

FY 2025

POPULAR ANNUAL

FINANCIAL REPORT

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KEY TAKE-AWAYS FROM THIS DOCUMENT

1. SFID has strong financial metrics.
2. Transparency in finances / operations are emphasized, as evidenced by policies established by the Board of Directors, GFOA awards, "clean" audits including FY25, and all information available to the public on www.sfidwater.org.
3. Biggest challenge is continuously rising imported water costs from wholesaler (San Diego County Water Authority).
4. Loss of local water from Lake Hodges potentially eliminates 1/3 of low-cost and environmentally beneficial water from portfolio of sources. SFID is seeking legal recourse from the City of San Diego to regain this water.



Staff installs new chemical process tank at RE Badger Treatment Plant



Staff repairs solids handling centrifuge at the RE Badger Treatment Plant



Staff performing emergency repairs after-hours to restore service to customers.



Staff installs pipe collar to repair break in large-diameter distribution pipeline.

Message to the Community

December 18, 2025



To the ratepayers of the Santa Fe Irrigation District and interested parties:

Fiscal Year 2025 presented emerging challenges in several critical areas that District Staff and the Board of Directors addressed and are continuing to find the optimal solutions for our customers / ratepayers. Despite continued economic uncertainty, inflationary pressures, and ever-rising wholesale water costs, the District remained financially resilient and operationally focused on delivering reliable, high-quality water service to our community. I want to thank the Board of Directors for their diligent oversight and thoughtful decision-making throughout the year. The Board consistently placed customer benefit, equity, and long-term sustainability at the forefront of every action, helping guide the District through a challenging external environment while maintaining public trust.

During FY25, the District achieved several important milestones. We completed a comprehensive cost-of-service study to ensure fairness and equity among ratepayers and used that analysis to limit the District's rate increase to just 2 percent, despite inflation levels that significantly exceeded that amount. The District continued its advocacy for the restoration of local water supplies at Lake Hodges and pursued long-run savings for ratepayers through alternative energy initiatives, prudent investment strategies, and the strategic prepayment of financial obligations, among others. In addition, the District finalized our updated Strategic Plan, providing a clear roadmap to guide decision-making, investment, and service priorities in the years ahead.

Looking forward to Fiscal Year 2026, the District anticipates continued challenges related to rising imported water costs, inflation, and potential tariff impacts. At the same time, we are preparing to undertake important work that will shape the District's future. This includes completing a Capital Master Plan to guide long-term infrastructure investment; pursuing legal action against the City of San Diego to address the loss of local water supplies; advocating for sensible water-use legislation; and seeking ways to mitigate cost increases associated with imported water from Northern California and the Colorado River. The District will also continue to partner with LAFCO in its review of San Diego County Water Authority operations and evaluate solutions for future District facilities that support efficient operations and reliable service.

On behalf of the Santa Fe Irrigation District, thank you for your continued trust and engagement. We remain committed to prudent financial stewardship, transparent governance, and proactive advocacy on behalf of our ratepayers. I look forward to the year ahead and to continuing our work together to protect this vital resource and serve our community.

Sincerely,
Albert C. Lau, P.E.
General Manager
Santa Fe Irrigation District

What is the PAFR

The Popular Annual Financial Report (PAFR) is a summary of Santa Fe Irrigation District's financial and operational information presented in a clear, concise, and easy-to-understand format. It is designed to help customers, residents, and other stakeholders understand how the District is funded, how resources are used, and how financial decisions support reliable water service—without requiring accounting or financial expertise.

Unlike technical financial documents, the PAFR focuses on key highlights, trends, and explanations using plain language, charts, and graphics. Its purpose is to improve transparency, enhance public understanding, and communicate the District's financial story in a way that is accessible to a broad audience. Readers are encouraged to use this report as a high-level guide to the District's financial health and operations. Charts and summaries highlight major trends, while narrative sections provide context and explanation. This report can be read cover-to-cover or referenced by section, depending on the reader's interest.

For those seeking additional detail—such as full financial statements, notes, and auditor reports—more comprehensive information is available in the District's audited financial report as this PAFR is derived from the District's Fiscal Year 2025 Annual Comprehensive Financial Report (ACFR). The ACFR is a detailed, audited financial document prepared in accordance with governmental accounting standards and is intended primarily for financial professionals, regulators, and oversight agencies.

While the ACFR contains complete financial statements, disclosures, and technical detail, the PAFR is unaudited and presents selected information from the ACFR in a simplified format. Both documents are consistent and complementary: the ACFR provides depth and formal compliance, while the PAFR emphasizes clarity, transparency, and public understanding. While this PAFR is posted online, hard copies are available for any interested party at the District's front office at 5920 Linea del Cielo in Rancho Santa Fe, CA or a hard copy may be sent to you by emailing customerservice@sfidwater.org.

The FY25 ACFR is available on the District's website at the following link:
<https://www.sfidwater.org/DocumentCenter/View/1890/FY25-Annual-Comprehensive-Financial-Report-PDF>

About Santa Fe Irrigation District

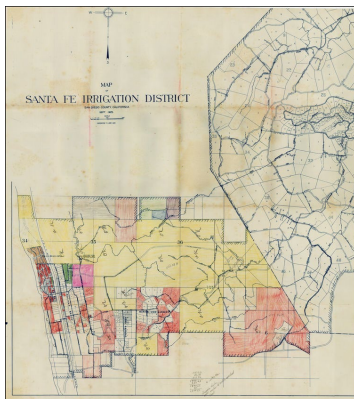
History

Santa Fe Irrigation District (SFID) was formed in 1923 by local voters to provide a reliable water supply to the rural communities of Rancho Santa Fe and the surrounding areas at a time when dependable water service was essential for growth and agriculture. The community began when the Santa Fe Railway developed the area for agriculture purposes; specifically for eucalyptus trees to use as railroad ties when mature. However, it was determined that eucalyptus wood was too soft for this purpose and the area was changed to other uses, including residential development. (pictured: the

eucalyptus tree outside Santa Fe Irrigation District offices, estimated to be planted in the 1950's).



Over the decades, the District evolved from a small, locally focused water provider into a modern public utility, expanding its infrastructure, professional staff, and operational capabilities to meet changing community needs. The District's water treatment plant (RE Badger Water Treatment Plant, named after a former director of the District) was constructed in 1970, and is shared with San Dieguito Water District (SDWD), who provides service to the City of Encinitas. SDWD pays their proportionate share of operating and capital costs for these facilities, whose percentage is determined by the existing agreement, though SFID is the managing entity and all employees at the treatment plant are SFID employees. (below are 1933 service map & Admin building in 1926)



Service Territory

Santa Fe Irrigation District serves a diverse and engaged community of approximately 19,800 residents across 10,326 acres in northern San Diego County, including the City of Solana Beach and the unincorporated communities of Rancho Santa Fe and Fairbanks Ranch. The District provides reliable potable and recycled water service with a strong focus on local accountability and customer satisfaction, supported by a five-member elected Board of Directors and professional staff committed to community responsiveness and long-term planning.



Rancho Santa Fe is an affluent, primarily residential community known for its large estate properties, scenic landscapes, and high quality of life. With a population of roughly 2,500-3,200 residents, Rancho Santa Fe features some of the highest

household incomes in the region, with median household incomes well above \$230,000, and a population profile that includes established families and older adults. The community values open space, local identity, and a strong sense of place.



Solana Beach, a coastal city of about 12,800 residents, blends residential neighborhoods with a vibrant small-town atmosphere near the Pacific Ocean. The community has a median household income around \$150,000, a high level of educational attainment, and a mix of age groups drawn to its coastal setting, quality schools,

and community amenities.



Fairbanks Ranch, located adjacent to Rancho Santa Fe, is an upscale residential area with roughly 3,000 residents, characterized by gated neighborhoods, equestrian facilities, and well-maintained open spaces. Median household incomes

in the area are also high (about \$250,000), and the community is known for its family-friendly environment, high homeownership levels, and scenic residential character.

Together, these communities form a service territory with strong economic capacity, active civic engagement, and a shared interest in sustainable water management, which informs the District's planning, investment, and customer service priorities.

District Strategic Plan / Mission & Vision (Located [HERE](#))



The Strategic Business Plan is the culmination of a comprehensive review of all aspects of the District. It includes an in-depth evaluation of current forecast challenges and opportunities, and potential responses. The Plan provides long-range policy direction to guide the District over the coming ten years.

The District's top priority is to ensure reliable, safe, and affordable water supplies, with a strong focus on restoring the cost and supply benefits of local water from Lake Hodges. This includes planning for the long-term management of local water rights and engaging in regional collaboration to control the cost of imported supplies.

Maintaining a skilled and innovative workforce is also essential, supported by targeted recruitment, retention, and development strategies. Finally, the District is committed to long-term financial health through continued sound planning and sustainable fiscal management.

Over time, as the Strategic Business Plan is implemented, customers can expect greater certainty around the availability of low-cost local water supplies, more stable imported water costs, continued improvements in organizational effectiveness, and the maintenance of strong finances while funding all identified needs.

A Detailed Work Plan will be developed to implement this policy guidance. The Plan was designed to be dynamic and be updated to meet evolving challenges, opportunities, and customer needs and expectations.

The Strategic Planning process and the District's other activities demonstrate our continuing commitment to providing cost-effective, high-quality, and reliable water service to our customers.

The mission of Santa Fe Irrigation District is to meet the water supply needs of all its customers- safely, sustainably, reliably, and cost-effectively.

The vision of the Santa Fe Irrigation District will enable us to proactively ensure:

Sustainable water supplies – providing, efficiently using, and managing water resources to cost effectively meet long-term customer needs.

Reliable infrastructure – planning, improving, and managing facilities to cost-effectively meet customer needs.

High-performing staff – creative, forward-thinking staff that provide excellent service in an inclusive, team-oriented environment.

Cost-effective operations – continually improving operations to efficiently deliver quality services.

Customer service focus – transparently communicating and engaging with customers, considering their interests, and exceeding expectations.

Environmental stewardship – adapting to our changing climate and decreasing our environmental impact.

Resiliency – planning and preparing for potentially significant events and threats to mitigate their effects.

Governance / Leadership & Decision Making

Santa Fe Irrigation District is governed by a five-member Board of Directors, all of whom are locally elected by registered voters within the District's service area. Each Director represents the community's interests and serves staggered four-year terms, ensuring continuity and community voice in policy decisions. The Board's core responsibilities include:

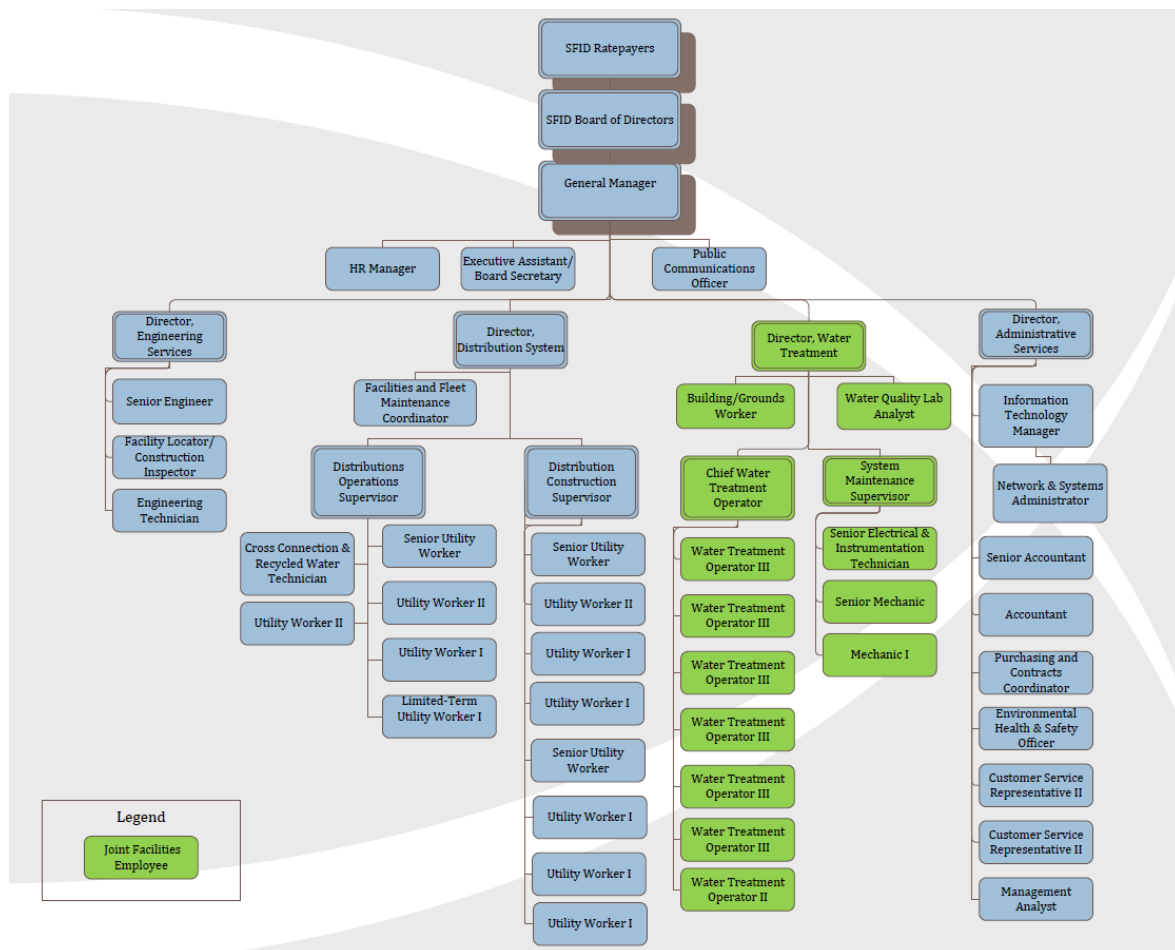
- Setting policy direction and long-term strategy for the District
- Adopting the budget, water rates, and capacity fees
- Providing oversight of District finances, operations, and major capital programs
- Appointing the General Manager and establishing performance expectations
- Ensuring transparent governance and accountability to customers and the public

The Board holds regular public meetings, typically monthly, where residents are encouraged to participate, ask questions, and stay informed about key decisions that affect water service, rates, and infrastructure investment.

The Board of Directors is supported by a professional management team led by the General Manager, who is responsible for day-to-day operations and carrying out the Board's strategic direction. Key management responsibilities include:

- Implementing Board policies and priorities
- Overseeing all District departments, including Finance, Engineering, Operations & Maintenance, Customer Service, and Administrative Services
- Managing water supply contracts, capital projects, and regional partnerships
- Ensuring regulatory compliance, financial integrity, and high-quality customer service
- Preparing analyses, reports, and recommendations for Board consideration
- Leading long-range planning efforts such as the Strategic Plan, Capital Master Plan, and financial planning

The management team is staffed with four separate directors: Director of Administrative Services / Director of Engineering Operations / Director of Water Treatment / Director of Distribution Services. Each individual is an experienced professional, each with over 15 years of water experience, who brings technical, financial, and operational expertise to support reliable water delivery and responsive service. The following is the District's organization chart for FY26, shows the joint facilities employees (whose cost are shared with SDWD), the relationship between the ratepayers / board / general manager, and current 50 approved full-time equivalent positions.



Rate Setting Process

Santa Fe Irrigation District sets water rates in accordance with Proposition 218, which requires transparency, public notice, and that rates reflect the cost of providing service. To ensure openness and meaningful community engagement, SFID held nine public workshops during Calendar Year 2024 focused on rate structure, long-range financial planning, and capital planning. These workshops allowed customers to understand cost drivers, ask questions, and provide input well before any rate decisions were considered.

This process culminated in the Board's adoption of a new three-year cost-of-service plan, which approved a 2 percent rate increase effective March 1, 2025 to support District operations, maintenance, and capital needs. The plan also authorized a maximum 5 percent rate increase in January 2026 and January 2027, if needed. At its November meeting, the Board determined that due to the District's strong financial position and prudent reserve management, SFID would use reserves to offset any increase related to internal District costs in January 2026. However, unavoidable increases in wholesale imported water costs were passed through to customers, resulting in an overall rate increase of approximately 5 percent. This approach balanced financial responsibility with the Board's commitment to minimizing impacts to ratepayers.



San Dieguito Reservoir - SFID local
water retention from Lake Hodges
& pre-treatment

Information Snapshot

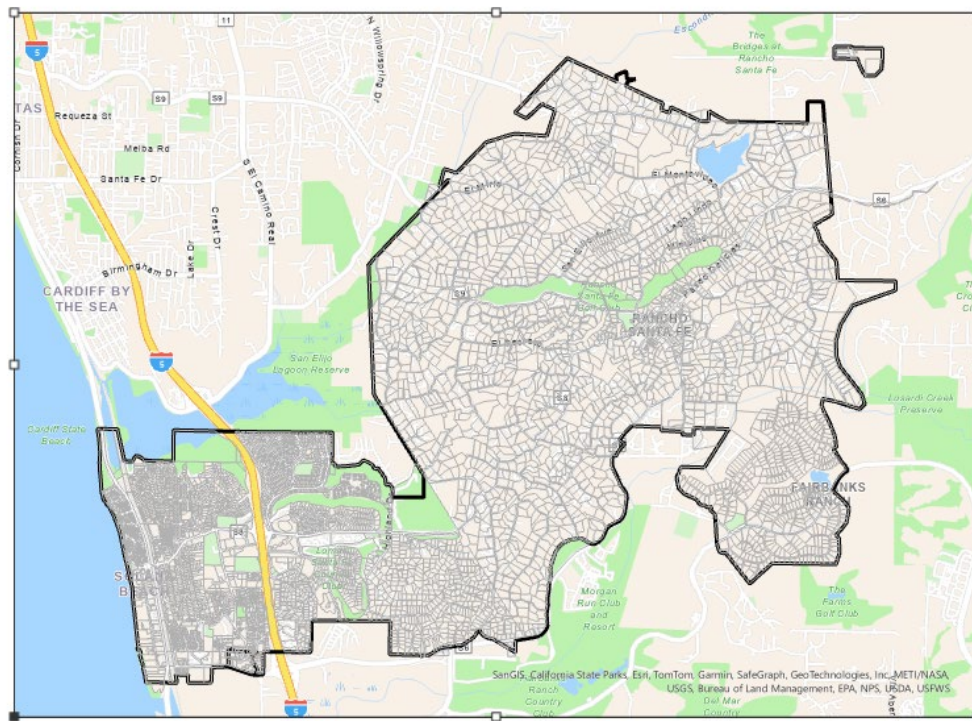
Demographic and Economic Indicators As of June 30, 2025		
Service Areas - SFID only	Solana Beach, Rancho Santa Fe, Fairbanks Ranch	
Service Areas - SDWD only	Cardiff, Encinitas, Leucadia	
SFID Service Area (square miles)	15.9	
Plant Service Area (square miles)	25.2	
Miles of Water Main ¹	157	
Number of Reservoirs ¹	2	
Number of Customer Service Connections ¹	8,031	
District Estimated Population Served ²	19,000	
Plant Approximate Population Served ²	58,000	
Unemployment Rate ³ (San Diego County)	5.0%	
Current Year Water Delivered (acre feet) ¹ (1 acre foot = 325,853 gallons)	9,984	
Current Year Water Supply (acre feet) - SFID only ¹		
Imported Treated	603	5.9%
Imported Raw	7,563	74.6%
Local Raw	1,352	13.3%
Recycled	620	6.1%
Total	10,138	100.0%
Current Year Water Use (acre feet) - SFID only ¹		
Residential	8,252	82.7%
Commercial/Industrial	393	3.9%
Irrigation	609	6.1%
Agricultural	30	0.3%
Public and Other	80	0.8%
Recycled	620	6.2%
Total	9,984	100.0%
Current Year Water Production by Source (acre feet) - SFID & SDWD ^{4, 5}		
Imported Treated Water	949	6.2%
Imported Untreated Water	11,829	77.2%
Local Untreated Water	2,547	16.6%
Total	15,326	100.0%
Current Year Water Production by District (acre feet) - SFID & SDWD ^{4, 5}		
Santa Fe Irrigation District	9,628	62.8%
San Dieguito Water District	5,698	37.2%
Total	15,326	100.0%

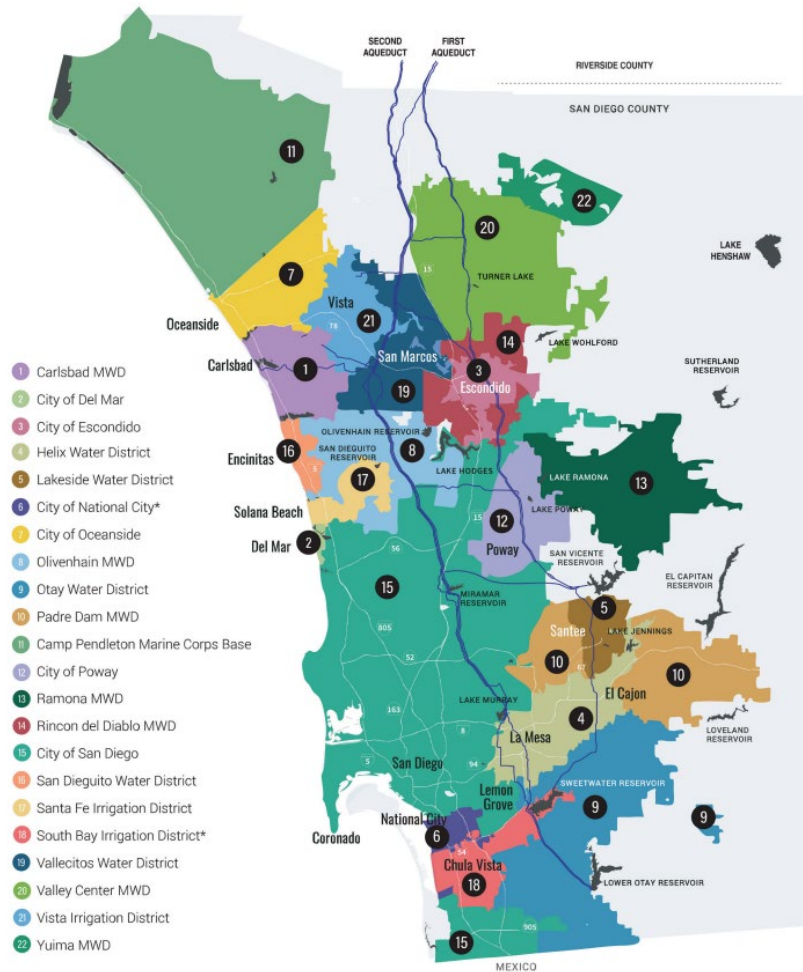
**Operating Indicators
Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Full-Time Equivalent Employees	29.8	31.0	33.5	32.0	45.0	48.0	48.0	47.0	49.0	50.0	50.7
Average Years of Employment	10.4	8.4	9.4	10.6	11.4	10.9	11.0	11.5	8.3	8.9	10.4
Employee Turnover	18.50%	8.50%	11.10%	0.03%	8.89%	9.43%	12.50%	4.00%	20.00%	13.00%	13.81%
Percentage of Water Losses	5.80%	6.56%	3.35%	6.10%	4.90%	5.20%	5.20%	2.40%	3.07%	1.52%	1.53%
Demand for Services											
New Connections	12	7	3	15	6	4	8	3	5	4	14
New Fire line Connections	34	47	38	51	47	41	33	37	42	39	34
Water Main Breaks	12	13	16	11	13	8	4	6	6	6	11
Average Daily Consumption (acre feet)	30.8	20.6	24.6	27.5	23.4	24.9	27.7	27.1	22.7	22.2	27.4
Capital Assets											
Water Mains (miles of pipe)	148	148	157	157	157	157	157	157	157	157	157
Fire Hydrants	1,260	1,267	1,269	1,283	1,283	1,283	1,295	1,284	1,288	1,298	1,297
Maximum Daily Capacity (mill. gallons)	16.39	12.32	14.33	13.16	14.4	14.4	14.4	14.4	13.6	18.7	20.6
Water Production by District (acre feet)											
Santa Fe Irrigation District	10,691	7,999	9,396	10,462	8,534	9,099	10,104	9,909	8,278	8,118	9,628
San Dieguito Water District	6,329	5,238	5,430	6,109	5,247	5,683	6,212	5,790	5,220	5,087	5,698
Totals	17,020	13,238	14,826	16,572	13,780	14,781	16,317	15,698	13,498	13,205	15,326
Water Production by Source (acre Feet)											
Imported Water	15,602	9,958	11,469	8,486	9,897	8,793	10,710	11,953	11,215	10,496	12,779
Local Water	1,413	3,280	3,357	8,085	3,884	5,988	5,607	3,745	2,282	2,709	2,547
Totals	17,015	13,238	14,826	16,572	13,780	14,781	16,317	15,698	13,498	13,205	15,326

District Boundaries

The District is in north San Diego County, expanding from pacific ocean in the west (Solana Beach) to unincorporated San Diego County in the east (Rancho Santa Fe / Fairbanks). The following is the District boundaries & other SDCWA agencies.





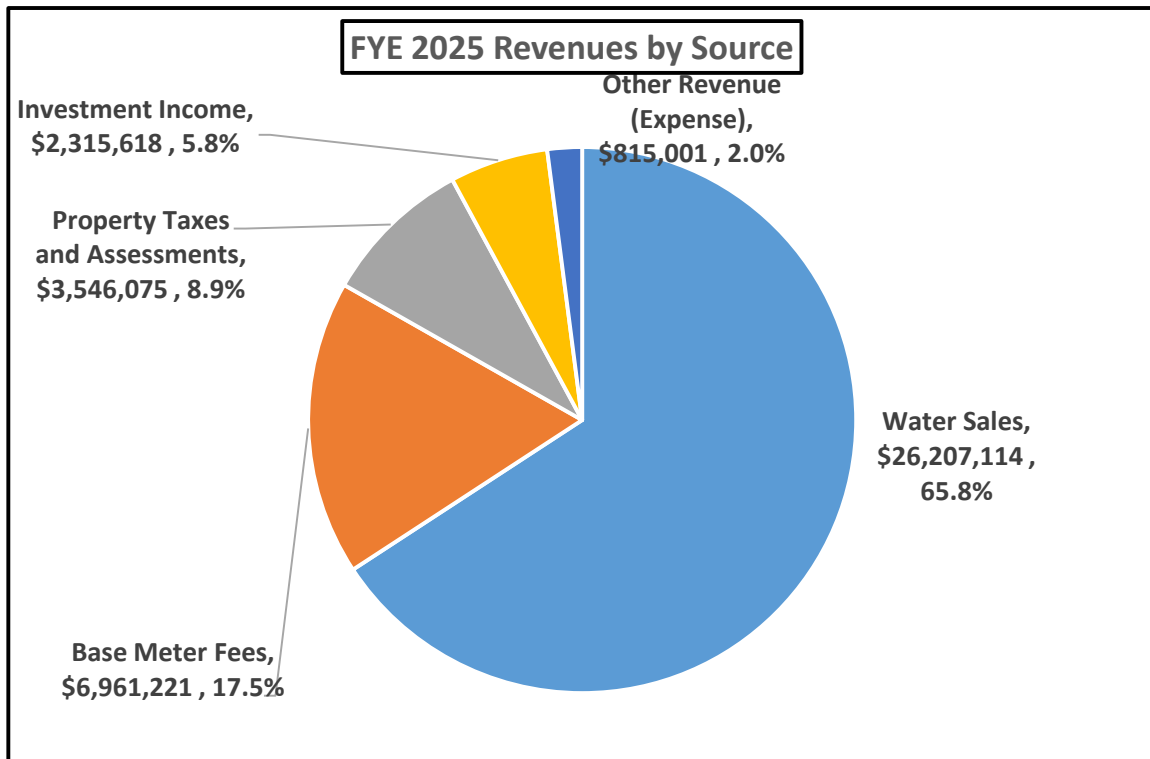
Where the Money Comes From / Operating Revenues

Santa Fe Irrigation District's revenues are primarily derived from water sales and base meter fees, which together provide a stable and predictable funding source for daily operations, capital reinvestment, and long-term planning. Water sales reflect customer demand and wholesale water costs, while base meter fees help ensure that fixed system costs are recovered equitably regardless of year-to-year water use. Property taxes and assessments provide a smaller but consistent revenue stream, and investment income supplements revenues while supporting financial stability.

Over recent years, total revenues have generally trended upward, reflecting adjustments to rates to keep pace with inflation, rising wholesale water costs, and infrastructure needs, while maintaining a strong emphasis on affordability and ratepayer equity. Revenue variability from conservation and weather patterns has been managed through sound financial planning and diversified revenue sources. Overall, the District's revenue structure balances stability and flexibility, allowing SFID to meet current service needs while preparing for long-term challenges. FY23/24 revenues reflect wet years and reduced demand due to high levels of irrigation requirements in the District, with FY25 reflecting a more "normalized" usage level.

**Revenues by Source
Last Ten Fiscal Years**

Fiscal Year	Water Sales	Fixed Charges	Property Tax	Investment Income/(Loss)	Other Revenue	Total Revenues
2016	\$ 13,755,595	\$ 3,700,610	\$ 2,190,932	\$ 225,566	\$ 421,304	\$ 20,294,007
2017	16,548,196	4,895,700	2,285,521	114,260	541,569	24,385,246
2018	20,864,372	5,352,584	2,406,427	260,625	610,606	29,494,614
2019	18,472,415	5,535,582	2,518,010	646,817	3,945,254	31,118,078
2020	18,865,808	5,507,678	2,645,623	750,509	5,042,653	32,812,271
2021	22,956,425	5,388,296	2,742,685	43,528	6,906,997	38,037,931
2022	23,122,259	5,621,633	2,858,547	(519,091)	4,053,803	35,137,151
2023	20,137,050	5,685,882	3,130,721	1,277,830	3,955,372	34,186,855
2024	20,382,104	6,300,767	3,340,364	2,487,981	1,129,422	33,640,638
2025	26,207,114	6,961,221	3,546,378	2,314,131	815,001	39,843,845



How the Money Is Spent / Operating Expenses

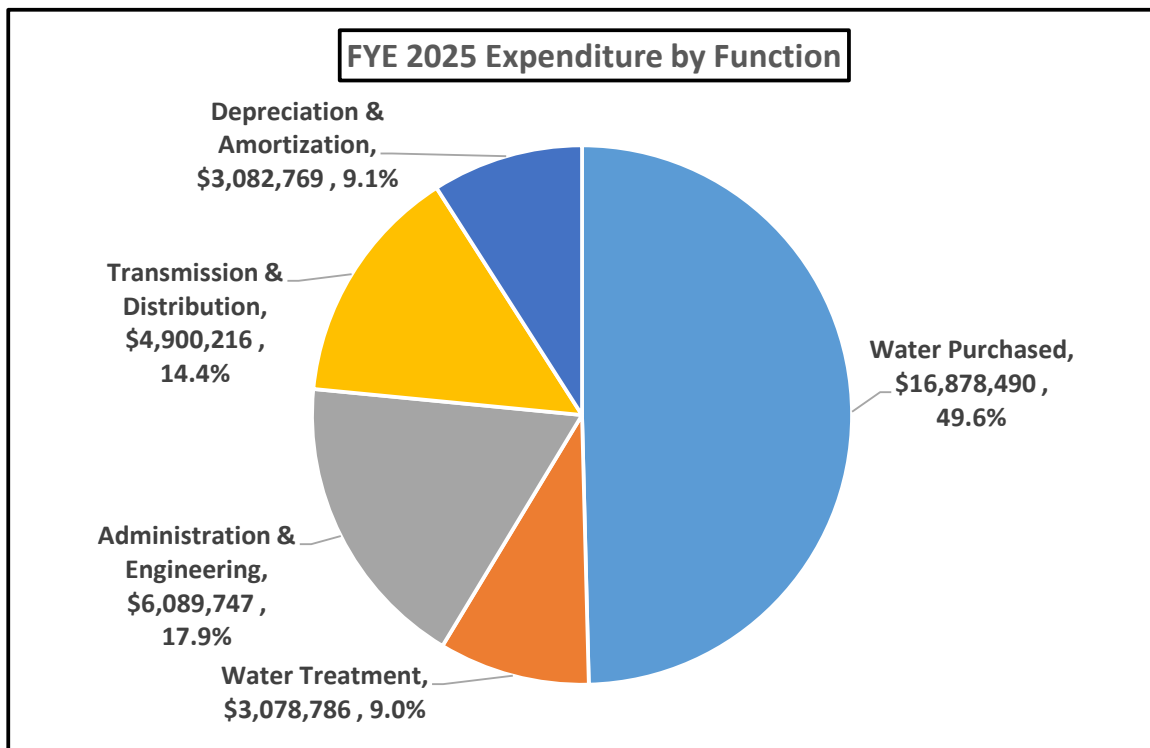
Santa Fe Irrigation District's expenses are largely driven by the cost of water sold, which represents the District's largest expenditure and is directly influenced by regional wholesale water rates, supply availability, and regulatory requirements. Other major expense categories include administration and engineering, transmission and distribution, and water treatment, all of which support the safe, reliable delivery of water and the ongoing maintenance of the District's infrastructure. Depreciation and amortization reflect long-term investments in facilities and pipelines that serve the community over multiple decades.

Over time, total expenses have trended upward, driven primarily by increasing imported water costs, inflationary pressures on labor and materials, and continued reinvestment in aging infrastructure. While some cost categories fluctuate year to year based on operational needs and project timing, the overall trend underscores the growing cost of providing reliable water service in a highly regulated and resource-constrained environment. Through careful budgeting, efficiency initiatives, and long-range planning, the District continues to manage these cost pressures while maintaining high service levels and financial stability.

Expenses by Function

Last Ten Fiscal Years

Fiscal Year	Cost of Water Sold	Water Treatment	Transmission /Distribution	Administration/ Engineering	Depreciation/ Amortization	Interest Expense	Total Expenses
2016	\$ 8,726,055	\$ 3,524,262	\$ 2,959,956	\$ 3,568,376	\$ 1,294,022	\$ 224,073	\$ 20,296,744
2017	10,767,457	3,796,508	3,577,141	3,623,753	1,372,239	178,973	23,316,071
2018	9,855,760	5,040,433	3,653,614	3,745,485	1,359,335	115,188	23,769,815
2019	10,459,108	4,239,608	4,633,305	4,486,328	3,243,425	53,341	27,115,115
2020	9,908,066	4,850,871	4,955,372	5,063,619	3,278,660	163,686	28,220,274
2021	11,805,372	4,821,055	4,943,091	5,046,793	3,162,004	-	29,778,315
2022	13,421,962	4,593,864	5,316,858	6,282,465	3,252,777	-	32,867,926
2023	13,749,382	4,287,347	4,627,542	5,578,108	3,622,280	-	31,864,659
2024	13,141,800	2,513,669	4,014,084	4,596,123	2,938,549	-	27,204,225
2025	16,878,490	3,078,786	4,900,216	6,089,747	3,082,769	-	34,030,008



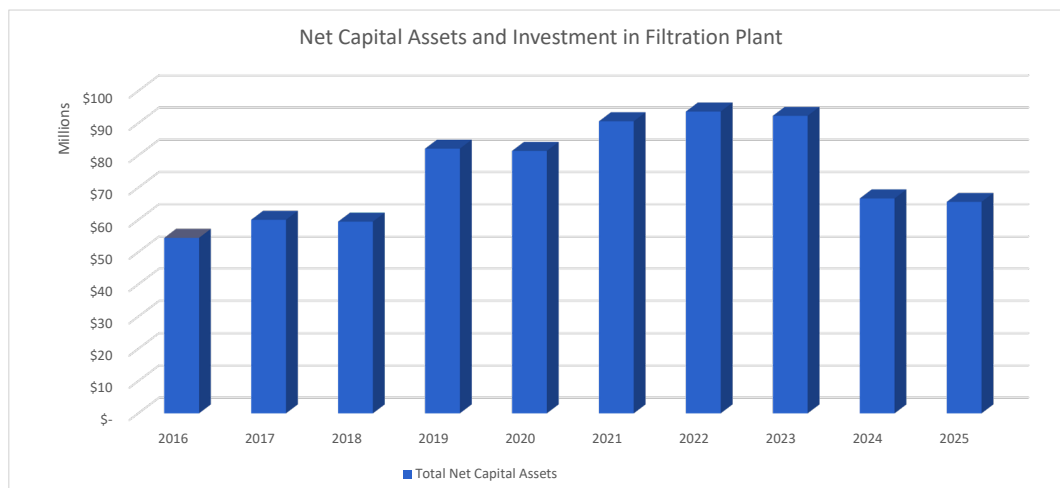
Capital Assets & Infrastructure

Capital spending at Santa Fe Irrigation District supports the long-term reliability and performance of the District's water treatment facilities, distribution system, and administrative and operational infrastructure. These investments are guided by a comprehensive Capital Master Plan, originally developed in 2020, which establishes priorities for system renewal, capacity, and regulatory compliance. The Capital Master Plan is currently being updated and is anticipated to be completed in 2026 to reflect updated condition assessments, maintenance records, regulatory requirements, and evolving system needs.

The District's capital program is deliberately structured to emphasize financial sustainability and independence. SFID funds capital improvements on a pay-as-you-go basis and carries no long-term debt, allowing the District to avoid interest costs and maintain flexibility. Capital investments are supported by a combination of rate revenues and non-rate funding sources, including property taxes, investment income, and the non-cash expense of depreciation, ensuring that infrastructure reinvestment is balanced with ratepayer affordability. This disciplined approach allows the District to reinvest in critical assets while preserving strong reserves and long-term financial stability. The following is the District's investment in capital over the last ten years.

Net Capital Assets and Investment in Filtration Plant
Last Ten Fiscal Years

Fiscal Year	Land & Imprvmts	Construction in Progress	Buildings	Distrib System	Reservoirs	Investment in Filt Plant	Misc Equip. & Intangible Assets	Gross Capital Assets	Accumulated Depreciation	Total Net Capital Assets
2016	\$ 319,555	\$ 1,207,571	\$ 3,003,823	\$ 43,175,427	\$ 1,620,731	\$ 23,146,050	\$ 3,110,173	\$ 75,583,330	\$ (21,117,469)	\$ 54,465,861
2017	319,555	1,454,763	3,036,599	46,776,681	1,620,731	25,139,648	4,202,289	82,550,266	(22,489,708)	60,060,558
2018	319,555	502,867	3,036,599	48,687,635	1,620,731	24,688,286	4,462,256	83,317,929	(23,832,759)	59,485,170
2019	1,696,320	1,457,769	3,153,876	49,636,251	1,636,307	44,221,787	5,512,174	107,314,484	(25,183,915)	82,130,569
2020	1,696,320	3,318,260	3,213,456	49,636,251	1,646,540	42,641,120	6,116,209	108,268,156	(26,843,176)	81,424,980
2021	1,696,320	13,282,985	3,305,873	51,009,497	1,646,540	41,411,826	6,644,043	118,997,084	(28,386,019)	90,611,065
2022	1,696,320	10,331,373	3,389,257	51,843,551	1,633,805	47,206,300	6,830,606	122,931,212	(29,291,401)	93,639,811
2023	1,696,320	2,125,749	3,498,572	51,843,551	1,633,805	55,502,989	7,048,951	123,349,938	(31,029,952)	92,319,986
2024	883,340	3,432,996	3,554,174	50,602,823	1,633,805	50,602,823	7,499,119	118,209,079	(51,528,796)	66,680,282
2025	883,340	1,140,056	3,599,088	55,288,486	1,633,805	50,577,612	6,953,293	120,075,680	(54,467,545)	65,608,134



Lake Hodges / Dam



Lake Hodges has long been a critical local water resource for the Santa Fe Irrigation District and the communities it serves. The reservoir is owned and operated by the City of San Diego, while SFID holds long-standing contractual water rights that historically allowed the District to access a substantial portion of its supply locally. For decades, Lake Hodges provided approximately one-third of the District's annual water needs, offering a reliable, drought-resilient source that reduced dependence on imported water and helped stabilize costs for ratepayers.

Local water from Lake Hodges has also been significantly more affordable than imported supplies. The historical cost of local water has been approximately \$250 per acre-foot (one acre-foot equals about 326,000 gallons), compared to San Diego County Water Authority imported water costs of approximately \$1,496 per acre-foot in Calendar Year 2025. Restrictions imposed on Lake Hodges due to dam safety requirements have severely limited SFID's access to this low-cost supply. As a result, the District has been forced to replace local water with significantly more expensive imported supplies, contributing to rate impacts estimated to be as high as 40 percent for customers over time. Compounding the issue, the limited water that can be accessed under current restrictions is often of poor quality, further reducing its practical benefit.

The current limitations stem from dam safety requirements overseen by the California Division of Safety of Dams (DSOD), which imposed water-level restrictions until long-term repair or replacement solutions are implemented by the City of San Diego. These solutions carry substantial cost and complexity, and SFID has been informed that it could be responsible for approximately 14 percent of the cost of any long-term remedy, despite not owning the dam. SFID is actively engaged in litigation with the City of San Diego to address both this potential financial obligation and the loss of access to its

historic water supply. The impacts of these restrictions were especially evident in Fiscal Years 2023 and 2024, when high rainfall events occurred but SFID was unable to capture an estimated 25,000 acre-feet of water due to water-level limitations.

Santa Fe Irrigation District remains firmly committed to protecting its customers' interests and restoring the full local water benefits historically provided by Lake Hodges. The District continues to pursue all available avenues—technical, regulatory, and legal—to hold the City of San Diego accountable for delayed dam repairs and to ensure that local water rights are preserved. Restoring access to Lake Hodges is essential to long-term affordability, supply reliability, and local water resilience, and SFID will continue to advocate vigorously on behalf of its ratepayers until meaningful progress is achieved.

Long-Term Planning / Imported Water

Santa Fe Irrigation District approaches long-term planning with a deliberate, forward-looking framework designed to balance reliability, affordability, and sustainability. Central to this effort is the development of an annual 10-year financial and operational outlook, which integrates projected operating needs, staffing and personnel requirements, anticipated inflationary pressures, and capital investment needs identified in the District's Capital Master Plan. This outlook also incorporates long-range projections from the San Diego County Water Authority (SDCWA), allowing the District to assess future cost drivers and proactively plan for financial resilience and ratepayer equity.

Imported water costs remain the single largest driver of long-term cost increases for SFID and other regional agencies. These increases are largely attributable to SDCWA's significant investments in water diversification and storage programs, many of which were designed to improve regional reliability during drought conditions. In addition, large-scale potable reuse projects—such as the City of San Diego's Pure Water program (approximately 30,000 acre-feet per year) and the East County water purification project (approximately 13,000 acre-feet per year)—have added substantial new supply to the regional system. When combined with sustained conservation by residents across San Diego County, these projects have resulted in excess water supplies that exceed current sales levels.

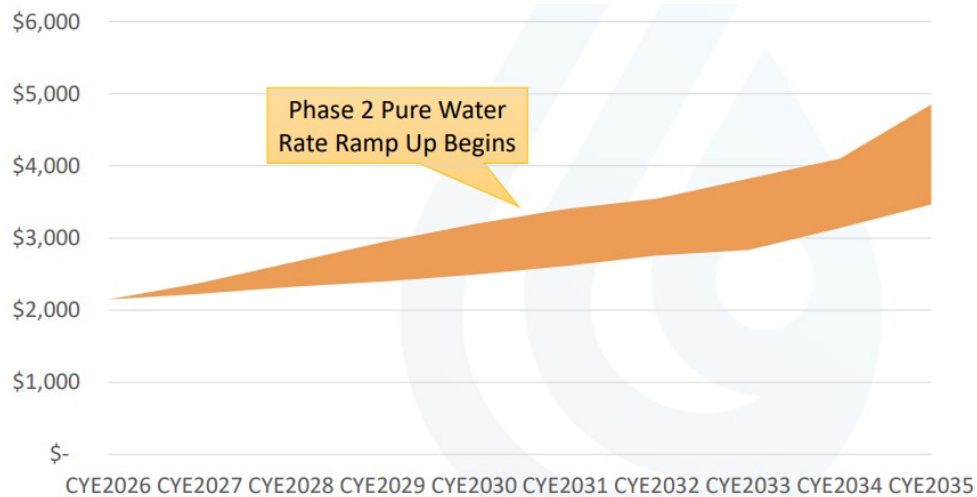


As a result, SDCWA is now managing an estimated 50,000 acre-feet of excess water, which it is seeking to market and sell to other agencies throughout the Southwest. While these efforts may help offset some fixed costs

in the near term, SDCWA has indicated that without successful sales of this surplus water, imported water rates could rise dramatically—potentially reaching approximately \$5,000 per acre-foot by 2035. SFID closely monitors these projections and incorporates them into its long-term outlook to better understand future risks and identify strategies to mitigate rate impacts.

Through disciplined long-range planning, regional advocacy, and continuous evaluation of alternatives, Santa Fe Irrigation District remains focused on anticipating challenges rather than reacting to them. By aligning financial forecasting, capital planning, and water supply analysis, the District is better positioned to protect its customers from volatility, advocate for cost containment at the regional level, and maintain reliable

service in an increasingly complex water supply environment. The following is SDCWA's long-range projection for imported, untreated water, showing higher variability when other large-scale local water development projects begin.



Investment Management

The District's General Manager is also the Treasurer, who makes decisions or delegates this authority to achieve the following in order of importance: preservation of principle, liquidity, and return. The District has made investments in medium-term certificates of deposit, investment grade notes, and US Treasuries to preserve yield in a declining interest rate environment in addition to utilizing approved pool funds (such as the Local Agency Investment Fund managed by the California State Treasurer's Office). This approach balances these objectives in their order of importance, while preserving yield to aid in offsetting any potential rate increases.

Financial Policies & Reserves

Santa Fe Irrigation District maintains a comprehensive set of financial policies designed to promote long-term stability, transparency, and responsible stewardship of ratepayer funds. These policies guide how the District plans, budgets, invests, and manages reserves, ensuring that financial decisions are consistent, disciplined, and aligned with the District's mission. Collectively, the policies address budgeting and forecasting, reserve targets, capital funding, investment management, and risk mitigation, providing a clear framework for decision-making even as external conditions change.

A central element of SFID's financial framework is its reserve policies, which establish minimum and target fund balance levels to protect the District against uncertainty. These reserves help manage variability in water demand, volatility in imported water costs, inflationary pressures, emergency events, regulatory changes, and large capital needs. By building reserves during stable periods, the District is better positioned to absorb cost shocks, avoid sudden rate increases, and maintain reliable service during challenging conditions.

Over time, SFID's fund balance has grown deliberately and prudently in recognition of increasing uncertainty in the water industry. This growth reflects disciplined budgeting,

conservative financial planning, and a commitment to preparing for future risks rather than reacting to them. At the same time, the Board of Directors carefully balances reserve levels with ratepayer affordability, using reserves strategically—when appropriate—to offset cost increases and reduce financial impacts to customers.

As of the end of Fiscal Year 2025, the District maintains a healthy unrestricted fund balance of approximately \$43.6 million, providing flexibility to respond to unforeseen challenges while supporting long-term infrastructure investment and financial resilience. This strong financial position allows SFID to continue delivering reliable water service, advocate for its customers, and plan confidently for the future, all while keeping affordability and equity at the forefront of financial decision-making. All information on policies/budgets/ACFRs can be located [HERE](#).

District Outlook

Santa Fe Irrigation District enters the coming years with a strong financial foundation, a clear strategic direction, and an ongoing commitment to serving the community with reliability, transparency, and fiscal responsibility. While the water industry continues to face significant uncertainty—from rising imported water costs and inflation to regulatory complexity and climate variability, the District is well positioned to navigate these challenges through disciplined planning, prudent financial management, and proactive advocacy on behalf of its ratepayers.

Looking ahead, the District’s priorities will focus on managing the long-term impacts of increasing wholesale water costs, advancing critical infrastructure investments identified in the Capital Master Plan, and maintaining a balance between financial resilience and ratepayer affordability. Continued long-range forecasting, reserve planning, and careful monitoring of regional water supply trends will remain essential tools in managing risk and minimizing rate volatility. At the same time, SFID will continue to pursue opportunities to reduce costs, enhance operational efficiency, and protect access to affordable local water supplies.

Santa Fe Irrigation District remains committed to thoughtful governance, transparent decision-making, and strong regional engagement. By aligning strategic planning, capital investment, and financial stewardship, the District will continue to adapt to changing conditions while preserving service reliability and community trust. This forward-looking approach ensures SFID is prepared not only for today’s challenges, but for the evolving needs of its customers well into the future.

Conclusion & Transparency

Fiscal Year 2025 reflects Santa Fe Irrigation District’s continued commitment to sound financial stewardship, transparent governance, and prioritizing the interests of its ratepayers. Through disciplined budgeting, long-term planning, and careful oversight, the District maintained a strong financial position while navigating rising costs and ongoing uncertainty in the water industry. These efforts were recognized through the Government Finance Officers Association (GFOA), with the District receiving the Distinguished Budget Presentation Award for FY25 and the Certificate of Achievement for Excellence in Financial Reporting for FY24 and submitting its FY25 financial report for GFOA consideration.

These accomplishments underscore SFID's dedication to accountability, clarity, and best practices in public financial reporting. By clearly communicating how public funds are managed and how decisions are made, the District strives to build trust and ensure customers understand the value of the services provided. Transparency and ratepayer equity remain central to every financial and operational decision, guiding the District's approach today and into the future.

If you have questions about the information presented in this report or would like to learn more about Santa Fe Irrigation District's finances, planning efforts, or services, please contact:

Santa Fe Irrigation District
PO Box 409 / 5926 Linea Del Cielo
Rancho Santa Fe, CA 92067
Phone: (858) 756-2424
Email: customerservice@sfidwater.org

Website: www.sfidwater.org

The District welcomes community engagement and values the opportunity to provide additional information or assistance.

