

**SANTA FE  
IRRIGATION  
DISTRICT**

**FISCAL YEAR  
2024**

**OPERATING  
& CAPITAL  
BUDGET**





## **Customers of Santa Fe Irrigation District**

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

## **Board of Directors**

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

Dana Frieauf – Vice-President, elected representative for District 2

Sandra D. Johnson – elected representative for District 3

Ron Magnaghi – appointed representative for District 1

Andrew Menshek – elected representative for District 5

## **Executive Management Team**

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Albert C. Lau, P.E. –General Manager

Marissa Potter, 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 2024 BUDGET

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

Staff is pleased to present the Fiscal Year 2024 (FY24) Operating and Capital Budgets for the period July 1, 2023, through June 30, 2024, 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 FY24 Budget as compared to the FY23 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.

## **FY24 BUDGET SIGNIFICANT ITEMS**

The FY24 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 FY24 for customer benefit, several of which are outlined in this section. However, as during any fiscal year's budget development, a few unknown impacts are currently developing that Staff will work to update and engage the Board about throughout the year & also keep customers informed about.

## **LOCAL WATER**

One of the largest FY24 budgetary impacts comes from the Division of Safety of Dams (DSOD) restriction on the level of water able to be retained behind the dam at Lake Hodges.

## Background

Construction of the Lake Hodges Dam began in 1917 in response to the growing need for water storage in the region. The dam was designed to impound the waters of the San Dieguito River and its associated watershed, creating a reservoir that would serve as a vital water source for in the development of surrounding communities. Designed by John S. Eastwood, an engineer renowned for his expertise in dam construction, the Lake Hodges Dam was an impressive engineering feat of its time. The dam stood at a height of 115 feet and stretched over 1,800 feet in length. It was primarily constructed using concrete, with a masonry face that added strength and stability. After a very quick construction timeframe, the Lake Hodges Dam was completed in 1918, and the reservoir began to fill with water. The dam's completion marked a significant milestone in the region's water management, providing a reliable source of water for agricultural irrigation, municipal supply, and industrial use that help usher in the development of coastal communities of Solana Beach, Encinitas, and Rancho Santa Fe.

Over the years, Lake Hodges and its dam played a vital role in supporting the region's growth and development. The water stored in the reservoir proved crucial during times of drought, ensuring a consistent water supply for residents and businesses alike. The dam helped to mitigate the effects of water scarcity and supported agricultural activities, enabling the region's agricultural sector to flourish, while also providing much needed flood control.

The dam, lake hedges, and its watershed were purchased by the City of San Diego in 1925; however, the water rights that Santa Fe Irrigation District (and San Dieguito Water District or "SDWD") had to storage in the lake and any runoff yielded were retained. These rights enabled the District to be able to historically yield approximately 30% of its total water needs from Lake Hodges, with the remainder purchased from the San Diego County Water Authority (SDCWA). After approximately 5 years of litigation, the District's rights to any water runoff in Lake Hodges, how much water storage the District had in the lake, and the City of San Diego's responsibility to maintain the dam in a way that would ensure continued access to local water (among other items) were reaffirmed in a 2014 agreement with the City of San Diego.

## History of DSOD Assessments of Lake Hodges

The total storage in Lake Hodges is approximately 30,000 AF of water when the dam was operating without any restrictions. This unrestricted level was referenced as level 315', which is the height of the maximum storage level, measured above sea level. The District and SDWD had 5,000 AF of functional water storage capacity in the lake at this level, which allowed for both annual water yield in addition to carryover storage from year-to-year; allowing the District to appropriately manage this vital water source.

DSOD is the regulatory agency responsible for overseeing the safety of dams in the state of California. It operates within the California Department of Water Resources (DWR), with a primary mandate to ensure that dams in the state are constructed, operated, and maintained in a safe and reliable manner to protect public safety and property. DSOD has the ultimate decision in allowing dams to retain water behind them and what is needed to keep compliance.

In August 2019, DSOD reviewed the condition of the Lake Hodges Dam and determined that its current rating should be downgraded from "fair" to "poor". The DSOD scale for dam rankings from their best condition to the worst condition are as follows: satisfactory, fair, poor, and unsatisfactory. Based on this updated condition assessment, on August 1, 2019 DSOD restricted the water levels in Lake Hodges to an elevation of 295', which represents approximately a storage level of 13,000 AF (17,000 AF below the maximum water capacity of Lake Hodges). Total functional storage for the District was reduced from 5,000 AF to 2,170 AF based on this DSOD action. However, the District worked with the City of San Diego (who

also has 5,000 AF storage with no DSOD restriction) to ensure that the City would move their water out of Lake Hodges, using SDCWA facilities, to another reservoir & thereby allowing the District and SDWD to maintain their 5,000 AF of storage. The District also established a separate agreement with the SDCWA to also be able to utilize these facilities and store water in Olivenhain Reservoir if any excess water would be able to be utilized in years that had significant rainfall and water yield.

In March 2022, the City of San Diego undertook underwater inspection of the condition of the dam and found significant defects in the face of the dam that were shared with DSOD. These defects included concreted spalling, exposed rebar, and actual holes in the dam. Based on these newly found defects & the continued deterioration of the dam, spillway, and other pieces, DSOD downgraded the condition of Lake Hodges Dam from “poor” to “unsatisfactory”, the lowest grading possible for the dam. This will necessitate the complete replacement of the dam in the future to return storage to prior levels in Lake Hodges.



*Close-up view of hole in Lake Hodes Dam*



#### FY24 Budgetary Impacts (and beyond)

Based on these defects, the City of San Diego immediately began emergency repairs on the dam to address these issues. This was to be done in multiple phases including utilizing floating barges to perform work on the dam face, up to a level of 285', with any work above this level to be performed utilizing workers repelling from the top of the dam to access higher elevations. Based on these defects and the repair planning, DSOD restricted the maximum level of the lake to 285' until November 30, 2022, with the lake level to be restricted to 275' thereafter. This work is estimated to total approximately \$12 million in total, with the District and SDWD responsible for 25% of this cost, or \$3.0 million. The FY24 Budget includes \$600,000 in expenditures for these repairs based on the assumption that the City of San Diego will allow the District and SDWD to amortize these costs over a five-year period due to the significant budgetary / rate impacts of having to pay \$3.0 million in one year.

These expenditures are just to bolster the structural integrity of the dam. Despite completing these repairs, DSOD will not allow the lake to be returned to any level above 280' in elevation and has given the City of San Diego different options to replace / repair the dam – all of which will take well over a decade. This permanent elevation of 280' will eliminate the District's ability to yield any local water from Lake Hodges. The last inlet for any water to be drawn from the lake is at 265'; however, the water able to be drawn between 280' and 265' is of very poor quality and would potentially jeopardize the District's stated mission of providing safe water to its customers.



This result of these DSOD restrictions is that the FY24 Budget does not include any yield of local water, with all the necessary water supply to meet customer demand being purchased from the SDCWA. The cost to transport local water from Lake Hodges to the R.E. Badger Water Filtration Plant is approximately \$300 per AF, where the current cost of SDCWA water is approximately \$1,300 per AF – an increase of \$1,000 for every AF of water needed to be purchased to replace local water. The annual estimate for local water yield on an annual basis has been 2,500 AF per fiscal year, resulting in a \$2.5 million increase in expenses that are passed on to District ratepayers due to the loss of local water. Additionally, due to the DSOD level restriction, local water from Lake Hodges had to be released through the District's valve to ensure compliance. With the atmospheric river that provided a significant amount of rainfall during FY23, there was over 25,000 AF of local water that had to be released from Lake Hodges to maintain the 275' DSOD compliance, which could have been used to supplement local demand.

The District and SDWD are working with the City of San Diego to try and find potential alternatives to restore local water to customers, and as of compilation of this budget, discussions are ongoing.

## COST-OF-SERVICE

Beginning in January 2022, the District began its public cost-of-service process with the Board of Directors to determine rate requirements necessary for the District to continue its mission and vision, and any potential change(s) to rate structure(s) that could accommodate the differing customer profiles in the service territory. The Board held nine public workshops to aid in developing options for potential consideration. These workshops and other notable dates included the following discussion and outcome(s):

- **January 25, 2022:** Discussion on “Rates 101”, on Proposition 218 basics and cost-of-service fundamentals, including: potential rate structures; strategic objectives; and tentative schedule.
- **March 30, 2022:** Discussion on cost-of-service inputs (i.e. local water amounts, annual water demand, capital / O&M spend) and long-range financial plan.
- **May 2, 2022:** Query Board on competing rate objectives, water rate alternatives – including outlining budget-based rate alternative(s), and additional policy considerations.
- **July 12, 2022:** Proposed financial plan outline, review of preliminary rate alternatives (including budget based rates), and discussion of ongoing alternatives & action items for consideration. Board direction on rate structures to consider were provided.
- **August 18, 2022:** Review of preliminary rate alternatives and associated customer impacts. Further direction from the Board to narrow the scope of rate structures to consider was provided.

After these five public workshops were held, the District was informed by the City of San Diego of the previously outlined DSOD actions, which eliminated the District's ability to yield local water. Based on this, the financial plan previously discussed with the Board of Directors materially changed, and a number of rate considerations needed to be revised. Based on this, the following public workshops were held to update the public and the Board of Directors about these changes and options for consideration.

- **September 28, 2022:** Comprehensive discussion on the current state of Lake Hodges Dam & the potential consideration to eliminate any local water in the upcoming cost-of-service review.
- **October 25, 2022:** Changes to cost-of-service assumptions based on no local water yield from Lake Hodges, revised projections for long-term financial plan, changes to rates / customer impacts based on updated assumptions. Board direction provided to further narrow rate alternatives provided.
- **November 17, 2022:** Revised financial outlook with associated total revenue requirements outlined & revised rate alternatives provided with customer impacts outlined. The Board

provided their preferred rate structure to begin development of the cost-of-service administrative record and Proposition 218 notice.

- **January 19, 2023:** Staff provided the Board with the proposed Proposition 218 Notice and cost-of-service report from IB Consulting.

The loss of local water disproportionately increases rates for consumers who use less water, as all customers were equally allocated 32 hundred cubic feet (HCF) of low-cost local water on a bi-monthly basis. Single family residential customers who use less than or close to 32 HCF will see their bills increase in excess of 30% due to the approximate \$1,000 per AF increase in cost for imported water as compared to local water. Based on all of these workshops, the Board directed Staff to enact the following items for the cost-of-service:

- 4-Tier single family residential rate structure with meter overlay (which allows for more units of consumption in each increasing tier for each larger meter size due to higher capacity-based charges);
- Reallocate property tax revenues for single family residential customers solely to tier 1 to enable the lowest cost of water for each meter size;
- All critical District projects remain in the CIP budget and anything non-critical to be determined by our Engineering staff will be excluded for a period of two years;
- Utilization of \$2.5M in Rate Stabilization Funds to reduce rate impacts;
- 20/80 Fixed Variable Charges.

The four-tier single-family residential rate structure with meter overlay will replace the District's current five-tier structure, while maintaining the meter overlay for single-family residential customers & unitary rate structures for all other customer classes. The change in the rate structure is primarily due to the loss of local water at Lake Hodges over the two-year rate setting period. Additionally, these proposed rate adjustments are estimated to increase overall potable rate revenue from combined volumetric and fixed charges by an amount sufficient to recover its projected costs of providing water services and allow continued District operations, investment in the capital infrastructure, and pass through wholesale water rate increases from the SDCWA and MWD. This action will also allow an adjustment to the District's revenue requirement of 3% on April 1, 2023 in addition to authority for the District to pass-through to its customers increases to the current rates for imported water imposed on the District by SDCWA and MWD. The proposal will also allow up to a 5.5% increase to provide sufficient funding for District operations and maintenance & capital expenditures effective January 1, 2024, exclusive of additional charges for the direct pass-through for increases to rates for charges imposed on the District by the SDCWA and MWD. Staff will return to the Board in the fall of CY23 to review the current fiscal condition of the District as compared to projections included in the cost-of-service to determine how much of the 5.5% increase for January 1, 2024 is needed.

## IMPORTED WATER

### SDCWA WATER PRICES

The District had not passed on any SDCWA wholesale price increase from 2021 to 2023 until April 1, 2023 under the new cost-of-service. Increases from SDCWA during this period totaled 18.8% per AF of untreated water. This was accomplished through utilization of District reserves (Local Water Fund), but the set-aside for this customer benefit has been exhausted. The annual average increase for untreated water has been 5.7% per year since 2010; however, increases in per AF prices will greatly exceed this level for upcoming

years. The SDCWA price per AF of untreated water is anticipated to increase (subject to the SDCWA Board vote in June) by 9.0% for the District as of January 1, 2024 due primarily to a revised water sales forecast in CY24 that was reduced by 9.3% (399kAF to 362kAF). Additionally, SDCWA's updated potential for rate increases in CY25 and CY26 are 4-8% each year. Fixed charges are also anticipated to increase 7% in CY24 from SDCWA based on the proposal to be reviewed by their Board.

### SDCWA WATER SOURCES

The great majority of SDCWA's anticipated water portfolio for 2023 comes from the Colorado river, primarily from take-or-pay agreements from the Imperial Irrigation District. The atmospheric river that inundated California in the winter and spring of 2022 / 2023 provided significant snowpack, rain, and runoff yield throughout the state. The snowpack survey in the Sierra Nevada mountains is the largest measured in over 70 years, at 237% of average. Additionally, rainfall in the San Diego region has been significantly above historical averages, providing benefit to those water agencies that have local storage.



*Sierra Nevada Snowpack Survey L: April 2022, R: April 2023*

Despite these positive local and state-wide conditions, the Colorado river, the primary source of imported water in the region, is still at near historic low levels.

### Colorado River Conditions

According to National Oceanic and Atmospheric Administration, the megadrought that has hampered the Western United States has been elevated, its impacts are still being felt.

*While the extreme precipitation improved and removed drought (according to the U.S. Drought Monitor) in many parts of the West, issues remain in parts of the Pacific Northwest and Colorado. The atmospheric river events over the winter months didn't reach every drought-burdened Western state, with some receiving below-normal precipitation over the winter. Additionally, it will take more than one wet winter, even with record-breaking precipitation, to replenish groundwater in many areas as well as Lakes Powell and Mead, which are still near record low levels.*

Additionally, storage in the Colorado River system is becoming increasingly taxed. As can be seen below, total system storage for the Colorado River is at one of its lowest points in years. These conditions are anticipated to improve as snowpack in various portions of the Colorado Rocky Mountains are above normal levels. However, multiple years of these positive conditions would need to be experienced to alleviate the drought that has impacted these storage levels.

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

| Reservoir           | Percent Full - Calendar Year (May) |            |            |            |            |            |
|---------------------|------------------------------------|------------|------------|------------|------------|------------|
|                     | 2023                               | 2022       | 2021       | 2020       | 2019       | 2018       |
| Lake Powell         | 27%                                | 26%        | 34%        | 48%        | 37%        | 54%        |
| Lake Mead           | 30%                                | 29%        | 37%        | 44%        | 42%        | 41%        |
| Lake Mohave         | 94%                                | 94%        | 91%        | 95%        | 94%        | 94%        |
| Lake Havasu         | 93%                                | 95%        | 96%        | 90%        | 91%        | 93%        |
| <b>Total System</b> | <b>36%</b>                         | <b>34%</b> | <b>42%</b> | <b>52%</b> | <b>45%</b> | <b>52%</b> |

These persistently low storage and inflow levels has led to states that take Colorado River water to work together extensively on water movement and availability for farming, indoor / outdoor customer use, and hydro-power generation. These discussions yielded a tentative agreement between California, Nevada, and Arizona (the largest takers of Colorado River water) that would conserve approximately 13% of their allocated water in exchange for federal funding. 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. Based on these rights, it is currently unknown how this conservation level may impact SDCWA and its member agencies; however, SDCWA has affirmed that it has sufficient capacity to cover full member agencies demand.

## LEGISLATION

The California Air Resource Board (CARB) has instituted regulations that impact special districts such as SFID. These regulations include the requirement that 50% of vehicle purchases beginning in CY24 must be zero emission vehicles. This percentage then increases to 100% by CY27. This greatly impacts the ability of the District to procure heavy duty vehicles that are appropriate for the work that is performed by Staff. The vehicle manufacturing industry has not transitioned to providing heavy duty vehicles that are electric, and so complying with these requirements will be onerous. In response to this regulation, Staff have advanced acquisition of certain vehicles to the FY24 budget that will be procured prior to the next calendar year.

The California State Water Resources Control Board (SWRCB) has instituted a new lead service line inventory. Previously, the SWRCB mandated that all water providers inventory all their service lines for any lead; which the District had none. However, the SWRCB has not mandated that all water provides inventory the customer-side service lines for any lead. This amounts to over 5,000 necessary reviews of customer-side services. However, the District is in an advantageous position to comply with this regulation due to the installation of the automated metering system. Upon installation of these meters, District Staff and contractors took pictures of all customer-side services. The FY24 Budget includes sufficient funding to review these documents and to comply with this mandate.

Senate Bill 606 and Assembly Bill 1668 establishes a new framework for long-term changes in urban water use efficiency and drought planning. This legislation required that long-term urban water use efficiency standards be set so that urban retail water suppliers' urban water use objectives together with other water uses excluded from the long-term standards, would exceed the statewide 2020 water conservation targets. These long-term standards, variances, guidelines, and methodologies for calculating were completed on June 30, 2022, but will not become effective until a public rulemaking process is complete. District Staff are monitoring these standards, how they impact the District / its customers, and when they may become implemented.

The District is monitoring in the taxpayer protection and government accountability act, which will be placed on the November 2024 ballot for potential approval. If approved, this measure would require voter approval of all state taxes, would further restrict local fee authority by limiting it to the "minimum amount necessary" to provide government services, and would require voter approval for local measures. Its provisions would make it easier to challenge local revenue measures by increasing the burden of proof on local agencies while disallowing an agency's characterization of a measure from being considered in court. It would also prohibit local agencies from placing advisory measures on the same ballot as any general revenue measure and would raise the threshold for voter approval of local revenue measure to two-thirds vote. Though this would significantly impact municipalities more than special districts; this measure is vague enough to produce extra lawsuits over water rates, fees, charges, etc. that would potentially be a significant burden to the District in addition to potential fines that may occur from violation of this act.

One additional piece of legislation that the District is also tracking is Assembly Bill 1337, which would curtail the vested water rights of those that have senior pre-1914 water rights. In drought conditions, the state has previously declared an emergency due to these continued conditions, which reduced all water use across the state, including those senior rights holders. This has potentially set precedent and is a test case for how much state control exists over water and its competing uses for environmental protection, agriculture, and population use.

## STAFFING

Per the District's strategic plan objective 4.1C, a class and compensation analysis was undertaken in CY22. This analysis was completed in two parts, with the first being a class analysis, which was a comprehensive look at all job descriptions and titles. This process involved all employees describing what they do on a daily, weekly, monthly, and / or annual basis; with their respective supervisor then providing any additional information. This information, in addition to an in-person interview, was utilized to update all job descriptions. The second part to this analysis was to do a compensation analysis to see how the District's salary ranges for all positions compare against 16 similar agencies within San Diego County. Based on this analysis, Staff salary ranges were revised to the median of these similar agencies. This did not have a fiscal impact on the FY24 Budget.

Additionally, the current memorandum of understanding (MOU) with all employees, outside of the General Manager, expires on June 30, 2023. The FY24 Budget assumes that a new MOU will be in place with a 5.0% cost-of-living adjustment effective July 1, 2023.

## LONG RANGE FINANCIAL PLAN

The District maintains a multi-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 continued inflationary pressure on operating expenditures in FY24, with easing in FY25 and beyond. The long-term District priorities are:

- Working with the City of San Diego to restore local water & determining what is the best long-term option for District rate-payers for Lake Hodges' dam replacement;
- Work to find the highest and best uses for rate-payer funds, including exploration of renewable energy;
- Explore potential cost-effective ways of mitigating long-term water rate increase including potable reuse options and brackish groundwater recovery;
- Addressing the unfunded liabilities for the District's pension and Other Post Employment Benefit plans through various funding strategies as codified in the District's Pension Funding Policy;

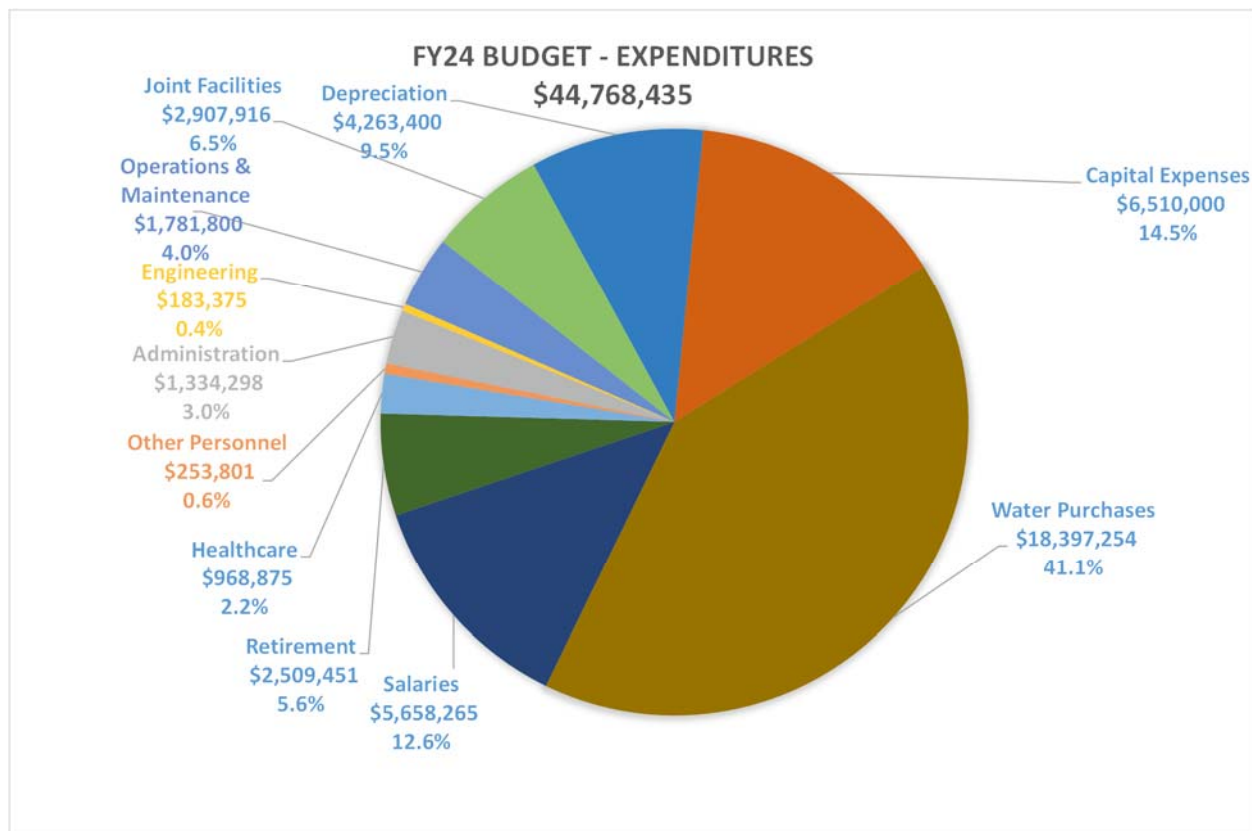
## FY24 BUDGET SUMMARY

The programs and expenditures outlined in the FY24 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 FY24 as depicted in the associated pie chart is \$44,768,435, an increase of approximately \$35,000, or 0.1% from the FY23 Budget. Expenses can be categorized into five areas: water purchases at 41.1%, capital improvements (infrastructure replacement ./ rehab and depreciation) at 24.0%, personnel expenditures of 21.0% (salaries, retirement, healthcare, and other), and departmental / non-personnel expenditures of 13.9% (joint facilities, operations & maintenance, engineering, administration).





The large variations from the FY23 Budget include:

- \$4.0 million decrease in capital expenditures
- \$220,000 decrease in departmental expenditures
- \$3.8 million increase in water purchases & local water expenses
- \$215,000 increase in personnel expenditures

## WATER PURCHASES

### SFID WATER PRODUCTION / SOURCES: FY19 – FY24

|               | SFID  | SDCWA   |           | SEJPA   | Total Potable | Total All Water |
|---------------|-------|---------|-----------|---------|---------------|-----------------|
|               | Local | Treated | Untreated | Recycle |               |                 |
| <b>FY18</b>   | 4,636 | 283     | 5,547     | 568     | 10,465        | 11,033          |
| <b>FY19</b>   | 2,492 | 57      | 6,433     | 518     | 8,982         | 9,499           |
| <b>FY20</b>   | 3,404 | 258     | 5,417     | 513     | 9,078         | 9,590           |
| <b>FY21</b>   | 3,214 | 700     | 6,190     | 640     | 10,104        | 10,744          |
| <b>FY22</b>   | 2,141 | 317     | 7,451     | 665     | 9,910         | 10,574          |
| <b>FY23*</b>  | 1,236 | 711     | 6,933     | 561     | 8,879         | 9,440           |
| <b>FY24**</b> | -     | 500     | 9,555     | 550     | 10,055        | 10,605          |

\* Current projection

\*\* FY24 Budget amount

## Potable Water

As can be seen from the water sources over the last five fiscal years, total potable water demand was approximately 10,500 AF at the highest, with approximately 8,900 AF at the lowest (projected in the current fiscal year due to significant rainfall). Purchases in the District are primarily dependent on weather / rainfall, as outdoor irrigation is the primary driver in demand / purchase variations. The FY24 Budget projects 10,055 AF of water demand, with all 10,055 AF having to be purchased from SDCWA – treated and untreated – due to the loss of local water.

## Recycled / Reclaimed Water

Recycled water demand levels in the FY24 Budget total 550 AF, though this may increase based on weather conditions. The District does not make any net income on recycled water sales, as the variable charge matches the price paid to the San Elijo Joint Powers Authority (SEJPA), who is the source of recycled / reclaimed water in the District. SEJPA will charge the District \$1,839 per AF (or \$4.22 per HCF) for reclaimed water, which the District passes on to customers. The following table shows the rates that SEJPA approved rates in their most recent cost-of-service (FY22 through FY26). The FY24 Budget assumes 550 AF of recycled water demand.

| 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)        |
| <b>Total Rate Revenue Requirement (\$1,000s)</b> | <b>\$2,256</b> | <b>\$2,402</b> | <b>\$2,540</b> | <b>\$2,688</b> | <b>\$2,846</b> |
| Usage Subject to Rates (AF)                      | 1,324          | 1,357          | 1,381          | 1,406          | 1,433          |
| <b>Calculated Rate (\$/AF)</b>                   | <b>\$1,704</b> | <b>\$1,770</b> | <b>\$1,839</b> | <b>\$1,911</b> | <b>\$1,986</b> |

## CAPITAL IMPROVEMENT PROGRAM

The FY24 capital budget of \$6.5 million consists of \$1.4 million in smaller capital acquisition purchases (CAP) and \$5.1 million in larger multi-year capital improvement projects (CIP).

The District's 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 and generally fall into one of four primary categories: 1) buildings and grounds maintenance / 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. The CAP is split into two groups: District operations, and R.E. Badger Filtration Plant (REB), with the operations being the solely funded by the District and REB funded in combination with SDWD. CAP expenditures are primarily funded through non-operating revenues and all joint facilities costs are shared with SDWD proportionate to each agency's ownership percentage, as shown in this budget.. Proposed CAP expenditures for FY24 total \$1,424,000, with the Santa Fe Irrigation District's portion totaling \$1,058,600, and SDWD's portion totaling \$365,400.

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 also split into two groups: District operations and 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, SDWD. Cost-sharing



between SFID and SDWD are based on long-standing contractual agreements on asset ownership percentages.

Total CIP expenditures for FY24 are anticipated to be \$5.1 million, with District only CIP expenditures totaling \$2.6 million and Joint Facilities expenditures of \$2.5 million. The District CIP projects consist primarily of the \$2.2 million for continued replacement / relocation of the Government Road Pipeline portion of the distribution system, and \$360,000 for a small solar array at the District's main office. The \$2.5 million in Joint Facilities expenditures in FY24 consist of \$1.6 million in filter and sedimentation upgrades, \$400,000 in treatment process replacements and repairs, and \$550,000 in treatment plant upgrades. The FY24 Budget requests \$2.6 million in appropriations to allow staff to engage in contracts to accomplish these projects - \$1.7 million for District projects and \$900,000 for Joint Facilities.

## PERSONNEL EXPENDITURES

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Total personnel expenditures have increased by approximately \$215,000 from the FY23 Budget. Of this increase, approximately \$200,000 is due to an increase in the CalPERS unfunded liability (UAL) payment. This increase is based on the District's Pension Funding Policy and allows for a level UAL over the next 10-year period to fully pay off this liability and save rate-payers \$1.1 million.

## DEPARTMENTAL / NON-PERSONNEL EXPENDITURES

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Total non-personnel expenditures for the FY24 Budget (excluding depreciation) total approximately \$6.2 million, a \$220,000 decrease from the FY23 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

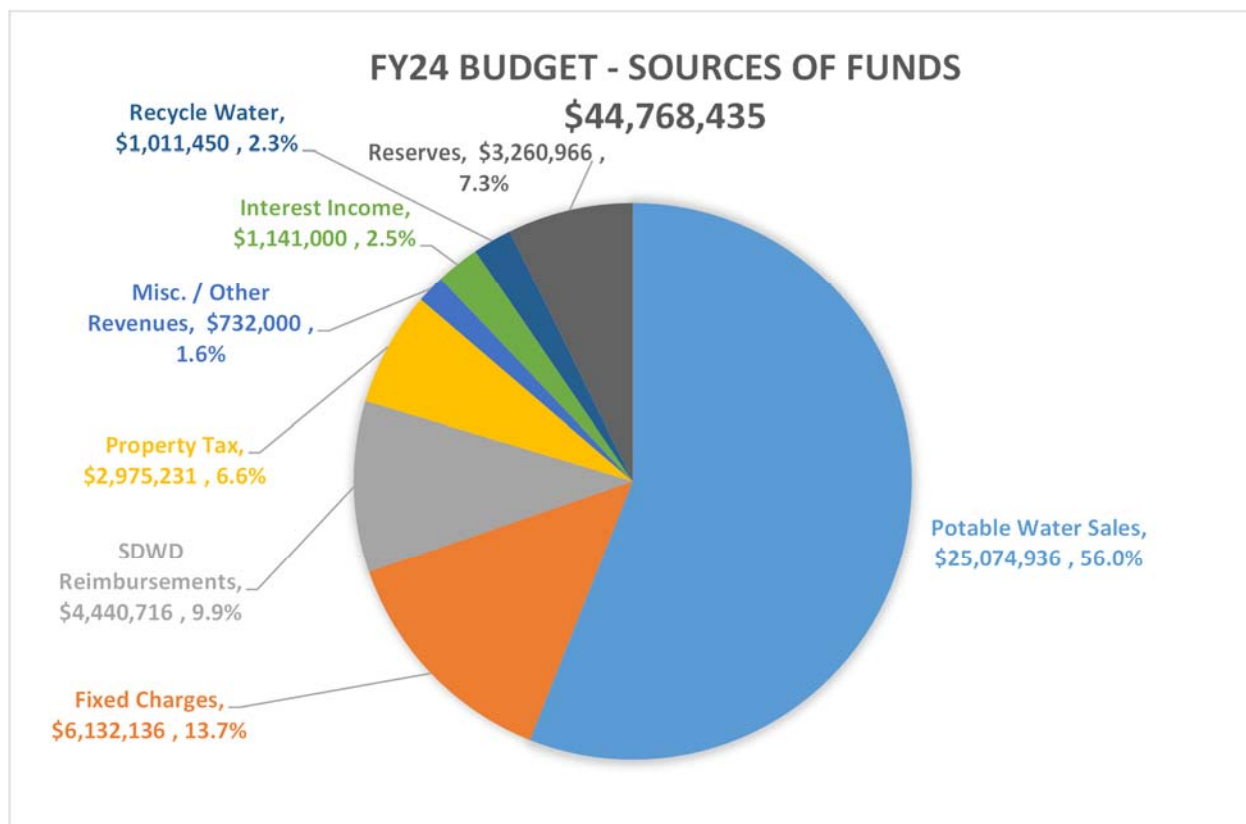
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The District utilizes expensed depreciation / amortization on an annual basis as one of the main funding mechanisms for the Capital Reserve Fund. Annual depreciation expense is a function based on assets currently in service, their depreciable life, and remaining depreciable balance. Depreciation expense in FY24 is anticipated to increase approximately \$50,000 due to assets placed in service in FY23, including Joint Facilities de-watering and seismic retrofit projects, among other.

## REVENUES / SOURCES OF FUNDS

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Total sources of funds (for operating and capital) by revenue source for FY24 as depicted in the associated pie chart is \$44,082,142, a decrease of approximately \$665,000, or 1.5% from than the FY23 Budget. Revenues can be categorized into four major areas: potable water sales at 57.1%, SDWD reimbursements for operating and capital expenditures at 10.1%, fixed meter charges at 13.9%, property tax at 6.8%, and all other sources of funds totalling 18.9%.



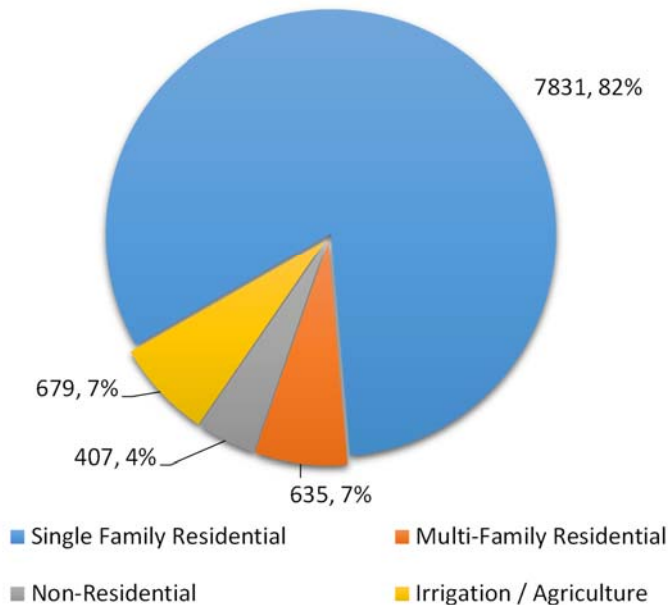
## POTABLE WATER SALES

Water sales (commodity) revenues for FY24 are projected at \$25.1 million, an increase in revenues of approximately \$3.8 million or 17.7% from the FY23 Budget. Volumetrically, the FY24 Budget assumes 9,550 AF of potable water sales, an increase of 382 AF from the FY23 Budget. The primary drivers for the increase in water sales revenue are:

- The District's cost-of-service approved 3% revenue requirement (effective April 1, 2023)
- The full cost-of-service approved 5.5% (effective January 1, 2024), which will be reviewed in November 2023 in conjunction with the acceptance of the annual audit
- Pass-through of the accumulated 18.8% SDCWA wholesale water pass-throughs from CY21 through CY23 (which was offset using the Local Water Fund), and
- Pass-through of the estimated 10% overall rate increase to the District by SDCWA on January 1, 2024

The projected sales by customer type for FY24 are 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.

## FY24 Projected Potable Water Use by Customer Type (AF)



### SDWD REIMBURSEMENTS

SDWD reimbursements for their proportionate share of Joint Facilities operating expenditures totals approximately \$3.2 million in the FY24 Budget, an increase of approximately \$150,000 from FY23. 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 \$6.1 million in FY24, which is a \$340,000 increase or 5.9% from FY23 based on the pass-through of accumulated SDCWA fixed fee increases from CY21-CY23, in addition to the cost-of-service approved 3% rate adjustment effective April 1, 2023 & the full 5.5% rate adjustment effective January 1, 2024.

### 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 FY24 Budget total approximately \$3.0 million, an increase of 2.0% from the FY23 Budget. Property prices have stabilized due to higher interest rates and consequently the District's property tax receipts have stabilized. The FY24 Budget reflects on the 2.0% Proposition 13 maximum growth rate, with no significant additional revenues due to property sales and reassessments outside of Proposition 13.

## OTHER REVENUES

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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 \$1.9 million in the FY24 Budget, which is an approximate \$1.1 million increase from the FY23 Budget due to an increase in interest rates, the District overall fund balance, and resulting interest income increase.

## RESERVES

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All Local Water Fund availability was exhausted in FY23, which necessitated the accumulated 18.8% of SDCWA wholesale rate increases to be passed on to District customers. Overall, the District's

## CONCLUSION

The Santa Fe Irrigation District FY23 Operating and Capital Budget presents a financial plan for the fiscal year July 1, 2023, through June 30, 2024. 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.

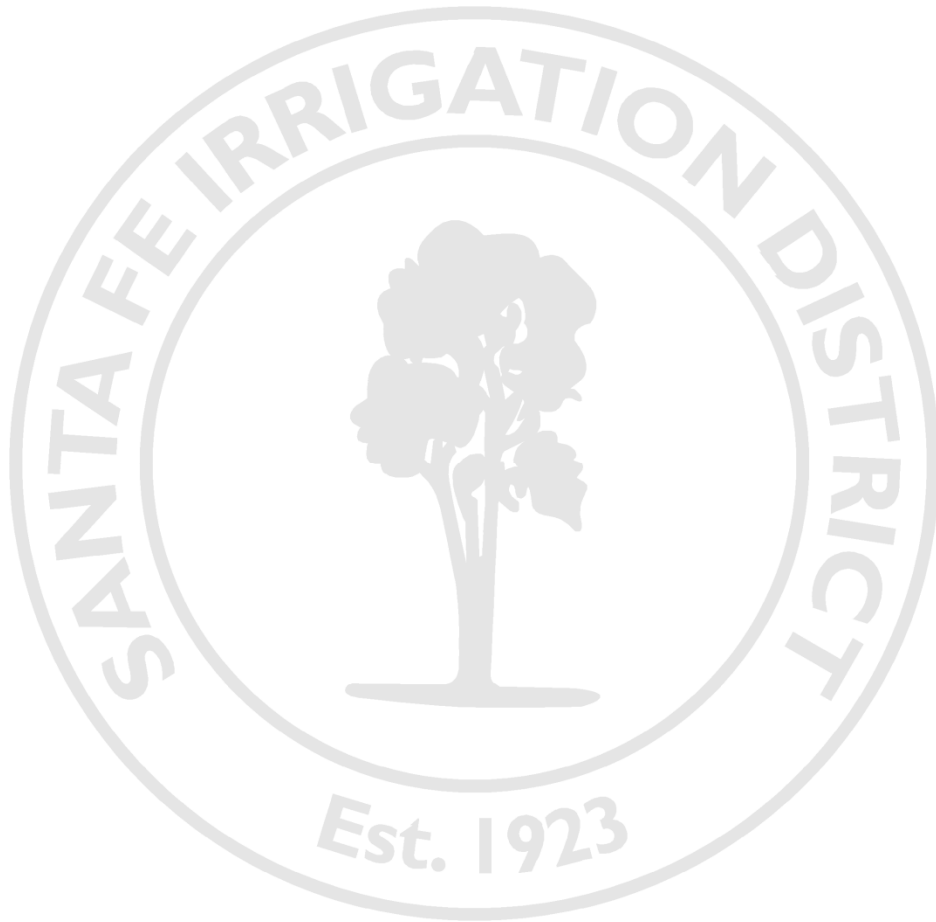
Respectfully submitted,



Albert C. Lau, P.E.  
General Manager



Seth M. Gates  
Administrative Services Manager



# 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 20<sup>th</sup> 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.

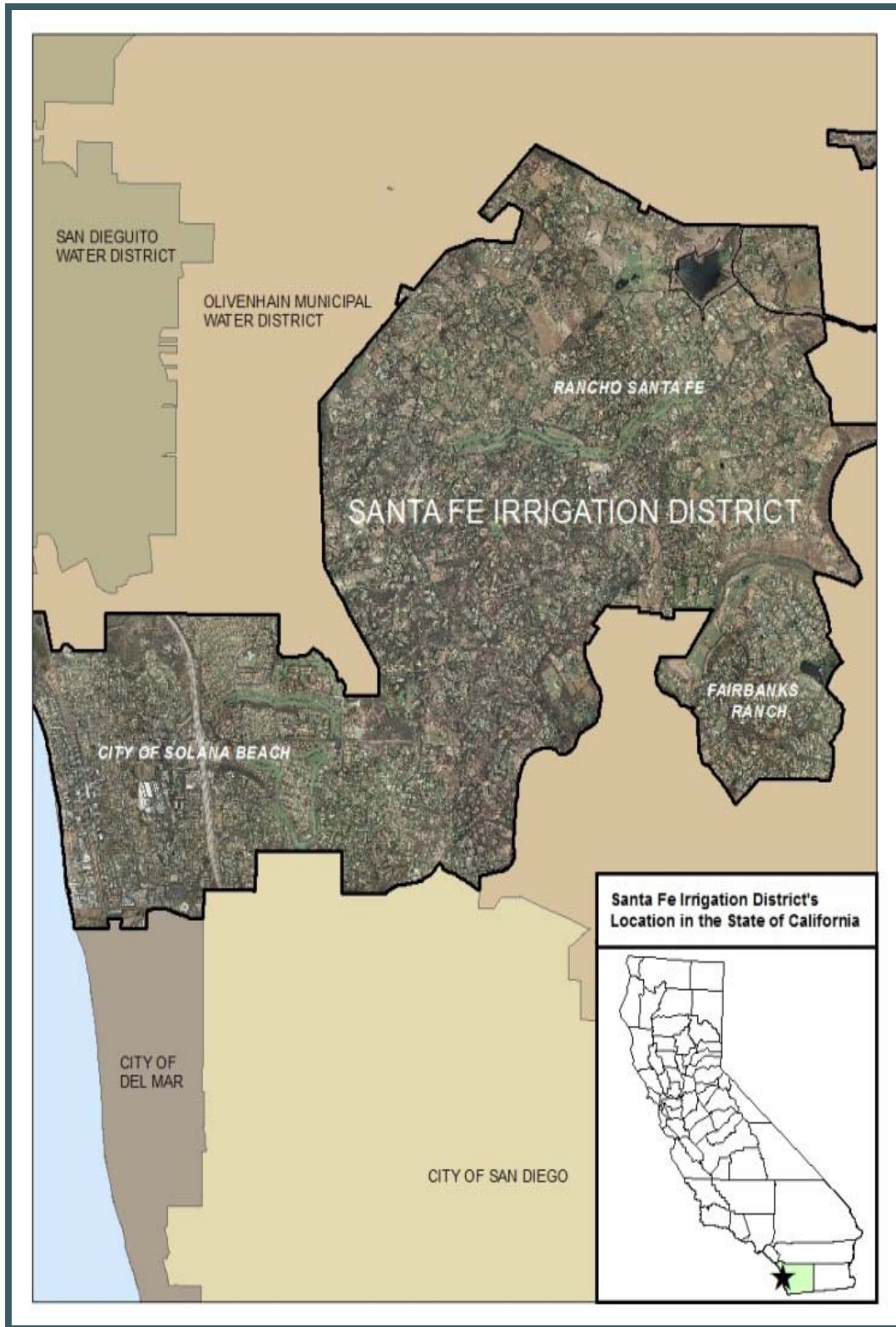
## SERVICE AREA

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 Solana Beach will only grow 3.6% by the year 2050 over its 2016 level, due primarily to being built out. Overall, SANDAG projects that San Diego County as a whole will increase by 13.2% by the year 2050 over its 2016 level; however, the unincorporated portions of the District will probably not see this high of growth due primarily to covenants / restrictions that do not allow plots of land to be subdivided or construction of dense housing.

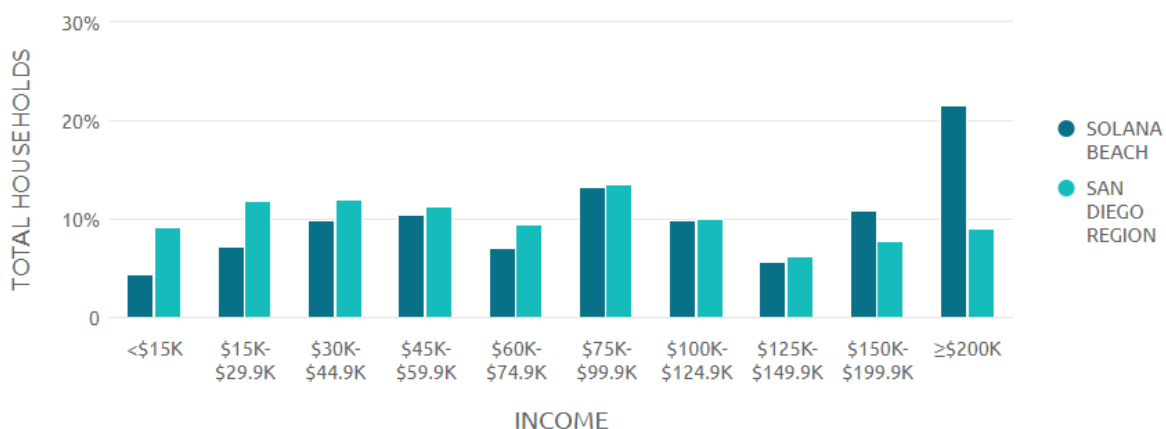




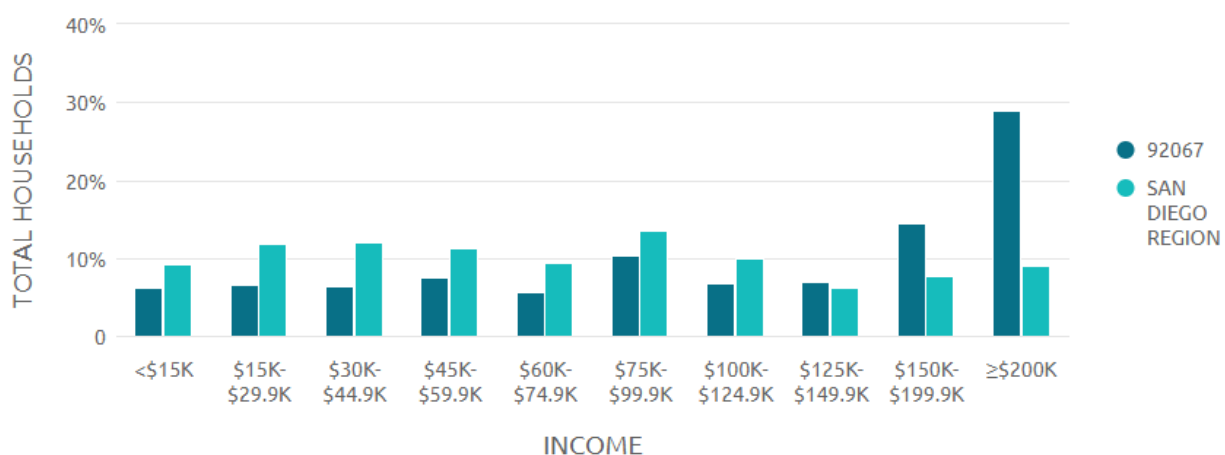
The District's service area is comprised of distinctly differing communities. The coastal region contains medium-density, single-family dwellings with some multiple-family residences. The inland section is primarily low-density residential with large single-family estate lots. Both of these areas are 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 35.4 in 2020, according to the SANDAG. By contrast, SANDAG data defines the District's customer base as relatively affluent and older, with a median age of 39.6 in the City of Solana Beach and a median income of \$99,211 (2020 estimate). Additionally, the District's unincorporated service area (as represented by zip code 92067) has a median age of 38.0 and a median income of \$140,830 (2020 estimate). The County-wide median income is approximately \$72,239.

Solana Beach Household Income Distribution (source: SANDAG)



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





The San Diego region's unemployment rate was estimated at 3.3% as of April 2023, where California and the United States' total unemployment was 4.3% and 3.1%, respectively (per the Bureau of Labor Statistics).

## 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 12/2026



Dana Frieauf – Vice President  
Division 2, Term Expires 12/2024



Sandra D. Johnson  
Division 3, Term Expires 12/2026



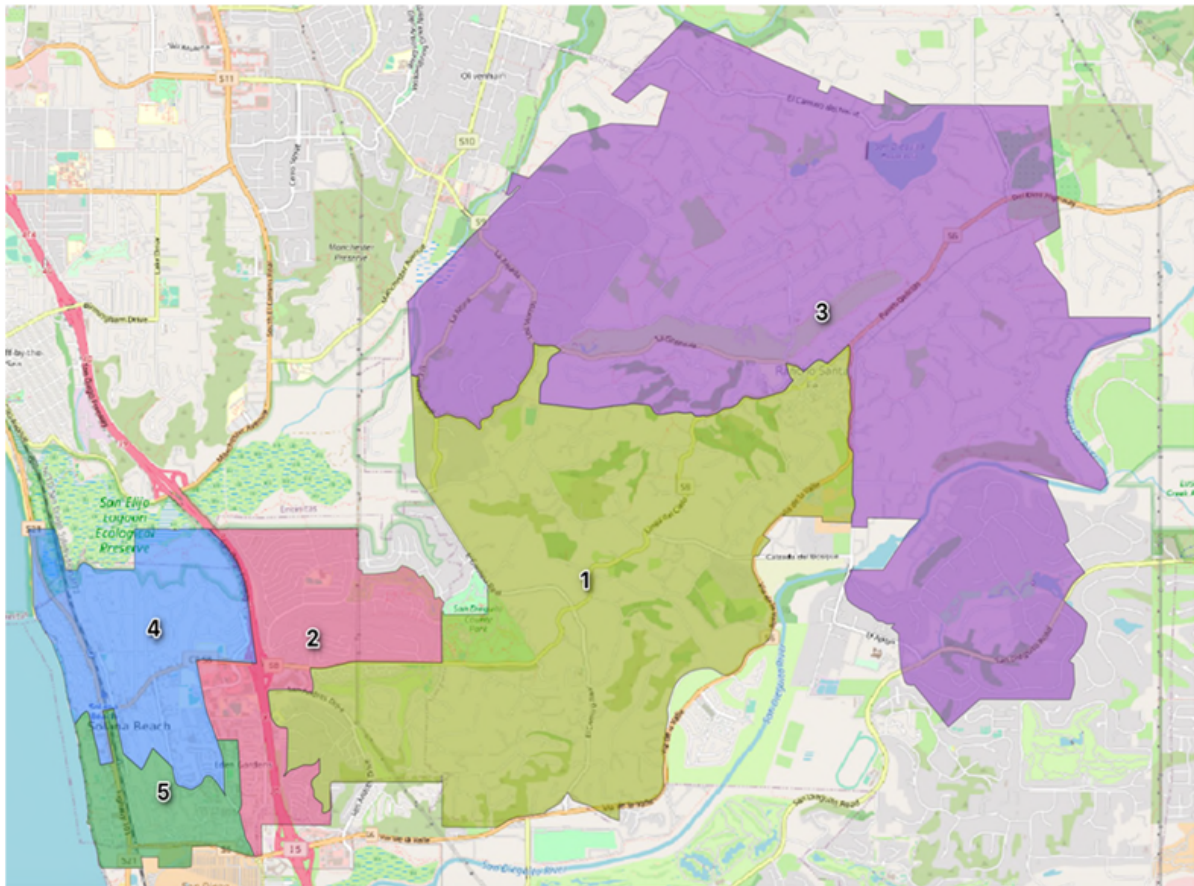
Ron Magnaghi  
Division 1, Term Expires 12/2024



Andrew Menshek  
Division 5, Term Expires 12/2026

A map of the District's divisions is as follows. 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 maximum capacity of 800 acre feet. These various capital assets that are jointly owned are referred to as the Joint Facilities. The District operates and maintains the Joint Facilities on behalf of both agencies.



# ABOUT THE DISTRICT

## QUICK DISTRICT FACTS

|  |   |           |
|--|---|-----------|
| <b>Service Territory</b>                       | Solana Beach (2,850 Acres)<br>Rancho Santa Fe (7,410 Acres - Combined)<br>Fairbanks Ranch |           |
| <b>Population</b>                              | 19,000 (est.) water distribution<br>58,000 (est.) water treatment (District / SDWD)       |           |
| <b>Solana Beach</b>                            |   |           |
| Average Age                                    | 42.4  |           |
| Median Income                                  | \$ 114,604  |           |
| <b>Rancho Santa Fe/Fairbanks Ranch (92067)</b> |   |           |
| Average Age                                    | 41  |           |
| Median Income                                  | \$ 150,617  |           |
| <b>San Diego County Unemployment Rate</b>      | 3.30%   | Apr-23    |
| <b>Infrastructure:</b>                         |   |           |
| Miles of water mains                           | 157   |           |
| Reservoirs                                     | 2   |           |
| Treatment capacity                             | 40 million gallons / day  |           |
| <b>Water Supplied in FY23 (Forecast)</b>       |   |           |
| Treated Water - imported                       | 711   | Acre Feet |
| Untreated Water - imported                     | 6,933   | Acre Feet |
| Lake Hodges Water                              | 1,236   | Acre Feet |
| Recycled Water                                 | 561   | Acre Feet |
| Total  | 9,441   |           |

| Classification                      | FY24 Est. Water Use (AF) | # Meters | 3/4"  | 1"    | 1.5" | 2"  | 3" | 4" + |
|-------------------------------------|--------------------------|----------|-------|-------|------|-----|----|------|
| Single Family                       | 7,831                    | 5,535    | 3,234 | 1,598 | 636  | 65  | 2  | -    |
| Multi-Family                        | 635                      | 464      | 155   | 81    | 137  | 89  | 2  | -    |
| Non-Residential                     | 407                      | 382      | 164   | 90    | 75   | 49  | 2  | 2    |
| Irrigation / Commercial Agriculture | 679                      | 144      | 33    | 37    | 37   | 32  | 1  | 4    |
| Recycled Water                      | 550                      | 58       | -     | 16    | 4    | 32  | 3  | 3    |
| <b>TOTAL</b>                        | 10,102                   | 6,583    | 3,586 | 1,822 | 889  | 267 | 10 | 9    |



# 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<br>(SFID & SDWD Joint Costs) | Operations & Maintenance |
|-------------------------|------------------------|---|--------------------------|

#### 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 FY24 is shown below. It should be noted that the budgetary changes included in the May revision to the proposed FY24 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 FY24 Budget development cycle was as follows:

| Step   | Feb | Mar | Apr | May | Jun | Nov |
|--|-----|-----|-----|-----|-----|-----|
| 1 Board reviews mid-year projections / long-range financial plan determined by cost-of-service | ✓   |     |     |     |     |     |
| 2 Administration meets with Managers to discuss upcoming budget                                | ✓   |     |     |     |     |     |
| 3 Managers refine requests for FY24 Budget   |     | ✓   |     |     |     |     |
| 4 Administration assembles preliminary budget  |     | ✓   |     |     |     |     |
| 5 SDWD Staff reviews budget & provides input for Joint Facilities                              |     | ✓   |     |     |     |     |
| 6 Finance & Administration Committee reviews FY24 Proposed Budget in whole                     |     |     | ✓   |     |     |     |
| 7 Board holds budget workshop to review FY24 Proposed Budget & provide input                   |     |     | ✓   |     |     |     |
| 8 Finance & Administration Committee member presented with budget modifications                |     |     |     | ✓   |     |     |
| 9 Joint Facility Advisory Committee budget review  |     |     |     | ✓   |     |     |
| 10 Board reviews proposed modification to FY24 Budget in whole                                 |     |     |     | ✓   |     |     |
| 11 Board holds public meeting for final review of budget document & adoption                   |     |     |     |     | ✓   |     |
| 12 Staff presents Audit & any recommendations for rate increase mitigation for January 1, 2024 |     |     |     |     |     | ✓   |

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.

#### COMPLIANCE WITH FINANCIAL POLICIES

The FY24 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 FY24), Investment Policy (all District funds are properly invested in compliance with Government Code & earning a balance that is budgeted as a resource for utilization in FY24), and Pension Funding Policy.

# LONG RANGE FINANCIAL PLAN

## ASSUMPTIONS & FINANCIAL PLANNING

The District maintains a financial model that is the primary long-range 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 from both SDCWA and SEJPA are not included in the long-term financial plan due to the assumption that the District will pass on any water rate increases dollar-for-dollar to customers, without any net impact on the District's net position.

Labor cost growth is estimated since the current MOU expires 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 March 2023, 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.

The District's spending on the capital improvement program will continue to be pay-as-you-go (PAYGO). 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.

*The District's current cost-of-service expires January 1, 2025, the assumed rate increases beyond this period in the following long-range financial plan are illustrative only*



| Revenue                                 | FY 2023      | FY 2024         | FY 2025                 | FY 2026      | FY 2027      | FY 2028      | FY 2029      | FY 2030      | FY 2031      | FY 2032      |
|---|--------------|-----------------|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District Rate Revenue                   |              |                 |                         |              |              |              |              |              |              |              |
| Potable Fixed Charge                    | \$5,363,000  | \$5,413,000     | \$5,413,000             | \$5,413,000  | \$5,413,000  | \$5,413,000  | \$5,413,000  | \$5,413,000  | \$5,413,000  | \$5,413,000  |
| Recycled Fixed Charges                  | \$147,000    | \$147,000       | \$147,000               | \$147,000    | \$147,000    | \$147,000    | \$147,000    | \$147,000    | \$147,000    | \$147,000    |
| Private Fireline Charges                | \$132,000    | \$132,000       | \$132,000               | \$132,000    | \$132,000    | \$132,000    | \$132,000    | \$132,000    | \$132,000    | \$132,000    |
| Potable Variable Revenue                | \$22,245,000 | \$23,099,000    | \$23,099,000            | \$23,099,000 | \$23,099,000 | \$23,099,000 | \$23,099,000 | \$23,099,000 | \$23,099,000 | \$23,099,000 |
| Private Fireline Variable Revenue       | \$2,000      | \$2,000         | \$2,000                 | \$2,000      | \$2,000      | \$2,000      | \$2,000      | \$2,000      | \$2,000      | \$2,000      |
| Total District Rate Revenue             | \$27,889,000 | \$28,793,000    | \$28,793,000            | \$28,793,000 | \$28,793,000 | \$28,793,000 | \$28,793,000 | \$28,793,000 | \$28,793,000 | \$28,793,000 |
| Fiscal Year                             | % Adjustment | Effective Month | Additional Rate Revenue |              |              |              |              |              |              |              |
| FY 2023                                 | 3.0%         | April           | \$278,000               | \$863,000    | \$863,000    | \$863,000    | \$863,000    | \$863,000    | \$863,000    | \$863,000    |
| FY 2024                                 | 5.5%         | January         |                         | \$815,000    | \$1,631,000  | \$1,631,000  | \$1,631,000  | \$1,631,000  | \$1,631,000  | \$1,631,000  |
| FY 2025                                 | 6.0%         | January         |                         |              | \$938,000    | \$1,877,000  | \$1,877,000  | \$1,877,000  | \$1,877,000  | \$1,877,000  |
| FY 2026                                 | 6.0%         | January         |                         |              |              | \$994,000    | \$1,989,000  | \$1,989,000  | \$1,989,000  | \$1,989,000  |
| FY 2027                                 | 6.0%         | January         |                         |              |              |              | \$1,054,000  | \$2,109,000  | \$2,109,000  | \$2,109,000  |
| FY 2028                                 | 6.0%         | January         |                         |              |              |              |              | \$1,117,000  | \$2,235,000  | \$2,235,000  |
| FY 2029                                 | 6.0%         | January         |                         |              |              |              |              |              | \$1,184,000  | \$2,369,000  |
| FY 2030                                 | 6.0%         | January         |                         |              |              |              |              |              | \$1,255,000  | \$2,511,000  |
| FY 2031                                 | 6.0%         | January         |                         |              |              |              |              |              |              | \$1,331,000  |
| FY 2032                                 | 6.0%         | January         |                         |              |              |              |              |              |              | \$1,411,000  |
| Total Additional Revenue                |              |                 | \$278,000               | \$1,678,000  | \$3,432,000  | \$5,365,000  | \$7,414,000  | \$9,586,000  | \$11,888,000 | \$14,328,000 |
| Recycled Water                          |              |                 |                         |              |              |              |              |              |              |              |
| Recycled Water Sales                    |              |                 | \$907,000               | \$907,000    | \$907,000    | \$907,000    | \$907,000    | \$907,000    | \$907,000    | \$907,000    |
| Subtotal Recycled Water                 |              |                 | \$907,000               | \$907,000    | \$907,000    | \$907,000    | \$907,000    | \$907,000    | \$907,000    | \$907,000    |
| Projected Rate Revenues                 |              |                 | \$29,074,000            | \$31,378,000 | \$33,132,000 | \$35,065,000 | \$37,114,000 | \$39,286,000 | \$41,588,000 | \$44,028,000 |
| Operating Revenues                      |              |                 |                         |              |              |              |              |              |              |              |
| Contract Revenue                        |              |                 | \$4,000                 | \$4,000      | \$4,000      | \$4,000      | \$4,000      | \$4,000      | \$4,000      | \$4,000      |
| SDWD Local Water Reimbursement          |              |                 | \$310,000               | \$317,000    | \$323,000    | \$329,000    | \$336,000    | \$343,000    | \$350,000    | \$357,000    |
| SDWD Treatment Reimbursement            |              |                 | \$2,423,000             | \$2,472,000  | \$2,521,000  | \$2,572,000  | \$2,623,000  | \$2,676,000  | \$2,729,000  | \$2,784,000  |
| Misc Operating Revenue                  |              |                 | \$350,000               | \$350,000    | \$350,000    | \$350,000    | \$350,000    | \$350,000    | \$350,000    | \$350,000    |
| Subtotal Operating Revenues             |              |                 | \$3,087,000             | \$3,143,000  | \$3,198,000  | \$3,255,000  | \$3,313,000  | \$3,373,000  | \$3,433,000  | \$3,495,000  |
| Other Revenues                          |              |                 |                         |              |              |              |              |              |              |              |
| Interest Income                         |              |                 | \$143,000               | \$143,000    | \$143,000    | \$143,000    | \$143,000    | \$143,000    | \$143,000    | \$143,000    |
| Property Tax                            |              |                 | \$2,917,000             | \$2,975,000  | \$3,035,000  | \$3,095,000  | \$3,157,000  | \$3,220,000  | \$3,285,000  | \$3,351,000  |
| Misc Non-Operating Revenue              |              |                 | \$192,000               | \$192,000    | \$192,000    | \$192,000    | \$192,000    | \$192,000    | \$192,000    | \$192,000    |
| Subtotal Other Revenues                 |              |                 | \$3,252,000             | \$3,310,000  | \$3,370,000  | \$3,430,000  | \$3,492,000  | \$3,555,000  | \$3,620,000  | \$3,686,000  |
| Total Revenues                          |              |                 | \$35,413,000            | \$37,831,000 | \$39,700,000 | \$41,750,000 | \$43,919,000 | \$46,214,000 | \$48,641,000 | \$51,209,000 |
| O&M Expenses                            | FY 2023      | FY 2024         | FY 2025                 | FY 2026      | FY 2027      | FY 2028      | FY 2029      | FY 2030      | FY 2031      | FY 2032      |
| Fixed Purchased Water Costs             |              |                 |                         |              |              |              |              |              |              |              |
| MWD Readiness-to-Serve Charge           |              |                 | \$223,000               | \$223,000    | \$223,000    | \$223,000    | \$223,000    | \$223,000    | \$223,000    | \$223,000    |
| MWD Capacity Charge                     |              |                 | \$165,000               | \$139,000    | \$139,000    | \$139,000    | \$139,000    | \$139,000    | \$139,000    | \$139,000    |
| Supply Reliability Charge               |              |                 | \$691,000               | \$710,000    | \$710,000    | \$710,000    | \$710,000    | \$710,000    | \$710,000    | \$710,000    |
| Customer Service Charge                 |              |                 | \$409,000               | \$427,000    | \$427,000    | \$427,000    | \$427,000    | \$427,000    | \$427,000    | \$427,000    |
| Emergency Storage Charge                |              |                 | \$1,022,000             | \$1,058,000  | \$1,058,000  | \$1,058,000  | \$1,058,000  | \$1,058,000  | \$1,058,000  | \$1,058,000  |
| Infrastructure Access Charge            |              |                 | \$537,000               | \$537,000    | \$537,000    | \$537,000    | \$537,000    | \$537,000    | \$537,000    | \$537,000    |
| Subtotal Fixed Purchased Water Costs    |              |                 | \$3,047,000             | \$3,094,000  | \$3,094,000  | \$3,094,000  | \$3,094,000  | \$3,094,000  | \$3,094,000  | \$3,094,000  |
| Variable Purchased Water Costs          |              |                 |                         |              |              |              |              |              |              |              |
| Treated Water Costs                     |              |                 | \$804,000               | \$804,000    | \$804,000    | \$804,000    | \$804,000    | \$804,000    | \$804,000    | \$804,000    |
| Untreated Water Costs                   |              |                 | \$11,962,000            | \$11,962,000 | \$11,962,000 | \$11,962,000 | \$11,962,000 | \$11,962,000 | \$11,962,000 | \$11,962,000 |
| PSAWR Water Costs                       |              |                 | \$57,000                | \$57,000     | \$57,000     | \$57,000     | \$57,000     | \$57,000     | \$57,000     | \$57,000     |
| PSAWR Credit/Discount                   |              |                 | (\$9,000)               | (\$9,000)    | (\$9,000)    | (\$9,000)    | (\$9,000)    | (\$9,000)    | (\$9,000)    | (\$9,000)    |
| Subtotal Variable Purchased Water Costs |              |                 | \$12,814,000            | \$12,814,000 | \$12,814,000 | \$12,814,000 | \$12,814,000 | \$12,814,000 | \$12,814,000 | \$12,814,000 |
| Other Water Supplies                    |              |                 |                         |              |              |              |              |              |              |              |
| Recycled Water Purchases                |              |                 | \$907,000               | \$907,000    | \$907,000    | \$907,000    | \$907,000    | \$907,000    | \$907,000    | \$907,000    |
| Personnel Expenses                      |              |                 |                         |              |              |              |              |              |              |              |
| Administration                          |              |                 | \$2,772,000             | \$3,279,000  | \$3,392,000  | \$3,509,000  | \$3,632,000  | \$3,760,000  | \$3,894,000  | \$4,034,000  |
| Engineering                             |              |                 | \$624,000               | \$647,000    | \$672,000    | \$698,000    | \$725,000    | \$753,000    | \$783,000    | \$814,000    |
| Operations                              |              |                 | \$2,639,000             | \$2,739,000  | \$2,844,000  | \$2,953,000  | \$3,067,000  | \$3,187,000  | \$3,312,000  | \$3,443,000  |
| Joint Facilities                        |              |                 | \$3,209,000             | \$3,334,000  | \$3,465,000  | \$3,602,000  | \$3,745,000  | \$3,895,000  | \$4,052,000  | \$4,215,000  |
| Subtotal Personnel Expenses             |              |                 | \$9,244,000             | \$9,999,000  | \$10,373,000 | \$10,762,000 | \$11,169,000 | \$11,595,000 | \$12,041,000 | \$12,506,000 |
| Non-Personnel Expenses                  |              |                 |                         |              |              |              |              |              |              |              |
| Administration Expenses                 |              |                 | \$1,279,000             | \$1,346,000  | \$1,416,000  | \$1,490,000  | \$1,567,000  | \$1,649,000  | \$1,735,000  | \$1,825,000  |
| Engineering                             |              |                 | \$146,000               | \$154,000    | \$162,000    | \$170,000    | \$179,000    | \$188,000    | \$198,000    | \$208,000    |
| Operations and Maintenance              |              |                 | \$1,670,000             | \$1,767,000  | \$1,825,000  | \$1,885,000  | \$1,948,000  | \$2,012,000  | \$2,078,000  | \$2,147,000  |
| Joint Facilities - Non-Personnel        |              |                 | \$3,282,000             | \$3,455,000  | \$3,621,000  | \$3,794,000  | \$3,976,000  | \$4,167,000  | \$4,368,000  | \$4,578,000  |
| Conservation                            |              |                 | \$24,000                | \$25,000     | \$26,000     | \$27,000     | \$29,000     | \$30,000     | \$32,000     | \$34,000     |
| Subtotal Non-Personnel Expenses         |              |                 | \$6,401,000             | \$6,747,000  | \$7,050,000  | \$7,366,000  | \$7,699,000  | \$8,046,000  | \$8,411,000  | \$8,792,000  |
| Total Expenses                          |              |                 | \$32,413,000            | \$33,561,000 | \$34,238,000 | \$34,943,000 | \$35,683,000 | \$36,456,000 | \$37,267,000 | \$38,113,000 |
| Net Cashflow                            |              |                 | \$3,000,000             | \$4,270,000  | \$5,462,000  | \$6,807,000  | \$8,236,000  | \$9,758,000  | \$11,374,000 | \$13,096,000 |





# CHANGES FROM PROPOSAL

## APRIL PROPOSAL TO JUNE ADOPTION CHANGES

The following tables outline the changes to the FY24 Budget between the original proposal in April to adoption in June.

### FY 2024 SFID BUDGET REVISION SUMMARY - SOURCES OF FUNDS

| OPERATING REVENUES                              | April<br>Presentation | Adjustment        | Explanation   | Final Budget         |
|---|-----------------------|-------------------|---|----------------------|
| Potable Water Sales                             | \$ 25,212,256         | \$ (137,320)      | Adjustment based on final SDCWA numbers   | \$ 25,074,936        |
| Recycled Water Sales                            | 1,011,450             | -                 | No change   | 1,011,450            |
| Fixed Charges                                   | 6,101,153             | 30,983            | No change   | 6,132,136            |
| SDWD Local Water Reimbursement                  | 320,250               | -                 | No change   | 320,250              |
| SDWD Treatment Reimbursement                    | 2,552,966             | 332,025           | Reflects updated true reimbursement for Joint Facilities operating expenditures | 2,884,991            |
| Misc. Operating Revenue                         | 450,000               | -                 |   | 450,000              |
| <b>Total Operating Revenue</b>                  | <b>\$ 35,648,075</b>  | <b>\$ 225,688</b> |   | <b>\$ 35,873,763</b> |
| <b>NON-OPERATING REVENUES</b>                   |                       |                   |   |                      |
| Capacity Charges                                | \$ 90,000             | \$ -              | No change   | \$ 90,000            |
| Interest Income                                 | 1,141,000             | -                 | No change   | 1,141,000            |
| Property Tax                                    | 2,975,231             | (0)               | No change   | 2,975,231            |
| SDWD Capital Reimbursement                      | 1,161,225             | 74,250            | SDWD proportional share of increased capital acquisitions                       | 1,235,475            |
| Misc. Non-Operating Revenue                     | 192,000               | -                 | No change   | 192,000              |
| <b>Total Non-Operating Revenue</b>              | <b>\$ 5,559,456</b>   | <b>\$ 74,250</b>  |   | <b>\$ 5,633,706</b>  |
| <b>TOTAL REVENUE</b>                            | <b>\$ 41,207,531</b>  | <b>\$ 299,938</b> |   | <b>\$ 41,507,469</b> |
| <b>OTHER SOURCES OF FUNDS</b>                   |                       |                   |   |                      |
| Transfer from Capital Reserve Fund              | \$ 785,544            | 90,750            | Due to increased capital acquisitions   | \$ 876,294           |
| Transfer from Rate Stabilization / Undesignated | 2,089,067             | 295,605           | Increased balancing effect due to change in imported water purchases            | 2,384,672            |
| <b>Total Other Sources of Funds</b>             | <b>\$ 2,874,611</b>   | <b>\$ 386,355</b> |   | <b>\$ 3,260,966</b>  |
| <b>TOTAL FUNDS AVAILABLE</b>                    | <b>\$ 44,082,142</b>  | <b>\$ 686,293</b> |   | <b>\$ 44,768,435</b> |

# FY 2024 SFID BUDGET REVISION SUMMARY - UTILIZATION OF FUNDS

| OPERATING EXPENSES                              | April<br>Presentation | Adjustment        | Explanation   | Final Budget         |
|---|-----------------------|-------------------|---|----------------------|
| Imported Water Purchases                        | \$ 16,144,512         | \$ 491,292        | Adjustment based on final SDCWA numbers   | \$ 16,635,804        |
| Local Water Costs                               | 750,000               | -                 | No change   | 750,000              |
| Recycled Water Purchases                        | 1,011,450             | -                 | No change   | 1,011,450            |
| <u>Personnel Expenses</u>                       |                       |                   |   |                      |
| Salaries  | 5,658,265             | -                 | No change   | 5,658,265            |
| Retirement - CalPERS                            | 2,023,489             | -                 | No change   | 2,023,489            |
| Healthcare (Medical / Dental)                   | 968,875               | -                 | No change   | 968,875              |
| Retiree Healthcare                              | 485,962               | -                 | No change   | 485,962              |
| Other Personnel Expenses                        | 278,801               | -                 | No change   | 278,801              |
| (less: capitalized labor)                       | (25,000)              | -                 | No change   | (25,000)             |
| <u>Non-Personnel Expenses</u>                   |                       |                   |   |                      |
| Administration Expense                          | 1,334,298             | -                 | No change   | 1,334,298            |
| Engineering Expense                             | 183,375               | -                 | No change   | 183,375              |
| Operations & Maintenance                        | 1,781,800             | -                 | No change   | 1,781,800            |
| Joint Facilities                                | 2,877,916             | 30,000            | Increase in contract expenditures for assessment of clearwell ability to hold solar panels        | 2,907,916            |
| Capital Contribution (Equal to Depreciation)    | 4,263,400             | -                 | No change   | 4,263,400            |
| <b>Total Operating Expenses</b>                 | <b>\$ 37,737,143</b>  | <b>\$ 521,292</b> |   | <b>\$ 38,258,435</b> |
| <b>CAPITAL EXPENSES</b>                         |                       |                   |   |                      |
| Capital Acquisitions                            | \$ 1,259,000          | \$ 165,000        | Increased cost for two joint facilities capital items (ammonia / unit 37) and new shade structure | \$ 1,424,000         |
| Capital Improvements                            | 5,086,000             | -                 | No change   | 5,086,000            |
| <b>Total Capital Expenses</b>                   | <b>\$ 6,345,000</b>   | <b>\$ 165,000</b> |   | <b>\$ 6,510,000</b>  |
| <b>TOTAL EXPENSES</b>                           | <b>\$ 44,082,143</b>  | <b>\$ 686,292</b> |   | <b>\$ 44,768,435</b> |
| <b>RESERVE CONTRIBUTION</b>                     |                       |                   |   |                      |
| Transfer to Local Water Reserve                 | \$ -                  | \$ -              |   | \$ -                 |
| Transfer to Capital Reserve Fund                | -                     | -                 |   | -                    |
| Transfer to Operating Fund / Rate Stabilization | -                     | -                 |   | -                    |
| <b>Total Reserve Contribution</b>               | <b>\$ -</b>           | <b>\$ -</b>       |   | <b>\$ -</b>          |
| <b>TOTAL USES OF FUNDS</b>                      | <b>\$ 44,082,143</b>  | <b>\$ 686,292</b> |   | <b>\$ 44,768,435</b> |

**Santa Fe Irrigation District**  
**Fiscal Year 2024 Budget Summary**  
**Sources of Funds**

| OPERATING REVENUES                                  | FY 2022              | FY 2023              |                      | FY 2024              | % Change      | % Change     |
|---|----------------------|----------------------|----------------------|----------------------|---------------|--------------|
|   | Actual               | Budget               | Projected            | Budget               | Bgt to Bgt    | Proj to Bgt  |
| Potable Water Sales                                 | \$ 21,564,368        | \$ 21,309,811        | \$ 20,134,204        | \$ 25,074,936        | 17.7%         | 24.5%        |
| Recycled Water Sales                                | 1,105,989            | 973,500              | 1,100,940            | 1,011,450            | 3.9%          | -8.1%        |
| Fixed Charges                                       | 5,621,633            | 5,789,694            | 5,642,115            | 6,132,136            | 5.9%          | 8.7%         |
| SDWD Local Water Reimbursement                      | 130,140              | 310,643              | 64,050               | 320,250              | 3.1%          | 400.0%       |
| SDWD Treatment Reimbursement                        | 2,264,196            | 2,750,383            | 2,352,637            | 2,884,991            | 4.9%          | 22.6%        |
| Misc Operating Revenue                              | 439,209              | 350,000              | 505,008              | 450,000              | 28.6%         | -10.9%       |
| <b>Total Operating Revenue</b>                      | <b>\$ 31,125,535</b> | <b>\$ 31,484,031</b> | <b>\$ 29,798,954</b> | <b>\$ 35,873,763</b> | <b>13.9%</b>  | <b>20.4%</b> |
| <b>NON-OPERATING REVENUES</b>                       |                      |                      |                      |                      |               |              |
| Capacity Charges                                    | \$ 123,451           | \$ 90,000            | \$ 90,000            | \$ 90,000            | 0.0%          | 0.0%         |
| Interest Income                                     | 8,808                | 142,968              | 406,797              | 1,141,000            | 698.1%        | 180.5%       |
| Property Tax  | 2,858,958            | 2,916,893            | 2,916,893            | 2,975,231            | 2.0%          | 2.0%         |
| SDWD Capital Reimbursement                          | 1,814,362            | 2,329,272            | 415,975              | 1,235,475            | -47.0%        | 197.0%       |
| Grant Revenue - CalOES / FEMA                       | 1,773,367            | -                    | 369,000              | -                    | -             | -100.0%      |
| Misc Non-Operating Revenue                          | 463,434              | 192,000              | 303,163              | 192,000              | 0.0%          | -36.7%       |
| <b>Total Non-Operating Revenue</b>                  | <b>\$ 7,042,380</b>  | <b>\$ 5,671,133</b>  | <b>\$ 4,501,828</b>  | <b>\$ 5,633,706</b>  | <b>-0.7%</b>  | <b>25.1%</b> |
| <b>TOTAL REVENUE</b>                                | <b>\$ 38,167,915</b> | <b>\$ 37,155,164</b> | <b>\$ 34,300,782</b> | <b>\$ 41,507,469</b> | <b>11.7%</b>  | <b>21.0%</b> |
| <b>OTHER SOURCES OF FUNDS</b>                       |                      |                      |                      |                      |               |              |
| Transfer from Local Water Reserve                   | 524,809              | 452,321              | 383,222              | -                    | -100.0%       | -100.0%      |
| Transfer from Capital Reserve Fund                  | -                    | 4,834,800            | -                    | 876,294              | -81.9%        | -            |
| Transfer from Rate Stabilization/Undesignated Funds | -                    | 2,289,389            | 1,472,745            | 2,384,672            | 4.2%          | 61.9%        |
| <b>Total Other Sources of Funds</b>                 | <b>\$ 524,809</b>    | <b>\$ 7,576,510</b>  | <b>\$ 1,855,967</b>  | <b>\$ 3,260,966</b>  | <b>-57.0%</b> | <b>75.7%</b> |
| <b>TOTAL FUNDS AVAILABLE</b>                        | <b>\$ 38,692,724</b> | <b>\$ 44,731,674</b> | <b>\$ 36,156,749</b> | <b>\$ 44,768,435</b> | <b>0.1%</b>   | <b>23.8%</b> |

Note: Totals may not foot due to rounding.

**Santa Fe Irrigation District**  
**Fiscal Year 2024 Budget Summary**  
**Uses of Funds**

| OPERATING EXPENSES                                | FY 2022<br>Actual    | Budget               | FY 2023<br>Projected | FY 2024<br>Budget    | % Change<br>Bgt to Bgt | % Change<br>Proj to Bgt |
|---|----------------------|----------------------|----------------------|----------------------|------------------------|-------------------------|
| <u>Water Expenses:</u>                            |                      |                      |                      |                      |                        |                         |
| Imported Water Purchases                          | \$ 11,917,479        | \$ 12,787,032        | \$ 12,835,013        | \$ 16,635,804        | 30.1%                  | 29.6%                   |
| Local Water Costs                                 | 174,864              | 727,500              | 150,000              | 750,000              | 3.1%                   | 400.0%                  |
| Recycled Water Purchases                          | 1,024,615            | 973,500              | 1,100,940            | 1,011,450            | 3.9%                   | -8.1%                   |
| <u>Personnel Expenses</u>                         |                      |                      |                      |                      |                        |                         |
| Salaries  | 4,978,480            | 5,678,549            | 5,152,646            | 5,658,265            | -0.4%                  | 9.8%                    |
| Retirement - CalPERS                              | 3,628,484            | 1,760,460            | 1,561,916            | 2,023,489            | 14.9%                  | 29.6%                   |
| Healthcare (Medical / Dental)                     | 816,574              | 1,002,684            | 846,116              | 968,875              | -3.4%                  | 14.5%                   |
| Retiree Healthcare                                | 535,748              | 485,962              | 485,962              | 485,962              | 0.0%                   | 0.0%                    |
| Other Personnel Expenses                          | 180,689              | 272,683              | 633,523              | 278,801              | 2.2%                   | -56.0%                  |
| (less: capitalized labor)                         | 112,679              | (100,000)            | (25,546)             | (25,000)             | -75.0%                 | -2.1%                   |
| <u>Non-Personnel Expenses</u>                     |                      |                      |                      |                      |                        |                         |
| Administration Expense                            | 1,112,273            | 1,339,596            | 1,223,156            | 1,334,298            | -0.4%                  | 9.1%                    |
| Engineering Expense                               | 165,767              | 145,875              | 96,093               | 183,375              | 25.7%                  | 90.8%                   |
| Operations & Maintenance                          | 1,412,208            | 1,720,850            | 1,543,925            | 1,781,800            | 3.5%                   | 15.4%                   |
| Joint Facilities                                  | 2,692,254            | 3,220,249            | 2,451,177            | 2,907,916            | -9.7%                  | 18.6%                   |
| Capital Contribution (Equal to Depreciation)      | 3,252,777            | 4,210,800            | 3,600,000            | 4,263,400            | 1.2%                   | 18.4%                   |
| <b>Total Operating Expenses</b>                   | <b>\$ 32,004,891</b> | <b>\$ 34,225,741</b> | <b>\$ 31,654,921</b> | <b>\$ 38,258,435</b> | <b>11.8%</b>           | <b>20.9%</b>            |
| <b>CAPITAL EXPENSES</b>                           |                      |                      |                      |                      |                        |                         |
| Capital Acquisitions                              | \$ 651,343           | \$ 912,500           | \$ 697,600           | \$ 1,424,000         | 56.1%                  | 104.1%                  |
| Capital Improvements                              | 5,630,181            | 9,593,433            | 2,300,000            | 5,086,000            | -47.0%                 | 121.1%                  |
| <b>Total Capital Expenses</b>                     | <b>\$ 6,281,524</b>  | <b>\$ 10,505,933</b> | <b>\$ 2,997,600</b>  | <b>\$ 6,510,000</b>  | <b>-38.0%</b>          | <b>117.2%</b>           |
| <b>TOTAL EXPENSES</b>                             | <b>\$ 38,286,415</b> | <b>\$ 44,731,674</b> | <b>\$ 34,652,521</b> | <b>\$ 44,768,435</b> | <b>0.1%</b>            | <b>29.2%</b>            |
| <b>RESERVE CONTRIBUTION</b>                       |                      |                      |                      |                      |                        |                         |
| Transfer to Local Water Reserve                   | \$ -                 | \$ -                 | \$ -                 | \$ -                 | -                      | -                       |
| Transfer to Capital Reserve Fund                  | -                    | -                    | 1,504,228            | -                    | -                      | -100.0%                 |
| Transfer to Operating / Rate Stab. / Undes. Funds | -                    | -                    | -                    | -                    | -                      | -                       |
| <b>Total Reserve Contribution</b>                 | <b>\$ 0</b>          | <b>\$ -</b>          | <b>\$ 1,504,228</b>  | <b>\$ -</b>          | <b>-</b>               | <b>-100.0%</b>          |
| <b>TOTAL USES OF FUNDS</b>                        | <b>\$ 38,286,415</b> | <b>\$ 44,731,674</b> | <b>\$ 36,156,749</b> | <b>\$ 44,768,435</b> | <b>0.1%</b>            | <b>23.8%</b>            |

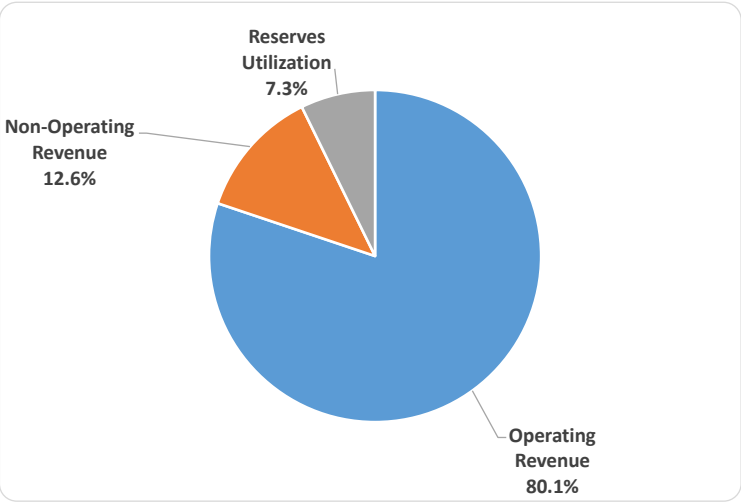
*Note: Totals may not foot due to rounding.*

# Santa Fe Irrigation District

## Fiscal Year 2024 Budget Summary

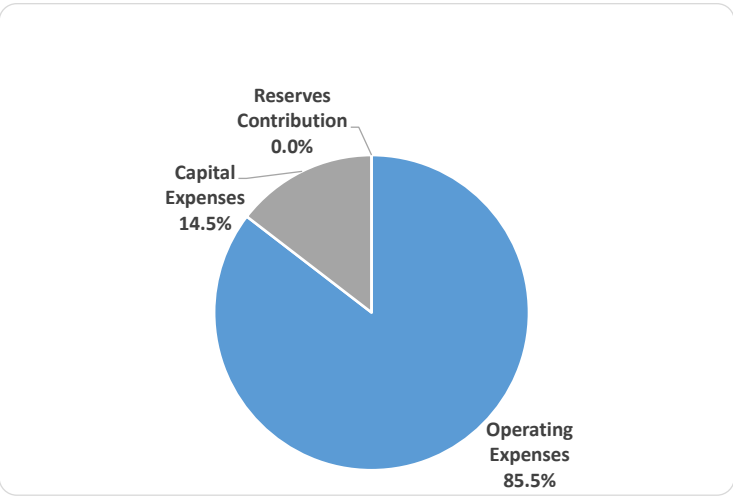
### SOURCES OF FUNDS

|                              |                      |
|------------------------------|----------------------|
| <b>Operating Revenue</b>     | <b>\$ 35,873,763</b> |
| <b>Non-Operating Revenue</b> | <b>5,633,706</b>     |
| <b>Reserves Utilization</b>  | <b>3,260,966</b>     |
| <b>Total Funds Available</b> | <b>\$ 44,768,435</b> |



### USES OF FUNDS

|                              |                      |
|------------------------------|----------------------|
| <b>Operating Expenses</b>    | <b>\$ 38,258,435</b> |
| <b>Capital Expenses</b>      | <b>6,510,000</b>     |
| <b>Reserves Contribution</b> | <b>-</b>             |
| <b>Total Expenses</b>        | <b>\$ 44,768,435</b> |

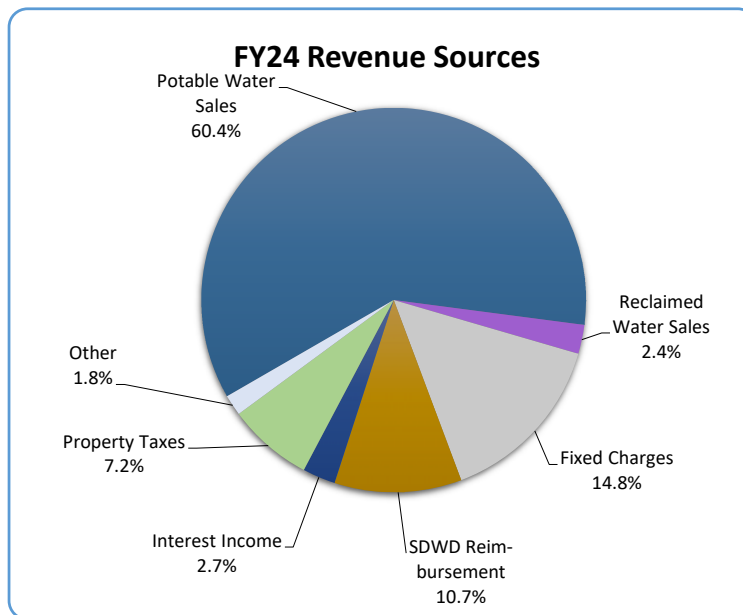


*Note: Totals may not foot due to rounding*

# Revenue Summary Fiscal Year 2024 Budget

| Description                    | FY 2022              | FY 2023              |                      | FY 2024              | % Change     | % Change     |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|--------------|--------------|
|                                | Actual               | Budget               | Projection           | Budget               | Bgt to Bgt   | Proj to Bgt  |
| Potable Water Sales            | \$ 21,564,368        | \$ 21,309,811        | \$ 20,134,204        | \$ 25,074,936        | 17.7%        | 24.5%        |
| Recycled Water Sales           | 1,105,989            | 973,500              | 1,100,940            | 1,011,450            | 3.9%         | -8.1%        |
| Fixed Charges                  | 5,621,633            | 5,789,694            | 5,642,115            | 6,132,136            | 5.9%         | 8.7%         |
| SDWD Local Water Reimbursement | 130,140              | 310,643              | 64,050               | 320,250              | 3.1%         | 400.0%       |
| SDWD Treatment Reimbursement   | 2,264,196            | 2,750,383            | 2,352,637            | 2,884,991            | 4.9%         | 22.6%        |
| Misc Operating Revenue         | 439,209              | 350,000              | 505,008              | 450,000              | 28.6%        | -10.9%       |
| Capacity Charges               | 123,451              | 90,000               | 90,000               | 90,000               | 0.0%         | 0.0%         |
| Interest Income                | 8,808                | 142,968              | 406,797              | 1,141,000            | 698.1%       | 180.5%       |
| Property Tax                   | 2,858,958            | 2,916,893            | 2,916,893            | 2,975,231            | 2.0%         | 2.0%         |
| SDWD Capital Reimbursement     | 1,814,362            | 2,329,272            | 415,975              | 1,235,475            | -47.0%       | 197.0%       |
| Grant Revenue - CalOES / FEMA  | 1,773,367            | -                    | 369,000              | -                    | -            | -100.0%      |
| Misc Non-Operating Revenue     | 463,434              | 192,000              | 303,163              | 192,000              | 0.0%         | -36.7%       |
| <b>TOTALS</b>                  | <b>\$ 38,167,915</b> | <b>\$ 37,155,164</b> | <b>\$ 34,300,782</b> | <b>\$ 41,507,469</b> | <b>11.7%</b> | <b>21.0%</b> |

The District receives revenue from a variety of operating and non-operating sources. The table and chart presented summarize projected revenues for FY24. 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 FY24 is estimated to be \$41,507,469. Over three quarters of total revenues for the District is from water sales (variable and fixed charges - 75.2% of the total).



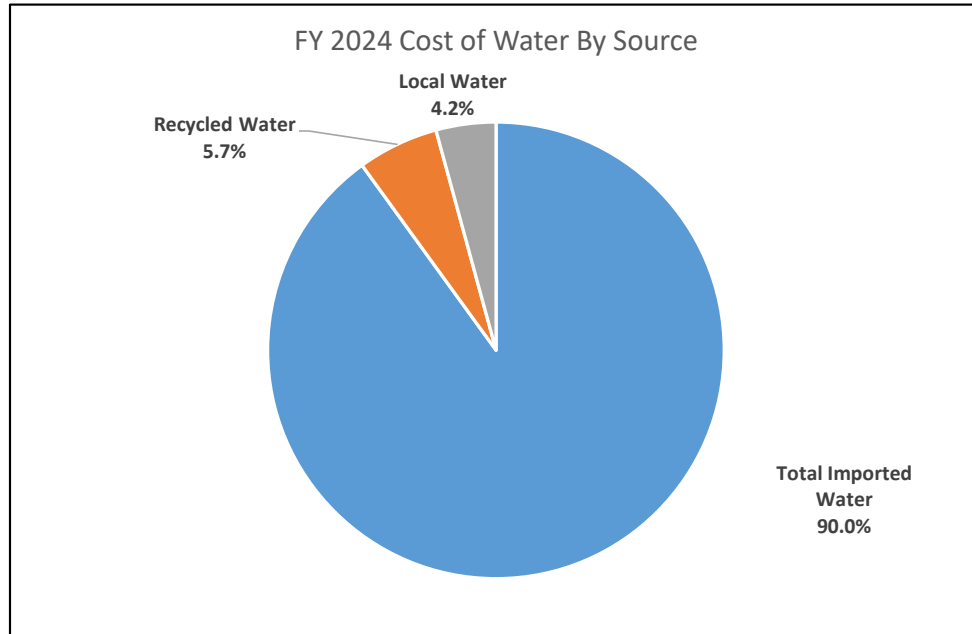
Note: Totals may not foot due to rounding.



# Water Expense Summary Fiscal Year 2024 Operating Budget

## Commodity Cost Breakdown

|                               | FY 2022              | FY 2023              |                      | FY 2024              | % Change     | % Change     |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|--------------|--------------|
| WATER SOURCE                  | Actual               | Budget               | Projected            | Budget               | Bgt to Bgt   | Proj to Bgt  |
| Imported Water:               |                      |                      |                      |                      |              |              |
| Variable Costs                | \$ 8,869,526         | \$ 9,741,384         | \$ 9,789,365         | \$ 12,727,080        | 30.6%        | 30.0%        |
| Fixed Costs                   |                      |                      |                      |                      |              |              |
| Supply Reliability Charge     | 718,014              | 690,906              | 690,906              | 727,643              | 5.3%         | 5.3%         |
| Infrastructure Access Charge  | 501,852              | 537,348              | 537,348              | 550,831              | 2.5%         | 2.5%         |
| Customer Service Charge       | 407,796              | 409,188              | 409,188              | 438,114              | 7.1%         | 7.1%         |
| Emergency Storage Charge      | 1,016,617            | 1,022,388            | 1,022,388            | 1,084,073            | 6.0%         | 6.0%         |
| MWD Capacity Charge           | 169,962              | 164,616              | 164,616              | 142,299              | -13.6%       | -13.6%       |
| MWD Readiness-to-Serve Charge | 233,712              | 221,202              | 221,202              | 232,790              | 5.2%         | 5.2%         |
| Total Fixed Costs             | 3,047,953            | 3,045,648            | 3,045,648            | 3,175,749            | 4.3%         | 4.3%         |
| Total Imported Water          | \$ 11,917,479        | \$ 12,787,032        | \$ 12,835,013        | \$ 15,902,829        | 24.4%        | 23.9%        |
| Local Water                   | 174,864              | 727,500              | 150,000              | 750,000              | 3.1%         | 400.0%       |
| Total Potable Water           | \$ 12,092,343        | \$ 13,514,532        | \$ 12,985,013        | \$ 16,652,829        | 23.2%        | 28.2%        |
| Recycled Water                | 1,024,615            | 973,500              | 1,100,940            | 1,011,450            | 3.9%         | -8.1%        |
| <b>Total Water Costs</b>      | <b>\$ 13,116,958</b> | <b>\$ 14,488,032</b> | <b>\$ 14,085,953</b> | <b>\$ 17,664,279</b> | <b>21.9%</b> | <b>25.4%</b> |





# PERSONNEL

## OVERVIEW



The total FY24 Personnel Budget is \$9,415,392 (excluding any capitalized labor), and includes salary and benefit expenses for 50 regular District employees. This figure represents 27.7% of total operating expenses and is an increase of approximately \$215,000 or 2.3% from FY23. This increase is primarily due to an increase in CalPERS unfunded liability per the District's Pension Funding Policy. 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 decreased by approximately \$20,000 or 0.4% from the FY23 Budget. This decrease is despite a 5.0% assumed general wage adjustment effective July 1, 2023. As of the time of this budget's compilation, the new MOU with District employees had not been finalized. The offset to this general wage adjustment is due to a reduction of one position in Joint Facilities and to the retirements of long-term employees that were at the top of their respective pay scales and replaced with new employees that were at a lower level of their respective pay scales.

## 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. The Board also directed Staff to create a level payment for the unfunded liability. To accomplish this, a level payment plan has been

developed over a 10-year amortization. These payments total \$1.4 million per year, which is approximately \$260,000 or 22.8% above the FY23 Budget. Additionally, the FY24 Budget for PAYGO payments to CalPERS are approximately \$600,000, which is essentially unchanged from FY23.

## OTHER EMPLOYEMENT EXPENDITURES

### Healthcare

Total healthcare costs in the FY23 Budget are approximately \$1.0 million, a \$34,000 decrease from FY23 or 3.4%, despite an estimate 10% increase in medical costs on January 1, 2024. This is due again to recent retirees who had a larger number of dependents on their medical plan, where new employees who were hired into these positions not having as many dependents, reducing costs.



### 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.

The total payments for approximately \$486,000 in FY24, which is unchanged from FY23. Per Governmental Accounting Standards Board pronouncement 75, the District engages an actuarial consultant every two years to perform an updated plan valuation, with an interim update in between. This interim valuation is currently underway, and is anticipated to not materially impact this budget figure.

## ORG CHART

The proposed FY24 organizational chart is presented at the end of this budget section. As shown in the graphic below, budgeted employees are decreasing by 1 position overall. There were 51 budgeted employees in FY23, which decreased to 50 employees in FY24. The change in requested positions is due to a reduction of two budgeted Operator I positions for the R.E. Badger Water Treatment Plant (Joint Facilities). The District recently completed a recruitment for operators, which resulted in two operators being hired to begin training to replace recent / upcoming retirees. Management reviewed the current need for operators based on the most recent estimates for upcoming retirements and the ability to sufficiently train operators and determined that these positions should not be filled. Based on this, Staff is not requesting these two Operator I positions in the FY24 Budget, resulting in a savings of approximately \$150,000.

The FY24 Budget includes one additional position request in the Administration department. The current Purchasing & Maintenance Coordinator is retiring in FY23 and based on their duties & responsibilities, while also evaluating District needs, this position is proposed to be split into two positions: 1. Facilities and Fleet Maintenance Coordinator, and 2. Purchasing & Contracts Coordinator. The Maintenance Coordinator position will work to coordinate repair and maintenance on all District and Joint Facilities fleet and non-treatment related facilities, centralizing this responsibility and creating additional efficiencies. The Purchasing position will centralize all procurement, contracts administration, enforce purchasing and procurement requirements, and training of Staff, among other duties. The net increase in salaries associated with splitting this position's duties is approximately \$50,000.

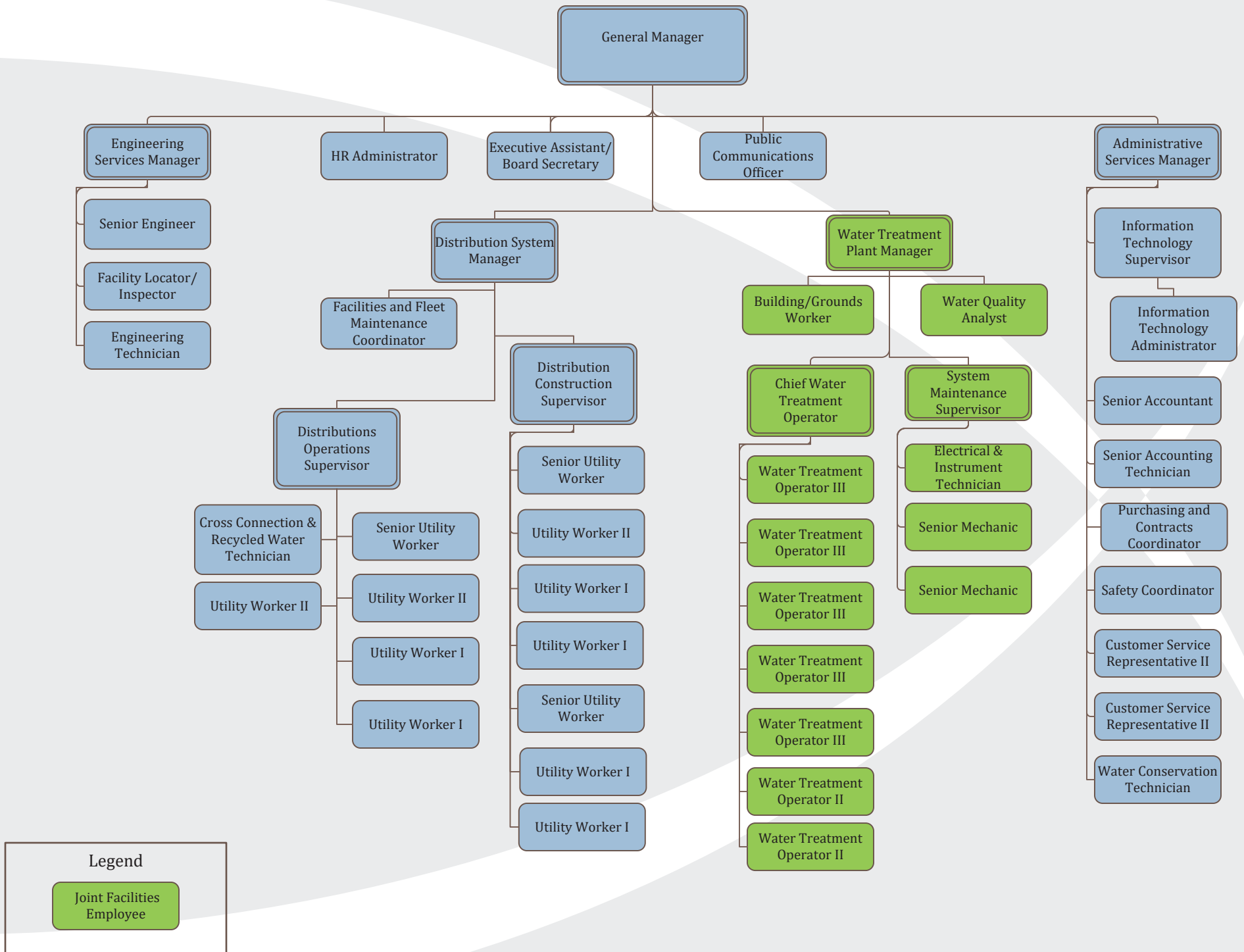
The District undertook a class & compensation analysis in FY23 through a professional consultant that updated all District job descriptions to ensure that they accurately reflected the work being performed by Staff. Additionally, the compensation analysis reviewed 16 separate agencies for similar positions & illustrated how the District's pay-range for these positions compared. The consultant's recommendations for job description changes, any adjustments to pay-ranges for District positions, and job title changes may be adopted as part of the new MOU. The FY24 Budget will not be impacted by adoption of these recommendations & the organizational chart included in this document does not reflect any of these potential title changes.

| Employees by Dept. | FY23<br>Budget | FY24<br>Request | Change    |
|--------------------|----------------|-----------------|-----------|
| Joint Facilities   | 17             | 15              | -2        |
| Operations         | 17             | 17              | 0         |
| Administration     | 13             | 14              | 1         |
| Engineering        | 4              | 4               | 0         |
| <b>TOTAL</b>       | <b>51</b>      | <b>50</b>       | <b>-1</b> |



*Employee of the year Luis Martinez*





Personnel Expense Summary  
Fiscal Year 2024 Operating Budget

| Description                               | FY 2022              | FY 2023             |                     | FY 2024             | % Change    | % Change    |
|---|----------------------|---------------------|---------------------|---------------------|-------------|-------------|
|   | Actual               | Budget              | Projected           | Budget              | Bgt to Bgt  | Proj to Bgt |
| <b>Salaries &amp; Benefits:</b>           |                      |                     |                     |                     |             |             |
| District Administration                   | \$ 2,792,788         | \$ 2,480,400        | \$ 2,408,625        | \$ 2,748,554        | 10.8%       | 14.1%       |
| Salaries                                  | 1,512,798            | 1,665,963           | 1,622,264           | 1,785,984           | 7.2%        | 10.1%       |
| Retirement - CalPERS                      | 1,018,263            | 504,467             | 488,302             | 623,624             | 23.6%       | 27.7%       |
| Healthcare (Medical / Dental)             | 205,106              | 242,760             | 227,472             | 266,097             | 9.6%        | 17.0%       |
| Other                                     | 56,621               | 67,210              | 70,587              | 72,849              | 8.4%        | 3.2%        |
| District Engineering                      | 829,977              | 713,872             | 294,350             | 787,923             | 10.4%       | 167.7%      |
| Salaries                                  | 426,004              | 493,310             | 235,541             | 521,690             | 5.8%        | 121.5%      |
| Retirement - CalPERS                      | 350,720              | 138,721             | 16,488              | 174,733             | 26.0%       | 959.8%      |
| Healthcare (Medical / Dental)             | 39,073               | 63,829              | 32,952              | 73,703              | 15.5%       | 123.7%      |
| Other                                     | 14,180               | 18,012              | 9,369               | 17,797              | -1.2%       | 90.0%       |
| District Operations                       | 2,837,636            | 2,522,505           | 2,491,974           | 2,462,692           | -2.4%       | -1.2%       |
| Salaries                                  | 1,438,687            | 1,599,434           | 1,471,872           | 1,531,361           | -4.3%       | 4.0%        |
| Retirement - CalPERS                      | 1,043,365            | 503,316             | 467,044             | 541,625             | 7.6%        | 16.0%       |
| Healthcare (Medical / Dental)             | 281,348              | 335,473             | 259,152             | 305,526             | -8.9%       | 17.9%       |
| Other                                     | 74,236               | 84,282              | 293,907             | 84,180              | -0.1%       | -71.4%      |
| Joint Facilities Operations               | 1,901,400            | 1,860,201           | 1,738,310           | 1,655,057           | -11.0%      | -4.8%       |
| Salaries                                  | 1,055,581            | 1,191,997           | 1,117,686           | 1,044,744           | -12.4%      | -6.5%       |
| Retirement - CalPERS                      | 685,324              | 378,917             | 365,000             | 385,428             | 1.7%        | 5.6%        |
| Healthcare (Medical / Dental)             | 162,537              | 225,395             | 198,448             | 165,427             | -26.6%      | -16.6%      |
| Other                                     | (2,042)              | 63,892              | 57,177              | 59,459              | -6.9%       | 4.0%        |
| Joint Facilities Maintenance              | 771,169              | 749,156             | 714,899             | 821,317             | 9.6%        | 14.9%       |
| Salaries                                  | 289,267              | 471,699             | 449,845             | 497,081             | 5.4%        | 10.5%       |
| Retirement - CalPERS                      | 364,593              | 153,968             | 145,871             | 193,103             | 25.4%       | 32.4%       |
| Healthcare (Medical / Dental)             | 93,120               | 98,124              | 93,871              | 102,665             | 4.6%        | 9.4%        |
| Other                                     | 24,189               | 25,365              | 25,313              | 28,468              | 12.2%       | 12.5%       |
| Joint Facilities Laboratory               | 164,213              | 141,082             | 284,904             | 163,566             | 15.9%       | -42.6%      |
| Salaries                                  | 90,260               | 98,420              | 83,503              | 98,100              | -0.3%       | 17.5%       |
| Retirement - CalPERS                      | 59,462               | 27,211              | 25,287              | 31,928              | 17.3%       | 26.3%       |
| Healthcare (Medical / Dental)             | 9,573                | 10,100              | 8,034               | 27,860              | 175.8%      | 246.8%      |
| Other                                     | 4,918                | 5,351               | 168,079             | 5,678               | 6.1%        | -96.6%      |
| Joint Facilities Administration           | 307,044              | 247,159             | 261,139             | 290,321             | 17.5%       | 11.2%       |
| Salaries                                  | 165,883              | 157,726             | 171,935             | 179,305             | 13.7%       | 4.3%        |
| Retirement - CalPERS                      | 106,757              | 53,860              | 53,925              | 73,049              | 35.6%       | 35.5%       |
| Healthcare (Medical / Dental)             | 25,817               | 27,002              | 26,188              | 27,597              | 2.2%        | 5.4%        |
| Other                                     | 8,587                | 8,571               | 9,091               | 10,370              | 21.0%       | 14.1%       |
| Subtotal Operating Salaries & Benefits    | \$ 9,604,227         | \$ 8,714,376        | \$ 8,194,200        | \$ 8,929,430        | 2.5%        | 9.0%        |
| <b>Retiree Health Care Program</b>        |                      |                     |                     |                     |             |             |
| Annual OPEB Trust Contribution / Pay-Go   |                      |                     |                     |                     |             |             |
| District                                  | 386,754              | 321,352             | 321,352             | 321,352             | 0.0%        | 0.0%        |
| Plant                                     | 148,994              | 164,610             | 164,610             | 164,610             | 0.0%        | 0.0%        |
| Subtotal Retiree Healthcare Program       | 535,748              | \$ 485,962          | \$ 485,962          | \$ 485,962          | 0.0%        | 0.0%        |
| <b>Total Personnel Expenses</b>           | <b>\$ 10,139,975</b> | <b>\$ 9,200,338</b> | <b>\$ 8,680,162</b> | <b>\$ 9,415,392</b> | <b>2.3%</b> | <b>8.5%</b> |
| Direct Labor Charged to CIP               | 112,679              | (100,000)           | (25,546)            | (25,000)            | -75.0%      | -2.1%       |
| <b>Personnel Net of Capitalized Labor</b> | <b>\$ 10,252,654</b> | <b>\$ 9,100,338</b> | <b>\$ 8,654,616</b> | <b>\$ 9,390,392</b> | <b>3.2%</b> | <b>8.5%</b> |





# 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 2022     | FY 2023     | FY 2024      |
| <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          |
| Purchasing                    | 0.0         | 0.0         | 1.0          |
| Water Conservation Technician | 0.0         | 1.0         | 1.0          |
| <b>Total</b>                  | <b>12.0</b> | <b>13.0</b> | <b>14.0</b>  |

## PROGRAMS AND ACTIVITIES

The FY24 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

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- ✧ 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

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- ✧ 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

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- ✧ 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

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- ✧ 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 FY23

The Administrative Services staff achieved the following key accomplishments in FY23:

- ✧ Completed two-year cost-of-service with associated public outreach
- ✧ Managed loss of local water with District Board, counsel, and stakeholders
- ✧ Government Finance Officers Association distinguished budget award and certificate of achievement for excellence in financial reporting
- ✧ Unmodified opinion on FY22 audit - completed and accepted by Board of Directors
- ✧ Completed recruitments for multiple positions District-wide
- ✧ Updated Reserve Policy & administered all reserve funds in accordance with Policy
- ✧ Updated capacity fees to ensure proper cost recovery
- ✧ Completed FY23 mid-year budget monitoring
- ✧ Completed FY24 Budget cycle
- ✧ Work with actuaries on pension / OPEB for GASB 67, 75
- ✧ Participated in county-wide tabletop exercise for disaster preparedness
- ✧ Deployed new District-wide phone system
- ✧ Completed numerous AV enhancements for Board meetings to enhance public participation

- ✧ Implemented new time-card management

## OBJECTIVES FOR FY24

During FY24, Administrative Services will achieve the following objectives:

- ✧ 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 customer payment portal
- ✧ Review / begin implementation of new customer AMI portal
- ✧ Implementation of new performance management system
- ✧ 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)*

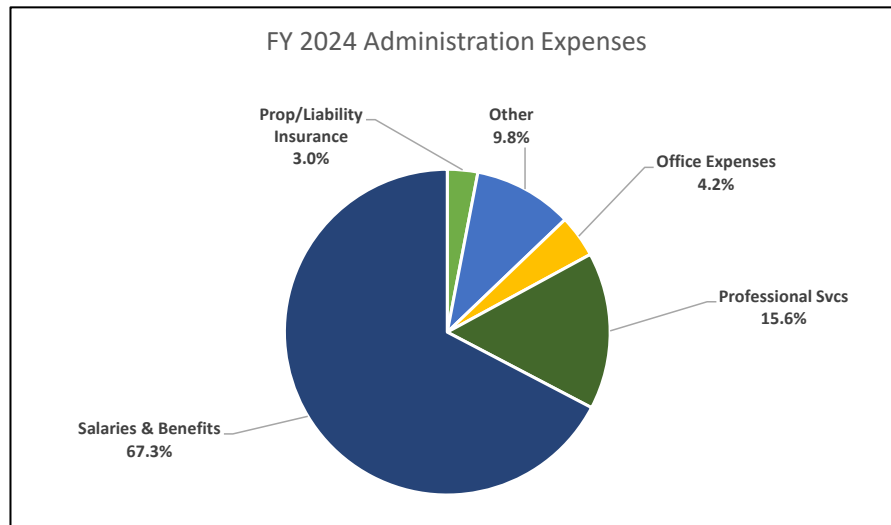
- ✧ Board support has decreased due to an estimated \$25,000 in election costs from FY23 that are not needed in FY24;
- ✧ Property & liability insurance premiums are estimated to increase 10% from actual levels in FY23. Additionally, the FY24 Budget includes \$5,000 for damage claim payments based on prior year actual levels;
- ✧ Office expenses are decreasing based on alignment with actual prior year spending and reduced need for additional office furniture;
- ✧ Information technology expenditures are increasing by 1.3% due to new cyber-security measures implemented for District emails and other assets. This was offset with a \$21,000 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 has remained unchanged from FY23 at \$82,000;
- ✧ Contract / professional services are made up of bank fees (\$130,000), general consulting (\$200,000), legal fees (\$225,000), and public outreach (\$82,000), which remains unchanged from FY23;
- ✧ Training and development expenditures are proposed to increase in FY24 to align with actual spending in FY23.

## ADMINISTRATIVE SERVICES KEY PERFORMANCE INDICATORS

| KPI # | KPI   | FY23 Goals       | FY23 Projections | FY24 Goals       | Comments / Variance Explanation  | Department     |
|-------|---|------------------|------------------|------------------|--|----------------|
| 1     | Average, typical single-family residential bill (SDCWA members)   | <33rd Percentile | <33rd Percentile | <33rd Percentile | Despite loss of local water, the District average bill is still in the bottom third                                      | Administration |
| 2     | Compliance with state requirement AB1668 - District water budget  | TBD              | TBD              | TBD              |  | Administration |
| 3     | Compliance with state requirement SBX 7-7 (gallons per capita / day)  | < 510            | <450             | <510             | GPCD is anticipated to decline in FY23 due to high rainfall  | Administration |
| 4     | Participation rate in customer survey   | 25%              | N/A              | 25%              | Customer survey anticipated in FY24  | Administration |
| 5     | # attendees at water seminar(s) / landscape classes held by District  | 100              | 22%              | 100              | One joint seminar held with OMWD, SDWD   | Administration |
| 6     | Number of customers enrolled in District AMI portal (as a % of total District customers - goal of 60% by FY31)            | 20%              | 15%              | 20%              | Delayed outreach to evaluate new portals, a bill stuffer, leak letters and advertisements are being deployed Spring 2023 | Administration |
| 7     | % of District main phone line calls not answered by live customer service representative                                  | <1%              | <1%              | <1%              |  | Administration |
| 8     | # of updates of current and developing legislation and regulations at District Board meeting                              | 9                | 10               | 9                |  | Administration |
| 9     | % customers on auto-pay (goal of 60% by FY31)   | 30%              | 32%              | 35%              |  | Administration |
| 10    | Employee voluntary turnover annually  | <=5%             | >10%             | <=5%             | High turnover in FY23 due to retirements   | Administration |
| 11    | Percentage of distribution and treatment employees with certifications/education above minimum requirements for their job | 67%              | ~50%             | 67%              | District hired new employees due to retirements with base certifications   | Administration |
| 12    | Percentage of performance evaluations completed within 30 days from anniversary   | 90%              | 65%              | 90%              | District has not yet implemented electronic system for performance management.   | Administration |
| 13    | Development / review for compliance with OPEB and pension funding policy  | Y                | Y                | Y                |  | Administration |
| 14    | Proposition 26 fees reviewed within last 3 years  | N/A              | Y                | Y                |  | Administration |
| 15    | Completion of cost-of-service study within last 5 years   | Y                | Y                | Y                |  | Administration |
| 16    | Compliance with all Board adopted financial policies (Budget, Reserves, Debt, Treasurer, etc.)                            | Y                | Y                | Y                |  | Administration |
| 17    | # of Table top emergency response plan exercises conducted  | 2                | 2                | 2                |  | Administration |
| 18    | Annual District rate increase / revenue requirement within 3% of San Diego / Carlsbad CPI-U, less water supply costs      | Y                | Y                | Y                |  | Administration |

## Administration Expense Summary Fiscal Year 2024 Operating Budget

|                                     | FY 2022             | FY 2023             |                     | FY 2024             | % Change     | % Change     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|--------------|--------------|
| Description                         | Actual              | Budget              | Projected           | Budget              | Bgt to Bgt   | Proj to Bgt  |
| <b>Labor Expenses:</b>              |                     |                     |                     |                     |              |              |
| Salaries & Benefits                 | \$ 2,792,788        | \$ 2,480,400        | \$ 2,408,625        | \$ 2,748,554        | 10.8%        | 14.1%        |
| District Retiree Health Care        | 386,754             | 321,352             | 321,352             | 321,352             | 0.0%         | 0.0%         |
| Capitalized Labor                   | 2,543               | -                   | -                   | -                   | -            | -            |
| Interdepartmental Allocations       | (468,867)           | (500,000)           | (387,208)           | (450,000)           | -10.0%       | 16.2%        |
| Net Personnel Expenditures          | <u>\$ 2,713,218</u> | <u>\$ 2,301,752</u> | <u>\$ 2,342,769</u> | <u>\$ 2,619,906</u> | <b>13.8%</b> | <b>11.8%</b> |
| <b>Non-Labor Expenses:</b>          |                     |                     |                     |                     |              |              |
| Board Support                       | \$ 20,758           | \$ 75,470           | \$ 39,408           | \$ 31,895           | -57.7%       | -19.1%       |
| Property & Liability Insurance      | 91,847              | 105,658             | 107,021             | 122,723             | 16.2%        | 14.7%        |
| Office Supplies                     | 51,084              | 67,500              | 60,176              | 57,500              | -14.8%       | -4.4%        |
| Information Technology              | 317,588             | 328,968             | 290,337             | 333,180             | 1.3%         | 14.8%        |
| Other Office Expense                | 107,187             | 109,000             | 107,704             | 115,000             | 5.5%         | 6.8%         |
| Conservation                        | 36,724              | 0                   | 36,959              | 0                   | -            | -100.0%      |
| Contract/Professional Services      | 455,403             | 637,000             | 550,093             | 637,000             | 0.0%         | 15.8%        |
| Training & Development              | 31,682              | 16,000              | 31,459              | 37,000              | 131.3%       | 17.6%        |
| <b>Total Non-Labor</b>              | <u>\$ 1,112,273</u> | <u>\$ 1,339,596</u> | <u>\$ 1,223,156</u> | <u>\$ 1,334,298</u> | <b>-0.4%</b> | <b>9.1%</b>  |
| <b>Expenses Before Depreciation</b> | <u>\$ 3,825,491</u> | <u>\$ 3,641,348</u> | <u>\$ 3,565,925</u> | <u>\$ 3,954,204</u> | <b>8.6%</b>  | <b>10.9%</b> |
| Depreciation & Amortization         | <u>\$ 3,252,777</u> | <u>\$ 4,210,800</u> | <u>\$ 3,600,000</u> | <u>\$ 4,263,400</u> | 1.2%         | 18.4%        |
| <b>Total Net Expenses</b>           | <b>\$ 7,078,268</b> | <b>\$ 7,852,148</b> | <b>\$ 7,165,925</b> | <b>\$ 8,217,604</b> | <b>4.7%</b>  | <b>14.7%</b> |



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 Engineering Technician position in FY24. 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 2022    | FY 2023    | FY 2024      |
| <u>Regular</u>               |            |            |              |
| Engineering Manager          | 1.0        | 1.0        | 1.0          |
| Senior 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          |
| <b>Total</b>                 | <b>4.0</b> | <b>4.0</b> | <b>4.0</b>   |

## 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)

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- ✧ 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

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- ✧ 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

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- ✧ 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 FY23

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The Engineering Services Department staff achieved the following key accomplishments in FY23

### ✧ **Capital Improvement Projects**

Advanced the Capital Improvement Program for the District and Joint facilities including:

- Managed the listed Projects through the Construction Phase with the filing the Notice of Completion. Projects delivered within schedule and budget with a total construction change order (CCO) rate of less than 3%.
  - Mechanical Dewatering & Filter Washwater Improvements
  - Handrail Improvements at San Dieguito Reservoir
  - San Dieguito Dam Concrete Refurbishment
- Advanced the following projects to the Award and Construction Phase:
  - Cielo Pump Station Valve Replacement Project
  - Government Road Pipeline Replacement Project
  - Chlorine Scrubber Replacement Project
- Initiated the Initiated the Design Related Activities for the Filter Surface Washwater Header and Associated Piping Project at the R.E. Badger Filtration Plant.
- Coordinated and completed the site assessments and submitted permits for potential solar projects at the Districts Operations Yard and Joint Facilities. The permits provide a 3-year window to initiate potential projects under SDG&E's Net Metering 2.0 agreement.
- Coordinated the reduction in the originally planned FY2023 Capital Improvement Projects list, for the cost of service, to ensure critical objectives and performance of the District's Assets and Joint Facilities system are met.

### ✧ **Awards**

- Received American Society of Civil Engineers' (ASCE's) Outstanding Structural Engineering Project of the Year for the Clearwell and Washwater Tanks Seismic Retrofit Projects.
- Received American Public Works Association (APWA) 2023 Chapter Annual Awards for Project of the Year in the Utilities category for the R.E. Badger Facility Upgrade Project which included the Seismic Retrofit Projects and the Mechanical Dewatering Project.

✱ **Planning and Operations Support**

- Continued in collaborative Operations and Engineering working groups with the City of San Diego, San Diego County Water Authority and San Dieguito Water District to manage the operations of the water level at Hodges and the emergency repairs.
- Continued to coordinate with the City and CWA in the engineering technical groups and implementation of identified near-term and long-term Hodges Dam repairs and improvements in response to the Division of Safety of Dams Restrictions.
- Participated and continue to participate with the City of Solana Beach regarding the potential development of the Pocket Park at the Larrick Reservoir site.
- Successfully received the access easement and encroachment permit to install the Recycled Water Meter for the Caltrans I-5 freeway expansion project.
- Prepared, completed, and submitted to the State of California for the District's 2022 Annual Supply and Demand Assessment
- Continued to respond to land development related activities and requests. Continue to utilize the tracking tool to ensure staff costs have been properly recouped and District's interest is protected. In the meantime, provide outstanding customer service and public/ community transparency.
- Continued to participate in discussions with Olivenhain Municipal Water District and jointly developing a "Principles of Understanding" for the San Dieguito Valley Brackish Groundwater Desalination Project.
- Continued to participate in different local workgroups and collations such as Regional Advisory Committee for the Integrated Regional Water Management for San Diego and the North San Diego Water Reuse Coalition for funding opportunities and alternative water supplies.

✱ **Property Management**

- Utilizing the District's most current Administrative Code, successfully reviewed and assessed multiple requests for quitclaims, encroachments, and easement actions to ensure District's interests and properties are protected and provide directions to staff in regards to related inquiries.

✱ **Information Technology Program**

- Continued to maintain and the develop GIS solutions and asset management technologies such as Miller Spatial Mark-out solutions and dashboard and fire hydrant maintenance mapping.
- Updated the ESRI/GIS software to include Innovyze modeling software.

✱ **District Asset Protection**

- SFID mark-out personnel responded to over 2,500 mark-out requests associated with construction activities throughout the District's entire service area.
- Update the GPS software to continually collect field data during construction and markouts when trenches are coordinates can be collected on exposed District infrastructure.

✱ **Personnel**

- Successfully hired a new Senior Civil Engineer to lead and coordinate the Capital Improvement Program and assist with development requests.

- Successfully coordinated with the Facility Locator/ Inspector to ensure that the District continues to meet the legal requirements and protect the District's assets.

## OBJECTIVES FOR FY24

During FY24, the Engineering Department will achieve the following objectives:

- ❖ Implement the Board-approved FY24 Capital Improvement Program
- ❖ Support 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
- ❖ Continue to implement the District's Strategic Business Plan and identified initiatives
- ❖ Prepare the District's 2023 Annual Supply and Demand Assessment
- ❖ Develop an Easement Management Plan for the District that reflects the adopted Admin Code revisions

## ENGINEERING DETAIL & SIGNIFICANT BUDGET CHANGES

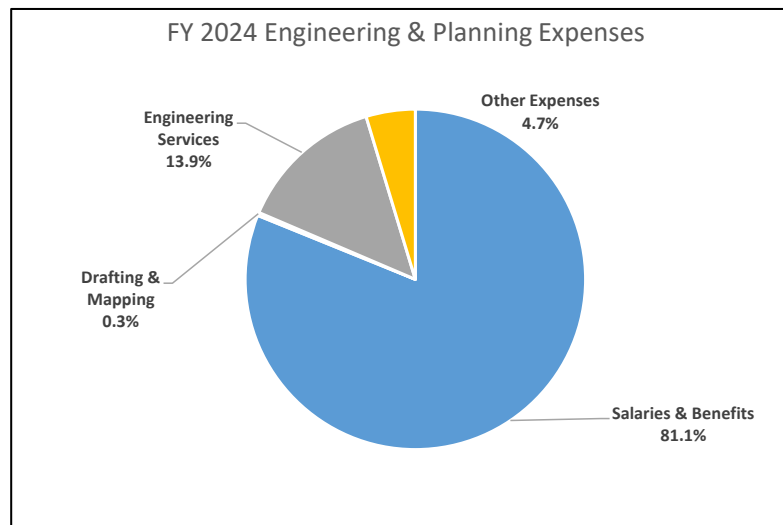
- ✱ The largest change in the FY24 Engineering budget is an increase in engineering services / consultant expenditures of \$35,000 for as-needed modeling. The total engineering services budget is comprised of \$35,000 for as-needed modeling, \$25,000 for as-need GIS support, \$15,000 for the annual water supply and demand assessment, \$25,000 for easement management planning, and \$25,000 for other miscellaneous items.

## ENGINEERING KEY PERFORMANCE INDICATORS

| KPI # | KPI   | FY23 Goals | FY23 Projections | FY24 Goals | Comments / Variance Explanation   | Department  |
|-------|---|------------|------------------|------------|---|-------------|
| 19    | Performed assessment of Drought Contingency Plan for short-term water reliability | Y          | Y                | Y          |   | Engineering |
| 20    | Annual Capital Improvement Program (CIP) expenditures as % of adopted budget      | 90%        | 54%              | 90%        | Delay in Procurement of Materials for the Cielo Pump Station, Government Road Pipeline, and Chlorine Scrubber Projects.                   | Engineering |
| 21    | CIP construction change orders as % of yearly program                             | <5%        | <5%              | <5%        |   | Engineering |
| 22    | # day to update GIS base maps from receipt of system change                       | <30        | N                | <60        | GIS Technician vacancy planned for advertisement in FY25. Consultants will be engaged to assist the District with field updates into GIS. | Engineering |
| 23    | DigAlert Tickets responded to within 48 hours                                     | 100%       | Y                | 100%       |   | Engineering |

**Engineering & Planning Expense Summary**  
**Fiscal Year 2024 Operating Budget**

| Description                | FY 2022             | FY 2023           |                   | FY 2024           | % Change     | % Change      |
|----------------------------|---------------------|-------------------|-------------------|-------------------|--------------|---------------|
|                            | Actual              | Budget            | Projected         | Budget            | Bgt to Bgt   | Proj to Bgt   |
| <b>Labor Expenses:</b>     |                     |                   |                   |                   |              |               |
| Salaries & Benefits        | \$ 829,977          | \$ 713,872        | \$ 294,350        | \$ 787,923        | 10.4%        | 167.7%        |
| Capitalized Labor          | 35,277              | (85,000)          | -                 | (15,000)          | -82.4%       | 0.0%          |
| Interdepartmental Charges  | (29,546)            | (35,000)          | (19,018)          | (30,000)          | -14.3%       | 57.7%         |
| Net Personnel Expenditures | <u>\$ 835,708</u>   | <u>\$ 593,872</u> | <u>\$ 275,332</u> | <u>\$ 742,923</u> | <b>25.1%</b> | <b>169.8%</b> |
| <b>Non-Labor Expenses:</b> |                     |                   |                   |                   |              |               |
| Drafting & Mapping         | 1,586               | 3,000             | 1,814             | 3,000             | 0.0%         | 65.4%         |
| Engineering Services       | 135,451             | 100,000           | 66,567            | 135,000           | 35.0%        | 102.8%        |
| Other Expenses             | 28,730              | 42,875            | 27,713            | 45,375            | 5.8%         | 63.7%         |
| <b>Total Non-Labor</b>     | <u>\$ 165,767</u>   | <u>\$ 145,875</u> | <u>\$ 96,093</u>  | <u>\$ 183,375</u> | <b>25.7%</b> | <b>90.8%</b>  |
| <b>Total Expenses</b>      | <b>\$ 1,001,475</b> | <b>\$ 739,747</b> | <b>\$ 371,425</b> | <b>\$ 926,298</b> | <b>25.2%</b> | <b>149.4%</b> |



*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 2022     | FY 2023     | FY 2024      |
| 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          |
| <b>Total</b>                         | <b>17.0</b> | <b>17.0</b> | <b>17.0</b>  |

## 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

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- ✧ 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

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- ✧ Maintains the District's Advanced Metering Infrastructure
- ✧ 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 FY23

The Operations and Maintenance Staff achieved the following Key Accomplishments in FY23

- ✧ Provided Operation Support for the Government Road Pipeline Improvements Project
- ✧ Oversaw and facilitated over 26 pipeline shutdowns for maintenance and repair activities
- ✧ Rebuilt a total of 6 Pressure Reducing Stations (12 valves)
- ✧ Exercised and completed preventative maintenance work to 1,178 system valves
- ✧ Replaced 12 distribution system isolation valves
- ✧ Responded to over 2,000 customer service requests
- ✧ Inspected 22 recycled water sites including 13 shutdown tests to maintain regulatory compliance
- ✧ Tested cathodic protection systems and collected data for the District and jointly-owned transmission mains
- ✧ Upgraded one Cathodic Protection Rectifier Power Supply Meter Pedestal
- ✧ Accomplished over 132 work orders related to construction maintenance and new service installations including 40 new service installations
- ✧ Completed 8 new large diameter fire connections
- ✧ Developed a working plan and SOP to comply with the Revised Lead and Copper Rule
- ✧ Implemented Fire Hydrant Maintenance Solution
- ✧ Completed Volumetric field testing of large diameter water meters
- ✧ Completed an updated Hazardous Assessment and Cross Connection Control Survey of all private water well sites within the service area

## OBJECTIVES FOR FY24

During FY24, 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
- ✳ Exercise and complete preventative maintenance work to 1,200 system valves
- ✳ 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
- ✳ Provide Operational Support during the construction of the Government Road Pipeline Project
- ✳ Facilitate new service installations
- ✳ Oversee regulatory compliance of additional recycled water use sites
- ✳ Complete a plan for compliance with CARB's Advanced Clean Fleet Requirements

## OPERATIONS & MAINTENANCE DETAIL & SIGNIFICANT BUDGET CHANGES

- ✳ The systems operations budget is increasing by \$27,000 primarily due primarily to an estimated \$18,000 increase in AMI software maintenance fees due to increasing participation in the customer portal and a \$4,500 increase in pressure reducing station communication equipment maintenance costs;
- ✳ The facilities maintenance expenditure budget for FY24 is increasing by approximately \$40,000. This budget includes goods and services that are prone to higher inflation levels including fuel, contract services, vehicle maintenance / parts, etc. The increase is comprised of a \$16,000 increase in fuel costs to align with FY23 actuals, a \$16,500 increase in general contract services for janitorial services / pest control / landscape services, and a \$3,500 increase for vehicle maintenance and rental equipment.
- ✳ Construction expenses are decreasing by approximately 1.6% or approximately \$16,000 from the FY23 Budget. The largest change is a reduction of \$70,000 in inspection fee expenditures to align with recent expenditure history. This was offset by a \$57,000 increase in pipeline expenditures based on increasing prices and inventory needs.
- ✳ Safety expenditures have increased by \$9,500 from the FY23 Budget due to the increasing cost of and greater need for hazardous waste disposal.

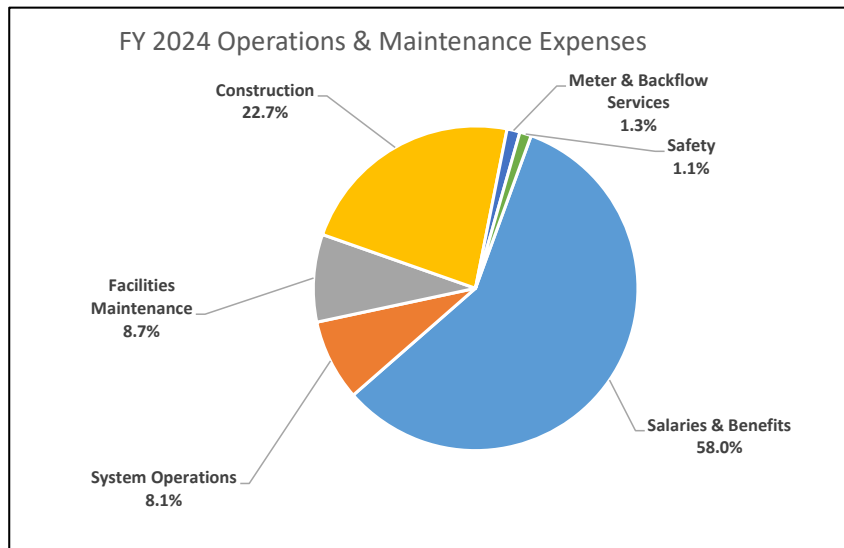
## OPERATIONS & MAINTENANCE KEY PERFORMANCE INDICATORS

| KPI # | KPI  | FY23 Goals | FY23 Projections | FY24 Goals | Comments / Variance Explanation   | Department   |
|-------|--|------------|------------------|------------|---|--------------|
| 24    | # of unplanned disruptions greater than 4 hours  | <6         | <6               | <6         | Unplanned disruptions in service in order to perform emergency repairs to the system.   | Distribution |
| 25    | Number of system valves replaced per year        | 14         | 15               | 15         | Goal met  | Distribution |
| 26    | # leaks in fiscal year                           | <10        | <10              | <10        | Well below industry standards   | Distribution |
| 27    | System water loss / non-revenue water %          | <=5%       | <=5%             | <=5%       | Low water loss is a reflection of a well run system. Key preventative maintenance activities and pressure management is a strong contributing factor. | Distribution |
| 28    | # pressure regulating stations serviced per year | 6          | 7                | 6          | Number will fluctuate annually basis on service intervals   | Distribution |
| 29    | # of valves exercised per year                   | 1,132      | 1,176            | 1,132      | On track to meet FY 23 goal. SFID's valve maintenance is well established   | Distribution |

# Operations & Maintenance Expense Summary

## Fiscal Year 2024 Operating Budget

|                            | FY 2022             | FY 2023             |                     | FY 2024             | % Change     | % Change     |
|----------------------------|---------------------|---------------------|---------------------|---------------------|--------------|--------------|
| Description                | Actual              | Budget              | Projected           | Budget              | Bgt to Bgt   | Proj to Bgt  |
| <b>Labor Expenses:</b>     |                     |                     |                     |                     |              |              |
| Salaries & Benefits        | \$ 2,837,636        | \$ 2,522,505        | \$ 2,491,974        | \$ 2,462,692        | -2.4%        | -1.2%        |
| Capitalized Labor          | -                   | -                   | -                   | -                   | -            | -            |
| Net Personnel Expenditures | <u>\$ 2,837,636</u> | <u>\$ 2,522,505</u> | <u>\$ 2,491,974</u> | <u>\$ 2,462,692</u> | <b>-2.4%</b> | <b>-1.2%</b> |
| <b>Non-Labor Expenses:</b> |                     |                     |                     |                     |              |              |
| System Operations          | 249,357             | 315,900             | 246,973             | 342,900             | 8.5%         | 38.8%        |
| Facilities Maintenance     | 334,532             | 330,400             | 310,507             | 369,900             | 12.0%        | 19.1%        |
| Construction               | 737,481             | 981,050             | 895,481             | 965,000             | -1.6%        | 7.8%         |
| Meter & Backflow Services  | 41,891              | 55,000              | 42,721              | 56,000              | 1.8%         | 31.1%        |
| Safety                     | 48,947              | 38,500              | 48,243              | 48,000              | 24.7%        | -0.5%        |
| <b>Total Non-Labor</b>     | <u>\$ 1,412,208</u> | <u>\$ 1,720,850</u> | <u>\$ 1,543,925</u> | <u>\$ 1,781,800</u> | <b>3.5%</b>  | <b>15.4%</b> |
| <b>Total Expenses</b>      | <b>\$ 4,249,844</b> | <b>\$ 4,243,355</b> | <b>\$ 4,035,899</b> | <b>\$ 4,244,492</b> | <b>0.0%</b>  | <b>5.2%</b>  |



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 2022     | FY 2023     | FY 2024      |
| Water Treatment Plant Manager | 1.0         | 1.0         | 1.0          |
| Treatment Operations          | 8.0         | 10.0        | 8.0          |
| Instrumentation & Maintenance | 5.0         | 4.0         | 4.0          |
| Grounds Maintenance           | 1.0         | 1.0         | 1.0          |
| Laboratory                    | 1.0         | 1.0         | 1.0          |
| <b>Total</b>                  | <b>16.0</b> | <b>17.0</b> | <b>15.0</b>  |

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 FY23

The Joint Facilities Department staff achieved the following key accomplishments in FY23:

- ✱ Less than 3% of annual total production was purchased treated water.
- ✱ > 60,000 individual water tests performed with no MCL, MRDL, or Treatment Technique violations.
- ✱ Completed and received approval of the 2022 San Dieguito Reservoir Sanitary Survey.
- ✱ Installed the new LG Sonic Source water remote water quality analyzer system in SDR.
- ✱ Completed and presented triannual PHG report to SDWD City Council.
- ✱ Replaced the roof on the SDR compressor building.
- ✱ Installed a new THM analyzer to provide speciation and formation potential data.
- ✱ Designed and install a ventilation system for the new solids processing building.
- ✱ optimized SDWD distribution system water quality through water age analysis of storage reservoirs and modified reservoir fill levels to accommodate new data.
- ✱ Completed Department of Water Resources Division of Safety of Dams inspection of the San Dieguito Reservoir Dam and maintained certified status.
- ✱ Capped north shore of SDR in Concrete to minimize cost of maintaining DSOD required vegetation break.
- ✱ Replaced Motor 2 at Cielo Pump Station.
- ✱ Replaced 6 Filter Surface Wash Valves and Actuators.
- ✱ Installed and programmed new Filter Particle Counters for an ongoing filter optimization study.
- ✱ Provided critical assistance to the City of San Diego in the removal of water from Lake Hodges as well as assisted in lake level management.

- ✱ Worked with DSOD to receive a variance from the seasonal level limitation in SDR to accommodate more local water in response to the City's need for assistance.
- ✱ Rebuilt Larrick Pump Station Pumps for the District.
- ✱ Replaced all 4 Cross Collector Drive Shafts and Bulkhead Plates.
- ✱ Rebuilt both Cielo Pump station Surge Tank Level Sight Gauges.
- ✱ Built a new Chlorine Equipment Test Bench to streamline chlorine regulator maintenance.
- ✱ Upgraded various electrical improvements at district facilities and completed MCC Replacement inspection.
- ✱ Installed new Utility Water Pump and Motor skid.
- ✱ Upgraded the Sedimentation Sludge air valves to electric actuators.
- ✱ Completed Bulk Chemical Tank Pressure Vessel Inspections.
- ✱ Upgraded the Plant Front Lobby, and Managers Office.

## OBJECTIVES FOR FY24

During FY24, 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
- ✱ Operate the "Proof of Concept" strategy for zero solids discharge of wastes at the treatment plant through back wash solids recovery
- ✱ Integrate SCADA controls for the Proof of Concept backwash solids recovery strategy
- ✱ Coordinate the purchase and installation of a new ammonium hydroxide storage tank to ensure the safe operation and handling of this chemical.
- ✱ Upgrade the SCADA HMI software to the latest version to ensure the continuous operation of the treatment control system
- ✱ Convert the Computerized Maintenance Management System (CMMS) from server based system to cloud based system to ensure continued operation
- ✱ Coordinate the maintenance of the medium electrical switchgear to ensure its continuous operation and upkeep

## JOINT FACILITIES DETAIL & SIGNIFICANT BUDGET CHANGES

- ✱ Local water transportation costs - electricity for pumping and repair costs for pumps - are anticipated to decline by over \$430,000 or 59.0%. This is due to the elimination of local water in financial projections, which resulted in a decrease of \$408,000 in electricity expenditures at the Cielo and San Dieguito pump stations and a decrease of \$19,500 in mechanical maintenance for these pumps due to reduced use;
- ✱ Operations expenditures are decreasing by approximately \$128,000 or 10.4% from FY23 due to an estimated \$80,000 decrease in electrical expenditures for the plant's operations resulting from the energy management plan's implemented recommendation to switch SDG&E pricing plans. Additionally, there is an estimated \$48,000 reduction in chemical expenditures to align with the water production anticipated in FY24 and current pricing;
- ✱ Maintenance expenditures have increased \$26,000 or 3.5% from FY23 due to contractual increases in janitorial expenses, pest control services, and weed abatement.
- ✱ Laboratory expenditures have increased \$15,000 or 11.3% from FY23 due to an increase in the cost of and need for laboratory supplies, which aligns with prior year expenditures;
- ✱ Administrative expenditures in the FY24 Budget proposal have increased by approximately \$177,000 or 46.3% due to an increase in IT expenditures for services at the plant for cyber security

and other services (\$87,000) and an increase in insurance expenditures to align with increased FY23 expenditures due to the new dewatering facility and updated allocation of cost sharing between the District and Joint Facilities (\$84,000);

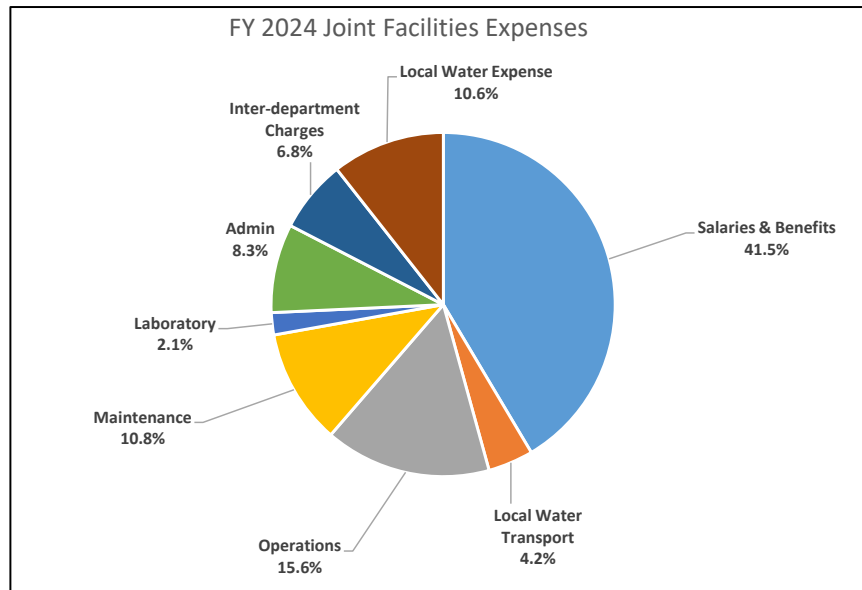
- ✱ Of the proposed \$2,907,916 FY24 Budget, SDWD is responsible for \$1,171,179 (40.2%) and the District is responsible for \$1,736,737 (59.8%) based on estimated water demands for each district. revenues.

#### JOINT FACILITIES KEY PERFORMANCE INDICATORS

| KPI # | KPI  | FY23 Goals | FY23 Projections | FY24 Goals | Comments / Variance Explanation | Department |
|-------|--|------------|------------------|------------|---------------------------------|------------|
| 30    | % of annual water treatment plant shutdowns completed on time  | 100%       | 100%             | 100%       |                                 | Treatment  |
| 31    | # violations for primary and secondary water quality standards | 0          | 0                | 0          |                                 | Treatment  |
| 32    | # public tours conducted per year                              | 5          | 5                | 5          |                                 | Treatment  |

**Joint Facilities Expense Summary**  
**Fiscal Year 2024 Operating Budget**

| Description                          | FY 2022             | FY 2023             |                     | FY 2024             | % Change     | % Change     |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|--------------|--------------|
|                                      | Actual              | Budget              | Projected           | Budget              | Bgt to Bgt   | Proj to Bgt  |
| <b>Labor Expenses:</b>               |                     |                     |                     |                     |              |              |
| Salaries & Benefits                  | \$ 3,294,325        | \$ 2,997,599        | \$ 2,835,686        | \$ 2,930,260        | -2.2%        | 3.3%         |
| Capitalized Labor                    | (150,499)           | (10,000)            | (30,000)            | (10,000)            | 0.0%         | -66.7%       |
| Joint Facilities Retiree Health Care | 148,994             | 164,610             | 164,610             | 164,610             | 0.0%         | 0.0%         |
| Interdepartmental Charges            | 498,413             | 535,000             | 535,000             | 480,000             | -10.3%       | -10.3%       |
| <b>Total Labor</b>                   | <b>\$ 3,791,233</b> | <b>\$ 3,687,209</b> | <b>\$ 3,505,296</b> | <b>\$ 3,564,870</b> | <b>-3.3%</b> | <b>1.7%</b>  |
| <b>Non-Labor Expenses:</b>           |                     |                     |                     |                     |              |              |
| Local Water Transport                | 626,145             | 732,641             | 301,032             | 300,100             | -59.0%       | -0.3%        |
| Operations                           | 919,978             | 1,232,708           | 941,266             | 1,105,000           | -10.4%       | 17.4%        |
| Maintenance                          | 660,132             | 739,500             | 695,718             | 765,500             | 3.5%         | 10.0%        |
| Laboratory                           | 134,462             | 133,000             | 107,252             | 148,000             | 11.3%        | 38.0%        |
| Administrative                       | 351,537             | 382,400             | 405,910             | 589,316             | 54.1%        | 45.2%        |
| <b>Subtotal Non-Labor</b>            | <b>\$ 2,692,254</b> | <b>\$ 3,220,249</b> | <b>\$ 2,451,177</b> | <b>\$ 2,907,916</b> | <b>-9.7%</b> | <b>18.6%</b> |
| <b>Local Water Expense</b>           | <b>\$ 305,004</b>   | <b>\$ 727,500</b>   | <b>\$ 150,000</b>   | <b>\$ 750,000</b>   |              |              |
| <b>Total Net Expenses</b>            | <b>\$ 6,788,491</b> | <b>\$ 7,458,089</b> | <b>\$ 6,106,473</b> | <b>\$ 7,222,786</b> | <b>-3.2%</b> | <b>18.3%</b> |



*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 2024 Budget

| Description  | FY 2024<br>Budget   | FY 2024<br>Allocated Cost |                     | Percentage |        |
|--|---------------------|---------------------------|---------------------|------------|--------|
|  |                     | SDWD                      | SFID                | SDWD       | SFID   |
| Operations & Maintenance                           |                     |                           |                     |            |        |
| <b>Local Water Costs</b>                           | <b>\$ 750,000</b>   | <b>\$ 320,025</b>         | <b>\$ 429,975</b>   | 42.67%     | 57.33% |
| <b>Operating Costs</b>                             |                     |                           |                     |            |        |
| Labor (Net of Capitalization)                      | \$ 3,400,260        | \$ 1,360,104              | \$ 2,040,156        | 40.00%     | 60.00% |
| Retiree Healthcare                                 | 164,610             | 65,844                    | 98,766              | 40.00%     | 60.00% |
| Water Transportation                               | 300,100             | 128,053                   | 172,047             | 42.67%     | 57.33% |
| Operations   | 1,105,000           | 442,000                   | 663,000             | 40.00%     | 60.00% |
| Maintenance  | 765,500             | 306,200                   | 459,300             | 40.00%     | 60.00% |
| Laboratories                                       | 148,000             | 59,200                    | 88,800              | 40.00%     | 60.00% |
| Administrative                                     | 589,316             | 235,726                   | 353,589             | 40.00%     | 60.00% |
| <b>Total Operating Costs</b>                       | <b>\$ 6,472,786</b> | <b>\$ 2,597,127</b>       | <b>\$ 3,875,659</b> |            |        |
| <b>Less: External Revenues</b>                     |                     |                           |                     |            |        |
| 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% |
| <b>Total Revenues</b>                              | <b>\$ 78,000</b>    | <b>\$ 32,161</b>          | <b>\$ 45,839</b>    |            |        |
| <b>Net Operating Reimbursements from Districts</b> | <b>\$ 7,144,786</b> | <b>\$ 2,884,991</b>       | <b>\$ 4,259,795</b> |            |        |



**Joint Facilities Cost Allocation**  
**Fiscal Year 2024 Budget**

|  | FY 2024             | FY 2024             |                     | Percentage |        |
|--|---------------------|---------------------|---------------------|------------|--------|
|  | Budget              | SDWD                | SFID                | SDWD       | SFID   |
| Capital Improvement & Acquisition                            |                     |                     |                     |            |        |
| <b>Capital Acquisition</b>                                   |                     |                     |                     |            |        |
| Phase II Access Control Systems at Treatment Plant           | 60,000              | 27,000              | 33,000              | 45.00%     | 55.00% |
| Integrated Data Protection Appliance Upgrade                 | 20,000              | 9,000               | 11,000              | 45.00%     | 55.00% |
| Data Center Battery Replacement                              | 10,000              | 4,500               | 5,500               | 45.00%     | 55.00% |
| Dell VXRail Upgrade  | 25,000              | 11,250              | 13,750              | 45.00%     | 55.00% |
| Replacement of Filter Wastegate Actuators (Last)             | 65,000              | 29,250              | 35,750              | 45.00%     | 55.00% |
| SCADA HMI Software Upgrade                                   | 75,000              | 33,750              | 41,250              | 45.00%     | 55.00% |
| Replacement of UPS APC                                       | 67,000              | 30,150              | 36,850              | 45.00%     | 55.00% |
| Ammonia Tank Canopy  | 50,000              | 22,500              | 27,500              | 45.00%     | 55.00% |
| Replacement of Ammonia Tank                                  | 200,000             | 90,000              | 110,000             | 45.00%     | 55.00% |
| Monochloramine Analyzer Replacement                          | 45,000              | 20,250              | 24,750              | 45.00%     | 55.00% |
| Unit 37 Truck Replacement                                    | 195,000             | 87,750              | 107,250             | 45.00%     | 55.00% |
| <b>Total Capital Acquisition</b>                             | <b>\$ 812,000</b>   | <b>\$ 365,400</b>   | <b>\$ 446,600</b>   |            |        |
| <b>Capital Improvement Projects</b>                          |                     |                     |                     |            |        |
| R.E. Badger Filters and Sedimentation Basins Concrete Repair | 975,000             | \$ 438,750          | \$ 536,250          | 45.00%     | 55.00% |
| Cielo Pump Station Valve Replacement Project                 | 25,000              | 11,250              | 13,750              | 45.00%     | 55.00% |
| R.E. Badger Septic Tank and Leach Field Replacement          | 550,000             | 247,500             | 302,500             | 45.00%     | 55.00% |
| Chlorine Scrubber Replacement                                | 383,500             | 172,575             | 210,925             | 45.00%     | 55.00% |
| <b>Total Capital Improvement Projects</b>                    | <b>1,933,500</b>    | <b>\$ 870,075</b>   | <b>\$ 1,063,425</b> |            |        |
| <b>Less: Capital Grant Revenue / Reimbursement</b>           |                     |                     |                     |            |        |
| CalOES / FEMA Seismic Retrofit Grant                         | \$ 0                | \$ 0                | \$ 0                | 39.05%     | 60.95% |
| <b>Net Capital Reimbursements from Districts</b>             | <b>\$ 2,745,500</b> | <b>\$ 1,235,475</b> | <b>\$ 1,510,025</b> |            |        |

# 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 reflect 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. As the District continues to work on updating these key plans in FY22, the Capital Program will be adjusted accordingly in consultation with the Board. Within this framework of major objectives and goals established for the District, management must plan and control capital expenditures. 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. 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 FY24.

## CAPITAL ACQUISITION

The District's Capital Acquisition Program (CAP) advances the District's Goal #3: cost-effective, resilient infrastructure and operations through the funding of purchases 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) technology equipment/software replacement and 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 FY24 total \$1,424,000 as summarized in the following table.

|                                   | <b>FY23<br/>Budget</b> | <b>FY23<br/>Projection</b> | <b>FY24<br/>Budget</b> |
|-----------------------------------|------------------------|----------------------------|------------------------|
| <b>Total District - Admin/Ops</b> | \$ 465,500             | \$ 350,000                 | \$ 612,000             |
| SFID                              | \$ 249,188             | \$ 191,869                 | \$ 446,600             |
| SDWD                              | 197,813                | 153,731                    | 365,400                |
| <b>Total Joint Facilities</b>     | \$ 447,000             | \$ 345,600                 | \$ 812,000             |
| <b>Total CAP</b>                  | <b>\$ 912,500</b>      | <b>\$ 695,600</b>          | <b>\$ 1,424,000</b>    |
| <b>Total SFID CAP</b>             | <b>\$ 714,688</b>      | <b>\$ 541,869</b>          | <b>\$ 1,058,600</b>    |

## **FY24 CAP - District**

### ***District Administration / Operations:***

Replacement of Unit 16 – Construction Vehicle Stake Bed (\$74,000): 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 FY23 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 \$6,000 from the FY23 CAP Budget due to supply and demand constraints increasing vehicle and outfitting costs.

Replacement of Unit 9 – Crew Truck (\$195,000): The construction department's crew truck is 20 years old, in poor condition, and is currently out-of-compliance with California Air Resource Board (CARB) requirements for diesel vehicles. New CARB compliance restrictions for internal combustion engines (ICE) will be implemented in CY24, with increasing stringent requirements for procurement of electric vehicles or burdensome compliance efforts & costs for newly procured ICE vehicles. This vehicle is aging and is due for replacement in addition to Staff is requesting to replace this vehicle to not be subject to upcoming stringent CARB compliance.

Compact Wheel Loader (\$125,000): A compact wheel loader is used for a variety of tasks, such as moving materials, loading, and unloading trucks, digging, grading, and leveling. Compact wheel loaders are smaller and more maneuverable than traditional wheel loaders, making them ideal for use in tight spaces or on smaller job sites. They are also equipped with four-wheel drive and articulated steering, which allows them to navigate rough terrain with ease.

The District currently has two compact wheel loaders, with one stationed at the District's corporate yard for moving materials and driving to work sites in Rancho Santa Fe or Fairbanks Ranch, with the second stationed at Larrick pump station in Solana Beach for work there. A third compact wheel loader is being requested as the one stationed in the District's yard, when at a work site, is unable to move materials and perform other critical tasks.

Larrick Pump Station Painting & Pump #2 Re-Build (\$35,000 / \$28,000): The District owns and operates one pump station within the distribution system, located at the Larrick Reservoir Site. This project is to repaint the exterior of the Larrick pump station. The existing paint coating is estimated to be over 30 years old. The project would address cracking, peeling and fading of the existing exterior surfaces. Coating and painting of the exterior surface of the reservoir itself is anticipated to be addressed as part of the Larrick Reservoir Pump Station Upgrades Project, identified in the District's Capital Improvement Master Plan. The Larrick Reservoir Pump Station Upgrades will be focused on interior electrical upgrades. Painting of the pump stations' exterior will not interfere with future Capital Improvement project and will extend the life of this critical asset. This rebuild project will replace the Larrick Pump Station's emergency pump's rotating assembly, impeller, shaft, seals and mechanical components ensure reliable operations.

Pressure Reducing Station Valve Replacement (\$30,000): This is to purchase new isolation and pressure reducing valves for one of the District's pressure reducing stations, 338-1 Zumaque. The station was originally installed in 1995 and is one of the remaining original pressure reducing stations within the distribution system. The project will replace aged valves to ensure proper operations for the pressure zone.

Installation of Level 3 Charge & Procurement of Electrical Vehicle (\$30,000 / \$40,000): This project will replace the Engineering & Administration shared vehicle, which is 17 years old, with a new electric vehicle.

This will be a pilot project to determine the functionality of utilizing an electric vehicle for District work in addition to the installation of a level 3 charging station for this (and future) vehicle(s).

Integrated Data Protection Appliance Upgrade (IDPA) (\$20,000): An IDPA is an all-in-one data protection solution offered that combines backup, duplication, replication, and recovery in a single appliance, providing an efficient and cost-effective way to manage data protection. The District currently employs an IDPA; however, with increasing IT needs and data generated by the District, this project will expand the memory for this appliance. This project is split 50 / 50 between the District and Joint Facilities.

Data Center Battery Replacement (\$10,000): The current batteries are aging and only allow a very small window to provide sufficient power between loss of commercial power and the onset of generator power for the increasing needs of the District's servers and other IT assets at the Administration building. This project will replace and upgrade these batteries to allow continued IT functionality when there is loss of commercial power. This project is split 50 / 50 between the District and Joint Facilities.

Dell VX Rail Upgrade (\$25,000): A Dell VX Rails is the appliance that allows each employee to have a virtual desktop, which significantly reduces costs & maintenance, while increasing IT productivity. The District employs two VX Rails for redundancy; however, these two are nearing capacity and a third VX Rail is needed to ensure redundancy and the ability for the District to meet the IT needs of its employees. This project is split 50 / 50 between the District and Joint Facilities.

#### **FY24 Capital Acquisitions - Joint Facilities**

For the Joint Facilities, capital acquisitions typically fall into two primary categories: 1) facility enhancements that allow staff to treat local water supplies more efficiently and reliably; and 2) replacement/maintenance. 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 FY24, with the percentages shown for SFID and SDWD representing each District's cost sharing allocation.

Phase II Access Control Systems at Treatment Plant (\$60,000 - 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 second phase of an access control system implementation at the Joint Facilities, specifically at the R.E. Badger Treatment Plant outbuilding. This funding would allow for the procurement of new doors, access systems, and the back-end support to allow for their control.

Integrated Data Protection Appliance Upgrade (IDPA) (\$20,000 - 55% SFID, 45% SDWD): This project is split 50 / 50 between the District and Joint Facilities. Please see the District operations for a detailed description.

Data Center Battery Replacement (\$10,000 - 55% SFID, 45% SDWD): This project is split 50 / 50 between the District and Joint Facilities. Please see the District operations for a detailed description.

Dell VX Rail Upgrade (\$25,000 - 55% SFID, 45% SDWD): This project is split 50 / 50 between the District and Joint Facilities. Please see the District operations for a detailed description.

Replacement of Filter Wastegate Actuators (\$65,000 - 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.

SCADA Software Update (\$75,000 – 55% SFID, 45% SDWD): This project will allow for the update of the R.E. Badger Treatment Plant's SCADA software. The SCADA system is the integral operating platform for the treatment plant to monitor, adjust, and control all facets of the treatment process. The SCADA software is running on an outdated software platform & upgrading will allow enhanced abilities and safety.

Replacement of UPS APC (\$67,000 – 55% SFID, 45% SDWD): The uninterruptible power supply (UPS) from APC, 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 Ammonia Tank (\$200,000 – 55% SFID, 45% SDWD): The ammonia storage system is an integral part of the water disinfection process. Chloramine, a compound formed by the reaction of chlorine and ammonia, is commonly used as the disinfectant in water treatment & highly effective at killing bacteria and viruses. It has a longer-lasting disinfectant residual than chlorine alone, which means it can provide longer-lasting protection against microbial growth in water distribution systems. The storage system is anticipated to be inoperable shortly due to wear on the interior of the tank & needs to be replaced.

Ammonia Tank Shade Structure (\$50,000 – 55% SFID, 45% SDWD): As part of Staff's review and in discussion with the manufacturer for the cause of the degradation of the lining inside the ammonia tank, it was determined that it was due in large part to the temperature variations that the tank endures from direct sunlight. To ensure that the newly acquired ammonia tank does not prematurely degrade, a canopy / shade structure is proposed to be erected to eliminate the new tank being in direct sunlight.

Replacement of Monochloramine Analyzer (\$45,000 - 55% SFID, 45% SDWD): As stated in the prior CAP item, chloramine is integral to the disinfection of raw water, with monochloramine being the most common compound produced for disinfection. Monitoring the levels of monochloramine in treated water is crucial to ensuring the safety of potable water produced for the District and SDWD. The current analyzer is aging, requiring additional repair, and is being requested to be replaced due to the crucial nature.

Unit 37 Truck Replacement (\$195,000 – 55% SFID, 45% SDWD): Similar to the District's requested replacement of unit 17, this maintenance vehicle (F550) is over a decade old and will not comply with increasing CARB regulations. Staff is requesting to replace this vehicle with a newer model prior to implementation of these stringent regulations.

**Capital Acquisition Budget Detail**  
**Fiscal Year 2024**

| Account  | Description  | FY 2023<br>Budget | FY 2023<br>Projected | FY 2024<br>Budget   | % Change<br>Bgt to Bgt | % Change<br>Proj to Bgt |
|----------|--|-------------------|----------------------|---------------------|------------------------|-------------------------|
| 1-00-000 | <b><u>District Administration / Operations</u></b>         |                   |                      |                     |                        |                         |
| 1891     | Unit 17 Crew Truck   | 185,000           | 200,000              |                     |                        |                         |
| 1891     | Unit 16 Stake bed  | 68,000            | -                    |                     |                        |                         |
| 1841     | Modular Building Awning & HVAC Replacements                | 35,000            | 25,000               |                     |                        |                         |
| 1820     | Generator and Electrical Panel Emergency Supply            | 50,000            | -                    |                     |                        |                         |
| 1841     | Administration Building Outdoor Lighting                   | 10,000            | 10,000               |                     |                        |                         |
| 1841     | Pipe Racking System & Cover                                | 40,000            | 40,000               |                     |                        |                         |
| 1841     | Safety Center Chairs                                       | 20,000            | 17,500               |                     |                        |                         |
| 1841     | Yard Security Fencing                                      | 35,000            | 35,000               |                     |                        |                         |
| 1841     | Re-Wire District Administration Building                   | 22,500            | 22,500               |                     |                        |                         |
| 1891     | Unit 9 Crew Truck Replacement                              |                   |                      | 195,000             |                        |                         |
| 1891     | Unit 16 Stake Bed Replacement                              |                   |                      | 74,000              |                        |                         |
| 1891     | Compact Wheel Loader                                       |                   |                      | 125,000             |                        |                         |
| 1841     | Larrick Pump Station Painting                              |                   |                      | 35,000              |                        |                         |
| 1841     | Larrick Pump #2 Re-Build                                   |                   |                      | 28,000              |                        |                         |
| 1841     | Pressure Reducing Station 338-1 Valve Replacement          |                   |                      | 30,000              |                        |                         |
| 1841     | Installation of Level 3 Charger                            |                   |                      | 30,000              |                        |                         |
| 1891     | Unit 12 Admin / Engineering Replacement - Electric Vehicle |                   |                      | 40,000              |                        |                         |
| 1815     | Integrated Data Protection Appliance Upgrade               |                   |                      | 20,000              |                        |                         |
| 1815     | Data Center Battery Replacement                            |                   |                      | 10,000              |                        |                         |
| 1815     | Dell VXRail Upgrade  |                   |                      | 25,000              |                        |                         |
|          | <b>Total District Administration / Operations</b>          | <b>\$ 465,500</b> | <b>\$ 350,000</b>    | <b>\$ 612,000</b>   | <b>31.5%</b>           | <b>74.9%</b>            |
| 2-00-000 | <b><u>Joint Facilities</u></b>                             |                   |                      |                     |                        |                         |
| 1815     | Replacement of UPS APC                                     | 65,000            | -                    |                     |                        |                         |
| 1842     | THM Analyzer   | 0                 | 78,000               |                     |                        |                         |
| 1820     | Replacement of Chlorine Trolley                            | 17,000            | 8,600                |                     |                        |                         |
| 1820     | Replacement of Filter Wastegate Actuators                  | 75,000            | 64,000               |                     |                        |                         |
| 1820     | Cielo Pump Station Motor Replacement                       | 75,000            | 45,000               |                     |                        |                         |
| 1841     | San Dieguito Reservoir Boat Ramp - Gunnite Addition        | 25,000            | 22,000               |                     |                        |                         |
| 1842     | Replacement Chlorine Analyzer (2)                          | 30,000            | 30,000               |                     |                        |                         |
| 1820     | Wash Water Pond Sump Pump Addition                         | 30,000            | 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            | 68,000               |                     |                        |                         |
| 1841     | Phase II Access Control Systems at Treatment Plant         |                   |                      | 60,000              |                        |                         |
| 1815     | Integrated Data Protection Appliance Upgrade               |                   |                      | 20,000              |                        |                         |
| 1815     | Data Center Battery Replacement                            |                   |                      | 10,000              |                        |                         |
| 1815     | Dell VXRail Upgrade  |                   |                      | 25,000              |                        |                         |
| 1820     | Replacement of Filter Wastegate Actuators (Last)           |                   |                      | 65,000              |                        |                         |
| 1815     | SCADA HMI Software Upgrade                                 |                   |                      | 75,000              |                        |                         |
| 1815     | Replacement of UPS APC                                     |                   |                      | 67,000              |                        |                         |
| 1820     | Ammonia Tank Canopy  |                   |                      | 50,000              |                        |                         |
| 1820     | Replacement of Ammonia Tank                                |                   |                      | 200,000             |                        |                         |
| 1842     | Monochloramine Analyzer Replacement                        |                   |                      | 45,000              |                        |                         |
| 1891     | Unit 37 Truck Replacement                                  |                   |                      | 195,000             |                        |                         |
|          | <b>Total Joint Facilities</b>                              | <b>\$ 447,000</b> | <b>\$ 345,600</b>    | <b>\$ 812,000</b>   | <b>81.7%</b>           | <b>135.0%</b>           |
|          | <b>TOTAL CAPITAL ACQUISITIONS</b>                          | <b>\$ 912,500</b> | <b>\$ 695,600</b>    | <b>\$ 1,424,000</b> | <b>56.1%</b>           | <b>104.7%</b>           |

## CAPITAL IMPROVEMENTS

The Santa Fe Irrigation District 10-year Capital Improvement Program (CIP) Master Plan defines and prioritizes Distribution and Joint Facilities project requirements from a programmatic perspective. Each year, staff updates the Master Plan in order to incorporate new information, confirm project priorities, and modify specific project schedules, as appropriate. The FY24 CIP is a combination of carryover of projects that were initiated in prior years and new projects identified in the 10-Year CIP.

The FY24 Capital Budget includes seven Capital Projects with total projected FY24 expenditures of \$5,086,000. This total FY24 budget amount includes San Dieguito Water District's (SDWD) share of the Joint Facilities Projects described later in this document. Total projected carryover appropriation from the FY23 capital budget is \$2,498,250, with new appropriations for FY24 totaling \$2,587,750.

The projected expenditure for FY24 Capital Program Joint Facilities projects is \$2,506,000. 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.

**FY24 Joint Facilities Capital Improvement Budget Breakout**

| Santa Fe Irrigation District | San Dieguito Water District | Total       |
|------------------------------|-----------------------------|-------------|
| \$1,378,300                  | \$1,127,700                 | \$2,506,000 |

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

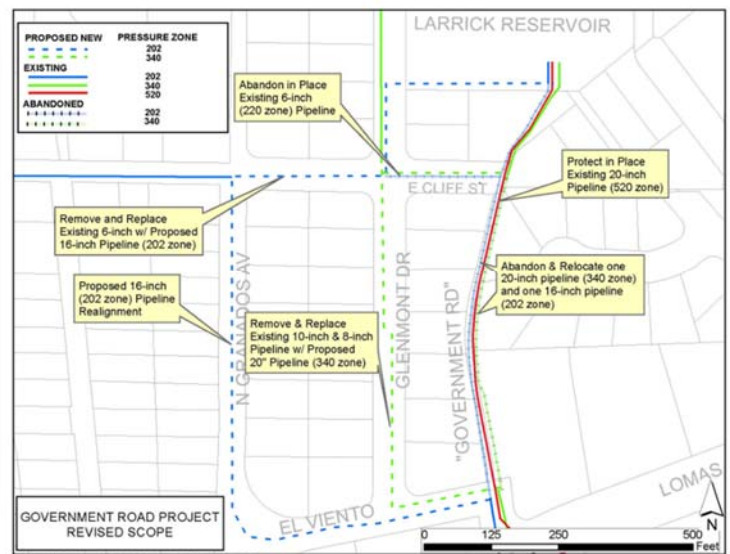
### Projected Costs

**FY24 Expenditures: \$2,200,000**

**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 2024    | FY2025 | TOTAL      |
|---------------------------------------|---------------|------------|--------|------------|
| Projected Expenditures by Fiscal Year | \$ 1,300.0    | \$ 2,200.0 | \$ -   | \$ 3,500.0 |



DISTRICT IMPROVEMENT PROJECT – DISTRICT YARD SMALL-SCALE SOLAR ARRAY

Projected Costs  
FY24 Expenditures: \$360,000  
Total Capital: \$400,000

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 2024  | FY 2025 | TOTAL    |
|---------------------------------------|---------------|----------|---------|----------|
| Projected Expenditures by Fiscal Year | \$ 40.0       | \$ 360.0 | \$ -    | \$ 400.0 |

## JOINT FACILITIES - TREATMENT PLANT 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

**FY24 Expenditures: \$975,000**

**Total Capital: \$985,000**

#### 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. Construction is anticipated to be completed in FY24.



#### 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 2024  | FY 2025 | TOTAL    |
|---------------------------------------|---------------|----------|---------|----------|
| Projected Expenditures by Fiscal Year | \$ 10.0       | \$ 975.0 | \$ -    | \$ 985.0 |

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

### Projected Costs

**FY24 Expenditures: \$25,000**

**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 / FY24.

### 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 2024 | FY 2025 | TOTAL    |
|---------------------------------------|---------------|---------|---------|----------|
| Projected Expenditures by Fiscal Year | \$ 900.0      | \$ 25.0 | \$ -    | \$ 925.0 |

## JOINT FACILITIES PROJECTS #2351 – R.E. BADGER SEPTIC TANK AND LEACH FIELD REPLACEMENT

### Projected Costs

**FY24 Expenditures: \$550,000**

**Total Capital: \$570,000**

### 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 FY24 as a result of the completion of this project.

| <i>\$ in thousands</i>                | Prior Year(s) | FY 2024  | FY 2025 | TOTAL    |
|---------------------------------------|---------------|----------|---------|----------|
| Projected Expenditures by Fiscal Year | \$ 20.0       | \$ 550.0 | \$ -    | \$ 570.0 |

## JOINT FACILITIES PROJECTS #2352 – CHLORINE SCRUBBER REPLACEMENT

### Projected Costs

**FY24 Expenditures: \$383,500**

**Total Capital: \$483,500**

### 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.

| <i>\$ in thousands</i>                | Prior Year(s) | FY 2024  | FY 2025 | TOTAL    |
|---------------------------------------|---------------|----------|---------|----------|
| Projected Expenditures by Fiscal Year | \$ 100.0      | \$ 383.5 |         | \$ 483.5 |



## JOINT FACILITIES PROJECTS #2354 – FILTER SURFACE WASHWATER HEADER AND ASSOICATED PIPING

### Projected Costs

FY24 Expenditures: \$572,500

Total Capital: \$612,500

### PROJECT DESCRIPTION

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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

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

| <i>\$ in thousands</i>                | Prior Year(s) | FY 2024  | FY 2025 | TOTAL    |
|---------------------------------------|---------------|----------|---------|----------|
| Projected Expenditures by Fiscal Year | \$ 40.0       | \$ 572.5 | \$ -    | \$ 612.5 |

Capital Improvement Budget Summary  
Fiscal Year 2024

| PROJECT NUMBER   | PROJECT NAME / DESCRIPTION                                   | PROJECT STATUS       | TOTAL ESTIMATED COST* | APPROPRIATIONS THROUGH FY23 | PROJECTED EXPENDITURES THROUGH FY23 | PROJECTED FY23 CARRYOVER | FY24 APPROPRIATION  | FY24 PROJECTED EXPENDITURES |
|--|--|----------------------|-----------------------|-----------------------------|-------------------------------------|--------------------------|---------------------|-----------------------------|
| <b><u>GENERAL DISTRICT</u></b>   |  |                      |                       |                             |                                     |                          |                     |                             |
| 1502   | Government Road Pipeline                                     | Construction         | 3,500,000             | 2,020,000                   | 1,280,000                           | 740,000                  | 1,480,000           | 2,220,000                   |
| 2302   | District Yard Small-Scale Solar Array                        | Design/Construction  | 400,000               | 200,000                     | 40,000                              | 160,000                  | 200,000             | 360,000                     |
| <b>GENERAL DISTRICT CIP SUBTOTAL</b>   |  |                      | <b>\$ 3,900,000</b>   | <b>\$ 2,220,000</b>         | <b>\$ 1,320,000</b>                 | <b>\$ 900,000</b>        | <b>\$ 1,680,000</b> | <b>\$ 2,580,000</b>         |
| <b><u>JOINT FACILITIES (Budget includes BOTH SFID and SDWD Portions)</u></b> |  |                      |                       |                             |                                     |                          |                     |                             |
| 2051   | R.E. Badger Filters and Sedimentation Basins Concrete Repair | Construction         | 985,000               | 985,000                     | 10,000                              | 975,000                  | -                   | 975,000                     |
| 2052   | Cielo Pump Station Valve Replacement Project                 | Construction         | 925,000               | 925,000                     | 900,000                             | 25,000                   | -                   | 25,000                      |
| 2351   | R.E. Badger Septic Tank and Leach Field Replacement          | Design/ Construction | 570,000               | 70,000                      | 20,000                              | 50,000                   | 500,000             | 550,000                     |
| 2352   | Chlorine Scrubber Replacement                                | Construction         | 483,500               | 483,500                     | 100,000                             | 383,500                  | -                   | 383,500                     |
| 2354   | Filter Surface Washwater Header and Associated Piping        | Design/ Constructin  | 612,500               | 204,750                     | 40,000                              | 164,750                  | 407,750             | 572,500                     |
| <b>JOINT FACILITIES CIP SUBTOTAL</b>   |  |                      | <b>\$ 3,576,000</b>   | <b>\$ 2,668,250</b>         | <b>\$ 1,070,000</b>                 | <b>\$ 1,598,250</b>      | <b>\$ 907,750</b>   | <b>\$ 2,506,000</b>         |
| <b>CIP PROGRAM TOTAL</b>   |  |                      | <b>\$ 7,476,000</b>   | <b>\$ 4,888,250</b>         | <b>\$ 2,390,000</b>                 | <b>\$ 2,498,250</b>      | <b>\$ 2,587,750</b> | <b>\$ 5,086,000</b>         |

# 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

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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

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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

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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

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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.

## OVERVIEW

Total reserves for FY24 are targeted at \$23.6 million, shown as follows:

### Reserve Policy Target Funding

| Reserve Fund                      | Target                   | FY23*                | FY24                 |
|-----------------------------------|--------------------------|----------------------|----------------------|
| Capital Improvement & Replacement | Minimum                  | \$ 11,357,036        | \$ 9,773,760         |
| Rate Stabilization                | 25% Variable Water Sales | \$ 5,327,453         | \$ 6,268,734         |
| Operating                         | 90 Days                  | \$ 7,014,116         | \$ 7,592,004         |
| <b>Total Reserve Requirement</b>  |                          | <b>\$ 23,698,605</b> | <b>\$ 23,634,498</b> |

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

Based on an estimated FY23 ending cash balance of \$36.0 million, the FY24 operating results (cash-based), and use of reserves, the excess fund balance above the \$23.6 million reserve target is \$13.3 million (as shown in the following table). This excess fund balance is anticipated to be drawn down over the next few years, as shown in the long-range financial plan, to offset customer rate increases.

### Fund Balance Impacts from FY24 Budget

|   |              |           |                   |
|---|--------------|-----------|-------------------|
| Beginning Cash Balance                                  | <b>A</b>     | \$        | 36,000,000        |
| Operating Income  |              | \$        | 35,873,763        |
| Non-Operating Income                                    |              |           | 5,633,706         |
| Sub-Total   | <b>B</b>     | \$        | 41,507,469        |
| Operating Expense*                                      |              | \$        | 33,995,035        |
| Capital Expense   |              |           | 6,510,000         |
| Sub-Total   | <b>C</b>     | \$        | 40,505,035        |
| Net Cash Impact   | <b>D=B-C</b> | \$        | 1,002,434         |
| <b>Ending Cash Balance</b>                              | <b>A-D</b>   | <b>\$</b> | <b>37,002,434</b> |
|   |              |           |                   |
| <b>Excess Fund Balance / (Fund Balance Requirement)</b> |              | <b>\$</b> | <b>13,367,937</b> |

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

# APPENDIX A

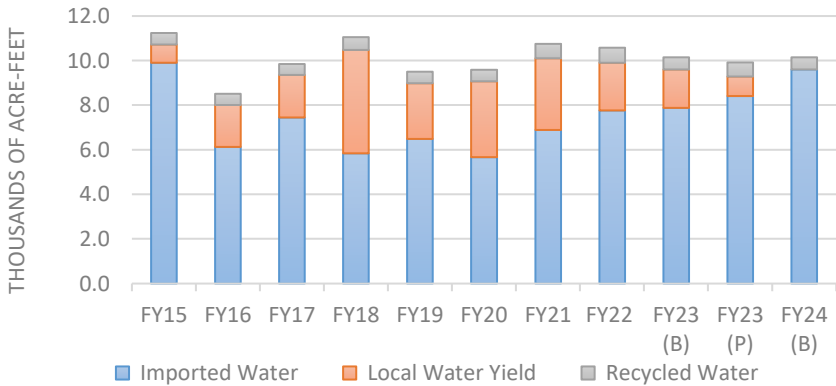
**Santa Fe Irrigation District**  
**Historical and Projected Statistical Data**

| Description                             | FY15<br>Actual | FY16<br>Actual | FY17<br>Actual | FY18<br>Actual | FY19<br>Actual <sup>1</sup> | FY20<br>Actual | FY21<br>Actual | FY22<br>Actual | FY23 (B)<br>Budget <sup>2</sup> | FY23 (P)<br>Projected <sup>2</sup> | FY24 (B)<br>Budget <sup>2</sup> |
|---|----------------|----------------|----------------|----------------|-----------------------------|----------------|----------------|----------------|---------------------------------|------------------------------------|---------------------------------|
| <b>Water Purchases (Acre-Feet):</b>     |                |                |                |                |                             |                |                |                |                                 |                                    |                                 |
| Treated Imported Water                  | 542.4          | 312.8          | 518.0          | 299.4          | 56.6                        | 257.6          | 699.5          | 317.0          | 550.0                           | 781.7                              | 550.0                           |
| Untreated Imported Water                | 9,362.2        | 5,815.0        | 6,931.0        | 5,547.0        | 6,432.9                     | 5,416.6        | 6,196.2        | 7,451.4        | 7,331.6                         | 7,626.3                            | 9,050.0                         |
| Imported Water                          | 9,904.6        | 6,127.8        | 7,449.0        | 5,846.4        | 6,489.5                     | 5,674.2        | 6,895.7        | 7,768.4        | 7,881.6                         | 8,408.0                            | 9,600.0                         |
| Local Water Yield                       | 811.6          | 1,880.7        | 1,911.1        | 4,635.5        | 2,492.3                     | 3,403.5        | 3,214.0        | 2,141.2        | 1,718.4                         | 884.0                              | -                               |
| Recycled Water                          | 522.8          | 508.9          | 489.6          | 568.1          | 517.7                       | 512.7          | 642.4          | 664.8          | 550.0                           | 622.0                              | 550.0                           |
| Total Water Purchased / Local Yield     | 11,239.0       | 8,517.4        | 9,849.7        | 11,050.0       | 9,499.5                     | 9,590.4        | 10,752.1       | 10,574.4       | 10,150.0                        | 9,914.0                            | 10,150.0                        |
| <b>Revenue:</b>                         |                |                |                |                |                             |                |                |                |                                 |                                    |                                 |
| Water Sales                             | \$ 17,598,000  | \$ 13,755,595  | \$ 16,548,196  | \$ 20,864,372  | \$ 18,472,415               | \$ 18,865,808  | \$ 21,884,370  | \$ 21,564,368  | \$ 21,309,811                   | \$ 20,134,204                      | \$ 25,074,936                   |
| Base Meter Fees                         | 3,672,959      | 3,700,610      | 4,895,700      | 5,352,584      | 5,535,582                   | 5,507,678      | 5,388,296      | 5,621,633      | 5,789,694                       | 5,642,115                          | 6,132,136                       |
| Other Operating Revenue                 | 243,020        | 338,752        | 349,789        | 245,188        | 2,581,047                   | 3,494,632      | 4,042,755      | 3,939,534      | 4,384,526                       | 4,022,635                          | 4,666,691                       |
| Property Tax                            | 2,080,791      | 2,190,932      | 2,285,521      | 2,406,427      | 2,518,010                   | 2,645,623      | 2,645,623      | 2,858,958      | 2,916,893                       | 2,916,893                          | 2,975,231                       |
| Investment Income                       | 213,087        | 225,566        | 114,260        | 260,625        | 646,817                     | 750,509        | 43,258         | 8,808          | 142,968                         | 406,797                            | 1,141,000                       |
| Other Non-Operating Revenue             | 72,629         | 47,267         | 132,971        | 149,990        | 915,806                     | 1,167,259      | 8,045,852      | 4,174,614      | 2,611,272                       | 1,178,138                          | 1,517,475                       |
| Total Revenues                          | \$ 23,880,486  | \$ 20,258,722  | \$ 24,326,437  | \$ 29,279,186  | \$ 30,669,677               | \$ 32,431,509  | \$ 42,050,154  | \$ 38,167,915  | \$ 37,155,164                   | \$ 34,300,782                      | \$ 41,507,469                   |
| <b>Expenses:</b>                        |                |                |                |                |                             |                |                |                |                                 |                                    |                                 |
| Water Purchased                         | 11,339,922     | 8,726,055      | 10,767,457     | 9,855,760      | 10,459,108                  | 9,908,066      | 11,741,364     | 13,116,958     | 14,488,032                      | 14,085,953                         | 18,397,254                      |
| Water Treatment                         | 3,290,620      | 3,524,262      | 3,796,508      | 5,040,433      | 4,239,608                   | 4,850,871      | 6,296,820      | 5,985,074      | 6,382,458                       | 5,615,039                          | 6,002,786                       |
| Transmission and Distribution           | 2,712,079      | 2,959,956      | 3,577,141      | 3,653,614      | 4,633,305                   | 5,063,619      | 3,772,641      | 4,249,844      | 4,243,355                       | 4,035,899                          | 4,244,492                       |
| Administration and Engineering          | 2,920,762      | 3,568,376      | 3,623,753      | 3,745,485      | 4,486,328                   | 4,955,372      | 4,277,482      | 5,287,559      | 4,901,095                       | 4,541,999                          | 5,375,503                       |
| Depreciation and Amortization           | 1,286,139      | 1,294,022      | 1,372,239      | 1,359,335      | 3,243,425                   | 3,278,660      | 3,242,425      | 3,252,777      | 4,210,800                       | 3,600,000                          | 4,263,400                       |
| Other Expenditures                      | -              | -              | -              | -              | 53,341                      | 163,686        | -              | 112,679        | -                               | -                                  | -                               |
| Total Expenses                          | \$ 21,549,522  | \$ 20,072,671  | \$ 23,137,098  | \$ 23,654,627  | \$ 27,115,115               | \$ 28,220,274  | \$ 29,330,732  | \$ 32,004,891  | \$ 34,225,741                   | \$ 31,878,890                      | \$ 38,283,435                   |
| <b>Capital Expenditures</b>             | \$ 7,348,101   | \$ 3,952,441   | \$ 7,503,591   | \$ 2,814,597   | \$ 3,914,812                | \$ 3,635,178   | \$ 12,603,898  | \$ 6,281,524   | \$ 10,505,933                   | \$ 2,997,600                       | \$ 6,510,000                    |
| (SFID Only, Based on Assets in Service) |                |                |                |                |                             |                |                |                |                                 |                                    |                                 |
| <b>Debt Service</b>                     | \$ 1,345,250   | \$ 1,341,150   | \$ 1,347,750   | \$ 1,346,575   | \$ 1,346,875                | -              | -              | -              | \$ -                            | \$ -                               | \$ -                            |

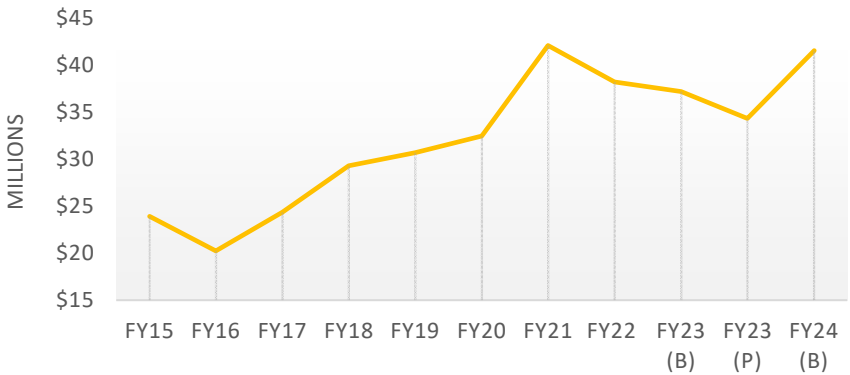
1- Actual results as reported in District CAFR in FY19 and beyond treated the Joint Facilities as a department and not separate entity, resulting in revenue and expenditure changes as compared to prior year  
2- Budget and projected figures are based on cash accounting and actual results are based on accrual

# Historical and Projected Statistical Data

## WATER PURCHASES / LOCAL YIELD



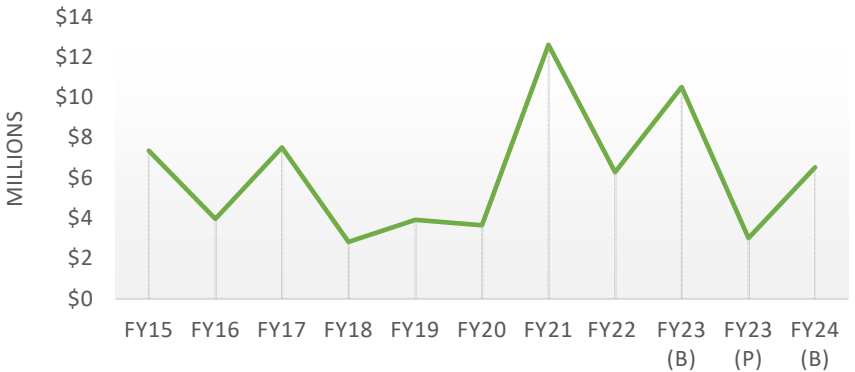
## REVENUES



## 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 2023

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 2022

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-load; AAAm, Aaa or AAA/V1+ rate                        |



# **SANTA FE IRRIGATION DISTRICT**

## **RESERVE FUNDS POLICY**

**MAY 2023**

## SANTA FE IRRIGATION DISTRICT RESERVE FUNDS POLICY

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### 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 Fund*: The Rate Stabilization Fund is an Unrestricted Fund utilized to avoid unacceptable rate increases in combination with or outside of 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. 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 *balance equal to 10% of the current year's budget for variable water sales revenue. However, it shall not exceed a balance equal to a balance equal to 40% of the current year's budget for 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 1<sup>st</sup>; 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

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### **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