



SANTA FE IRRIGATION DISTRICT

FISCAL YEAR 2026

OPERATING & CAPITAL BUDGET



PICTURED: SAN DIEGUITO RESERVOIR DAM REPAIRS - 2025. CONSTRUCTED IN 1918, THE DAM CREATES A 850 ACRE-FEET RESERVOIR THAT IS USED FOR PRE-TREATMENT OF LOCAL WATER FROM LAKE HODGES. THIS REPAIR WILL CONTINUE TO EXTEND THE LIFE OF THE DAM FOR 50+ YEARS AND SHOWS HOW SANTA FE IRRIGATION DISTRICT CONTINUES TO INVEST IN ITS CAPITAL ASSETS THROUGH REPAIR, MAINTENANCE, AND REPLACEMENT.



Customers of Santa Fe Irrigation District

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

Board of Directors

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

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

Dana L. Friehauf – elected representative for District 2

Kenneth B. Westphal – elected representative for District 1

Andrew J. Menshek – elected representative for District 5

Executive Management Team

Albert C. Lau, P.E. –General Manager

Marissa Potter, P.E. – Director, Engineering Services

Tim Bailey – Director, Water Treatment

Chris Bozir – Director, Water Distribution

Seth Gates – Director, Administrative Services

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FISCAL YEAR 2026 BUDGET

TO: SANTA FE IRRIGATION BOARD OF DIRECTORS & MEMBERS OF THE PUBLIC
DATE: June 19, 2025

Staff is pleased to present the Fiscal Year 2026 (FY26) Operating and Capital Budgets for the period July 1, 2025, through June 30, 2026, 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 outlined in the District's strategic plan, 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 FY26 Budget as compared to the FY25 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, Solana Beach, and a portion of the unincorporated area of San Diego County. Joint Facilities expenditures are for the operation and maintenance of the R.E. Badger Filtration Plant, raw water movement facilities from Lake Hodges, the San Dieguito Reservoir, 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.

FY26 BUDGET SIGNIFICANT ITEMS / CHALLENGES / ADDITIONAL FACTORS

The FY26 Budget development process considered both internal and external factors that drive budget assumptions, projections, and requested appropriations. The following is a summary of FY26 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 continue taking positive steps for customer benefit, several of which are outlined in this budget, including pre-payment on liabilities (saving accrued interest charges) and establishing reserves to offset future costs on Lake Hodges (instead of relying on increased water rates), among others. However, as during any fiscal year's budget development, unknown impacts are currently developing that Staff will work to update and engage the Board about throughout the year (which may require in-fiscal-year adjustments) & also keep customers informed about.

TARIFFS AND COST INCREASES

Over the past 5 years, the San Diego / Carlsbad consumer price index (CPI) has increased 26.2%, which has increased the cost of goods and services that are imperative to the operation of the District. Despite these cost increases, over this time, the District has only increased its overall revenue requirement by approximately 11%, providing our customers some price relief due to operational efficiencies from Staff and maximizing non-rate revenues (i.e interest income growth, grant revenues, and cell-tower renewals). The CPI growth has slowed over the past two years, and the District has not seen the same price pressures that were experienced during the pandemic and immediately after. However, the District is now beginning to see the initial impacts developing from the federal tariffs that have been implemented and are continuing to be discussed for further implementation this year. A brief summary of some of these tariffs include:

Steel & Aluminum

Rate increases: Steel & aluminum tariffs were originally 25% (on most countries) and doubled to 50%, effective June 4, 2025

China Tariffs

February 1, 2025: Initial 10% tariff imposed via executive authority.

March 4, 2025: Increased to 20%.

April 11, 2025: Total effective tariff on Chinese imports reached up to 145%.

May 12, 2025: Temporary 90-day tariff rollback to ~30% under a truce.

Tariffs on Canada & Mexico

March 4, 2025: Formal imposition: 25% on most Canadian and Mexican goods.

10% on Canadian energy and oil.

Universal Tariff

All imported goods (with certain exceptions) are to incur a 10% baseline tariff effective April 9th

The expenditure appropriations in this FY26 Budget reflect a change in prices during the fiscal year for goods and service in-line with prior years changes in CPI; ranging from approximately 3% to 5% as compared to FY25 expenditure levels. The FY26 Budget does not reflect a significant change in prices for essential goods that can accommodate these levels of tariffs. District Staff have been notified by vendors that prices may increase by up to 50% if these tariffs are implemented and are not removed in a timely basis. For example, the District's primary coagulant at the RE Badger Filtration Plant is aluminum chlorohydrate, which uses raw ore aluminum as its primary component. The District's vendor has notified Staff that due to the tariff implemented on June 4th, these prices are anticipated to rise 50% effective July 1st.

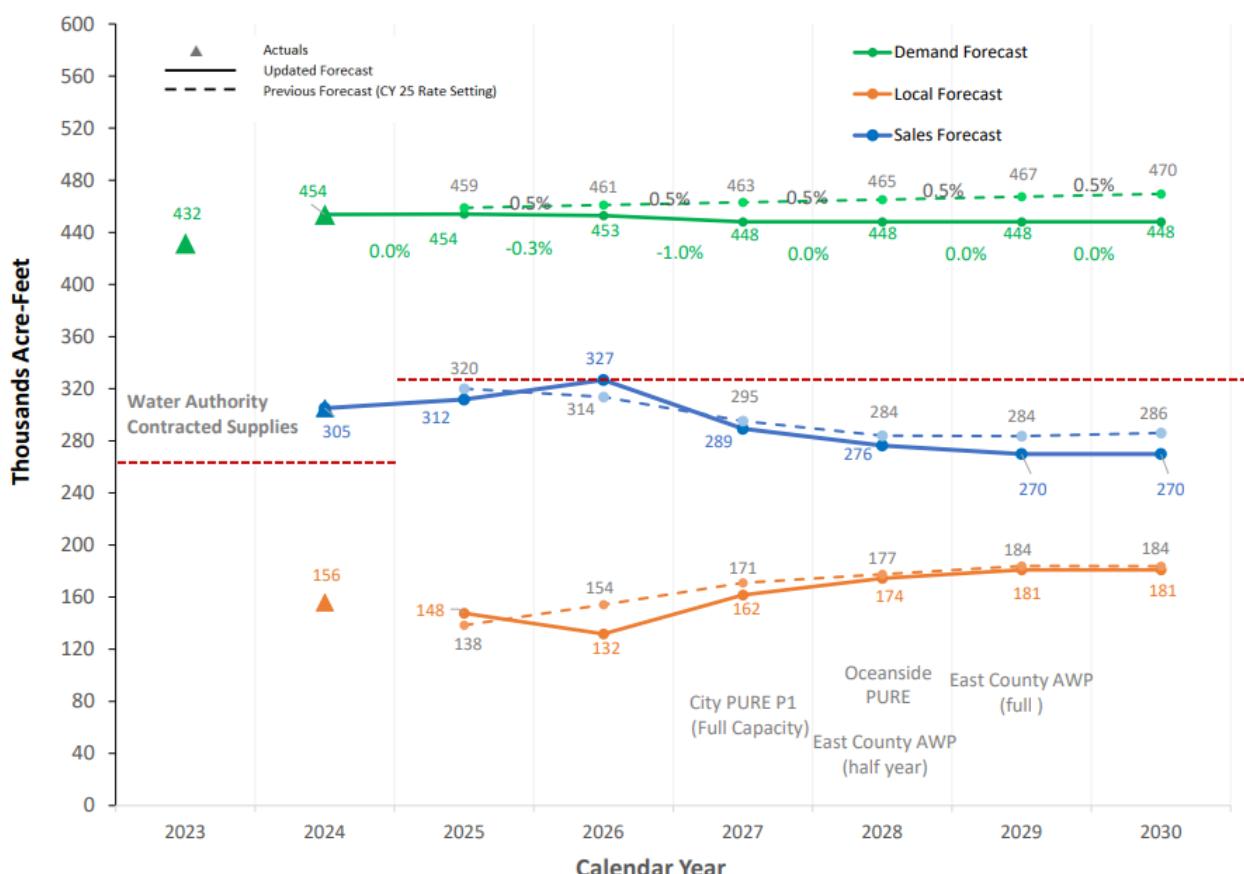
Staff will monitor the prices on all District goods to determine what the impact is on the FY26 Budget, in addition to overall financial projections. If Staff determines that the FY26 Budget needs to be modified to properly reflect the revised level of expenditures to accommodate these tariffs, this may be done during the FY26 Mid-Year Budget monitoring process, or at any other point during the fiscal year if required.

IMPORTED WATER COSTS INCREASES

San Diego County Water Authority – Potable Water

The San Diego County Water Authority (SDCWA) continues to face various pressures that has been and will continue to increase the price of imported water. These pressures include declining sales due to conservation and weather, wholesale increases from the Metropolitan Water District of Southern California (MWD), detachment of two member agencies, depletion of reserves / maintenance of credit ratings, and aging infrastructure; among others. There has been significant consternation from member agencies regarding these increases; but general understanding of the drivers behind this estimated increase and need for the SDWCA's financial sustainability to maintain its infrastructure.

SDCWA started their CY26 rate increase proposal at an approximate 18% "all-in" rate increase in March 2025, which was subsequently revised to an approximate 10.4% increase in May. The approximately 7% reduction in their revenue requirement was primarily due to a projected increase in total water sales, from 314,000 AF to 327,000 AF, as shown below in the SDCWA's projected agency sales.



This 10.4% increase is made up of a number of factors, including a 3.5% increase from the Metropolitan Water District (MWD), a 4% increase from SDCWA committed supplies, and a 2.9% increase due to a new debt issuance for capital projects and their increased operating costs, shown as follows.



SDCWA is experiencing continuous rate pressures that are only going to be magnified in upcoming years as member agencies finalize their local water projects and reduce their demand on imported supplies from them as a wholesale agency. However, on June 2nd, MWD and SDCWA announced the settlement of a 15-year legal dispute over rates and the price term of an exchange agreement between the agencies.

The litigation centered on the price SDCWA pays to MWD for an exchange of water. SDCWA acquired conserved Colorado River water from two sources: 1. the Imperial Irrigation District, and 2. water conserved by the lining of the All-American and Coachella canals. This conserved Colorado River water totals up to 277,700 AF /year. The conserved Colorado River water is provided to MWD at the Colorado River and, in exchange, MWD delivers the same quantity of its water to San Diego. SDCWA challenged the price MWD charged for this exchange starting in 2010, with both sides winning important legal judgments over more than a decade.

Under the settlement, SDCWA will pay a fixed price to MWD for delivery of the exchange water, adjusted annually for inflation. The price will no longer be tied to MWD's rates, which was a source of dispute and litigation. In addition, SDCWA will be able to offer those deliveries to other MWD member agencies or to sell the conserved Colorado River water to MWD. This benefits SDCWA and their 22 member agencies (including SFID) by avoiding volatile water cost increases and gaining greater price predictability for future planning purposes. Additionally, the ability to sell this exchange water to MWD and / or their member agencies, opens the opportunity to reduce SDCWA's committed supply levels in the future (where an imbalance between contractual supply levels and demand may exist) and / or create a new source of revenue to offset SDCWA rate impacts.

Clarifications on how this new agreement, price pressures, and other factors will impact SDCWA's financial health and their ability to provide water at a rate that can be afforded by San Diego county residents over the long-term will be determined by their long-range financial plan (LRFP), which hasn't been updated for over three years. SDCWA Staff are planning to move forward with revising their LRFP in July for initial review, comment, and their Board's consideration.

San Elijo Joint Powers Authority – Recycled Water

In September 2025, the contractual length of the long-range planning (LRP) grant funding for San Elijo Joint Powers Authority's (SEJPA) recycled water system from SDCWA and MWD is expiring. This credit totaled \$450 per AF of recycled water produced. This funding will need replacement through an increase in their wholesale rates charged to their agency customers, including Santa Fe Irrigation District. Based on SEJPA's initial estimates for FY26, a 12% increase in wholesale rates, and a corresponding increase in District recycled water rates charged to customers, was included in the proposed budget.

After feedback from customers, SEJPA Staff have revised their approach, to better “phase in” the required price increase(s) to recycled water to replace the LRP funding. SEJPA has will implement their Board’s previously approved 3.9% increase in recycled water rates effective July 1, 2025, and then undertake a new cost-of-service review that will be for three subsequent years. SEJPA Staff are also proposing to institute their next rate increase on January 1, 2026, and have each following rate increase effective January 1st (replacing their previous rate schedule of July 1st rate increases). Though SEJPA Staff is estimating that their new cost-of-service will not be completed until September, their preliminary estimate for the January rate increase is 7.8%. The FY26 Budget has been updated to reflect the 3.9% and 7.8% increase on July 1st and January 1st, respectively. Once their new cost-of-service is adopted in September, any variance in their finalized rates as compared to those included in this budget, Staff will request any appropriation adjustment necessary during the Mid-Year Budget process.

LEGISLATION

The California legislators continue to adopt greater rules and regulations that impact water districts / agencies / providers budgets through mandates that are not funded by any newly provided revenues from the State. All these new and expanded mandates require additional expenditures to be incurred by the District for added Staff time (or new licensing / training), purchased equipment, outside services, and outreach efforts, among others. These newly required expenditures places additional rate pressure on potable water rates charges by the District to its customers. Some of these new regulations include, but are not limited to:

Lead and copper reporting: Required creating and inventory of all District service lines for customer water service by material type.

Advanced clean fleet: Requires an increasing percentage of zero-emission vehicles to be purchased by the District, with all fleet vehicles requiring to be electric-only by 2027. This is mandated by the California Air Resource Board (CARB).

Water loss reporting: Required expanded water loss reporting in the distribution system in State Water Resource Control Board’s mandatory model, with specified actions having to be followed / detailed on how water loss is being curtailed / managed.

Water as a way of life: Water suppliers given a specific water budget to comply with starting in FY27, with enhanced reporting required to detail customer use.

PFAS / Micro Plastics / Chromium-6: These water contaminants now have an enhanced maximum contamination level (MCL) for finished water that required significantly more testing that requires enhanced facilities.

Examples of how these regulations impact the District financially include the following. The CARB regulations have necessitated the District replace vehicles earlier than anticipated to ensure that a gasoline vehicle could be utilized, as their electric replacements currently do not exist or their range / capabilities do not match those required by Staff to properly do their jobs. This includes over \$200,000 in earlier acquisitions, with Staff having to plan on additional funding requirements for the complete electrification of the District including charging facilities / expanded electrical service to the site / additional procurement delays. The PFAS regulations have required the District to send samples to other accredited laboratories due to the MCL’s being set at a level that is undetectable by our own facilities or would require the purchase of machinery that would be more than \$1.0 million. This expanded testing is over \$100,000 per year, and will increase yearly as prices increase, source water changes, and demand for testing increases as regulations are fully implemented. To put these changes in perspective, a 1.0% increase in District rates

yields approximately \$300,000 in new revenues. The CARB regulations and PFAS testing have cost the District over \$500,000 in hard costs and Staff time / resources combined. District Staff have done a commendable job in absorbing these costs through additional efficiencies and leveraging existing resources to accomplish mandated initiatives.

LAKE HODGES

As outlined in prior years budget documents, the current Lake Hodges Dam is under a Division of Safety of Dams (DSOD) restriction that hinders or completely negates the District's ability to utilize local water from the lake impounded behind the dam. The FY26 Budget does not include any local water utilization, and therefore, the appropriation levels included reflect the necessity to purchase 100% of all water from SDCWA. The District filed suit against the City of San Diego for damages incurred due to the lack of local water from Lake Hodges, as the DSOD restriction was due to the City's long-run neglect for maintenance and repairs to the dam. Accordingly, appropriations for any demand from the City for reimbursement for short-term repairs on the current dam and / or design costs on the replacement dam have not been included in the FY26 Budget. Despite this litigation, Staff for the District and the City are still meeting to find an amiable solution for these damages incurred in addition to planning for the replacement of the dam. Should this litigation be resolved or a solution agreed to during FY26 that would require an operating payment to the City, the Board has already established a Lake Hodges Dam reserve that has a designated fund balance of \$10.4 million. Staff would recommend and take an action to the Board to appropriate these funds for expenditure in the fiscal year that these payments to the City would be required.

LONG RANGE FINANCIAL PLAN & RATES

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. The long-term District priorities, which the FY26 Budget includes funding for, are:

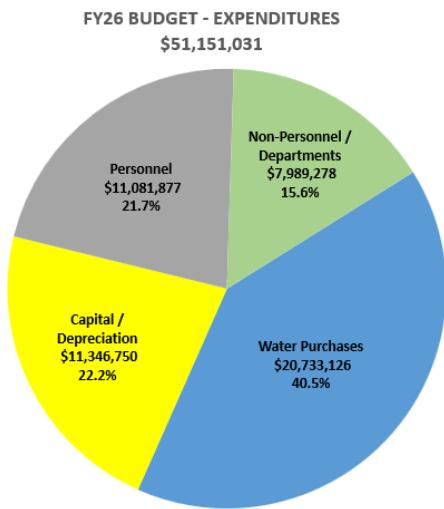
- Working with the City of San Diego to restore the financial benefits associated with local water & determining what is the best long-term option for District rate-payers for Lake Hodges' dam replacement;
- Advocate for District customers on the best course for the availability, security, and pricing of imported water from SDCWA;
- Work to find the highest and best uses for rate-payer funds, including implementation of renewable energy projects;
- 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.

Due to the District's current positive financial condition (with fund balance available beyond projected reserve designation levels, or "funds for future ratepayer benefit"), which is projected to continue for FY25 year-end, this FY26 Budget does not include any increase in customer rates for District operations & maintenance / capital spending effective January 1, 2026 (despite the District's approved Proposition 218 Notice including a 5.5% maximum rate adjustment).

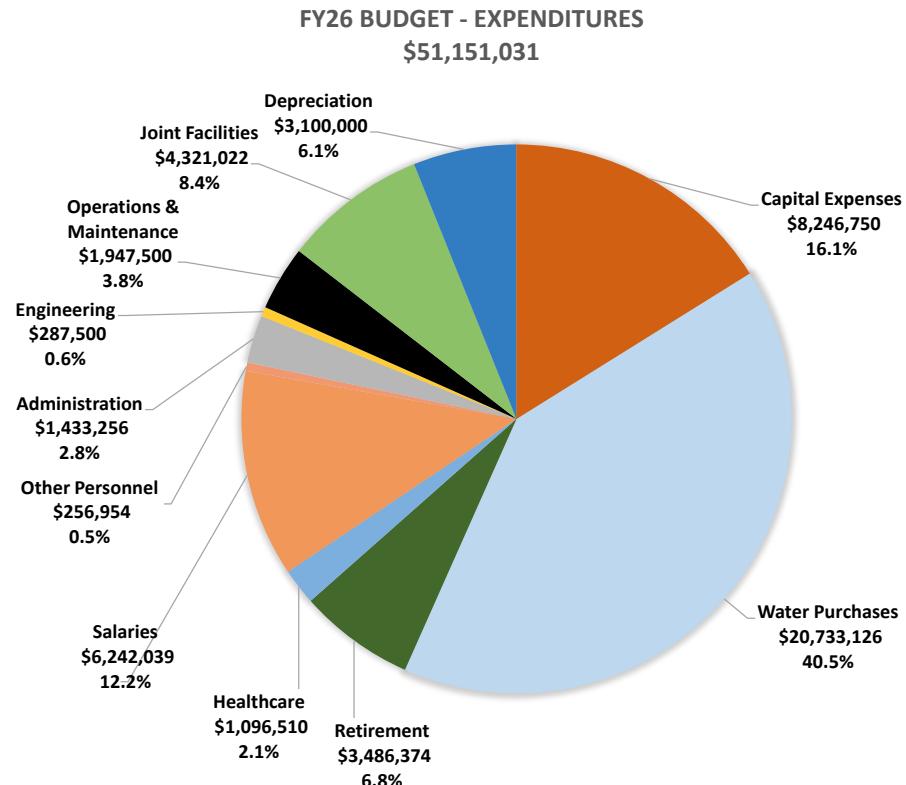
FY26 BUDGET SUMMARY

The programs and expenditures outlined in the FY26 Budget reflect management's best efforts to advance the goals of the District as outlined in the Strategic Business Plan, ensure safe / clean / reliable water for all customers, 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 FY26 as depicted in the associated pie chart is \$51,151,031, an increase of approximately \$3.1 million, or 6.4% from the FY25 Budget. Expenses can be categorized into four primary areas: 1. water purchases at 40.5%, 2. capital spending on new assets and the replacement and depreciation of existing assets at 22.2%, 3. personnel expenditures of 21.7% (salaries, retirement, healthcare, and other), and 4. departmental / non-personnel expenditures of 15.6% (joint facilities, operations & maintenance, engineering, administration). The full breakout of expenditures for the FY26 Budget in graphic form is as follows.



The large variations from the FY26 Budget include:

- \$1.9 million increase in water purchases
- \$110,000 increase in capital expenditures
- \$290,000 increase in personnel expenditures
- \$830,000 increase in departmental expenditures

WATER PURCHASES

SFID WATER PRODUCTION / SOURCES: FY20 – FY26

	SFID	SDCWA		SEJPA	Total Potable	Total All Water
	Local	Treated	Untreated	Recycle		
FY20	3,404	258	5,417	513	9,078	9,590
FY21	3,214	700	6,190	640	10,104	10,744
FY22	2,141	317	7,451	665	9,910	10,574
FY23	1,309	711	6,258	546	8,277	8,823
FY24	1,553	518	6,046	543	8,116	8,659
FY25*	1,291	593	7,538	627	9,422	10,049
FY26**	-	700	8,615	625	9,315	9,940

* Current projection

** Budget amount

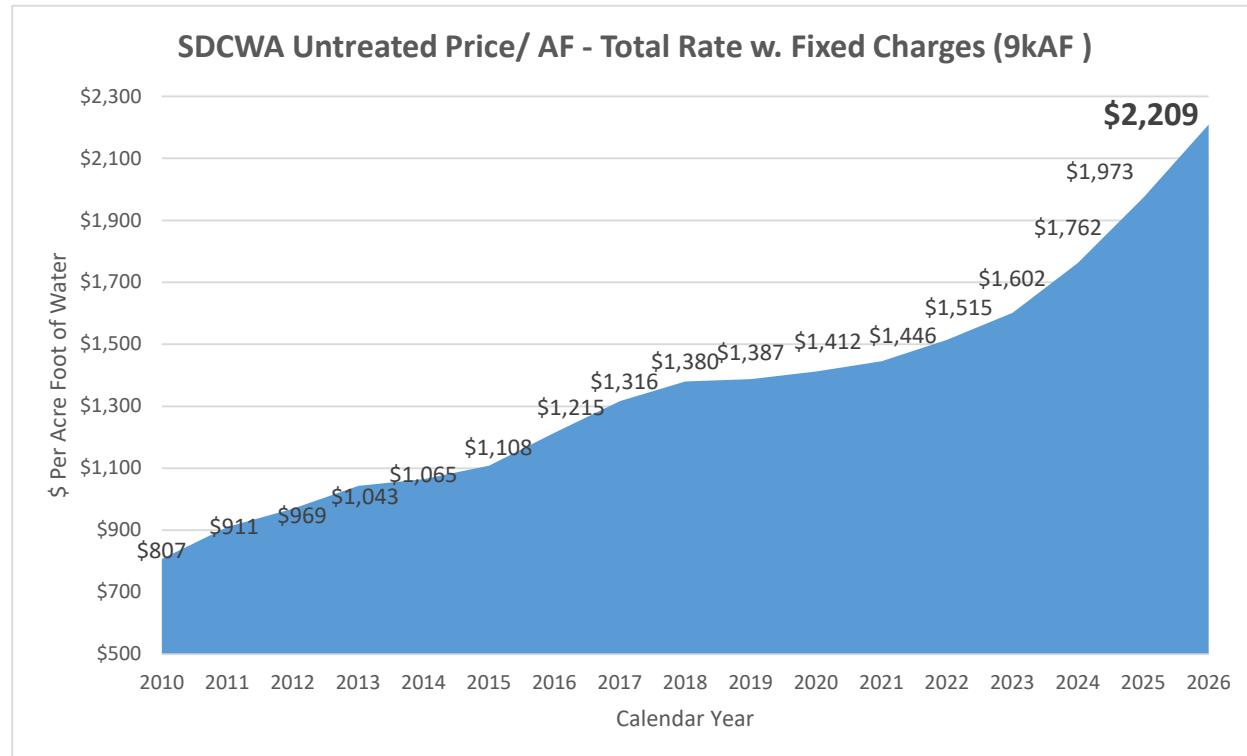
Potable Water

Potable water purchases is projected to increase by \$1.7 million in FY26, to \$19.5 million. This is due solely to increase in the price of potable water charged to the District (fixed and variable) by SDCWA, as the FY26 Budget includes the same level of projected purchases as in the FY25 Budget.

Potable water demand in the District has changed significantly over the last two decades. Prior to mandated consumption restrictions in April 2015 in response to the persistent 2011 - 2016 California drought, the District utilized over 14,000 AF on an annual basis at its highest. Despite these mandated restrictions being lifted in 2017, District customers permanently changed how they utilized water; significantly curtailing their use. As can be seen from the water sources since FY20, total potable water demand was approximately 10,100 AF at the highest since that time period, with approximately 8,100 AF at the lowest. Purchases in the District are primarily dependent on weather / rainfall, as outdoor irrigation is the primary driver in demand / purchase variations. The FY26 Budget projects 9,315 AF of water demand, with all 9,315 AF having to be purchased from SDCWA (treated and untreated) due to the FY26 Budget not including any local water yield, with only 9,000 AF of sales due to the non-revenue local water (metering inaccuracy, leaks, etc.). As previously discussed, no local water is budgeted from Lake Hodges due to the DSOD restrictions, unknown replenishment of any available water in the lake due to rainfall in the fiscal year, and the unknown water quality from the remaining water in the lake.

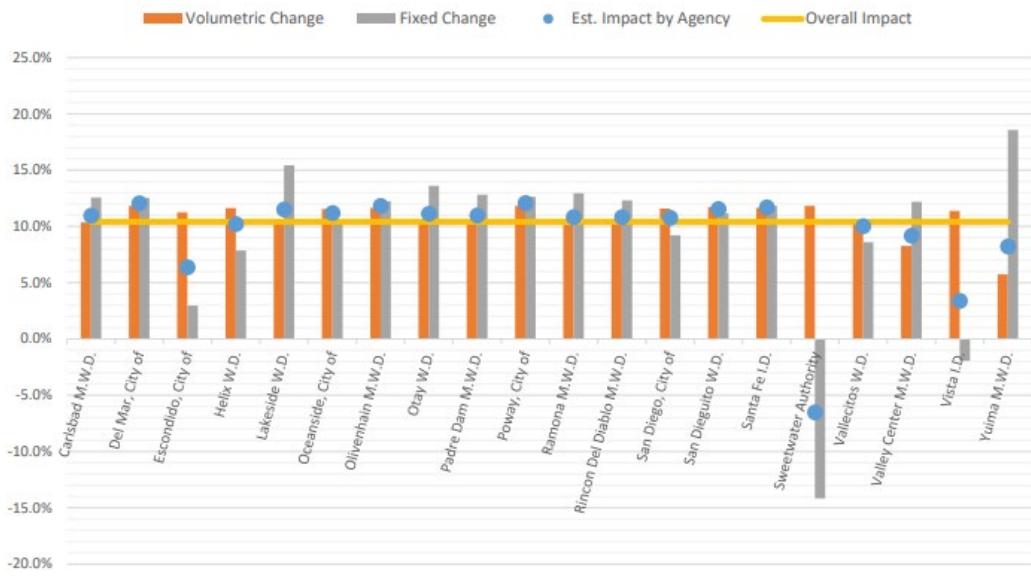
Water purchase costs are based on demand and the price of imported water charged by SDCWA. As seen in the following chart, the price per AF (including both fixed and variable charges) of untreated potable

water has dramatically increased since 2010 – averaging a 6.5% increase per year since this time. The drivers behind this figure are declining demand (which spreads high fixed costs over a smaller amount of water sold), continually aging infrastructure, inflation for good and services, and increasing regulatory requirements, among others. However, SDCWA's price increase has averaged 8.9% per year over the last five years, as one-time rate mitigation measures have run out (MWD settlement funds, use of reserves, etc.).



SDCWA has determined that the rate increase effective January 1, 2026 to be approximately 10.4% (member agency impacts vary), as shown in the following table outlining the change in variable and fixed charges. The impact to SFID is estimated to be 11.8% based on this proposal. The District's increase is anticipated to be higher than the average agency impact due to the District's loss of local water in recent years in addition to other agency decreases (for various reasons) that are being spread amongst all other SDCWA member agencies. Estimated changes by agency and the overall "all-in" estimated change for this CY26 increase proposal, as prepared by SDCWA Staff is as follows.

Estimated Impact by Agency



SDCWA is increasing their fixed cost recovery in CY26 by shifting an additional \$11.5 million to transportation costs from the variable charge to the fixed charge (\$30 million in CY25 and \$41.5 million in CY26). The proposed CY26 change for each component of the SDCWA rate incorporated into the FY26 Budget is as follows:

	CY 2025 Adopted	CY26 Proposed	% Increase
Variable Charges			
Melded Supply Rate (\$/AF)	\$ 1,355	\$ 1,545	14.0%
Melded Treatment Rate (\$/AF)	\$ 500	\$ 530	6.0%
Transportation Rate (\$/AF)	\$ 141	\$ 128	-9.2%
Untreated Permanent Special Agricultural Water Rate (\$/AF)	\$ 912	\$ 984	7.9%
Fixed Charges			
Transportation Fixed Charge	\$ 30,000,000	\$ 41,500,000	38.3%
Infrastructure Access Charge **	\$4.55/ME	\$4.55/ME	0.0%
Customer Service Charge	\$ 30,000,000	\$ 32,500,000	8.3%
Storage Charge	\$ 65,000,000	\$ 72,000,000	10.8%
Supply Reliability Charge	\$ 48,680,000	\$ 49,900,000	2.5%
Standy Availability Charge Per Parcel / Acre*	\$ 10	\$ 10	0.0%
MWD Capacity Charge	\$ 10,944,700	\$ 12,201,750	11.5%
MWD Readiness-To-Serve Charge	\$ 11,453,673	\$ 10,486,452	-8.4%

*FY Charge

** ME = Meter Equivalent

The following are the fixed charges for CY26 estimated to be levied against the District, and included in the FY26 Budget

	CY 2025 Adopted	CY26 Proposed	% Increase
Fixed Charges - Per Month			
Transportation Fixed Charge	\$ 45,059	\$ 65,613	45.6%
Infrastructure Access Charge	\$ 47,138	\$ 47,753	1.3%
Customer Service Charge	\$ 45,059	\$ 49,798	10.5%
Storage Charge	\$ 102,662	\$ 115,446	12.5%
Supply Reliability Charge	\$ 76,861	\$ 80,169	4.3%
MWD Capacity Charge	\$ 18,426	\$ 21,418	16.2%
MWD Readiness-To-Serve Charge	\$ 22,812	\$ 22,094	-3.1%
TOTAL	\$ 358,017	\$ 402,291	12.4%

Recycled / Reclaimed Water

Recycled water revenue is projected to increase by approximately \$230,000, to \$1.3 million in FY26 due to the pass-through of price increases from SEJPA and a budgeted 75 AF of increased demand. Total estimated demand in the FY26 Budget is 625 AF, though this may increase based on weather conditions. The District does not generate any fund balance 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 and operates the recycled water distribution system. SEJPA is anticipated to increase the cost of recycled water per AF to \$1,986 on July 1st (as shown as follows in their 2022 approved cost-of-service). However, SEJPA Staff has indicated that this increase is not sufficient to maintain their financial metrics for appropriate debt service requirements and maintenance of their overall recycled water fund's financial health.

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

As this increase to \$1,986 per AF is the final increase approved by their Board of Directors under their 2022 cost-of-service, any additional adjustments will require a new cost-of-service approved by their Board of Directors. SEJPA Staff is projecting that their new cost-of-service would be approved by their Board in September 2025, with a rate adjustment required as of January 1, 2026 to maintain proper financial metrics. Though this increase will not be finalized until this approval, SEJPA Staff is projecting that this increase will be 7.8% or an increase to \$2,141 per AF. The FY26 Budget assumes 60% of the total recycled water demand will be purchased prior to January 1st at \$1,986 per AF, with the remaining 40% purchased after their rate increase to \$2,141 per AF.

CAPITAL IMPROVEMENT PROGRAM

The FY26 capital budget of \$8.3 million, an increase of approximately \$110,000, consists of \$1.6 million in smaller capital acquisition purchases (CAP) and \$6.7 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 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 FY26 total \$1,601,000, with the Santa Fe Irrigation District's portion totaling \$1,177,948, and SDWD's portion totaling \$423,053.

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 FY26 are anticipated to be \$6,645,750, with District only CIP expenditures totaling \$3,500,000 and Joint Facilities expenditures of \$3,145,750 (with SFID responsible for \$1,735,988 and SDWD responsible for \$1,409,763). Projects in FY26 are the same projects that were also included in the FY25 Budget; however, each project is at a different point in their planning and / or construction cycle. The District CIP projects consist primarily of five projects, with the largest being \$1.5 million for the upgrade of the Lerrick Reservoir. The \$3.1 million in Joint Facilities expenditures is made up of seven projects, with the largest project being \$1.9 million for the solar project on the RE Badger Treatment Plant's clear well. The FY26 Budget requests no additional appropriations, as the FY25 Budget authorized sufficient appropriations to move forward with each of the District / Joint Facilities 12 individual projects.

Staff does note that the FY26 operating budget includes \$200,000 in funding to complete the update of the District's asset management master plan (AMMP); both for District-only and Joint Facilities assets. The AMMP is the District's guiding document for capital investment for the repair, replacement, upgrade, or new construction for water distribution, water treatment, or administrative related improvements. The AMMP is based on a comprehensive review of condition assessment, age of facilities, future requirements, anticipated needs, and upcoming rules / regulations, among several other factors. The AMMP was last developed in 2020 and should be updated approximately every five years. The FY26 Budget for capital expenditures is based on this 2020 AMMP.

With an AMMP update to-be-completed in 2026, the outcomes for need and capital spending to accomplish these needs may be materially different than those that were included in the prior AMMP. Though the 12 projects included in the FY26 Budget will still move forward towards completion, regardless of the outcomes of the 2026 AMMP, additional projects may be identified that would require appropriation and / or expenditures in FY26. Completion and Board review / adoption of the 2026 AMMP may be accompanied with related appropriation requests that may materially alter the level of projected expenditures in FY26 and corresponding level of end-of-year fund balance.

PERSONNEL EXPENDITURES

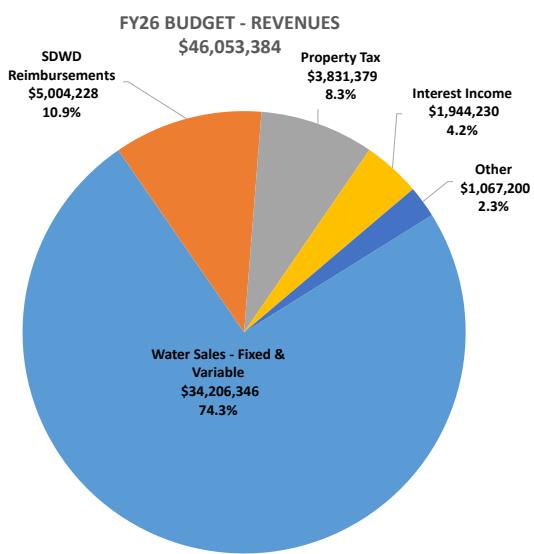
Total personnel expenditures have increased by approximately \$290,000, to \$11.1 million, from the FY25 Budget primarily due to an increase of \$360,000 in salary increases. This increase in salaries is based on a 3.8% general cost-of-living adjustment (COLA) provided to all Staff based on the current memorandum-of-understanding provision to increase salaries each fiscal year based on the last calendar year's increase in the San Diego / Carlsbad CPI (which equaled 3.8% for CY24).

The funding provided in the FY26 Budget continues the 10-year “soft fresh start” pay-down of the District’s unfunded actuarial liability (UAL) for pensions with CalPERS. This UAL totals approximately \$2.3 million, and is the second year of the ten-year paydown; while the CalPERS pay-go amounts have remained flat.

DEPARTMENTAL / NON-PERSONNEL EXPENDITURES

Total non-personnel expenditures for the FY26 Budget (excluding depreciation) total approximately \$8.0 million, an approximately \$830,000 increase from the FY25 Budget. There are several increases & decreases in each of the District’s departments which are outlined in their respective sections in this budget document.

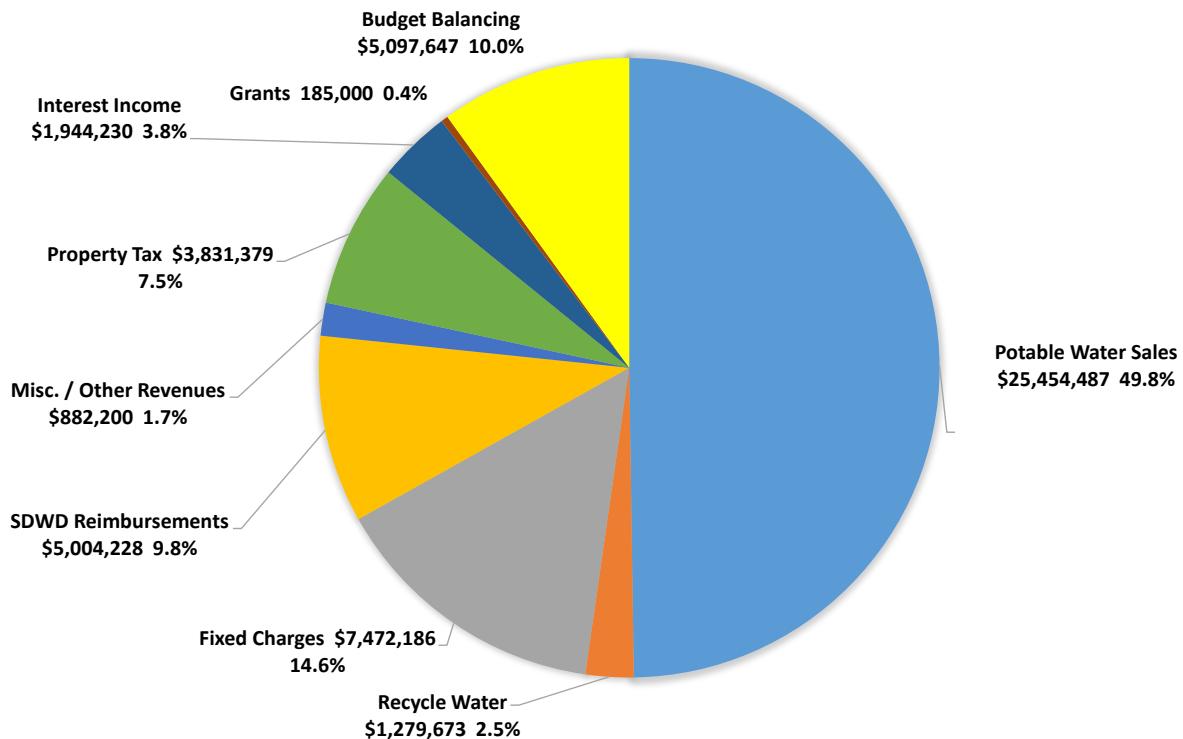
REVENUES / SOURCES OF FUNDS



Total revenues – or cash anticipated in FY26 – totals \$46,053,384 and can be categorized into five main areas: 1. Water sales at 74.3%, 2. SDWD Reimbursements for operating and capital at 10.9%, 3. Property Tax at 8.3%, 4. Interest income at 4.2%, and 5. Other revenues at 2.3%. This is an increase of \$3.6 million or 8.5% from the FY25 Budget.

Total sources of funds – which includes non-cash budget balancing - by a more detailed source breakout for FY26, depicted in the associated pie chart, totals \$51,151,031; which is an increase of approximately \$3.1 million or 6.4% from the FY25 Budget.

FY26 BUDGET - TOTAL SOURCES OF FUNDS
\$51,151,031

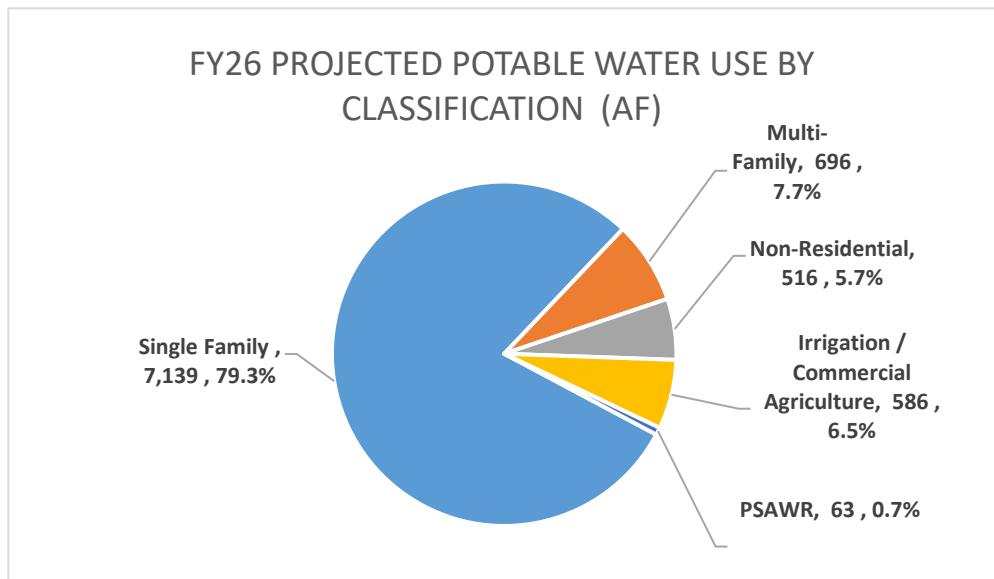


WATER SALES

Potable Water

Water sales (variable – based on use) revenues for FY26 are projected at \$25.5 million, an increase in revenues of approximately \$1.3 million or 5.3% from the FY25 Budget. Volumetrically, the FY26 Budget assumes 9,000 AF of potable water sales, no change from the FY25 Budget. This increase is due primarily to pass-through of SDCWA wholesale water rate increases (an approximate increase of 25% in wholesale costs between CY25 and CY26) in addition to an increase in the District revenue requirement of 2% implemented in March 2025. In the most recently approved cost-of-service, the District has the ability to increase rates up to 5% effective January 1, 2026, to pay for operations / maintenance / capital; however, the FY26 Budget assumes that no increase will be implemented by the Board of Directors at that time due to the overall positive financial condition of the District.

The projected sales by customer type for FY26 are as follows. The District has four primary user classifications for potable water: single-family residential; multi-family residential; non-residential (commercial); and irrigation / agriculture. One additional potable customer classes, PSAWR, utilizes minimal water.



Recycled Water

Fiscal year recycled water sales are annually set at the same level of expenditures, as the District charges its customers the same price as what is paid to SEJPA for wholesale procurement. The revenue level is for 625 AF of sales at the two prices previously outlined in the expenditure section of this introduction letter.

SDWD REIMBURSEMENTS

SDWD reimbursements for their proportionate share of Joint Facilities operating expenditures totals approximately \$3.2 million in the FY26 Budget, which is approximately \$280,000 higher than the FY25 Budget. SDWD reimbursements for their proportionate share of Joint Facilities capital expenditures totals approximately \$1.8 million, an decrease of approximately \$250,000 from the FY25 Budget.

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 \$7.5 million in FY26, which is a \$1.4 million increase or from FY25 Budget. Again, this is primarily due to the pass-through of SDCWA fixed charge increases.

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 FY26 Budget totals approximately \$3.8 million, an increase of \$475,000 from the FY25 Budget. Property prices continued to grow despite higher interest rates and consequently the District's property tax receipts are growing due to the 2.0% Proposition 13 maximum growth rate in addition to continued reassessment of assessed values from property sales.

INTEREST INCOME

Interest income is projected to total approximately \$1.9 million, which is a marginal decline from FY25. This projection is based on average District cash reserves in FY26 (~\$45 million), with an effective interest rate of 4.40% for the entirety of the year. The District's portfolio currently yields 4.50% on average; however,

with higher yielding investments maturing in May and December, the average yield is anticipated to decline to approximately 4.33%;

This figure is based on the anticipation that the federal funds rate will not change in the fiscal year. However, with the chances of a recession increasing due to tariffs and other geo-political instability; this figure may be revised downwards in subsequent budget iterations.

OTHER REVENUES

Other revenues include miscellaneous operating revenues (derived primarily from District fees for development activity on a reimbursement basis), capacity charges (payments for new potable meter connections utilized for capital improvement projects, interest income, and miscellaneous non-operating revenues (rent for the two residential properties on District property, cell site leases, etc.). These revenues total \$1.1 million in the FY26 Budget, which is an approximate \$250,000 increase from the FY25 Budget due to an increase in construction reimbursement activities in the District.

RESERVES

The FY26 Budget will allow all District reserves, outlined in the Board adopted Reserve Policy, to be fully funded; and continue maintaining a positive undesignated fund balance in FY26. The highest and best uses for this undesignated fund balance, which can be used for any Board adopted expenditure, will be discussed after the adoption of the FY26 Budget.

CONCLUSION

The Santa Fe Irrigation District FY26 Operating and Capital Budget presents a financial plan for the fiscal year July 1, 2025, through June 30, 2026. 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
Director of Administrative Services

INTRODUCTION

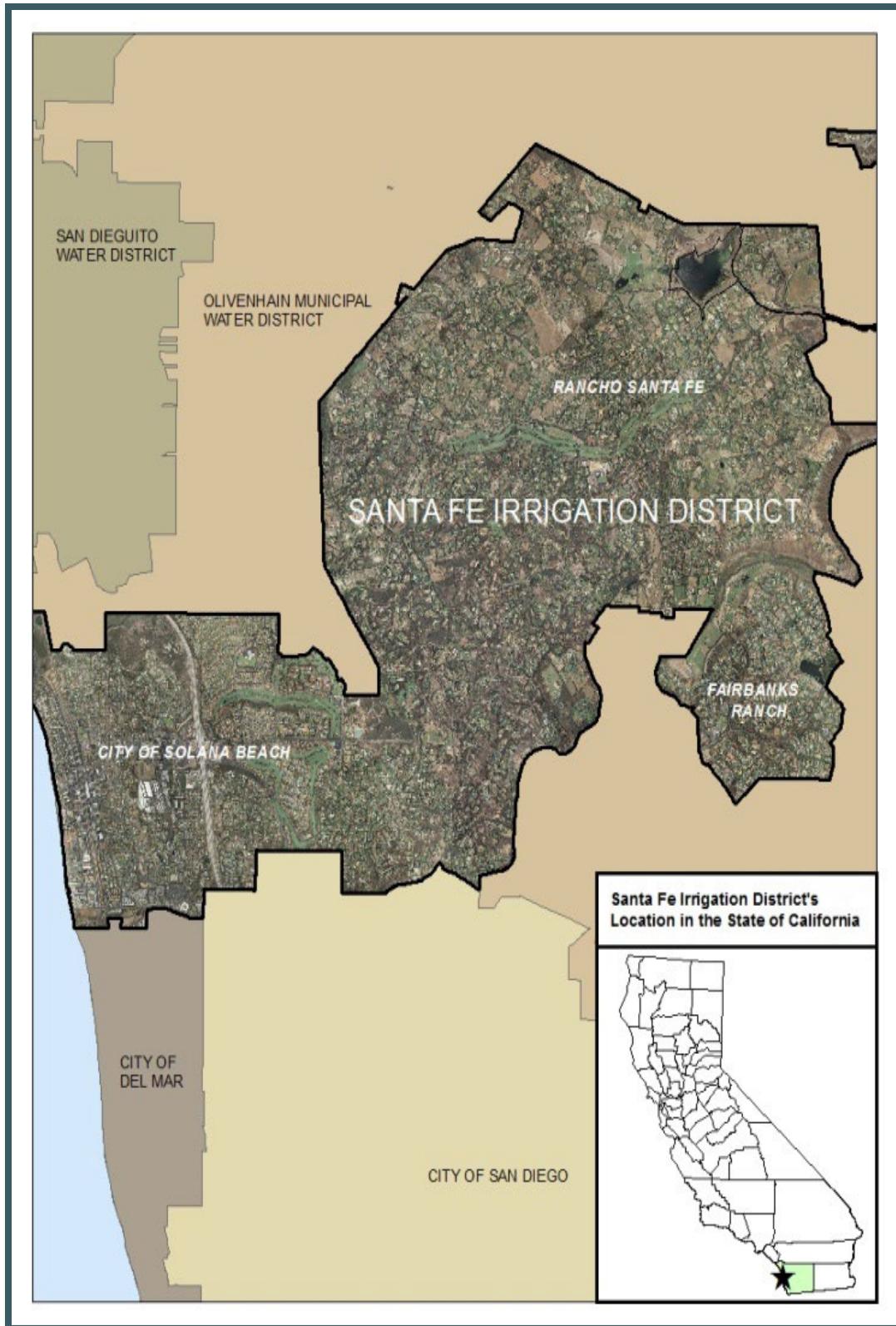
HISTORY

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

SERVICE AREA

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

Approximately 87% 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 19,000, 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

The District's service area is comprised of distinctly differing communities. The coastal region, comprised of Solana Beach and portions of the unincorporated county, contains medium-density, single-family dwellings with some multiple-family residences. The inland section, comprised of Rancho Santa Fe / Fairbanks Ranch, and portion of the unincorporated county, 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

Solana Beach

Solana Beach has a relatively affluent population with a median age and income higher than the county, state, and national averages. Solana Beach boasts a diverse economy with employment opportunities in various sectors including technology, healthcare, tourism, and retail. Solana Beach is home to a variety of businesses ranging from local boutiques and restaurants to larger corporate offices. Some notable businesses in the area include Cedros Design District, which features an array of unique shops and galleries, as well as technology companies and healthcare facilities. Additionally, the city benefits from its proximity to major employment centers in nearby San Diego and the broader Southern California region.

While Solana Beach may not experience significant population growth compared to other areas in California, it has likely seen moderate increases in population over the years due to its desirable location and quality of life. However, land use policies and limited available space may restrict the extent of population growth in the city.

Rancho Santa Fe

Rancho Santa Fe is known for its affluent and established community, with a higher median age and income than Solana Beach, likely reflecting the area's appeal to retirees and individuals seeking a peaceful and exclusive lifestyle. As one of the wealthiest communities in the United States, the area is characterized by larger estates that can cater to small scale farming, horse and other animal boarding, and a more rural characteristic.

While Rancho Santa Fe itself is not an employment hub, the community benefits from its proximity to economic centers like San Diego, which offer diverse employment opportunities in sectors such as technology, finance, healthcare, and tourism. Rancho Santa Fe is a mature and established community with little space for new development and restrictive covenants on subdivision and construction.

Fairbanks Ranch

Fairbanks Ranch is a gated community that is similar in most respects to Rancho Santa Fe. However, Fairbanks ranch differs in that it does not cultivate the rural characteristics that Rancho Santa Fe works to promote / protect. The median age in Fairbanks Ranch is lower, while the median income is higher;

potentially reflecting less retirees and attracting younger families. Fairbanks Ranch does not have any significant employment opportunities itself, but is a community that also offers proximity to major employment centers.

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

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



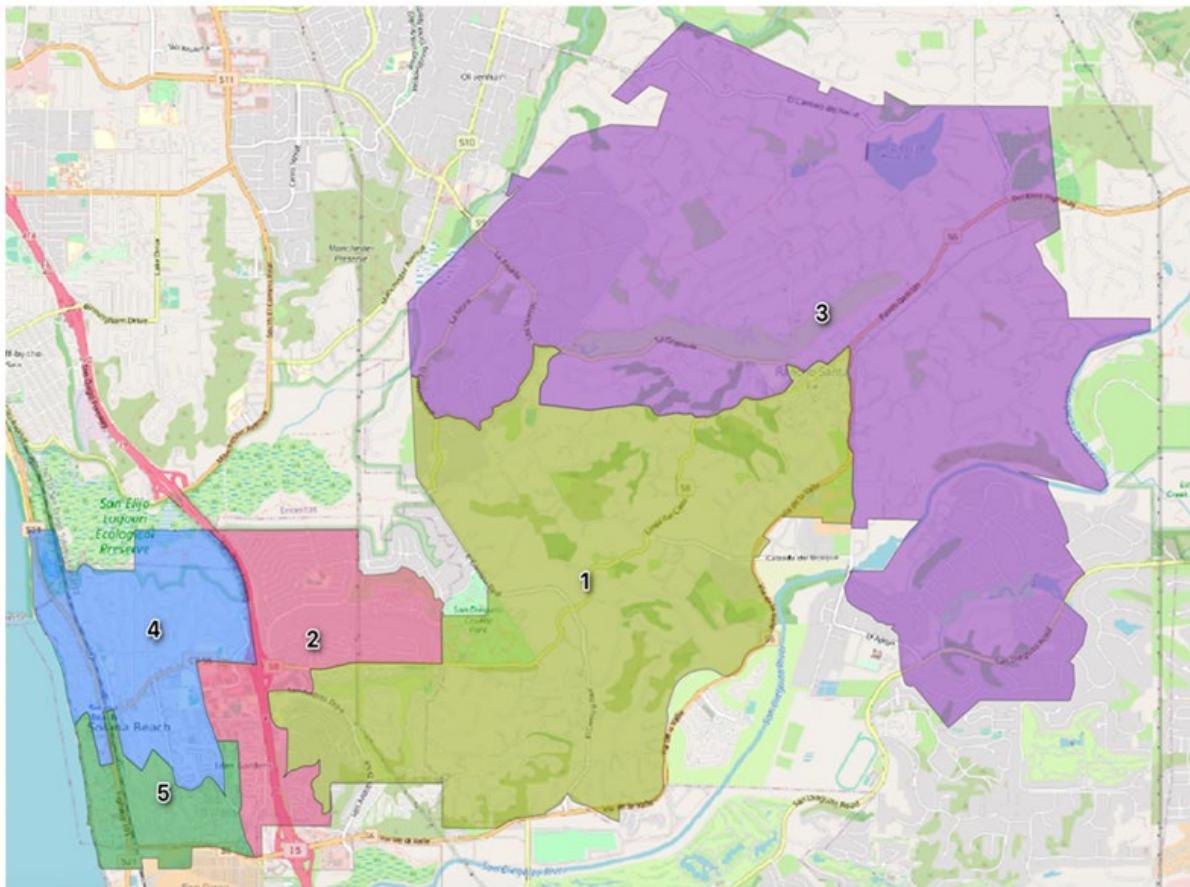
Dana Frieauf
Division 2, Term Expires 12/2028

Kenneth B. Westphal
Division 1, Term Expires 12/2028

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 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 water treatment and filtration plant, the R.E. Badger Filtration Plant 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

Service Territory	Solana Beach (2,850 Acres) Rancho Santa Fe (7,410 Acres - Combined) Fairbanks Ranch	
Population	19,000 (est.) water distribution 58,000 (est.) water treatment (District / SDWD)	
Solana Beach	Median Age 47.8 Median Household Income \$ 137,647	
Rancho Santa Fe	Median Age 50.1 Median Household Income \$ 231,319	
Fairbanks Ranch	Median Age 36.9 Median Household Income \$ 250,001	
San Diego County Unemployment Rate	4.0%	Apr-25
Infrastructure:	Miles of water mains 157 Reservoirs 2 Treatment capacity 40 million gallons / day	
Water Supplied in FY25 (Forecast)	Treated Water - imported 700 Acre Feet Untreated Water - imported 8,615 Acre Feet Lake Hodges Water - Acre Feet Recycled Water 550 Acre Feet Total 9,865	

Meter Size Inventory

Classification	FY26 Est. Water Sales(AF)	# Meters	3/4"	1"	1.5"	2"	3"	4" +
Single Family	7,139	5,526	3,230	1,595	635	64	2	-
Multi-Family	696	2,754	153	80	135	89	2	-
Non-Residential	516	381	163	90	74	50	2	2
Irrigation / Commercial Agriculture	586	143	33	37	36	32	1	4
PSAWRT	63	21	1	7	12	1	-	-
Recycled Water	625	58	-	16	4	32	3	3
TOTAL	9,625	8,883	3,580	1,825	896	268	10	9

STRATEGIC BUSINESS PLAN

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

The District began a new Strategic Business Plan (SBP) development process in 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 regarding 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 SBP 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 SBP was adopted in 2021 and has been guiding District operations since that time. Each fiscal year's budget provides the necessary funding to advance the SBP's goals and objectives. In CY25, the District has been undergoing a comprehensive update to the SBP to determine what changes should be made to reflect the current environment the District is in and how the goals / objectives have changed in the five-years since the SBP's development / adoption occurred. This update occurred through two separate public workshops to review any proposed changes and determine what are the District's current highest priorities and other significant / notable changes expected from the updated SBP's adoption. Staff is bringing forward the updated SBP for Board review and adoption at the June Board meeting, which will occur at the same time as the FY26 Budget adoption. [To view the new SBP, please visit www.SFIDWATER.org](http://www.SFIDWATER.org)

This SBP update did not modify the mission and vision of the District, in addition to employee values; only the goals and objectives were modified to reflect the current District position and accomplishment of objectives to-date. Page numbers shown are referring to page on the SBP.

MISSION STATEMENT (Pg. 6)

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

VISION STATEMENT (Pg. 6)

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 (Pg. 7)

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, benefiting current and future customers.

BIG PICTURE VIEW OFSTRATEGIC DIRECTION (Pg. 8)

The updated SBP provides a summary of the District's highest priority, strategy, and new directions, which is as follows:

Our Highest Priorities

1. Ensure Reliable, Safe, and Affordable Water Supplies for Customers. The District was founded on the availability of low-cost, local water from Lake Hodges. Restoring the benefits of this local water supply is the District's single highest priority in the coming years. This priority is addressed through the following objectives, which are summarized below:

Objective 1.2: Restore local water benefits.

Objective 1.3: Plan for long-term water management.

Objectives 1.4 and 1.5: Be a collaborative leader to control the cost of imported supplies.

2. Maintain a Strong Workforce to Support Strategic Goals. A skilled, innovative, and efficient workforce is essential to achieving the District's goals and objectives. This priority is addressed in Objectives 4.1 and 4.2.

3. Ensure the District's Financial Health. Sustaining the financial strength of the District is critical to supporting operations, future facility investments, and controlling costs as outlined in Goal Area 5: Sustainable and Effectively Managed Finances.

Significant and Notable Changes Expected from the Plan's Implementation

Local Water Supply Certainty. The plan will bring long-term clarity and affordability to the District's use of Lake Hodges and other local water sources.

Improve Imported Water Cost Management. By actively engaging as a collaborative leader with the District's partners in the San Diego County Water Authority, we will control the rising cost of imported water.

Workforce Recruitment and Retention. Clear strategies will resolve current challenges in hiring, development, and retention of a high-performing, innovative staff.

GOALS & OBJECTIVES (Pgs. 10-14)

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

GOAL 1 (Pg. 10)

Sustainable, Cost-Effective Water Resources

OBJECTIVE 1.1: Minimize long-term water supply costs.

OBJECTIVE 1.2: Identify and implement solutions to restore the cost and supply benefits of the District's rights to Lake Hodges water, which were lost when reservoir levels were reduced due to safety concerns with the dam infrastructure managed by the City of San Diego.

OBJECTIVE 1.3: Evaluate all available options for the long-term management of local water rights and resources, and implement the strategy that offers the greatest cost and supply benefits.

OBJECTIVE 1.4: Actively engage with SDCWA to lower costs while providing an identified level of water supply reliability. (See objective 2.5)

OBJECTIVE 1.5: Advocate for fair and equitable Metropolitan Water District of Southern California (MWD) agreements and policies that benefit SDCWA members.

OBJECTIVE 1.6: Assist customers in achieving water-use efficiency and conservation goals and mandates.

GOAL 2 (Pg. 11)

Effective Engagement with Customers and Stakeholders

OBJECTIVE 2.1: Understand and exceed customer expectations.

OBJECTIVE 2.2: Build and maintain trust and support from customers and stakeholders.

OBJECTIVE 2.3: Communicate regularly with customers, educate them on pertinent water issues, and obtain their input to improve service.

OBJECTIVE 2.4: Be a collaborative leader with neighboring water agencies and others to reduce costs and improve service.

OBJECTIVE 2.5: Be a collaborative leader with SDCWA, MWD, regulators, legislators, and others to proactively influence in programs, regulations, and legislation that may impact SFID and its customers.

OBJECTIVE 2.6: Use modern digital tools to communicate with and receive input from customers, allow them to pay bills, monitor water use, etc.

GOAL 3 (Pg. 12)

Cost-Effective, Resilient Infrastructure and Operations

OBJECTIVE 3.1: Maintain consistently high-quality water supplies and full regulatory compliance.

OBJECTIVE 3.2: Guide all capital infrastructure upgrades and replacements with the Long-Range Joint Facilities Plan.

OBJECTIVE 3.3: Implement a long-range, Comprehensive Asset Management Master Plan for system reliability and cost savings.

OBJECTIVE 3.4: Strengthen preparedness for a wide range of risks—including wildfires, water shortages, earthquakes, cyberattacks, climate change, pandemics, and financial threats such as inflation, unfunded mandates, and revenue losses.

OBJECTIVE 3.5: Leverage technology, including AI, to increase efficiency, accuracy, and service delivery.

OBJECTIVE 3.6: Develop and approve a plan and timing for the long-range renovation, purchase, lease, or development of updated administrative and operations facilities that cost-effectively meet the District's long-term needs.

GOAL 4 (Pg. 13)

Motivated, High Performing, Well Supported Staff

OBJECTIVE: 4.1: Attract and retain an excellent, creative, and innovative staff.

OBJECTIVE 4.2: Continuously improve staff performance, excellence, and industry leadership.

OBJECTIVE 4.3: The Board will conduct periodic self-evaluations to continue improving effectiveness, monitoring, and oversight.

GOAL 5 (pg. 14)

Sustainable and Effectively Managed Finances

OBJECTIVE 5.1: Manage finances based on a comprehensive long-term financial plan.

OBJECTIVE 5.2: Develop a reserve and rate stabilization policy that maintains reserve levels sufficient to balance affordability, supports creditworthiness, fund capital and emergency needs, and stabilizes rates when revenue requirements rise quickly.

OBJECTIVE 5.3: Manage finances to obtain adequate revenue to maintain high-quality services while controlling costs and being attentive and responsive to changing circumstances in an uncertain economy.

OBJECTIVE 5.4: Develop a clear plan for how any fund balance exceeding appropriate reserve levels (Obj. 5.2) will be used in the upcoming year(s) to benefit ratepayers. (See financial elements in OBJECTIVE 3.4: Plan and prepare to mitigate a broader range of significant incidents and threats.)

LONG RANGE PLAN

The District's long-range plan, included in this budget document, provides sufficient funding to accomplish these goals / objectives. District Staff constantly evaluate the required needs from operations and capital spending to complete this plan, updating the long-range plan as necessary. This is further described in the long-range plan section of this document.

BUDGET DEVELOPMENT

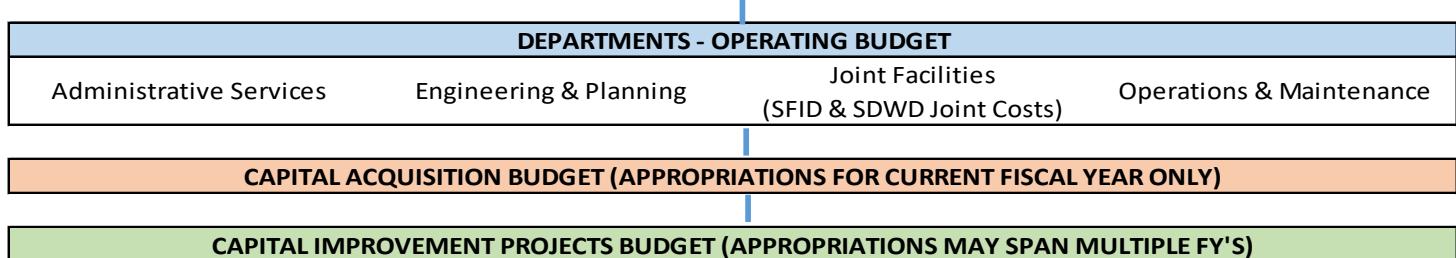
BASIS

The District operates 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



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 (who are also elected City of Encinitas City Council members). 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 FY26 Budget development cycle was as follows:

Step	Feb	Mar	Apr	May	Jun
1 Board approves long-range financial plan determined by cost-of-service	✓				
2 Administration meets with Directors to discuss upcoming budget	✓				
3 Managers refine requests for FY26 Budget		✓			
4 Administration assembles preliminary budget		✓			
5 San Dieguito Water District Staff reviews budget & provides input for Joint Facilities		✓			
6 Water Resources Committee reviews FY26 Capital Acquisition and Improvement Budgets			✓		
7 Administrative & Finance Committee reviews FY26 Proposed Budget in whole			✓		
8 Board reviews FY26 Proposed Budget & provide input			✓		
9 Administrative & Finance Committee presented with budget modifications				✓	
10 Joint Facility Advisory Committee budget review				✓	
11 Board reviews proposed modification to FY26 Budget in whole				✓	
12 Board holds public hearing on AB 2561 requirements for vacancies in the District				✓	
13 Board holds public meeting for final review of budget document & adoption					✓

The District's Board of Directors has established three committees that are responsible for reviewing agenda items prior to board meetings. These committees do the bulk of the review of issues that will be

presented to the Board so that an appropriate level of discussion occurs, and the committees can make a recommendation to the Board about those issues. The committees review either all or part of the budget before the final document is approved by the entire Board.

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

The FY26 Budget development cycle was the first that was required to accommodate California Assembly Bill 2561 (AB 2561), which was passed by the state to address transparency and accountability in government entity hiring practices by requiring agencies to report the number of vacant positions they maintain. The bill aims to ensure that funding allocated for unfilled roles is used effectively and not unnecessarily tied up. By mandating regular reporting and reviews of these vacancies, AB 2561 seeks to improve workforce planning, reduce inefficiencies, and promote better use of public resources in governmental agencies.

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 FY26 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 FY26), 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 FY26), 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. These projections identify if sufficient revenues exist to execute the long-range plan, or if potential revenue adjustments are required in the future.

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 at an average growth of 3.5% per year, based on the District's memorandum of understanding and average consumer price index changes for the San Diego / Carlsbad region. 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 current 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. These factors, and others, are shown as follows:

Key Assumptions	Source:		FY 2027	FY 2028	FY 2029	FY 2030
Expenditure Escalation						
CalPERS			1.0%	1.0%	1.0%	1.0%
Capital	ENR 20-City	20-Year Average	3.0%	3.0%	3.0%	3.0%
Energy			5.0%	5.0%	5.0%	5.0%
General	CPI - SD (CA DIR)	Current	3.0%	3.0%	3.0%	3.0%
Health / Dental			8.0%	8.0%	8.0%	8.0%
Other Fringe			3.0%	3.0%	3.0%	3.0%
OPEB			3.0%	3.0%	3.0%	3.0%
Salaries			3.5%	3.5%	3.5%	3.5%
SDWD Treatment Reimb.			5.0%	5.0%	5.0%	5.0%

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 February 2025, 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 tables following this section are the projected sources / uses for the District for FY27 through FY30.

COST-OF-SERVICE

The District's current cost-of-service, approved by the Board of Directors in February 2025, includes rate adjustments through CY27. The cost-of-service allows the District to fully pass through any wholesale imported water fixed and variable cost adjustments imposed by SDCWA for the next five calendar years (this provision is also included for any increases by SEJPA also). It is anticipated in the long-range plan that the Board of Directors will fully pass through to our customers any increase in wholesale costs during the planning period from SDCWA. Additionally, the cost-of-service provides the ability for the District to increase potable water rates in both CY26 and CY27 by 5.0% each year (effective January 1st each year) to pay for increased operating and capital costs.

As previously outlined, Staff will be discussing with the Board of Directors each November how much, if any, of these rate increases are necessary based on the current financial condition of the District after each fiscal year's operating results and final ending fund balance is reconciled. A new cost-of-service will be required after CY27 to allow for future rate increases; so any rate increases past this period in the following tables are for discussion purposes only.

LONG-RANGE FINANCIAL PLAN

Revenue	<i>Fiscal Year</i>				
	2027	2028	2029	2030	
<u>Water Sales</u>					
Potable Variable Revenue	\$ 22,725,000	\$ 22,725,000	\$ 22,725,000	\$ 22,725,000	
Potable Fixed Charge	6,316,000	6,316,000	6,316,000	6,316,000	
Recycled Fixed Charge	138,000	138,000	138,000	138,000	
Dedicated Fireline Charges	84,000	84,000	84,000	84,000	
Recycled Water Sales	\$ 1,053,000	\$ 1,053,000	\$ 1,053,000	\$ 1,053,000	
Subtotal Water Sales	\$ 30,316,000	\$ 30,316,000	\$ 30,316,000	\$ 30,316,000	
<u>Rate Adjustments - Potable Water</u>					
Rate Increase Amount (FY28+ for discussion only)	5.0%	5.0%	5.0%	0.0%	
Total New Cumulative Revenue	\$ 5,084,000	\$ 6,801,000	\$ 8,604,000	\$ 9,528,000	
<u>Operating Revenues</u>					
SDWD Treatment Reimb	\$ 2,839,000	\$ 2,931,000	\$ 3,026,000	\$ 3,125,000	
Misc. Operating Revenue	540,000	540,000	540,000	540,000	
Subtotal Operating Revenues	\$ 3,379,000	\$ 3,471,000	\$ 3,566,000	\$ 3,665,000	
<u>Other Revenues</u>					
Interest Income	\$ 1,945,000	\$ 1,945,000	\$ 1,945,000	\$ 1,945,000	
Property Tax	3,492,000	3,562,000	3,633,000	3,706,000	
Misc. Non-Operating Revenue	185,000	185,000	185,000	185,000	
Subtotal Other Revenues	\$ 5,622,000	\$ 5,692,000	\$ 5,763,000	\$ 5,836,000	
Total Revenues	\$ 44,401,000	\$ 46,280,000	\$ 48,249,000	\$ 49,345,000	

Operating Expenditures	<i>Fiscal Year</i>				
	2027	2028	2029	2030	
<u>Water Supply Costs</u>					
Fixed Purchased Water Costs	\$ 4,297,000	\$ 4,297,000	\$ 4,297,000	\$ 4,297,000	
SDCWA Treated Water Purchases	1,397,000	1,397,000	1,397,000	1,397,000	
SDCWA Untreated Water Purchases	13,121,000	13,121,000	13,121,000	13,121,000	
PSAWR Water Costs	94,000	94,000	94,000	94,000	
PSAWR Credit	(22,000)	(22,000)	(22,000)	(22,000)	
Recycled Water Purchases	1,053,000	1,053,000	1,053,000	1,053,000	
Subtotal Water Supply Costs	\$ 19,940,000	\$ 19,940,000	\$ 19,940,000	\$ 19,940,000	
<u>Personnel Expenses</u>					
Administration	\$ 3,920,000	\$ 4,047,000	\$ 4,181,000	\$ 4,320,000	
Engineering	975,000	1,006,000	1,038,000	1,072,000	
Operations	3,044,000	3,146,000	3,253,000	3,365,000	
Joint Facilities	3,579,000	3,698,000	3,823,000	3,954,000	
Subtotal Personnel Expenses	\$ 11,518,000	\$ 11,897,000	\$ 12,295,000	\$ 12,711,000	
<u>Non-Personnel Expenses</u>					
Administration	\$ 1,573,000	\$ 1,620,000	\$ 1,669,000	\$ 1,719,000	
Engineering	195,000	201,000	207,000	213,000	
Operations	1,947,000	2,005,000	2,066,000	2,128,000	
Joint Facilities	3,894,000	4,015,000	4,141,000	4,270,000	
Subtotal Non-Personnel Expenses	\$ 7,609,000	\$ 7,841,000	\$ 8,083,000	\$ 8,330,000	
Total Expenses	\$ 39,067,000	\$ 39,678,000	\$ 40,318,000	\$ 40,981,000	

Capital Expenditures	<i>Fiscal Year</i>				
	2027	2028	2029	2030	
District Only Capital Expenditures	\$ 7,247,689	\$ 8,617,840	\$ 5,985,775	\$ 7,728,518	

Net Impact	<i>Fiscal Year</i>				
	2027	2028	2029	2030	
Net Operating Income	\$ 5,334,000	\$ 6,602,000	\$ 7,931,000	\$ 8,364,000	

ENDING FUND BALANCE	<i>Fiscal Year</i>				
	2027	2028	2029	2030	
District FY Ending Fund Balance	\$ 36,596,826	\$ 34,580,986	\$ 36,526,212	\$ 37,161,693	

FY 2026 SFID BUDGET REVISION SUMMARY - SOURCES OF FUNDS

OPERATING REVENUES	Proposed Budget	Adjustment	Explanation	Adopted Budget
Potable Water Sales	\$ 26,005,483	\$ (550,996)	Based on SDCWA final proposal published May 22, 2025 - to be voted on by SDCWA Board on June 26, 2025	\$ 25,454,487
Recycled Water Sales	1,337,700	(58,027)	Reduced revenues based on lower SEJPA cost increase - 3.9% July 1, 2025 & 7.8% January 1, 2026	1,279,673
Fixed Charges	7,405,808	66,379	Based on SDCWA final proposal published May 22, 2025 - actual SFID estimate provided by SDCWA Staff	7,472,186
SDWD Local Water Reimbursement	-	-		-
SDWD Treatment Reimbursement	3,141,408	30,005	SDWD's proportionate share of Joint Facilities cost addition for AMMP development	3,171,413
Misc Operating Revenue	620,000	-		620,000
Total Operating Revenue	\$ 38,510,398	\$ (512,639)		\$ 37,997,759
NON-OPERATING REVENUES				
Capacity Charges	\$ 90,000	\$ -		\$ 90,000
Interest Income	1,944,230	-		1,944,230
Property Tax	3,831,379	-		3,831,379
State / Federal Grants	185,000	-		185,000
SDWD Capital Reimbursement	1,799,065	33,750	SDWD's proportionate share of Joint Facilities cost addition for security additions at San Dieguito Reservoir	1,832,815
Misc Non-Operating Revenue	172,200	-		172,200
Total Non-Operating Revenue	\$ 8,021,874	\$ 33,750		\$ 8,055,624
TOTAL REVENUE	\$ 46,532,273	\$ (478,889)		\$ 46,053,384

FY 2026 SFID BUDGET REVISION SUMMARY - UTILIZATION OF FUNDS

OPERATING EXPENSES	Proposed Budget	Adjustment	Explanation	Adopted Budget
Imported Water Purchases	\$ 19,948,290	\$ (494,837)	Based on reduction of SDCWA pass-through rate increase on January 1, 2026 from 18.5% "all in" to actual SFID 11.8%	\$ 19,453,453
Local Water Costs	-	-		-
Recycled Water Purchases	1,337,700	(58,027)	Pass-through of updated SEJPA lower costs	1,279,673
<u>Personnel Expenses</u>				-
Salaries	6,227,039	15,000	Addition of \$15,000 in salaries for part-time employee (Bill Hunter) to aid in asset master plan development	6,242,039
Retirement - CalPERS	2,963,010	-		2,963,010
Healthcare (Medical / Dental)	1,096,510	-		1,096,510
Retiree Healthcare	523,364	-		523,364
Other Personnel Expenses	256,737	217	Additional fringe costs based on \$15,000 increase in salary expense	256,954
<u>Non-Personnel Expenses</u>				
Administration Expense	1,433,256	-		1,433,256
Engineering Expense	287,500	-		287,500
Operations & Maintenance	1,947,500	-		1,947,500
Joint Facilities	4,251,022	70,000	Addition of contractual funding increase for asset master plan development based on revised scope	4,321,022
Capital Contribution (Equal to Depreciation)	3,100,000	-		3,100,000
Total Operating Expenses	\$ 43,371,928	\$ (467,646)		\$ 42,904,281
CAPITAL EXPENSES				
Capital Acquisitions	\$ 1,526,000	\$ 75,000	Addition of funding for fencing repairs and camera(s) installation at San Dieguito Reservoir	\$ 1,601,000
Capital Improvements	6,645,750	-		6,645,750
Total Capital Expenses	\$ 8,171,750	\$ 75,000		\$ 8,246,750
TOTAL EXPENSES	\$ 51,543,678	\$ (392,646)		\$ 51,151,031

SUMMARY SCHEDULES



Santa Fe Irrigation District
Fiscal Year 2026 Budget Summary
Sources of Funds

OPERATING REVENUES	FY 2024 Actual	FY 2025		FY 2026 Budget	% Change Bgt to Bgt	% Change Proj to Bgt
		Budget	Projected			
Potable Water Sales	\$ 19,310,777	\$ 24,184,416	\$ 23,822,254	\$ 25,454,487	5.3%	6.9%
Recycled Water Sales	900,986	1,051,050	1,194,299	1,279,673	21.8%	7.1%
Fixed Charges	6,300,767	6,119,316	6,905,316	7,472,186	22.1%	8.2%
SDWD Local Water Reimbursement	-	-	-	-	-	-
SDWD Treatment Reimbursement	2,552,854	2,896,315	3,095,493	3,171,413	9.5%	2.5%
Misc Operating Revenue	591,476	540,000	682,336	620,000	14.8%	-9.1%
Total Operating Revenue	\$ 29,656,860	\$ 34,791,097	\$ 35,699,698	\$ 37,997,759	9.2%	6.4%
NON-OPERATING REVENUES						
Capacity Charges	\$ 166,280	\$ 90,000	\$ 391,776	\$ 90,000	0.0%	-77.0%
Interest Income	2,494,053	1,945,000	2,201,338	1,944,230	0.0%	-11.7%
Property Tax	3,341,288	3,356,353	3,577,952	3,831,379	14.2%	7.1%
State / Federal Grants	1,685	-	50,000	185,000	-	270.0%
SDWD Capital Reimbursement	975,973	2,078,841	1,445,084	1,832,815	-11.8%	26.8%
Misc Non-Operating Revenue	189,311	184,914	203,413	172,200	-6.9%	-15.3%
Total Non-Operating Revenue	\$ 7,168,590	\$ 7,655,108	\$ 7,869,564	\$ 8,055,624	5.2%	2.4%
TOTAL REVENUE	\$ 36,825,450	\$ 42,446,205	\$ 43,569,261	\$ 46,053,384	8.5%	5.7%
OTHER SOURCES OF FUNDS						
Budget Balancing (Not Change in Reserves)	\$ -	\$ 5,606,134	\$ -	\$ 5,097,647	-9.1%	-
TOTAL FUNDS AVAILABLE	\$ 36,825,450	\$ 48,052,339	\$ 43,569,261	\$ 51,151,031	6.4%	17.4%

Note: Totals may not foot due to rounding.

Santa Fe Irrigation District
Fiscal Year 2026 Budget Summary
Uses of Funds

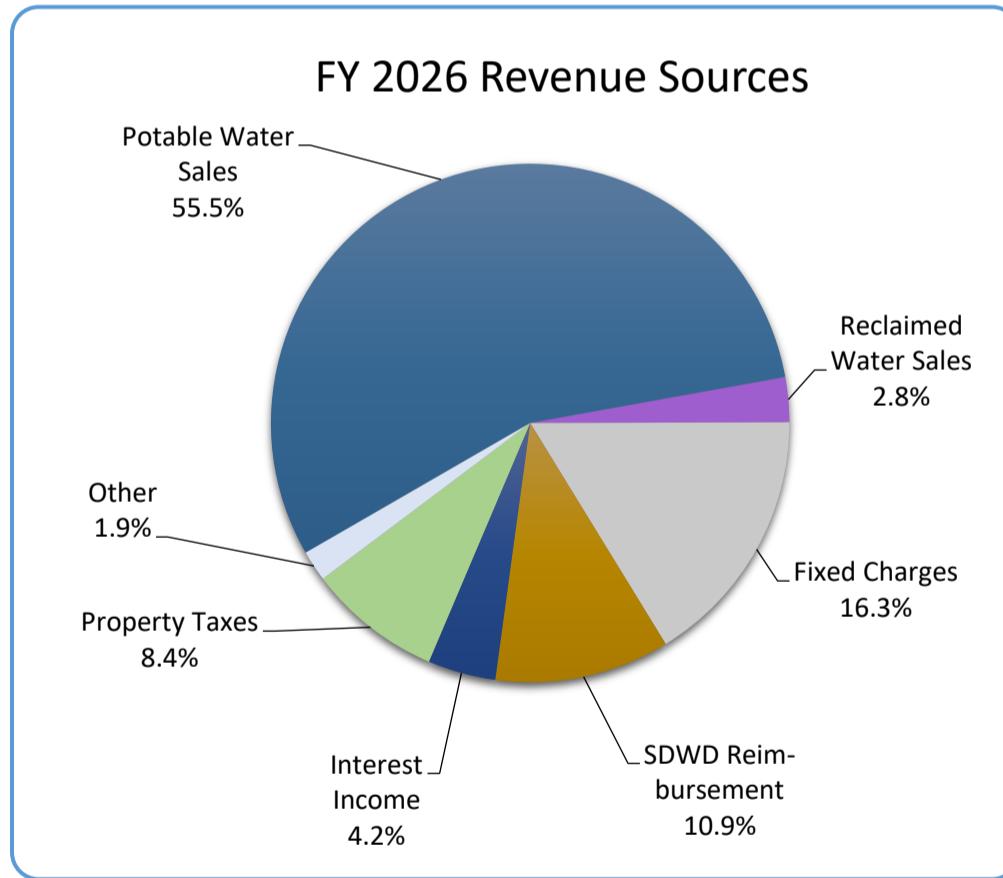
OPERATING EXPENSES	FY 2024 Actual	FY 2025 Budget		FY 2026 Budget	% Change Bgt to Bgt	% Change Proj to Bgt
<u>Water Expenses:</u>						
Imported Water Purchases	\$ 11,939,685	\$ 17,805,764	\$ 15,360,111	\$ 19,453,453	9.3%	26.6%
Local Water Costs	-	-	-	-	-	-
Recycled Water Purchases	900,693	1,051,050	1,194,299	1,279,673	21.8%	7.1%
<u>Personnel Expenses</u>						
Salaries	4,891,478	5,887,154	5,777,470	6,242,039	6.0%	8.0%
Retirement - CalPERS	1,528,158	2,938,510	2,932,907	2,963,010	0.8%	1.0%
Healthcare (Medical / Dental)	809,312	1,079,644	977,613	1,096,510	1.6%	12.2%
Retiree Healthcare	538,995	604,243	604,243	523,364	-13.4%	-13.4%
Other Personnel Expenses	232,750	287,685	278,847	256,954	-10.7%	-7.9%
<u>Non-Personnel Expenses</u>						
Administration Expense	1,226,995	1,482,451	1,336,312	1,433,256	-3.3%	7.3%
Engineering Expense	129,521	183,375	148,318	287,500	56.8%	93.8%
Operations & Maintenance	1,790,665	1,834,800	1,978,004	1,947,500	6.1%	-1.5%
Joint Facilities	3,781,198	3,660,899	4,319,444	4,321,022	18.0%	0.0%
Capital Contribution	2,938,549	3,097,555	3,100,000	3,100,000	0.1%	0.0%
Total Operating Expenses	\$ 30,707,998	\$ 39,913,130	\$ 38,007,567	\$ 42,904,281	7.5%	12.9%
CAPITAL EXPENSES						
Capital Acquisitions	\$ 1,201,620	\$ 1,120,000	\$ 1,092,556	\$ 1,601,000	42.9%	46.5%
Capital Improvements	3,627,806	7,019,209	3,133,093	6,645,750	-5.3%	112.1%
Total Capital Expenses	\$ 4,829,426	\$ 8,139,209	\$ 4,225,649	\$ 8,246,750	1.3%	95.2%
TOTAL EXPENSES	\$ 35,537,424	\$ 48,052,339	\$ 42,233,216	\$ 51,151,031	6.4%	21.1%
OTHER USES OF FUNDS						
Budget Balancing (Not Change in Reserves)	\$ 1,288,026	\$ -	\$ 1,336,045	\$ -	-	-100.0%
TOTAL USES OF FUNDS	\$ 36,825,450	\$ 48,052,339	\$ 43,569,261	\$ 51,151,031	6.4%	17.4%

Note: Totals may not foot due to rounding.

Revenue Summary Fiscal Year 2026 Budget

Description	FY 2024	FY 2025		FY 2026	% Change	% Change
	Actual	Budget	Projection	Budget	Bgt to Bgt	Proj to Bgt
Potable Water Sales	\$ 19,310,777	\$ 24,184,416	\$ 23,822,254	\$ 25,454,487	5.3%	6.9%
Recycled Water Sales	900,986	1,051,050	1,194,299	1,279,673	21.8%	7.1%
Fixed Charges	6,300,767	6,119,316	6,905,316	7,472,186	22.1%	8.2%
SDWD Local Water Reimbursement	-	-	-	-	-	-
SDWD Treatment Reimbursement	2,774,832	2,896,315	3,095,493	3,171,413	9.5%	2.5%
Misc Operating Revenue	591,476	540,000	682,336	620,000	14.8%	-9.1%
Capacity Charges	166,280	90,000	391,776	90,000	0.0%	-77.0%
Interest Income	2,494,053	1,945,000	2,201,338	1,944,230	0.0%	-11.7%
Property Tax	3,341,288	3,356,353	3,577,952	3,831,379	14.2%	7.1%
SDWD Capital Reimbursement	1,027,350	2,078,841	1,445,084	1,832,815	-11.8%	26.8%
Misc Non-Operating Revenue	189,311	184,914	203,413	172,200	-6.9%	-15.3%
TOTALS	\$ 37,097,120	\$ 42,446,205	\$ 43,519,261	\$ 45,868,384	8.1%	5.4%

The District receives revenue from a variety of operating and non-operating sources. The table and chart presented summarize projected revenues for FY26. 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 FY26 is estimated to be \$45,868,384. Approximately three quarters of total revenues for the District is from water sales (variable and fixed charges - 74.6% of the total).

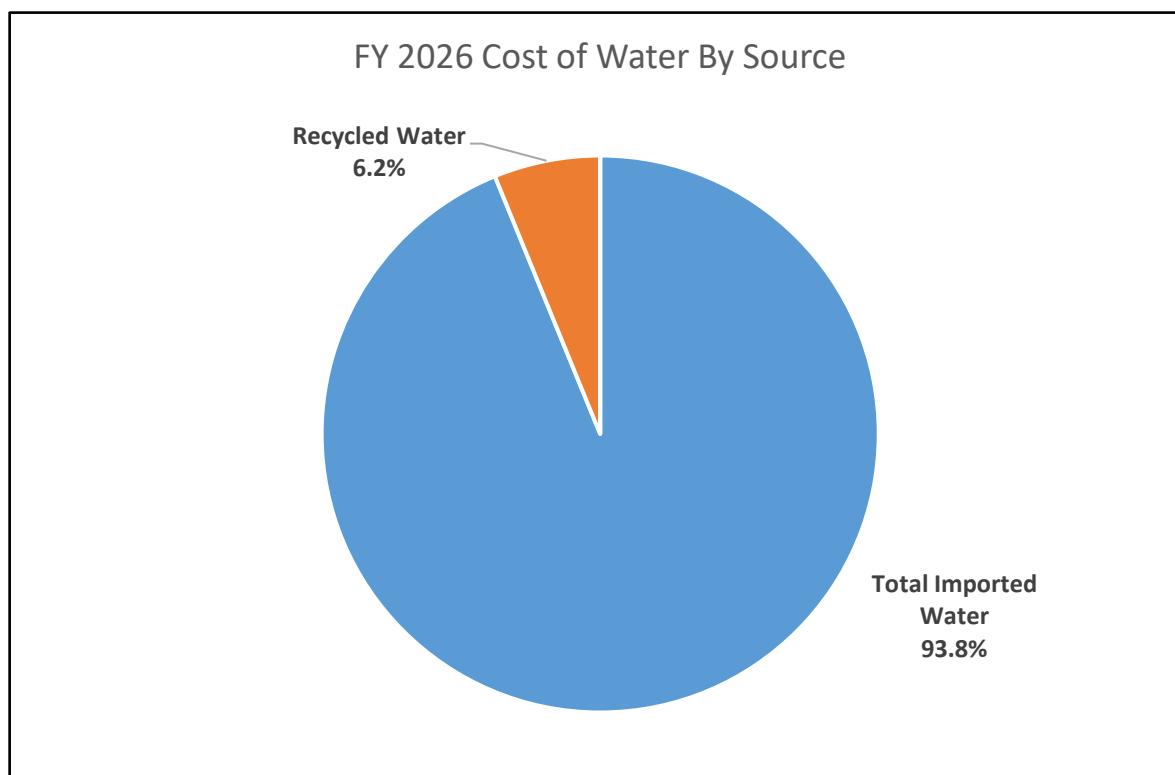


Note: Totals may not foot due to rounding.

Water Expense Summary
Fiscal Year 2026 Operating Budget

Commodity Cost Breakdown

WATER SOURCE	FY 2024	FY 2025		FY 2026	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Imported Water:						
Variable Costs	\$ 8,733,201	\$ 14,001,347	\$ 11,607,862	\$ 14,967,632	6.9%	28.9%
Fixed Costs						
Supply Reliability Charge	\$ 734,130	\$ 843,680	\$ 821,901	\$ 923,733	9.5%	12.4%
Infrastructure Access Charge	543,648	568,047	546,465	558,033	-1.8%	2.1%
Customer Service Charge	457,140	498,780	502,966	558,328	11.9%	11.0%
Emergency Storage Charge	1,101,606	1,193,122	1,164,123	1,284,009	7.6%	10.3%
Transportation	-	255,354	259,540	653,218		
MWD Capacity Charge	138,828	195,424	200,988	239,064	22.3%	18.9%
MWD Readiness-to-Serve Charge	231,132	250,011	256,266	269,436	7.8%	5.1%
Total Fixed Costs	\$ 3,206,484	\$ 3,804,417	\$ 3,752,249	\$ 4,485,821	17.9%	19.6%
Total Imported Water	\$ 11,939,685	\$ 17,805,764	\$ 15,360,111	\$ 19,453,453	9.3%	26.6%
Local Water	-	-	-	-	-	-
Total Potable Water	\$ 11,939,685	\$ 17,805,764	\$ 15,360,111	\$ 19,453,453	9.3%	26.6%
Recycled Water	900,693	1,051,050	1,194,299	1,279,673	21.8%	7.1%
Total Water Costs	\$ 12,840,377	\$ 18,856,814	\$ 16,554,410	\$ 20,733,126	10.0%	25.2%



PERSONNEL



PERSONNEL

OVERVIEW



The total FY26 Personnel Budget is \$11,081,877 (excluding any capitalized labor), and includes salary and benefit expenses for 51 regular District employees. This figure represents 27.8% of total operating expenses and is an increase of approximately \$285,000 or 2.6% from FY25. This increase is primarily due to the cost-of-living adjustment of 3.8%. This section outlines the information behind the FY23 Budget in addition to challenges & assumptions.

SALARIES

Total salaries have increased by approximately \$355,000 or 6.0% from the FY25 Budget. This increase is primarily due to a 3.8% general wage adjustment effective July 1, 2025 based on the adopted cost-of-living adjustment (COLA) included in the 2023 memorandum-of-understanding (MOU). The COLA accounts for approximately \$225,000 of this increase, with the remaining increase primarily attributable to merit increases.

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 in FY23. 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. The 10-year fresh start UAL payment taking to-date returns by CalPERS is \$2.3 million per year. This is the second year of this 10-year fresh start payment, and so is the same level as that included in the FY25 Budget.

Total pay-go for CalPERS is \$663,9070, which is an increase of \$24,500 from FY25 due to a marginal increase in the required employer contribution rate for all three of the District's CalPERS plans, in addition to salary increases.

OTHER EMPLOYMENT EXPENDITURES

Healthcare

The FY26 Budget includes an estimated 8% increase in healthcare premiums and an estimated 5% increase in dental insurance premiums. Despite these estimated premium increases, the total healthcare expenditures in FY26 are estimated to be only 1.6% more than FY25 Budget levels as more employees do not have additional family members on their plans.

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 CERBT is an irrevocable trust for the contribution of funds to reduce the District's OPEB actuarial liability.

The District engages an actuarial consultant every two years to perform a complete update to the plan valuation (per GASB 75), with an interim update in between. Based on the interim update recently completed by the District's actuary, the total PAYGO and contribution to the CERBT in FY26 is \$523,624.

ORG CHART

The proposed FY26 organizational chart is presented at the end of this budget section. As shown in the graphic below, budgeted employees are increasing by 1 position, to 51 full time equivalents (FTEs). The FY26 Budget includes one additional, 2 year limited term distribution employee (Utility Worker I) to help in the amount of developmental activity within the District and to also help address current retention issues.

The FY26 Budget also includes the continuation of 0.7 FTEs for three part-time employees, which are non-benefited positions. These include Cor Shaffer (for historical information on the District's continued discussions with the City of San Diego), Jeff Ehrman (District's prior IT Manager, for as-needed assistance), and Johanna Brown (current human resources assistant to work on continued high levels of recruitment efforts).

Full Time

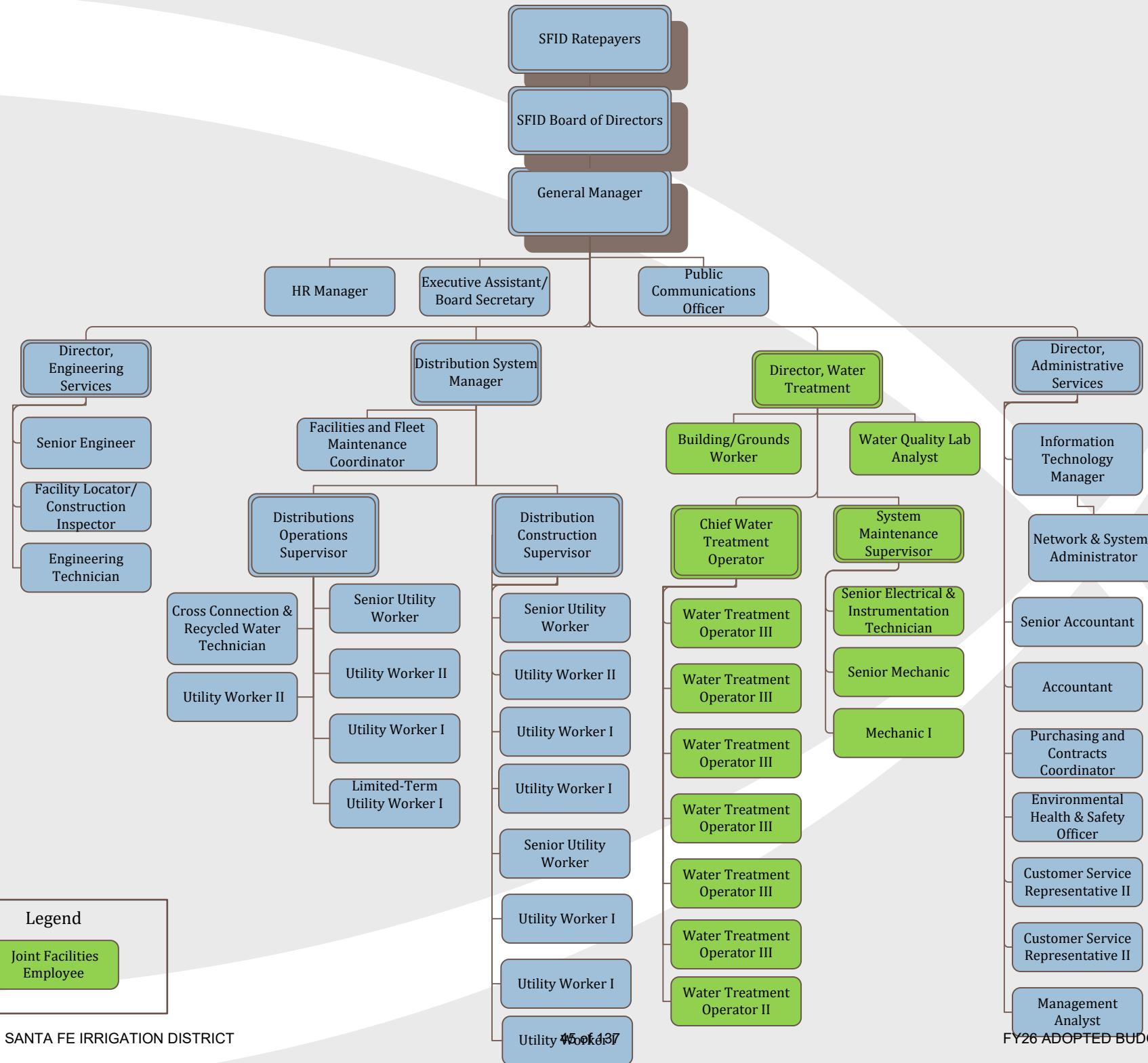
Employees by Dept.	FY24 Budget	FY25 Budget	FY26 Request	24/26 Change	25/26 Change
Joint Facilities	15	15	15	0	0
Operations	17	17	18	1	1
Administration	14	14	14	0	0
Engineering	4	4	4	0	0
TOTAL	50	50	51	1	1

Part Time

Administration	0	0.7	0.7	0.7	0
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Employee of the year Ryan Njaa

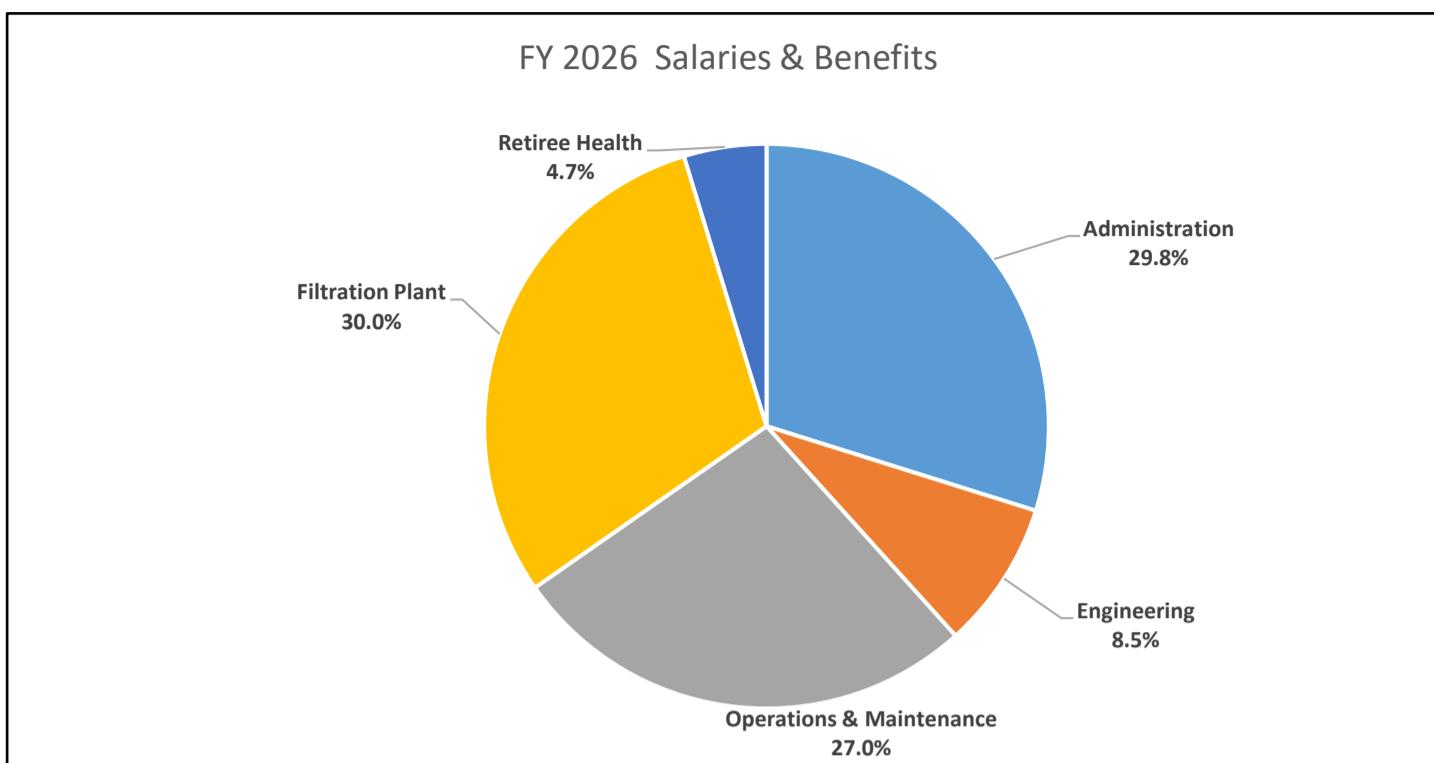


SANTA FE IRRIGATION DISTRICT

FY26 ADOPTED BUDGET

Personnel Expense Summary
Fiscal Year 2026 Operating Budget

Description	FY 2024	FY 2025		FY 2026	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Salaries & Benefits:						
District Administration	\$ 2,380,520	\$ 3,256,168	\$ 3,159,137	\$ 3,307,014	1.6%	4.7%
Salaries	1,597,903	1,908,540	1,866,473	2,000,315	4.8%	7.2%
Retirement - CalPERS	489,665	937,721	923,394	930,880	-0.7%	0.8%
Healthcare (Medical / Dental)	228,413	327,490	294,526	293,747	-10.3%	-0.3%
Other	64,539	82,417	74,744	82,072	-0.4%	9.8%
District Engineering	599,493	915,998	900,614	939,133	2.5%	4.3%
Salaries	391,229	551,817	540,153	564,891	2.4%	4.6%
Retirement - CalPERS	135,558	273,460	271,267	267,282	-2.3%	-1.5%
Healthcare (Medical / Dental)	60,081	71,766	70,455	83,670	16.6%	18.8%
Other	12,625	18,955	18,739	23,290	22.9%	24.3%
District Operations	1,834,470	2,851,751	2,672,367	2,991,211	4.9%	11.9%
Salaries	1,165,434	1,639,506	1,518,813	1,730,279	5.5%	13.9%
Retirement - CalPERS	381,051	809,855	762,815	815,370	0.7%	6.9%
Healthcare (Medical / Dental)	223,933	315,992	310,490	374,224	18.4%	20.5%
Other	64,052	86,398	80,249	71,338	-17.4%	-11.1%
Joint Facilities Operations	1,506,998	1,798,341	1,793,259	1,856,149	3.2%	3.5%
Salaries	1,011,433	1,029,936	1,037,670	1,097,597	6.6%	5.8%
Retirement - CalPERS	289,914	521,311	538,965	528,930	1.5%	-1.9%
Healthcare (Medical / Dental)	152,842	189,949	158,113	184,369	-2.9%	16.6%
Other	52,810	57,145	58,511	45,253	-20.8%	-22.7%
Joint Facilities Maintenance	697,071	834,436	891,718	863,694	3.5%	-3.1%
Salaries	438,442	455,281	505,270	500,045	9.8%	-1.0%
Retirement - CalPERS	145,360	237,930	272,206	248,398	4.4%	-8.7%
Healthcare (Medical / Dental)	89,803	116,071	85,864	94,634	-18.5%	10.2%
Other	23,466	25,154	28,378	20,616	-18.0%	-27.4%
Joint Facilities Laboratory	154,708	191,710	192,712	198,956	3.8%	3.2%
Salaries	97,259	106,153	106,223	111,556	5.1%	5.0%
Retirement - CalPERS	25,106	50,041	50,768	50,289	0.5%	-0.9%
Healthcare (Medical / Dental)	26,975	29,322	29,322	32,512	10.9%	10.9%
Other	5,368	6,194	6,400	4,599	-25.7%	-28.1%
Joint Facilities Administration	288,436	344,589	357,029	402,355	16.8%	12.7%
Salaries	189,778	195,921	202,868	237,356	21.1%	17.0%
Retirement - CalPERS	61,504	108,191	113,492	121,860	12.6%	7.4%
Healthcare (Medical / Dental)	27,264	29,055	28,843	33,354	14.8%	15.6%
Other	9,891	11,422	11,826	9,786	-14.3%	-17.3%
Subtotal Operating Salaries & Benefits	\$ 7,461,697	\$ 10,192,993	\$ 9,966,836	\$ 10,558,513	3.6%	5.9%
Retiree Health Care Program						
Annual OPEB Trust Contribution / Pay-Go						
District	397,134	422,970	422,970	359,420	-15.0%	-15.0%
Plant	141,861	181,273	181,273	163,944	-9.6%	-9.6%
Subtotal Retiree Healthcare Program	538,995	\$ 604,243	\$ 604,243	\$ 523,364	-13.4%	-13.4%
Total Personnel Expenses	\$ 8,000,692	\$ 10,803,247	\$ 10,722,871	\$ 11,081,877	2.6%	3.3%



Note: Totals may not foot due to rounding.

OPERATING PROGRAM



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

Positions	Actual FTE		Proposed FTE
	FY 2024	FY 2025	FY 2026
<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	1.0	1.0	1.0
Water Conserv. / Mgmt. Analyst	1.0	1.0	1.0
Total	14.0	14.0	14.0

PROGRAMS AND ACTIVITIES

The FY26 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

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

INFORMATION SYSTEMS

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

SAFETY

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

PUBLIC COMMUNICATION

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

ACCOMPLISHMENTS OF FY25

The Administrative Services staff achieved the following key accomplishments in FY25:

- ❖ Pass-through of CY25 San Diego County Water Authority Rates
 - Implementation of new potable water rate on January 1, 2025
- ❖ Completed cost-of-service, adopted in February 2025
 - Held 10+ special board meetings
 - 5 public "workshops" / Q&A
 - Implementation of new potable water rates March 1, 2025
- ❖ Onboarded new District auditor
 - Clean opinion on District processes / procedures / policies / segregation of duties /
- ❖ Completion of FY24 audit & clean auditor's opinion
- ❖ FY25 budget completion / implementation / mid-year outlook
- ❖ FY26 proposed budget completion / review
- ❖ GFOA award for both audit & budget
- ❖ Update of District financial policies
 - Pension funding policy
 - Reserves policy
 - Investment policy
 - Implementation of Lake Hodges Fund reserve
- ❖ Completed analysis of CalPERS liability payoff and 10-yr soft fresh start

- ❖ Pre-payment of SDCWA fixed cost obligations for savings of \$80k
- ❖ Modified administrative code to allow collections company utilization – recovering over \$100k in past invoices
- ❖ Maximized interest earnings through portfolio management / direct investments
 - First time investing in UST's / CDs
- ❖ \$250,000 SLCGP grant for SCADA
- ❖ T-mobile / Sprint cell tower access resolution
- ❖ Implementation of new online customer bill payment system, allowing enhanced customer payment options and functionality
- ❖ 5 separate staff & JPIA driven safety trainings (additional trainings provided to new staff including confined entry / heavy equipment / heat safety, etc.)
 - No OSHA violations / reports
- ❖ Update of District emergency response plan and hazard mitigation plan
 - Held various exercises to prepare for possible wild fire

OBJECTIVES FOR FY26

During FY26, Administrative Services will achieve the following objectives:

- ❖ Bring forward continued modifications / enhancements to the District's Administrative Code
- ❖ Continue to monitor State water use requirements & legislation, advocate for District
- ❖ District information technology security audit & long-range plan
- ❖ Review / begin implementation of new customer AMI portal
- ❖ Implementation of new performance management system
- ❖ Work with City of San Diego on local water / Lake Hodges issues (in conjunction with SDWD and SDCWA)

ADMINISTRATIVE SERVICES SIGNIFICANT BUDGET CHANGES

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

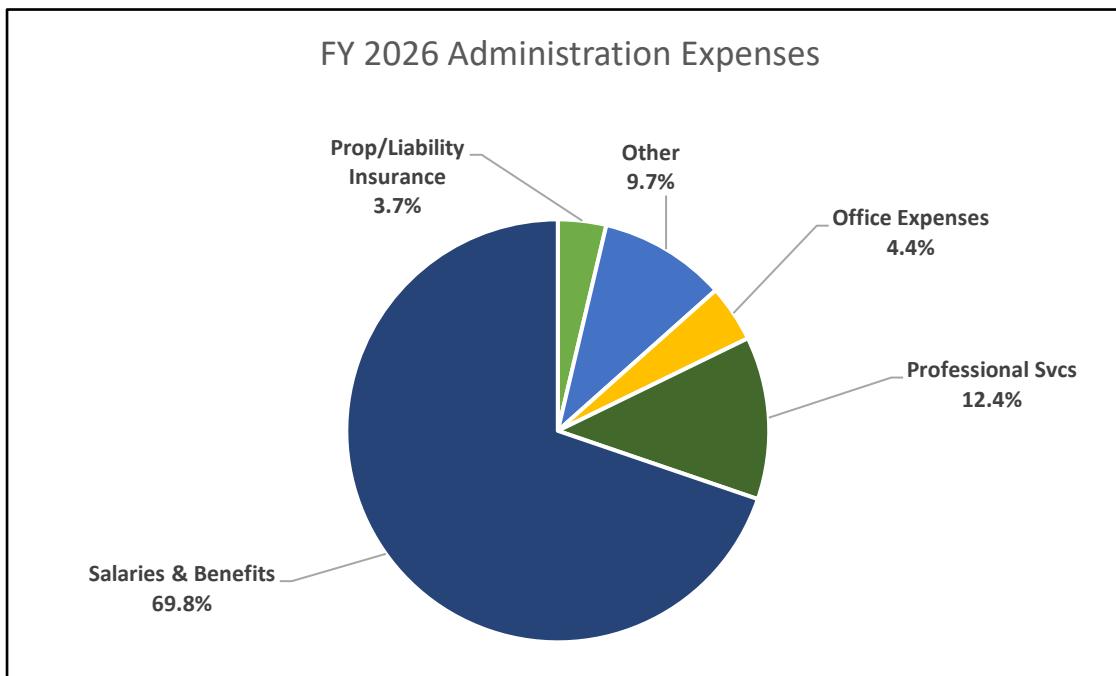
- ❖ Board support has decreased in FY26 due to fewer per-diem requests and the elimination of benefit costs;
- ❖ Property & liability insurance premiums are projected to continue to rise at a substantial rate due to carriers being averse to providing reinsurance in California due to natural disasters and the insurance market environment. Based on this, Staff is estimating that premiums will rise approximately 13% year over year from FY25;
- ❖ Office expenses are increasing due to the rise in postage pricing, and the volume of mailings from the District;
- ❖ Information technology service providers are experiencing a high level of consolidation, creating significant price pressure. Additionally, these providers are switching from perpetual licensing costs to annual subscription requirements to increase revenues. This is evidenced in the increase in the FY26 Budget, which includes a higher level of Microsoft Windows subscription, which enables a more secure IT environment in addition to a number of advantageous benefits.
- ❖ Other office expenses are increasing due to membership costs increasing (i.e. LAFCO, ACWA, AWWA, etc.);
- ❖ Contract / professional services are made up of bank fees (\$130,000), general consulting (\$150,000), legal fees (\$250,000), and conservation / public outreach (\$60,000).

ADMINISTRATIVE SERVICES KEY PERFORMANCE INDICATORS

KPI #	KPI	FY25 Goal	FY25 Actual	FY26 Goal	Comments / Variance Explanation For FY25 Actual	Department
1	Average, typical single-family residential bill (SDCWAmembers)	<33rd Percentile	<33rd Percentile	<33rd Percentile	CY25 COSS still reflects District being in bottom quartile for all meter sizes	Administration
2	Compliance with state requirement ABI668 - District water budget	TBD	TBD	TBD	-	Administration
3	Compliance with state requirement SBX7-7 (gallons per capita / day)	<510	~425	<510	FY25's projection is based on mid-year estimated water use	Administration
4	Participation rate in customer survey	25%	N/A	25%	Customer survey was not completed	Administration
5	# attendees at water seminar(s) / landscape classes held by District	100	25	100	1 class held - Conservation position has been vacant / most optimal educational sessions are still being determined	Administration
6	Number of customers enrolled in District AMI portal (as a % of total District customers - goal of 60% by FY31)	20%	20%	20%	-	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%	36%	30%	-	Administration
10	Employee voluntary turnover annually	<=5%	4%	<=5%	-	Administration
11	Percentage of distribution and treatment employees with certifications/education above minimum requirements for their job	67%	D72% / T68%	67%	-	Administration
12	Percentage of performance evaluations completed within 30 days from anniversary	90%	68%	90%	-	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	Y	Y	Y	To be completed in FY26	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	Reserve, Investment, and Pension Funding Policies review / updated if needed	Administration
17	# of Table top emergency response plan exercises conducted	2	2	2	Fire preparedness exercise	Administration
18	Annual District rate increase / revenue requirement within 3% of San Diego / Carlsbad CPI-U, less water supply costs	Y	Y	Y	CY25 SFID increase (if approved) would be 1.7% - current CPI is 2.6%	Administration

Administration Expense Summary
Fiscal Year 2026 Operating Budget

Description	FY 2024	FY 2025		FY 2026	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 2,380,520	\$ 3,256,168	\$ 3,159,137	\$ 3,307,014	1.6%	4.7%
District Retiree Health Care	397,134	422,970	422,970	359,420	-15.0%	-15.0%
Interdepartmental Allocations	(488,784)	(600,000)	(525,000)	(525,000)	-12.5%	0.0%
Net Personnel Expenditures	<u>\$ 2,288,869</u>	<u>\$ 3,079,138</u>	<u>\$ 3,057,107</u>	<u>\$ 3,141,434</u>	<u>2.0%</u>	<u>2.8%</u>
Non-Labor Expenses:						
Board Support	\$ 43,712	\$ 43,640	\$ 35,892	\$ 28,756	-34.1%	-19.9%
Property & Liability Insurance	140,398	155,000	169,977	175,000	12.9%	3.0%
Office Supplies	62,606	67,500	66,692	72,000	6.7%	8.0%
Information Technology	325,060	367,311	313,769	386,500	5.2%	23.2%
Other Office Expense	126,199	130,000	115,912	135,000	3.8%	16.5%
Contract Services / Conservation	483,097	682,000	585,384	590,000	-13.5%	0.8%
Training & Development	45,924	37,000	48,685	46,000	24.3%	-5.5%
Total Non-Labor	<u>\$ 1,226,995</u>	<u>\$ 1,482,451</u>	<u>\$ 1,336,312</u>	<u>\$ 1,433,256</u>	-3.3%	7.3%
Expenses Before Depreciation	<u>\$ 3,515,865</u>	<u>\$ 4,561,589</u>	<u>\$ 4,393,419</u>	<u>\$ 4,574,690</u>	0.3%	4.1%
Total Depreciation & Amortization	\$ 2,938,549	\$ 3,097,555	\$ 3,100,000	\$ 3,100,000	0.1%	0.0%
Total Net Expenses	\$ 6,454,414	\$ 7,659,144	\$ 7,493,419	\$ 7,674,690	0.2%	2.4%



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. All positions are currently filled. 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 2024	FY 2025	FY 2026
Regular			
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
Total	4.0	4.0	4.0

PROGRAMS AND ACTIVITIES

CAPITAL IMPROVEMENT PROGRAM (CIP)

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

WATER RESOURCE MANAGEMENT

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

DEVELOPMENT ASSISTANCE

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

GEOGRAPHICAL INFORMATION SYSTEMS (GIS)

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

PROPERTY MANAGEMENT

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

FACILITY LOCATING/INSPECTION

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

ACCOMPLISHMENTS OF FY25

The Engineering Services Department staff achieved the following key accomplishments in FY25

❖ Capital Improvement Projects

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

- Managed the Government Road Pipeline Relocation Project through the Construction Phase with the filing the Notice of Completion. Projects delivered within schedule and budget.
- Continued ongoing coordination for the following projects in various phases of Design and Construction:
 - R.E. Badger Filter Washwater Header and Associated Piping Project
 - San Dieguito Dam Repair
 - District Yard Small-Scale Solar Array
 - Solar Project at the R.E. Badger Clearwell
- Advanced the following project into the Design Phase for the:
 - Lerrick Reservoir and Pump Station Upgrades Project
 - La Granada Pipeline Replacement and PRS Elimination Project
 - 24-in Realignment and Replacement Project

❖ **Planning Support**

- Continued coordination with the San Dieguito Water District for all CIP and asset management of Joint Facilities.
- Continued in collaboration with the City of Solana Beach in coordination with the development of the Lomas Sanat Fe Corridor Improvements, the Assessment District near Lerrick Reservoir, and the proposed Pocket Park.
- Continued to coordinate with the San Diego County Water Authority in the development of the updated Master Plan.
- Continued to coordinate with the County of San Diego and review of improvement projects to protect the District and Joint Facilities infrastructure including the Aliso Canyon Road & El Camino Del Norte Flood Control Improvements and the multiple Culvert Replacements, Roundabout Design Reviews, and Paving Projects.
- Prepared, completed, and submitted to the State of California for the District's 2025 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 recovered and District's interest is protected. In the meantime, provide outstanding customer service and public/ community transparency.
- Continued to participate in different local workgroups and collations such as Regional Advisory Committee for the Integrated Regional Water Management for San Diego and the North San Diego Water Reuse Coalition for funding opportunities and alternative water supplies.
- Facilitated the award of the 2025 Urban Water Management Plan.

❖ **Operations Support**

- Facilitated contracts and coordinated with Operations for the following projects, including:
 - Evaluating the Removal of Select Per- and Polyfluorinated Alkyl Substances Using Coagulation
 - Reviewing and coordinating review of alternatives for the Current and Future Facilities Needs Assessment
 - Updating the District's Asset Valuation

❖ **Property Management**

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

❖ **Information Technology Program**

- Continued to maintain and the develop GIS solutions and asset management technologies and updating software to increase the District's capabilities of the ESRI system.

❖ **District Asset Protection**

- SFID mark-out personnel responded to over 2,900 mark-out requests associated with construction activities throughout the District's entire service area.
- Managed and coordinated developer agreements and requiring upsizing of the District's infrastructure to meet private development fire flow or development conditions established by the City of Solana Beach or the Rancho Santa Fe Fire Protection District, including:
 - Completed upsizing of approximately 1.000-linear feet (lf) from 6-in to 8-in water main within El Zorro Vista and Las Colinas in Rancho Santa Fe,
 - Upsizing approx. 600-ft from 6-in to 8-in water main in La Madreselva in Rancho Santa Fe. –
 - Drift (formerly Ocean Ranch) Subdivision in Solana Beach installation of a new 8-in water main and relocation of existing services and installation of new fire and domestic services. – in Construction.
 - Solana Highlands Revitalization Project in Solana Beach which includes coordination with the developer for installation of new fire hydrant connections and meter installations. – in Construction.

❖ **Personnel**

- 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 FY26

During FY26, the Engineering Department will achieve the following objectives:

- ❖ Implement the Board-approved FY26 Capital Improvement Program.
- ❖ Support any projects/programs associated with Hodges Dam Replacement or other alternative to maintain the use of local water supplies.
- ❖ Support studies and projects associated with 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 2026 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

Please refer to the budget summary for Engineering & Planning on the following page(s)

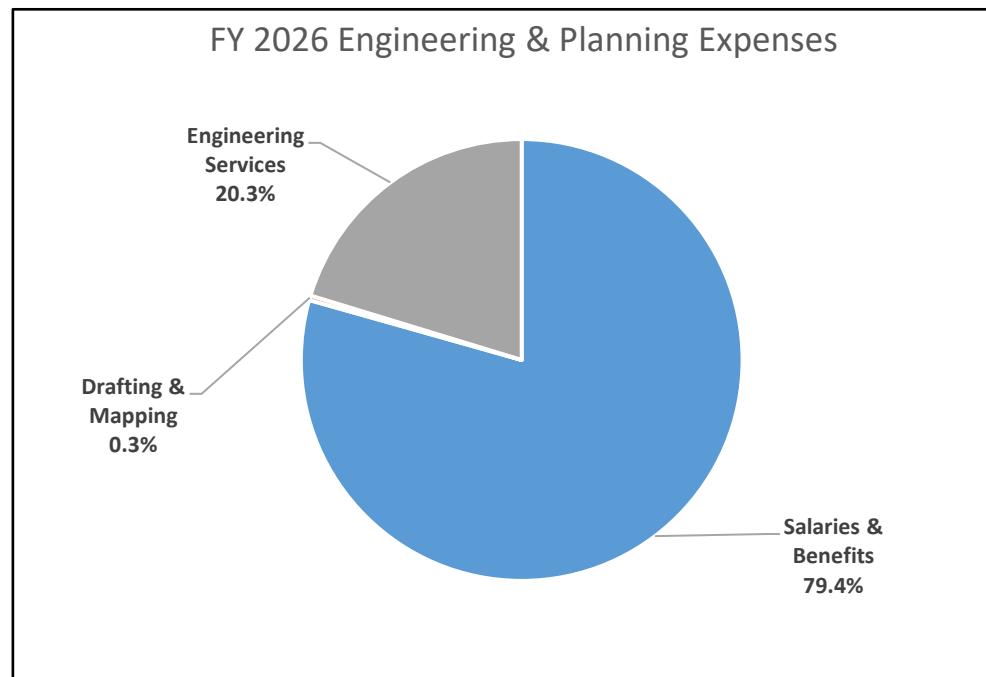
- ❖ The most significant change for the Engineering department is a \$105,000 increase in consultant expenditures to accommodate one-time items in FY26. The total consultant budget in FY26 is \$240,000, which is for the development of the Urban Water Management Plan (\$85,000), the 10-year capital plan update for District only assets (\$65,000), continued water distribution modeling (\$35,000), easement manage / miscellaneous work (\$40,000), and the annual water supply / drought management update (\$15,000).
- ❖ "Other Expenses" is primarily comprised of GIS software expenses in addition to office supplies, training, and underground service alert system expenses, among others.

ENGINEERING KEY PERFORMANCE INDICATORS

KPI #	KPI	FY25 Goal	FY25 Actual	FY26 Goal	Comments / Variance Explanation For FY25 Actual	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%	45%	90%	Based on mid-year projection	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	<30	<30	-	Engineering
23	Dig Alert Tickets responded to within 48 hours	100%	100%	100%	-	Engineering

Engineering & Planning Expense Summary
Fiscal Year 2026 Operating Budget

Description	FY 2024	FY 2025		FY 2026	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 599,493	\$ 915,998	\$ 900,614	\$ 939,133	2.5%	4.3%
Interdepartmental Charges	(30,573)	(30,000)	(32,000)	(35,000)	16.7%	9.4%
Net Personnel Expenditures	\$ 568,920	\$ 885,998	\$ 868,614	\$ 904,133	2.0%	4.1%
Non-Labor Expenses:						
Drafting & Mapping	1,871	3,000	3,629	4,000	33.3%	10.2%
Engineering Services	93,836	135,000	100,000	240,000	77.8%	140.0%
Other Expenses	33,813	45,375	44,689	43,500	-4.1%	-2.7%
Total Non-Labor	\$ 129,521	\$ 183,375	\$ 148,318	\$ 287,500	56.8%	93.8%
Total Expenses	\$ 698,441	\$ 1,069,373	\$ 1,016,932	\$ 1,191,633	11.4%	17.2%



Note: Totals may not foot due to rounding. Pie chart does not include any capitalized labor offset or interdepartmental 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 2024	FY 2025	FY 2026
Distribution System Director	1.0	1.0	1.0
Facilities and Fleet Maint. Coordinator	1.0	1.0	1.0
Distribution System Operations	6.0	6.0	6.0
Construction Repair and Maintenance	8.0	8.0	9.0
Cross Connection/Recycled Water	1.0	1.0	1.0
Total	17.0	17.0	18.0

PROGRAMS AND ACTIVITIES

DISTRIBUTION SYSTEM OPERATIONS

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

REPAIR & MAINTENANCE

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

METER SERVICES

- ❖ 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 FY25

The Operations and Maintenance Staff achieved the following Key Accomplishments in FY25

- ❖ Maintained resilient operations and maintenance during staffing changes and recruitments
- ❖ Provided Operational Support for developer-related and Capital Improvement Construction Activities
- ❖ Oversaw and facilitated over 30 system shutdowns for maintenance and repair activities
- ❖ Rebuilt a total of 4 Pressure Reducing Stations (8 valves)
- ❖ Exercised and completed preventative maintenance work to 1,023 system 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 Facilities transmission mains
- ❖ Accomplished over 210 work orders related to construction maintenance and new service installations including 44 new service installations
- ❖ Replaced 3 critical system isolation valves and 7 hydrant valve replacements
- ❖ Installed 5 large diameter dedicated fire services
- ❖ 18 Water service line replacements
- ❖ Completed volumetric field testing of large diameter water meters
- ❖ Achieved a water loss of less than 3.5%, submitted annual Water Loss Audit
- ❖ Submitted and received approval of SWRCB Electronic Annual Report
- ❖ Completed SWRCB Sanitary Survey

- ❖ Met all fleet and equipment, CARB, compliance reporting requirements including ACF, Clean Truck Check and DOORS off road equipment reporting.
- ❖ Summited service line inventory and received approval in compliance with the SWRCB LRCC, Revised Lead & Copper Rule
- ❖ Awarded ACWA JPIA H.R. LaBounty Safety Award December 2024

OBJECTIVES FOR FY26

During FY26, 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
- ❖ Continuing to replace critical system isolation valves, 15 per year
- ❖ Complete Corrosion Control Assessment on District and Joint Facilities Pipelines
- ❖ Support CP Anode Bed Replacement project on 54-inch Joint Facilities Pipeline
- ❖ Complete tri-annual Lead & Copper Sampling, coordinating with property owners to collect these samples
- ❖ Review and update applicable articles of the District's Administrative Code to conform with regulations and current practices
- ❖ Complete and submit SFID's Cross Connection Control Program in compliance with SWRCB Cross Connection Control Policy Handbook
- ❖ Formulate outreach program with customers and local entities related to the CCCPH requirements
- ❖ Provide operational support on developer-related construction activities
- ❖ Assist in completing Asset Management Master Plan update
- ❖ Provide operational support for the Lerrick Reservoir, La Granada Pipeline Replacement and 24-inch Pipeline Realignment Capital Improvement Projects
- ❖ Facilitate new service installations
- ❖ Oversee regulatory compliance with current and additional recycled water use sites
- ❖ Facilitate Capital Acquisition projects and procurements related to the Facilities and Fleet
- ❖ Complete Phase 1 of Pressure Reducing Station PLC upgrades
- ❖ Complete Phase 1 AMI Large Diameter Meter replacements
- ❖ Explore updating Fire Hydrant Maintenance Agreements with Solana Beach and RSF Fire Protection District

OPERATIONS & MAINTENANCE DETAIL & SIGNIFICANT BUDGET CHANGES

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

- ❖ The systems operations budget is declining by approximately \$47,000 to align the budget with actual expenditures, as \$25,000 in previously budgeted expenditures in this category for outside services are being made in the facilities maintenance category. This funding will continue to allow for the same level of effort as in FY25.

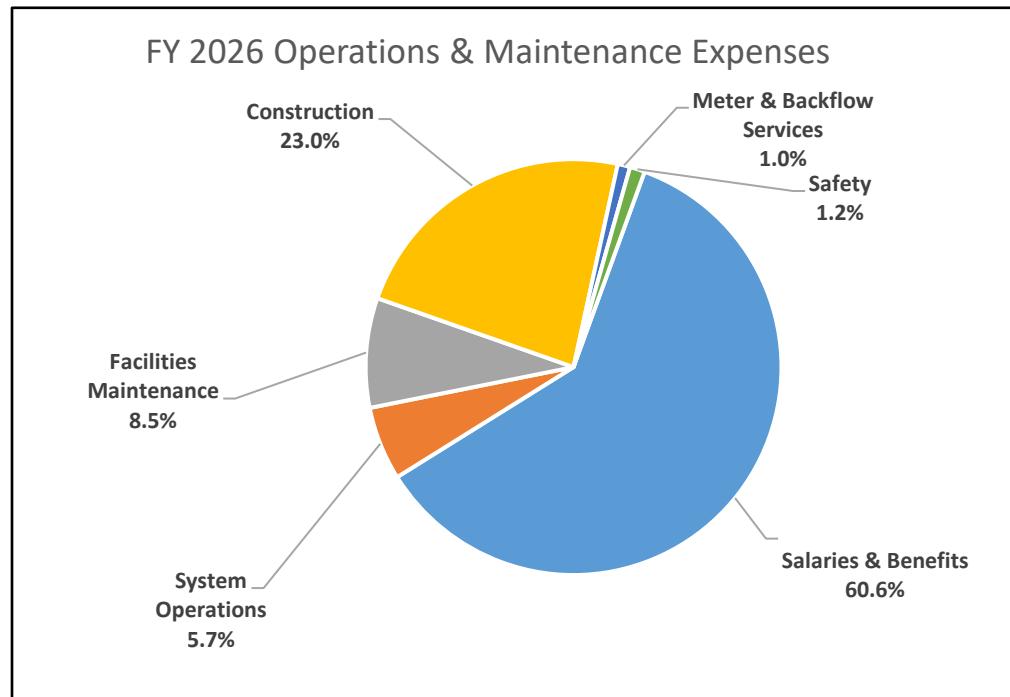
- ❖ The facilities maintenance expenditure budget for FY25 is increasing by approximately \$43,000 based on increased prices for vehicle maintenance / parts, increasing fuel costs, additional uniform purchases based on new employee hiring.
- ❖ Construction funding is increasing by approximately \$116,000 due primarily to an increase in the cost for and the amount of paving and traffic control. In the FY25 Budget, these two services totaled approximately \$433,000, while the FY26 Budget totals \$550,000 (as was also discussed in the FY25 mid-year budget monitoring). These two contract services will be put out to bid in the upcoming year to ensure the most optimal pricing. Additionally, pipe purchases are increasing by \$75,000 in FY26 to \$400,000 based on increasing prices and requirements. These increases are offset by a reduction of \$60,000 in other services, as District Staff are able to accomplish more task in-house.

OPERATIONS & MAINTENANCE KEY PERFORMANCE INDICATORS

KPI #	KPI	FY25 Goal	FY25 Actual	FY26 Goal	Comments / Variance Explanation For FY25 Actual	Department
24	# of unplanned disruptions greater than 4 hours	<6	<6	<6	-	Ops & Maint
25	Number of system valves replaced per year	15	15	15	-	Ops & Maint
26	# leaks in fiscal year	<10	<10	<10	-	Ops & Maint
27	System water loss / non-revenue water %	<=5%	<=5%	<=5%	-	Ops & Maint
28	# pressure regulating stations serviced per year	7	7	7	-	Ops & Maint
29	# of valves exercised per year	1,260	1,260	1,260	-	Ops & Maint

Operations & Maintenance Expense Summary Fiscal Year 2026 Operating Budget

Description	FY 2024	FY 2025		FY 2026	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 1,834,470	\$ 2,851,751	\$ 2,672,367	\$ 2,991,211	4.9%	11.9%
Non-Labor Expenses:						
System Operations	273,380	329,900	283,756	283,000	-14.2%	-0.3%
Facilities Maintenance	391,980	378,400	399,554	421,000	11.3%	5.4%
Construction	1,031,457	1,022,500	1,191,305	1,138,000	11.3%	-4.5%
Meter & Backflow Services	51,148	56,000	51,732	48,000	-14.3%	-7.2%
Safety	42,700	48,000	51,657	57,500	19.8%	11.3%
Total Non-Labor	\$ 1,790,665	\$ 1,834,800	\$ 1,978,004	\$ 1,947,500	6.1%	-1.5%
Total Expenses	\$ 3,625,136	\$ 4,686,551	\$ 4,650,371	\$ 4,938,711	5.4%	6.2%



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 2024	FY 2025	FY 2026
Water Treatment Plant Manager	1.0	1.0	1.0
Treatment Operations	7.0	7.0	7.0
Instrumentation & Maintenance	4.0	4.0	4.0
Grounds Maintenance	1.0	1.0	1.0
Laboratory	1.0	1.0	1.0
Total	14.0	14.0	14.0

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/submits 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 FY25

The Joint Facilities Department staff achieved the following key accomplishments in FY25:

- ❖ 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.
- ❖ Continued to meet and exceed all State and Federal drinking water standards with increasingly challenging imported and local source water
- ❖ Upgraded the SCADA HMI software to the latest version to ensure the continuous operation of the treatment control system
- ❖ Upgraded SCADA client management with the installation of Thin Manager Software
- ❖ Facilitated the repair of the San Dieguito Reservoir dam
- ❖ Coordinated the maintenance of the medium electrical switchgear to ensure its continuous operation and upkeep
- ❖ Purchased and installed a second LG water quality monitoring system in Lake Hodges
- ❖ Further explored integrating backwash water treatment through the solids handling system to full scale operations.
- ❖ Facilitated replacement of the 16" BFV for the Surface Wash system
- ❖ Recruited a new Mechanic 1.
- ❖ Updated and Maintained compliance with the treatment plant's PSM.
- ❖ Completed the 3 year review of the RMP.
- ❖ Completed the first compliance audit for the Laboratory under the new TNI standards.

- ❖ Completed a surprise OSHA inspection with zero citations.

OBJECTIVES FOR FY26

During FY26, the Joint Facilities Department will achieve the following objectives:

- ❖ Replace the Laboratory TOC analyzer to comply with TNI standards and maintain certifications.
- ❖ Replace the Master Backwash valve actuator for better control of backwashes.
- ❖ Replace the anionic polymer mixing skid to facilitate continued solids handling production.
- ❖ Replace the Sodium Hydroxide tank.
- ❖ Upgrade three process chlorine analyzers.
- ❖ Add additional on-site security monitors to enhance security.
- ❖ Install a remote operated 30" drain valve to streamline plant operations.
- ❖ Update the operators kitchen within the main ops building.
- ❖ Replace SCADA servers to extend life expectancy.
- ❖ Install additional cameras at SDR to enhance security at the SDR dam.
- ❖ Replace aging PLCs throughout the treatment plant.

JOINT FACILITIES DETAIL & SIGNIFICANT BUDGET CHANGES

Please refer to the budget summary for Joint Facilities on the following page(s)

- ❖ Local water transportation costs – electricity for pumping and repair costs for pumps - are anticipated to increase by approximately \$26,000 or 11.8%. This is based on the continued assumption that zero local water will be yielded in FY26. However, the increase from FY25 is to provide additional funding for pumping from San Dieguito Reservoir for continued pre-treatment.
- ❖ Operations expenditures are increasing by approximately \$94,000 or 6.5% from FY26 due to an estimated \$111,000 increase in chemical budget, due to price increases and utilization, in addition to a \$25,000 increase in solids disposal costs due to volume and transportation cost increases. These increases are offset by a reduction of approximately \$25,000 in electricity costs at the REB Plant to align with actuals.
- ❖ Maintenance expenditures have increased approximately \$25,600 or 3.0% from FY25 due to increased maintenance costs for electrical and treatment process equipment. This increase is also anticipated due to the maintenance department now being fully staffed after maintaining a vacancy for over a year, allowing them to be more proactive with maintenance and upkeep.
- ❖ Laboratory expenditures have increased \$73,500 or 40.4% from FY25 due to a continuing increase in contract chemical laboratory testing for PFAS. These expenditures began in FY24 and increased significantly in FY25 as proactive testing of source / finish water has been undertaken; and this budget adjustment is to align actual spending.
- ❖ Administrative expenditures have increased by approximately \$372,000 or 38.0% due to the following:
 - ❖ An increase of \$100,000 in legal expenses. The FY24 Budget included \$35,000 for legal expenses, as there wasn't significant time spent by legal counsel on Joint Facilities items. However, in FY25, this budget was increased to \$400,000 to accommodate continued legal spending for the lawsuit against the City of San Diego regarding Lake Hodges. This has subsequently increased to \$500,000 in FY26 to allow appropriate funding for the preparation and beginning of the anticipated civil trial, in addition to regular work Staff need counsel to complete.

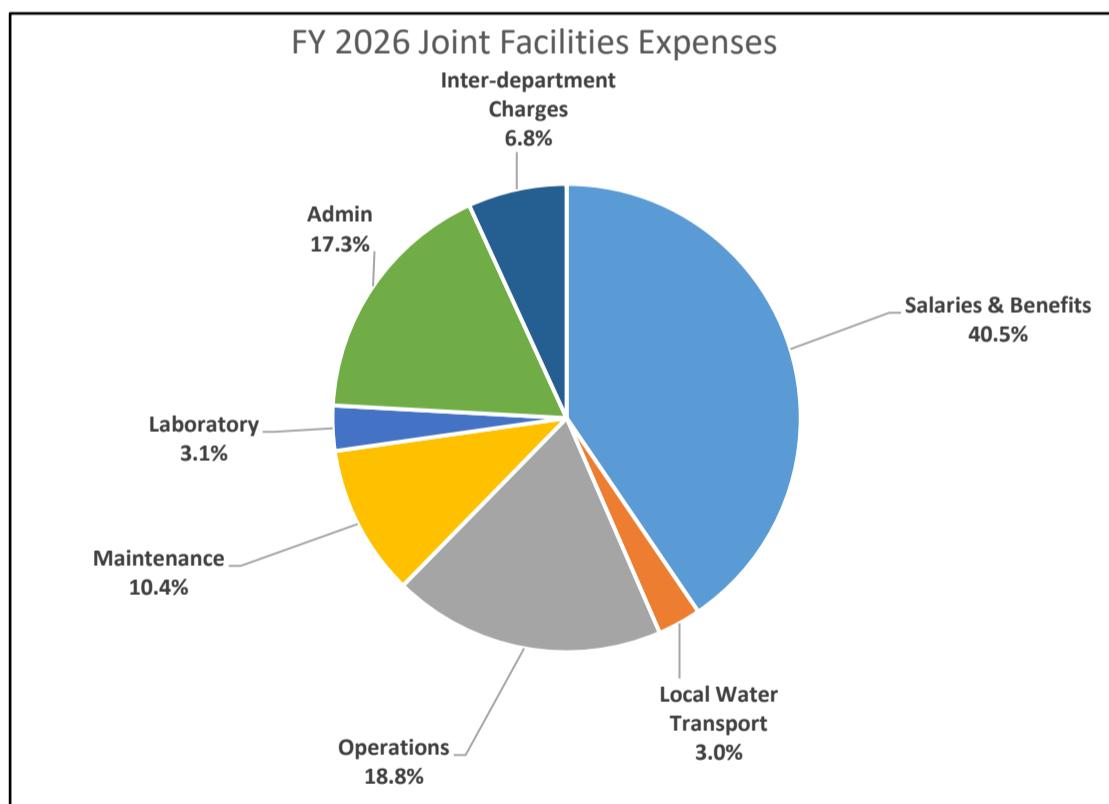
- ❖ An \$175,000 increase in budget for the Joint Facilities engineering work; including \$135,000 for the 10-year capital plan update (the other portion of the anticipated \$200,000 in total contract is budgeted on the District side), \$25,000 for easement management, and \$15,000 for easement quitclaim work for properties along Del Dios and other areas.
- ❖ An \$115,000 increase in liability and property insurance. This increase is mainly attributable to Staff's revision of the Joint Facilities' property schedule values for their respective assets, and the apportionment of premiums between District only facilities and Joint Facilities. The Joint Facilities replacement values have increased after recent capital work was completed in addition to a review by the Association of California Water Agencies JPA (the District's insurance carrier), which shifted more premium to the Joint Facilities beginning in FY25. This budget adjustment reflects actual charges.

JOINT FACILITIES KEY PERFORMANCE INDICATORS

KPI #	KPI	FY25 Goal	FY25 Actual	FY26 Goal	Comments / Variance Explanation For FY25 Actual	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	3	3	3	The District provides a number of additional tours to smaller groups of elected officials or interested parties beyond public tours	Treatment

Joint Facilities Expense Summary
Fiscal Year 2026 Operating Budget

Description	FY 2024	FY 2025		FY 2026	% Change	% Change
	Actual	Budget	Projected	Budget	Bgt to Bgt	Proj to Bgt
Labor Expenses:						
Salaries & Benefits	\$ 2,647,214	\$ 3,169,076	\$ 3,234,718	\$ 3,321,155	4.8%	2.7%
Joint Facilities Retiree Health Care	141,861	181,273	181,273	163,944	-9.6%	-9.6%
Interdepartmental Charges	519,357	630,000	519,357	560,000	-11.1%	7.8%
Total Labor	\$ 3,308,432	\$ 3,980,349	\$ 3,935,348	\$ 4,045,099	1.6%	2.8%
Non-Labor Expenses:						
Local Water Transport	715,538	220,100	777,649	246,000	11.8%	-68.4%
Operations	1,291,269	1,449,561	1,555,270	1,544,000	6.5%	-0.7%
Maintenance	791,137	831,000	853,127	855,750	3.0%	0.3%
Laboratory	192,780	182,000	246,605	255,500	40.4%	3.6%
Administrative / Engineering	790,474	978,238	886,793	1,419,772	45.1%	60.1%
Subtotal Non-Labor	\$ 3,781,198	\$ 3,660,899	\$ 4,319,444	\$ 4,321,022	18.0%	0.0%
Local Water Expense	\$ -	\$ -	\$ -	\$ -		
Total Net Expenses	\$ 7,089,630	\$ 7,641,248	\$ 8,254,793	\$ 8,366,121	9.5%	1.3%



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 2026 Budget

Description	FY 2024	FY 2025		FY 2025	FY 2026	FY 2026		Percentage	
	Actual	Budget	Projection	Budget	Allocated Cost	SDWD	SFID	SDWD	SFID
Operations & Maintenance									
Local Water Costs & Reimbursements	\$ 0	\$ 0	42.67%	57.33%					
<u>Operating Costs</u>									
Salaries & Wages / Benefits	\$ 2,647,214	\$ 3,169,076	\$ 3,234,718	\$ 3,321,155	\$ 1,262,039	\$ 2,059,116	\$ 62,299	38.00%	62.00%
Retiree Healthcare	141,861	181,273	181,273	163,944	101,645	101,645	-	38.00%	62.00%
District Staffing for Joint Facilities Work (SDWD Only)	199,952	239,400	197,356	212,800	212,800	-	-	100.00%	0.00%
Water Transportation	715,538	220,100	777,649	246,000	104,968	141,032	141,032	42.67%	57.33%
Operations	1,291,269	1,449,561	1,555,270	1,544,000	586,720	957,280	957,280	38.00%	62.00%
Maintenance	791,137	831,000	853,127	855,750	325,185	530,565	530,565	38.00%	62.00%
Laboratories	192,780	182,000	246,605	255,500	97,090	158,410	158,410	38.00%	62.00%
Administrative	790,474	978,238	886,793	1,419,772	539,513	880,259	880,259	38.00%	62.00%
Total Operating Costs	\$ 6,770,226	\$ 7,250,648	\$ 7,932,791	\$ 8,018,921	\$ 3,190,614	\$ 4,828,307			
<u>Less: External Revenues</u>									
Lake House Rent	\$ 85,069	\$ 26,400	\$ 49,920	\$ 45,000	\$ 19,202	\$ 25,799	\$ 25,799	42.67%	57.33%
Interest Income	12,992	500	1,338	-	-	-	-	38.00%	62.00%
Cell Site Revenue	0	35,577	22,500	-	-	-	-	38.00%	62.00%
Total Revenues	\$ 98,062	\$ 92,477	\$ 73,758	\$ 45,000	\$ 19,202	\$ 25,799			
Net Operating Reimbursements from Districts	\$ 6,672,164	\$ 7,158,171	\$ 7,859,033	\$ 7,973,921	\$ 3,171,413	\$ 4,802,509			

Joint Facilities Cost Allocation
Fiscal Year 2026 Budget

Description	FY 2024	FY 2025		FY 2026	FY 2026		Percentage	
		Actual	Budget		Budget	Allocated Cost	SDWD	SFID
Capital Improvement & Acquisition								
Capital Acquisition								
PLC for Chemical Feed Continued Updates				\$ 40,000	\$ 18,000	\$ 22,000	45.00%	55.00%
TOC Analyzer Replacement				50,000	22,500	27,500	45.00%	55.00%
Master Backwash Actuator Replacement				40,000	18,000	22,000	45.00%	55.00%
Polymer Premix / Injection Unit				150,000	67,500	82,500	45.00%	55.00%
Flashmix Pump Replacement				25,000	11,250	13,750	45.00%	55.00%
Caustic Tank Replacement				160,000	72,000	88,000	45.00%	55.00%
Chlorine Analyzers (3)				55,000	24,750	30,250	45.00%	55.00%
Security Monitor Addition				8,000	3,600	4,400	45.00%	55.00%
Automated 30" Bypass valve				75,000	32,003	42,998	42.67%	57.33%
Kitchen Repairs / Updates				50,000	22,500	27,500	45.00%	55.00%
San Dieguito Reservoir Fencing Repairs / Camera Installation				75,000	33,750	41,250	45.00%	55.00%
SCADA Server Replacements				216,000	97,200	118,800	45.00%	55.00%
Total Capital Acquisition				\$ 944,000	\$ 423,053	\$ 520,948		
Capital Improvement Projects								
San Dieguito Dam Repair				250,000	106,675	143,325	42.67%	57.33%
Clearwell Solar				1,916,250	862,313	1,053,938	45.00%	55.00%
R.E. Badger Leach Field Replacement				479,500	215,775	263,725	45.00%	55.00%
Anode Bed Replacement				200,000	90,000	110,000	45.00%	55.00%
Filter Surface Washwater Header and Associated Piping				300,000	135,000	165,000	45.00%	55.00%
Total Capital Improvement Projects				3,145,750	\$ 1,409,763	\$ 1,735,988		
Less: Capital Grant Revenue / Reimbursement								
CalOES / FEMA SCADA (SLCGP)				\$ 185,000	\$ 83,250	\$ 101,750	45.00%	55.00%
Net Capital Reimbursements from Districts				\$ 3,904,750	\$ 1,749,565	\$ 2,155,185		

CAPITAL PROGRAM



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 (AMMP), and Joint Facilities Master Plan, and other key District planning documents. 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 District has included funding in operating portion of the FY26 Budget for the update to the AMMP, which may require a re-working of the capital budget during the Mid-Year Budget process if projects should require additional funding or if new projects should be identified to be included in FY26.

The Capital Program budget has two elements: Capital Acquisitions and Capital Improvements. Capital Acquisitions are major assets to be acquired during that 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 FY26.

CAPITAL ACQUISITION

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. CAP purchases are funded from the Capital Improvement Reserve and generally fall into one of four primary categories: 1) buildings and grounds maintenance and repair; 2) information technology upgrades; 3) replacement of the District's rolling stock, such as vehicles and heavy equipment; and, 4) treatment plant / District facility maintenance, repair, and replacement projects. Proposed CAP expenditures for FY26 total \$1,601,000, with the District's portion totaling \$1,177,948 and San Dieguito Water District's (SDWD) portion totaling \$423,053, as summarized in the following table. Capital Acquisition expenditures are primarily funded through non-operating revenues and all Joint Facilities CAP costs are shared with SDWD proportionate to each agency's ownership percentage, as shown in this report. Total District-only CAP projects total \$657,000, with total Joint Facilities CAP projects totaling \$944,000.

FY26 Budget	
Total District - Admin/Ops	\$ 657,000
SFID	\$ 520,948
SDWD	423,053
Total Joint Facilities	\$ 944,000
Total CAP	\$ 1,601,000
Total SFID CAP	\$ 1,177,948

Fire Safety PPE (\$15,000): During the wildfire events in January, Staff evaluated current fire preparedness and safety needs. Based on past experiences with wildfire, the District determined it has a robust emergency response program; however, one identified area for improvement would be the purchase of a limited number of proper fire safety PPE (fire resistant wear) for the distribution Staff if needed to continue to respond to shut-off or other necessary calls from emergency responders during a wildfire event. Though Staff are not fire fighters and trained to work in a hot zone, this would allow Staff to respond to areas that are not yet fire involved but could still have a level of PPE in changing conditions.

Emergency Water Trailer (\$40,000): This would be for the procurement of a tow-behind polyethylene water tender and associated equipment (~500 gallons) that could be utilized in shutdowns, or other temporary small-scale interruptions in service, to provide customers with a temporary source of potable water. This could also be utilized in customer outreach at events to provide potable water to crowds as it will include Santa Fe Irrigation District branding.

Water Service Emergency Highline Materials (\$15,000): A highline is when there is a temporary disruption in service to an area due to a pipeline shutdown for planned / unplanned maintenance and repair, and a temporary connection to customer meters can be accomplished through a sanitary hose to an in-service pipeline or hydrant. Currently, the District would rent highline materials if needed, as extended shutdowns are not common. However, purchasing this equipment would give Staff the flexibility to better manage jobs (i.e. potentially reduce overtime and Staff burden due to the actual interruption of service), provide better customer service, and respond better to emergencies.

Cement Mixer Trailer Replacement (\$30,000): The District's current 1-yard, tow-behind cement mixer has exceeded its useful life and has become an operation inefficiency. This budget will allow for the replacement of this asset with an in-kind trailer.

3-Yard Dump Bed Truck (\$90,000): The District currently has two 3-yard dump bed truck to remove job spoils, including excavated soil, asphalt, rock, and concrete. Based on the amount of work the District has been completing for service installations and other day-to-day maintenance work, the procurement of an additional 3-yard dump truck would allow great efficiency and Staff response. The budget for this new truck would allow for the purchase of an internal combustion engine vehicle. With the changing California Air Resource Board (CARB) regulations, based on CARB indicating a possible exemption for this truck configuration, Staff believe that the District (as an emergency responder) would be allowed a waiver to procure this additional vehicle outside

of the heavy-duty electrification regulations. If no waiver is obtained by CARB, this vehicle would not be procured.

Phase 1 PLC Upgrades for Remote PRS (\$35,000): The District has 31 pressure reducing stations (PRS), which are critical facilities that reduce the water pressure within the Distribution system at key locations to protect downstream pipelines and other appurtenances. These PRS are monitored and controlled through the supervisory control and data acquisition (SCADA) system through programmable logic controller (PLC) connections that are installed in each PRS. These PRS facilities and associated PLC installations were completed in 2011/2012, and maintenance and replacement of PRS infrastructure has been on-going; however, these PLCs are reaching their useful life and will no longer be supported. This funding will be for phase one of two and replace approximately half of all PLCs.

Material Bins Covers / Drainage (\$50,000): The District's retainment bins in the north portion of the yard include a number of various materials utilized in construction work for appropriate backfill and asphalt repairs, among others. These materials need to have a certain level of moisture to be appropriately utilized and effective. With too much precipitation, District Staff has to remove the material and spread to dry this material to the right moisture content; while too much sun necessitates hosing this material down and mixing. Staff is proposing to add covers and drainage in front of the bins to move water effectively and keep the material at a better moisture content to save staff time and material spoilage. This is a re-budget of the FY25 project (\$45,000 in the FY25 CAP), which was not undertaken due to Staff availability and prioritization.

Unit 11 Stake-bed Refresh (\$20,000): Unit 11 is an existing stake enclosed flat-bed truck that is utilized as a flexible platform to load / transport various goods. The stake enclosure and other upgrades to this unit have deteriorated to the point that they've become a liability in their ability to transport items. This funding will allow this unit to continue to be utilized in a safe and effective manner for years to come.

Phase I AMI 10yr Meter Replacement (\$215,000): The District's automated metering infrastructure (AMI) was completed in six individual phases from FY2017-FY2022. The first phase was a "pilot" where 176 large diameter (1.5" and greater) traditionally read meters were replaced with AMI equipped meters in the north portion of Rancho Santa Fe and the western portion of Solana Beach. These AMI meters were equipped with a non-serviceable battery that has a known life of 10 years and need to be replaced prior to this lifespan expires to ensure continuity of proper reads and thus billing.

With the 10-year cycle set to expire in FY26, these meters need to be replaced. Staff is currently undergoing an analysis of the best way to accomplish this, whether that be through the full replacement of the meters (due to wear on the impellers and / or other main meter surfaces and parts) or through the replacement of the battery and top end register units. This funding is for the full replacement of these meters with new version meters (and a battery life of 10-years) and associated installation support to leverage District staffing. It should be noted that all large meters have a 10-year life cycle, while smaller meters (1.0" and smaller) have a 20-year life cycle. This funding will be an on-going request to continually replace meters when their life cycles expire.

440 Glenmont Roof (\$55,000): The District-owned house's roof at 440 Glenmont is deteriorating rapidly and is required to be replaced. The District does not have any records of when this was last completed; however, this roof appears to be over 30 years old (the typical life span of an asphalt shingle roof).

Lerrick Reservoir Warehouse Exterior Paint / Stucco (\$40,000): Adjacent to the 440 Glenmont property, and within the District's Lerrick Reservoir fenced perimeter, is the Lerrick Reservoir warehouse. This property houses District equipment and other resources utilized at the reservoir. This property's stucco exterior, wood trim, and paint have deteriorated greatly and are in need of repair to continue its useful life and to ensure continuity within the neighborhood in which it is located.

Admin Building Master Switch Replacement (\$52,000): The District has its main IT switch in the administration building basement, which handles all of the incoming IT information and routes it to the correct areas (servers, call handlers, cloud, etc.). The current master switch was purchased used approximately 10 years ago and was manufactured by Cisco. This switch is no longer supported and has become an inefficiency and potential liability in the network due to this and its age. This would allow the District to replace this switch with a currently supported version from another vendor, which would include five years of built-in priority support.

Joint Facilities

The requested budget amounts shown are the entire requested budget for Joint Facilities in FY26, with the percentages shown for SFID and SDWD representing each District's cost sharing allocation.

PLC for Chemical Feed (\$40,000 - 55% SFID, 45% SDWD): The RE Badger Treatment Plant's (REB) chemical dosing, monitoring, and controls are accomplished through programmable logic controllers (PLC). The District has been replacing the old PLCs due to their end-of-life, in addition to greater support and control over the chemical dosing process, and this is the last portion of PLCs to be replaced.

TOC Analyzer (\$50,000 - 55% SFID, 45% SDWD): The REB laboratory recently went through its Environmental Laboratory Accreditation Program (ELAP) inspection. As part of that inspection, it was noted that the total organic compounds (TOC) analyzer (which measure organic compounds in water to ensure that these compounds are removed so that disinfection byproducts are not formed) needs to be replaced to maintain accreditation; which this funding will allow to be accomplished.

Master Backwash Actuator (\$40,000 - 55% SFID, 45% SDWD): This actuator is a key component in the automated control of the REB Plant's filter backwashing process. It is a motorized device that operates valves to control the flow of water and air during the backwash cycle and has not been working properly and is required to be manually actuated. This funding will allow for this device's replacement so the backwash process can be properly automated.

Polymer Premix / Injection Unit (\$150,000 - 55% SFID, 45% SDWD): This unit is utilized in the dewatering facility at the REB Plant and it prepares, mixes, and injects dry polymer into the water treatment process during sludge dewatering to improve particle removal efficiency and sludge settling. This unit was purchased 14 years ago, and was already used at the time of acquisition, and has begun to fail. As a critical part of the dewatering process, this unit needs to be replaced to ensure proper dewatering and disposal of solids from the water treatment process.

Flashmix Pump Replacement (\$25,000 - 55% SFID, 45% SDWD): This pump allows for the rapid and uniform dispersion of primary coagulants in the water treatment process to allow for proper coagulation of contaminants and taste and odor control. The impeller in this pump needs to be replaced, as it has been corroded by the upstream addition of chlorine dioxide; where this funding will allow for the procurement of a new unit that is more hardened against chlorine dioxide and allows for proper dispersion.

Caustic Soda Tank Replacement (\$160,000 - 55% SFID, 45% SDWD): Caustic soda is an important chemical in the water treatment process; utilized to maintain proper a pH balance to protect distribution pipes, for better coagulation and flocculation of solids, among other requirements. The tank that holds this caustic soda in the treatment process has been inspected and shows marked deterioration in the metal's thickness that may cause its failure in the future and needs to be replaced.

Chlorine Analyzers (\$55,000 – 55% SFID, 45% SDWD): The District has been replacing its chlorine analyzers at the REB Plant over the past few years due to their age, function, and lack of support. These analyzers are a key part of the treatment process as they ensure proper disinfection of potable water. This funding will allow for the replacement of three of these analyzers.

Additional Bank of Security Monitors (\$8,000 – 55% SFID, 45% SDWD): This funding would allow for the procurement and installation of multiple additional screens (beyond the main bank that the current operator(s) utilize) to allow for the monitoring of all security cameras by the Chief Water Treatment Operator.

Automated 30" Bypass Valve (\$75,000 – 57.33% SFID, 42.67% SDWD): The 30" pipeline from San Dieguito Reservoir (SDR) to the REB Plant is the main conduit for local water. The bypass valve is utilized to drain anoxic water from the line during periods that the REB Plant doesn't utilize significant levels of local water. This line is manually operated and requires Staff to leave the facility to actuate this valve. Replacement of this valve with an automated version will enhance the ability to complete this process at various times regardless of staffing.

Kitchen Repairs / Updates (\$50,000 - 55% SFID, 45% SDWD): The REB Plant is a 24/7/365 facility to ensure proper supervision / operation of the potable water treatment process and maintain California Department of Drinking Water compliance. Based on this, the REB Plant's systems for production of drinking water and employee accommodation are heavily utilized. This includes the employee breakroom and kitchen, as operators are required to be on-site even during meals, which then must be done onsite. The kitchen at the REB Plant has not been replaced since the 1970's and is beginning to crumble under this use despite continued maintenance. This would allow for the replacement of countertops, cabinets, drawers, etc. (not appliances) to ensure continued availability to REB Plant Staff.

San Dieguito Reservoir Security Upgrades (\$75,000 – 55% SFID, 45% SDWD): for repair / replacement of a portion of the fencing around SDR in addition to the installation of a camera(s) for monitoring and recording of any intrusion or other activity. Staff is currently working with vendors to be determined what improvements can be made in the short term to increase the security posture around SDR while a long-term strategy can be developed. This funding is an estimate to accomplish this short-term improvement.

SCADA Server Replacements (\$216,000 – 55% SFID, 45% SDWD): The SLCGP Grant the District received for \$250,000 in FY25 is being utilized for updates to the REB Plant's SCADA operating system, licensing, and acquisition of the thin client (which is the device that communicates between the server and the network, displaying SCADA information). This investment would be the District and SDWD's funding, which would replace the aging servers that all the SCADA information and processing occurs on. The current servers are past their maintenance life by the original vendor, which would be maintenance from a third party. For such critical infrastructure, the District is proposing to replace these servers with new, fully supported units, while also taking these servers and deploying them to other parts of the District that have servers that are older than these units.

Capital Acquisition Budget Detail
Fiscal Year 2026

Description	FY 2025		FY 2026		% Change	% Change
	Budget	Projected	Budget	Bgt to Bgt		
District Administration / Operations						
Unit 9 Crew Truck Replacement	\$ 60,000	\$ 52,850				
Unit 16 Stake Bed Replacement	60,000	52,867				
Unit 17 Crew Truck Replacement	60,000	50,286				
Unit 1 & 41 Duty Response Vehicles	112,000	111,980				
Compact Wheel Loader	45,000	-				
Lerrick Pump Station Painting	82,000	35,000				
Lerrick Pump #2 Re-Build	35,000	11,300				
Pressure Reducing Station 338-1 Valve Replacement	15,000	15,000				
Unit #17 Upfitting	-	32,000				
Unit #2 Duty Truck	-	62,048				
Unit #3 Duty Truck	-	62,048				
Fire Safety PPE/Emergency Response Equipment			\$ 15,000			
Emergency Water Trailer			40,000			
Water Service Emergency Highline Materials			15,000			
Cement Mixing Trailer Replace			30,000			
3 Yard Dump Bed Truck			90,000			
Phase 1 PLC Upgrades for remote PRS			35,000			
Yard Material Bins Covers/Drainage			50,000			
Unit #11 Stakebed Body Refresh			20,000			
Phase I AMI (10yr) Meter / Register Replacements			215,000			
440 Glenmont House Roof Repairs			55,000			
Lerrick Reservoir Warehouse Paint/Stucco/Wood Repairs			40,000			
Admin Building Master Switch Replacement			52,000			
Total District Administration / Operations	\$ 469,000	\$ 485,378	\$ 657,000		40.1%	35.4%
Joint Facilities						
Sludge Transfer Pump Addition	\$ 50,000	\$ 50,000				
Phase III Access Control Systems at Treatment Plant	55,000	70,887				
Filter Particle Counters	40,000	40,000				
Replacement of Process Analyzers	20,000	20,000				
Unit 37 Replacement	60,000	51,542				
Amperometric Titrator Replacement	11,000	11,000				
Laboratory Incubator Replacement	10,000	10,000				
Autoclave replacement	-	20,258				
LG Sonic Water Analyzer - Lake Hodges	85,000	91,803				
SCADA Software Update / Upgrade	200,000	200,000				
Fiber Optic Upgrade for Front Gate	10,000	-				
Utility Water Pump Replacement	20,000	20,000				
Ammonia Tank Canopy	65,000	-				
Ammonia Feed Flow Meter Replacement	25,000	21,688				
PLC for Chemical Feed Continued Updates			\$ 40,000			
TOC Analyzer Replacement			50,000			
Master Backwash Actuator Replacement			40,000			
Polymer Premix / Injection Unit			150,000			
Flashmix Pump Replacement			25,000			
Caustic Tank Replacement			160,000			
Chlorine Analyzers (3)			55,000			
Security Monitor Addition			8,000			
Automated 30" Bypass valve			75,000			
Kitchen Repairs / Updates			50,000			
San Dieguito Reservoir Fencing Repairs / Camera Installation			75,000			
SCADA Server Replacements			216,000			
Total Joint Facilities	\$ 651,000	\$ 607,178	\$ 944,000		45.0%	55.5%
			\$ 1,120,000	\$ 1,092,556		42.9%
				\$ 1,601,000		46.5%

CAPITAL IMPROVEMENTS

The Santa Fe Irrigation District 10-year Capital Improvement Program (CIP) Asset Management Master Plan (AMMP) defines and prioritizes Distribution and Joint Facilities project requirements from a programmatic perspective. The FY26 CIP is solely comprised of carryover of projects that were initiated in prior years, with each project advancing in their design and / or construction phases.

The FY26 Capital Budget includes ten Capital Projects with total projected expenditures of \$6,645,750. This total FY26 budget amount includes San Dieguito Water District's (SDWD) share of the Joint Facilities Projects described later in this document. No new appropriations are required in the fiscal year as these carry-over projects have been fully appropriated in prior year(s) budget(s).

FY26 Capital Improvement Spend

District-Only Projects	Joint Facilities Projects	Total
\$3,500,000	\$3,145,750	\$6,645,750

As joint owners of the R.E. Badger Filtration Plant, the SDWD and SFID share capital improvement expenses. The projects for FY26 are planned for the replacement, upgrade, and enhancement of the water treatment and other jointly owned local facilities. The FY6 CIP Budget includes five Joint Facilities Projects: four of which will be in construction in FY26, while the fifth is beginning the exploratory phase for feasibility (leech field replacement). The projected expenditure for FY26 Joint Facilities only projects is \$3,145,750. As shown on the table below, funding for Joint Facilities Projects is shared between SFID and SDWD based upon ownership percentages.

FY26 Joint Facilities Capital Improvement Budget Breakout

Santa Fe Irrigation District	San Dieguito Water District	Total
\$1,735,988	\$1,409,762	\$3,145,750

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.

CAPITAL IMPROVEMENT PROJECTS

The following are the 10 capital improvement projects that will have expenditures in FY26 based on the current AMMP that was adopted in 2021. The FY26 Budget includes operating expenditures of \$200,000 to complete an AMMP update, which is anticipated to be completed, reviewed by the Board, and adopted in the first quarter of CY27. This AMMP update will re-evaluate all District and Joint Facilities CIP spending over the next 10 years based on updated condition assessments, regulatory requirements, and goals and objectives included in the Strategic Business Plan, among other items. This update may identify additional CIP projects that will require expenditures in FY26 beyond the 10 projects listed here. Any request for appropriation adjustments required to undertake this funding will be brought for Board approval simultaneously with the AMMP update.

DISTRICT IMPROVEMENT PROJECT #2302 – DISTRICT YARD SMALL-SCALE SOLAR ARRAY

Projected Costs

FY26 Expenditures: \$150,000

Total Capital: \$396,803

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. The project will decrease the District's reliance on non-renewable energy.



OPERATING IMPACTS

The implementation of this project will provide more economical and efficient solar technology and offset the energy consumption. This project provides for a sustainable energy solution and provides steps for lowering the carbon footprint. The project provides an estimated net 25-year benefit to the District of over \$550,000. Though there is no fiscal impact in FY26; once completed, this project will reduce electricity expenditures for the District buildings.

\$ in thousands	Prior Year(s)	FY 2026	FY 2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ 246.8	\$ 150.0	\$ -	\$ 396.8

DISTRICT IMPROVEMENT PROJECT– EL CAMINO REAL WIDENING

Projected Costs

FY26 Expenditures: \$100,000

Total Capital: \$766,000

PROJECT DESCRIPTION

This project was identified in coordination with the City of San Diego as part of the El Camino Real Bridge replacement and Road Widening Project. The new bridge and realigned roadway will be raised above the 100-year flood plain to alleviate problems associated with the high flood events. The proposed improvements required the relocation of the District's existing 10-inch water main. The proposed design will intersect storm drain utilizes which are in direct conflict with the elevation of the existing 10-inch water main in two locations along Via de La Valle. The District will enter into a reimbursement agreement with the City of San Diego to include the relocations as part of the construction of the larger project. The District will provide its own inspection at the time of relocation and will closely coordinate all activities related the 10-inch water main to ensure reliability of the distribution system.



OPERATING IMPACTS

The City of San Diego maintains prior rights within the right-of-way for this area of the District's service area. Coordinating the construction with the City of San Diego's Road Widening Project provides a best value based economies of scale, ensure that the relocation of the pipeline meets the standards of the District and protects the existing distribution and protects the reliability of the system. There is no operating budget fiscal impact from the construction of this project.

\$ in thousands	Prior Year(s)	FY2026	FY2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 100.0	\$ 666.0	\$ 766.0

DISTRICT IMPROVEMENT PROJECT- LA GRANADA PIPELINE AND PRS ELIMINATION PROJECT

Projected Costs

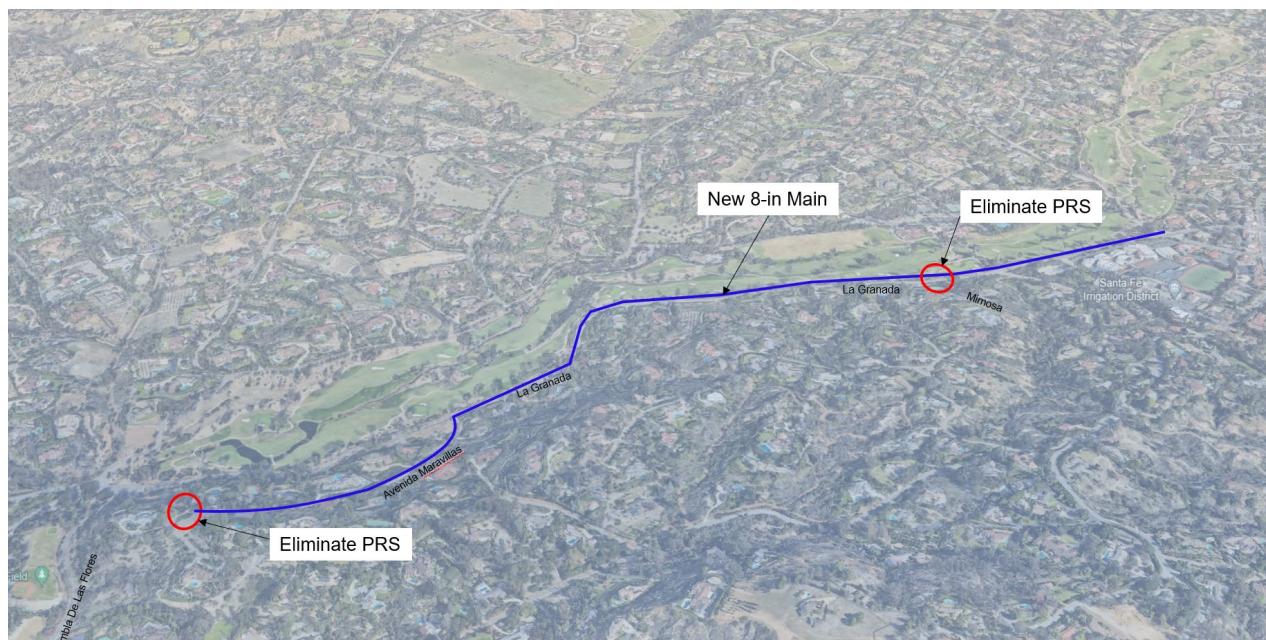
FY26 Expenditures: \$1,000,000

Total Capital: \$3,151,800

PROJECT DESCRIPTION

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

Customer coordination will be required to ensure private pressure regulating devices are in place to accommodate increased distribution system pressure.



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 and provide increased fire flow within the area. Upsizing this pipeline will enable the elimination of two Pressure Reducing Stations that have reached the end of their useful life, eliminate the 360 zone, and create a looped system for customers served on the existing pipeline. New valves will enable proper system isolation and mitigate issues associated with existing non-functional isolation valves along the alignment. This project will reduce the annual staff operation and maintenance by eliminating the two PRSs.

\$ in thousands	Prior Year(s)	FY2026	FY2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ 15.0	\$ 1,000.0	\$ 2,136.8	\$ 3,151.8

DISTRICT IMPROVEMENT PROJECT- LARRICK RESERVOIR AND PUMP STATION UPGRADES PROJECT

Projected Costs

FY26 Expenditures: \$1,500,000

Total Capital: \$4,761,306

PROJECT DESCRIPTION

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



OPERATING IMPACTS

The project will mitigate the potential for water age/water quality problems in the reservoir and mitigate issues associated with the existing failed drain line by avoiding potential discharge to the sewer system or spills into the lagoon. Additionally, pump station electrical replacement and upgrade will enhance operational control and flexibility.

\$ in thousands	Prior Year(s)	FY2026	FY2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ 164.0	\$ 1,500.0	\$ 3,097.3	\$ 4,761.3

DISTRICT IMPROVEMENT PROJECT- 24-IN PIPELINE REALIGN/REPLACE – EL CAMINO REAL AND SANTA LUISA PROJECT

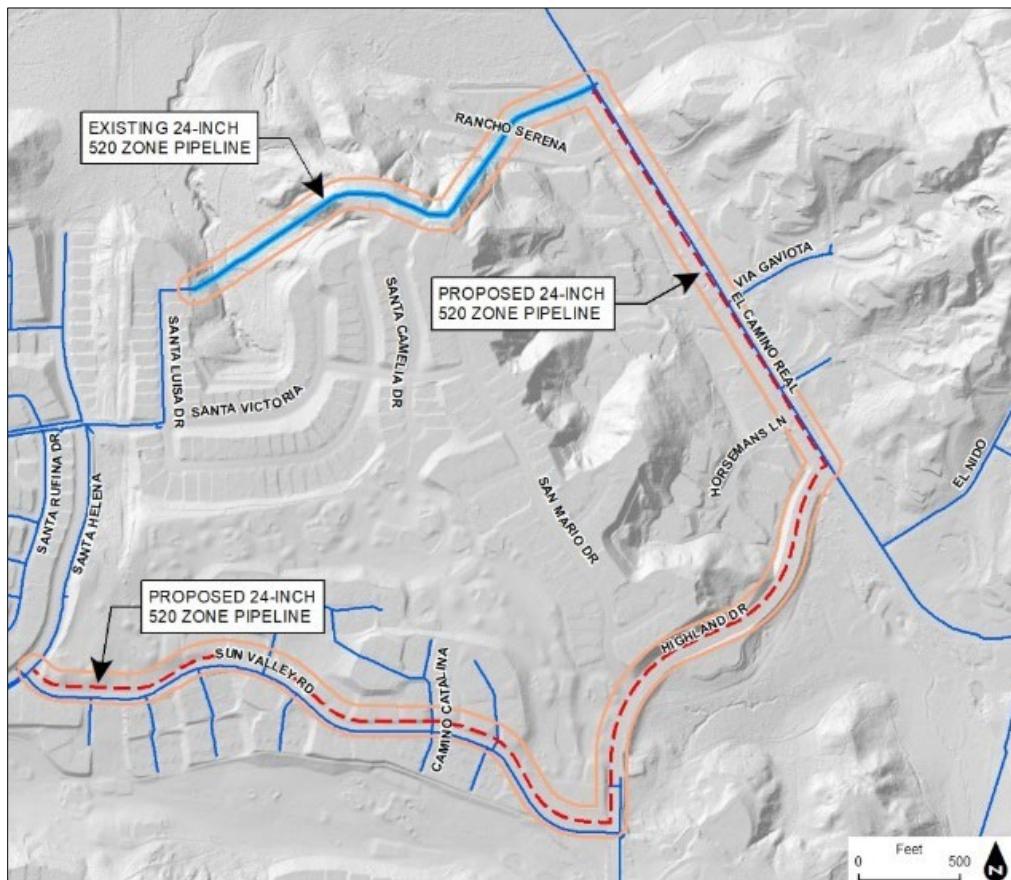
Projected Costs

FY26 Expenditures: \$750,000

Total Capital: \$3,157,283

PROJECT DESCRIPTION

The project includes planning, design, and construction of 7,800-feet of new 24-inch pipeline to replace the existing 24-inch Asbestos Cement (AC) cross-country pipeline section of the 520 Zone North Feeder that was constructed in 1963.



OPERATING IMPACTS

Relocating the cross-country section into the right-of-way will enhance reliability of the pipeline because the current alignment is through an area prone to landslides and access is on steep slopes with heavy vegetation. Providing reliable access along the pipeline section will also increase safety of the staff working environment.

\$ in thousands	Prior Year(s)	FY 2026	FY2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ 10.0	\$ 750.0	\$ 2,397.3	\$ 3,157.3

JOINT FACILITIES PROJECTS #2451 – SAN DIEGUITO DAM REPAIR

Projected Costs

FY26 Expenditures: \$250,000

Total Capital: \$650,000

PROJECT DESCRIPTION

This project includes installing a temporary dam on the upstream/we side of the dam to stop the water from entering the existing pipe in order to evaluate the existing pipe penetrations and encasement near the dam surface to determine the source of the leak. Following the assessment, the project will complete the repair to minimize future leaks within the area. Based on the extent of the damage to the pipe penetrations, a future more extensive removal and repair of the dam at the pipe penetrations may be required, that is not reflected in the current cost estimates.



OPERATING IMPACTS

The construction of this project will enhance reliability and safety of dam, but will not have any operating impacts.

\$ in thousands	Prior Year(s)	FY 2026	FY 2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 400.0	\$ 250.0	\$ 650.0

JOINT FACILITIES IMPROVEMENT PROJECT #2450 – CLEARWELL SOLAR

Projected Costs

FY26 Expenditures: \$1,916,250

Total Capital: \$2,156,250

PROJECT DESCRIPTION

This project was identified in the District's 2021 Energy Management Study. The project includes planning, design, and construction of a ballasted solar array on the R.E. Badger Filtration Plant Clearwell. The project includes approximately 467-kilowatt solar system and a 574-kilowatt-hour battery. The project will decrease the Joint Facilities' reliance on non-renewable energy.



OPERATING IMPACTS

The implementation of this project will provide more economical and efficient solar technology and offset the energy consumption at the R.E. Badger Filtration Plant. This project provides for a sustainable energy solution and provides steps for lowering the carbon footprint. The project provides an estimated net 25-year benefit to the District of over \$3,000,000. There is no operating budget fiscal impact from the construction of this project in FY26; however, with the District still able to utilize NEM 2.0 for this project, future fiscal years will see a large reduction in electricity operating expenditures for the plant.

\$ in thousands	Prior Year(s)	FY 2026	FY 2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ 240.0	\$ 1,916.3	\$ -	\$ 2,156.3

JOINT FACILITIES PROJECTS #2550 – ANODE BED REPLACEMENT

Projected Costs

FY26 Expenditures: \$200,000

Total Capital: \$250,000

PROJECT DESCRIPTION

This project includes the replacement and reconnection of anode beds at Via del Charro and at the San Dieguito Reservoir for cathodic protection of the 1968 54-inch treated water transmission line.



OPERATING IMPACTS

Replacing the anode bed will prevent future corrosion, which would necessitate the replacement of the line earlier than its anticipated useful life. However, there are no projected operating impacts from this project.

\$ in thousands	Prior Year(s)	FY 2026	FY 2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ 50.0	\$ 200.0	\$ -	\$ 250.0

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

Projected Costs

FY26 Expenditures: \$479,500

Total Capital: \$514,500

PROJECT DESCRIPTION

This project provides funding to explore the most optimal replacement of the existing leach field system. The existing septic system for the R.E.B. Plant was constructed in 1968 and includes an ~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 inoperable and requires replacement.



OPERATING IMPACTS

There are no operating impacts from this project.

\$ in thousands	Prior Year(s)	FY 2026	FY 2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ -	\$ 479.5	\$ -	\$ 514.5

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

Projected Costs

FY26 Expenditures: \$300,000

Total Capital: \$1,645,760

PROJECT DESCRIPTION

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



OPERATING IMPACTS

The result of this project will be a more reliable filter wash water system. There are no operating budget impacts as a result of the completion of this project.

\$ in thousands	Prior Year(s)	FY 2026	FY 2027+	TOTAL
Projected Expenditures by Fiscal Year	\$ 1,345.8	\$ 300.0	\$ -	\$ 1,645.8

Capital Improvement Budget Summary

Fiscal Year 2026

PROJECT NUMBER	PROJECT NAME / DESCRIPTION	PROJECT STATUS	TOTAL ESTIMATED COST*	TOTAL EST. SPEND THROUGH FY25	APPROPRIATIONS THROUGH FY25	FY26 APPROPRIATION	FY26 PROJECTED EXPENDITURES				
<u>GENERAL DISTRICT</u>											
2302	District Yard Small-Scale Solar Array	Construction	\$ 396,803	\$ 246,803	\$ 400,000	\$ -	\$ 150,000				
TBD	El Camino Real Widening - City SD	Construction	\$ 766,000	\$ 666,000	\$ 152,859	\$ -	\$ 100,000				
2501	La Granada Pipeline Replacement and PRS Elimination Project	Design/Construction	\$ 3,151,800	\$ 25,000	\$ 3,151,800	\$ -	\$ 1,000,000				
2502	Lerrick Reservoir and Pump Station Upgrades Project	Design/Construction	\$ 4,761,306	\$ 125,000	\$ 4,761,306	\$ -	\$ 1,500,000				
TBD	24-inch Pipeline Realign/Replace - El Camino Real and Santa Luisa	Design/Construction	\$ 3,157,283	\$ -	\$ 3,157,283	\$ -	\$ 750,000				
GENERAL DISTRICT CIP SUBTOTAL			\$ 12,233,192	\$ 1,062,803	\$ 11,623,248	\$ -	\$ 3,500,000				
<u>JOINT FACILITIES (Budget includes BOTH SFID and SDWD Portions)</u>											
2451	San Dieguito Dam Repair	Construction	\$ 650,000	\$ 400,000	\$ 650,000	\$ -	\$ 250,000	SFID %	% SDWD	SFID \$	SDWD \$
2450	Clearwell Solar	Construction	\$ 2,156,250	\$ 400,000	\$ 2,156,250	\$ -	\$ 1,916,250	57.33%	42.67%	143,325	106,675
2351	R.E. Badger Leach Field Replacement	Feasibility / Design	\$ 514,500	\$ 25,000	\$ 598,500	\$ -	\$ 479,500	55.00%	45.00%	263,725	215,775
2550	Anode Bed Replacement	Construction	\$ 250,000	\$ 500	\$ 250,000	\$ -	\$ 200,000	55.00%	45.00%	110,000	90,000
2354	Filter Surface Washwater Header and Associated Piping	Construction	\$ 1,645,760	\$ 225,000	\$ 1,645,760	\$ -	\$ 300,000	55.00%	45.00%	165,000	135,000
JOINT FACILITIES CIP SUBTOTAL			\$ 13,225,589	\$ 1,050,500	\$ 13,309,589	\$ -	\$ 3,145,750				
CIP PROGRAM TOTAL											
								\$ 1,735,988 \$ 1,409,763			

* Original estimate, uninflated

LONG TERM DEBT

The District does not currently have any outstanding indebtedness and does not anticipate to issue any debt for capital or operating activities in the current long-range financial plan.

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.

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 September 2024, modifying the requirements of the Capital Improvement and Replacement Fund.

CAPACITY CHARGE FUND

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

CAPITAL IMPROVEMENT AND REPLACEMENT FUND

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

OPERATING FUND

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

RATE STABILIZATION RESERVE

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.

LAKE HODGES DAM FUND

The Lake Hodges Dam Fund is a set-aside unrestricted reserve fund, for both operations & maintenance and capital expenditures associated with the current, dilapidated Lake Hodges dam, and the construction of a new dam. This reserve is a planning tool for these significant expenditures, but also a communication tool to ratepayers and the public of the commitment to fully restoring this long-standing local water resource that has existed since the beginning of the Santa Fe Irrigation District. There is no minimum and maximum reserve established in the Policy & addition to or expenditure of funds is solely at the Board's discretion.

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, and has left these funds on account to achieve market-rate returns. These funds can be utilized to smooth any minor variations in the annual CalPERS unfunded liability payment in conjunction with the 10-year "soft" fresh start that Board of Directors has implemented (FY26 will be the second year of the 10-year plan).

OVERVIEW

Total year-end reserves for FY26 are estimated to be \$28.2 million, shown as follows. Fund balance is the amount of cash above the levels of reserves designated by the Board of Directors.

Reserve Policy ESTIMATED Funding

Reserve Fund	Target	FY25	FY26
Capital Improvement & Replacement	Minimum	\$ 6,177,871	\$ 5,352,033
Rate Stabilization	20% Variable Water Sales	\$ 4,836,883	\$ 6,363,622
Operating	60 Days	\$ 5,569,360	\$ 6,037,129
Lake Hodges Fund	Board Determined	\$ 10,400,000	\$ 10,400,000
Total Reserve ESTIMATE		\$ 26,984,114	\$ 28,152,784

Based on an estimated FY25 ending cash balance of \$40.5 million, the FY25 operating results (cash-based), and use of reserves, the excess fund balance above the \$28.2 million reserve target is \$10.3 million (as shown in the following table). The highest-and-best uses of this excess fund balance will be determined by the Board over the next year.

Fund Balance Impacts from FY26 Budget

Beginning Cash Balance	A	\$ 40,508,163
Operating Income		\$ 38,054,759
Non-Operating Income		<u>8,055,624</u>
Sub-Total	B	\$ 46,110,384
Operating Expense*		\$ 39,954,281
Capital Expense		<u>8,246,750</u>
Sub-Total	C	\$ 48,201,031
Net Cash Impact	D=B-C	\$ (2,090,647)
Ending Cash Balance	A-D	\$ 38,417,515

Funds for Future Ratepayer Benefit	\$ 10,264,731
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** Does not include depreciation / amortization as a non-cash expense*

APPENDIX A – HISTORICAL AND STATISTICAL DATA



Santa Fe Irrigation District
Historical and Projected Statistical Data

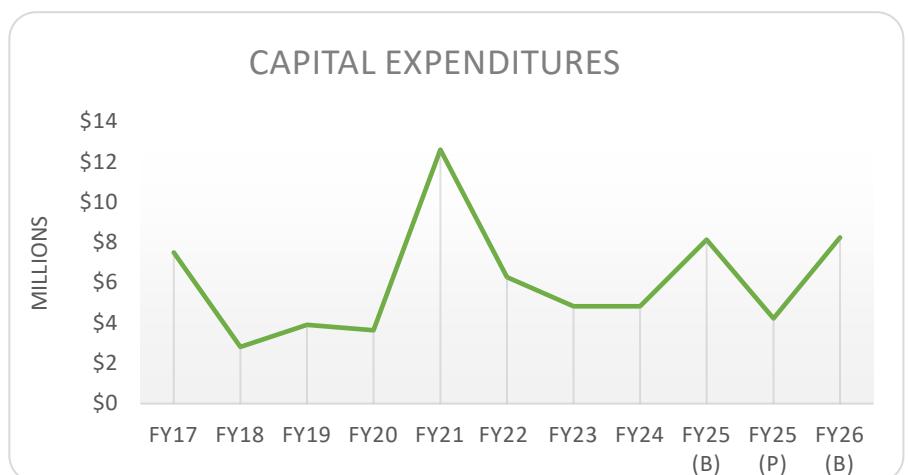
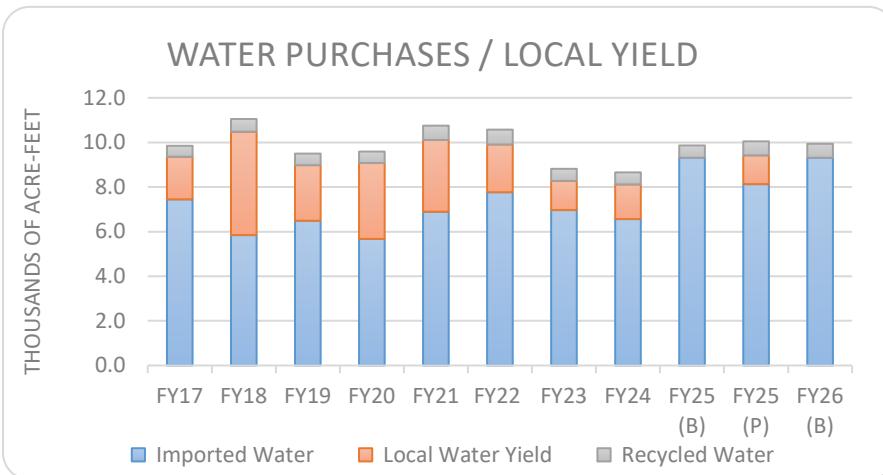
Description	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (B)	FY25 (P)	FY26 (B)
	Actual	Actual	Actual ¹	Actual	Actual	Actual	Actual	Actual ³	Budget ²	Projected ²	Budget ²
Water Purchases (Acre-Feet):											
Treated Imported Water	518.0	299.4	56.6	257.6	699.5	317.0	597.0	517.5	700.0	593.2	700.0
Untreated Imported Water	6,931.0	5,547.0	6,432.9	5,416.6	6,196.2	7,451.4	6,371.5	6,047.3	8,615.0	7,538.2	8,615.0
Imported Water	7,449.0	5,846.4	6,489.5	5,674.2	6,895.7	7,768.4	6,968.5	6,564.8	9,315.0	8,131.4	9,315.0
Local Water Yield	1,911.1	4,635.5	2,492.3	3,403.5	3,214.0	2,141.2	1,308.7	1,552.9	-	1,290.7	-
Recycled Water	489.6	568.1	517.7	512.7	642.4	664.8	539.8	539.8	550.0	626.5	625.0
Total Water Purchased / Local Yield	9,849.7	11,050.0	9,499.5	9,590.4	10,752.1	10,574.4	8,817.0	8,657.5	9,865.0	10,048.6	9,940.0
Revenue:											
Water Sales	\$ 16,548,196	\$ 20,864,372	\$ 18,472,415	\$ 18,865,808	\$ 21,884,370	\$ 21,564,368	\$ 18,339,899	\$ 20,211,763	\$ 25,235,466	\$ 25,016,552	\$ 26,734,160
Base Meter Fees	4,895,700	5,352,584	5,535,582	5,507,678	5,388,296	5,621,633	5,685,882	6,300,767	6,119,316	6,905,316	7,472,186
Other Operating Revenue	349,789	245,188	2,581,047	3,494,632	4,042,755	3,939,534	3,616,965	3,144,330	3,436,315	3,777,829	3,791,413
Property Tax	2,285,521	2,406,427	2,518,010	2,645,623	2,645,623	2,858,958	3,131,662	3,341,288	3,356,353	3,577,952	3,831,379
Investment Income	114,260	260,625	646,817	750,509	43,258	8,808	1,277,830	2,494,053	1,945,000	2,201,338	1,944,230
Other Non-Operating Revenue	132,971	149,990	915,806	1,167,259	8,045,852	4,174,614	684,600	1,331,564	2,353,755	2,040,273	2,095,015
Total Revenues	\$ 24,326,437	\$ 29,279,186	\$ 30,669,677	\$ 32,431,509	\$ 42,050,154	\$ 38,167,915	\$ 32,736,838	\$ 36,823,765	\$ 42,446,205	\$ 43,519,261	\$ 45,868,384
Expenses:											
Water Purchased	10,767,457	9,855,760	10,459,108	9,908,066	11,741,364	13,116,958	13,021,881	13,141,800	18,856,814	16,554,410	20,733,126
Water Treatment	3,796,508	5,040,433	4,239,608	4,850,871	6,296,820	5,985,074	5,886,490	2,513,669	7,011,248	7,735,436	7,806,121
Transmission and Distribution	3,577,141	3,653,614	4,633,305	5,063,619	3,772,641	4,249,844	4,167,082	-	4,686,551	4,650,371	4,938,711
Administration and Engineering	3,623,753	3,745,485	4,486,328	4,955,372	4,277,482	5,287,559	4,608,949	8,610,207	6,260,962	5,967,351	6,326,323
Depreciation and Amortization	1,372,239	1,359,335	3,243,425	3,278,660	3,242,425	3,252,777	3,252,777	2,938,549	3,097,555	3,100,000	3,100,000
Other Expenditures	-	-	53,341	163,686	-	112,679	-	-	-	-	-
Total Expenses	\$ 23,137,098	\$ 23,654,627	\$ 27,115,115	\$ 28,220,274	\$ 29,330,732	\$ 32,004,891	\$ 30,937,179	\$ 27,204,225	\$ 39,913,130	\$ 38,007,567	\$ 42,904,281
Capital Expenditures											
(SFID Only, Based on Assets in Service)	\$ 7,503,591	\$ 2,814,597	\$ 3,914,812	\$ 3,635,178	\$ 12,603,898	\$ 6,281,524	\$ 4,829,426	\$ 4,829,426	\$ 8,139,209	\$ 4,225,649	\$ 8,246,750
Debt Service	\$ 1,347,750	\$ 1,346,575	\$ 1,346,875	-	-	-	-	-	\$ -	\$ -	\$ -

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

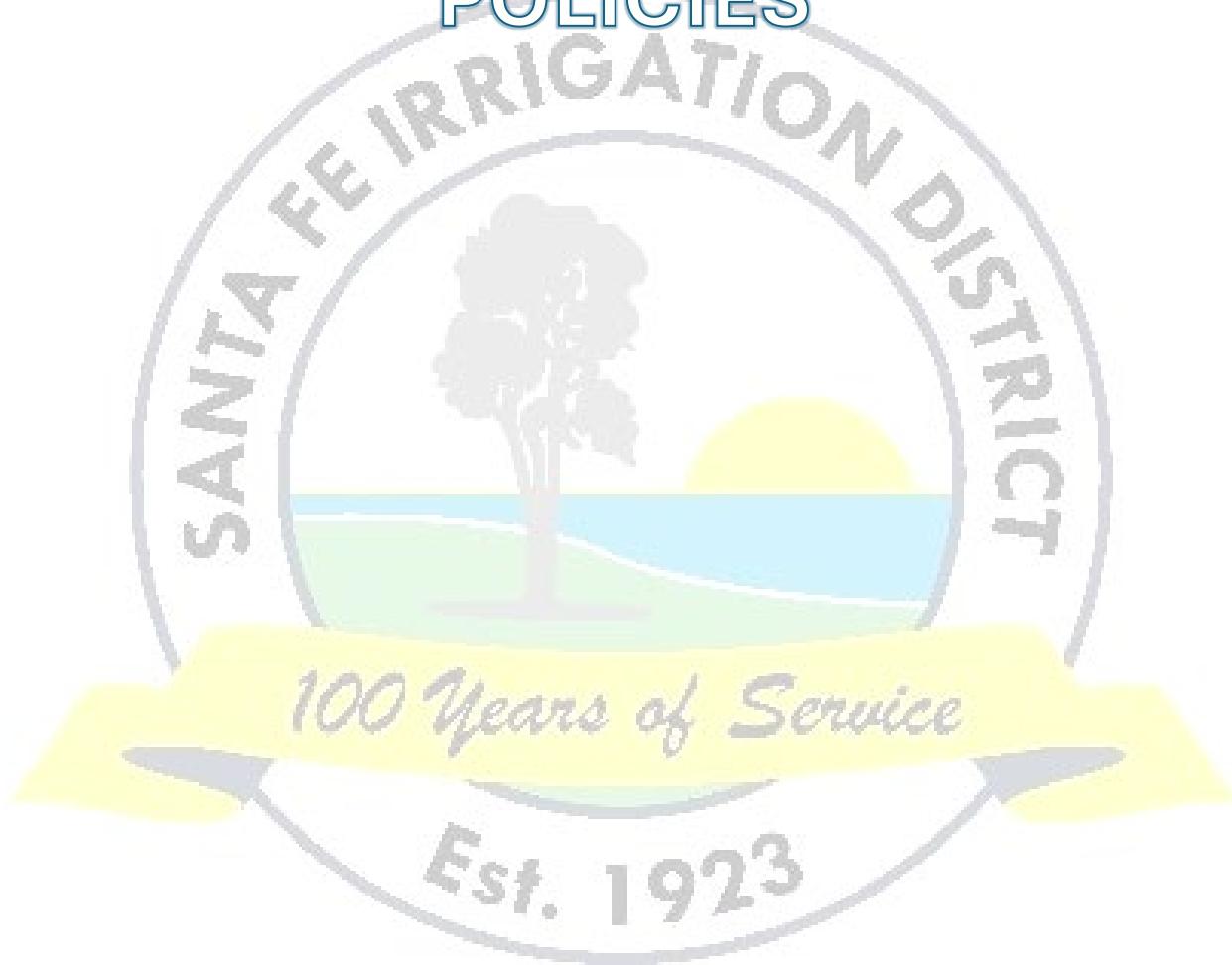
2- Budget and projected figures are based on cash accounting and actual results are based on accrual

3- District auditor returned Joint Facilities as a department of ACFR in FY24 due to GASB opinion. Admin / Eng / Trans / Distr were consolidated

Historical and Projected Statistical Data



APPENDIX B – FINANCIAL POLICIES



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 2025**

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 Administrative & 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 the Director of Administrative Services. The Treasurer shall remain responsible for any investment decisions made by the Director of Administrative Services.

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 and Director of Administrative Services shall file a Statement of Economic Interests each year pursuant to California Government Code Section 87203.

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 \$75,000,000.
11. San Diego County Treasurer's Pooled Money Fund, pursuant to California Government Code Section 53684. The aggregate investment in this pool may equal up to and including 50% of the total portfolio.
12. California Asset Management Program (CAMP), pursuant to California Government Code Section 53601(p). The aggregate investment in this pool may equal up to and including 100% of the total portfolio.

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. Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by California Government Code Section 5102), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested, subject to the additional limitations in Section 53638 of the California Government Code. The Treasurer shall make a determination of the cash flow needs to the District to ensure that any Negotiable Certificates of Deposit are not required to be liquidated prior to the maturity to avoid any early withdrawal penalties; which may be accomplished through laddering maturities and / or investing in short-term Negotiable Certificates of Deposit.
15. 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 2025**

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 to exceed amounts in Govt. Code §56368	30% of portfolio
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 \$75,000,000 maximum	The lesser of 100% or \$75,000,000
California Asset Management Program	53601(p)		100% of portfolio
SD County Treasurer's Pooled Money Fund	53684		50% of portfolio
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

SEPTEMBER 2024

SANTA FE IRRIGATION DISTRICT RESERVE FUNDS POLICY

1. Policy Statement

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

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

2. Definitions

There are two types of net Funds:

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

3. General Provisions

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

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

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

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

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

- Capacity Charge
- Capital Improvement and Replacement
- Operating
- Rate Stabilization
- Lake Hodges
- 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 a sum equal to the 200% of the average annual planned expenditures for the District’s portion of all capital improvement projects (CIP) and capital acquisitions (CAP) for the current fiscal year and subsequent four fiscal years. Total projected CIP and CAP spend should be inflated in the four subsequent fiscal years by

the Los Angeles Engineering News-Record Cost Index (ENRI), and then discounted to reflect an 87.5% execution rate on all projects. The Capital Improvement Fund target balance shall at all times equal or exceed a sum equal to the average annual planned expenditures for the District's portion of all CIP and CAP for the current fiscal year and subsequent four fiscal years. Total projected CIP and CAP spend should be inflated in the four subsequent fiscal years by the Los Angeles ENRI, and then discounted to reflect an 87.5% execution rate on all projects.

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 a 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. 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.

e. Pension Stabilization: The Pension Stabilization Fund is an unrestricted fund established by the Board of Director's Pension Funding Policy. All funds will be deposited into an IRS compliance Section 115 Trust & invested in asset(s) as directed by the Board.

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

contribution(s) from the Pension Stabilization Fund to maintain the level UAL Contribution. This Pension Stabilization Fund will be reconciled annually in conjunction with the completion of the annual audit and Reserve Fund Policy reconciliation.

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

Source of Funds:

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

Designation of Expenses / Uses:

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

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

5. Delegation of Authority

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



SANTA FE IRRIGATION DISTRICT

PENSION FUNDING POLICY

September 2021

SANTA FE IRRIGATION DISTRICT PENSION FUNDING POLICY

Definitions

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

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

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

CalPERS – “California Public Employees’ Retirement System”

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

1. Policy Statement

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

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

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

2. **Background**

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

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

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

3. **Pension Funding Objectives**

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

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

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

Objective 1: Level annual UAL Contribution through Additional Discretionary Payment

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

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

Objective 2: Section 115 Trust / Pension Stabilization Fund

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

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

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

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

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

Objective 3: Leveraged Funding and Other Options

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

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

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

4. **Authority**

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

APPENDIX C - GLOSSARY



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

ACFR – Annual Comprehensive Financial Report (previously referred to as CAFR prior to fiscal year 2022)

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

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

Arbitrage - Under federal tax law (specifically the Internal Revenue Code and Treasury Regulations), issuers of tax-exempt municipal bonds are restricted from earning arbitrage profits. These rules are designed to prevent public agencies from borrowing at low, tax-exempt rates and then reinvesting those funds in higher-yielding investments simply to generate income. Arbitrage review ensures compliance with these regulations.

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

Audit – The annual review and confirmation of financial information by the District's independent auditor, used in the compilation of the fiscal year Annual Comprehensive Financial Report

Balanced Budget - Total planned revenues are equal to or greater than total planned expenditures for a given fiscal period. This ensures the agency can fund its operations without using deficit financing or depleting reserves, promoting fiscal responsibility and long-term financial stability.

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

Budget - A formal financial plan that outlines expected revenues and authorized expenditures over a specific period, usually a fiscal year. It serves as a tool for resource allocation, policy implementation, and financial control, ensuring accountability and transparency in public spending.

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.

Enterprise Fund - Type of governmental accounting fund used to track revenues and expenses for services provided to the public on a fee-for-service basis, similar to a private business. It is typically used for utilities like water, wastewater, or solid waste, where the goal is for the service to be self-supporting through user charges.

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 – A self-balancing set of accounts used to track specific revenues and expenditures for a particular purpose. Funds help ensure that money is spent only for its designated use and support accountability and transparency in public financial management.

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

SFID – Santa Fe Irrigation District

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 cubic feet = 748 gallons