.0
Water Conservation Technician	0.0	0.0	1.0
Total	12.0	12.0	13.0

PROGRAMS AND ACTIVITIES

The FY23 Budget provides funding for the following regular activities for each portion of the Administrative Services department. Additionally, this budget provides funding for the objectives for the upcoming fiscal year listed in this section that may be for a single or over multiple fiscal years.

GENERAL MANAGER'S OFFICE

- ✳ Oversees District departments, activities, and projects
- ✳ Assists with policy formulation and implementation of strategic plan
- ✳ Posts required legal documents, including public notices
- ✳ Plans, organizes, and conducts Board of Directors activities and meetings
- ✳ Manages and archives District documents, contracts, Board and Committee agendas and minutes, and property records
- ✳ Coordinates legal activities
- ✳ Serves as community and public liaison

ACCOUNTING / FINANCE

- ✳ Ensures compliance with Federal and State accounting rules and regulations
- ✳ Creates and submits required accounting and financial reports, including the annual budget and audit
- ✳ Develops and monitors compliance with District financial and purchasing policies
- ✳ Manages the District's long-term debt obligations if indebtedness is currently outstanding
- ✳ Updates and implements the District's investment portfolio (reserve funds)
- ✳ Manages and processes employee payroll and reporting
- ✳ Establishes and monitors appropriate internal controls and procedures
- ✳ Handles all accounts payable and payment processing

CUSTOMER SERVICES

- ✳ Serves as point of contact for District customer interaction
- ✳ Responds to customer requests and coordinates activities with District O&M and Engineering staff
- ✳ Generates approximately 4,000 bills monthly, records payments and maintains customer accounts

HUMAN RESOURCES

- ✧ Performs District recruitments
- ✧ Manages and administers District benefits
- ✧ Maintains job descriptions, employee records and database
- ✧ Provides support and assistance to managers, supervisors, and employees for human resource-related issues

INFORMATION SYSTEMS

- ✧ Manages, implements, and maintains the District's information technology including voice, data, and computer systems
- ✧ Provides technical support and coordination of hardware, software, and network systems
- ✧ Creates and monitors the District's information systems policies and procedures
- ✧ Ensures security of the District network and systems

SAFETY

- ✧ Oversees the District's risk management and safety program
- ✧ Manages asset protection for business continuity
- ✧ Ensures compliance with Federal and State regulations
- ✧ Performs incident investigation and maintains required records and reports

PUBLIC COMMUNICATION

- ✧ Coordinates participation in SDCWA/MWD conservation programs
- ✧ Administers and delivers District-level water conservation programs
- ✧ Provides educational materials and programs for local school districts
- ✧ Purchases, creates, and distributes water conservation materials
- ✧ Serves as the liaison between District, public, and ratepayers
- ✧ Media interaction including print, social media, and television
- ✧ Community engagement
- ✧ Monitors local, state, and national legislation that may impact the District and its customers

ACCOMPLISHMENTS OF FY22

The Administrative Services staff achieved the following key accomplishments in FY22:

- ✧ Government Finance Officers Association distinguished budget award and certificate of achievement for excellence in financial reporting
- ✧ Unmodified opinion on FY21 audit - completed and accepted by Board of Directors
- ✧ Completed recruitments for multiple positions District-wide
- ✧ Implementation new servers, switches, and firewalls throughout the District
- ✧ Implemented new IT security measures
- ✧ Implemented new Pension Funding Policy, section 115 trust, and pre-funded CalPERS liability
- ✧ Updated Reserve Policy & administered all reserve funds in accordance with Policy, including Local Water Fund
- ✧ Implemented PSAWR program
- ✧ Mitigated customer delinquencies during COVID with payment plans / customer contact. Navigated customer service shut-off implementation & SB998 requirements.
- ✧ Updated proposition 26 fees and charges to ensure proper cost recovery
- ✧ Completed budget training for Board Members & COSS overview

- ✳ Instituted new 5-year financial outlook / built model / completed projections
- ✳ Updated three separate Admin Code articles
- ✳ Completed FY22 mid-year budget monitoring
- ✳ Completed FY23 Budget cycle
- ✳ Work with actuaries on pension / OPEB for GASB 67, 75

OBJECTIVES FOR FY23

During FY23, Administrative Services will achieve the following objectives:

- ✳ Complete new cost-of-service process with high level of public outreach and education
- ✳ Bring forward continued modifications / enhancements to the District's Administrative Code
- ✳ Development of Pension & OPEB funding strategies
- ✳ Development of Pension & OPEB funding Policies
- ✳ Continue to monitor State water use requirements & legislation, advocate for District
- ✳ District information technology security audit & long-range plan
- ✳ Review of docket management system for potential upgrade of functionality
- ✳ Complete update of District's communication plan
- ✳ Review of customer payment portal
- ✳ Review / begin implementation of new customer AMI portal
- ✳ Implementation of new performance management system
- ✳ Implementation of new time card management
- ✳ Evaluation of new payment lockbox & auto-pay opportunities
- ✳ Work with City of San Diego on local water / Lake Hodges issues (in conjunction with SDWD and SDCWA)

ADMINISTRATIVE SERVICES DETAIL & SIGNIFICANT BUDGET CHANGES

Please refer to the budget summary for Administrative Services on the following page(s)

- ✳ Board support has increased from FY22 due to more Directors taking a per diem (with additional meetings due to cost-of-service) in addition to a projected increase in travel / training;
- ✳ Thought property & liability insurance is not increasing significantly, this is due to a redistribution in costs between the District and Joint Facilities based on asset ownership percentages;
- ✳ Office expenses are decreasing based on alignment with actual prior year spending;
- ✳ Information technology expenditures are decreasing due to the elimination of the \$40,000 in one-time expenditures budgeted in FY22 for the purchase of a new AMI customer portal. Consequently, any AMI portal upgrade will require a funding request to be approved at the time of contract award. Additionally, there is a \$25,000 decline in the technology budget due to duplicated budget for the District's distribution management software for Sensus AMI meters being in both Administration and Operations (where it remains);
- ✳ The conservation budget in FY22 totaled \$114,500, split between the conservation budget group (\$42,500) and contract / professional services (\$72,000). The conservation budget group has been reduced to zero to centralize all conservation / outreach budget into one group for better tracking purposes under contract / professional services. The budget for this group has been increased from \$72,000 to \$82,000 in FY23 to allow for proper funding of the District outreach plan that has been previously presented to the Board;

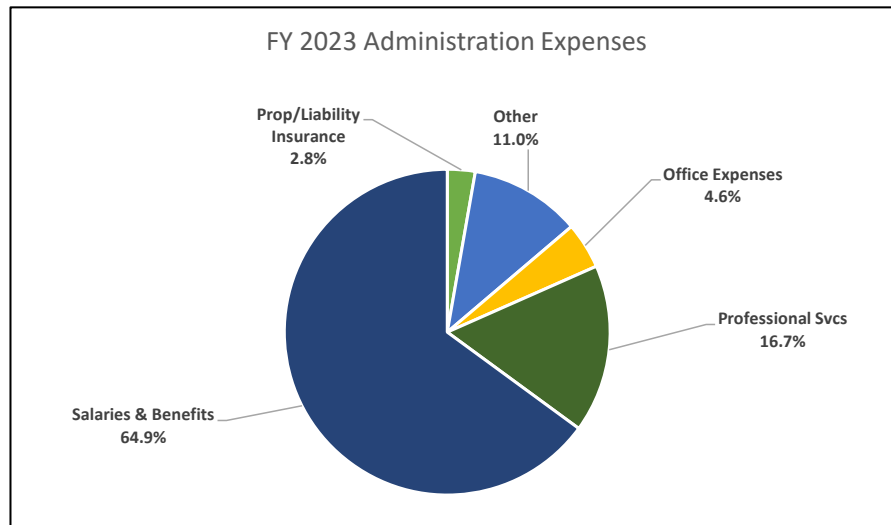
- ✱ Contract / professional services are made up of bank fees (\$130,000), general consulting (\$200,000), legal fees (\$225,000), and public outreach (\$82,000). The decrease in FY23 is due to a lower level of consultant expenditures anticipated in FY23;
- ✱ Training and development expenditures are proposed to decrease in FY23 as travel / training paid for Board members (previously budgeted in this line item) was moved to Board expenses.

ADMINISTRATIVE SERVICES KEY PERFORMANCE INDICATORS

KPI #	KPI	FY22 Goal	FY22 Actual*	FY23 Goal	Comments / Variance Explanation For FY22
1	Average, typical single-family residential bill (SDCWA members)	<33rd Percentile	<33rd Percentile	<33rd Percentile	-
2	Compliance with state requirement AB1668 - District water budget	TBD	N/A	TBD	Regulations have not been implemented as of yet
3	Compliance with state requirement SBX 7-7 (gallons per capita / day)	< 510	452.4	< 510	As of May 2022
4	Participation rate in customer survey	25%	N/A	25%	No customer survey completed in FY22 - anticipated in FY23
5	# attendees at water seminar(s) / landscape classes held by District	100	N/A	100	No classes held in FY22 due to pandemic - anticipated in FY23
6	Number of customers enrolled in District AML portal (as a % of total District customers - goal of 60% by FY31)	10%	12%	20%	With drought continuing, AML enrollment will be more important
7	% of District main phone line calls not answered by live customer service representative	<1%	0.25%	<1%	-
8	# of updates of current and developing legislation and regulations at District Board meeting	9	10	9	-
9	% customers on auto-pay (goal of 60% by FY31)	15%	28%	30%	-
10	Employee voluntary turnover annually	<=5%	4%	<=5%	-
11	Percentage of distribution and treatment employees with certifications/education above minimum requirements for their job	67%	55%	67%	District hired new employees beginning their water careers - training and education will increase figure
12	Percentage of performance evaluations completed within 30 days from anniversary	90%	31%	90%	New performance management system implementation will drive this figure upwards in FY23
13	Development / review for compliance with OPEB and pension funding policy	Y	Y	Y	Funding Policy completed in FY22, OPEB Policy under review
14	Proposition 26 fees reviewed within last 3 years	Y	Y	N/A	Will be completed again in FY25
15	Completion of cost-of-service study within last 5 years	Y	Y	Y	New COSS anticipated by CY23
16	Compliance with all Board adopted financial policies (Budget, Reserves, Debt, Treasurer, etc.)	Y	Y	Y	
17	# of Table top emergency response plan exercises conducted	2	1	2	Large scale exercise planned in September and January
18	Annual District rate increase / revenue requirement within 3% of San Diego / Carlsbad CPI-U, less water supply costs	Y	Y	Y	CPI exceeded 8%, however, SFID increase was 3% on 1/1/22

Administration Expense Summary Fiscal Year 2023 Operating Budget

Description	FY 2021	FY 2022		FY 2023	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 2,097,021	\$ 2,239,964	\$ 2,801,831	\$ 2,480,400	10.7%	-11.5%
District Retiree Health Care	383,878	386,754	386,754	321,352	-16.9%	-16.9%
Capitalized Labor	11,741	-	-	-	-	-
Interdepartmental Allocations	(422,641)	(530,863)	(495,503)	(500,000)	-5.8%	0.9%
Net Personnel Expenditures	<u>\$ 2,069,999</u>	<u>\$ 2,095,855</u>	<u>\$ 2,693,082</u>	<u>\$ 2,301,752</u>	9.8%	-14.5%
Non-Labor Expenses:						
Board Support	\$ 38,207	\$ 26,120	\$ 40,973	\$ 75,470	188.9%	84.2%
Property & Liability Insurance	90,848	104,007	92,356	105,658	1.6%	14.4%
Office Supplies	60,990	70,000	56,943	67,500	-3.6%	18.5%
Information Technology	263,002	376,300	344,253	328,968	-12.6%	-4.4%
Other Office Expense	91,810	109,000	90,229	109,000	0.0%	20.8%
Conservation	12,021	42,500	22,465	0	-100.0%	-100.0%
Contract/Professional Services	400,786	682,000	541,688	637,000	-6.6%	17.6%
Training & Development	17,840	42,000	25,155	16,000	-61.9%	-36.4%
Total Non-Labor	<u>\$ 975,504</u>	<u>\$ 1,451,927</u>	<u>\$ 1,214,062</u>	<u>\$ 1,339,596</u>	-7.7%	10.3%
Expenses Before Depreciation	<u>\$ 3,045,503</u>	<u>\$ 3,547,782</u>	<u>\$ 3,907,144</u>	<u>\$ 3,641,348</u>	2.6%	-6.8%
Depreciation & Amortization	<u>\$ 3,242,425</u>	<u>\$ 3,684,497</u>	<u>\$ 3,920,900</u>	<u>\$ 4,210,800</u>	14.3%	7.4%
Total Net Expenses	\$ 6,287,928	\$ 7,232,279	\$ 7,828,044	\$ 7,852,148	8.6%	0.3%



Note: Totals may not foot due to rounding. Pie chart does not include any capitalized labor offset, interdepartment charges, or retiree healthcare.

ENGINEERING AND PLANNING – PROGRAMS AND SERVICES

The Engineering and Planning Department (EPD) oversees the Capital Improvement Program, Water Resources Management, Development Services, Property Management, and Geographic Information System (mapping). EPD also provides general engineering support to operations, utility mark-out, and inspection services. The EPD includes a staff of four funded, full-time employees. Three positions are currently filled with an anticipated hire for the Associate Civil Engineer position in FY23. Engineering design and construction management services are provided by outside consultants on an as-needed basis.

STAFFING - FULL-TIME EQUIVALENT POSITIONS (FTE)

Positions	Actual FTE		Proposed FTE
	FY 2021	FY 2022	FY 2023
<u>Regular</u>			
Engineering Manager	1.0	1.0	1.0
Associate Civil Engineer	1.0	1.0	1.0
Engineering Technician	1.0	1.0	1.0
Facility Location/Inspection	1.0	1.0	1.0
Total	4.0	4.0	4.0

PROGRAMS AND ACTIVITIES

CAPITAL IMPROVEMENT PROGRAM (CIP)

- ✧ Develops, updates and implements long-range water infrastructure planning documents
- ✧ Plans and budgets for long-term capital improvements by developing and updating the District's Capital Improvement Program (CIP)
- ✧ Implements projects identified in the District's long- term CIP and updates schedule and budget projection on an annual basis
- ✧ Prepares and implements Capital Improvements Annual Budget for District Assets and Joint Facilities
- ✧ Selects consultants and manages professional services contracts for planning, design, construction management, and related project implementation services
- ✧ Administers the public works bidding and contract management for construction of capital improvement projects
- ✧ Identifies and pursues available grant funding support for CIP planning, design, and construction projects

WATER RESOURCE MANAGEMENT

- ✧ Updates the District's Urban Water Management Plan and associated Administrative Codes
- ✧ Explores and applies alternative water supply programs as defined in the District's Urban Water Management and Integrated Water Resources Plans
- ✧ Actively participates in various regional activities focused on defining and supporting regional water resource management solutions
- ✧ Oversees and coordinates the District's local water storage and associated facilities

DEVELOPMENT ASSISTANCE

- ✧ Processes requests and inquiries from customers, developers, and other public agencies regarding water system improvements, water line extensions, capacity assessment, and fire protection service
- ✧ Coordinates services with District customer service and operations and maintenance staff
- ✧ Provides plan checking and inspection services

GEOGRAPHICAL INFORMATION SYSTEMS (GIS)

- ✧ Maintains and manages District's GIS mapping tools and data
- ✧ Provides mapping services to developers, customers, and all District departments
- ✧ Coordinates maps, drawings, and designs with neighboring public agencies
- ✧ Archives District maps, drawings, and documents

PROPERTY MANAGEMENT

- ✧ Manages easement and right of way issues for the District and jointly-owned properties with SDWD
- ✧ Processes customer requests related to property use, release of easements, encroachments, and license agreements
- ✧ Manages property leases, contracts, and agreements

FACILITY LOCATING/INSPECTION

- ✧ Manages requests from DIGALERT to locate and mark water mains/services for the District
- ✧ Protects District assets from damage or destruction by contractors for construction projects
- ✧ Conducts routine inspection of water system improvements

ACCOMPLISHMENTS OF FY22

The Engineering Services Department staff achieved the following key accomplishments in FY21

✧ **Capital Improvement Projects**

Advanced the Capital Improvement Program for the District and Joint facilities with a total expenditure in FY22 of approximately \$5 million including:

- Completed the following construction projects within schedule and budge with an average construction contingency rate of 2.5%:
 - Clearwell Seismic Improvements
 - Washwater Tank Seismic Improvements
 - R.E. Badger Operations Building Roofing Replacement
- Managed the listed Projects throughout the Construction Phase. Projects are being delivered within schedule and budget with a construction change order (CCO) rate of less than 2%.
 - Mechanical Dewatering & Filter Washwater Improvements
 - Handrail Improvements at San Dieguito Reservoir
 - San Dieguito Dam Concrete Refurbishment
- Advanced the Cielo Pump Station to the Award and Construction Phase.
- Completed Design Related Activities for the Following Projects:
 - Cielo Pump Station Valve Replacement Project
 - Government Road Pipeline Replacement Project
- Received reimbursements of approx. \$2.68 million and received an additional \$1 million in additional grant funding for the Hazard Mitigation Grant approved by the Federal Emergency Management Agency (FEMA) and awarded to the Districts to fund the Seismic Improvements Projects.

✧ **Planning and Operations Support**

- Established a collaborative working group with the City of San Diego, San Diego County Water Authority and San Dieguito Water District to manage the operation and water level at Hodges
- Continued to coordinate the development and implementation of needed near and long-term Hodges Dam repairs and improvements in response to the Division of Safety of Dams Restrictions
- Coordinated with the City of San Diego for the emergency drawdown of Lake Hodges
- Completed the District's Energy Efficiency Management Plan, Water System Master Plan and the new 10-yr CIP for both the District and Joint facilities.
- Continued to respond to land development related activities and requests. Created tracking tool to ensure staff cost has been properly recouped and District's interest is protected. In the meantime, provide an outstanding customer service and public/ community transparency.
- Continued to participate in different local workgroups and collations such as Regional Advisory Committee for the Integrated Regional Water Management for San Diego, the North San Diego Water Reuse Coalition for funding opportunities and alternative water supplies, and the San Pasqual Valley Groundwater Basin Stakeholder Meetings.

✧ **Property Management**

- Successfully processed multiple quitclaim and easement actions
- Actively coordinated easement maintenance access letters with BBK

✧ **Information Technology Program**

- Continued to implement different GIS solutions and asset management technologies such as Fire Hydrant Maintenance solution and dashboard
- Updated District's Geographic Information System (GIS) database

✧ **District Asset Protection**

- Continued to provide mark-outs required to protect SFID infrastructure from excavations associated with a fiber optic cable installation project impacting the Solana Beach service area (approximately 40 miles of public and private roadway)
- In addition, SFID mark-out personnel responded to over 2,500 mark-out requests associated with other construction activities throughout the District's entire service area

OBJECTIVES FOR FY23

During FY23, the Engineering Department will achieve the following objectives:

- ✧ Implement the Board-approved FY23 Capital Improvement Program
- ✧ Support and coordinate projects/programs associated with Hodges Dam repairs and upgrades and the expansion of local water supplies
- ✧ Support studies and projects associated local water resources and water use efficiency
- ✧ Continue to provide mark-out services to protect District assets
- ✧ Successfully manage development support activities in the service area
- ✧ Continue to maintain and update GIS mapping data
- ✧ Implement the District's new Strategic Business Plan and identified initiatives
- ✧ Develop an Easement Management Plan for the District that reflects the recent adopted Administrative Code revisions

ENGINEERING DETAIL & SIGNIFICANT BUDGET CHANGES

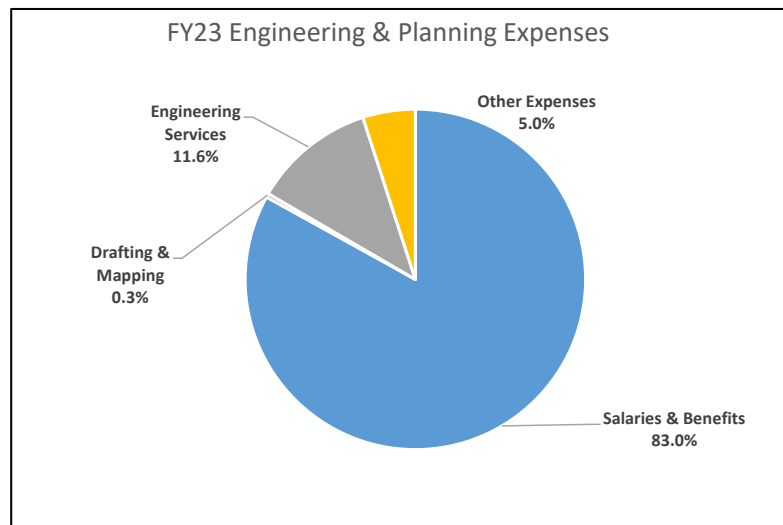
- ✱ The largest change in the FY23 Engineering budget is a reduction in engineering services / consultant expenditures from \$215,000 to \$100,000. The reduction is due to the Asset Management Master Plan (AMMP) included in FY22 not being required in FY23, in addition to the \$70,000 included in FY22 for potable water reuse planning not being in FY23 as discussions with partnering agencies are ongoing. If these discussions result in the need for funding to commission a study on potential potable reuse options, Staff will return to the Board to outline the project(s) and request funding.

ENGINEERING KEY PERFORMANCE INDICATORS

KPI #	KPI	FY22 Goal	FY22 Actual*	FY23 Goal	Comments / Variance Explanation For FY22
19	Performed assessment of Drought Contingency Plan for short-term water reliability	Y	Y	Y	Continuing with drought
20	Annual Capital Improvement Program (CIP) expenditures as % of adopted budget	90%	50%	90%	Variance in actual budgeted expenditures significantly less due to increase in expenditures in FY21
21	CIP construction change orders as % of yearly program	<5%	<5%	<5%	
22	# day to update GIS base maps from receipt of system change	<30	<30	<30	
23	DigAlert Tickets responded to within 48 hours	100%	100%	100%	

Engineering & Planning Expense Summary
Fiscal Year 2023 Operating Budget

Description	FY 2021	FY 2022		FY 2023	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 723,441	\$ 780,553	\$ 814,541	\$ 713,872	-8.5%	-12.4%
Capitalized Labor	117,449	(85,000)	(30,000)	(85,000)	0.0%	183.3%
Interdepartmental Charges	(31,304)	(82,202)	(50,000)	(35,000)	-57.4%	-30.0%
Net Personnel Expenditures	<u>\$ 809,586</u>	<u>\$ 613,351</u>	<u>\$ 734,541</u>	<u>\$ 593,872</u>	<u>-3.2%</u>	<u>-19.2%</u>
Non-Labor Expenses:						
Drafting & Mapping	2,361	3,000	2,609	3,000	0.0%	15.0%
Engineering Services	211,536	215,000	160,000	100,000	-53.5%	-37.5%
Other Expenses	32,680	42,875	32,124	42,875	0.0%	33.5%
Total Non-Labor	<u>\$ 246,577</u>	<u>\$ 260,875</u>	<u>\$ 194,733</u>	<u>\$ 145,875</u>	<u>-44.1%</u>	<u>-25.1%</u>
Total Expenses	\$ 1,056,163	\$ 874,226	\$ 929,274	\$ 739,747	-15.4%	-20.4%



Note: Totals may not foot due to rounding. Pie chart does not include any capitalized labor offset or interdepartment charge.

OPERATIONS AND MAINTENANCE – PROGRAMS AND SERVICES

The Operations and Maintenance Department (O&M) includes the following programs: Distribution System Operations and Meter Services, Construction Repair and Maintenance, and Facilities/Equipment Maintenance. The O&M staff operates and maintains the District-owned and the jointly-owned water distribution system – a network of pipelines, water services, meters, valves, pressure reducing stations, and cathodic protection systems. The department also performs emergency and routine repairs to pipelines, installs new services, is responsible for the District's Cross Connection Control Program, oversees compliance of Recycled Water Use sites, 31 pressure reducing stations, operates the District's pump station(s) and reservoir(s), collects distribution system water quality samples, and oversees maintenance of District buildings, grounds, vehicles, and equipment.

STAFFING - FULL-TIME EQUIVALENT POSITIONS (FTE)

Positions	Actual FTE		Proposed FTE
	FY 2021	FY 2022	FY 2023
Distribution System Manager	1.0	1.0	1.0
Purchasing & Maintenance Coordinator	1.0	1.0	1.0
Distribution System Operations	6.0	6.0	6.0
Repair and Maintenance	8.0	8.0	8.0
Cross Connection/Recycled Water	1.0	1.0	1.0
Total	17.0	17.0	17.0

PROGRAMS AND ACTIVITIES

DISTRIBUTION SYSTEM OPERATIONS

- ✧ Operates Larrick Reservoir & Pump Station, pressure reducing stations, valves, related equipment to ensure proper performance of water distribution system; assists in repair & maintenance of system components
- ✧ Ensures compliance with local, State, and Federal water regulations
- ✧ Ensures that system-wide water pressure and quality meet established standards and operational objectives
- ✧ Performs sampling, monitoring, and reporting of water quality
- ✧ Operates, maintains, repairs/rebuilds, and upgrades valves throughout the distribution system
- ✧ Provides customer service and responds to service requests of a routine, emergency, and/or complex nature
- ✧ Provides maintenance and repair support services on jointly-owned pipelines
- ✧ Oversees District's cathodic protection program for jointly-owned transmission mains and District distribution systems
- ✧ Reads water meters and maintains access to the meters
- ✧ Maintains all meter pits, boxes, and vaults to protect the housing, radios and encasement of the meters
- ✧ Maintains a meter maintenance and replacement program
- ✧ Oversees the Cross Connection Control program as required by the Division of Drinking Water for the potable and recycled water systems
- ✧ Oversees regulatory compliance with the District's recycled water use sites

REPAIR & MAINTENANCE

- ✧ Installs, maintains, and repairs water mains, valves, water services, meters, air vents, blow offs, fire hydrants, and fire sprinkler service lines
- ✧ Responds to emergencies and repairs system leaks
- ✧ Performs installation of new and replacement service laterals, water main, valves and appurtenances.
- ✧ Oversees maintenance of buildings/grounds and District fleet and equipment
- ✧ Performs welding, metal fabricating, wood work, electrical, painting, landscaping, and concrete work, among other services
- ✧ Manages inventory control, rolling stock maintenance, and materials
- ✧ Manages the District's computerized maintenance management system

METER SERVICES

- ✧ Reads water meters and maintains access to the meters
- ✧ Maintains all meter boxes and vaults to protect the housing and encasement of the meters
- ✧ Responds to and repairs service leaks that do not require large mechanical excavation equipment
- ✧ Oversees the Cross Connection Control program as required by the Division of Drinking Water for the potable and recycled water systems
- ✧ Oversees regulatory compliance with the District's recycled water use sites
- ✧ Maintains a meter replacement and testing program

ACCOMPLISHMENTS OF FY22

The Operations and Maintenance Staff achieved the following Key Accomplishments in FY22

- ✧ Provided critical operations and system data for the completion of the Districts Master Plan
- ✧ Oversaw and facilitated over 20 pipeline shutdowns
- ✧ Rebuilt a total of 10 Pressure Reducing Stations (17 valves)
- ✧ Exercised and completed preventative maintenance work to 1,719 system valves
- ✧ Replaced 16 distribution system isolation valves
- ✧ Responded to over 2,000 customer service requests
- ✧ Inspected 13 recycled water site to maintain regulatory compliance
- ✧ Tested cathodic protection systems and collected data for the District and jointly-owned transmission mains
- ✧ Accomplished over 230 work orders related to construction maintenance and new service installations including 31 new service installations
- ✧ Executed new Service Agreements for Asphalt Repair Services and Traffic Control
- ✧ Completed all corrective work items related to Phase 6 AMI
- ✧ Developed and implemented a written maintenance program related to the District's Advanced Metering Infrastructure
- ✧ Oversaw the regulatory compliance and startup of the District's first residential recycled water use site

OBJECTIVES FOR FY23

During FY23, the Operations & Maintenance Department will achieve the following objectives:

- ✱ Continue efforts to expand preventative maintenance programs for the District's backbone system and distribution facilities. These efforts include projects such as the valve maintenance, cathodic protection, and advances metering infrastructure maintenance program
- ✱ Continue to replace critical system isolation valves, 15 per year
- ✱ Complete Corrosion Control Assessment on District and Joint Facilities Pipelines
- ✱ Comply with State and Federal Regulatory Requirements including the Revised Lead & Copper Rule
- ✱ Review and update applicable articles of the District's Administrative Code to conform with regulations and current practices
- ✱ Provide Operational Support on developer-related and Capital Improvement Construction Activities
- ✱ Facilitate new service installations
- ✱ Oversee regulatory compliance of additional recycled water use sites
- ✱ Complete and deploy GIS based work order solution for fire hydrant maintenance, collaborate with fire protection agencies
- ✱ Complete an updated hazardous assessment of properties with auxiliary water supply and private wells
- ✱ Support conservation and drought response efforts

OPERATIONS & MAINTENANCE DETAIL & SIGNIFICANT BUDGET CHANGES

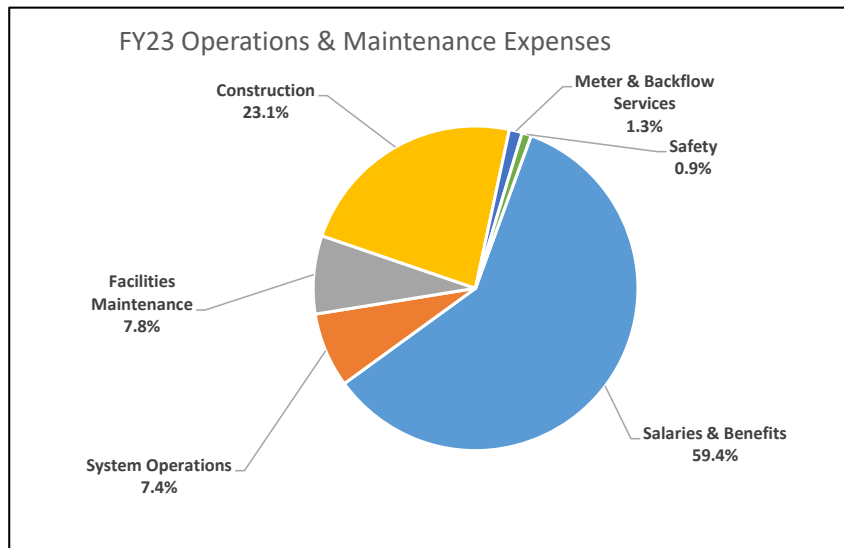
- ✱ The systems operations budget is decreasing by \$23,000 primarily due to the elimination of one-time expenses in FY22 for various professional services and maintenance.
- ✱ The facilities maintenance expenditure budget for FY23 is unchanged from FY22. This budget includes goods and services that are prone to higher inflation levels (fuel, contract services, vehicle maintenance / parts, etc.) & the savings projected in FY22 is anticipated to potentially be eliminated in FY23 due to this inflationary pressure.
- ✱ Construction expenses are increasing approximately 3.9% from the FY22 Budget. The largest change is an anticipated \$38,000 (or 10%) increase in paving and traffic control services. These contracts are going out to bid by the end of FY22, and it is anticipated that due to increases in personnel and oil prices, the bids for these services will show a marked increase from prior prices. All other items in this category (pipe purchases, inspection fees, meter repairs, contract services, etc.) are anticipated to be able to be accommodated based on current budget levels.
- ✱ Safety expenditures have increased by \$5,000 from FY22 due to the anticipated need to purchase some replacements for aging equipment.

OPERATIONS & MAINTENANCE KEY PERFORMANCE INDICATORS

KPI #	KPI	FY22 Goal	FY22 Actual*	FY23 Goal	Comments / Variance Explanation For FY22
24	# of unplanned disruptions greater than 4 hours	<6	2	<6	
25	Number of system valves replaced per year	15	16	15	
26	# leaks in fiscal year	<10	7	<10	
27	System water loss / non-revenue water %	<=5%	4.60%	<=5%	
28	# pressure regulating stations serviced per year	5	10	7	
29	# of valves exercised per year	800	1,728	1,260	District Staff advanced maintenance of valves in future year(s) to increase system reliability

Operations & Maintenance Expense Summary Fiscal Year 2023 Operating Budget

	FY 2021	FY 2022		FY 2023	% Change	% Change
Description	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 2,184,370	\$ 2,419,750	\$ 3,018,225	\$ 2,522,505	4.2%	-16.4%
Capitalized Labor	6,990	(25,000)	(10,000)	(5,000)	-80.0%	-50.0%
Net Personnel Expenditures	<u>\$ 2,191,360</u>	<u>\$ 2,394,750</u>	<u>\$ 3,008,225</u>	<u>\$ 2,517,505</u>	5.1%	-16.3%
Non-Labor Expenses:						
System Operations	322,662	338,900	333,435	315,900	-6.8%	-5.3%
Facilities Maintenance	259,435	330,400	267,168	330,400	0.0%	23.7%
Construction	924,786	944,175	934,278	981,050	3.9%	5.0%
Meter & Backflow Services	48,496	55,000	39,847	55,000	0.0%	38.0%
Safety	32,892	33,500	31,274	38,500	14.9%	23.1%
Total Non-Labor	<u>\$ 1,588,271</u>	<u>\$ 1,701,975</u>	<u>\$ 1,606,002</u>	<u>\$ 1,720,850</u>	1.1%	7.2%
Total Expenses	\$ 3,779,631	\$ 4,096,725	\$ 4,614,227	\$ 4,238,355	3.5%	-8.1%



Note: Totals may not foot due to rounding. Pie chart does not include any capitalized labor offset.

JOINT FACILITIES – PROGRAMS AND SERVICES

The Joint Facilities Department (JF) manages the purchase, treatment, and delivery of water. The JF staff operates and maintains the R.E. Badger Filtration Plant (REB) and other local water facilities including the San Dieguito Reservoir (SDR) and the Cielo Pump Station. The REB Plant, SDR, and Cielo Pump Station are jointly owned by the District and SDWD. Raw water is treated at REB through a 40 million gallon per day (MGD) conventional filtration process.

SERVICES

- Treats raw surface water from Lake Hodges and SDR
- Treats raw water purchased from SDCWA imported from the State Water Project and Colorado River
- Delivers treated water from SDCWA (supplied by MWD's Skinner and SDCWA's Twin Oaks Filtration Plant) to the District and SDWD through REB
- Provides laboratory and regulatory support services to the District and SDWD
- Works with City of San Diego staff on the management and use of Lake Hodges
- Staffs treatment facilities 24 hours per day, year-round

STAFFING - FULL-TIME EQUIVALENT POSITIONS (FTE)

Positions	Actual FTE		Proposed FTE
	FY 2021	FY 2022	FY 2023
Operations Manager		-	-
Water Treatment Plant Manager	1.0	1.0	1.0
Treatment Operations	7.0	8.0	9.0
Instrumentation & Maintenance	6.0	4.0	4.0
Grounds Maintenance	1.0	1.0	1.0
Laboratory	1.0	1.0	1.0
Total	15.5	15.0	16.0

FY21 Joint Facilities staffing includes the transfer of a Grounds and Maintenance Worker from District operations.

PROGRAMS AND ACTIVITIES

MANAGEMENT

- ✱ Manages the filtration plant operations
- ✱ Assists with policy formulation and implementation of Board Strategic Plan goals and objectives
- ✱ Provides staff direction and manages all Plant programs and projects
- ✱ Supports the Engineering Department in the development of short and long range capital projects
- ✱ Develops, manages, and adheres to annual filtration plant budget
- ✱ Provides documentation to District's administrative staff to allocate the cost of operations between the District and SDWD
- ✱ Coordinates compliance strategies with Department of Drinking Water
- ✱ Production of annual water quality report in coordination with District Public Communication Officer

OPERATIONS

- * Manages and operates REB filtration and joint transmission/conveyance systems
- * Evaluates raw water source combinations based upon water quality and costs
- * Ensures REB is operated within State and Federal compliance requirements
- * Coordinates water production activities with CWA to ensure that peak summer demands are met countywide
- * Coordinates Plant operational changes with District and SDWD staff
- * Monitors expenses and water purchases associated with daily operational activities
- * Works to coordinate activities on and around Lake Hodges & Hodges Dam with partner agencies

MAINTENANCE

- * Provides design, fabrication, installation, repair, and maintenance support services for REB, raw water conveyance systems, hydroelectric plant, and treated water transmission mains
- * Provides the following services: worker safety in cooperation with Safety Officer, site regulatory compliance, maintenance of instrumentation and control systems, SCADA, data management, electrical, plumbing, mechanical, process control enhancements, and site maintenance
- * Provides support services to District and SDWD staff as needed

LABORATORY

- * Conducts biological and chemical analysis of raw and treated water sources to ensure compliance with Federal and State drinking water standards
- * Provides water quality data to operations staff for process optimization
- * Maintains State laboratory certification
- * Prepares/submit monthly compliance reports to State Water Resource Control Board, Division of Drinking Water
- * Assists District and SDWD customer service staff in resolving water quality issues
- * Prepares consumer confidence report water quality data for SDWD and SFID
- * Conducts operational studies to enhance local water treatment and improve process performance

ACCOMPLISHMENTS OF FY22

The Joint Facilities Department staff achieved the following key accomplishments in FY22:

- * Treated over 40% local water supplies while receiving more challenging state water project supplies
- * Completed the Environmental Laboratory Accreditation Program's annual Proficiency Testing to maintain a State accredited status
- * Worked with stake holders to assist in the development of short term and long term repairs to Lake Hodges
- * Installed 6 Surface Wash valves to provide for better filter operation
- * Installed 2 Particle Counters to facilitate a filtration optimization study
- * Installed a remote monitoring system at SDR to provide real-time source water data to operations
- * Replaced the roof of the compressor room at SDR
- * Added filter media to all filters to maintain optimal performance
- * Rebuilt washwater pump number 2 for redundancy of the backwash system
- * Purchased and replaced the THM analyzer to provide more detailed information on THM formation through the system
- * Completed the Division of Drinking Water Sanitary Survey for Treatment Plant

OBJECTIVES FOR FY23

During FY23, the Joint Facilities Department will achieve the following objectives:

- ✳ Continue to meet and exceed all State and Federal drinking water standards with increasingly challenging imported and local source water
- ✳
- ✳ Complete a one-year Coagulation Optimization Study through the use of the new particle counters
- ✳ Develop a “Proof of Concept” outline for zero solids discharge of wastes at the treatment plant through back wash solids recovery
- ✳ Replacement of the UPS APC to ensure continuous operation in the event of a power outage
- ✳ Replacement of the Chlorine storage trolley to provide for a continued safe working environment
- ✳ Replacement of filter waste gate valves to complete the rehabilitation of the filter valving components
- ✳ Replace the motor on Cielo Pump number 4 to allow for maximum flexibility from the pump station
- ✳ Rehabilitate the boat ramp at SDR to comply with DSOD requirements and reduce maintenance costs
- ✳ Replacement of two chlorine analyzers to ensure staff can monitor the system effectively
- ✳ Upgrade the security camera at SDR to allow for monitoring of the entrance gate area.
- ✳ Replacement of the storage Conex box used to store spare pipe material and sample pumps.
- ✳ Complete phase 1 of the Access Controls Security System Upgrade to enhance security of the facility

JOINT FACILITIES DETAIL & SIGNIFICANT BUDGET CHANGES

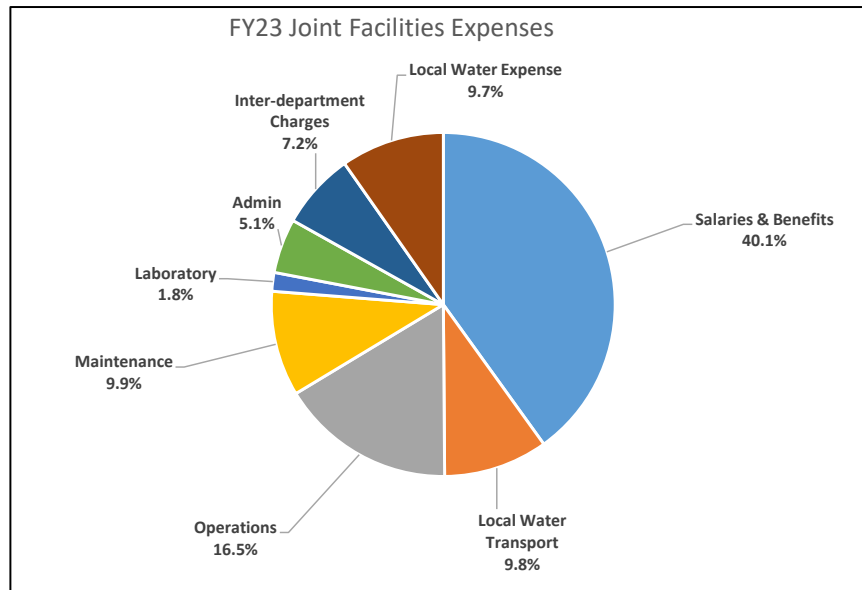
- ✳ Local water transportation costs – electricity for pumping and repair costs for pumps - are anticipated to decrease marginally from FY22. The FY22 Budget included 2,250 AF of local water, where the FY23 Budget includes 1,718 AF. Though there is an decrease in local water, the rate change implemented based on the District’s Energy Management Plan at the Cielo and San Dieguito pump stations are anticipated to provide additional savings.
- ✳ Operations expenditures are decreasing by 21.6% from FY22 due to a reduction in the anticipate level of water demand / water treatment. Total water treated (between SFID and SDWD) in the FY22 Budget was 15,675 AF, where the FY23 Budget projects a total of 15,080 AF. Additionally, based on SDCWA’s higher level of Colorado River water (which has lower organic particulate) and the District’s lower local water yield (than FY20 & FY21), the amount of the R.E. Badger Treatment Plant’s main coagulant, aluminum chlorohydrate, required to be purchased has declined. Despite these cost reductions, the FY23 Budget proposal includes a 10% price increase in chemicals due to notifications Staff have received from vendors in regard to wholesale price increases that are being passed on to the District.
- ✳ Maintenance and Laboratory expenditures are unchanged from FY22. Despite the price increases in goods and service experienced, the overall savings projected in FY22 should be sufficient to offset these price increases and provide sufficient funding for the current level of service.
- ✳ Administrative expenditures in the FY23 Budget proposal have decreased 28.5%. This is due to a reduction in IT expenditures for services at the plant to align with prior fiscal year actuals (\$80,000) and a reduction in professional services due to completion of the AMMP and resolution of potential litigation (\$75,000).

JOINT FACILITIES KEY PERFORMANCE INDICATORS

KPI #	KPI	FY22 Goal	FY22 Actual*	FY23 Goal	Comments / Variance Explanation For FY22
30	% of annual water treatment plant shutdowns completed on time	100%	100%	100%	
31	# violations for primary and secondary water quality standards	0	0	0	
32	# public tours conducted per year	5	0	3	Due to COVID, public tours were suspended. However, tours were performed for District and SDWD elected officials

Joint Facilities Expense Summary Fiscal Year 2023 Operating Budget

Description	FY 2021	FY 2022		FY 2023	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 2,542,607	\$ 2,754,196	\$ 3,422,736	\$ 2,997,599	8.8%	-12.4%
Capitalized Labor	12,759	(10,000)	(10,000)	(10,000)	0.0%	0.0%
Joint Facilities Retiree Health Care	147,838	148,994	148,994	164,610	10.5%	10.5%
Interdepartmental Charges	453,945	613,065	50,000	535,000	-12.7%	970.0%
Total Labor	\$ 3,157,149	\$ 3,506,254	\$ 3,611,730	\$ 3,687,209	5.2%	2.1%
Non-Labor Expenses:						
Local Water Transport	1,120,919	744,294	525,000	732,641	-1.6%	39.6%
Operations	1,244,709	1,494,894	1,043,000	1,232,708	-17.5%	18.2%
Maintenance	665,131	739,500	602,463	739,500	0.0%	22.7%
Laboratory	115,609	133,000	141,855	133,000	0.0%	-6.2%
Administrative	447,248	535,147	355,442	382,400	-28.5%	7.6%
Subtotal Non-Labor	\$ 3,593,616	\$ 3,646,835	\$ 2,667,760	\$ 3,220,249	-11.7%	20.7%
Local Water Expense	\$ 150,000	\$ 305,000	\$ 305,000	\$ 727,500		
Total Net Expenses	\$ 6,900,765	\$ 7,458,089	\$ 6,584,490	\$ 7,634,958	2.4%	16.0%



Note: Totals may not foot due to rounding. Pie chart does not include any capitalized labor offset or retiree healthcare.

Joint Facilities Cost Allocation
Fiscal Year 2023 Budget

		FY 2023	FY 2023		Percentage	
Description		Budget	SDWD	SFID	SDWD	SFID
Operations & Maintenance						
Local Water Costs		\$ 727,500	\$ 310,424	\$ 417,076	42.67%	57.33%
Operating Costs						
Labor (Net of Capitalization)	\$ 3,522,599	\$ 1,409,039	\$ 2,113,559	40.00%	60.00%	
Retiree Healthcare	164,610	65,844	98,766	40.00%	60.00%	
Water Transportation	732,641	312,618	420,023	42.67%	57.33%	
Operations	1,232,708	493,083	739,625	40.00%	60.00%	
Maintenance	739,500	295,800	443,700	40.00%	60.00%	
Laboratories	133,000	53,200	79,800	40.00%	60.00%	
Administrative	382,400	152,960	229,440	40.00%	60.00%	
Total Operating Costs	\$ 6,907,458	\$ 2,782,545	\$ 4,124,913			
Less: External Revenues						
Hydroelectric Revenue	\$ -	\$ -	\$ -	40.00%	60.00%	
Lake House Rent	36,000	15,361	20,639	42.67%	57.33%	
Interest Income	1,000	400	600	40.00%	60.00%	
Cell Site Revenue	41,000	16,400	24,600	40.00%	60.00%	
Total Revenues	\$ 78,000	\$ 32,161	\$ 45,839			
Net Operating Reimbursements from Districts		\$ 7,556,958	\$ 2,750,383	\$ 4,079,074		

Joint Facilities Cost Allocation
Fiscal Year 2023 Budget

		FY 2023		Percentage	
	FY 2023	Allocated Cost			
Description	Budget	SDWD	SFID	SDWD	SFID
Capital Improvement & Acquisition					
Capital Acquisition					
Replacement of UPS APC	65,000	29,250	35,750	45.00%	55.00%
Replacement of Chlorine Trolley	17,000	7,650	9,350	45.00%	55.00%
Replacement of Filter Wastegate Actuators	75,000	33,750	41,250	45.00%	55.00%
Cielo Pump Station Motor Replacement	75,000	31,748	43,253	42.33%	57.67%
San Dieguito Reservoir Boat Ramp - Gunnite Addition	25,000	10,583	14,418	42.33%	57.67%
Replacement Chlorine Analyzer (2)	30,000	13,500	16,500	45.00%	55.00%
Wash Water Pond Sump Pump Addition	30,000	13,500	16,500	45.00%	55.00%
Security Camera at San Dieguito Reservoir Entrance	25,000	10,583	14,418	42.33%	57.67%
Replacement of Storage CONEX Boxes (2)	35,000	15,750	19,250	45.00%	55.00%
Phase I Access Control Systems at Treatment Plant	70,000	31,500	38,500	45.00%	55.00%
Total Capital Acquisition	\$ 447,000	\$ 197,813	\$ 249,188		
Capital Improvement Projects					
R.E. Badger Filters and Sedimentation Basins Concrete Repair	982,065	\$ 441,929	\$ 540,136	45.00%	55.00%
Cielo Pump Station Valve Replacement Project	824,250	348,905	475,345	42.33%	57.67%
Reline or Replace 15-in Drain Line to SDR	375,000	160,013	214,988	42.67%	57.33%
Reline or Replace Existing 30-in SDPS Forcemain to Plant	750,000	320,025	429,975	42.67%	57.33%
Parallel 30-in Raw Water Pipeline to SDR	314,940	134,385	180,555	42.67%	57.33%
R.E. Badger Septic Tank and Leach Field Replacement	598,500	269,325	329,175	45.00%	55.00%
Chlorine Scrubber Replacement	430,500	193,725	236,775	45.00%	55.00%
Ozone Generation	369,797	166,409	203,388	45.00%	55.00%
Filter Surface Washwater Header and Associated Piping	214,988	96,744	118,243	45.00%	55.00%
Total Capital Improvement Projects	4,860,040	\$ 2,131,460	\$ 2,728,580		
Net Capital Reimbursements from Districts	\$ 5,307,040	\$ 2,329,272	\$ 2,977,767		

CAPITAL PROGRAM

CAPITAL IMPROVEMENT BUDGET

Water utility systems require long-term investment in extensive capital facilities. As service demands increase and regulatory requirements become more stringent, the need for well-conceived, rational capital planning cannot be overemphasized. The District's customer interests are best served through a well-maintained and well-operated water system that is funded sufficiently to support utility infrastructure needs.

The annual capital budget is used to systematically implement the District's long-range capital planning efforts. The projects are a reflection of established goals that are derived from the District Strategic Business Plan, Urban Water Management Plan, Asset Management Master Plan, and Joint Facilities Master Plan, and other key District planning documents. These plans were all updated in FY22, so these figures represent updated condition assessments and objectives. This planning encompasses the anticipation of long and short-term customer needs for water service, selection and design of proper facilities to meet customer needs, timely purchase or construction of required infrastructure, and timely replacement and retirement of fixed assets.

The Capital Program budget has two elements: Capital Acquisitions and Capital Improvements. Capital Acquisitions are major assets to be acquired during that particular fiscal year. Capital Improvements are relatively large infrastructure projects that may span multiple fiscal years. The budget establishes projected FY23 Capital project expenditures. In addition, the budget identifies the total appropriations required to accommodate capital projects that are implemented in a single one-year period, as well as appropriations required to accommodate planning, design, and/or construction contracts that span multiple fiscal years. The following sections summarize the Capital Acquisitions and Capital Improvement programs for FY23.

CAPITAL ACQUISITION

The District's Capital Acquisition Program (CAP) funds the purchase and procurement of equipment that has a value of \$7,500 or greater and has a useful life of more than two years. CAP purchases are funded from the Capital Improvement Reserve and generally fall into one of four primary categories: 1) buildings and grounds maintenance and repair; 2) information technology upgrades; 3) replacement of the District's rolling stock, such as vehicles and heavy equipment; and, 4) treatment plant maintenance, repair, and replacement projects. Proposed CAP expenditures for FY23 total \$912,500, with the Santa Fe Irrigation District's portion totaling \$714,688, as summarized in the following table. Capital Acquisition expenditures are primarily funded through non-operating revenues and all joint facilities CAP costs are shared with SDWD proportionate to each agency's ownership percentage, as shown in this report. Total District-only CAP projects total \$465,500, with total joint facilities CAP projects totaling \$537,000. Of the joint facilities total, SFID is responsible for \$249,188 and SDWD for \$197,813.

	FY22 Budget	FY22 Projection	FY23 Budget
Total District - Admin/Ops	\$ 485,000	\$ 237,500	\$ 465,500
SFID	\$ 438,795	\$ 323,528	\$ 249,188
SDWD	353,206	262,071	197,813
Total Joint Facilities	\$ 792,000	\$ 585,599	\$ 447,000
Total CAP	\$ 1,277,000	\$ 823,099	\$ 912,500
Total SFID CAP	\$ 923,795	\$ 561,028	\$ 714,688

District Administration / Operations

Replacement of Unit 16 – Construction Vehicle Stake Bed (\$68,000): The construction department's multi-use, flat-bed vehicle is requiring increasing maintenance & repairs as it is over 20 years old. This project will replace this critical piece of rolling stock for the District's construction department with a Chevrolet 2500 or similar equipment, in addition to all proper outfitting costs. This item is re-budgeted from FY22 as the District was unable to procure this vehicle due to high demand and low production due to supply chain issues experienced post pandemic. Additionally, this is an increase of \$13,000 from the FY22 CAP Budget due to supply and demand constraints increasing vehicle and outfitting costs.

Replacement of Unit 17 – Crew Truck (\$185,000): The construction department's crew truck is requiring increasing maintenance & repairs as it is over 16 years old. This project will replace this critical piece of rolling stock for the District's construction department with a Chevrolet 5500 or similar equipment, in addition to all proper outfitting costs. This item is re-budgeted from FY22 as the District was unable to procure this vehicle due to high demand and low production due to supply chain issues experienced post pandemic. Additionally, this is an increase of \$30,000 from the FY22 CAP Budget due to supply and demand constraints increasing vehicle and outfitting costs.

Modular Building Awning & HVAC Replacements (\$68,000): This project will allow the outside of the of the modular buildings to have all remaining awnings replaced and upgraded to a fire-resistant material. This funding will also allow for the replacement of two HVAC units on the modular buildings to be replaced that have been identified as a continued maintenance burden.

Generator & Electrical Panel Emergency Power Supply Upgrades (\$50,000): This project was started in FY22, with an original budget of \$85,000 to review the power demands of the District administration and modular buildings as compared to the load capacity of the District generator, with associated panel upgrades. An estimated \$35,000 of this funding is projected to be spent in FY22 for the initial power supply assessment, with a request for the remaining \$50,000 to be carried over to FY23 to complete the panel upgrades for the modular buildings.

Administration Building Outdoor Lighting (\$10,000): The exterior walkway lighting for the District's administration building is not fully functional and in need of replacement for both aesthetics and safety. This funding will allow for a proper replacement to be procured and installed.

Pipe Racking System & Cover (\$40,000): The District's current distribution system pipe inventory is stored in a vertical rack with an improvised cover to prevent spoilage from sun and other weather impacts. This project will allow for a more horizontal rack system to be procured (increasing worker

safety) and a proper shade / weather cover to be installed to ensure that the pipe inventory is properly maintained.

Safety Center Chairs (\$20,000): This funding will allow for the replacement of the chairs in the safety center that are used for employee training, meetings, and other temporary purposes.

Yard Security Fencing (\$35,000): The District's does not have adequate security fencing on the west side of the property, between the administration building and the modular buildings. This funding will allow for security fence to be erected to complete a more uniform intrusion prevention.

Re-Wire District Administration Building (\$22,500): District Staff hired a contract to trace the information technology wiring in the administration building in FY22, as there is a significant amount of redundant / obsolete wiring from prior information technology upgrades. This project will replace and simplify the wiring in the administration building and allow for better information technology upgrades and troubleshooting in the future.

Joint Facilities

For the Joint Facilities, capital acquisitions typically fall into two primary categories: 1) facility enhancements that allow staff to treat water more efficiently and reliably; and 2) replacement/maintenance of critical instruments & process equipment. In some cases, the replacement/maintenance items upgrade old systems with newer technologies that provide operations staff with some greater operational flexibility. The requested budget amounts shown are the entire requested budget for Joint Facilities in FY23, with the percentages shown for SFID and SDWD representing each District's cost sharing allocation.

Replacement of UPS APC (\$30,000 – 55% SFID, 45% SDWD): The uninterruptible power supply (UPS) from APS, which allows for the treatment plant's systems (including SCADA and chemical feed processes) to remain on-line during a power outage (until the generator can begin supplying power) is aging and is not reliable to provide the necessary power to ensure seamless uptime of systems during a power outage. This funding will allow a commercial level of UPS to be procured to replace the aging UPS battery backup.

Replacement of Chlorine Storage Trolley (\$17,000 – 55% SFID, 45% SDWD): This project will allow for the replacement of one of the crane trolleys in the chlorine storage room to be replaced. These trolleys transport the 1-ton chlorine cylinders within the storage room as well as off-loading from delivery vehicles. Staff have been repairing and replacing these trolleys and associated equipment over the past years due to frequent repairs and are requesting replacement.

Replacement of Filter Wastegate Actuators (\$75,000 - 55% SFID, 45% SDWD): The treatment plant's filters have received significant capital funding over the previous years to replace valves and actuators, increasing their efficiency and reducing operational costs. The final replacement is for the replacement of the filter wastegate actuators with the same actuators that are in service with the other portion of filter operations.

Cielo Pump Station Motor Replacement (\$75,000 – 57.67% SFID, 42.33% SDWD): One of the Cielo Pump Station's motors is currently inoperable and needs to be replaced. This funding includes the replacement cost and installation of this motor to ensure the ability to move local water from Lake Hodges to the treatment plant. The replacement of this motor would be done at an

appropriate time in consideration of the Cielo Pump Station valve replacement capital improvement project.

San Dieguito Reservoir Boat Ramp (\$25,000 – 57.67% SFID, 42.33% SDWD): Per State regulations, portions of the San Dieguito Reservoir next to the dam must be cleared annually of bulrush plants, or commonly known as tules. This is also the location of the boat ramp to access the reservoir. The annual clearing cost to joint facilities for this service is approximately \$15,000. By utilizing gunite or shotcrete to pave this area, this annual cost can be avoided in addition to easier access to the dam and boat ramp.

Replacement of Chlorine Analyzer – 2 (\$30,000 - 55% SFID, 45% SDWD): The fifteen chlorine analyzers the District utilizes ensure the safety of the drinking water. These disinfection analyzers ensure that Staff can continuously monitor a safe level of chlorine for treatment purposes. Twelve of the fifteen have been replaced & this funding will replace two of the final three analyzers with the same models that have been previously upgraded to.

Wash Water Pond Sump Pump (\$30,000 - 55% SFID, 45% SDWD): The particulate that is trapped in the filters are removed through the backwash process, with the resulting particulate laden water removed and sent to the wash water ponds. This water is then drained down to San Dieguito Reservoir to then be utilized later as a water source. However, the District added capacity in the new de-watering facility to allow the potential to take this water from the backwash, pump it utilizing the proposed sump pump to the de-watering facility, remove the particulate, and then recapture that water for plant processes. This is in attempt to move to a zero-particulate discharge to San Dieguito Reservoir to not impact its long-term capacity through a pilot program facilitated by this sump pump.

Security Camera at San Dieguito Reservoir Entrance (\$25,000 – 57.67% SFID, 42.33% SDWD): There currently are only security cameras at the San Dieguito Dam and pump station. However, there is no camera currently monitoring the gated entrance. This project would run power to the gate and allow for the installation of a security camera that would be monitored at the treatment plant to allow for enhanced safety.

Replacement of Storage CONEX Boxes (\$35,000 - 55% SFID, 45% SDWD): The treatment plant currently has two CONEX boxes that store a number of items utilized in the plant process and equipment. These CONEX boxes are becoming dilapidated and need to be replaced / disposed of. This funding would allow for the replacement of these CONEX boxes and disposal of the old ones.

Phase I Access Control Systems at Treatment Plant (\$70,000 - 55% SFID, 45% SDWD): The joint facilities do not have the same access controls as the administration and modular buildings, where key fobs are required to access the building & registering who accessed the building and when. This would be the first phase of an access control system implementation at the joint facilities, specifically at just the R.E. Badger Treatment Plant. This funding would allow for the procurement of new doors, access systems, and the back-end support to allow for their control.

Capital Acquisition Budget Detail
Fiscal Year 2023

Account	Description	FY 2022 Budget	FY 2022 Projected	FY 2023 Budget	% Change Bgt to Bgt	% Change Proj to Bgt
1-00-000	<u>District Administration / Operations</u>					
1841	Administration Building Exterior Painting	50,000	50,000			
1841	Board Meeting Audio / Visual Improvements	20,000	5,000			
1815	Cloud Based Phone System & Handsets	30,000	25,000			
1820	Generator & Electrical Panel Emergency Power Supply Upgrades	85,000	35,000			
1841	Engineering/Operations Parking Lot Resurfacing	75,000	75,000			
1841	Modular Decking Replacement	15,000	15,000			
1891	Replacement of Unit 16 - Construction Vehicle Stake Bed	55,000	32,500			
1891	Replacement of Unit 17 - Crew Truck	155,000	-			
1891	Unit 17 Crew Truck			185,000		
1891	Unit 16 Stake bed			68,000		
1841	Modular Building Awning & HVAC Replacements			35,000		
1820	Generator and Electrical Panel Emergency Supply			50,000		
1841	Administration Building Outdoor Lighting			10,000		
1841	Pipe Racking System & Cover			40,000		
1841	Safety Center Chairs			20,000		
1841	Yard Security Fencing			35,000		
1841	Re-Wire District Administration Building			22,500		
Total District Administration / Operations		\$ 485,000	\$ 237,500	\$ 465,500	-4.0%	96.0%
2-00-000	<u>Joint Facilities</u>					
1815	Cloud Based Phone System & Handsets	30,000	17,500			
1872	Replacement of SDR Lake Management System	65,000	62,190			
1820	Filter Particle Counters (2)	15,000	15,000			
1842	TOC Analyzer - Carrousel Replacement	8,000	8,000			
1842	THM Analyzer Replacement	150,000	72,494			
1842	Replacement of Chlorine Analyzer (2)	30,000	30,000			
1875	Filter Media Addition	30,000	-			
1820	Filter Bed UV Covers	12,000	12,000			
1891	Forklift Acquisition	185,000	185,000			
1820	Surface Wash Valves and Actuators (6)	210,000	138,415			
1841	Compressor Room Building Roof	45,000	45,000			
1820	Clearwell Level Transmitter	12,000	-			
1815	Replacement of UPS APC			65,000		
1820	Replacement of Chlorine Trolley			17,000		
1820	Replacement of Filter Wastegate Actuators			75,000		
1820	Cielo Pump Station Motor Replacement			75,000		
1841	San Dieguito Reservoir Boat Ramp - Gunnite Addition			25,000		
1842	Replacement Chlorine Analyzer (2)			30,000		
1820	Wash Water Pond Sump Pump Addition			30,000		
1841	Security Camera at San Dieguito Reservoir Entrance			25,000		
1841	Replacement of Storage CONEX Boxes (2)			35,000		
1841	Phase I Access Control Systems at Treatment Plant			70,000		
Total Joint Facilities		\$ 792,000	\$ 585,599	\$ 447,000	-43.6%	-23.7%
TOTAL CAPITAL ACQUISITIONS		\$ 1,277,000	\$ 823,099	\$ 912,500	-28.5%	10.9%

CAPITAL IMPROVEMENTS

In 2021 the Santa Fe Irrigation District completed the 10-year Capital Improvement Program (CIP) Master Plan Update. The program defines and prioritizes Distribution and Joint Facilities project requirements from a programmatic perspective. Each year, staff updates the program in order to incorporate new information, confirm project priorities, and modify specific project schedules, as appropriate. The FY23 CIP is a combination of carryover of projects that were initiated in prior years and new projects identified in the 10-Year CIP.

The FY23 Capital Budget includes five (5) Capital Projects which all are continuing from FY22 and eight (8) Capital Projects identified in the CIP Master Plan Update with total projected FY23 expenditures of \$9,593,433. This total FY23 budget amount includes San Dieguito Water District's (SDWD) share of the Joint Facilities Projects described later in this document.

In the development of the FY23 budget, it was anticipated that the construction of one Joint Facilities and one District project was initiated in FY21 and will span through FY23 and three Joint Facilities Projects that began in FY21 and are anticipated to span through FY25. Therefore, the total projected carryover appropriation from the FY22 capital budget is \$4,170,000. Recommended new appropriations for FY23 total \$5,497,183. This is to initiate the eight (8) new Capital Projects.

The projected expenditure for FY23 Capital Program Joint Facilities projects is \$4,860,040. As shown on the table below, funding for Joint Facilities Projects is shared between SFID and SDWD based upon ownership percentages. Joint facilities projects include the design and/or construction for the R.E. Badger Filters and Sedimentation Basins Concrete Repairs, R.E. Badger Surface Washwater Header and Associated Piping, Cielo Pump Station Valve Replacements, R.E. Badger Septic Tank, and Leach Field Replacement, Chlorine Scrubber Replacement. It also includes the assessment and conceptual design of existing 15-inch Drain Line and the 30-inch San Dieguito Pump Station Forcemain projects and the conceptual designs of the Parallel 30-in Raw Water Pipeline to SDR and the Ozone Generation System.

FY23 Joint Facilities Capital Improvement Budget Breakout

Santa Fe Irrigation District	San Dieguito Water District	Total
\$2,728,580	\$2,131,460	\$4,860,040

The Capital Improvement Program supports the District's adopted 2021 Strategic Plan for Goal #1: Sustainable, Cost-Effective Water Resources Cost-Effective and Goal #3: Resilient Infrastructure and Operations.

DISTRICT IMPROVEMENT PROJECTS

Projects in this category are designed to meet the District's facility and infrastructure needs including replacement of aging infrastructure, and new facilities required to meet system safety, capacity, redundancy, reliability, regulatory mandates, and other performance requirements.

DISTRICT IMPROVEMENT PROJECT #1502 – GOVERNMENT ROAD PIPELINE RELOCATION

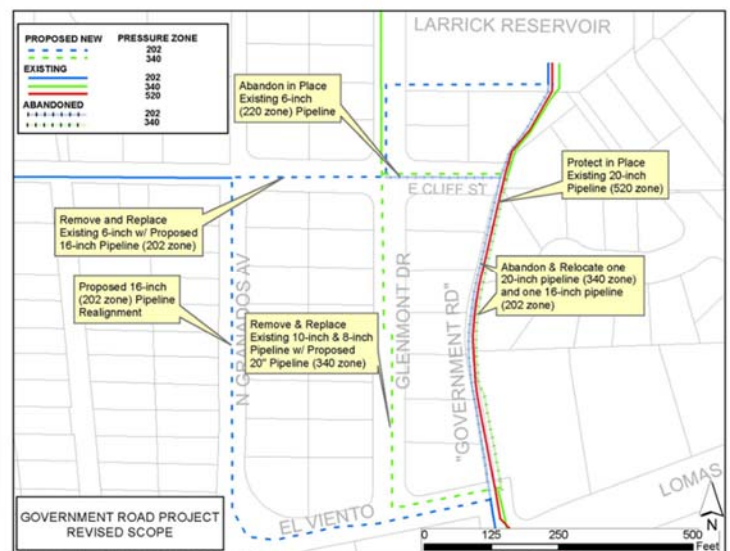
Projected Costs

FY23 Expenditures: \$1,827,000

Total Capital: \$3,500,000

PROJECT DESCRIPTION

The District identified the need to replace aging facilities which are critical to the reliability of its water distribution system. The Government Road Pipeline Project is a continuation of the District's efforts to replace aging water distribution pipelines as recommended in the Master Plan. The project consists of three components to replace and relocate existing water transmission and distribution pipelines. The scope includes the replacement of approximately 800 lineal feet (LF) of existing 16-inch diameter, 202 Pressure Zone, asbestos cement pipeline in "Government Road" with approximately 1,960 LF of new 16-inch pipeline in a relocated alignment in El Viento Street, N. Granados Avenue, E. Cliff Street and Glenmont Drive and the replacement of approximately 600 LF of existing 20-inch diameter, 340 Pressure Zone, asbestos cement pipeline in "Government Road" with approximately 1,100 LF of new 20-inch pipeline in El Viento, Glenmont Drive and E. Cliff Street and transfer existing water services and meters in Government Road to the new 20-inch diameter pipeline and the abandonment of the existing 340 Pressure Zone distribution pipeline in Glenmont Drive. The construction of the pipelines' relocation spans between FY23 and FY24.



OPERATING IMPACTS

The implementation of this project will provide a more reliable, low-risk distribution system within this part of the District's service area due to the absence of easements, the current encroachments on and along the pipelines, the limited maintenance access and potential damage in the event that a failure were to occur. In addition, the project will also eliminate the need to replace the existing 8-inch pipeline in the future. There is no operating budget fiscal impact from the construction of this project.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	FY2024	TOTAL
Projected Expenditures by Fiscal Year	\$ 50.0	\$ 1,827.0	\$ 1,623.0	\$ 3,500.0

DISTRICT IMPROVEMENT PROJECT – DISTRICT YARD SMALL-SCALE SOLAR ARRAY

Projected Costs

FY23 Expenditures: \$420,000

Total Capital: \$420,000

PROJECT DESCRIPTION

This project was identified in the District's 2021 Energy Management Study. The project includes planning, design, and construction of a small-scale solar array at the District Yard, in order to decrease the District's reliance on non-renewable energy.



OPERATING IMPACTS

The implementation of this project will provide a more economical and efficient solar technology and potential availability of a third-party pre-paid power purchase agreement (PPA). This project provides for a “green/sustainable” energy solution and provides steps for lowering the carbon footprint. There is no operating budget fiscal impact from the construction of this project.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	FY2024	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 420.0	\$ -	\$ 420.0

DISTRICT IMPROVEMENT PROJECT – DISTRICT CORPORATE YARD BUILDING PROGRAM

Projected Costs

FY23 Expenditures: \$525,000

Total Capital: \$23,700,000

PROJECT DESCRIPTION

This project was identified to re-assess current District Corporate Yard improvement needs, assess various alternatives, and provides a conceptual design and cost estimate for the District's preferred improvements. The proposed CIP Project will also consider the potential of converting the existing modular buildings to permanent facilities, and other permanent building options. Implementation will be determined and budgeted once the alternatives are available for review and Board consideration.



OPERATING IMPACTS

The initiation of this project will provide improvement alternatives to the Corporate Yard to consider for implementation. There is no operating budget fiscal impact from the initiation of this project.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 525.0					\$ 525.0

DISTRICT IMPROVEMENT PROJECT – LA GRANADA PIPELINE REPLACEMENT AND PRS ELIMINATION

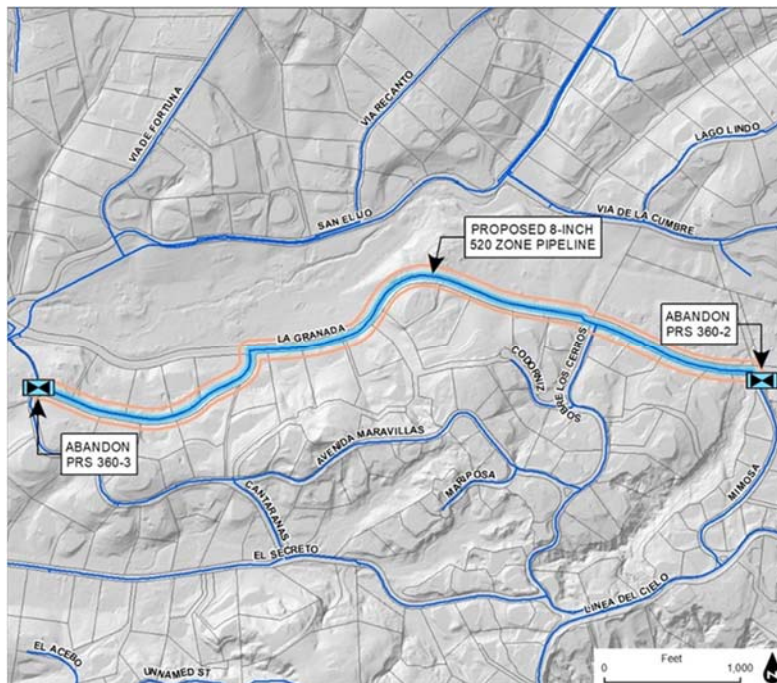
Projected Costs

FY23 Expenditures: \$855,459

Total Capital: \$3,243,681

PROJECT DESCRIPTION

The project includes planning, design, and construction of 5,880-feet of new 8-inch pipeline to replace existing 4-inch and 6-inch Asbestos Cement (AC) pipelines constructed before 1960. The project will eliminate 2 Pressure Reducing Stations (PRSs) by converting the existing 360 pressure zone to the 520 zone.



OPERATING IMPACTS

The implementation of this project will enable the elimination of two Pressure Reducing Stations that have reached the end of their useful life, eliminate the 360 zone, and create a looped system for customers served on the existing pipeline. New valves will enable proper system isolation and mitigate issues associated with existing non-functional isolation valves along the alignment. There is no direct operating budget fiscal impact from the construction of this project; however, it will reduce the maintenance required for the two PRSs and optimize operation and distribution isolation.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	FY2024	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 855.5	\$ 2,388.2	\$ 3,243.7

DISTRICT IMPROVEMENT PROJECT – LARRICK RESERVOIR AND PUMP STATION UPGRADES

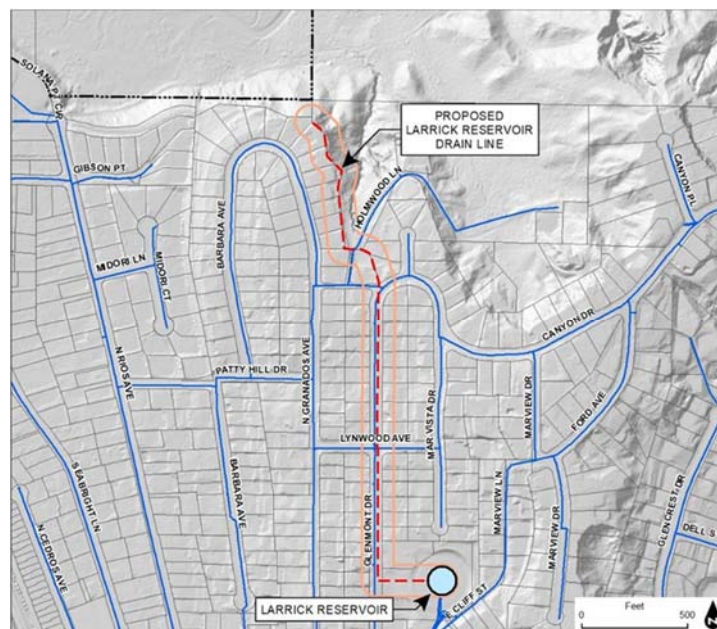
Projected Costs

FY23 Expenditures: \$1,105,935

Total Capital: \$4,643,318

PROJECT DESCRIPTION

The project was ranked 2 out of 25 potential projects prioritized in the CIP. The project includes planning, design, and construction of 2,645-feet of new reservoir drain line to replace the existing drain line, mechanical mixing in the reservoir, site retaining wall installation, solar panel installation, as-needed chemical additions, and pump station electrical system replacement and upgrade. The Larrick Reservoir and drain line was built in the early 1960s and the pump station electrical system has reached the end of its' useful life.



OPERATING IMPACTS

The implementation of this project will mitigate the potential for water age/water quality problems in the reservoir and mitigate issues associated with the existing failed drain line by avoiding potential discharge to the sewer system or spills into the lagoon. Additionally, pump station electrical replacement and upgrade will enhance operational control and flexibility. There is no operating budget fiscal impact from the design and construction of this project.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	FY 2024	FY 2025	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 1,105.9	\$ 2,476.7	\$ 1,060.7	\$ 4,643.3

JOINT FACILITIES - TREATMENT PLANT AND LOCAL WATER SYSTEM IMPROVEMENT PROJECTS

As joint owners of the R.E. Badger Filtration Plant, the San Dieguito Water District (SDWD) and the Santa Fe Irrigation District (SFID) share capital improvement expenses. The projects for FY23 are planned for the replacement, upgrade, and enhancement of the water treatment and other jointly-owned local facilities. The following provides a summary description for the FY23 Joint Facilities Capital Improvement Projects. The Capital Costs shown are the total cost for both SFID and SDWD.

The FY23 CIP Budget includes four (4) Joint Facilities Projects that are continuing from FY22 and five (5) new projects will be initiated in FY23. Design and Construction of the five (5) projects will be completed in FY23 and the remaining two (4) projects will be initiated in the planning phase to develop the criteria for a design then construction which will span multiple fiscal years.

JOINT FACILITIES PROJECT #2051 – R.E. BADGER FILTERS AND SEDIMENTATION BASIN CONCRETE REPAIRS

Projected Costs

FY23 Expenditures: \$982,065

Total Capital: \$992,065

PROJECT DESCRIPTION

The R.E. Badger Filters and Sedimentation Basin Concrete Repairs Project, is a preventative maintenance project that will repair spalling concrete with exposed reinforcing steel within the existing filter and sedimentation basin concrete structures. The repairs will protect the integrity of the existing facilities until more extensive refurbishment projects are identified. Design and Construction are scheduled to be completed in FY23.



OPERATING IMPACTS

There are no operating budget impacts as a result of the completion of this project.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	TOTAL
Projected Expenditures by Fiscal Year	\$ 10.0	\$ 982.1	\$ 992.1

JOINT FACILITIES PROJECT #2052 – CIELO PUMP STATION VALVE REPLACEMENT PROJECT

Projected Costs

FY23 Expenditures: \$824,250

Total Capital: \$925,000

PROJECT DESCRIPTION

The Cielo Pump Station Valve Replacement Project, includes the replacement and relocation of one 36-inch buried station shut off suction valve from Del Dios Highway to a proposed new buried vault the Cielo Pump Station site, replacement of 4 buried 24-inch pump suction valves and one 10-inch buried pump discharge bypass valve within the Cielo Pump Station site, and replacement of an aging air compressor within the Cielo Pump Station Building. Each of the existing valves have operational problems of varying degrees. New couplings will be provided where valves are replaced. In addition, the existing station shut-off valve under Del Dios Highway will be removed and the fittings will be provided where the valve is located. Final design was completed in FY22. Construction is scheduled to occur in FY23.

OPERATING IMPACTS

There are no operating budget impacts as a result of the completion of this project.



<i>\$ in thousands</i>	Prior Year(s)	2023	TOTAL
Projected Expenditures by Fiscal Year	\$ 100.7	\$ 824.3	\$ 925.0

JOINT FACILITIES PROJECTS #2150 & #2151 – REHABILITATION OF EXISTING 15-INCH DRAIN LINE AND 30-INCH FORCEMAIN

Projected Costs

FY23 Expenditures: \$1,125,000

Total Capital: \$7,130,000

PROJECT DESCRIPTION

The 15-inch drain line was installed in the late 1960s and consists of approximately 7,300 feet of asbestos cement pipe with small amounts of cast iron and steel piping. This pipeline provides an avenue for the Water Filtration Plant (WFP) to recycle decant from the sludge drying beds and wash water ponds to the San Dieguito Reservoir (SDR). In addition, the line serves to provide a means of recycling raw water with chlorine dioxide to SDR. The SDPS forcemain is over 40 years old and consists of approximately 8,800 feet of 30-inch Cement Mortar Lined Steel pipe. The forcemain runs through a housing subdivision and plant staff have limited or no access to areas where the line was installed. Operation of the line is imperative as it is the only means of bringing water from SDR to the WFP where failure of this line could result in damages to homes and plant staff may not be able to access the line to make repairs. Based on previous studies, the condition for these two pipelines is unknown, as they have not been inspected. The scope of work will include performing condition assessment and video inspection for conceptual planning to reline or partially replace the pipelines. Also, staff will evaluate the option of the relocation of the pipeline and follow a different alignment, if feasible. The assessment and conceptual design of the two pipelines will be completed in FY23 with the proposed design and construction anticipated through FY26.



Figure 4.6 Possible Future Alignment of a New Pipeline from SDR to WFP

OPERATING IMPACTS

The future operating impacts of this project will be determined as part of the planning and evaluation process.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	FY 2024	FY2025	TOTAL
Projected Expenditures by Fiscal Year	\$ 30.0	\$ 1,125.0	\$ 2,170.0	\$ 3,805.0	\$ 7,130.0

JOINT FACILITIES PROJECTS #TBD – PARALLEL 30-IN RAW WATER PIPELINE TO SDR

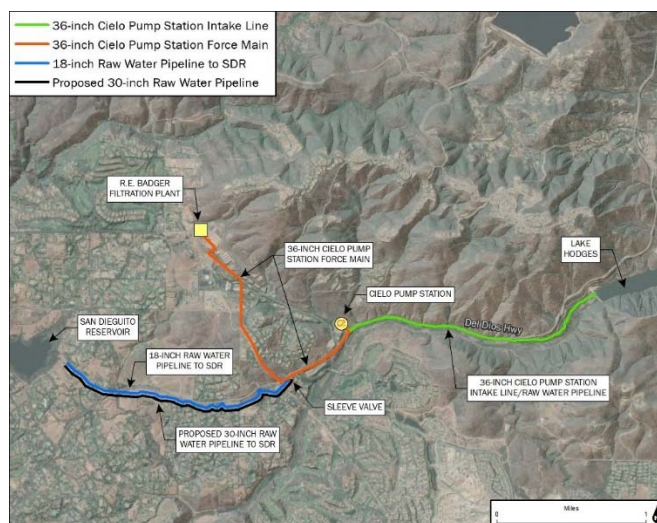
Projected Costs

FY23 Expenditures: \$314,940

Total Capital: \$5,790,000

PROJECT DESCRIPTION

This project includes planning, design, and construction of a new 9,000 foot long, 30-inch diameter pipeline that would parallel the existing 18-inch “flume” pipeline to convey additional raw local water from Lake Hodges to the San Dieguito Reservoir (SDR). A 36-inch pipeline currently exist upstream of the existing 18-inch pipeline leading to the SDR. The limited capacity of the existing 18-inch pipeline substantially limits the amount of flow that can be conveyed by gravity to the SDR (approximately 4 mgd).



OPERATING IMPACTS

By providing a parallel 30-inch pipeline, the combined 18-inch and 30-inch capacity will enable approximately 22 mgd to be conveyed by gravity from Lake Hodges to SDR. This is approximately the same capacity as the Cielo Pump Station. A parallel 24-inch pipeline would enable conveyance of approximately 15 mgd which is the current capacity of the San Dieguito Pump Station. A 30-inch parallel pipeline is recommended to provide the larger flow capability. The future operating impacts of this project will be determined as part of the planning and evaluation process.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	FY 2024	FY 2025	FY2026	FY2027	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 314.9	\$ 314.9	\$ 1,297.5	\$ 2,959.1	\$ 903.6	\$ 5,790.0

JOINT FACILITIES PROJECTS #TBD – R.E. BADGER SEPTIC TANK AND LEACH FIELD REPLACEMENT

Projected Costs

FY23 Expenditures: \$598,000

Total Capital: \$598,000

PROJECT DESCRIPTION

This project includes planning, design, and construction of sewer lines and a lift station to eliminate the existing septic tank and leach field system and enable connection to the OMWD sewer system. The existing septic system for the R.E.B. Plant was constructed in 1968 and includes a septic tank in the southwest parking lot of the main building, approximately 800 feet of 4-inch vitrified clay pipe (VCP) gravity sewer, and a 150-foot-long leach field southeast of the solids handling facility. The leach field has become inefficient, and the septic tank requires monthly cleaning. The proposed project will add a sewer lift station north of the leach field and a new 4" HDPE force main connection to the existing Olivenhain MWD (OMWD) 8-inch PVC sewer in Camino Del Arriba. All new facilities proposed in this project are located on Joint Facility property except for Camino De Arriba right-of-way connection.



OPERATING IMPACTS

By constructing a sewer lift station it will eliminate the septic tank monthly maintenance; however, there will be future operating impacts of this project to maintain the lift station pumps and other appurtenant infrastructure. Defined operating maintenance will be determined as part of the design process; however, there are no operating budget impacts in FY23 as a result of the completion of this project.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 598.0	\$ 598.0

JOINT FACILITIES PROJECTS #TBD – CHLORINE SCRUBBER REPLACEMENT

Projected Costs

FY23 Expenditures: \$430,500

Total Capital: \$430,500

PROJECT DESCRIPTION

This project includes planning, design, and construction of a new 5,500-gallon fiberglass emergency chlorine scrubber. The emergency scrubber safeguards against the accidental release of chlorine gas. The existing fiberglass scrubber was installed in 1997 and is nearly 24 years old. District Staff has indicated that according to annual testing specialists, the scrubber is not expected to have a critical failure but is beginning to reach the end of its useful life.



OPERATING IMPACTS

The construction of this project will enhance reliability and safety of system. Operating impacts to the system may be reduced in FY23, as a planned shutdown and media replacement was also planned in FY23.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 430.5	\$ 430.5

JOINT FACILITIES PROJECTS #TBD – OZONE GENERATION SYSTEM

Projected Costs

FY23 Expenditures: \$370,000

Total Capital: \$6,800,000

PROJECT DESCRIPTION

This project includes planning, design, and construction of a “packaged” ozone generation facility on the southeaster portion of the SDR site. The project includes construction of two 40-foot X 8-foot containers. One container would house the ozone generation equipment and the other will house ozone destruct equipment and side stream mass transfer pumps. A VSA system and chiller for the ozone generators would be placed on the roof of the container. It is assumed that a screen wall would be constructed in order improve the visual impact of the project. The project also includes construction of approximately 600 feet of 36-inch diameter pipeline that would be used for ozone contact time.



OPERATING IMPACTS

The ability to use Ozone to pre-condition local raw water will eliminate the need to pump from the Cielo Pump Station to the plant for Chlorine Dioxide addition prior to sending the water down the drain line to the San Dieguito Reservoir for additional preconditioning, and then pumping back to the R.E. Plant for treatment. The future operating impacts of this project will be determined as part of the planning and evaluation process.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	FY 2024	FY 2025	FY2026	FY2027	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 370.0	\$ 370.0	\$ 1,523.9	\$ 3,047.8	\$ 1,488.3	\$ 6,800.0

JOINT FACILITIES PROJECTS #TBD – FILTER SURFACE WASHWATER HEADER AND ASSOICATED PIPING

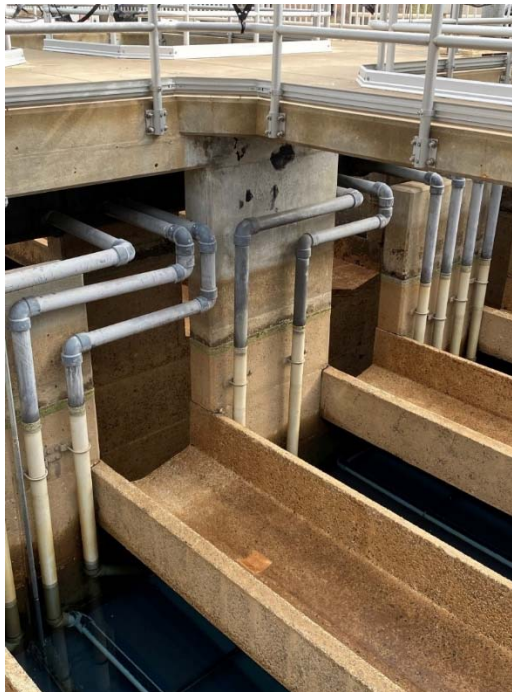
Projected Costs

FY23 Expenditures: \$214,988

Total Capital: \$612,500

PROJECT DESCRIPTION

This project includes planning, design, and construction of the replacement of existing filter surface washwater header and associated piping that is reaching the end of its useful life.



OPERATING IMPACTS

There are no operating budget impacts as a result of the completion of this project.

<i>\$ in thousands</i>	Prior Year(s)	FY 2023	FY 2024	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 215.0	\$ 397.5	\$ 612.5

Capital Improvement Budget Summary
Fiscal Year 2023

PROJECT NUMBER	PROJECT NAME / DESCRIPTION	PROJECT STATUS	TOTAL ESTIMATED COST*	APPROPRIATIONS THROUGH FY22	PROJECTED EXPENDITURES THROUGH FY22	PROJECTED FY22 CARRYOVER	FY23 APPROPRIATION	FY 23 PROJECTED EXPENDITURES
<u>GENERAL DISTRICT</u>								
1502	Government Road Pipeline	Construction	3,500,000	1,890,000	50,000	1,840,000	-	1,827,000
TBD	District Yard Small-Scale Solar Array	Design/Construction	500,000	-	-	-	420,000	420,000
TBD	District Corporate Yard Building Program	Planning	23,700,000	-	-	-	525,000	525,000
TBD	La Granada Pipeline Replacement and PRS Elimination	Planning/Design	3,243,681	-	-	-	855,459	855,459
TBD	Larrick Reservoir and Pump Station Upgrades	Planning/Design	4,643,318	-	-	-	1,105,935	1,105,935
GENERAL DISTRICT CIP SUBTOTAL			\$ 35,586,999	\$ 1,890,000	\$ 50,000	\$ 1,840,000	\$ 2,906,394	\$ 4,733,394
<u>JOINT FACILITIES (Budget includes BOTH SFID and SDWD Portions)</u>								
2051	R.E. Badger Filters and Sedimentation Basins Concrete Repair	Design	985,000	985,000	10,000	975,000	7,065	982,065
2052	Cielo Pump Station Valve Replacement Project	Construction	925,000	925,000	40,000	885,000	-	824,250
2150	Reline or Replace 15-in Drain Line to SDR	Planning	2,230,000	200,000	15,000	185,000	190,000	375,000
2151	Reline or Replace Existing 30-in SDPS Forcemain to Plant	Planning	4,900,000	300,000	15,000	285,000	465,000	750,000
TBD	Parallel 30-in Raw Water Pipeline to SDR	Planning	5,790,000	-	-	-	314,940	314,940
TBD	R.E. Badger Septic Tank and Leach Field Replacement	Design/ Construction	570,000	-	-	-	598,500	598,500
TBD	Chlorine Scrubber Replacement	Design/ Construction	410,000	-	-	-	430,500	430,500
TBD	Ozone Generation	Planning	6,800,000	-	-	-	369,797	369,797
TBD	Filter Surface Washwater Header and Associated Piping	Design/ Construction	612,500	-	-	-	214,988	214,988
JOINT FACILITIES CIP SUBTOTAL			\$ 23,222,500	\$ 2,410,000	\$ 80,000	\$ 2,330,000	\$ 2,590,790	\$ 4,860,040
CIP PROGRAM TOTAL			\$ 58,809,499	\$ 4,300,000	\$ 130,000	\$ 4,170,000	\$ 5,497,183	\$ 9,593,433

LONG TERM DEBT

In October 2019, the District made the final principal and interest payment for its portion of indebtedness for the 2007 Water Revenue Refunding Bonds. Under a joint exercise of powers agreement dated September 22, 1999, the Santa Fe Irrigation District (District) and San Dieguito Water District (SDWD) created the R.E. Badger Water Facilities Financing Authority (Authority). The Authority was formed to provide financing in connection with the acquisition, construction, and improvement of public capital facilities. The Authority issued the 1999 Water Revenue Bonds (later refunded as the 2007 Water Revenue Refunding Bonds) for the purpose of providing working capital required for public improvements. The District was responsible for 65.53% of the net cost of the revenue bonds.

The final payment made in October was from the debt service reserve the District has previously established with the bond trustee. However, SDWD's 34.47% of the 2007 Water Revenue Refunding Bonds was on a different amortization schedule & they continue to may their payments on their portion of the Water Revenue Refunding Bonds through FY25, unless they opt to refund or prepay their portion of the outstanding indebtedness of the Authority.

There is no established legal debt limit for the District. However, the District has adopted a Debt Management Policy that is included in the Financial Policies section of this document. This policy sets forth parameters for issuing debt, including the conditions under which the District should consider debt as a financing mechanism in the future. Currently, the District does not project any issuance of debt in the near future for capital or operating purpose.

RESERVE FUNDS

The District's Reserve Funds Policy (Policy - see Financial Policies) establishes policy directives and guidelines for the management of the District's reserve funds. Reserves are designated in the following funds: Capacity Charge, Capital Improvement and Replacement, Operating, Rate Stabilization, and Local Water. This policy defines parameters for the source(s) and use(s) of these reserve funds and establishes maximum and minimum target fund balances. The Board of Directors adopted a revised Reserve Policy in November 2020, establishing the Local Water Fund & clarifying source(s) and use(s) for these funds..

CAPACITY CHARGE FUND

This is a legally restricted fund dedicated exclusively for the collection of capacity charges for new or expanded service connections. The capacity charges collected accrued in this fund balance are designated only for capital enhancement and upgrade projects. Capacity charges are normally expended in the fiscal year they are received; therefore it is shown as a contribution to the Capital Improvement and Replacement Fund, but is fully expended every fiscal year.

CAPITAL IMPROVEMENT AND REPLACEMENT FUND

The Capital Improvement and Replacement Fund is an unrestricted fund, which is designated by the Board for capital improvements to meet regulatory requirements, system reliability, facility replacement projects, and future infrastructure upgrades, among other items. These capital improvements are identified in the Asset Management Master Plan ("AMMP") and outlined in the District's (including joint facilities) ten-year Capital Improvement Program. The funds are accumulated and drawn down in a manner consistent with this Policy. The Board reviews utilization and funding of the Capital Improvement and Replacement Fund during the District's annual budget process and updated during District mid-year projections. It is the Board's intent to annually deposit all property tax revenues and an amount equal to the District's total annual depreciation and amortization into the fund for Pay-Go of capital expenditures, in combination with any additional amount(s) as determined by the Board.

OPERATING FUND

The Operating Fund is an Unrestricted Fund that is designated by the Board to maintain working capital for current operations in the event of unforeseen circumstances. Utilization of the operating fund shall only be based on Board action, and any request by Staff to use the fund that shall bring the reserve below minimum Reserve Funds Policy levels shall also be accompanied by a plan and timeline for replenishment.

RATE STABILIZATION FUND

The Rate Stabilization Fund is an Unrestricted Fund utilized to avoid unacceptable rate increases in combination with a cost-of-service study. Additionally, the fund may be utilized to accommodate a temporary reduction in revenues or increase in expenses such as (but not limited to) short term reductions in water sales and / or the purchase of imported water due to lack of local water. This fund may also be utilized to maintain compliance with any indebtedness obligations. Utilization of the rate stabilization fund shall only be based on Board action, and any request by Staff to use the fund that shall bring the reserve below minimum Reserve Funds Policy levels shall also be accompanied by a plan and timeline for replenishment.

LOCAL WATER FUND

The Local Water Fund is an unrestricted fund intended to segregate expenditure savings that are generated due to a greater utilization of local water than projected to set potable water rates for customers. These savings deposited into the Local Water Fund are generated through the rate(s) charged to potable water customers who utilize tier(s) or a unitary rate that includes imported water. Any funds deposited into this fund will be returned to customers who purchase water at imported water tier(s) or a unitary rate, through one of two means: 1. during subsequent cost-of-service development to offset imported water costs for all tier(s) or unitary rate that includes imported water for permanent potable water customers in a way that is consistent with cost-of-service principals; or 2. to offset annual imported water cost increase(s) from SDCWA that are passed on to District customers. The goal of the Board is to return any fund balance to customers each January 1st; however, the Board may modify this timeline if necessary. The fund balance in FY23 will be fully utilized and will not be re-capitalized until local water exceeds the level utilized to set potable water rates.

PENSION STABILIZATION FUND

This fund is utilized to capitalize a section 115 trust administered by Public Agency Retirement Services (PARS). The District capitalized PARS with \$1.0 million in FY22 that can be utilized to smooth any variations in the annual CalPERS unfunded liability payment that will be re-amortized to be a level payment from FY24 through FY38.

OVERVIEW

Total reserves for FY23 are targeted at \$25.5 million. The Rate Stabilization Fund has additional funding beyond the target level due to the approximately \$1.0 million in funding that will be transferred in from FY22 to offset the lack of local water in FY23.

Reserve Policy Target Funding

Reserve Fund	Target	FY22*	FY23
Capital Improvement & Replacement	Minimum	\$ 14,192,365	\$ 13,314,022
Rate Stabilization	Local Water + 2% Variable	\$ 5,729,709	\$ 4,495,088
Operating	90 Days	\$ 6,286,185	\$ 6,646,171
PARS (Section 115 Trust)	Current Balance	\$ 1,000,000	\$ 1,000,000
Total Reserve Requirement		\$ 27,208,259	\$ 25,455,281

**current amounts - does not include local water fund*

Based on an estimated FY22 ending cash balance of \$35.0 million, the FY23 operating results (cash-based), and use of reserves, the excess fund balance above the \$25.5 million reserve target is \$5.7 million (as shown in the following table). The Board will determine the use(s) of this undesignated fund balance in the first half of FY23 in conjunction with the cost-of-service. The net cash impact of \$3.8 million is approximately 11% of fund balance, which is due to pay-go investment in capital. Total fund balance exceeds reserve requirements, with a positive fund balance for the Board's consideration.

Fund Balance Impacts from FY23 Budget

Beginning Cash Balance	A	\$	35,000,000
Operating Income		\$	31,484,031
Non-Operating Income			5,671,133
Sub-Total	B	\$	37,155,164
Operating Expense*		\$	30,014,941
Capital Expense			10,505,933
Local Water Fund			452,321
Sub-Total	C	\$	40,973,195
Net Cash Impact	D=B-C	\$	(3,818,030)
Ending Cash Balance	A-D	\$	31,181,970
Excess Fund Balance / (Fund Balance Requirement)		\$	5,726,689

** Does not include depreciation / amortization as a non-cash expense*



APPENDIX A

FINAL 10-YEAR CAPITAL IMPROVEMENT PROGRAM (FY 2023 - FY 2032)							
PROJECT NUMBER	ESTIMATED TOTAL CAPITAL PROJECT COST	CAPTIAL PROJECT DESCRIPTION	ESTIMATED EXPENDITURE				
			FY23	FY24	FY25	FY26	FY27
SFID DISTRIBUTION (DISTRICT ONLY) PROJECTS							
1502	\$ 3,550,000	Government Road Pipeline Relocation Project	\$ 1,735,650	\$ 1,763,000			
TBD	\$ 400,000	District Yard Small-Scale Solar Array	\$ 400,000				
TBD	\$ 23,700,000	District Corporate Yard Building Program	\$ 500,000				
TBD	\$ 3,040,000	La Granada Pipeline Replacement and PRS Elimination Project	\$ 814,723	\$ 2,220,104			
TBD	\$ 4,380,000	Larrick Reservoir and Pump Station Upgrades Project	\$ 1,053,271	\$ 2,358,780	\$ 958,780		
TBD	\$ 5,330,000	24-inch Pipeline Realignment and Replacement Between El Camino Real and Santa Luisa			\$ 552,069	\$ 2,385,727	\$ 2,385,727
TBD	\$ 1,080,000	Group A: Lago Lindo, Castro St, San Elijo, Linea Del Cielo, Via Del Alba, and El Arco Iris				\$ 107,245	\$ 965,208
TBD	\$ 1,820,000	PRS Replacement 406-A2 and A3					\$ 188,692
Subtotal SFID Distribution (District Only) Projects			\$ 4,510,000	\$ 6,350,000	\$ 1,520,000	\$ 2,500,000	\$ 3,540,000
JOINT FACILITIES PROJECTS (SFID PORTION + SDWD PORTION)							
1750	\$ 1,810,000	Clearwell Seismic Improvements Project					
1751	\$ 5,340,000	Washwater Tank Seismic Improvements Project					
1752	\$ 9,510,000	Mechanical Dewatering Improvements Project					
1753	\$ 270,000	Handrail Improvements at San Dieguito Reservoir Project					
1754	\$ 500,000	San Dieguito Dam Concrete Refurbishment Project					
2050	\$ 700,000	R.E. Badger Operations Building Roofing Replacement Project					
2051	\$ 950,000	R.E. Badger Sedimentation Basin and Filters Concrete Repairs	\$ 935,500				
2052	\$ 830,000	Cielo Pump Station Valve Replacement Project	\$ 785,000				
2150/2151	\$ 7,640,000	Rehabilitation of 15-inch Drainline and SDPS 30-inch Force Main Project	\$ 1,071,000	\$ 2,315,000	\$ 3,985,000		
TBD	\$ 5,790,000	Parallel 30-inch Raw Water Pipeline to SDR	\$ 299,943	\$ 299,943	\$ 1,297,528	\$ 2,595,057	\$ 1,297,528
TBD	\$ 570,000	R.E. Badger Septic Tank and Leach Field Replacement	\$ 570,000				
TBD	\$ 410,000	Chlorine Scrubber Replacement	\$ 410,000				
TBD	\$ 6,800,000	Ozone Generation	\$ 352,188	\$ 352,188	\$ 1,523,906	\$ 3,047,813	\$ 1,523,906
TBD	\$ 490,000	Filter Surface Washwater Header and Associated Piping	\$ 204,750	\$ 204,750			
TBD	\$ 940,000	Flocculator Replacement Project			\$ 96,600	\$ 843,400	
TBD	\$ 2,140,000	Filter Washwater Solids Removal and Gravity Thickener Supernatant Return				\$ 221,375	\$ 1,918,625
TBD	\$ 3,940,000	Sedimentation Basin Solids Removal Equipment Replacement					\$ 483,000
Subtotal Joint Facilities (SFID Portion + SDWD Portion)			\$ 4,630,000	\$ 3,180,000	\$ 6,910,000	\$ 6,710,000	\$ 5,230,000
Total Capital Projects (SFID Distribution + Joint Facilities)			\$ 9,140,000	\$ 9,530,000	\$ 8,430,000	\$ 9,210,000	\$ 8,770,000
Total SFID Capital Projects (SFID Distribution + SFID Joint Facilities)			\$ 5,600,000	\$ 6,350,000	\$ 5,390,000	\$ 6,324,000	\$ 6,480,000
	= Projects Previously Budgeted						

Santa Fe Irrigation District
Historical and Projected Statistical Data

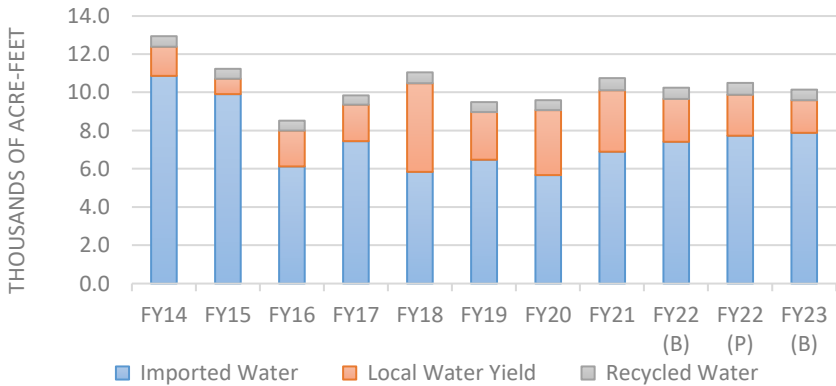
Description	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual ¹	FY20 Actual	FY21 Actual	FY22 (B) Budget ²	FY22 (P) Projected ²	FY23 (B) Budget ²
Water Purchases (Acre-Feet):											
Treated Imported Water	568.7	542.4	312.8	518.0	299.4	56.6	257.6	699.5	261.0	317.4	550.0
Untreated Imported Water	10,295.3	9,362.2	5,815.0	6,931.0	5,547.0	6,432.9	5,416.6	6,196.2	7,155.0	7,420.4	7,331.6
Imported Water	10,864.0	9,904.6	6,127.8	7,449.0	5,846.4	6,489.5	5,674.2	6,895.7	7,416.0	7,737.8	7,881.6
Local Water Yield	1,526.3	811.6	1,880.7	1,911.1	4,635.5	2,492.3	3,403.5	3,214.0	2,250.0	2,141.7	1,718.4
Recycled Water	557.5	522.8	508.9	489.6	568.1	517.7	512.7	642.4	575.0	612.6	550.0
Total Water Purchased / Local Yield	12,947.8	11,239.0	8,517.4	9,849.7	11,050.0	9,499.5	9,590.4	10,752.1	10,241.0	10,492.1	10,150.0
Revenue:											
Water Sales	\$ 19,899,004	\$ 17,598,000	\$ 13,755,595	\$ 16,548,196	\$ 20,864,372	\$ 18,472,415	\$ 18,865,808	\$ 21,884,370	\$ 20,844,496	\$ 21,398,334	\$ 21,309,811
Base Meter Fees	3,661,918	3,672,959	3,700,610	4,895,700	5,352,584	5,535,582	5,507,678	5,388,296	5,702,305	5,547,037	5,789,694
Other Operating Revenue	126,179	243,020	338,752	349,789	245,188	2,581,047	3,494,632	4,042,755	4,423,812	3,870,880	4,384,526
Property Tax	1,983,907	2,080,791	2,190,932	2,285,521	2,406,427	2,518,010	2,645,623	2,645,623	2,783,525	2,859,699	2,916,893
Investment Income	265,601	213,087	225,566	114,260	260,625	646,817	750,509	43,528	378,500	125,000	142,968
Other Non-Operating Revenue	73,562	72,629	47,267	132,971	149,990	915,806	1,167,259	8,045,852	5,794,227	5,087,085	2,611,272
Total Revenues	\$ 26,010,171	\$ 23,880,486	\$ 20,258,722	\$ 24,326,437	\$ 29,279,186	\$ 30,669,677	\$ 32,431,509	\$ 42,050,424	\$ 39,926,864	\$ 38,888,035	\$ 37,155,164
Expenses:											
Water Purchased	11,804,846	11,339,922	8,726,055	10,767,457	9,855,760	10,459,108	9,908,066	11,741,364	12,806,104	13,295,832	14,488,032
Water Treatment	3,443,310	3,290,620	3,524,262	3,796,508	5,040,433	4,239,608	4,850,871	3,593,616	3,646,835	2,667,760	3,220,249
Transmission and Distribution	2,745,603	2,712,079	2,959,956	3,577,141	3,653,614	4,633,305	5,063,619	1,588,271	1,701,975	1,606,002	1,720,850
Administration and Engineering	2,716,725	2,920,762	3,568,376	3,623,753	3,745,485	4,486,328	4,955,372	1,222,081	1,712,802	1,408,796	1,485,471
Depreciation and Amortization	1,157,728	1,286,139	1,294,022	1,372,239	1,359,335	3,243,425	3,278,660	3,242,425	3,684,497	3,920,900	4,210,800
Other Expenditures	-	-	-	-	-	53,341	163,686	-	-	-	-
Total Expenses	\$ 21,868,212	\$ 21,549,522	\$ 20,072,671	\$ 23,137,098	\$ 23,654,627	\$ 27,115,115	\$ 28,220,274	\$ 21,387,757	\$ 23,552,213	\$ 22,899,290	\$ 25,125,402
Capital Expenditures	\$ 871,253	\$ 7,348,101	\$ 3,952,441	\$ 7,503,591	\$ 2,814,597	\$ 3,914,812	\$ 3,635,178	\$ 8,442,423	\$ 9,057,561	\$ 6,220,531	\$ 8,176,661
(SFID Only, Based on Assets in Service)											
Debt Service	\$ 1,350,150	\$ 1,345,250	\$ 1,341,150	\$ 1,347,750	\$ 1,346,575	\$ 1,346,875	-	-	\$ -	\$ -	\$ -

1- Actual results as reported in District CAFR in FY19 and beyond treated the Joint Facilities as a department and not separate entity, resulting in revenue and expenditure changes as compared to prior years

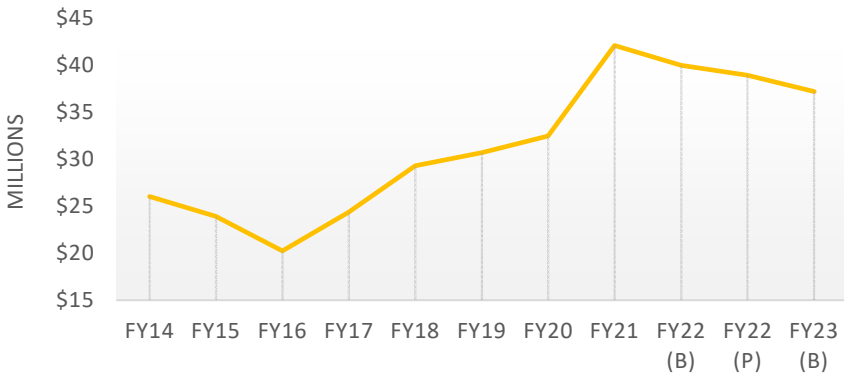
2- Budget and projected figures are based on cash accounting and actual results are based on accrual

Historical and Projected Statistical Data

WATER PURCHASES / LOCAL YIELD



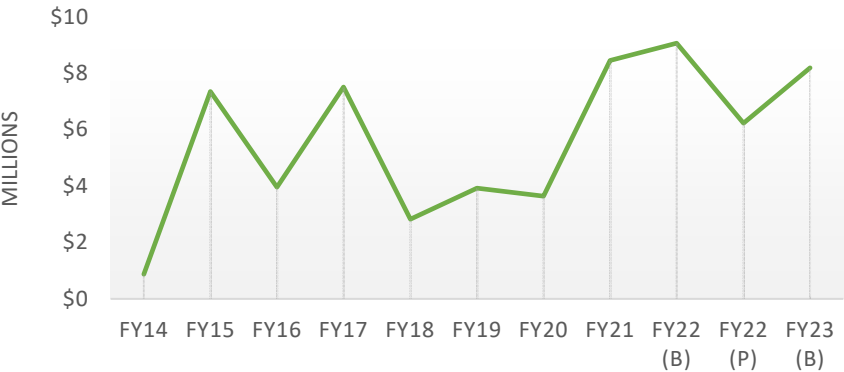
REVENUES



EXPENSES



CAPITAL EXPENDITURES



APPENDIX B

BUDGET POLICY

POLICY STATEMENT

The Santa Fe Irrigation District Board of Directors has adopted a Strategic Plan that includes the financial objective of maintaining a strong financial condition, establishing reasonable water rates, and achieving a prudent balance between District revenues, expenses, and reserves. This document addresses those objectives by setting forth policies to guide and support the development and implementation of the District's annual budget.

I. BALANCED BUDGET

The District will maintain an annual balanced budget. This means that:

1. Operating revenues are equal to or exceed operating expenses. User fees and charges will be evaluated and set via the Long Range Financial Plan.
2. Capital expenditures will be based on the District's 5 Year Capital Improvement Program as well as its Long Range Financial Plan and will be funded through either internal funding or debt financing.
3. Reserve fund balances must meet minimum policy levels.

Under this policy, operating revenues in certain years can fall short of operating expenses as long as there is sufficient beginning balance in the District's reserve funds that can be utilized to avoid unacceptable rate increases and fund unanticipated operating and capital expenditures, while ensuring that at the same time the ending fund balance will meet minimum policy levels. In the event that a budget shortfall is expected to continue beyond one year, the planned use of reserves must be developed as part of a corresponding strategic financial plan to close the gap through revenue increases and/or expenditure decreases.

Any year end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and will be available for capital projects and/or "one-time only" expenditures.

Maintaining a balanced budget will ensure that revenues are sufficient to cover operating and maintenance expenses, fund debt service, maintain liquidity reserve levels, and pay capital expenditures.

II. BUDGET DOCUMENT

The budget will serve as the annual financial plan for the District. It will represent the annual policy document of the Board of Directors for implementing Board goals and objectives. The budget defines the resources necessary to accomplish Board determined service levels.

The General Manager shall annually prepare and present a proposed budget to the Board of Directors no later than the regular Board meeting in May of each year; and the Board will adopt

such budget no later than June 30 of each year. Funds may not be expended or encumbered for the following fiscal year until the budget has been adopted by the Board.

The District's annual budget will be presented by department, with a logical breakdown of programs and proposed expenditures. A budget document will be presented for discussion and review by the Board and the public. This document will focus on policy issues and will summarize expenses at the personnel, operating and maintenance, and capital levels.

III. BUDGET PROCESS

The District's budget schedule consists of the following steps:

1. Department budget development by managers
2. Review of economic, financial, and industry impacts
3. Review of capital projects based on Asset Management Master Plan
4. Coordination and review of joint facilities' budgets with co-owner, San Dieguito Water District
5. Board review of relevant sections of the budget by the following committees: Finance Committee, Organization and Personnel Committee, and Water Resources Committee
6. Adoption of the budget by the Board of Directors at a public hearing no later than June of each year

IV. BUDGET CONTROL AND ACCOUNTABILITY

Budget control is maintained at the departmental level. The General Manager has the authority to approve appropriation transfers between programs or departments. In no case may total expenses of the District exceed what is appropriated by the Board, without a budget adjustment.

Budget accountability rests primarily with the General Manager of the District.

V. BUDGET ADJUSTMENTS

During the year, if projects or expenditures are needed that fall outside the adopted budget, the item(s) will be placed on the next Board meeting agenda. The Board will consider the allocation of additional funds from the Operating Reserve Fund to cover the costs, if approved.

Annually, staff prepares a mid-year budget status report for the Board. At this point, if there are any budget adjustments that merit consideration, they will be presented at the Board meeting to be approved by the Directors. Funds are then allocated from the Operating Reserve Fund to be used for those specific requests for the remainder of the fiscal year.

VI. CAPITAL PLANT AND EQUIPMENT

The annual budget will provide for adequate maintenance and replacement of capital assets. The District will develop an annual five-year plan for capital expenditures, including equipment and improvements. All capital improvements will be made in accordance with an adopted and funded

capital improvement program. Cost tracking for components of the capital improvement program will be updated regularly to ensure project completion within budget and established timelines.

The development of the capital improvement budget will be coordinated with the development of the operating budget. It is the District's objective to maintain all of its assets at a level adequate to protect the District's capital investments and minimize maintenance and replacement costs.

DEBT MANAGEMENT POLICY

POLICY STATEMENT

This policy documents the District's goals for the use of debt instruments and provides guidelines for the use of debt for financing the District infrastructure and project needs. The District's overriding goal in issuing debt is to respond to and provide for the infrastructure and capital project needs of its customers while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. The District issues debt instruments, administers District-held debt proceeds and makes debt service payments, acting with prudence and diligence, and attention to prevailing economic conditions.

The District will endeavor to pay for all infrastructure and other projects from a combination of current revenues, available reserves, and prudently issued debt. The District believes that debt can provide an equitable means of financing projects for the District's customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to finance projects if it (i) meets the District's goal of equitable treatment of all customers, both current and future, (ii) is the most cost-effective means available to the District, and (iii) is fiscally prudent, responsible, and diligent under the prevailing economic conditions.

Purpose of Policy

The District's debt management policy is designed to:

- Establish parameters for issuing debt;
- Provide guidance to decision makers:
 - with respect to all options available to finance infrastructure and other capital projects;
 - so that the most prudent, equitable and cost effective method of financing can be chosen;
- Document the objectives to be achieved by staff both prior to issuance and subsequent to issuance;
- Promote objectivity in the decision-making process; and
- Facilitate the financing process by establishing important policy decisions in advance.

The District will adhere to the following legal requirements for the issuance of public debt:

- The state law which authorizes the issuance of the debt;
- The federal and state laws which govern the eligibility of the debt for tax-exempt status;
- The federal and state laws which govern the issuance of taxable debt;
- The federal and state laws which govern disclosure, sale and trading of the debt.

I. GENERAL PROVISIONS

The District will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting process.

Necessary appropriations for annual debt service requirements will be routinely included in the District's annual budget.

The District will maintain proactive communication with the investment community, including rating agencies, credit enhancers, and investors, to ensure future capital market access at the lowest possible rates.

The District utilizes an Asset Management Master Plan to determine its long-term infrastructure and other project needs for the next ten years. The District's Master Plan is updated at least every five years or more frequently when necessary. The District evaluates each project in relation to established levels of reserves, current rate structure, expected asset life/replacement timeline, and available revenue sources to ensure that adequate financial resources are available to support the District's financial obligations.

The District's Debt Management Policy, Budget Policy, Reserve Fund Policy and the Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such the following principles outline the District's approach to debt management.

- The District will evaluate funding for each capital project on a case-by-case basis. The District will assess whether to pay for such projects from current revenues and available reserves prior to or in combination with the use of debt.
- The District will issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such existing revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
- Debt issuance for a capital project will not be considered unless such project has been incorporated into the Asset Management Master Plan.
- User Fees and Water Rates will be set at adequate levels, which are fair and nondiscriminatory and comply with State law, to generate sufficient revenues to pay all Operating and Maintenance costs, to maintain sufficient operating reserves, and to pay debt service costs.
- Connection Fees will be maintained at a level sufficient to finance a portion of growth-related capital costs and cover related annual debt service requirements.

II. CONDITIONS FOR DEBT ISSUANCE

The following policies formally establish parameters for evaluating, issuing, and managing the District's debt. The policies outlined below are not intended to serve as a list of rules to be applied to the District's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

Before issuing debt, the District will evaluate the availability of grants and low interest loans before accessing the capital markets.

In issuing debt, the District objectives will be to:

- Achieve the lowest cost of capital
- Ensure ratepayer equity
- Maintain high credit ratings and access to credit enhancement
- Preserve financial flexibility

Standards for Use of Debt Financing

When appropriate, the District will use long-term debt financing to achieve an equitable allocation of capital costs/charges between current and future system users, to provide more manageable rates in the near and medium term, and to minimize rate volatility.

The District shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.

Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

Financing Criteria

Each debt issuance should be evaluated on an individual basis within the framework of the District's long-term financial plan, as well as within the context of the District's overall financing objectives and current market conditions.

The District will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

Credit Enhancement – The District will consider the use of credit enhancement on a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

Cash-Funded Reserve vs. Surety – The District may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous. The District may permit the use of guaranteed investment

agreements for the investment of reserve funds pledged to the repayment of any District debt when it is approved by the Board of Directors.

Call Provisions – In general, the District’s securities should include optional call provisions. The District will avoid the sale of non-callable, long-term fixed rate bonds, absent careful evaluation of the value of the call option.

Additional Bonds Test/Rate Covenants - The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and these policies.

Short-Term Debt – The District may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

Use of Variable Rate Debt - The District will not issue variable interest rate debt unless: (i) the proposed debt, (a) can be converted to a fixed rate, or (b) is hedged (the District has an offsetting position, or investment to insulate itself from adverse interest rate changes either for an interim period, or to maturity) by use of a put-type mode, swap agreement or hedging mechanism (e.g., interest rate cap), or (ii) all outstanding (un-hedged) variable rate debt, including the proposed new variable debt, does not exceed 100% of the District’s “hedge position” in aggregate. For this purpose, the District’s hedge position will be calculated as the District’s unrestricted cash reserves multiplied by **150%**.

Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in the District’s Investment Policy. The District will seek to maximize investment earnings within the investment parameters set forth in the respective debt financing documentation. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a “net” debt service basis, where appropriate.

Refinancing Outstanding Debt

The Administrative Manager shall have the responsibility to evaluate potential refunding opportunities. The District will consider the following issues when analyzing potential refinancing opportunities:

Debt Service Savings – The District shall establish a target savings level equal to **3%** of the par of debt refunded on a net present value (NPV) basis. This figure will serve only as a guideline; the District shall evaluate each refunding opportunity on a case-by-case basis. In addition to the savings guideline, the following shall be taken into consideration:

- The remaining time to maturity
- size of the issue

- current interest rate environment
- annual cash flow savings
- the value of the call option

The decision to take all savings upfront or on a deferred basis must be explicitly approved by the District's Finance Committee and Board of Directors.

Restructuring - The District may seek to refinance a bond issue on a non-economic basis, in order to restructure debt, to mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, or comply with and/or eliminate rate/bond covenants.

Term/Final Maturity – The District may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is legal. The term of the bonds should not extend beyond the reasonably expected useful life of the asset being financed. The District may also consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity should guide these decisions.

Economic versus Legal Defeasance - When evaluating an economic versus legal defeasance, the District shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The District shall take all necessary steps to optimize the yield on its refunding escrows investments and avoid negative arbitrage.

Outstanding Debt Limitations

Prior to issuance of new debt, the District shall consider and review the latest credit rating agency reports and guidelines to ensure the District's credit ratings and financial flexibility remain at levels consistent with the most highly-rated comparable public agencies.

Method of Issuance

The District will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation.

Competitive Sale – In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.

Negotiated Sale – The District recognizes that some bond issues are best sold through negotiation with a selected underwriter. The District has identified the following circumstances below in which this would likely be the case:

- Issuance of variable rate or taxable bonds

- Complex structures or credit considerations (such as non-rated bonds), which require a strong pre-marketing effort. Significant par value, which may limit the number of potential bidders, unique/proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process
- Market volatility, such that the District would be better served by flexibility in the timing of its sale in a changing interest rate environment
- When an underwriter has identified new financing opportunities or presented alternative structures that financially benefit the District
- As a result of an underwriter's familiarity with the project/financing, that enables the District to take advantage of efficiency and timing considerations

Private Placement – From time to time the District may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

Market Communication, Debt Administration and Reporting Requirements

Rating Agencies – The Administrative Manager shall be responsible for maintaining the District's relationships with Standard & Poor's Ratings Services, Fitch Ratings and Moody's Investment Service. The District may, from time to time, choose to deal with one, two, or all of these agencies as circumstances dictate. In addition to general communication, the Administrative Manager shall: (1) meet with credit analysts at least once each fiscal year, and (2) prior to each competitive or negotiated sale, offer conference calls with agency analysts in connection with the planned sale.

Observance of Debt Covenants – Administrative Manager shall periodically, and at least annually, ensure the District is—and is expected to remain—in compliance with all legal covenants for each debt issue.

Board Communication – The Administrative Manager shall include in an annual report to the Board of Directors feedback from rating agencies and/or investors regarding the District's financial strengths and weaknesses and recommendations for addressing any weaknesses.

Continuing Disclosure – The District shall remain in compliance with Rule 15c2-12(b)(5) by filing its annual financial statements and other financial and operating data for the benefit of its bondholders as covenanted in each debt issue's Continuing Disclosure Agreement.

Record-Keeping – A copy of all debt-related records shall be retained at the District's offices. At minimum, these records shall include all official statements, bid documents,

bond documents / transcripts, resolutions, trustee statements, leases, and title reports for each District financing (to the extent available). To the extent possible, the District shall retain an electronic copy of each document - preferably in pdf or CD-ROM format.

Arbitrage Rebate – The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code Arbitrage Rebate Requirements. The Administrative Manager shall ensure that all bond proceeds and investments are tracked in a manner which facilitates accurate calculation; if a rebate payment is due such payment is made in a timely manner.

Santa Fe Irrigation District

Investment Policy

January 2021

The Santa Fe Irrigation District (the “District”) provides water and related services to residential and commercial customers in the Rancho Santa Fe, Fairbanks Ranch and Solana Beach areas of San Diego County, California. The District is governed by a five-member board of directors (the “Board”) elected by the District’s water users.

The Board has adopted this Investment Policy (the “Policy”) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the District. All District funds will be invested in accordance with the Policy and with applicable sections of the California Government Code.

This Policy was originally endorsed and adopted by the Board of Directors of the Santa Fe Irrigation District on February 19, 2009. It replaces any previous investment policy or investment procedures of the District.

SCOPE

The provisions of this Policy shall apply to all financial assets of the District.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance in the investment portfolio. Interest earnings shall be distributed to the individual funds on a monthly basis.

OBJECTIVES

The principal investment objectives of the District are:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.
5. Conformance with all applicable California statutes and Federal regulations.

DELEGATION OF AUTHORITY

The management responsibility for the District’s investment program is delegated for a one-year period by the Board to the Treasurer who shall assume full responsibility until the delegation of authority is revoked or expired pursuant to California Government Code Section 53607. Oversight is provided by the Santa Fe Irrigation District Finance Committee. The District’s General Manager serves as the Treasurer. The Treasurer may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to other specifically authorized staff members. Authority may be delegated to other staff members provided the Treasurer exercises prudence in a selection of these staff members and imposes suitable safeguards to prevent abuse in the exercise of discretion. The Treasurer shall remain responsible for any investment decisions made

by these staff members. The Treasurer shall maintain a list of every staff member who was delegated such authority, and his or her responsibilities with respect to investment decisions.

The Treasurer shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the District's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the District.

The District may engage the support services of outside investment advisors in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the District's financial resources.

PRUDENCE

The standard of prudence to be used for managing the District's investments shall be California Government Code Section 53600.3, the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section, and considering individual investments as part of an overall strategy, investments may be acquired by law."

The District's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District recognizes that no investment is totally without risk and that the investment activities of the District are a matter of public record. Accordingly, the District recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the District.

The Treasurer and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the Board and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Treasurer any financial interests they have in financial institutions that conduct business with the District and they shall subordinate their personal investment transactions to those of the District. The Treasurer shall file a Statement of Economic Interests each year pursuant to California Government Code Section 87203. Other designated employees and consultants shall file a Statement of Economic Interests each year pursuant to the District's Conflict of Interest Code.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the District shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. However, pursuant to California Government Code Section 5903(e), if prior to issuing any bonds, the legislative body determines that the interest payable on the bonds to be issued by the state or local government will be subject to federal income taxation under the law, proceeds of bonds and any moneys set aside or pledged to secure payment of the bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement, or other instrument providing for the issuance of the bonds.

Any revisions or extensions of these code sections will be assumed to be part of this Policy immediately upon being enacted.

The District has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes, bonds, or certificates of indebtedness with a final maturity not exceeding five years from the date of purchase.
2. Federal Agency debentures and mortgage-backed securities with a final maturity not exceeding five years from the date of purchase issued by the Government National Mortgage Association (GNMA).
3. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable and step-up securities, with a final maturity not exceeding five years from the date of purchase, issued by the following only: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB) and Federal Home Loan Mortgage Corporation (FHLMC).
4. Obligations of the State of California and any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or local agency, or by a department, board, agency, or authority of the state or local agency, rated at least AA or A-1+ by Standard & Poor's, Aa2 or P-1 by Moody's or AA or F-1+ by Fitch, with a final maturity not exceeding five years from the date of purchase. On the date of purchase, no more than 20% of the District's portfolio may be invested in such obligations.
5. Other States' Registered treasury notes or bonds, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a state or by a department, board, agency, or authority of the state, rated at least AA or A-1+ by Standard & Poor's, Aa2 or P-1 by Moody's or AA or F-1+ by Fitch, with a final maturity not exceeding five years from the date of purchase. On the date of purchase, no more than 20% of the District's portfolio may be invested in such obligations.
6. Repurchase Agreements with a final termination date not exceeding one year collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities listed in items 1, 2 and 3 above with the maturity of the collateral not exceeding ten years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the District's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the transaction and shall be adjusted no less than quarterly. Collateral shall be held in the District's custodian bank, as safekeeping agent, the investments and repurchase agreements

shall be in compliance if the value of the underlying securities is brought up to 102% no later than the next business day.

Repurchase Agreements shall be entered into only with dealers who have executed a District approved Master Repurchase Agreement with the District and who are recognized as Primary Dealers with the Federal Reserve Bank of New York. Primary Dealers approved as Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent. The Treasurer shall maintain a copy of the District's approved Master Repurchase Agreement along with a list of the broker/dealers who have executed a Master Repurchase Agreement with the District.

7. Prime Commercial Paper with a maturity not exceeding 270 days. Maximum portfolio exposure is limited to 25% in the aggregate and 10% of the outstanding paper and medium-term notes of a single issuer. Investment is limited to commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall either be organized and operating in the United States as a general corporation with total assets in excess of five hundred million dollars (\$ 500,000,000), a debt other than commercial paper, if any, that is rated in a rating category of "A" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO) OR the entity shall be organized within the United States as a special purpose corporation, trust, or limited liability company, with program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond and commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.
8. Eligible Bankers Acceptances with a maturity not exceeding 180 days from the date of purchase, issued by a FDIC insured state or national bank with combined capital and surplus of at least \$250 million, and whose senior long-term debt is rated at least A by Standard and Poor's, A2 by Moody's or A by Fitch at the time of purchase. No more than 10% of the District's total portfolio may be invested in banker's acceptances of any one issuer, and the aggregate investment in banker's acceptances shall not exceed 15% of the District's total portfolio.
9. Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of purchase, and rated in a rating category of "A" or its equivalent or better by Standard & Poor's, Moody's or Fitch. The aggregate investment in medium-term notes shall not exceed 20% of the District's total portfolio, and no more than 10% in the outstanding paper and medium-term notes of a single issuer.
10. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1. The aggregate investment in LAIF shall not exceed \$65,000,000.
11. San Diego County Treasurer's Pooled Money Fund, pursuant to California Government Code Section 53684. The aggregate investment in this pool shall not exceed 20% of the total portfolio or \$5 million, whichever is greater.
12. California Asset Management Program (CAMP), pursuant to California Government Code Section 53601(p). The aggregate investment in this pool shall not exceed 20% of the total portfolio or \$5 million, whichever is greater.

13. Money Market Funds registered under the Investment Company Act of 1940 that (1) are “no-load” (meaning no commission or fee shall be charged on purchases or sales of shares); (2) strive to maintain a net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in the applicable California statutes; (4) have a rating of at least two of the following: AAAM by Standard and Poor's, Aaa by Moody's or AAA/V1+ by Fitch; and (5) retain an investment advisor registered or exempt from registration with the SEC with no less than five years' experience managing money market funds with assets under management in excess of \$500,000,000. No more than 10% of the District's total portfolio may be invested in money market funds of any one issuer, and the aggregate investment in money market funds shall not exceed 20% of the total portfolio.

14. Unauthorized investments are defined in Section 53601.6 of the California Government Code, which disallows the following investments: inverse floaters, range notes, or mortgage derived interest-only strips. In addition, and more generally, investments are further restricted as follows:

No investment will be made that has either (1) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (2) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.

No investment will be made that could cause the portfolio to be leveraged.

It is the intent of the District that the foregoing list of authorized securities is strictly interpreted. Any deviation from this list must be preapproved by the Treasurer in writing.

PORTFOLIO MATURITIES AND LIQUIDITY

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The District will not invest in securities maturing more than five years from the date of purchase, unless the Board has granted authority to make such an investment at least three months prior to the date of investment. The weighted average final maturity of the District's portfolio shall at no time exceed three years.

SELECTION OF BROKER/DEALERS

The Treasurer shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the District to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the California Commissioner of Corporations as required by Section 25210 of the California Corporations Code. The firms they represent must:

1. be recognized as a Primary Dealer by the Federal Reserve Bank of New York, or
2. be a State member of a national or state chartered bank, or
3. be a primary or regional dealer qualified under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

Broker/dealers will be selected by the Treasurer on the basis of their expertise in public cash management and their ability to provide services for the District's account.

Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements. The Treasurer shall maintain a list of the broker/dealers that have been approved by the District, along with each firm's most recent broker/dealer Information Request form. Broker/Dealers shall attest in writing that they have received and reviewed a copy of this Policy.

The District may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 6 of the Authorized Securities and Transactions section of this Policy.

COMPETITIVE TRANSACTIONS

Where applicable, each investment transaction shall be competitively transacted with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the District is offered a security for which there is no other readily available competitive offering, then the Treasurer will document quotations for comparable or alternative securities.

SELECTION OF BANKS

The Treasurer shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the District. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC coverage in accordance with California Government Code Section 53652.

The Treasurer shall utilize Standard and Poor Global Ratings to perform credit analyses on banks seeking authorization. The analysis shall include a composite rating, and individual ratings of liquidity, asset quality, profitability and capital adequacy. Semi-annually, the Treasurer shall review the most recent credit rating analysis reports performed for each approved bank. Banks, that in the judgment of the Treasurer no longer offer adequate safety to the District, shall be removed from the District's list of authorized banks.

SAFEKEEPING AND CUSTODY

The Treasurer shall select one or more banks to provide safekeeping and custodial services for the District, in accordance with the provisions of Section 53608 of the California Government Code. A Safekeeping Agreement approved by the District shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. To be eligible, a bank shall have an average Highline Banking Data Services Rating of 20 or better on a scale of zero to 99 with 99 being the highest quality for the four most recent reporting quarters before the time of selection.

Custodian banks will be selected on the basis of their ability to provide services for the District's account and the competitive pricing of their safekeeping related services.

The Treasurer shall maintain a file of the credit rating analysis reports performed for each approved bank. Credit analysis shall be performed on a semi-annual basis.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. It is the intent of the District that all securities be perfected in the

name of the District. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except negotiable Certificates of Deposit, Money Market Funds and Local Government Investment Pools, purchased by the District will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by a District approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fedwire-able book entry securities owned by the District shall be evidenced by a safekeeping receipt or a customer confirmation issued to the District by the custodian bank stating that the securities are held in the Federal Reserve system in a customer account for the custodian bank which will name the District as "customer."

All DTC eligible securities shall be held in the custodian bank's Depository Trust Company (DTC) participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the District as "customer."

All non-book entry (physical delivery) securities shall be held by the custodian bank's correspondent bank and the custodian bank shall issue a safekeeping receipt to the District evidencing that the securities are held by the correspondent bank for the District as "customer."

PORTFOLIO PERFORMANCE

The investment and cash management portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the District's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's actual weighted average effective maturity. When comparing the performance of the District's portfolio, its rate of return will be computed net of all fees and expenses.

REPORTING

On a quarterly basis, the Treasurer shall submit to the Board a report of the investment earnings and performance results of the District's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the District;
2. A description of the funds, investments and programs (including lending programs) managed by contracted parties;
3. A market value as of the date of the report and the source of the valuation;
4. A statement of compliance with the investment policy or an explanation for non-compliance; and
5. A statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why money is or will not be available as provided for in the statutory law governing the reporting requirements.

At least annually, the Treasurer shall present to the Board a review of the investment portfolio's adherence to appropriate risk levels and a comparison between the total portfolio return and the established investment goals, objectives and benchmarks.

POLICY REVISIONS

This Investment Policy shall be presented annually by the Treasurer to the Board for review pursuant to Section 53646(a)(2) of the California Government Code. This Policy may be amended by the Board as conditions warrant.

Santa Fe Irrigation District
Investment Policy
Addendum I
Updated January 2021

California Government Code Section 53601 limits all investment maturities to five years from date of purchase, unless the Board, at least three months prior to the investment, has granted authority to exceed the five year limit, either specifically or as part of an investment program. Instances where the law further limits investments, either by type or length of time, have been noted accordingly.

Investment Type	Code	Limitations in Addition to 5-year Maximum	District Policy
US Treasuries	53601(b)		5-year maximum
Federal Agencies	53601(b)		5-yr max, GNMA only
Federal Instrumentalities	53601(b)		5-yr max; FHLB, FNMA, FFCB & FHLMC only
State & Local Agencies:			
District's own bonds	53601(a)		20% of portfolio, 5-yr max, AA rate
California Instruments	53601(c)	Warrants, notes & bonds	20% of portfolio, 5-yr max, AA or A-1+ rate
Other States' Instruments	53601(d)		20% of portfolio, 5-yr max, AA or P-1 rate
Other Local Agencies	53601(e)	Within CA only	20% of portfolio, 5-yr max, AA or F-1+ rate
Repurchase Agreements	53601(j)	One year or less in any security allowed for purchase for one year or less; for reverse repurchase agreements, only up to 20% of portfolio may be invested	Market value 102% of transaction, 1-yr max to termination, collateralized by Federal securities
Prime Commercial Paper	53601(h)	25% of portfolio, 10% per issuer (incl medium-term notes); 270-day term	25% of portfolio, 10% per issuer (incl medium-term notes); 270-day max; A or A-1 rate; US only
Bankers' Acceptances	53601(g)	40% of portfolio; 180 days maximum; no more than 30% in any one bank	15% of portfolio; 180-day max; A or A2 rate
Certificate of Deposits (CDs):			
Negotiable	53601(i)	30% of portfolio	Not allowed
Medium-Term Notes	53601(k)	30% of portfolio; 10% per issuer (incl medium-term notes); 5-yr max; A rate	20% of portfolio; 10% per issuer (incl medium-term notes); 5-yr max; AA- or Aa3 rate
Designated Mutual Funds	53601(l)	20% of portfolio; 10% in any one mutual fund	Not allowed
Secured Notes, etc	53601(m)	Depends on security	Not allowed
Mortgage-Backed Securities/Collateralized Mtg Obligations	53601(o)	20% of funds; 5-yr max; AA rate	Not allowed
Futures	53601.1		Not allowed
LAIF	16429.1	Currently \$65,000,000 maximum	\$65,000,000
California Asset Management Program	53601(p)		20% of portfolio or \$5 million, whichever is greater
SD County Treasurer's Pooled Money Fund	53684		20% of portfolio or \$5 million, whichever is greater
Money Market Funds	53601(l)	20% of portfolio	20% of portfolio, 10% any one issuer; no-lc or AAA/V1+ rate



SANTA FE IRRIGATION DISTRICT

RESERVE FUNDS POLICY

NOVEMBER 2021

SANTA FE IRRIGATION DISTRICT RESERVE FUNDS POLICY

1. **Policy Statement**

A key element of prudent financial planning is to ensure that sufficient funding is available for current and future operating, capital, and debt service needs. Through planning and undertaking regular cost-of-service review, the Santa Fe Irrigation District (District) will at all times strive to have sufficient funding generated from current revenues to meet its operating expenditures, Pay-Go (defined below in section 4) for capital projects, and debt service cost obligations. Additionally, fiscal responsibility requires anticipating the likelihood of and preparing for unforeseen events. This Reserves Funds Policy outlines specific accounts to meet these planned and unforeseen obligations.

The Board of Directors (Board) may designate specific fund accounts and maintain minimum fund balances consistent with statutory obligations that it has determined to be in the best interest of the District. The Policy directives outlined in this document are intended to ensure the District has sufficient funds to meet current and future needs. The Board will annually review and approve reserve amounts for each fund at the completion of the District annual audit.

2. **Definitions**

There are two types of net Funds:

- I. **RESTRICTED FUNDS:** Restrictions on the use of these funds are imposed by an outside source such as creditors, grantors, contributors, laws, or regulations governing use.
- II. **UNRESTRICTED FUNDS:** These funds have no externally imposed use restrictions. The use of unrestricted funds is at the discretion of the Board. Unrestricted funds can be designated for a specific purpose, which is determined by the Board. The Board also has the authority to redirect the use of these funds as the needs of the District change.

3. **General Provisions**

The District will maintain operating and capital funds in designated accounts. The target fund balances are considered the minimum necessary to maintain the District's credit worthiness and adequately provide for:

- Compliance with applicable statutory requirements
- Financing of future capital facilities
- Cash flow requirements

- Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Contingencies or unforeseen operating or capital needs

Through a variety of policy documents and plans, including the District Administrative Code, District Master Plans, Long Range Financial Plans, and District Strategic Plan, the Board has set forth a number of long-term goals for the District. A fundamental purpose of the District's policy documents and plans is to link what must be accomplished with the necessary resources to successfully do so.

The District has established and will maintain the following Fund accounts:

- Capacity Charge
- Capital Improvement and Replacement
- Operating
- Rate Stabilization
- Local Water
- Pension Stabilization

Fund balances will be reviewed on an annual basis at the completion of the District's annual audit to reconcile the fund balances and assess the District's financial capacity to accomplish identified activities and projects.

The minimum target balance established for each fund represents the baseline financial condition that is acceptable to the District from a risk management and financial planning perspective. Maintaining funds at appropriate levels is an ongoing business process that consists of a periodic assessment of revenues and expenditure levels. This assessment includes (either alone or in combination with each other), but is not limited to, a review of fees and charges, water usage, capital financing methods, rate of return on investment of funds, and levels of capital expenditures. A maximum balance is established for each fund as a way to ensure that the District may prioritize capitalization of each reserve as the Board may see as necessary and prudent, while not holding excess monies that may unduly impact ratepayers.

4. **Santa Fe Irrigation District Funds**

I. RESTRICTED FUNDS

- a. Capacity Charge Fund: The Capacity Charge Fund is a Restricted Fund governed by state law. The District collects capacity charge revenue and allocates expenditures in accordance with Government Code Section § 66013.

Source of Funds:

- Prior year ending balance carried forward
- Capacity Charge revenues

Designation of Expenses:

- Growth/expansion related capital improvements
- System upgrades/enhancements

II. UNRESTRICTED FUNDS

The source of funds for each of the listed unrestricted fund may come from any other unrestricted fund as seen fit by the Board of Directors, so long as maximum Policy levels are not exceeded.

- a. Capital Improvement and Replacement Fund: The Capital Improvement and Replacement Fund is an unrestricted fund, which is designated by the Board for capital improvements to meet regulatory requirements, system reliability, facility replacement projects, and future infrastructure upgrades, among other items. These capital improvements are identified in the Asset Management Master Plan (“AMMP”) and outlined in the District’s (including joint facilities) ten-year Capital Improvement Program. The funds are accumulated and drawn down in a manner consistent with this Policy. The Board reviews utilization and funding of the Capital Improvement and Replacement Fund during the District’s annual budget process and updated during District mid-year projections. It is the Board’s intent to annually deposit all property tax revenues and an amount equal to the District’s total annual depreciation and amortization into the fund for Pay-Go of capital expenditures, in combination with any additional amount(s) as determined by the Board.

Source of Funds:

- Prior year ending balance carried forward
- Allocation of funds by Board action
- Annual contribution from operating revenue in an amount equal to depreciation and amortization expense
- San Dieguito Water District (SDWD) contributions – RE Badger capital expenses
- Property tax revenue

Designation of Expenses / Uses:

- Capital improvement projects
- Capital repairs and replacement projects
- Major equipment acquisitions
- Office fixtures and furnishings, computer equipment and collateral items
- Emergency capital repairs and replacement

Target Fund Balance: The Capital Improvement and Replacement Fund target balance shall not exceed 100% of the total of the Pay-Go portion of the first three years of the current ten-year Capital Improvement Program (CIP) costs as identified in the Asset Management Master Plan. The Capital Improvement Fund target balance shall at all times equal or exceed 100% of the Pay-Go portion of the current fiscal year’s CIP, 50%

of the Pay-Go portion of the following fiscal year's CIP, and 25% of the Pay-Go portion of the succeeding fiscal year's CIP.

Pay-Go is defined as the portion of capital expenditures that are not funded through debt issuance.

- b. Operating Fund: The Operating Fund is an Unrestricted Fund that is designated by the Board to maintain working capital for current operations in the event of unforeseen circumstances. Utilization of the operating fund shall only be based on Board action, and any request by Staff to use the fund that shall bring the reserve below minimum Reserve Funds Policy levels shall also be accompanied by a plan and timeline for replenishment.

Source of Funds:

- Prior year ending balance carried forward
- Allocation of funds by Board action
- Net operating income

Designation of Expenses / Uses:

- Funding requirements due to short term revenue and expenditure imbalance
- Intra-fiscal year cash flow timing without Board approval, so long as the fund balance is not impaired by fiscal year-end

Target Fund Balance: The Operating Fund target balance shall be a minimum of sixty (60) days and a maximum of one hundred and twenty (120) days of the current fiscal year's operating budget, less depreciation / amortization and any portion of costs paid by SDWD.

- c. Rate Stabilization: The Rate Stabilization Fund is an Unrestricted Fund utilized to avoid unacceptable rate increases in combination with a cost-of-service study. Additionally, the fund may be utilized to accommodate a temporary reduction in revenues or increase in expenses such as (but not limited to) short term reductions in water sales and / or the purchase of imported water due to lack of local water. This fund may also be utilized to maintain compliance with any indebtedness obligations. Utilization of the rate stabilization fund shall only be based on Board action, and any request by Staff to use the fund that shall bring the reserve below minimum Reserve Funds Policy levels shall also be accompanied by a plan and timeline for replenishment.

Source of Funds:

- Prior year ending balance carried forward
- Allocation of funds by Board action
- Net operating income

Designation of Expenses / Uses:

- Provide operating revenue to offset unacceptable rate increases

- Offset water sales revenue loss or sudden increase in expenses
- Purchase of additional imported water to offset lack of local water
- Compliance with debt service obligations

Target Fund Balance: The Rate Stabilization Fund target balance shall not fall below the sum of the following:

- 100% of the cost to replace the current fiscal year's budget for local water with San Diego County Water Authority (SDCWA) untreated water – calculated as the current melded untreated M&I supply rate plus the transportation rate at the time of reserve reconciliation

And shall not at any time exceed the sum of the following:

- One year of principal and interest payments on indebtedness
- 100% of the cost to replace the current fiscal year's budget for local water with SDCWA untreated water – calculated as the current melded untreated M&I supply rate plus the transportation rate at the time of reserve reconciliation
- 25% of the current fiscal year's budgeted variable water sales revenue

- d. Local Water: The Local Water Fund is an unrestricted fund intended to segregate expenditure savings that are generated due to a greater utilization of local water than projected to set potable water rates for customers. These savings deposited into the Local Water Fund are generated through the rate(s) charged to potable water customers who utilize tier(s) or a unitary rate that includes imported water. Any funds deposited into this fund will be returned to customers who purchase water at imported water tier(s) or a unitary rate, through one of two means: 1. during subsequent cost-of-service development to offset imported water costs for all tier(s) or unitary rate that includes imported water for permanent potable water customers in a way that is consistent with cost-of-service principals; or 2. to offset annual imported water cost increase(s) from SDCWA that are passed on to District customers. The goal of the Board is to return any fund balance to customers each January 1st; however, the Board may modify this timeline if necessary.

Source of Funds:

- Savings on purchased water from SDCWA as compared to projections utilized to set potable water rates

Designation of Expenses / Uses:

- Utilization to offset imported potable water costs for any customer class tier(s) or uniform rate that includes such costs

Target Fund Balance: There is no minimum or maximum target balances for this fund.

- e. Pension Stabilization: The Pension Stabilization Fund is an unrestricted fund established by the Board of Director's Pension Funding Policy. All funds will be

deposited into an IRS compliance Section 115 Trust & invested in asset(s) as directed by the Board.

This fund will be a mechanism to offset any increase in the District's Unfunded Actuarial Liability (UAL) due to CalPERS negative variance from their projected rate-of-return and / or change in demographics. Any negative variance or change in demographics may increase the UAL Contribution through the addition of a new amortization base when CalPERS publishes the District's updated annual valuation report. The General Manager will offset this new amortization base with any available contribution(s) from the Pension Stabilization Fund to maintain the level UAL Contribution. This Pension Stabilization Fund will be reconciled annually in conjunction with the completion of the annual audit and Reserve Fund Policy reconciliation.

Based on any negative variance that cannot be accommodated by the Pension Stabilization Fund due to insufficient balance, Staff will bring forward a proposal to the Board on option(s) to replenish this fund or to make an additional discretionary payment to CalPERS to maintain the consistent UAL Contribution, including the timeframe to do so

Source of Funds:

- District undesignated fund balance, transfers from other reserve funds, or built into potable water rates.

Designation of Expenses / Uses:

- Offset increases in District UAL due to negative projected rate-of-return variance and / or a change in demographics

Target Fund Balance: There is no minimum target balance for this fund. The maximum balance will be when assets on deposit with CalPERS and Pension Stabilization Fund balance combined exceeds 110% of the District's current UAL.

5. **Delegation of Authority**

The Board of the Santa Fe Irrigation District has sole authority to amend or revise the District's Reserve Funds Policy. Management responsibility for the Reserve Funds Policy is hereby delegated to the General Manager, who through approval of this Policy has established written procedures for the management of the District's Funds.



SANTA FE IRRIGATION DISTRICT

PENSION FUNDING POLICY

September 2021

SANTA FE IRRIGATION DISTRICT PENSION FUNDING POLICY

Definitions

UAL – “unfunded actuarial liability” or the total actuarial determined benefits promised to retirees less the amount of contributions made to the plan;

UAL Contribution - annual contribution to CalPERS to reduce the UAL (does not include “pay-go” or annual required contributions as a percentage of payroll)

ADP - ”additional discretionary payment” or an amount greater than the required UAL payment to reduce the level of unfunded liability

CalPERS – “California Public Employees’ Retirement System”

Section 115 Trust- irrevocable trust to allow investment of funds dedicated to pension outside of investment constraints imposed by California Government Code (<https://www.treasurer.ca.gov/cdiac/laig/guideline.pdf>)

1. Policy Statement

Adoption of a Pension Funding Policy (Policy) is a critical component in Santa Fe Irrigation District’s (District) Strategic Business Plan goal of achieving sustainable and effectively managed finances. This Policy is adopted by the Board of Directors (Board) to:

- Create the goal of reaching and maintaining a funded ratio of 100% in a timeline and manner that the Board determines is appropriate and sustainable;
- Provide guidance in making annual budget decisions and in developing long-range projections;
- Demonstrate prudent financial management practices to rate payers, rating agencies, and those who have vested benefits in a retirement plan;
- Aim to create more stability in potable water rates.

The District will continually monitor changes to pension funding best practices, as well as any additional guidance provided by subject matter experts, such as the Government Finance Officers Association. Additionally, funding defined benefit plans require a long-term horizon. In light of these factors, the Board will review this policy at least every two years to determine if changes are needed to be made to achieve the stated goal of achieving a 100% funded level.

2. **Background**

The District provides an ongoing pension plan through a defined benefit system administered by CalPERS. The District has three different pension plans that employees currently have vested pension benefits in:

1. Classic Plan – accounts for over 95% of District pension liability, closed to new or reciprocal employees after December 2012;
2. Second Tier – created for all CalPERS reciprocal members effective January 2013;
3. Public Employee Pension Reform Act (PEPRA) – enacted by California legislation for new CalPERS entrants beginning in January 2013.

The District has taken steps to mitigate the level of unfunded liability growth including the elimination of the Classic Plan for new employees, implementation of PEPRA, and reducing the unfunded liability through one-time payments. The adoption of this Policy continues these positive steps taken by the District to address the unfunded pension liability.

3. **Pension Funding Objectives**

At minimum, the District has committed to ensuring that the full required annual UAL Contribution is pre-paid to CalPERS each July to receive a 3.5% discount each year from CalPERS. Additionally, the District has established the goal to reach 100% funded status in a manner consistent with the Policy Statement; which will be accomplished through these regular full payment of the ADC (generated through water rates and budgeted) in addition to the potential utilization of District fund balance. The timeline to reach 100% funded status is dependent on available resources and how they are applied.

District fund balance amounts are generated through revenue requirements included in the rate setting process or through positive operating performance above levels anticipated in the rate setting process (increased revenues and / or decreased expenditures). Fund balance available for potential utilization to address the UAL are the amounts above Board appropriated reserve levels in accordance with the District's Reserve Policy (<https://www.sfidwater.org/DocumentCenter/View/883/Reserve-Funds-Policy-PDF>).

Per the Reserve Policy, the total fund balance and amounts appropriated in each reserve are reconciled on an annual basis in conjunction with the review and acceptance of the annual audit. At that time (or any other as determined appropriate by the Board), the Board will also decide what, if any, fund balance amounts are available above the appropriated reserve levels and if they should be utilized for the benefit of reducing the UAL. Amounts determined by the Board to be available and to utilize to reduce the UAL should be utilized in the following manner:

Objective 1: Level annual UAL Contribution through Additional Discretionary Payment

The District will create a consistent annual UAL Contribution from year-to-year without extending the District's anticipated payoff time period for the UAL. This consistency will aid in a more predictable financial outlook in addition to not placing an undue burden on water rates to continually generate more revenue to pay a higher UAL Contribution. This will be accomplished through the contribution of ADP to CalPERS to reduce the District's various amortization bases in a manner consistent with the Board's direction.

The timeline to achieving the stated goal of 100% funded status is dependent upon the level of ADP determined appropriate and what amortization base(s) it is applied to. An ADP may be made to reduce the consistent year-to-year UAL Contribution, but not decrease the time to being 100% funded; or, conversely, made to reduce the time to being 100% funded without reducing the UAL Contribution. The Board will determine any available ADP and how it is to be applied during the annual reconciliation of District reserves.

Objective 2: Section 115 Trust / Pension Stabilization Fund

The District will also establish a Section 115 pension trust, which:

- a. Will be established as a Pension Stabilization Fund, which will be a mechanism to offset any increase in the District's UAL due to CalPERS negative variance from their projected rate-of-return and / or change in demographics.

Any negative variance or change in demographics may increase the UAL Contribution through the addition of a new amortization base when CalPERS publishes the District's updated annual valuation report. The General Manager will offset this new amortization base with any available contribution(s) from the Pension Stabilization Fund to maintain the level UAL Contribution. This Pension Stabilization Fund will be reconciled annually in conjunction with the completion of the annual audit and Reserve Fund Policy reconciliation.

Based on any negative variance that cannot be accommodated by the Pension Stabilization Fund due to insufficient balance, Staff will bring forward a proposal to the Board on option(s) to replenish this fund or to make an additional ADP to CalPERS to maintain the consistent UAL Contribution, including the timeframe to do so;

- b. Whose funds will be deposited with a qualified administrator in fund(s) that have the appropriate investment objective(s) as determined by the Board.

Objective 3: Leveraged Funding and Other Options

Staff will continue to review the benefits of utilizing debt to achieve the stated goals of this Policy. This includes the analysis of a tax-exempt exchange for the District, utilizing debt proceeds from typical pay-go capital improvement projects to apply to the UAL. Any tax-

exempt exchange should be reviewed holistically with the District's 10-year capital improvement program, debt capacity, covenants, cost-of-service, and other relevant information.

This Policy does not allow for the issuance of pension obligation bonds due to potential negative arbitrage and other potential negative impacts.

4. **Authority**

The Board of the Santa Fe Irrigation District has sole authority to amend or revise the District's Reserve Funds Policy. Management responsibility for the Pension Funding Policy is hereby delegated to the General Manager, who through approval of this Policy has established written procedures for the management of the District's Funds.



APPENDIX C

GLOSSARY

Below is a glossary of terms that may appear in this budget document for the reader's reference. Terms listed in this glossary do not necessarily mean they exist in the current year budget document, but may exist in prior years.

Accrual Basis of Accounting – The basis of accounting under which transactions are recognized when they occur, regardless of the timing of cash receipts and disbursements

Acre Foot – A unit of measure equivalent to 325,900 gallons of water, which meets the needs of two average families in and around the home for one year

ACWA – Association of California Water Agencies

AF – Acre foot (feet)

AFY – Acre feet per year

AMMP – Asset Management Master Plan, the ten-year capital improvement program is developed through the AMMP.

AMI – Advanced Metering Infrastructure (smart meters)

Amortization – Major expenditures for intangible items are recorded as an asset, with the cost written down over the estimated useful life of the asset. This portion of the cost written off is amortization. The District uses a straight-line method of amortization.

Appropriation – An amount of money in the budget authorized by the Board of Directors for expenditure

ADC – Actuarially Determined Contribution

Assets – Resources owned or held that have monetary and economic value

Base Meter Fee / Fixed Meter Charge– A fixed fee charged by the District to all customers based on meter size that is designed to recover costs associated with customer service and meter maintenance and replacement

BMP – Best Management Practices, used within the context of water conservation, referring to proven and reliable water conservation technologies, programs, and methods that address residential, commercial, industrial, and landscape water uses.

Bond – A written promise to pay a specified sum of money (principal) at a specified date in the future, together with periodic interest at a specified rate. In the budget document, these payments are identified as debt service.

Bond Covenant – A contractual provision in a bond indenture of trust

CalOES – California Office of Emergency Services

CalPERS – California Public Employees' Retirement System that provides retirement and health benefit services for public sector employees

Capacity Fee – Charges paid by new customers prior to connecting to the District's water distribution system.

Capital Equipment – Fixed assets such as vehicles, furniture, and technical instruments that have a life expectancy of at least two years and a value over \$7500

Capital Expenditures – Expenditures that result in the acquisition of, or addition to, fixed assets including land, buildings, improvements, machinery and equipment.

Capital Acquisition Program (CAP) – purchase of capital goods in excess of \$7,500 for short-term depreciable assets

Capital Improvement Program (CIP) – A long-range plan for the construction, rehabilitation, and modernization of infrastructure.

Capital Reserve Fund – A reserve fund established by the District's Reserve Funds Policy that is used to help fund capital equipment and projects.

Capitalized Labor – A process of transferring direct labor costs including benefits that are directly attributable to time spent by District employees working on Capital Improvement Program projects.

Capitalized Overhead – A process of transferring indirect administrative costs that are included in the Operating Budget for the benefit of the Capital Improvement Program to the Capital budget

Cathodic protection (CP) – a technique to control the corrosion of a metal surface by making it work as a cathode of an electrochemical cell. This is achieved by placing in contact with the metal to be protected another more easily corroded metal to act as the anode of the electrochemical cell.

CPI-U – Consumer Price Index, Urban (for San Diego / Carlsbad)

CERBT – CalPERS' California Employers' Retirement Benefit Trust

CMMS – Computer Maintenance Management System

Customer Service Charge – A fixed annual charge assessed to the District by the San Diego County Water Authority that is set to recover costs necessary to support the functioning of the SDCWA, allocated among member agencies on the basis of each agency's three-year rolling average of all deliveries.

Debt Service – The current year portion of interest costs and current year principal payments incurred on long-term debt.

Depreciation – The process by which capital equipment and infrastructure are recorded as assets and are written down over the estimated useful life of the asset. The District uses the straight line method of depreciation.

Disbursements – Payments made on obligations

District – Santa Fe Irrigation District

DSOD – Division of Safety of Dams

DWR – California Department of Water Resources

Expenditure – An amount of money disbursed or obligated.

FEMA – Federal Emergency Management Agency

Fiscal Year (FY) – The time frame in which the budget applies. The District's fiscal year is from July 1 through June 30.

Fixed Assets – Long-term tangible assets that have an estimated useful life of at least two years and do not lose their individual identity through use, such as buildings, equipment, water lines, and reservoirs

FTE – A term used to refer to personnel, designating a full-time equivalent position.

Fund Balance – Cash and cash equivalents that are designated for specific uses as defined in the District's Reserve Fund Policy

GASB – Government Accounting Standards Board

GFOA – Government Finance Officers Association

GIS – Geographic Information Systems – An organized collection of computer hardware, software, and geographic data designed to efficiently capture, store, update, manipulate, analyze, and display all forms of geographically referenced information.

HCF – One hundred acre feet, equal to 748 gallons, and the units used by the District to charge customers for water usage

IAC – Infrastructure Access Charge assessed by the San Diego County Water Authority based on meter size. The charge is designed to collect a portion of SDCWA's fixed costs.

JFMP – Joint Facilities Master Plan

Joint Facilities – The infrastructure and assets jointly owned by the Santa Fe Irrigation District and the San Dieguito Water District

JPIA – Joint Powers Insurance Authority (ACWA JPIA)

LAFCO – Local Agency Formation Commission

LAIF – Local Agency Investment Fund

MG – Million gallons

MGD – Million gallons per day

MOU – Memorandum of Understanding

MWD – Metropolitan Water District, one of the world's largest water agencies that imports almost 60% of the water used by more than 15 million people in urban Southern California, including San Diego County. MWD is a wholesaler to the San Diego County Water Authority, one of the MWD member agencies.

NOAA - National Oceanic and Atmospheric Administration

OPEB – Other Post-Employment Benefits, referring to benefits other than pensions provided to retirees

Operating Budget – The normal, ongoing operating costs incurred to operating the District, including salaries, general and administrative costs, maintenance and operations, water purchases, and other general operating expenses

Operating Fund – A reserve fund established by the District’s Reserve Funds Policy that is used to offset unexpected increases in operating expenses.

Pandemic – COVID-19 pandemic

PAYGO – Pay-As-You-Go, the practice of financing expenditures with funds that are currently available rather than borrowed

PERS – Public Employee Retirement System (also CalPERS)

PFOS / PFOA - Perfluorooctanesulfonic acid, Perfluorooctanoic acid

Plant – The R.E. Badger Filtration Plant

PRS – Pressure Reducing Station

r-gpcd – Residential gallons per capital per day

Rate Stabilization Fund – A reserve fund established by the District’s Reserve Funds Policy that is used to help smooth rate increases.

Raw Water – Water that has not yet been treated

Readiness-to-Serve Charge – Charge assessed by the Metropolitan Water District and passed through to member agencies by the San Diego County Water Authority on an annual basis, and is the cost of being connected to the SDCWA’s distribution system

REB – The R.E. Badger Filtration Plant

Reserve Funds – Funds segregated by the District to be used according the District’s Reserve Funds Policy

Recycled Water – Former wastewater that has been treated to remove solids and certain impurities, and then allowed to be used for non-potable uses, such as irrigation or dust control

ROW – Right of Way

SCADA – Supervisory Control and Data Acquisition

SDCWA – San Diego County Water Authority

SDWD – San Dieguito Water District

SDR – San Dieguito Reservoir

SDG&E – San Diego Gas and Electric

SEJPA – San Elijo Joint Powers Authority

State Water Project (SWP) – A water development and distribution system owned and operated by the State of California Department of Water Resources, to transport water from northern California to southern California.

SWRCB – State Water Resources Control Board

Transportation Rate – A per acre foot charge set to recover capital, operating, and maintenance costs of the San Diego County Water Authority's aqueduct system, charged to member agencies

Treated Water – Water that has been treated by coagulation, sedimentation, filtration, and chlorination

UAL – Unfunded actuarial liability

Unit – HCF = one hundred acre feet = 748 gallons