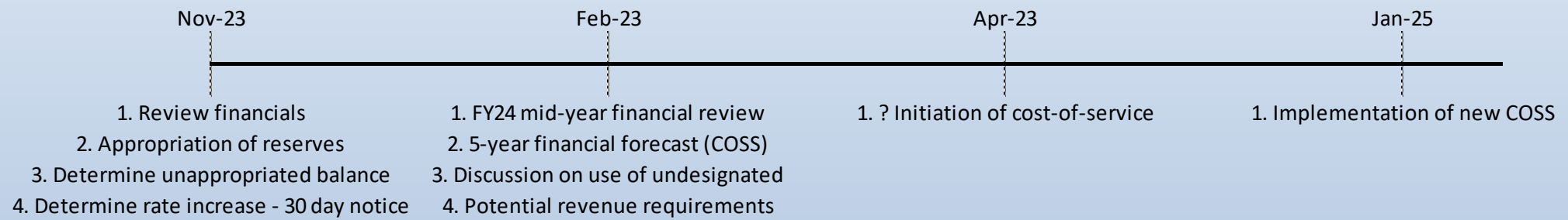


FINANCE TIMELINE

Administrative & Finance Committee





FY23 DRAFT FINANCIAL STATEMENTS

Administrative & Finance Committee

September 12, 2023



Santa Fe Irrigation District
Statement of Revenues, Expenses, and Change in Net Position
Fiscal Year Ending June 30, 2023 / 2022 / 2021

	FYE 2023	FYE 2022	FYE 2021
Water sales	\$ 20,137,050	\$ 23,122,259	\$ 22,956,425
Base meter fees	5,685,882	5,621,633	5,388,296
Filtration Revenues	1,960,155	1,745,555	5,112,807
Other	280,733	428,751	317,534
Total operating revenues	\$ 28,069,820	\$ 29,347,198	\$ 33,775,062
Water purchased	\$ 13,749,382	\$ 13,421,962	\$ 11,805,372
Water treatment	4,287,347	4,593,864	4,821,055
Admin / engineering / transmission / distribution	10,205,650	11,599,323	9,989,884
Depreciation & amortization	3,622,280	3,252,777	3,162,004
Total operating expenses	\$ 31,864,659	\$ 32,867,926	\$ 29,778,315
Operating income (loss)	\$ (3,794,839)	\$ (3,520,728)	\$ 3,996,747
Property taxes and assessments	\$ 3,130,721	\$ 2,858,547	\$ 2,742,685
Investment income	1,277,830	(519,091)	43,528
R.E. Badger income (loss) - undivided interest	3,242,376	(775,518)	(5,709,515)
Other	231,199	2,288,202	3,540,348
Total nonoperating revenues (expenses)	\$ 7,882,126	\$ 3,852,140	\$ 617,046
Income (Loss) before capital contributions	\$ 4,087,287	\$ 331,412	\$ 4,613,793
Capital contributions	503,756	1,937,813	3,645,823
Changes in net position	4,591,043	2,269,225	8,259,616
Net Position, Beginning of year	\$ 93,456,946	\$ 91,187,721	\$ 82,928,105
Net Position, End of year	\$ 98,047,989	\$ 93,456,946	\$ 91,187,721

	FYE 2023	FYE 2022	FYE 2021
Water Treatment	\$ 4,287,347	\$ 4,593,864	4,821,055
Salaries	Potable	Recycled	Total
Personnel Benefits	8,006	856,654	1,249,652
Plant Electricity	9,485	187,476	160,330
Repairs, Parts, and Maintenance	Variance	344,894	345,745
Chemicals	(1,479)	(120)	(1,599)
Other	806,949	665,105	908,383
	426,013	595,026	655,404
Administration & Engineering	\$ 5,578,108	\$ 6,282,465	5,046,793
Salaries	Acre Feet of Water Sources FY23 v. FY22		2,060,334
Personnel Benefits	Untreated	Treated	Local
Legal / Consulting	6,258	711	1,309
Changes to Joint Facilities	7,451	317	2,141
Variance	(1,193)	394	(832)
Insurance	217,434	171,785	153,480
Services	316,928	208,709	232,956
Other	438,877	519,380	127,939
Transmission & Distribution	\$ 4,627,542	\$ 5,316,858	4,943,091
Salaries	1,663,023	1,527,313	1,423,272
Personnel Benefits	705,315	1,428,992	842,906
Pumping (Electric / Repairs)	530,123	562,509	1,059,102
Pipes, Paving, Traffic Control	834,370	616,660	635,186
Valves, Meters, Equipment, Fuel, Hydrants	285,187	298,656	290,675
Other	609,524	882,728	691,950
COMBINED DEPARTMENTAL EXPENSES	\$ 14,492,997	\$ 16,193,187	14,810,939
Salaries	5,443,509	5,173,254	5,030,717
Personnel Benefits	2,866,338	5,033,094	3,297,746
Non-Personnel	6,183,150	5,986,839	6,482,476

Santa Fe Irrigation District
Statement of Net Position
Fiscal Year Ending June 30, 2023 / 2022 / 2021

	FYE 2023	FYE 2022	FYE 2021
Cash and investments	42,806,795	37,620,529	36,625,967
Accounts receivable	4,890,219	5,637,778	9,237,695
Other	1,835,048	1,010,477	738,229
Current assets	\$ 49,532,062	\$ 44,268,784	\$ 46,601,891
Non current assets	1,603,013	2,035,363	1,174,966
Capital assets	92,318,236	93,638,060	90,609,316
Total assets	\$ 143,453,311	\$ 139,942,207	\$ 138,386,173
Deferred outflow of resources	\$ 6,308,345	\$ 5,379,432	\$ 3,845,131
Accounts payable	6,701,897	3,752,471	5,738,548
Other	1,021,201	746,103	971,553
Current liabilities	\$ 7,723,098	\$ 4,498,574	\$ 6,710,101
Net pension liability	14,807,611	9,205,925	14,353,263
Net OPEB liability	2,543,388	1,305,738	3,080,407
Undivided interest - San Dieguito Water District	22,264,582	25,506,955	24,731,437
Other	178,647	481,216	468,202
Non current liabilities	\$ 40,093,178	\$ 36,798,784	\$ 42,633,309
Total liabilities	\$ 47,816,276	\$ 41,297,358	\$ 49,343,410
Deferred inflow of resources	3,897,394	10,567,335	1,700,173
Net investment in capital assets	70,053,654	68,131,105	65,877,879
Unrestricted	27,055,204	24,465,439	25,309,842
Total Net Position	\$ 98,047,986	\$ 93,456,946	\$ 91,187,721

FY23 COST-OF-SERVICE PROJECTION VS. FY23 ACTUAL PERFORMANCE - DRAFT

REVENUES

	<i>Projected</i>	<i>Actual</i>	<i>Variance</i>
Potable fixed charge	\$ 5,642,000	\$ 5,685,882	\$ 43,882
Potable water revenue	22,523,000	18,339,899	(4,183,101)
Recycled water revenue	907,000	906,423	(577)
Interest income	143,000	978,494	835,494
Property Tax	2,917,000	3,131,662	214,662
Other	542,000	573,153	31,153
	\$ 32,674,000	\$ 29,615,514	\$ (3,058,486)

EXPENDITURES

	<i>Projected</i>	<i>Actual</i>	<i>Variance</i>
Fixed water charges	\$ 3,047,000	\$ 3,047,946	\$ 946
Variable water purchases	12,814,000	8,644,834	(4,169,166)
Recycled water purchases	907,000	933,498	26,498
Personnel expenses	9,244,000	8,309,847	(934,153)
Department Expenditures	6,077,000	6,183,150	106,150
Other	324,000	\$ 395,605.7	71,606
	\$ 32,413,000	\$ 27,514,881	\$ (4,898,119)

Increase in Fund Balance From Operations Actual vs. Projections	\$ 1,839,633
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	<i>Projected</i>	<i>Actual</i>	<i>Variance</i>
CIP / CAP Project Expenditures	\$ 4,192,500	\$ 1,700,048	\$ (2,492,452)

Increase in Fund Balance From Capital Actual vs. Projection	\$ 2,492,452
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RESERVE POLICY UPDATE

Administrative & Finance Committee



Lake Hodges Dam: The District is potentially obligated to pay for repairs to the current Lake Hodges dam, in addition to planning, design, and capital costs for the construction of a new dam. Both items are required per the Division of Safety of Dams' order, due to the unsatisfactory condition of Lake Hodges dam (owned and operated by the City of San Diego). For any obligated amount, the District would be responsible for 14.33% of the total funds expended by the City of San Diego. This fund is established to set aside monies that can be utilized for District required operating or capital expenditures for the current Lake Hodges dam or for any expenditures related to the new Lake Hodges dam.

Source of Funds:

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

Designation of Expenses / Uses:

- Operating or capital contributions for the existing or new Lake Hodges dam

Target Fund Balance: There is no minimum or maximum target balance for this fund. However, any fund balance maintained in the reserve should be based on known or reasonably anticipated expenditures that the District may be obligated to pay.

RESERVE RECONCILIATION

Administrative & Finance Committee



CAPITAL REPLACEMENT FUND

TOTAL DISTRICT CAPITAL SPENDING

District Only Projects			
Project	FY24	FY25	FY26
Government Road	\$ 2,600,000		
District Yard Solar	400,000		
District Corporate Yard Building			500,000
La Granada Pipeline and PRS Elimination		814,723	1,110,052
Larrick Reservoir and Pump Station Upgrades		526,636	2,358,780
24-inch Pipeline Realignment /Replacement		552,069	2,385,727
Group A Pipe Replacement			107,245

Total District Projects	\$ 3,000,000	\$ 1,890,000	\$ 6,460,000
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Joint Facility Projects			
Project	FY24	FY25	FY26
R.E. Badger Basin and Filters Concrete Repairs	\$ 984,392		
Rehabilitation of 15-inch SDPS 30-inch		769,300	2,315,000
Parallel 30-inch Raw Water Pipeline			299,943
R.E. Badger Septic Tank and Leach Field	500,000		
Chlorine Scrubber Replacement	500,000		
Filter Surface Washwater Header	1,600,000		
Flocculator Replacement Project		96,600	843,400

Total Joint Facilities	\$ 3,580,000	\$ 870,000	\$ 3,460,000
SDWD Share	\$ 1,610,000	\$ 390,000	\$ 1,560,000
SFID Share	\$ 1,970,000	\$ 480,000	\$ 1,900,000

Total SFID Capital	\$ 4,970,000	\$ 2,370,000	\$ 8,360,000
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ORIGINAL SCENARIO			
Project	FY24	FY25	FY26
District CIP	\$ 3,000,000	\$ 1,946,700	\$ 6,853,414
District CAP	750,000	500,000	500,000
SFID Joint Facilities CIP	1,970,000	494,400	2,015,710
SFID Joint Facilities CAP	446,600	500,000	500,000
Total SFID Capital	\$ 6,166,600	\$ 3,441,100	\$ 9,869,124

Reserve Set-Aside	100%	50%	25%	TOTAL
	\$ 6,166,600	\$ 1,720,550	\$ 2,467,281	\$ 10,354,431

CAPITAL REPLACEMENT FUND

TOTAL DISTRICT CAPITAL SPENDING - UPDATED

District Only Projects			
Project	FY24	FY25	FY26
Government Road	\$ 2,600,000		
District Yard Solar	400,000		
District Corporate Yard Building			500,000
La Granada Pipeline and PRS Elimination		1,350,000	1,650,000
Larrick Reservoir and Pump Station Upgrades		453,271	3,000,000
24-inch Pipeline Realignment /Replacement		552,069	2,385,727
Group A Pipe Replacement			107,245

Total District Projects	\$ 3,000,000	\$ 2,360,000	\$ 7,640,000
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Joint Facility Projects			
Project	FY24	FY25	FY26
R.E. Badger Basin and Filters Concrete Repairs	\$ 984,392		
Rehabilitation of 15-inch SDPS 30-inch		769,300	2,315,000
Parallel 30-inch Raw Water Pipeline			299,943
R.E. Badger Septic Tank and Leach Field	500,000		
Chlorine Scrubber Replacement	500,000		
Filter Surface Washwater Header	1,600,000		
Flocculator Replacement Project		96,600	843,400

Total Joint Facilities	\$ 3,580,000	\$ 870,000	\$ 3,460,000
SDWD Share	\$ 1,610,000	\$ 390,000	\$ 1,560,000
SFID Share	\$ 1,970,000	\$ 480,000	\$ 1,900,000

Total SFID Capital	\$ 4,970,000	\$ 2,840,000	\$ 9,540,000
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UPDATED SCENARIO - Restoration of District Projects			
Project	FY24	FY25	FY26
District CIP	\$ 3,000,000	\$ 2,430,800	\$ 8,105,276
District CAP	750,000	500,000	500,000
SFID Joint Facilities CIP	1,970,000	494,400	2,015,710
SFID Joint Facilities CAP	446,600	500,000	500,000
Total SFID Capital	\$ 6,166,600	\$ 3,925,200	\$ 11,120,986

Reserve Set-Aside	100%	50%	25%	TOTAL
	\$ 6,166,600	\$ 1,962,600	\$ 2,780,247	\$ 10,909,447

Maximum Policy amount would be \$21.2 million

OPERATING FUND

The minimum level is 60 days of operation expenses, with a maximum level of 120 days. Staff has previously and continues to recommend designating 90 days of operational expenditures.

FY24 Budget: Operation & Maintenance Spending	\$	38,258,435
Less: Depreciation & Amortization		(4,263,400)
Less: SDWD Operating Reimbursements		(3,205,241)
FY24 Net Operating Budget	\$	30,789,794
90 Days	\$	7,592,004
60 Days	\$	5,061,336
120 Days	\$	10,122,672

RATE STABILIZATION FUND

- Modified by the Board in May 2023 to remove mention of local water
- Replace with a minimum balance of 10% of water sales revenue & maximum balance of 40% of water sales revenue.
 - This is based on the District's largest financial impacts resulting from a reduction in sales, whether due to drought, external restrictions, or general conservation (based on weather / rainfall or other).
- During this May revision, the Board established a Rate Stabilization Fund reserve equal to 25% of variable water sales, which Staff continues to recommend.

FY24 Budget for Water Sales	\$ 25,074,936
25% of FY24 Budget	\$ 6,268,734

LOCAL WATER FUND

The District yielded 1,309 AF of local water in FY23, while the current cost-of-service does not have any local water included in rates. However, Staff is not recommending funding this reserve since District ratepayers received the financial benefit of more than 1,309 AF of local water in FY23

AF Included in Customer Rates	Time Period in FY23	% of FY	Pro-Rata AF
2,500	July - March	75.0%	1,875
0	April - June	25.0%	0
TOTAL AF IN FY23 RATES			1,875

Staff is recommending keeping the Local Water Fund balance at zero

LAKE HODGES FUND

- If the Administrative & Finance Committee were to recommend the Board approve the creation of this new fund, Staff recommends funding this newly established reserve with approximately \$3.7 million.
 - This figure is based on \$1.7 million in District obligated reimbursements to the City of San Diego for operations and maintenance expenditures to maintain flood control on the current Lake Hodges dam. Though the validity for reimbursement of these expenditures are currently in dispute, this sizeable sum would impact District fund balance.
 - Staff is proposing to designate an additional \$2.0 million for the upcoming planning costs associated with the new Lake Hodges dam. Planning costs up to 2030 are required to be pay-go, with the District obligated to pay 14.33%. Setting aside \$2 million would equate to the District's share of approximately \$14.0 million in expenses for design / planning – which is only a small portion of what will be the actual costs.

Description	Amount
Potential current Lake Hodges Dam O&M	\$ 1,662,085
New Lake Hodges Dam Planning Costs	2,000,000
Total Reserve Set-Aside	\$ 3,662,085

UNDESIGNATED FUND BALANCE

	FY23	FY22	Variance
Cash & Investments	\$ 42,806,795	\$ 37,620,529	\$ 5,186,266
Less: Accounts Payable	<u>(6,701,897)</u>	<u>(3,752,471)</u>	<u>(2,949,426)</u>
Net Cash & Investments	\$ 36,104,898	\$ 33,868,058	\$ 2,236,840
Operating Fund	\$ 7,592,004	\$ 7,014,116	\$ 577,888
Capital Improve. & Replace. Fund	10,909,447	11,357,036	(447,590)
Rate Stabilization Fund	6,268,734	5,327,453	941,281
Lake Hodges Fund	3,662,085	-	3,662,085
Local Water Fund	<u>-</u>	<u>383,222</u>	<u>(383,222)</u>
Total Reserves	\$ 28,432,269	\$ 24,081,827	\$ 4,350,442
Net Undesignated Funds	\$ 7,672,629	\$ 9,786,231	\$ (2,113,602)

PENSION FUNDING POLICY

Administrative & Finance Committee



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.cfidwater.org/DocumentCenter/View/883/Reserve-Funds-Policy-PDF>).

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~~ amortization period for the UAL as required by CalPERS. 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~~ may determine at any time they shall see fit to make an ADP and how it is applied to reduce the District's UAL.

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 bring a proposal to offset this new amortization base with any available contribution(s) from the Pension Stabilization Fund to maintain the level UAL Contribution (or among a combination of proposed actions. ~~This~~ Pension Stabilization Fund balance will be ~~reconciled annually in conjunction with the completion of the annual audit and Reserve Fund Policy reconciliation reported monthly with the District's other investments to the Administrative & Finance Committee.~~

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~~ will bring any proposed options included in this Policy to address any year-to-year variance in the UAL to the Board.

JANUARY RATE INCREASE

Administrative & Finance Committee



Net Position Change

- District's year-end fund balance for FY23 was a net \$36.1 million (cash & investments, less accounts payable), which is approximately \$2.3 million higher than anticipated in the cost-of-service.
 - Variance in capital spending was primarily due to material procurement delays, among other items; which are anticipated to continue to impact capital projects into the foreseeable future.

Additional Revenue – Rate Increase

- The 3% revenue increase that was implemented in FY23 was only effective for 2.3 months (average length of implementation among the four different potable billing cycles). This increase generated approximately \$175,000 in additional revenues.
- Assuming that FY24 water sales are approximately the same as those in FY23 (due to El Niño conditions), a full year of this 3% revenue increase is anticipated to yield an additional \$510,000 in water sales revenues in the current fiscal year.
- Every 1% of rate increase implemented effective January 1, 2024 (again assuming water sales equal to that in FY23) would yield approximately \$95,000 in additional revenue in FY24; therefore, the full 5.5% would generate approximately \$515,000 in additional revenue.
- In FY25, for every 1% of rate increase implemented, approximately \$195,000 in additional revenue would be generated; therefore, the full 5.5% would generate approximately \$1,075,000 in additional revenue.

SDCWA Rate Change

- The CY23 fixed charges that the District will pay to SDCWA totals \$3,094,656, while CY24 payments for fixed charges will total \$3,360,348; which represents a 8.6% increase. The price per AF of untreated water in CY23 totaled \$1,258, while the CY24 price per AF will be \$1,389; which represents a 10.4% increase. The price per AF of treated water in CY23 totaled \$1,608, while the CY24 price per AF will be \$1,789; which represents a 11.3% increase.
- If potable water sales in FY24 were to match FY23, the District would need to produce 8,300 AF of water due to 3.6% non-revenue water.
 - Despite the Lake Hodges restrictions, an estimate for local water to be yielded by the District of 1,000 AF in FY24 may be possible due to El Niño conditions.
 - An additional 500 AF of treated water would be required to meet demands during repairs / maintenance to the R.E. Badger Filtration Plant; with the remaining 6,800 AF of untreated water coming from SDCWA.
- Based on this estimate, the effective District-wide increase from SDCWA is 10%. With imported water only making up a portion of fixed charges, each tier, and the overall customer's bill, this 10% translates to an effective increase to SFID customers of approximately 5%.

Recommendation

- Staff's recommendation is for the Administrative & Finance Committee to pass-through the full SDCWA rate increase to customers, with no rate increase for District operations / maintenance and capital spending.
 - Based on the fact that the District's cash position is greater than anticipated by approximately \$2.3 million, which represents nearly 4X the amount of revenue that was to be generated in FY24 from the 5.5% rate increase.
 - This \$2.3 million additional cash equals approximately the full amount of additional ratepayer revenue that would be generated from a 5.5% rate increase through FY26.
 - This recommendation is also in light of the financial burden the majority of ratepayers experienced during the April 1, 2023 rate increase due to the significant reduction / loss of local water; with no rate increase for District operations and capital providing some relief.

Recommendation

- It should be noted that the District will be undertaking a cost-of-service in CY24, where all assumptions, spending, goals, etc. will be completely reviewed. This will enable the Board to make any decisions for rate increases that may be necessary with an updated and comprehensive picture of the District's projected financial performance.

CUSTOMER FIXED CHARGES

Potable Customers Meter Size	Current Fixed	CY 2024 Pass-Through	CY 2024 Total
5/8" & 3/4"	\$94.48	\$4.03	\$98.51
1"	\$150.40	\$6.71	\$157.11
1 1/2"	\$290.20	\$13.42	\$303.62
2"	\$457.96	\$21.46	\$479.42
3"	\$989.20	\$46.93	\$1,036.13
4"	\$1,772.08	\$84.47	\$1,856.55
6"	\$3,645.40	\$174.28	\$3,819.68
8"	\$7,839.40	\$375.37	\$8,214.77
10"	\$11,753.80	\$563.05	\$12,316.85

PSAWR Customers Meter Size	FY 2023	CY 2024 Pass-Through	CY 2024 Total
5/8" & 3/4"	\$68.51	\$1.96	\$70.47
1"	\$107.12	\$3.26	\$110.38
1 1/2"	\$203.63	\$6.52	\$210.16
2"	\$319.45	\$10.43	\$329.89
3"	\$686.22	\$22.80	\$709.02
4"	\$1,226.71	\$41.04	\$1,267.75
6"	\$2,520.03	\$84.67	\$2,604.71
8"	\$5,415.53	\$182.36	\$5,597.90
10"	\$8,118.00	\$273.54	\$8,391.54

CUSTOMER VARIABLE RATES (\$/HCF)

Customer Class	FY 2023	CY 2024 Pass-Through	CY 2024 Total
Single-Family			
Tier 1	\$4.70	\$0.32	\$5.02
Tier 2	\$5.87	\$0.32	\$6.19
Tier 3	\$6.22	\$0.32	\$6.54
Tier 4	\$7.15	\$0.32	\$7.47
Multi-Family			
Tier 1	\$5.36	\$0.32	\$5.68
Non-Residential	\$5.43	\$0.32	\$5.75
Irrigation / Agriculture	\$5.48	\$0.32	\$5.80
PSAWR			
Tier 1	\$4.70	\$0.32	\$5.02
Tier 2	\$5.09	\$0.17	\$5.26